

People's Utah Bancorp  
Form S-1  
April 20, 2015  
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As filed with the Securities and Exchange Commission on April 20, 2015

Registration No. 333-

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM S-1  
REGISTRATION STATEMENT  
*UNDER*  
*THE SECURITIES ACT OF 1933*

**PEOPLE S UTAH BANCORP**  
(Exact name of registrant as specified in its charter)

Utah	6022	87-0622021
State or other jurisdiction of	(Primary Standard Industrial	(IRS Employer
incorporation or organization	Classification Code Number)	Identification Number)

**1 East Main Street**

**American Fork, UT 84003**

**(801) 642-3998**

**(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)**

**Richard T. Beard**

**President and Chief Executive Officer**

**1 East Main Street**

**American Fork, UT 84003**

**(801) 642-3998**

**(Name, address, including zip code, and telephone number, including area code, of agent for service)**

*Copies to:*

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**Approximate date of commencement of proposed sale to the public:** As soon as practicable after the effective date of this Registration Statement.

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If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933 check the following box: "

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. "

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one)

Large accelerated filer "	Accelerated filer "
Non-accelerated filer <input checked="" type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company "

### Calculation of Registration Fee

Title of each class of securities to be registered	Proposed maximum aggregate offering price <sup>(1)</sup>	Amount of registration fee
Common Shares, \$0.01 par value	40,250,000	4,677.05

<sup>(1)</sup> Estimated pursuant to Rule 457(o) under the Securities Act of 1933, as amended, solely for the purpose of computing the amount of the registration fee and includes shares that the underwriters have the option to purchase to cover over-allotments.

**The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission, acting pursuant to Section 8(a), may determine.**

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**The information in this preliminary prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and we are not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.**

**SUBJECT TO COMPLETION, DATED                      , 2015**

**PROSPECTUS****Common Shares**

This prospectus relates to the initial public offering of common shares by People's Utah Bancorp, holding company for Bank of American Fork and Lewiston State Bank. We are offering up to                      common shares at a public offering price of \$                      per share. This prospectus also relates to the offering of up to                      common shares by the selling shareholders identified in this prospectus. We will bear all of the selling shareholders' offering expenses other than underwriting discounts and commissions but will not receive any proceeds from sales by the selling shareholders.

Prior to this offering there has been no public market for our common shares. We currently anticipate that the initial public offering price will be between \$                      and \$                      per share. We intend to apply to list our common shares on The NASDAQ Capital Market under the symbol PUB . We are an emerging growth company under the federal securities laws and will be subject to reduced public company reporting requirements.

**Investing in our common shares involves risk. See Risk Factors beginning on page 12.**

	<b>Per Share</b>	<b>Total</b>
Initial public offering price	\$	\$
Underwriting discounts and commissions	\$	\$
Proceeds to us before expenses	\$	\$
Proceeds to selling shareholders before discounts and commissions	\$	\$

We have granted the underwriters an option to purchase up to                      additional common shares at the initial public offering price less the underwriting discount, within 30 days following the date of this prospectus to cover over-allotments, if any.

**NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.**

**THE SECURITIES OFFERED HEREBY ARE NOT SAVINGS OR DEPOSIT ACCOUNTS OR OTHER OBLIGATIONS OF ANY BANK SUBSIDIARY OF PEOPLE S UTAH BANCORP, AND THEY ARE NOT INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION OR ANY OTHER GOVERNMENTAL AGENCY.**

The underwriters expect to deliver the common shares to purchasers on or about \_\_\_\_\_, 2015.

**D.A. Davidson & Co.**

**Sandler O Neill + Partners, L.P.**

The date of this prospectus is \_\_\_\_\_, 2015

**FIG Partners, LLC**

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**ABOUT THIS PROSPECTUS**

In this prospectus, unless the context suggests otherwise, references to **PUB** refer to People's Utah Bancorp alone, and references to **we**, **us**, and **our** refer to People's Utah Bancorp together with our principal Utah state-chartered banking subsidiaries, Bank of American Fork, or BAF, and Lewiston State Bank, or LSB. We refer to each of BAF and LSB as a **Bank** and together as the **Banks**.

You should rely only on the information contained in this prospectus or in any related free writing prospectus filed with the Securities and Exchange Commission and used or referred to in this offering. The selling shareholders and the underwriters have not authorized anyone to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. The selling shareholders and the underwriters are offering to sell, and seeking offers to buy, common shares only in jurisdictions where offers and sales are permitted. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or any sale of our common shares. Our business, financial condition, results of operations and prospects may have changed since that date.

This prospectus describes the specific details regarding this offering and the terms and conditions of the common shares being offered hereby and the risks of investing in our common shares. You should read this prospectus, any free writing prospectus and the additional information about us described in the section entitled *Where You Can Find More Information* before making your investment decision.

Neither we, nor any of our officers, directors, agents or representatives or underwriters, make any representation to you about the legality of an investment in our common shares. You should not interpret the contents of this prospectus or any free writing prospectus to be legal, business, investment or tax advice. You should consult with your own advisors for that type of advice and consult with them about the legal, tax, business, financial and other issues that you should consider before investing in our common shares.

People's Utah Bancorp and its logos and the trademarks referred to in this prospectus including, CHECKSMART<sup>®</sup>, CITY BANKING SMALL TOWN SERVICE<sup>®</sup>, BANK OF AMERICAN FORK MISCELLANEOUS DESIGN<sup>®</sup> (Bank of American Fork triangle logo), EXPRESSDEPOSIT<sup>®</sup>, MYRATE CHECKING<sup>®</sup>, SAVESMART DIRECT<sup>®</sup>, PEOPLE'S UTAH BANCORP (STYLIZED/DESIGN)<sup>®</sup>, PEOPLE'S UTAH BANCORP, LSB (STYLIZED/DESIGN)<sup>®</sup>, LEWISTON STATE BANK, LEWISTON STATE BANK (STYLIZED/DESIGN)<sup>®</sup>, ESTABLISHED FOR YOUR FUTURE<sup>®</sup> and MERCHANT CHECK RECAPTURE<sup>®</sup> are trademarks of PUB. Solely for convenience, we refer to our trademarks in this prospectus without the <sup>®</sup> symbol, but such references are not intended to indicate that we will not assert, to the fullest extent under applicable law, our rights to our trademarks. Other service marks, trademarks and trade names referred to in this prospectus are the property of their respective owners.

**INDUSTRY AND MARKET DATA**

This prospectus includes industry and market data that we obtained from periodic industry publications, third party studies and surveys, filings of public companies in our industry and internal company surveys. These sources include government and industry sources. Industry publications and surveys generally state that the information contained therein has been obtained from sources believed to be reliable. Although we believe the industry and market data to be reliable as of the date of this prospectus, this information could prove to be inaccurate. Industry and market data could be wrong because of the method by which sources obtained their data and because information cannot always be verified with complete certainty due to the limits on the availability and reliability of raw data, the voluntary nature of the data gathering process and other limitations and uncertainties. In addition, we do not know all of the assumptions regarding general economic conditions or growth that were used in preparing the forecasts from the sources relied

upon or cited herein.

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**IMPLICATIONS OF BEING AN EMERGING GROWTH COMPANY**

As a company with less than \$1 billion in revenues during our last fiscal year, we qualify as an emerging growth company under the Jumpstart Our Business Startups Act of 2012, or the JOBS Act. As an emerging growth company, we may take advantage of reduced reporting requirements and are relieved of certain other significant requirements that are otherwise generally applicable to public companies. As an emerging growth company,

we are permitted to present only two years of audited financial statements and only two years of related Management's Discussion and Analysis of Financial Condition and Results of Operations in this prospectus; however, we have elected to present three years of audited financial statements and related Management's Discussion and Analysis of Financial Condition and Results of Operations;

we are exempt from the requirement to obtain an attestation and report from our auditors on the assessment of our internal control over financial reporting under the Sarbanes-Oxley Act of 2002, or SOX;

we are permitted to provide less extensive disclosure about our executive compensation arrangements; and

we are not required to present to our shareholders non-binding advisory votes on executive compensation or golden parachute arrangements.

We may take advantage of these provisions for up to five years unless we earlier cease to be an emerging growth company. We will cease to be an emerging growth company if we have more than \$1 billion in annual gross revenues, have more than \$700 million in market value of our common shares held by non-affiliates, or issue more than \$1 billion of non-convertible debt in a three-year period. We have elected in this prospectus to take advantage of scaled disclosure relating only to executive compensation arrangements. We do not intend to take advantage of any other scaled disclosure or relief during the time that we qualify as an emerging growth company, although the JOBS Act would permit us to do so.

In addition to scaled disclosure and the other relief described above, the JOBS Act allows an extended transition period for complying with new or revised accounting standards affecting public companies. However, we have elected not to take advantage of this extended transition period, which means that the financial statements included in this prospectus, as well as financial statements that we file in the future, will be subject to all new or revised accounting standards generally applicable to public companies. Our election not to take advantage of the extended transition period is irrevocable.

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**PROSPECTUS SUMMARY**

*This is only a summary and does not contain all the information that you should consider before investing in our common shares. You should read the entire prospectus, including Risk Factors and our consolidated financial statements and related notes appearing elsewhere in this prospectus, before deciding to invest in our common shares. Unless the context suggests otherwise, references in this prospectus to PUB refer to People's Utah Bancorp alone, and references to we, us, and our refer to People's Utah Bancorp together with our principal Utah state-chartered banking subsidiaries, Bank of American Fork, or BAF, and Lewiston State Bank, or LSB. We refer to each of BAF and LSB as a Bank and together as the Banks.*

**Overview**

We are a bank holding company, formed in 1998 and headquartered in American Fork, Utah, which is located on the I-15 corridor between the cities of Salt Lake City and Provo. We have 18 banking branches operated through our two wholly-owned banking subsidiaries, BAF and LSB, which began offering banking services in 1913 and 1905, respectively. We provide full-service retail banking in many of the leading population centers in the state of Utah, including a wide range of banking and related services to locally-owned businesses, professional firms, real estate developers, residential home builders, high net-worth individuals, investors and other customers. Our primary customers are small- and medium-sized businesses that require highly personalized commercial banking products and services. We believe we have a strong reputation in our markets. As of September 30, 2014, the BauerFinancial rating for BAF was 5-Star Superior and for LSB was 4-Star Excellent. A substantial portion of our business is with customers who have long-standing relationships with us or who have been referred to us by existing customers. BAF has been recognized through numerous awards and recognitions including the 2014 Community Commitment Award by the American Bankers Association, the 2014 National Community Bank Service Award by the Independent Community Bankers of America and recognition in 2014 as the best community bank by Best of State Magazine.

We are the largest community bank holding company in the state of Utah based on asset size, deposits, loans and shareholders' equity. Upon completion of the offering, we will be the only exchange listed, publicly traded community bank holding company in the five state area comprised of Utah, Idaho, Wyoming, Nevada and New Mexico.

We believe we serve highly attractive markets in terms of economic strength, population demographics, competitive dynamics and long-term opportunities for growth. We believe we have a history of building long-term customer relationships and attracting new customers through our service-oriented corporate culture. We focus on educating our customers regarding banking products and services and then work to target products and services to specific customer needs. In addition, we believe that our strong capital position and experienced management team provide the strength and foundation we need to continue to grow our business.

**Market Opportunity**

We currently operate through 18 full-service branches including 17 branches located in Utah and one branch located in Preston, Idaho, which is near Logan, Utah. Utah is one of the fastest growing states in the United States in terms of population, ranking 7th in 2014 percentage growth according to the U.S. Census Bureau. Over 75% of Utah's population is concentrated along Interstate 15 or the I-15 Corridor, specifically within Davis, Weber, Salt Lake and Utah Counties. The next largest population centers in the state are in Washington and Cache Counties. Together with the I-15 Corridor, these counties make up approximately 84.7% of Utah's population. Most of the major business and economic activity in Utah is located in the counties where we currently have branches. We believe our markets will continue to exhibit high growth rates compared to the rest of the United States. We believe we can further penetrate the population centers in our existing markets and grow in contiguous markets and surrounding states by adding

branches and through strategic mergers or acquisitions.

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We have successfully executed our growth initiatives to-date through organic growth and a strategic merger through which we acquired LSB. In 2013, we merged with Lewiston Bancorp, the holding company of LSB and its four branches, which expanded our operations into Cache County, Utah, and into the State of Idaho. Lewiston Bancorp was merged into PUB and LSB became a wholly-owned subsidiary of PUB. While the Banks currently have separate charters, we anticipate consolidating the Banks' charters while continuing to do business under separate names.

The following table shows demographic information for our market areas and highlights Utah's rapid growth compared to the U.S. as a whole<sup>(1)</sup>.

Area	Percent of 2014 PUB Deposits	Market Share <sup>(1)</sup>	Market Ranking <sup>(1)</sup>	2014 Population <sup>(2)</sup>	% of Utah State 2014 Population	2020 Projected Population <sup>(3)</sup>	Projected Population Change 2014-2020	2014 Unemployment Rate <sup>(4)</sup>
Weber County, UT				240,475	8.2%	258,423	7.5%	3.9%
Davis County, UT	1.7%	0.8%	11	329,692	11.2%	356,968	8.3%	3.3%
Salt Lake County, UT	11.2%	0.4%	12	1,091,742	37.1%	1,180,859	8.2%	3.3%
Utah County, UT	65.7%	13.3%	3	560,974	19.1%	668,564	19.2%	3.3%
Total I-15 corridor <sup>(5)</sup>	78.6%	1.6%		2,222,883	75.5%	2,464,814	10.9%	3.3%
Cache County, UT <sup>(6)</sup>	21.2%	16.9%	3	118,343	4.0%	139,227	17.6%	3.1%
Washington County, UT	0.2%			151,948	5.2%	196,762	29.5%	3.9%
Total target markets <sup>(5)</sup>	100.0%	1.9%		2,493,174	84.7%	2,800,803	12.3%	3.3%
Utah		1.8%	6	2,942,902	100.0%	3,309,234	12.4%	3.5%
United States		<sup>(7)</sup>	429	318,857,056		339,540,606	6.5%	5.6%

(1) SNL: Briefing Book: June 30, 2014 Deposit Market Share - Banks. Non-retail branches are not included.

(2) U.S. Census Bureau - Vintage 2014 estimates.

(3) Utah Governor's Office of Economic Development.

(4) U.S. Bureau of Labor Statistics

(5) Market Share and 2014 Unemployment Rate totals are based on weighted averages

(6) Includes 3.30% of our deposits from one branch in Franklin County, Idaho

(7) U.S. market share for 2014 equals 0.01%

We believe our market area will continue to benefit from increased economic activity and high population growth, and will present opportunities to grow our customer base, resulting in a larger amount of deposits and a larger loan portfolio.

## **Our Competitive Strengths**

### ***Track Record of Successful Growth***

We have an established track record of successful growth through organic deposit, asset and branch expansion and our strategic merger through which we acquired LSB. From 2004 to 2014, our total assets grew from \$543 million to \$1.4 billion, a compound annual growth rate, or CAGR, of 9.7%. During the same period, our total gross loans grew at a CAGR of 8.9%. Our total deposits grew at a CAGR of 10.5% from 2004 to 2014. Further, from 2004 to 2014, our net income increased from \$8.9 million to \$14.9 million, representing a CAGR of 5.2%. During this period we found ways to offer attractive loan pricing, while maintaining a net interest margin above 4.0%. From 2010 to 2014, our total assets grew from \$842.9 million to \$1.4 billion, a CAGR of 12.9%. During the same period, our total gross loans grew at a CAGR of 12.6%, our total deposits grew at a CAGR of 12.8% and our shareholders equity grew at a CAGR of 12.3%. From 2010 to 2014, our net income increased from \$3.4 million to \$14.9 million, representing a CAGR of 44.6%.

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We have expanded organically by increasing our market share in select markets and by entering new markets, such as by opening new branches and loan production offices in Davis and Washington Counties. In addition, in 2014, we grew our assets by 5.2% through organic growth while successfully integrating LSB. As discussed further below, even with this growth we have maintained a strong capital position and strong asset quality, with net charge-offs of only 0.1% for the year ended December 31, 2014. We believe this track record of successful growth positions us to continue to grow in the future, both organically and through acquisition of other banking and financial services companies.

### ***Well Positioned in Growing and Attractive Markets***

The State of Utah was the 7th fastest growing state in the United States with population increasing in 2014 by 1.4%, as compared to 0.8% for the United States as a whole. The state's population is expected to grow an additional 14.1% from 2013 to 2020. This growth generates job creation, commercial development and housing starts. Our operations are focused in the most populous areas of the state, with 84.7% of the state's population located in our target market areas.

### ***Strong Reputation in our Markets***

We believe that we have a strong reputation in our markets, evidenced through numerous awards and recognitions including from the American Bankers Association and the Independent Community Bankers of America and being recognized as the best community bank by Best of State Magazine in 2014. In addition, as of September 30, 2014, the BauerFinancial rating for BAF was 5-Star Superior and for LSB was 4-Star Excellent. We believe our reputation and demonstrated ability to grow successfully, both organically and through mergers or acquisitions, will give us a competitive advantage in these growing markets. We also believe that our reputation has been established through a track record of safe and responsible growth in our target markets. We have been established in our markets for over 100 years with BAF established in 1913 and LSB established in 1905.

### ***Well Capitalized Position***

As of December 31, 2014, we were well capitalized, with an 11.32% Tier 1 leverage ratio and a 16.01% total risk-based capital ratio, both well above the required ratios for community banks of 5% and 10%, respectively. In addition, under the new capital rules of the Board of Governors of the Federal Reserve, or the Federal Reserve, that became effective on January 1, 2015, our pro forma Tier 1 leverage ratio and total risk-based capital ratio, calculated under the new capital rules, as of December 31, 2014, were 11.32% and 15.39%, respectively, still well above the required ratios identified above. We believe this capital position provides a strong foundation for us that will attract additional capital and facilitate our future growth. We also believe this capital position could help us respond to challenges in the event of an economic downturn.

### ***Our Experienced Senior Management Team***

Our senior management team has a long and successful history of managing financial institutions. Our senior management team has a demonstrated track record of managing profitable growth, successfully executing and integrating acquisitions, improving operating efficiencies, maintaining a strong risk-management culture and implementing a relationship-based and service-focused approach to banking. Our management team has been with us through periods of economic prosperity and recessionary periods, and we believe our management team understands how to manage and grow our business.

### ***Real Estate Expertise***



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We believe we have an expertise in real estate related loans, including loans for construction and land development projects and for the purchase, improvement or refinancing of residential and commercial real estate.

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Real estate activity in our market area has been robust over the last ten years except during the 2009-2010 recessionary period. However, even during the recessionary period of 2009 and 2010 we were able to maintain strong Tier 1 leverage ratios of 11.49% and 11.60%, respectively, total risk-based capital ratios of 14.57% and 16.17%, respectively, and we had a positive net income of \$3.1 million and \$3.4 million, respectively.

### ***Disciplined Risk Management***

Risk management is a core competency of our business and we believe that our risk management approach is robust. We are committed to maintaining internal controls to manage the risk associated with our growth and our concentration in real estate loans. Further, we have identified lending/credit risk and operational risk as the two areas that could have the greatest impact on our capital and have taken steps to mitigate these risks. In order to mitigate and actively manage these areas of risk, we have established procedures and committed experienced personnel to this effort.

Like many other companies, we were affected by the recent financial crisis that began in 2008, and our year-end total assets and annual net income dropped to lows of \$810.9 million and \$3.1 million, respectively, during 2009. Despite the financial crisis and its effects on our business, we were able to remain profitable while continuing to pay a dividend and maintaining our well capitalized status, in part due to prompt and aggressive management by our senior management team and Board of Directors. We believe our robust approach to risk management has enabled us to grow our loan portfolio without compromising credit quality.

### **Our Business Strategy**

Our goal is to be a high performing financial institution that delivers strong returns to our shareholders as we continue to grow through exceptional employees, who we refer to as associates, through a focus on customer service, and through strong risk management. Key elements of our strategy include the following:

#### ***Continue to Grow Organically***

We plan to expand organically by increasing our market share in our current markets and by entering new markets. In order to maintain our net interest margin at current levels, we are focused on continuing to fund our organic growth with local, core deposits. To accomplish this, we incentivize our associates to leverage relationships to produce both loan and deposit growth.

We continually monitor and track opportunities in contiguous, attractive growth or deposit-rich markets in Utah. We recently opened our 18th branch, which is our first in St. George, Utah. Since 2003, we have organically added four BAF branches and one LSB branch, two of which have been opened in the last two years, and we intend to add additional branches in key geographic areas over the next several years. Our focus is on finding exceptional associates to continue building our market share in our current markets, as well as to expand into prospective geographic locations that have shown positive long-term demographic and business trends.

We also believe that we can continue to capitalize on our expertise in real estate loans. As of December 31, 2014, 79.5% of our loan portfolio was comprised of real estate loans, including 16.4% construction and development, 55.3% commercial real estate, and 7.8% residential real estate. We believe we have an experienced team of associates with expertise in real estate lending, and we intend to continue to focus on maintaining strong relationships with commercial and residential builders. We believe that as we continue to develop this real estate expertise, we will become more attractive to these commercial and residential builders.



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### ***Grow and diversify our loan portfolio***

In addition to our expertise in real estate, we believe we can continue to take advantage of opportunities to diversify and grow other areas of our loan portfolio by expanding our commercial and industrial, or C&I, lending through our existing branch structure. As of December 31, 2014, 18.9% of our total loan portfolio was in C&I loans. We offer a full range of short to long-term C&I lending products and services and have established a portfolio threshold for this category that we continually monitor. To assist with this growth and diversification, we have recently added experienced commercial lenders to our team and plan to continue to add commercial lenders in our current and target markets.

We have also expanded our Small Business Administration, or SBA, lending program. BAF is a preferred lender with the SBA, and we are in the process of applying to have LSB become a preferred lender as well. A preferred lender can approve, package, fund and service SBA loans within a range of authority that is not available to all SBA lenders.

Finally, we have started expanding our leasing portfolio by purchasing leases that fit our policies and procedures. We have loan officers who are experienced in this area and expect our lease portfolio will continue to grow. We also intend to develop a private leasing product to be administered by one of our third party leasing partners, which we believe will help grow this aspect of our portfolio.

### ***Continue to grow through Strategic Mergers or Acquisitions***

We believe that we can also continue to grow successfully through strategic mergers or acquisitions, as we showed by adding four LSB branches and the associated \$266.3 million in assets in 2013. The LSB merger was the first bank merger without FDIC assistance in Utah since 2007, and we believe that the banking and financial services industry will continue to consolidate in our target markets through whole-bank and branch mergers and acquisitions. We are familiar with the community banks and community bank owners in our markets and surrounding areas, and we believe many of these community banks are open to consolidating and have expense structures that would make them attractive candidates for consolidation. Accordingly, we believe there will be opportunities for strategic mergers or acquisitions over the next several years. In addition, we may pursue acquisitions and mergers of non-bank financial services companies. While our primary focus is to grow our business in Utah, we may take advantage of other opportunities in contiguous states. Although we plan to identify and explore specific acquisition opportunities, we have no present agreements or commitments to make any acquisition. Additionally, there can be no assurances that any aspect of our plans for future growth will occur or be successful.

### ***Continue to Improve Operating Efficiencies***

We believe that improving our operating efficiencies will continue to be important to our profitability and future growth. We intend to carefully manage our cost structure and refine and implement internal processes to create further efficiencies and enhance our earnings. Further, we believe our systems, risk management structure and operating model are scalable and will enable us to achieve additional operating efficiencies as we grow. We also believe that we will realize additional efficiencies as we continue to integrate LSB. The efficiency ratio is calculated by taking non-interest expense less merger related expenses and dividing that number by the sum of net interest income and non-interest income. Our efficiency ratio for the year ended December 31, 2014 was 63.58%, and we believe that through the efforts described above we can lower this ratio over the next few years.

### ***Hire Additional Motivated and Service-Oriented Personnel***

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We believe we will be able to continue to develop successful associates from the talented and motivated people living in our market areas and in prospective market areas. We continually seek to find such individuals with varied backgrounds from the communities they serve and we then train them to be successful in developing relationships, serving our customers, and effectively delivering financial services. We combine an internal training program with outside training to ensure that our associates are skilled in their respective areas of responsibility, and to enable us to

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responsibly maintain our growth. Moreover, our compensation structure allows for some associates to be paid in part on production, which provides incentive bonuses for superior performance and customer development. Our variable compensation totaled 21.0% of total salary and bonus compensation in 2014.

We have been recognized as one of the best places to work in the state of Utah multiple times over the past decade and we believe our culture enables us to find strong, relationship-oriented associates that combine a customer service mentality with financial services skills.

We emphasize to our associates the importance of providing superior customer service and we train our staff to be able to provide such superior customer service. Whether it is our business development associates who team with our loan officers to obtain new customers and sell additional banking products and services to existing customers, the credit analysts who underwrite our loans and manage our back-office lending functions, or our branch associates who are the primary points of contact for deposit customers and the initial contact persons for customers who come into our branches, all of our associates are encouraged and taught to provide superior customer service.

### ***Maintain and Improve our Safety and Soundness through Strong Risk Management and Capital Levels***

We believe that our future growth will require us to actively manage risk, and we are committed to maintaining internal controls to manage the risk associated with our growth and concentration in real estate loans. We continually seek to (i) identify and evaluate risks and trends in all functions of our business, including credit, operations and asset and liability management and (ii) adopt strategies to manage such risks based upon our evaluations. In particular, we actively manage interest rate and market risks by monitoring and reviewing the volume and maturity of our interest sensitive assets to our interest sensitive liabilities in order to mitigate the adverse effects of changes in interest rates.

We focus on originating and maintaining a high quality loan portfolio by employing focused credit analysts, applying disciplined underwriting standards, and benefiting from our directors' and officers' deep knowledge of the markets we serve. Our loan personnel are expected to monitor projects and we require inspections to approve construction loan draws. All BAF loans over \$4 million must be approved by our BAF directors' loan committee, which includes our Chief Executive Officer and seven directors of BAF, and all LSB loans over \$500,000 must be approved by our LSB directors' loan committee, which includes the Chief Executive Officer and any two other directors of LSB. Our loan approval process is highly collaborative, with these committees taking an active role in the structuring and pricing of loans. Loan personnel are incentivized to produce high-quality loans, and receive adjustments to their variable compensation packages based on the quality of their portfolio.

We have historically maintained strong capital levels and we plan to continue to maintain these strong capital levels in order to support our future growth and attract new customers. For each year during 2010 to 2014, our year-end Tier 1 leverage capital ratio remained above 11% and our total risk-based capital ratio was above 16%, both well above the required ratios for community banks of 5% and 10%, respectively. We believe that by maintaining these strong capital ratios, we will continue to have a solid foundation for our future growth, both organic and through acquisitions, and that potential customers will see us as a reliable bank with which they want to do business.

### **Our History**

We were formed as a bank holding company in 1998, originally with one subsidiary bank, BAF. BAF is a Utah state-chartered bank that was established in 1913 in American Fork, Utah. We believe that we and BAF have established a track record of safe and responsible growth. BAF expanded to Alpine, Utah in 1974, and then opened five additional branches in Utah County from 1993 to 1998 and one branch in 2008, for a total of eight branches in Utah County. BAF expanded into Salt Lake County in 2001 through the acquisition of one branch,



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with three additional branches opened since that time, for a total of four in Salt Lake County. BAF expanded to Davis County in 2012 by opening a loan office that subsequently became a branch in Layton, Utah. BAF also expanded its operations to Washington County in 2013 by opening a loan production office, which was later converted into a branch in August 2014.

Our growth continued in 2013 when we acquired Lewiston Bancorp, the holding company of LSB. This strategic merger increased our scale and geographic footprint, and we have realized significant synergies from the merger. LSB was formed as a state-chartered bank in 1905 and operated from a single location in Lewiston, Utah, until a second branch was opened in 1996 in North Logan, Utah. Lewiston Bancorp was formed in 1999. The following year, a branch was opened in Preston, Idaho, which required the organization of a separately chartered bank in the State of Idaho. From 2000 through 2006, Lewiston Bancorp owned and operated two separate banks. The Idaho bank was merged into the Utah bank in January 2007. LSB further expanded and added a fourth location when the Logan branch was opened in 2012.

## **Corporate Information**

Our headquarters is located at 1 East Main Street, American Fork, Utah 84003 and our telephone number is (801) 642-3998. We maintain a website at <https://www.PeoplesUtah.com>. Information on the website is not incorporated by reference and is not a part of this prospectus.

## **Risks to Consider**

Before investing in our common shares, you should carefully consider all of the information in this prospectus, including matters set forth under the heading Risk Factors. These risks include, among others, the following:

as a business operating in the financial services industry, our business and operations may be adversely affected in numerous and complex ways by weak national and local economic conditions;

a substantial majority of our loans and operations are in Utah, Salt Lake, Davis, Cache and Washington counties, and therefore our business is particularly vulnerable to a downturn in the local real estate market;

a large portion of our loan portfolio is tied to the real estate market and we may be negatively impacted by downturns in that market;

we are a community bank and our ability to maintain our reputation is critical to the success of our business and the failure to do so may materially and adversely affect our performance;

if we are not able to maintain our past level of growth, our future prospects and competitive position could be diminished and our profitability could be reduced;



if we are unable to manage our growth effectively, we may incur higher than anticipated costs and our ability to execute our growth strategy could be impaired;

we may grow through mergers or acquisitions, which strategy may not be successful or, if successful, may produce risks in successfully integrating and managing any merger or acquisition and such transaction may dilute our shareholders;

because PUB is a legal entity separate and distinct from the Banks and does not conduct stand-alone operations, our ability to pay dividends depends on the ability of the Banks to pay dividends to PUB; and

we are subject to extensive state and federal financial regulation, and compliance with changing requirements may restrict our activities or have an adverse effect on our results of operations.

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**THE OFFERING**

Common Shares offered by PUB

Common Shares offered by the selling shareholders

Common Shares to be outstanding immediately after the offering (excluding any shares issued pursuant to the underwriters over-allotment option)

Use of proceeds We estimate that our net proceeds from this offering after commissions and discounts will be approximately \$ million or \$ million if the over-allotment option is exercised by the underwriters. We expect to use the net proceeds from this offering for expansion purposes, both organic and through acquisition, and for general corporate purposes. Our use of proceeds is more fully described under Use of Proceeds. We will bear all of the selling shareholders offering expenses other than underwriting discounts and commissions but will not receive any proceeds from sales by the selling shareholders.

Dividend policy We have declared an annual cash dividend for over 50 years. In 2014, we declared a semi-annual dividend. We expect to declare quarterly cash dividends beginning in 2015.

NASDAQ Capital Market Listing We intend to apply for listing on The NASDAQ Capital Market under the symbol PUB . No assurance can be made that our listing will be approved.

Directed Share Program At our request, the underwriters have reserved up to 5% of the common shares offered by us for sale at the initial public offering price to persons who are officers, directors, nonexecutive employees, customers or who are otherwise associated with us, through a directed share program. Officers and directors who are selling shares in this offering are not eligible to participate in the directed share program. The number of shares available for sale to the general public will be reduced by the number of directed shares purchased by participants in the program.

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### Risk Factors

Investing in our common shares involves risks. See matters under the heading Risk Factors before investing in our common shares.

The number of common shares outstanding after this offering is based on the number of shares outstanding on December 31, 2014 and excludes:

908,436 common shares issuable upon the exercise of outstanding stock options as of December 31, 2014 under our prior stock option plans with a weighted-average exercise price of approximately \$5.74 per share;

32,247 common shares issuable upon the exercise of outstanding stock options as of December 31, 2014 under the People's Utah Bancorp 2014 Incentive Plan, or the 2014 Plan, with a weighted-average exercise price of approximately \$11.10 per share;

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3,198 common shares subject to restricted stock units, or RSUs, outstanding as of December 31, 2014 under our 2014 Plan; and

758,688 common shares reserved for future grant or issuance under our 2014 Plan.

Unless we indicate otherwise, all information in this prospectus assumes:

no exercise of any outstanding stock options; and

assumes no exercise of the underwriters' over-allotment option to purchase any of the additional common shares subject to that option.

**Table of Contents****SUMMARY CONSOLIDATED FINANCIAL AND OTHER DATA**

*You should read the summary consolidated financial data set forth below in conjunction with our historical consolidated financial statements and related notes and Management's Discussion and Analysis of Financial Condition and Results of Operations, included elsewhere in this prospectus. The summary consolidated data for the five years ended December 31, 2014 have been derived from our audited consolidated financial statements.*

	<b>As of December 31,</b>				
<b>(Dollars in thousands)</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
<b>Selected Balance Sheet Information:</b>					
Cash and cash equivalents	\$ 47,702	\$ 94,406	\$ 98,861	\$ 28,910	\$ 37,275
Investment securities	330,839	320,388	264,413	233,382	183,848
Loans, net	937,578	829,882	592,924	583,384	572,529
Total assets	1,367,125	1,299,190	991,423	889,894	842,850
Total deposits	1,199,233	1,144,314	869,227	779,859	739,680
Shareholders' equity	157,659	143,672	115,710	105,871	98,986
<b>Average balances:</b>					
Average earning assets	\$ 1,250,156	\$ 981,661	\$ 847,362	\$ 813,940	\$ 774,172
Average assets	1,331,291	1,039,561	914,603	860,444	826,868
Average shareholders' equity	152,788	126,453	112,089	105,871	121,964
	<b>Years Ended December 31,</b>				
<b>(Dollars in thousands)</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
<b>Summary Income Statement Information:</b>					
Interest income	\$ 58,203	\$ 45,657	\$ 42,010	\$ 41,860	\$ 42,452
Interest expense	3,260	3,337	3,629	4,861	6,642
Net interest income	54,943	42,320	38,381	36,999	35,810
Provision for loan losses	1,700	1,500	4,700	6,200	11,300
Net interest income after provision for loan losses	53,243	40,820	33,681	30,799	24,510
Non-interest income	15,241	14,271	11,613	9,558	8,358
Non-interest expense	45,333	36,875	31,409	30,688	27,859
Income before income tax expense	23,151	18,216	13,885	9,669	5,009
Income tax expense	8,246	6,338	4,643	3,099	1,603
Net income	\$ 14,905	\$ 11,878	\$ 9,242	\$ 6,570	\$ 3,406
Basic earnings per share <sup>(1)</sup>	\$ 1.02	\$ 0.92	\$ 0.76	\$ 0.54	\$ 0.28
Diluted earnings per share <sup>(1)</sup>	0.98	0.89	0.74	0.54	0.28
Book value per share <sup>(1)</sup>	10.68	9.83	9.29	8.60	8.10
Tangible book value per share <sup>(1) (2)</sup>	10.63	9.75	9.29	8.60	8.10
	0.22	0.13	0.11	0.05	0.02

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Cash dividends declared per common share <sup>(1)</sup>

Dividend ratio	21.57%	14.13%	14.47%	9.26%	7.14%
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**Selected Financial Ratios:**

Net interest margin <sup>(3)</sup>	4.39%	4.31%	4.53%	4.55%	4.63%
Efficiency ratio <sup>(4)</sup>	63.58%	63.61%	62.83%	65.91%	63.08%
Non-interest income to average assets	1.14%	1.37%	1.27%	1.11%	1.01%
Non-interest expense to average assets	3.41%	3.55%	3.43%	3.57%	3.37%
Return on average assets	1.12%	1.14%	1.01%	0.76%	0.41%
Return on average equity	9.76%	9.39%	8.25%	6.21%	2.79%
Non-performing assets to total assets	0.70%	1.61%	2.46%	4.81%	7.02%
Allowance for loan losses to non-performing loans	192.66%	85.59%	61.02%	46.65%	41.62%
Loans to deposits	78.18%	72.52%	68.21%	74.81%	77.40%
Net charge-offs to average loans	0.11%	0.13%	1.10%	1.72%	2.27%

**Capital Ratios:**

Tier 1 leverage capital	11.32%	11.06%	11.85%	11.71%	11.60%
Total risk-based capital	16.01%	16.27%	18.52%	17.35%	16.17%
Average equity to average assets	11.48%	12.16%	12.26%	12.30%	14.75%
Tangible common equity to tangible assets <sup>(5)</sup>	11.48%	10.98%	11.67%	11.90%	11.74%

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- (1) All per share data has been retroactively restated to give effect to a 44 to 1 share split which occurred in 2013.
- (2) Represents the sum of total shareholders' equity less intangible assets all divided by common shares outstanding. Intangible assets were \$776,000 and \$1.2 million for 2014 and 2013, respectively, and there were no intangible assets for 2012, 2011 and 2010.
- (3) Net interest margin is defined as net interest income divided by average earning assets.
- (4) Represents the sum of non-interest expense less merger costs all divided by the sum of net interest income and non-interest income. Merger costs were \$711,000 and \$879,000 for 2014 and 2013, respectively.
- (5) Represents the sum of total shareholders' equity less intangible assets all divided by the sum of total assets less intangible assets.

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**RISK FACTORS**

*An investment in our common shares involves a high degree of risk. Before investing in our common shares, you should carefully consider the risks described below, as well as the other information contained in this prospectus, including our consolidated financial statements and the notes thereto and Management's Discussion and Analysis of Financial Condition and Results of Operations. Any of the risks described below could significantly and adversely affect our business, prospects, financial condition and results of operations. If one or more of these risks and uncertainties is realized, the trading price of our common shares could decline, and you could lose all or part of your investment.*

**Risks Relating to Our Business and Market**

*As a business operating in the financial services industry, our business and operations may be adversely affected in numerous and complex ways by weak economic conditions.*

Our businesses and operations, which primarily consist of lending money to customers in the form of loans, borrowing money from customers in the form of deposits and investing in securities, are sensitive to general business and economic conditions in the United States. If the U.S. economy weakens, our growth and profitability from our lending, deposit and investment operations could be constrained. Uncertainty about the federal fiscal policymaking process, the medium and long-term fiscal outlook of the federal government, and future tax rates is a concern for businesses, consumers and investors in the United States. In addition, economic conditions in foreign countries, including uncertainty over the stability of the euro currency, could affect the stability of global financial markets, which could hinder U.S. economic growth. Weak economic conditions are characterized by deflation, fluctuations in debt and equity capital markets, a lack of liquidity and/or depressed prices in the secondary market for mortgage loans, increased delinquencies on mortgage, consumer and commercial loans, residential and commercial real estate price declines and lower home sales and commercial activity. The current economic environment is also characterized by interest rates at historically low levels, which impacts our ability to attract deposits and to generate attractive earnings through our investment portfolio. All of these factors are detrimental to our business, and the interplay between these factors can be complex and unpredictable. Our business is also significantly affected by monetary and related policies of the U.S. federal government and its agencies. Changes in any of these policies are influenced by macroeconomic conditions and other factors that are beyond our control. Adverse economic conditions and government policy responses to such conditions could have a material adverse effect on our business, financial condition and results of operations.

We were affected negatively by the weak economic conditions present during the recent financial crisis that began in 2008, and our total assets and annual net income dropped to lows of \$810.9 million and \$3.1 million, respectively in 2009, due to these economic conditions. A future crisis or similar weak economic conditions could affect us similarly, which would negatively impact our business, financial condition and results of operations.

*A substantial majority of our loans and operations are in Utah, Salt Lake, Davis, Cache and Washington counties, and therefore our business is particularly vulnerable to a downturn in the local economies of those counties.*

Unlike larger financial institutions that are more geographically diversified, our business is concentrated primarily in the state of Utah. As of December 31, 2014, approximately 79.5% of our loans were secured by real estate located in Utah, Salt Lake, Davis, Cache and Washington counties. If the local economy and particularly the real estate market declines, the rates of delinquencies, defaults, foreclosures, bankruptcies and losses in our loan portfolio would likely increase. This risk increases for our variable rate loans which represent 53.1% of our loans. As a result of this lack of diversification in our loan portfolio, a downturn in the local economy generally and real estate market specifically



could significantly reduce our profitability and growth and adversely affect our financial condition.

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***A large portion of our loan portfolio is tied to the real estate market and we may be negatively impacted by downturns in that market.***

Approximately 79.5% of our loans as of December 31, 2014 were real estate related, including loans for construction and land development projects and for the purchase, improvement or refinancing of residential and commercial real estate. A downturn in the real estate market could increase loan delinquencies, defaults and foreclosures, and significantly impair the value of our collateral and our ability to sell the collateral upon foreclosure. The real estate collateral in each case provides an alternate source of repayment in the event of default by the borrower and may deteriorate in value during the time the credit is extended. If real estate values decline, it is also more likely that we would be required to increase our allowance for loan losses. If during a period of reduced real estate values we are required to liquidate the property collateralizing a loan to satisfy the debt or to increase our allowance for loan losses, it could materially reduce our profitability and adversely affect our financial condition.

Further, as of December 31, 2014, 16.4% of our loan portfolio consisted of real estate construction, and acquisition and land development loans, which generally have a higher degree of risk than long-term financing of existing properties because repayment depends on the completion of the project and usually on the sale of the property. In addition, these loans are often interest-only loans, which normally require only the payment of interest accrued prior to maturity. Interest-only loans carry greater risk than principal and interest loans because no principal is paid prior to maturity. This risk is particularly apparent during periods of rising interest rates and declining real estate values. If there is a significant decline in the real estate market due to a material increase in interest rates or for other reasons, many of these loans could default and result in foreclosure. Moreover, most of these loans are for projects located in our primary market area. If we are forced to foreclose on a project prior to completion, we may not be able to recover the entire unpaid portion of the loan or we may be required to fund additional money to complete the project or hold the property for an indeterminate period of time. Any of these outcomes may result in losses and reduce our earnings.

The FDIC has given guidance recommending that if the sum of (i) certain categories of commercial real estate, or CRE, loans and (ii) acquisition, development and construction, or ADC, loans exceeds 300% of total risk-based capital, or if ADC loans exceed 100% of total risk-based capital, heightened risk management practices should be employed to mitigate risk. As of December 31, 2014, our ratio for the sum of CRE and ADC loans was 232.0% and our ratio for ADC loans was 94.2%. Our concentration in ADC loans is cyclical and tends to increase in the second and third quarters of each year as demand for ADC loans increases. An increase in ADC loan concentration could cause our ratio for ADC loans to increase and even exceed the FDIC's guideline. We have exceeded these guidance ratios at times in the past and may do so in the future. If we exceed the FDIC's guidelines and do not manage the risk of our CRE and ADC loans, we may be subject to regulatory scrutiny including a requirement to raise additional capital, reduce our loan concentrations or undertake other remedial actions.

***We are a community bank and our ability to maintain our reputation is critical to the success of our business and the failure to do so may materially and adversely affect our performance.***

We operate community banks, and our reputation is one of the most valuable components of our business. As such, we strive to conduct our business in a manner that enhances our reputation. This is done, in part, by recruiting, hiring and retaining associates who share our core values of being an integral part of the communities we serve, delivering superior service to our customers and caring about our customers and associates. If our reputation is negatively affected, by the actions of our associates or otherwise, our business and, therefore, our operating results may be materially and adversely affected.

***We could suffer material credit losses if we do not appropriately manage our credit risk.***

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There are risks inherent in making any loan, including risks inherent in dealing with individual borrowers, risks of non-payment, risks resulting from uncertainties as to the future value of collateral and risks resulting

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from changes in economic and industry conditions. Changes in the economy can cause the assumptions that we made at origination to change and can cause borrowers to be unable to make payments on their loans, and significant changes in collateral values can cause us to be unable to collect the full value of loans we make. There is no assurance that our credit risk monitoring and loan approval procedures are or will be adequate or will reduce the inherent risks associated with lending. Our credit administration personnel, and policies and procedures may not adequately adapt to changes in economic or any other conditions affecting customers and the quality of our loan portfolio. Any failure to manage such credit risks may materially adversely affect our business, financial condition and results of operations.

***The small- and medium-sized businesses that we lend to may have fewer resources to weather adverse business developments, which may impair their ability to repay a loan, and such impairment could adversely affect our results of operations and financial condition.***

We focus our business development and marketing strategy primarily on small to medium-sized businesses. Small to medium-sized businesses frequently have smaller market shares than their competition, may be more vulnerable to economic downturns, often need substantial additional capital to expand or compete and may experience substantial volatility in operating results, any of which may impair a borrower's ability to repay a loan. In addition, the success of a small- and medium-sized business often depends on the management skills, talents and efforts of one or two people or a small group of people, and the death, disability or resignation of one or more of these people could have a material adverse impact on the business and its ability to repay its loan. If general economic conditions negatively impact Utah and small- to medium-sized businesses are adversely affected or our borrowers are otherwise affected by adverse business conditions, our business, financial condition and results of operations could be adversely affected.

***If we are not able to maintain our past levels of growth, our future prospects and competitive position could be diminished and our profitability could be reduced.***

We may not be able to sustain our growth at the rate we have enjoyed during the past several years. Our growth over the past several years has been driven primarily by a strong residential housing and commercial real estate market in our market areas and our ability to identify attractive expansion opportunities. A downturn in local economic market conditions, particularly in the real estate market, a failure to attract and retain high performing associates, heightened competition from other financial services providers, and an inability to attract additional core deposits and lending customers, among other factors, could limit our ability to grow as rapidly as we have in the past and as such have a negative effect on our business, financial condition and results of operations.

***If we are unable to manage our growth effectively, we may incur higher-than-anticipated costs and our ability to execute our growth strategy could be impaired.***

We expect to continue to grow our assets and deposits by increasing our product and service offerings and expanding our operations through new branches and possibly acquisitions. Our ability to manage growth successfully will depend on our ability to:

identify suitable markets for expansion;

attract and retain qualified management;

attract funding to support additional growth;

maintain asset quality and cost controls;

maintain adequate regulatory capital and profitability to support our lending activities; and

find attractive acquisition candidates and successfully acquire and integrate the acquisitions in an efficient manner.

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If we do not manage our growth effectively, we may be unable to realize the benefit from the investments in technology, infrastructure, and personnel that we have made to support our expansion. In addition, we may incur higher costs and realize less revenue growth than we expect, which would reduce our earnings and diminish our future prospects, and we may not be able to continue to implement our business strategy and successfully conduct our operations. Risks associated with failing to maintain effective financial and operational controls as we grow, such as maintaining appropriate loan underwriting procedures, determining adequate allowances for loan losses and complying with regulatory accounting requirements, including increased loan losses, reduced earnings and potential regulatory penalties and restrictions on growth, all could have a negative effect on our business, financial condition and results of operations.

***We may grow through mergers or acquisitions, which strategy may not be successful or, if successful, may produce risks in successfully integrating and managing the merged companies or acquisition and may dilute our shareholders.***

As part of our growth strategy, we may pursue mergers and acquisitions of banks and nonbank financial services companies within and outside of our principal market area. At this time we have no agreements or understandings to merge with or acquire any financial institution or any other company, and may not find suitable merger or acquisition opportunities. Mergers and acquisitions involve numerous risks, any of which could harm our business, including:

difficulties in integrating the operations, technologies, existing contracts, accounting processes and personnel of the target and realizing the anticipated synergies of the combined businesses;

difficulties in supporting and transitioning customers of the target company;

diversion of financial and management resources from existing operations;

the price we pay or other resources that we devote may exceed the value we realize, or the value we could have realized if we had allocated the purchase price or other resources to another opportunity;

entering new markets or areas in which we have limited or no experience;

potential loss of key associates and customers from either our business or the target's business;

assumption of unanticipated problems or latent liabilities of the target; and

inability to generate sufficient revenue to offset acquisition costs.

Mergers and acquisitions also frequently result in the recording of goodwill and other intangible assets, which are subject to potential impairments in the future and that could harm our financial results. In addition, if we finance acquisitions by issuing convertible debt or equity securities, our existing shareholders may be diluted, which could

affect the market price of our common shares. As a result, if we fail to properly evaluate mergers, acquisitions or investments, we may not achieve the anticipated benefits of any such merger or acquisition, and we may incur costs in excess of what we anticipate. The failure to successfully evaluate and execute mergers, acquisitions or investments or otherwise adequately address these risks could materially harm our business, financial condition and results of operations.

***Our allowance for loan losses may not be adequate to cover actual losses.***

A significant source of risk arises from the possibility that we could sustain losses due to loan defaults and non-performance on loans. We maintain an allowance for loan losses in accordance with accounting principles generally accepted in the United States to provide for such defaults and other non-performance. As of December 31, 2014, our allowance for loan losses as a percentage of gross loans was 1.6%. The determination of the appropriate level of loan loss allowance is an inherently difficult process and is based on numerous assumptions. The amount of future losses is susceptible to changes in economic, operating and other conditions, including changes in interest rates, which may be beyond our control. In addition, our underwriting policies,

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adherence to credit monitoring processes, and risk management systems and controls may not prevent unexpected losses. Our allowance for loan losses may not be adequate to cover actual loan losses. Moreover, any increase in our allowance for loan losses will adversely affect our earnings.

***We may have difficulty attracting additional necessary personnel, which may divert resources and limit our ability to successfully expand our operations.***

Our business plan includes, and is dependent upon, our hiring and retaining highly qualified and motivated associates at every level. In addition, we anticipate that the reporting and related obligations to which we will become subject as a public reporting company may require us to hire additional accounting and finance staff. We expect to experience substantial competition in identifying, hiring and retaining top-quality associates. If we are unable to hire and retain qualified associates we may be unable to successfully execute our business strategy and manage our growth.

***The unexpected loss of key officers would materially and adversely affect our ability to execute our business strategy, and diminish our future prospects.***

Our success to date and our prospects for success in the future are substantially dependent on our senior management team. The loss of key members of our senior management team could materially and adversely affect our ability to successfully implement our business plan and, as a result, our future prospects. The loss of senior management without qualified successors who can execute our strategy would also have an adverse impact on us.

***As a result of this offering, we will become a public reporting company subject to financial reporting and other requirements for which our accounting, internal audit and other management systems and resources may not be adequately prepared.***

As a result of this offering, we will become subject to reporting and other obligations under the Securities Exchange Act of 1934, as amended, or the Exchange Act, including the requirements of Section 404 of SOX. Section 404 requires annual management assessment of the effectiveness of our internal controls over financial reporting and a report by our independent auditors addressing these assessments. These reporting and other obligations will place significant demands on our management, administrative, operational, internal audit and accounting resources. We anticipate that we may need to upgrade our reporting systems and procedures, implement additional financial and management controls and may need to hire additional accounting and finance staff. If we are unable to accomplish these objectives in a timely and effective fashion, our ability to comply with our financial reporting requirements and other rules that apply to reporting companies could be impaired. Any failure to maintain effective internal controls could have a material adverse effect on our business, financial condition and results of operations. In addition, expenses related to services rendered by our accountants, legal counsel and consultants will increase in order to ensure compliance with these laws and regulations, which could also negatively impact our business, financial condition and results of operations.

***Our profitability depends on interest rates generally, and we may be adversely affected by changes in market interest rates.***

Our profitability depends in substantial part on our net interest income. Our net interest income depends on many factors that are partly or completely outside of our control, including competition, federal economic, monetary and fiscal policies, and economic conditions generally. Our net interest income will be adversely affected if market interest rates change so that the interest we pay on deposits and borrowings increases faster than the interest we earn on loans and investments. In addition, an increase in interest rates could adversely affect borrowers' ability to pay the principal or interest on existing loans or reduce their desire to borrow more money. This may lead to an increase in



our non-performing assets, a decrease in loan originations, or a reduction in the value of and income from our loans, any of which could have a material and negative effect on our results of

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operations. Fluctuations in market rates and other market disruptions are neither predictable nor controllable and may adversely affect our financial condition and earnings.

The ratio of variable to fixed-rate loans in our loan portfolio, the ratio of short-term (maturing at a given time within 12 months) to long-term loans, and the ratio of our demand, money market and savings deposits to CDs (and their time periods), are the primary factors affecting the sensitivity of our net interest income to changes in market interest rates. As of December 31, 2014 53.1% of our \$943.7 million gross loans held for investment portfolio were variable rate loans and 46.9% were fixed rate loans. Our short-term loans are typically priced at prime plus a margin, and our long-term loans are typically priced based on a Federal Home Loan Bank, or FHLB, index for comparable maturities, plus a margin. In addition, approximately 24.0% of our fixed-rate loans receivable were short-term and approximately 76.0% were long-term, and 83.0% of our funding sources were demand, money market and savings accounts, 16.9% were CDs and 0.1% were short-term borrowings. The composition of our rate-sensitive assets or liabilities is subject to change and could result in a more unbalanced position that would cause market rate changes to have a greater impact on our earnings.

In periods of rising interest rates, consumer demand for new residential mortgages and re-financings decreases, which in turn, adversely impacts our mortgage business.

***Our funding sources may prove insufficient to provide liquidity, replace deposits and support our future growth.***

We rely on customer deposits, advances from the FHLB, the Federal Reserve System and lines of credit at other financial institutions to fund our operations. Although we have historically been able to replace maturing deposits and advances if desired, we may not be able to replace such funds in the future if our financial condition, the financial condition of the FHLB or market conditions were to change. Our financial flexibility will be severely constrained if we are unable to maintain our access to funding or if adequate financing is not available to accommodate future growth at acceptable interest rates. Finally, if we are required to rely more heavily on more expensive funding sources to support future growth, our revenues may not increase proportionately to cover our costs. In this case, our profitability would be adversely affected.

FHLB borrowings and other current sources of liquidity may not be available or, if available, sufficient to provide adequate funding for operations. Furthermore, our own actions could result in a loss of adequate funding. For example, our availability at the FHLB could be reduced if we are deemed to have poor documentation or processes. Accordingly, we may seek additional higher-cost debt in the future to achieve our long-term business objectives. Additional borrowings, if sought, may not be available to us or, if available, may not be available on favorable terms. If additional financing sources are unavailable or are not available on reasonable terms, our growth and future prospects could be adversely affected.

***We may be adversely affected by the lack of soundness of other financial institutions or market utilities.***

Our ability to engage in routine funding and other transactions could be adversely affected by the actions and commercial soundness of other financial institutions. Financial institutions are interrelated as a result of trading, clearing, counterparty or other relationships. Defaults by, or even rumors or questions about, one or more financial institutions or market utilities, or the financial services industry generally, may lead to market-wide liquidity problems and losses of depositor, creditor and counterparty confidence and could lead to losses or defaults by us or by other institutions.

***Impairment of investment securities could require charges to earnings, which would negatively impact our results of operations.***

We maintain a significant amount of our assets in investment securities, and must periodically test our investment securities for impairment in value. In assessing whether the impairment of investment securities is

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other-than-temporary, we consider the length of time and extent to which the fair value has been less than cost, the financial condition and near-term prospects of the issuer, and the intent and ability to retain its investment in the security for a period of time sufficient to allow for any anticipated recovery in fair value in the near term. If we conclude that impairment of investment securities is required, we could be required to incur charges to earnings, which would result in a negative impact on our results of operations. The impact of these impairment matters could have a material adverse effect on our business, results of operations, and financial condition.

***We face strong competition from banks, credit unions and other financial services providers that offer banking services, which may limit our ability to attract and retain banking customers.***

Competition in the banking industry generally, and in our geographic market specifically, is intense. Competitors include banks, as well as other financial services providers, such as savings and loan institutions, consumer finance companies, brokerage firms, insurance companies, credit unions, mortgage banks and other financial intermediaries. In particular, our competitors include several larger national and regional financial institutions whose greater resources may afford them a marketplace advantage by enabling them to maintain numerous banking locations and ATMs, offer a wider array of banking services and conduct extensive promotional and advertising campaigns. Additionally, banks and other financial institutions with larger capitalization and financial intermediaries not subject to bank regulatory restrictions have larger lending limits and are thereby able to serve the credit needs of a broader customer base than us. Larger competitors may also be able to offer better lending and deposit rates to customers, and could increase their competition as we become a public company and our growth becomes more visible. Moreover, larger competitors may not be as vulnerable as us to downturns in the local economy and real estate market since they have a broader geographic area and their loan portfolio is more diversified. While our deposit base has increased, several larger banks have grown their deposit market share in our markets faster than we have resulting in a declining relative deposit market share for us in our existing markets. We believe our declining relative market share in deposits has resulted primarily from aggressive marketing and advertising, branch expansion, expanded delivery channels and more attractive rates offered by larger bank competitors. We also compete against community banks, credit unions and non-bank financial services companies that have strong local ties. These smaller institutions are likely to cater to the same small- and medium-sized businesses that we target. If we are unable to attract and retain banking customers, we may be unable to continue to grow our loan and deposit portfolios and our results of operations and financial condition may otherwise be adversely affected. Ultimately, we may be unable to compete successfully against current and future competitors.

***Cyber-attacks or other security breaches could have a material adverse effect on our business.***

In the normal course of business, we collect, process and retain sensitive and confidential information regarding our customers. We also have arrangements in place with other third parties through which we share and receive information about their customers who are or may become our customers. Although we devote significant resources and management focus to ensuring the integrity of our systems through information security and business continuity programs, our facilities and systems, and those of third party service providers, are vulnerable to external or internal security breaches, acts of vandalism, computer viruses, misplaced or lost data, programming or human errors or other similar events.

Information security risks for financial institutions like us have increased recently in part because of new technologies, the use of the Internet and telecommunications technologies (including mobile devices) to conduct financial and other business transactions and the increased sophistication and activities of organized crime, perpetrators of fraud, hackers, terrorists and others. In addition to cyber-attacks or other security breaches involving the theft of sensitive and confidential information, hackers recently have engaged in attacks against large financial institutions, particularly denial of service attacks, that are designed to disrupt key business services, such as customer-facing websites. We are

not able to anticipate or implement effective preventive measures against all security breaches of these types, especially because the techniques used change frequently and because attacks can originate from a wide variety of sources. We employ detection and response mechanisms

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designed to contain and mitigate security incidents, but early detection may be thwarted by sophisticated attacks and malware designed to avoid detection.

We also face risks related to cyber-attacks and other security breaches in connection with credit and debit card transactions that typically involve the transmission of sensitive information regarding our customers through various third parties, including merchant acquiring banks, payment processors, payment card networks and our processors. Some of these parties have in the past been the target of security breaches and cyber-attacks, and because the transactions involve third parties and environments such as the point of sale that we do not control or secure, future security breaches or cyber-attacks affecting any of these third parties could impact us through no fault of our own, and in some cases we may have exposure and suffer losses for breaches or attacks relating to them. We also rely on numerous other third party service providers to conduct other aspects of our business operations and face similar risks relating to them. While we regularly conduct security assessments on these third parties, we cannot be sure that their information security protocols are sufficient to withstand a cyber-attack or other security breach.

The access by unauthorized persons to, or the improper disclosure by us of, confidential information regarding our customers or our own proprietary information, software, methodologies and business secrets could result in significant legal and financial exposure, supervisory liability, damage to our reputation or a loss of confidence in the security of our systems, products and services, which could have a material adverse effect on our business, financial condition or results of operations. In addition, recently there have been a number of well-publicized attacks or breaches affecting others in our industry that have heightened concern by consumers generally about the security of using credit and debit cards, which have caused some consumers, including our customers, to use our credit and debit cards less in favor of alternative methods of payment and has led to increased regulatory focus on, and potentially new regulations relating to, these matters. Further cyber-attacks or other breaches in the future, whether affecting us or others, could intensify consumer concern and regulatory focus and result in reduced use of our cards and increased costs, all of which could have a material adverse effect on our business. To the extent we are involved in any future cyber-attacks or other breaches, our brand and reputation could be affected, and this could also have a material adverse effect on our business, financial condition or results of operations.

If we experience a cyber-attack, our insurance coverage may not cover all of our losses, and furthermore, we may experience a loss of reputation.

***Our risk management framework may not be effective in mitigating risks and losses to us.***

Our risk management framework is comprised of various processes, systems and strategies, and is designed to manage the types of risk to which we are subject, including, among others, credit, market, liquidity, interest rate and compliance. Our framework also includes financial or other modeling methodologies that involve management assumptions and judgment. Our risk management framework may not be effective under all circumstances and may not adequately mitigate any risk of loss to us. If our framework is not effective, we could suffer unexpected losses and our business, financial condition, results of operations or prospects could be materially and adversely affected. We may also be subject to potentially adverse regulatory consequences.

***We are subject to certain operating risks, related to customer or employee fraud which could harm our reputation and business.***

Employee error and employee and customer misconduct could subject us to financial losses or regulatory sanctions and seriously harm our reputation. Misconduct by our employees could include hiding unauthorized activities from us, improper or unauthorized activities on behalf of our customers or improper use of confidential information. It is not always possible to prevent employee error and misconduct, and the precautions we take to prevent and detect this

activity may not be effective in all cases. Employee error could also subject us to financial claims for negligence.

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If our internal controls fail to prevent or detect an occurrence, or if any resulting loss is not insured, exceeds applicable insurance limits or if insurance coverage is denied or not available, it could have a material adverse effect on our business, financial condition and results of operations.

*If we need additional capital in the future to continue our growth, we may not be able to obtain it on terms that are favorable.*

Our business strategy calls for continued growth. We anticipate that we will be able to support this growth through the net proceeds from this offering, as well as by adding deposits at existing and new branch locations. However, we may need to raise additional capital in the future to support our continued growth and to maintain our capital levels. Our ability to raise capital through the sale of additional securities will depend primarily upon our financial condition and the condition of financial markets at that time. Accordingly, we may not be able to obtain additional capital in the amounts or on terms satisfactory to us. Our growth may be constrained if we are unable to raise additional capital as needed.

*If third parties infringe upon our intellectual property or if we were to infringe upon the intellectual property of third parties, we may expend significant resources enforcing or defending our rights or suffer competitive injury.*

We rely on a combination of copyright, trademark, trade secret laws and confidentiality provisions to establish and protect our proprietary rights. If we fail to successfully maintain, protect and enforce our intellectual property rights, our competitive position could suffer. Similarly, if we were to infringe on the intellectual property rights of others, our competitive position could suffer. Third parties may challenge, invalidate, circumvent, infringe or misappropriate our intellectual property, or such intellectual property may not be sufficient to permit us to take advantage of current market trends or otherwise to provide competitive advantages, which could result in costly redesign efforts, discontinuance of certain product or service offerings or other competitive harm. We may also be required to spend significant resources to monitor and police our intellectual property rights. Others, including our competitors may independently develop similar technology, duplicate our products or services or design around our intellectual property, and in such cases we could not assert our intellectual property rights against such parties. Further, our contractual arrangements may not effectively prevent disclosure of our confidential information or provide an adequate remedy in the event of unauthorized disclosure of our confidential or proprietary information. We may have to litigate to enforce or determine the scope and enforceability of our intellectual property rights, trade secrets and know-how, which could be time-consuming and expensive, could cause a diversion of resources and may not prove successful. The loss of intellectual property protection or the inability to obtain rights with respect to third party intellectual property could harm our business and ability to compete. In addition, because of the rapid pace of technological change in our industry, aspects of our business and our products and services rely on technologies developed or licensed by third parties, and we may not be able to obtain or continue to obtain licenses and technologies from these third parties on reasonable terms or at all.

In some instances, litigation may be necessary to enforce our intellectual property rights and protect our proprietary information, or to defend against claims by third parties that our products, services or technology infringe or otherwise violate their intellectual property or proprietary rights. Third parties may have, or may eventually be issued, patents that could be infringed by our products, services or technology. Any of these third parties could bring an infringement claim against us with respect to our products, services or technology. We may also be subject to third party infringement, misappropriation, breach or other claims with respect to copyright, trademark, license usage or other intellectual property rights. In addition, in recent years, individuals and groups, including patent holding companies have been purchasing intellectual property assets in order to make claims of infringement and attempt to extract settlements from companies in the banking and financial services industry. Any litigation or claims brought by or against us, whether with or without merit, could result in substantial costs to us and divert the attention of our



management, which could harm our business and results of operations. In addition, any intellectual property litigation or claims against us could result in the loss or

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compromise of our intellectual property and proprietary rights, subject us to significant liabilities including damage awards, result in an injunction prohibiting us from marketing or selling certain of our services, require us to redesign affected products or services, or require us to seek licenses which may only be available on unfavorable terms, if at all, any of which could harm our business and results of operations.

***We are exposed to risk of environmental liabilities with respect to properties to which we take title.***

Approximately 79.5% of our outstanding loan portfolio as of December 31, 2014 was secured by real estate. In the course of our business, we may foreclose and take title to real estate, and could be subject to environmental liabilities with respect to these properties. We may be held liable to a governmental entity or to third parties for property damage, personal injury, investigation and clean-up costs incurred by these parties in connection with environmental contamination, or may be required to investigate or clean up hazardous or toxic substances, or chemical releases at a property. The costs associated with investigation or remediation activities could be substantial. In addition, if we are the owner or former owner of a contaminated site, we may be subject to common law claims by third parties based on damages and costs resulting from environmental contamination emanating from the property. If we ever become subject to significant environmental liabilities, our business, financial condition, liquidity and results of operations could be materially and adversely affected.

***We rely on our information technology and telecommunications systems and third party servicers, and the failure of these systems could adversely affect our business.***

Our business is highly dependent on the successful and uninterrupted functioning of our information technology and telecommunications systems and third party servicers. Our primary banking and accounting systems are third party software platforms operated on an in-house basis; however, we outsource certain of our information technology systems including our electronic funds transfer, or EFT, ATM and debit card processing, credit and debit card and transaction processing, and our online Internet bill payment and banking services. We rely on these systems to process new and renewal loans, provide customer service, facilitate collections and share data across our organization. The failure of these systems, or the termination of a third party software license or service agreement on which any of these systems is based, could interrupt our operations. Because our information technology and telecommunications systems interface with and depend on third party systems, we could experience service denials if demand for such services exceeds capacity or such third party systems fail or experience interruptions. If sustained or repeated, a system failure or service denial could result in a deterioration of our ability to process new and renewal loans and provide customer service or compromise our ability to collect loan payments in a timely manner.

In addition, our ability to adopt new information technology and technological products needed to meet our customers banking needs may be limited if our third party servicers are slow to adopt or choose not to adopt such new technology and products. Such a failure to provide this technology and products to our customers could result in a loss of customers, which would negatively impact our business and results of operations.

***We depend on the accuracy and completeness of information about customers and counterparties.***

In deciding whether to extend credit or enter into other transactions with customers and counterparties, we may rely on information furnished to us by or on behalf of customers and counterparties, including financial statements and other financial information. We also may rely on representations of customers and counterparties as to the accuracy and completeness of that information and, with respect to financial statements, on reports of independent auditors. In deciding whether to extend credit, we may rely upon our customers' representations that their financial statements conform to U.S. generally accepted accounting principles, or GAAP, and present fairly, in all material respects, the financial condition, results of operations and cash flows of the customer. We also may rely on customer

representations and certifications, or other auditors' reports, with respect to the business and financial condition of our customers. Our financial condition, results of operations, financial reporting and reputation could be negatively affected if we rely on materially misleading, false, inaccurate or fraudulent information.

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**Risks Related to Our Regulatory Environment**

*We are subject to regulation, which increases the cost and expense of regulatory compliance and therefore reduces our net income and may restrict our growth and ability to acquire other financial institutions.*

As a bank holding company under federal law, we are subject to regulation under the Bank Holding Company Act of 1956, as amended, or the BHCA, and the examination and reporting requirements of the Federal Reserve. In addition to supervising and examining us, the Federal Reserve, through its adoption of regulations implementing the BHCA, places certain restrictions on the activities that are deemed permissible for bank holding companies to engage in. Changes in the number or scope of permissible activities could have an adverse effect on our ability to realize our strategic goals.

As Utah state-chartered banks that are not members of the Federal Reserve System, the Banks are separately subject to regulation by both the FDIC and the Utah Department of Financial Institutions, or UDFI. The FDIC and UDFI regulate numerous aspects of the Banks' operations, including adequate capital and financial condition, permissible types and amounts of extensions of credit and investments, permissible non-banking activities and restrictions on dividend payments. The Banks undergo periodic examinations by the FDIC and UDFI. Following such examinations, the Banks may be required, among other things, to change their respective asset valuations or the amounts of required loan loss allowances or to restrict their respective operations, as well as increase their respective capital levels, which could adversely affect our results of operations.

Supervision, regulation, and examination of PUB and the Banks by the bank regulatory agencies are intended primarily for the protection of consumers, bank depositors and the Deposit Insurance Fund of the FDIC, rather than holders of our common shares.

Particularly as a result of new regulations and regulatory agencies under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, or the Dodd-Frank Act, we may be required to invest significant management attention and resources to evaluate and make any changes necessary to comply with applicable laws and regulations. This allocation of resources, as well as any failure to comply with applicable requirements, may negatively impact our results of operations and financial condition.

*Changes in laws, government regulation and monetary policy may have a material effect on our results of operations.*

Financial institutions have been the subject of significant legislative and regulatory changes and may be the subject of further significant legislation or regulation in the future, none of which is within our control. Significant new laws or regulations or changes in, or repeals of, existing laws or regulations, including those with respect to federal and state taxation, may cause our results of operations to differ materially. In addition, the costs and burden of compliance could adversely affect our ability to operate profitably. Further, federal monetary policy significantly affects the Banks' credit conditions, as well as for the Banks' borrowers, particularly as implemented through the Federal Reserve, primarily through open market operations in U.S. government securities, the discount rate for bank borrowings and reserve requirements. A material change in any of these conditions could have a material impact on us, the Banks and the Banks' borrowers, and therefore on our results of operations.

*The enactment of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 may have a material effect on our operations.*

In 2010, the Dodd-Frank Act was adopted, which imposes significant regulatory and compliance changes. The key effects of the Dodd-Frank Act on our business are, or may include:

increases in regulatory capital requirements and additional restrictions on the types of instruments that may satisfy such requirements;

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creation of new government regulatory agencies (particularly the Consumer Financial Protection Bureau, or CFPB, which develops and enforces rules for bank and non-bank providers of consumer financial products);

changes to deposit insurance assessments;

regulation of debit interchange fees we earn;

changes in retail banking regulations, including potential limitations on certain fees we may charge;

changes in regulation of consumer mortgage loan origination and risk retention; and

changes in corporate governance requirements for public companies.

In addition, the Dodd-Frank Act restricts the ability of banks to engage in certain proprietary trading or to sponsor or invest in private equity or hedge funds. The Dodd-Frank Act also contains provisions designed to limit the ability of insured depository institutions, their holding companies and their affiliates to conduct certain swaps and derivatives activities and to take certain principal positions in financial instruments.

Some provisions of the Dodd-Frank Act have not been completely implemented. The changes resulting from the Dodd-Frank Act may impact the profitability of our business activities or otherwise adversely affect our business. Failure to comply with the requirements may negatively impact our results of operations and financial condition. While we cannot predict what effect any presently contemplated or future changes in the laws or regulations or their interpretations would have on us, these changes could be materially adverse to investors in our common shares.

***Rulemaking changes implemented by the CFPB will result in higher regulatory and compliance costs related to originating and servicing mortgages and may adversely affect our results of operations.***

The CFPB has finalized a number of significant rules which will impact nearly every aspect of the lifecycle of a residential mortgage. These rules implement the Dodd-Frank Act amendments to the Equal Credit Opportunity Act, the Truth in Lending Act and the Real Estate Settlement Procedures Act. The final rules require banks to, among other things: (i) develop and implement procedures to ensure compliance with a new reasonable ability to repay test and identify whether a loan meets a new definition for a qualified mortgage; (ii) implement new or revised disclosures, policies and procedures for servicing mortgages including, but not limited to, early intervention with delinquent borrowers and specific loss mitigation procedures for loans secured by a borrower's principal residence; (iii) comply with additional restrictions on mortgage loan originator compensation; and (iv) comply with new disclosure requirements and standards for appraisals and escrow accounts maintained for higher priced mortgage loans. These new rules create operational and strategic challenges for us, as we are both a mortgage originator and a servicer. For example, business models for cost, pricing, delivery, compensation, and risk management will need to be re-evaluated and potentially revised, perhaps substantially. Some of these new rules became effective in June 2013, while others became effective in January 2014, and still others will become effective in August 2015. Forthcoming additional rulemaking affecting the residential mortgage business is also expected.

***New and future rulemaking by the CFPB and other regulators, as well as enforcement of existing consumer protection laws, may have a material effect on our operations and operating costs.***

The CFPB has the authority to implement and enforce a variety of existing federal consumer protection statutes and to issue new regulations but, with respect to institutions of our size, does not have primary examination and enforcement authority with respect to such laws and regulations. The authority to examine depository institutions with \$10.0 billion or less in assets, such as the Banks, for compliance with federal consumer laws remains largely with our primary federal regulator, the FDIC. However, the CFPB may participate in examinations of smaller institutions on a sampling basis and may refer potential enforcement

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actions against such institutions to their primary regulators. In some cases, regulators such as the Federal Trade Commission, or FTC, and the Department of Justice also retain certain rulemaking or enforcement authority, and we also remain subject to certain state consumer protection laws. As an independent bureau within the Federal Reserve, the CFPB may impose requirements more severe than the previous bank regulatory agencies. The CFPB has placed significant emphasis on consumer complaint management and has established a public consumer complaint database to encourage consumers to file complaints they may have against financial institutions. We are expected to monitor and respond to these complaints, including those that we deem frivolous, and doing so may require management to reallocate resources away from more profitable endeavors.

Pursuant to the Dodd-Frank Act, the CFPB issued a series of final rules in January 2013 related to mortgage loan origination and mortgage loan servicing. These final rules, most provisions of which became effective January, 2014, and still others will become effective in August 2015, prohibit creditors, such as the Banks, from extending mortgage loans without regard for a consumer's ability to repay and add restrictions and requirements to mortgage origination and servicing practices. In addition, these rules restrict the application of prepayment penalties and compensation practices relating to mortgage loan underwriting. Further, mortgage origination systems used by the Banks must be significantly modified to comply with extensive new loan origination disclosures. Compliance with these rules will likely increase our overall regulatory compliance costs and require us to change our underwriting practices. Moreover, these rules may adversely affect the volume of mortgage loans that we underwrite and may subject the Banks to increased potential liability related to its residential loan origination activities.

### ***As a result of the Dodd-Frank Act and recent rulemaking, we will become subject to more stringent capital requirements.***

Pursuant to the Dodd-Frank Act, the federal banking agencies adopted final rules, or the U.S. Basel III Capital Rules, to update their general risk-based capital and leverage capital requirements to incorporate agreements reflected in the Third Basel Accord adopted by the Basel Committee on Banking Supervision, or Basel III Capital Standards, as well as the requirements of the Dodd-Frank Act. The U.S. Basel III Capital Rules are described in more detail in

Supervision and Regulation – Basel III. While we are continuing to prepare for the impact of the U.S. Basel III Capital Rules, the U.S. Basel III Capital Rules may still have a material impact on our business, financial condition and results of operations. In addition, the failure to meet the established capital requirements could result in one or more of our regulators placing limitations or conditions on our activities or restricting the commencement of new activities, and such failure could subject us to a variety of enforcement remedies available to the federal regulatory authorities, including limiting our ability to pay dividends, issuing a directive to increase our capital and terminating our FDIC deposit insurance. FDIC deposit insurance is critical to the continued operation of the Banks.

Our ability to raise additional capital, when and if needed, will depend on conditions in the capital markets, economic conditions and a number of other factors, including investor perceptions regarding the banking industry and market condition, and governmental activities, many of which are outside our control, and on our financial condition and performance. Accordingly, we may not be able to raise additional capital if needed or on terms acceptable to us. If we fail to meet these capital and other regulatory requirements, our financial condition, liquidity and results of operations would be materially and adversely affected. Higher capital levels could also lower our return on equity.

Our failure to meet applicable regulatory capital requirements, or to maintain appropriate capital levels in general, could affect customer and investor confidence, our ability to grow, our costs of funds and FDIC insurance costs, our ability to pay dividends on common shares, our ability to make acquisitions, and our business, results of operations and financial condition, generally.





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***We may be required to contribute capital or assets to the Banks that could otherwise be invested or deployed more profitably elsewhere.***

Federal law and regulatory policy impose a number of obligations on bank holding companies that are designed to reduce potential loss exposure to the depositors of insured depository subsidiaries and to the FDIC's deposit insurance fund. For example, a bank holding company is required to serve as a source of financial strength to its FDIC-insured depository subsidiaries and to commit financial resources to support such institutions where it might not do so otherwise, even if we would not ordinarily do so and even if such contribution is to our detriment or the detriment of our shareholders. These situations include guaranteeing the compliance of an undercapitalized bank with its obligations under a capital restoration plan, as described further in this prospectus.

A capital injection into one or both of the Banks may be required at times when we do not have the resources to provide it at the holding-company level, and therefore we may be required to issue common shares or debt to obtain the required capital. Issuing additional common shares would dilute our current shareholders' percentage of ownership and could cause the price of our common shares to decline. If we are required to issue debt, and in the event of a bankruptcy by PUB, the bankruptcy trustee would assume any commitment by us to a federal bank regulatory agency to maintain the capital of the Banks. Moreover, bankruptcy law provides that claims based on any such commitment will be entitled to a priority of payment over the claims of PUB's general unsecured creditors, including the holders of any note obligations. Thus, any borrowing that must be done by PUB in order to make the required capital injection becomes more difficult and expensive and would adversely impact our cash flows, financial condition, results of operations and prospects. Pursuant to applicable laws and regulations, the liabilities of either Bank could harm us and the business of the other Bank. Under the Federal Deposit Insurance Act, or FDIA, we may, under certain circumstances, be responsible for liabilities of the Banks and may be responsible for damages to the FDIC.

***Banking agencies periodically conduct examinations of our business, including compliance with laws and regulations, and our failure to comply with any supervisory actions to which we become subject as a result of such examinations could materially and adversely affect us.***

The UDFI, the FDIC, and the Federal Reserve periodically conduct examinations of our business, including compliance with laws and regulations. Accommodating such examinations may require management to reallocate resources, which would otherwise be used in the day-to-day operation of other aspects of our business. If, as a result of an examination, the UDFI or a federal banking agency were to determine that the financial condition, capital resources, asset quality, earnings prospects, management, liquidity or other aspects of our operations had become unsatisfactory, or that we or our management was in violation of any law or regulation, it may take a number of different remedial actions as it deems appropriate. These actions include the power to enjoin unsafe or unsound practices, to require affirmative actions to correct any conditions resulting from any violation or practice, to issue an administrative order that can be judicially enforced, to direct an increase in our capital, to restrict our growth, to assess civil monetary penalties against us, our officers or directors, to remove officers and directors and, if it is concluded that such conditions cannot be corrected or there is an imminent risk of loss to depositors, to terminate our deposit insurance. FDIC deposit insurance is critical to the continued operation of the Banks. If we become subject to such regulatory actions, we could be materially and adversely affected.

***We face a risk of non-compliance and enforcement actions with respect to the Bank Secrecy Act and other anti-money laundering statutes and regulations.***

Like all U.S. financial institutions, we are subject to monitoring requirements under federal law, including anti-money laundering, or AML, and Bank Secrecy Act, or BSA, matters. Since September 11, 2001, banking regulators have intensified their focus on AML and BSA compliance requirements, particularly the AML provisions of the Uniting



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Obstruct Terrorism Act of 2001, or the USA Patriot Act. There is also increased scrutiny of compliance with the rules enforced by the U.S. Treasury Department's Office of Foreign Assets Control, or OFAC, which involve sanctions for dealing with certain persons or countries. While the Banks have adopted policies, procedures and controls to comply with the BSA, other AML statutes and regulations and OFAC regulations, this aggressive supervision and examination and increased likelihood of enforcement actions may increase our operating costs, which could negatively affect our results of operations and reputation.

***We are subject to federal and state fair lending laws, and failure to comply with these laws could lead to material penalties.***

Federal and state fair lending laws and regulations, such as the Equal Credit Opportunity Act and the Fair Housing Act, impose non-discriminatory lending requirements on financial institutions. The FDIC, the Department of Justice, the CFPB and other federal and state agencies are responsible for enforcing these laws and regulations. Private parties may also have the ability to challenge an institution's performance under fair lending laws in private class action litigation. A successful challenge to our performance under the fair lending laws and regulations could adversely impact our rating under the Community Reinvestment Act, or CRA, and result in a wide variety of sanctions, including the required payment of damages and civil money penalties, injunctive relief, imposition of restrictions on merger and acquisition activity and restrictions on expansion activity, which could negatively impact our reputation, business, financial condition and results of operations.

***Regulations relating to privacy, information security and data protection could increase our costs, affect or limit how we collect and use personal information and adversely affect our business opportunities.***

We are subject to various privacy, information security and data protection laws, including requirements concerning security breach notification, and we could be negatively impacted by these laws. For example, our business is subject to the Gramm-Leach-Bliley Act which, among other things: (i) imposes certain limitations on our ability to share non-public personal information about our customers with non-affiliated third parties; (ii) requires that we provide certain disclosures to customers about our information collection, sharing and security practices and afford customers the right to opt out of any information sharing by us with non-affiliated third parties (with certain exceptions) and (iii) requires we develop, implement and maintain a written comprehensive information security program containing safeguards appropriate based on our size and complexity, the nature and scope of our activities, and the sensitivity of customer information we process, as well as plans for responding to data security breaches. Various state and federal banking regulators and states have also enacted data security breach notification requirements with varying levels of individual, consumer, regulatory or law enforcement notification in certain circumstances in the event of a security breach. Moreover, legislators and regulators in the United States are increasingly adopting or revising privacy, information security and data protection laws that potentially could have a significant impact on our current and planned privacy, data protection and information security-related practices, our collection, use, sharing, retention and safeguarding of consumer or employee information, and some of our current or planned business activities. This could also increase our costs of compliance and business operations and could reduce income from certain business initiatives. This includes increased privacy-related enforcement activity at the federal level, by the FTC, as well as at the state level, such as with regard to mobile applications.

Compliance with current or future privacy, data protection and information security laws (including those regarding security breach notification) affecting customer or employee data to which we are subject could result in higher compliance and technology costs and could restrict our ability to provide certain products and services, which could have a material adverse effect on our business, financial conditions or results of operations. Our failure to comply with privacy, data protection and information security laws could result in potentially significant regulatory or governmental investigations or actions, litigation, fines, sanctions and damage to our reputation, which could have a

material adverse effect on our business, financial condition or results of operations.

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### **Risks Related to the Offering**

***There has been no prior active trading market for our common shares and we cannot assure you that an active public trading market will develop after the offering and, even if it does, our share price may trade below the public offering price and be subject to substantial volatility.***

There has been no public market for our common shares prior to this offering. We cannot predict the extent to which investor interest in our company will lead to the development of an active trading market on The NASDAQ Capital Market or otherwise, or how liquid that market may become, especially if few stock analysts follow our stock or issue research reports concerning our business. If an active trading market does not develop, you may have difficulty selling any shares that you buy in this offering. Neither the underwriters nor any other market maker in our common shares will be obligated to make a market in our shares, and any such market making may be discontinued at any time in the sole discretion of each such market maker.

Even if a market develops for our common shares after the offering, the market price of our common shares may experience significant volatility. Factors that may affect the price of our common shares include the depth and liquidity of the market for our common shares, investor perception of our financial strength, conditions in the banking industry such as credit quality and monetary policies, and general economic and market conditions. Our quarterly and annual operating results, changes in analysts' earnings estimates, changes in general conditions in the economy or financial markets or other developments affecting us could cause the market price of our common shares to fluctuate substantially. In addition, the initial public offering price has been determined through negotiations between us and the underwriters, and may bear no relationship to the price at which the common shares will trade upon completion of the offering.

***We will have broad discretion as to the use of the net proceeds from this offering, and we may not use the proceeds effectively.***

Although we plan to use the net proceeds from this offering for expansion purposes, including new branches or potential acquisitions of other financial institutions, we have not designated the amount of net proceeds we will use for any particular purpose. Accordingly, our management will have broad discretion as to the application of the net proceeds and could use them for purposes other than those contemplated at the time of this offering. Our shareholders may not agree with the manner in which our management chooses to allocate and spend the net proceeds. Moreover, our management may use the net proceeds for corporate purposes that may not increase our market value or profitability. We also may not be able to execute suitable acquisitions at the price we are willing to pay for such acquisitions. To the extent we are unable to utilize the net proceeds from this offering for any of the reasons listed previously, or for any other reason, our shareholders' return on average equity, or ROE, will be negatively affected.

***Investors will experience immediate and substantial dilution in the book value of the shares you purchase in this offering.***

Investors purchasing common shares in this offering will pay more for their shares than the amount paid by existing shareholders who acquired shares prior to this offering. You will incur immediate dilution of approximately \$ in the net tangible book value per share if you purchase common shares in this offering. To the extent any outstanding stock options are exercised, restricted shares vest or other awards are made, there will be further dilution to new investors.

***A significant number of our common shares will become eligible for sale in the public market 180 days after the date of this offering, which could cause the price of our common shares to decline.***

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Our officers, directors, and principal shareholders (shareholders holding more than 5.0% of our common shares), have agreed with the underwriters not to sell or otherwise dispose of any of their shares for a period of 180 days after the date of this offering. When these lock-up agreements expire, these shares and the shares

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underlying any options held by these individuals will become eligible for sale, in some cases subject only to the volume, manner of sale and notice requirements of Rule 144 under the Securities Act. Sales of a substantial number of these shares in the public market after this offering, or the perception that these sales could occur, could cause the market price of our common shares to decline. In addition, we estimate that immediately following this offering, approximately % of our outstanding common shares will be beneficially owned by our principal shareholders, executive officers and directors. The substantial amount of common shares that is owned by and issuable to our principal shareholders, executive officers and directors may adversely affect our share price, our share price volatility and the development of an active and liquid trading market. The sale of these shares could impair our ability to raise capital through the sale of additional equity securities. See *Shares Eligible for Future Sale* for further discussion of the shares that will be freely tradable 180 days after the date of this offering.

***Utah law and the provisions of our articles of incorporation and bylaws could deter or prevent our acquisition by a third party that would be willing to pay you a premium for your shares.***

Our articles of incorporation, or Articles, and bylaws contain certain provisions that may make it substantially more difficult for a third party to acquire control of us without the approval of our Board of Directors, even if doing so might be beneficial to our shareholders. These provisions provide for, among other things, a staggered board, advance notice for nomination of directors and limitations on the ability of shareholders to call a special meeting of shareholders, which can make minority shareholder representation on the Board of Directors more difficult to establish. In addition, the Utah statutory corporate laws contain provisions designed to protect Utah corporations and employees from the adverse effects of hostile corporate takeovers. These statutory provisions reduce the possibility that a third party could effect a change in control without the support of our incumbent directors and may also strengthen the position of current management by restricting the ability of shareholders to change the composition of the board, to affect its policies generally and to benefit from actions that are opposed by the current board. Collectively, these provisions of our Articles and bylaws and other statutory provisions may delay, prevent or deter a merger, acquisition, tender offer, proxy contest or other transaction that might otherwise result in our shareholders receiving a premium over the market price for their common shares.

***Our directors and senior management will exert significant influence over us after the completion of this offering. Their interests may not coincide with yours and they may make decisions with which you may disagree.***

After this offering, our executive officers, directors, and principal shareholders will beneficially own, in the aggregate, approximately % of our outstanding common shares and approximately % of our common shares on a fully-diluted basis, assuming exercise of all outstanding stock options and vesting of outstanding RSUs. As of December 31, 2014, 758,688 shares are reserved for future issuance under our 2014 Plan. As a result, these shareholders, acting together, could control substantially all matters requiring shareholder approval, including the election of directors and approval of significant corporate transactions. In addition, this concentration of ownership may delay or prevent a change in control of our company and make some transactions more difficult or impossible without the support of these shareholders. The interests of these shareholders may not always coincide with our interests as a company or the interests of other shareholders. Accordingly, these shareholders could cause us to enter into transactions or agreements that you would not approve or make decisions with which you may disagree.

***Future equity issuances could result in dilution, which could cause the price of our common shares to decline.***

We are generally not restricted from issuing additional common shares up to the 30 million shares authorized in our Articles. We may issue additional common shares in the future pursuant to current or future employee stock option plans or in connection with future acquisitions or financings. If we choose to raise capital by selling common shares or securities convertible into common shares for any reason, the issuance would have a dilutive effect on our common



shareholders and could have a material negative effect on the market price of our common shares.

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***We may be unable to, or choose not to, pay dividends on our common shares.***

We have declared an annual cash dividend for over 50 years. In 2014, we declared semi-annual dividends. We expect to declare quarterly cash dividends beginning in 2015. However, our ability to pay dividends depends on the following factors, among others:

because PUB is a legal entity separate and distinct from the Banks and does not conduct stand-alone operations, our ability to pay dividends depends on the ability of the Banks to pay dividends to PUB and the FDIC, the UDFI and Utah state law may, under certain circumstances, prohibit the payment of dividends to us from the Banks;

the Federal Reserve policy requires bank holding companies to pay cash dividends on common shares only out of net income available over the past year and only if prospective earnings retention is consistent with the organization's expected future needs and financial condition; and

our Board of Directors may determine that, even though funds are available for dividend payments, retaining the funds for internal uses, such as expansion of our operations, is necessary or appropriate in light of our business plan and objectives.

Such a failure to pay dividends may negatively impact your investment.

***We are an emerging growth company, and the reduced reporting requirements applicable to emerging growth companies may make our common shares less attractive to investors.***

We are an emerging growth company, as defined in the JOBS Act. For as long as we continue to be an emerging growth company, we may take advantage of exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies, including reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements and exemptions from the requirements of holding a non-binding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved. We could be an emerging growth company for up to five years, although we could lose that status sooner if our annual gross revenues exceed \$1.0 billion, if we issue more than \$1.0 billion in non-convertible debt in a three-year period, or if the market value of our common shares held by non-affiliates exceeds \$700 million as of any June 30 before that time, in which case we would no longer be an emerging growth company as of the following December 31. We cannot predict if investors will find our common shares less attractive because we may rely on these exemptions, or if we choose to rely on additional exemptions in the future. If some investors find our common shares less attractive as a result, there may be a less active trading market for our common shares and our share price may be more volatile.

***An investment in our common shares is not an insured deposit and is subject to risk of loss.***

Your investment in our common shares will not be a bank deposit and will not be insured or guaranteed by the FDIC or any other government agency. Your investment will be subject to investment risk, and you must be capable of affording the loss of your entire investment.



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**CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This prospectus contains certain forward-looking statements within the meaning of section 27A of the Securities Act of 1933, as amended, or Securities Act, and section 21E of the Securities Exchange Act of 1934, as amended, or Exchange Act. These forward-looking statements reflect our current views and are not historical facts. These statements may include statements regarding projected performance for periods following the completion of this offering. These statements can generally be identified by use of phrases such as believe, expect, will, seek, should, anticipate, estimate, intend, plan, target, project, commit or other words of similar import. Similarly, statements that describe our future financial condition, results of operations, objectives, strategies, plans, goals or future performance and business are also forward-looking statements. Statements that project future financial conditions, results of operations and shareholder value are not guarantees of performance and many of the factors that will determine these results and values are beyond our ability to control or predict. For those statements, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995. These forward-looking statements and involve known and unknown risks, uncertainties and other factors, including, but not limited to, those described in the Risk Factors and Management's Discussion and Analysis of Financial Condition and Results of Operations sections and other parts of this prospectus that could cause our actual results to differ materially from those anticipated in these forward-looking statements. The following is a non-exclusive list of factors which could cause our actual results to differ materially from our forward-looking statements in this prospectus:

changes in general economic conditions, either nationally or in our local market;

inflation, interest rates, securities market volatility and monetary fluctuations;

increases in competitive pressures among financial institutions and businesses offering similar products and services;

higher defaults on our loan portfolio than we expect;

changes in management's estimate of the adequacy of the allowance for loan losses;

risks associated with our growth and expansion strategy and related costs;

increased lending risks associated with our high concentration of real estate loans;

ability to successfully grow our business in Utah and neighboring states;

legislative or regulatory changes or changes in accounting principles, policies or guidelines;

technological changes;

regulatory or judicial proceedings; and

other factors and risks including those described under **Risk Factors** and **Management's Discussion and Analysis of Financial Condition and Results of Operations**.

Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, estimated, expected, projected, intended, committed or believed.

You should read this prospectus and the documents that we reference in this prospectus and that are filed as exhibits to the registration statement on Form S-1, of which this prospectus is a part. You should review all of the documents that we have filed with the SEC, completely and with the understanding that our actual future results, levels of activity, performance and achievements may be materially different from what we expect. We qualify all of our forward-looking statements by these cautionary statements. We do not undertake any obligation to release publicly our revisions to such forward-looking statements to reflect events or circumstances after the date of this prospectus.

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**USE OF PROCEEDS**

We estimate that the net proceeds from the sale of \_\_\_\_\_ shares of our common shares in this offering will be approximately \$ \_\_\_\_\_, or approximately \$ \_\_\_\_\_ if the underwriters' overallotment option is exercised in full, assuming an initial public offering price of \$ \_\_\_\_\_ per share (the midpoint of the range set forth on the cover page of this prospectus) and after deducting underwriting discounts and commissions and estimated offering expenses payable by us.

We expect to use the net proceeds we will receive from this offering to expand our operations through the opening of new branches, acquisitions and for general corporate purposes. Additionally, we may use a portion of the net proceeds to finance mergers or acquisitions of non-bank financial services companies, although we have no present agreements or commitments to make any acquisition. While our growth strategy includes opening new branches and completing strategic mergers or acquisitions, we have no present agreements or commitments to use any of the net proceeds from this offering for these purposes over the next twelve months. However, if opportunities to open new branches or complete acquisitions present themselves, then we may choose to use some or all of the net proceeds to take advantage of such opportunities. We currently do not intend to use any of the net proceeds we will receive from this offering to add capital to BAF or LSB.

The amounts and timing of these expenditures will depend on numerous factors, including the amount of our future revenues and net income, our ability to identify attractive expansion and acquisition opportunities and the success of our marketing efforts. Accordingly, our management will retain broad discretion in deploying the net proceeds from this offering. Pending the uses described above, we plan to invest the net proceeds in investment-grade, available-for-sale interest-bearing investments.

**Table of Contents****DIVIDEND POLICY**

We have declared an annual cash dividend for over 50 years. In 2014, we declared a semi-annual dividend. We expect to declare quarterly cash dividends beginning in 2015. However, any future determination relating to dividends will be made at the discretion of our Board of Directors and will depend on a number of factors, including our future earnings, capital requirements, financial condition, future prospects, regulatory restrictions and other factors that our Board of Directors may deem relevant. The following table summarizes our dividends per share declared for the periods indicated.

	2014	2013	2012	2011	2010
<b>Second Quarter</b>	\$ 0.08	\$	\$	\$	\$
<b>Fourth Quarter</b>	0.14	0.13	0.11	0.05	0.02
<b>Total</b>	\$ 0.22	\$ 0.13	\$ 0.11	\$ 0.05	\$ 0.02

As a bank holding company, we are subject to the Federal Reserve's policy regarding dividends, which provide that a bank holding company should not declare or pay a cash dividend which would impose undue pressure on the capital of any bank subsidiary or would be funded only through borrowing or other arrangements that might adversely affect a bank holding company's financial position. As a general matter, the Federal Reserve has indicated that the Board of Directors of a bank holding company should consult with the Federal Reserve and eliminate, defer or significantly reduce the bank holding company's dividends if:

its net income available to shareholders for the past four quarters, net of dividends previously paid during that period, is not sufficient to fully fund the dividends;

its prospective rate of earnings retention is not consistent with its capital needs and overall current and prospective financial condition; or

it will not meet, or is in danger of not meeting, its minimum regulatory capital adequacy ratios.

Should the Banks be significantly undercapitalized under the applicable federal bank capital ratios, or if the Banks are undercapitalized and have failed to submit an acceptable capital restoration plan or have materially failed to implement such a plan, the FDIC may choose to require prior Federal Reserve approval for any capital distribution by us as a bank holding company controlling the Banks.

In addition, since PUB is a legal entity separate and distinct from the Banks and does not conduct stand-alone operations, PUB's ability to pay dividends depends on the ability of the Banks to pay dividends to PUB. The present and future dividend policies of the Banks are subject to the discretion of each Banks' Board of Directors. Under certain circumstances, the FDIC and UDFI may restrict the ability of the Banks and our ability to pay dividends.

As a shareholder of a Utah corporation, you are entitled to receive such dividends and other distributions when, as, and if declared from time to time by our Board of Directors out of funds legally available for distributions to shareholders. As a bank holding company, our principal source of revenue is the dividends that may be declared from

time to time by our banks out of funds legally available for payment of dividends. Our ability to pay dividends depends upon our receipt of dividends paid by our subsidiary banks, which is governed by the banking laws of Utah. A Utah state-chartered bank may declare a dividend of an amount of the bank's net profits as the board deems appropriate.

We further discuss regulatory limitations on the Banks' ability to pay dividends, and the regulatory limitations on our ability to pay dividends, elsewhere in this prospectus.



**Table of Contents****CAPITALIZATION**

The following table sets forth our capitalization as of December 31, 2014:

on an actual basis; and

on an as adjusted basis to reflect the sale by us of the common shares in this offering, at an assumed initial public offering price of \$ , estimated net proceeds of this offering at the public offering price of \$ per share, the midpoint of the range set forth on the cover page of this prospectus. Each \$1.00 increase (decrease) in the initial public offering price per share would increase (decrease) our total shareholders equity and total capitalization by \$ million (assuming no exercise of the underwriters over-allotment option).

You should read this table in conjunction with the consolidated financial statements and the other financial information included in this prospectus.

(in thousands, except for share and per share data)	December 31, 2014 <sup>(1)</sup>	
	Actual	As Adjusted <sup>(2)</sup>
<b>Shareholders Equity:</b>		
Common Shares, \$.01 par value, 30,000,000 shares authorized; 14,758,121 shares outstanding as of December 31, 2014	\$ 148	\$
Additional paid-in capital	31,137	
Retained earnings	125,595	
Accumulated other comprehensive income	779	
Total shareholders equity	157,659	
Book value per share	\$ 10.68	\$
Tangible book value per share <sup>(3)</sup>	10.63	
Shareholders equity to total assets	11.53%	%
Tangible common equity to tangible assets	11.48%	
<b>Regulatory capital ratios <sup>(4)</sup></b>		
Tier 1 leverage capital ratio	11.32%	%
Tier 1 risk-based capital ratio	14.92%	%
Total risk-based capital ratio	16.01%	%

(1) Actual does not include stock options for the purchase of 940,683 common shares at a weighted average exercise price of \$5.92 per share or the future issuance of 3,198 common shares for restricted stock units.

(2) If the underwriters over-allotment option is exercised in full, common shares, additional paid-in capital and total shareholders equity would be \$ million, \$ million and \$ million, respectively. The adjusted number of shares outstanding would be .

(3) Excludes intangible assets of \$776,000.

(4) The net proceeds from our sale of common shares in this offering are presumed to be invested in 20% risk weighted U.S. Agency bonds or Federal Funds sold for purposes of as adjusted risk-based regulatory capital

ratios.

**Table of Contents****DILUTION**

If you invest in our common shares, you will suffer dilution to the extent the initial public offering price per share of our common shares exceeds the tangible book value of our common shares immediately after this offering. The tangible book value of our common shares as of December 31, 2014 was approximately \$156.9 million, or \$10.63 per common share. The tangible book value per share represents total tangible assets less total liabilities, divided by the 14,758,121 common shares outstanding as of that date.

After giving effect to the issuance and sale of \_\_\_\_\_ common shares in this offering, and our receipt of approximately \$ \_\_\_\_\_ million in net proceeds from such sale, based on the public offering price of \$ \_\_\_\_\_ per share, and after deducting the estimated underwriters' discount and commissions and the expenses of the offering, our as adjusted tangible book value as of December 31, 2014 would have been approximately \$ \_\_\_\_\_ million, or \$ \_\_\_\_\_ per share. This amount represents an immediate increase in tangible book value per share of \$ \_\_\_\_\_ to existing shareholders and an immediate dilution of \$ \_\_\_\_\_ per share to purchasers of our common shares in this offering. Dilution is determined by subtracting the tangible book value per share as adjusted for this offering from the amount of cash paid by a new investor for a common share.

The following table illustrates the per share dilution as of December 31, 2014:

Assumed initial public offering price per share	\$
Tangible book value per share as of December 31, 2014	10.63
Increase in tangible book value per share attributable to new investors	
As adjusted tangible book value per share after this offering	
Dilution in tangible book value per share to new investors <sup>(1)</sup>	

(1) If all of our outstanding options are exercised and restricted shares vest, then dilution in tangible book value per share to new investors would increase by \$ \_\_\_\_\_ per share to \$ \_\_\_\_\_ per shares, or \_\_\_\_\_ % of the initial public offering price per share.

If the underwriters' option to purchase additional shares to cover over-allotments is exercised in full, the pro forma net tangible book value per share after giving effect to our initial public offering would be approximately \$ \_\_\_\_\_ per share, and the dilution in pro forma net tangible book value per share to investors in our initial public offering would be approximately \$ \_\_\_\_\_ per share.

The following table summarizes as of December 31, 2014, on an as adjusted basis as described above, the total number of common shares purchased from us, the total consideration paid to us, before deducting estimated underwriting discounts and commissions and offering expenses, and the average price per share paid by existing shareholders and by new investors who purchase common shares in this offering at the initial public offering price of \$ \_\_\_\_\_ per share.

	Shares Purchased <sup>(1)</sup>		Total Consideration <sup>(2)</sup>		Average Per Share
	Number	Percent	Amount	Percent	
Existing shareholders					

New investors<sup>(3)</sup>

Total	100%	100%
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- (1) If all of our outstanding options are exercised and restricted shares vest, then the number and percent of shares purchased would increase to and %, respectively.
- (2) If all of our outstanding options are exercised and restricted shares vest, then the number and percent of total consideration would increase to and %, respectively.
- (3) If the underwriters exercise their over-allotment option in full, the number of shares held by new investors will increase to , or % of the total number of common shares outstanding after this offering.

As soon as practicable after completion of this offering, we intend to register on a registration statement on Form S-8 approximately 1,702,569 common shares issuable upon the exercise of options or reserved for awards of future options under our equity incentive plans. To the extent that options are exercised, restricted shares are issued or other options or restricted shares are awarded, there will be further dilution to new investors.

**Table of Contents****SELECTED CONSOLIDATED FINANCIAL INFORMATION**

*You should read the selected consolidated financial data set forth below in conjunction with our historical consolidated financial statements and related notes and Management's Discussion and Analysis of Financial Condition and Results of Operations, included elsewhere in this prospectus. The selected consolidated financial data for the five years ended December 31, 2014 have been derived from our audited consolidated financial statements.*

	<b>As of December 31,</b>				
<b>(Dollars in thousands)</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
<b>Selected Balance Sheet Information:</b>					
Cash and cash equivalents	\$ 47,702	\$ 94,406	\$ 98,861	\$ 28,910	\$ 37,275
Investment securities	330,839	320,388	264,413	233,382	183,848
Loans, net	937,578	829,882	592,924	583,384	572,529
Total assets	1,367,125	1,299,190	991,423	889,894	842,850
Total deposits	1,199,233	1,144,314	869,227	779,859	739,680
Shareholders' equity	157,659	143,672	115,710	105,871	98,986
<b>Average balances:</b>					
Average earning assets	\$ 1,250,156	\$ 981,661	\$ 847,362	\$ 813,940	\$ 774,172
Average assets	1,331,291	1,039,561	914,603	860,444	826,868
Average shareholders' equity	152,788	126,453	112,089	105,871	121,964
	<b>Years Ended December 31,</b>				
<b>(Dollars in thousands)</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
<b>Summary Income Statement Information:</b>					
Interest income	\$ 58,203	\$ 45,657	\$ 42,010	\$ 41,860	\$ 42,452
Interest expense	3,260	3,337	3,629	4,861	6,642
Net interest income	54,943	42,320	38,381	36,999	35,810
Provision for loan losses	1,700	1,500	4,700	6,200	11,300
Net interest income after provision for loan losses	53,243	40,820	33,681	30,799	24,510
Non-interest income	15,241	14,271	11,613	9,558	8,358
Non-interest expense	45,333	36,875	31,409	30,688	27,859
Income before income tax expense	23,151	18,216	13,885	9,669	5,009
Income tax expense	8,246	6,338	4,643	3,099	1,603
Net income	\$ 14,905	\$ 11,878	\$ 9,242	\$ 6,570	\$ 3,406
Basic earnings per share <sup>(1)</sup>	\$ 1.02	\$ 0.92	\$ 0.76	\$ 0.54	\$ 0.28
Diluted earnings per share <sup>(1)</sup>	0.98	0.89	0.74	0.54	0.28
Book value per share <sup>(1)</sup>	10.68	9.83	9.29	8.60	8.10
Tangible book value per share <sup>(1) (2)</sup>	10.63	9.75	9.29	8.60	8.10

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Cash dividends declared per common share <sup>(1)</sup>	0.22	0.13	0.11	0.05	0.02
Dividend ratio	21.57%	14.13%	14.47%	9.26%	7.14%
<b>Selected Financial Ratios:</b>					
Net interest margin <sup>(3)</sup>	4.39%	4.31%	4.53%	4.55%	4.63%
Efficiency ratio <sup>(4)</sup>	63.58%	63.61%	62.83%	65.91%	63.08%
Non-interest income to average assets	1.14%	1.37%	1.27%	1.11%	1.01%
Non-interest expense to average assets	3.41%	3.55%	3.43%	3.57%	3.37%
Return on average assets	1.12%	1.14%	1.01%	0.76%	0.41%
Return on average equity	9.76%	9.39%	8.25%	6.21%	2.79%
Non-performing assets to total assets	0.70%	1.61%	2.46%	4.81%	7.02%
Allowance for loan losses to non-performing loans	192.66%	85.59%	61.02%	46.65%	41.62%
Loans to deposits	78.18%	72.52%	68.21%	74.81%	77.40%
Net charge-offs to average loans	0.11%	0.13%	1.10%	1.72%	2.27%
<b>Capital Ratios:</b>					
Tier 1 leverage capital	11.32%	11.06%	11.85%	11.71%	11.60%
Total risk-based capital	16.01%	16.27%	18.52%	17.35%	16.17%
Average equity to average assets	11.48%	12.16%	12.26%	12.30%	14.75%
Tangible common equity to tangible assets <sup>(5)</sup>	11.48%	10.98%	11.67%	11.90%	11.74%

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- (1) All per share data has been retroactively restated to give effect to a 44 to 1 share split which occurred in 2013.
- (2) Represents the sum of total shareholders' equity less intangible assets all divided by common shares outstanding. Intangible assets were \$776,000 and \$1.2 million for 2014 and 2013, respectively, and there were no intangible assets for 2012, 2011 and 2010.
- (3) Net interest margin is defined as net interest income divided by average earning assets.
- (4) Represents the sum of non-interest expense less merger costs all divided by the sum of net interest income and non-interest income. Merger costs were \$711,000 and \$879,000 for 2014 and 2013, respectively.
- (5) Represents the sum of total shareholders' equity less intangible assets all divided by the sum of total assets less intangible assets.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

*You should read the following discussion and analysis of our financial condition and results of operations together with Selected Consolidated Financial Information and our consolidated financial statements and related notes appearing elsewhere in this Prospectus. Certain matters discussed in this Prospectus constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. See Cautionary Note Regarding Forward-Looking Statements located elsewhere in this Prospectus. Therefore, the information set forth in such forward-looking statements should be carefully considered when evaluating our business prospects as our actual results may differ materially from those anticipated in these forward-looking statements as a result of many factors, including those set forth under Risk Factors located elsewhere in this Prospectus.*

**Overview**

We are a bank holding company, formed in 1998 and headquartered in American Fork, Utah, which is located on the I-15 corridor between the cities of Salt Lake City and Provo. We have 18 banking branches operated through our two wholly-owned banking subsidiaries, BAF and LSB, which began offering banking services in 1913 and 1905, respectively. We provide full-service retail banking in many of the leading population centers in the state of Utah, including a wide range of banking and related services to locally-owned businesses, professional firms, real estate developers, residential home builders, high net-worth individuals, investors and other customers. Our primary customers are small- and medium-sized businesses that require highly personalized commercial banking products and services.

We believe our recent growth is a result of our ability to attract and retain high-quality associates, add branches in attractive markets and provide good customer service, as well as due to the expansion of our construction, land acquisition and development and commercial and industrial lending. The primary source of funding for our asset growth has been the generation of core deposits, which we accomplished through a combination of competitive pricing for local deposits coupled with expansion of our branch system. In addition to the four branches from the LSB merger, we have added two new BAF branch offices since January 1, 2012.

Our results of operations are largely dependent on net interest income. Net interest income is the difference between interest income we earn on interest earning assets, which are comprised of loans, investment securities and short-term investments and the interest we pay on our interest bearing liabilities, which are primarily deposits, and, to a lesser extent, other borrowings. Deposits are our primary source of funding. Management strives to match the re-pricing characteristics of the interest earning assets and interest bearing liabilities to protect net interest income from changes in market interest rates and changes in the shape of the yield curve.

We measure our performance by calculating our net interest margin, return on average assets, and return on average equity. Net interest margin is calculated by dividing net interest income, which is the difference between interest income on interest earning assets and interest expense on interest bearing liabilities, by average interest earning assets. Net interest income is our largest source of revenue. Interest rate fluctuations, as well as changes in the amount and type of earning assets and liabilities, combine to affect net interest income. We also measure our performance by our efficiency ratio, which is calculated by dividing non-interest expense less merger costs by the sum of net interest income and non-interest income.

Since the recession began in the U.S. at the end of 2008, market interest rates have declined as a result of the Federal Reserve's monetary policies and have had a significant impact on our net interest income and margin. Our net interest



margin has declined in the last five years from 4.63% in 2010 to 4.39% in 2014.

**Table of Contents****LSB Merger**

On October 18, 2013, we completed our acquisition of LSB. Under the terms of the merger agreement, PUB issued 2,044,736 common shares and paid cash totaling \$8.7 million to the former shareholders of Lewiston Bancorp. Lewiston Bancorp shareholders received \$9.89 per share paid in PUB common shares and cash for an aggregate deal value of \$28.9 million. Under the terms of the merger, an escrow holdback of \$1.05 million was established pending the resolution of certain contingencies. In October 2014, \$550,000 in escrow funds were released of which we received \$297,000 and the remainder was paid to the Lewiston Bancorp shareholders. The remaining \$500,000 in escrow funds will be settled by December 31, 2017. In accordance with applicable accounting guidance, the amount paid to Lewiston Bancorp shareholders was allocated to the fair value of the net assets acquired. We incurred \$879,000 of merger-related expenses in 2013 and \$711,000 in 2014. PUB's results of operations and financial condition include those of LSB from the merger date. The following table provides information on the fair value of selected classifications of assets and liabilities acquired:

*(in thousands)*

Total assets	\$ 266,325
Investment securities	54,473
Loans receivable	178,237
Non-interest bearing deposits	36,327
Interest bearing deposits	198,905

The 2013 financial statements only include LSB net income since the merger date which was \$636,000. Our net income for 2014 includes the full year of LSB operating results, compared to only two full months in 2013. This is one of the reasons for the changes in various financial statement line items discussed throughout this Management's Discussion and Analysis. The following table presents pro forma results of operations information for the periods presented as if the acquisition had occurred on January 1, 2012 after giving effect to adjustments for certain assets and liabilities. The pro forma results of operations for the years ended December 31, 2013, and 2012 include the historical accounts of PUB and LSB and pro forma adjustments as may be required, including amortization of the intangible asset with a definite life and the amortization or accretion of any premiums or discounts arising from fair value adjustments for assets acquired and liabilities assumed. The pro forma information is intended for informational purposes only and is not necessarily indicative of PUB's future operating results or operating results that would have occurred had the acquisition been completed at the beginning of 2012. No assumptions have been applied to the pro forma results of operations regarding possible revenue enhancements, expense efficiencies or asset dispositions.

<i>(in thousands)</i>	<b>Years Ended</b>	
	<b>2013</b>	<b>2012</b>
<b>Pro forma results of operations:</b>		
Net interest income	\$ 52,973	\$ 49,934
Provision for loan losses	1,450	6,050
Non-interest income	14,542	12,681
Non-interest expense	45,499	39,495
Income before income taxes	20,566	17,070
Income taxes	7,107	5,601

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Net income	\$ 13,459	\$ 11,469
Earnings per share:		
Basic	\$ 0.93	\$ 0.81
Diluted	\$ 0.90	\$ 0.79

**Table of Contents*****Key Factors in Evaluating Our Financial Condition and Results of Operations***

As a bank holding company, we focus on a number of key factors in evaluating our financial condition and results of operations including:

Return on average equity;

Return on average assets;

Asset quality;

Asset growth;

Capital and liquidity;

Net interest margin; and

Operating efficiency.

The chart below shows these key factors for the past five years:

**Key Financial Measures  
Years Ended December 31,**

<b>(Dollars in thousands except per share amounts)</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
Net income	\$ 14,905	\$ 11,878	\$ 9,242	\$ 6,570	\$ 3,406
Basic earnings per share	1.02	0.92	0.76	0.54	0.28
Diluted earnings per share	0.98	0.89	0.74	0.54	0.28
Total assets	1,367,125	1,299,190	991,423	889,894	842,850
Total loans, net	937,578	829,882	592,924	583,384	572,529
Total deposits	1,199,233	1,144,314	869,227	779,859	739,680
Net interest margin	4.39%	4.31%	4.35%	4.55%	4.63%
Efficiency ratio	63.58%	63.61%	62.83%	65.91%	63.08%
Return on average assets	1.12%	1.14%	1.01%	0.76%	0.41%
Return on average equity	9.76%	9.39%	8.25%	6.21%	2.79%
Non-performing assets to total assets	0.70%	1.61%	2.46%	4.81%	7.02%
Liquidity Ratio <sup>(1)</sup>	28.84%	33.51%	37.95%	28.67%	23.29%

- (1) The liquidity ratio is the sum of cash equivalents and investment securities, less investment securities pledged as collateral against short-term borrowings, all divided by total liabilities. Pledged investment securities were \$29.7 million, \$27.5 million, \$31.0 million, \$37.5 million and \$47.9 million for each of the five years ended December 31, 2014, respectively.

*Return on Average Equity.* We measure the return to our shareholders through a return on average equity, or ROE, calculation. Our net income for the year ended December 31, 2014 increased 25.5% to \$14.9 million compared to \$11.9 million for the year ended December 31, 2013 and increased by 28.5% for the year ended December 31, 2013 from \$9.2 million for the year ended December 31, 2012. Net income for the year ended December 31, 2014 increased primarily due to a full year of LSB operations, a 13.0% increase to net loans from organic growth and a higher net interest margin of 4.39%. Net income for the year ended December 31, 2013 increased primarily due to the increase in loans from organic growth and the LSB merger in the fourth quarter of 2013. Basic earnings per share, or EPS, increased to \$1.02 for the year ended December 31, 2014 compared to \$0.92 for the year ended December 31, 2013 and \$0.76 for the year ended December 31, 2012. Diluted EPS increased to \$0.98 for the year ended December 31, 2014 compared to \$0.89 for the year ended December 31, 2013 and \$0.74 for the year ended December 31, 2012. Our increase in net income drove our ROE to 9.76% for the year ended December 31, 2014 compared to 9.39% for the year ended December 31, 2013 and 8.25% for the year ended December 31, 2012. Any increase in our capital may result in a lower return on equity.

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*Return on Average Assets.* We measure asset utilization through a return on average assets, or ROA, calculation. For the year ended December 31, 2014, our ROA was 1.12% compared to 1.14% for the year ended December 31, 2013 and 1.01% for the year ended December 31, 2012. The decline in 2014 in ROA was attributable primarily to higher costs from the LSB merger, lower non-interest income to average assets and a higher effective income tax rate of 35.6%.

*Asset Quality.* Since the majority of our performing assets are loans, we measure asset quality in terms of non-performing assets as a percentage of total assets. This measurement is used in determining asset quality and its potential effect on future earnings. Non-performing assets as a percentage of total assets were 0.70% as of December 31, 2014 compared to 1.61% as of December 31, 2013 and 2.46% as of December 31, 2012. Nonperforming assets are loans that are 90 days or more past due or have been placed on nonaccrual status, or are other real estate owned, or OREO.

*Asset Growth.* Revenue growth and EPS are directly related to earning assets growth. In descending order, our earning assets are loans, investments (including federal funds) and interest earning balances. For the year ended December 31, 2014, total assets grew 5.2% compared with 31.0% in 2013 and 11.4% in 2012, with total net loans increasing by 13.0% in 2014 compared with 40.0% for the year ended December 31, 2013 and 1.6% for the year ended December 31, 2012. Investment securities grew 3.3% for the year ended December 31, 2014 compared with 21.2% and 13.3% for the years ended December 31, 2013 and 2012, respectively. Loan growth in 2014 came primarily from the increased level of real estate lending activity complemented by increased C&I lending activity, while loan growth in 2013 was due primarily to the LSB merger, which contributed \$178 million in loans as of the merger date and represents approximately 75% of the growth in total net loans in 2013. Additionally, in 2013, the LSB merger was the primary contributor to our growth in assets, total net loans, investment securities and deposits.

*Capital and Liquidity.* Maintaining appropriate capital and liquidity levels is imperative for us to continue our strong growth levels. We have been successful in maintaining capital levels well above the minimum regulatory requirements, which we believe has enabled our growth strategy. Regulatory authorities define a well capitalized bank as one with tier 1 leverage ratio of 5%. Our tier 1 leverage ratio was 11.32% as of December 31, 2014, as compared with 11.06% as of December 31, 2013 and 11.85% as of December 31, 2012. The increase in our tier 1 leverage ratio in 2014 was due primarily to the increase in net income. The slight decrease in our tier 1 leverage ratio in 2013 from 2012 was primarily due to approximately \$8.7 million in cash paid as part of the LSB merger. We monitor liquidity levels to ensure we have adequate sources available to fund our loan growth and to accommodate daily operations. The key measure we use to monitor liquidity is our liquidity ratio which is calculated as cash and cash equivalents plus unpledged investment securities divided by total liabilities. Our liquidity ratio was 28.84% as of December 31, 2014 compared to 33.51% as of December 31, 2013 and 37.95% as of December 31, 2012. The decline in our liquidity ratio reflects a better usage of cash by funding higher loan balances.

*Net Interest Margin.* Net interest margin is a metric that allows us to gauge our loan pricing and funding cost relationship. At December 31, 2014, our net interest margin was 4.39% compared to 4.31% and 4.53% for the years ended December 31, 2013, and 2012, respectively.

*Operating Efficiency.* Operating efficiency is the measure of how much it costs us to generate each dollar of revenue. A lower percentage indicates a better operating efficiency. Our efficiency ratio is calculated as the sum of non-interest expense less merger related expenses divided by the sum of net interest income and non-interest income and was 63.58% for the year ended December 31, 2014, as compared to 63.61% for the year ended December 31, 2013 and 62.83% for the year ended December 31, 2012. The increase in our efficiency ratios in 2014 and 2013 compared to 2012 was due primarily to increased operating costs associated with the LSB merger. We completed a conversion to a common information technology platform in late 2014 which we expect will improve our efficiency ratio in 2015.



**Table of Contents****Results of Operations**

Factors that determine the level of net income include the volume of earning assets and interest bearing liabilities, yields earned and rates paid, fee income, non-interest expense, the level of non-performing loans and other non-earning assets, and the amount of non-interest bearing liabilities supporting earning assets. Non-interest income includes service charges and other fees on deposits, and mortgage banking income. Non-interest expense consists primarily of employee compensation and benefits, occupancy, equipment and depreciation expense, and other operating expenses.

*Average Balance and Yields.* The following table sets forth a summary of average balances with corresponding interest income and interest expense as well as average yield, cost and net interest margin information for the periods presented. Average balances are derived from daily balances. Average non-accrual loans are derived from quarterly balances and are included as non-interest earning assets for purposes of this table.

(Dollars in thousands, except footnotes)	Years Ended December 31,								
	2014			2013			2012		
Average Balance	Interest Income/ Expense	Average Yield/ Rate	Average Balance	Interest Income/ Expense	Average Yield/ Rate	Average Balance	Interest Income/ Expense	Average Yield/ Rate	
<b>ASSETS</b>									
Interest earning deposits in other banks and federal funds sold	\$ 44,687	\$ 136	0.30%	\$ 83,015	\$ 214	0.26%	\$ 31,456	\$ 84	0.27%
Securities <sup>(1)</sup>									
Taxable securities	258,561	4,487	1.74%	175,889	2,774	1.58%	154,614	2,231	1.44%
Non-taxable securities <sup>(2)</sup>	82,434	2,342	2.84%	72,432	1,976	2.73%	72,036	1,970	2.73%
Loans <sup>(3) (4)</sup>	861,785	51,842	6.02%	648,025	41,206	6.36%	587,012	38,235	6.51%
Non-marketable equity securities	2,689	3	0.11%	2,300	1	0.04%	2,244		%
<b>Total interest earning assets</b>	<b>1,250,156</b>	<b>\$ 58,810</b>	<b>4.70%</b>	<b>981,661</b>	<b>\$ 46,171</b>	<b>4.70%</b>	<b>847,362</b>	<b>\$ 42,520</b>	<b>5.02%</b>
Allowance for loan losses	(14,454)			(13,953)			(14,752)		
Non-interest earning assets	95,589			71,853			81,993		
<b>Total average assets</b>	<b>\$ 1,331,291</b>			<b>\$ 1,039,561</b>			<b>\$ 914,603</b>		
<b>LIABILITIES AND SHAREHOLDERS EQUITY</b>									



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<b>Interest bearing deposits:</b>									
Demand and savings accounts	\$ 513,241	\$ 1,493	0.29%	\$ 399,528	\$ 1,466	0.37%	\$ 337,540	\$ 1,509	0.45%
Money market accounts	137,829	311	0.23%	109,895	236	0.21%	100,653	263	0.26%
Certificates of deposit, under \$100,000	115,103	592	0.51%	90,415	652	0.72%	98,622	779	0.79%
Certificates of deposit, \$100,000 and over	91,878	862	0.94%	69,394	981	1.41%	68,621	1,077	1.57%
<b>Total interest bearing deposits</b>	<b>858,051</b>	<b>3,258</b>	<b>0.38%</b>	<b>669,232</b>	<b>3,335</b>	<b>0.50%</b>	<b>605,436</b>	<b>3,628</b>	<b>0.60%</b>
Short-term borrowings	1,299	2	0.15%	923	2	0.22%	896	1	0.11%
<b>Total interest bearing liabilities</b>	<b>859,350</b>	<b>\$ 3,260</b>	<b>0.38%</b>	<b>670,155</b>	<b>\$ 3,337</b>	<b>0.50%</b>	<b>606,332</b>	<b>\$ 3,629</b>	<b>0.60%</b>
<b>Other non-interest bearing liabilities</b>									
Shareholders equity	319,153			242,953			196,182		
	152,788			126,453			112,089		
<b>Total average liabilities and shareholders equity</b>									
	\$ 1,331,291			\$ 1,039,561			\$ 914,603		
<b>Net interest income (tax-equivalent)</b>									
		\$ 55,550			\$ 42,834			\$ 38,891	
<b>Interest rate spread (tax-equivalent)</b>									
			4.32%			4.21%			4.42%
<b>Net interest margin (tax-equivalent) <sup>(5)</sup></b>									
			4.44%			4.36%			4.59%

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- (1) Excludes average unrealized gains of \$642,000, \$2.0 million and \$3.0 million in 2014, 2013 and 2012, respectively, which are included in non-interest earning assets.
- (2) Calculated on a fully tax equivalent basis using an assumed tax rate of 35%, which includes federal tax benefits relating to income earned on municipal securities totaling \$607,000, \$512,000, and \$511,000 in 2014, 2013, and 2012, respectively.
- (3) Loan interest income includes loan fees of \$3.6 million in 2014, \$2.7 million in 2013, and \$1.8 million in 2012.
- (4) Average loans do not include average non-accrual loans of \$11.2 million in 2014, \$13.4 million in 2013, and \$25.0 million in 2012, which are included in non-interest earning assets.
- (5) Net interest margin is computed by dividing net interest income by average interest earning assets.

*Rate/Volume Analysis.* The following table shows the change in interest income and interest expense and the amount of change attributable to variances in volume, rates and the combination of volume and rates based on the relative changes of volume and rates. For purposes of this table, the change in interest due to both volume and rate has been allocated to change due to volume and rate in proportion to the relationship of absolute dollar amounts of change in each.

(in thousands)	Year ended December 31, 2014 vs. 2013			Year ended December 31, 2013 vs. 2012		
	Increase (Decrease) Due to:			Increase (Decrease) Due to:		
	Volume	Rate	Net	Volume	Rate	Net
Interest income						
Interest earning deposits in other banks and federal funds sold	\$ (112)	\$ 34	\$ (78)	\$ 133	\$ (3)	\$ 130
Taxable securities	1,412	301	1,713	324	219	543
Non-taxable securities <sup>(1)</sup>	282	84	366	11	(5)	6
Loans	12,962	(2,326)	10,636	3,897	(926)	2,971
Federal Home Loan Bank stock		2	2		1	1
<b>Total interest income (tax-equivalent)</b>	<b>14,544</b>	<b>(1,905)</b>	<b>12,639</b>	<b>4,365</b>	<b>(714)</b>	<b>3,651</b>
Interest expense						
Demand and savings accounts	367	(340)	27	252	(295)	(43)
Money market accounts	63	12	75	23	(50)	(27)
Certificates of deposit, under \$100,000	153	(213)	(60)	(62)	(65)	(127)
Certificates of deposit, \$100,000 and over	265	(384)	(119)	12	(108)	(96)
Short-term borrowings	1	(1)			1	1
<b>Total interest expense</b>	<b>849</b>	<b>(926)</b>	<b>(77)</b>	<b>225</b>	<b>(517)</b>	<b>(292)</b>
<b>Net interest income (tax-equivalent)</b>	<b>\$ 13,695</b>	<b>\$ (979)</b>	<b>\$ 12,716</b>	<b>\$ 4,140</b>	<b>\$ (197)</b>	<b>\$ 3,943</b>

(1) Tax equivalent income calculated on a fully tax-equivalent basis using an assumed tax rate of 35%. Net interest income (tax-equivalent) increased \$12.7 million for the year ended December 31, 2014 compared to 2013. The increase in interest income was primarily driven by increased volume on loans. Decreases in interest income from lower average loan rates were offset by the increased yields and volume of investment securities. Additionally,

interest expense remained rather flat in 2014 compared to 2013 due to lower deposit interest rates offsetting the additional interest expense resulting from deposit growth.

Net interest income (tax-equivalent) increased \$3.9 million for the year ended December 31, 2013 compared to the same period in 2012. The increase in interest income was primarily driven by organic loan growth during 2013 and from the increase in earning assets acquired from the LSB merger in the fourth quarter of 2013. Lower interest expense in 2013 resulted primarily from lower deposit interest rates.

**Table of Contents****Financial Overview for the Years Ended December 31, 2014 and 2013**

<i>(in thousands)</i>	Years ended December 31,		\$ Change	% Change
	2014	2013		
Interest income	\$ 58,203	\$ 45,657	\$ 12,546	27%
Interest expense	3,260	3,337	(77)	(2)%
Net interest income	54,943	42,320	12,623	30%
Provision for loan losses	1,700	1,500	200	13%
Net interest income after provision for loan losses	53,243	40,820	12,423	30%
Non-interest income	15,241	14,271	970	7%
Non-interest expense	45,333	36,875	8,458	23%
Income before income tax expense	23,151	18,216	4,935	27%
Income tax expense	8,246	6,338	1,908	30%
Net income	\$ 14,905	\$ 11,878	\$ 3,027	25%

*Net Income.* Our net income grew by \$3.0 million to \$14.9 million for the year ended December 31, 2014 as compared to \$11.9 million for 2013. This was attributable principally to increases in net interest income of \$12.6 million and non-interest income of \$970,000, offset by an \$8.5 million increase in non-interest expense.

*Net Interest Income and Net Interest Margin.* The increase in net interest income for the year ended 2014 was primarily driven by interest earned on a higher volume in interest-earning assets of \$268.5 million. The increased volume is comprised of \$82.4 million attributable to internal growth and \$186.1 million attributable to a full-year effect of earning assets acquired in the LSB merger. Interest expense in 2014 was nearly unchanged from 2013.

The tax-equivalent yield on our average interest earning assets was 4.70% for fiscal 2014 and 2013. In 2014, we experienced a decrease in our yield on loans resulting from competitive market pressure, which was offset by an increase in the tax-equivalent yield on total investment securities primarily from non-taxable municipal securities.

The cost of funding our earning assets declined from 0.50% in 2013 to 0.38% in 2014 because of lower rates paid on deposits and accretion of fair value adjustments to LSB certificates of deposits. The decrease in interest paid was \$77,000 and the increase in average interest bearing deposits was \$188.8 million.

*Provision for Loan Losses.* The provision for loan losses in each period is a charge against earnings in that period. The provision is that amount required to maintain the allowance for loan losses at a level that, in management's judgment, is adequate to absorb loan losses inherent in the loan portfolio.

The provision for loan losses for 2014 was \$1.7 million compared to \$1.5 million for 2013. We experienced higher net loan charge-offs in 2014 of \$939,000 compared to net loans charged-off of \$816,000 in 2013. The provision for loan losses increased in 2014 compared to 2013 primarily due to providing \$600,000 for new LSB loans and further

deterioration on acquired impaired loans after the LSB merger.

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*Non-interest Income.* The following table presents, for the periods indicated, the major categories of non-interest income:

<i>(in thousands)</i>	Years ended December 31,		\$ Change	% Change
	2014	2013		
Service charges on deposit accounts	\$ 2,821	\$ 2,630	\$ 191	7%
Card processing	4,185	3,541	644	18%
Mortgage banking	6,444	6,327	117	2%
Other operating	1,791	1,773	18	1%
<b>Total non-interest income</b>	<b>\$ 15,241</b>	<b>\$ 14,271</b>	<b>\$ 970</b>	<b>7%</b>

The increase in total non-interest income during 2014 compared to 2013 was primarily influenced by higher volumes of credit and debit card transactions and the impact of the LSB merger.

*Non-interest Expense.* The following table presents, for the periods indicated, the major categories of non-interest expense:

<i>(in thousands)</i>	Years ended December 31,		\$ Change	% Change
	2014	2013		
Salaries and employee benefits	\$ 27,584	\$ 22,426	\$ 5,158	23%
Occupancy, equipment and depreciation	3,889	3,212	677	21%
Data processing	3,086	2,069	1,017	49%
FDIC premiums	810	722	88	12%
Card processing	2,136	1,574	562	36%
Other real estate owned	199	141	58	41%
Marketing and advertising	934	907	27	3%
Merger related expenses	711	879	(168)	(19)%
Other	5,984	4,945	1,039	21%
<b>Total non-interest expense</b>	<b>\$ 45,333</b>	<b>\$ 36,875</b>	<b>\$ 8,458</b>	<b>23%</b>

Salaries and employee benefits of \$27.6 million in 2014 represents 61% of our total non-interest expense and this category increased by 23% compared to 2013. This increase primarily resulted from a full year of expense related to the increase of 74 full-time equivalent associates due to the LSB merger in the fourth quarter of 2013 and an increase of 14 full-time equivalent new associates hired to support our balance sheet and income growth. Additionally, in 2014, we incurred higher costs in most categories principally associated with the LSB merger. Merger-related expenses in 2014 are primarily costs of terminating the information technology contracts with the previous LSB data processing provider and in 2013 are legal, accounting and investment banking fees incurred in connection with the LSB merger.

*Provision for Income Taxes.* We recorded tax provisions of \$8.2 million for 2014 compared to \$6.3 million for 2013. Our effective tax rate was approximately 35.6% for 2014 and 34.8% for 2013. Any difference from the federal

statutory rate in either period was primarily due to the non-taxable nature of income from municipal securities and bank-owned life insurance, and state income taxes.

**Table of Contents****Financial Overview for the Years Ended December 31, 2013 and 2012**

<i>(in thousands)</i>	Years ended December 31,		\$ Change	% Change
	2013	2012		
Interest income	\$ 45,657	\$ 42,010	\$ 3,647	9%
Interest expense	3,337	3,629	(292)	(8)%
Net interest income	42,320	38,381	3,939	10%
Provision for loan losses	1,500	4,700	(3,200)	(68)%
Net interest income after provision for loan losses	40,820	33,681	7,139	21%
Non-interest income	14,271	11,613	2,658	23%
Non-interest expense	36,875	31,409	5,466	17%
Income before income tax expense	18,216	13,885	4,331	31%
Income tax expense	6,338	4,643	1,695	37%
Net income	\$ 11,878	\$ 9,242	\$ 2,636	29%

*Net Income.* Our net income grew by \$2.6 million to \$11.9 million for the year ended December 31, 2013 as compared to \$9.2 million for 2012. This was attributable principally to an increase in net interest income of \$3.9 million, an increase in non-interest income of \$2.6 million, and a reduction in provision for loan losses of \$3.2 million, partially offset by a \$5.5 million increase in non-interest expense. The LSB merger contributed approximately \$636,000 to 2013 net income.

*Net Interest Income and Net Interest Margin.* The \$3.9 million increase in net interest income for the period was due to an increase in interest income of \$3.6 million, reflecting the effect of a \$134.3 million increase in average interest earning assets of which \$89.0 million was attributable to internal growth and \$47.3 million was attributable to assets acquired in the LSB merger in October of 2013, and a decrease in interest expense of \$292,000.

The yield on our average interest earning assets was 4.70% for 2013 compared to 5.02% for 2012. The decrease in yield on average interest earning assets resulted from the impact of lower market interest rates on our loan portfolio offset by higher yields from our investment securities portfolio.

The cost of funding our earning assets decreased to 0.50% for 2013 from 0.60% for 2012 due to lower interest rates paid on interest bearing deposits.

*Provision for Loan Losses.* The provision for loan losses for 2013 was \$1.5 million compared to \$4.7 million for 2012. We experienced lower net loan charge-offs of \$816,000 in 2013 compared to net loans charged off of \$6.5 million in 2012, resulting from asset quality improvements in our loan portfolio. Our non-performing assets to total assets ratio declined from 2.46% in 2012 to 1.61% in 2013.

*Non-interest Income.* The following table presents, for the periods indicated, the major categories of non-interest income:



<i>(in thousands)</i>	Years ended		<b>\$ Change</b>	<b>% Change</b>
	<b>2013</b>	<b>2012</b>		
Service charges on deposit accounts	\$ 2,630	\$ 2,433	\$ 197	8%
Card processing	3,541	3,063	478	16%
Mortgage banking	6,327	5,189	1,138	22%
Other operating	1,773	928	845	91%
<b>Total non-interest income</b>	<b>\$ 14,271</b>	<b>\$ 11,613</b>	<b>\$ 2,658</b>	<b>23%</b>

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The \$2.6 million or 23% increase in total non-interest income during 2013 compared to 2012 was primarily influenced by the increase in mortgage banking activities related to higher volumes of residential mortgage loans, service charges from organic growth of deposit accounts and the impact of the LSB merger in the fourth quarter of 2013.

*Non-interest Expense.* The following table presents, for the periods indicated, the major categories of non-interest expense:

<i>(in thousands)</i>	Years ended		\$ Change	% Change
	2013	2012		
Salaries and employee benefits	\$ 22,426	\$ 19,218	\$ 3,208	17%
Occupancy, equipment and depreciation	3,212	2,654	558	21%
Data processing	2,069	1,579	490	31%
FDIC premiums	722	1,015	(293)	(29)%
Card processing	1,574	1,607	(33)	(2)%
Other real estate owned	141	503	(362)	(72)%
Marketing and advertising	907	871	36	4%
Merger related expenses	879		879	%
Other	4,945	3,962	983	25%
Total non-interest expense	\$ 36,875	\$ 31,409	\$ 5,466	17%

Salaries and employee benefits of \$22.4 million in 2013 represents 61% of our total non-interest expense and this category increased by 17% compared to 2012. This increase primarily resulted from an increase in our full-time equivalent associates due to the LSB merger and nine full-time equivalent new associates hired to support our balance sheet and income growth. Additionally, in 2013, we incurred higher costs in most categories principally associated with the LSB merger. Merger related expenses in 2013 are legal, accounting and investment banking fees incurred in connection with the LSB merger.

*Provision for Income Taxes.* We recorded a tax provision of \$6.3 million for 2013 compared to \$4.6 million for the prior year. Our effective tax rate was approximately 34.8% for 2013 and 33.4% for 2012. The differences from the federal statutory rate in both periods were primarily due to the non-taxable nature of income from municipal securities, bank-owned life insurance and state income taxes.

**Financial Condition**

Our total assets as of December 31, 2014 were \$1.4 billion compared to \$1.3 billion as of December 31, 2013, an increase of 5%. Our total net loans as of December 31, 2014 were \$937.6 million and \$829.9 million as of December 31, 2013, an increase of 13%. Total deposits as of December 31, 2014 were \$1.2 billion compared to \$1.1 billion as of December 31, 2013, an increase of 5%.

**Table of Contents****Loans**

The following table sets forth information regarding the composition of the loan portfolio at the end of each of the years presented.

	2014		2013		December 31, 2012		2011		2010	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Loans held for sale	\$ 12,272		\$ 13,555		\$ 25,118		\$ 8,490		\$ 6,320	
Loans held for investment:										
Commercial real estate loans:										
Real estate term	521,536	55.3%	455,827	54.7%	328,476	56.4%	325,516	55.0%	304,897	52.0%
Construction and land development	155,117	16.4%	136,610	16.4%	86,116	14.8%	95,507	16.1%	109,838	18.7%
Total commercial real estate loans	676,653	71.7%	592,437	71.1%	414,592	71.1%	421,023	71.2%	414,735	70.7%
Commercial and industrial	178,116	18.9%	142,562	17.1%	95,547	16.4%	89,246	15.1%	84,529	14.4%
Consumer loans:										
Residential and home equity	73,515	7.8%	82,703	9.9%	63,491	10.9%	71,716	12.1%	77,759	13.3%
Consumer and other	15,421	1.6%	15,238	1.8%	9,117	1.6%	9,512	1.6%	9,360	1.6%
Total consumer loans	88,936	9.4%	97,941	11.8%	72,608	12.5%	81,228	13.7%	87,119	14.9%
Total loans held for investment	943,705	100.0%	832,940	100.0%	582,747	100.0%	591,497	100.0%	586,383	100.0%
Net deferred loan fees	(3,248)		(2,223)		(1,235)		(1,141)		(825)	

Allowance for loan losses	(15,151)	(14,390)	(13,706)	(15,462)	(19,349)
Loans held for investment, net	925,306	816,327	567,806	574,894	566,209
Total loans, net	\$ 937,578	\$ 829,882	\$ 592,924	\$ 583,384	\$ 572,529

We originate certain residential mortgage loans for sale to investors that are carried at cost. Due to the short period held, generally less than 90 days, we consider these loans held for sale to be carried at fair value.

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The following table shows the amounts of outstanding loans as of December 31, 2014, which, based on remaining scheduled repayments of principal, were due in one year or less, more than one year through five years, and more than five years. Lines of credit or other loans having no stated maturity and no stated schedule of repayments are reported as due in one year or less. In the table below, loans are classified as real estate related if they are collateralized by real estate. The table also presents, for loans with maturities over one year, an analysis with respect to fixed interest rate loans and adjustable interest rate loans.

(in thousands)	Maturity			Total	Rate Structure for Loans Maturing Over One Year	
	One Year or Less	One through Five Years	After Five Years		Fixed Rate	Adjustable Rate
Loans held for investment:						
Commercial real estate loans:						
Real estate term	\$ 48,452	\$ 280,830	\$ 192,254	\$ 521,536	\$ 238,339	\$ 234,745
Construction and land development	122,381	24,726	8,010	155,117	14,298	18,438
Total commercial real estate loans	170,833	305,556	200,264	676,653	252,637	253,183
Commercial & industrial loans	69,034	88,475	20,607	178,116	61,261	47,821
Consumer loans:						
Residential and home equity	10,534	35,389	27,592	73,515	13,998	48,984
Consumer and other	6,757	7,352	1,312	15,421	8,278	385
Total consumer loans	17,291	42,741	28,904	88,936	22,276	49,369
Total loans held for investment	\$ 257,158 <sup>(1)</sup>	\$ 436,772	\$ 249,775	\$ 943,705	\$ 336,174	\$ 350,373 <sup>(1)</sup>

<sup>(1)</sup> The sum of adjustable rate loans maturing after one year and total loans maturing within one year is \$607 million or 65% of total loans.

*Concentrations.* As of December 31, 2014, in management's judgment, a concentration of loans existed in real estate-related loans. At that date, real estate related loans comprised 79.5% of total loans held for investment, of which commercial real estate represents 55.3%, 16.4% are construction and land development loans, and 7.8% are residential and home equity loans. We require collateral on real estate lending arrangements and typically maintain loan-to-value ratios of no greater than 80%.

*Non-Performing Assets.* Loans are placed on non-accrual status when they become 90 days or more past due or at such earlier time as management determines timely recognition of interest to be in doubt. Accrual of interest is discontinued on a loan when management believes, after considering economic and business conditions, collection efforts, and the borrower's financial condition, that the borrower will be unable to make payments as they become due.

When interest accrual is discontinued, all unpaid accrued interest is reversed. Interest income is subsequently recognized only to the extent cash payments are received, or payment is considered certain. Loans may be returned to accrual status when all delinquent interest and principal amounts contractually due are brought current and future payments are reasonably assured.

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The following table summarizes the loans for which the accrual of interest has been discontinued and loans more than 90 days past due and still accruing interest, including those non-accrual loans that are troubled-debt restructured loans, and OREO:

<b>(Dollars in thousands)</b>	<b>December 31,</b>				
	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
<b>Non-accrual loans, not troubled-debt restructured</b>					
Real estate term	\$ 1,465	\$ 3,943	\$ 2,612	\$ 5,637	\$ 9,185
Construction and land development	578	2,625	12,517	20,359	28,207
Commercial and industrial	1,787	2,147	380	926	3,242
Residential and home equity	428	612	1,348	713	1,929
Consumer and other	63	123	7	18	61
<b>Total non-accrual, not troubled-debt restructured loans</b>	<b>4,321</b>	<b>9,450</b>	<b>16,864</b>	<b>27,653</b>	<b>42,624</b>
<b>Troubled-debt restructured loans non-accrual</b>					
Real estate term	1,106	4,801	3,048	3,048	3,048
Construction and land development	933	1,417			
Commercial and industrial	1,200				
Residential and home equity	289	1,138	1,056	1,384	760
Consumer and other					
<b>Total troubled-debt restructured, non-accrual loans</b>	<b>3,528</b>	<b>7,356</b>	<b>4,104</b>	<b>4,432</b>	<b>3,808</b>
<b>Total non-accrual loans <sup>(1)</sup></b>	<b>7,849</b>	<b>16,806</b>	<b>20,968</b>	<b>32,085</b>	<b>46,432</b>
Accruing loans past due 90 days or more	15	7	1,493	1,058	60
<b>Total non-performing loans (NPL)</b>	<b>7,864</b>	<b>16,813</b>	<b>22,461</b>	<b>33,143</b>	<b>46,492</b>
OREO	1,673	4,092	1,907	9,671	12,715
<b>Total non-performing assets (NPA) <sup>(2)</sup></b>	<b>\$ 9,537</b>	<b>\$ 20,905</b>	<b>\$ 24,368</b>	<b>\$ 42,814</b>	<b>\$ 59,207</b>
Accruing troubled debt restructured loans	\$ 8,399	\$ 7,393	\$ 1,744	\$ 2,328	\$ 1,897
Non-accrual troubled debt restructured loans	3,528	7,356	4,104	4,432	3,808
<b>Total troubled debt restructured loans</b>	<b>\$ 11,927</b>	<b>\$ 14,749</b>	<b>\$ 5,848</b>	<b>\$ 6,760</b>	<b>\$ 5,705</b>
<b>Selected ratios</b>					
NPL to total loans	0.84%	2.03%	3.79%	5.68%	8.12%
NPA to total assets	0.70%	1.61%	2.46%	4.81%	7.02%

(1)

We estimate that approximately \$658,000 of interest income would have been recognized on loans accounted for on a non-accrual basis for the year ended December 31, 2014 had such loans performed pursuant to contractual terms.

- (2) As of December 31, 2014, non-performing assets had not been reduced by U.S. government guarantees of \$1.1 million.

*Impaired Loans.* Impaired loans are loans for which it is probable that we will be unable to collect all principal and interest payments due according to the contractual terms of the loan agreement. We measure impairment based on the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's observable market price, or the fair value of the collateral, if the loan is collateral-dependent.

In determining whether or not a loan is impaired, we consider payment status, collateral value and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. We determine the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all the circumstances



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surrounding the loan and borrower, including the length of delay, the reasons for the delay, the borrower's prior payment record and the amount of the shortfall in relation to the principal and interest owed. Loans for which an insignificant shortfall in amount of payments is anticipated, but where we expect to collect all amounts due, are not considered impaired.

*Troubled-debt Restructured Loans.* A restructured loan is considered a troubled debt restructured loan, or TDR, if we, for economic or legal reasons related to the debtor's financial difficulties, grant a concession in terms or a below-market interest rate to the debtor that we would not otherwise consider. We had TDR loans of \$11.9 million and \$14.7 million as of December 31, 2014 and 2013, respectively. Our TDR loans are considered impaired loans of which \$3.5 million and \$7.4 million as of December 31, 2014 and 2013, respectively, are designated as non-accrual.

Each restructured debt is separately negotiated with the borrower and includes terms and conditions that reflect the borrower's prospective ability to service the debt as modified.

*OREO Properties.* OREO represents real property taken either through foreclosure or through a deed in lieu thereof from the borrower. All OREO properties are recorded by us at amounts equal to or less than the fair market value of the properties based on current independent appraisals reduced by estimated selling costs. The following table provides a summary of the annual change in the OREO balance:

<b>(in thousands)</b>	<b>Years Ended</b>	
	<b>December 31,</b>	
	<b>2014</b>	<b>2013</b>
Balance, beginning of year	\$ 4,092	\$ 1,907
Additions	1,189	1,697
Additions from LSB merger		2,709
Write-downs	(494)	
Dispositions	(3,700)	(3,038)
Net gain on disposition	586	817
Balance, end of year	\$ 1,673	\$ 4,092

**Allowance for Loan Losses**

We maintain an adequate allowance for loan losses, or ALLL, based on a comprehensive methodology that assesses the losses inherent in the loan portfolio. Our ALLL is based on a continuing review of loans which includes consideration of actual loss experience, changes in the size and character of the portfolio, identification of individual problem situations which may affect the borrower's ability to repay, evaluations of the prevailing and anticipated economic conditions, and other qualitative factors. This evaluation is inherently subjective, as it requires estimates that are susceptible to significant revision, as more information becomes available.

Our ALLL is increased by charges to income and decreased by charge-offs (net of recoveries). While we use available information to recognize losses on loans, changes in economic conditions may necessitate revision of the estimate in future years.

The ALLL consists of specific and general components. The specific component relates to loans determined to be impaired that are individually evaluated for impairment. For impaired loans individually evaluated, an allowance is

established when the discounted cash flows, or the fair value of the collateral if the loans are collateral-dependent, of the impaired loan are lower than the carrying value of the loan. The general component covers all loans not individually evaluated for impairment and is based on historical loss experience adjusted for qualitative factors. Various qualitative factors are considered including changes to underwriting policies, loan concentrations, volume and mix of loans, size and complexity of individual credits, locations of credits and new

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market areas, changes in local and national economic conditions, and trends in past due, non-accrual and classified loan balances.

The following table sets forth the activity in our allowance for loan losses for the periods indicated:

(Dollars in thousands)	Years Ended December 31,				
	2014	2013	2012	2011	2010
Allowance for loan losses:					
Beginning balance	\$ 14,390	\$ 13,706	\$ 15,462	\$ 19,349	\$ 21,990
Loans charged off:					
Real estate term	(705)	(270)	(1,602)	(3,543)	(1,107)
Construction and land development	(26)	(772)	(3,579)	(4,581)	(8,980)
Commercial and industrial	(949)		(1,199)	(1,558)	(2,244)
Residential and home equity	(16)	(57)	(882)	(901)	(1,298)
Consumer and other	(356)	(197)	(215)	(577)	(660)
<b>Total</b>	<b>(2,052)</b>	<b>(1,296)</b>	<b>(7,477)</b>	<b>(11,160)</b>	<b>(14,289)</b>
Recoveries:					
Real estate term	498	45	130	189	7
Construction and land development	365	70	321	165	55
Commercial and industrial	91	133	326	492	80
Residential and home equity	37	35	77	94	61
Consumer and other	122	197	167	133	145
<b>Total</b>	<b>1,113</b>	<b>480</b>	<b>1,021</b>	<b>1,073</b>	<b>348</b>
Net loan charge off	(939)	(816)	(6,456)	(10,087)	(13,941)
Provision for loan losses	1,700	1,500	4,700	6,200	11,300
<b>Ending balance</b>	<b>\$ 15,151</b>	<b>\$ 14,390</b>	<b>\$ 13,706</b>	<b>\$ 15,462</b>	<b>\$ 19,349</b>
Gross loans	\$ 955,977	\$ 846,495	\$ 607,865	\$ 599,987	\$ 592,703
Average loans	861,785	648,025	587,012	585,617	614,059
Non-performing loans	7,864	16,813	22,461	33,143	46,492
Selected ratios:					
Net charge-offs to average loans	0.11%	0.13%	1.10%	1.72%	2.27%
Provision for loan losses to average loans	0.20%	0.23%	0.80%	1.06%	1.84%
Allowance for loan losses to loans outstanding at end of year	1.58%	1.70%	2.25%	2.58%	3.26%

The ALLL decreased as a percentage of total loans from 2012 to 2013 primarily attributable to no allowance carried over from the LSB merger as the acquired loans were recorded at fair value. The decrease as a percentage to total loans from 2013 to 2014 is due to overall improvement in the quality of the underlying loan portfolio.

Our construction and land development portfolio reflects some borrower concentration risk, and also carries the enhanced risks encountered with construction loans generally. We also finance contractors on a speculative basis.

Construction and land development loans are generally more risky than permanent mortgage loans because they are dependent upon the borrower's ability to generate cash to service the loan, and the value of the collateral depends on project completion when market conditions may have changed.

Our commercial real estate loans are a mixture of new and seasoned properties, retail, office, warehouse, and some industrial properties. Loans on properties are usually underwritten at a loan to value ratio of less than 75% with a minimum debt coverage ratio of 1.25 times.

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We allocate our allowance for loan losses by assigning general percentages to our major loan categories (construction and land development, commercial real estate term, residential real estate, C&I and consumer), assigning specific percentages to each category of loans graded in accordance with the guidelines established by our regulatory agencies, and making specific allocations to impaired loans when factors are present requiring a greater reserve than would be required using the assigned risk rating allocation, which is typically based on a review of appraisals or other collateral analysis.

The following table indicates management's allocation of the allowance and the percent of loans in each category to total loans as of each of the following dates:

	2014		2013		December 31, 2012		2011		2010	
	Allocation of the Total Allowance	Percent of Loans in Each Category to Loans	Allocation of the Total Allowance	Percent of Loans in Each Category to Loans	Allocation of the Total Allowance	Percent of Loans in Each Category to Loans	Allocation of the Total Allowance	Percent of Loans in Each Category to Loans	Allocation of the Total Allowance	Percent of Loans in Each Category to Loans
Commercial real estate loans:										
Real estate term	\$ 5,181	55.3%	\$ 7,268	54.7%	\$ 5,189	56.3%	\$ 5,578	55.0%	\$ 5,235	52.0%
Construction and land development	4,425	16.4%	2,915	16.4%	4,191	14.8%	5,518	16.2%	8,336	18.7%
Total commercial real estate loans	9,606	71.7%	10,183	71.1%	9,380	71.1%	11,096	71.2%	13,571	70.7%
Commercial and industrial	4,608	18.9%	3,105	17.1%	2,777	16.4%	2,648	15.1%	3,520	14.4%
Consumer loans:										
Residential and home equity	671	7.8%	838	9.9%	1,249	10.9%	1,277	12.1%	1,883	13.3%
Consumer and credit cards	266	1.6%	264	1.9%	300	1.6%	441	1.6%	375	1.6%
Total consumer	937	9.4%	1,102	11.8%	1,549	12.5%	1,718	13.7%	2,258	14.9%

## loans

Total	\$ 15,151	100.0%	\$ 14,390	100.0%	\$ 13,706	100.0%	\$ 15,462	100.0%	\$ 19,349	100.0%
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*Investments*

The carrying value of our investment securities totaled \$330.8 million as of December 31, 2014, \$320.4 million as of December 31, 2013 and \$264.4 million as of December 31, 2012. Our portfolio of investment securities is comprised of both available-for-sale securities and securities that we intend to hold to maturity. As of December 31, 2014, we held no investment securities from any issuer which totaled over 10% of our shareholders' equity.

The carrying value of our portfolio of investment securities as of December 31, 2014, 2013 and 2012 was as follows:

<b>(in thousands)</b>	<b>December 31,</b>		
	<b>2014</b>	<b>2013</b>	<b>2012</b>
<b>Available for sale securities:</b>			
U.S. Government agencies	\$ 43,034	\$ 44,036	\$ 66,196
Municipal securities	50,308	60,525	51,898
Mortgage-backed securities	192,084	178,876	117,930
Corporate securities	10,211	9,998	2,195
<b>Total</b>	<b>\$ 295,637</b>	<b>\$ 293,435</b>	<b>\$ 238,219</b>
<b>Held to maturity securities:</b>			
Municipal securities	\$ 32,970	\$ 24,720	\$ 23,182
Other securities	2,232	2,233	3,012
<b>Total</b>	<b>\$ 35,202</b>	<b>\$ 26,953</b>	<b>\$ 26,194</b>
<b>Total investment securities</b>	<b>\$ 330,840</b>	<b>\$ 320,388</b>	<b>\$ 264,413</b>

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The following table shows the amortized cost for maturities of investment securities as of December 31, 2014, and the weighted average yields of such securities, excluding the benefit of tax-exempt securities:

	December 31, 2014									
	Within One Year		After One but within Five Years		After Five but within Ten Years		After Ten Years		Total	
(Dollars in thousands)	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield	Amount	Yield
Available for sale securities:										
U.S. Government agencies	\$		% \$ 41,168	1.09%	\$ 2,002	1.51%	\$		% \$ 43,170	1.11%
Municipal securities	11,796	3.24%	24,894	3.51%	9,340	4.29%	2,935	3.61%	48,965	3.60%
Mortgage-backed securities			% 112	4.48%	42,670	1.71%	149,483	1.82%	192,265	1.79%
Other securities			% 3,000	1.23%	6,988	1.27%			% 9,988	1.26%
<b>Total</b>	<b>11,796</b>	<b>3.24%</b>	<b>69,174</b>	<b>1.97%</b>	<b>61,000</b>	<b>2.05%</b>	<b>152,418</b>	<b>1.85%</b>	<b>294,388</b>	<b>1.98%</b>
Held to maturity securities:										
Municipal securities	9,199	2.36%	14,367	2.12%	8,368	2.97%	1,036	1.91%	32,970	2.40%
Other securities			% 2,232	1.04%			%		% 2,232	1.04%
<b>Total</b>	<b>9,199</b>	<b>2.36%</b>	<b>16,599</b>	<b>1.98%</b>	<b>8,368</b>	<b>2.97%</b>	<b>1,036</b>	<b>1.91%</b>	<b>35,202</b>	<b>2.31%</b>
<b>Total investment securities</b>	<b>\$ 20,995</b>	<b>2.85%</b>	<b>\$ 85,773</b>	<b>1.97%</b>	<b>\$ 69,368</b>	<b>2.16%</b>	<b>\$ 153,454</b>	<b>1.85%</b>	<b>\$ 329,590</b>	<b>2.01%</b>

Expected maturities may differ from contractual maturities because issuers may have the right to call obligations with or without penalties.

We evaluate securities for other-than-temporary impairment at least on an annual basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) our intent and ability to retain our investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

As of December 31, 2014 we held 141 investment securities with fair values less than amortized costs. Management evaluated these investment securities and determined that the decline in value is temporary, and is related to the change in market interest rates since purchase. The decline in value is not related to any company or industry specific event. We anticipate full recovery of amortized cost with respect to these securities at maturity, or sooner in the event of a more favorable market interest rate environment.

*Deposits*

Total deposits were \$1.2 billion as of December 31, 2014 compared to \$1.1 billion as of December 31, 2013. The increase in total deposits is attributed primarily to our growth in existing markets, entering into new markets and \$235.2 million in deposits acquired through the LSB merger in 2013. Non-interest bearing demand deposits increased to \$327.1 million, or 27.3% of total deposits, as of December 31, 2014, from \$292.6 million, or 25.6% of total deposits, as of December 31, 2013, and from \$234.5 million, or 27.0% of total deposits, as of December 31, 2012. Interest bearing deposits are comprised of money market accounts, regular savings accounts, certificates of deposit of under \$100,000 and certificates of deposit of \$100,000 or more.



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The following table shows the average amount and average rate paid on the categories of deposits for each of the years presented:

(Dollars in thousands)	2014		December 31, 2013		2012	
	Average Balance	Average Rate	Average Balance	Average Rate	Average Balance	Average Rate
Non-interest bearing deposits	\$ 309,225		\$ 234,506		\$ 191,328	
Interest bearing deposits:						
Interest bearing demand and savings	513,241	0.29%	399,528	0.37%	337,540	0.45%
Money market	137,829	0.23%	109,895	0.21%	100,653	0.26%
Certificates of deposit under \$100,000	115,103	0.51%	90,415	0.72%	98,622	0.79%
Certificates of deposit \$100,000 and over	91,878	0.94%	69,394	1.41%	68,621	1.57%
<b>Total interest bearing deposits</b>	<b>858,051</b>	<b>0.38%</b>	<b>669,232</b>	<b>0.50%</b>	<b>605,436</b>	<b>0.60%</b>
<b>Total</b>	<b>\$ 1,167,276</b>		<b>\$ 903,738</b>		<b>\$ 796,764</b>	

Additionally, the following table shows the maturities of CDs of \$100,000 or more as of December 31, 2014:

(in thousands)	
Due in three months or less	\$ 17,923
Due in over three months through six months	13,250
Due in over six months through twelve months	14,680
Due in over twelve months	55,587
<b>Total</b>	<b>\$ 101,440</b>

Deposits are gathered from individuals, partnerships and corporations in our market areas. The interest rates paid are competitively priced for each particular deposit product and structured to meet our funding requirements. We will continue to manage interest expense through deposit pricing.

*Shareholders Equity*

As of December 31, 2014, our shareholders equity totaled \$157.7 million, an increase from \$143.7 million as of December 31, 2013, and \$115.7 million as of December 31, 2012. The increase in shareholders equity in 2014 was primarily due to net income of \$14.9 million. The increase in shareholders equity in 2013 was primarily due to \$20.2 million in common shares issued in connection with the LSB merger and \$11.9 million of net income.

Our equity to asset ratio (average balances) was 11.48% in 2014, compared to 12.16% in 2013 and 12.26% in 2012. The decrease in 2014 is attributed to higher growth rates of average assets over that of average equity. The decrease in 2013 is primarily due to the significant increase in assets from the LSB merger in the fourth quarter of 2013.

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Dividends of \$0.22 per share for 2014, \$0.13 per share for 2013 and \$0.11 per share for 2012 were declared and paid, which represents 21.6% of net income per share for 2014 and 14.1% and 14.5% of net income per share for 2013 and 2012, respectively.

**Table of Contents***Capital Resources*

Current risk-based regulatory capital standards generally require banks and bank holding companies to maintain a minimum ratio of core or Tier I capital (consisting principally of common equity) to risk-weighted assets of at least 4%, a ratio of Tier I capital to adjusted total assets (leverage ratio) of at least 4% and a ratio of total capital (which includes Tier I capital plus certain forms of subordinated debt, a portion of the allowance for loan losses and preferred stock) to risk-weighted assets of at least 8%. Risk-weighted assets are calculated by multiplying the balance in each category of assets by a risk factor, which ranges from zero for cash assets and certain government obligations to 100% for some types of loans, and adding the products together.

Since January 2015, we have been subject to new risk-based capital adequacy guidelines related to the adoption of U.S. Basel III Capital Rules which impose higher risk-based capital and leverage requirements than those previously in place. Specifically, the rules impose, among other requirements, new minimum capital requirements including a new common equity Tier 1 risk-based capital ratio of 4.5%, a Tier 1 risk-based capital ratio of 6% and a total risk-based capital ratio of 8%. The new Basel III Capital Rules are described further elsewhere in this prospectus.

The following table sets forth our capital ratios under the existing capital requirements as of December 31, 2014 and a pro forma of our estimated Basel III capital ratios under the new capital adequacy guidelines.

	Regulatory Requirements Well Capitalized (Greater than or Equal to Stated Percentage)	PUB		
		Actual as of December 31, 2014	Actual as of December 31, 2013	Pro Forma Basel III December 31, 2014
Tier 1 leverage capital ratio	5.0%	11.32%	11.06%	11.32%
Tier 1 risk-based capital	6.0%	14.92%	15.28%	14.14%
Total risk-based capital	10.0%	16.01%	16.27%	15.39%

PUB and both Banks were well-capitalized and met the new Basel III requirements as of December 31, 2014 and December 31, 2013 for federal regulatory purposes.

**Off-Balance Sheet Arrangements**

The following table sets forth our other off-balance sheet lending commitments as of December 31, 2014:

	Total Amounts Committed	Amount of Commitment Expiration Per Period			
		Less than One Year	One to Three Years	Three to Five Years	After Five Years
<b>Other Commitments (in thousands)</b>					
Commitments to extend credit	\$ 278,966	\$ 199,398	\$ 33,013	\$ 17,113	\$ 29,442

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Credit cards	26,385	26,385			
Standby letters of credit	27,619	27,619			
Total	\$ 332,970	\$ 253,402	\$ 33,013	\$ 17,113	\$ 29,442

**Table of Contents****Contractual Obligations**

The following table sets forth our significant contractual obligations as of December 31, 2014:

<b>Contractual Obligations (in thousands)</b>	<b>Total</b>	<b>Payments Due by Period</b>			
		<b>Less than One Year</b>	<b>One to Three Years</b>	<b>Three to Five Years</b>	<b>After Five Years</b>
Time certificates of deposit	\$ 202,526	\$ 110,084	\$ 62,991	\$ 23,851	\$ 5,600
Deposits without stated maturity	996,707	996,707			
Short-term borrowings	1,496	1,496			
<b>Total</b>	<b>\$ 1,200,729</b>	<b>\$ 1,108,287</b>	<b>\$ 62,991</b>	<b>\$ 23,831</b>	<b>\$ 5,600</b>

We have a \$1.7 million commitment related to a contract for the renovation of our new headquarters in American Fork, Utah. The building renovations are expected to be completed during the second quarter of 2015. We lease five locations under various terms which we believe are normal market lease rates and terms that expire between 2015 and 2023. Our lease commitments are not considered significant.

**Liquidity**

The ability to have readily available funds sufficient to repay fully maturing liabilities is of primary importance to depositors, creditors and regulators. Our liquidity, represented by cash borrowing lines, federal funds and available-for-sale securities, is a result of our operating, investing and financing activities and related cash flows. In order to ensure funds are available at all times, we devote resources to projecting on a monthly basis the amount of funds that will be required and we maintain relationships with a diversified customer base so funds are accessible. Liquidity requirements can also be met through short-term borrowings or the disposition of short-term assets. We have borrowing lines at correspondent banks totaling \$29.0 million. In addition, our current borrowing lines with the FHLB, totaling \$255.8 million as of December 31, 2014, which are secured by various real estate loans pledged as collateral totaling \$421.2 million.

We believe our liquid assets are adequate to meet our cash flow needs for loan funding and deposit cash withdrawal for the next 60 to 90 days. As of December 31, 2014, we had approximately \$325.9 million in liquid assets comprised of \$47.7 million in cash and cash equivalents, including federal funds sold of \$724,000, \$295.6 million in available-for-sale securities and \$12.2 million in loans held for sale, less \$29.7 million pledged as collateral for short-term borrowings. We monitor liquidity measured by a liquidity ratio defined as cash and cash equivalents plus unpledged investment securities divided by total liabilities. Our liquidity ratio was 28.84% as of December 31, 2014 compared to 33.51% as of December 31, 2013 and 37.95% as of December 31, 2012. The lower liquidity ratio reflects a better usage of cash by funding higher loan balances in 2014.

On a long term basis, our liquidity will be met by changing the relative distribution of our asset portfolios by reducing our investment or loan volumes, or selling or encumbering assets. Further, we will increase liquidity by soliciting higher levels of deposit accounts through promotional activities and/or borrowing from our correspondent banks as well as the FHLB. At the current time, our long-term liquidity needs primarily relate to funds required to support loan originations and commitments and deposit withdrawals. All of these needs can currently be met by cash flows from

investment payments and maturities, and investment sales if the need arises.

Our liquidity is comprised of three primary classifications: cash flows from or used in operating activities; cash flows from or used in investing activities; and cash flows from or used in financing activities.

Net cash provided by or used in operating activities has consisted primarily of net income adjusted for certain non-cash income and expense items such as the loan loss provision, investment and other amortization and depreciation.

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Our primary investing activities are the origination of real estate, commercial and consumer loans and purchases and sales of investment securities. As of December 31, 2014 we had outstanding loan commitments of \$305.4 million and outstanding letters of credit of \$27.6 million. We anticipate that we will have sufficient funds available to meet current loan commitments.

Net cash provided by financing activities has been impacted significantly by increases in deposit levels. During the years ended December 31, 2014, 2013 and 2012, deposits increased by \$54.9 million, \$275.1 million and \$89.4 million, respectively.

## **Quantitative and Qualitative Disclosures about Market Risk**

Market risk is the risk of loss in a financial instrument arising from adverse changes in market prices and rates, foreign currency exchange rates, commodity prices and equity prices. Our market risk arises primarily from interest rate risk inherent in our lending and deposit taking activities. Management actively monitors and manages our interest rate risk exposure. We do not have any market-risk sensitive instruments entered into for trading purposes. We manage our interest-rate sensitivity by matching the re-pricing opportunities on our earning assets to those on our funding liabilities.

Management uses various asset/liability strategies to manage the re-pricing characteristics of our assets and liabilities designed to ensure that exposure to interest rate fluctuations is limited within our guidelines of acceptable levels of risk-taking. Hedging strategies, including the terms and pricing of loans and deposits, and managing the deployment of our securities, are used to reduce mismatches in interest rate re-pricing opportunities of portfolio assets and their funding sources.

Interest rate risk is addressed by our Asset Liability Management Committee, or ALCO, which is comprised of certain of our executive officers and directors. The ALCO monitors interest rate risk by analyzing the potential impact on net interest income from potential changes in interest rates, and considers the impact of alternative strategies or changes in balance sheet structure. The ALCO manages our balance sheet in part to maintain the potential impact of changes in interest rates on net interest income within acceptable ranges despite changes in interest rates.

Our exposure to interest rate risk is reviewed on at least a quarterly basis by the ALCO and our Board of Directors. Interest rate risk exposure is measured using interest rate sensitivity analysis to determine our change in net interest income in the event of hypothetical changes in interest rates. If potential changes to net interest income resulting from hypothetical interest rate changes are not within the limits established by our Board of Directors, our Board of Directors may direct management to adjust the asset and liability mix to bring interest rate risk within board-approved limits.

*Net Interest Income Simulation.* In order to measure interest rate risk as of December 31, 2014, we used a simulation model to project changes in net interest income that result from forecasted changes in interest rates. This analysis calculates the difference between net interest income forecasted using a rising and a falling interest rate scenario and a net interest income forecast using a base market interest rate derived from the current treasury yield curve. The income simulation model includes various assumptions regarding the re-pricing relationships for each of our products. Many of our assets are floating rate loans, which are assumed to re-price immediately, and to the same extent as the change in market rates according to their contracted index. Some loans and investment vehicles include the opportunity of prepayment (embedded options), and accordingly the simulation model uses national indexes to estimate these prepayments and assumes the reinvestment of the proceeds at current yields. Our non-term deposit products re-price more slowly, usually changing less than the change in market rates and at our discretion.

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This analysis indicates the impact of changes in net interest income for the given set of rate changes and assumptions. It assumes the balance sheet grows modestly, but that its structure will remain similar to the



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structure as of December 31, 2014. It does not account for all factors that impact this analysis, including changes by management to mitigate the impact of interest rate changes or secondary impacts such as changes to our credit risk profile as interest rates change.

Furthermore, loan prepayment-rate estimates and spread relationships change regularly. Interest rate changes create changes in actual loan prepayment rates that will differ from the market estimates incorporated in this analysis. Changes that vary significantly from the assumptions may have significant effects on our net interest income.

For the rising and falling interest rate scenarios, the base market interest rate forecast was increased or decreased, on an instantaneous and sustained basis, by 100 and 200 basis points. As of December 31, 2014, our net interest margin exposure related to these hypothetical changes in market interest rates was within the current guidelines established by us.

**Sensitivity of Net Interest Income**

(Dollars in thousands)	Adjusted Net Interest Income <sup>(1)</sup>	Percentage Change from Base	Net Interest Margin Percent <sup>(1)</sup>	Net Interest Margin Change from Base (in basis points)
<b>Interest Rate Scenario</b>				
Up 300 basis points	\$ 64,108	4.91%	4.88%	0.51
Up 200 basis points	63,082	3.23%	4.71%	0.34
Up 100 basis points	62,068	1.57%	4.53%	0.17
BASE	61,108	0.00%	4.37%	0.00
Down 100 basis points	59,854	(2.05)%	4.14%	(0.22)

<sup>(1)</sup> These percentages are not comparable to other information discussing the percent of net interest margin since the income simulation does not take into account loan fees.

*Gap Analysis.* Another way to measure the impact that future changes in interest rates will have on net interest income is through a cumulative gap measure. The gap represents the net position of assets and liabilities subject to re-pricing in specified time periods.

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The following table sets forth the distribution of re-pricing opportunities of our interest earning assets and interest bearing liabilities, the interest rate sensitivity gap (that is, interest rate sensitive assets less interest rate sensitive liabilities), cumulative interest earning assets and interest bearing liabilities, the cumulative interest rate sensitivity gap, the ratio of cumulative interest earning assets to cumulative interest bearing liabilities and the cumulative gap as a percentage of total assets and total interest earning assets as of December 31, 2014. The table also sets forth the time periods during which interest earning assets and interest bearing liabilities will mature or may re-price in accordance with their contractual terms. The interest rate relationships between the re-priceable assets and re-priceable liabilities are not necessarily constant and may be affected by many factors, including the behavior of customers in response to changes in interest rates. This table should, therefore, be used only as a guide as to the possible effect changes in interest rates might have on our net interest margins.

(Dollars in thousands)	<b>December 31, 2014</b>					
	<b>Amounts Maturing or Re-pricing in</b>					
	<b>Three Months or Less</b>	<b>Over Three Months To Twelve Months</b>	<b>Over One Year To Three Years</b>	<b>Over Three Years</b>	<b>Non-Sensitive</b>	<b>Total</b>
<b>Interest bearing assets:</b>						
Cash and due from banks	\$ 21,256	\$	\$	\$	\$	\$ 21,256
Federal funds sold	724					724
Investment securities	19,851	19,544	57,692	233,422	329	330,838
Loans	356,028	101,688	226,990	268,022		952,728
<b>Total interest bearing assets</b>	<b>397,859</b>	<b>121,232</b>	<b>284,682</b>	<b>501,444</b>	<b>329</b>	<b>1,305,546</b>
<b>Interest bearing liabilities:</b>						
Interest bearing demand and savings	533,723					533,723
Money market	135,539					135,539
Certificates of deposit under \$100,000	27,485	36,439	23,980	13,552		101,456
Certificates of deposit \$100,000 and over	18,811	30,620	35,937	16,071		101,439
Short-term borrowings	1,496					1,496
<b>Total interest bearing liabilities</b>	<b>717,054</b>	<b>67,059</b>	<b>59,917</b>	<b>29,623</b>		<b>873,653</b>
Period gap	\$ (319,195)	\$ 54,173	\$ 224,765	\$ 471,821	\$ 329	\$ 431,893
	<b>\$ 397,859</b>	<b>\$ 519,091</b>	<b>\$ 803,773</b>	<b>\$ 1,305,217</b>	<b>\$ 1,305,546</b>	

Cumulative interest earning assets					
Cumulative interest bearing liabilities	717,054	784,113	844,030	873,653	873,653
Cumulative gap	(319,195)	(265,022)	(40,257)	431,564	431,893
Cumulative interest earning assets to cumulative interest bearing liabilities	55.49%	66.20%	95.23%	149.40%	149.44%
Cumulative gap as a percent of:					
Total assets	(23.34)%	(19.38)%	(2.94)%	31.56%	31.58%
Interest earning assets	(80.23)%	(51.06)%	(5.01)%	33.06%	33.08%

As of December 31, 2014, we had \$519.1 million in assets and \$784.1 million in liabilities re-pricing within one year. This means that \$265.0 million more of our interest rate sensitive liabilities will change to the then-current rate than our interest rate sensitive assets (changes occur due to the instruments being at a variable rate or because the maturity of the instrument requires its replacement at the then current rate). The ratio of interest earning assets to interest bearing liabilities maturing or re-pricing within one year as of December 31, 2014 is

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66.20%. This analysis indicates that as of December 31, 2014, if interest rates were to increase, the gap would result in a lower net interest margin. However, changes in the mix of earning assets or supporting liabilities can either increase or decrease the net interest margin without affecting interest rate sensitivity. In addition, the interest rate spread between an asset and its supporting liability can vary significantly while the timing of re-pricing of both the asset and its supporting liability can remain the same, thus impacting net interest income. This characteristic is referred to as basis risk, and generally relates to the re-pricing characteristics of short-term funding sources such as certificates of deposit.

Gap analysis has certain limitations. Measuring the volume of re-pricing or maturing assets and liabilities does not always measure the full impact on the portfolio value of equity or net interest income. Gap analysis does not account for rate caps on products, dynamic changes such as increasing prepayment speeds as interest rates decrease, basis risk, embedded options or the benefit of no-rate funding sources. The relation between product rate re-pricing and market rate changes (basis risk) is not the same for all products. The majority of interest earning assets generally re-price along with a movement in market rates, while non-term deposit rates in general move more slowly and usually incorporate only a fraction of the change in market rates. Products categorized as non-rate sensitive, such as our non-interest bearing demand deposits, in the gap analysis behave like long-term fixed rate funding sources. Management uses income simulation, net interest income rate shocks and market value of portfolio equity as its primary interest rate risk management tools.

### **Impact of Inflation**

Our financial statements and related data contained in this prospectus have been prepared in accordance with GAAP, which requires the measure of financial position and operating results in terms of historic dollars, without considering changes in the relative purchasing power of money over time due to inflation.

Inflation generally increases the costs of funds and operating overhead, and to the extent loans and other assets bear variable rates, the yields on such assets. Unlike most industrial companies, virtually all of the assets and liabilities of a financial institution are monetary in nature. As a result, interest rates generally have a more significant effect on the performance of a financial institution than the effects of general levels of inflation. In addition, inflation affects a financial institution's cost of goods and services purchased the cost of salaries and benefits, occupancy expense and similar items. Inflation and related increases in interest rates generally decrease the market value of investments and loans held and may adversely affect liquidity, earnings and shareholders' equity.

### **Critical Accounting Policies**

The Securities and Exchange Commission, or SEC, has issued disclosure guidance for critical accounting policies. The SEC defines critical accounting policies as those that require application of management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain and may change in future periods.

#### *U.S. Generally Accepted Accounting Principles*

Our financial statements are prepared in accordance with GAAP. Our accounting policies are integral to understanding our financial results. Our most complex accounting policies require management's judgment to ascertain the valuation of assets, liabilities, commitments and contingencies. We have established detailed policies and control procedures intended to ensure that valuation methods are well-controlled and applied consistently from period to period. In addition, the policies and procedures are intended to ensure that the process for changing methodologies occurs in an appropriate manner. The following is a brief description of our current accounting policies involving significant

management valuation judgments.

Our accounting policies are integral to understanding the results reported. Our significant accounting policies are described in detail in Note 1, Summary of Significant Accounting Policies in the audited

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Consolidated Financial Statements included in this Prospectus. Not all of the significant accounting policies presented in Note 1 of the audited Consolidated Financial Statements require management to make difficult, subjective or complex judgments or estimates.

### *Emerging Growth Company*

The JOBS Act allows us, as an emerging growth company, to take advantage of an extended transition period to comply with new or revised accounting standards and not commence complying with new or revised accounting standards until private companies must do so. Under the JOBS Act, we may make an irrevocable election to opt out of that extended transition period and comply with new or revised accounting standards when public companies that are not emerging growth companies must commence complying with those standards. We have elected to opt out of the extended transition period.

### *Use of Estimates*

The preparation of these financial statements requires management to make estimates and judgments that affect the reported amount of assets, liabilities, revenues and expenses. On an ongoing basis, management evaluates the estimates used. Estimates are based upon historical experience, current economic conditions and other factors that management considers reasonable under the circumstances.

These estimates result in judgments regarding the carrying values of assets and liabilities when these values are not readily available from other sources, as well as assessing and identifying the accounting treatments of contingencies and commitments. These estimates and assumptions affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from these estimates under different assumptions. The allowance for loan losses, income taxes and fair values of financial instruments are estimates which are particularly subject to change.

*Allowance for Loan Losses.* The allowance for loan losses represents our estimate of the losses inherent in the existing loan portfolio. The allowance for loan losses is increased by the provision for loan losses charged to expense and reduced by loans charged off, net of recoveries.

We evaluate our allowance for loan losses quarterly. We believe that the allowance for loan losses, or ALLL, is a critical accounting estimate because it is based upon management's assessment of various factors affecting the collectability of the loans, including current economic conditions, past credit experience, delinquency status, the value of the underlying collateral, if any, and a continuing review of the portfolio of loans. See the footnotes to the audited Consolidated Financial Statements for more detail regarding our allowance for loan losses.

We maintain an ALLL based on a number of quantitative and qualitative factors, including levels and trends of past due and non-accrual loans, asset classifications, loan grades, change in volume and mix of loans, collateral value, historical loss experience, size and complexity of individual credits and economic conditions. Provisions for loan losses are provided on both a specific and general basis. Specific allowances are provided for impaired credits for which the expected/anticipated loss is measurable. General valuation allowances are based on a portfolio segmentation based on risk grading, with a further evaluation of various quantitative and qualitative factors noted above.

We periodically review the assumptions and formulas by which additions are made to the specific and general valuation allowances for losses in an effort to refine such allowances in light of the current status of the factors described above.

Although we believe the levels of our ALLL as of December 31, 2014 and 2013 were adequate to absorb losses in the loan portfolio, a decline in local economic, or other factors, could result in increasing losses that cannot be reasonably predicted at this time.

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*Investment Securities.* GAAP requires that available-for-sale investment securities be carried at fair value. We believe this is a critical accounting estimate in that the fair value of a security is based on quoted market prices or if quoted market prices are not available, fair values are extrapolated from the quoted prices of similar instruments. Management utilizes the services of a reputable third party vendor to assist with the determination of estimated fair values. Adjustments to the available-for-sale securities fair value impact the consolidated financial statements by increasing or decreasing assets and shareholders equity.

Investment securities are impaired when the amortized cost exceeds fair value. Investment securities are evaluated for impairment on at least a quarterly basis and more frequently when economic or market conditions warrant such an evaluation to determine whether a decline in their value is other than temporary. Management utilizes criteria such as the magnitude and duration of the decline and our intent and ability to retain our investment in the securities for a period of time sufficient to allow for an anticipated recovery in fair value, in addition to the reasons underlying the decline, to determine whether the loss in value is other than temporary. The term other than temporary is not intended to indicate that the decline is permanent, but indicates that the prospect for a near-term recovery of value is not favorable, or that there is a lack of evidence to support a realizable value equal to or greater than the carrying value of the investment. Once a decline in value is determined to be other-than-temporary and we do not intend to sell the security or it is more likely than not that we will not be required to sell the security before recovery, only the portion of the impairment loss representing credit exposure is recognized as a charge to earnings, with the balance recognized as a charge to other comprehensive income. If management intends to sell the security or it is more likely than not that we will be required to sell the security before recovering its forecasted cost, the entire impairment loss is recognized as a charge to earnings.

*Income Taxes.* We file our income taxes on a consolidated basis with its subsidiaries. The allocation of income tax expense (benefit) represents each entity's proportionate share of the consolidated provision for income taxes.

Deferred income tax assets and liabilities are recognized for the tax consequences of temporary differences between the reported amounts of assets and liabilities and their tax bases. Deferred income tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment. The determination of the amount of deferred income tax assets which are more likely than not to be realized is primarily dependent on projections of future earnings, which are subject to uncertainty and estimates that may change given economic conditions and other factors. The realization of deferred income tax assets is assessed and a valuation allowance is recorded if it is more likely than not that all or a portion of the deferred income tax asset will not be realized. More likely than not is defined as greater than a 50% probability. All available evidence, both positive and negative is considered to determine whether, based on the weight of that evidence, a valuation allowance is needed.

Only tax positions that meet the more-likely-than-not recognition threshold are recognized. The benefit of a tax position is recognized in the financial statements in the period during which, based on all available evidence, management believes it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax positions taken are not offset or aggregated with other positions. Tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of tax benefit that is more than 50 percent likely of being realized upon settlement with the applicable taxing authority. The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above is reflected as a liability for unrecognized tax benefits in the accompanying balance sheets along with any associated interest and penalties that would be payable to the taxing authorities upon examination. Interest expense and penalties associated with unrecognized tax benefits are classified as income tax expense in the consolidated statements of income.



*Share-Based Compensation.* We recognize compensation expense in an amount equal to the fair value of all share-based payments which consist of stock options and RSUs granted to directors and associates. The fair value of each stock option is estimated on the date of grant and amortized over the service period using a Black-Scholes based option valuation model that requires the use of assumptions to estimate the grant date fair value.

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The estimates are based on assumptions on the expected option life, the level of estimated forfeitures, expected stock volatility and the risk-free interest rate. The calculation of the fair value of share-based payments is by nature inexact, and represents management's best estimate of the grant date's fair value of the share-based payments. RSUs are valued at the fair value of the common shares at the date of grant and amortized over the vesting period.

### **Recent Accounting Pronouncements**

The Accounting Standards Codification, or ASC, is the Financial Accounting Standards Board's, or FASB, officially recognized source of authoritative GAAP applicable to all public and non-public non-governmental entities. Rules and interpretive releases of the SEC under the authority of the federal securities laws are also sources of authoritative GAAP for us as an SEC registrant. All other accounting literature is non-authoritative.

In August 2014, FASB amended FASB ASC Subtopic 310-40, Receivables—Classification of Certain Government-Guaranteed Mortgage Loans upon Foreclosure. The amendment requires that a mortgage loan be derecognized and that a separate other receivable be recognized upon foreclosure if the following conditions are met: (i) the loan has a government guarantee that is not separable from the loan before foreclosure; (ii) at the time of foreclosure, the creditor has the intent to convey the real estate property to the guarantor and make a claim on the guarantee, and the creditor has the ability to recover under that claim; and (iii) at the time of foreclosure, any amount of the claim that is determined on the basis of the fair value of the real estate is fixed. Upon foreclosure, the separate other receivable should be measured based on the amount of the loan balance (principal and interest) expected to be recovered from the guarantor. The amendment is effective for public business entities for interim and annual periods beginning after December 15, 2014. We have evaluated the impact of the adoption of this amendment and determined there would not be a material effect on our financial position or results of operations.

In June 2014, FASB amended FASB ASC Topic 860, Transfers and Servicing. The amendments in this update require the following two accounting changes: (i) change the accounting for repurchase-to-maturity transactions to secured borrowing accounting; and (ii) for repurchase finance arrangements, require separate accounting for a transfer of a financial asset executed contemporaneously with a repurchase agreement with the same counterparty, which will result in a secured borrowing accounting for the repurchase agreement. The amendments also require certain disclosures for securities sold under agreements to repurchase, or repurchase agreements, securities lending transactions, and repurchase-to-maturity transactions that are accounted for as secured borrowings. The accounting changes are effective for public business entities for the first interim or annual reporting periods beginning after December 15, 2014. The disclosure changes for repurchase agreements are effective for public business entities for annual reporting periods beginning after December 15, 2014. We are currently evaluating the impact of the adoption of the amendments, but does not expect them to have a material effect on our financial position or results of operations.

In January 2014, FASB amended FASB ASC Subtopic 310-40, Receivables—Troubled Debt Restructurings by Creditors. The amendment clarifies that an in substance repossession foreclosure occurs when a creditor is considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loan, upon either (i) the creditor obtaining legal title to the residential real estate property upon completion of a foreclosure; or (ii) the borrower conveying all interest in the residential real estate property to the creditor to satisfy that loan through completion of a deed-in-lieu of foreclosure or through a similar legal agreement. Additionally, the amendment requires interim and annual disclosure of both (i) the amount of foreclosed residential real estate property held by the creditor; and (ii) the recorded investment in consumer mortgage loans collateralized by residential real estate property that are in the process of foreclosure according to local requirements of the applicable jurisdiction. The amendment is effective for public business entities for interim and annual periods beginning after December 15, 2014. We have evaluated the impact of the adoption of this amendment and determined there was not a material effect on our

financial position or results of operations.

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**BUSINESS**

**Overview**

We are a bank holding company, formed in 1998 and headquartered in American Fork, Utah, which is located on the I-15 corridor between the cities of Salt Lake City and Provo. We have 18 banking branches operated through our two wholly-owned banking subsidiaries, BAF and LSB, which began offering banking services in 1913 and 1905, respectively. We provide full-service retail banking in many of the leading population centers in the state of Utah, including a wide range of banking and related services to locally-owned businesses, professional firms, real estate developers, residential home builders, high net-worth individuals, investors and other customers. Our primary customers are small- and medium-sized businesses that require highly personalized commercial banking products and services. We believe we have a strong reputation in our markets. As of September 30, 2014, the BauerFinancial rating for BAF was 5-Star Superior and for LSB was 4-Star Excellent. A substantial portion of our business is with customers who have long-standing relationships with us or who have been referred to us by existing customers. BAF has been recognized through numerous awards and recognitions including the 2014 Community Commitment Award by the American Bankers Association, the 2014 National Community Bank Service Award by the Independent Community Bankers of America and recognition in 2014 as the best community bank by Best of State Magazine.

We are the largest community bank holding company in the state of Utah based on asset size, deposits, loans and shareholders' equity. Upon completion of the offering, we will be the only exchange listed, publicly traded community bank holding company in the five state area comprised of Utah, Idaho, Wyoming, Nevada and New Mexico.

We believe we serve highly attractive markets in terms of economic strength, population demographics, competitive dynamics and long-term opportunities for growth. We believe we have a history of building long-term customer relationships and attracting new customers through our service-oriented corporate culture. We focus on educating our customers regarding banking products and services and then work to target products and services to specific customer needs. In addition, we believe that our strong capital position and experienced management team provide the strength and foundation we need to continue to grow our business.

***Economic Overview***

Our financial performance is affected by economic conditions generally in the U.S. and more directly in Utah. The following discussion summarizes recent economic developments in the U.S. and Utah in the areas in which we operate.

The U.S. economy grew at a modest pace through the year ended December 31, 2014. Real gross domestic product, or GDP, for the year ended December 31, 2014 grew at an annualized rate of 2.4%, compared to a rate of 2.2% for the year ended December 31, 2013, as indicated by the Bureau of Economic Analysis report published by the U.S. Department of Commerce. According to the U.S. Bureau of Labor Statistics, the seasonally adjusted unemployment rate as of December 31, 2014 was 5.6%, compared to 6.7% as of December 31, 2013 and 7.9% as of December 31, 2012. Total existing home sales in the United States for 2014, as expected by the National Association of Realtors, fell 3.1% with existing home sales at 4.93 million, down from 5.09 million in 2013. Inventory levels decreased to a 4.4 months' supply, or 1.85 million units, as of December 31, 2014 from a 4.9 months' supply as of December 31, 2013. New home sales have increased to a seasonally adjusted annual rate of 437 thousand for the year ended December 31, 2014 from 429 thousand for the year ended December 31, 2013. Home values, as indicated by the seasonally adjusted Case-Shiller 20 city index, showed an increase of 4.4% from December 31, 2013 to December 31, 2014. Bankruptcy filings, per the U.S. Court Statistics, also improved with total filings down 12.6% for the twelve months ended December 31, 2014, compared to the same period in 2013.



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The economy in the state of Utah continues to improve and has recovered more rapidly than the nation as a whole after the recession. Utah's Real gross domestic product, or GDP, for the year ended December 31, 2013 grew at an annualized rate of 3.8%, which is in line with the average growth rate of 3.9% in the state over the last three years and the seventh highest in the nation, as indicated by the Bureau of Economic Analysis report published by the U.S. Department of Commerce. Utah's unemployment rate improved to 3.6% in 2014, down from 4.8% in 2013, as reported by the Department of Workforce Services. This improvement was fueled by adding approximately 38,000 jobs over the year, bringing total non-farm employment in the state to 1,329,000. By industry, employment expansion for 2014 included growth of roughly 7.0% in construction, 4.0% in transportation and 4.5% in professional and business services over 2013. The value of permit authorized construction was \$4.7 billion in 2014, as reported by the Bureau of Economic and Business Research, an applied research center in the David Eccles School of Business at the University of Utah. This was a modest decline from \$5.0 billion in 2013, but shows continued momentum coming out of the recession as compared to the \$3.8 and \$3.9 billion reported in 2011 and 2012, respectively. Additionally, the Bureau of Economic and Business Research forecast for permit authorized construction for 2015 is \$5.2 billion. Total residential housing units constructed rose from 14,906 in 2013 to 16,000 in 2014. This growth was fueled in part by a 75% increase in the number for apartments units receiving building permits in 2014 over 2013, for a total of 4,400 units. Another improvement in Utah's economy was a 6.0% decline in bankruptcies, according to the U.S. Court Statistics, during the twelve months ended December 31, 2014.

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**Market Opportunity**

We currently operate through 18 full-service branches including 17 branches located in Utah and one branch located in Preston, Idaho, which is near Logan, Utah. Utah is one of the fastest growing states in the United States in terms of population, ranking 7th in 2014 percentage growth according to the U.S. Census Bureau. Over 75% of Utah's population is concentrated along Interstate 15 or the I-15 Corridor, specifically within Davis, Weber, Salt Lake and Utah Counties. The next largest population centers in the state are in Washington and Cache Counties. Together with the I-15 Corridor, these counties make up approximately 84.7% of Utah's population. Most of the major business and economic activity in Utah is located in the counties where we currently have branches. We believe our markets will continue to exhibit high growth rates compared to the rest of the United States. We believe we can further penetrate the population centers in our existing markets and grow in contiguous markets and surrounding states by adding branches and through strategic mergers or acquisitions.

We have successfully executed our growth initiatives to-date through organic growth and a strategic merger through which we acquired LSB. In 2013, we merged with Lewiston Bancorp, the holding company of LSB and its four branches, which expanded our operations into Cache County, Utah, and into the State of Idaho. Lewiston Bancorp was merged into PUB and LSB became a wholly-owned subsidiary of PUB. While the Banks currently have separate charters, we anticipate consolidating the Banks' charters while continuing to do business under separate names.

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The following table shows demographic information for our market areas and highlights Utah's rapid growth compared to the U.S. as a whole <sup>(1)</sup>.

Area	Percent of 2014 PUB Deposits	Market Share <sup>(1)</sup>	Market Ranking <sup>(1)</sup>	2014 Population <sup>(2)</sup>	% of Utah State 2014 Population	2020 Projected Population <sup>(3)</sup>	Projected Population Change 2014-2020	2014 Unemployment Rate <sup>(4)</sup>
Weber County, UT				240,475	8.2%	258,423	7.5%	3.9%
Davis County, UT	1.7%	0.76%	11	329,692	11.2%	356,968	8.3%	3.3%
Salt Lake County, UT	11.2%	0.39%	12	1,091,742	37.1%	1,180,859	8.2%	3.3%
Utah County, UT	65.7%	13.29%	3	560,974	19.1%	668,564	19.2%	3.3%
Total I-15 corridor <sup>(5)</sup>	78.6%	1.64%		2,222,883	75.5%	2,464,814	10.9%	3.3%
Cache County, UT <sup>(6)</sup>	21.2%	16.91%	3	118,343	4.0%	139,227	17.6%	3.1%
Washington County, UT	0.2%			151,948	5.2%	196,762	29.5%	3.9%
Total target markets <sup>(5)</sup>	100.0%	1.91%		2,493,174	84.7%	2,800,803	12.3%	3.3%
Utah		1.77%	6	2,942,902	100.0%	3,309,234	12.4%	3.5%
United States		<sup>(7)</sup>	429	318,857,056		339,540,606	6.5%	5.6%

(1) SNL: Briefing Book: June 30, 2014 Deposit Market Share - Banks. Non-retail branches are not included.

(2) U.S. Census Bureau - Vintage 2014 estimates.

(3) Utah Governor's Office of Economic Development.

(4) U.S. Bureau of Labor Statistics

(5) Market Share and 2014 Unemployment Rate totals are based on weighted averages

(6) Includes 3.30% of our deposits from one branch in Franklin County, Idaho

(7) U.S. market share for 2014 equals 0.01%

We believe our market area will continue to benefit from increased economic activity and high population growth, and will present opportunities to grow our customer base, resulting in a larger amount of deposits and a larger loan portfolio.

**Our Competitive Strengths****Track Record of Successful Growth**

We have an established track record of successful growth through organic deposit, asset and branch expansion and our strategic merger through which we acquired LSB. From 2004 to 2014, our total assets grew from \$543 million to \$1.4



billion, a compound annual growth rate, or CAGR, of 9.7%. During the same period, our total gross loans grew at a CAGR of 8.9%. Our total deposits grew at a CAGR of 10.5% from 2004 to 2014. Further, from 2004 to 2014, our net income increased from \$8.9 million to \$14.9 million, representing a CAGR of 5.2%. During this period we found ways to offer attractive loan pricing, while maintaining a net interest margin of above 4.0%. From 2010 to 2014, our total assets grew from \$842.9 million to \$1.4 billion, a CAGR of 12.9%. During the same period, our total gross loans grew at a CAGR of 12.6%, our total deposits grew at a CAGR of 12.8% and our shareholders equity grew at a CAGR of 12.3%. From 2010 to 2014, our net income increased from \$3.4 million to \$14.9 million, representing a CAGR of 44.6%.

We have expanded organically by increasing our market share in select markets and by entering new markets, such as by opening new branches and loan production offices in Davis and Washington Counties. In addition, in 2014, we grew our assets by 5.2% through organic growth while successfully integrating LSB. As discussed further below, even with this growth we have maintained a strong capital position and strong asset quality, with net charge-offs of only 0.1% for the year ended December 31, 2014. We believe this track record of successful growth positions us to continue to grow in the future, both organically and through acquisition of other banking and financial services companies.

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### ***Well Positioned in Growing and Attractive Markets***

The state of Utah was the 7th fastest growing state in the United States with population increasing in 2014 by 1.4%, as compared to 0.8% for the United States as a whole. The state's population is expected to grow an additional 14.1% from 2013 to 2020. This growth generates job creation, commercial development and housing starts. Our operations are focused in the most populous areas of the state, with 84.7% of the state's population located in our target market areas.

### ***Strong Reputation in our Markets***

We believe that we have a strong reputation in our markets, evidenced through numerous awards and recognitions including from the American Bankers Association and the Independent Community Bankers of America and being recognized as the best community bank by Best of State Magazine in 2014. In addition, as of September 30, 2014, the BauerFinancial rating for BAF was 5-Star Superior and for LSB was 4-Star Excellent. We believe our reputation and demonstrated ability to grow successfully, both organically and through mergers or acquisitions, will give us a competitive advantage in these growing markets. We also believe that our reputation has been established through a track record of safe and responsible growth in our target markets. We have been established in our markets for over 100 years with BAF established in 1913 and LSB established in 1905.

### ***Well Capitalized Position***

As of December 31, 2014, we were well capitalized, with an 11.32% Tier 1 leverage ratio and a 16.01% total risk-based capital ratio, both well above the required ratios for community banks of 5% and 10%, respectively. In addition, under the Federal Reserve's new capital rules that became effective on January 1, 2015, our pro forma Tier 1 leverage ratio and total risk-based capital ratio, calculated under the new capital rules, as of December 31, 2014, were 11.32% and 15.39%, respectively, still well above the required ratios identified above. We believe this capital position provides a strong foundation for us that will attract additional capital and facilitate our future growth. We also believe this capital position could help us respond to challenges in the event of an economic downturn.

### ***Our Experienced Senior Management Team***

Our senior management team has a long and successful history of managing financial institutions. Our senior management team has a demonstrated track record of managing profitable growth, successfully executing and integrating acquisitions, improving operating efficiencies, maintaining a strong risk-management culture and implementing a relationship-based and service-focused approach to banking. Our management team has been with us through periods of economic prosperity and recessionary periods, and we believe our management team understands how to manage and grow our business.

### ***Real Estate Expertise***

We believe we have an expertise in real estate related loans, including loans for construction and land development projects and for the purchase, improvement or refinancing of residential and commercial real estate. Real estate activity in our market area has been robust over the last ten years except during the 2009-2010 recessionary period. However, even during the recessionary period of 2009 and 2010 we were able to maintain strong Tier 1 leverage ratios of 11.49% and 11.60%, respectively, total risk-based capital ratios of 14.57% and 16.17%, respectively, and we had a positive net income of \$3.1 million and \$3.4 million, respectively.

### ***Disciplined Risk Management***

Risk management is a core competency of our business and we believe that our risk management approach is robust. We are committed to maintaining internal controls to manage the risk associated with our growth and our concentration in real estate loans. Further, we have identified lending/credit risk and operational risk as the

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two areas that could have the greatest impact on our capital and have taken steps to mitigate these risks. In order to mitigate and actively manage these areas of risk, we have established procedures and committed experienced personnel to this effort.

Like many other companies, we were affected by the recent financial crisis that began in 2008, and our year-end total assets and annual net income dropped to lows of \$810.9 million and \$3.1 million, respectively, during 2009. Despite the financial crisis and its effects on our business, we were able to remain profitable while continuing to pay a dividend and maintaining our well capitalized status, in part due to prompt and aggressive management by our senior management team and Board of Directors. We believe our robust approach to risk management has enabled us to grow our loan portfolio without compromising credit quality.

## **Our Business Strategy**

Our goal is to be a high performing financial institution that delivers strong returns to our shareholders as we continue to grow through exceptional employees, who we refer to as associates, through a focus on customer service, and through strong risk management. Key elements of our strategy include the following:

### ***Continue to Grow Organically***

We plan to expand organically by increasing our market share in our current markets and by entering new markets. In order to maintain our net interest margin at current levels, we are focused on continuing to fund our organic growth with local, core deposits. To accomplish this, we incentivize our associates to leverage relationships to produce both loan and deposit growth.

We continually monitor and track opportunities in contiguous, attractive growth or deposit-rich markets in Utah. We recently opened our 18th branch, which is our first in St. George, Utah. Since 2003, we have organically added four BAF branches and one LSB branch, two of which have been opened in the last two years, and we intend to add additional branches in key geographic areas over the next several years. Our focus is on finding exceptional associates to continue building our market share in our current markets, as well as to expand into prospective geographic locations that have shown positive long-term demographic and business trends.

We also believe that we can continue to capitalize on our expertise in real estate loans. As of December 31, 2014, 79.5% of our loan portfolio was comprised of real estate loans, including 16.4% construction and development, 55.3% commercial real estate, and 7.8% residential real estate. We believe we have an experienced team of associates with expertise in real estate lending, and we intend to continue to focus on maintaining strong relationships with commercial and residential builders. We believe that as we continue to develop this real estate expertise, we will become more attractive to these commercial and residential builders.

### ***Grow and diversify our loan portfolio***

In addition to our expertise in real estate, we believe we can continue to take advantage of opportunities to diversify and grow other areas of our loan portfolio by expanding our C&I lending through our existing branch structure. As of December 31, 2014, 18.9% of our total loan portfolio was in C&I loans. We offer a full range of short to long-term C&I lending products and services and have established a portfolio threshold for this category that we continually monitor. To assist with this growth and diversification, we have recently added experienced commercial lenders to our team and plan to continue to add commercial lenders in our current and target markets.

We have also expanded our SBA lending program. BAF is a preferred lender with the SBA, and we are in the process of applying to have LSB become a preferred lender as well. A preferred lender can approve, package, fund and service SBA loans within a range of authority that is not available to all SBA lenders.

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Finally, we have started expanding our leasing portfolio by purchasing leases that fit our policies and procedures. We have loan officers who are experienced in this area and expect our lease portfolio will continue to grow. We also intend to develop a private leasing product to be administered by one of our third party leasing partners, which we believe will help grow this aspect of our portfolio.

### ***Continue to grow through Strategic Mergers or Acquisitions***

We believe that we can also continue to grow successfully through strategic mergers or acquisitions, as we showed by adding four LSB branches and the associated \$266.3 million in assets in 2013. The LSB merger was the first bank merger without FDIC assistance in Utah since 2007, and we believe that the banking and financial services industry will continue to consolidate in our target markets through whole-bank and branch mergers and acquisitions. We are familiar with the community banks and community bank owners in our markets and surrounding areas, and we believe many of these community banks are open to consolidating and have expense structures that would make them attractive candidates for consolidation. Accordingly, we believe there will be opportunities for strategic mergers or acquisitions over the next several years. In addition, we may pursue acquisitions and mergers of non-bank financial services companies. While our primary focus is to grow our business in Utah, we may take advantage of other opportunities in contiguous states. Although we plan to identify and explore specific acquisition opportunities, we have no present agreements or commitments to make any acquisition. Additionally, there can be no assurances that any aspect of our plans for future growth will occur or be successful.

### ***Continue to Improve Operating Efficiencies***

We believe that improving our operating efficiencies will continue to be important to our profitability and future growth. We intend to carefully manage our cost structure and refine and implement internal processes to create further efficiencies and enhance our earnings. Further, we believe our systems, risk management structure and operating model are scalable and will enable us to achieve additional operating efficiencies as we grow. We also believe that we will realize additional efficiencies as we continue to integrate LSB. The efficiency ratio is calculated by taking non-interest expense less merger related expenses and dividing that number by the sum of net interest income and non-interest income. Our efficiency ratio for the year ended December 31, 2014 was 63.58%, and we believe that through the efforts described above we can lower this ratio over the next few years.

### ***Hire Additional Motivated and Service-Oriented Personnel***

We believe we will be able to continue to develop successful associates from the talented and motivated people living in our market areas and in prospective market areas. We continually seek to find such individuals with varied backgrounds from the communities they serve and we then train them to be successful in developing relationships, serving our customers, and effectively delivering financial services. We combine an internal training program with outside training to ensure that our associates are skilled in their respective areas of responsibility, and to enable us to responsibly maintain our growth. Moreover, our compensation structure allows for some associates to be paid in part on production, which provides incentive bonuses for superior performance and customer development. We strive to mitigate the risks associated with these incentive bonuses by granting low lending limits to individual loan officers, and we require any significant loans to be approved through a credit review. These credit reviews are led by our chief credit officer who works with a committee that independently analyzes the risks associated with each loan, with an eye toward mitigating such risks by ensuring these loans are in compliance with our credit underwriting policies and procedures. Finally, a significant component of these incentive bonuses is based on a review of the credit quality of the loan officer's loan portfolio, which we believe incentivizes the loan officers to manage the risk of their loan portfolio. Our variable compensation totaled 21.0% of total salary and bonus compensation in 2014.

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We have been recognized as one of the best places to work in the state of Utah multiple times over the past decade and we believe our culture enables us to find strong, relationship-oriented associates that combine a customer service mentality with financial services skills.

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We emphasize to our associates the importance of providing superior customer service and we train our staff to be able to provide such superior customer service. Whether it is our business development associates who team with our loan officers to obtain new customers and sell additional banking products and services to existing customers, the credit analysts who underwrite our loans and manage our back-office lending functions, or our branch associates who are the primary points of contact for deposit customers and the initial contact persons for customers who come into our branches, all of our associates are encouraged and taught to provide superior customer service.

### ***Maintain and Improve our Safety and Soundness through Strong Risk Management and Capital Levels***

We believe that our future growth will require us to actively manage risk, and we are committed to maintaining internal controls to manage the risk associated with our growth and concentration in real estate loans. We continually seek to (i) identify and evaluate risks and trends in all functions of our business, including credit, operations and asset and liability management and (ii) adopt strategies to manage such risks based upon our evaluations. In particular, we actively manage interest rate and market risks by monitoring and reviewing the volume and maturity of our interest sensitive assets to our interest sensitive liabilities in order to mitigate the adverse effects of changes in interest rates.

We focus on originating and maintaining a high quality loan portfolio by employing focused credit analysts, applying disciplined underwriting standards, and benefiting from our directors' and officers' deep knowledge of the markets we serve. Our loan personnel are expected to monitor projects and we require inspections to approve construction loan draws. All BAF loans over \$4 million must be approved by our BAF directors' loan committee, which includes our Chief Executive Officer and seven directors of BAF, and all LSB loans over \$500,000 must be approved by our LSB directors' loan committee, which includes the Chief Executive Officer and any two other directors of LSB. Our loan approval process is highly collaborative, with these committees taking an active role in the structuring and pricing of loans. Loan personnel are incentivized to produce high-quality loans, and receive adjustments to their variable compensation packages based on the quality of their portfolio.

We have historically maintained strong capital levels and we plan to continue to maintain these strong capital levels in order to support our future growth and attract new customers. For each year during 2010 to 2014, our year-end Tier 1 leverage capital ratio remained above 11% and our total risk-based capital ratio was above 16%, both well above the required ratios for community banks of 5% and 10%, respectively. We believe that by maintaining these strong capital ratios, we will continue to have a solid foundation for our future growth, both organic and through acquisitions, and that potential customers will see us as a reliable bank with which they want to do business.

### **Our History**

We were formed as a bank holding company in 1998, originally with one subsidiary bank, BAF. BAF is a Utah state-chartered bank that was established in 1913 in American Fork, Utah. We believe that we and BAF have established a track record of safe and responsible growth. BAF expanded to Alpine, Utah in 1974, and then opened five additional branches in Utah County from 1993 to 1998 and one branch in 2008, for a total of eight branches in Utah County. BAF expanded into Salt Lake County in 2001 through the acquisition of one branch, with three additional branches opened since that time, for a total of four in Salt Lake County. BAF expanded to Davis County in 2012 by opening a loan office that subsequently became a branch in Layton, Utah. BAF also expanded its operations to Washington County in 2013 by opening a loan production office, which was later converted into a branch in August 2014.

Our growth continued in 2013 when we acquired Lewiston Bancorp, the holding company of LSB. This strategic merger increased our scale and geographic footprint, and we have realized significant synergies from the merger. LSB was formed as a state-charted bank in 1905 and operated from a single location in Lewiston,





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Utah, until a second branch was opened in 1996 in North Logan, Utah. Lewiston Bancorp was formed in 1999. The following year, a branch was opened in Preston, Idaho, which required the organization of a separately chartered bank in the State of Idaho. From 2000 through 2006, Lewiston Bancorp owned and operated two separate banks. The Idaho bank was merged into the Utah bank in January 2007. LSB further expanded and added a fourth location when the Logan branch was opened in 2012.

## **Our Business Activities**

Our principal business is to utilize deposits and other funding sources in making loans which generate interest income. The principal sources of funds for our loans and investments are demand, time, savings and other deposits, repayment of loans and borrowings. The principal expenses associated with banking are interest paid on deposits, employee compensation, office expenses and other operating expenses. We do not currently offer trust or fiduciary services.

We provide banking services throughout our primary market area to real estate developers, contractors and small- to medium-sized businesses in our market. Many of our real estate customers are involved in the development, construction and resale of commercial and residential properties primarily in Utah, Salt Lake, Davis, Cache and Washington counties. Our business customers are involved in a variety of industries, including light manufacturing, distribution and other services. We also provide a broad range of banking services and products to individuals, including personal checking and savings accounts and other consumer banking products, including electronic banking.

## ***Lending***

While we have a 79.5% concentration in real estate loans and our historical focus has been on real estate lending, we also offer a full range of short- and long-term C&I and consumer lending products and services. We have established portfolio thresholds for each of our lending categories and regularly monitor and evaluate the diversification of our portfolio. We originate a variety of loans, including real estate construction, land acquisition and development, commercial real estate, residential real estate, commercial, and to a lesser extent consumer based loans. From time to time we purchase and sell non-consumer loan participations to or from other banks within our market area. As of December 31, 2014, all outstanding loan participations purchased by us had been underwritten using our standard and customary underwriting criteria and were performing loans.

Our customers are generally comprised of the following groups:

Real estate developers and contractors in need of land, construction and permanent financing for commercial and residential developments;

Small- to medium-sized businesses in need of secured and unsecured lines of credit through SBA financing or C&I term loans;

Individuals in need of residential mortgage products and consumer loan products; and

Professionals and professional firms, such as architectural, engineering, and insurance and financial firms, in need of operating facilities.

Our lending activities are concentrated in two main categories: real estate and commercial / industrial.

***Real Estate***

We are focused on commercial and residential real estate lending throughout a project's life-cycle, including acquisition and development loans, construction loans, and permanent, long-term mortgage financing.

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*Construction, Acquisition and Development Loans.* Our construction loan portfolio consists of single-family residential properties, multi-family properties and commercial projects. Construction lending entails significant additional risks compared with residential mortgage lending. Construction loans often involve larger loan balances concentrated with single borrowers or groups of related borrowers. Construction loans also involve additional risks since funds are advanced while the property is under construction, and has uncertain value prior to the completion of construction. Thus, it is more difficult to evaluate accurately the total loan funds required to complete a project and whether related loan-to-value ratios will be sufficient to compensate for fluctuations in the real estate market to minimize the risk of loss. Maturities for construction loans generally range from six to 12 months for residential property and from 12 to 18 months for non-residential and multifamily properties.

Our development loans are secured by the entire property being platted and developed. Lending on raw land carries a significant risk of a change in market conditions during the development process. Our borrowers' projects currently range from small plats of two to six lots to subdivisions with up to 60 lots. We also consider development loans for larger projects. During the development process, we fund costs for site clearing and grading and infrastructure, including utilities and roads. Lot release minimum prices are agreed upon at loan closing. Repayment of the development loan is generally structured to require net sale proceeds from lot sales at a minimum of 125% of the bank's per-lot exposure. We target most development loans to be paid off at no more than 75% of total development sales. Loan-to-value ratios on development loans typically range from 65% to 75%, depending on the financial strength and experience of the developer. Most development loans have maturities of 12 to 24 months.

*Commercial Real Estate Loans.* We also originate mortgages for commercial real estate properties. These loans are primarily secured by commercial real estate, including office, retail, warehouse, industrial, and other non-residential properties and are made to the owners or occupants of such properties. The majority of these loans have maturities generally ranging from three to 10 years.

Commercial real estate lending entails significant additional risk compared with the residential mortgage lending. Commercial mortgage loans typically involve larger loan balances concentrated with single borrowers or groups of related borrowers. Additionally, the repayment of loans secured by income-producing properties is typically dependent on the successful operation of a business or a real estate project and thus may be subject, to a greater extent than is the case with residential mortgage loans, to adverse conditions in the commercial real estate market or in the general economy. Our commercial real estate loan underwriting criteria requires an examination of debt service coverage ratios, the borrowers' creditworthiness and prior credit history and reputation, and we generally require personal guarantees or endorsements with respect to these loans. In the loan underwriting process, we also carefully consider the location of the property that will be collateral for the loan.

Loan-to-value ratios for non-owner occupied commercial mortgage loans generally do not exceed 75%. We permit loan-to-value ratios of up to 75% if the property is owner-occupied and the borrower has strong liquidity, net worth, and cash flow. We have been active in both the construction lending and permanent financing of our commercial real estate portfolio. Construction and raw land loans are short-term in nature and generally do not exceed 18 months. Permanent commitments are primarily restricted to no greater than 10-year maturities with rate adjustment periods every three to five years when fixed commitments exist.

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As of December 31, 2014, our commercial real estate portfolio was comprised of the following property types.

<b>Loan Type</b>	<b>\$ Outstanding (In thousands)</b>	<b>% of Total Loan Portfolio</b>
Retail	\$ 86,464	16.6%
Office	240,078	46.0%
Industrial	39,536	7.6%
Multi-family	112,489	21.6%
Agriculture	27,163	5.2%
Other	15,806	3.0%
<b>Total commercial real estate</b>	<b>\$ 521,536</b>	<b>100.0%</b>

*Residential Mortgage Loans.* Our residential mortgage loans consist of residential first and second mortgage loans, residential construction loans and home equity lines of credit and term loans secured by first and second mortgages on the residences of borrowers. Second mortgage loans and home equity lines of credit are used for home improvements, education and other personal expenditures. We make mortgage loans with a variety of terms, including fixed, floating and variable interest rates and a variety of loan maturities. We sell substantially all of the first lien residential mortgage loans that we originate to larger financial institutions. We provide loan servicing for FNMA and Freddie Mac mortgage loans on a limited basis.

Residential mortgage loans generally are made on the basis of the borrowers' ability to repay the loan from his or her salary and other income and are secured by residential real estate, the value of which is generally readily ascertainable. These loans are made consistent with our appraisal and real estate lending policies, which detail maximum loan-to-value ratios and maturities. Residential mortgage loans and home equity lines of credit secured by owner-occupied property generally are made with a loan-to-value ratio of up to 75%.

***Commercial and Industrial:***

*Commercial and Industrial Loans.* We make C&I loans to qualified businesses in our market area. Our commercial lending portfolio consists primarily of C&I loans for the financing of accounts receivable, inventory, property, plant and equipment. We also offer loans guaranteed by the SBA.

C&I loans typically are made on the basis of the borrower's ability to repay the loan from the cash flow from its business and are secured by business assets with less easily determinable or achievable value, such as accounts receivable, equipment and inventory. Lines of credit typically have a twelve month commitment with a variable rate and are secured by the asset that is being financed. In cases of larger commitments, a borrowing base certificate may be required to determine eligible collateral and advance parameters. Term loans seldom exceed 84 months, but in no case exceed the depreciable life of the tangible asset being financed.

To manage these risks, our policy is to secure the commercial loans we make with both the assets of the borrowing business and other additional collateral and guarantees that may be available. In addition, we actively monitor certain measures of the borrower, including advance rate, cash flow, leverage, collateral value and other appropriate credit factors.

*Leasing.* In 2012, BAF developed relationships with several private leasing companies located in Utah. Through such relationships, BAF purchases leases that fit its policies and procedures. BAF's lease portfolio consists primarily of various types of mission-critical equipment utilized by commercial and industrial customers, which are located throughout the U.S. BAF has lending officers who have extensive backgrounds in leasing. Leases are purchased directly from the lease originator, or in some cases a loan is made to the originator and the lease secures the loan. We underwrite lease portfolios prior to purchase. As of December 31, 2014, BAF had approximately \$12.9 million of leases in its portfolio. LSB will begin leasing in 2015 with the same lease

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origination partnerships as BAF. We intend to grow our lease portfolio in a careful, measured way with an emphasis on sound underwriting. BAF is currently exploring development of a private label leasing product that may be administered by one of the leasing companies or possibly internally. Either way, the program would be subject to BAF's current leasing policy and underwriting standards. Our leasing program is subject to the same general risks as our lending activities, including credit and interest rate risks, and the difficulty of attracting necessary personnel, among others. These risks would similarly apply if we decide to proceed with a private label leasing product. While there would likely be significant startup costs associated with starting a private label leasing product, we believe this could also lead to enhanced revenue and profitability. For a further general discussion of each of these types of risks, see the risk factors located elsewhere in this prospectus.

### ***Consumer Loans***

*Consumer Loans.* Our consumer loans consist primarily of installment loans made to individuals for personal, family and household purposes. The specific types of consumer loans we make include home equity loans, home improvement loans, automobile loans, debt consolidation loans and general consumer lending.

Consumer loans may entail greater risk than real estate loans, particularly in the case of consumer loans that are unsecured, such as lines of credit, or secured by rapidly depreciable assets, such as automobiles. In such cases, any repossessed collateral for a defaulted consumer loan may not provide an adequate source of repayment of the outstanding loan balance as a result of the greater likelihood of damage, loss or depreciation. The remaining deficiency often does not warrant further substantial collection efforts against the borrower. In addition, consumer loan collections are dependent on the borrower's continuing financial stability, and thus are more likely to be adversely affected by job loss, divorce, illness, or personal bankruptcy. Furthermore, the application of various federal and state laws, including federal and state bankruptcy and insolvency laws, may limit the amount that can be recovered on such loans. A loan may also give rise to claims and defenses by a consumer loan borrower against an assignee of such loan, such as a bank, and a borrower may be able to assert against such assignee claims and defenses that it has against the seller of the underlying collateral.

Our policy for consumer loans is to accept moderate risk while minimizing losses, primarily through a careful credit and financial analysis of the borrower. In evaluating consumer loans, we require our lending officers to review the borrower's level and stability of income, past credit history, amount of debt currently outstanding and the impact of these factors on the ability of the borrower to repay the loan in a timely manner. In addition, we require our banking officers to maintain an appropriate margin between the loan amount and collateral value.

We also issue credit cards to certain of our customers. In determining to whom we will issue credit cards, we evaluate the borrower's level and stability of income, past credit history and other factors. Finally, we make additional loans that are not classified in one of the above categories. In making such loans, we attempt to ensure that the borrower meets our loan underwriting standards.

### ***SBA Loans***

BAF has been a SBA Preferred Lender since 2002. As a Preferred Lender, BAF can approve a loan within the authority delegated to it by the SBA and not be required to go through the SBA directly on a per loan basis. LSB anticipates entering the SBA lending arena in 2015.

SBA loans fall into two categories, loans originated under the SBA's 7(a) Program, or SBA 7(a) Loans, and loans originated under the SBA's 504 Program or SBA 504 Loans. Though SBA 7(a) Loans can be utilized to purchase or construct real property, we primarily use the 7(a) program for working capital, inventory, or equipment needs and

loans, which are included in our C&I loans. As of December 31, 2014, SBA 7(a) Loans represented approximately \$21.1 million, or 11.9%, of our total C&I loans.



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SBA 504 loans typically do not have an SBA guaranty, but rather, a low 50% loan to value ratio due to the assistance of the 504 program. For this reason, we generally record the SBA 504 loans as commercial real estate. As of December 31, 2014, our total SBA 504 loans totaled \$57.6 million, or 8.5%, of total CRE loans.

Our SBA lending program, and portions of our real estate lending, are dependent on the continual funding and programs of certain federal agencies or quasi-government corporations, including the SBA.

### ***Loan Underwriting and Credit Policies:***

Our Board of Directors establishes our lending policies and the Banks adopt such policies with further modifications to fit their respective markets. These lending policies are reviewed at least annually and evaluated from time to time by senior lending management and our Board of Directors. Key elements of our current policies are debt service coverage, monitoring concentration levels and maintaining strict approval and underwriting procedures.

*Debt Service Coverage.* Our risk management philosophy is to extend credit only when an applicant has proven cash flow to service the proposed debt. Additionally, it is generally necessary for the applicant to demonstrate an independent secondary source of repayment.

*Monitor Concentration Levels.* We have established maximum concentration for each loan type and regularly monitor and evaluate the diversification of our loan portfolio. We have significant concentration in real estate loans. Approximately 79.5% of our loans as of December 31, 2014 are real estate related.

*Loans to One Borrower.* In addition to the maximum concentration for loan types, state banking law generally limits the aggregate extensions of credit that a bank may make to a single borrower. Under Utah law, the aggregate extensions of credit that a bank may make to a single borrower generally may not exceed 15% of the bank's Tier 1 capital (approximately \$20.9 million for BAF and \$4.7 million for LSB as of December 31, 2014). Our largest extension of credit to one borrower as of December 31, 2014 was \$17.6 million, collateralized by land and related development.

*Approval and Underwriting Procedures.* All loan requests must be approved under specified approval guidelines, based upon Board approved authorities. BAF and LSB each maintain their own board approvals and loan committee approvals although members of each Bank serve on the loan committee of the other Bank. Credit approval authority has four levels, as listed below from lowest to highest level. Management believes the current authority levels are appropriate to ensure overall credit quality, while ensuring w