PARKER HANNIFIN CORP
Form 4
August 17, 2007

FORM 4

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

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

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL
OMB Number: 3235-0287
Expires: January 31, 2005
Estimated average burden hours per response... 0.5

(Print or Type Responses)

1. Name and Address of Reporting Person *
Serbin Daniel S

(Last) (First) (Middle)

PARKER-HANNIFIN CORPORATION, 6035 PARKLAND BOULEVARD

(Street)

CLEVELAND, OH 44124-4141

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
PARKER HANNIFIN CORP [PH]

3. Date of Earliest Transaction (Month/Day/Year)
08/15/2007

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
VP - Human Resources

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock								3,854.944	I	Parker Retirement Savings Plan
Common Stock	08/15/2007		A (1)		4,731	A	$ 0 (1)	9,993	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)	
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares
Option to buy with tandem stock appreciation right	$ 91.4	08/15/2007		A		9,600		(2)	08/14/2017	Common Stock	9,600

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Serbin Daniel S PARKER-HANNIFIN CORPORATION 6035 PARKLAND BOULEVARD CLEVELAND, OH 44124-4141			VP - Human Resources	

Signatures

Joseph R. Leonti, Attorney-in-Fact	08/16/2007
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) Award of restricted stock under the Corporation's 2003 Stock Incentive Plan in a transaction exempt under Rule 16b-3.

(2) The option with tandem SAR vests in three equal installments on 8/15/2008, 8/15/2009 and 8/15/2010.

(3) Granted under the Corporation's 2003 Stock Incentive Plan in a transaction exempt under Rule 16b-3.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. t;padding-Bottom:0pt;width:1%;white-space:nowrap;">

587

923

Purchase of non-marketable equity securities

(25,955

)

(4,835

)

(2,663

)

Proceeds from sale of non-marketable equity securities

27,110

2,956

3,080

Net cash used in investing activities

(76,463

)

(191,904

)

(87,818

)

Cash flows from financing activities:

Net increase in deposits

62,423

105,489

115,889

Exercise of stock options

887

1,395

777

Net change in short-term borrowings

(40,000

)

36,801

(24,005

)

Cash dividends paid

(7,657

)

(6,106

)

(5,141

)

Net cash provided by financing activities

15,653

137,579

87,520

Net change in cash and cash equivalents

(2,480

)

(16,911

)

25,589

Cash and cash equivalents, beginning of year

51,027

67,938

42,349

Cash and cash equivalents, end of year

$

48,547

$

51,027

$

67,938

Supplemental disclosures of cash flow information:

Cash paid for interest

$

7,043

$

3,294

$

2,552

Income taxes paid

$

13,830

$

13,429

$

13,963

Supplemental disclosures of non-cash transactions:

Reclassifications from loans to other real estate owned

$

3,320

$

1,419

$

482

Dividends declared but not paid

$

-

$

-

$

-

Unrealized losses on securities available for sale

$

(2,678

)

$

(1,168

)

$

(1,104

)

Measurement period adjustment to goodwill

$

(335

)

$

-

$

-

Acquisitions:

Assets acquired

$

-

$

416,595

$

-

Liabilities assumed

$

-

$

290,371

$

-

See accompanying notes to the consolidated financial statements

74

PEOPLE'S UTAH BANCORP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 —Summary of Significant Accounting Policies

Nature of Operations and basis of consolidation — People's Utah Bancorp, Inc. ("PUB" or the "Company") is a Utah corporation headquartered in American Fork, Utah. The Company operates all business activities through its wholly-owned banking subsidiary, People's Intermountain Bank ("PIB or the "Bank"), which was organized in 1913. The Bank is a Utah State chartered bank. The Bank operates under the jurisdiction of the Utah Department of Financial Institutions ("UDFI"), and its deposits are insured by the Federal Deposit Insurance Corporation ("FDIC"). The Bank is not a member of the Federal Reserve System; however, PUB is operated as a bank holding company under the Federal Bank Holding Company Act of 1956 and is the sole shareholder of the Bank. Both PUB and the Bank are subject to periodic examination by all of the applicable federal and state regulatory agencies and file periodic reports and other information with the agencies. The Company considers the Bank to be its sole operating segment.

PIB is a community bank that provides highly personalized retail and commercial banking products and services to small and medium sized businesses and individuals. Products and services are offered primarily through 26 retail branches located throughout Utah and southern Idaho. PIB has three banking divisions, Bank of American Fork, Lewiston State Bank, and People's Town & Country Bank; and a mortgage division, People's Intermountain Bank Mortgage. The Bank offers a full range of short-term to long-term commercial, personal and mortgage loans. Commercial loans include both secured and unsecured loans for working capital (including inventory and accounts receivable), business expansion (including acquisition of real estate and improvements), and purchase of equipment and machinery. Consumer loans include secured and unsecured loans to finance automobiles, home improvements, education, and personal investments. The Bank also offers mortgage loans secured by personal residences. The Bank offers a full range of deposit services typically available in most financial institutions, including checking accounts, savings accounts, and time deposits. The Bank solicits these accounts from individuals, businesses, associations and organizations, and governmental entities.

The consolidated financial statements include the accounts of the Company together with its subsidiary. All intercompany transactions and balances have been eliminated.

Use of Estimates — The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("GAAP") requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for loan losses ("ALLL"), the determination of the fair value of certain financial instruments, the valuation of real estate acquired through foreclosure, deferred income tax assets, and share-based compensation.

Reclassifications — Certain amounts in the prior years' financial statements have been reclassified to conform to the current year's presentation.

Business Combinations — Business combinations are accounted for using the acquisition method of accounting and, accordingly, assets acquired and liabilities assumed, both tangible and intangible, and consideration exchanged are recorded at fair value on the acquisition date. The excess purchase consideration over fair value of net assets acquired is recorded as goodwill. Expenses incurred in connection with a business combination are expensed as incurred. Changes in deferred tax asset valuation allowances related to acquired tax uncertainties are recognized in net income after the measurement period.

75

PEOPLE’S UTAH BANCORP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 1 —Summary of Significant Accounting Policies – Continued

Cash and cash equivalents — Cash and cash equivalents consist of cash on hand, amounts due from banks, interest bearing deposits, and federal funds sold, all of which have original maturities of three months or less. The Company places its cash with high credit quality institutions. The amounts on deposit fluctuate and, at times, exceed the insured limit by the FDIC, which potentially subjects the Company to credit risk.

Investment securities — Investment securities are classified as held to maturity (“HTM”) when the Company has the positive intent and ability to hold the securities to maturity. Investment securities are classified as available for sale (“AFS”) when the Company has the intent of holding the security for an indefinite period of time, but not necessarily to maturity. The Company determines the appropriate classification at the time of purchase, and periodically thereafter. Investment securities classified at HTM are carried at amortized cost. Investment securities classified at AFS are reported at fair value. As the fair value of AFS securities changes, the changes are reported (net of tax, if applicable) in comprehensive income and as an element of accumulated other comprehensive income/loss (“AOCI”) in shareholder’s equity. When AFS securities, specifically identified, are sold, the unrealized gain or loss is reclassified from AOCI to non-interest income.

When the estimated fair value of a security is lower than the book value, a security is considered to be temporarily impaired. On a quarterly basis, Management evaluates any securities in a loss position to determine whether the impairment is other-than-temporary. If there is intent to sell the security, or if the Company will be required to sell the security, or if the Company believes it will not recover the entire cost basis of the security, the security is other-than-temporarily impaired (“OTTI”) and impairment is recognized. The amount of impairment resulting from credit loss is recognized in earnings and impairment related to all other factors, such as general market conditions, is recognized in AOCI.

Management considers a number of factors in its analysis of whether a decline in a security’s estimated fair value is OTTI. Certain factors considered include, but are not limited to: (a) the length of time and the extent to which the security has been in an unrealized loss position, (b) changes in the financial condition of the issuer, (c) the payment structure of debt securities, (d) adverse changes in ratings issued by rating agencies, (e) and the intent and ability of the Company to hold the security for a period of time sufficient to allow for any anticipated recovery in fair value.

Interest income is recognized based on the coupon rate, and is increased by the accretion of discounts earned or decreased by the amortization of premiums paid. The amortization of premiums or the accretion of discounts are recognized in interest income using the effective interest method over the period of maturity.

Non-marketable equity securities — Non-marketable equity securities primarily consist of Federal Home Loan Bank ("FHLB") stock. FHLB stock is restricted because such stock may only be sold to FHLB at its par value. Due to the restrictive terms, and the lack of a readily determinable market value, FHLB stock is carried at cost. The investments in FHLB stock are required investments related to the Company's borrowings from FHLB. FHLB obtains its funding primarily through issuance of consolidated obligations of the FHLB system. The U.S. government does not guarantee these obligations, and each of the regional FHLBs are jointly and severally liable for repayment of each other's debt.

Loans held for sale —Single family residential mortgage loans originated with the intent to be sold in the secondary market are considered held for sale. Loans with best effort delivery commitments are carried at the lower of aggregate cost or estimated fair value. Loans under mandatory delivery commitments are carried at fair value in order to match changes in the value of the loans with the value of the economic hedges on the loans. Fair values for loans held for sale are determined by comparing actual loan rates to current secondary market prices for similar loans. Net unrealized losses on loans held for sale that are carried at lower of cost or market are recognized through the valuation allowance by charges to income. Mortgage loans held for sale are generally sold with the mortgage servicing rights. Gains or losses on sales of mortgage loans are recognized based on the difference between the

76

PEOPLE'S UTAH BANCORP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 1 —Summary of Significant Accounting Policies – Continued

selling price and the carrying value of the related mortgage loans sold. Substantially all of the residential mortgage loans originated are sold to larger financial institutions.

Loans held for investment — Loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off are reported at their outstanding principal balance adjusted for any charge-offs, the allowance for loan losses, any deferred fees or costs on originated loans and unamortized premiums or discounts on acquired loans. Interest income is accrued on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and recognized as an adjustment of the related loan yield using the effective interest method.

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.

Impaired loans — The Company considers loans impaired when, based on current information and events, it is probable the Company will be unable to collect all principal and interest payments due according to the contractual terms of the loan agreement. Such loans are generally classified as Substandard or Doubtful loans (see Note 3). Impaired loans are measured 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. Changes in these values are recorded to provision for loan losses and as adjustments to the ALLL.

Factors considered by management in determining impairment include 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. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the 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.

Acquired loans - Loans acquired through purchase or through a business combination are recorded at their fair value at the acquisition date. Credit discounts are included in the determination of fair value; therefore, an allowance for loan losses is not recorded at the acquisition date. Should the Company's allowance for credit losses methodology indicate that the credit discount associated with acquired, non-purchased credit impaired loans, is no longer sufficient to cover probable losses inherent in those loans, the Company will establish an allowance for those loans through a charge to provision for loan losses. At the time of an acquisition, the Company evaluates loans to determine if they are purchase credit impaired ("PCI") loans. PCI loans are those acquired loans with evidence of credit deterioration for which it was probable at acquisition that the Company would be unable to collect all contractual payments. The Company makes this determination by considering past due and/or nonaccrual status, prior designation of a troubled debt restructuring, or other factors that may suggest we will not be able to collect all contractual payments. The non-accretable difference on PCI loans is not accreted to interest income. The accounting for PCI loans is periodically updated for changes in cash flow expectations, and reflected in interest income over the life of the loans as accretable yield. Any subsequent decreases in expected cash flows attributable to credit deterioration are recognized by recording a provision for loan losses. An acquired loan previously classified by the seller as a troubled debt restructuring is no longer classified as such at the date of acquisition. Past due status is reported based on contractual payment status.

PEOPLE'S UTAH BANCORP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 1 —Summary of Significant Accounting Policies – Continued

Allowance for loan losses — Credit risk is inherent in the business of extending loans and leases to borrowers. Normally, this credit risk is addressed through a valuation allowance termed ALLL. The ALLL represents a creditor's estimate of loan losses inherent within the loan portfolio at each balance sheet date. Netted against the outstanding loan balance, this allowance reduces the balance to the creditor's estimate of what will be collected from borrowers. The ALLL is established through charges to current period earnings by recording a provision for loan losses. When losses become specifically identifiable and quantifiable, the loan balance is reduced through recording a charge-off against the ALLL. Should payments be received on charged-off loans, the payment is credited to the allowance as a recovery.

Charge-offs of loans are generally processed by policy as well as by regulatory guidance. Secured consumer loans, including residential real estate loans, that are 120 days past due, are written down to the fair value of the collateral. Unsecured loans are charged-off once the loan is 120 days past due. Decisions on when to charge-off commercial loans and loans secured by commercial real estate are made on an individual basis rather than length of delinquency, though it is a factor in the decision. The financial resources of the borrower and/or guarantor and the nature and value of any collateral are other factors considered.

The 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.

The ALLL consists of specific and general components. The specific component relates to loans determined to be impaired which 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 loan is collateral dependent, of the impaired loan is 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 market areas, changes in local and national economic conditions, real estate foreclosure rates, and trends in past due and classified credits.

Premises and equipment — Land is carried at cost. Premises and equipment are carried at cost, net of accumulated depreciation and amortization. Depreciation and amortization expense is computed using the straight-line method based on the estimated useful lives of the related assets below:

Building and building improvements	15 to 40 years
Leasehold improvements	3 to 15 years

Furniture and equipment	3 to 15 years
Computers, software and equipment	3 to 5 years

Maintenance and repairs are expensed as incurred while major additions and improvements are capitalized.

Bank-Owned Life Insurance (“BOLI”) — The Bank has purchased life insurance policies. These policies provide protection against the adverse financial effects that could result from the death of a key employee and provide tax-exempt income to offset expenses associated with the plans. It is the Banks’ intent to hold these policies as a long-term investment; however, there may be an income tax impact if the Bank chooses to surrender certain policies. Although the lives of individual current or former management-level employees are insured, the Banks are the respective owners and sole or partial beneficiaries. BOLI is carried at the cash surrender value (“CSV”) of the underlying insurance contract. Changes in the CSV and any death benefits received in excess of the CSV are recognized as non-interest income.

PEOPLE’S UTAH BANCORP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 1 —Summary of Significant Accounting Policies – Continued

Goodwill — Goodwill represents the excess of the purchase considerations paid over the fair value of the assets acquired, net of the fair values of liabilities assumed in a business combination and is not amortized but is reviewed annually, or more frequently as current circumstances and conditions warrant, for impairment. An assessment of qualitative factors is completed to determine if it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If the qualitative analysis concludes that further analysis is required, then a quantitative impairment test would be completed. The quantitative goodwill impairment compares the reporting unit's estimated fair values, including goodwill, to its carrying amount. If the carrying amount exceeds its reporting unit’s fair value, then an impairment loss would be recognized as a charge to earnings but is limited by the amount of goodwill allocated to that reporting unit.

Other Intangible Assets — Other intangible assets consists primarily of core deposit intangibles (“CDI”), which are amounts recorded in business combinations or deposit purchase transactions related to the value of transaction-related deposits and the value of the customer relationships associated with the deposits. Core deposit intangibles are amortized over the estimated useful life of such deposits. These assets are reviewed at least annually for events or circumstances that could impact their recoverability. These events could include loss of the underlying core deposits, increased competition or adverse changes in the economy. To the extent other identifiable intangible assets are deemed unrecoverable, impairment losses are recorded in other non-interest expense to reduce the carrying amount of the assets.

Mortgage and Other Servicing Rights — Mortgage and other servicing rights are recognized as separate assets when rights are acquired through purchase of such rights or through the sale of loans. Generally, purchased servicing rights are capitalized at the cost to acquire the rights. For loans sold, the fair value of the servicing rights are estimated and capitalized. Fair value is based on market prices for comparable servicing rights contracts. Capitalized servicing rights are reported in other assets and are amortized into non-interest income in proportion to, and over the period of, the estimated future net servicing income of the underlying financial assets.

Other real estate owned — Assets acquired through, or in lieu of, loan foreclosure are held for sale and are initially recorded at the lower of the carrying amount of the foreclosed loan or the fair value of the foreclosed asset, less costs to sell, at the date of foreclosure. Subsequent to foreclosure, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value, less selling costs. Revenues and expenses from operations and changes in the valuation allowance are included in other real estate owned expense.

Transfers of financial assets — Transfers of financial assets are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Company, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (3) the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

Income taxes — Deferred income tax assets and deferred income tax liabilities represent the tax effect of temporary differences between financial reporting and tax reporting measured at enacted tax rates in effect for the year in which the differences are expected to reverse. The Company recognizes only the impact of tax positions that, based on their technical merits, are more likely than not to be sustained upon an audit by the taxing authority.

Developing the provision for income taxes, including the effective tax rate and analysis of potential tax exposure items, if any, requires significant judgment and expertise in federal and state income tax laws, regulations and strategies, including the determination of deferred income tax assets and liabilities and any estimated valuation allowances deemed necessary to value deferred income tax assets. Judgments and tax strategies are subject to audit by various taxing authorities. While the Company believes it has no significant uncertain income tax positions in the consolidated financial statements, adverse determinations by these taxing authorities could have a material adverse effect on the consolidated financial positions, result of operations, or cash flows.

PEOPLE’S UTAH BANCORP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 1 —Summary of Significant Accounting Policies – Continued

Off-balance sheet credit related financial instruments — In the ordinary course of business, the Company has entered into commitments to extend credit, including commitments under credit card arrangements, commercial letters of credit, and standby letters of credit. Such financial instruments are recorded when they are funded.

Share-based compensation plans — The fair value of incentive share-based awards is recorded as compensation expense over the vesting period of the award. Compensation expense for stock options is estimated at the date of grant using the Black-Scholes option-pricing model. Compensation expense for RSU’s is based on the fair value of the Company’s common shares at the date of grant. RSU awards vest in thirds over three years from date of grant.

Earnings per share — Basic earnings per common share represents income available to common shareholders divided by the weighted-average number of common shares outstanding during the period. Diluted earnings per share reflect additional common shares that would have been outstanding if dilutive potential common shares had been issued. Potential common shares include shares that may be issued by the Company for outstanding stock options determined using the treasury stock method and for all outstanding RSUs.

Earnings per common share have been computed based on the following:

	Year ended December 31,		
(Dollars in thousands, except share and per share data)	2018	2017	2016
Numerator			
Net income	$40,632	$19,846	$23,610
Denominator			
Weighted-average number of common shares outstanding	18,679,165	18,019,643	17,732,920
Incremental shares assumed for stock options and RSUs	303,356	427,978	482,004
Weighted-average number of dilutive shares outstanding	18,982,521	18,447,621	18,214,924
Basic earnings per common share	$2.18	$1.10	$1.33
Diluted earnings per common share	$2.14	$1.08	$1.30

Comprehensive income — U.S. GAAP generally requires that recognized revenues, expenses, gains and losses be included in net income. Although certain changes in assets and liabilities, such as unrealized gains and losses on available for sale securities, net of the related income tax effect, are reported as a separate component of the equity section of the consolidated balance sheets, such items, along with net income, are components of comprehensive income.

Advertising costs — Advertising costs are expensed when incurred and totaled $1,288,000 in 2018, $1,381,000 in 2017, and $1,044,000 in 2016.

Impact of Recent Authoritative Accounting Guidance — The Accounting Standards Codification™ (“ASC”) is the Financial Accounting Standards Board’s (“FASB”) officially recognized source of authoritative GAAP applicable to all public and non-public non-governmental entities. Periodically, the FASB will issue Accounting Standard updates (“ASU”) to its ASC. 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.

80

PEOPLE’S UTAH BANCORP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 1 —Summary of Significant Accounting Policies – Continued

In August 2018, FASB issued ASU 2018-15, Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract. The amendments in this ASU broaden the scope of ASC Subtopic 350-40 to include costs incurred to implement a 104 hosting arrangement that is a service contract. The amendments align the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). The costs are capitalized or expensed depending on the nature of the costs and the project stage during which they are incurred, consistent with the accounting for costs for internal-use software. The amendments in this ASU result in consistent capitalization of implementation costs of a hosting arrangement that is a service contract and implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). The accounting for the service element of a hosting arrangement that is a service contract is not affected by the amendments in this ASU. This ASU is effective for fiscal years beginning after December 15, 2019 and interim periods within those fiscal years. The amendments in this ASU should be applied either retrospectively or prospectively to all implementation costs incurred after the date of adoption. Adoption of ASU 2018-15 is not expected to have a material impact on the Company’s Consolidated Financial Statements.

In August 2018, FASB issued ASU 2018-13, Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement. The amendments in this ASU modify the disclosure requirements on fair value measurements in Topic 820, Fair Value Measurement. The ASU removes, modifies and adds disclosure requirements in Topic 820. The following disclosure requirements were removed: 1) the amount and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy, 2) the policy for timing of transfers between levels, and 3) the valuation processes for Level 3 fair value measurements. This ASU modified disclosure requirements by requiring that the measurement uncertainty disclosure communicates information about the uncertainty in measurement as of the reporting date. The following disclosure requirements were added: 1) changes in unrealized gains and losses for the period included in other comprehensive income for the recurring Level 3 fair value measurements held at the end of the reporting period, and 2) the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements. The amendments in this ASU are effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. An entity is permitted to early adopt any removed or modified disclosures upon issuance of this ASU and delay adoption of the additional disclosures until their effective date. Adoption of ASU 2018-13 is not expected to have a material impact on the Company’s Consolidated Financial Statements.

In March 2018, FASB issued ASU No. 2018-05, Income Taxes (Topic 740). This ASU was issued to provide guidance on the income tax accounting implications of the 2017 Tax Act and allows entities to report provisional amounts for specific income tax effects of the Act for which the accounting under ASC Topic 740 was not yet complete but a reasonable estimate could be determined. A measurement period of one year is allowed to complete the accounting effects under ASC Topic 740 and revise any previous estimates reported. Any provisional amounts or subsequent adjustments included in an entity’s financial statements during the measurement period should be included in income from continuing operations as an adjustment to tax expense in the reporting period the amounts are determined. The Company adopted this ASU with the provisional adjustments as reported in the Consolidated Financial Statements in the 2017 Form 10-K. During 2018, the Company recorded a $0.3 million benefit to tax expense related to provisional amounts recorded in 2017.

In February 2018, FASB issued ASU 2018-02, Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income. This ASU allows a reclassification from AOCI to retained earnings for the stranded tax effects on available for sale securities resulting from the 2017 Tax Act. The ASU eliminates the stranded tax effects resulting from the 2017 Tax Act and improves the usefulness of information reported to financial statement users. The ASU also requires certain disclosures about the stranded tax effects. This ASU is effective for all entities for fiscal years beginning after December 15, 2018. Early adoption is permitted, including adoption in any interim period, for reporting periods for which financial statements have not yet been issued. The ASU should be applied either in the period of adoption or retrospectively to each period in which the effect of the change in the federal corporate tax rate is recognized. The Company elected to early adopt this ASU and to reclassify $372,000 of stranded tax effects from AOCI to retained earnings in the fourth quarter of 2017.

PEOPLE'S UTAH BANCORP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 1 —Summary of Significant Accounting Policies – Continued

In August 2017, FASB issued ASU No. 2017-12, Targeted Improvements to Accounting for Hedging Activities. The amendments in this ASU are intended to provide investors better insight to an entity's risk management hedging strategies by permitting a company to recognize the economic results of its hedging strategies in its financial statements. The amendments in this ASU permit hedge accounting for hedging relationships involving nonfinancial risk and interest rate risk by removing certain limitations in cash flow and fair value hedging relationships. In addition, the ASU requires an entity to present the earnings effect of the hedging instrument in the same income statement line item in which the earnings effect of the hedged item is reported. The Company adopted this ASU effective January 1, 2019. The adoption of this ASU did not have an impact on the Company's Consolidated Financial Statements.

In March 2017, FASB issued ASU 2017-08, "Receivables-Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities." The ASU requires entities to amortize the premium on certain purchased callable debt securities to the earliest call date, which more closely aligns the amortization period of premiums and discounts to expectations incorporated in the market prices. Entities will no longer recognize a loss in earnings upon the debtor's exercise of a call on a purchased debt security held at a premium. The ASU does not require any accounting change for debt securities held at a discount; therefore the discount will continue to be amortized as an adjustment of yield over the contractual life of the investment. This ASU is effective for interim and annual reporting periods beginning after December 15, 2018. The Company adopted ASU 2017-08 on January 1, 2019 and it did not have a material impact on the Company's Consolidated Financial Statements.

In December 2016, FASB issued ASU No. 2016-19, "Technical Corrections and Improvements" and ASU 2016-20, "Technical Corrections and Improvements to Topic 606: Revenue from Contracts with Customers." On November 10, 2010 FASB added a standing project that will facilitate the FASB Accounting Standards Codification ("Codification") updates for technical corrections, clarifications, and improvements. These amendments are referred to as Technical Corrections and Improvements. Maintenance updates include non-substantive corrections to the Codification, such as editorial corrections, various link-related changes, and changes to source fragment information. These updates contain amendments that will affect a wide variety of Topics in the Codification. The amendments in these ASUs will apply to all reporting entities within the scope of the affected accounting guidance and generally fall into one of four categories: amendments related to differences between original guidance and the Codification, guidance clarification and reference corrections, simplification, and minor improvements. In summary, the amendments represent changes to clarify the Codification, correct unintended application of guidance, or make minor improvements to the Codification that are not expected to have a significant effect on current accounting practice. Transition guidance varies based on the amendments in the ASUs. The amendments that require transition guidance are effective for fiscal years and interim reporting periods after December 15, 2016. Early adoption is permitted including adoption in an interim period. All other amendments are effective upon the issuance of these ASUs. Neither ASU 2016-19 nor ASU 2016-20 had a material impact on the Company's Consolidated Financial Statements.

In June 2016, the FASB issued ASU No. 2016-13, "Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments." The ASU significantly changes the impairment model for most financial assets that are measured at amortized cost and certain other instruments from an incurred loss model to an expected loss model. This ASU is effective for interim and annual reporting periods beginning after December 15, 2019. Early adoption is permitted for all entities beginning after December 15, 2018, including interim periods within those fiscal years. The Company is in the process of identifying required changes to the loan loss estimation models and processes and evaluating the impact of this new guidance. Once adopted, we expect our allowance for loan losses to increase, however, until our evaluation is complete the magnitude of the increase is not known at this time.

82

PEOPLE’S UTAH BANCORP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 1 —Summary of Significant Accounting Policies – Continued

In February 2016, FASB issued ASU No. 2016-02, Leases (Topic 842). The amendments in this ASU require lessees to recognize the following for all leases (with the exception of short-term) at the commencement date; a lease liability, which is a lessee‘s obligation to make lease payments arising from a lease, measured on a discounted basis; and a right-of-use asset, which is an asset that represents the lessee’s right to use, or control the use of, a specified asset for the lease term. The amendments in this ASU leave lessor accounting largely unchanged, although certain targeted improvements were made to align lessor accounting with the lessee accounting model. This ASU simplifies the accounting for sale and leaseback transactions primarily because lessees must recognize lease assets and lease liabilities.

Lessees will no longer be provided with a source of off-balance sheet financing. ASU No. 2016-02 is effective for interim and annual reporting periods beginning after December 15, 2018, and entities are required to use a modified retrospective approach for leases. The Company adopted the new guidance effective January 1, 2019. The Company elected the transition option provided in ASU No. 2018-11 and applied the modified retrospective approach. The Company also elected certain relief options for practical expedients: the option to not separate lease and non-lease components and instead to account for them as a single lease component, and the option to not recognize right-of-use assets and lease liabilities that arise from short-term leases (i.e. leases terms of twelve months or less). The Company has eight real property leases under non-cancelable operating leases, three of which will be subject to this ASU that will result in the recognition of right-of-use assets and lease liabilities. All of the Company’s equipment is owned or on short-term leases. The Company compiled a complete inventory of arrangements containing leases and analyzed the lease data necessary to meet the new requirements. In connection with the adoption of this ASU, as of January 1, 2019, the Company recorded a $2.2 million right of use asset and a $2.2 million lease liability on its Consolidated Statements of Financial Condition.

In July 2018, FASB issued ASU No. 2018-11, Targeted Improvements. The amendments in this ASU provide entities with an additional (and optional) transition method to adopt the new leases standard. Under this new transition method, an entity initially applies the new leases standard at the adoption date and recognizes a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. Consequently, an entity’s reporting for the comparative periods presented in the financial statements in which it adopts the new leases standard will continue to be in accordance with current GAAP (Topic 840, Leases). In addition, the amendments in this ASU provide lessors with a practical expedient, by class of underlying asset, to not separate non-lease components from the associated lease component and, instead, to account for those components as a single component if the non-lease components otherwise would be accounted for under the new revenue guidance (Topic 606). The amendments of this ASU became effective for the Company on January 1, 2019.

In January 2016, FASB issued ASU No. 2016-01, Recognition and Measurement of Financial Assets and Financial Liabilities. The amendments in this ASU require equity securities to be measured at fair value with changes in the fair value recognized through net income. The amendments allow equity investments that do not have readily determinable fair values to be remeasured at fair value under certain circumstances and require enhanced disclosures about those investments. This ASU simplifies the impairment assessment of equity investments without readily determinable fair values. This ASU also eliminates the requirement to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost on the balance sheet. The amendments in this ASU require separate presentation in other comprehensive income of the portion of the total change in the fair value of a liability resulting from a change in the instrument-specific credit risk when the entity has elected to measure the liability at fair value in accordance with the fair value option for financial instruments. This ASU excludes from net income gains or losses that the entity may not realize because those financial liabilities are not usually transferred or settled at their fair values before maturity. The amendments in this ASU require separate presentation of financial assets and financial liabilities by measurement category and form of financial asset (that is, securities or loans and receivables) on the balance sheet or in the accompanying notes to the financial statements. The Company adopted this ASU on January 1, 2018.

PEOPLE’S UTAH BANCORP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 1 —Summary of Significant Accounting Policies – Continued

The adoption of this ASU and the use of exit fair value pricing did not have a material impact on the Company’s Consolidated Financial Statements.

In February 2018, FASB issued ASU No. 2018-03, Technical Corrections and Improvements to Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities. The amendments in this ASU do not change the core principle of the guidance in Subtopic 825-10. Rather, the amendments in this ASU clarify the application of the guidance regarding the fair value measurement of equity securities without readily determinable fair value. The Company adopted this ASU upon its issuance. The impact of the Company's adoption of this ASU is described in the preceding paragraph.

In August 2015, the FASB issued ASU No. 2015-14, “Revenue from Contracts with Customers (Topic 606)”, which defers the effective date of Accounting Standard Update ASU No. 2014-09 one year. ASU No. 2014-09 created Topic 606 and supersedes Topic 605, Revenue Recognition. The core principle of Topic 606 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In general, the new guidance requires companies to use more judgment and make more estimates than under current guidance, including identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation. In May 2016, the FASB issued ASU No. 2016-12, Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients, which provides clarifying guidance in certain narrow areas and adds some practical expedients, but does not change the core revenue recognition principle in Topic 606. ASU No. 2015-14 is effective for interim and annual periods beginning after December 15, 2017. For financial reporting purposes, the standard allows for either full retrospective adoption, meaning the standard is applied to all of the periods presented, or modified retrospective adoption, meaning the standard is applied only to the most current period presented in the financial statements with the cumulative effect of initially applying the standard recognized at the date of initial application. The Company adopted this standard on January 1, 2018, using the full retrospective method.

A significant amount of the Company’s revenues are derived from net interest income on financial assets and liabilities, which are excluded from the scope of the amended guidance. Revenue streams reported as deposit fees and other service charges, which include transaction based deposit fees, and interchange fees on credit and debit cards, are within the scope of Topic 606. The Company completed its assessment of revenue streams and associated incremental costs of contracts affected by the standard. The Company’s adoption of this standard did not change the timing or the amount of revenue recognized in prior periods. However, the presentation of certain costs associated with card processing will now be offset against card processing revenue in non-interest income. The change in presentation resulted in $2.6 million of expenses for the year ended December 31, 2018, being netted against card processing income and reported in non-interest income instead of as payment and card processing expenses in non-interest expense. In addition, to conform to the current period presentation, $2.2 million of card processing related expenses for the years ended December 31, 2017 and 2016, were reclassified from payment and card processing expense in non-interest expense to being netted against card processing revenue in non-interest income. The Company elected to apply the practical expedient and therefore does not disclose information about remaining performance obligations that have an original expected term of one year or less and allows the Company to expense costs related to obtaining a contract as incurred when the amortization period would have been one year or less.

84

PEOPLE'S UTAH BANCORP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 1 —Summary of Significant Accounting Policies – Continued

The following table presents the impact of adopting of the new revenue standard on our Statements of Income for the years ended December 31, 2018, 2017 and 2016:

(Dollars in thousands, except share and per share data)	Year ended December 31, 2018 As Reported	Balance Without Adoption of ASC 606	Effect of Change	2017 As Reported	Balance Without Adoption of ASC 606	Effect of Change	2016 As Reported	Balance Without Adoption of ASC 606	Effect of Change
Non-interest income									
Card Processing	$3,097	$ 5,685	$(2,588)	$2,790	$ 4,956	$(2,166)	$2,273	$ 4,451	$(2,178)
Service charges on deposit accounts	2,840	2,840	-	2,445	2,445	-	2,181	2,181	-
Non-interest Expense									
Card Processing	$-	$ 2,588	$(2,588)	$-	$ 2,166	$(2,166)	$-	$ 2,178	$(2,178)

Subsequent events — The Company has evaluated events occurring subsequent to December 31, 2018.

Note 2 — Investment Securities

Amortized cost and approximate fair values of investment securities available for sale are summarized as follows:

(Dollars in thousands)	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Losses Less Than 12 Months	12 Months or Longer	Fair Value
As of December 31, 2018					
U.S. Government-sponsored	$48,954	$ -	$-	$ (588)	$48,366

securities					
Municipal securities	10,274	59	(12)	(53)	10,268
Mortgage-backed securities	222,218	218	(156)	(4,523)	217,757
Corporate securities	5,000	-	(23)	(404)	4,573
	$ 286,446	$ 277	$ (191)	$ (5,568)	$ 280,964
As of December 31, 2017					
U.S. Government-sponsored securities	$ 48,950	$ 13	$ (6)	$ (453)	$ 48,504
Municipal securities	13,310	184	(22)	(18)	13,454
Mortgage-backed securities	198,100	71	(1,145)	(1,764)	195,262
Corporate securities	5,500	573	-	(237)	5,836
	$ 265,860	$ 841	$ (1,173)	$ (2,472)	$ 263,056

85

PEOPLE'S UTAH BANCORP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 2 — Investment Securities – Continued

Carrying amounts and estimated fair values of securities held to maturity are as follows:

(Dollars in thousands)	Amortized Cost	Gross Unrealized Gain	Gross Unrealized Losses Less Than 12 Months	12 Months or Longer	Fair Value
As of December 31, 2018					
Municipal securities	$ 65,462	$ 28	$ (39)	$ (685)	$ 64,766
	$ 65,462	$ 28	$ (39)	$ (685)	$ 64,766
As of December 31, 2017					
Municipal securities	$ 74,654	$ 167	$ (293)	$ (227)	$ 74,301
	$ 74,654	$ 167	$ (293)	$ (227)	$ 74,301

The gross unrealized losses and the fair value for securities available for sale and held to maturity are as follows:

	December 31, 2018					
	Less Than 12 Months		12 Months or More		Total	
(Dollars in thousands)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Available for Sale						
U.S. Government-sponsored securities	$ -	$ -	$ 48,366	$ (588)	$ 48,366	$ (588)
Municipal securities	1,701	(12)	4,095	(53)	5,796	(65)
Mortgage-backed securities	35,155	(156)	150,569	(4,523)	185,724	(4,679)
Corporate securities	1,977	(23)	2,596	(404)	4,573	(427)
	$ 38,833	$ (191)	$ 205,626	$ (5,568)	$ 244,459	$ (5,759)
Held to Maturity						
Municipal securities	$ 9,163	$ (39)	$ 46,996	$ (685)	$ 56,159	$ (724)

	December 31, 2017					
	Less Than 12 Months		12 Months or More		Total	
	Fair	Unrealized	Fair	Unrealized	Fair	Unrealized

(Dollars in thousands)	Value	Losses	Value	Losses	Value	Losses
Available for Sale						
U.S. Government-sponsored securities	$5,087	$ (6)	$33,543	$ (453)	$38,630	$ (459)
Municipal securities	3,523	(22)	830	(18)	4,353	(40)
Mortgage-backed securities	112,878	(1,145)	72,859	(1,764)	185,737	(2,909)
Corporate securities	-	-	4,763	(237)	4,763	(237)
	$121,488	$ (1,173)	$111,995	$ (2,472)	$233,483	$ (3,645)
Held to Maturity						
Municipal securities	$39,380	$ (293)	$10,389	$ (227)	$49,769	$ (520)

86

PEOPLE’S UTAH BANCORP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 2 — Investment Securities – Continued

The amortized cost and estimated fair values of investment securities that are available for sale and held to maturity at December 31, 2018, by contractual maturity, are as follows:

	Available for sale		Held to maturity	
(Dollars in thousands)	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Securities maturing in:				
One year or less	$19,465	$19,277	$13,775	$13,734
After one year through five years	59,663	58,723	32,103	31,817
After five years through ten years	44,516	43,016	16,058	15,720
After ten years	162,802	159,948	3,526	3,495
	$286,446	$280,964	$65,462	$64,766

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

As of December 31, 2018 and 2017, the Company held 201 and 186 available for sale investment securities with fair values less than amortized cost, respectively. In addition, the Company held 122 and 118 held to maturity securities with fair values less than amortized cost at December 31, 2018 and 2017, respectively. Management evaluated these investment securities and determined that the decline in value is temporary and related to the change in market interest rates since purchase. The decline in value is not related to any company or industry specific event. The Company anticipates full recovery of the amortized cost with respect to these securities at maturity, or sooner in the event of a more favorable market interest rate environment.

The Company had sales of available for sale securities totaling $500,000 during the year ended December 31, 2018, which resulted in a net gain of $336,000 compared with $126.2 million during the year ended December 31, 2017, which resulted in a net loss of $486,000 and $20.8 million during the year ended December 31, 2016 which resulted in a net loss of $91,000. There were no available for sale securities in a nonaccrual status at December 31, 2018, 2017, and 2016.

The Company had no sales of held to maturity securities during the year ended December 31, 2018, compared to $204,000 during the year ended December 31, 2017, which resulted in a net loss of $13,000. The Company had no sales of held to maturity securities during the year ended December 31, 2016. The company had no held to maturity securities in a nonaccrual status at December 31, 2018, 2017, and 2016.

87

PEOPLE'S UTAH BANCORP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 3 — Loans and Allowance for Loan Losses

Loans are summarized as follows:

(Dollars in thousands)	2018	2017
Loans held for investment:		
Commercial real estate loans:		
Real estate term	$891,131	$784,148
Construction and land development	324,506	369,590
Total commercial real estate loans	1,215,637	1,153,738
Commercial and industrial loans	295,569	294,085
Consumer loans:		
Residential and home equity	155,601	158,591
Consumer and other	16,621	25,591
Total consumer loans	172,222	184,182
Gross loans held for investment	1,683,428	1,632,005
Less:		
Net deferred loan fees	(4,526)	(4,561)
Loans held for investment	1,678,902	1,627,444
Less: allowance for loan losses	(25,245)	(18,303)
Loans held for investment, net	$1,653,657	$1,609,141

Changes in the allowance for loan losses are as follows:

	Year Ended December 31, 2018					
(Dollars in thousands)	Real Estate Term	Construction and Land Development	Commercial and Industrial	Residential and Home Equity	Consumer and Other	Total
Allowance for loan losses:						
Balance at beginning of year	$6,706	$ 6,309	$ 4,314	$ 815	$ 159	$18,303
Provisions for loan losses	3,414	587	4,464	(170)	330	8,625
Charge-offs	(294)	(1)	(2,801)	-	(369)	(3,465)
Recoveries	142	127	1,250	84	179	1,782
Balance at end of year	$9,968	$ 7,022	$ 7,227	$ 729	$ 299	$25,245

	Year Ended December 31, 2017					
(Dollars in thousands)	Real Estate Term	Construction and Land Development	Commercial and Industrial	Residential and Home Equity	Consumer and Other	Total
Allowance for loan losses:						
Balance at beginning of year	$6,770	$ 5,449	$ 3,718	$ 617	$ 161	$16,715
Provisions for loan losses	67	731	1,423	406	123	2,750
Charge-offs	(350)	-	(1,098)	(359)	(231)	(2,038)
Recoveries	219	129	271	151	106	876
Balance at end of year	$6,706	$ 6,309	$ 4,314	$ 815	$ 159	$18,303

88

PEOPLE'S UTAH BANCORP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 3 — Loans and Allowance for Loan Losses – Continued

	Year Ended December 31, 2016					
(Dollars in thousands)	Real Estate Term	Construction and Land Development	Commercial and Industrial	Residential and Home Equity	Consumer and Other	Total
Allowance for loan losses:						
Balance at beginning of year	$6,783	$ 3,984	$ 3,941	$ 603	$ 246	$15,557
Provisions for loan losses	(617)	813	847	(72)	(71)	900
Charge-offs	(17)	-	(1,511)	(6)	(240)	(1,774)
Recoveries	621	652	441	92	226	2,032
Balance at end of year	$6,770	$ 5,449	$ 3,718	$ 617	$ 161	$16,715

Non-accrual loans are summarized as follows:

(Dollars in thousands)	2018	2017
Non-accrual loans, not troubled debt restructured:		
Real estate term	$309	$-
Construction and land development	-	-
Commercial and industrial	347	223
Residential and home equity	-	-
Consumer and other	-	-
Total non-accrual loans, not troubled debt restructured	656	223
Troubled debt restructured loans, non-accrual:		
Real estate term	1,449	-
Construction and land development	-	-
Commercial and industrial	150	-
Residential and home equity	-	-
Consumer and other	-	-
Total troubled debt restructured loans, non-accrual	1,599	-
Total non-accrual loans	$2,255	$223

As of December 31, 2018 and 2017, there are $2.24 million and $ 2.65 million, respectively, in PCI loans that are not performing to the original contractual terms. Including these PCI loans, total non-accrual loans are $4.5 million and $2.9 million at December 31, 2018 and 2017, respectively.

Troubled debt restructured ("TDR") loans are summarized as follows:

(Dollars in thousands)	2018	2017
Accruing troubled debt restructured loans	$5,912	$3,307
Non-accrual troubled debt restructured loans	1,599	-
Total troubled debt restructured loans	$7,511	$3,307

There were no PCI TDR non-performing loans as of December 31, 2018. As of December 31, 2017, there are $0.3 million in purchased credit impaired TDR loans that are not performing to the original contractual terms. Including these PCI loans, total TDR loans are $3.6 million at December 31, 2017.

A restructured loan is considered a troubled debt restructured loan, if the Company, for economic or legal reasons related to the debtor's financial difficulties, grants a concession in terms or a below-market interest rate to the debtor that it would not otherwise consider. Each TDR loan is separately negotiated with the borrower and includes terms and conditions that reflect the borrower's prospective ability to service the debt as modified.

89

PEOPLE'S UTAH BANCORP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 3 — Loans and Allowance for Loan Losses Continued

The following tables present TDRs that occurred during the periods presented and the TDRs for which the payment default occurred within twelve months of the restructure date. A default on a restructured loan results in a transfer to nonaccrual status, a charge-off or a combination of both.

(Dollars in thousands)	Year Ended December 31, 2018 Real Estate Term	Construction and Land Development	Commercial and Industrial	Residential and Home Equity	Consumer and Other	Total
TDRs that occurred during the period [1] [2]						
Number of loans	4	-	6	1	-	11
Pre-modification balance	$3,434	$ -	$ 1,460	$ 532	$ -	$5,426
Post-modification balance	$3,434	$ -	$ 1,460	$ 532	$ -	$5,426
TDRs that subsequently defaulted						
Number of loans	2	-	3	-	-	5
Pre-modification balance	$1,449	$ -	$ 150	$ -	$ -	$1,599

(1) Since most loans were already considered classified and/or on non-accrual status prior to restructuring, the modifications did not have a material effect on the Company's determination of the allowance for loan losses.

(2) Generally, these modifications do not fit into one separate type, such as rate, term, amount, interest-only or payment, but instead are a combination of multiple types of modifications; therefore, they are disclosed in aggregate.

(3) No new TDRs occurred during the year ended December 31, 2017 and 2016, respectively. In addition, there were no TDRs which incurred a payment default within twelve months of the restructure date during the year ended December 31, 2017 and 2016, respectively.

Current and past due loans held for investment (accruing and non-accruing) are summarized as follows:

(Dollars in thousands)	December 31, 2018 Current	30-89 Days Past Due	90+ Days Past Due	Non-accrual	Total Past Due	Purchased Credit Impaired	Total Loans
Commercial real estate:							
Real estate term	$886,974	$1,467	$ -	$1,758	$3,225	$ 932	$891,131

Construction and land development	321,389	2,833	-	-	2,833	284	324,506
Total commercial real estate	1,208,363	4,300	-	1,758	6,058	1,216	1,215,637
Commercial and industrial	288,328	3,225	-	497	3,722	3,519	295,569
Consumer:							
Residential and home equity	154,368	1,233	-	-	1,233	-	155,601
Consumer and other	16,180	424	17	-	441	-	16,621
Total consumer	170,548	1,657	17	-	1,674	-	172,222
Total gross loans	$1,667,239	$9,182	$ 17	$2,255	$11,454	$ 4,735	$1,683,428

PEOPLE'S UTAH BANCORP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 3 — Loans and Allowance for Loan Losses Continued

	December 31, 2017						
(Dollars in thousands)	Current	30-89 Days Past Due	90+ Days Past Due	Non-accrual	Total Past Due	Purchased Credit Impaired	Total Loans
Commercial real estate:							
Real estate term	$777,746	$2,243	$ -	$ -	$2,243	$ 4,159	$784,148
Construction and land development	361,847	7,095	-	-	7,095	648	369,590
Total commercial real estate	1,139,593	9,338	-	-	9,338	4,807	1,153,738
Commercial and industrial	285,785	4,210	-	223	4,433	3,867	294,085
Consumer:							
Residential and home equity	156,379	2,212	-	-	2,212	-	158,591
Consumer and other	25,307	283	1	-	284	-	25,591
Total consumer	181,686	2,495	1	-	2,496	-	184,182
Total gross loans	$1,607,064	$16,043	$ 1	$ 223	$16,267	$ 8,674	$1,632,005

Loans 90+ days past dues are still accruing. Included in purchased credit impaired loans are $2.24 million and $ 2.65 million that are not performing to the original contractual terms as of December 31, 2018 and 2017, respectively.

Credit Quality Indicators:

In addition to past due and non-accrual criteria, the Company also analyzes loans using a loan grading system. Performance-based grading follows the Company's definitions of Pass, Special Mention, Substandard and Doubtful, which are consistent with published definitions of regulatory risk classifications and are summarized as follows:

Pass: A Pass asset is higher quality and does not fit any of the other categories described below. The likelihood of loss is considered remote.

Special Mention: A Special Mention asset has potential weaknesses that may be temporary or, if left uncorrected, may result in a loss. While concerns exist, the Company is currently protected and loss is considered unlikely and not imminent.

Substandard: A Substandard asset is inadequately protected by the current sound net worth and paying capacity of the obligor or of the collateral pledged, if any. Assets so classified have well defined weaknesses and are characterized by the distinct possibility that the Company may sustain some loss if deficiencies are not corrected.

Doubtful: A Doubtful asset has all the weaknesses inherent in a Substandard asset with the added characteristics that the weaknesses make collection or liquidation in full highly questionable.

For consumer loans, the Company generally assigns internal risk grades similar to those described above based on payment performance.

PEOPLE'S UTAH BANCORP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 3 — Loans and Allowance for Loan Losses Continued

Outstanding loan balances (accruing and non-accruing) categorized by these credit quality indicators are summarized as follows:

	December 31, 2018					
(Dollars in thousands)	Pass	Special Mention	Substandard	Doubtful	Total Loans	Total Allowance
Commercial real estate:						
Real estate term	$865,472	$14,339	$ 11,320	$ -	$891,131	$ 9,968
Construction and land development	322,625	1,332	549	-	324,506	7,022
Total commercial real estate	1,188,097	15,671	11,869	-	1,215,637	16,990
Commercial and industrial	271,825	10,138	13,606	-	295,569	7,227
Consumer loans:						
Residential and home equity	150,590	620	4,391	-	155,601	729
Consumer and other	16,574	29	18	-	16,621	299
Total consumer	167,164	649	4,409	-	172,222	1,028
Total	$1,627,086	$26,458	$ 29,884	$ -	$1,683,428	$ 25,245

	December 31, 2017					
(Dollars in thousands)	Pass	Special Mention	Substandard	Doubtful	Total Loans	Total Allowance
Commercial real estate:						
Real estate term	$758,575	$13,055	$ 12,518	$ -	$784,148	$ 6,706
Construction and land development	358,766	7,227	3,597	-	369,590	6,309
Total commercial real estate	1,117,341	20,282	16,115	-	1,153,738	13,015
Commercial and industrial	274,535	13,464	6,086	-	294,085	4,314
Consumer loans:						
Residential and home equity	152,753	3,913	1,925	-	158,591	815
Consumer and other	25,461	45	72	13	25,591	159
Total consumer	178,214	3,958	1,997	13	184,182	974
Total	$1,570,090	$37,704	$ 24,198	$ 13	$1,632,005	$ 18,303

92

PEOPLE'S UTAH BANCORP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 3 — Loans and Allowance for Loan Losses – Continued

The ALLL and outstanding loan balances reviewed according to the Company's impairment method are summarized as follows:

	December 31, 2018					
(Dollars in thousands)	Real Estate Term	Construction and Land Development	Commercial and Industrial	Residential and Home Equity	Consumer and Other	Total
Allowance for loan losses:						
Individually evaluated for impairment	$324	$ -	$ 1,781	$ 55	$ -	$2,160
Collectively evaluated for impairment	9,644	7,022	5,446	674	299	23,085
Purchased credit-impaired loans	-	-	-	-	-	-
Total	$9,968	$ 7,022	$ 7,227	$ 729	$ 299	$25,245
Outstanding loan balances:						
Individually evaluated for impairment	$9,689	$ 268	$ 9,581	$ 4,095	$ -	$23,633
Collectively evaluated for impairment	880,510	323,954	282,469	151,506	16,621	1,655,060
Purchased credit-impaired loans	932	284	3,519	-	-	4,735
Total gross loans	$891,131	$ 324,506	$ 295,569	$ 155,601	$ 16,621	$1,683,428

	December 31, 2017					
(Dollars in thousands)	Real Estate Term	Construction and Land Development	Commercial and Industrial	Residential and Home Equity	Consumer and Other	Total
Allowance for loan losses:						
Individually evaluated for impairment	$-	$ 3	$ 41	$ 101	$ -	$145
Collectively evaluated for	6,706	6,306	4,273	714	159	18,158

impairment						
Purchased credit-impaired loans	-	-	-	-	-	-
Total	$6,706	$ 6,309	$ 4,314	$ 815	$ 159	$18,303
Outstanding loan balances:						
Individually evaluated for impairment	$6,191	$ 2,568	$ 2,044	$ 1,150	$ -	$11,953
Collectively evaluated for impairment	773,798	366,374	288,174	157,441	25,591	1,611,378
Purchased credit-impaired loans	4,159	648	3,867	-	-	8,674
Total gross loans	$784,148	$ 369,590	$ 294,085	$ 158,591	$ 25,591	$1,632,005

93

PEOPLE'S UTAH BANCORP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 3 — Loans and Allowance for Loan Losses – Continued

Information on impaired loans is summarized as follows:

	December 31, 2018				
		Recorded Investment			
(Dollars in thousands)	Unpaid Principal Balance	With No Allowance	With Allowance	Total Recorded Investment	Related Allowance
Commercial real estate:					
Real estate term	$9,689	$3,823	$ 5,866	$ 9,689	$ 324
Construction and land development	997	267	-	267	-
Total commercial real estate	10,686	4,090	5,866	9,956	324
Commercial and industrial	10,113	5,495	4,087	9,582	1,781
Consumer loans:					
Residential and home equity	4,095	3,046	1,049	4,095	55
Consumer and other	-	-	-	-	-
Total consumer	4,095	3,046	1,049	4,095	55
Total	$24,894	$12,631	$ 11,002	$ 23,633	$ 2,160

	December 31, 2017				
		Recorded Investment			
(Dollars in thousands)	Unpaid Principal Balance	With No Allowance	With Allowance	Total Recorded Investment	Related Allowance
Commercial real estate:					
Real estate term	$7,090	$6,191	$ -	$ 6,191	$ -
Construction and land development	3,485	2,372	196	2,568	3
Total commercial real estate	10,575	8,563	196	8,759	3
Commercial and industrial	6,204	1,276	768	2,044	41
Consumer loans:					
Residential and home equity	1,150	229	921	1,150	101
Consumer and other	-	-	-	-	-
Total consumer	1,150	229	921	1,150	101

Total	$17,929	$10,068	$ 1,885	$ 11,953	$ 145

94

PEOPLE'S UTAH BANCORP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 3 — Loans and Allowance for Loan Losses – Continued

The interest income recognized on impaired loans was as follows:

	Year Ended December 31,					
	2018		2017		2016	
(Dollars in thousands)	Average Recorded Investment	Interest Income Recognition	Average Recorded Investment	Interest Income Recognition	Average Recorded Investment	Interest Income Recognition
Commercial real estate:						
Real estate term	$8,027	$ 332	$6,489	$ 187	$7,435	$ 240
Construction and land development	1,499	106	3,107	137	2,809	168
Total commercial real estate	9,526	438	9,596	324	10,244	408
Commercial and industrial	8,049	426	7,552	276	6,214	311
Consumer loans:						
Residential and home equity	2,409	118	1,313	46	1,695	67
Consumer and other	-	-	-	-	60	1
Total consumer	2,409	118	1,313	46	1,755	68
Total	$19,984	$ 982	$18,461	$ 646	$18,213	$ 787

Purchased credit-impaired loans and purchased non-credit-impaired loans -- Purchased loans, including loans acquired in business combinations, are recorded at their fair value at the acquisition date. Credit discounts are included in the determination of fair value; therefore, an allowance for loan and lease losses is not recorded at the acquisition date. Acquired loans are evaluated upon acquisition and classified as either purchased credit-impaired (PCI) or purchased non-credit-impaired. PCI loans reflect credit deterioration since origination such that it is probable at acquisition that the Company will be unable to collect all contractually required payments. The outstanding contractual unpaid principal balance of PCI loans, excluding acquisition accounting adjustments, was $7.7 million and $12.4 million at December 31, 2018 and 2017, respectively. The carrying balance of PCI loans was $4.7 million and $8.7 million at December 31, 2018 and 2017, respectively.

The following table presents the changes in the accretable yield for purchased loans for December 31, 2018, and 2017:

	December 31,	
(Dollars in thousands)	2018	2017
Balance, beginning of period	$8,536	$573
Accretion to interest income	(2,866)	5

Additions from acquisitions	-	7,769
Reclassification from non-accretable difference	214	189
Balance, end of period	$5,884	$8,536

The following table presents the changes in the non-accretable yield for purchased loans for December 31, 2018, and 2017:

	December 31,	
(Dollars in thousands)	2018	2017
Balance, beginning of period	$3,739	$290
Additions from acquisitions	-	4,382
Loans charged off	(583)	(744)
Reclassification to accretable	(214)	(189)
Balance, end of period	$2,942	$3,739

95

PEOPLE'S UTAH BANCORP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 3 — Loans and Allowance for Loan Losses – Continued

The following table summarizes the performing loans purchased on the acquisition date for both the seven Utah branches of Banner Bank and Town & Country Bank ("Acquisitions"):

(Dollars in thousands)	Acquisition Date
Contractually required principal payments	$ 359,624
Adjustment for credit, interest rate and liquidity	(7,259)
Fair value of performing purchased loans	$ 352,365

The following table summarizes the PCI loans purchased on the acquisition date for the Acquisitions:

(Dollars in thousands)	Acquisition Date
Contractually required payments including interest	$ 15,535
Amounts not expected to be collected - nonaccretable difference	(4,382)
Cash flows expected to be collected	11,153
Accretable yield	(1,200)
Fair value of PCI loans	$ 9,953

PEOPLE’S UTAH BANCORP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 3 — Loans and Allowance for Loan Losses – Concluded

The following table summarizes the balance of purchased loans as of December 31, 2018 and 2017:

	December 31, 2018		
(Dollars in thousands)	Performing Purchased Loans	PCI Loans	Total Acquired Loans
Commercial real estate loans:			
Real estate term	$194,904	$932	$195,836
Construction and land development	7,801	284	8,085
Total commercial real estate loans	202,705	1,216	203,921
Commercial and industrial loans	34,492	3,519	38,011
Consumer loans:			
Residential and home equity	24,194	-	24,194
Consumer and other	940	-	940
Total consumer loans	25,134	-	25,134
Total loans carrying balance	$262,331	$4,735	$267,066
Total loans unpaid principal balance	$268,215	$7,677	$275,892

	December 31, 2017		
(Dollars in thousands)	Performing Purchased Loans	PCI Loans	Total Acquired Loans
Commercial real estate loans:			
Real estate term	$220,009	$1,013	$221,022
Construction and land development	27,030	651	27,681
Total commercial real estate loans	247,039	1,664	248,703
Commercial and industrial loans	59,093	7,010	66,103
Consumer loans:			
Residential and home equity	30,871	-	30,871
Consumer and other	8,770	-	8,770
Total consumer loans	39,641	-	39,641
Total loans carrying balance	$345,773	$8,674	$354,447
Total loans unpaid principal balance	$354,309	$12,414	$366,723

Loans to affiliates — The Company has entered into loan transactions with certain directors and executive committee members ("affiliates"). Such transactions were made in the ordinary course of business on substantially the same terms and conditions, including interest rates and collateral, as those prevailing at the same time for comparable transactions with other customers, and did not, in the opinion of management, involve more than normal credit risk or present other unfavorable features. Total outstanding loans with affiliates were $5.6 million and $3.4 million at December 31, 2018, and 2017, respectively. Available lines of credit for loans and credit cards to affiliates were $951,000 at December 31, 2018.

PEOPLE'S UTAH BANCORP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 4 — Premises and Equipment

Premises and equipment are summarized as follows as of December 31:

(Dollars in thousands)	2018	2017
Land and buildings	$45,060	$36,278
Equipment, furniture, and software	24,095	23,707
	69,155	59,985
Accumulated depreciation and amortization	(32,623)	(29,586)
	$36,532	$30,399

The Company leases certain properties from third parties under operating leases. Total rent expense for the years ended December 31, 2018, 2017, and 2016 was $909,000, $539,000, and $344,000, respectively.

The Company had depreciation and amortization expense for the years ended December 31, 2018, 2017, and 2016 was $3.3 million, $2.6 million, and $2.5 million, respectively.

The total future minimum rental commitments required under operating leases that have initial or remaining non-cancelable lease terms in excess of one year at December 31, 2018 are as follows:

(Dollars in thousands)	Amount
2019	$ 540
2020	553
2021	566
2022	581
2023 and beyond	256
	$ 2,496

Note 5 — Deposits

Deposit account balances are summarized as follows as of December 31:

(Dollars in thousands)	2018	2017

Non-interest bearing	$642,594	$641,124
Interest bearing deposits:		
Interest bearing demand and savings	795,456	736,820
Money market accounts	257,308	230,844
Certificates of deposit less than or equal to $250,000	143,387	166,747
Certificates of deposit greater than $250,000	38,310	39,097
Total interest bearing deposits	1,234,461	1,173,508
Total deposits	$1,877,055	$1,814,632

98

PEOPLE'S UTAH BANCORP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 5 — Deposits - Continued

Scheduled maturities for certificates of deposit are as follows for the years ending December 31:

(Dollars in thousands)	Amount
2019	$92,606
2020	31,790
2021	14,602
2022	19,878
2023 and beyond	22,821
	$181,697

Deposits held by affiliates were $8.8 million and $7.1 million as of December 31, 2018 and 2017, respectively.

Note 6 — Short-term borrowings

Short-term borrowings consist of the following as of December 31:

(Dollars in thousands)	2018	2017
Security repurchase agreements	$ -	$-
Other short-term borrowings:		
Federal Home Loan Bank advances	-	40,000
Total other short-term borrowings	-	40,000
Total short-term borrowings	$ -	$40,000

As of December 31, 2018, committed Federal funds lines of credit arrangements totaling $25.0 million were available to the Company from an unaffiliated bank. The average Federal funds interest rate as of December 31, 2018 was 2.64%.

The Company is a member of the FHLB of Des Moines and has a committed credit line of $611.0 million which is secured by $852.2 million in various real estate loans and investment securities pledged as collateral. Borrowings generally provide for interest at the then current published rates which was 2.63% as of December 31, 2018.

The Company holds $24.5 million in investment securities in its Federal Reserve Bank ("Fed") account. As of December 31, 2018, the Company's overnight borrowing capacity using the primary credit facilities from the Fed is $23.8 million. The borrowing rate is the current discount rate plus 25 basis points. There were no outstanding Fed advances as of December 31, 2018 and 2017.

Securities sold under agreements to repurchase are generally overnight financing arrangements with customers collateralized by the Company’s investment securities that mature within 166 months. As of December 31, 2018 and 2017, the Company had no investment securities pledged for securities sold under agreements to repurchase.

PEOPLE'S UTAH BANCORP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 6 — Short-term borrowings - Continued

Information concerning short-term borrowings consist of the following as of December 31:

(Dollars in thousands)	2018		2017		2016	
Security repurchase agreements:						
Average daily balance	$-		$2,568		$2,713	
Weighted average rate	0.00	%	0.14	%	0.15	%
Highest month-end balance	$-		$3,789		$3,315	
Year-end balance	$-		$-		$3,199	
Weighted average rate on outstandings at year-end	0.00	%	0.00	%	0.15	%
Other short-term borrowings:						
Average daily balance	$71,880		$4,894		$9,359	
Weighted average rate	1.98	%	1.28	%	0.39	%
Highest month-end balance	$145,000		$40,000		$45,000	
Year-end balance	$-		$40,000		$-	
Weighted average rate on outstandings at year-end	0.00	%	1.63	%	0.00	%

Note 7 — Income Taxes

The components of income tax expense (benefit) are as follows for the years ended December 31:

(Dollars in thousands)	2018	2017	2016
Current:			
Federal	$11,167	$10,778	$12,194
State	2,904	1,709	1,850
	14,071	12,487	14,044
Deferred:			
Federal	(1,662)	3,468	(670)
State	(355)	522	(101)
Deferred	(2,017)	3,990	(771)
Income tax expense	$12,054	$16,477	$13,273

The combined federal and state income tax expense differs from that computed at the federal statutory corporate tax rate as follows:

	2018	2017	2016
Federal statutory rate	21.0%	35.0%	35.0%
Tax rate change	(0.5)%	13.0%	-
State taxes, net of federal income tax benefit	3.7 %	2.9 %	3.1 %
Tax-exempt interest and income	(0.8)%	(2.1)%	(2.1)%
Equity awards expense	(0.4)%	(2.8)%	(0.3)%
Other, net	(0.1)%	(0.6)%	0.3 %
Effective tax rate	22.9%	45.4%	36.0%

100

PEOPLE'S UTAH BANCORP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 7 — Income Taxes - Continued

The nature and components of the Company's net deferred income tax assets are as follows as of December 31:

(Dollars in thousands)	2018	2017
Deferred income tax assets:		
Allowance for loan losses	$7,435	$5,792
Deferred loan fees and costs	1,920	1,436
Fair value adjustments on certificates of deposit	135	170
Deferred compensation	429	427
Unrealized loss on securities	1,371	701
State income taxes	608	362
Other	902	740
	12,800	9,628
Deferred income tax liabilities:		
FHLB dividends	166	157
Mortgage servicing rights	182	192
Basis difference in premises, equipment and other assets	938	452
	1,286	801
Net deferred income tax assets	$11,514	$8,827

The Federal government enacted the Tax Cuts and Jobs Act (the "Tax Act") on December 22, 2017, which amended the Internal Revenue Code to reduce tax rates and modify policies, credits, and deductions for individuals and businesses. For businesses, the Tax Act reduces the federal corporate tax rate from a maximum of 35% to a flat rate of 21%. The rate reduction was effective January 1, 2018. Consequently, the lower corporate income tax rate reduces the future net tax benefits of timing differences between book and taxable income recorded by the Company as net deferred income tax assets. To the extent that a company's accounting for certain income tax effects of the Tax Act is incomplete but it is able to determine a reasonable estimate, it must record a provisional estimate in the financial statements. In connection with the Company's initial analysis of the impact of the Tax Act and consistent with the requirement to record a provisional estimate when applicable, the Company recorded additional income tax expense of $4.7 million related to the write-down of deferred income tax assets due to the reduction in the Federal corporate income tax rate. The Company recorded an additional $0.3 million benefit in 2018 to reflect the final Tax Act impact during the one-year SAB 118 measurement period.

The Company believes, based on available information, that it is more likely than not that the net deferred income tax asset will be realized in the normal course of operations. Accordingly, no valuation allowance has been recorded at December 31, 2018 and 2017.

The impact of a tax position is recognized in the financial statements if that position is more likely than not of being sustained on audit, based on the technical merits of the position. As of December 31, 2018 and 2017, the Company did not have any significant uncertain tax positions. The Company includes any interest and penalties associated with unrecognized tax benefits within the provision for income taxes. The Company does not expect a material change to the total amount of unrecognized tax benefits in the next twelve months.

The credit to current tax expense related to tax-deductible stock compensation expense was $0.2 million, $1.2 million and $0.2 million in 2018, 2017 and 2016, respectively.

The Company files U.S. and state income tax returns in jurisdictions with various statutes of limitations. The 2015 through 2018 tax years remain subject to selection for examination as of December 31, 2018. None of the Company’s income tax returns are currently under audit. As of December 31, 2018 and 2017, the Company has no net operating loss or credit carry-forwards.

PEOPLE'S UTAH BANCORP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 8 — Commitments and Contingencies

Commitments to extend credit — In the normal course of business, the Company has outstanding commitments and contingent liabilities, such as commitments to extend credit and unused credit card lines, which are not included in the accompanying consolidated financial statements. The Company's exposure to credit loss in the event of non-performance by other parties to the financial instruments for commitments to extend credit and unused credit card lines is represented by the contractual or notional amount of those instruments. The Company uses the same credit policies in making such commitments as it does for instruments that are included in the consolidated balance sheets.

Contractual amounts of off-balance sheet financial instruments were as follows:

(Dollars in thousands)	2018	2017
Commitments to extend credit, including unsecured commitments of $16,304 and $13,625 as of December 31, 2018 and 2017, respectively	$577,612	$637,029
Stand-by letters of credit and bond commitments, including unsecured commitments of $730 and $440 as of December 31, 2018 and 2017, respectively	22,979	27,943
Unused credit card lines, all unsecured	24,885	24,949

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. The commitments to extend credit may expire without being drawn upon. Therefore, the total commitment amounts do not necessarily represent future cash requirements. The amount of collateral obtained, if it is deemed necessary by the Company, is based on management's credit evaluation of the customer.

Unused credit card lines are commitments for possible future extensions of credit to existing customers. These lines of credit are uncollateralized and usually do not contain a specified maturity date and may not be drawn upon to the total extent to which the Company is committed.

Note 9 — Regulatory Capital Matters

The Company is subject to various regulatory capital requirements administered by its primary federal regulator, the FDIC. Failure to meet the minimum regulatory capital requirements can initiate certain mandatory and possible additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Company and its consolidated financial statements. Under the regulatory capital adequacy guidelines and regulatory framework for prompt corrective action, the Company must meet specific capital guidelines involving quantitative measures of the Company’s assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The Company’s capital amounts and classification under the prompt corrective action guidelines are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

As of December 31, 2018, the Company was categorized as well capitalized under the regulatory framework. To be categorized as well capitalized, an institution must maintain minimum common Tier 1 (“CET1”), Tier 1 risk-based capital, total risk-based capital, and Tier 1 to average assets (“Tier 1 Leverage”) capital ratios as disclosed in the table below.

PEOPLE’S UTAH BANCORP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 9 — Regulatory Capital Matters – Continued

The Company’s actual and required capital amounts and ratios are as follows:

	December 31, 2018					
	Actual		Minimum Capital Requirement		Well Capitalized Requirement	
(Dollars in thousands)	Amount	Ratio	Amount	Ratio	Amount	Ratio
Consolidated						
CET1 Capital to Risk-Weighted Assets	$264,790	15.11 %	$78,857	4.50 %	$113,904	6.50 %
Tier 1 Capital to Risk-Weighted Assets	264,790	15.11 %	105,142	6.00 %	140,190	8.00 %
Total Risk-Based Capital to Risk-Weighted Assets	286,747	16.36 %	140,190	8.00 %	175,237	10.00 %
Tier 1 Leverage	264,790	12.27 %	86,351	4.00 %	NA	NA
People's Intermountain Bank						
CET1 Capital to Risk-Weighted Assets	$261,703	14.94 %	$78,833	4.50 %	$113,870	6.50 %
Tier 1 Capital to Risk-Weighted Assets	261,703	14.94 %	105,111	6.00 %	140,148	8.00 %
Total Risk-Based Capital to Risk-Weighted Assets	283,654	16.19 %	140,148	8.00 %	175,185	10.00 %
Tier 1 Leverage	261,703	12.12 %	86,346	4.00 %	107,932	5.00 %

	December 31, 2017					
	Actual		Minimum Capital Requirement		Well Capitalized Requirement	
(Dollars in thousands)	Amount	Ratio	Amount	Ratio	Amount	Ratio
Consolidated						
CET1 Capital to Risk-Weighted Assets	$229,886	13.51 %	$76,598	4.50 %	$110,642	6.50 %
Tier 1 Capital to Risk-Weighted Assets	229,886	13.51 %	102,131	6.00 %	136,174	8.00 %
Total Risk-Based Capital to Risk-Weighted Assets	249,645	14.67 %	136,174	8.00 %	170,218	10.00 %
Tier 1 Leverage	229,886	11.46 %	80,249	4.00 %	NA	NA
People's Intermountain Bank						
CET1 Capital to Risk-Weighted Assets	$227,252	13.35 %	$76,591	4.50 %	$110,632	6.50 %
Tier 1 Capital to Risk-Weighted Assets	227,252	13.35 %	102,122	6.00 %	136,163	8.00 %
Total Risk-Based Capital to	247,011	14.51 %	136,163	8.00 %	170,203	10.00 %

Risk-Weighted Assets						
Tier 1 Leverage	227,252	11.32 %	80,323	4.00 %	100,403	5.00 %

Federal Reserve Board Regulations require maintenance of certain minimum reserve balances based on certain average deposits. The Bank had reserve requirements of $2.2 million and $6.0 million as of December 31, 2018 and 2017, respectively.

The Company's Board of Directors may declare a cash or stock dividend out of retained earnings provided the regulatory minimum capital ratios are met. The Company plans to maintain capital ratios that meet the well-capitalized standards per the regulations and, therefore, plans to limit dividends to amounts that are appropriate to maintain those well-capitalized regulatory capital ratios.

103

PEOPLE’S UTAH BANCORP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 10 — Shareholders’ Equity

The following table summarizes dividends per share declared and paid per quarter for the periods indicated:

	Years Ended December 31,	
	2018	2017
First quarter	$0.09	$0.08
Second quarter	0.10	0.08
Third quarter	0.11	0.09
Fourth quarter	0.11	0.09
Total	$0.41	$0.34

Note 11 — Incentive Share-Based Plan and Other Employee Benefits

In June 2014, the Board of Directors (“Board”) and shareholders of the Company approved a share-based incentive plan (the “2014 Plan”) which replaced an existing share-based incentive plan. The 2014 Plan provides for various share-based incentive awards including incentive share-based options, non-qualified share-based options, restricted shares, and stock appreciation rights to be granted to officers, directors and other key employees. The maximum aggregate number of shares that may be issued under the 2014 Plan is 800,000 common shares. The share-based awards are granted to participants at a price not less than the fair value on the date of grant and for terms of up to ten years. The 2014 Plan also allows for granting of share-based awards to directors and consultants who are not employees of the Company.

Under the plans, share-based options are exercisable at the time of grant or other times subject to such terms and conditions as determined by the Board. Share-based options granted may be exercised in whole or in part at any time during the maximum option term of ten years. All share-based options are adjustable for any future stock splits or stock dividends. The Board has the authority to grant to eligible participants one or more of the various share-based incentive awards. To date, the Company has issued incentive share-based options, non-qualified share-based options and restricted stock units to participants. Fair value of the exercise price prior to the Company’s initial public offering in June 2015 was set at the time of grant by the Board based on independent valuations and related models; and after the initial public offering, fair value is based on market prices at the date of grant. The Company’s policy is to issue common shares to the person exercising share-based options.

PEOPLE'S UTAH BANCORP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 11 — Incentive Share-Based Plan and Other Employee Benefits – Continued

Share-based option transactions are summarized as follows:

(Dollars in thousands, except share and per share data)	Options Granted for Common Shares	Weighted Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at January 1, 2016	962,255	$ 7.42		
Granted	86,831	15.66		
Exercised	(285,568)	5.62		
Forfeited	(802)	16.96		
Outstanding at December 31, 2016	762,716	7.42		
Granted	17,692	29.59		
Exercised	(221,337)	7.76		
Forfeited	(14,358)	15.41		
Outstanding at December 31, 2017	544,713	10.14		
Granted	33,382	32.31		
Exercised	(218,928)	8.45		
Forfeited	(8,524)	7.61		
Outstanding at December 31, 2018	350,643	13.38	3.13	$ 7,254
Exercisable at December 31, 2018	292,100	11.27	3.25	5,562
Exercisable at December 31, 2017	405,256	8.53	3.86	7,423

The weighted-average grant-date fair value of options per share granted, using the Black-Scholes method of valuation, was $3.58, $3.82 and $2.26 during 2018, 2017 and 2016, respectively. The total intrinsic value of options exercised during the years ended December 31, 2018, 2017 and 2016 was $5.2 million, $4.2 million and $3.5 million, respectively. Shares issued upon exercises of stock options in 2018 were reduced by 30,320 shares related to net settled option exercises or existing shares tendered as consideration.

Restricted stock unit transactions are summarized as follows:

(Dollars in thousands, except share and per share data)	Options Granted for Common Shares	Weighted Average Grant Date Fair Value
Non-vested at January 1, 2016	39,929	$ 11.10
Granted	3,866	16.50
Vested	(14,228)	12.81
Forfeited	(1,672)	12.54

Non-vested at December 31, 2016	27,895	12.97
Granted	27,811	28.92
Vested	(15,838)	13.37
Forfeited	(292)	12.10
Non-vested at December 31, 2017	39,576	24.02
Granted	32,853	31.09
Vested	(28,420)	32.06
Forfeited	(1,565)	30.66
Non-vested at December 31, 2018	42,444	30.00

Note 11 — Incentive Share-Based Plan and Other Employee Benefits – Continued

The total intrinsic value of RSUs vested during the years ended December 31, 2018, 2017, and 2016 were $911,000 $423,000, and $244,000, respectively.

As of December 31, 2018, there was $956,000 of total unrecognized compensation expense related to stock options and RSUs granted to be recognized over a weighted-average period of 3.1 years.

As of December 31, 2017, there was $711,000 of total unrecognized compensation expense related to stock options and RSU's granted to be recognized over a weighted-average period of 1.2 years.

The Company recorded share-based compensation expense of $891,000, $510,000 and $544,000 for the years ended December 31, 2018, 2017, and 2016, respectively. The Company used the Black-Scholes pricing model using the following assumptions to calculate the fair value of incentive share-based options granted during 2018, 2017, and 2016: annual dividend yield of 0.7% to 2.3%; risk-free interest rates of 0.1% to 1.6%; expected option terms of 0.7 to 6.5 years; and volatility index of 13.3% to 29.9%. The assumptions for expected dividend yield and expected life reflected management's judgment and include consideration of historical experience. Expected volatility is based on data from comparable public companies for the expected option term. The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant for periods corresponding with the expected life of the option. Expected forfeitures are estimated based on the Company's historical forfeiture experience. Management believes that the assumptions used in the option-pricing model are highly subjective and represent only one estimate of possible value as there is no active market for the options granted.

Share-based compensation expense related to restricted stock units and non-qualified stock options was $862,000, $342,000 and $371,000 for the years ended December 31, 2018, 2017, and 2016; and the related recognized income tax benefit associated with this expense is $216,000, $131,000 and $142,000, respectively.

Profit Sharing — The Company provides an annual discretionary profit sharing contribution to all eligible employees based on each years' financial performance as recommended by management and approved by the Board of Directors. The profit sharing contribution can be either contributed to the 401(k) plan or the company's Employer Stock Ownership Plan ("ESOP"). The company made profit sharing contributions of $1,000,000, $725,000 and $600,000 in 2018, 2017, and 2016, respectively

401(k) plan — The Company offers a retirement savings 401(k) plan in which all eligible employees may participate. Currently, the Company contributes and allocates to each eligible participant's account, a percentage of the participant's elective deferral. The Company made matching contributions of $964,000, $883,000 and $778,000 in 2018, 2017, and 2016, respectively.

Employee Stock Ownership Plan — The Company formed an ESOP in 2018 to provide eligible employees with the benefits of ownership in the Company's stock.

106

PEOPLE'S UTAH BANCORP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 12 — Fair Value

Fair value measurements — The Company measures and discloses certain assets and liabilities at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (that is, not a forced liquidation or distressed sale). GAAP establishes a consistent framework for measuring fair value and disclosure requirements about fair value measurements. Among other things, the standard requires us to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the Company's estimates for market assumptions. These two types of inputs create the following fair value hierarchy

Level 1Quoted prices in active markets for identical instruments. An active market is a market in which transactions occur with sufficient frequency and volume to provide pricing information on an ongoing basis. A quoted price in an active market provides the most reliable evidence of fair value and shall be used to measure fair value whenever available.

Level 2Observable inputs other than Level 1 including quoted prices in active markets for similar instruments, quoted prices in less active markets for identical or similar instruments, or other observable inputs that can be corroborated by observable market data.

Level 3Unobservable inputs supported by little or no market activity for financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation; also includes observable inputs from non-binding single dealer quotes not corroborated by observable market data. In developing Level 3 measurements, management incorporates whatever market data might be available and uses discounted cash flow models where appropriate. These calculations include projections of future cash flows, including appropriate default and loss assumptions, and market based discount rates.

The estimated fair value amounts of financial instruments have been determined by the Company using available market information and appropriate valuation methodologies. However, considerable judgment is required to interpret data to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company could realize at a future date. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts. In addition, reasonable comparability between financial institutions may not be likely due to the wide range of permitted valuation techniques and numerous estimates that must be made given the absence of active secondary markets for many of the financial instruments. This lack of uniform valuation methodologies also introduces a greater degree of subjectivity to these estimated fair values. Transfers between levels of the fair value hierarchy are deemed to occur at the end of the reporting period.

The following methods were used to estimate the fair value of each class of financial instruments:

Cash and cash equivalents: The carrying amount of these items is a reasonable estimate of their fair value.

Securities: The estimated fair values of investment securities are priced using current active market quotes, if available, which are considered Level 1 measurements. For most of the portfolio, matrix pricing based on the securities' relationship to other benchmark quoted prices is used to establish the fair value. These measurements are considered Level 2.

Non-marketable securities: The fair value is based upon the redemption value of the stock, which equates to its carrying value.

Loans Held for Sale: The carrying amount of these items is a reasonable estimate of their fair value.

PEOPLE'S UTAH BANCORP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 12 — Fair Value – Continued

Loans held for investment: The fair value is estimated by discounting the future cash flows and estimated prepayments using the current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining term. Some loan types' fair value approximated carrying value because of their floating rate or expected maturity characteristics.

Deposits: The carrying amount of deposits with no stated maturity, such as savings and checking accounts, is a reasonable estimate of their fair value. The market value of certificates of deposit is based upon the discounted value of contractual cash flows. The discount rate is determined using the rates currently offered on comparable instruments.

Short-term borrowings: Short-term borrowing are overnight advances with the FHLB and their carrying amount is considered a reasonable approximation of their fair value.

The following table presents estimated fair values of the Company's financial instruments as of December 31, 2018 and 2017:

(Dollars in thousands)	Level	2018 Carrying Amount	Estimated Fair Value	2017 Carrying Amount	Estimated Fair Value
Financial Assets:					
Cash and cash equivalents	1	$48,547	$48,547	$51,027	$51,027
Investment securities available for sale	2	280,964	280,964	263,056	263,056
Investment securities held to maturity	2	50,905	50,364	74,654	74,301
Investment securities held to maturity	3	14,557	14,402	-	-
Non-marketable securities	2	2,551	2,551	3,706	3,706
Loans held for sale	2	10,267	10,267	10,871	10,871
Loans held for investment	3	1,653,657	1,637,617	1,609,141	1,607,388
Financial Liabilities:					
Total deposits	2	$1,877,055	$1,675,992	$1,814,632	$1,596,966
Short-term borrowings	2	-	-	40,000	40,000

During 2018, certain unrated municipal securities were reclassified from Level 2 to Level 3 due to the unavailability of third-party vendor valuations determined by observable market data using quoted prices for similar assets. The fair valuation was determined using discounted cash flow analyses based on the net present value of each security's projected cash flows using observable market data for similar securities.

108

PEOPLE'S UTAH BANCORP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 12 — Fair Value – Continued

Assets measured on a recurring and non-recurring basis are as follows:

(Dollars in thousands)	Level 1	Level 2	Level 3	Total
As of December 31, 2018				
Fair valued on a recurring basis:				
Investment securities available for sale	$ -	$280,964	$-	$280,964
Fair valued on a non-recurring basis:				
Impaired loans	-	-	7,304	7,304
As of December 31, 2017				
Fair valued on a recurring basis:				
Investment securities available for sale	$ -	$263,056	$-	$263,056
Fair valued on a non-recurring basis:				
Impaired loans	-	-	1,740	1,740

Non-recurring Measurements: Impaired loans are classified with Level 3 of the fair value hierarchy. The estimated fair value of impaired loans is based on the fair value of the collateral, less estimated costs to sell. The Company receives an appraisal or performs an evaluation for each impaired loan. The key inputs used to determine the fair value of impaired loans include selling costs, and adjustment to comparable collateral. Valuations and significant inputs obtained by independent sources are reviewed by the Company for accuracy and reasonableness. Appraisal are typically obtained at least on an annual basis. The Company also considers other factors and events that may affect the fair value. The appraisals or evaluations are reviewed at least on a quarterly basis to determine if any adjustments are needed. After review and acceptance of the appraisal or evaluation, adjustments to impaired loans may occur.

Note 13 — Contingencies and Concentrations of Credit Risk

Litigation — The Company may from time to time be subject to legal proceedings arising in the normal course of business. Management does not believe the outcome of any currently pending matters will have a material impact on the financial condition, results of operations, or liquidity of the Company.

Concentrations of credit risk — The Company has concentrated credit risk exposure, including off-balance-sheet credit risk exposure, related to real estate loans as disclosed in Notes 3 and 8. The ultimate collectability of a substantial portion of the loan portfolio is susceptible to changes in economic and market conditions in the region. The Company generally requires collateral on all real estate lending arrangements and typically maintains loan-to-value ratios of no greater than 80%.

Investments in municipal securities principally involve governmental entities within the State of Utah. Loans are limited by state banking regulation to 15% of each Bank's total capital, as defined by banking regulations. As a matter of practice and in accordance with applicable Utah state law, the Bank does not extend credit to any single borrower or group of related borrowers in excess of 15% of the Bank's total capital. As of December 31, 2018, The Bank's lending limit was $47.7 million.

The contractual amounts of credit-related financial instruments, such as commitments to extend credit and credit-card arrangements, represent the amounts of potential accounting loss should the contract be fully drawn upon, the customer defaults, and the value of any existing collateral becomes worthless.

PEOPLE’S UTAH BANCORP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 14 — Condensed Financial Statements of Parent Company

Financial information pertaining only to PUB, on a parent-only basis, is as follows as of and for the years ended December 31:

(Dollars in thousands)	2018	2017
Balance Sheets		
Assets		
Cash and cash equivalents	$3,286	$2,619
Investment in subsidiaries	287,075	254,784
Other assets	520	801
Total assets	$290,881	$258,204
Liabilities and shareholders' equity		
Due to subsidiaries, net	$337	$369
Other liabilities	382	417
Shareholders' equity	290,162	257,418
Total liabilities and shareholders' equity	$290,881	$258,204

(Dollars in thousands)	2018	2017	2016
Statements of Income			
Dividend and other income from subsidiaries	$7,900	$5,300	$3,884
Interest and dividends	6	310	363
Total income	7,906	5,610	4,247
Salaries and employee benefits	283	1,455	1,100
Other expenses	666	420	461
Total expenses	949	1,875	1,561
Income before income taxes	6,957	3,735	2,686
Income tax benefit	266	575	624
	7,223	4,310	3,310
Equity in undistributed net income of subsidiaries	33,409	15,536	20,300
Net income	$40,632	$19,846	$23,610

PEOPLE'S UTAH BANCORP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 14 — Condensed Financial Statements of Parent Company – Continued

(Dollars in thousands)	2018	2017	2016
Statements of Cash Flows			
Cash flows from operating activities:			
Net income	$40,632	$19,846	$23,610
Adjustments to reconcile net income to net cash provided by operating activities:			
Equity in undistributed net income of the Bank	(33,409)	(15,536)	(20,300)
Net amortization of securities discounts and premiums	-	-	89
Change in other assets and liabilities	214	(1,204)	1,002
Net change provided by operating activities	7,437	3,106	4,401
Cash flows from investing activities:			
Purchase of available for sale securities	-	-	(20,995)
Maturities/sales of available for sale securities	-	34,278	21,267
Investments in banking subsidiary	-	(46,977)	-
Net change (used in) provided by investing activities	-	(12,699)	272
Cash flows from financing activities:			
Issuance of common shares	-	13,977	-
Exercise of stock options	887	1,395	777
Dividends paid	(7,657)	(6,106)	(5,141)
Net change (used in) provided by financing activities	(6,770)	9,266	(4,364)
Net change in cash and cash equivalents	667	(327)	309
Cash and cash equivalents, beginning of year	2,619	2,946	2,637
Cash and cash equivalents, end of year	$3,286	$2,619	$2,946

Note 15 —Acquisitions

Utah Banner Bank Branch Acquisition

On October 6, 2017, the Company acquired the loans and deposits of seven Utah branch locations from Banner Bank ("Banner branches"). The Company acquired $257 million in loans and assumed $160 million in deposits and paid a deposit premium of $13.8 million based on average deposits at closing. Two of the seven branches were consolidated into existing Bank branches. The Company has successfully completed the conversion of these branches into its core-banking platform and integrated personnel into the Company's operations.

The acquired assets and assumed liabilities were recorded at fair value at the date of the acquisition. In accordance with GAAP guidance for business combinations, the Company recorded $14.9 million of goodwill and $2.6 million of other intangibles as of the acquisition date. The other intangible asset is related to core deposits and is being amortized using a straight-line method over a period of ten years with no significant residual value. For tax purposes, the purchase accounting adjustments, including goodwill and other intangibles related to the Banner branch acquisition are taxable or deductible.

PEOPLE'S UTAH BANCORP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 15 —Acquisitions (continued)

The following table summarizes the consideration paid and the fair value of the assets acquired and liabilities assumed and recognized at the acquisition date.

(Dollars in thousands)		
Purchase Price		
Cash		$100,283
Premium paid on average deposits		13,762
Total consideration		$114,045
Recorded amounts of assets acquired and liabilities assumed		
Assets		
Loans, net of discounts	$251,782	
Premises & equipment	3,467	
Core deposit intangible	2,604	
Other assets	1,761	
Total assets	259,614	
Liabilities		
Deposits, net of premiums	160,292	
Other liabilities	175	
Total liabilities assumed	160,467	
Total net assets from merger		$99,147
Goodwill		$14,898

Direct costs related to the branch acquisition were expensed as incurred in the year ended December 31, 2017. Such expenses primarily related to professional and legal services, human resource costs and information system charges. For the year ended December 31, 2017, the Company incurred $1.7 million of expenses related to the acquisition of the Utah branches of Banner Bank.

Pro forma income statements are not being presented as the information is not practicable to produce.

Town & Country Bank Acquisition

The Company also completed the merger of Town & Country Bank (“TC Bank”) located in St. George, Utah on November 13, 2017, including the acquisition of $117 million in loans and assumption of $124 million in deposits.

The Company successfully completed the conversion of this branch into its core-banking platform, consolidated its existing branch and the TC Bank Branch in St. George into one branch, and integrated personnel into the Company’s operations. The Company exchanged Town & Country Bank shares for 466,546 PUB common shares and paid cash of $11.6 million of which $2.0 million is being held in escrow to cover potential loss indemnifications.

112

PEOPLE'S UTAH BANCORP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 15 —Acquisitions (continued)

The acquired assets and assumed liabilities were recorded at fair value at the date of the respective acquisitions. In accordance with GAAP guidance for business combinations, the Company recorded $11.1 million of goodwill and $845,000 of core deposit intangibles and $702,000 in deposit premium on certificates of deposit related to Town & Country Bank on the acquisition date. The core deposit intangible is being amortized using a straight-line method over a period of ten years with no significant residual value. The deposit premium is being accreted into net interest income over the life of the certificates of deposit. In accordance with the applicable accounting guidance for business combinations, there was no carry-over of TC Bank's previously established allowance for loan losses. The acquisition was a tax-free exchange; therefore, for tax purposes, purchase accounting adjustments, including goodwill, for the TC Bank acquisition are all non-taxable and/or non-deductible.

The following table summarizes the consideration paid and the fair value of the assets acquired and liabilities assumed and recognized at the acquisition date.

(Dollars in thousands, except share data)		
Purchase Price		
PUB common shares issued for Town & Country shares		466,546
PUB share price at closing		$29.96
Consideration from common stock conversion (0.2916 ratio)		$13,977
Cash		11,603
Total consideration		$25,580
Recorded amounts of assets acquired and liabilities assumed		
Assets		
Cash and cash equivalents	$13,401	
Investment securities	9,585	
Loans, net of discounts	110,334	
Premises & equipment	145	
Core deposit intangible	845	
Bank owned life insurance	3,332	
Deferred income tax asset	2,571	
Other assets	4,161	
Total assets	144,374	
Liabilities		
Deposits, net of premiums	123,777	
Other liabilities	6,127	
Total liabilities assumed	129,904	

Total net assets from merger	$14,470
Goodwill	$11,110

The following table provides the unaudited pro forma information for the results of operations for the twelve months ended December 31, 2017 and 2016, as if the acquisition had occurred on January 1, 2016. These adjustments reflect the impact of certain purchase accounting fair value measurements, primarily comprised of TC Bank's loan and deposit portfolios. In addition, the acquisition-related expenses are included in the twelve months ended December 31, 2017. These unaudited pro forma results are presented for illustrative purposes only and are not intended to represent or be indicative of the actual results of operations of the combined banking organization that would have been achieved had the acquisition occurred at the beginning of each period presented, nor are they intended to represent or be indicative of future results of operations. No assumptions have been applied to the pro forma results of operations regarding possible revenue enhancements, expense efficiencies or asset dispositions.

113

PEOPLE'S UTAH BANCORP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 15 —Acquisitions (continued)

The following table is Unaudited Pro Forma Statements of Income

	Years Ended December 31,	
(Dollars in thousands)	2017	2016
Net interest income	$87,294	$75,075
Provision for loan losses	2,895	1,009
Non-interest income	18,623	18,426
Non-interest expense	64,950	54,116
Income before income tax expense	38,072	38,376
Income tax expense	17,152	13,533
Net income	$20,920	$24,843
Earnings per share:		
Basic	$1.13	$1.37
Diluted	$1.11	$1.33

Direct costs related to the branch acquisition were expensed as incurred in the year ended December 31, 2017. Such expenses primarily related to professional and legal services, human resource costs and information system charges. For the year ended December 31, 2017, the Company incurred $3.1 million of expenses related to the TC Bank acquisition, the majority of which is tax deductible.

The two acquisitions were consistent with the Company's strategy to expand our presence in Utah. The acquisitions offer the Company the opportunity to increase profitability by introducing existing products and services to the acquired customer base as well as add new customers in Utah. Goodwill arising from the acquisition consisted largely of synergies and the cost savings resulting from the combined operations.

During 2018, the Company made acquisition related measurement period adjustments of $335,000 to goodwill. Changes to initially estimated fair values from a business combination are recognized as an adjustment to goodwill over the measurement period, which cannot exceed one year from the acquisition date. The adjustments to goodwill related to changes in the preliminary goodwill recorded for the TC Bank acquisition and were related to loan valuations.

114

PEOPLE'S UTAH BANCORP AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Note 16— Unaudited Quarterly Financial Data

Summarized unaudited quarterly financial data is as follows:

	Quarters Ended 2018			
(Dollars in thousands, except share and per share data)	March 31	June 30	September 30	December 31
Net interest income	$25,944	$26,978	$ 27,182	$ 28,074
Provision for loan losses	2,050	1,475	1,925	3,175
Non-interest income	3,718	4,066	3,794	3,551
Non-interest expense	16,048	15,823	15,280	14,845
Income before income tax expense	11,564	13,746	13,771	13,605
Income tax expense	2,560	3,279	3,288	2,927
Net income	$9,004	$10,467	$ 10,483	$ 10,678
Earnings per common share:				
Basic	$0.48	$0.56	$ 0.56	$ 0.57
Diluted	$0.48	$0.55	$ 0.55	$ 0.56

	Quarters Ended 2017			
(Dollars in thousands, except share and per share data)	March 31	June 30	September 30	December 31
Net interest income	$17,806	$18,976	$ 19,909	$ 23,947
Provision for loan losses	200	900	900	750
Non-interest income	3,569	3,837	3,040	3,948
Non-interest expense	11,914	11,835	13,114	19,096
Income before income tax expense	9,261	10,078	8,935	8,049
Income tax expense	2,740	3,584	2,697	7,456
Net income	$6,521	$6,494	$ 6,238	$ 593
Earnings per common share:				
Basic	$0.36	$0.36	$ 0.35	$ 0.03
Diluted	$0.36	$0.35	$ 0.34	$ 0.03

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

There have been no changes or disagreements with accountants on accounting and financial disclosure.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

An evaluation was carried out under the supervision and with the participation of the Company's management, including the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), of the effectiveness of the disclosure controls and procedures (as required by Exchange Act Rules 240.13a-15(b) and 15d-14(a)). Based on that evaluation, the CEO and CFO have concluded that as of the end of the period covered by this report, the disclosure controls and procedures are effective to provide reasonable assurance that information required to be disclosed by the Company in reports that are filed or submitted under the Exchange Act are recorded, processed, summarized and timely reported as provided in the SEC's rules and forms.

Management's Report on Internal Control Over Financial Reporting

Management's Annual Report on Internal Control Over Financial Reporting is incorporated herein by reference in "Item 8. Financial Statements and Supplementary Data".

Moss Adams LLP, the independent registered public accounting firm that audited the financial statements for the year ended December 31, 2018, has issued an attestation report on the Company's internal control over financial reporting. Such attestation report expresses an unqualified opinion on the effectiveness of the Company's internal control over financial reporting as of December 31, 2018 and is included in "Item 8. Financial Statements and Supplementary Data."

Changes in Internal Controls

There have not been any changes in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the year ended December 31, 2018, to which this report relates that have materially affected, or are reasonably likely to materially affect the Company's internal control over financial reporting.

Item 9B. Other Information

None

PART III

Item 10. Directors, Executive Officers and Corporate Governance

Information regarding "Directors and Executive Officers" is set forth under the headings "Election of Directors" and "Management – Executive Officers who are not Directors" of the Company's 2019 Annual Meeting Proxy Statement ("Proxy Statement") and is incorporated herein by reference.

Information regarding "Compliance with Section 16(a) of the Exchange Act" is set forth under the section "Compliance with Section 16(a) Filing Requirements" of the Company's Proxy Statement and is incorporated herein by reference.

Information regarding the Company's corporate governance and board committees is set forth under the heading "Meetings and Committees of the Board of Directors – Committee Membership" in the Company's Proxy Statement and is incorporated by reference.

Consistent with the requirements of the Sarbanes-Oxley Act, the Company has a Code of Ethics applicable to senior financial officers including the principal executive officer, principal financial officer and principal accounting officer. The Code of Ethics can be accessed electronically by visiting the Company's website at www.peoplesutah.com.

Item 11. Executive Compensation

Information regarding "Executive Compensation" is set forth under the headings "Compensation of Directors" and "Executive Compensation" of the Company's Proxy Statement and is incorporated herein by reference.

Information regarding "Compensation Committee Interlocks and Insider Participation" is set forth under such heading of the Company's Proxy Statement and is incorporated herein by reference.

Information regarding the "Compensation Committee Report" is set forth under the heading "Report of Compensation Committee" of the Company's Proxy Statement and is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Information regarding "Security Ownership of Certain Beneficial Owners and Management" is set forth under the headings "Beneficial Ownership" of the Company's Proxy Statement and is incorporated herein by reference.

Information regarding "Equity Compensation Plan Information" is set forth under the headings "Equity Compensation Plan Information" of the Company's Proxy Statement and is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions, and Director Independence

Information regarding "Certain Relationships and Related Transactions, and Director Independence" is set forth under the heading "Transactions with Management" and "Corporate Governance – Director Independence" of the Company's Proxy Statement and is incorporated herein by reference.

Item 14. Principal Accounting Fees and Services

Information regarding "Principal Accounting Fees and Services" is set forth under the heading "Auditors – Fees Paid to Independent Registered Public Accounting Firm" of the Company's Proxy Statement and is incorporated herein by reference.

117

PART IV

Item 15. Exhibits

List of Financial Statements and Financial Statement Schedules

(a) The following documents are filed as a part of this report:

(1) Financial Statements and

(2) Financial Statement schedules required to be filed by Item 8 of this report.

(3) The following exhibits are required by Item 601 of Regulation S-K and are included as part of this Form 10-K:

Exhibit Number	Description
2.1#	Purchase and Assumption Agreement between Banner Bank and People's Intermountain Bank dated July 26, 2017 (5)
2.2#	First Amendment to Purchase and Assumption Agreement between Banner Bank and People's Intermountain Bank dated October 4, 2017 (6)
2.3#	Merger Agreement among People's Utah Bancorp, People's Intermountain Bank, Town & Country Bank, Inc. and the Shareholders' Representative dated May 31, 2017(7)
2.4#	Amendment No. 1 to Merger Agreement dated August 31, 2017 (7)
2.5#	Amendment No. 2 to Merger Agreement dated October 25, 2017 (7)
3.1	Amended and Restated Articles of Incorporation of People's Utah Bancorp(1)
3.2	Amended and Restated Bylaws of People's Utah Bancorp(1)
4.1	Specimen Share Certificate for Common Shares of People's Utah Bancorp(3)
10.1*	People's Utah Bancorp 2014 Incentive Plan(1)
10.2*	People's Utah Bancorp Amended and Restated 2008 Incentive Plan(1)
10.3*	People's Utah Bancorp Incentive Plan (1999 Incentive Plan) and all amendments thereto(1)
10.4*	People's Utah Bancorp Deferred Compensation Plan for Directors(1)
10.5*	Form of 2014 Incentive Plan Notice of Stock Option Grant and Stock Option Agreement (1)
10.6*	Form of 2014 Incentive Plan Restricted Stock Unit Award Agreement (1)
10.7	Form of Director and Officer Indemnification Agreement (2)
10.8*	Employment Agreement by and between People's Utah Bancorp, People's Intermountain Bank and Len E. Williams (10)
10.9*	Employment Agreement by and between People's Utah Bancorp, People's Intermountain Bank and Mark K. Olson (10)
10.10*	Employment Agreement by and between People's Utah Bancorp, People's Intermountain Bank and Rick W. Anderson (10)
10.11*	People's Utah Bancorp Employee Stock Ownership Plan Trust Agreement (2018 Statement) (9)
16.1	Letter from Tanner LLC (8)
21	Subsidiaries of the Company (7)
23.1	Consent of Moss Adams LLP
23.2	Consent of Tanner LLC
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes - Oxley Act of 2002

31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes - Oxley Act of 2002
32	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes - Oxley Act of 2002

118

101 The following financial information from People's Utah Bancorp Annual Report on Form 10-K for the year ended December 31, 2018 is formatted in XBRL: (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Income, (iii) the Consolidated Statements of Comprehensive Income, (iv) the Consolidated Statements of Changes in Shareholders' Equity, (v) the Consolidated Statements of Cash Flows, and (vi) the Notes to Consolidated Financial Statements

*Compensatory plan or arrangement
Schedules and exhibits have been omitted pursuant to Item 601(b)(2) of Regulation S-K. The Company agrees to furnish a copy of any such omitted schedule or exhibit to the SEC upon request.
(1) Filed as part of the Registrant's Draft Registration Statement on Form S-1 filed on March 11, 2015.
(2) Filed as part of the Registrant's Registration Statement on Form S-1 filed on April 20, 2015.
(3) Filed as part of the Registrant's Amendment No.1 to Registration Statement on Form S-1 filed on May 5, 2015.
(4) Filed as part of the Registrant's Quarterly Report on Form 10-Q filed on May 9, 2017.
(5) Filed as part of the Registrant's Quarterly Report on Form 10-Q filed on August 8, 2017.
(6) Filed as part of the Registrant's Quarterly Report on Form 10-Q filed on November 7, 2017.
(7) Filed as part of the Registrant's Annual Report on Form 10-K filed on March 15, 2018.
(8) Filed as part of the Registrant's Current Report on Form 8-K filed on April 3, 2018.
(9) Filed as part of the Registrant's Current Report on Form 8-K filed on December 4, 2018.
(10) Filed as part of the Registrant's Current Report on Form 8-K filed on March 5, 2019.
All other financial statement schedules required by Regulation S-X are omitted because they are not applicable, not material or because the information is included in the consolidated financial statements or related notes.

Item 16. Form 10-K Summary

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on March 15, 2019.

PEOPLE'S UTAH BANCORP

/s/ Len E. Williams
Len E. Williams
President and Chief Executive Officer

(Principal Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below on March 15, 2019, by the following persons on behalf of the registrant and in the capacities indicated.

/s/ Len E. Williams Len E. Williams	Director, President and Chief Executive Officer (Principal Executive Officer)
/s/ Mark K. Olson Mark K. Olson	Executive Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)
/s/ Richard T. Beard Richard T. Beard	Director, Chairman
/s/ Dale O. Gunther Dale O. Gunther	Director, Vice Chairman
/s/ David G. Anderson David G. Anderson	Director, Executive Vice President and Chief Credit Officer
/s/ R. Brent Anderson R. Brent Anderson	Director
/s/ Deborah S. Bayle Deborah S. Bayle	Director
/s/ Matthew S. Browning	Director

Matthew S. Browning

/s/ Fred W. Fairclough Jr. Fred W. Fairclough Jr.	Director
/s/ Jonathan B. Gunther Jonathan B. Gunther	Director
/s/ Paul R. Gunther Paul R. Gunther	Director
/s/ Wolfgang T. N. Muelleck Wolfgang T. N. Muelleck	Director
/s/ Douglas H. Swenson Douglas H. Swenson	Director

120