People's Utah Bancorp
Form 424B4
June 11, 2015
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Filed Pursuant to Rule 424(b)(4)
Registration Statement No. 333-203518

PROSPECTUS

2,500,000 Common Shares

This prospectus relates to the initial public offering of common shares by People s Utah Bancorp, holding company for Bank of American Fork and Lewiston State Bank. We are offering 2,500,000 common shares, including the offering of 218,000 common shares by the selling shareholders identified in this prospectus. We will bear all of the selling shareholders offering expenses other than underwriting discounts and commissions but will not receive any proceeds from sales by the selling shareholders.

Prior to this offering there has been no public market for our common shares. The initial public offering price of our common shares is $14.50 per share. We have been approved to list our common shares on The NASDAQ Capital Market under the symbol PUB . We are an emerging growth company under the federal securities laws and will be subject to reduced public company reporting requirements.

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

	Per Share	Total
Initial public offering price	$ 14.50	$ 36,250,000
Underwriting discounts and commissions	$ 1.015	$ 2,537,500
Proceeds to us before expenses	$ 13.485	$ 30,772,770
Proceeds to selling shareholders before expenses	$ 13.485	$ 2,939,730

We have granted the underwriters an option to purchase up to 375,000 additional common shares at the initial public offering price less the underwriting discount, within 30 days following the date of this prospectus to cover over-allotments, if any.

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

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

The underwriters expect to deliver the common shares to purchasers on or about June 16, 2015.

D.A. Davidson & Co.

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

The date of this prospectus is June 10, 2015

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ABOUT THIS PROSPECTUS

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

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

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

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

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

INDUSTRY AND MARKET DATA

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

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IMPLICATIONS OF BEING AN EMERGING GROWTH COMPANY

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

- we are permitted to present only two years of audited financial statements and only two years of related Management s Discussion and Analysis of Financial Condition and Results of Operations in this prospectus; however, we have elected to present three years of audited financial statements and related Management s Discussion and Analysis of Financial Condition and Results of Operations;
- we are exempt from the requirement to obtain an attestation and report from our auditors on the assessment of our internal control over financial reporting under the Sarbanes-Oxley Act of 2002, or SOX;
- we are permitted to provide less extensive disclosure about our executive compensation arrangements; and
- we are not required to present to our shareholders non-binding advisory votes on executive compensation or golden parachute arrangements.

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

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

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PROSPECTUS SUMMARY

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

Overview

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

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

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

Market Opportunity

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

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

The following table shows demographic information for our market areas and highlights Utah s rapid growth compared to the U.S. as a whole[1].

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

(1) SNL: Briefing Book: June 30, 2014 Deposit Market Share Banks. Non-retail branches are not included.
(2) U.S. Census Bureau Vintage 2014 estimates.
(3) Utah Governor s Office of Planning and Budget, 2012 Baseline Projections.
(4) U.S. Bureau of Labor Statistics
(5) Market Share and 2014 Unemployment Rate totals are based on weighted averages
(6) Includes 3.30% of our deposits from one branch in Franklin County, Idaho
(7) U.S. market share for 2014 equals 0.01%

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

Our Competitive Strengths

Track Record of Successful Growth

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

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Our net income for the quarter ended March 31, 2015 grew 23.8% to $4.80 million from $3.88 million for the quarter ended March 31, 2014. From March 31, 2014 to March 31, 2015, our total assets grew 6.3% to $1.41 billion from $1.33 billion, and our total deposits grew 5.9% to $1.23 billion from $1.17 billion.

We have expanded organically by increasing our market share in select markets and by entering new markets, such as by opening new branches and loan production offices in Davis and Washington Counties. In addition, in 2014, we grew our assets by 5.2% through organic growth while successfully integrating LSB. As discussed further below, even with this growth we have maintained a strong capital position and strong asset quality, with net charge-offs of only 0.11% for the year ended December 31, 2014. We believe this track record of successful growth positions us to continue to grow in the future, both organically and through acquisition of other banking and financial services companies.

Well Positioned in Growing and Attractive Markets

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

Strong Reputation in our Markets

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

Well Capitalized Position

As of March 31, 2015, we were well capitalized, with an 11.63% Tier 1 leverage ratio and a 16.32% total risk-based capital ratio, both well above the required ratios for community banks of 5% and 10%, respectively. Our capital ratios have been calculated under the new capital rules of the Board of Governors of the Federal Reserve, or the Federal Reserve, that became effective on January 1, 2015. We believe this capital position provides a strong foundation for us that will attract additional capital and facilitate our future growth. We also believe this capital position could help us respond to challenges in the event of an economic downturn.

Our Experienced Senior Management Team

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

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Real Estate Expertise

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

Disciplined Risk Management

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

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

Our Business Strategy

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

Continue to Grow Organically

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

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

We also believe that we can continue to capitalize on our expertise in real estate loans. As of March 31, 2015, 79.4% of our loan portfolio was comprised of real estate loans, including 15.9% construction and development, 56.0% commercial real estate, and 7.5% residential real estate. We believe we have an experienced team of associates with expertise in real estate lending, and we intend to continue to focus on maintaining strong relationships with commercial and residential builders. We believe that as we continue to develop this real estate expertise, we will become more attractive to these commercial and residential builders.

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Grow and diversify our loan portfolio

In addition to our expertise in real estate, we believe we can continue to take advantage of opportunities to diversify and grow other areas of our loan portfolio by expanding our commercial and industrial, or C&I, lending through our existing branch structure. As of March 31, 2015, 19.0% of our total loan portfolio was in C&I loans. We offer a full range of short to long-term C&I lending products and services and have established a portfolio threshold for this category that we continually monitor. To assist with this growth and diversification, we have recently added experienced commercial lenders to our team and plan to continue to add commercial lenders in our current and target markets.

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

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

Continue to grow through Strategic Mergers or Acquisitions

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

Continue to Improve Operating Efficiencies

We believe that improving our operating efficiencies will continue to be important to our profitability and future growth. We intend to carefully manage our cost structure and refine and implement internal processes to create further efficiencies and enhance our earnings. Further, we believe our systems, risk management structure and operating model are scalable and will enable us to achieve additional operating efficiencies as we grow. We also believe that we will realize additional efficiencies as we continue to integrate LSB. The efficiency ratio is calculated by taking non-interest expense less merger related expenses and dividing that number by the sum of net interest income and non-interest income. Our efficiency ratio for the quarter ended March 31, 2015 and the year ended December 31, 2014 was 60.18% and 63.58%, respectively, and we believe that through the efforts described above we can lower this ratio over the next few years.

Hire Additional Motivated and Service-Oriented Personnel

We believe we will be able to continue to develop successful associates from the talented and motivated people living in our market areas and in prospective market areas. We continually seek to find such individuals with varied backgrounds from the communities they serve and we then train them to be successful in developing relationships, serving our customers, and effectively delivering financial services. We combine an internal training program with outside training to ensure that our associates are skilled in their respective areas of responsibility, and to enable us to responsibly maintain our growth. Moreover, our compensation structure allows for some associates to be paid in part on production, which provides incentive bonuses for superior performance and customer development. Our variable compensation totaled 21.0% of total salary and bonus compensation in 2014.

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

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

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

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

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

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

Our History

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

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

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

Corporate Information

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

Risks to Consider

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

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

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

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

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

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

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

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

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

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

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THE OFFERING

Common Shares offered by PUB	2,282,000
Common Shares offered by the selling shareholders	218,000
Common Shares to be outstanding immediately after the offering	17,070,921 (excluding any shares issued pursuant to the underwriters over-allotment option)
Use of proceeds	We estimate that our net proceeds from this offering after deducting underwriting commissions and discounts and estimated offering expenses payable by us will be approximately $29.7 million, based on the initial public offering price of $14.50 per share, or $34.8 million if the over-allotment option is exercised by the underwriters. We expect to use the net proceeds from this offering for expansion purposes, both organic and through acquisition, and for general corporate purposes. Our use of proceeds is more fully described under Use of Proceeds. We will bear all of the selling shareholders offering expenses other than underwriting discounts and commissions but will not receive any proceeds from sales by the selling shareholders.
Dividend policy	We have declared an annual cash dividend for over 50 years. In 2014, we declared a semi-annual dividend. We expect to declare quarterly cash dividends beginning in 2015 with the dividend being declared after the end of each quarter. A quarterly dividend of $0.06 per share for the first quarter was declared in April 2015.
NASDAQ Capital Market Listing	We have been approved to list our common shares on The NASDAQ Capital Market under the symbol PUB .
Directed Share Program	At our request, the underwriters have reserved up to 5% of the common shares offered by us for sale at the initial public offering price to persons who are officers, directors, nonexecutive employees, customers or who are otherwise associated with us, through a directed share program. Officers and directors who are selling shares in this offering are not eligible to participate in the directed share program. The number of shares available for sale to the general public will be reduced by the number of directed shares purchased by participants in the program.

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

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The number of common shares outstanding after this offering is based on the number of shares outstanding on March 31, 2015 and excludes:

- 874,468 common shares issuable upon the exercise of outstanding stock options as of March 31, 2015 under our prior stock option plans with a weighted-average exercise price of approximately $5.77 per share;

- 191,487 common shares issuable upon the exercise of outstanding stock options as of March 31, 2015 under the People s Utah Bancorp 2014 Incentive Plan, or the 2014 Plan, with a weighted-average exercise price of approximately $11.93 per share;

- 39,720 common shares subject to restricted stock units, or RSUs, outstanding as of March 31, 2015 under our 2014 Plan; and

- 562,926 common shares reserved for future grant or issuance under our 2014 Plan.

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

- no exercise of any outstanding stock options; and

- assumes no exercise of the underwriters over-allotment option to purchase any of the additional 375,000 common shares subject to that option.

SUMMARY CONSOLIDATED FINANCIAL AND OTHER DATA

You should read the summary consolidated financial data set forth below in conjunction with our historical consolidated financial statements and related notes and Management s Discussion and Analysis of Financial Condition and Results of Operations, included elsewhere in this prospectus. The summary consolidated data as of and for the five years ended December 31, 2014 have been derived from our audited consolidated financial statements. The summary consolidated financial data as of and for the three months ended March 31, 2015 and 2014 have been derived from our unaudited consolidated financial statements.

	As of March 31,	As of December 31,				
(Dollars in thousands)	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**
Selected Balance Sheet Information:						
Cash and cash equivalents	$ 80,078	$ 47,702	$ 94,406	$ 98,861	$ 28,910	$ 37,275
Investment securities	320,350	330,839	320,388	264,413	233,382	183,848
Total loans, net	957,435	937,578	829,882	592,924	583,384	572,529
Total assets	1,409,097	1,367,125	1,299,190	991,423	889,894	842,850
Total deposits	1,233,462	1,199,233	1,144,314	869,227	779,859	739,680
Shareholders equity	163,502	157,659	143,672	115,710	105,871	98,986
Average balances:						
Average earning assets	$ 1,329,324	$ 1,250,156	$ 981,661	$ 847,362	$ 813,940	$ 774,172
Average assets	1,391,076	1,331,291	1,039,561	914,603	860,444	826,868
Average shareholders equity	161,091	152,788	126,453	112,089	105,871	121,964

	Three Months Ended March 31,		Years Ended December 31,				
(Dollars in thousands)	**2015**	**2014**	**2014**	**2013**	**2012**	**2011**	**2010**
Summary Income Statement Information:							
Interest income	$ 15,259	$ 13,953	$ 58,203	$ 45,657	$ 42,010	$ 41,860	$ 42,452
Interest expense	760	832	3,260	3,337	3,629	4,861	6,642
Net interest income	14,499	13,121	54,943	&n#160;			
Non-interest income:							
Fee and other income	4,156	4,958					
Derivative	106,384	(24,592)					

gains (losses)		
Results of operations of foreclosed assets	(4,049)	(4,765)
Total non-interest income	106,491	(24,399)
Non-interest expense:		
Salaries and employee benefits	(10,328)	(10,405)
Other general and administrative expenses	(8,287)	(6,765)
Recovery of guarantee liability	31	9
Other	(148)	(163)
Total non-interest expense	(18,732)	(17,324)
Income prior to income taxes	159,967	12,644
Income tax (expense) benefit	(1,701)	2
Net income	158,266	12,646
Less: Net income attributable to the noncontrolling interest	(2,718)	(5)
Net income attributable to CFC	$ 155,548	$ 12,641

See accompanying notes.

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NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(UNAUDITED)
(in thousands)

	For the three months ended August 31, 2013	For the three months ended August 31, 2012
Net income	$ 158,266	$ 12,646
Other comprehensive (loss) income:		
Add: Unrealized losses on securities	(3,909)	(6)
Less: Realized gains on derivatives	(246)	(252)
Other comprehensive loss	(4,155)	(258)
Total comprehensive income	154,111	12,388
Less: Total comprehensive (income) loss attributable to noncontrolling interest	(2,714)	1
Total comprehensive income attributable to CFC	$ 151,397	$ 12,389

See accompanying notes.

NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(UNAUDITED)
(in thousands)

For the three months ended August 31, 2013 and 2012

	Total	Noncontrolling interest	Total CFC equity	Accumulated other comprehensive income	CFC retained equity	Unallocated net income (loss)	Members' capital reserve	Patronage capital allocated	Membership fees and education fund
Balance as of May 31, 2013	$ 811,261	$ 11,790	$ 799,471	$ 8,381	$ 791,090	$ (213,255)	$ 410,259	$ 591,581	$ 2,505
Patronage capital retirement	(40,724)	-	(40,724)	-	(40,724)	-	-	(40,724)	-
Net income	158,266	2,718	155,548	-	155,548	155,548	-	-	-
Other comprehensive loss	(4,155)	(4)	(4,151)	(4,151)	-	-	-	-	-
Other	817	1,093	(276)	-	(276)	-	-	-	(276)
Balance as of August 31, 2013	$ 925,465	$ 15,597	$ 909,868	$ 4,230	$ 905,638	$ (57,707)	$ 410,259	$ 550,857	$ 2,229
Balance as of May 31, 2012	$ 490,755	$ 7,592	$ 483,163	$ 9,199	$ 473,964	$ (346,941)	$ 272,126	$ 546,366	$ 2,413
Patronage capital retirement	(35,345)	-	(35,345)	-	(35,345)	-	-	(35,345)	-
Net income	12,646	5	12,641	-	12,641	12,641	-	-	-
Other comprehensive loss	(258)	(6)	(252)	(252)	-	-	-	-	-
Other	(254)	-	(254)	-	(254)	-	-	-	(254)
Balance as of August 31, 2012	$ 467,544	$ 7,591	$ 459,953	$ 8,947	$ 451,006	$ (334,300)	$ 272,126	$ 511,021	$ 2,159

See accompanying notes.

NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)
(in thousands)

	For the three months ended August 31, 2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 158,266	$ 12,646
Adjustments to reconcile net income to net cash provided by operating activities		
Amortization of deferred income	(2,830)	(3,925)
Amortization of debt issuance costs and deferred charges	1,865	1,978
Amortization of discount on long-term debt	1,333	-
Amortization of issuance costs for revolving bank lines of credit	611	-
Depreciation	1,457	1,310
Provision for loan losses	1,278	9,122
Recovery of guarantee liability	(31)	(9)
Results of operations of foreclosed assets	4,049	4,765
Derivative forward value	(123,069)	10,729
Changes in operating assets and liabilities:		
Accrued interest and other receivables	2,568	14,047
Accrued interest payable	66,018	65,987
Other	25,537	17,162
Net cash provided by operating activities	137,052	133,812
CASH FLOWS FROM INVESTING ACTIVITIES		
Advances made on loans	(2,183,485)	(2,082,939)
Principal collected on loans	2,074,710	1,526,701
Net investment in fixed assets	(1,173)	(1,381)
Proceeds from foreclosed assets	6,442	18,986
Investments in foreclosed assets	(10,019)	(35,284)
Change in restricted cash	(478)	(477)
Net cash used in investing activities	(114,003)	(574,394)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuances of short-term debt, net	316,571	102,074
Proceeds from issuances of short term debt with original maturity greater than 90 days	273,568	128,515
Repayments of short term debt with original maturity greater than 90 days	(189,956)	(100,288)

Issuance costs for revolving bank lines of credit	(369)	(703)
Issuance costs for subordinated deferrable debt	(150)	-
Proceeds from issuance of long-term debt	815,066	973,425
Payments for retirement of long-term debt	(1,048,931)	(320,772)
Proceeds from issuance of members' subordinated certificates	518	46,304
Payments for retirement of members' subordinated certificates	(3,892)	(4,021)
Net cash provided by financing activities	162,425	824,534
NET INCREASE IN CASH AND CASH EQUIVALENTS	185,474	383,952
BEGINNING CASH AND CASH EQUIVALENTS	177,062	191,167
ENDING CASH AND CASH EQUIVALENTS	$ 362,536	$ 575,119

See accompanying notes.

NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)
(in thousands)

	For the three months ended August 31, 2013	2012
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid for interest	$ 97,758	$ 108,631
Cash paid for income taxes	3	81
Non-cash financing and investing activities:		
Increase to patronage capital retirement payable	39,630	35,345
Net decrease in debt service reserve funds/debt service reserve certificates	(450)	-

See accompanying notes.

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NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

(1) General Information and Accounting Policies

(a) Basis of Presentation

The accompanying financial statements include the consolidated accounts of National Rural Utilities Cooperative Finance Corporation ("CFC"), Rural Telephone Finance Cooperative ("RTFC"), National Cooperative Services Corporation ("NCSC") and certain entities created and controlled by CFC to hold foreclosed assets and accommodate loan securitization transactions, after elimination of intercompany accounts and transactions.

Unless stated otherwise, references to "we," "our" or "us" represent the consolidation of CFC, RTFC, NCSC and certain entities created and controlled by CFC to hold foreclosed assets and accommodate loan securitization transactions. Foreclosed assets are held by two subsidiaries controlled by CFC. Denton Realty Partners, LP ("DRP") holds a land development loan and a related limited partnership interest. CAH holds our investment in cable and telecommunications operating entities in the United States Virgin Islands ("USVI"), British Virgin Islands and St. Maarten.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States ("GAAP") requires management to make estimates and assumptions that affect the assets, liabilities, revenue and expenses reported in the financial statements, as well as amounts included in the notes thereto, including discussion and disclosure of contingent liabilities. The accounting estimates that require our most significant and subjective judgments include the allowance for loan losses and the determination of the fair value of our derivatives and certain aspects of our foreclosed assets. While we use our best estimates and judgments based on the known facts at the date of the financial statements, actual results could differ from these estimates as future events occur.

These interim unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the fiscal year ended May 31, 2013.

In the opinion of management, the accompanying condensed consolidated financial statements contain all adjustments (which consist only of normal recurring accruals) necessary for a fair presentation of our results of operations and financial position for the interim periods presented.

(b) Variable Interest Entities

We are required to consolidate the financial results of RTFC and NCSC because CFC is the primary beneficiary of variable interests in RTFC and NCSC due to its exposure to absorbing the majority of their expected losses and because CFC manages the lending activities of RTFC and NCSC. Under separate guarantee agreements, RTFC and NCSC pay CFC a fee to indemnify against loan losses. CFC is the sole lender to and manages the business operations of RTFC through a management agreement in effect until December 1, 2016 which is automatically renewed for one-year terms thereafter unless terminated by either party. CFC is the primary source of funding to and manages the lending activities of NCSC through a management agreement that is automatically renewable on an annual basis unless terminated by either party. NCSC funds its lending programs through loans from CFC or debt guaranteed by CFC. In connection with these guarantees, NCSC must pay a guarantee fee and purchase from CFC interest-bearing subordinated term certificates in proportion to the related guarantee.

RTFC and NCSC creditors have no recourse against CFC in the event of a default by RTFC and NCSC, unless there is a guarantee agreement under which CFC has guaranteed NCSC or RTFC debt obligations to a third party. At August 31, 2013, CFC had guaranteed $80 million of NCSC debt, derivative instruments and guarantees with third parties, and CFC’s maximum potential exposure for these instruments totaled $88 million. The maturities for NCSC obligations guaranteed by CFC run through 2031. Guarantees of NCSC debt and derivative instruments are not included in Note 10, Guarantees, as the debt and derivatives are reported on the condensed consolidated balance sheet. At August 31, 2013, CFC guaranteed $2 million of RTFC guarantees with third parties. The maturities for RTFC obligations guaranteed by CFC run through 2013 and are renewed on an annual basis. All CFC loans to RTFC and NCSC are secured by all assets and revenue of RTFC and NCSC. At August 31, 2013, RTFC had total assets of $604 million including loans outstanding to members of $480 million, and NCSC had total assets of $729 million including loans outstanding of $705 million. At August 31, 2013, CFC had committed to lend RTFC up to $4,000 million, of which $469 million was outstanding. At August 31, 2013, CFC had committed to provide up to $3,000 million of credit to NCSC, of which $769 million was outstanding, representing $689 million of outstanding loans and $80 million of credit enhancements.

(c) Loan Sales

We account for the sale of loans resulting from direct loan sales to third parties and securitization transactions by removing the financial assets from our condensed consolidated balance sheets when control has been surrendered. We recognize related servicing fees on an accrual basis over the period for which servicing activity is provided. Deferred transaction costs and unamortized deferred loan origination costs related to the loans sold are included in the calculation of the gain or loss on the sale. We do not hold any continuing interest in the loans sold to date other than servicing performance obligations. We have no obligation to repurchase loans from the purchaser, except in the case of breaches of representations and warranties. We retain the servicing performance obligations on these loans. We have not recorded a servicing asset or liability because our servicing fees are at market rates.

During the three months ended August 31, 2013 and 2012, we sold CFC loans with outstanding balances totaling $11 million and $14 million, respectively, at par for cash. We recorded a loss on sale of loans, representing the unamortized deferred loan origination costs and transaction costs for the loans sold, which was immaterial during the three months ended August 31, 2013 and 2012.

(d) Interest Income

Interest income on loans is recognized using the effective interest method. The following table presents the components of interest income:

	For the three months ended August 31,			
(dollar amounts in thousands)	2013		2012	
Interest on long-term fixed-rate loans	$	224,583	$	217,940
Interest on long-term variable-rate loans		4,828		6,025
Interest on line of credit loans		7,572		7,692
Interest on restructured loans		136		5,462
Interest on investments		1,936		938
Fee income (1)		2,016		2,028
Total interest income	$	241,071	$	240,085

(1) Primarily related to conversion fees that are deferred and recognized using the effective interest method over the remaining original loan interest rate pricing term, except for a small portion of the total fee charged to cover administrative costs related to the conversion, which is recognized immediately.

Deferred income on the condensed consolidated balance sheets primarily includes deferred conversion fees totaling $37 million and $21 million at August 31, 2013 and May 31, 2013, respectively.

(e) Interest Expense

The following table presents the components of interest expense:

	For the three months ended August 31,	
(dollar amounts in thousands)	2013	2012

Interest expense on debt (1):		
Short-term debt	$ 1,432	$ 1,619
Medium-term notes	21,571	27,883
Collateral trust bonds	76,798	81,439
Subordinated deferrable debt	4,750	2,806
Subordinated certificates	20,626	20,354
Long-term notes payable	37,939	38,396
Debt issuance costs (2)	1,865	1,937
Fee expense (3)	2,604	2,162
Total interest expense	$ 167,585	$ 176,596

(1) Represents interest expense and the amortization of discounts on debt.

(2) Includes amortization of all deferred charges related to the issuance of debt, principally underwriters' fees, legal fees, printing costs and comfort letter fees. Amortization is calculated using the effective interest method or a method approximating the effective interest method. Also includes issuance costs related to dealer commercial paper, which are recognized as incurred.

(3) Includes various fees related to funding activities, including fees paid to banks participating in our revolving credit agreements. Fees are recognized as incurred or amortized on a straight-line basis over the life of the respective agreement.

We exclude indirect costs, if any, related to funding activities from interest expense.

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(f) Derivative Financial Instruments

We are an end user of financial derivative instruments and not a swap dealer. We use derivatives such as interest rate swaps and treasury rate locks to mitigate interest rate risk. Consistent with the accounting standards for derivative financial instruments, we record derivative instruments (including certain derivative instruments embedded in other contracts) on the condensed consolidated balance sheets as either an asset or liability measured at fair value. In recording the fair value of derivative assets and liabilities, we do not net our positions under contracts with individual counterparties. Accrued cash settlements on our derivatives are recorded as accrued interest and other receivables and accrued interest payable line items of the condensed consolidated balance sheet. Changes in the fair value of derivative instruments along with realized gains and losses from cash settlements are recognized in the derivative gains (losses) line item of the condensed consolidated statement of operations unless specific hedge accounting criteria are met.

We formally document, designate and assess the effectiveness of transactions that receive hedge accounting treatment. If applicable hedge accounting criteria are satisfied, the change in fair value of derivative instruments is recorded to other comprehensive income, and net cash settlements are recorded in interest expense. The gain or loss on derivatives used as a cash flow hedge of a forecasted debt transaction is recorded as a component of other comprehensive income (loss) and amortized as interest expense using the effective interest method over the term of the hedged debt. Any ineffectiveness in the hedging relationship is recognized in the derivative gains (losses) line of the statement of operations.

Cash activity associated with interest rate swaps is classified as an operating activity in the condensed consolidated statements of cash flows.

(g) Reclassifications

Reclassifications of prior period amounts have been made to conform to the current reporting format and the presentation in our Form 10-Q for the three months ended August 31, 2013. Specifically, time deposits with financial institutions have been reclassified from the investments line item into its separate line item on the condensed consolidated balance sheet as of May 31, 2013.

(h) Immaterial Correction of Errors

During the third quarter of fiscal year 2013, we identified two errors in the condensed consolidated statement of cash flows related to (1) the classification of advances and sale proceeds of loans sold and (2) the presentation of short-term debt with an original maturity of greater than 90 days. We corrected our previously reported condensed consolidated statement of cash flows for the three months ended August 31, 2012 herein to reflect the impact of the immaterial errors. The errors and the corrections have no effect on the change in cash, our total cash balance, liquidity, condensed consolidated balance sheet, condensed consolidated statement of operations, key ratios or covenant compliance for any period. We concluded that the errors were not material to any of the previously reported quarterly or annual periods.

The effect of recording the correction of the immaterial errors in the condensed consolidated statement of cash flows for the three months ended August 31, 2012 is presented below:

	For the three months ended August 31, 2012		
(dollar amounts in thousands)	As Filed	Adjustment	Corrected
Advances made on loans	$(2,096,528)	$ 13,589	$ (2,082,939)

Net proceeds from sale of loans	13,589	(13,589)	-
Proceeds from issuances of short-term debt, net	130,301	(28,227)	102,074
Proceeds from issuances of short term debt with original maturity greater than 90 days	-	128,515	128,515
Repayments of short term debt with original maturity greater than 90 days	-	(100,288)	(100,288)

(i) New Accounting Pronouncements

In December 2011, the Financial Accounting Standards Board issued Accounting Standards Update, Disclosures about Offsetting Assets and Liabilities, which requires enhanced disclosures about certain financial assets and liabilities that are subject to enforceable master netting agreements or similar agreements, or that have otherwise been offset on the balance sheet under certain specific conditions that permit net presentation. In January 2013, the Financial Accounting Standards Board issued Accounting Standards Update, Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities, which clarifies that the scope of the above guidance is limited to derivatives, repurchase and reverse repurchase agreements, and securities borrowing and lending transactions. The guidance is effective for the Company beginning in the first quarter of fiscal year 2014. See Note 8, Derivative Financial Instruments, for additional disclosures about offsetting assets and liabilities.

In February 2013, the Financial Accounting Standards Board issued Accounting Standards Update, Reporting of Amounts Reclassified out of Accumulated Other Comprehensive Income, which requires enhanced disclosures of the amounts reclassified out of Accumulated Other Comprehensive Income by component. In addition, an entity is required to present, either on the face of the statement where net income is presented or in the notes, significant amounts reclassified out of Accumulated Other Comprehensive Income by the respective line items of net income, but only if the amount reclassified is required under GAAP to be reclassified to net income in its entirety in the same reporting period. The guidance was effective for the Company beginning in the first quarter of fiscal year 2014 and did not have a material effect on the condensed consolidated financial statements, as the amounts reclassified out of other comprehensive income are immaterial for all periods presented.

(2) Investments

Our investments at August 31, 2013 and May 31, 2013 include Federal Agricultural Mortgage Corporation Series A preferred stock totaling $25 million and $29 million, respectively, which includes the $30 million cost of purchase and an unrealized loss of $5 million and $1 million, respectively, recorded in accumulated other comprehensive income on the condensed consolidated balance sheet. Management does not intend to sell this investment for the foreseeable future and believes the decline is temporary. Our investment in this Series A preferred stock is accounted for as available-for-sale and recorded in the condensed consolidated balance sheets at fair value.

Our investments at August 31, 2013 and May 31, 2013 also includes investments in Federal Agricultural Mortgage Corporation Series A common stock totaling $2 million, which includes the $0.5 million cost of purchases and an unrealized gain of $1.8 million and $1.7 million, respectively, recorded in accumulated other comprehensive income on the condensed consolidated balance sheet. Our investment in this Series A common stock is accounted for as available-for-sale and recorded in the condensed consolidated balance sheets at fair value.

(3) Loans and Commitments

Loans outstanding to members and unadvanced commitments by loan type and by member class are summarized as follows:

	August 31, 2013		May 31, 2013	
(dollar amounts in thousands)	Loans outstanding	Unadvanced commitments (1)	Loans outstanding	Unadvanced commitments (1)
Total by loan type (2):				
Long-term fixed-rate loans	$ 18,208,107	$ -	$ 17,918,268	$ -
Long-term variable-rate loans	681,573	5,056,010	782,006	4,718,162
Loans guaranteed by RUS	209,560	-	210,815	-
Line of credit loans	1,305,851	8,663,797	1,385,228	8,704,586
Total loans outstanding	20,405,091	13,719,807	20,296,317	13,422,748
Deferred origination costs	9,702	-	9,557	-
Less: Allowance for loan losses	(55,656)	-	(54,325)	-
Net loans outstanding	$ 20,359,137	$ 13,719,807	$ 20,251,549	$ 13,422,748

Total by member class (2):

CFC:				
Distribution	$ 15,083,474	$ 9,307,402	$ 14,941,192	$ 8,948,826
Power supply	4,065,241	3,125,136	4,007,669	3,145,518
Statewide and associate	71,574	101,970	70,956	102,087
CFC total	19,220,289	12,534,508	19,019,817	12,196,431
RTFC	479,769	315,544	503,359	317,344
NCSC	705,033	869,755	773,141	908,973
Total loans outstanding	$ 20,405,091	$ 13,719,807	$ 20,296,317	$ 13,422,748

(1) The interest rate on unadvanced commitments is not set until drawn, therefore, the long-term unadvanced loan commitments have been classified in this table as variable-rate unadvanced commitments. However, at the time of the advance, the borrower may select a fixed or a variable rate on the new loan.
(2) Includes non-performing and restructured loans.

Non-performing and restructured loans outstanding and unadvanced commitments to members included in the table above are summarized as follows by loan type and by company:

(dollar amounts in thousands)	August 31, 2013 Loans outstanding	August 31, 2013 Unadvanced commitments (1)	May 31, 2013 Loans outstanding	May 31, 2013 Unadvanced commitments (1)
Non-performing and restructured loans:				
Non-performing loans:				
CFC:				
Line of credit loans	$ 5,000	$ -	$ 5,000	$ -
RTFC:				
Long-term fixed-rate loans	3,174	-	3,690	-
Long-term variable-rate loans	7,100	-	6,807	-
Total non-performing loans	$ 15,274	$ -	$ 15,497	$ -
Restructured loans:				
CFC:				
Long-term fixed-rate loans	$ 7,585	$ -	$ 46,953	$ -
Line of credit loans (2)	-	-	-	5,000
Total restructured loans	$ 7,585	$ -	$ 46,953	$ 5,000

(1) The interest rate on unadvanced commitments is not set until drawn, therefore, the long-term unadvanced loan commitments have been classified in this table as variable-rate unadvanced commitments. However, at the time of the advance, the borrower may select a fixed or a variable rate on the new loan.
(2) The unadvanced commitment is part of the terms outlined in the related restructure agreement. Loans advanced under these commitments would be classified as performing. Principal and interest due under these performing loans would be in addition to scheduled payments due under the restructured loan agreement.

Unadvanced Loan Commitments
A total of $1,753 million and $1,703 million of unadvanced commitments at August 31, 2013 and May 31, 2013, respectively, represented unadvanced commitments related to committed lines of credit loans that are not subject to a material adverse change clause at the time of each loan advance. As such, we will be required to advance amounts on these committed facilities as long as the borrower is in compliance with the terms and conditions of the facility.

The following table summarizes the available balance under committed lines of credit at August 31, 2013, and the related maturities by fiscal year and thereafter as follows:

(dollar amounts in thousands)	Available balance	Notional maturities of committed lines of credit 2014	2015	2016	2017	2018	Thereafter
Committed lines of credit	$ 1,753,021	$ 108,210	$ 91,104	$ 134,800	$ 562,466	$ 809,691	$ 46,750

The remaining unadvanced commitments totaling $11,967 million and $11,720 million at August 31, 2013 and May 31, 2013, respectively, were generally subject to material adverse change clauses. Prior to making an advance on these facilities, we confirm that there has been no material adverse change in the business or condition, financial or otherwise, of the borrower since the time the loan was approved and confirm that the borrower is currently in compliance with loan terms and conditions. In some cases, the borrower’s access to the full amount of the facility is further constrained by the imposition of borrower-specific restrictions, or by additional conditions that must be met prior to advancing funds.

Unadvanced commitments related to line of credit loans are typically for periods not to exceed five years and are generally revolving facilities used for working capital and backup liquidity purposes. Historically, we have experienced a very low utilization rate on line of credit loan facilities, whether or not there is a material adverse change clause. Since we generally do not charge a fee on the unadvanced portion of the majority of our loan facilities, our borrowers will typically request long-term facilities to cover maintenance and capital expenditure work plans for periods of up to five years and draw down on the facility over that time. In addition, borrowers will typically request an amount in excess of their immediate estimated loan requirements to avoid the expense related to seeking additional loan funding for unexpected items.

The above items all contribute to our expectation that the majority of the unadvanced commitments will expire without being fully drawn upon and that the total unadvanced amount does not necessarily represent future cash funding requirements.

Payment Status of Loans

The tables below show an analysis of the age of the recorded investment in loans outstanding by member class:

	August 31, 2013					
(dollar amounts in thousands)	30-89 days past due	90 days or more past due (1)	Total past due	Current	Total financing receivables	Non-accrual loans
CFC:						
Distribution	$ -	$ -	$ -	$ 15,083,474	$ 15,083,474	$ -
Power supply	-	5,000	5,000	4,060,241	4,065,241	5,000
Statewide and associate	-	-	-	71,574	71,574	-
CFC total	-	5,000	5,000	19,215,289	19,220,289	5,000
RTFC	-	8,219	8,219	471,550	479,769	10,274
NCSC	-	-	-	705,033	705,033	-
Total loans outstanding	$ -	$ 13,219	$ 13,219	$ 20,391,872	$ 20,405,091	$ 15,274
As a % of total loans	0.00%	0.06%	0.06%	99.94%	100.00%	0.07%

(1) All loans 90 days or more past due are on non-accrual status.

	May 31, 2013					
(dollar amounts in thousands)	30-89 days past due	90 days or more past due (1)	Total past due	Current	Total financing receivables	Non-accrual loans
CFC:						
Distribution	$ 2,841	$ -	$ 2,841	$ 14,938,351	$ 14,941,192	$ 7,584
Power supply	-	5,000	5,000	4,002,669	4,007,669	5,000
Statewide and associate	-	-	-	70,956	70,956	-
CFC total	2,841	5,000	7,841	19,011,976	19,019,817	12,584
RTFC	4,163	4,156	8,319	495,040	503,359	10,497
NCSC	-	-	-	773,141	773,141	-
Total loans outstanding	$ 7,004	$ 9,156	$ 16,160	$ 20,280,157	$ 20,296,317	$ 23,081
As a % of total loans	0.03%	0.05%	0.08%	99.92%	100.00%	0.11%

(1) All loans 90 days or more past due are on non-accrual status.

Credit Quality

We monitor the credit quality and performance statistics of our financing receivables in an ongoing manner to provide a balance between the credit needs of our members and the requirements for sound credit quality of the loan portfolio. We evaluate the credit quality of our loans using an internal risk rating system that employs similar criteria for all member classes.

Our internal risk rating system is based on a determination of a borrower's risk of default utilizing both quantitative and qualitative measurements.

We have grouped our risk ratings into the categories of pass and criticized based on the criteria below.
(i) Pass: Borrowers that are not experiencing difficulty and/or not showing a potential or well-defined credit weakness.
(ii) Criticized: Includes borrowers categorized as special mention, substandard and doubtful as described below:

- Special mention: Borrowers that may be characterized by a potential credit weakness or deteriorating financial condition that is not sufficiently serious to warrant a classification of substandard or doubtful.
- Substandard: Borrowers that display a well-defined credit weakness that may jeopardize the full collection of principal and interest.
- Doubtful: Borrowers that have a well-defined weakness and the full collection of principal and interest is questionable or improbable.

Borrowers included in the pass, special mention, and substandard categories are reflected in the general portfolio of loans. Borrowers included in the doubtful category are reflected in the impaired portfolio of loans. Each risk rating is reassessed annually based on the receipt of the borrower's audited financial statements; however, interim downgrades and upgrades may take place at any time as significant events or trends occur.

The following table presents our loan portfolio by risk rating category and member class based on available data as of:

(dollar amounts in thousands)	August 31, 2013			May 31, 2013		
	Pass	Criticized	Total	Pass	Criticized	Total
CFC:						
Distribution	$ 15,066,434	$ 17,040	$ 15,083,474	$ 14,922,558	$ 18,634	$ 14,941,192
Power supply	4,060,241	5,000	4,065,241	4,002,669	5,000	4,007,669
Statewide and associate	71,289	285	71,574	70,668	288	70,956
CFC total	19,197,964	22,325	19,220,289	18,995,895	23,922	19,019,817
RTFC	460,043	19,726	479,769	483,058	20,301	503,359
NCSC	700,573	4,460	705,033	770,419	2,722	773,141
Total loans outstanding	$ 20,358,580	$ 46,511	$ 20,405,091	$ 20,249,372	$ 46,945	$ 20,296,317

Loan Security

Except when providing line of credit loans, we typically lend to our members on a senior secured basis. Long-term loans are typically secured on a parity with other secured lenders (primarily RUS), if any, by all assets and revenue of the borrower with exceptions typical in utility mortgages. Line of credit loans are generally unsecured. In addition to the lien and security interest we receive under the mortgage, our member borrowers are also required to achieve certain financial ratios as required by loan covenants.

The following table summarizes our secured and unsecured loans outstanding by loan type and by company:

(dollar amounts in thousands)	August 31, 2013				May 31, 2013			
Total by loan type:	Secured	%	Unsecured	%	Secured	%	Unsecured	%
Long-term fixed-rate loans	$ 17,116,916	94%	$ 1,091,191	6%	$ 16,871,594	94%	$ 1,046,674	6%
Long-term variable-rate loans	577,880	85	103,693	15	676,075	86	105,931	14
Loans guaranteed by RUS	209,560	100	-	-	210,815	100	-	-
Line of credit loans	250,098	19	1,055,753	81	294,575	21	1,090,653	79
Total loans outstanding	$ 18,154,454	89	$ 2,250,637	11	$ 18,053,059	89	$ 2,243,258	11
Total by company:								
CFC	$ 17,240,266	90%	$ 1,980,023	10%	$ 17,049,029	90%	$ 1,970,788	10%
RTFC	459,163	96	20,606	4	482,647	96	20,712	4
NCSC	455,025	65	250,008	35	521,383	67	251,758	33
Total loans outstanding	$ 18,154,454	89	$ 2,250,637	11	$ 18,053,059	89	$ 2,243,258	11

Loan Loss Allowance

We maintain an allowance for loan losses at a level estimated by management to provide for probable losses inherent in the loan portfolio. Under a guarantee agreement, CFC reimburses RTFC and NCSC for loan losses, therefore, RTFC and NCSC do not maintain separate loan loss allowances.

The activity in the loan loss allowance summarized in the tables below reflects a disaggregation by company of the allowance for loan losses by company:

	As of and for the three months ended August 31, 2013							
(dollar amounts in thousands)		CFC		RTFC		NCSC		Total
Balance as of May 31, 2013	$	41,246	$	9,158	$	3,921	$	54,325
Provision for (recovery of) loan losses		2,037		(661)		(98)		1,278
Recoveries of loans previously charged-off		53		-		-		53
Balance as of August 31, 2013	$	43,336	$	8,497	$	3,823	$	55,656

	As of and for the three months ended August 31, 2012							
(dollar amounts in thousands)		CFC		RTFC		NCSC		Total
Balance as of May 31, 2012	$	126,941	$	8,562	$	7,823	$	143,326
Provision for (recovery of) loan losses		9,787		315		(980)		9,122
Recoveries of loans previously charged-off		53		-		-		53
Balance as of August 31, 2012	$	136,781	$	8,877	$	6,843	$	152,501

Our allowance for loan losses includes a specific valuation allowance related to individually-evaluated impaired loans, as well as a general reserve for other probable incurred losses for loans that are collectively evaluated. The tables below present the loan loss allowance and the recorded investment in outstanding loans by impairment methodology and by company:

	August 31, 2013			
(dollar amounts in thousands)	CFC	RTFC	NCSC	Total
Ending balance of the allowance:				
Collectively evaluated	$ 43,336	$ 5,346	$ 3,823	$ 52,505
Individually evaluated	-	3,151	-	3,151
Total ending balance of the allowance	$ 43,336	$ 8,497	$ 3,823	$ 55,656
Recorded investment in loans:				
Collectively evaluated	$ 19,207,704	$ 469,495	$ 705,033	$ 20,382,232
Individually evaluated	12,585	10,274	-	22,859
Total recorded investment in loans	$ 19,220,289	$ 479,769	$ 705,033	$ 20,405,091
Loans to members, net	$ 19,176,953	$ 471,272	$ 701,210	$ 20,349,435

	May 31, 2013			
(dollar amounts in thousands)	CFC	RTFC	NCSC	Total
Ending balance of the allowance:				
Collectively evaluated	$ 41,246	$ 5,731	$ 3,921	$ 50,898
Individually evaluated	-	3,427	-	3,427
Total ending balance of the allowance	$ 41,246	$ 9,158	$ 3,921	$ 54,325
Recorded investment in loans:				
Collectively evaluated	$ 18,967,864	$ 492,862	$ 773,141	$ 20,233,867
Individually evaluated	51,953	10,497	-	62,450
Total recorded investment in loans	$ 19,019,817	$ 503,359	$ 773,141	$ 20,296,317
Loans to members, net (1)	$ 18,978,571	$ 494,201	$ 769,220	$ 20,241,992

(1) Excludes deferred origination costs of $10 million at August 31, 2013 and May 31, 2013.

Impaired Loans

Our recorded investment in individually-impaired loans and the related specific valuation allowance is summarized below by member class:

	August 31, 2013		May 31, 2013	
(dollar amounts in thousands)	Recorded investment	Related allowance	Recorded investment	Related allowance
With no specific allowance recorded:				
CFC/Distribution	$ 7,585	$ -	$ 46,953	$ -

CFC/Power Supply	5,000	-	5,000	-
Total	12,585	-	51,953	-
With a specific allowance recorded:				
RTFC	10,274	3,151	10,497	3,427
Total	10,274	3,151	10,497	3,427
Total impaired loans	$ 22,859	$ 3,151	$ 62,450	$ 3,427

The recorded investment for impaired loans was equal to the total unpaid principal balance for impaired loans as of May 31, 2013 and 2012. The table below represents the average recorded investment in impaired loans and the interest income recognized by member class:

	For the three months ended August 31,			
	2013	2012	2013	2012
(dollar amounts in thousands)	Average recorded investment		Interest income recognized	
CFC/Distribution	$ 20,648	$ 485,077	$ 136	$ 5,462
CFC/Power Supply	5,000	5,000	-	-
RTFC	10,382	6,890	-	-
Total impaired loans	$ 36,030	$ 496,967	$ 136	$ 5,462

Non-performing and Restructured Loans

Foregone interest income as a result of holding loans on non-accrual status:

	For the three months ended August 31,			
(dollar amounts in thousands)	2013		2012	
Non-performing loans	$	179	$	407
Restructured loans		-		-
Total	$	179	$	407

At August 31, 2013 and May 31, 2013, non-performing loans totaled $15 million or 0.1 percent, of loans outstanding. One borrower in this group is currently in bankruptcy. A trustee for the borrower filed a disclosure statement and draft plan of reorganization on February 15, 2013. The Trustee filed an amended disclosure statement and plan of reorganization on August 14, 2013. The bankruptcy court approved the amended disclosure statement on October 1, 2013. The amended plan of reorganization will be subject to certain changes and ultimate approval of the bankruptcy court. On October 9, 2013, the bankruptcy court canceled the confirmation hearing originally scheduled for November 12, 2013, due to conflicts among the case participants regarding scheduling and other matters. If the trustee is unable to reach agreement with the interested parties, then the court will hold another status conference to resolve the scheduling disputes. Another borrower in this group is contesting a ruling that it is required to repay state USF payments received. There are two other borrowers that are currently seeking buyers for their systems, as it is not anticipated that they will have sufficient cash flow to repay their loans without the proceeds from the sale of the business. It is currently anticipated that even with the sale of the business, there will not be sufficient funds to repay the full amount owed. We have approval rights with respect to the sale of either of these companies.

At August 31, 2013 and May 31, 2013, we had restructured loans totaling $8 million, or 0.04 percent, of loans outstanding and $47 million, or 0.2 percent, of loans outstanding, respectively, all of which were performing according to their restructured terms. Approximately $0.1 million of interest income was accrued on restructured loans during the three months ended August 31, 2013 compared with $5 million of interest income in the prior-year period. One of the restructured loans totaling $39 million at May 31, 2013, was refinanced without concession during the quarter with the new loan classified as performing at August 31, 2013. This loan was on accrual status since the time of restructuring.

We believe our allowance for loan loss is adequate to cover the losses inherent in our loan portfolio at August 31, 2013.

Pledging of Loans and Loans on Deposit

We are required to pledge eligible mortgage notes in an amount at least equal to the outstanding balance of our secured debt.

The following table summarizes our loans outstanding as collateral pledged to secure our collateral trust bonds, Clean Renewable Energy Bonds and notes payable to the Federal Agricultural Mortgage Corporation and the amount of the corresponding debt outstanding (see Note 5, Short-Term Debt and Credit Arrangements and Note 6, Long-Term Debt).

	August 31,
(dollar amounts in thousands)	2013