

People's United Financial, Inc.  
Form 10-K  
March 02, 2009  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-K**

**ANNUAL REPORT**

**Pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934**

**For the fiscal year ended December 31, 2008**

**People s United Financial, Inc.**

*(Exact name of registrant as specified in its charter)*

**001-33326**

*(Commission File Number)*

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**Delaware**  
*(State or other jurisdiction of  
incorporation or organization)*

**20-8447891**  
*(I.R.S. Employer  
Identification No.)*

**850 Main Street**

**Bridgeport, Connecticut 06604**

*(Address of principal executive offices, including zip code)*

**(203) 338-7171**

*(Registrant's telephone number, including area code)*

**Securities registered pursuant to Section 12(b) of the Act:**

**Common Stock, \$0.01 par value per share**  
*(Title of each class)*

**NASDAQ Global Select Market**  
*(Name of each exchange on which registered)*

**Securities registered pursuant to Section 12(g) of the Act: None.**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer

Accelerated filer

Non-accelerated filer   
(Do not check if a smaller  
reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes  No

The aggregate market value of voting stock held by non-affiliates of the registrant, based upon the last reported sales price of its common stock as of the last business day of the registrant's most recently completed second quarter on the NASDAQ Global Select Market was \$5,409,129,071.

As of February 13, 2009, there were 348,228,185 shares of the registrant's common stock outstanding.

**Documents Incorporated by Reference**

Portions of the Proxy Statement for the Annual Meeting of Shareholders to be held on May 7, 2009, are incorporated by reference into Part III.



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**PEOPLE'S UNITED FINANCIAL, INC.**

**2008 FORM 10-K**

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**Part I**

**Item 1. Business**

*General*

People's United Financial, Inc. (People's United Financial) is a savings and loan holding company and is incorporated under the state laws of Delaware. People's United Financial was formed for the purpose of effectuating the conversion of People's Bank and People's Mutual Holdings from a mutual holding company structure to a stock holding company structure. On April 16, 2007, People's United Financial, People's Bank and People's Mutual Holdings completed their second-step conversion from a mutual holding company structure to a fully-public stock holding company structure. People's Mutual Holdings merged with and into People's Bank, with People's Bank as the surviving entity, and People's Bank became a wholly-owned subsidiary of People's United Financial. See Note 2 to the Consolidated Financial Statements for a further discussion of the second-step conversion. On June 6, 2007, People's Bank changed its name to People's United Bank. The name "People's United Bank" is used to refer to the Bank both before and after the name change. People's United Bank is a federally-chartered stock savings bank headquartered in Bridgeport, Connecticut.

On January 1, 2008, People's United Financial completed its acquisition of Chittenden Corporation ("Chittenden"), a multi-bank holding company headquartered in Burlington, Vermont. At December 31, 2007, Chittenden had total assets of \$7.4 billion, total loans of \$5.7 billion, total deposits of \$6.2 billion and 140 branches. The acquisition was accounted for using the purchase method of accounting and accordingly, Chittenden's asset and liabilities were recorded by People's United Financial at their estimated fair values as of January 1, 2008. Financial data for periods prior to the acquisition date do not include the results of Chittenden. See Note 3 to the Consolidated Financial Statements for a further discussion of the acquisition.

The six former Chittenden banks, which continue to do business under their existing names as divisions of People's United Bank, are: Chittenden Trust Company based in Burlington, Vermont; Flagship Bank and Trust Company based in Worcester, Massachusetts; Maine Bank & Trust based in Portland, Maine; Merrill Merchants Bank based in Bangor, Maine; Ocean Bank based in Portsmouth, New Hampshire; and The Bank of Western Massachusetts based in Springfield, Massachusetts.

The principal business of People's United Financial is to provide, through People's United Bank and its subsidiaries, commercial banking, retail and small business banking, and wealth management services to individual, corporate and municipal customers. Traditional banking activities are conducted primarily within New England and include extending secured and unsecured commercial and consumer loans, originating mortgage loans secured by residential and commercial properties, and accepting consumer, commercial and municipal deposits. In addition to traditional banking activities, People's United Bank provides specialized financial services tailored to specific markets including: personal, institutional and employee benefit trust; cash management; and municipal banking and finance. Through its non-banking subsidiaries, People's United Bank offers: brokerage, financial advisory services, investment management services and life insurance through People's Securities, Inc. and Chittenden Securities, LLC; equipment financing through People's Capital and Leasing Corp. ("PCLC"); and other insurance services through R.C. Knox and Company, Inc. and Chittenden Insurance Group, LLC.

This full range of financial services is delivered through a network of over 300 branches in Connecticut, Massachusetts, New Hampshire, Vermont, Maine and New York, including 79 full-service supermarket branches, 43 investment and brokerage offices, nine PCLC offices, 16 commercial banking offices and over 400 ATMs. People's United Bank's distribution network also includes online banking and investment trading, a 24-hour telephone banking service and participation in a worldwide ATM network.

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People's United Financial's operations are divided into three primary business segments that represent its core businesses, Commercial Banking, Retail Banking and Small Business, and Wealth Management. Commercial Banking consists principally of commercial lending, commercial real estate lending, indirect auto lending, and commercial deposit gathering activities. This segment also includes the equipment financing operations of PCLC, as well as cash management, correspondent banking, municipal banking and corporate trust. Retail Banking and Small Business includes, as its principal business lines, consumer and small business deposit gathering activities, consumer lending (including residential mortgage and home equity) and small business lending. Wealth Management consists of private banking, trust services, brokerage, financial advisory services, investment management services and life insurance provided by People's Securities and Chittenden Securities, and other insurance services provided through R.C. Knox and Chittenden Insurance Group. In addition, the Treasury area is responsible for managing People's United Financial's securities portfolio, short-term investments and wholesale funding activities.

Further discussion of People's United Financial's business and operations appears on pages 21 through 73.

*Supervision and Regulation People's United Financial*

*Federal Holding Company Regulation*

People's United Financial is a savings and loan holding company within the meaning of the Home Owners' Loan Act. As such, People's United Financial is regulated by the Office of Thrift Supervision (the "OTS") and subject to OTS examination, supervision and reporting requirements. In addition, the OTS has enforcement authority over People's United Financial and People's United Bank. Among other things, this authority permits the OTS to restrict or prohibit activities that are determined to be a serious risk to the subsidiary savings bank.

***Activities Restrictions Applicable to Savings and Loan Holding Companies.*** Under the Gramm-Leach-Bliley Act, the activities of all savings and loan holding companies formed after May 4, 1999, such as People's United Financial, must be financially related activities permissible for bank holding companies, as defined under the Gramm-Leach-Bliley Act. Accordingly, People's United Financial's activities are restricted to:

furnishing or performing management services for a savings institution subsidiary;

conducting an insurance agency or escrow business;

holding, managing, or liquidating assets owned or acquired from a savings institution subsidiary;

holding or managing properties used or occupied by a savings institution subsidiary;

acting as trustee under a deed of trust;

any other activity (1) that the Federal Reserve Board, by regulation, has determined to be permissible for bank holding companies under Section 4(c) of the Bank Holding Company Act of 1956, unless the Director of the OTS, by regulation, prohibits or limits any such activity for savings and loan holding companies, or (2) that multiple savings and loan holding companies were authorized by regulation to directly engage in on March 5, 1987;

purchasing, holding, or disposing of stock acquired in connection with a qualified stock issuance if the purchase of such stock is approved by the Director of the OTS; and

any activity permissible for financial holding companies under section 4(k) of the Bank Holding Company Act.



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Permissible activities that are deemed to be financial in nature or incidental thereto under section 4(k) of the Bank Holding Company Act include:

lending, exchanging, transferring, investing for others, or safeguarding money or securities;

insurance activities or providing and issuing annuities, and acting as principal, agent, or broker;

financial, investment, or economic advisory services;

issuing or selling instruments representing interests in pools of assets that a bank is permitted to hold directly;

underwriting, dealing in, or making a market in securities;

activities previously determined by the Federal Reserve Board to be closely related to banking;

activities that bank holding companies are permitted to engage in outside of the United States; and

portfolio investments made by an insurance company.

In addition, People's United Financial cannot be acquired or acquire a company unless the acquirer or target, as applicable, is engaged solely in financial activities.

***Restrictions Applicable to All Savings and Loan Holding Companies.*** Federal law prohibits a savings and loan holding company, including People's United Financial, directly or indirectly, from acquiring:

control (as defined under the Home Owners' Loan Act) of another savings bank (or a holding company parent) without prior OTS approval;

through merger, consolidation or purchase of assets, another savings bank or a holding company thereof, or acquiring all or substantially all of the assets of such institution or holding company without prior OTS approval; or

control of any depository institution not insured by the Federal Deposit Insurance Corporation (the "FDIC") (except through a merger with and into the holding company's savings bank subsidiary that is approved by the OTS).

The Home Owners' Loan Act prohibits a savings and loan holding company (directly or indirectly, or through one or more subsidiaries) from acquiring another savings bank or holding company thereof without prior written approval of the OTS; acquiring or retaining, with certain exceptions, more than 5% of a non-subsiidiary savings bank, a non-subsiidiary holding company, or a non-subsiidiary company engaged in activities other than those permitted by the Home Owners' Loan Act; or acquiring or retaining control of a depository institution that is not federally insured. In evaluating applications by holding companies to acquire savings banks, the OTS must consider the financial and managerial resources and future prospects of the company and institution involved, the effect of the acquisition on the risk to the Deposit Insurance Fund, the convenience and needs of the community and competitive factors.



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### *Federal Securities Law*

People's United Financial's securities are registered with the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended. People's United Financial is subject to the information, proxy solicitation, insider trading, and other requirements and restrictions of the Securities Exchange Act of 1934.

### *Delaware Corporation Law*

People's United Financial is incorporated under the laws of the State of Delaware, and is therefore subject to regulation by the state of Delaware. The rights of People's United Financial's stockholders are governed by the Delaware General Corporation Law.

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*Supervision and Regulation People's United Bank*

*General*

People's United Bank has been a federally chartered savings bank since August 18, 2006 when it converted from a Connecticut chartered savings bank. Its deposit accounts are insured up to applicable limits by the FDIC under the Deposit Insurance Fund. Under its charter, People's United Bank is subject to extensive regulation, examination and supervision by the OTS as its chartering agency, and by the FDIC as the deposit insurer. People's United Bank files reports with the OTS concerning its activities and financial condition, and must obtain regulatory approval from the OTS prior to entering into certain transactions, such as mergers with, or acquisitions of, other depository institutions. The OTS conducts periodic examinations to assess compliance with various regulatory requirements. The OTS has primary enforcement responsibility over federally chartered savings banks and has substantial discretion to impose enforcement action on a savings bank that fails to comply with applicable regulatory requirements, particularly with respect to capital requirements imposed on savings banks. In addition, the FDIC has the authority to recommend to the Director of the OTS that enforcement action be taken with respect to a particular federally chartered savings bank and, if action is not taken by the Director, the FDIC has authority to take such action under certain circumstances.

This regulation and supervision establishes a comprehensive framework of activities in which a federal savings bank can engage and is intended primarily for the protection of the Deposit Insurance Fund and depositors. The regulatory structure also gives the regulatory authorities extensive discretion in connection with their supervisory and enforcement activities and examination policies, including policies with respect to the classification of assets and the establishment of adequate loan loss reserves for regulatory purposes. Any change in such laws and regulations or interpretations thereof, whether by the OTS, the FDIC or through legislation, could have a material adverse impact on People's United Bank and its operations.

People's United Bank's brokerage subsidiaries, People's Securities and Chittenden Securities, are regulated by the Securities and Exchange Commission, the Financial Industry Regulatory Authority and state securities regulators. R.C. Knox and Chittenden Insurance Group are subject to regulation by applicable state insurance regulators.

*Federally Chartered Savings Bank Regulation*

**Activity Powers.** Federal savings banks derive their lending, investment and other activity powers primarily from the Home Owners' Loan Act, as amended, and the regulations of the OTS thereunder. Under these laws and regulations, federal savings banks generally may invest in:

real estate mortgages;

consumer and commercial loans;

certain types of debt securities; and

certain other assets.

Federal savings banks may also establish service corporations that may, subject to applicable limitations, engage in activities not otherwise permissible for federal savings banks, including certain real estate equity investments and securities and insurance brokerage activities. People's United Bank's investment powers are subject to various limitations, including (1) a prohibition against the acquisition of any corporate debt security that is not rated in one of the four highest rating categories; (2) a limit of 400% of a savings bank's capital on the aggregate amount of loans secured by non-residential real estate property; (3) a limit of 20% of a savings bank's assets on commercial loans, with the amount of commercial loans in excess of 10% of assets being limited to

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small business loans; (4) a limit of 35% of a savings bank's assets on the aggregate amount of consumer loans and acquisitions of certain debt securities, with amounts in excess of 30% of assets being limited to loans made directly to the original obligor and where no third-party finder or referral fees were paid; (5) a limit of 5% of assets on non-conforming loans (residential and farm loans in excess of the specific limitations of the Home Owners' Loan Act); and (6) a limit of the greater of 5% of assets or a savings bank's capital on certain construction loans made for the purpose of financing what is or is expected to become residential property. The OTS granted People's United Bank a phase-in period of three years from the date of its conversion to a federal savings bank, August 18, 2006, to comply with the Home Owners' Loan Act's commercial loan limits, with the ability to seek an additional one-year extension if necessary.

**Capital Requirements.** The OTS capital regulations require federally chartered savings banks to meet three minimum capital ratios:

*Tangible Capital Ratio* A 1.5% tangible capital ratio, calculated as tangible capital to adjusted total assets.

*Leverage (Core) Capital Ratio* A 4% leverage (core) capital ratio, calculated as core capital to adjusted total assets. The minimum leverage (core) capital ratio is reduced to 3% if the savings bank received the highest rating on its most recent safety and soundness examination.

*Risk-Based Capital Ratio* An 8% total risk-based capital ratio, calculated as total capital to risk-weighted assets. For purposes of this calculation, total capital includes core and supplementary capital, provided that supplementary capital may not exceed 100% of core capital.

In assessing an institution's capital adequacy, the OTS takes into consideration not only these numeric factors but also qualitative factors as well, and has the authority to establish higher capital requirements for individual institutions where necessary. People's United Bank, as a matter of prudent management, targets as its goal the maintenance of capital ratios which exceed these minimum requirements and that are consistent with People's United Bank's risk profile. At December 31, 2008, People's United Bank exceeded each of its capital requirements. See Regulatory Capital Requirements on pages 68 and 69 for a further discussion regarding People's United Bank's capital requirements.

The Federal Deposit Insurance Corporation Improvement Act requires that the OTS and other federal banking agencies revise their risk-based capital standards, with appropriate transition rules, to ensure that they take into account interest rate risk, concentration risk and the risks of non-traditional activities. The OTS monitors the interest rate risk of individual institutions through the OTS requirements for interest rate risk management, the ability of the OTS to impose individual minimum capital requirements on institutions that exhibit a high degree of interest rate risk, and the requirements of Thrift Bulletin 13a, which provides guidance on the management of interest rate risk and the responsibility of boards of directors in that area.

The OTS continues to monitor the interest rate risk of individual institutions through analysis of the change in net portfolio value. Net portfolio value is defined as the net present value of the expected future cash flows of an entity's assets and liabilities and, therefore, hypothetically represents the value of an institution's net worth. The OTS has also used this net portfolio value analysis as part of its evaluation of certain applications or notices submitted by savings banks. The OTS, through its general oversight of the safety and soundness of savings associations, retains the right to impose minimum capital requirements on individual institutions to the extent the institution is not in compliance with certain written guidelines established by the OTS regarding net portfolio value analysis. The OTS has not imposed any such requirements on People's United Bank.

**Safety and Soundness Standards.** Pursuant to the requirements of the Federal Deposit Insurance Corporation Improvement Act, as amended by the Riegle Community Development and Regulatory Improvement Act of 1994, each federal banking agency, including the OTS, has adopted guidelines establishing general standards relating to internal controls, information and internal audit systems, loan documentation, credit

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underwriting, interest rate exposure, asset growth, asset quality, earnings and compensation, fees and benefits. In general, the guidelines require, among other things, appropriate systems and practices to identify and manage the risks and exposures specified in the guidelines. The guidelines prohibit excessive compensation as an unsafe and unsound practice and describe compensation as excessive when the amounts paid are unreasonable or disproportionate to the services performed by an executive officer, employee, director, or principal stockholder.

In addition, the OTS adopted regulations to require a savings bank that is given notice by the OTS that it is not satisfying any of such safety and soundness standards to submit a compliance plan to the OTS. If, after being so notified, a savings bank fails to submit an acceptable compliance plan or fails in any material respect to implement an accepted compliance plan, the OTS may issue an order directing corrective and other actions of the types to which a significantly undercapitalized institution is subject under the prompt corrective action provisions of the Federal Deposit Insurance Corporation Improvement Act. If a savings bank fails to comply with such an order, the OTS may seek to enforce the order in judicial proceedings and to impose civil monetary penalties.

**Prompt Corrective Action.** The Federal Deposit Insurance Corporation Improvement Act also established a system of prompt corrective action to resolve the problems of undercapitalized institutions. Under this system, the federal bank regulators, including the OTS, are required to take certain and authorized to take other, supervisory actions against undercapitalized institutions, based upon five categories of capitalization which the Federal Deposit Insurance Corporation Improvement Act created: well-capitalized, adequately capitalized, undercapitalized, significantly undercapitalized and critically undercapitalized. The severity of the action authorized or required to be taken under the prompt corrective action regulations increases as a bank's capital decreases within the three undercapitalized categories. All banks are prohibited from paying dividends or other capital distributions or paying management fees to any controlling person if, following such distribution, the bank would be undercapitalized. The OTS is required to monitor closely the condition of an undercapitalized savings bank and to restrict the growth of its assets. An undercapitalized bank is required to file a capital restoration plan within 45 days of the date the bank receives notice or is deemed to have notice that it is within any of the three undercapitalized categories, and the plan must be guaranteed by any parent holding company. The aggregate liability of a parent holding company is limited to the lesser of:

an amount equal to 5% of the bank's total assets at the time it became undercapitalized ; and

the amount that is necessary (or would have been necessary) to bring the bank into compliance with all capital standards applicable with respect to such bank as of the time it fails to comply with a capital restoration plan.

If a bank fails to submit an acceptable plan, it is treated as if it were significantly undercapitalized. Banks that are significantly or critically undercapitalized are subject to a wider range of regulatory requirements and restrictions. Under OTS regulations, generally, a federal savings bank is treated as well-capitalized if its total risk-based capital ratio is 10% or greater, its Tier 1 risk-based capital ratio is 6% or greater, and its leverage ratio is 5% or greater, and it is not subject to any order or directive by the OTS to meet a specific capital level. As of December 31, 2008, People's United Bank's regulatory capital ratios exceeded the OTS's numeric criteria for classification as a well-capitalized institution.

**Insurance Activities.** Federal savings banks are generally permitted to engage in certain insurance and annuity activities through its subsidiaries. However, federal banking laws prohibit depository institutions from conditioning the extension of credit to individuals upon either the purchase of an insurance product or annuity from an entity affiliated with the depository institution or an agreement by the consumer not to purchase an insurance product or annuity from an entity that is not affiliated with the depository institution. Applicable regulations also require prior disclosure of this prohibition to potential insurance product or annuity customers.

Federal banking agencies, including the OTS, also require depository institutions that offer non-deposit investment products, such as certain annuity and related insurance products, to disclose to the consumer that the

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products are not federally insured, are not guaranteed by the institution and are subject to investment risk including possible loss of principal. These disclosure requirements apply if the institution offers the non-deposit investment products directly or through affiliates or subsidiaries.

**Deposit Insurance.** People's United Bank is a member of the Deposit Insurance Fund and pays its deposit insurance assessments to the Deposit Insurance Fund.

Pursuant to the Federal Deposit Insurance Corporation Improvement Act, the FDIC established a system for setting deposit insurance premiums based upon the risks a particular bank or savings association posed to its deposit insurance fund. Effective January 1, 2007, the FDIC established a risk-based assessment system for determining the deposit insurance assessments to be paid by insured depository institutions. Under the assessment system, the FDIC assigns an institution to one of four risk categories, with the first category having two sub-categories based on the institution's most recent supervisory and capital evaluations, designed to measure risk. Assessment rates currently range from 0.05% of deposits for an institution in the highest sub-category of the highest category to 0.43% of deposits for an institution in the lowest category. The FDIC is authorized to raise the assessment rates as necessary to maintain the required reserve ratio of 1.25%. The FDIC allows the use of credits for assessments previously paid, and People's United Bank has credits that will partially offset certain assessments in 2009.

Current economic conditions have resulted in an increased number of bank failures and, consequently, greater use of Deposit Insurance Fund resources. In response, the FDIC has proposed higher premium assessments for 2009 pursuant to a restoration plan designed to increase the DIF reserve ratio to required levels. Under the FDIC's restoration plan, the premium assessment rate was raised by seven basis points beginning on January 1, 2009 resulting in a 2009 initial base assessment rate of 12 basis points for People's United Bank. In addition, on February 27, 2009, the FDIC approved an additional one-time special assessment of 20 basis points on deposits. Further changes in assessment rates are anticipated later in 2009.

In addition, all FDIC-insured institutions are required to pay assessments to the FDIC at an annual rate of approximately 0.0114% of insured deposits to fund interest payments on bonds issued by the Financing Corporation, an agency of the federal government established to recapitalize the predecessor to the Savings Association Insurance Fund. These assessments will continue until the Financing Corporation bonds mature in 2017 through 2019.

Under the Federal Deposit Insurance Act, the FDIC may terminate the insurance of an institution's deposits upon a finding that the institution has engaged in unsafe or unsound practices, is in an unsafe or unsound condition to continue operations or has violated any applicable law, regulation, rule, order or condition imposed by the FDIC.

**Transactions with Affiliates.** Federal savings banks are subject to the affiliate and insider transaction rules set forth in Sections 23A, 23B, 22(g) and 22(h) of the Federal Reserve Act, as well as additional limitations as adopted by the Director of the OTS. The OTS regulations regarding transactions with affiliates and insider transactions generally conform to Regulation W and Regulation O, respectively, issued by the Federal Reserve Board. Affiliated transactions provisions, among other things, prohibit or limit a savings bank from extending credit to, or entering into certain transactions with, its affiliates and principal stockholders, directors and executive officers of the Federal savings bank.

In addition, Section 11 of the Home Owners' Loan Act prohibits a savings bank from making a loan to an affiliate that is engaged in non-bank holding company activities and prohibits a savings bank from purchasing or investing in securities issued by an affiliate that is not a subsidiary. OTS regulations also includes certain specific exemptions from these prohibitions. The Federal Reserve Board and the OTS require each depository institution that is subject to the affiliate transaction restrictions of Sections 23A and 23B of the Federal Reserve Act to

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implement policies and procedures to ensure compliance with Regulation W and the OTS regulations regarding transactions with affiliates.

In addition to the insider transaction limitations of Sections 22(g) and 22(h) of the Federal Reserve Act, Section 402 of the Sarbanes-Oxley Act of 2002 prohibits the extension of personal loans to directors and executive officers of issuers (as defined in the Sarbanes-Oxley Act). The prohibition, however, does not apply to mortgage loans advanced by an insured depository institution, such as People's United Bank, that are subject to the insider lending restrictions of Section 22(h) of the Federal Reserve Act.

**Privacy Standards.** People's United Bank is subject to OTS regulations implementing the privacy protection provisions of the Gramm-Leach-Bliley Act. These regulations require People's United Bank to disclose its privacy policy, including identifying with whom it shares non-public personal information, to customers at the time of establishing the customer relationship and annually thereafter. In addition, People's United Bank is required to provide its customers with the ability to opt-out of having People's United Bank share their non-public personal information with unaffiliated third parties before the bank can disclose such information, subject to certain exceptions.

In addition to certain state laws governing protection of customer information, People's United Bank is subject to federal regulatory guidelines establishing standards for safeguarding customer information. These regulations implement certain provisions of the Gramm-Leach-Bliley Act. The guidelines describe the agencies' expectations for the creation, implementation and maintenance of an information security program, which would include administrative, technical and physical safeguards appropriate to the size and complexity of the institution and the nature and scope of its activities. The standards set forth in the guidelines are intended to ensure the security and confidentiality of customer records and information, protect against any anticipated threats or hazards to the security or integrity of such records and protect against unauthorized access to or use of such records or information that could result in substantial harm or inconvenience to any customer. Federal guidelines also impose certain customer disclosures and other actions in the event of unauthorized access to customer information.

**Community Reinvestment Act.** Under the Community Reinvestment Act, as implemented by the OTS regulations, any federally chartered savings bank, including People's United Bank, has a continuing and affirmative obligation consistent with its safe and sound operation to help meet the credit needs of its entire community, including low and moderate income neighborhoods. The Community Reinvestment Act does not establish specific lending requirements or programs for financial institutions nor does it limit an institution's discretion to develop the types of products and services that it believes are best suited to its particular community. The Community Reinvestment Act requires the OTS, in connection with its examination of a federally chartered savings bank, to assess the depository institution's record of meeting the credit needs of its community and to take such record into account in its evaluation of certain applications by such institution.

Current Community Reinvestment Act regulations rate an institution based on its actual performance in meeting community needs. In particular, the evaluation system focuses on three tests:

a lending test, to evaluate the institution's record of making loans in its service areas;

an investment test, to evaluate the institution's record of investing in community development projects, affordable housing, and programs benefiting low or moderate income individuals and businesses; and

a service test, to evaluate the institution's delivery of services through its branches, ATMs and other offices.

The Community Reinvestment Act also requires all institutions to make public disclosure of their Community Reinvestment Act ratings. People's United Bank has received an outstanding rating in its most recent Community Reinvestment Act examination performed by the FDIC and the Connecticut Department of

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Banking in 2006. The federal banking agencies adopted regulations implementing the requirements under the Gramm-Leach-Bliley Act that insured depository institutions publicly disclose certain agreements that are in fulfillment of the Community Reinvestment Act. People's United Bank has no such agreements in place at this time.

***Loans to One Borrower.*** Under the Home Owners' Loan Act, savings banks are generally subject to the national bank limits on loans to one borrower. Generally, savings banks may not make a loan or extend credit to a single or related group of borrowers in excess of 15% of the institution's unimpaired capital and surplus. Additional amounts may be loaned, not in excess of 10% of unimpaired capital and surplus, if such loans or extensions of credit are secured by readily-marketable collateral. People's United Bank is in compliance with applicable loans to one borrower limitations.

***Nontraditional Mortgage Products.*** The federal banking agencies recently published final guidance for institutions that originate or service nontraditional or alternative mortgage products, defined to include all residential mortgage loan products that allow borrowers to defer repayment on principal or interest, such as interest-only mortgages and payment option adjustable-rate mortgages. A significant portion of People's United Bank's adjustable-rate residential mortgage loans are alternative mortgage loans.

Recognizing that alternative mortgage products expose institutions to increased risks as compared to traditional loans where payments amortize or reduce the principal amount, the guidance required increased scrutiny for alternative mortgage products. Institutions that originate or service alternative mortgages should have (1) strong risk management practices that include maintenance of capital levels and allowance for loan losses commensurate with the risk; (2) prudent lending policies and underwriting standards that address a borrower's repayment capacity; and (3) programs and practices designed to ensure that consumers receive clear and balanced information to assist in making informed decisions about mortgage products. The guidance also recommends heightened controls and safeguards when an institution combines an alternative mortgage product with features that compound risk, such as a simultaneous second-lien or the use of reduced documentation to evaluate a loan application.

People's United Bank complies with the guidance on non-traditional mortgage products as it is interpreted and applied by the OTS.

***Qualified Thrift Lender Test.*** The Home Owners' Loan Act requires Federal savings banks to meet a Qualified Thrift Lender test. Under the Qualified Thrift Lender test, a savings bank is required to maintain at least 65% of its portfolio assets (total assets less (1) specified liquid assets up to 20% of total assets; (2) intangibles, including goodwill; and (3) the value of property used to conduct business) in certain qualified thrift investments (primarily residential mortgages and related investments, including certain mortgage-backed securities, credit card loans, student loans, and small business loans) on a monthly basis during at least 9 out of every 12 months. The OTS granted People's United Bank an exception from the Qualified Thrift Lender test for a period of four years from the date of its conversion to a federal charter (August 18, 2006).

A savings bank that fails the Qualified Thrift Lender test and does not convert to a bank charter generally will be prohibited from: (1) engaging in any new activity not permissible for a national bank; (2) paying dividends not permissible under national bank regulations; and (3) establishing any new branch office in a location not permissible for a national bank in the institution's home state. In addition, if the institution does not requalify under the Qualified Thrift Lender test within three years after failing the test, the institution would be prohibited from engaging in any activity not permissible for a national bank and may have to repay any outstanding advances from the Federal Home Loan Bank as promptly as possible.

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**Limitation on Capital Distributions.** The OTS regulations impose limitations upon certain capital distributions by Federal savings banks, such as certain cash dividends, payments to repurchase or otherwise acquire its shares, payments to stockholders of another institution in a cash out merger and other distributions charged against capital.

The OTS regulates all capital distributions by People's United Bank directly or indirectly to its shareholder, including dividend payments. People's United Bank must file a notice with the OTS at least 30 days prior to each capital distribution. However, if the total amount of all capital distributions (including any proposed capital distribution) for the applicable calendar year exceeds net income for that year to date plus the retained net income for the preceding two years, as is the case as of December 31, 2008, then People's United Bank must file an application to receive the approval of the OTS for a proposed capital distribution.

People's United Bank may not pay dividends to its shareholder if, after paying those dividends, it would fail to meet the required minimum levels under risk-based capital guidelines and the minimum leverage and tangible capital ratio requirements or if the OTS notified People's United Bank that it was in need of more than normal supervision. Under the Federal Deposit Insurance Act, an insured depository institution such as People's United Bank is prohibited from making capital distributions, including the payment of dividends, if, after making such distribution, the institution would become undercapitalized (as such term is used in the Federal Deposit Insurance Act). Payment of dividends by People's United Bank also may be restricted at any time at the discretion of the appropriate regulator if it deems the payment to constitute an unsafe and unsound banking practice. See Note 13 to the Consolidated Financial Statements for a further discussion on capital distributions.

**Liquidity.** People's United Bank maintains sufficient liquidity to ensure its safe and sound operation, in accordance with OTS regulations.

**Assessments.** The OTS charges assessments to recover the cost of examining Federal savings banks and their affiliates. These assessments are based on three components: (1) the size of the institution on which the basic assessment is based; (2) the institution's supervisory condition, which results in an additional assessment based on a percentage of the basic assessment for any savings institution with a composite rating of 3, 4 or 5 in its most recent safety and soundness examination; and (3) the complexity of the institution's operations, which results in an additional assessment based on a percentage of the basic assessment for any savings institution that managed over \$1 billion in trust assets, serviced for others loans aggregating more than \$1 billion, or had certain off-balance sheet assets aggregating more than \$1 billion.

The OTS also assesses fees against savings and loan holding companies, such as People's United Financial. The OTS semi-annual assessment for savings and loan holding companies includes a base assessment with an additional assessment based on the holding company's risk or complexity, organizational form and condition.

**Branching.** Under OTS branching regulations, People's United Bank is generally authorized to open branches within or beyond the State of Connecticut if People's United Bank (1) continues to meet the requirements of a highly-rated Federal savings bank, and (2) publishes public notice at least 35 days before opening a branch and no one opposes the branch. If a comment in opposition to a branch opening is filed and the OTS determines the comment to be relevant to the approval process standards, and to require action in response, the OTS may, among other things, require a branch application or elect to hold a meeting with People's United Bank and the person who submitted the comment. OTS authority preempts any state law purporting to regulate branching by Federal savings banks.

**Anti-Money Laundering and Customer Identification.** People's United Bank is subject to OTS and Financial Crimes Enforcement Network regulations implementing the Bank Secrecy Act, as amended by the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, or the USA PATRIOT Act. The USA PATRIOT Act gives the federal government powers to address terrorist threats through enhanced domestic security measures, expanded surveillance powers,



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increased information sharing, and broadened anti-money laundering requirements. By way of amendments to the Bank Secrecy Act, Title III of the USA PATRIOT Act takes measures intended to encourage information sharing among banks, regulatory agencies and law enforcement bodies. Further, certain provisions of Title III impose affirmative obligations on a broad range of financial institutions, including savings banks like People's United Bank.

The USA PATRIOT Act and the related OTS regulations impose the following requirements with respect to financial institutions:

establishment of anti-money laundering programs, including adoption of written procedures, designation of a compliance officer and auditing of the program;

establishment of a program specifying procedures for obtaining identifying information from customers seeking to open new accounts, including verifying the identity of customers within a reasonable period of time;

establishment of enhanced due diligence policies, procedures and controls designed to detect and report money laundering;

prohibitions on correspondent accounts for foreign shell banks and compliance with record keeping obligations with respect to correspondent accounts of foreign banks; and

requirements that bank regulators consider a holding company's effectiveness in combating money laundering when ruling on Federal Reserve Act and Bank Merger Act applications.

**Federal Home Loan Bank System.** People's United Bank is a member of the Federal Home Loan Bank (the FHLB) system, which consists of twelve regional Federal Home Loan Banks, each subject to supervision and regulation by the Federal Housing Finance Board. The FHLB provides a central credit facility primarily for member thrift institutions as well as other entities involved in home mortgage lending. It is funded primarily from proceeds derived from the sale of consolidated obligations of the Federal Home Loan Banks. It makes loans or advances to members in accordance with policies and procedures, including collateral requirements, established by the respective boards of directors of the Federal Home Loan Banks. These policies and procedures are subject to the regulation and oversight of the Federal Housing Finance Board. All long-term advances are required to provide funds for residential home financing. The Federal Housing Finance Board has also established standards of community or investment service that members must meet to maintain access to such long-term advances. People's United Bank, as a member of the FHLB of Boston, is currently required to purchase and hold shares of capital stock in the FHLB of Boston in amount equal to 0.35% of People's United Bank Membership Stock Investment Base plus an Activity Based Stock Investment Requirement. The Activity Based Stock Requirement is equal to 3.0% of any outstanding principal for overnight advances, 4.0% of any outstanding principal for term advances with an original term of two days to three months and 4.5% of any outstanding principal for term advances with an original term greater than three months. People's United Bank is in compliance with these requirements.

**Federal Reserve System.** Federal Reserve Board regulations require federally chartered savings banks to maintain non-interest-earning cash reserves against their transaction accounts (primarily negotiable order of withdrawal and demand deposit accounts). Institutions must maintain a reserve of 3% against aggregate transaction account balances between \$9.3 million and \$34.6 million (subject to adjustment by the Federal Reserve Board) plus a reserve of 10% (subject to adjustment by the Federal Reserve Board between 8% and 14%) against that portion of total transaction account balances in excess of \$34.6 million. The first \$9.3 million of otherwise reservable balances is exempt from the reserve requirements. People's United Bank is in compliance with the foregoing requirements. The required reserves must be maintained in the form of vault cash, or an interest-bearing account at a Federal Reserve Bank, or a pass-through account as defined by the Federal Reserve Board.

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### *Market Area and Competition*

People's United Financial's primary market area is New England, with Connecticut and Vermont having the largest concentration of its loans, deposits and branches. At December 31, 2008, approximately 42% of the total loan portfolio involves customers within Connecticut. As a result of the Chittenden acquisition, approximately 33% of the total loan portfolio at December 31, 2008 represents loans to customers located in Vermont, New Hampshire and Massachusetts. Substantially all of the equipment financing activities of PCLC involve customers outside of New England. PCLC provides equipment financing for customers in 48 states. At December 31, 2008, approximately 38% of the PCLC portfolio consisted of loans to customers located in California, Texas, Florida and Illinois. People's United Financial competes for deposits, loans and financial services with commercial banks, savings institutions, commercial and consumer finance companies, mortgage banking companies, insurance companies, credit unions, and a variety of other institutional lenders and securities firms.

As People's United Financial's predominant market, Connecticut is one of the most attractive banking markets in the United States with a total population of approximately 3.6 million and a median household income of \$70,814 as of June 30, 2008, ranking second in the United States and well above the U.S. median household income of \$54,749, according to estimates from SNL Securities. Fairfield County, where People's United Financial is headquartered, is the wealthiest county in Connecticut, with a June 30, 2008 median household income of \$88,571 according to estimates from SNL Securities. The median household income in Vermont was \$54,204 as of June 30, 2008, comparable to the national level.

The principal basis of competition for deposits is the interest rate paid for those deposits and related fees, convenient access to services through traditional and non-traditional delivery alternatives and the quality of services to customers. The principal basis of competition for loans is through the interest rates and loan fees charged and by developing relationships based on the efficiency, convenience and quality of services provided to borrowers. Further competition has been created through the rapid acceleration of commerce conducted over the Internet. This has enabled institutions, including People's United Financial, to compete in markets outside their traditional geographic boundaries.

### *Personnel*

As of December 31, 2008, People's United Financial, had 4,079 full-time and 675 part-time employees.

### *Access to Information*

As a public company, People's United Financial is subject to the informational requirements of the Securities Exchange Act of 1934, as amended and, in accordance therewith, files reports, proxy and information statements and other information with the Securities and Exchange Commission. Such reports, proxy and information statements and other information can be inspected and copied at prescribed rates at the public reference facilities maintained by the Securities and Exchange Commission at 100 F Street N.E., Mail Stop 5100, Washington, D.C. 20549 and are available on the Securities and Exchange Commission's EDGAR database on the internet at [www.sec.gov](http://www.sec.gov). People's United Financial's common stock is listed on the NASDAQ Global Select Market under the symbol **PBCT**.

Copies of many of these reports are also available through People's United Financial's website at [www.peoples.com](http://www.peoples.com).

People's United Financial currently provides website access to the following reports:

Form 10-K (most recent filing and any related amendments)

Form 10-Q (four most recent filings and any related amendments)

Form 8-K (all filings in most recent 12 months and any related amendments)

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Annual Report to Shareholders (two most recent years)

Proxy Statement for Annual Meeting of Shareholders (two most recent years)

**Item 1A. Risk Factors**

**Changes in Interest Rates Could Adversely Affect Our Results of Operations and Financial Condition**

People's United Financial makes most of its earnings based on the difference between interest it earns compared to interest it pays. This difference is called the interest spread. People's United Financial earns interest on loans and to a much lesser extent on securities and short-term investments. These are called interest-earning assets. People's United Financial pays interest on some forms of deposits and on funds it borrows from other sources. These are called interest-bearing liabilities.

People's United Financial interest spread can change depending on when interest rates earned on interest-earning assets change, compared to when interest rates paid on interest-bearing liabilities change. Some rate changes occur while these assets or liabilities are still on People's United Financial's books. Other rate changes occur when these assets or liabilities mature and are replaced by new interest-earning assets or interest-bearing liabilities at different rates. It may be difficult to replace interest-earning assets quickly, since customers may not want to borrow money when interest rates are high, or People's United Financial may not be able to make loans that meet its lending standards. People's United Financial interest spread may also change based on the mix of interest-earning assets and interest-bearing liabilities.

People's United Financial interest spread may be lower if the timing of interest rate changes is different for its interest-earning assets compared to its interest-bearing liabilities. For example, if interest rates go down, People's United Financial will earn less on some of its interest-earning assets while it is still locked into paying higher rates on some of its interest-bearing liabilities. On the other hand, if interest rates go up, People's United Financial might have to pay more on some of its interest-bearing liabilities while it is still locked in to receiving lower rates on some of its interest-earning assets.

People's United Financial manages this risk using many different techniques. If it is not successful in managing this risk, People's United Financial may be less profitable.

**Changes in Our Asset Quality Could Adversely Affect Our Results of Operations and Financial Condition**

Asset quality measures the performance of a borrower in repaying a loan, with interest, on time. In recent years, we have benefited from consistently strong asset quality. It is unlikely that our asset quality will remain as strong as it has been for the past several years, particularly if the economy continues to deteriorate.

**The Success of Our Stop & Shop Branches Depends on the Success of the Stop & Shop Brand**

One element of our strategy is to focus on increasing deposits by providing a wide range of convenient services to our customers. An integral component of this strategy is People's United Financial supermarket banking initiative, pursuant to which, as of December 31, 2008, People's United Financial has established 79 full-service Stop & Shop branches that provide customers with the convenience of seven-day-a-week banking. At December 31, 2008, 26% of People's United Financial branches were located in Stop & Shop supermarkets.

People's United Financial currently has exclusive branching rights in Stop & Shop supermarkets in the state of Connecticut, in the form of a license agreement between The Stop & Shop Supermarket Company and People's United Financial, which provides for the leasing of space to People's United Financial within Stop & Shop supermarkets for branch use. People's United Financial has the exclusive right to branch in these supermarkets until 2012, provided that People's United Financial does not default on its obligations under the licensing agreement. People's United Financial has the option to extend the license agreement until 2022.

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Stop & Shop is currently the leading grocery store in Connecticut, with nearly twice the market share of its closest competitor, according to Modern Grocer. The success of People's United Financial supermarket branches is dependent, in part, on the success of the Stop & Shop supermarkets in which they are located. A drop in Stop & Shop's market share, a decrease in the number of Stop & Shop locations or customers, or a decline in the overall quality of Stop & Shop supermarkets could result in decreased business for the Stop & Shop branches, in the form of fewer loan originations, lower deposit generation and fewer overall branch transactions, and could influence market perception of People's United Financial Stop & Shop supermarket branches as convenient banking locations. Under the terms of the license agreement, People's United Financial has the obligation to open branches in new Connecticut Stop & Shop locations through 2012, even if Stop & Shop's market share declines or the value of the Stop & Shop brand is diminished.

### **We Depend on Our Executive Officers and Key Personnel to Continue the Implementation of Our Long-Term Business Strategy and Could Be Harmed by the Loss of Their Services**

We believe that our continued growth and future success will depend in large part upon the skills of our management team. The competition for qualified personnel in the financial services industry can be intense, and the loss of our key personnel or an inability to continue to attract, retain and motivate key personnel could adversely affect our business.

### **Our Business Is Affected by the International, National, Regional and Local Economy Generally, and the Geographic Concentration of Our Loan Portfolio and Lending Activities Makes Us Vulnerable to a Downturn in the Local Economy**

Changes in international, national, regional and local economic conditions affect our business. If economic conditions change significantly or quickly, our business operations could suffer, and we could become weaker financially as a result.

At December 31, 2008, approximately 42% of People's United Financial's loans by outstanding principal amount were to people and businesses located in the state of Connecticut, or involved property located in Connecticut. As a result of People's United Financial's acquisition of Chittenden's \$5.7 billion loan portfolio, approximately 33% of the total loan portfolio at December 31, 2008 represents loans to customers located in Vermont, New Hampshire and Massachusetts. How well we perform depends very much on the health of these economies, particularly Connecticut, and we expect that to remain true for the foreseeable future. Last year, Connecticut residents, on average, earned more than the residents of any other state in the country. Connecticut's unemployment rate at December 31, 2008 was 7.1%, in-line with the national rate.

If the general economic situation deteriorates, or there are negative trends in the stock market, the New England economy could suffer more than the national economy. This would be especially likely in Fairfield County, Connecticut, where People's United Financial has many of its branches and where many of its customers reside, because of the large number of Fairfield County residents who are professionals in the financial services industry.

People's United Financial could experience losses in its real estate-related loan portfolios if the prices for housing and other kinds of real estate decreased significantly in New England. Even though Connecticut (especially Fairfield County) has some of the highest housing prices in the country, property values can decrease. This has happened before (as recently as the early 1990s), and prices have been declining since the second half of 2007.

Decreases in real estate values could adversely affect the value of property used as collateral for our loans. Adverse changes in the economy may also have a negative effect on the ability of our borrowers to make timely repayments of their loans, which would have an adverse impact on our earnings. In addition, if poor economic

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conditions result in decreased demand for real estate loans, our profits may decrease because our other investments may earn less income for us than real estate loans.

During 2008 and 2007, there has been a decline in the housing and real estate markets and in the general economy, both nationally and locally with some reports indicating that the national economy is bordering on a recession. Housing market conditions in the Northeast quadrant of the United States, where most of our lending activity occurs, have deteriorated during 2008 as evidenced by reduced levels of sales, increasing inventories of houses on the market, declining house prices and an increase in the length of time houses remain on the market. No assurance can be given that these conditions will improve or will not worsen or that such conditions will not result in a decrease in our interest income, an increase in our non-performing loans, an increase in our provision for loan losses or an adverse impact on our loan losses.

The second half of 2007 and all of 2008 has been highlighted by significant disruption and volatility in the financial and capital marketplaces. This turbulence has been attributable to a variety of factors, including the fallout associated with the sub-prime mortgage market. One aspect of this fallout has been significant deterioration in the activity of the secondary residential mortgage market. The disruptions have been exacerbated by the acceleration of the decline of the real estate and housing market. No assurance can be given that these conditions will improve or will not worsen or that such conditions will not result in a decrease in our interest income or an adverse impact on our loan losses.

### **In Response to Competitive Pressures, Our Costs Could Increase if We Were Required to Increase Our Service and Convenience Levels or Our Margins Could Decrease if We Were Required to Increase Deposit Rates or Lower Interest Rates on Loans**

People's United Financial faces significant competition for deposits and loans. In deciding where to deposit their money, many people look first at the interest rate they will earn. They also might think about whether the bank offers other kinds of services they might need and, if they have ever been a customer of the bank before, what their experience was like. People also like convenience, so the number of offices and banking hours may be important. Some people also think that on-line services are important.

People's United Financial competes with other banks, credit unions, brokerage firms and money market funds for deposits. Some people may decide to buy bonds or similar kinds of investments issued by companies or by the U.S., state and local governments and agencies, instead of opening a deposit account.

In making decisions about loans, many people look first at the interest rate they will have to pay. They also think about any extra fees they might have to pay in order to get the loan. Some people also think about whether the bank offers other kinds of services they might need and, if they have ever been a customer of the bank before, what their experience was like. Many business loans are more complicated because there may not be a standard kind of loan that meets all of the customer's needs. Business borrowers look at many different factors that are not all financial in nature. Examples include the kind and amount of security the lender wants and other terms of the loan that do not involve the interest rate.

People's United Financial competes with other banks, credit unions, credit card issuers, finance companies, mortgage lenders and mortgage brokers for loans. Insurance companies also compete with People's United Financial for some kinds of commercial loans.

Many of People's United Financial's competitors have branches in the same market area as it does. Some of them are much larger than it is. The New England region, including Connecticut, which is People's United Financial's predominant market, and specifically Fairfield County, where People's United Financial is headquartered, is an attractive banking market. Many locally-based banks have been acquired by large regional and national companies in the last several years. We expect this trend to continue. This means that there are not

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as many competitors in our market as there used to be, but the ones that are left are usually bigger and have more resources than the ones they acquired.

People's United Financial also has competition from outside its own market area. A bank that does not have any branches in New England can still have customers here by providing banking services on-line. It costs money to set up and maintain a branch system. Banks that do not spend as much money as People's United Financial does on branches might be more profitable than it is, even if they pay higher interest on deposits and charge lower interest on loans.

### **Changes in Federal and State Regulation Could Adversely Affect Our Results of Operations and Financial Condition**

The banking business is heavily regulated by the federal and state governments. Banking laws and rules are for the most part intended to protect depositors, not stockholders.

Banking laws and rules can change at any time. The government agencies responsible for supervising People's United Financial's business can also change the way they interpret these laws and rules, even if the rules themselves do not change. We need to make sure that our business activities comply with any changes in these rules or the interpretation of the rules. We might be less profitable if we have to change the way we conduct business in order to comply. Our business might suffer in other ways as well.

Changes in state and federal tax laws can make our business less profitable. Changes in the accounting rules we are required to follow may also make us less profitable. Changes in the government's economic and monetary policies may hurt our ability to compete for deposits and loans. Changes in these policies can also make it more expensive for us to do business.

The government agencies responsible for supervising our business can take drastic action if they think we are not conducting business safely or are too weak financially. They can force People's United Financial to hold additional capital, pay higher deposit insurance premiums, stop paying dividends, stop making certain kinds of loans or stop offering certain kinds of deposits. If the agencies took any of these steps or other similar steps, it would probably make our business less profitable.

The OTS letter dated July 3, 2006 approving, among other things, People's United Bank's conversion from a Connecticut savings bank to a Federal savings bank, granted People's United Bank (1) a phase-in period of three years from the date of its conversion to a Federal savings bank, August 18, 2006, to comply with the Home Owners' Loan Act's commercial loan limits, with the ability to seek an additional one-year extension if necessary; and (2) an exception from the Qualified Thrift Lender test for a period of four years from the date of its conversion to a federal charter. The manner in which the OTS interprets or applies its phase-in period can also make it more expensive for us to do business, make our business less profitable and limit our strategic flexibility.

### **If People's United Financial's Allowance for Loan Losses Is Not Sufficient to Cover Actual Loan Losses, Our Earnings Would Decrease**

People's United Financial is exposed to the risk that customers will not be able to repay their loans. This risk is inherent in the lending business. There is also the risk that the customer's collateral will not be sufficient to cover the balance of their loan, as underlying collateral values fluctuate with market changes. People's United Financial records an allowance for loan losses to cover probable losses inherent in the existing loan portfolio. The allowance for loan losses is established through provisions for loan losses charged to income. Losses on loans, including impaired loans, are charged to provision expense or to the allowance for loan losses when all or a portion of a loan is deemed to be uncollectible. Recoveries of loans previously charged off are credited to the allowance for loan losses when realized.

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People's United Financial maintains the allowance for loan losses at a level that is deemed adequate to absorb probable losses inherent in the existing loan portfolio, based on a quarterly evaluation of a variety of factors. These factors include, but are not limited to: its historical loan loss experience and recent trends in that experience; risk ratings assigned by lending personnel to commercial real estate, commercial and PCLC loans, and the results of ongoing reviews of those ratings by its independent loan review function; an evaluation of delinquent and non-performing loans and related collateral values; the probability of loss in view of geographic and industry concentrations and other portfolio risk characteristics; the present financial condition of borrowers; and current economic conditions. While People's United Financial seeks to use the best available information to make these evaluations, and at December 31, 2008, management believed that the allowance for loan losses was adequate to cover probable losses inherent in the existing loan portfolio, it is possible that borrower defaults could exceed the current estimates for loan losses, which would reduce earnings. In addition, future increases to the allowance for loan losses may be necessary based on changes in economic conditions, results of regulatory examinations, further information obtained regarding known problem loans, increasing charge-offs of existing problem loans, or the identification of additional problem loans and other factors, which would also reduce earnings.

### **People's United Financial May Fail To Successfully Complete the Integration of Chittenden's Operations and Realize All of the Anticipated Benefits of the Acquisition.**

On January 1, 2008, People's United Financial acquired the Chittenden Corporation and its six banks. The ultimate success of the acquisition will depend, in part, on the ability of People's United Financial to realize the anticipated benefits from combining the businesses of People's United Financial and Chittenden. However, to realize these anticipated benefits, People's United Financial must successfully combine the businesses of People's United Financial and Chittenden. If People's United Financial is not able to achieve these objectives, the anticipated benefits of the merger may not be realized fully or at all or may take longer to realize than expected.

### **Item 1B. Unresolved Staff Comments**

None.

### **Item 2. Properties**

People's United Financial's corporate headquarters is located at Bridgeport Center, in Bridgeport, Connecticut. The Bridgeport Center building had a net book value of \$64.0 million at December 31, 2008 and People's United Financial occupies approximately 91% of the building; all other available office space has been leased to unrelated parties. People's United Financial delivers its financial services through a network of branches located throughout New England and Westchester County, New York. People's United Financial's branch network is primarily concentrated in Connecticut, where it has 160 offices (including 78 located in Stop & Shop supermarkets), with 63 located in Fairfield County. People's United Financial also has 49 branches in Vermont, 36 branches in New Hampshire, 32 branches in Maine (including 1 located in a Stop & Shop supermarket), 20 branches in Massachusetts, and 4 branches in Westchester County. People's United Financial owns 99 of its branches, which had an aggregate net book value of \$55.4 million at December 31, 2008. People's United Financial's remaining banking operations are conducted in leased offices. Information regarding People's United Financial's operating leases for office space and related rent expense appears in Note 20 to the Consolidated Financial Statements.

### **Item 3. Legal Proceedings**

The information required by this item appears in Note 20 to the Consolidated Financial Statements.

### **Item 4. Submission of Matters to a Vote of Security Holders**

None.

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**Part II**

**Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities**

The common stock of People's United Financial, Inc. is listed on the NASDAQ Global Select Market under the symbol PBCT. On February 13, 2009, the closing price of People's United Financial, Inc. common stock was \$17.09. As of that date, there were approximately 21,800 record holders of People's United Financial, Inc. common stock.

**Five-Year Performance Comparison**

The following graph compares total shareholder return on People's United Financial common stock over the last five fiscal years with (a) the Standard & Poor's 500 Stock Index (the "S & P 500 Stock Index"), (b) the Russell Midcap Index, and (c) the SNL Thrift Index-Assets Greater than \$10 Billion (the "Large Thrift Index"). Index values are as of December 31 of the indicated year.

The graph assumes \$100 invested on December 31, 2003 in each of People's United Financial's common stock, the S & P 500 Stock Index, the Russell Midcap Index, and the Large Thrift Index. The graph also assumes reinvestment of all dividends.

The Russell Midcap Index is a market-capitalization weighted index comprised of 800 publicly-traded companies which are among the 1,000 largest U.S. companies (by market capitalization) but not among the 200 largest such companies. People's United Financial is included as a component of the Russell Midcap Index. The Large Thrift Index is an index prepared by SNL Securities comprised of 9 thrift institutions (including People's United Financial) located throughout the United States and having assets in excess of \$10 billion.

People's United Financial was added to the S&P 500 Stock Index in November 2008.

Additional information required by this item is included in Part III, Item 12 of this report, and Notes 13 and 25 to the Consolidated Financial Statements.



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People's United Financial acquired Chittenden Corporation on January 1, 2008. The acquisition was accounted for using the purchase method of accounting. Accordingly, financial data for periods prior to the acquisition date do not include Chittenden Corporation.

**As of and for the years ended December 31 (dollars in millions, except per share data)**

	2008	2007	2006	2005	2004
<b>Operating Data:</b>					
Net interest income - FTE	\$ 640.3	\$ 486.6	\$ 382.4	\$ 370.0	\$ 327.4
Provision for loan losses	26.2	8.0	3.4	8.6	13.3
Non-interest income	303.6	185.4	147.4	173.3	151.7
Non-interest expense (1)	706.3	439.3	346.9	344.4	479.7
Income (loss) from continuing operations	139.5	149.2	121.7	125.9	(5.6)
Income from discontinued operations (2)		1.5	2.3	11.2	205.3
Net income	139.5	150.7	124.0	137.1	199.7

**Selected Statistical Data:**

Net interest margin	3.62%	4.12%	3.87%	3.68%	3.33%
Return on average assets (3)	0.68	1.18	1.15	1.27	1.86
Return on average tangible assets (3)	0.74	1.19	1.16	1.28	1.88
Return on average stockholders' equity (3)	2.7	4.2	9.4	11.1	17.6
Return on average tangible stockholders' equity (3)	3.8	4.3	10.2	12.1	19.5
Efficiency ratio	66.3	56.1	61.3	62.8	69.2

**Financial Condition Data:**

Total assets	\$ 20,168	\$ 13,555	\$ 10,687	\$ 10,933	\$ 10,718
Loans	14,566	8,950	9,372	8,573	7,933
Securities	1,902	61	77	1,363	2,071
Short-term investments (4)	1,139	3,516	225	57	24
Allowance for loan losses	158	73	74	75	73
Goodwill and other acquisition-related intangibles	1,536	104	105	106	110
Deposits	14,269	8,881	9,083	9,083	8,862
Borrowings	188		4	295	341
Subordinated notes	181	65	65	109	122
Stockholders' equity	5,176	4,445	1,340	1,289	1,200
Non-performing assets	94	26	23	22	29

**Ratios:**

Net loan charge-offs to average loans	0.10%	0.10%	0.05%	0.07%	0.15%
Non-performing assets to total loans, real estate owned and repossessed assets	0.64	0.29	0.24	0.26	0.36
Allowance for loan losses to total loans	1.08	0.81	0.79	0.87	0.91
Average stockholders' equity to average total assets	25.6	28.1	12.3	11.5	10.6
Stockholders' equity to total assets	25.7	32.8	12.5	11.8	11.2
Tangible stockholders' equity to tangible assets	19.5	32.3	11.7	10.9	10.3
Total risk-based capital (5)	13.4	33.4	16.1	16.4	16.7

**Per Common Share Data:**

Basic earnings per share	\$ 0.42	\$ 0.52	\$ 0.42	\$ 0.46	\$ 0.68
Diluted earnings per share	0.42	0.52	0.41	0.46	0.68
Dividends paid per share (6)	0.58	0.52	0.46	0.40	0.36
Dividend payout ratio (6)	139.4%	87.0%	48.3%	38.3%	22.9%
Book value (end of period)	\$ 15.45	\$ 15.43	\$ 4.49	\$ 4.33	\$ 4.06
Tangible book value (end of period)	10.87	15.07	4.13	3.98	3.69

**Stock price:**

High	21.76	22.81	21.62	16.07	14.12
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Low	13.92	14.78	14.29	11.42	6.88
Close (end of period)	17.83	17.80	21.25	14.79	12.35

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- (1) Includes \$51.3 million of merger-related expenses and other one-time charges in 2008, the \$60.0 million contribution to The People's United Community Foundation in 2007, and liability restructuring costs of \$2.7 million and \$133.4 million in 2005 and 2004, respectively.
- (2) Includes after-tax gains of \$6.2 million in 2005 and \$198.5 million in 2004 related to the sale of the credit card business in March 2004.
- (3) Calculated based on net income for all years.
- (4) Includes securities purchased under agreements to resell.
- (5) Total risk-based capital ratios presented are for People's United Bank and, as such, do not reflect the additional capital residing at People's United Financial, Inc. in 2008 and 2007. Ratios are calculated in accordance with Office of Thrift Supervision regulations for all periods since December 31, 2006 and Federal Deposit Insurance Corporation regulations for all prior periods.
- (6) Reflects the waiver of dividends on the substantial majority of the common shares owned by People's Mutual Holdings prior to completing the second-step conversion in April 2007.

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### **Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations Forward-Looking Statements**

Periodic and other filings made by People's United Financial with the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934 (the "Exchange Act") may from time to time contain information and statements that are forward-looking in nature. Such filings include the Annual Report on Form 10-K, Quarterly Report on Form 10-Q and Current Report on Form 8-K, and may include other forms such as proxy statements. Other written or oral statements made by People's United Financial or its representatives from time to time may also contain forward-looking statements.

In general, forward-looking statements usually use words such as "may," "believe," "expect," "anticipate," "should," "plan," "estimate," "predict," "potential" or the negative of these terms or other comparable terminology. Examples of forward-looking statements include, but are not limited to, estimates with respect to People's United Financial's financial condition, results of operations and business that are subject to various factors which could cause actual results to differ materially from these estimates. Forward-looking statements represent management's beliefs, based upon information available at the time the statements are made, with regard to the matters addressed; they are not guarantees of future performance.

All forward-looking statements are subject to risks and uncertainties that could cause People's United Financial's actual results or financial condition to differ materially from those expressed in or implied by such statements. Factors of particular importance to People's United Financial include, but are not limited to: (1) changes in general, national or regional economic conditions; (2) changes in interest rates; (3) changes in loan default and charge-off rates; (4) changes in deposit levels; (5) changes in levels of income and expense in non-interest income and expense related activities; (6) residential mortgage and secondary market activity; (7) changes in accounting and regulatory guidance applicable to banks; (8) price levels and conditions in the public securities markets generally; (9) competition and its effect on pricing, spending, third-party relationships and revenues; and (10) the successful completion of the integration of Chittenden Corporation.

All forward-looking statements can be affected by inaccurate assumptions or by known or unknown risks and uncertainties. Consequently, no forward-looking statement can be guaranteed. People's United Financial does not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

### **Recent Market Developments**

In response to the unprecedented challenges currently affecting the banking system, the Federal government recently announced several programs designed to address a variety of issues facing the financial sector.

#### **Emergency Economic Stabilization Act of 2008**

##### *Troubled Asset Relief Program*

On October 3, 2008, the Emergency Economic Stabilization Act of 2008 (the "EESA") was signed into law. The EESA, which is intended to stabilize and provide liquidity to the U.S. financial markets, authorized the U.S. Treasury, acting in accordance with the provisions of the Troubled Asset Relief Program (the "TARP"), to (i) purchase up to \$700 billion of mortgages, mortgage-backed securities, and certain other financial instruments from financial institutions, and (ii) establish a program to guarantee certain assets issued by financial institutions prior to March 14, 2008. The company has decided not to sell any of its assets pursuant to the TARP or to participate in the asset guarantee program.

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On October 14, 2008, the U.S. Treasury announced a plan to employ a portion of its purchasing authority, as provided for by the EESA, in making direct equity investments in qualifying banks and thrifts. Under this program, known as the Troubled Asset Relief Program Capital Purchase Program (the TARP CPP), the U.S. Treasury will utilize up to \$250 billion of the \$700 billion authorized by the EESA to purchase preferred stock in qualifying institutions that request such investments. The preferred stock TARP CPP contains a number of provisions, some of which could reduce investment returns to participating banks' shareholders by restricting dividends to common shareholders, diluting existing shareholders' interests, and restricting capital management practices. People's United Bank currently exceeds all applicable regulatory capital requirements and remains well capitalized. The company did not apply for equity capital under the TARP CPP.

*FDIC Insurance Coverage / Assessments*

The Federal Deposit Insurance Corporation (the FDIC) insures deposits at FDIC insured financial institutions up to certain limits, charging premiums to maintain the Deposit Insurance Fund (the DIF) at specified levels. Such premiums may vary based on the risk profile of the insured institution. Current economic conditions have resulted in an increased number of bank failures and, consequently, greater use of DIF resources. In response, the FDIC has proposed higher premium assessments for 2009 pursuant to a restoration plan designed to increase the DIF reserve ratio to required levels. Under the FDIC's proposed restoration plan, the premium assessment rate was raised by seven basis points beginning on January 1, 2009 resulting in a 2009 initial base assessment rate of 12 basis points for People's United Bank. In addition, on February 27, 2009, the FDIC approved an additional one-time special assessment of 20 basis points on deposits. Further changes in assessment rates are anticipated later in 2009.

The EESA increased the FDIC deposit insurance limit from \$100,000 to \$250,000 per depositor through December 31, 2009. In addition, on October 14, 2008, the FDIC announced the Temporary Liquidity Guarantee Program, which consists of two components: temporary unlimited deposit insurance on funds in non-interest-bearing transaction deposit accounts not otherwise covered by the increased \$250,000 deposit insurance limit (the Transaction Account Guarantee Program) and a temporary guarantee of certain newly-issued unsecured debt (the Debt Guarantee Program). All eligible institutions were covered under both programs for the first 30 days without incurring any costs. After the initial 30 day period, institutions participating in the Transaction Account Guarantee Program are assessed a 10 basis point surcharge on the additional insured deposits and institutions participating in the Debt Guarantee Program are subject to an annualized charge equal to 75 basis points. The company has elected to participate in the Transaction Account Guarantee Program as it participates in all other FDIC deposit insurance programs. While People's United Financial has retained its right to do so, the company does not, at this time, intend to issue senior unsecured debt securities under the Debt Guarantee Program.

Based on the FDIC's proposal to increase the premium assessment rate, the special assessment announced in February 2009, and the company's participation in the Transaction Account Guarantee Program, the company's cost of deposit insurance is expected to increase significantly in 2009. The actual amount of the increase will be dependent on several factors, including: (i) deposit levels; (ii) the company's risk profile; and (iii) whether the FDIC's restoration plan is adopted as proposed or amended.

The actions described above, together with additional actions announced by the U.S. Treasury and other regulatory agencies continue to develop. It is not clear at this time what impact the EESA, the TARP, the TARP CPP, or other liquidity and funding programs of the U.S. Treasury and bank regulatory agencies, whether previously announced or initiated in the future, will have on the capital markets and the financial services industry. The extreme levels of market volatility and limited credit availability currently being experienced could continue to adversely affect the U.S. banking industry and the broader U.S. and global economies for the foreseeable future, which will have an effect on all financial institutions, including People's United Financial.

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### **General**

People's United Financial, Inc. ( "People's United Financial" ) is a savings and loan holding company incorporated under the state laws of Delaware and the holding company for People's United Bank. On April 16, 2007, People's United Financial, People's United Bank and People's Mutual Holdings completed their second-step conversion from a mutual holding company structure to a fully-public stock holding company structure. See Note 2 to the Consolidated Financial Statements for a further discussion of the second-step conversion. People's United Financial is regulated by the Office of Thrift Supervision (the "OTS" ) and is subject to OTS examination, supervision and reporting requirements. People's United Financial had not engaged in any business through March 31, 2007; accordingly, the financial information for periods prior to March 31, 2007 is that of People's United Bank. On June 6, 2007, People's Bank changed its name to People's United Bank. The name "People's United Bank" is used to refer to the Bank both before and after the name change.

On January 1, 2008, People's United Financial completed its acquisition of Chittenden Corporation, a multi-bank holding company headquartered in Burlington, Vermont. At December 31, 2007, Chittenden had total assets of \$7.4 billion, total loans of \$5.7 billion, total deposits of \$6.2 billion and 140 branches. The six former Chittenden banks, which continue to do business under their existing names as divisions of People's United Bank, are: Chittenden Trust Company based in Burlington, Vermont; Flagship Bank and Trust Company based in Worcester, Massachusetts; Maine Bank & Trust Company based in Portland, Maine; Merrill Merchants Bank based in Bangor, Maine; Ocean Bank based in Portsmouth, New Hampshire; and The Bank of Western Massachusetts based in Springfield, Massachusetts.

The acquisition was accounted for using the purchase method of accounting and accordingly, Chittenden's assets and liabilities were recorded by People's United Financial at their estimated fair values as of January 1, 2008. Financial data for periods prior to the acquisition date do not include the results of Chittenden. See Note 3 to the Consolidated Financial Statements for a further discussion of the acquisition.

People's United Bank is a federally-chartered stock savings bank headquartered in Bridgeport, Connecticut with \$19.3 billion in total assets as of December 31, 2008. People's United Bank was organized in 1842 as a mutual savings bank, converted to stock form in 1988, and in 2006 converted from a Connecticut-chartered stock savings bank to a federally-chartered stock savings bank. Deposits are insured up to applicable limits by the DIF of the FDIC. People's United Bank is regulated by the OTS.

The principal business of People's United Financial is to provide, through People's United Bank and its subsidiaries, commercial banking, retail and small business banking, and wealth management services to individual, corporate and municipal customers. Traditional banking activities are conducted primarily within New England and include extending secured and unsecured commercial and consumer loans, originating mortgage loans secured by residential and commercial properties, and accepting consumer, commercial and municipal deposits. In addition to traditional banking activities, People's United Bank provides specialized financial services tailored to specific markets including: personal, institutional and employee benefit trust; cash management; and municipal banking and finance. Through its non-banking subsidiaries, People's United Bank offers: brokerage, financial advisory services, investment management services and life insurance through People's Securities, Inc. and Chittenden Securities, LLC; equipment financing through People's Capital and Leasing Corp. ( "PCLC" ); and other insurance services through R.C. Knox and Company, Inc. and Chittenden Insurance Group, LLC.

This full range of financial services is delivered through a network of over 300 branches, including 79 full-service Stop & Shop supermarket branches that provide customers with seven-day-a-week banking, 43 investment and brokerage offices, nine PCLC offices and 16 commercial banking offices. People's United Bank's distribution network also includes online banking and investment trading, a 24-hour telephone banking service and participation in a worldwide ATM network.

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PCLC maintains a sales presence in six states to support its equipment financing operations outside of New England. Within the Commercial Banking division, People's United Bank maintains a national credits group, which has participated in commercial loans and commercial real estate loans to borrowers in various industries on a national scale.

People's United Financial's results of operations are largely dependent upon revenues generated through net interest income and fee-based revenues and, to a much lesser extent, other forms of non-interest income such as gains on asset sales. Sources for these revenues are diversified across People's United Financial's three primary business segments that represent its core businesses, Commercial Banking, Retail Banking and Small Business, and Wealth Management, and to a lesser extent, Treasury. People's United Financial's results of operations are also significantly affected by the provision for loan losses and the level of non-interest expense. In addition, People's United Financial's results of operations may also be affected by general and local economic conditions, changes in market interest rates, government policies and actions of regulatory authorities.

### **Critical Accounting Policies**

In preparing the Consolidated Financial Statements, People's United Financial is required to make significant estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Actual results could differ from People's United Financial's current estimates, as a result of changing conditions and future events. Several accounting estimates are particularly critical and are susceptible to significant near-term change, including the allowance for loan losses, the valuation of derivative financial instruments, and asset impairment judgments, such as the recoverability of goodwill and other intangible assets and other-than-temporary declines in the value of securities. The current economic environment has increased the degree of uncertainty inherent in these significant estimates. People's United Financial's significant accounting policies and critical estimates are summarized in Note 1 to the Consolidated Financial Statements.

***Allowance for Loan Losses.*** The allowance for loan losses is established through provisions for loan losses charged to income. Losses on loans, including impaired loans, are charged to the allowance for loan losses when all or a portion of a loan is deemed to be uncollectible. Recoveries of loans previously charged off are credited to the allowance when realized.

Management maintains the allowance for loan losses at a level that is deemed adequate to absorb probable losses inherent in the existing loan portfolio, based on a quarterly evaluation of a variety of factors. These factors include, but are not limited to: People's United Financial's historical loan loss experience and recent trends in that experience; risk ratings assigned by lending personnel to commercial real estate, commercial and PCLC loans, and the results of ongoing reviews of those ratings by People's United Financial's independent loan review function; an evaluation of delinquent and non-performing loans and related collateral values; the probability of loss in view of geographic and industry concentrations and other portfolio risk characteristics; the present financial condition of borrowers; and current economic conditions. While management seeks to use the best available information to make these evaluations, future adjustments to the allowance for loan losses may be necessary based on changes in economic conditions, results of regulatory examinations, further information obtained regarding known problem loans, the identification of additional problem loans and other factors.

The allowance for loan losses consists of amounts determined in accordance with Statement of Financial Accounting Standards (SFAS) No. 5, Accounting for Contingencies, and SFAS No. 114, Accounting by Creditors for Impairment of a Loan. In applying SFAS No. 5, management considers the factors listed in the preceding paragraph in order to estimate a loss allowance for (i) each homogeneous pool of smaller balance loans (residential mortgage and consumer loans) that are evaluated on a collective basis, and (ii) commercial real estate and commercial loans that are not subjected to an individual evaluation for impairment under SFAS No. 114. A loan is considered impaired when, based on current information and events, it is probable that People's United Financial will be unable to collect all principal and interest due according to the contractual terms of the loan. People's United Financial applies SFAS No. 114 to loans that are individually evaluated for collectibility in

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accordance with its normal loan review procedures. Under SFAS No. 114, if the measurement of an impaired loan is less than its recorded investment, an impairment loss is recognized as part of the allowance for loan losses.

**Valuation of Derivative Financial Instruments.** People's United Financial uses derivatives primarily for market risk management purposes (principally interest rate risk). Certain other derivatives are entered into in connection with transactions with commercial customers. Derivatives are not used for speculative purposes.

In accordance with SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, all derivatives are recognized as either assets or liabilities and are measured at fair value. Until such time that a derivative is settled, favorable changes in fair values result in unrealized gains that are recognized as assets, while unfavorable changes result in unrealized losses that are recognized as liabilities. People's United Financial applies hedge accounting to its derivatives used for market risk management purposes. The hedge accounting methods depend on whether the derivative instrument is classified as a fair value hedge or a cash flow hedge. Hedge accounting is permitted only if specific criteria are met, including a requirement that a highly effective relationship exist between the derivative instrument and the hedged item, both at inception of the hedge and on an ongoing basis. Changes in the fair value of effective fair value hedges are recognized in current earnings. Changes in the fair value of effective cash flow hedges are recognized in other comprehensive income or loss until earnings are affected by the variability in cash flows of the designated hedged item. Ineffective portions of hedge results are recognized in current earnings. Changes in the fair value of derivatives for which hedge accounting is not applied are recognized in current earnings.

People's United Financial formally documents at inception all relationships between the derivative instruments and the hedged items, as well as its risk management objectives and strategies for undertaking the hedge transactions. This process includes linking all derivatives that are designated as hedges to specific assets and liabilities, or to specific firm commitments or forecasted transactions. People's United Financial also formally assesses, both at inception of the hedge and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in the fair values or cash flows of the hedged items. If it is determined that a derivative is not highly effective or has ceased to be a highly effective hedge, People's United Financial would discontinue hedge accounting prospectively. Gains or losses resulting from the termination of a derivative accounted for as a cash flow hedge generally remain in accumulated other comprehensive income or loss and are amortized to earnings over the remaining period of the former hedging relationship.

Interest rate-lock commitments extended to borrowers relate to the origination of residential mortgage loans. To mitigate the interest rate risk inherent in these commitments, People's United Financial enters into mandatory delivery and best efforts contracts to sell adjustable-rate and fixed-rate residential mortgage loans (servicing released). Forward commitments to sell and interest rate-lock commitments on residential mortgage loans are considered derivatives and their respective estimated fair values are adjusted based on changes in interest rates and, prior to January 1, 2008, excluded the value of mortgage servicing rights. On January 1, 2008, People's United Financial adopted the provisions of Securities and Exchange Commission Staff Accounting Bulletin No. 109, Written Loan Commitments Recorded at Fair Value through Earnings (SAB No. 109), which requires that the expected net future cash flows related to the associated servicing of the loan be included in the measurement of all written loan commitments accounted for at fair value through earnings. Adoption of SAB No. 109 did not have a significant impact on the company's Consolidated Financial Statements.

## **Asset Impairment Judgments**

**Goodwill and Other Intangible Assets.** SFAS No. 141, Business Combinations, requires, among other things, use of the purchase method to account for all business combinations and specifies criteria that acquired intangible assets must meet in order to be recognized and reported separately from goodwill. The assets and liabilities of an acquired company are recorded at fair value at the date of acquisition. Intangible assets are



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recognized in an amount equal to the excess of the acquisition cost over the fair value of the tangible net assets acquired. Other acquisition-related intangibles are separately identified, where appropriate, for assets such as trade names and the estimated values of acquired core deposits and/or customer relationships. Trade names recognized by People's United Financial are deemed to have indefinite useful lives and, accordingly, are not amortized. Core deposit intangibles are amortized over 10 years on an accelerated basis that reflects the manner in which the related benefit attributable to the acquired deposits will be recognized. Customer relationship intangibles are amortized on a straight-line basis (approximating the manner in which the benefit is realized) over the estimated remaining average life of those relationships (ranging from 7 to 15 years from the respective acquisition dates). The remaining intangible asset is classified as goodwill.

SFAS No. 142, *Goodwill and Other Intangible Assets*, requires that goodwill and indefinite-lived intangible assets be reviewed for impairment at least annually, with impairment losses charged to expense when they occur. Acquisition-related intangible assets other than goodwill and indefinite-lived intangible assets are amortized to expense over their estimated useful lives and are periodically reviewed by management to assess recoverability. Impairment losses on other acquisition-related intangibles are recognized as a charge to expense if carrying amounts exceed fair values.

Goodwill is tested for impairment at the reporting unit level. The test is performed as of an annual impairment testing date or more frequently if a triggering event indicates that impairment may have occurred. The goodwill impairment analysis is a two-step test. The first step ( Step 1 ) is used to identify potential impairment, and involves comparing each reporting unit's estimated fair value to its carrying amount, including goodwill. If the estimated fair value of a reporting unit exceeds its carrying amount, goodwill is not deemed to be impaired. Should the carrying amount of the reporting unit exceed its estimated fair value, an indicator of potential impairment is deemed to exist and a second step is performed to measure the amount of such impairment, if any.

The second step ( Step 2 ) involves calculating the implied fair value of goodwill for each reporting unit for which impairment was indicated in Step 1. The implied fair value of goodwill is determined in a manner similar to how the amount of goodwill is determined in a business combination (i.e. by measuring the excess of the estimated fair value of the reporting unit, as determined in Step 1, over the aggregate estimated fair values of the individual assets, liabilities, and identifiable intangibles applicable to that reporting unit as of the impairment testing date). If the implied fair value of goodwill exceeds the carrying amount of goodwill assigned to the reporting unit, no impairment exists. If the carrying amount of goodwill assigned to a reporting unit exceeds the implied fair value of the goodwill, an impairment loss is recorded in an amount equal to such excess. An impairment loss cannot exceed the carrying amount of goodwill assigned to a reporting unit, and the loss (write-down) establishes a new carrying amount for the goodwill. Subsequent reversal of goodwill impairment losses is not permitted.

People's United Financial uses a present-value measurement technique (discounted cash flow analysis) to estimate the fair value of its reporting units. This analysis is based on significant assumptions and judgments including (i) future growth rates and (ii) discount rates reflecting management's assessment of market participant views of the risks associated with the projected cash flows of the reporting units. Differences in the identification of reporting units or in the selection of valuation techniques and related assumptions could result in materially different evaluations of goodwill impairment.

**Securities.** Marketable equity and debt securities (other than those reported as short-term investments) are classified as either tradable effect that these transactions would have on the market price of our common stock.

***You will incur immediate dilution as a result of this offering***

If you purchase common stock in this offering, you will pay more for your shares than our existing net tangible book value per share. As a result, you will incur immediate dilution of \$3.32 per share, representing the difference between the public offering price of \$18.25 per share and our net tangible book value per share after giving effect to this offering. This represents 18.2% dilution from the public offering price in this offering.

***Our stock price is subject to fluctuations, and the value of your investment may decline.***

The trading price of our common stock is subject to wide fluctuations. The stock market in general, and the market for commercial banks and other financial services companies in particular, has experienced significant price and volume fluctuations that sometimes have been unrelated or disproportionate to the operating performance of those companies. These broad market and industry factors may seriously harm the market price of our common stock, regardless of our operating performance, and the value of your investment may decline.



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***Trading in our common stock has been limited. As a result, shareholders may not be able to quickly and easily sell their common stock, particularly in large quantities.***

Although our common stock is listed for trading on the Nasdaq Global Market and a number of brokers offer to make a market in our common stock on a regular basis, trading volume to date has been limited, averaging approximately 8,905 shares per day from January 1, 2017 through September 30, 2017. There can be no assurance that a more active and liquid market for our common stock will develop or can be maintained. As a result, shareholders may find it difficult to sell a significant number of shares of our common stock at the prevailing market price. Securities that are not heavily traded can be more volatile than stock trading in an active public market.

***There can be no assurance we will be able to continue paying dividends on our common stock at recent levels.***

We may not be able to continue paying quarterly dividends commensurate with recent levels given that the ability to pay dividends on our common stock depends on a variety of factors. The payment of dividends is subject to government regulation in that the regulatory authorities may prohibit banks and bank holding companies from paying dividends that would constitute an unsafe or unsound banking practice. Our ability to pay dividends is subject to certain regulatory requirements. The Federal Reserve generally prohibits a bank holding company from declaring or paying a cash dividend which would impose undue pressure on the capital of a subsidiary bank or would be funded only through borrowing or other arrangements that might adversely affect a bank holding company's financial position. The Federal Reserve Board policy is that a bank holding company should not continue its existing rate of cash dividends on its common stock unless its net income is sufficient to fully fund each dividend and its prospective rate of earnings retention appears consistent with its capital needs, asset quality and overall financial condition. The power of the board of directors of an insured depository institution to declare a cash dividend or other distribution with respect to capital is subject to statutory and regulatory restrictions which limit the amount available for such distribution depending upon the earnings, financial condition and cash needs of the institution, as well as general business conditions.

As a result, future dividends will generally depend on the level of earnings at the Bank. The Bank is subject to Montana law and cannot declare a dividend greater than the previous two year's earnings without providing notice to the state. Also, in the event there shall occur an event of default on any of our debt instruments, we would be unable to pay any dividends on our common stock.

***Our business strategy includes significant growth plans, and our financial condition and results of operations could be negatively affected if we fail to grow or fail to manage our growth effectively.***

We intend to pursue an organic growth strategy for our business; however, we regularly evaluate potential acquisitions and expansion opportunities. If appropriate opportunities present themselves, we expect to engage in selected acquisitions of financial institutions, branch acquisitions and other business growth initiatives or undertakings. There can be no assurance that we will successfully identify appropriate opportunities, that we will be able to negotiate or finance such activities or that such activities, if undertaken, will be successful.

There are risks associated with our growth strategy. To the extent that we grow through acquisitions, we cannot ensure that we will be able to adequately or profitably manage this growth. Acquiring other banks, branches or other assets, as well as other expansion activities, involves various risks including the risks of incorrectly assessing the credit quality of acquired assets, encountering



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greater than expected costs of integrating acquired banks or branches, the risk of loss of customers and/or employees of the acquired institution or branch, executing cost savings measures, not achieving revenue enhancements and otherwise not realizing the transaction's anticipated benefits. Our ability to address these matters successfully cannot be assured. In addition, our strategic efforts may divert resources or management's attention from ongoing business operations, may require investment in integration and in development and enhancement of additional operational and reporting processes and controls and may subject us to additional regulatory scrutiny.

Our growth initiatives may also require us to recruit and retain experienced personnel to assist in such initiatives. Accordingly, the failure to identify and retain such personnel would place significant limitations on our ability to successfully execute our growth strategy. In addition, to the extent we expand our lending beyond our current market areas, we could incur additional risks related to those new market areas. We may not be able to expand our market presence in our existing market areas or successfully enter new markets.

If we do not successfully execute our acquisition growth plan, it could adversely affect our business, financial condition, results of operations, reputation and growth prospects. In addition, if we were to conclude that the value of an acquired business had decreased and that the related goodwill had been impaired, that conclusion would result in an impairment of goodwill charge, which would adversely affect our results of operations. While we believe we will have the executive management resources and internal systems in place to successfully manage our future growth, there can be no assurance growth opportunities will be available or that we will successfully manage our growth.

***The Bank has a high concentration of commercial real estate loans, so any future deterioration in the local real estate markets or economy could require material increases in our allowance for loan losses and adversely affect our financial condition and results of operations.***

The Bank has a high degree of concentration in commercial real estate loans, and we intend to continue our recent emphasis on originating such loans. Commercial real estate loans generally have more risk than the residential real estate loans we originate. Because the repayment of commercial real estate loans depends on the successful management and operation of the borrower's properties or related businesses, repayment of such loans can be affected by adverse conditions in the local real estate market or economy. Commercial real estate loans may also involve relatively large loan balances to individual borrowers or groups of related borrowers. A downturn in the real estate market or the local economy could adversely affect the value of properties securing the loan or the revenues from the borrower's business, thereby increasing the risk of nonperforming loans. As our commercial real estate loan portfolio increases, the corresponding risks and potential for losses from these loans may also increase.

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

We intend to use our net proceeds from this offering for general corporate purposes, including potential future acquisitions and to support organic growth. Our net proceeds and the funds made available to us may be applied in ways with which some investors in this offering may not agree. Moreover, our management may use these proceeds in ways that do not improve our results of operations or enhance the value of our common stock. You will not have the opportunity, as part of your investment decision, to assess whether these proceeds are being used appropriately. Management's failure to use such funds effectively could have an adverse effect on our business, results of operations and financial condition.

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***Anti-takeover provisions in our certificate of incorporation, by-laws and federal banking laws may make it more difficult for takeover attempts that have not been approved by our board of directors.***

Provisions of our amended and restated certificate of incorporation, as amended, and by-laws and federal banking laws, including regulatory approval requirements, could make it more difficult for a third party to acquire us, even if doing so would be perceived to be beneficial to our shareholders. The combination of these provisions effectively inhibits a non-negotiated merger or other business combination, which, in turn, could adversely affect the market price of our common stock. These provisions could also discourage proxy contests and make it more difficult for holders of or our common stock to elect directors other than the candidates nominated by our board of directors.

***The holders of our existing and future indebtedness have rights that are senior to those of our holders of common stock and that may impact our ability to pay dividends on our common stock.***

The shares of our common stock represent equity interests in us and do not constitute indebtedness. Accordingly, the shares of our common stock will rank junior to all of our existing and future indebtedness. We have issued unsecured senior and subordinated notes in the aggregate principal amount of \$20.0 million. The notes rank senior to all future junior subordinated debt obligations, preferred stock and common stock. This means that we must make payments due under the notes before any dividends can be paid on our common stock, and in the event of our bankruptcy, dissolution or liquidation, all outstanding principal and accrued and unpaid interest under the notes must be paid in full before any dividends or other distributions can be made on our common stock.

***We may issue additional shares of common stock, preferred stock or equity, debt or derivative securities in the future, which could adversely affect the market price or voting power of your shares of common stock.***

We are not restricted from issuing additional shares of common stock or preferred stock, including securities that are convertible into or exchangeable for, or that represent the right to receive our common stock. In addition, we are not prohibited from issuing additional securities which are senior to our common stock, and our board of directors has authority to issue senior and subordinated debt without further shareholder approval. Because our decision to issue securities in any future offering will depend in part on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of any future offerings.

## **Risks Related to Our Pending Acquisition**

***The success of the TwinCo merger will depend on a number of uncertain factors, including our ability to successfully integrate the two companies.***

Opportunity Bank and Ruby Valley have operated and, until the completion of the merger, will continue to operate, independently. The success of the merger, including anticipated benefits and cost savings, will depend, in part, on our ability to successfully combine and integrate the businesses of Opportunity Bank and Ruby Valley in a manner that permits growth opportunities and does not materially disrupt the existing customer relations or result in decreased revenues due to loss of customers.

The success of the merger will depend on a number of factors, including, without limitation:

our ability to integrate the operations, employees and branches we acquire from Ruby Valley in the merger into Opportunity Bank's current operations;



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our ability to limit the outflow of deposits held by our new customers and to successfully retain and manage interest-earning assets (i.e., loans) acquired in the merger;

our ability to realize our expected cost savings in the merger and to control the incremental non-interest expense from Ruby Valley in a manner that enables us to maintain a favorable overall efficiency ratio;

our ability to retain and attract the appropriate personnel; and

our ability to earn acceptable levels of interest and non-interest income, including fee income.

Integrating Ruby Valley will be expensive, and may be affected by general market and economic conditions or government actions affecting the financial industry generally. Integration efforts will also likely divert our management's attention and resources. No assurance can be given that we will be able to successfully integrate TwinCo and Ruby Valley. Also, the integration process could result in the loss of key employees, the disruption of ongoing business, or inconsistencies in standards, controls, procedures and policies that adversely affect our ability to maintain relationships with clients, customers, depositors and employees and we may not be able to achieve the anticipated benefits of the merger. We may also encounter unexpected difficulties or costs during the integration that could adversely affect our earnings and financial condition, perhaps materially. Additionally, no assurance can be given that the merger and/or the integration will not adversely affect our existing profitability, that we will be able to achieve results in the future similar to those achieved by our existing business, or that we will be able to manage any growth resulting from the merger effectively.

***Termination of the merger agreement could negatively impact the Company.***

If the merger agreement is terminated, there may be various consequences. For example, our businesses may have been impacted adversely by the failure to pursue other beneficial opportunities due to the focus of our management on the merger, without realizing any of the anticipated benefits of completing the merger. Additionally, if the merger agreement is terminated, the market price of our common stock could decline to the extent that the market prices since the announcement of the merger reflect a market assumption that the merger will be completed. If the merger agreement is terminated under certain circumstances, TwinCo or we may be required to pay to the other party a termination fee.

***If the merger is not completed, we will have incurred substantial expenses without realizing the expected benefits of the merger.***

We have incurred and will incur substantial expenses in connection with the negotiation and completion of the transactions contemplated by the merger agreement. If the merger is not completed, we would have to recognize these expenses without realizing the expected benefits of the merger.

***Regulatory approvals may not be received, may take longer than expected or may impose conditions that are not presently anticipated or that could have an adverse effect on the combined company following the merger.***

Before the merger and the bank merger may be completed, we must obtain approvals from the Federal Reserve and the Montana Division of Banking and Financial Institutions. Other approvals, waivers or consents from regulators may also be required. In determining whether to grant these approvals, the regulators consider a variety of factors, including, among other matters, the effect of the



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acquisition on competition in the markets we and TwinCo operate in, our financial condition, our future prospects and the impact of the merger on U.S. financial stability. The regulators also review current and projected capital ratios and levels, the competence, experience and integrity of management, and its record of compliance with laws and regulations, the convenience and needs of the communities to be served (including the acquiring institution's record of compliance under the Community Reinvestment Act and the effectiveness of the acquiring institution in combating money laundering activities). An adverse development in either party's regulatory standing or these factors could result in an inability to obtain approval or delay their receipt. These regulators may impose conditions on the completion of the merger or the bank merger or require changes to the terms of the merger or the bank merger. Such conditions or changes could have the effect of delaying or preventing completion of the merger or the bank merger or imposing additional costs on or limiting the revenues of the combined company following the merger and the bank merger, any of which might have an adverse effect on the combined company following the merger.

***This prospectus supplement contains limited financial information on which to evaluate the merger.***

This prospectus supplement contains limited historical financial information about TwinCo and pro forma combined financial information about Eagle and TwinCo after giving effect to the merger. The financial condition of the combined company following the merger will impact the price of our common stock after the merger.

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**USE OF PROCEEDS**

We estimate that the net proceeds to us from the offering, after deducting estimated underwriting discounts and commissions and estimated offering expenses, will be approximately \$17.8 million, or approximately \$20.1 million if the underwriters exercise their option to purchase additional shares from us in full. We intend to use the net proceeds from this offering for general corporate purposes, including potential future acquisitions and to support organic growth. We intend to contribute \$10 million of the net proceeds from this offering to the Bank. Other than with respect to our pending acquisition of TwinCo, we currently do not have any immediate plans, arrangements or understandings regarding any future acquisitions. We do not need the proceeds from this offering to fund the acquisition of TwinCo.

Our management will have broad discretion in the application of the net proceeds from this offering, and investors will be relying on the judgment of our management with regard to the use of these net proceeds. Pending the use of net proceeds from this offering as described above, we may invest the net proceeds in short-term liquid instruments.

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

The following table sets forth, on a consolidated basis, our capitalization, including regulatory capital ratios as of June 30, 2017:

on an actual basis, and

on an as adjusted basis after giving pro forma effect to the sale of 1,050,000 shares of our common stock in this offering at the public offering price of \$18.25 per share, as if the offering had been completed on June 30, 2017 (assuming the net proceeds of the offering are \$17,800,000, after deducting the estimated underwriting discount and estimated offering expenses, and the underwriters option is not exercised).

The as adjusted information below is illustrative only and our capitalization following the closing of this offering will be adjusted based on the actual public offering price and other terms of this offering determined at pricing. You should read this table in conjunction with our consolidated financial statements and notes thereto for the year ended December 31, 2016, and the Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the year ended December 31, 2016, the unaudited consolidated financial statements and the notes thereto for the six months ended June 30, 2017, the Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Quarterly Report on Form 10-Q for the quarter ended June 30, 2017, and the Use of Proceeds section included in this prospectus supplement, together with the other information included or incorporated by reference in this prospectus supplement and the accompanying prospectus.

	<b>As of June 30, 2017</b>	
	<b>(unaudited)</b>	
<i>(Dollars in thousands, except per share amounts)</i>	<b>Actual</b>	<b>As Adjusted</b>
<b>Debt:</b>		
Federal Home Loan Bank borrowings	\$ 104,182	\$ 104,182
Other long-term debt	24,778	24,778
<b>Total debt</b>	<b>\$ 128,960</b>	<b>\$ 128,960</b>
<b>Shareholders' equity:</b>		
Preferred stock, par value \$0.01 per share, 1,000,000 shares authorized; none issued or outstanding		
Common stock, par value \$0.01 per share, 8,000,000 shares authorized; 4,083,127 shares issued and 3,811,409 shares outstanding actual <sup>(1)</sup> , 4,861,409 shares as adjusted <sup>(1)</sup>	\$ 41	\$ 51
Additional paid-in capital	22,444	40,234
Unallocated common stock held by Employee Stock Ownership Plan	(725)	(725)
Treasury stock, at cost	(2,971)	(2,971)
Retained earnings	42,460	42,460

Net accumulated other comprehensive income	873	873
<b>Total shareholders equity</b>	<b>\$ 62,122</b>	<b>\$ 79,922</b>

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	As of June 30, 2017 (unaudited)	
	Actual	As Adjusted
<b>Book value per share</b>	\$ 16.30	\$ 16.44
<b>Tangible book value per share<sup>(2)</sup></b>	14.37	14.93
<b>Tangible common shareholders equity to tangible assets<sup>(2)</sup></b>	7.79 %	10.07 %
<b>Regulatory capital ratios<sup>(3)</sup>:</b>		
<b><i>Opportunity Bank</i></b>		
Total capital (to risk weighted assets)	15.09 %	17.05 %
Tier 1 capital (to risk weighted assets)	14.06	16.03
Tier 1 capital (to average assets)	10.39	11.68
Common equity Tier 1 capital (to risk weighted assets)	14.06	16.03
<b><i>The Company</i></b>		
Total capital (to risk weighted assets)	14.37 %	17.85 %
Tier 1 capital (to risk weighted assets)	11.39	14.87
Tier 1 capital (to average assets)	8.45	10.75
Common equity Tier 1 capital (to risk weighted assets)	10.53	14.01

- (1) This number of shares excludes 446,773 shares of our common stock that we expect to issue to TwinCo shareholders in the merger.
- (2) Non-GAAP financial measure. See Summary Historical Financial Data Use of Non-GAAP Financial Measures .
- (3) For purposes of this table, we have assumed that the net proceeds of this offering will be invested in securities which carry no risk weighting for purposes of all adjusted risk-based capital ratios.

**Table of Contents****PRICE RANGE OF COMMON STOCK AND DIVIDEND POLICY**

Our common stock trades on the Nasdaq Global Market under the symbol EBMT. On October 10, 2017, the last reported sale price of our common stock on the Nasdaq Global Market was \$19.15 per share. The following table provides the range of high and low sale prices per share during the periods indicated, as reported on the Nasdaq Global Market, as well as dividend information.

	<b>High</b>	<b>Low</b>	<b>Dividends Paid</b>
<b>2017</b>			
Fourth Quarter (through October 10, 2017)	\$ 19.30	\$ 18.30	-
Third Quarter	18.95	17.35	\$ 0.0900
Second Quarter	20.45	17.40	0.0800
First quarter	22.32	18.00	0.0800
<b>2016</b>			
Fourth Quarter	24.00	14.25	0.0800
Third Quarter	15.25	12.59	0.0800
Second Quarter	13.56	11.99	0.0775
First Quarter	12.42	11.15	0.0775
<b>2015</b>			
Fourth Quarter	13.23	11.26	0.0775
Third Quarter	12.46	10.68	0.0775
Second Quarter	11.19	10.54	0.0750
First Quarter	11.20	10.60	0.0750

As of October 5, 2017, we had 841 shareholders of record of our common stock.

Historically we have declared cash dividends on a quarterly basis. Our board of directors considers the dividend amount quarterly and takes a broad perspective in its dividend deliberations, including a review of recent operating performance, capital levels and loan concentrations as a percentage of capital, growth projections and applicable federal and state regulations and regulatory guidance. There can be no assurance that we will be able to continue paying dividends commensurate with recent levels. See [Description of Capital Stock](#) and [Risk Factors](#). There can be no assurance we will be able to continue paying dividends on our common stock at recent levels.

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**DESCRIPTION OF CAPITAL STOCK**

Our amended and restated certificate of incorporation, as amended, authorizes the issuance of capital stock consisting of 8,000,000 shares of common stock, par value \$0.01 per share, and 1,000,000 shares of preferred stock, par value \$0.01 per share. See **Description of Capital Stock** on page 6 of the accompanying prospectus, and the information incorporated by reference in this prospectus supplement and the accompanying prospectus for additional information regarding our common stock.

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**Table of Contents****UNDERWRITING**

We are offering the shares of common stock described in this prospectus supplement through D.A. Davidson & Co., which is acting as sole book-running manager of the offering and as representative of the several underwriters, referred to as the underwriters. We have entered into a firm commitment underwriting agreement with the underwriters, dated October 11, 2017, referred to as the underwriting agreement. Subject to the terms and conditions of the underwriting agreement, we have agreed to sell to the underwriters, and the underwriters have severally agreed to purchase from us, the respective number of shares of common stock appearing opposite their names below:

Underwriters	Number of Shares
D.A. Davidson & Co.	840,000
FIG Partners, LLC	210,000
<b>Total</b>	<b>1,050,000</b>

The underwriters have agreed, severally and not jointly, to purchase all of the shares shown in the above table if any of those shares are sold in this offering. If an underwriter defaults in an amount in excess of that described in the underwriting agreement, the underwriting agreement provides that the purchase commitments of the non-defaulting underwriters may be increased or the underwriting agreement may be terminated under certain circumstances.

The underwriters are offering the shares of common stock subject to their acceptance of the shares from us, subject to prior sale and subject to approval of legal matters by counsel for the underwriters. The underwriting agreement also provides that the obligation of the underwriters to purchase the shares of common stock offered by this prospectus supplement is subject to the satisfaction of the conditions contained in the underwriting agreement, including, among other things, the receipt of legal opinions, officers' certificates and other customary closing documents, and the absence of any material adverse changes affecting us or our business.

The underwriters reserve the right to withdraw, cancel or modify the offer to the public and to reject orders in whole or in part. The Underwriters have advised us that they do not intend to confirm sales to any account over which they exercise discretionary authority in excess of 5% of the total number of shares offered by them.

**Over-Allotment Option**

We have granted the underwriters an option to purchase up to 139,041 additional shares of our common stock at the public offering price less the underwriting discount. The underwriters may exercise this option, in whole or in part, at any time and from time to time for 30 days from the date of the underwriting agreement, solely for the purpose of covering over-allotments, if any, made in connection with the offering of the shares of common stock offered by this prospectus supplement. To the extent the underwriters exercise this option, each will have a firm commitment, as long as the conditions of the underwriting agreement are satisfied, to purchase approximately the same percentage of the additional shares of common stock that the number of shares of common stock to be purchased by that underwriter as shown in the above table represents as a percentage of the total number of shares shown in that table, and we will be obligated to sell such shares of common stock to the underwriters. If purchased, the additional shares will be sold by the underwriters on the same terms as those on which the other shares are sold.



**Table of Contents****Commissions, Discounts and Offering Expenses**

The underwriters have advised us that they propose to offer the shares of common stock directly to the public at the public offering price set forth on the cover page of this prospectus supplement and to dealers at the public offering price less a selling concession not in excess of \$0.657 per share. If all of the shares are not sold at the public offering price, the underwriters may change the offering price and other selling terms.

The following table shows the per share and total public offering price, underwriting discount to be paid to the underwriters, and the net proceeds to us before expenses. This information is presented assuming both no exercise and full exercise by the underwriters of the over-allotment option.

	Per	Total	
	Share	Without	With
		Overallotment	Overallotment
		Exercise	Exercise
Public offering price	\$ 18.25	\$ 19,162,500	\$ 21,699,998.25
Underwriting discount	\$ 1.095	\$ 1,149,750	\$ 1,301,999.90
Proceeds, before expenses, to us	\$ 17.155	\$ 18,012,750	\$ 20,397,998.35

We estimate that the expenses of this offering, all of which will be paid by us, exclusive of the underwriting discount, will be approximately \$250,000, which includes legal, accounting and printing costs and various other fees associated with registering our common stock as well as reimbursement to the underwriters for certain of their offering expenses, including legal fees and expenses. In accordance with FINRA Rule 5110, these reimbursed expenses are deemed underwriting compensation for this offering.

**Listing**

Our common stock is listed on the Nasdaq Global Market under the symbol EBMT.

**Price Stabilization, Short Positions and Penalty Bids**

To facilitate the offering of our common stock, the underwriters may engage in transactions that stabilize, maintain or otherwise affect the price of our common stock, including:

- stabilizing transactions;
- short sales;
- purchases to cover positions created by short sales; and
- penalty bids.

Stabilizing transactions consist of bids or purchases made for the purpose of preventing or retarding a decline in the market price of our common stock while this offering is in progress. These transactions may also include making short sales of our common stock, which involve the sale by the underwriters of a greater number of shares of common stock

than they are required to purchase in this offering. Short sales may be covered short sales, which are short positions in an amount not greater than the underwriters' purchase option referred to above, or may be naked short sales, which are short positions in excess of that amount.

The underwriters may close out any covered short position either by exercising its purchase option, in whole or in part, or by purchasing shares in the open market. In making this determination,

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the underwriters will consider, among other things, the price of shares available for purchase in the open market compared to the price at which it may purchase shares through the purchase option. The underwriters must close out any naked short position by purchasing shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the common stock in the open market that could adversely affect investors who purchased shares in this offering.

Penalty bids permit the underwriters to reclaim selling concessions from a syndicate member when the common stock originally sold by the syndicate member is purchased in stabilizing transactions or transactions to cover short positions.

As a result of these activities, the price of our common stock may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued by the underwriters at any time without notice. The underwriters may carry out these transactions on the Nasdaq Global Market, in the over-the-counter market or otherwise.

## **Passive Market Making**

In connection with this offering, the underwriters and selling group members may engage in passive market making transactions in our common stock on the Nasdaq Global Market in accordance with Rule 103 of Regulation M under the Exchange Act during a period before the commencement of offers or sales of common stock and extending through the completion of the distribution of this offering. A passive market maker must display its bid at a price not in excess of the highest independent bid of that security. However, if all independent bids are lowered below the passive market maker's bid, that bid must then be lowered when specified purchase limits are exceeded. Passive market making may cause the price of our common stock to be higher than the price that otherwise would exist in the open market in the absence of those transactions. The underwriters and dealers are not required to engage in passive market making and may end passive market making activities at any time.

## **Lock-up Agreements**

We have agreed with the underwriters that, during the period ending 90 days after the date of this prospectus supplement, which we refer to as the restricted period, neither we, nor any of our executive officers and directors will, without the prior written approval of D.A. Davidson & Co., on behalf of the underwriters, subject to limited exceptions:

- (1) sell, offer to sell, contract or agree to sell, hypothecate, pledge, grant any option to purchase or otherwise dispose of or agree to dispose of, directly or indirectly, any common stock or securities convertible into or exchangeable or exercisable for common stock or warrants or other rights to purchase common stock or any other of our securities that are substantially similar to common stock, or enter into a transaction that would have the same effect; or enter into any swap, hedge or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of the common stock, whether any such aforementioned transaction is to be settled by delivery of the common stock or such other securities, in cash or otherwise;
- (2) publicly disclose the intention to make any such offer, sale, hypothecation, pledge, grant or disposition, or to enter into any such transaction, swap, hedge or other arrangement; or

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(3) file or cause to be declared effective a registration statement under the Securities Act relating to the offer and sale of any shares of common stock or securities convertible into or exercisable or exchangeable for common stock or warrants or other rights to purchase common stock or any other of our securities that are substantially similar to common stock;

*provided, however, that if:*

(1) during the last 17 days of the 90-day restricted period provided for herein, we issue an earnings release or disclose material news or a material event relating to us occurs; or

(2) prior to the expiration of the 90-day restricted period provided for herein, we announce that we will release earnings results during the 16-day period beginning on the last day of such 90-day period,

then the restrictions imposed by the lock-up agreements will continue to apply until the expiration of the 18- day period beginning on the issuance of the earnings release, the disclosure of material news or the occurrence of the material event. The foregoing provision, however, will not apply if we deliver to the underwriters, not sooner than 18 nor later than 16 days before the last day of the restricted period, a certificate, signed by our chief financial officer or chief executive officer, certifying on our behalf that the shares of common stock are actively traded securities, as defined in Rule 101(c)(1) of Regulation M under the Exchange Act.

The lock-up agreements signed by our directors and executive officers contain certain customary exceptions.

D.A. Davidson may, in its sole discretion and at any time and from time to time, without public notice, release all or any portion of the foregoing shares and other securities from the foregoing restrictions.

## **Indemnification and Contribution**

We and the Bank will indemnify the underwriters against certain liabilities, including liabilities under the Securities Act, and, if we and the Bank are unable to provide this indemnification, we and the Bank will contribute to payments that the underwriters may be required to make because of those liabilities.

## **Electronic Distribution**

This prospectus supplement with the accompanying prospectus may be made available in electronic format on one or more websites or through other online services maintained by the underwriters or by their respective affiliates. Other than the prospectus supplement with the accompanying prospectus in electronic format, information on such websites and any information contained in any other website maintained by any of the underwriters or any of their affiliates is not part of this prospectus supplement or the accompanying prospectus or our registration statement of which this prospectus supplement forms a part, has not been approved or endorsed by us or any of the underwriters in their capacity as underwriter and should not be relied on by investors.

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**Other Relationships**

The underwriters and their affiliates have provided, and may in the future provide, various investment banking and other financial services for us and our affiliates, for which services they have received and may in the future receive customary fees.

The underwriters have advised us that, except as specifically contemplated in the underwriting agreement, they owe no fiduciary or other duties to us in connection with this offering, and that they may have agreements and relationships with, and owe duties to, third parties, including potential purchasers of the securities in this offering, that may create actual, potential or apparent conflicts of interest.

**Other Matters**

Other than in the United States, no action has been taken by us or the underwriters that would permit a public offering of the shares of common stock offered by this prospectus supplement in any jurisdiction where action for that purpose is required. The shares of common stock offered by this prospectus supplement may not be offered or sold, directly or indirectly, nor may this prospectus supplement or any other offering material or advertisements in connection with the offer and sale of any such shares of common stock be distributed or published in any jurisdiction, except under circumstances that will result in compliance with the applicable rules and regulations of that jurisdiction. We and the underwriters require that the persons into whose possession this prospectus supplement comes inform themselves about and to observe any restrictions relating to the offering and the distribution of this prospectus supplement. This prospectus supplement does not constitute an offer to sell or a solicitation of an offer to buy any shares of common stock offered by this prospectus supplement in any jurisdiction in which such an offer or a solicitation is unlawful.

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**LEGAL MATTERS**

The validity of the shares of common stock being offered by this prospectus supplement and the accompanying prospectuses will be passed upon by our counsel, Nixon Peabody LLP, Washington D.C. Holland & Knight LLP, Washington D.C., will pass upon certain legal matters for the underwriters.

**EXPERTS**

The consolidated financial statements of Eagle Bancorp Montana, Inc. and subsidiaries as of and for the two years ended December 31, 2016 have been audited by Davis Kinard & Co, PC, an independent registered public accounting firm, as set forth in their report appearing in our Annual Report on Form 10-K for the year ended December 31, 2016 and incorporated in this prospectus supplement by reference. Such consolidated financial statements have been so incorporated in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

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**PROSPECTUS**

**Eagle Bancorp Montana, Inc.**

**\$50,000,000**

**Common Stock**

**Preferred Stock**

**Warrants**

**Units**

This prospectus will allow us to offer and sell up to an aggregate of \$50,000,000 of our common stock, preferred stock, warrants and units from time to time at prices and on terms to be determined at or prior to the time of the offering. We may offer and sell these securities to or through one or more underwriters, dealers and agents, or directly to purchasers, on a continuous or delayed basis. If we offer and sell these securities to or through underwriters, dealers or agents, their names and other applicable details will be included in a prospectus supplement.

This prospectus describes the general terms of the securities we may offer. The specific terms of any securities and the specific manner in which we will offer them will be included in a supplement to this prospectus relating to that offering.

We encourage you to carefully read this prospectus and any applicable prospectus supplement before you invest in our securities. We also encourage you to read the documents we have referred you to in the **Where You Can Find More Information** section of this prospectus for information on us and for our financial statements.

Our common stock, par value \$0.01 per share, is listed on the Nasdaq Global Market under the symbol **EBMT**. As of April 7, 2017, the closing price of our common stock was \$19.08 per share. As of April 7, 2017, the aggregate market value of our outstanding common stock held by non-affiliates was approximately \$66.3 million, which was calculated based upon 3,475,342 shares of outstanding common stock held by non-affiliates and a per share price of \$19.08. Pursuant to General Instruction I.B.6 of Form S-3, in no event will we sell securities registered on the registration statement of which this prospectus is a part in a public primary offering with a value exceeding more than one-third of the aggregate market value of our voting and non-voting common equity held by non-affiliates in any 12-month period as long as the aggregate market value of our outstanding voting and non-voting common equity held by non-affiliates is less than \$75 million. During the 12-month period prior to and including the date of this prospectus, we have not offered any securities pursuant to General Instruction I.B.6 of Form S-3.

**Investing in our common stock involves risks. You should carefully consider all of the information set forth in this prospectus, including the risk factors set forth under Risk Factors on page 5 of this prospectus, as well as the risk factors and other information in any accompanying prospectus supplement and any documents we incorporate by reference into this prospectus and any accompanying prospectus supplement, before deciding to invest in our common stock. See **Incorporation of Certain Information By Reference**.**

**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 by this prospectus are not savings accounts, deposits or other obligations of any bank and are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency.**

The date of this prospectus is April 28, 2017

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**ABOUT THIS PROSPECTUS**

This prospectus is part of a registration statement that we filed with the Securities and Exchange Commission, or SEC, using a shelf registration process. Under this shelf registration process, we may sell the securities described in this prospectus in one or more offerings up to a total offering price of \$50,000,000. This prospectus provides you with a general description of the securities we may offer. Each time we offer to sell securities, we will provide a prospectus supplement that will contain specific information about the terms of that offering. Any such prospectus supplement may also add, update or change information contained in this prospectus. You should read both the prospectus and any applicable prospectus supplement together with the additional information described under the heading **Where You Can Find More Information**.

You should not assume that the information in this prospectus, any accompanying prospectus supplement or any documents we incorporate by reference into this prospectus and any prospectus supplement is accurate as of any date other than the date on the front of those documents. Our business, financial condition, results of operations and prospects may have changed since those dates.

We have not authorized any dealer, salesman or other person to give you any information or to make any representations other than those contained in this prospectus and in the documents we incorporate into this prospectus. You should not rely on any information or representations that are not contained in this prospectus or in the documents we incorporate by reference.

This prospectus is not an offer to sell, or a solicitation of an offer to buy, the securities offered hereby in any jurisdiction to any person to whom it is unlawful to make an offer or solicitation in that jurisdiction. Delivery of this prospectus at any time does not imply that the information contained herein is correct as of any time subsequent to the date hereof.

In this prospectus, all references to the **Company**, **Eagle**, **we**, **us** and **our** refer to Eagle Bancorp Montana, Inc., a Delaware corporation, and its consolidated subsidiaries.

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**FORWARD-LOOKING STATEMENTS**

This prospectus contains or incorporates by reference statements that constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act). These statements involve known and unknown risks, uncertainties, and other factors that may cause our or our industry's actual results, levels of activity, performance, or achievements to be materially different from any future results, levels of activity, performance, or achievements expressed or implied by those forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as may, should, intend, expect, plan, budget, forecast, anticipate, believe, estimate, project, predict, potential, or continue, or the negative of such terms or other terminology. You are cautioned that such forward-looking statements involve significant known and unknown risks, uncertainties and other factors that may cause our or our industry's actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by those forward-looking statements.

The forward-looking statements contained in this prospectus and in the documents incorporated by reference into this prospectus are largely based on our expectations, which reflect estimates and assumptions made by our management. These estimates and assumptions reflect management's best judgment based on currently known market conditions and other factors. Although we believe such estimates and assumptions to be reasonable, they are inherently uncertain and involve a number of risks and uncertainties beyond our control. In addition, management's assumptions may prove to be inaccurate. We caution you that the forward-looking statements contained in this prospectus and in the documents incorporated by reference into this prospectus are not guarantees of future performance, and we cannot assure any reader that such statements will be realized or the forward-looking statements or events will occur. Future results may differ materially from those anticipated or implied in forward looking statements due to factors described below and other factors that are unknown to us. If one or more of these factors materialize, or if any underlying assumptions prove incorrect, our future results, performance or achievements may vary materially from any future results, performance or achievements expressed or implied by these forward-looking statements. Such factors include, but are not limited to, the matters set forth below:

changes in laws or government regulations or policies affecting financial institutions, including changes in regulatory fees and capital requirements;

general economic conditions, either nationally or in our market areas, that are worse than expected;

competition among depository and other financial institutions;

changes in the prices, values and sales volume of residential and commercial real estate in Montana;

inflation and changes in the interest rate environment that reduce our margins or reduce the fair value of financial instruments;

changes or volatility in the securities markets;

our ability to enter new markets successfully and capitalize on growth opportunities;

our ability to successfully integrate acquired businesses;

changes in consumer spending, borrowing and savings habits;

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our ability to continue to increase and manage our commercial and residential real estate, multi-family and commercial business loans;

possible impairments of securities held by us, including those issued by government entities and government sponsored enterprises;

the level of future deposit premium assessments;

the impact of a recurring recession on our loan portfolio (including cash flow and collateral values), investment portfolio, customers and capital market activities;

the Company's ability to develop and maintain secure and reliable information technology systems, effectively defend itself against cyberattacks or recover from breaches to its cybersecurity infrastructure;

the failure of assumptions underlying the establishment of allowance for possible loan losses and other estimates;

changes in the financial performance and/or condition of our borrowers and their ability to repay their loans when due; and

the effect of changes in accounting policies and practices, as may be adopted by the regulatory agencies, as well as the Securities and Exchange Commission, the Public Company Accounting Oversight Board, the Financial Accounting Standards Board and other accounting standard setters.

The forward-looking statements speak only as of the date made, and other than as required by law, we undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

**WHERE YOU CAN FIND MORE INFORMATION**

We have filed with the SEC a registration statement on Form S-3 under the Securities Act with respect to the securities being offered under this prospectus. This prospectus, which is included in the registration statement, does not contain all of the information in the registration statement. For further information regarding the Company and our securities, please see the registration statement and our other filings with the SEC, including our annual, quarterly and current reports and proxy statements, which you may read and copy at the Public Reference Room maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549. You may obtain information about the Public Reference Room by calling the SEC at 1-800-SEC-0330. Our SEC filings are also available to the public on the SEC's Internet website at [www.sec.gov](http://www.sec.gov). Our Internet website address is [www.opportunitybank.com](http://www.opportunitybank.com). Information contained on our website is not part of this prospectus, unless specifically so designated and filed with the SEC.

## Edgar Filing: People's United Financial, Inc. - Form 10-K

We furnish holders of our common stock with annual reports containing audited financial statements prepared in accordance with accounting principles generally accepted in the United States following the end of each fiscal year. We file reports and other information with the SEC pursuant to the reporting requirements of the Exchange Act.

Descriptions in this prospectus of documents are intended to be summaries of the material, relevant portions of those documents, but may not be complete descriptions of those documents. For complete copies of those documents, please refer to the exhibits to the registration statement and other documents filed by us with the SEC.



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**INCORPORATION OF CERTAIN INFORMATION BY REFERENCE**

The SEC allows us to incorporate by reference the information we have filed with the SEC, which means that we can disclose important information to you without actually including the specific information in this prospectus by referring you to those documents. The information incorporated by reference is an important part of this prospectus and later information that we file with the SEC will automatically update and supersede this information. Therefore, before you decide to invest in a particular offering under this shelf registration, you should always check for reports we may have filed with the SEC after the date of this prospectus. We incorporate by reference into this prospectus (1) the documents listed below, (2) any future filings we make with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act following the date of this prospectus and prior to the termination of the offering covered by this prospectus and any prospectus supplement and (3) any filings we make with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of the registration statement of which this prospectus is a part and prior to the effectiveness of such registration statement, in each case other than information furnished to the SEC under Items 2.02 or 7.01 of Form 8-K and which is not deemed filed under the Exchange Act and is not incorporated in this prospectus:

Our Annual Report on Form 10-K for our fiscal year ended December 31, 2016, filed with the SEC on March 14, 2017;

Our Current Report on Form 8-K filed with the SEC on February 13, 2017 (excluding Item 7.01) and February 23, 2017 and on Form 8-K/A on February 24, 2017; and

The description of our common stock contained in our Registration Statement on Form 8-A, filed with the SEC on March 31, 2010.

We will provide, without charge, to each person, including any beneficial owner, to whom a copy of this prospectus has been delivered, upon written or oral request of such person, a copy of any or all of the documents incorporated by reference herein (other than certain exhibits to such documents not specifically incorporated by reference). Requests for such copies should be directed to:

Eagle Bancorp Montana, Inc.

1400 Prospect Avenue

Helena, Montana 59601

(406) 442-3080

Attention: Corporate Secretary

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**ABOUT EAGLE BANCORP MONTANA, INC.**

Eagle Bancorp Montana, Inc. is a Delaware corporation that holds 100.0% of the capital stock of Opportunity Bank of Montana ( the Bank ), formerly American Federal Savings Bank ( AFSB ). In 2014, the Company applied to the State of Montana to form an interim bank for the purpose of facilitating the conversion of AFSB from a federally chartered savings bank to a Montana-chartered commercial bank. Upon receiving required approvals of the Montana Division of Banking and Financial Institutions and the federal banking agencies for the conversion, the conversion became effective on October 14, 2014. Concurrent with the conversion, the Bank applied, and was approved, for membership in the Federal Reserve System of the Board of Governors. In connection with the conversion, AFSB changed its name to Opportunity Bank of Montana. As a result of the conversion, the Bank is now regulated by the Montana Division of Banking and Financial Institutions. As a Federal Reserve Board ( FRB ) member bank, its primary federal regulator is the FRB, and the Company is a registered bank holding company regulated by the FRB.

The Bank was founded in 1922 as a Montana-chartered building and loan association and has conducted operations in Helena since that time. In 1975, the Bank adopted a federal thrift charter and in October 2014 converted to a Montana-chartered commercial bank. On November 30, 2012, the Company completed a significant transaction with Sterling Financial Corporation ( Sterling ) of Spokane, Washington in which the Company purchased all of Sterling s retail bank branches in Montana. As a result of this transaction, the Bank s assets grew to over \$500 million and the retail branch network grew from six to 13 full service branches, with six branches in new markets. The acquisition also included the addition of a wealth management division with over \$100 million in managed assets and a mortgage banking operation that has increased opportunities for additional origination and fee income. The Bank currently has 15 automated teller machines located in our market areas and we participate in the Money Pass® ATM network. As of December 31, 2016, the Bank was the 6th largest commercial bank headquartered in Montana in terms of deposits.

The Company is headquartered at 1400 Prospect Avenue, Helena, Montana, 59601. Investor information for the Company may be found at [www.opportunitybank.com](http://www.opportunitybank.com). The contents on or accessible through, our website are not incorporated into this prospectus.

**RISK FACTORS**

An investment in our securities involves risks. We urge you to carefully consider all of the information contained in or incorporated by reference in this prospectus and other information which may be incorporated by reference in this prospectus or any prospectus supplement as provided under Incorporation of Certain Information by Reference, including our Annual Reports on Form 10-K and our Quarterly Reports on Form 10-Q. This prospectus also contains forward-looking statements that involve risks and uncertainties. Please read Forward-Looking Statements. Our actual results could differ materially from those anticipated in the forward-looking statements as a result of certain factors, including the risks described elsewhere in this prospectus or any prospectus supplement and in the documents incorporated by reference into this prospectus or any prospectus supplement. If any of these risks occur, our business, financial condition or results of operation could be adversely affected.

**USE OF PROCEEDS**

Unless we inform you otherwise in the applicable prospectus supplement, we may use the net proceeds from the sale of the offered securities for various business purposes, including strategic acquisitions, capital expenditures, working capital, the repurchase and redemption of our securities and other general corporate purposes. From time to time, we may invest any such proceeds in short-term marketable securities. We may elect to use the proceeds from the sale of the offered securities to acquire assets and businesses in our industry that from time to time become available to us provided that such acquisitions are deemed to be in the best interests of our Company and our stockholders by our

board of directors.

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**DESCRIPTION OF CAPITAL STOCK**

The following is a description of our capital stock and a summary of the rights of our stockholders and provisions pertaining to indemnification of our directors and officers. You should also refer to our Amended and Restated Certificate of Incorporation and Bylaws, which are incorporated by reference in this prospectus, and to Delaware law.

**General**

The Company has an authorized capitalization of 9,000,000 shares of capital stock, consisting of 8,000,000 shares of common stock, par value \$0.01 per share, and 1,000,000 shares of undesignated preferred stock, par value \$0.01 per share. As of February 1, 2017, we have a total of 64,268 shares of our common stock reserved and remaining to be issued for grants of options and restricted stock awards under our stock plans. As of February 1, 2017, there were 3,811,409 shares of common stock, and no shares of preferred stock outstanding. As of such date, there were 890 holders of record of common stock.

**Common Stock**

Subject to the prior or special rights of holders of shares of preferred stock:

*Dividends.* The holders of shares of common stock are entitled to any dividends that may be declared by our board of directors out of legally available funds;

*Liquidation, Dissolution or Winding Up.* In the event of a liquidation, dissolution or winding up of the Company, the holders of shares of our common stock are entitled upon liquidation to share ratably in all assets remaining after payment of liabilities and the satisfaction of the liquidation preferences of any outstanding shares of preferred stock;

*Redemption.* The holders of shares of our common stock are not subject to, or entitled to the benefits of, any redemption or sinking fund provision;

*Conversion.* No holder of common stock has the right to convert or exchange any such shares with or into any other shares of capital stock of the Company;

*Preemptive Rights.* No holder of common stock has preemptive rights; and

*Voting.* Each share of common stock entitles the holder thereof to one vote, in person or by proxy, on all matters submitted to a vote of stockholders generally. Voting is non-cumulative. The outstanding shares of our common stock are fully paid and non-assessable. Except as specifically provided in the Delaware General Corporation Law (the DGCL ) or in the Company's certificate of incorporation or bylaws, the affirmative vote required for stockholder action shall be that of a majority of the shares present in person or represented by proxy at the meeting (as counted for purposes of determining the existence of a quorum at the meeting). Directors are elected by a plurality of the votes cast in the election.

**Preferred Stock**

The following description of the terms of the preferred stock sets forth the general terms and provisions of the preferred stock to which any prospectus supplement may relate. Other terms of any series of the preferred stock offered by any prospectus supplement will be described in that prospectus supplement. The description of the provisions of the preferred stock set forth below and in any applicable prospectus supplement does not purport to be

complete and is subject to and qualified in its entirety by reference to our amended and restated certificate of incorporation and the certificate of designations relating to each series of the preferred stock. The

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certificate of designations will be filed with the Commission and incorporated by reference in the registration statement of which this prospectus is a part at or prior to the time of the issuance of each new series of preferred stock.

The preferred stock may be issued from time to time by our board of directors as shares of one or more classes or series. Subject to the provisions of our amended and restated certificate of incorporation and limitations prescribed by law, our board of directors is expressly authorized to adopt resolutions to issue the shares, to fix the number of shares, to change the number of shares constituting any series and to provide for or change the voting powers, designations, preferences and relative, participating, optional or other special rights, qualifications, limitations or restrictions thereof, including dividend rights (including whether dividends are cumulative), dividend rates, terms of redemption (including sinking fund provisions), redemption prices, conversion rights and liquidation preferences of the shares constituting any class or series of the preferred stock, in each case without any action or vote by the holders of common stock.

The issuance of shares of preferred stock, or the issuance of rights to purchase shares of preferred stock, could be used to discourage an unsolicited acquisition proposal. For instance, the issuance of a series of preferred stock might impede a business combination by including class voting rights that would enable the holders to block such a transaction; or the issuance might facilitate a business combination by including voting rights that would provide a required percentage vote of the stockholders. In addition, under some circumstances, the issuance of preferred stock could adversely affect the voting power of the holders of the common stock. Although our board of directors is required to make any determination to issue preferred stock based on its judgment as to the best interests of our stockholders, the board of directors could act in a manner that would discourage an acquisition attempt or other transaction that some or a majority of the stockholders might believe to be in their best interests or in which stockholders might receive a premium for their stock over the then market price of the stock. The board of directors does not currently intend to seek stockholder approval prior to any issuance of currently authorized stock, unless otherwise required by law or the rules of any market on which our securities are traded.

The preferred stock shall have the dividend, liquidation, redemption and voting rights set forth in a prospectus supplement relating to the particular series of the preferred stock. Reference is made to the prospectus supplement relating to the particular series of the preferred stock offered by the prospectus supplement for specific terms, including:

the designation and stated value per share of such preferred stock and the number of shares offered;

the amount of liquidation preference per share;

the initial public offering price at which the preferred stock will be issued;

the dividend rate or method of calculation, the dates on which dividends shall be payable, the form of dividend payment and the dates from which dividends shall begin to cumulate, if any;

any redemption or sinking fund provisions;

any conversion or exchange rights; and

any additional voting, dividend, liquidation, redemption, sinking fund and other rights, preferences, privileges, limitations and restrictions.

The preferred stock will, when issued, be fully paid and nonassessable and new series of preferred stock will not have preemptive rights. The rights of the holders of each series of the preferred stock will be subordinate to the rights of our general creditors.

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**Certain Anti-Takeover Effects of Certain Provisions of the Company's Amended and Restated Certificate of Incorporation, Bylaws and the Delaware General Corporation Law**

The following discussion is a general summary of the material provisions of Eagle's Amended and Restated Certificate of Incorporation and Bylaws and certain other regulatory provisions that may be deemed to have an anti-takeover effect. The following description of certain of these provisions is necessarily general and reference should be made in each case to the actual document or regulatory provision in question.

***Eagle's Amended and Restated Certificate of Incorporation and Bylaws***

Eagle's Amended and Restated Certificate of Incorporation and Bylaws contain a number of provisions relating to corporate governance and rights of stockholders that might discourage future takeover attempts. As a result, stockholders who might desire to participate in such transactions may not have an opportunity to do so. In addition, these provisions will also render the removal of the board of directors or management of Eagle more difficult.

*Prohibition of Cumulative Voting.* The Amended and Restated Certificate of Incorporation prohibits cumulative voting for the election of directors.

*Restrictions on Removing Directors from Office.* The Amended and Restated Certificate of Incorporation provides that directors may be removed only for cause, and only by the affirmative vote of the holders of at least 80% of the voting power of all of our then-outstanding common stock entitled to vote.

*Authorized but Unissued Shares.* Eagle has authorized but unissued shares of common and preferred stock. Eagle is authorized to issue preferred stock from time to time in one or more series subject to applicable provisions of law, and the board of directors is authorized to fix the designations, and relative preferences, limitations, voting rights, if any, including without limitation, offering rights of such shares (which could be multiple or as a separate class). In the event of a proposed merger, tender offer or other attempt to gain control of Eagle that the board of directors does not approve, it might be possible for the board of directors to authorize the issuance of a series of preferred stock with rights and preferences that would impede the completion of the transaction. An effect of the possible issuance of preferred stock therefore may be to deter a future attempt to gain control of Eagle. The board of directors has no present plan or understanding to issue any preferred stock.

*Amendments to Amended and Restated Certificate of Incorporation and Bylaws.* Amendments to the Amended and Restated Certificate of Incorporation must be approved by our board of directors and also by at least a majority of the outstanding shares of our voting stock; provided, however, that approval by at least 80% of the outstanding voting stock is generally required to amend the following provisions:

- (i) the applicability of Section 203 of the Delaware General Corporation Law;
- (ii) the division of the board of directors into three classes;
- (iii) the limitation on voting rights of persons who directly or indirectly beneficially own more than 10% of the outstanding shares of common stock;



- (iv) the indemnification of current and former directors and officers by Eagle;
- (v) the requirement of an 80% stockholder approval for business combination transactions with interested stockholders;
- (vi) the prohibition of stockholder action by written consent;

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- (vii) the requirement that the holders of at least 80% of the outstanding shares of common stock must vote to remove directors, and can only remove directors for cause;
- (viii) the limitation of liability of officers and directors to Eagle for money damages; and
- (ix) the provision of the Amended and Restated Certificate of Incorporation requiring approval of at least 80% of the outstanding voting stock to amend the provisions of the Amended and Restated Certificate of Incorporation provided in (i) through (viii) of this list.

The Amended and Restated Certificate of Incorporation also provides that certain bylaws may be amended by the affirmative vote of a majority of our directors or by the stockholders and that specified provisions in the Bylaws may only be amended by the stockholders by the affirmative vote of at least 80% of the total votes eligible to be voted at a duly constituted meeting of stockholders. Any amendment of this supermajority requirement for amendment of the Bylaws would also require the approval of 80% of the outstanding voting stock.

*Stockholder Vote Required to Approve Business Combinations with Principal Shareholders.* The Amended and Restated Certificate of Incorporation of Eagle requires the approval of the holders of at least 80% of Eagle's outstanding shares of voting stock to approve certain Business Combinations, as defined therein, and related transactions. Under Delaware law, absent this provision, Business Combinations, including mergers, consolidations and sales of all or substantially all of the assets of a corporation must, subject to certain exceptions, be approved by the vote of the holders of only a majority of the outstanding shares of common stock of Eagle and any other affected class of stock. Under the Amended and Restated Certificate of Incorporation, at least 80% approval of stockholders is required in connection with any transaction involving an interested stockholder (as defined below) except (i) in cases where the proposed transaction has been approved in advance by a majority of those members of Eagle's board of directors who are unaffiliated with the interested stockholder and were directors prior to the time when the interested stockholder became an interested stockholder or (ii) if the proposed transaction meets certain conditions set forth in the Amended and Restated Certificate of Incorporation, which are designed to afford the stockholders a fair price in consideration for their shares in which case, if a stockholder vote is required, approval of only a majority of the outstanding shares of voting stock would be sufficient.

The term interested stockholder is defined to include any individual, corporation, partnership or other entity (other than Eagle or its subsidiary) which owns beneficially or controls, directly or indirectly, 15% or more of the outstanding shares of voting stock of Eagle. This provision of the Amended and Restated Certificate of Incorporation applies to any Business Combination, which is defined to include (i) any merger, consolidation or share exchange of Eagle or any of its subsidiaries with or into any interested stockholder or affiliate of an interested stockholder; (ii) any sale, lease, exchange, mortgage, pledge, transfer, or other disposition to or with any interested stockholder or affiliate of assets of Eagle having an aggregate market value of 10% or more of either the aggregate market value of the total consolidated assets of Eagle or the aggregate market value of the outstanding stock of Eagle; (iii) the issuance or transfer to any interested stockholder or its affiliate by Eagle (or any subsidiary) of any securities of Eagle subject to certain exceptions; (iv) the adoption of any plan for the liquidation or dissolution of Eagle proposed by or on behalf of any interested stockholder or affiliate thereof; (v) any reclassification of securities, recapitalization, merger or consolidation of Eagle which has the effect of increasing the proportionate share of outstanding shares of common stock or any class of equity or convertible securities of Eagle owned directly or indirectly by an interested stockholder or affiliate thereof; (vi) any transaction involving Eagle or any subsidiary that has the effect of increasing the proportionate share of the stock of any class or securities convertible into stock of any class or series owned by the interested stockholder except for immaterial changes due to fractional share adjustments or as a result of stock repurchases not caused by the interested stockholder; and (vii) any receipt by the interested stockholder of the benefit

of any loans, advances, guarantees, pledges or other financial benefits provided by or through Eagle or any subsidiary.

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Our board of directors believes that the provisions described above or below are prudent and will reduce our vulnerability to takeover attempts and certain other transactions that have not been negotiated with and approved by our board of directors. Our board of directors believes these provisions are in the best interests of Eagle and its stockholders. Our board of directors believes that it will be in the best position to determine the true value of Eagle and to negotiate more effectively for what may be in the best interests of its stockholders. Accordingly, our board of directors believes that it is in the best interests of Eagle and its stockholders to encourage potential acquirers to negotiate directly with the board of directors and that these provisions will encourage such negotiations and discourage hostile takeover attempts. It is also the view of our board of directors that these provisions should not discourage persons from proposing a merger or other transaction at a price reflective of the true value of Eagle and that is in the best interests of all stockholders.

Takeover attempts that have not been negotiated with and approved by our board of directors present the risk of a takeover on terms that may be less favorable than might otherwise be available. A transaction that is negotiated and approved by our board of directors, on the other hand, can be carefully planned and undertaken at an opportune time in order to obtain maximum value of Eagle for our stockholders, with due consideration given to matters such as the management and business of the acquiring corporation and maximum strategic development of Eagle's assets.

Despite our belief as to the benefits to stockholders of these provisions of Eagle's Amended and Restated Certificate of Incorporation and Bylaws, these provisions may also have the effect of discouraging a future takeover attempt that would not be approved by our board of directors, but pursuant to which stockholders may receive a substantial premium for their shares over then current market prices. As a result, stockholders who might desire to participate in such a transaction may not have any opportunity to do so. Such provisions will also make it more difficult to remove our board of directors and management. Our board of directors, however, has concluded that the potential benefits outweigh the possible disadvantages.

Pursuant to applicable law and, if required, following the approval by stockholders, we may adopt additional anti-takeover provisions in our Amended and Restated Certificate of Incorporation or other devices regarding the acquisition of our equity securities that would be permitted for a Delaware business corporation.

The cumulative effect of the restrictions on acquisition of Eagle contained in our Amended and Restated Certificate of Incorporation and Bylaws and in Delaware law may be to discourage potential takeover attempts and perpetuate incumbent management, even though certain stockholders of Eagle may deem a potential acquisition to be in their best interests, or deem existing management not to be acting in their best interests.

### ***Delaware Corporate Law***

In addition, the state of Delaware has a statute designed to provide Delaware corporations, such as Eagle, with additional protection against hostile takeovers. The takeover statute, which is codified in Section 203 of the Delaware General Corporation Law is intended to discourage certain takeover practices by impeding the ability of a hostile acquiror to engage in certain transactions with the target company.

In general Section 203 provides that a Person who owns 15% or more of the outstanding voting stock of a Delaware corporation (referred to in Section 203 as an Interested Shareholder) may not consummate a merger or other business combination transaction with such corporation at any time during the three-year period following the date such Person became an Interested Shareholder. The term business combination is defined broadly to cover a wide range of corporate transactions including mergers, sales of assets, issuances of stock, transactions with subsidiaries and the receipt of disproportionate financial benefits.

The statute exempts the following transactions from the requirements of Section 203: (i) any business combination if, prior to the date a person became an Interested Shareholder, the board of directors approved either the business combination or the transaction which resulted in the shareholder becoming an Interested

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Shareholder; (ii) any business combination involving a person who acquired at least 85% of the outstanding voting stock in the transaction in which he became an Interested Shareholder, with the number of shares outstanding calculated without regard to those shares owned by the corporation's directors who are also officers and by certain employee stock plans; (iii) any business combination with an Interested Shareholder that is approved by the board of directors and by a two-thirds vote of the outstanding voting stock not owned by the Interested Shareholder; and (iv) certain business combinations that are proposed after the corporation had received other acquisition proposals and which are approved or not opposed by a majority of certain continuing members of the board of directors. A corporation may exempt itself from the requirements of the statute by adopting an amendment to its certificate of incorporation or bylaws electing not to be governed by Section 203. At the present time, the board of directors does not intend to propose any such amendment.

### ***Bank Regulatory Requirements***

The Bank Holding Company Act requires any bank holding company, as defined in the Bank Holding Company Act, to obtain the approval of the FRB before acquiring 5% or more of our common stock. Any person, other than a bank holding company, is required to obtain the approval of the FRB before acquiring 25% or more of our voting stock and in certain circumstances, more than 10% of our voting stock. Under the Federal Change in Bank Control Act (the Control Act), a 60 day prior written notice must be submitted to the FRB if any person, or any group acting in concert, seeks to acquire 10% or more of any class of outstanding voting securities of a bank holding company, unless the FRB determines that the acquisition will not result in a change of control. Under the Control Act, the FRB has 60 days within which to act on such notice taking into consideration certain factors, including the financial and managerial resources of the acquirer, the convenience and needs of the community served by the bank holding company and its subsidiary banks and the antitrust effects of the acquisition.

### **Indemnification of Directors and Officers**

*Delaware General Corporation Law.* Consistent with Section 145(a) of the DGCL, Eagle may indemnify and, in certain cases, must indemnify, any person who was or is made a party to any action by reason of the fact that he is or was a director, officer, employee or agent of the Company, or is or was serving at the request of Eagle as a director, officer, employee or agent of another corporation, (1) in the case of a non-derivative action, against judgments, fines, amounts paid in settlement, and reasonable expenses (including attorneys' fees) incurred by him as a result of such action, and (2) in the case of a derivative action, against expenses (including attorneys' fees), if in either type of action he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Company.

This indemnification does not apply, (1) in a derivative action, to matters as to which it is adjudged that the director, officer, employee or agent is liable to Eagle, unless upon court order it is determined that, in view of all the circumstances of the case and despite such adjudication of liability, he is fairly and reasonably entitled to indemnity for expenses, and (2) in a non-derivative action, to any criminal proceeding in which such person had reasonable cause to believe his conduct was unlawful.

*Amended and Restated Certificate of Incorporation.* Our Amended and Restated Certificate of Incorporation provides that a director of Eagle shall not be personally liable to Eagle or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (1) for any breach of the director's duty of loyalty to Eagle or its stockholders, (2) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (3) under Section 174 of the DGCL or (4) for any transaction from which the director derived an improper personal benefit. Additionally, the Amended and Restated Certificate of Incorporation provides that Eagle will indemnify to the fullest outlined in the Bylaws.

*Bylaws.* Our Bylaws generally provide for indemnification, to the fullest extent authorized by the DGCL, of its officers and directors and persons serving at the request of Eagle in such capacities for other

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business organizations against all expenses (including attorneys' fees, judgments, fines and amounts paid in settlement) actually and reasonably incurred by reason of his position with Eagle or such other business organizations. In addition, the Bylaws provide that Eagle may provide indemnification to employees and agents of Eagle.

*Insurance; Indemnification Agreements.* The Company maintains directors' and officers' liability insurance which provides for payment, on behalf of the directors and officers of the Company and its subsidiaries, of certain losses of such persons (other than matters uninsurable under law) arising from claims, including claims arising under the Securities Act, for acts or omissions by such persons while acting as directors or officers of the Company and/or its subsidiaries, as the case may be.

The Company has entered into indemnification agreements with its directors and its chief executive officer. Generally, such agreements provide that the Company will indemnify the director or officer against any expenses or liabilities incurred in connection with any proceeding in which the director or officer may be involved as a party or otherwise, by reason of the fact that the director or officer is or was a director or officer of the Company or the Bank or by any reason of any action taken by or omitted to be taken by the director or officer while acting as an officer or director of the Company or the Bank or while serving as a director or officer of the Company or the Bank is or was serving or has agreed to serve on behalf of or at the request of the Company or the Bank as a director, officer, employee, or agent of another corporation or partnership, joint venture, trust, or other enterprise. However, the indemnification agreement and the rights and obligations of the parties thereto are subject to the requirements, limitations, and prohibitions of state and federal statutes, rules, regulations, and orders regarding indemnification and prepayment of expenses, legal or otherwise, and liabilities, including, without limitation, section 145 of the DGCL, the DGCL, section 18(k) of the Federal Deposit Insurance Act, and Part 359 of the Federal Deposit Insurance Corporation's Rules and Regulations and any successor regulations thereto. Each director and officer has undertaken to repay the Company for any costs or expenses paid by the Company if it is ultimately determined that the director or officer is not entitled to indemnification under the indemnification agreements.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers or persons controlling the Company pursuant to the foregoing provisions, the Company has been informed that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

## **Transfer Agent and Registrar**

The transfer agent and registrar for the common stock is Computershare Investor Services.



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**DESCRIPTION OF WARRANTS**

We may issue warrants to purchase our senior debt securities, subordinated debt securities, common stock or preferred stock. Warrants may be issued independently or together with any other securities and may be attached to, or separate from, such securities. Each series of warrants will be issued under a separate warrant agreement to be entered into between us and a warrant agent. In addition to this summary, you should refer to the warrant agreement, including the forms of warrant certificate representing the warrants, relating to the specific warrants being offered for the complete terms of the warrant agreement and the warrants. That warrant agreement, together with the terms of warrant certificate and warrants, will be filed with the SEC in connection with the offering of the specific warrants.

The applicable prospectus supplement will describe the terms of any series of warrants in respect of which this prospectus is being delivered, including, where applicable, the following:

the title of such warrants;

the aggregate number of such warrants;

the price or prices at which such warrants will be issued;

the currency or currencies, in which the price of such warrants will be payable;

the securities or other rights, including rights to receive payment in cash or securities based on the value, rate or price of one or more specified commodities, currencies, securities or indices, or any combination of the foregoing, purchasable upon exercise of such warrants;

the price at which and the currency or currencies in which the securities or other rights purchasable upon exercise of such warrants may be purchased;

the date on which the right to exercise such warrants shall commence and the date on which such right shall expire;

the minimum or maximum amount of such warrants which may be exercised at any one time;

the anti-dilution provisions of such warrants;

the redemption or call provisions of such warrants;

provisions regarding changes to or adjustments in the exercise price;

the designation and terms of the securities with which such warrants are issued and the number of such warrants issued with each such security;

the date on and after which such warrants and the related securities will be separately transferable;

information with respect to book-entry procedures, if any;

a discussion of any material United States federal income tax considerations; and

any other terms of such warrants, including terms, procedures and limitations relating to the exchange and exercise of such warrants.

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Until they exercise their warrants, holders of warrants will not have any of the rights of holders of the securities purchasable upon exercise, and will not be entitled to:

receive payments of principal of (or premium, if any, on) or interest, if any, on any debt securities purchasable upon exercise;

receive dividend payments, if any, with respect to any underlying securities; or

exercise the voting rights of any common stock or preferred stock purchasable upon exercise.

**DESCRIPTION OF UNITS**

As specified in the applicable prospectus supplement, we may issue units consisting of one or more of the following: shares of common stock or preferred stock, warrants or any combination of such securities.

The applicable prospectus supplement will describe:

the terms of the units and of any of our common shares, preferred shares or warrants comprising the units, including whether and under what circumstances the securities comprising the units may be traded separately;

a description of the terms of any unit agreement governing the units;

a description of the provisions for the payment, settlement, transfer or exchange of the units; and

if applicable, a discussion of any material United States federal income tax considerations.

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**PLAN OF DISTRIBUTION**

We may sell the applicable securities offered by this prospectus from time to time in one or more transactions, including without limitation:

directly to one or more purchasers;

through agents;

to or through underwriters, brokers or dealers; or

through a combination of any of these methods

A distribution of the securities offered by this prospectus may also be effected through the issuance of derivative securities, including without limitation, warrants, subscriptions, exchangeable securities, forward delivery contracts and the writing of options.

In addition, the manner in which we may sell some or all of the securities covered by this prospectus, include, without limitation, through:

a block trade in which a broker-dealer will attempt to sell as agent, but may position or resell a portion of the block, as principal, in order to facilitate the transaction;

purchases by a broker-dealer, as principal, and resale by the broker-dealer for its account;

ordinary brokerage transactions and transactions in which a broker solicits purchasers; or

privately negotiated transactions.

In addition, we may enter into derivative or hedging transactions with third parties, or sell securities not covered by this prospectus to third parties in privately negotiated transactions. In connection with such a transaction, the third parties may sell the applicable securities covered by and pursuant to this prospectus and an applicable prospectus supplement or pricing supplement, as the case may be. If so, the third party may use securities borrowed from us or others to settle such sales and may use securities received from us to close out any related short positions. We may also loan or pledge securities covered by this prospectus and an applicable prospectus supplement to third parties, who may sell the loaned securities or, in an event of default in the case of a pledge, sell the pledged securities pursuant to this prospectus and the applicable prospectus supplement or pricing supplement, as the case may be.

A prospectus supplement with respect to each offering of securities will state the terms of the offering of the securities, including:

the name or names of any underwriters or agents and the amounts of securities underwritten or purchased by each of them, if any;

the public offering price or purchase price of the securities and the net proceeds to be received by us from the sale;

any delayed delivery arrangements;

any underwriting discounts or agency fees and other items constituting underwriters or agents compensation;

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any discounts or concessions allowed or reallocated or paid to dealers; and

any securities exchange or markets on which the securities may be listed.

The offer and sale of the securities described in this prospectus by us, the underwriters or the third parties described above may be effected from time to time in one or more transactions, including privately negotiated transactions, either:

at a fixed price or prices, which may be changed;

at market prices prevailing at the time of sale;

at prices related to the prevailing market prices; or

at negotiated prices.

## **General**

Any public offering price and any discounts, commissions, concessions or other items constituting compensation allowed or reallocated or paid to underwriters, dealers, agents or remarketing firms may be changed from time to time. The underwriters, dealers, agents and remarketing firms that participate in the distribution of the offered securities may be underwriters as defined in the Securities Act. Any discounts or commissions they receive from us and any profits they receive on the resale of the offered securities may be treated as underwriting discounts and commissions under the Securities Act. We will identify any underwriters, agents or dealers and describe their commissions, fees or discounts in the applicable prospectus supplement or pricing supplement, as the case may be.

We and other persons participating in the sale or distribution of the securities will be subject to applicable provisions of the Securities Act, and the rules and regulations thereunder, including Regulation M. This regulation may limit the timing of purchases and sales of any of the securities by us or any other person. The anti-manipulation rules under the Securities Act may apply to sales of securities in the market and to the activities of us and our affiliates. Furthermore, Regulation M may restrict the ability of any person engaged in the distribution for a period of up to five business days before the distribution. These restrictions may affect the marketability of the securities and the ability of any person or entity to engage in market-making activities with respect to the securities. We are not restricted as to the price or prices at which it may sell the securities. Sales of such securities may have an adverse effect on the market price of the securities. Moreover, it is possible that a significant number of shares of common stock could be sold at the same time, which may have an adverse effect on the market price of the securities.

## **Underwriters and Agents**

If underwriters are used in a sale, they will acquire the offered securities for their own account. The underwriters may resell the offered securities in one or more transactions, including negotiated transactions. These sales may be made at a fixed public offering price or prices, which may be changed, at market prices prevailing at the time of the sale, at prices related to such prevailing market price or at negotiated prices. We may offer the securities to the public through an underwriting syndicate or through a single underwriter. The underwriters in any particular offering will be

mentioned in the applicable prospectus supplement or pricing supplement, as the case may be.

Unless otherwise specified in connection with any particular offering of securities, the obligations of the underwriters to purchase the offered securities will be subject to certain conditions contained in an underwriting agreement that we will enter into with the underwriters at the time of the sale to them. The underwriters will be

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obligated to purchase all of the securities of the series offered if any of the securities are purchased, unless otherwise specified in connection with any particular offering of securities. Any initial offering price and any discounts or concessions allowed, reallocated or paid to dealers may be changed from time to time.

We may designate agents to sell the offered securities. Unless otherwise specified in connection with any particular offering of securities, the agents will agree to use their best efforts to solicit purchases for the period of their appointment. We may also sell the offered securities to one or more remarketing firms, acting as principals for their own accounts or as agents for us. These firms will remarket the offered securities upon purchasing them in accordance with a redemption or repayment pursuant to the terms of the offered securities. A prospectus supplement or pricing supplement, as the case may be, will identify any remarketing firm and will describe the terms of its agreement, if any, with us and its compensation.

In connection with offerings made through underwriters or agents, we may enter into agreements with such underwriters or agents pursuant to which we receive our outstanding securities in consideration for the securities being offered to the public for cash. In connection with these arrangements, the underwriters or agents may also sell securities covered by this prospectus to hedge their positions in these outstanding securities, including in short sale transactions. If so, the underwriters or agents may use the securities received from us under these arrangements to close out any related open borrowings of securities.

## **Dealers**

We may sell the offered securities to dealers as principals. We may negotiate and pay dealers' commissions, discounts or concessions for their services. The dealer may then resell such securities to the public either at varying prices to be determined by the dealer or at a fixed offering price agreed to with us at the time of resale. Dealers engaged by us may allow other dealers to participate in resales.

## **Direct Sales**

We may choose to sell the offered securities directly. In this case, no underwriters or agents would be involved.

## **Institutional Purchasers**

We may authorize agents, dealers or underwriters to solicit certain institutional investors to purchase offered securities on a delayed delivery basis pursuant to delayed delivery contracts providing for payment and delivery on a specified future date. The applicable prospectus supplement or pricing supplement, as the case may be, will provide the details of any such arrangement, including the offering price and commissions payable on the solicitations.

We will enter into such delayed contracts only with institutional purchasers that we approve. These institutions may include commercial and savings banks, insurance companies, pension funds, investment companies and educational and charitable institutions.

## **Indemnification; Other Relationships**

We may have agreements with agents, underwriters, dealers and remarketing firms to indemnify them against certain civil liabilities, including liabilities under the Securities Act. Agents, underwriters, dealers and remarketing firms, and their affiliates, may engage in transactions with, or perform services for, us in the ordinary course of business. This includes commercial banking, treasury services and investment banking transactions.





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### **Market-Making, Stabilization and Other Transactions**

There is currently no market for any of the offered securities, other than our shares common stock which are listed on the Nasdaq Global Market. If the offered securities are traded after their initial issuance, they may trade at a discount from their initial offering price, depending upon prevailing interest rates, the market for similar securities and other factors. While it is possible that an underwriter could inform us that it intends to make a market in the offered securities, such underwriter would not be obligated to do so, and any such market-making could be discontinued at any time without notice. Therefore, no assurance can be given as to whether an active trading market will develop for the offered securities. We have no current plans for listing of the preference shares or warrants on any securities exchange or quotation system; any such listing with respect to any particular preference shares or warrants will be described in the applicable prospectus supplement or pricing supplement, as the case may be.

In connection with any offering of shares of common stock, preference shares or securities that provide for the issuance of shares of our common stock upon conversion, exchange or exercise, as the case may be, the underwriters may purchase and sell shares of common or preference shares in the open market. These transactions may include short sales, syndicate covering transactions and stabilizing transactions. Short sales involve syndicate sales of shares of common stock in excess of the number of shares to be purchased by the underwriters in the offering, which creates a syndicate short position. Covered short sales are sales of shares made in an amount up to the number of shares represented by the underwriters' over-allotment option. In determining the source of shares to close out the covered syndicate short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through the over-allotment option. Transactions to close out the covered syndicate short involve either purchases of shares of common stock in the open market after the distribution has been completed or the exercise of the over-allotment option. The underwriters may also make naked short sales of shares in excess of the over-allotment option. The underwriters must close out any naked short position by purchasing shares of common stock in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the shares in the open market after pricing that could adversely affect investors who purchase in the offering. Stabilizing transactions consist of bids for or purchases of shares in the open market while the offering is in progress for the purpose of pegging, fixing or maintaining the price of the securities.

In connection with any offering, the underwriters may also engage in penalty bids. Penalty bids permit the underwriters to reclaim a selling concession from a syndicate member when the securities originally sold by the syndicate member are purchased in a syndicate covering transaction to cover syndicate short positions. Stabilizing transactions, syndicate covering transactions and penalty bids may cause the price of the securities to be higher than it would be in the absence of the transactions. The underwriters may, if they commence these transactions, discontinue them at any time.

### **Fees and Commissions**

In compliance with the guidelines of the Financial Industry Regulatory Authority ( FINRA ), the aggregate maximum discount, commission or agency fees or other items constituting underwriting compensation to be received by any FINRA member or independent broker-dealer will not exceed 8% of any offering pursuant to this prospectus and any applicable prospectus supplement or pricing supplement, as the case may be; however, it is anticipated that the maximum commission or discount to be received in any particular offering of securities will be significantly less than this amount.

If more than 10% of the net proceeds of any offering of securities made under this prospectus will be received by FINRA members participating in the offering or affiliates or associated persons of such FINRA members, the offering

will be conducted in accordance with FINRA Rule 5110(h).

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**LEGAL MATTERS**

Unless otherwise specified in a prospectus supplement accompanying this prospectus, the validity of the securities offered by this prospectus will be passed upon by Nixon Peabody LLP, Washington, D.C. Any underwriters will be advised about legal matters by their own counsel, which will be named in a prospectus supplement to the extent required by law.

**EXPERTS**

The consolidated financial statements incorporated in this prospectus by reference from the Company's Annual Report on Form 10-K for the year ended December 31, 2016, have been audited by Davis Kinard & Co, PC, an independent registered public accounting firm, as stated in their report, which is incorporated herein by reference. Such consolidated financial statements have been so incorporated in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

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**\$19,162,500**

**Common Stock**

**PROSPECTUS SUPPLEMENT**

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

October 11, 2017

**FIG Partners, LLC**