

People's United Financial, Inc.  
Form 10-Q  
May 10, 2007  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

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**FORM 10-Q**

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**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF**

**THE SECURITIES EXCHANGE ACT OF 1934**

**For the quarterly period ended March 31, 2007**

**Commission File Number 001-33326**

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**PEOPLE S UNITED FINANCIAL, INC.**

(Exact name of registrant as specified in its charter)

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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**  
(Address of principal executive offices)

**06604**  
(Zip Code)

**(203) 338-7171**

(Registrant's telephone number, including area code)

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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

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

Large accelerated filer  Accelerated filer  Non-accelerated filer

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

As of April 30, 2007, there were 300,831,864 shares of the registrant's common stock outstanding.

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**Item 1 Financial Statements**

People's United Financial, Inc. is a Delaware corporation and the holding company for People's Bank. People's United Financial had not engaged in any business through March 31, 2007; accordingly there are no financial statements for People's United Financial as of or for the period ended March 31, 2007.

People's Bank became a wholly-owned subsidiary of People's United Financial on April 16, 2007 as a result of the conversion of People's Bank and People's Mutual Holdings from the mutual holding company structure to the stock holding company structure. See note 11 to the Consolidated Financial Statements for a further discussion of the second-step conversion. A significant portion of the business of People's United Financial for some period of time subsequent to this date will be substantially identical to the business of People's Bank prior to the conversion.

The following financial statements and accompanying notes and discussion and much of the other information appearing in this Form 10-Q therefore describes the business of People's Bank for all periods prior to the conversion.

For information about the recently completed sale of common stock by People's United Financial and the use of proceeds from that transaction, see Unregistered Sales of Equity Securities and Use of Proceeds.

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People's Bank and Subsidiaries

Consolidated Statements of Condition (Unaudited)

(in millions)	March 31, 2007	December 31, 2006
<b>Assets</b>		
Cash and due from banks	\$ 341.4	\$ 344.1
Short-term investments	1,212.9	224.6
 Total cash and cash equivalents	 1,554.3	 568.7
Securities (note 2):		
Trading account securities, at fair value	29.6	29.6
Securities available for sale, at fair value	42.0	46.8
Securities held to maturity, at amortized cost (fair value of \$1.1 at each date)	1.1	1.1
 Total securities	 72.7	 77.5
Loans (note 3):		
Residential mortgage	3,763.7	3,900.1
Commercial	2,439.7	2,363.6
Commercial real estate finance	1,821.7	1,786.7
Consumer	1,284.9	1,321.3
 Total loans	 9,310.0	 9,371.7
Less allowance for loan losses	(74.4)	(74.0)
 Total loans, net	 9,235.6	 9,297.7
 Bank-owned life insurance (note 1)	 215.2	 212.6
Premises and equipment, net	143.2	136.8
Goodwill (note 6)	101.5	101.5
Other acquisition-related intangibles (note 6)	3.3	3.5
Other assets	276.6	288.6
 Total assets	 \$ 11,602.4	 \$ 10,686.9
<b>Liabilities</b>		
Deposits:		
Non-interest-bearing	\$ 2,332.5	\$ 2,294.4
Savings, interest-bearing checking and money market	3,297.7	3,205.2
Time	3,694.5	3,583.0
Escrow funds (note 11)	642.9	
 Total deposits	 9,967.6	 9,082.6
Borrowings:		
Federal funds purchased	7.8	4.1
 Total borrowings	 7.8	 4.1
 Subordinated notes	 65.3	 65.3

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Other liabilities	202.9	195.4
Total liabilities	10,243.6	9,347.4
<b>Stockholders' Equity</b>		
Common stock (without par value; 450.0 shares authorized; 142.3 shares and 142.2 shares issued and outstanding)	142.3	142.2
Additional paid-in capital	182.4	182.9
Retained earnings	1,080.5	1,062.4
Accumulated other comprehensive loss (note 4)	(46.4)	(48.0)
Total stockholders' equity	1,358.8	1,339.5
Total liabilities and stockholders' equity	\$ 11,602.4	\$ 10,686.9

See accompanying notes to consolidated financial statements.

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People's Bank and Subsidiaries

Consolidated Statements of Income (Unaudited)

(in millions, except per share data)	Three Months Ended	
	March 31,	March 31,
	2007	2006
<b>Interest and dividend income:</b>		
Residential mortgage	\$ 49.0	\$ 42.1
Commercial	40.6	33.2
Commercial real estate finance	31.8	29.3
Consumer	22.9	20.2
Total interest on loans	144.3	124.8
Short-term investments	4.0	0.8
Securities	1.1	11.9
Securities purchased under agreements to resell		0.3
Total interest and dividend income	149.4	137.8
<b>Interest expense:</b>		
Deposits	52.3	38.0
Borrowings	0.1	3.3
Subordinated notes	1.7	2.5
Total interest expense	54.1	43.8
Net interest income	95.3	94.0
Provision for loan losses	0.8	(2.3)
Net interest income after provision for loan losses	94.5	96.3
<b>Non-interest income:</b>		
Fee-based revenues:		
Service charges on deposit accounts	18.0	18.3
Insurance revenue	7.3	7.8
Brokerage commissions	3.4	3.1
Other fees	9.1	8.6
Total fee-based revenues	37.8	37.8
Bank-owned life insurance (note 1)	2.4	1.9
Net gains on sales of residential mortgage loans	0.7	0.4
Other non-interest income	2.7	2.3
Total non-interest income	43.6	42.4
<b>Non-interest expense:</b>		
Compensation and benefits	51.3	51.9
Occupancy and equipment	16.5	15.8
Other non-interest expense	20.3	19.9
Total non-interest expense	88.1	87.6

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Income from continuing operations before income tax expense	50.0	51.1
Income tax expense	16.9	17.2
Income from continuing operations	33.1	33.9
<b>Discontinued operations (note 9):</b>		
Income from discontinued operations, net of tax	0.5	0.9
Income from discontinued operations	0.5	0.9
Net income	\$ 33.6	\$ 34.8
Earnings per common share (note 5)		
Basic:		
Income from continuing operations	\$ 0.24	\$ 0.24
Net income	\$ 0.24	\$ 0.24
Diluted:		
Income from continuing operations	\$ 0.24	\$ 0.24
Net income	\$ 0.24	\$ 0.24

See accompanying notes to consolidated financial statements.



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People's Bank and Subsidiaries

Consolidated Statements of Changes in Stockholders' Equity (Unaudited)

**For the three months ended March 31, 2007**

(in millions, except per share data)	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders Equity
Balance at December 31, 2006	\$ 142.2	\$ 182.9	\$ 1,062.4	\$ (48.0)	\$ 1,339.5
Net income			33.6		33.6
Other comprehensive income, net of tax:					
Net unrealized income on derivatives				0.9	0.9
Reclassification of net actuarial loss				0.7	0.7
Total comprehensive income					35.2
Cash dividends on common stock (\$0.25 per share)			(15.5)		(15.5)
Stock options and related tax benefits	0.1	(0.5)			(0.4)
Balance at March 31, 2007	\$ 142.3	\$ 182.4	\$ 1,080.5	\$ (46.4)	\$ 1,358.8

**For the three months ended March 31, 2006**

(in millions, except per share data)	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders Equity
Balance at December 31, 2005	\$ 141.6	\$ 172.0	\$ 998.4	\$ (23.4)	\$ 1,288.6
Net income			34.8		34.8
Other comprehensive loss, net of tax				(5.8)	(5.8)
Total comprehensive income					29.0
Cash dividends on common stock (\$0.22 per share)			(13.6)		(13.6)
Stock options and related tax benefits	0.2	2.2			2.4
Balance at March 31, 2006	\$ 141.8	\$ 174.2	\$ 1,019.6	\$ (29.2)	\$ 1,306.4

See accompanying notes to consolidated financial statements.

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People's Bank and Subsidiaries

Consolidated Statements of Cash Flows (Unaudited)

(in millions)	Three Months Ended	
	March 31, 2007	March 31, 2006
<b>Cash Flows from Operating Activities:</b>		
Net income	\$ 33.6	\$ 34.8
Income from discontinued operations, net of tax	(0.5)	(0.9)
Income from continuing operations	33.1	33.9
Adjustments to reconcile net income to net cash provided by operating activities of continuing operations:		
Provision for loan losses	0.8	(2.3)
Depreciation and amortization of premises and equipment	4.4	5.0
Amortization of leased equipment	1.3	0.5
Amortization of other acquisition-related intangibles	0.2	0.3
Net gains on sales of residential mortgage loans	(0.7)	(0.4)
Originations of loans held-for-sale	(101.6)	(37.4)
Proceeds from sales of loans held-for-sale	81.3	38.0
Net increase in trading account securities		(2.9)
Net changes in other assets and liabilities	24.1	6.6
Net cash provided by operating activities of continuing operations	42.9	41.3
<b>Cash Flows from Investing Activities:</b>		
Proceeds from sales of securities available for sale	68.7	
Proceeds from principal repayments of securities available for sale		103.3
Principal repayments of securities available for sale	(0.2)	
Proceeds from principal repayments of securities held to maturity		0.3
Purchases of securities available for sale	(64.6)	
Net loan principal collections (disbursements)	79.6	(21.0)
Purchase of loans		(167.4)
Purchase of bank-owned life insurance	(0.1)	(50.0)
Purchases of premises and equipment	(10.8)	(2.5)
Purchases of leased equipment	(5.5)	(7.7)
Net cash provided by (used in) investing activities	67.1	(145.0)
<b>Cash Flows from Financing Activities:</b>		
Net increase in deposits	885.0	169.8
Net increase (decrease) in borrowings with terms of three months or less	3.7	(43.9)
Cash dividends paid on common stock	(15.5)	(13.6)
Proceeds from issuance of common stock, including excess income tax benefits	1.9	2.4
Net cash provided by financing activities	875.1	114.7
<b>Cash Flows from Discontinued Operations:</b>		
Operating activities	0.5	0.9
Net cash provided by discontinued operations	0.5	0.9
Net increase in cash and cash equivalents	985.6	11.9
Cash and cash equivalents at beginning of period	568.7	423.5

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Cash and cash equivalents at end of period	\$ 1,554.3	\$ 435.4
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**Supplemental Information:**

Interest payments	\$ 55.5	\$ 44.5
Income tax payments		0.1
Real estate properties acquired by foreclosure	0.1	0.3

See accompanying notes to consolidated financial statements.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)**

**NOTE 1. GENERAL**

People's Bank became a wholly-owned subsidiary of People's United Financial, Inc. on April 16, 2007 as a result of the conversion of People's Bank and People's Mutual Holdings from the mutual holding company structure to the stock holding company structure. People's United Financial has not engaged in any business through March 31, 2007; accordingly there are no financial statements for People's United Financial as of or for the period ended March 31, 2007. Accordingly, the financial statements and accompanying notes appearing in this Form 10-Q describe the business of People's Bank for all periods prior to the conversion.

In the opinion of management, the accompanying unaudited consolidated financial statements of People's Bank and its consolidated subsidiaries (People's) have been prepared to reflect all adjustments necessary to present fairly the financial position and results of operations as of the dates and for the periods shown. All significant intercompany transactions and balances are eliminated in consolidation. In preparing the consolidated financial statements, management is required to make significant estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, including the classification of revenues and expenses to discontinued operations.

Note 1 in People's audited consolidated financial statements included in the People's United Financial Annual Report on Form 10-K for the year ended December 31, 2006, as supplemented by this Quarterly Report on Form 10-Q for the period ended March 31, 2007, includes a statement on People's significant accounting policies. Several 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 including other-than-temporary declines in the value of securities and the recoverability of goodwill and other intangible assets. These significant accounting policies and critical estimates are reviewed with the Audit Committee of the Board of Directors.

Certain information and footnote disclosures normally included in consolidated financial statements prepared in conformity with accounting principles generally accepted in the United States of America have been omitted or condensed. These statements should be read in conjunction with the People's United Financial Annual Report on Form 10-K for the year ended December 31, 2006. The results of operations for the three months ended March 31, 2007 are not necessarily indicative of the results of operations that may be expected for the entire year or any other interim period. Certain reclassifications have been made to prior period amounts to conform to the current period presentation.

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### **Reorganization**

On April 16, 2007, People's and People's Mutual Holdings ( Holdings ) completed their second-step conversion from a mutual holding company structure to a fully-public stock holding company structure. Holdings merged with and into People's, with People's as the surviving entity, and People's became a wholly-owned subsidiary of People's United Financial. Per-share amounts are based on the number of outstanding shares of People's common stock prior to completing the second-step conversion. The results of the second-step conversion did not impact People's reported quarterly results. See Note 11 for a further discussion.

### **Bank-Owned Life Insurance**

Bank-owned life insurance ( BOLI ) represents the cash surrender value of life insurance policies purchased on certain management-level employees. Increases in the cash surrender value of these policies and death benefits in excess of the related invested premiums are included in non-interest income in the Consolidated Statements of Income, while insurance proceeds received are recorded as a reduction in the cash surrender value.

### **Employee Benefit Plans**

People's maintains a noncontributory defined benefit pension plan that covers substantially all full-time and part-time employees who meet certain age and length of service requirements and who were employed by People's prior to August 14, 2006. Benefits are based upon the employee's years of credited service and either the average compensation for the last five years or the average compensation for the five consecutive years of the last ten years that produce the highest average. People's funding policy is to contribute the amounts required by applicable regulations, although additional amounts may be contributed from time to time. In addition, People's maintains unfunded and nonqualified supplemental plans to provide pension benefits to certain senior officers.

New employees starting on or after August 14, 2006 are not eligible to participate in the defined benefit pension plan. People's will make contributions on behalf of these employees to a qualified defined contribution plan in an annual amount equal to 3% of the covered employee's eligible compensation. Employee participation in this plan is restricted to employees who are at least 21 years of age and worked at least 1,000 hours in a year. Both full-time and part-time employees are eligible to participate as long as they meet these requirements.

People's also maintains an unfunded plan that provides retirees with optional medical, dental and life insurance benefits ( other postretirement benefits ). People's accrues the cost of these benefits over the employees' years of service to the date of their eligibility for such benefits.

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Components of the net periodic benefit cost for these plans are as follows:

<b>For the three months ended March 31 (in millions)</b>	<b>Pension Benefits</b>		<b>Other Postretirement Benefits</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
Service cost	\$ 2.1	\$ 2.0	\$	\$ 0.1
Interest cost	3.4	3.0	0.2	0.2
Expected return on plan assets	(5.6)	(3.5)		
Amortization of unrecognized net transition obligation			0.1	0.1
Recognized net actuarial loss	1.1	1.6		
Recognized prior service cost			(0.1)	(0.1)
<b>Net periodic benefit cost</b>	<b>\$ 1.0</b>	<b>\$ 3.1</b>	<b>\$ 0.2</b>	<b>\$ 0.3</b>

**Table of Contents****NOTE 2. SECURITIES**

The amortized cost and fair value of People's securities are as follows:

(in millions)	March 31, 2007		December 31, 2006	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Trading account securities	\$ 29.6	\$ 29.6	\$ 29.6	\$ 29.6
Securities available for sale:				
Debt securities:				
U.S. Treasury and agency	21.8	21.8	25.9	25.9
Total debt securities	21.8	21.8	25.9	25.9
Equity securities:				
FHLB stock	19.5	19.5	20.1	20.1
Other securities	0.5	0.7	0.6	0.8
Total equity securities	20.0	20.2	20.7	20.9
Total securities available for sale	41.8	42.0	46.6	46.8
Net unrealized gain on securities available for sale	0.2		0.2	
Total securities available for sale, at fair value	42.0	42.0	46.8	46.8
Securities held to maturity:				
Corporate and other	1.1	1.1	1.1	1.1
Total securities held to maturity	1.1	1.1	1.1	1.1
Total securities	\$ 72.7	\$ 72.7	\$ 77.5	\$ 77.5

**Table of Contents****NOTE 3. LOANS**

The components of People's loan portfolio are summarized as follows:

(in millions)	March 31, 2007	December 31, 2006
<b>Residential mortgage:</b>		
Adjustable rate	\$ 3,662.1	\$ 3,805.6
Fixed rate	101.6	94.5
<b>Total residential mortgage</b>	<b>3,763.7</b>	<b>3,900.1</b>
<b>Commercial real estate finance:</b>		
Residential	523.3	513.6
Retail	406.3	390.7
Office buildings	377.4	360.0
Industrial/manufacturing	179.3	184.8
Self storage/industrial	98.2	97.8
Hospitality and entertainment	63.0	61.8
Land	60.4	61.4
Health care	54.8	53.9
Special use	46.2	47.4
Other properties	12.8	15.3
<b>Total commercial real estate finance</b>	<b>1,821.7</b>	<b>1,786.7</b>
<b>Commercial and industrial lending:</b>		
Manufacturing	446.8	412.1
Finance, insurance and real estate	337.9	354.7
Service	265.3	230.2
Wholesale distribution	118.7	119.9
Retail sales	116.2	113.6
Health services	110.9	108.5
Arts/entertainment/recreation	53.6	61.8
Transportation/utility	25.6	26.4
Other	65.0	66.6
<b>Total commercial</b>	<b>1,540.0</b>	<b>1,493.8</b>
<b>People's Capital and Leasing Corp.:</b>		
Printing	326.4	308.9
Transportation/utility	218.4	209.5
General manufacturing	143.0	141.6
Retail sales	92.7	85.7
Packaging	74.3	76.7
Service	26.7	28.2
Wholesale distribution	11.8	12.4
Health services	6.4	6.8
<b>Total PCLC loans</b>	<b>899.7</b>	<b>869.8</b>
<b>Consumer:</b>		
Home equity credit lines	971.7	1,010.8
Second mortgages	285.0	279.8



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Personal installment loans	12.7	14.1
Other loans	15.5	16.6
<b>Total consumer loans</b>	<b>1,284.9</b>	<b>1,321.3</b>
Total loans	\$ 9,310.0	\$ 9,371.7

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Comprehensive income represents the sum of net income and items of other comprehensive income or loss that are reported directly in stockholders' equity on an after-tax basis. These items include net actuarial losses, prior service costs and transition obligations related to People's pension and other postretirement benefit plans, and net unrealized gains or losses on securities available for sale and derivatives accounted for as cash flow hedges. People's total comprehensive income for the three months ended March 31, 2007 and 2006 is reported in the Consolidated Statements of Changes in Stockholders' Equity.

The components of accumulated other comprehensive loss, which is included in People's period-end stockholders' equity on an after-tax basis, are as follows:

<b>(in millions)</b>	<b>March 31, 2007</b>	<b>December 31, 2006</b>
Net actuarial loss, prior service costs and transition obligation on pension and other postretirement benefit plans	\$ (43.4)	\$ (44.1)
Net unrealized loss on derivatives accounted for as cash flow hedges	(3.1)	(4.0)
Net unrealized gain on securities available for sale	0.1	0.1