

People's United Financial, Inc.
Form 10-Q
May 12, 2008
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2008

Commission File Number 001-33326

PEOPLE S UNITED FINANCIAL, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of

20-8447891
(I.R.S. Employer

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incorporation or organization)

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)

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 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 Smaller reporting company

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, 2008, there were 345,977,278 shares of the registrant's common stock outstanding.

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Item 1 Financial Statements

People's United Financial, Inc.

Consolidated Statements of Condition - (Unaudited)

(in millions)	March 31, 2008	December 31, 2007
Assets		
Cash and due from banks	\$ 522.3	\$ 296.2
Short-term investments	2,385.7	3,088.0
Total cash and cash equivalents	2,908.0	3,384.2
Securities (note 4):		
Trading account securities, at fair value	24.9	18.7
Securities available for sale, at fair value	949.8	42.2
Securities held to maturity, at amortized cost (fair value of \$1.4 million and \$0.6 million)	1.4	0.6
Total securities	976.1	61.5
Securities purchased under agreements to resell	370.0	428.0
Loans (note 5):		
Residential mortgage	4,197.3	3,212.9
Commercial	3,809.6	2,600.4
Commercial real estate	4,504.8	1,885.6
Consumer	1,980.3	1,250.8
Total loans	14,492.0	8,949.7
Less allowance for loan losses	(151.7)	(72.7)
Total loans, net	14,340.3	8,877.0
Bank-owned life insurance (note 1)	227.2	222.6
Premises and equipment, net	269.1	156.8
Goodwill (notes 3 and 8)	1,245.7	101.5
Other acquisition-related intangibles (notes 3 and 8)	290.2	2.5
Other assets	480.1	320.7
Total assets	\$ 21,106.7	\$ 13,554.8
Liabilities		
Deposits:		
Non-interest-bearing	\$ 3,278.8	\$ 2,166.1
Savings, interest-bearing checking and money market	6,444.2	3,008.9
Time	5,436.8	3,705.6
Total deposits	15,159.8	8,880.6
Borrowings:		
Federal Home Loan Bank advances	17.1	
Repurchase agreements	111.2	

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Other	20.0	
Total borrowings	148.3	
Subordinated notes	179.5	65.4
Other liabilities (note 3)	400.5	163.4
Total liabilities	15,888.1	9,109.4
Stockholders' Equity (notes 2, 3 and 14)		
Common stock (\$0.01 par value; 1.95 billion shares authorized; 345.7 million and 301.1 million shares issued)	3.5	3.0
Additional paid-in capital	4,436.1	3,642.8
Retained earnings	1,049.0	1,079.6
Treasury stock, at cost (3.2 million and 2.8 million shares)	(58.2)	(51.8)
Accumulated other comprehensive loss (note 6)	(4.0)	(18.6)
Unallocated common stock of Employee Stock Ownership Plan (note 1)	(207.8)	(209.6)
Total stockholders' equity	5,218.6	4,445.4
Total liabilities and stockholders' equity	\$ 21,106.7	\$ 13,554.8

See accompanying notes to consolidated financial statements.

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People's United Financial, Inc.

Consolidated Statements of Income - (Unaudited)

(in millions, except per share data)	Three Months Ended	
	March 31, 2008	March 31, 2007
Interest and dividend income:		
Residential mortgage	\$ 59.7	\$ 49.0
Commercial	58.1	40.6
Commercial real estate	73.9	31.8
Consumer	31.5	22.9
Total interest on loans	223.2	144.3
Short-term investments	18.9	4.0
Securities purchased under agreements to resell	3.1	
Securities	10.1	1.1
Total interest and dividend income	255.3	149.4
Interest expense:		
Deposits	83.7	52.3
Borrowings	1.1	0.1
Subordinated notes	3.8	1.7
Total interest expense	88.6	54.1
Net interest income	166.7	95.3
Provision for loan losses (note 3)	8.3	0.8
Net interest income after provision for loan losses	158.4	94.5
Non-interest income:		
Fee-based revenues:		
Service charges on deposit accounts	23.1	18.0
Insurance revenue	9.1	7.3
Brokerage commissions	4.5	3.4
Other fees	21.5	9.1
Total fee-based revenues	58.2	37.8
Net security gains (note 4)	8.5	
Bank-owned life insurance (note 1)	3.0	2.4
Net gains on sales of residential mortgage loans	2.0	0.7
Other non-interest income	10.2	2.7
Total non-interest income	81.9	43.6
Non-interest expense:		
Compensation and benefits	89.1	51.3
Occupancy and equipment	31.6	16.5
Merger-related expenses (note 3)	36.5	
Other non-interest expense	62.0	20.3

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Total non-interest expense	219.2	88.1
Income from continuing operations before income tax expense	21.1	50.0
Income tax expense	6.0	16.9
Income from continuing operations	15.1	33.1
Discontinued operations (note 11):		
Income from discontinued operations, net of tax		0.5
Net income	\$ 15.1	\$ 33.6
Earnings per common share (notes 2 and 7):		
Basic:		
Income from continuing operations	\$ 0.05	\$ 0.11
Net income	0.05	0.11
Diluted:		
Income from continuing operations	0.05	0.11
Net income	0.05	0.11

See accompanying notes to consolidated financial statements.

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People's United Financial, Inc.

Consolidated Statements of Changes in Stockholders' Equity - (Unaudited)

For the three months

ended March 31, 2008	Common Stock	Additional Paid-In Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Loss	Unallocated ESOP Common Stock	Total Stockholders Equity
(in millions, except per share data)							
Balance at December 31, 2007	\$ 3.0	\$ 3,642.8	\$ 1,079.6	\$ (51.8)	\$ (18.6)	\$ (209.6)	\$ 4,445.4
Comprehensive income:							
Net income			15.1				15.1
Other comprehensive income, net of tax (note 6)					13.6		13.6
Total comprehensive income							28.7
Common stock issued in Chittenden acquisition, net of issuance costs	0.5	769.7					770.2
Cash dividends on common stock (\$0.13 per share)			(44.3)				(44.3)
Restricted stock awards		17.1	(0.8)	(6.4)			9.9
ESOP common stock committed to be released (note 1)			(0.3)			1.8	1.5
Stock options and related tax benefits		6.5					6.5
SFAS No. 158 effect of changing pension plan measurement date, net of tax (note 1)			(0.3)		1.0		0.7
Balance at March 31, 2008	\$ 3.5	\$ 4,436.1	\$ 1,049.0	\$ (58.2)	\$ (4.0)	\$ (207.8)	\$ 5,218.6

For the three months

ended March 31, 2007	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders Equity
(in millions, except per share data)					
Balance at December 31, 2006	\$ 142.2	\$ 182.9	\$ 1,062.4	\$ (48.0)	\$ 1,339.5
Comprehensive income:					
Net income			33.6		33.6
Other comprehensive income, net of tax				1.6	1.6
Total comprehensive income					35.2
Cash dividends on common stock (\$0.12 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

See accompanying notes to consolidated financial statements.

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People's United Financial, Inc.

Consolidated Statements of Cash Flows - (Unaudited)

(in millions)	Three Months Ended	
	March 31, 2008	March 31, 2007
Cash Flows from Operating Activities:		
Net income	\$ 15.1	\$ 33.6
Income from discontinued operations, net of tax		(0.5)
Income from continuing operations	15.1	33.1
Adjustments to reconcile net income to net cash provided by operating activities of continuing operations:		
Provision for loan losses	8.3	0.8
Depreciation and amortization of premises and equipment	8.1	4.4
Impairment loss on premises and equipment	19.3	
Amortization of leased equipment	1.9	1.3
Amortization of other acquisition-related intangibles	5.2	0.2
Net security gains	(8.5)	
Net gains on sales of residential mortgage loans	(2.0)	(0.7)
Allocation of ESOP common stock	1.5	
Originations of loans held-for-sale	(190.4)	(101.6)
Proceeds from sales of loans held-for-sale	171.1	81.3
Net increase in trading account securities	(6.2)	
Net changes in other assets and liabilities	30.0	24.1
Net cash provided by operating activities of continuing operations	53.4	42.9
Cash Flows from Investing Activities:		
Net decrease in securities purchased under agreements to resell	58.0	
Proceeds from sales of securities available for sale	642.4	68.7
Proceeds from principal repayments of securities available for sale	370.9	(0.2)
Purchases of securities available for sale	(987.3)	(64.6)
Proceeds from sales of loans	12.2	
Loan principal collections, net of disbursements	134.4	79.6
Purchases of bank-owned life insurance		(0.1)
Return of premium on bank-owned life insurance	0.2	
Purchases of premises and equipment	(7.8)	(10.8)
Purchases of leased equipment	(2.1)	(5.5)
Cash paid, net of cash acquired, in acquisition of Chittenden Corporation	(762.8)	
Net cash (used in) provided by investing activities	(541.9)	67.1
Cash Flows from Financing Activities:		
Net increase in deposits	49.6	885.0
Net increase in borrowings with terms of three months or less	7.2	3.7
Net decrease in borrowings with term of three months or more	(2.5)	
Cash dividends paid on common stock	(44.3)	(15.5)
Proceeds from stock options exercised, including excess income tax benefits	2.3	1.9
Net cash provided by financing activities	12.3	875.1
Cash Flows from Discontinued Operations:		
Operating activities		0.5
Net cash provided by discontinued operations		0.5

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Net (decrease) increase in cash and cash equivalents	(476.2)	985.6
Cash and cash equivalents at beginning of period	3,384.2	568.7
Cash and cash equivalents at end of period	\$ 2,908.0	\$ 1,554.3

Supplemental Information:

Interest payments	\$ 83.1	\$ 55.5
Income tax payments	0.6	
Real estate properties acquired by foreclosure	0.5	0.1

The fair values of non-cash assets acquired, excluding goodwill and other acquisition-related intangibles, and liabilities assumed in the acquisition of Chittenden Corporation on January 1, 2008 were \$6.8 billion and \$6.7 billion, respectively. Common stock and additional paid-in capital (net of issuance costs) increased by \$770.2 million as a result of the acquisition.

See accompanying notes to consolidated financial statements.

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PEOPLE S UNITED FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (Unaudited)

NOTE 1. GENERAL

People s United Financial, Inc. (People s United Financial) is a Delaware corporation 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 for a further discussion of the second-step conversion. 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, therefore, 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 the Chittenden Corporation, a multi-bank holding company headquartered in Burlington, Vermont. See Note 3 for a further discussion of the acquisition.

In the opinion of management, the accompanying unaudited consolidated financial statements of People s United Financial 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 within discontinued operations.

Note 1 to People s United Financial s audited consolidated financial statements included in the Annual Report on Form 10-K for the year ended December 31, 2007, as supplemented by this Quarterly Report on Form 10-Q for the period ended March 31, 2008, includes disclosure of People s United Financial s significant accounting policies. 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 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.

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Certain information and footnote disclosures normally included in consolidated financial statements prepared in conformity with U.S. generally accepted accounting principles have been omitted or condensed. These statements should be read in conjunction with People's United Financial's Annual Report on Form 10-K for the year ended December 31, 2007. The results of operations for the three months ended March 31, 2008 are not necessarily indicative of the results of operations that may be expected for the entire year or any other interim period.

Bank-Owned Life Insurance

Bank-owned life insurance (BOLI) represents the cash surrender value of life insurance policies purchased on the lives of 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. The company's BOLI policies have been underwritten by highly-rated third party insurance carriers. Investments underlying these policies are not leveraged and, as such, are deemed to be of moderate and/or low risk.

On January 1, 2008, People's United Financial adopted the provisions of Emerging Issues Task Force (EITF) Issue Nos. 06-4, Accounting for Deferred Compensation and Postretirement Benefit Aspects of Endorsement Split-Dollar Life Insurance Arrangements, and 06-10, Accounting for Collateral Assignment Split-Dollar Life Insurance Arrangements. EITF 06-4 requires recognition of a liability and related compensation expense for endorsement split-dollar life insurance policies that provide a benefit to an employee that extends into postretirement periods. EITF 06-10 requires that a liability be recognized for a postretirement benefit obligation associated with a collateral assignment arrangement, if, on the basis of the substantive agreement with the employee, the employer has agreed to (i) maintain a life insurance policy during the postretirement period or (ii) provide a death benefit. Adoption of EITF Issue Nos. 06-4 and 06-10 did not have a significant impact on the Consolidated Financial Statements.

Employee Benefit Plans

People's United Financial 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 United Bank 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 United Financial'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 United Financial maintains unfunded and nonqualified supplemental plans to provide pension benefits to certain senior officers.

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New employees starting on or after August 14, 2006 are not eligible to participate in the defined benefit pension plan. People's United Financial 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.

On January 1, 2008, People's United Financial adopted the measurement date transition provisions of Statement of Financial Accounting Standards (SFAS) No. 158, Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans. In doing so, People's United Financial performed a measurement of plan assets and benefit obligations as of January 1, 2008 and recorded the net periodic benefit cost for the period between the measurement date used for purposes of 2007 year-end reporting (September 30, 2007) and December 31, 2007 as an adjustment, net of tax, to the opening balance of retained earnings as of January 1, 2008. Other changes in the fair value of plan assets and the benefit obligations for the period between September 30, 2007 and December 31, 2007 were recognized, net of tax, as a separate adjustment to the opening balance of accumulated other comprehensive loss as of January 1, 2008. Application of the transition provisions of SFAS No. 158 on January 1, 2008 resulted in People's United Financial recording a pre-tax reduction in retained earnings of \$0.4 million (\$0.3 million, net of tax) and a pre-tax decrease in accumulated other comprehensive loss of \$1.6 million (\$1.0 million, net of tax).

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

Components of the net periodic benefit (income) expense for the plans described above are as follows:

For the three months ended March 31 (in millions)	Pension Benefits		Other Postretirement Benefits	
	2008	2007	2008	2007
Service cost	\$ 2.0	\$ 2.1	\$	\$
Interest cost	3.7	3.4	0.2	0.2
Expected return on plan assets	(6.1)	(5.6)		
Amortization of unrecognized net transition obligation			0.1	0.1
Recognized net actuarial loss	0.4	1.1		
Recognized prior service cost	(0.1)		(0.1)	(0.1)
Net periodic benefit (income) expense	\$ (0.1)	\$ 1.0	\$ 0.2	\$ 0.2

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People's United Financial continues to maintain a fully-funded qualified defined benefit pension plan that covers former Chittenden employees who meet certain eligibility requirements. Effective December 31, 2005, benefits accrued under this defined benefit plan were frozen based on participants' then current service and pay levels. Net periodic benefit income attributable to this plan totaled \$0.3 million for the three months ended March 31, 2008. In addition, People's United Financial continues to maintain an incentive savings and profit sharing plan for former Chittenden employees. Eligible employees may contribute, through salary reductions, up to 6% of their compensation as a basic employee contribution and up to an additional 20% of their compensation as a supplemental employee contribution.

People's United Financial established an Employee Stock Ownership Plan (the "ESOP") subsequent to the second-step conversion (see Note 2). In April 2007, People's United Financial loaned the ESOP \$216.8 million to purchase 10,453,575 shares of People's United Financial common stock in the open market. In order for the ESOP to repay the loan, People's United Financial is expected to make annual cash contributions of approximately \$18.8 million until 2036. Such cash contributions may be reduced by the cash dividends paid on unallocated ESOP shares. At March 31, 2008, the loan balance totaled \$210.1 million.

Shares of People's United Financial common stock are held by the ESOP and allocated to eligible participants annually based upon a percentage of each participant's eligible compensation. Since the ESOP was established, 435,567 shares of People's United Financial common stock have been allocated or committed to be released to participants' accounts. At March 31, 2008, 10,018,008 shares of People's United Financial common stock remain unallocated. The fair value of the unallocated shares was \$173.4 million at March 31, 2008.

Compensation expense related to the ESOP is recognized at an amount equal to the number of common shares committed to be released by the ESOP for allocation to participants' accounts multiplied by the average fair value of People's United Financial's common stock during the reporting period. The difference between the fair value of the shares of People's United Financial's common stock committed to be released and the cost of those common shares is recorded as an adjustment to either additional paid-in capital or retained earnings. Expense recognized for the ESOP totaled \$1.5 million for the three months ended March 31, 2008.

NOTE 2. SECOND-STEP CONVERSION

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. People's Mutual Holdings merged with and into People's United Bank, with People's United Bank as the surviving entity, and People's United Bank became a wholly-owned subsidiary of People's United Financial, Inc.

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People's United Financial sold 172.2 million shares of common stock in a public offering at a price of \$20 per share. Net proceeds from the stock offering totaled approximately \$3.33 billion, after deducting approximately \$110 million in offering costs. People's United Financial also exchanged 2.1 shares of its common stock for each share of People's United Bank common stock outstanding, except for those shares owned by People's Mutual Holdings and, accordingly, common share data for prior periods has been adjusted to reflect this exchange.

NOTE 3. ACQUISITION OF CHITTENDEN CORPORATION

On January 1, 2008, People's United Financial completed its acquisition of the 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 six Chittenden banks (together the Subsidiary Banks), which will continue to do business under their existing names as subsidiaries 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. Each of the Subsidiary Banks became federally-chartered savings banks on January 1, 2008.

Total consideration of \$1.8 billion consisted of approximately of \$1.0 billion in cash and 44.3 million shares of People's United Financial common stock with a fair value of approximately \$0.8 billion. Cash consideration was paid at the rate of \$35.636 per Chittenden share and stock consideration was paid at the rate of 2.0457 shares of People's United Financial common stock per Chittenden share. The acquisition was accounted for as a purchase. Accordingly, Chittenden's assets and liabilities were recorded by People's United Financial at their estimated fair values as of January 1, 2008, and People's United Financial's results of operations for the period ended March 31, 2008 include the results of Chittenden for the entire period.

Merger-related expenses totaling \$41.0 million were recorded in the first quarter of 2008. Included in this amount is a \$4.5 million charge to the provision for loan losses to align allowance for loan losses methodologies across the combined organization. In addition, non-interest expense includes \$36.5 million of merger-related charges, including asset impairment charges (\$19.3 million), costs relating to severance and branch closings (\$10.5 million), and other accrued liabilities (\$6.7 million). During the process of the company's business integration of the Chittenden banks, and as a part of its strategic planning for possible future acquisitions, People's United Financial undertook a comprehensive review of its options relating to technology strategy. This re-assessment resulted in a determination by management that in order to achieve its acquisition integration goals, the company should discontinue its current Connecticut core deposit system replacement project at this time. As a result of this determination, People's United Financial recorded the aforementioned asset impairment charge.

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The acquisition cost has been allocated to assets acquired and liabilities assumed based on estimates of fair value at the date of acquisition. The excess of the acquisition cost over the fair value of net tangible and intangible assets acquired has been recorded as goodwill. The acquisition-date fair value of these assets and liabilities is summarized as follows:

(In millions)	
Assets:	
Cash and cash equivalents	\$ 300.5
Securities	924.2
Loans, net	5,600.5
Premises and equipment	131.9
Goodwill	1,144.2
Core deposit intangible	124.1
Trade names	122.7
Other intangibles	46.1
Other assets	148.4
Total assets	\$ 8,542.6
Liabilities:	
Deposits	\$ 6,229.6
Borrowings	143.6
Subordinated notes	115.0
Other liabilities	214.4
Total liabilities	\$ 6,702.6
Total acquisition cost	\$ 1,840.0

Net deferred tax liabilities totaling \$132.7 million were established in connection with the recording of intangible assets (other than goodwill) and other purchase accounting adjustments.

The above summary includes adjustments to record Chittenden's assets and liabilities at their respective fair values based on management's best estimate using the information available at this time. Increases or decreases in fair value of certain balance sheet amounts and other items of Chittenden as compared to the information presented may result in changes in the acquisition cost allocation; however, management does not expect that any such changes will be material.

The core deposit intangible will be amortized over a 10-year period using an accelerated amortization method reflective of the manner in which the related benefit attributable to the deposits will be recognized. Other intangibles, which represent the value of customer relationships attributable to Chittenden's trust and insurance businesses, will be amortized over 15 and 10 years, respectively, on a straight-line basis, which approximates the manner in which the related benefits attributable to these customer relationships will be recognized. Acquired trade names are deemed to have indefinite useful lives and, accordingly, will not be amortized. Fair value adjustments to assets acquired and liabilities assumed will be amortized on a straight-line basis over periods consistent with the average life, useful life and / or contractual term of the related assets and liabilities. At March 31, 2008, other liabilities included \$7.2 million of accrued acquisition-related costs, which consisted primarily of employee-related payments and professional fees.

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People's United Financial applied the provisions of AICPA Statement of Position (SOP) 03-3, Accounting for Certain Loans or Debt Securities Acquired in a Transfer, in connection with the acquisition of Chittenden's loan portfolio. Accordingly, acquired loans exhibiting evidence of deterioration in credit quality since origination, such that all contractually required payments are unlikely of being collected, have been recorded at their estimated net realizable value, without an allocated allowance for loan losses. Upon acquisition, loans within the scope of SOP 03-3 had an outstanding contractual balance of \$9.2 million. As a result of repayments, the outstanding contractual balance of such loans decreased to \$8.4 million at March 31, 2008. The amount of non-accretable discount applicable to these loans was not significant at either date.

The following table presents summarized unaudited pro forma selected financial information reflecting the acquisition of Chittenden assuming the acquisition was completed as of January 1, 2007:

(In millions, except per share data)	Three Months Ended March 31, 2007	
Selected Operating Data:		
Net interest income	\$	151.4
Provision for loan losses		2.3
Non-interest income		68.4
Non-interest expense		147.1
Net income		48.5
Diluted earnings per common share	\$	0.14

The unaudited pro forma selected financial information is presented for illustrative purposes only and is not necessarily indicative of the financial results of the combined companies had the acquisition actually been completed at the beginning of the period presented, nor does it indicate future results for any other interim or full-year period.

Pro forma diluted earnings per common share was calculated using People's United Financial's actual weighted-average shares outstanding for the period presented, plus the incremental shares issued, assuming the acquisition occurred at the beginning of the period presented.

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

(in millions)	March 31, 2008		December 31, 2007	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Trading account securities	\$ 24.9	\$ 24.9	\$ 18.7	\$ 18.7
Securities available for sale:				
Debt securities:				
U.S. Treasury and agency	914.0	917.0	22.0	22.0
State and municipal	0.3	0.3		
Total debt securities	914.3	917.3	22.0	22.0
Equity securities:				
FHLB stock	31.1	31.1	19.5	19.5
Other securities	1.3	1.4	0.5	0.7
Total equity securities	32.4	32.5	20.0	20.2
Total securities available for sale	946.7			