

People's United Financial, Inc.
Form 10-Q
August 10, 2015
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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 June 30, 2015

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
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)

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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). 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 (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 Exchange Act). Yes No

As of July 31, 2015, there were 309,992,951 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)	June 30, 2015	December 31, 2014
Assets		
Cash and due from banks	\$ 362.8	\$ 345.1
Short-term investments (note 2)	195.5	668.6
 Total cash and cash equivalents	 558.3	 1,013.7
Securities purchased under agreements to resell (note 2)		100.0
Securities (note 2):		
Trading account securities, at fair value	8.3	8.3
Securities available for sale, at fair value	4,518.7	3,993.7
Securities held to maturity, at amortized cost (fair value of \$938.4 million and \$881.6 million)	913.6	834.3
Federal Home Loan Bank and Federal Reserve Bank stock, at cost	315.1	175.7
 Total securities	 5,755.7	 5,012.0
 Loans held for sale	 56.8	 34.2
Loans (note 3):		
Commercial	10,580.9	10,055.1
Commercial real estate	9,600.4	9,404.3
Residential mortgage	5,191.6	4,932.0
Consumer	2,189.4	2,200.6
 Total loans	 27,562.3	 26,592.0
Less allowance for loan losses	(205.4)	(198.3)
 Total loans, net	 27,356.9	 26,393.7
 Goodwill (note 6)	 1,954.5	 1,954.5
Bank-owned life insurance	345.9	343.3
Premises and equipment, net	262.9	277.8
Other acquisition-related intangible assets (note 6)	136.1	148.0
Other assets (notes 1, 3 and 11)	756.1	719.9
 Total assets	 \$ 37,183.2	 \$ 35,997.1

Liabilities		
Deposits:		
Non-interest-bearing	\$ 5,893.1	\$ 5,655.1
Savings, interest-bearing checking and money market	16,084.2	15,252.4
Time	5,457.5	5,230.7
Total deposits	27,434.8	26,138.2
Borrowings:		
Federal Home Loan Bank advances	2,615.2	2,291.7
Federal funds purchased	474.0	913.0
Customer repurchase agreements	472.6	486.0
Other borrowings	1.0	1.0
Total borrowings	3,562.8	3,691.7
Notes and debentures	1,029.8	1,033.5
Other liabilities (note 11)	470.1	500.6
Total liabilities	32,497.5	31,364.0
Commitments and contingencies (notes 1 and 8)		
Stockholders Equity		
Common stock (\$0.01 par value; 1.95 billion shares authorized; 398.7 million shares and 396.8 million shares issued)	3.9	3.9
Additional paid-in capital	5,319.6	5,291.2
Retained earnings	843.8	826.7
Accumulated other comprehensive loss (note 4)	(164.5)	(168.2)
Unallocated common stock of Employee Stock Ownership Plan, at cost (7.5 million shares and 7.7 million shares) (note 7)	(155.4)	(159.0)
Treasury stock, at cost (89.1 million shares and 89.0 million shares) (note 4)	(1,161.7)	(1,161.5)
Total stockholders equity	4,685.7	4,633.1
Total liabilities and stockholders equity	\$ 37,183.2	\$ 35,997.1

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		Six Months Ended	
	June 30, 2015	June 30, 2014	June 30, 2015	June 30, 2014
Interest and dividend income:				
Commercial	\$ 90.3	\$ 87.5	\$ 179.2	\$ 172.8
Commercial real estate	86.4	88.6	171.7	177.3
Residential mortgage	40.3	37.8	80.5	75.6
Consumer	18.0	18.4	36.1	36.7
Total interest on loans	235.0	232.3	467.5	462.4
Securities	29.0	24.1	56.5	49.2
Loans held for sale	0.4	0.2	0.6	0.3
Short-term investments	0.1	0.1	0.2	0.2
Total interest and dividend income	264.5	256.7	524.8	512.1
Interest expense:				
Deposits	23.9	19.7	46.1	39.0
Borrowings	2.7	2.8	5.3	5.9
Notes and debentures	7.5	6.0	14.9	11.9
Total interest expense	34.1	28.5	66.3	56.8
Net interest income	230.4	228.2	458.5	455.3
Provision for loan losses (note 3)	7.7	8.8	17.5	18.3
Net interest income after provision for loan losses	222.7	219.4	441.0	437.0
Non-interest income:				
Bank service charges	31.5	32.8	61.6	63.3
Investment management fees	11.3	10.6	22.1	20.4
Operating lease income	10.5	9.9	21.3	21.2
Commercial banking lending fees	9.0	7.4	21.3	16.2
Insurance revenue	6.5	6.8	14.1	14.5
Brokerage commissions	3.2	3.6	6.4	6.8
Net gains on sales of residential mortgage loans	2.0		2.7	0.8
Net (losses) gains on sales of acquired loans	(0.2)	(0.4)	1.7	(0.4)
Gain on merchant services joint venture, net of expenses		20.6		20.6
Other non-interest income	9.2	8.8	20.8	16.6

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Total non-interest income	83.0	100.1	172.0	180.0
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Non-interest expense:

Compensation and benefits	109.3	109.3	224.1	219.7
Occupancy and equipment	36.8	36.6	75.5	74.6
Professional and outside services	17.3	14.9	33.1	30.2
Regulatory assessments	9.2	9.0	18.5	17.7
Operating lease expense	9.2	8.7	18.5	19.8
Amortization of other acquisition-related intangible assets (note 6)	6.0	6.2	11.9	12.4
Other non-interest expense	24.0	23.6	47.8	50.6

Total non-interest expense	211.8	208.3	429.4	425.0
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Income before income tax expense	93.9	111.2	183.6	192.0
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Income tax expense (note 1)	32.2	38.9	62.7	66.6
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Net income	\$ 61.7	\$ 72.3	\$ 120.9	\$ 125.4
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Earnings per common share (note 5):

Basic	\$ 0.20	\$ 0.24	\$ 0.40	\$ 0.42
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Diluted	0.20	0.24	0.40	0.42
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See accompanying notes to consolidated financial statements.

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People's United Financial, Inc.

Consolidated Statements of Comprehensive Income - (Unaudited)

(in millions)	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2015	2014	2015	2014
Net income	\$ 61.7	\$ 72.3	\$ 120.9	\$ 125.4
Other comprehensive (loss) income, net of tax:				
Net actuarial loss and prior service credit related to pension and other postretirement benefit plans	1.1	0.7	2.2	1.3
Net unrealized gains and losses on securities available for sale	(25.6)	10.4	0.6	26.9
Amortization of unrealized losses on securities transferred to held to maturity	0.5	0.5	1.0	0.9
Net unrealized gains and losses on derivatives accounted for as cash flow hedges	0.1	(0.3)	(0.1)	(0.2)
Total other comprehensive (loss) income, net of tax (note 4)	(23.9)	11.3	3.7	28.9
Total comprehensive income	\$ 37.8	\$ 83.6	\$ 124.6	\$ 154.3

See accompanying notes to consolidated financial statements.

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People's United Financial, Inc.

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

Six months ended June 30, 2015	Additional	Accumulated	Unallocated	Total			
(in millions, except per share data)	Common	Paid-In	Retained	Other	ESOP	Treasury	Stockholders
	Stock	Capital	Earnings	Comprehensive	Common	Stock	Equity
Balance at December 31, 2014	\$ 3.9	\$ 5,291.2	\$ 826.7	\$ (168.2)	\$ (159.0)	\$ (1,161.5)	\$ 4,633.1
Net income			120.9				