People's United Financial, Inc.
Form 10-K
February 29, 2012
Table of Contents

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, 2011

People s United Financial, Inc.

(Exact name of registrant as specified in its charter)

001-33326

(Commission File Number)

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	NASDAQ Global Select Market
(Title of each class)	**(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 x 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 x

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 x 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 x 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 x	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 x

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 $4,812,272,976.

As of February 10, 2012, there were 359,176,961 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 April 19, 2012, are incorporated by reference into Part III.

Table of Contents

PEOPLE S UNITED FINANCIAL, INC.

2011 FORM 10-K

Table of Contents

Table of Contents

Part I

Item 1. Business

General

People s United Financial, Inc. (People s United Financial or the Company) is a savings and loan holding company incorporated under the state laws of Delaware and the holding company for People s United Bank, a federally-chartered stock savings bank headquartered in Bridgeport, Connecticut. In October 2011, People s United Bank filed an application with the Office of the Comptroller of the Currency (the OCC) to convert to a national bank charter. In connection with this conversion, People s United Financial intends to submit an application to the Federal Reserve Bank of New York (the FRB-NY) to convert to a bank holding company. In connection with doing so, People s United Financial expects to make an election for financial holding company status.

After the close of business on June 30, 2011, People s United Financial acquired Danvers Bancorp, Inc. (Danvers) based in Danvers, Massachusetts. The transaction was effective July 1, 2011. On November 30, 2010, People s United Financial completed its acquisitions of Smithtown Bancorp, Inc. (Smithtown) based in Hauppauge, New York and LSB Corporation (LSB) based in North Andover, Massachusetts. On April 16, 2010, People s United Bank entered into a definitive purchase and assumption agreement with the Federal Deposit Insurance Corporation (the FDIC) pursuant to which People s United Bank assumed all of the deposits, certain assets and the banking operations of Butler Bank, located in Lowell, Massachusetts. On February 19, 2010, People s United Financial completed its acquisition of Financial Federal Corporation (Financial Federal), a financial services company providing collateralized lending, financing and leasing services nationwide to small and medium sized businesses. The assets acquired and liabilities assumed in these transactions were recorded at their estimated fair values as of their respective closing dates. See Note 2 to the Consolidated Financial Statements for a further discussion on the acquisitions completed during 2011 and 2010. On January 1, 2008, People s United Financial completed its acquisition of Chittenden Corporation (Chittenden), a multi-bank holding company headquartered in Burlington, Vermont. People s United Financial s results of operations include the results of the acquired entities beginning with their respective closing dates.

The principal business of People s United Financial is to provide, through People s United Bank and its subsidiaries, commercial banking, retail and business banking, and wealth management services to individual, corporate and municipal customers. Traditional banking activities are conducted primarily within New England and New York, 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. (PSI); equipment financing through People s Capital and Leasing Corp. (PCLC) and People s United Equipment Finance Corp. (PUEFC); and other insurance services through People s United Insurance Agency, Inc. (PUIA).

This full range of financial services is delivered through a network of 372 branches located in Connecticut, Massachusetts, Vermont, New York, New Hampshire and Maine, including 87 full-service Stop & Shop supermarket branches throughout Connecticut that provide customers with seven-day-a-week banking. People s United Bank s distribution network includes investment and brokerage offices, commercial banking offices, online banking and investment trading, a 24-hour telephone banking service and participation in a worldwide ATM network. PCLC and PUEFC maintain a sales presence in 11 states to support equipment financing operations throughout the United States. Within the Commercial Banking division, People s United Bank maintains a mortgage warehouse lending group located in Kentucky and a national credits group, which has participated in commercial loans and commercial real estate loans to borrowers in various industries on a national scale.

Table of Contents

People s United Financial s operations are divided into three primary business segments that represent its core businesses: Commercial Banking; Retail and Business Banking; and Wealth Management. Commercial Banking consists principally of commercial and industrial lending, commercial real estate lending and commercial deposit gathering activities. This segment also includes the equipment financing operations of PCLC and PUEFC, as well as cash management, correspondent banking and municipal banking. Retail and Business Banking includes, as its principal business lines, consumer and business deposit gathering activities, consumer lending (including residential mortgage and home equity), business lending and merchant services. Wealth Management consists of trust services, corporate trust, brokerage, financial advisory services, investment management services and life insurance provided by PSI, other insurance services provided through PUIA and private banking. In addition, the Treasury area manages People s United Financial s securities portfolio, short-term investments and securities purchased under agreements to resell, and wholesale borrowings.

Further discussion of People s United Financial s business and operations appears on pages 21 through 87.

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 (HOLA). Until July 2011, People s United Financial was regulated by the Office of Thrift Supervision (the OTS) and subject to OTS examination, supervision and reporting requirements. The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the DFA) transferred all supervisory functions, including ongoing supervision, examination and regulation, for savings and loan holding companies and their non-depository subsidiaries to the Board of Governors of the Federal Reserve System (the FRB), effective July 21, 2011. Among other things, this authority permits the FRB to restrict or prohibit activities that are determined to be a serious risk to the subsidiary savings bank.

Although savings and loan holding companies are currently not subject to consolidated regulatory leverage or risk-based capital requirements, FRB guidance indicates that a savings and loan holding company should have sufficient capital and an effective capital planning process, consistent with its overall risk profile and considering the size, scope, and complexity of its operations, to ensure its safe and sound operation. The FRB has also announced that, to the greatest extent possible in light of the requirements of the HOLA and any unique characteristics of savings and loan holding companies, it intends to assess the condition, performance and activities of savings and loan holding companies in a manner consistent with the FRB s established risk-based approach for bank holding companies.

Activities Restrictions Applicable to Savings and Loan Holding Companies. The activities of all savings and loan holding companies formed after May 4, 1999, including People s United Financial, must be financially related activities permissible for bank holding companies.

Restrictions Applicable to All Savings and Loan Holding Companies. Federal law prohibits a savings and loan holding company directly or indirectly, from acquiring:

- control (as defined under the HOLA) of another savings bank (or a holding company parent) without prior FRB 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 approval by the FRB or the OCC; or

- control of any depository institution not insured by the FDIC (except through a merger with and into the holding company s savings bank subsidiary that is approved by the OCC).

2

Table of Contents

The HOLA 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 FRB; acquiring or retaining, with certain exceptions, more than 5% of a non-subsidiary savings bank, a non-subsidiary holding company, or a non-subsidiary company engaged in activities other than those permitted by the HOLA; 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 FRB 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 DIF), the convenience and needs of the community and competitive factors.

Federal Securities Law

People s United Financial s common stock is registered with the Securities and Exchange Commission (the SEC) under the Securities Exchange Act of 1934 (the Exchange Act), as amended. People s United Financial is subject to the information, proxy solicitation, insider trading, and other requirements and restrictions of the Exchange Act.

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.

Supervision and Regulation People s United Bank

General

People s United Bank is a federally-chartered savings bank. Its deposit accounts are insured up to applicable limits by the FDIC under the DIF. Until July 2011, People s United Bank was subject to regulation, examination, supervision and reporting requirements by the OTS as its chartering agency, and by the FDIC as the deposit insurer. On July 21, 2011, primary supervisory responsibility for People s United Bank was transferred from the OTS to the OCC. People s United Bank files reports with the OCC concerning its activities and financial condition, and must obtain regulatory approval from the OCC prior to entering into certain transactions, such as mergers with, or acquisitions of, other depository institutions. The OCC conducts periodic examinations to assess compliance with various regulatory requirements. The OCC has primary enforcement responsibility over federally chartered savings banks with more than $10 billion in total assets and has substantial discretion to impose enforcement action on a federally-chartered 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 OCC that enforcement action be taken with respect to a particular federally chartered savings bank and, if action is not taken by the OCC, 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 DIF 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 OCC, 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 subsidiary, PSI, is regulated by the SEC, the Financial Industry Regulatory Authority and state securities regulators. PUIA is subject to regulation by applicable state insurance regulators.

Table of Contents

Consumer Financial Protection Bureau

Effective July 21, 2011, the DFA transferred primary supervisory and enforcement authority with respect to compliance with designated federal consumer financial laws by financial institutions with total assets of more than $10 billion and their affiliates to a newly-established autonomous bureau within the Federal Reserve System, the Consumer Financial Protection Bureau (the CFPB). The primary functions of the CFPB are: supervising entities, including financial institutions, that provide consumer financial products or services for compliance with federal consumer financial laws; taking appropriate enforcement action to address violations; issuing rules, orders and guidance implementing federal consumer financial laws; conducting financial education programs; collecting, investigating, and reporting consumer complaints; and collecting researching, monitoring and publishing information relevant to the functioning of markets for consumer financial products to identify risk to consumers and the proper functioning of such markets.

Federally Chartered Savings Bank Regulation

Activity Powers. Federal savings banks derive their lending, investment and other activity powers primarily from the HOLA, as amended, and the regulations of the OCC 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 corporate debt securities not meeting established standards of credit-worthiness; (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 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 HOLA); 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.

Capital Requirements. OCC 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.

Table of Contents

In assessing an institution s capital adequacy, the OCC 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, 2011, People s United Bank exceeded each of its capital requirements. See Regulatory Capital Requirements on pages 82 through 84 for a further discussion regarding People s United Bank s capital requirements.

The Federal Deposit Insurance Corporation Improvement Act requires that the OCC 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 OCC monitors the interest rate risk of individual institutions through the OCC requirements for interest rate risk management, the ability of the OCC to impose individual minimum capital requirements on institutions that exhibit a high degree of interest rate risk, and published guidance on the management of interest rate risk and the responsibility of boards of directors in that area.

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 OCC, has adopted guidelines establishing general standards relating to internal controls, information and internal audit systems, loan documentation, credit 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 OCC adopted regulations to require a savings bank that is given notice by the OCC that it is not satisfying any of such safety and soundness standards to submit a compliance plan to the OCC. 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 OCC 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 OCC 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 OCC, 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 OCC 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.

Table of Contents

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 OCC 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 OCC to meet a specific capital level. As of December 31, 2011, People s United Bank s regulatory capital ratios exceeded the OCC 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 OCC, 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 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, and pays its deposit insurance assessments to, the DIF.

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.

Adverse economic conditions over the past several years have resulted in an increased number of bank failures and, consequently, greater use of DIF resources. In response, beginning in 2009, the FDIC authorized higher premium assessments pursuant to a restoration plan designed to increase the DIF reserve ratio to required levels. In November 2009, the FDIC adopted a final rule that amended the assessment regulations to require insured financial institutions to prepay, on December 30, 2009, their estimated deposit insurance premiums for 2010, 2011 and 2012. Under this rule, which did not include any additional special assessments, the prepayment was based on an assumed 5% annual growth rate in each institution s insured deposits (the assessment base) and an assumed increase of three basis points in each institution s premium assessment rate beginning in 2011.

In February 2011, the FDIC approved a final rule (which was effective June 30, 2011) that: changes the assessment base from adjusted domestic deposits to a bank s average consolidated total assets minus average tangible equity (defined as Tier 1 capital); adopts a new large-bank pricing assessment scheme; and sets a target size for the DIF at 2% of insured deposits. The rule also (i) implements a lower assessment rate schedule when the DIF reaches 1.15 percent and, in lieu of dividends, provides for a lower rate schedule when the reserve ratio reaches 2 percent and 2.5 percent and (ii) creates a scorecard-based assessment system for financial institutions with more than $10 billion in assets, including People s United Bank.

In addition, all FDIC-insured institutions are required to pay assessments to the FDIC at an annual rate of approximately 0.0066% 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.

Table of Contents

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, and their implementing regulations, Regulation W and Regulation O, respectively, issued the FRB. Affiliated transactions provisions, among other things, prohibit or limit a federal savings bank from extending credit to, or entering into certain transactions with, its affiliates and principal stockholders, directors and executive officers.

In addition, Section 11 of the HOLA 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. The FRB and the OCC require each depository institution that is subject to the affiliate transaction restrictions of Sections 23A and 23B of the Federal Reserve Act to implement policies and procedures to ensure compliance with Regulation W.

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 OCC regulations implementing statutorily-mandated privacy protection. 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. 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 OCC 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 OCC, 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.

Table of Contents

The Community Reinvestment Act also requires all institutions to make public disclosure of their Community Reinvestment Act ratings. People s United Bank received an outstanding rating in its most recent Community Reinvestment Act examination performed by the OTS in 2009. 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 HOLA, 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 have issued 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 portion of People s United Bank s adjustable-rate residential mortgage loans represent interest-only residential mortgage loans, however, none of these loans permit negative amortization or optional payment amounts.

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: (i) strong risk management practices that include maintenance of capital levels and allowance for loan losses commensurate with the risk; (ii) prudent lending policies and underwriting standards that address a borrower s repayment capacity; and (iii) 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 OCC.

Qualified Thrift Lender Test. The HOLA requires federal savings banks to meet a Qualified Thrift Lender (QTL) test. Under the QTL test, a savings bank is required to maintain at least 65% of its portfolio assets (total assets less: (i) specified liquid assets up to 20% of total assets; (ii) intangibles, including goodwill; and (iii) 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.

A savings bank that fails the QTL test will be deemed to have violated Section 5 of the HOLA and be subject to enforcement action under Section 5(d) of the HOLA. In addition, a savings bank that fails the QTL test generally will be prohibited from: (i) engaging in any new activity not permissible for a national bank; (ii) paying dividends without prior approval from the OCC and the FRB (the payment of such dividend must also be permissible under national bank regulations); and (iii) establishing any new branch office in a location not permissible for a national bank in the institution s home state. In addition, the institution may have to repay any outstanding advances from the Federal Home Loan Bank as promptly as possible. At December 31, 2011, People s United Bank was in compliance with the QTL test.

Table of Contents

Limitation on Capital Distributions. The OCC regulates capital distributions by People s United Bank directly or indirectly to People s United Financial, including cash dividend payments. OCC regulations impose limitations upon 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. In addition, the DFA has imposed a requirement that a federal savings bank that is a subsidiary of a savings and loan holding company must notify the FRB at least 30 days prior to making any cash dividend payment to its parent. An informational copy of this notice is also provided to the federal savings bank s primary federal regulator, which in the case of People s United Bank is the OCC.

The FRB will consult with the institution s primary federal regulator in determining whether to disapprove the proposed dividend. FRB regulations state that it may disapprove the proposed dividend if: (i) the federal savings bank will be less than adequately capitalized following payment of the proposed dividend; (ii) the proposed dividend raises safety or soundness concerns; or (iii) the proposed dividend would violate a prohibition contained in any statute, regulation, enforcement action, or agreement among or between the savings bank, its parent and a federal banking agency; a condition imposed on the savings association or its parent in an application or notice approved by an appropriate federal banking agency; or any formal or informal enforcement action involving the federal savings bank or its parent.

OCC regulations provide that a federal savings bank must file an application with the OCC if the total amount of all its capital distributions (including the proposed capital distribution) for the applicable calendar year exceeds the federal savings bank s net income for that year plus its retained net income for the preceding two years. People s United Bank may not pay dividends to People s United Financial 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 OCC 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 applicable OCC regulations.

Assessments. The OCC charges assessments to recover the cost of examining federal savings banks and their affiliates. These assessments are based on three components: (i) the size of the institution on which the basic assessment is based; (ii) 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 (iii) 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.

Branching. Under OCC branching regulations, People s United Bank is generally authorized to open branches nationwide if People s United Bank (i) continues to meet the requirements of a highly-rated federal savings bank and (ii) 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 OCC determines that the comment is relevant to the approval process standards and requires action in response, the OCC 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. OCC authority preempts any state law purporting to regulate branching by federal savings banks.

Table of Contents

Anti-Money Laundering and Customer Identification. People s United Bank is subject to OCC and Financial Crimes Enforcement Network regulations implementing the Bank Secrecy Act, as amended by 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, 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.

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 Agency. The FHLB system provides a central credit facility primarily for member 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 Agency, which has also established standards of community or investment service that members must meet to maintain access to 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 an amount equal to 0.35% of People s United Bank s Membership Stock Investment Base plus an Activity Based Stock Investment Requirement. The Activity Based Stock Investment 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. As a result of its acquisition of the Bank of Smithtown in 2010, People s United Bank also holds shares of capital stock in the FHLB of New York.

Federal Reserve System. FRB 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 $11.5 million and $71.0 million (subject to adjustment by the FRB) plus a reserve of 10% (subject to adjustment by the FRB within specific limits) against that portion of total transaction account balances in excess of $71.0 million. The first $11.5 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.

Market Area and Competition

People s United Financial s primary market areas are New England and New York (specifically Westchester, Suffolk and Nassau counties), with Connecticut, Massachusetts and Vermont having the largest concentration of its loans, deposits and branches. At December 31, 2011, approximately 71% and 12% of the total loan portfolio represents loans to customers within the New England states and New York, respectively. However, substantially the entire equipment financing portfolio involves customers outside of New England. At December 31, 2011, approximately 33% of the equipment financing portfolio was to customers located in Texas, California and New York. As of June 30, 2011, People s United Financial had: the largest market share of deposits in Fairfield County, Connecticut; the third largest in the state of Connecticut; and the largest in the state of Vermont. 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 3.5 million and a median household income of $70,340, Connecticut ranks second in the United States, well above the U.S. median household income of $54,442, according to the 2010 Census and SNL Financial. Fairfield County, where People s United Financial is headquartered, has the highest median household income in Connecticut of $87,754 according to the 2010 Census and SNL Financial. The median household income in Massachusetts, which has the bank s second highest concentration of branches, was $67,515, according to the 2010 Census and SNL Financial. The median household income in Vermont, which has the bank s third highest concentration of branches, was $53,811 according to the 2010 Census and SNL Financial, 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, 2011, People s United Financial had 4,788 full-time and 689 part-time employees.

Access to Information

As a public company, People s United Financial is subject to the informational requirements of the Exchange Act, as amended and, in accordance therewith, files reports, proxy and information statements and other information with the SEC. 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 SEC at 100 F Street N.E., Mail Stop 5100, Washington, D.C. 20549 and are available on the SEC s EDGAR database on the internet at 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.

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)

Annual Report to Shareholders (two most recent years)

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

XBRL Interactive Data (most recent 12 months)

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 s 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 obligated to pay 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 continues to receive 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 relatively stable asset quality. It is possible that our asset quality could deteriorate, depending upon economic conditions.

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 Bank s supermarket banking initiative, pursuant to which, as of December 31, 2011, People s United Bank has established 87 full-service Stop & Shop branches throughout Connecticut, most in close proximity to our traditional branches, that provide customers with the convenience of seven-day-a-week banking. At December 31, 2011, 23% of People s United Bank branches were located in Stop & Shop supermarkets.

People s United Bank 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 Bank, which provides for the leasing of space to People s United Bank within Stop & Shop supermarkets for branch use. People s United Bank has the exclusive right to branch in these supermarkets until 2022, provided that People s United Bank does not default on its obligations under the licensing agreement.

Stop & Shop is currently the leading grocery store in Connecticut. The success of People s United Bank 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 Bank Stop & Shop supermarket branches as convenient banking locations. Under the terms of the license agreement, People s United Bank has the obligation to open branches in new Connecticut Stop & Shop locations through 2022, 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.

Table of Contents

Our Business Is Affected by the International, National, Regional and Local Economies in Which We Operate

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.

In recent years, there has been a decline in the housing and real estate markets and in the general economy, both nationally and locally. Housing market conditions in the New England region, where much of our lending activity occurs, have deteriorated 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 past several years have been marked by significant volatility in the financial and capital markets initially brought about by the fallout associated with the subprime mortgage market. This disruption led to significant credit and liquidity concerns, which resulted in government intervention within the banking sector and a substantial decline in activity within the secondary mortgage market. All of these issues have been further exacerbated by an accelerated softening of the real estate market, a worsening recessionary economic environment and, in turn, weakness within the commercial sector.

Our loan portfolio is geographically diverse and, therefore, is not immune to potential negative consequences arising as a result of general economic weakness and, in particular, a prolonged downturn in the housing market on a national scale. Decreases in real estate values could adversely affect the value of property used as collateral for loans. In addition, adverse changes in the economy could have a negative effect on the ability of borrowers to make scheduled loan payments, which would likely have an adverse impact on earnings. Further, an increase in loan delinquencies may serve to decrease net interest income and adversely impact loan loss experience, resulting in an increased provision and allowance for loan losses.

Our foreign country exposure, which is defined as the aggregation of exposure maintained with financial institutions, companies or individuals in a given country outside of the United States, is minimal and indirect, with the majority of such exposure comprised of corporate debt securities. Although our exposure to Europe is limited, the developing Eurozone crisis has strained the U.S. financial markets, suppressing stock prices and adding to volatility. Our sovereign credit exposure is also minimal and is comprised of an immaterial amount of government bonds issued by a single non-European sovereign.

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.

Table of Contents

In making decisions about loans, many people first look 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. 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, including 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 which 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 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 our primary markets can still have customers there 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 businesses 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 or the accounting standards we are required to follow can make our business 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. People s United Bank is subject to the QTL test and commercial loan limits imposed under the HOLA.

Table of Contents

On July 21, 2010, the DFA was signed into law. The DFA implements significant changes in the financial regulatory landscape, many of which will affect us. Among these changes are:

- creation of the CFPB, which is empowered to promulgate new consumer protection regulations and revise existing regulations in many areas of consumer protection, and that will have exclusive power over our consumer compliance examinations;
- restrictions on the ability of federal bank regulatory authorities to preempt the application of state consumer protection laws and regulations;
- limitations on the amount of interchange fees that an issuer of debit cards may charge or receive;
- stricter capital requirements for bank holding companies; and
- elimination of the OTS as a separate federal regulatory agency.

Certain provisions of the DFA still require subsequent regulatory rulemaking, and we can not predict how any new regulations will affect People s United Financial.

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 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.

People s United Financial maintains the allowance for loan losses at a level that is deemed to be appropriate to absorb probable losses inherent in the respective loan portfolios, 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 loans, commercial and industrial loans and equipment financing 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 People s United Financial seeks to use the best available information to make these evaluations, and at December 31, 2011, management believed that the allowance for loan losses was appropriate 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.

Table of Contents

Our Goodwill May be Determined to be Impaired at a Future Date Depending on the Results of Periodic Impairment Tests

People s United Financial tests goodwill for impairment on an annual basis, or more frequently if necessary. According to applicable accounting requirements, acceptable valuation methods include present-value measurements based on multiples of earnings or revenues, or similar performance measures. If the quoted market price for People s United Financial common stock were to decline significantly, or if it was determined that the carrying amount of our goodwill exceeded its implied fair value, we would be required to write down the asset recorded for goodwill as reflected in the Consolidated Statements of Condition. This, in turn, would result in a charge to earnings and, thus, a reduction in stockholders equity. See Critical Accounting Policies and Notes 1, 2 and 6 to the Consolidated Financial Statements for additional information concerning People s United Financial s goodwill and the required impairment test.

People s United Financial May Fail To Successfully Integrate Acquired Companies and Realize All of the Anticipated Benefits of an Acquisition

The ultimate success of an 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 with those of an acquired company. If People s United Financial is not able to successfully combine the businesses, the anticipated benefits of a merger may not be realized fully or at all or may take longer to realize than expected.

A Failure In or Breach Of Our Operational or Security Systems or Infrastructure, or Those of Our Third Party Vendors and Other Service Providers, Including as a Result of Cyber Attacks, Could Disrupt Our Business, Result in the Disclosure or Misuse of Confidential or Proprietary Information, Damage Our Reputation, Increase Our Costs and Cause Losses

We depend upon our ability to process, record and monitor a large number of customer transactions on a continuous basis. As customer, public and regulatory expectations regarding operational and information security have increased, our operational systems and infrastructure must continue to be safeguarded and monitored for potential failures, disruptions and breakdowns.

Information security risks for financial institutions, such as ours, have generally increased in recent years in part because of the proliferation of new technologies, the use of the internet and telecommunications technologies to conduct financial transactions and the increased sophistication and activities of organized crime, hackers, terrorists, activists and other external parties. As noted above, our operations rely on the secure processing, transmission and storage of confidential information in our computer systems and networks. Our business operations rely on our digital technologies, computer and email systems, software and networks to conduct their operations. In addition, to access our products and services, our customers may use electronic devices that are beyond our control systems. Although we have information security procedures and controls in place, our technologies, systems, networks and our customers devices may become the target of cyber attacks or information security breaches that could result in the unauthorized release, gathering, monitoring, misuse, loss or destruction of our or our customers confidential, proprietary and other information, or otherwise disrupt our or our customers or other third parties business operations.

Third parties with whom we do business or that facilitate our business activities, including exchanges, clearing houses, financial intermediaries or vendors that provide services or security solutions for our operations, could also be sources of operational and information security risk to us, including from breakdowns or failures of their own systems or capacity constraints.

Table of Contents

Although to date we have not experienced any material losses relating to cyber attacks or other information security breaches, there can be no assurance that we will not suffer such losses in the future. Our risk and exposure to these matters remains heightened because of, among other things, the evolving nature of these threats, the size and scale of People s United Financial, our plans to continue to implement our internet banking and mobile banking channel strategies and develop additional remote connectivity solutions to serve our customers when and how they want to be served, our expanded geographic footprint, the outsourcing of some of our business operations and the continued uncertain global economic environment. As a result, cybersecurity and the continued development and enhancement of our controls, processes and practices designed to protect our systems, computers, software, data and networks from attack, damage or unauthorized access remain a focus for us. As threats continue to evolve, we may be required to expend additional resources to continue to modify or enhance our protective measures or to investigate and remediate information security vulnerabilities.

Disruptions or failures in the physical infrastructure or operating systems that support our business and customers, or cyber attacks or security breaches of the networks, systems or devices that our customers use to access our products and services could result in customer attrition, regulatory fines, penalties or intervention, reputational damage, reimbursement or other compensation costs, and/or additional compliance costs, any of which could materially adversely affect our results of operations or financial condition.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

People s United Financial s corporate headquarters is located in Bridgeport, Connecticut. The headquarters building had a net book value of $70 million at December 31, 2011 and People s United Financial occupies approximately 87% of the building; all other available office space is leased to an unrelated party. People s United Financial delivers its financial services through a network of branches located throughout Connecticut, Massachusetts, Vermont, New York, New Hampshire and Maine. People s United Financial s branch network is primarily concentrated in Connecticut, where it has 166 offices (including 87 located in Stop & Shop supermarkets). People s United Financial also has 60 branches in Massachusetts, 46 branches in Vermont, 38 branches in New York and 31 branches in both New Hampshire and Maine. People s United Financial owns 123 of its branches, which had an aggregate net book value of $74 million at December 31, 2011. 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. Mine Safety Disclosures

None.

Table of Contents

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 10, 2012, the closing price of People s United Financial, Inc. common stock was $12.50. As of that date, there were approximately 21,400 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 Mid Cap U.S. Bank & Thrift Index (the Mid Cap Index). Index values are as of December 31 of the indicated year.

The graph assumes $100 invested on December 31, 2006 in each of People s United Financial s common stock, the S & P 500 Stock Index, the Russell Midcap Index and the Mid Cap 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 Mid Cap Index is an index prepared by SNL Securities comprised of 58 financial institutions (including People s United Financial) located throughout the United States.

18

Table of Contents

Issuer Purchases of Equity Securities

The following table provides information with respect to purchases made by People s United Financial of its common stock during the three months ended December 31, 2011.

Period	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs	Maximum number of shares that may yet be purchased under the plans or programs
October 1 31, 2011:				
Tendered by employees (1)	62,057	$ 12.21		
Publicly announced program (2)		$		18,000,000
November 1 30, 2011:				
Tendered by employees (1)	5,063	$ 12.36		
Publicly announced program (2)		$		18,000,000
December 1 31, 2011:				
Tendered by employees (1)	1,334	$ 12.45		
Publicly announced program (2)		$		18,000,000
Total:				
Tendered by employees (1)	68,454	$ 12.23		
Publicly announced program (2)		$		18,000,000

(1) All shares listed were tendered by employees of People s United Financial in satisfaction of their related minimum tax withholding obligations upon the vesting of restricted stock awards granted in prior periods. The average price paid per share is equal to the average of the high and low trading price of People s United Financial s common stock on The NASDAQ Stock Market on the vesting date or, if no trades took place on that date, the most recent day for which trading data was available. There is no limit on the number of shares that may be tendered by employees of People s United Financial in the future to satisfy their related minimum tax withholding obligations. Shares acquired in satisfaction of minimum tax withholding obligations are not eligible for reissuance in connection with any subsequent grants made pursuant to equity compensation plans maintained by People s United Financial. All shares acquired in this manner are retired by People s United Financial, resuming the status of authorized but unissued shares of People s United Financial s common stock.

(2) In October 2011, People s United Financial s Board of Directors authorized the repurchase of up to 5% of People s United Financial s outstanding common stock, or 18.0 million shares. Such shares may be repurchased, either directly or through agents, in the open market at prices and terms satisfactory to management. Through February 24, 2012, 3.5 million shares of People s United Financial s common stock had been repurchased under this program at an average price of $12.53 per share.

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.

Table of Contents

Item 6. Selected Financial Data

As of and for the years ended December 31

(dollars in millions, except per share data)	2011	2010	2009	2008	2007
Earnings Data:					
Net interest income (fully taxable equivalent)	$ 931.4	$ 702.3	$ 580.2	$ 640.3	$ 486.6
Provision for loan losses	63.7	60.0	57.0	26.2	8.0
Non-interest income (1)	307.6	270.0	284.3	279.6	185.4
Non-interest expense (1), (2)	871.9	782.0	659.8	685.0	439.3
Net income	198.8	85.7	101.2	137.8	150.7
Operating earnings (3)	237.1	125.4	104.3	171.0	190.3
Selected Statistical Data:					
Net interest margin	4.14%	3.70%	3.20%	3.63%	4.13%
Operating net interest margin (3)	4.07	3.70	3.20	3.63	4.13
Return on average assets	0.76	0.39	0.49	0.68	1.18
Operating return on average assets (3)	0.91	0.57	0.50	0.84	1.49
Return on average tangible assets	0.83	0.42	0.53	0.73	1.19
Return on average stockholders equity	3.8	1.6	2.0	2.6	4.2
Return on average tangible stockholders equity	6.2	2.4	2.8	3.7	4.3
Operating return on average tangible stockholders equity (3)	7.4	3.5	2.9	4.6	5.5
Efficiency ratio (3)	64.4	72.4	72.7	65.8	56.1
Financial Condition Data:					
Total assets	$ 27,568	$ 25,037	$ 21,257	$ 20,168	$ 13,555
Loans	20,400	17,328	14,099	14,547	8,894
Securities	2,931	3,033	902	1,902	61
Short-term investments (4)	411	1,120	3,492	1,139	3,516
Allowance for loan losses	183	173	173	158	73
Goodwill and other acquisition-related intangibles	2,174	1,962	1,515	1,536	104
Deposits	20,816	17,933	15,446	14,269	8,881
Borrowings	857	1,011	159	188	
Subordinated notes and debentures	160	182	182	181	65
Stockholders equity	5,225	5,219	5,101	5,174	4,445
Non-performing assets (5)	337	303	206	94	26
Ratios:					
Net loan charge-offs to average loans	0.28%	0.40%	0.29%	0.10%	0.10%
Non-performing assets to originated loans, real estate owned and repossessed assets (5)	2.00	2.09	1.45	0.64	0.29
Allowance for loan losses to originated loans (5)	1.04	1.19	1.22	1.08	0.82
Average stockholders equity to average total assets	20.3	24.4	24.8	25.6	28.1
Stockholders equity to total assets	19.0	20.8	24.0	25.7	32.8
Tangible stockholders equity to tangible assets	12.0	14.1	18.2	19.5	32.3
Total risk-based capital (6)	14.0	14.5	14.1	13.4	33.4
Common Share Data:					
Basic and diluted earnings per share	$ 0.57	$ 0.24	$ 0.30	$ 0.41	$ 0.52
Operating earnings per share (3)	0.68	0.35	0.31	0.51	0.65
Dividends paid per share	0.63	0.62	0.61	0.58	0.52
Dividend payout ratio	111.1%	254.5%	201.1%	141.1%	87.0%
Operating dividend payout ratio (3)	93.2	173.9	195.2	113.7	68.9
Book value per share (end of period)	$ 14.99	$ 14.91	$ 15.20	$ 15.44	$ 15.43
Tangible book value per share (end of period) (3)	8.75	9.30	10.68	10.86	15.07
Stock price:					
High	14.49	17.08	18.54	21.76	22.81

Low	10.50	12.20	14.72	13.92	14.78
Close (end of period)	12.85	14.01	16.70	17.83	17.80

Table of Contents

(1) Income and expenses associated with merchant services and customer derivatives are presented net in non-interest income for all periods.
(2) Includes a total of $56.8 million, $58.9 million and $4.5 million of merger-related expenses, core system conversion costs and one-time charges in 2011, 2010 and 2009, respectively. Also includes an FDIC special assessment charge of $8.4 million in 2009, $51.3 million of merger-related expenses and other one-time charges in 2008, and a $60.0 million contribution to The People s United Community Foundation in 2007.
(3) See Non-GAAP Financial Measures and Reconciliation to GAAP.
(4) Includes securities purchased under agreements to resell.
(5) Excludes acquired loans. See Asset Quality.
(6) 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. See Regulatory Capital.

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 SEC pursuant to 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 Reports on Form 10-Q and Current Reports 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 expect, anticipate, believe, should, and similar expressions, and include all statements about People s United Financial s operating results or financial position for future periods. 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, international, 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; (10) the successful integration of acquired companies; and (11) changes in regulation resulting from or relating to financial reform legislation.

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 affecting the banking system, the federal government began implementing several programs in late 2008 designed to address a variety of issues facing the financial sector. The most noteworthy of these initiatives was the Emergency Economic Stabilization Act of 2008 (the EESA). The EESA led to the Troubled Asset Relief Program (the TARP) and the TARP Capital Purchase Program, neither of which had a direct impact on People s United Financial as the Company did not participate in these programs. People s United Financial did, however, experience a number of changes with respect to deposit insurance coverage and related assessments.

Table of Contents

FDIC Insurance Coverage / Assessments

The FDIC insures deposits at FDIC-insured financial institutions up to certain limits, charging premiums to maintain the DIF at specified levels. Such premiums may vary based on the risk profile of the insured institution and have historically ranged 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.

Adverse economic conditions over the past several years has resulted in an increased number of bank failures and, consequently, greater use of DIF resources. In response, beginning in 2009, the FDIC authorized higher premium assessments (including a special assessment in 2009) pursuant to a restoration plan designed to increase the DIF reserve ratio to required levels. In November 2009, the FDIC adopted a final rule that amended the assessment regulations to require insured financial institutions to prepay, on December 30, 2009, their estimated deposit insurance premiums for 2010, 2011 and 2012. Under this rule, which did not include any additional special assessments, the prepayment was based on an assumed 5% annual growth rate in each institution s insured deposits (the assessment base) and an assumed increase of three basis points in each institution s premium assessment rate beginning in 2011. On December 30, 2009, People s United Bank prepaid its estimated deposit insurance premiums totaling $69 million in accordance with FDIC regulations. The prepaid deposit insurance assessment at December 31, 2011 was $33 million, which includes balances acquired in connection with recent business combinations.

The EESA increased the FDIC deposit insurance limit from $100,000 to $250,000 per depositor through December 31, 2009, and subsequent amendments extended the increased coverage through December 31, 2013.

In February 2011, the FDIC approved a final rule which: (i) changes the assessment base from adjusted domestic deposits to a bank s average consolidated total assets minus average tangible equity (defined as Tier 1 capital); (ii) adopts a new large-bank pricing assessment scheme; and (iii) sets a target size for the DIF at 2% of insured deposits. The rule, which was effective beginning with the quarterly assessment period ended June 30, 2011, also (i) implements a lower assessment rate schedule when the DIF reaches 1.15 percent and, in lieu of dividends, provides for a lower rate schedule when the reserve ratio reaches 2 percent and 2.5 percent and (ii) creates a scorecard-based assessment system for financial institutions with more than $10 billion in assets, including People s United Bank.

The actual amount of future assessments will be dependent on several factors, including: (i) People s United Bank s average total assets and average tangible equity; (ii) People s United Bank s risk profile; and (iii) whether additional special assessments are imposed in future periods and the manner in which such assessments are determined.

Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010

The DFA, which was signed into law on July 21, 2010, implements significant changes in the financial regulatory landscape and will impact all financial institutions and their holding companies, including People s United Bank and People s United Financial.

Among the DFA s significant regulatory changes, it creates a new federal consumer protection agency, the CFPB, that is empowered to promulgate new consumer protection regulations and revise existing regulations in many areas of consumer protection. The CFPB has exclusive authority to issue regulations, orders and guidance to administer and implement the objectives of federal consumer protection laws. The CFPB will also have exclusive supervision over our consumer compliance examinations. Moreover, the DFA permits states to adopt stricter consumer protection laws and authorizes state attorneys general to enforce consumer protection rules issued by the CFPB. The DFA restricts the authority of the federal banking regulators to preempt state consumer protection laws applicable to the Bank and limits the preemption of state laws as they affect subsidiaries and agents of federally-chartered banks.

Table of Contents

The DFA provides that the amount of interchange fee that an issuer of debit cards may charge or receive must be reasonable and proportional to the cost of the transaction. The DFA directs the FRB to issue regulations to implement this requirement, and further provides that in determining whether a charge is reasonable and proportional the issuer may generally consider only costs that are specific to the individual transaction. Separately, the FRB is authorized to issue regulations that would allow an issuer to adjust interchange fees to reflect the costs associated with fraud mitigation related to debit card transactions, provided that the issuer must comply with fraud-related standards to be established by the FRB. The DFA further provides that a debit card issuer may not restrict the number of payment card networks on which a debit card transaction may be processed to a single network or limit the ability of a merchant to direct the routing of debit card payments for processing. The interchange fee provisions became effective in the fourth quarter of 2011 (see Non-Interest Income). It is anticipated that establishment of the CFPB and these other changes will significantly increase the Company s regulatory compliance burden and costs and may restrict the financial products and services People s United Financial offers to its customers.

All federal prohibitions on the ability of financial institutions to pay interest on demand deposit accounts were repealed as part of the DFA. As a result, beginning on July 21, 2011, financial institutions could begin offering interest on demand deposits. As of December 31, 2011, People s United Bank s non-interest bearing deposits totaled $4.5 billion, or 22% of total deposits. The Company s interest expense may increase and our net interest margin may decrease if we begin to offer higher rates of interest than we currently offer on demand deposits.

The DFA also imposes stringent capital requirements on bank holding companies by, among other things, imposing leverage ratios on holding companies and prohibiting new trust preferred issuances from counting as Tier I capital. The DFA also increases regulation of derivatives and hedging transactions, which could limit the ability of People s United Financial to enter into, or increase the costs associated with, interest rate and other hedging transactions.

The actions noted 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 such actions 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.

The DFA transferred all supervisory functions, including ongoing supervision, examination and regulation, for savings and loan holding companies and their non-depository subsidiaries to the FRB, effective July 21, 2011, and on the same day, the OCC assumed responsibility for the supervision, examination and regulation of all federally-chartered savings banks. In October 2011, People s United Bank filed an application with the OCC to convert to a national bank charter. In connection with this conversion, People s United Financial intends to submit an application to the FRB-NY to convert to a bank holding company. In connection with doing so, People s United Financial expects to make an election for financial holding company status.

General

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. The principal business of People s United Financial is to provide, through People s United Bank and its subsidiaries, commercial banking, retail and business banking, and wealth management services to individual, corporate and municipal customers.

Table of Contents

People s United Bank is a federally-chartered stock savings bank headquartered in Bridgeport, Connecticut with $27.6 billion in total assets as of December 31, 2011. 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. Its deposit accounts are insured up to applicable limits by the FDIC under the DIF. Until July 2011, People s United Bank was subject to regulation, examination, supervision and reporting requirements by the OTS as its chartering agency, and by the FDIC as the deposit insurer. On July 21, 2011, primary supervisory responsibility for People s United Bank was transferred from the OTS to the OCC.

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 and Business Banking, 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.

Other Recent Developments

On February 28, 2012, People s United Financial announced a definitive agreement by which People s United Bank will acquire 56 branches from Citizens Financial Group, Inc. (Citizens) and assume $325 million in deposits associated with these branches. Fifty-two of the branches are situated in Stop & Shop supermarkets and four are traditional branches. All of the branches are located in the state of New York, with 29 on Long Island, eight in Westchester County and six in the boroughs of New York City. People s United Bank, which currently operates 87 Stop & Shop branch locations throughout Connecticut, will pay Citizens a 1% premium on the assumed deposits.

The all-cash transaction is valued at $3.25 million and includes all existing Citizens branches in Long Island and New York City, as well as certain locations in New York state s Westchester, Rockland, Putnam, Orange, Dutchess and Ulster Counties. People s United Bank has agreed that all employees at the acquired Citizens branches will be offered comparable positions at People s United Bank. Completion of the transaction is anticipated late in the second quarter of 2012 and is subject to customary closing conditions, including the receipt of regulatory approvals.

Acquisitions

After the close of business on June 30, 2011, People s United Financial acquired Danvers based in Danvers, Massachusetts. The transaction was effective July 1, 2011. Total consideration paid in the Danvers acquisition of approximately $462 million consisted of approximately $214 million in cash and 18.5 million shares of People s United Financial common stock with a fair value of approximately $248 million. Cash consideration was paid at the rate of $23.00 per share of Danvers common stock and stock consideration was paid at the rate of 1.624 shares of People s United Financial common stock per share of Danvers common stock. At the acquisition date, Danvers operated 28 branches in the greater Boston area. See Note 2 to the Consolidated Financial Statements for a further discussion of this acquisition.

On November 30, 2010, People s United Financial completed its acquisitions of Smithtown based in Hauppauge, New York and LSB based in North Andover, Massachusetts. On April 16, 2010, People s United Bank entered into a definitive purchase and assumption agreement with the FDIC pursuant to which People s United Bank assumed all of the deposits, certain assets and the banking operations of Butler Bank, located in Lowell, Massachusetts. On February 19, 2010, People s United Financial completed its acquisition of Financial Federal, a financial services company providing collateralized lending, financing and leasing services nationwide to small and medium sized businesses. See Note 2 to the Consolidated Financial Statements for a further discussion of these acquisitions. On January 1, 2008, People s United Financial completed its acquisition of Chittenden, a multi-bank holding company headquartered in Burlington, Vermont. People s United Financial s results of operations include the results of the acquired entities beginning with their respective closing dates.

Table of Contents

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. The current economic environment has increased the degree of uncertainty inherent in these significant estimates.

Several accounting estimates are particularly critical and are susceptible to significant near-term change, including the allowance for loan losses 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 judgments used by People s United Financial in applying these critical accounting policies may be affected by a further and prolonged deterioration in the economic environment, which may result in changes to future financial results. For example, subsequent evaluations of the loan portfolio, in light of the factors then prevailing, may result in significant changes in the allowance for loan losses in future periods, and the inability to collect outstanding principal may result in increased loan losses. 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 for loan losses when realized.

People s United Financial maintains the allowance for loan losses at a level that is deemed to be appropriate to absorb probable losses inherent in the respective loan portfolios, based on a quarterly evaluation of a variety of factors. These factors include, but are not limited to: (i) People s United Financial s historical loan loss experience and recent trends in that experience; (ii) risk ratings assigned by lending personnel to commercial real estate loans, commercial and industrial loans and equipment financing loans, and the results of ongoing reviews of those ratings by People s United Financial s independent loan review function; (iii) an evaluation of delinquent and non-performing loans and related collateral values; (iv) the probability of loss in view of geographic and industry concentrations and other portfolio risk characteristics; (v) the present financial condition of borrowers; and (vi) current economic conditions.

The Company s allowance for loan losses consists of three elements: (i) an allowance for larger-balance, non-homogeneous loans that are evaluated on an individual (loan-by-loan) basis; (ii) an allowance for smaller-balance homogeneous loans that are evaluated on a collective basis; and (iii) a specific allowance for individual loans deemed to be impaired, including originated loans classified as troubled debt restructurings (TDRs).

Larger-balance, Non-homogeneous Loans. The Company establishes a loan loss allowance for its larger-balance, non-homogeneous loans using a methodology that incorporates (i) the probability of default for a given loan risk rating and (ii) historical default data over a multi-year period. In accordance with the Company s loan risk rating system, each loan, with the exception of those included in large groups of smaller-balance homogeneous loans, is assigned a risk rating (using a nine-grade scale) by the originating loan officer, credit management, internal loan review or loan committee. Loans rated one represent those loans least likely to default while loans rated nine represent a loss. The probability of loans defaulting for each risk rating, referred to as default factors, are estimated based on the frequency with which loans migrate from one risk rating to another and to default status over time. Estimated loan default factors are multiplied by loan balances within each risk-rating category and again multiplied by an historical loss-given-default estimate for each loan type to determine an appropriate level of allowance by loan type. The historical loss-given-default estimates are updated annually (or more frequently, if necessary) based on actual charge-off experience. This approach is applied to the commercial, commercial real estate and equipment financing components of the loan portfolio.

Table of Contents

In developing the allowance for loan losses for larger-balance, non-homogeneous loans, the Company also gives consideration to certain qualitative factors, including the macroeconomic environment and any potential imprecision inherent in its loan loss model which may result from having limited historical loan loss data which, in turn, may result in inaccurate probability of default and loss-given-default factors. In consideration of these factors, the Company may adjust the allowance for loan losses upward or downward based on current economic conditions and portfolio trends. In determining the extent of any such adjustment, the Company considers both economic and portfolio-specific data that correlates with loan losses. The Company annually reviews this data to determine that such a correlation continues to exist. Additionally, at interim dates between annual reviews, the Company evaluates the factors in order to conclude that they continue to be adequate based on current economic conditions.

Smaller-balance, Homogeneous Loans. Pools of smaller-balance, homogeneous loans with similar risk and loss characteristics are also assessed for probable losses. These loan pools include residential mortgage, home equity and other consumer loans that are not assigned individual loan risk ratings. Rather, the assessment of these portfolios is based upon a consideration of recent historical loss experience, delinquency trends and portfolio-specific risk characteristics, the combination of which determines whether a loan is classified as High risk, Moderate risk or Low risk.

The allowance for loan losses for these smaller-balance, homogeneous portfolios is developed using a build-up approach that includes components attributable to: (i) historical portfolio loss experience; (ii) portfolio-specific risk elements; and (iii) other qualitative factors.

The risk characteristics considered include (i) collateral values/loan-to-value ratios (above and below 70%); (ii) borrower credit scores under the FICO scoring system (above and below a score of 680); and (iii) other relevant portfolio risk elements such as income verification at the time of underwriting (stated income vs. non-stated income) and the property s intended use (owner-occupied, non-owner occupied, second home, etc.). In classifying a loan as either High , Moderate or Low risk, the combination of each of the aforementioned risk characteristics is considered for that loan, resulting, effectively, in a matrix approach to its risk classification.

In establishing the allowance for loan losses for residential mortgage loans, the Company principally considers historical portfolio loss experience of the most recent 1- and 3-year periods, as we believe this provides a reasonable basis for estimating the inherent probable losses within our residential mortgage portfolio. In establishing the allowance for loan losses for home equity loans, the Company principally considers historical portfolio loss experience of the most recent 12-month period.

With respect to portfolio stratification based on the aforementioned portfolio-specific risk characteristics, each risk category is currently assigned an applicable reserve factor. For residential mortgage loans, the Moderate (or baseline) reserve factor represents the portfolio s net charge-off rate for the preceding fiscal year. For home equity loans, the Moderate (or baseline) reserve factor represents an average of the portfolio s monthly net charge-off rates for the preceding three months. This component of the allowance employs a shorter look-back period as it is intended to identify emerging portfolio trends in credit quality as determined by reference to a loan s initial underwriting as well as subsequent changes in property values and borrower credit scores. Accordingly, the shorter look-back period is deemed to provide a better basis on which to analyze such trends.

Within each respective portfolio, the loan population deemed to be High risk is subject to a reserve factor equal to two times that of the applicable baseline factor, while the loan population deemed to be Low risk is subject to a reserve factor equal to one-third of the applicable baseline factor. These adjustments around the baseline factor are intended to reflect the higher or lower probability of loss inherent in the corresponding portfolio stratification. The reserve factor multiples for the High and Low risk categories were determined by reference to actual historical portfolio loss experience and are generally reflective of the range of losses incurred over each portfolio s respective look-back period. As such, we believe these multiples, which are reassessed annually (or more frequently, if necessary) provide a reasonable basis for estimating the inherent probable losses within each risk classification category.

Table of Contents

In addition to the portfolio-specific quantitative measures described above, the Company considers a variety of qualitative factors in establishing its allowance for loan losses that, generally, are based on management s assessment of economic, market and industry conditions. Such qualitative factors include, but are not limited to: (i) present and forecasted economic conditions, including unemployment rates, new jobs creation, and consumer confidence levels; (ii) changes in industry trends, including the impact of new regulations, the origination market, the U.S. homeownership rate, and potential homebuyer levels; and (iii) trends in property values, including housing market indicators, foreclosure activity, housing inventory and distressed sale levels, and median sales prices/average market time.

In completing the build-up approach to the allowance for loan losses for smaller-balance, homogeneous loans, the amount reflecting our consideration of these various qualitative factors is added to the amounts attributable to historical portfolio loss experience and portfolio-specific risk elements. In this manner, historical charge-off data (whether periods or amounts) is not adjusted and the allowance for loan losses always includes a component attributable to qualitative factors, the degree of which may change from period to period as such qualitative factors indicate improving or worsening trends. There were no significant changes in the qualitative factor component of the related allowance for loan losses during 2011.

Individually Impaired Loans. The allowance for loan losses also includes specific allowances for individually impaired loans. Generally, the Company s impaired loans consist of (i) classified commercial loans in excess of $250,000 that have been placed on non-accrual status and (ii) originated loans classified as TDRs. Individually impaired loans are measured based upon observable market prices; the present value of expected future cash flows discounted at the loan s original effective interest rate; or, in the case of collateral dependent loans, fair value of the collateral (based on appraisals and other market information) less cost to sell. If the recorded investment in a loan exceeds the amount measured as described in the preceding sentence, a specific allowance for loan losses would be established as a component of the overall allowance for loan losses or, in the case of a collateral dependent loan, a charge-off would be recorded for the difference between the loan s recorded investment and management s estimate of the fair value of the collateral (less cost to sell). It would be rare for the Company to identify a loan that meets the criteria stated above and requires a specific allowance or a charge-off and not deem it impaired solely as a result of the existence of a guarantee.

People s United Financial performs an analysis of its impaired loans, including collateral dependent impaired loans, on a quarterly basis. Individually impaired collateral dependent loans are measured based upon the appraised value of the underlying collateral and other market information. Generally, the Company s policy is to obtain updated appraisals for commercial collateral dependent loans when the loan is downgraded to a risk rating of substandard or doubtful , and the most recent appraisal is more than 12 months old or a determination has been made that the property has experienced a significant decline in value. Appraisals are prepared by independent, licensed third-party appraisers and are subject to review by the Company s internal commercial appraisal department or external appraisers contracted by the commercial appraisal department. The conclusions of the external appraisal review are reviewed by the Company s Chief Commercial Appraiser prior to acceptance. The Company s policy with respect to impaired residential mortgage loans is to receive updated appraisals upon the loan being classified as non-performing (typically upon becoming 90 days past due).

In determining the allowance for loan losses, People s United Financial gives appropriate consideration to the age of appraisals through its regular evaluation of other relevant qualitative and quantitative information. Specifically, between scheduled appraisals, property values are monitored within the commercial portfolio by reference to current originations of collateral dependent loans and the related appraisals obtained during underwriting as well as by reference to recent trends in commercial property sales as published by leading industry sources. Property values are monitored within the residential mortgage portfolio by reference to available market indicators, including real estate price indices within the Company s primary lending areas.

In most situations where a guarantee exists, the guarantee arrangement is not a specific factor in the assessment of the related allowance for loan losses. However, the assessment of a guarantor s credit strength is reflected in the Company s internal loan risk ratings which, in turn, are an important factor in its allowance for loan loss methodology for loans within the commercial and commercial real estate portfolios.

People s United Financial did not change its methodologies with respect to determining the allowance for loan losses during 2011. While People s United Financial seeks to use the best available information to make these determinations, 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.

Asset Impairment Judgments

Goodwill and Other Intangible Assets. Goodwill and indefinite-lived intangible assets are required to 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. None of the Company s identified reporting units are at risk of failing the Step 1 goodwill impairment test at this time.

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 reversals of goodwill impairment losses are not permitted.

The Company estimates the fair value of its reporting units based on an appropriate weighting of values based on (i) a present-value measurement technique (discounted cash flow analysis based on internal forecasts) and (ii) market-based trading and transaction multiples. The discounted cash flow analysis is based on significant assumptions and judgments including future growth rates and discount rates reflecting management s assessment of market participant views of the risks associated with the projected cash flows of the reporting units. The market-based trading and transaction multiples are derived from the market prices of stocks of companies that are actively traded and engaged in the same or similar businesses as the Company and the respective reporting unit. The derived multiples are then applied to the reporting unit s financial metrics to produce an indication of value. 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.

Table of Contents

Securities. Marketable equity and debt securities (other than those reported as short-term investments) are classified as either trading account securities, held to maturity securities (applicable only to debt securities) or available for sale securities. Management determines the classification of a security at the time of its purchase.

Securities purchased for sale in the near term as well as those held by PSI (in accordance with the requirements for a broker-dealer) are classified as trading account securities and reported at fair value with unrealized gains and losses reported in non-interest income.

Debt securities for which People s United Financial has the positive intent and ability to hold to maturity are classified as held to maturity securities and reported at amortized cost. All other securities are classified as available for sale and reported at fair value with unrealized gains and losses reported on an after-tax basis in stockholders equity as accumulated other comprehensive income or loss. Premiums are amortized and discounts are accreted to interest income for debt securities, using the interest method over the remaining period to contractual maturity, adjusted for the effect of actual prepayments in the case of mortgage-backed securities, collateralized mortgage obligations (CMOs) and other asset-backed securities.

Management conducts a periodic review and evaluation of the securities portfolio to determine if the decline in fair value of any security is deemed to be other-than-temporary. Other-than-temporary impairment losses are recognized on debt securities when: (i) People s United Financial has an intention to sell the security; (ii) it is more likely than not that People s United Financial will be required to sell the security prior to recovery; or (iii) People s United Financial does not expect to recover the entire amortized cost basis of the security. Other-than-temporary losses on debt securities are reflected in earnings as realized losses to the extent the impairment is related to credit losses. The amount of the impairment related to other factors is recognized in other comprehensive income. Management has the ability and intent to hold the securities classified as held to maturity until they mature, at which time People s United Financial expects to receive full value for the securities.

FHLB stock is a non-marketable equity security and is, therefore, reported at cost, which equals par value (the amount at which shares have been redeemed in the past). The investment is periodically evaluated for impairment based on, among other things, the capital adequacy of the FHLB and its overall financial condition.

Non-GAAP Financial Measures and Reconciliation to GAAP

In addition to evaluating People s United Financial s results of operations in accordance with U.S. generally accepted accounting principles (GAAP), management routinely supplements this evaluation with an analysis of certain non-GAAP financial measures, such as the efficiency and tangible equity ratios, tangible book value per share and operating earnings metrics. Management believes these non-GAAP financial measures provide information useful to investors in understanding People s United Financial s underlying operating performance and trends, and facilitates comparisons with the performance of other banks and thrifts. Further, the efficiency ratio and operating earnings metrics are used by management in its assessment of financial performance, including non-interest expense control, while the tangible equity ratio and tangible book value per share are used to analyze the relative strength of People s United Financial s capital position.

The efficiency ratio, which represents an approximate measure of the cost required by People s United Financial to generate a dollar of revenue, is the ratio of (i) total non-interest expense (excluding goodwill impairment charges, amortization of other acquisition-related intangibles and certain purchase accounting-related fair value adjustments, losses on real estate assets and non-recurring expenses) (the numerator) to (ii) net interest income on a fully taxable equivalent (FTE) basis (excluding certain purchase accounting-related fair value adjustments) plus total non-interest income (including the FTE adjustment on bank-owned life insurance (BOLI) income, and excluding gains and losses on sales of assets other than residential mortgage loans, and non-recurring income) (the denominator). People s United Financial generally considers an item of income or expense to be non-recurring if it is not similar to an item of income or expense of a type incurred within the last two years and is not similar to an item of income or expense of a type reasonably expected to be incurred within the following two years.

Table of Contents

Operating earnings exclude from net income those items that management considers to be of such a non-recurring or infrequent nature that, by excluding such items (net of income taxes), People s United Financial s results can be measured and assessed on a more consistent basis from period to period. Items excluded from operating earnings, which include, but are not limited to, merger-related expenses, core system conversion costs, charges related to executive-level management separation costs, severance-related costs and real estate asset writedowns, are generally also excluded when calculating the efficiency ratio. Operating earnings per share is calculated by dividing operating earnings by the weighted average number of dilutive common shares outstanding for the respective period. Operating return on average assets is calculated by dividing operating earnings (annualized) by average assets. Operating return on average tangible stockholders equity is calculated by dividing operating earnings (annualized) by average tangible stockholders equity. The operating dividend payout ratio is calculated by dividing dividends paid by operating earnings for the respective period.

Operating net interest margin excludes from the net interest margin those items that management considers to be of such an infrequent nature that, by excluding such items, People s United Financial s net interest margin can be measured and assessed on a more consistent basis from period to period. Items excluded from operating net interest margin include, but are not limited to, cost recovery income on acquired loans and changes in the accretable yield on acquired loans stemming from periodic cash flow reassessments. Operating net interest margin is calculated by dividing operating net interest income (annualized) by average earning assets.

The tangible equity ratio is the ratio of (i) tangible stockholders equity (total stockholders equity less goodwill and other acquisition-related intangibles) (the numerator) to (ii) tangible assets (total assets less goodwill and other acquisition-related intangibles) (the denominator). Tangible book value per share is calculated by dividing tangible stockholders equity by common shares (total common shares issued, less common shares classified as treasury shares and unallocated ESOP common shares).

In light of diversity in presentation among financial institutions, the methodologies used by People s United Financial for determining the non-GAAP financial measures discussed above may differ from those used by other financial institutions.

Table of Contents

The following table summarizes People s United Financial s efficiency ratio derived from amounts reported in the Consolidated Statements of Income:

Years ended December 31 (dollars in millions)	2011	2010	2009	2008	2007
Total non-interest expense	$ 871.9	$ 782.0	$ 659.8	$ 685.0	$ 439.3
Adjustments:					
Amortization of:					
Other acquisition-related intangibles	(25.8)	(21.7)	(20.6)	(21.3)	(1.0)
Purchase accounting-related fair value adjustments (1)	(3.2)	(3.2)	(3.1)	(3.2)	
Merger-related expenses	(42.9)	(23.3)	(2.0)	(36.5)	
Severance-related costs	(5.3)				
Real estate writedowns	(4.8)				
Executive-level separation agreement	(3.8)	(15.3)			
FDIC special assessment			(8.4)		
Other one-time charges				(14.8)	
Contribution to The People s United Community Foundation					(60.0)
Other (2)	(10.3)	(9.4)	(6.5)	(2.6)	(1.0)
Total	$ 775.8	$ 709.1	$ 619.2	$ 606.6	$ 377.3
Net interest income (FTE basis)	$ 931.4	$ 702.3	$ 580.2	$ 640.3	$ 486.6
Total non-interest income	307.6	270.0	284.3	279.6	185.4
Total revenues	1,239.0	972.3	864.5	919.9	672.0
Adjustments:					
BOLI FTE adjustment	3.1	3.6	4.5	4.5	5.7
Purchase accounting-related fair value adjustments (1)	(23.0)	3.0	6.5	10.4	
Net security (gains) losses	(8.8)	1.0	(22.0)	(8.3)	(5.5)
Gains on sales of acquired loans	(7.5)				
Other (3)	2.2		(1.9)	(4.3)	
Total	$ 1,205.0	$ 979.9	$ 851.6	$ 922.2	$ 672.2
Efficiency ratio	64.4%	72.4%	72.7%	65.8%	56.1%

(1) Reflects the impact of amortization and accretion associated with certain purchase accounting-related fair value adjustments recognized in connection with past business combinations. Amounts deducted from non-interest expense represent the impact of adjustments made to acquired premises and equipment to reflect the fair value of such assets and which generally have a remaining life of approximately 6 years at December 31, 2011. Amounts added to (deducted from) total revenues represent the impact of adjustments made to loans acquired prior to January 1, 2010 and liabilities assumed (i.e. time deposits, FHLB advances, repurchase agreements and subordinated notes and debentures) as a result of interest rate-related changes applicable to such instruments and which generally have a weighted average remaining life of approximately 7 years at December 31, 2011. These adjustments are made because management believes such income and expense amounts are not relevant for purposes of evaluating operating efficiency.

(2) Items classified as other and deducted from non-interest expense include, as applicable, certain franchise taxes, REO expenses and contract termination costs.

(3) Items classified as other and added to (deducted from) total revenues include, as applicable, asset write-offs, gains associated with the sale of branch locations and mortgage servicing rights, and interest on an income tax refund.

Table of Contents

The following tables summarizes People s United Financial s operating earnings, operating earnings per share, operating return on average assets and operating net interest margin:

Years ended December 31 (dollars in millions, except per share data)	2011	2010	2009	2008	2007
Operating Earnings					
Net income, as reported	$ 198.8	$ 85.7	$ 101.2	$ 137.8	$ 150.7
Adjustments to arrive at operating earnings:					
Merger-related expenses	42.9	23.3	2.0	36.5	
Severance-related costs	5.3				
Real estate asset writedowns	4.8				
Executive-level separation costs	3.8	15.3			
Core system conversion costs		20.3	2.5		
Contribution to The People s United Community Foundation					60.0
Other one-time charges				14.8	
Other gains				(2.4)	
Total pre-tax adjustments	56.8	58.9	4.5	48.9	60.0
Tax effect	(18.5)	(19.2)	(1.4)	(15.7)	(20.4)
Total adjustments, net of tax	38.3	39.7	3.1	33.2	39.6
Operating earnings	$ 237.1	$ 125.4	$ 104.3	$ 171.0	$ 190.3
Operating Earnings Per Share					
Earnings per share, as reported	$ 0.57	$ 0.24	$ 0.30	$ 0.41	$ 0.52
Adjustment to arrive at operating earnings per share:					
Merger-related expenses	0.09	0.04		0.07	
Severance-related costs	0.01				
Real estate writedowns	0.01				
Executive-level separation costs		0.03			
Core system conversion costs		0.04	0.01		
Contribution to The People s United Community Foundation					0.13
Other one-time charges				0.03	
Other gains					
Total adjustments per share	0.11	0.11	0.01	0.10	0.13
Operating earnings per share	$ 0.68	$ 0.35	$ 0.31	$ 0.51	$ 0.65
Operating Return on Average Assets					
Average total assets	$ 26,028	$ 22,016	$ 20,757	$ 20,373	$ 12,751
Operating return on average assets	0.91%	0.57%	0.50%	0.84%	1.49%

Table of Contents

Operating Net Interest Income

Years ended December 31 (dollars in millions)	2011	2010	2009	2008	2007
Net interest income (FTE basis)	$ 931.4	$ 702.3	$ 580.2	$ 640.3	$ 486.6
Adjustments to arrive at operating net interest income:					
Changes in accretable yield	(11.2)				
Cost recovery income	(5.0)				
Total adjustments	(16.2)				
Operating net interest income	$ 915.2	$ 702.3	$ 580.2	$ 640.3	$ 486.6
Net interest margin, as reported	4.14%	3.70%	3.20%	3.63%	4.13%
Adjustments to arrive at operating net interest margin:					
Changes in accretable yield	(0.05)				
Cost recovery income	(0.02)				
Total adjustments	(0.07)				
Operating net interest margin	4.07%	3.70%	3.20%	3.63%	4.13%

The following tables summarize People s United Financial s operating return on average tangible stockholders equity and operating dividend payout ratio:

Operating Return on Average Tangible Stockholders Equity

Years ended December 31 (dollars in millions)	2011	2010	2009	2008	2007
Operating earnings	$ 237.1	$ 125.4	$ 104.3	$ 171.0	$ 190.3
Average stockholders equity	$ 5,271	$ 5,368	$ 5,141	$ 5,213	$ 3,577
Less: average goodwill and average other acquisition-related intangibles	2,053	1,753	1,526	1,520	105
Average tangible stockholders equity	$ 3,218	$ 3,615	$ 3,615	$ 3,693	$ 3,472
Operating return on average tangible stockholders equity	7.4%	3.5%	2.9%	4.6%	5.5%

Operating Dividend Payout Ratio

Years ended December 31 (dollars in millions)	2011	2010	2009	2008	2007
Dividends paid	$ 220.9	$ 218.1	$ 203.6	$ 194.4	$ 131.1
Operating earnings	$ 237.1	$ 125.4	$ 104.3	$ 171.0	$ 190.3
Operating dividend payout ratio	93.2%	173.9%	195.2%	113.7%	68.9%

33

Table of Contents

The following tables summarize People s United Financial s tangible equity ratio and tangible book value per share derived from amounts reported in the Consolidated Statements of Condition:

Tangible Equity Ratio

As of December 31 (dollars in millions)	2011	2010	2009	2008	2007
Total stockholders equity	$ 5,225	$ 5,219	$ 5,101	$ 5,174	$ 4,445
Less: Goodwill and other acquisition-related intangibles	2,174	1,962	1,515	1,536	104
Tangible stockholders equity	$ 3,051	$ 3,257	$ 3,586	$ 3,638	$ 4,341
Total assets	$ 27,568	$ 25,037	$ 21,257	$ 20,168	$ 13,555
Less: Goodwill and other acquisition-related intangibles	2,174	1,962	1,515	1,536	104
Tangible assets	$ 25,394	$ 23,075	$ 19,742	$ 18,632	$ 13,451
Tangible equity ratio	12.0%	14.1%	18.2%	19.5%	32.3%

Tangible Book Value Per Share

As of December 31 (in millions, except per share data)	2011	2010	2009	2008	2007
Tangible stockholders equity	$ 3,051	$ 3,257	$ 3,586	$ 3,638	$ 4,341
Common shares issued	395.42	376.62	348.25	347.93	301.09
Less: Common shares classified as treasury shares	38.03	17.49	3.21	3.17	2.84
Unallocated ESOP common shares	8.71	9.06	9.41	9.76	10.11
Common shares	348.68	350.07	335.63	335.00	288.14
Tangible book value per share	$ 8.75	$ 9.30	$ 10.68	$ 10.86	$ 15.07

Economic Environment

In response to the significant disruptions in the capital markets brought about by the sub-prime mortgage crisis and its after-effects, turmoil in the financial sector, and the contracting U.S. economy, the Federal Reserve Board lowered the targeted federal funds rate ten times since September 2007, and established a target range for the federal funds rate of 0 to 0.25 percent as of December 16, 2008, which has not changed since.

People s United Financial s results are subject to fluctuations based on economic conditions. Economic activity in the United States has improved modestly since the latter half of 2009 after slowing significantly throughout 2008. Real gross domestic product increased at an annual rate of 2.8% in the fourth quarter of 2011, after increasing 1.8% in the third quarter. The national unemployment rate was 8.5% as of December 31, 2011, down from 9.4% at the end of 2010.

The New England region is People s United Financial s primary market area, with Connecticut, Massachusetts and Vermont having the largest concentration of People s United Financial s loans, deposits and branches. Connecticut is one of the most attractive banking markets in the United States. With a total population of approximately 3.5 million and a median household income of $70,340, Connecticut ranks second in the United

States, well above the U.S. median household income of $54,442, according to the 2010 Census and SNL Financial. Fairfield County, where People s United Financial is headquartered, has the highest median household income in Connecticut of $87,754 according to the 2010 Census and SNL Financial. The state s unemployment rate decreased to 7.6% as of December 31, 2011 compared to 8.6% at the end of 2010, and remains below the national rate.

The Connecticut economy experienced a moderate increase in jobs in 2011, with total seasonally adjusted employment increasing by 11,265 jobs, or approximately 0.7%, from December 31, 2010 to December 31, 2011, compared to an increase of 7,248 jobs, or approximately 0.4%, from December 31, 2009 to December 31, 2010.

The median household income in Massachusetts was $67,515, according to the 2010 Census and SNL Financial, and the state s unemployment rate was 6.5% at December 31, 2011, down from 8.0% at the end of 2010. The median household income in Vermont was $53,811 according to the 2010 Census and SNL Financial, and the state s unemployment rate was 4.9% at December 31, 2011, down from 5.6% at the end of 2010.

The overall outlook for the New England economy in 2012 is improving, with the expectation that the region may experience a stronger recovery than the rest of the United States as a whole.

Financial Overview

People s United Financial completed its acquisition of Danvers on June 30, 2011, effective July 1, 2011. People s United Financial acquired Smithtown and LSB on November 30, 2010, Butler Bank on April 16, 2010 and Financial Federal on February 19, 2010. The results of operations for these acquired companies have been included beginning as of their respective closing dates. Financial data for prior periods has not been restated to include Danvers, Smithtown, LSB, Butler Bank and Financial Federal and therefore, are not directly comparable to subsequent periods.

Comparison of Financial Condition at December 31, 2011 and 2010. Total assets at December 31, 2011 were $27.6 billion, a $2.5 billion increase from December 31, 2010, reflecting increases of $3.1 billion in total loans and $228 million in goodwill, partially offset by decreases of $709 million in short-term investments and securities purchased under agreements to resell and $102 million in total securities.

The increase in total loans from December 31, 2010 to December 31, 2011 reflects increases of $2.1 billion in commercial banking loans and $981 million in residential mortgage loans. Originated loans increased $2.3 billion from December 31, 2010 to $16.8 billion (commercial banking loans increased $1.5 billion and retail loans increased $832 million) and acquired loans increased $724 million. At the acquisition date, the fair value of Danvers loans totaled $1.9 billion. At December 31, 2011, the carrying amount of the acquired loan portfolio totaled $3.6 billion. The decrease in total securities reflects the sale of 15-year mortgage-backed securities with an amortized cost of $507 million that were sold to reduce book value at risk due to an expected increase in prepayments, partially offset by purchases of short-duration agency-issued CMOs backed by collateral that is expected to exhibit lower prepayment risk.

Non-performing assets (excluding acquired non-performing loans) totaled $336.7 million at December 31, 2011, a $33.6 million increase from year-end 2010, primarily reflecting a $52.1 million increase in non-performing commercial banking loans partially offset by a $13.0 million decrease in real estate owned (REO). The allowance for loan losses on originated loans was $175.5 million at December 31, 2011, reflecting a $3.0 million increase from December 31, 2010 in response to growth in the commercial and residential mortgage loan portfolios. The allowance for loan losses on acquired loans was $7.4 million at December 31, 2011 (none at December 31, 2010). At December 31, 2011, the originated allowance for loan losses as a percent of originated loans was 1.04% and as a percent of originated non-performing loans was 59.7%, compared to 1.19% and 70.3%, respectively, at December 31, 2010.

At December 31, 2011, liabilities totaled $22.3 billion, a $2.5 billion increase from December 31, 2010, reflecting a $2.9 billion increase in total deposits, partially offset by decreases of $181 million in other liabilities and $154 million in total borrowings. At the acquisition date, the fair value of Danvers deposits totaled $2.1 billion. The decrease in total borrowings primarily reflects the repayment of callable FHLB advances assumed in recent acquisitions and the decrease in other liabilities primarily reflects the settlement of securities purchased at the end of 2010.

People s United Financial s total stockholders equity was $5.2 billion at December 31, 2011, a $6 million increase from December 31, 2010. This increase primarily reflects the issuance of 18.5 million shares of common stock with a fair value of approximately $248 million in connection with the Danvers acquisition and net income of $198.8 million, essentially offset by dividends paid of $220.9 million and open market repurchases of 20.4 million shares of common stock at a total cost of $247.2 million.

As a percentage of total assets, stockholders equity was 19.0% at December 31, 2011 compared to 20.8% at December 31, 2010. Tangible stockholders equity as a percentage of tangible assets was 12.0% at December 31, 2011 compared to 14.1% at December 31, 2010.

People s United Financial s (consolidated) tier 1 and total risk-based capital ratios were 14.8% and 16.2%, respectively, at December 31, 2011, compared to 17.5% and 19.3%, respectively, at December 31, 2010. People s United Bank s leverage (core) capital ratio, and tier 1 and total risk-based capital ratios were 11.1%, 13.1% and 14.0%, respectively, at December 31, 2011, compared to 11.4%, 13.6% and 14.5%, respectively, at December 31, 2010.

Comparison of Results of Operations for the Years Ended December 31, 2011 and 2010. People s United Financial reported net income of $198.8 million, or $0.57 per share, for the year ended December 31, 2011, compared to $85.7 million, or $0.24 per share, for the year-ago period. Operating earnings were $237.1 million, or $0.68 per share, for 2011, compared to $125.4 million, or $0.35 per share, for 2010. Included in the 2011 and 2010 results are $38.3 million and $39.7 million (after-tax), respectively, of merger-related expenses, core system conversion costs and one-time charges. Earnings in 2011 continue to reflect organic loan and deposit growth, improvement in net interest income, continued positive results in fee-related businesses and tighter expense control.

People s United Financial s operating return on average assets was 0.91% for 2011 compared to 0.57% for 2010. Operating return on average tangible stockholders equity was 7.4% for 2011 compared to 3.5% for the year-ago period.

FTE net interest income increased $229.1 million from the year-ago period while the net interest margin improved 44 basis points to 4.14%. The higher net interest margin primarily reflects the benefits from recent acquisitions, a 15 basis point reduction in the cost of deposits and the deployment of a portion of the Company s excess capital that was previously invested in relatively low-yielding short-term investments and securities purchased under agreements to resell, partially offset by the effect of the historically low interest rate environment.

Compared to 2010, average earning assets increased $3.5 billion, reflecting increases of $3.6 billion in average loans and $1.3 billion in average securities, partially offset by a $1.4 billion decrease in average short-term investments and securities purchased under agreements to resell. Average funding liabilities increased $4.2 billion, primarily reflecting increases of $3.5 billion in average total deposits and $709 million in average total borrowings.

Total non-interest income increased $37.6 million and total non-interest expense increased $89.9 million compared to the year-ago period. The efficiency ratio was 64.4% for 2011 compared to 72.4% for the year-ago period.

The provision for loan losses in 2011 totaled $63.7 million compared to $60.0 million in the year-ago period. The provision for loan losses in 2011 reflected net loan charge-offs of $53.3 million, a $3.0 million increase in the originated allowance for loan losses and a $7.4 million increase in the acquired allowance for loan losses. The provision for loan losses in 2010 reflected net loan charge-offs of $60.0 million. Net loan charge-offs as a percentage of average total loans were 0.28% in 2011 compared to 0.40% in 2010.

Comparison of Financial Condition at December 31, 2010 and 2009. Total assets at December 31, 2010 were $25.0 billion, a $3.8 billion increase from December 31, 2009, reflecting increases of $3.2 billion in total loans, $2.1 billion in securities and $462 million in goodwill, partially offset by a $2.4 billion decrease in short-term investments and securities purchased under agreements to resell. People s United Financial used short-term investments totaling approximately $418 million to fund the cash consideration in the acquisitions completed in 2010 and approximately $845 million to repay borrowings assumed in these acquisitions.

Table of Contents

The increase in total loans from December 31, 2009 to December 31, 2010 reflects the addition of loans acquired in connection with the acquisitions completed in 2010, as well as organic growth of $206 million in commercial real estate loans and $210 million in commercial and industrial loans. In addition, fixed-rate residential mortgage loans increased $347 million, reflecting the addition of the acquisitions completed in 2010, as well as organic growth of $184 million, while adjustable-rate residential mortgage loans decreased $112 million. At December 31, 2010, the carrying amount of the acquired loan portfolios totaled $2.9 billion.

Non-performing assets (excluding acquired non-performing loans) totaled $303.1 million at December 31, 2010, a $97.5 million increase from December 31, 2009, primarily reflecting increases of $26.1 million in non-performing residential mortgage loans, $20.8 million in non-performing commercial and industrial loans, $15.4 million in non-performing equipment financing loans, $10.1 million in non-performing commercial real estate loans and $21.1 million in REO and repossessed assets, $31.5 million of which resulted from acquisitions completed in 2010. The allowance for loan losses totaled $172.5 million at both December 31, 2010 and 2009. At December 31, 2010, the allowance for loan losses as a percent of originated loans was 1.19% and as a percent of originated non-performing loans was 70.3%, compared to 1.22% and 102.2%, respectively, at December 31, 2009.

At December 31, 2010, liabilities totaled $19.8 billion, a $3.7 billion increase from December 31, 2009, reflecting increases of $2.5 billion in total deposits and $852 million in total borrowings. People s United Financial assumed deposits with a fair value of $2.5 billion in connection with the acquisitions completed in 2010 and retained FHLB advances and term repurchase agreements with fair values of $500 million and $27 million, respectively, in connection with the Smithtown and LSB acquisitions.

People s United Financial s total stockholders equity was $5.2 billion at December 31, 2010, a $119 million increase compared to $5.1 billion at December 31, 2009. This increase primarily reflects the issuance of 28.1 million shares of common stock with a fair value (net of issuance costs) of approximately $431 million in connection with the acquisitions completed in 2010 and net income of $85.7 million, partially offset by dividends paid of $218.1 million and the open market repurchase of 14.3 million shares of common stock at a total cost of $191.2 million.

As a percentage of total assets, stockholders equity was 20.8% at December 31, 2010 compared to 24.0% at December 31, 2009. Tangible stockholders equity as a percentage of tangible assets was 14.1% of tangible assets at December 31, 2010 compared to 18.2% at December 31, 2009.

People s United Bank s leverage (core) capital ratio, and tier 1 and total risk-based capital ratios were 11.4%, 13.6% and 14.5%, respectively, at December 31, 2010, compared to 10.0%, 13.1% and 14.1%, respectively, at December 31, 2009.

Comparison of Results of Operations for the Years Ended December 31, 2010 and 2009. People s United Financial reported net income of $85.7 million, or $0.24 per share, for the year ended December 31, 2010, compared to $101.2 million, or $0.30 per share, for the year ended December 31, 2009. Operating earnings were $125.4 million, or $0.35 per share, for 2010, compared to $104.3 million, or $0.31 per share, for 2009. Included in the 2010 and 2009 results are $39.7 million and $3.1 million (after-tax), respectively, of merger-related expenses, core system conversion costs and one-time charges.

In 2010, People s United Financial s return on average tangible assets was 0.42% and return on average tangible stockholders equity was 2.4%, compared to 0.53% and 2.8%, respectively, in 2009.

FTE net interest income increased $122.1 million from 2009 while the net interest margin increased 50 basis points to 3.70%. The higher net interest margin reflects higher investment income, the benefit from the Financial Federal acquisition completed in February 2010 and lower deposit costs, partially offset by the low interest rate environment and the Company s asset sensitive balance sheet, including its significant excess capital position, a portion of which was invested in low-yielding short-term investments for most of 2010.

Table of Contents

Average earning assets increased $832 million compared to 2009, reflecting increases of $829 million in average loans and $645 million in average securities, partially offset by a $626 million decrease in average short-term investments and securities purchased under agreements to resell. Average funding liabilities increased $1.0 billion compared to 2009, reflecting a $925 million increase in average total deposits.

Compared to 2009, total non-interest income decreased $14.3 million and total non-interest expense increased $122.2 million. The efficiency ratio was 72.4% in 2010 compared to 72.7% in 2009.

The provision for loan losses in 2010 totaled $60.0 million compared to $57.0 million in 2009. The provision for loan losses in 2010 reflected net loan charge-offs of $60.0 million. The provision for loan losses in 2009 reflected net loan charge-offs of $42.0 million and a $15.0 million increase in the allowance for loan losses. Net loan charge-offs as a percentage of average total loans were 0.40% in 2010 compared to 0.29% in 2009.

Business Segment Results

People s United Financial s operations are divided into three primary business segments that represent its core businesses: Commercial Banking; Retail and Business Banking; and Wealth Management. In addition, the Treasury area manages People s United Financial s securities portfolio, short-term investments and securities purchased under agreements to resell, wholesale borrowings and the funding center. The Company s operating segments have been aggregated into reportable segments that have been identified and organized based on the nature of the products and services offered by the respective segment.

Business Segment Performance Summary

	Net Income		
Years ended December 31 (in millions)	2011	2010	2009
Commercial Banking	$ 186.6	$ 94.8	$ 81.8
Retail and Business Banking	61.4	57.0	79.0
Wealth Management	(3.2)	(4.2)	(1.9)
Total segments	244.8	147.6	158.9
Treasury	(4.3)	(33.0)	(68.8)
Other	(41.7)	(28.9)	11.1
Total Consolidated	$ 198.8	$ 85.7	$ 101.2

People s United Financial uses an internal profitability reporting system to generate information by operating segment, which is based on a series of management estimates and allocations regarding funds transfer pricing (FTP), the provision for loan losses, non-interest expense and income taxes. These estimates and allocations, some of which can be subjective in nature, are continually being reviewed and refined. Any changes in estimates and allocations that may affect the reported results of any business segment will not affect the consolidated financial position or results of operations of People s United Financial as a whole.

FTP is used in the calculation of each operating segment s net interest income, and measures the value of funds used in and provided by an operating segment. The difference between the interest income on earning assets and the interest expense on funding liabilities, and the corresponding FTP charge for interest income or credit for interest expense, results in net spread income (see Treasury).

Beginning in the third quarter of 2011, the Company modified its FTP methodology relating to certain deposit products, which resulted in the allocation of a larger credit to net interest income within Commercial Banking and Retail and Business Banking, with the offset allocated to Treasury. Prior period segment results continue to reflect the previous FTP methodology.

Table of Contents

A five-year rolling average net charge-off rate is used as the basis for the provision for loan losses for the respective segment in order to present a level of portfolio credit cost that is representative of the Company s historical experience, without presenting the potential volatility from year-to-year changes in credit conditions. While this method of allocation allows management to more effectively assess the longer-term profitability of a business segment, it may result in a measure of segment provision for loan losses that does not reflect actual incurred losses for the periods presented.

People s United Financial allocates a majority of non-interest expenses to each business segment using a full-absorption costing process (i.e. all expenses are fully-allocated to the segments). Direct and indirect costs are analyzed and pooled by process and assigned to the appropriate business segment and corporate overhead costs are allocated to the business segments. Income tax expense is allocated to each business segment using a constant rate, based on an estimate of the consolidated effective income tax rate for the year.

Total average assets and total average liabilities are reported for each business segment due to management s reliance, in part, on such average balances for purposes of assessing business segment performance. These averages include allocated goodwill and intangible assets.

For a more detailed description of the estimates and allocations used to measure business segment performance, see Note 22 to the Consolidated Financial Statements.

Commercial Banking consists principally of commercial real estate lending, commercial and industrial lending, and commercial deposit gathering activities. This segment also includes the equipment financing operations of PCLC and PUEFC, as well as cash management, correspondent banking and municipal banking.

Years ended December 31 (in millions)	2011	2010	2009
Net interest income	$ 445.3	$ 303.9	$ 255.3
Provision for loan losses	37.9	26.1	22.0
Total non-interest income	77.8	56.9	41.3
Total non-interest expense	207.5	193.8	153.8
Income before income tax expense	277.7	140.9	120.8
Income tax expense	91.1	46.1	39.0
Net income	$ 186.6	$ 94.8	$ 81.8
Total average assets	$ 13,541.4	$ 10,957.0	$ 9,846.0
Total average liabilities	2,595.2	2,226.5	2,423.2

Commercial Banking net income increased $91.8 million in 2011 compared to 2010, reflecting the benefits from recent acquisitions as well as organic loan growth. The $141.4 million increase in net interest income reflects an increase in average earning assets, improved spreads on commercial loans due to loan mix and the benefit from the change in FTP methodology discussed previously, partially offset by narrowing spreads on commercial deposits. Non-interest income reflects increases in operating lease income resulting from a higher level of equipment leased to PCLC customers, commercial banking fees and a $7.5 million net gain on sale of acquired loans in 2011. The increase in non-interest expense reflects additional non-interest expenses resulting from recent acquisitions and an increase in amortization expense on leased equipment.

Average assets increased $2.6 billion in 2011 compared to 2010, reflecting organic loan growth and recent acquisitions.

The $13.0 million increase in Commercial Banking net income in 2010 compared to 2009 primarily reflects the benefit from the Financial Federal acquisition completed in February 2010. The $48.6 million increase in net interest income reflects an increase in average earning assets as well as improved spreads on commercial loans, partially offset by narrowing spreads on commercial deposits. The $15.6 million increase in non-interest income primarily reflects increases in operating lease income resulting from a higher level of equipment leased to PCLC customers and commercial banking fees. The $40.0 million increase in non-interest expense reflects PUEFC non-interest expenses in 2010, increases in amortization expense on leased equipment and higher direct expenses due to the continued loan growth in Commercial Banking.

Table of Contents

The total average commercial banking loan portfolio increased $1.2 billion in 2010 compared to 2009, reflecting the Financial Federal acquisition (average of $903 million in 2010) as well as other acquisitions completed in 2010, and a $386 million increase in average commercial real estate loans.

Retail and Business Banking includes, as its principal business lines, business lending, consumer and business deposit gathering activities, consumer lending (including residential mortgage and home equity lending), and merchant services.

Years ended December 31 (in millions)	2011	2010	2009
Net interest income	$ 468.4	$ 383.1	$ 374.9
Provision for loan losses	11.0	6.9	4.8
Total non-interest income	142.6	134.5	138.9
Total non-interest expense	508.6	426.0	392.2
Income before income tax expense	91.4	84.7	116.8
Income tax expense	30.0	27.7	37.8
Net income	$ 61.4	$ 57.0	$ 79.0
Total average assets	$ 7,084.8	$ 5,789.0	$ 5,874.0
Total average liabilities	17,182.9	13,800.3	12,557.1

Retail and Business Banking net income increased $4.4 million in 2011 compared to 2010. The $85.3 million increase in net interest income primarily reflects growth in deposit balances, an increase in the spread on residential mortgages and consumer loans and the benefit from the change in FTP methodology discussed previously, partially offset by narrower spreads on deposit products resulting from the continued negative impact of a reduced interest rate environment initiated by the Federal Reserve Board in 2008. The increase in non-interest income compared to 2010 primarily reflects an increase in retail bank service charges, partially offset by a decrease in net gains on sales of residential mortgage loans resulting from the lower level of residential mortgage loan sales in 2011. The $82.6 million increase in non-interest expense compared to 2010 reflects increases in direct and allocated expenses associated with expanding the retail deposit franchise through acquisitions as well as organic growth.

Average assets increased $1.3 billion and average liabilities increased $3.4 billion in 2011 compared to 2010, reflecting organic loan and deposit growth, and recent acquisitions.

Retail and Business Banking net income decreased $22.0 million in 2010 compared to 2009, primarily reflecting increases in non-interest expense and the provision for loan losses and a decline in non-interest income, partially offset by an increase in net interest income. The $8.2 million increase in net interest income primarily reflects the growth in deposit balances (see below) and an increase in the spread on residential mortgages, partially offset by narrower spreads on deposit products resulting from the continued negative impact of a reduced interest rate environment initiated by the Federal Reserve Board in 2008, and lower residential mortgage balances. Average residential mortgage loans decreased $338 million compared to 2009, reflecting People s United Financial s past practice, through May 2010, of selling essentially all of its newly-originated residential mortgage loans.

The decrease in non-interest income compared to 2009 reflects a $1.8 million decline in net gains on sales of residential mortgage loans resulting from the lower level of residential mortgage loan sales in 2010. The $34.0 million increase in non-interest expense compared to 2009 reflects increases in direct and allocated expenses associated with expanding the retail deposit franchise through recent acquisitions as well as organic growth.

Average liabilities increased $1.2 billion in 2010 compared to 2009, reflecting a $925 million increase in average deposits primarily due to organic growth.

Table of Contents

Wealth Management consists of trust services, corporate trust, brokerage, financial advisory services, investment management services and life insurance provided by PSI, other insurance services provided through PUIA and private banking.

Years ended December 31 (in millions)	2011	2010	2009
Net interest income	$ 6.0	$ 3.8	$ 4.0
Provision for loan losses	0.4	0.3	0.1
Total non-interest income	77.0	74.9	77.4
Total non-interest expense	87.4	84.5	84.3
Loss before income tax benefit	(4.8)	(6.1)	(3.0)
Income tax benefit	(1.6)	(1.9)	(1.1)
Net loss	$ (3.2)	$ (4.2)	$ (1.9)
Total average assets	$ 332.5	$ 342.7	$ 333.1
Total average liabilities	197.5	197.5	158.2

The improvement in Wealth Management s net loss in 2011 compared to the year-ago period reflects increases of $2.2 million in net interest income and $2.1 million in non-interest income, partially offset by a $2.9 million increase in non-interest expense. Within non-interest income, insurance revenue increased $1.9 million, reflecting a higher level of insurance renewals, investment management fees increased $1.2 million and brokerage commissions increased $0.6 million. The increase in non-interest expense primarily reflects an increase in professional and outside services as well as an increase in allocated expenses.

The increase in Wealth Management s net loss in 2010 compared to 2009 primarily reflects a $2.5 million decrease in non-interest income, including decreases of $1.2 million in insurance revenue, $0.9 million in brokerage commissions and $0.4 million in investment management fees. The decrease in insurance revenue primarily reflects the continued soft insurance market resulting from the contracting economy. The declines in investment management fees and brokerage commissions primarily reflect the uncertainty in the equity markets and broader economic weakness experienced throughout 2009 and 2010.

Assets under administration and those under full discretionary management, neither of which are reported as assets of People s United Financial, totaled $12.5 billion and $4.3 billion, respectively, at December 31, 2011 compared to $12.6 billion and $4.2 billion, respectively, at December 31, 2010.

Treasury encompasses the securities portfolio, short-term investments and securities purchased under agreements to resell, wholesale borrowings, and the funding center, which includes the impact of derivative financial instruments used for risk management purposes.

The income or loss for the funding center represents the interest rate risk component of People s United Financial s net interest income as calculated by its FTP model in deriving each business segment s net interest income. Under this process, a money desk (the funding center) buys funds from liability-generating business lines (such as consumer deposits) and sells funds to asset-generating business lines (such as commercial lending). The price at which funds are bought and sold on any given day is set by People s United Financial s Treasury group and is based on the wholesale cost to People s United Financial of assets and liabilities with similar maturities. Liability-generating businesses sell newly-originated liabilities to the money desk and recognize a funding credit, while asset-generating businesses buy funding for newly-originated assets from the money desk and recognize a funding charge. Once funding for an asset is purchased from or a liability is sold to the money desk, the price that is set by the Treasury group will remain with that asset or liability until it matures or reprices, which effectively transfers responsibility for managing interest rate risk to the Treasury group.

Table of Contents

Years ended December 31 (in millions)	2011	2010	2009
Net interest loss	$ (21.1)	$ (53.3)	$ (127.1)
Total non-interest income	14.1	7.3	24.3
Total non-interest expense	(1.2)	3.1	3.5
Loss before income tax benefit	(5.8)	(49.1)	(106.3)
Income tax benefit	(1.5)	(16.1)	(37.5)
Net loss	$ (4.3)	$ (33.0)	$ (68.8)
Total average assets	$ 3,870.3	$ 3,924.7	$ 3,957.6
Total average liabilities	699.0	126.4	90.7

Treasury s net loss improved in 2011 compared to 2010, primarily reflecting a decrease in net interest loss and an increase in non-interest income. The improvement in net interest loss reflects an increase in the funding center s net interest spread, primarily resulting from the benefit of an increase in investment income in 2011, partially offset by the impact of the change in FTP methodology discussed previously. Included in total non-interest income in 2011 are $9.1 million of gross security gains resulting from the sale of mortgage-backed securities with a book value of $507 million.

Total average assets decreased $54 million in 2011 compared to the year-ago period, reflecting a $1.4 billion increase in average securities offset by a $1.4 billion decrease in average short-term investments and average securities purchased under agreements to resell. The increase in total average liabilities primarily reflects increases in average total borrowings and average subordinated notes and debentures assumed in connection with recent acquisitions.

Treasury s net loss in 2010 was reduced by $35.8 million compared to 2009, reflecting an improvement in net interest loss partially offset by a decrease in non-interest income. The $73.8 million decrease in net interest loss reflects an increase in the funding center s net interest spread, which is primarily due to the historically low interest rate environment over an extended period of time, resulting in long-term funding costs declining more than asset yields, reflecting the asset sensitive position of People s United Financial s balance sheet. The decrease in non-interest income primarily reflects net security losses in 2010 of $1.0 million compared to net security gains of $16.6 million in 2009.

Total average assets decreased $33 million in 2010 compared to 2009, reflecting a $645 million increase in average securities and a $626 million decrease in average short-term investments and average securities purchased under agreements to resell.

Other includes the residual financial impact from the allocation of revenues and expenses (including the provision for loan losses) and certain revenues and expenses not attributable to a particular segment; reversal of the FTE adjustment since net interest income for each segment is presented on an FTE basis; and the FTP impact from excess capital.

Years ended December 31 (in millions)	2011	2010	2009
Net interest income	$ 25.0	$ 61.5	$ 69.7
Provision for loan losses	14.4	26.7	30.1
Total non-interest income	(3.9)	(3.6)	2.4
Total non-interest expense	69.6	74.6	26.0
(Loss) income before income tax (benefit) expense	(62.9)	(43.4)	16.0
Income tax (benefit) expense	(21.2)	(14.5)	4.9
Net (loss) income	$ (41.7)	$ (28.9)	$ 11.1
Total average assets	$ 1,199.2	$ 1,002.8	$ 746.8
Total average liabilities	82.3	297.2	386.9

42

Table of Contents

The Other category also includes certain non-recurring items, such as: merger-related expenses, core system conversion costs and one-time charges totaling $56.8 million, $58.9 million and $4.5 million for the years ended December 31, 2011, 2010 and 2009, respectively (included in total non-interest expense); $4.4 million of benefit-related and other charges for the year ended December 31, 2009 (included in total non-interest expense); and gains of $5.6 million related to the sale of the Company s remaining Class B Visa, Inc. shares and $1.4 million related to the sale of two branches for the year ended December 31, 2009 (included in total non-interest income). Included in Other are assets such as cash, premises and equipment, and other assets, including pension assets.

Net Interest Income

Net interest income and net interest margin are affected by many factors, including changes in average balances; interest rate fluctuations and the slope of the yield curve; sales of loans and securities; residential mortgage loan and mortgage-backed security prepayment rates; product pricing; competitive forces; the relative mix, repricing characteristics and maturity of earning assets and interest-bearing liabilities; non-interest-bearing sources of funds; hedging activities; and asset quality.

Net Interest Margin

Years ended December 31 (percent)

Net Interest Income FTE

Years ended December 31 (dollars in millions)

Table of Contents

Since December 2008, the Federal Reserve Board has not changed its targeted range for the federal funds rate of 0 to 0.25 percent. The improvement in the net interest margin in 2011 and 2010 primarily reflects the benefits from the acquisitions completed over the past two years, an increase in investment income and lower deposit costs. However, the net interest margin has been impacted by the historically low interest rate environment and the Company s continued investment of a portion of its excess capital in relatively low-yielding short-term investments and securities purchased under agreements to resell.

2011 Compared to 2010

The net interest margin increased 44 basis points to 4.14% compared to 2010. The higher net interest margin primarily reflects the benefits from recent acquisitions, an increase in investment income and lower deposit costs. Net interest income (FTE basis) increased $229.1 million, reflecting a $227.8 million increase in total interest and dividend income and a $1.3 million decrease in total interest expense. Net interest income in 2011 included (i) $11.2 million of interest related to changes in the accretable yield on acquired loans stemming from periodic cash flow reassessments and (ii) $5.0 million of cost recovery income on acquired loans (representing cash receipts in excess of carrying amount). Excluding these two items, the operating net interest margin in 2011 was 4.07%.

Average earning assets totaled $22.5 billion in 2011, a $3.5 billion increase from 2010, reflecting increases of $3.6 billion in average loans and $1.4 billion in average securities, partially offset by a $1.4 billion decrease in average short-term investments and securities purchased under agreements to resell. Average loans, average securities, and average short-term investments and securities purchased under agreements to resell comprised 84%, 13% and 3%, respectively, of average earning assets in 2011 compared to 80%, 8% and 12%, respectively, in 2010. In 2011, the yield earned on the total loan portfolio was 5.18% and the yield earned on securities, short-term investments and securities purchased under agreements to resell was 2.35%, compared to 5.14% and 1.30%, respectively, in the year-ago period. Excluding adjustable-rate residential mortgage loans, which are mostly of the hybrid variety, approximately 48% of the loan portfolio had floating interest rates at December 31, 2011 compared to approximately 45% at December 31, 2010.

The total average commercial banking loan portfolio increased $2.9 billion compared to 2010, reflecting loans acquired through recent acquisitions as well as organic growth. Average residential mortgage loans increased $698 million compared to the year-ago period, reflecting recent acquisitions and People s United Financial s decision in May 2010 to begin retaining newly-originated residential mortgage loans. Average consumer loans decreased $9 million compared to 2010, reflecting a $40 million decline in average indirect auto loans partially offset by a $35 million increase in average home equity loans.

Average funding liabilities totaled $20.4 billion in 2011, a $4.2 billion increase compared to 2010, including increases of $3.5 billion in average total deposits and $709 million in average borrowings, reflecting acquisitions and growth. Average savings and money market deposits, average time deposits and average non-interest-bearing deposits increased $2.1 billion, $743 million and $607 million, respectively. Average total deposits comprised 94% and 97% of average funding liabilities in 2011 and 2010, respectively.

The 17 basis point decrease to 0.63% from 0.80% in the rate paid on average funding liabilities in 2011 compared to 2010 primarily reflects the decrease in market interest rates and the shift in deposit mix. The rate paid on average deposits decreased 15 basis points in 2011, reflecting decreases of 37 basis points in time deposits and 9 basis points in savings and money market deposits. Average savings and money market deposits and average time deposits comprised 52% and 27%, respectively, of average total deposits in 2011 compared to 50% and 29%, respectively, in 2010.

Table of Contents

2010 Compared to 2009

The net interest margin increased 50 basis points to 3.70% compared to 2009. The higher net interest margin reflects higher investment income, the benefit from the Financial Federal acquisition completed in February 2010 and lower deposit costs, partially offset by the low interest rate environment and the Company s asset sensitive balance sheet, including its significant excess capital position, a portion of which was invested in low-yielding short-term investments for most of 2010. Net interest income (FTE basis) increased $122.1 million, reflecting a $61.9 million increase in total interest and dividend income and a $60.2 million decrease in total interest expense.

Average earning assets totaled $19.0 billion in 2010, an $832 million increase from 2009, reflecting increases of $829 million in average loans and $645 million in average securities, partially offset by a $626 million decrease in average short-term investments and securities purchased under agreements to resell. Average loans, average short-term investments and securities purchased under agreements to resell, and average securities comprised 80%, 12% and 8%, respectively, of average earning assets in 2010 compared to 79%, 16% and 5%, respectively, in 2009. In 2010, the yield earned on the total loan portfolio was 5.14% and the yield earned on securities, short-term investments and securities purchased under agreements to resell was 1.30%, compared to 5.07% and 1.06%, respectively, in 2009.

The total average commercial banking loan portfolio increased $1.2 billion, reflecting the addition of the PUEFC portfolio (average of $903 million in 2010) and other acquisitions completed in 2010, and a $386 million increase in average commercial real estate loans. Average residential mortgage loans decreased $337 million compared to 2009, reflecting People s United Financial s past practice, through May 2010, of selling essentially all of its newly-originated residential mortgage loans. Average consumer loans decreased $65 million, reflecting declines of $46 million in average indirect auto loans and $15 million in average home equity loans.

Average funding liabilities totaled $16.3 billion in 2010, a $1.0 billion increase compared to 2009, primarily reflecting a $925 million increase in average total deposits. Average savings and money market deposits and average non-interest-bearing deposits increased $1.1 billion and $215 million, respectively, and average time deposits decreased $433 million. Average total deposits comprised 97% and 98% of average funding liabilities in 2010 and 2009, respectively.

The 45 basis point decrease to 0.80% from 1.25% in the rate paid on average funding liabilities in 2010 compared to 2009 primarily reflects the decrease in market interest rates and the shift in deposit mix. The rates paid on average total deposits decreased 45 basis points in 2010, reflecting decreases of 108 basis points in time deposits and 12 basis points in savings and money market deposits. Average savings and money market deposits and average time deposits comprised 50% and 29%, respectively, of average total deposits in 2010 compared to 45% and 33%, respectively, in 2009.

Average Balance Sheet, Interest and Yield/Rate Analysis

The table on the following page presents average balance sheets, FTE-basis interest income, interest expense and the corresponding average yields earned and rates paid for the years ended December 31, 2011, 2010 and 2009. The average balances are principally daily averages and, for loans, include both performing and non-performing balances. Interest income on loans includes the effect of deferred loan fees and costs accounted for as yield adjustments, but does not include interest on loans for which People s United Financial has ceased to accrue interest. Premium amortization and discount accretion (including amounts attributable to purchase accounting adjustments) are also included in the respective interest income and interest expense amounts. The impact of People s United Financial s use of derivative instruments in managing interest rate risk is also reflected in the table, classified according to the instrument hedged and the related risk management objective.

Table of Contents

Average Balance Sheet, Interest and Yield/Rate Analysis

	2011			2010			2009		
Years ended December 31 (dollars in millions)	Average Balance	Interest	Yield/ Rate	Average Balance	Interest	Yield/ Rate	Average Balance	Interest	Yield/ Rate
Assets:									
Short-term investments	$ 743.1	$ 2.0	0.28%	$ 1,725.0	$ 4.6	0.27%	$ 2,386.5	$ 6.5	0.27%
Securities purchased under agreements to resell	27.3	0.1	0.17	456.2	0.9	0.20	421.1	0.8	0.19
Securities (1)	2,933.3	85.1	2.90	1,579.5	43.5	2.76	934.2	32.4	3.47
Loans held for sale	38.8	2.1	5.42	43.4	2.4	5.59	59.0	3.0	5.13
Loans:									
Commercial real estate	6,971.8	392.4	5.63	5,594.8	312.1	5.58	5,208.5	287.8	5.52
Commercial (2)	6,465.4	364.9	5.64	4,961.9	269.6	5.43	4,116.7	202.3	4.91
Residential mortgage	3,126.8	129.1	4.13	2,428.6	109.4	4.51	2,766.2	142.0	5.13
Consumer	2,190.1	84.2	3.85	2,199.2	89.6	4.07	2,264.4	95.4	4.21
Total loans	18,754.1	970.6	5.18	15,184.5	780.7	5.14	14,355.8	727.5	5.07
Total earning assets	22,496.6	$ 1,059.9	4.71%	18,988.6	$ 832.1	4.38%	18,156.6	$ 770.2	4.24%
Other assets	3,531.6			3,027.6			2,600.9		
Total assets	$ 26,028.2			$ 22,016.2			$ 20,757.5		
Liabilities and stockholders equity:									
Deposits:									
Non-interest-bearing	$ 4,032.8	$	%	$ 3,426.0	$	%	$ 3,210.8	$	%
Savings, interest-bearing checking and money market	9,970.1	51.0	0.51	7,853.6	47.4	0.60	6,710.6	48.2	0.72
Time	5,276.6	56.4	1.07	4,533.5	65.4	1.44	4,966.9	125.2	2.52
Total deposits	19,279.5	107.4	0.56	15,813.1	112.8	0.71	14,888.3	173.4	1.16
Borrowings:									
Retail repurchase agreements	486.6	2.0	0.41	209.2	1.0	0.48	151.2	0.7	0.46
FHLB advances	456.1	6.7	1.48	52.3	1.1	2.22	14.8	0.8	5.28
Federal funds purchased and other borrowings	36.6	0.3	0.75	9.0	0.2	2.20	2.1		1.92
Total borrowings	979.3	9.0	0.92	270.5	2.3				