People's United Financial, Inc.
Form 10-Q
May 10, 2013
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2013

Commission File Number 001-33326

PEOPLE S UNITED FINANCIAL, INC.

(Exact name of registrant as specified in its charter)

Delaware	**20-8447891**
(State or other jurisdiction of	**(I.R.S. Employer**

incorporation or organization)	**Identification No.)**
850 Main Street, Bridgeport, Connecticut	**06604**
(Address of principal executive offices)	**(Zip Code)**

(203) 338-7171

(Registrant s telephone number, including area code)

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

As of April 30, 2013, there were 330,734,186 shares of the registrant s common stock outstanding.

Table of Contents

People s United Financial Inc.

Form 10-Q

Table of Contents

Table of Contents

Item 1 - Financial Statements

People s United Financial, Inc.

Consolidated Statements of Condition - (Unaudited)

(in millions)	March 31, 2013	December 31, 2012
Assets		
Cash and due from banks	$ 320.5	$ 470.0
Short-term investments (note 2)	127.2	131.4
Total cash and cash equivalents	447.7	601.4
Securities (note 2):		
Trading account securities, at fair value	6.4	6.5
Securities available for sale, at fair value	4,570.4	4,532.3
Securities held to maturity, at amortized cost (fair value of $60.6 million and $60.9 million)	56.1	56.2
Federal Home Loan Bank stock, at cost	83.0	73.7
Total securities	4,715.9	4,668.7
Loans held for sale	50.7	77.0
Loans (note 3):		
Commercial	8,469.5	8,400.0
Commercial real estate	7,599.2	7,294.2
Residential mortgage	3,958.8	3,886.1
Consumer	2,133.4	2,156.3
Total loans	22,160.9	21,736.6
Less allowance for loan losses	(187.3)	(188.0)
Total loans, net	21,973.6	21,548.6
Goodwill (note 6)	1,954.5	1,954.5
Other acquisition-related intangible assets (note 6)	192.5	199.0
Premises and equipment	327.0	330.4
Bank-owned life insurance	336.3	336.5
Other assets (notes 3 and 11)	600.0	608.3
Total assets	$ 30,598.2	$ 30,324.4
Liabilities		
Deposits:		
Non-interest-bearing	$ 4,994.3	$ 5,084.3
Savings, interest-bearing checking and money market	12,210.8	11,959.8
Time	4,586.5	4,706.4
Total deposits	21,791.6	21,750.5
Borrowings:		

Federal Home Loan Bank advances	1,407.4	1,178.3
Federal funds purchased	934.0	619.0
Retail repurchase agreements	506.9	588.2
Other borrowings	1.0	1.0
Total borrowings	2,849.3	2,386.5
Notes and debentures	659.3	659.0
Other liabilities (note 11)	411.9	489.6
Total liabilities	25,712.1	25,285.6
Commitments and contingencies (note 8)		
Stockholders Equity		
Common stock ($0.01 par value; 1.95 billion shares authorized; 396.2 million shares and 395.8 million shares issued)	3.9	3.9
Additional paid-in capital	5,265.2	5,261.3
Retained earnings	753.6	756.2
Treasury stock, at cost (67.3 million shares and 56.2 million shares) (note 4)	(856.4)	(712.2)
Accumulated other comprehensive loss (note 4)	(108.5)	(96.9)
Unallocated common stock of Employee Stock Ownership Plan, at cost (8.3 million shares and 8.4 million shares) (note 7)	(171.7)	(173.5)
Total stockholders equity	4,886.1	5,038.8
Total liabilities and stockholders equity	$ 30,598.2	$ 30,324.4

See accompanying notes to consolidated financial statements.

1

Table of Contents

People s United Financial, Inc.

Consolidated Statements of Income - (Unaudited)

(in millions, except per share data)	Three Months Ended March 31, 2013	2012
Interest and dividend income:		
Commercial	$ 86.7	$ 92.8
Commercial real estate	85.5	91.7
Residential mortgage	34.5	36.2
Consumer	18.8	20.7
Total interest on loans (note 12)	225.5	241.4
Securities	22.7	18.0
Loans held for sale	0.4	0.5
Short-term investments	0.1	0.3
Total interest and dividend income (note 12)	248.7	260.2
Interest expense:		
Deposits	20.8	23.1
Borrowings	2.3	1.7
Notes and debentures	6.3	2.2
Total interest expense	29.4	27.0
Net interest income (note 12)	219.3	233.2
Provision for loan losses (note 3)	12.4	11.5
Net interest income after provision for loan losses (note 12)	206.9	221.7
Non-interest income:		
Bank service charges	30.1	30.3
Investment management fees	9.0	8.6
Insurance revenue	8.3	8.4
Brokerage commissions	3.3	3.1
Operating lease income	8.3	6.7
Net gains on sales of residential mortgage loans	5.7	3.6
Other non-interest income	18.2	11.7
Total non-interest income	82.9	72.4
Non-interest expense:		
Compensation and benefits	108.2	110.3
Occupancy and equipment	37.9	33.4
Professional and outside service fees	13.9	15.3
Operating lease expense	7.5	5.6
Amortization of other acquisition-related intangible assets (note 6)	6.5	6.6
Other non-interest expense	38.0	37.4
Total non-interest expense	212.0	208.6

Income before income tax expense (note 12)	77.8	85.5
Income tax expense (note 12)	25.3	28.2
Net income (note 12)	$ 52.5	$ 57.3
Earnings per common share (notes 5 and 12):		
Basic	$ 0.16	$ 0.17
Diluted	0.16	0.17

See accompanying notes to consolidated financial statements.

Table of Contents

People s United Financial, Inc.

Consolidated Statements of Comprehensive Income - (Unaudited)

(in millions)	Three Months Ended March 31, 2013	Three Months Ended March 31, 2012
Net income	$ 52.5	$ 57.3
Other comprehensive income (loss), net of tax:		
Net actuarial loss, prior service cost and transition obligation related to pension and other postretirement benefit plans	1.3	1.7
Net unrealized gains and losses on securities available for sale	(13.1)	1.5
Net unrealized gains and losses on derivatives accounted for as cash flow hedges	0.2	(0.5)
Total other comprehensive (loss) income, net of tax (note 4)	(11.6)	2.7
Total comprehensive income	$ 40.9	$ 60.0

See accompanying notes to consolidated financial statements.

Table of Contents

People s United Financial, Inc.

Consolidated Statements of Changes in Stockholders Equity - (Unaudited)

Three months ended March 31, 2013 (in millions, except per share data)	Common Stock	Additional Paid-In Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Loss	Unallocated ESOP Common Stock	Total Stockholders Equity
Balance at December 31, 2012	$ 3.9	$ 5,261.3	$ 756.2	$ (712.2)	$ (96.9)	$ (173.5)	$ 5,038.8
Net income			52.5				52.5
Other comprehensive loss, net of tax					(11.6)		(11.6)
Cash dividends on common stock ($0.16 per share)			(52.8)				(52.8)
Restricted stock awards		2.6					2.6
ESOP common stock committed to be released (note 7)			(0.7)			1.8	1.1
Common stock repurchased (note 4)				(144.2)			(144.2)
Common stock repurchased and retired upon vesting of restricted stock awards			(1.6)				(1.6)
Stock options and related tax benefits		1.3					1.3
Balance at March 31, 2013	$ 3.9	$ 5,265.2	$ 753.6	$ (856.4)	$ (108.5)	$ (171.7)	$ 4,886.1

Three months ended March 31, 2012 (in millions, except per share data)	Common Stock	Additional Paid-In Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Loss	Unallocated ESOP Common Stock	Total Stockholders Equity
Balance at December 31, 2011	$ 3.9	$ 5,247.0	$ 734.5	$ (493.5)	$ (95.8)	$ (180.7)	$ 5,215.4
Net income			57.3				57.3
Other comprehensive income, net of tax					2.7		2.7
Cash dividends on common stock ($0.1575 per share)			(54.9)				(54.9)
Restricted stock awards		3.2	(0.2)	0.8			3.8
ESOP common stock committed to be released (note 7)			(0.7)			1.8	1.1
Common stock repurchased (note 4)				(56.4)			(56.4)
Common stock repurchased and retired upon vesting of restricted stock awards			(1.4)				(1.4)
Stock options and related tax benefits		2.1					2.1
Balance at March 31, 2012 (note 12)	$ 3.9	$ 5,252.3	$ 734.6	$ (549.1)	$ (93.1)	$ (178.9)	$ 5,169.7

See accompanying notes to consolidated financial statements.

Table of Contents

People s United Financial, Inc.

Consolidated Statements of Cash Flows - (Unaudited)

(in millions)	Three Months Ended March 31, 2013	2012
Cash Flows from Operating Activities:		
Net income	$ 52.5	$ 57.3
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	12.4	11.5
Depreciation and amortization of premises and equipment	10.1	9.3
Expense related to operating leases	7.5	5.6
Amortization of other acquisition-related intangible assets	6.5	6.6
Net gains on sales of residential mortgage loans	(5.7)	(3.6)
ESOP common stock committed to be released	1.1	1.1
Expense related to share-based awards	3.9	5.6
Originations of loans held-for-sale	(223.4)	(195.7)
Proceeds from sales of loans held-for-sale	255.4	244.5
Net decrease in trading account securities	0.1	49.2
Net changes in other assets and liabilities	(45.8)	(26.0)
Net cash provided by operating activities	74.6	165.4
Cash Flows from Investing Activities:		
Proceeds from principal repayments and maturities of securities available for sale	278.4	220.0
Proceeds from principal repayments of securities held to maturity	0.1	
Proceeds from redemption of FHLB stock	0.9	4.0
Purchases of securities available for sale	(358.2)	(235.9)
Purchases of FHLB stock	(10.2)	
Proceeds from sales of loans		7.4
Loan disbursements, net of principal collections	(435.6)	(120.6)
Purchases of premises and equipment	(6.7)	(0.1)
Purchases of leased equipment	(9.3)	(14.9)
Proceeds from sales of real estate owned	5.1	7.5
Return of premiums on bank-owned life insurance, net	0.9	0.1
Net cash used in investing activities	(534.6)	(132.5)
Cash Flows from Financing Activities:		
Net increase in deposits	41.1	451.7
Net increase (decrease) in borrowings with terms of three months or less	463.8	(44.4)
Repayments of borrowings with terms of more than three months	(0.1)	(0.1)
Cash dividends paid on common stock	(52.8)	(54.9)
Common stock repurchases	(145.8)	(57.8)
Proceeds from stock options exercised, including excess income tax benefits	0.1	0.2
Net cash provided by financing activities	306.3	294.7
Net (decrease) increase in cash and cash equivalents	(153.7)	327.6
Cash and cash equivalents at beginning of period	601.4	780.9
Cash and cash equivalents at end of period	$ 447.7	$ 1,108.5

Supplemental Information:		
Interest payments	$ 26.2	$ 31.2
Income tax payments	5.1	2.2
Real estate properties acquired by foreclosure	3.1	4.5

See accompanying notes to consolidated financial statements.

5

Table of Contents

People s United Financial, Inc.

Notes to Consolidated Financial Statements (Unaudited)

NOTE 1. GENERAL

In the opinion of management, the accompanying unaudited consolidated financial statements of People s United Financial, Inc. (People s United Financial or the Company) have been prepared to reflect all adjustments necessary to present fairly the financial position and results of operations as of the dates and for the periods shown. All significant intercompany transactions and balances are eliminated in consolidation. Certain reclassifications have been made to prior period amounts to conform to the current period presentation.

As discussed in Note 12, previously reported results for the three months ended March 31, 2012 have been revised to reflect a reduction in interest income on certain acquired loans.

In preparing the consolidated financial statements, management is required to make significant estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Actual results could differ from management 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.

Note 1 to People s United Financial s audited consolidated financial statements included in the Annual Report on Form 10-K for the year ended December 31, 2012, as supplemented by this Quarterly Report for the period ended March 31, 2013, provides disclosure of People s United Financial s significant accounting policies. Several accounting estimates are particularly critical and are susceptible to significant near-term change, including the allowance for loan losses and asset impairment judgments, such as the recoverability of goodwill and other intangible assets, and other-than-temporary declines in the fair value of securities. These significant accounting policies and critical estimates are reviewed with the Audit Committee of the Board of Directors.

The judgments used by management 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.

Certain information and footnote disclosures normally included in consolidated financial statements prepared in conformity with U.S. generally accepted accounting principles have been omitted or condensed. As a result, the accompanying consolidated financial statements should be read in conjunction with People s United Financial s Annual Report on Form 10-K for the year ended December 31, 2012. The results of operations for the three months ended March 31, 2013 are not necessarily indicative of the results of operations that may be expected for the entire year or any other interim period.

People s United Financial, Inc.

Notes to Consolidated Financial Statements (Unaudited)

NOTE 2. SECURITIES AND SHORT-TERM INVESTMENTS

The amortized cost, gross unrealized gains and losses, and fair value of People s United Financial s securities available for sale and securities held to maturity are as follows:

As of March 31, 2013 (in millions)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities available for sale:				
Debt securities:				
U.S. Treasury and agency	$ 23.3	$ 0.6	$	$ 23.9
GSE (1) residential mortgage-backed securities and CMOs (2)	3,844.2	59.9	(3.7)	3,900.4
State and municipal	579.5	11.2	(8.3)	582.4
Corporate	58.0	2.3		60.3
Other	2.6	0.6		3.2
Total debt securities	4,507.6	74.6	(12.0)	4,570.2
Equity securities	0.2			0.2
Total securities available for sale	$ 4,507.8	$ 74.6	$ (12.0)	$ 4,570.4
Securities held to maturity:				
Debt securities:				
Corporate	$ 55.0	$ 4.5	$	$ 59.5
Other	1.1			1.1
Total securities held to maturity	$ 56.1	$ 4.5	$	$ 60.6

(1) Government sponsored enterprise
(2) Collateralized mortgage obligations

As of December 31, 2012 (in millions)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities available for sale:				
Debt securities:				
U.S. Treasury and agency	$ 30.1	$ 0.6	$	$ 30.7
GSE residential mortgage-backed securities and CMOs	3,830.9	69.1	(1.0)	3,899.0
State and municipal	527.4	15.0	(2.8)	539.6
Corporate	57.9	2.0		59.9
Other	2.6	0.3		2.9

Total debt securities	4,448.9	87.0	(3.8)	4,532.1
Equity securities	0.2			0.2
Total securities available for sale	$ 4,449.1	$ 87.0	$ (3.8)	$ 4,532.3
Securities held to maturity:				
Debt securities:				
Corporate	$ 55.0	$ 4.7	$	$ 59.7
Other	1.2			1.2
Total securities held to maturity	$ 56.2	$ 4.7	$	$ 60.9

People s United Financial, Inc.

Notes to Consolidated Financial Statements (Unaudited)

The following tables summarize debt securities available for sale with unrealized losses, segregated by the length of time the securities have been in a continuous unrealized loss position at the respective dates. Certain unrealized losses totaled less than $0.1 million.

	Continuous Unrealized Loss Position					
	Less Than 12 Months		12 Months Or Longer		Total	
As of March 31, 2013 (in millions)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
GSE residential mortgage-backed securities and CMOs	$ 1,235.0	$ (3.7)	$	$	$ 1,235.0	$ (3.7)
State and municipal	324.0	(8.3)	0.1		324.1	(8.3)
U.S. Treasury and agency	7.0				7.0	
Total	$ 1,566.0	$ (12.0)	$ 0.1	$	$ 1,566.1	$ (12.0)

	Continuous Unrealized Loss Position					
	Less Than 12 Months		12 Months Or Longer		Total	
As of December 31, 2012 (in millions)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
GSE residential mortgage-backed securities and CMOs	$ 571.6	$ (1.0)	$	$	$ 571.6	$ (1.0)
State and municipal	148.2	(2.8)	0.1		148.3	(2.8)
U.S. Treasury and agency	4.2				4.2	
Total	$ 724.0	$ (3.8)	$ 0.1	$	$ 724.1	$ (3.8)

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.

Management believes that all gross unrealized losses within the securities portfolio at March 31, 2013 and December 31, 2012 are temporary impairments. Management does not intend to sell such securities. No other-than-temporary impairment losses were recognized in the Consolidated Statements of Income for the three months ended March 31, 2013 and 2012.

Security transactions are recorded on the trade date. Realized gains and losses are determined using the specific identification method and reported in non-interest income.

Table of Contents

People s United Financial, Inc.

Notes to Consolidated Financial Statements (Unaudited)

The following table is a summary of the amortized cost and fair value of debt securities as of March 31, 2013, based on remaining period to contractual maturity. Information for GSE residential mortgage-backed securities and CMOs is based on the final contractual maturity dates without considering repayments and prepayments.

	Available for Sale		Held to Maturity	
(in millions)	Amortized Cost	Fair Value	Amortized Cost	Fair Value
U.S. Treasury and agency:				
Within 1 year	$ 18.0	$ 18.1	$	$
After 5 but within 10 years	5.3	5.8		
Total	23.3	23.9		
GSE residential mortgage-backed securities and CMOs:				
After 5 but within 10 years	681.4	684.8		
After 10 years	3,162.8	3,215.6		
Total	3,844.2	3,900.4		
State and municipal:				
Within 1 year	1.5	1.6		
After 1 but within 5 years	15.0	15.7		
After 5 but within 10 years	121.4	125.3		
After 10 years	441.6	439.8		
Total	579.5	582.4		
Corporate:				
After 1 but within 5 years	58.0	60.3		
After 5 but within 10 years			55.0	59.5
Total	58.0	60.3	55.0	59.5
Other:				
Within 1 year			0.1	0.1
After 1 but within 5 years			1.0	1.0
After 10 years	2.6	3.2		
Total	2.6	3.2	1.1	1.1
Total:				
Within 1 year	19.5	19.7	0.1	0.1
After 1 but within 5 years	73.0	76.0	1.0	1.0
After 5 but within 10 years	808.1	815.9	55.0	59.5
After 10 years	3,607.0	3,658.6		
Total	$ 4,507.6	$ 4,570.2	$ 56.1	$ 60.6

People s United Bank, as a member of the Federal Home Loan Bank (FHLB) of Boston, is currently required to purchase and hold shares of FHLB capital stock (total cost of $70.1 million at March 31, 2013 and $59.9 million at December 31, 2012) in an amount equal to its membership base investment plus an activity based investment determined according to People s United Bank s level of outstanding FHLB advances. As a result of the Smithtown Bancorp, Inc. (Smithtown) acquisition completed in 2010, People s United Financial acquired shares of capital stock in the FHLB of New York (total cost of $12.9 million at March 31, 2013 and $13.8 million at December 31, 2012). Based on the current capital adequacy and liquidity position of both the FHLB of Boston and the FHLB of New York, management believes there is no impairment in the Company s investment at March 31, 2013 and the cost of the investment approximates fair value.

The balance of short-term investments at March 31, 2013 and December 31, 2012 primarily consisted of $72.8 million and $69.7 million, respectively, of interest-bearing deposits at the Federal Reserve Bank of New York. These deposits represent an alternative to overnight federal funds sold and had a yield of 0.25% at both March 31, 2013 and December 31, 2012.

Table of Contents

People s United Financial, Inc.

Notes to Consolidated Financial Statements (Unaudited)

NOTE 3. LOANS

For purposes of disclosures related to the credit quality of financing receivables and the allowance for loan losses, People s United Financial has identified two loan portfolio segments, Commercial Banking and Retail, which are comprised of the following loan classes:

Commercial Banking: commercial real estate; commercial and industrial; and equipment financing.

Retail: residential mortgage; home equity; and other consumer.

Loans acquired in connection with business combinations beginning in 2010 are referred to as acquired loans as a result of the manner in which they are accounted for (see further discussion under Acquired Loans below). All other loans are referred to as originated loans. Accordingly, selected credit quality disclosures that follow are presented separately for the originated loan portfolio and the acquired loan portfolio.

People s United Financial maintains several significant accounting policies with respect to loans, including:

Establishment of the allowance for loan losses (including the identification of impaired loans and related impairment measurement considerations);

Income recognition (including the classification of a loan as non-accrual and the treatment of loan origination costs); and

Recognition of loan charge-offs.

The Company did not change its policies with respect to loans or its methodology for determining the allowance for loan losses during the three months ended March 31, 2013.

The following table summarizes People s United Financial s loans by loan portfolio segment and class:

	March 31, 2013			December 31, 2012		
(in millions)	Originated	Acquired	Total	Originated	Acquired	Total
Commercial Banking:						
Commercial real estate	$ 6,632.7	$ 966.5	$ 7,599.2	$ 6,256.1	$ 1,038.1	$ 7,294.2
Commercial and industrial	5,499.8	586.9	6,086.7	5,437.4	610.3	6,047.7
Equipment financing	2,261.1	121.7	2,382.8	2,201.9	150.4	2,352.3
Total commercial	7,760.9	708.6	8,469.5	7,639.3	760.7	8,400.0
Total Commercial Banking	14,393.6	1,675.1	16,068.7	13,895.4	1,798.8	15,694.2

Retail:						
Residential mortgage:						
Adjustable-rate	3,238.7	191.1	3,429.8	3,130.9	204.3	3,335.2
Fixed-rate	389.1	139.9	529.0	400.5	150.4	550.9
Total residential mortgage	3,627.8	331.0	3,958.8	3,531.4	354.7	3,886.1
Consumer:						
Home equity	1,967.8	74.8	2,042.6	1,969.4	82.1	2,051.5
Other consumer	88.6	2.2	90.8	102.3	2.5	104.8
Total consumer	2,056.4	77.0	2,133.4	2,071.7	84.6	2,156.3
Total Retail	5,684.2	408.0	6,092.2	5,603.1	439.3	6,042.4
Total loans	$ 20,077.8	$ 2,083.1	$ 22,160.9	$ 19,498.5	$ 2,238.1	$ 21,736.6

Net deferred loan costs, which are included in total loans and accounted for as interest yield adjustments, totaled $42.6 million at March 31, 2013 and $41.9 million at December 31, 2012.

Table of Contents

People s United Financial, Inc.

Notes to Consolidated Financial Statements (Unaudited)

The following tables present a summary, by loan portfolio segment, of activity in the allowance for loan losses. With respect to the originated portfolio, an allocation of a portion of the allowance to one segment does not preclude its availability to absorb losses in another segment.

Three months ended March 31, 2013	Commercial Banking			Retail			
(in millions)	Originated	Acquired	Total	Originated	Acquired	Total	Total
Balance at beginning of period	$ 157.5	$ 10.5	$ 168.0	$ 20.0	$	$ 20.0	$ 188.0
Charge-offs	(7.4)	(3.0)	(10.4)	(3.8)	(0.3)	(4.1)	(14.5)
Recoveries	1.0		1.0	0.4		0.4	1.4
Net loan charge-offs	(6.4)	(3.0)	(9.4)	(3.4)	(0.3)	(3.7)	(13.1)
Provision for loan losses	8.4	2.3	10.7	1.4	0.3	1.7	12.4
Balance at end of period	$ 159.5	$ 9.8	$ 169.3	$ 18.0	$	$ 18.0	$ 187.3

Three months ended March 31, 2012	Commercial Banking			Retail			
(in millions)	Originated	Acquired	Total	Originated	Acquired	Total	Total
Balance at beginning of period	$ 160.4	$ 7.4	$ 167.8	$ 15.1	$	$ 15.1	$ 182.9
Charge-offs	(8.1)		(8.1)	(4.8)		(4.8)	(12.9)
Recoveries	0.9		0.9	0.8		0.8	1.7
Net loan charge-offs	(7.2)		(7.2)	(4.0)		(4.0)	(11.2)
Provision for loan losses	4.3	0.3	4.6	6.9		6.9	11.5
Balance at end of period	$ 157.5	$ 7.7	$ 165.2	$ 18.0	$	$ 18.0	$ 183.2

The following is a summary, by loan portfolio segment and impairment methodology, of the allowance for loan losses and related portfolio balances:

As of March 31, 2013	Originated Loans Individually Evaluated for Impairment		Originated Loans Collectively Evaluated for Impairment		Acquired Loans (Discounts Related to Credit Quality)		Total	
(in millions)	Portfolio	Allowance	Portfolio	Allowance	Portfolio	Allowance	Portfolio	Allowance
Commercial Banking	$ 210.0	$ 12.6	$ 14,183.6	$ 146.9	$ 1,675.1	$ 9.8	$ 16,068.7	$ 169.3
Retail	69.5		5,614.7	18.0	408.0		6,092.2	18.0
Total	$ 279.5	$ 12.6	$ 19,798.3	$ 164.9	$ 2,083.1	$ 9.8	$ 22,160.9	$ 187.3

As of December 31, 2012 (in millions)	Originated Loans Individually Evaluated for Impairment		Originated Loans Collectively Evaluated for Impairment		Acquired Loans (Discounts Related to Credit Quality)		Total	
	Portfolio	Allowance	Portfolio	Allowance	Portfolio	Allowance	Portfolio	Allowance
Commercial Banking	$ 217.3	$ 20.3	$ 13,678.1	$ 137.2	$ 1,798.8	$ 10.5	$ 15,694.2	$ 168.0
Retail	53.6		5,549.5	20.0	439.3		6,042.4	20.0
Total	$ 270.9	$ 20.3	$ 19,227.6	$ 157.2	$ 2,238.1	$ 10.5	$ 21,736.6	$ 188.0

Table of Contents

People s United Financial, Inc.

Notes to Consolidated Financial Statements (Unaudited)

The recorded investments, by class of loan, of originated non-performing loans are summarized as follows:

(in millions)	March 31, 2013	December 31, 2012
Commercial Banking:		
Commercial real estate	$ 86.5	$ 84.4
Commercial and industrial	50.9	54.8
Equipment financing	24.8	27.2
Total (1)	162.2	166.4
Retail:		
Residential mortgage	66.8	65.0
Home equity	22.2	21.0
Other consumer	0.2	0.3
Total	89.2	86.3
Total	$ 251.4	$ 252.7

(1) Reported net of government guarantees totaling $9.9 million and $9.7 million at March 31, 2013 and December 31, 2012, respectively. These government guarantees relate, almost entirely, to guarantees provided by the Small Business Administration as well as selected other Federal agencies and represent the carrying value of the loans that are covered by such guarantees, the extent of which (i.e. full or partial) varies by loan. At March 31, 2013, the principal loan classes to which these government guarantees relate are commercial and industrial loans (approximately 90%) and commercial real estate loans (approximately 10%).

The preceding table excludes acquired loans that are (i) accounted for as purchased credit impaired loans or (ii) covered by a Federal Deposit Insurance Corporation (FDIC) loss-share agreement totaling $174 million and $7 million, respectively, at March 31, 2013 and $174 million and $8 million, respectively, at December 31, 2012. Such loans otherwise meet People s United Financial s definition of a non-performing loan but are excluded because the loans are included in loan pools that are considered performing and/or credit losses are covered by an FDIC loss-share agreement. The discounts arising from recording these loans at fair value were due, in part, to credit quality. The acquired loans are generally accounted for on a pool basis and the accretable yield on the pools is being recognized as interest income over the life of the loans based on expected cash flows at the pool level.

A loan is generally considered non-performing when it is placed on non-accrual status. A loan is generally placed on non-accrual status when it becomes 90 days past due as to interest or principal payments. Past due status is based on the contractual payment terms of the loan. A loan may be placed on non-accrual status before it reaches 90 days past due if such loan has been identified as presenting uncertainty with respect to the collectability of interest and principal. A loan past due 90 days or more may remain on accruing status if such loan is both well secured and in the process of collection. There were no loans past due 90 days or more and still accruing interest at March 31, 2013 or December 31, 2012.

A loan is considered impaired when, based on current information and events, it is probable that the Company will be unable to collect all amounts due in accordance with the original contractual terms of the loan agreement, including scheduled principal and interest payments. Impaired loans also include certain originated loans whose terms have been modified in such a way that they are considered troubled debt restructurings (TDRs). Originated loans are considered TDRs if the borrower is experiencing financial difficulty and is afforded a concession by People s United Financial, such as, but not limited to: (i) payment deferral; (ii) a reduction of the stated interest rate for the remaining contractual life of the loan; (iii) an extension of the loan s original contractual term at a stated interest rate lower than the current market rate for a new loan with similar risk; (iv) capitalization of interest; or (v) forgiveness of principal or interest. Generally, TDRs are placed on non-accrual status (and reported as non-performing loans) until the loan qualifies for return to accrual status. Loans qualify for return to accrual status once they have demonstrated performance with the restructured terms of the loan agreement for a minimum of six months. Loans may continue to be reported as TDRs after they are returned to accrual status. In accordance with recent regulatory guidance, residential mortgage and home equity loans restructured in connection with the borrower s bankruptcy and meeting certain criteria are also required to be classified as TDRs, included in non-performing loans and written down to the estimated collateral value, regardless of delinquency status. Acquired loans that are modified are not considered for TDR classification provided they are evaluated for impairment on a pool basis.

People s United Financial, Inc.

Notes to Consolidated Financial Statements (Unaudited)

People s United Financial s recorded investment in originated loans classified as TDRs totaled $186.6 million and $180.8 million at March 31, 2013 and December 31, 2012, respectively. The related allowance for loan losses at March 31, 2013 and December 31, 2012 was $4.6 million and $5.8 million, respectively. Interest income recognized on TDRs totaled $1.6 million and $1.9 million for the three months ended March 31, 2013 and 2012, respectively. Fundings under commitments to lend additional amounts to borrowers with loans classified as TDRs were immaterial for the three months ended March 31, 2013 and 2012. Originated loans that were modified and classified as TDRs during the three months ended March 31, 2013 and 2012 principally involve payment deferral, extension of term (generally no more than twenty four months) and/or a temporary reduction of interest rate (generally less than 200 basis points).

The following tables summarize, by class of loan, the recorded investments in loans modified as TDRs during the three months ended March 31, 2013 and 2012. For purposes of this disclosure, recorded investments represent amounts immediately prior to and subsequent to the restructuring.

	Three Months Ended March 31, 2013		
(dollars in millions)	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Commercial Banking:			
Commercial real estate (1)	3	$ 3.9	$ 3.9
Commercial and industrial (2)	3	1.6	1.6
Equipment financing (3)	3	2.5	2.5
Total	9	8.0	8.0
Retail:			
Residential mortgage (4)	56	17.5	17.5
Home equity (5)	32	2.4	2.4
Other consumer			
Total	88	19.9	19.9
Total	97	$ 27.9	$ 27.9

(1) Represents the following concessions: a combination of concessions (3 contracts; recorded investment of $3.9 million).
(2) Represents the following concessions: payment deferral (1 contract; recorded investment of $1.2 million); or a combination of concessions (2 contracts; recorded investment of $0.4 million).
(3) Represents the following concessions: a combination of concessions (3 contracts; recorded investment of $2.5 million).
(4) Represents the following concessions: loans restructured through bankruptcy (23 contracts; recorded investment of $4.8 million); payment deferral (3 contracts; recorded investment of $0.5 million); temporary rate reduction (1 contract; recorded investment of $2.6 million); or a combination of concessions (29 contracts; recorded investment of $9.6 million).
(5) Represents the following concessions: loans restructured through bankruptcy (21 contracts; recorded investment of $1.4 million); payment deferral (2 contracts; recorded investment of $0.3 million); temporary rate reduction (1 contract; recorded investment of $0.5 million); or a combination of concessions (8 contracts; recorded investment of $0.2 million).

Table of Contents

People s United Financial, Inc.

Notes to Consolidated Financial Statements (Unaudited)

	Three months ended March 31, 2012		
(dollars in millions)	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Commercial Banking:			
Commercial real estate (1)	7	$ 1.2	$ 1.2
Commercial and industrial (2)	21	25.5	25.5
Equipment financing (3)	17	5.2	5.2
Total	45	31.9	31.9
Retail:			
Residential mortgage (4)	11	6.0	6.0
Home equity (5)	1	0.1	0.1
Other consumer			
Total	12	6.1	6.1
Total	57	$ 38.0	$ 38.0

(1) Represents the following concessions: payment deferral (1 contract; recorded investment of $0.1 million); or a combination of concessions (6 contracts; recorded investment of $1.1 million).
(2) Represents the following concessions: payment deferral (7 contracts; recorded investment of $19.5 million); temporary rate reduction (1 contract; recorded investment of $0.3 million); or a combination of concessions (13 contracts; recorded investment of $5.7 million).
(3) Represents the following concessions: extension of term (4 contracts; recorded investment of $2.9 million); payment deferral (1 contract; recorded investment of $0.2 million); or a combination of concessions (12 contracts; recorded investment of $2.1 million).
(4) Represents the following concessions: payment deferral (5 contracts; recorded investment of $2.0 million); temporary rate reduction (3 contracts; recorded investment of $3.3 million); or a combination of concessions (3 contracts; recorded investment of $0.7 million).
(5) Represents the following concession: payment deferral (1 contract; recorded investment of $0.1 million).

The following is a summary, by class of loan, of information related to TDRs of originated loans completed within the previous 12 months that subsequently defaulted during the three months ended March 31, 2013 and 2012. For purposes of this disclosure, the previous 12 months is measured from April 1 of the respective prior year and a default represents a previously-modified loan that became past due 30 days or more during the three months ended March 31, 2013 and 2012.

	Three Months Ended March 31,			
	2013		2012	
(dollars in millions)	Number of Contracts	Recorded Investment as of Period End	Number of Contracts	Recorded Investment as of Period End
Commercial Banking:				
Commercial real estate		$		$
Commercial and industrial	4	0.5	5	0.2
Equipment financing	2	0.8	2	1.5
Total	6	1.3	7	1.7

Retail:						
Residential mortgage	18		4.6	3		1.1
Home equity	3		0.2			
Other consumer						
Total	21		4.8	3		1.1
Total	27	$	6.1	10	$	2.8

Table of Contents

People s United Financial, Inc.

Notes to Consolidated Financial Statements (Unaudited)

People s United Financial s impaired loans consist of certain originated loans, including all TDRs. The following table summarizes, by class of loan, information related to individually-evaluated impaired loans within the originated portfolio.

(in millions)	As of March 31, 2013 Unpaid Principal Balance	Recorded Investment	Related Allowance for Loan Losses	As of December 31, 2012 Unpaid Principal Balance	Recorded Investment	Related Allowance for Loan Losses
Without a related allowance for loan losses:						
Commercial Banking:						
Commercial real estate	$ 59.2	$ 57.7	$	$ 50.4	$ 50.0	$
Commercial and industrial	21.9	21.2		36.7	36.0	
Equipment financing	35.5	26.8		21.0	17.0	
Retail:						
Residential mortgage	58.4	55.7		43.1	41.0	
Home equity	15.3	13.8		13.7	12.6	
Other consumer						
Total	$ 190.3	$ 175.2	$	$ 164.9	$ 156.6	$
With a related allowance for loan losses:						
Commercial Banking:						
Commercial real estate	$ 66.9	$ 44.4	$ 6.5	$ 85.5	$ 48.8	$ 8.3
Commercial and industrial	58.5	52.8	5.7	50.1	45.9	8.6
Equipment financing	8.7	7.1	0.4	26.1	19.6	3.4
Retail:						
Residential mortgage						
Home equity						
Other consumer						
Total	$ 134.1	$ 104.3	$ 12.6	$ 161.7	$ 114.3	$ 20.3
Total impaired loans:						
Commercial Banking:						
Commercial real estate	$ 126.1	$ 102.1	$ 6.5	$ 135.9	$ 98.8	$ 8.3
Commercial and industrial	80.4	74.0	5.7	86.8	81.9	8.6
Equipment financing	44.2	33.9	0.4	47.1	36.6	3.4
Total	250.7	210.0	12.6	269.8	217.3	20.3
Retail:						
Residential mortgage	58.4	55.7		43.1	41.0	
Home equity	15.3	13.8		13.7	12.6	
Other consumer						
Total	73.7	69.5		56.8	53.6	

Total	$ 324.4	$ 279.5	$ 12.6	$ 326.6	$ 270.9	$ 20.3

Table of Contents

People s United Financial, Inc.

Notes to Consolidated Financial Statements (Unaudited)

The following table summarizes, by class of loan, the average recorded investment and interest income recognized on impaired loans for the periods indicated. The average recorded investment amounts are based on month-end balances.

	Three Months Ended March 31,			
	2013		2012	
(in millions)	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
Commercial Banking:				
Commercial real estate	$ 96.4	$ 0.4	$ 116.6	$ 0.4
Commercial and industrial	78.4	0.8	60.9	0.6
Equipment financing	34.9	0.3	54.4	0.8
Total	209.7	1.5	231.9	1.8
Retail:				
Residential mortgage	45.7	0.3	15.1	0.1
Home equity	12.7		0.7	
Other consumer				
Total	58.4	0.3	15.8	0.1
Total	$ 268.1	$ 1.8	$ 247.7	$ 1.9

The following tables summarize, by class of loan, aging information for originated loans:

As of March 31, 2013 (in millions)	Current	30-89 Days	Past Due 90 Days or More	Total	Total Originated
Commercial Banking:					
Commercial real estate	$ 6,552.8	$ 11.3	$ 68.6	$ 79.9	$ 6,632.7
Commercial and industrial	5,434.2	20.5	45.1	65.6	5,499.8
Equipment financing	2,215.4	38.2	7.5	45.7	2,261.1
Total	14,202.4	70.0	121.2	191.2	14,393.6
Retail:					
Residential mortgage	3,511.0	61.8	55.0	116.8	3,627.8
Home equity	1,941.6	12.3	13.9	26.2	1,967.8
Other consumer	87.0	1.4	0.2	1.6	88.6
Total	5,539.6	75.5	69.1	144.6	5,684.2
Total originated loans	$ 19,742.0	$ 145.5	$ 190.3	$ 335.8	$ 20,077.8

Included in the Current and 30-89 Days categories above are early non-performing commercial real estate loans, commercial and industrial loans, and equipment financing loans totaling $18.7 million, $14.9 million and $17.3 million, respectively, and $20.1 million of retail loans in foreclosure or bankruptcy. These loans are less than 90 days past due but have been placed on non-accrual status as a result of having been identified as presenting uncertainty with respect to the collectibility of interest and principal.

Table of Contents

People s United Financial, Inc.

Notes to Consolidated Financial Statements (Unaudited)

As of December 31, 2012 (in millions)	Current	30-89 Days	Past Due 90 Days or More	Total	Total Originated
Commercial Banking:					
Commercial real estate	$ 6,160.6	$ 30.2	$ 65.3	$ 95.5	$ 6,256.1
Commercial and industrial	5,362.3	27.7	47.4	75.1	5,437.4
Equipment financing	2,159.0	33.4	9.5	42.9	2,201.9
Total	13,681.9	91.3	122.2	213.5	13,895.4
Retail:					
Residential mortgage	3,415.8	60.1	55.5	115.6	3,531.4
Home equity	1,944.5	11.2	13.7	24.9	1,969.4
Other consumer	100.0	2.0	0.3	2.3	102.3
Total	5,460.3	73.3	69.5	142.8	5,603.1
Total originated loans	$ 19,142.2	$ 164.6	$ 191.7	$ 356.3	$ 19,498.5

Included in the Current and 30-89 Days categories above are early non-performing commercial real estate loans, commercial and industrial loans, and equipment financing loans totaling $19.9 million, $16.3 million and $17.7 million, respectively, and $16.8 million of retail loans in foreclosure or bankruptcy. These loans are less than 90 days past due but have been placed on non-accrual status as a result of having been identified as presenting uncertainty with respect to the collectibility of interest and principal.

The following is a summary, by class of loan, of credit quality indicators:

As of March 31, 2013 (in millions)	Commercial Real Estate	Commercial and Industrial	Equipment Financing	Total
Commercial Banking:				
Originated loans:				
Pass	$ 6,331.8	$ 5,094.6	$ 2,033.1	$ 13,459.5
Special mention	81.7	68.6	97.8	248.1
Substandard	217.7	332.9	130.2	680.8
Doubtful	1.5	3.7		5.2
Total originated loans	6,632.7	5,499.8	2,261.1	14,393.6
Acquired loans:				
Pass	563.4	399.1	44.2	1,006.7
Special mention	98.1	68.9	17.5	184.5
Substandard	291.2	116.9	60.0	468.1
Doubtful	13.8	2.0		15.8
Total acquired loans	966.5	586.9	121.7	1,675.1
Total	$ 7,599.2	$ 6,086.7	$ 2,382.8	$ 16,068.7

As of March 31, 2013 (in millions)	Residential Mortgage	Home Equity	Other Consumer	Total
Retail:				
Originated loans:				
Low risk	$ 1,824.1	$ 760.6	$ 59.4	$ 2,644.1
Moderate risk	1,311.2	453.2	7.7	1,772.1
High risk	492.5	754.0	21.5	1,268.0
Total originated loans	3,627.8	1,967.8	88.6	5,684.2
Acquired loans:				
Low risk	144.0			144.0
Moderate risk	89.9			89.9
High risk	97.1	74.8	2.2	174.1
Total acquired loans	331.0	74.8	2.2	408.0
Total	$ 3,958.8	$ 2,042.6	$ 90.8	$ 6,092.2

Table of Contents

People s United Financial, Inc.

Notes to Consolidated Financial Statements (Unaudited)

As of December 31, 2012 (in millions)	Commercial Real Estate	Commercial and Industrial	Equipment Financing	Total
Commercial Banking:				
Originated loans:				
Pass	$ 5,947.9	$ 5,021.2	$ 1,960.2	$ 12,929.3
Special mention	82.2	93.8	113.2	289.2
Substandard	223.5	318.9	128.5	670.9
Doubtful	2.5	3.5		6.0
Total originated loans	6,256.1	5,437.4	2,201.9	13,895.4
Acquired loans:				
Pass	656.3	403.2	54.0	1,113.5
Special mention	74.2	88.0	21.1	183.3
Substandard	293.0	116.4	75.3	484.7
Doubtful	14.6	2.7		17.3
Total acquired loans	1,038.1	610.3	150.4	1,798.8
Total	$ 7,294.2	$ 6,047.7	$ 2,352.3	$ 15,694.2

As of December 31, 2012 (in millions)	Residential Mortgage	Home Equity	Other Consumer	Total
Retail:				
Originated loans:				
Low risk	$ 1,729.7	$ 740.4	$ 72.7	$ 2,542.8
Moderate risk	1,292.1	440.0	7.8	1,739.9
High risk	509.6	789.0	21.8	1,320.4
Total originated loans	3,531.4	1,969.4	102.3	5,603.1
Acquired loans:				
Low risk	149.9			149.9
Moderate risk	99.7			99.7
High risk	105.1	82.1	2.5	189.7
Total acquired loans	354.7	82.1	2.5	439.3
Total	$ 3,886.1	$ 2,051.5	$ 104.8	$ 6,042.4

Commercial Banking Credit Quality Indicators

The Company utilizes an internal loan risk rating system as a means of monitoring portfolio credit quality and identifying both problem and potential problem loans. Under the Company s risk rating system, loans not meeting the criteria for problem and potential problem loans as specified below are considered to be Pass -rated loans. Problem and potential problem loans are classified as either Special Mention, Substandard or Doubtful. Loans that do not currently expose the Company to sufficient enough risk of loss to warrant classification as either Substandard or

Doubtful, but possess weaknesses that deserve management s close attention, are classified as Special Mention. Substandard loans represent those credits characterized by the distinct possibility that the Company will sustain some loss if the deficiencies are not corrected. Loans classified as Doubtful possess all the weaknesses inherent in those classified Substandard with the added characteristic that collection or liquidation in full, on the basis of existing facts, conditions and values, is highly questionable and/or improbable.

Risk ratings on commercial banking loans are subject to ongoing monitoring by lending and credit personnel with such ratings updated annually or more frequently, if warranted. The Company s internal Loan Review function is responsible for independently evaluating the appropriateness of those credit risk ratings in connection with its cyclical reviews, the approach to which is risk-based and determined by reference to underlying portfolio credit quality and the results of prior reviews. Differences in risk ratings noted in conjunction with such periodic portfolio loan reviews, if any, are reported to management each month.

Table of Contents

People s United Financial, Inc.

Notes to Consolidated Financial Statements (Unaudited)

Retail Credit Quality Indicators

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 , Moderate or Low risk.

The risk characteristics considered include: (i) collateral values/loan-to-value (LTV) 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. These risk classifications are reviewed periodically to ensure that they continue to be appropriate in light of changes within the portfolio and/or economic indicators as well as other industry developments.

For example, to the extent LTV ratios exceed 70% (reflecting a weaker collateral position for the Company) or borrower FICO scores are less than 680 (reflecting weaker financial standing and/or credit history of the customer), the loans are considered to have an increased level of inherent loss. As a result, a loan with a combination of these characteristics would generally be classified as High risk. Conversely, as LTV ratios decline (reflecting a stronger collateral position for the Company) or borrower FICO scores exceed 680 (reflecting stronger financial standing and/or credit history of the customer), the loans are considered to have a decreased level of inherent loss. A loan with a combination of these characteristics would generally be classified as Low risk. This analysis also considers (i) the extent of underwriting that occurred at the time of origination (direct income verification provides further support for credit decisions) and (ii) the property s intended use (owner-occupied properties are less likely to default compared to investment-type non-owner occupied properties, second homes, etc.). Loans not otherwise deemed to be High or Low risk are classified as Moderate risk.

LTV ratios and FICO scores are determined at origination and updated periodically throughout the life of the loan. LTV ratios are updated for loans 90 days past due and FICO scores are updated for the entire portfolio quarterly. The portfolio stratification (High , Moderate and Low risk) and identification of the corresponding credit quality indicators also occurs quarterly.

Commercial banking and retail loans, other than acquired loans, are also evaluated to determine whether they are impaired loans, which are included in the preceding tabular disclosures of credit quality indicators. A loan is considered impaired when, based on current information and events, it is probable that the Company will be unable to collect all amounts due in accordance with the original contractual terms of the loan agreement, including scheduled principal and interest payments. Impaired loans also include certain loans whose terms have been modified in such a way that they are considered TDRs.

Acquired Loans Credit Quality Indicators

Upon acquiring a loan portfolio, the Company s internal Loan Review function undertakes the process of assigning risk ratings to all Commercial Banking loans in accordance with the Company s established policy, which may differ in certain respects from the risk rating policy of the predecessor company. The length of time necessary to complete this process varies based on the size of the acquired portfolio, the quality of the documentation maintained in the underlying loan files and the extent to which the predecessor company followed a risk rating approach comparable to People s United Financial s. As a result, while acquired loans are risk rated, there are occasions when such ratings may be deemed preliminary until the Company s re-rating process has been completed.

Table of Contents

People s United Financial, Inc.

Notes to Consolidated Financial Statements (Unaudited)

Acquired loans are initially recorded at fair value, determined based upon an estimate of the amount and timing of both principal and interest cash flows expected to be collected and discounted using a market interest rate. The difference between contractually required principal and interest payments at the acquisition date and the undiscounted cash flows expected to be collected at the acquisition date is referred to as the nonaccretable difference , which includes an estimate of future credit losses expected to be incurred over the life of the portfolio. A decrease in the expected cash flows in subsequent periods requires the establishment of an allowance for loan losses at that time. At March 31, 2013 and December 31, 2012, the allowance for loan losses on acquired loans was $9.8 million and $10.5 million, respectively.

Acquired Loans

Acquired loans that have evidence of deterioration in credit quality since origination and for which it is probable, at acquisition, that all contractually required payments will not be collected are initially recorded at fair value without recording an allowance for loan losses. Fair value of the loans is determined using market participant assumptions in estimating the amount and timing of both principal and interest cash flows expected to be collected, as adjusted for an estimate of future credit losses and prepayments, and then applying a market-based discount rate to those cash flows. Acquired loans are generally accounted for on a pool basis, with pools formed based on the loans common risk characteristics, such as loan collateral type and accrual status. Each pool is accounted for as a single asset with a single composite interest rate and an aggregate expectation of cash flows.

Under the accounting model for acquired loans, the excess of cash flows expected to be collected over the carrying amount of the loans, referred to as the accretable yield , is accreted into interest income over the life of the loans in each pool using the effective yield method. Accordingly, acquired loans are not subject to classification as non-accrual in the same manner as originated loans. Rather, acquired loans are considered to be accruing loans because their interest income relates to the accretable yield recognized at the pool level and not to contractual interest payments at the loan level. The difference between contractually required principal and interest payments and the cash flows expected to be collected, referred to as the nonaccretable difference , includes estimates of both the impact of prepayments and future credit losses expected to be incurred over the life of the loans in each pool. As such, charge-offs on acquired loans are first applied to the nonaccretable difference and then to any allowance for loan losses recognized subsequent to acquisition.

Subsequent to acquisition, actual cash collections are monitored relative to management s expectations and revised cash flow forecasts are prepared, as warranted. These revised forecasts involve updates, as necessary, of the key assumptions and estimates used in the initial estimate of fair value. Generally speaking, expected cash flows are affected by:

- *Changes in the expected principal and interest payments over the estimated life* Updates to changes in expected cash flows are driven by the credit outlook and actions taken with borrowers. Changes in expected future cash flows resulting from loan modifications are included in the assessment of expected cash flows;

- *Changes in prepayment assumptions* Prepayments affect the estimated life of the loans which may change the amount of interest income, and possibly principal, expected to be collected; and

- *Changes in interest rate indices for variable rate loans* Expected future cash flows are based, as applicable, on the variable rates in effect at the time of the assessment of expected cash flows.

A decrease in expected cash flows in subsequent periods may indicate that the loan pool is impaired, which would require the establishment of an allowance for loan losses by a charge to the provision for loan losses. An increase in expected cash flows in subsequent periods serves, first, to reduce any previously established allowance for loan losses by the increase in the present value of cash flows expected to be collected, and results in a recalculation of the amount of accretable yield for the loan pool. The adjustment of accretable yield due to an increase in expected cash flows is accounted for as a change in estimate. The additional cash flows expected to be collected are reclassified from the nonaccretable difference to the accretable yield, and the amount of periodic accretion is adjusted accordingly over the remaining life of the loans in the pool.

People s United Financial, Inc.

Notes to Consolidated Financial Statements (Unaudited)

An acquired loan may be resolved either through receipt of payment (in full or in part) from the borrower, the sale of the loan to a third party or foreclosure of the collateral. In the event of a sale of the loan, a gain or loss on sale is recognized and reported within non-interest income based on the difference between the sales proceeds and the carrying amount of the loan. In other cases, individual loans are removed from the pool based on comparing the amount received from its resolution (fair value of the underlying collateral less costs to sell in the case of a foreclosure) with its outstanding balance. Any difference between these amounts is absorbed by the nonaccretable difference established for the entire pool. For loans resolved by payment in full, there is no adjustment of the nonaccretable difference since there is no difference between the amount received at resolution and the outstanding balance of the loan. In these cases, the remaining accretable yield balance is unaffected and any material change in remaining effective yield caused by the removal of the loan from the pool is addressed in connection with the subsequent cash flow re-assessment for the pool. Acquired loans subject to modification are not removed from the pool even if those loans would otherwise be deemed TDRs as the pool, and not the individual loan, represents the unit of account.

At the respective acquisition dates in 2011 and 2010, on an aggregate basis, the acquired loan portfolio had contractually required principal and interest payments receivable of $7.57 billion; expected cash flows of $7.02 billion; and a fair value (initial carrying amount) of $5.36 billion. The difference between the contractually required principal and interest payments receivable and the expected cash flows ($550.9 million) represented the initial nonaccretable difference. The difference between the expected cash flows and fair value ($1.66 billion) represented the initial accretable yield. Both the contractually required principal and interest payments receivable and the expected cash flows reflect anticipated prepayments, determined based on historical portfolio experience. At March 31, 2013, the outstanding principal balance and carrying amount of the acquired loan portfolio were $2.13 billion and $2.08 billion, respectively ($2.30 billion and $2.24 billion, respectively, at December 31, 2012). At March 31, 2013, the aggregate remaining nonaccretable difference applicable to acquired loans totaled $157.0 million.

The following table summarizes activity in the accretable yield for the acquired loan portfolio:

(in millions)	Three Months Ended March 31, 2013	Three Months Ended March 31, 2012
Balance at beginning of period	$ 890.2	$ 1,310.4
Accretion	(37.1)	(60.3)
Reclassification from nonaccretable difference for loans with improved cash flows (1)		13.5
Other changes in expected cash flows (2)	(106.1)	10.2
Balance at end of period	$ 747.0	$ 1,273.8

(1) Results in increased interest income as a prospective yield adjustment over the remaining life of the corresponding pool of loans.
(2) Represents changes in cash flows expected to be collected due to factors other than credit (e.g. changes in prepayment assumptions and/or changes in interest rates on variable rate loans), as well as loan sales, modifications and payoffs.

Other Real Estate Owned and Repossessed Assets (included in Other Assets)

Other real estate owned (REO) was comprised of residential and commercial properties totaling $16.9 million and $9.6 million, respectively, at March 31, 2013, and $17.2 million and $11.4 million, respectively, at December 31, 2012. Repossessed assets totaled $7.2 million and $8.3 million at March 31, 2013 and December 31, 2012, respectively.

Table of Contents

People s United Financial, Inc.

Notes to Consolidated Financial Statements (Unaudited)

NOTE 4. STOCKHOLDERS EQUITY

Treasury Stock

Treasury stock includes (i) common stock repurchased by People s United Financial, either directly or through agents, in the open market at prices and terms satisfactory to management in connection with stock repurchases authorized by its Board of Directors and (ii) common stock purchased for awards under the People s United Financial, Inc. 2007 Recognition and Retention Plan (the RRP).

In October 2011, People s United Financial s Board of Directors authorized the repurchase of up to 5% of the Company s common stock outstanding, or 18.0 million shares. During the three months ended March 31, 2012, 4.5 million shares of People s United Financial common stock were repurchased under this authorization at a total cost of $56.4 million. People s United Financial completed the repurchase of the remaining number of shares of common stock available under this authorization in November 2012.

In November 2012, People s United Financial s Board of Directors authorized an additional repurchase of up to 10% of the Company s common stock outstanding, or 33.6 million shares. During the three months ended March 31, 2013, 11.1 million shares of People s United Financial common stock were repurchased under this authorization at a total cost of $144.2 million.

In conjunction with establishing the RRP in October 2007, a trustee purchased 7.0 million shares of People s United Financial common stock in the open market with funds provided by People s United Financial. At March 31, 2013, 2.9 million shares were available to be awarded in the form of restricted stock under the provisions of the RRP.

Table of Contents

People s United Financial, Inc.

Notes to Consolidated Financial Statements (Unaudited)

Comprehensive Income

Comprehensive income represents the sum of net income and items of other comprehensive income or loss, including: (i) net actuarial gains and losses, prior service credits and costs, and transition assets and obligations related to People s United Financial s pension and other postretirement benefit plans; (ii) net unrealized gains or losses on securities available for sale; and (iii) net gains or losses on derivatives accounted for as cash flow hedges. People s United Financial s total comprehensive income for the three months ended March 31, 2013 and 2012 is reported in the Consolidated Statements of Comprehensive Income.

The following is a summary of the changes in the components of accumulated other comprehensive loss (AOCL), which are included in People s United Financial s stockholders equity on an after-tax basis:

(in millions)	Pension and Other Postretirement Benefits	Net Unrealized Gains (Losses) on Securities Available for Sale	Net Unrealized Gains (Losses) on Derivatives Accounted for as Cash Flow Hedges	Total Accumulated Other Comprehensive Loss
Balance at December 31, 2012	$ (148.2)	$ 52.8	$ (1.5)	$ (96.9)
Other comprehensive income (loss) before reclassifications	0.2	(13.1)		(12.9)
Amounts reclassified from AOCL (1)	1.1		0.2	1.3
Current period other comprehensive income (loss)	1.3	(13.1)	0.2	(11.6)
Balance at March 31, 2013	$ (146.9)	$ 39.7	$ (1.3)	$ (108.5)

(1) See table below for details about these reclassifications.

(in millions)	Pension and Other Postretirement Benefits	Net Unrealized Gains (Losses) on Securities Available for Sale	Net Unrealized Gains (Losses) on Derivatives Accounted for as Cash Flow Hedges	Total Accumulated Other Comprehensive Loss
Balance at December 31, 2011	$ (138.8)	$ 43.2	$ (0.2)	$ (95.8)
Current period other comprehensive income (loss)	1.7	1.5	(0.5)	2.7
Balance at March 31, 2012	$ (137.1)	$ 44.7	$ (0.7)	$ (93.1)

Table of Contents

People s United Financial, Inc.

Notes to Consolidated Financial Statements (Unaudited)

The following is a summary of the amounts reclassified from AOCL during the three months ended March 31, 2013 (in millions):

Details about components of AOCL:	Amount Reclassified from AOCL	Affected Line Item in the Statement Where Net Income is Presented
Amortization of pension and other postretirement benefits items:		
Prior service credit	$ 0.3	(1)
Net actuarial loss	(1.9)	(1)
	(1.6)	Income before income tax expense
	0.5	Income tax benefit
	$ (1.1)	Net income
Amortization of unrealized gains and losses on cash flow hedges:		
Interest rate swaps	$ (0.3)	Interest expense - notes and debentures
Interest rate locks (2)		Interest expense - notes and debentures
	(0.3)	Income before income tax expense
	0.1	Income tax benefit
	$ (0.2)	Net income
Total reclassifications for the period	$ (1.3)	

(1) Included in the computation of net periodic pension cost reflected in compensation and benefits expense (see Note 7 for additional details).

(2) Amount reclassified from AOCL is less than $0.1 million.

NOTE 5. EARNINGS PER COMMON SHARE

The following is an analysis of People s United Financial s basic and diluted earnings per share (EPS), reflecting the application of the two-class method, as described below:

(in millions, except per share data)	Three Months Ended March 31, 2013	2012
Net income	$ 52.5	$ 57.3

Dividends and undistributed earnings allocated to participating securities	(0.3)	(0.3)
Income attributable to common shareholders	$ 52.2	$ 57.0
Average common shares outstanding for basic EPS	325.1	344.9
Effect of dilutive equity-based awards	0.1	0.1
Average common and common-equivalent shares for diluted EPS	325.2	345.0
Basic EPS	$ 0.16	$ 0.17
Diluted EPS	$ 0.16	$ 0.17

Unvested share-based payment awards, which include the right to receive non-forfeitable dividends or dividend equivalents, are considered to participate with common stock in undistributed earnings for purposes of computing EPS. Accordingly, companies that issue share-based payment awards considered to be participating securities, including People s United Financial, are required to calculate basic and diluted EPS amounts under the two-class method. Restricted stock awards granted by People s United Financial are considered participating securities pursuant to this guidance. Calculations of EPS under the two-class method (i) exclude from the numerator any dividends paid or owed on participating securities and any undistributed earnings considered to be attributable to participating securities and (ii) exclude from the denominator the dilutive impact of the participating securities.

All unallocated ESOP common shares and all common shares accounted for as treasury shares have been excluded from the calculation of basic and diluted EPS. Anti-dilutive equity-based awards totaling 14.7 million and 12.2 million for the three months ended March 31, 2013 and 2012, respectively, have been excluded from the calculation of diluted EPS.

People s United Financial, Inc.

Notes to Consolidated Financial Statements (Unaudited)

NOTE 6. GOODWILL AND OTHER ACQUISITION-RELATED INTANGIBLE ASSETS

Changes in the carrying amount of goodwill are summarized as follows for the three months ended March 31, 2012 (no change in goodwill for the three months ended March 31, 2013).

	Operating Segment			
(in millions)	Commercial Banking	Retail and Business Banking	Wealth Management	Total
Balance at March 31, 2013	$ 1,222.8	$ 681.9	$ 49.8	$ 1,954.5

	Operating Segment			
(in millions)	Commercial Banking	Retail and Business Banking	Wealth Management	Total
Balance at December 31, 2011	$ 1,220.9	$ 680.7	$ 49.8	$ 1,951.4
Adjustments	1.3	0.3		1.6
Balance at March 31, 2012	$ 1,222.2	$ 681.0	$ 49.8	$ 1,953.0

Recent acquisitions have been undertaken with the objective of expanding the Company s business, both geographically and through product offerings, as well as realizing synergies and economies of scale by combining with the acquired entities. For these reasons, a market-based premium was paid for the acquired entities which, in turn, resulted in the recognition of goodwill, representing the excess of the respective purchase prices over the estimated fair value of the net assets acquired.

All of People s United Financial s tax deductible goodwill was created in transactions in which the Company purchased the assets of the target (as opposed to purchasing the issued and outstanding stock of the target). At March 31, 2013 and December 31, 2012, tax deductible goodwill totaled $14.1 million and $14.8 million, respectively, and related, almost entirely, to the Butler Bank acquisition completed in 2010.

People s United Financial s other acquisition-related intangible assets totaled $192.5 million and $199.0 million at March 31, 2013 and December 31, 2012, respectively. At March 31, 2013, the carrying amounts of other acquisition-related intangible assets were as follows: trade name intangible ($102.2 million); core deposit intangible ($60.9 million); trust relationship intangible ($27.8 million); and insurance relationship intangible ($1.6 million).

Amortization expense of other acquisition-related intangible assets totaled $6.5 million and $6.6 million for the three months ended March 31, 2013 and 2012, respectively. Scheduled amortization expense attributable to other acquisition-related intangible assets for the full-year of 2013 and each of the next five years is as follows: $26.2 million in 2013; $24.8 million in 2014; $23.8 million in 2015; $22.7 million in 2016; $21.6 million in 2017; and $10.2 million in 2018. There were no impairment losses relating to goodwill or other acquisition-related intangible assets recorded during the three months ended March 31, 2013 or 2012.

Table of Contents

People s United Financial, Inc.

Notes to Consolidated Financial Statements (Unaudited)

NOTE 7. EMPLOYEE BENEFIT PLANS

People s United Financial Employee Pension and Other Postretirement Benefit Plans

People s United Financial maintains a qualified noncontributory defined benefit pension plan (the Qualified Plan) that covers substantially all full-time and part-time employees who meet certain age and length of service requirements and who were employed by People s United Bank prior to August 14, 2006. Benefits are based upon the employee s years of credited service and either the average compensation for the last five years or the average compensation for the five consecutive years of the last ten years that produce the highest average.

New employees of People s United Bank starting on or after August 14, 2006 are not eligible to participate in the Qualified Plan. Instead, People s United Financial makes contributions on behalf of these employees to a qualified defined contribution plan in an annual amount equal to 3% of the employee s eligible compensation. Employee participation in this plan is restricted to employees who are at least 18 years of age and worked at least 1,000 hours in a year. Both full-time and part-time employees are eligible to participate as long as they meet these requirements.

In July 2011, People s United Bank amended the Qualified Plan to freeze , effective December 31, 2011, the accrual of pension benefits for Qualified Plan participants. As such, participants will not earn any additional benefits after that date. Instead, effective January 1, 2012, People s United Bank will make a contribution on behalf of these participants to a qualified defined contribution plan in an annual amount equal to 3% of the employee s eligible compensation.

People s United Financial s funding policy is to contribute the amounts required by applicable regulations, although additional amounts may be contributed from time to time.

People s United Financial also maintains (i) unfunded, nonqualified supplemental plans (the Supplemental Plans) to provide retirement benefits to certain senior officers and (ii) an unfunded plan that provides retirees with optional medical, dental and life insurance benefits (other postretirement benefits). People s United Financial accrues the cost of these postretirement benefits over the employees years of service to the date of their eligibility for such benefits.

Components of the net periodic benefit (income) expense and other amounts recognized in other comprehensive income or loss for the plans described above are as follows:

	Pension Benefits		Other Postretirement Benefits	
Three months ended March 31 (in millions)	2013	2012	2013	2012
Net periodic benefit (income) expense:				
Interest cost	$ 4.5	$ 4.4	$ 0.2	$ 0.2
Expected return on plan assets	(6.7)	(6.6)		
Amortization of unrecognized net transition obligation				0.1
Recognized net actuarial loss	1.5	1.1		
Recognized prior service credit			(0.1)	(0.1)
Settlements	0.2	0.2		
Net periodic benefit (income) expense	(0.5)	(0.9)	0.1	0.2

Other changes in plan assets and benefit obligations recognized in other comprehensive income or loss:				
Net actuarial loss	(1.5)	(1.1)		
Transition obligation				(0.1)
Prior service credit			0.1	0.1
Total pre-tax changes recognized in other comprehensive income or loss	(1.5)	(1.1)	0.1	
Total recognized in net periodic benefit (income) expense and other comprehensive income or loss	$ (2.0)	$ (2.0)	$ 0.2	$ 0.2

Table of Contents

People s United Financial, Inc.

Notes to Consolidated Financial Statements (Unaudited)

Chittenden Pension Plan

In addition to the plans described above, People s United Financial continues to maintain a qualified defined benefit pension plan that covers former Chittenden Corporation employees who meet certain eligibility requirements (the Chittenden Plan). Effective December 31, 2005, accrued benefits were frozen based on participants then-current service and pay levels. During April 2010, participants who were in payment status as of April 1, 2010, or whose accrued benefit as of that date was scheduled to be paid in the form of an annuity commencing May 1, 2010 based upon elections made by April 15, 2010, were transferred into the People s United Financial Qualified Plan. Net periodic benefit (income) expense for the Chittenden Plan totaled $(0.2) million and $0.3 million for the three months ended March 31, 2013 and 2012, respectively.

Employee Stock Ownership Plan

In April 2007, People s United Financial established an Employee Stock Ownership Plan (the ESOP). At that time, People s United Financial loaned the ESOP $216.8 million to purchase 10,453,575 shares of People s United Financial common stock in the open market. In order for the ESOP to repay the loan, People s United Financial expects to make annual cash contributions of approximately $18.8 million until 2036. Such cash contributions may be reduced by the cash dividends paid on unallocated ESOP shares, which totaled $1.3 million for the three months ended March 31, 2013. At March 31, 2013, the loan balance totaled $198.3 million.

Shares of People s United Financial common stock are held by the ESOP and allocated to eligible participants annually based upon a percentage of each participant s eligible compensation. Since the ESOP was established, a total of 2,177,829 shares of People s United Financial common stock have been allocated or committed to be released to participants accounts. At March 31, 2013, a total of 8,275,746 shares of People s United Financial common stock, with a fair value of $111.1 million at that date, have not been allocated or committed to be released.

Compensation expense related to the ESOP is recognized at an amount equal to the number of common shares committed to be released by the ESOP for allocation to participants accounts multiplied by the average fair value of People s United Financial s common stock during the reporting period. The difference between the fair value of the shares of People s United Financial s common stock committed to be released and the cost of those common shares is recorded as a credit to additional paid-in capital (if fair value exceeds cost) or, to the extent that no such credits remain in additional paid-in capital, as a charge to retained earnings (if fair value is less than cost). Expense recognized for the ESOP totaled $1.1 million for both the three months ended March 31, 2013 and 2012.

People s United Financial, Inc.

Notes to Consolidated Financial Statements (Unaudited)

NOTE 8. LEGAL PROCEEDINGS

In the normal course of business, People s United Financial is subject to various legal proceedings. Management has discussed with legal counsel the nature of the pending actions described below, as well as other legal proceedings. Based on the information currently available, advice of counsel, available insurance coverage and the recorded liability for probable legal settlements and costs, People s United Financial believes that the eventual outcome of these matters will not (individually or in the aggregate) have a material adverse effect on its financial condition, results of operations or liquidity.

Litigation Relating to the Smithtown Bancorp, Inc. Transaction

On February 25, 2010 and March 29, 2010, Smithtown and several of its officers and directors were named in two lawsuits commenced in United States District Court, Eastern District of New York (*Waterford Township Police & Fire Retirement v. Smithtown Bancorp, Inc., et al.* and *Yourgal v. Smithtown Bancorp, Inc. et al.*, respectively) on behalf of a putative class of all persons and entities who purchased Smithtown s common stock between March 13, 2008 and February 1, 2010, alleging claims under Section 10(b) and Section 20(a) of the Securities Exchange Act of 1934. The plaintiffs allege, among other things, that Smithtown s loan loss reserve, fair value of its assets, recognition of impaired assets and its internal and disclosure controls were materially false, misleading or incomplete. As a result of the merger of Smithtown with and into People s United Financial on November 30, 2010, People s United Financial has become the successor party to Smithtown in this matter.

On April 26, 2010, the named plaintiff in the *Waterford* action moved to consolidate its action with the *Yourgal* action, to have itself appointed lead plaintiff in the consolidated action and to obtain approval of its selection of lead counsel. The Court approved the consolidation of the two suits, with Waterford Township named the lead plaintiff. On March 22, 2012, People s United Financial filed a Motion to Dismiss the Complaint. On March 29, 2013, the Court granted People s United Financial s Motion to Dismiss. On April 30, 2013, the plaintiffs filed a second amended complaint.

Other

People s United Bank has been named as a defendant in a lawsuit (*Marta Farb, on behalf of herself and all others similarly situated v. People s United Bank*) arising from its assessment and collection of overdraft fees on its checking account customers. The complaint was filed in the Superior Court of Connecticut, Judicial District of Waterbury, on April 22, 2011 and alleges that People s United Bank engaged in certain unfair practices in the posting of electronic debit card transactions from highest to lowest dollar amount. The complaint also alleges that such practices were inadequately disclosed to customers and were unfairly used by People s United Bank for the purpose of generating revenue by maximizing the number of overdrafts a customer is assessed. The complaint seeks certification of a class of checking account holders residing in Connecticut and who have incurred at least one overdraft fee, injunctive relief, compensatory, punitive and treble damages, disgorgement and restitution of overdraft fees paid, and attorneys fees. On June 16, 2011, People s United Bank filed a Motion to Dismiss the Complaint, and on December 7, 2011, that motion was denied by the court. On April 11, 2012, the plaintiff filed an amended complaint, and on May 15, 2012, People s United Bank filed a Motion to Strike the Amended Complaint. That motion remains pending. Expedited discovery in this case began in July 2012. On April 10, 2013, People s United Bank renewed its Motion to Dismiss the Complaint.

People s United Bank has been named as a defendant in a lawsuit (*Tracy Fracasse and K. Lee Brown, individually and on behalf of others similarly situated v. People s United Bank)* based on allegations that People s United Bank failed to pay overtime compensation required by (i) the federal Fair Labor Standards Act and (ii) the Connecticut Minimum Wage Act. The plaintiffs allege that they were employed as underwriters and were misclassified as exempt employees. The plaintiffs further allege that they worked in excess of 40 hours per week and were erroneously denied overtime compensation as required by federal and state wage and hour laws. The complaint was filed in the U.S. District Court of Connecticut on May 3, 2012. Since the complaint is brought under both federal and state law, the complaint seeks certification of two different but overlapping classes. The plaintiffs seek damages in the amount of their respective unpaid overtime and minimum wage compensation, liquidated damages and interest and attorneys fees. On June 29, 2012, People s United Bank filed its Answer and Affirmative Defenses.

NOTE 9. SEGMENT INFORMATION

See Segment Results included in Item 2 for segment information for the three months ended March 31, 2013 and 2012.

Table of Contents

People s United Financial, Inc.

Notes to Consolidated Financial Statements (Unaudited)

NOTE 10. FAIR VALUE MEASUREMENTS

Accounting standards related to fair value measurements define fair value, provide a framework for measuring fair value and establish related disclosure requirements. Broadly, fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. Accordingly, an exit price approach is required in determining fair value. In support of this principle, a fair value hierarchy has been established that prioritizes the inputs used to measure fair value, requiring entities to maximize the use of market or observable inputs (as more reliable measures) and minimize the use of unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs generally require significant management judgment. The three levels within the fair value hierarchy are as follows:

Level 1 Unadjusted quoted market prices for identical assets or liabilities in active markets that the entity has the ability to access at the measurement date (such as active exchange-traded equity securities and certain U.S. and government agency debt securities).

Level 2 Observable inputs other than quoted prices included in Level 1, such as:

- quoted prices for similar assets or liabilities in active markets (such as U.S. agency and GSE issued mortgage-backed securities and CMOs);
- quoted prices for identical or similar assets or liabilities in less active markets (such as certain U.S. and government agency debt securities, and corporate and municipal debt securities that trade infrequently); and
- other inputs that (i) are observable for substantially the full term of the asset or liability (e.g. interest rates, yield curves, prepayment speeds, default rates, etc.) or (ii) can be corroborated by observable market data (such as interest rate and currency derivatives and certain other securities).

Level 3 Valuation techniques that require unobservable inputs that are supported by little or no market activity and are significant to the fair value measurement of the asset or liability (such as pricing models, discounted cash flow methodologies and similar techniques that typically reflect management s own estimates of the assumptions a market participant would use in pricing the asset or liability).

People s United Financial maintains policies and procedures to value assets and liabilities using the most relevant data available. Described below are the valuation methodologies used by People s United Financial and the resulting fair values for those financial instruments measured at fair value on both a recurring and a non-recurring basis, as well as for those financial assets and financial liabilities not measured at fair value but for which fair value is disclosed.

Recurring Fair Value Measurements

Trading Account Securities and Securities Available For Sale

When available, People s United Financial uses quoted market prices for identical securities received from an independent, nationally-recognized, third-party pricing service (as discussed further below) to determine the fair value of investment securities such as U.S. Treasury and agency securities that are included in Level 1. When quoted market prices for identical securities are unavailable, People s United Financial uses prices provided by the independent pricing service based on recent trading activity and other observable information including, but not limited to, market interest rate curves, referenced credit spreads and estimated prepayment rates where applicable. These investments include certain U.S. and government agency debt securities, corporate and municipal debt securities, and GSE residential mortgage-backed securities and CMOs, all of which are included in Level 2.

Substantially all of the Company s available-for-sale securities represent GSE residential mortgage-backed securities and CMOs. The fair values of these securities are based on prices obtained from the independent pricing service. The pricing service uses various techniques to determine pricing for the Company s mortgage-backed securities, including option pricing and discounted cash flow analysis. The inputs include benchmark yields, reported trades, broker/dealer quotes, issuer spreads, benchmark securities, bids, offers, reference data, monthly payment information and collateral performance. At both March 31, 2013 and December 31, 2012, the entire available-for-sale residential mortgage-backed securities portfolio was comprised of 15-year GSE securities. An active market exists for securities that are similar to the Company s GSE residential mortgage-backed securities and CMOs, making observable inputs readily available.

Table of Contents

People s United Financial, Inc.

Notes to Consolidated Financial Statements (Unaudited)

Changes in the prices obtained from the pricing service are analyzed from month to month, taking into consideration changes in market conditions including changes in mortgage spreads, changes in U.S. Treasury security yields and changes in generic pricing of 15-year securities. As a further point of validation, the Company generates its own month-end fair value estimate for all mortgage-backed securities, agency-issued CMOs (also backed by 15-year mortgage-backed securities), and state and municipal securities. While the Company has not adjusted the prices obtained from the independent pricing service, any notable differences between those prices and the Company s estimates are subject to further analysis. This additional analysis may include a review of prices provided by other independent parties, a yield analysis, a review of average life changes using Bloomberg analytics and a review of historical pricing for the particular security. Based on management s review of the prices provided by the pricing service, the fair values incorporate observable market inputs used by market participants at the measurement date and, as such, are classified as Level 2 securities.

Other Assets

As discussed in Note 7, the Supplemental Plans are unfunded, nonqualified plans that provide retirement benefits to certain senior officers. People s United Financial has funded two trusts to provide benefit payments to the extent such benefits are not paid directly by People s United Financial, the assets of which are included in other assets in the Consolidated Statements of Condition. When available, People s United Financial determines the fair value of the trust assets using quoted market prices for identical securities received from a third-party nationally recognized pricing service.

Derivatives

People s United Financial values its derivatives using internal models that are based on market or observable inputs including interest rate curves and forward/spot prices for selected currencies. Derivative assets and liabilities included in Level 2 represent interest rate swaps, foreign exchange contracts, risk participation agreements, interest rate-lock commitments on residential mortgage loans and forward commitments to sell residential mortgage loans.

The following tables summarize People s United Financial s financial instruments that are measured at fair value on a recurring basis:

	Fair Value Measurements Using			
As of March 31, 2013 (in millions)	Level 1	Level 2	Level 3	Total
Financial assets:				
Trading account securities:				
U.S. Treasury	$ 6.4	$	$	$ 6.4
Securities available for sale:				
U.S. Treasury and agency	23.9			23.9
GSE residential mortgage-backed securities and CMOs		3,900.4		3,900.4
State and municipal		582.4		582.4
Corporate		60.3		60.3
Other		3.2		3.2
Equity securities		0.2		0.2
Other assets:				
Fixed income securities		41.3		41.3
Equity mutual funds		0.3		0.3
Interest rate swaps		70.8		70.8
Foreign exchange contracts		0.1		0.1
Forward commitments to sell residential mortgage loans		2.7		2.7
Total	$ 30.3	$ 4,661.7	$	$ 4,692.0

Financial liabilities:								
Interest rate swaps	$		$	65.0	$		$	65.0
Interest rate-lock commitments on residential mortgage loans				3.3				3.3
Total	$		$	68.3	$		$	68.3

Table of Contents

People s United Financial, Inc.

Notes to Consolidated Financial Statements (Unaudited)

As of December 31, 2012 (in millions)	Fair Value Measurements Using Level 1	Level 2	Level 3	Total
Financial assets:				
Trading account securities:				
U.S. Treasury	$ 6.5	$	$	$ 6.5
Securities available for sale:				
U.S. Treasury and agency	30.7			30.7
GSE residential mortgage-backed securities and CMOs		3,899.0		3,899.0
State and municipal		539.6		539.6
Corporate		59.9		59.9
Other		2.9		2.9
Equity securities		0.2		0.2
Other assets:				
Fixed income securities		40.9		40.9
Equity mutual funds		0.4		0.4
Interest rate swaps		75.0		75.0
Forward commitments to sell residential mortgage loans		3.1		3.1
Total	$ 37.2	$ 4,621.0	$	$ 4,658.2
Financial liabilities:				
Interest rate swaps	$	$ 70.2	$	$ 70.2
Foreign exchange contracts		0.1		0.1
Interest rate-lock commitments on residential mortgage loans		3.5		3.5
Total	$	$ 73.8	$	$ 73.8

As of March 31, 2013 and December 31, 2012, the fair value of the risk participation agreements totaled less than $0.1 million.

There were no transfers into or out of the Level 1 or Level 2 categories during the three months ended March 31, 2013 and 2012.

Non-Recurring Fair Value Measurements

Loans Held for Sale

Residential mortgage loans held for sale are recorded at the lower of cost or fair value and are therefore measured at fair value on a non-recurring basis. When available, People s United Financial uses observable secondary market data, including pricing on recent closed market transactions for loans with similar characteristics. Accordingly, such loans are classified as Level 2 measurements. When observable data is unavailable, valuation methodologies using current market interest rate data adjusted for inherent credit risk are used, and such loans are included in Level 3.

Impaired Loans

Loan impairment is deemed to exist when full repayment of principal and interest according to the contractual terms of the loan is no longer probable. Impaired loans are reported based on one of three measures: the present value of expected future cash flows discounted at the loan s original effective interest rate; the loan s observable market price; or the fair value of the collateral (less estimated cost to sell) if the loan is collateral dependent. Accordingly, certain impaired loans may be subject to measurement at fair value on a non-recurring basis. People s United Financial has estimated the fair values of these assets using Level 3 inputs, such as the fair value of collateral based on independent third-party appraisals for collateral-dependent loans. Such appraisals are based on the market and/or income approach to value and are subject to a discount (to reflect estimated cost to sell) that generally approximates 10%.

Table of Contents

People s United Financial, Inc.

Notes to Consolidated Financial Statements (Unaudited)

REO and Repossessed Assets

REO and repossessed assets are recorded at the lower of cost or fair value, less estimated selling costs, and are therefore measured at fair value on a non-recurring basis. People s United Financial has estimated the fair values of these assets using Level 3 inputs, such as independent third-party appraisals and price opinions. Such appraisals are based on the market and/or income approach to value and are subject to a discount (to reflect estimated cost to sell) that generally approximates 10%. Assets that are acquired through loan default are recorded as held for sale initially at the lower of the recorded investment in the loan or fair value (less estimated selling costs) upon the date of foreclosure/repossession. Subsequent to foreclosure/repossession, valuations are updated periodically and the carrying amounts of these assets may be reduced further.

The following tables summarize People s United Financial s assets that are measured at fair value on a non-recurring basis:

	Fair Value Measurements Using			
As of March 31, 2013 (in millions)	Level 1	Level 2	Level 3	Total
Loans held for sale (1)	$	$ 50.7	$	$ 50.7
Impaired loans (2)			104.3	104.3
REO and repossessed assets (3)			33.7	33.7
Total	$	$ 50.7	$ 138.0	$ 188.7

	Fair Value Measurements Using			
As of December 31, 2012 (in millions)	Level 1	Level 2	Level 3	Total
Loans held for sale (1)	$	$ 77.0	$	$ 77.0
Impaired loans (2)			114.3	114.3
REO and repossessed assets (3)			36.9	36.9
Total	$	$ 77.0	$ 151.2	$ 228.2

(1) Consists of residential mortgage loans; no fair value adjustments were recorded for the three months ended March 31, 2013 and 2012.

(2) Represents the recorded investment in originated impaired loans with a related allowance for loan losses measured based on the fair value of the underlying collateral less cost to sell. The total consists of $44.4 million, $52.8 million and $7.1 million of commercial real estate loans, commercial and industrial loans, and equipment financing loans, respectively, at March 31, 2013. The provision for loan losses on collateral-dependent impaired loans totaled $(1.4) million and $0.7 million for the three months ended March 31, 2013 and 2012, respectively.

(3) Represents: (i) $16.9 million of residential REO; (ii) $9.6 million of commercial REO; and (iii) $7.2 million of repossessed assets at March 31, 2013. Charge-offs to the allowance for loan losses related to loans that were transferred to REO and repossessed assets totaled $0.3 million and $0.5 million for the three months ended March 31, 2013 and 2012, respectively. Write downs and net loss on sale of foreclosed/repossessed assets charged to non-interest expense totaled $0.2 million and $0.2 million for the same periods.

Financial Assets and Financial Liabilities Not Measured At Fair Value

As discussed previously, fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date (an exit price approach to fair value).

Acceptable valuation techniques (when quoted market prices are not available) that might be used to estimate the fair value of financial instruments include discounted cash flow analyses and comparison to similar instruments. Such estimates are highly subjective and require judgments regarding significant matters such as the amount and timing of future cash flows and the selection of discount rates that appropriately reflect market and credit risks. Changes in these judgments often have a material impact on the fair value estimates. In addition, since these estimates are made as of a specific point in time, they are susceptible to material near-term changes. Fair values estimated in this manner do not reflect any premium or discount that could result from the sale of a large volume of a particular financial instrument, nor do they reflect possible tax ramifications or estimated transaction costs.

Table of Contents

People s United Financial, Inc.

Notes to Consolidated Financial Statements (Unaudited)

The following is a description of the principal valuation methods used by People s United Financial for those financial instruments that are not measured at fair value either on a recurring or non-recurring basis:

Cash and Short-Term Investments

Cash and due from banks are classified as Level 1. Short-term investments have fair values that approximate the respective carrying amounts because the instruments are payable on demand or have short-term maturities, and present relatively low credit risk and interest rate risk. As such, these fair values are classified as Level 2.

Securities Held to Maturity

When available, the fair values of investment securities held to maturity are measured based on quoted market prices for identical securities in active markets and, accordingly, are classified as Level 1 assets. When quoted market prices for identical securities are not available, fair values are estimated based on quoted prices for similar assets in active markets or through the use of pricing models containing observable inputs (i.e. market interest rates, financial information and credit ratings of the issuer, etc.). These fair values are included in Level 2. In cases where there may be limited information available and/or little or no market activity for the underlying security, fair value is estimated using pricing models containing unobservable inputs and classified as Level 3.

FHLB Stock

FHLB stock is a non-marketable equity security classified as Level 2 and reported at cost, which equals par value (the amount at which shares have been redeemed in the past). No significant observable market data is available for this security.

Loans

For valuation purposes, the loan portfolio is segregated into its significant categories, which are commercial real estate, commercial and industrial, equipment financing, residential mortgage, home equity and other consumer. These categories are further segregated, where appropriate, into components based on significant financial characteristics such as type of interest rate (fixed or adjustable) and payment status (performing or non-performing). Fair values are estimated for each component using a valuation method selected by management.

The fair values of performing loans were estimated by discounting the anticipated cash flows from the respective portfolios, assuming future prepayments and using market interest rates for new loans with comparable credit risk. As a result, the valuation method for performing loans, which is consistent with certain guidance provided in accounting standards, does not fully incorporate the exit price approach to fair value. The fair values of non-performing loans were based on recent collateral appraisals or management s analysis of estimated cash flows discounted at rates commensurate with the credit risk involved. The estimated fair values of residential mortgage loans are classified as Level 2 as a result of the observable market inputs (i.e. market interest rates, prepayment assumptions, etc.) available for this loan type. The fair values of all other loan types are classified as Level 3 as the inputs contained within the respective discounted cash flow models are largely unobservable and, instead, reflect management s own estimates of the assumptions a market participant would use in pricing such loans. The fair value of home equity lines of credit was based on the outstanding loan balances, and therefore does not reflect the value associated with earnings from future loans to existing customers.

Deposit Liabilities

The fair values of time deposits represent contractual cash flows discounted at current rates determined by reference to observable inputs including a LIBOR/swap curve over the remaining period to maturity. As such, these fair values are classified as Level 2. The fair values of other deposit liabilities (those with no stated maturity, such as checking and savings accounts) are equal to the carrying amounts payable on demand. Deposit fair values do not include the intangible value of core deposit relationships that comprise a significant portion of People s United Financial s deposit base. Management believes that People s United Financial s core deposit relationships provide a relatively stable, low-cost funding source that has a substantial intangible value separate from the deposit balances.

33

People s United Financial, Inc.

Notes to Consolidated Financial Statements (Unaudited)

Borrowings and Notes and Debentures

The fair values of retail repurchase agreements and federal funds purchased are equal to the carrying amounts due to the short maturities (generally overnight). The fair values of FHLB advances and other borrowings represent contractual repayments discounted using interest rates currently available on borrowings with similar characteristics and remaining maturities and are classified as Level 2. The fair values of notes and debentures were based on dealer quotes and are classified as Level 2.

Lending-Related Financial Instruments

The estimated fair values of People s United Financial s lending-related financial instruments approximate the respective carrying amounts. These include commitments to extend credit, unadvanced lines of credit and letters of credit for which fair values were estimated based on an analysis of the interest rates and fees currently charged to enter into similar transactions, considering the remaining terms of the instruments and the creditworthiness of the potential borrowers.

The following tables summarize the carrying amounts, estimated fair values and placement in the fair value hierarchy of People s United Financial s financial instruments that are not measured at fair value either on a recurring or non-recurring basis:

As of March 31, 2013 (in millions)	Carrying Amount	Estimated Fair Value Measurements Using Level 1	Level 2	Level 3	Total
Financial assets:					
Cash and due from banks	$ 320.5	$ 320.5	$	$	$ 320.5
Short-term investments	127.2		127.2		127.2
Securities held to maturity	56.1		59.5	1.1	60.6
FHLB stock	83.0		83.0		83.0
Total loans, net (1)	21,869.3		4,000.9	18,210.8	22,211.7
Financial liabilities:					
Time deposits	4,586.5		4,643.4		4,643.4
Other deposits	17,205.1		17,205.1		17,205.1
FHLB advances	1,407.4		1,423.1		1,423.1
Federal funds purchased	934.0		934.0		934.0
Retail repurchase agreements	506.9		506.9		506.9
Other borrowings	1.0		1.0		1.0
Notes and debentures	659.3		671.2		671.2

(1) Excludes impaired loans totaling $104.3 million measured at fair value on a non-recurring basis.

As of December 31, 2012 (in millions)	Carrying Amount	Estimated Fair Value Measurements Using Level 1	Level 2	Level 3	Total
Financial assets:					
Cash and due from banks	$ 470.0	$ 470.0	$	$	$ 470.0
Short-term investments	131.4		131.4		131.4
Securities held to maturity	56.2		59.7	1.2	60.9
FHLB stock	73.7		73.7		73.7

Total loans, net (1)	21,434.3	3,925.6	17,972.7	21,898.3
Financial liabilities:				
Time deposits	4,706.4	4,769.7		4,769.7
Other deposits	17,044.1	17,044.1		17,044.1
FHLB advances	1,178.3	1,194.5		1,194.5
Federal funds purchased	619.0	619.0		619.0
Retail repurchase agreements	588.2	588.2		588.2
Other borrowings	1.0	1.0		1.0
Notes and debentures	659.0	666.9		666.9

(1) Excludes impaired loans totaling $114.3 million measured at fair value on a non-recurring basis.

People s United Financial, Inc.

Notes to Consolidated Financial Statements (Unaudited)

NOTE 11. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

People s United Financial uses derivative financial instruments as components of its market risk management (principally to manage interest rate risk). Certain other derivatives are entered into in connection with transactions with commercial customers. Derivatives are not used for speculative purposes.

All derivatives are recognized as either assets or liabilities in the Consolidated Statements of Condition. Amounts reported represent the fair values of the derivative contracts, net of amounts recognized for the right to reclaim cash collateral (a receivable) or the obligation to return cash collateral (a payable) arising from derivative contracts executed with the same counterparty under a master netting arrangement. Until a derivative is settled, favorable changes in fair values result in unrealized gains that are recognized as assets, while unfavorable changes result in unrealized losses that are recognized as liabilities.

People s United Financial generally applies hedge accounting to its derivatives used for market risk management purposes. Hedge accounting is permitted only if specific criteria are met, including a requirement that a highly effective relationship exist between the derivative instrument and the hedged item, both at inception of the hedge and on an ongoing basis. The hedge accounting method depends upon whether the derivative instrument is classified as a fair value hedge (i.e. hedging an exposure related to a recognized asset or liability, or a firm commitment) or a cash flow hedge (i.e. hedging an exposure related to the variability of future cash flows associated with a recognized asset or liability, or a forecasted transaction). Changes in the fair value of effective fair value hedges are recognized in current earnings (with the change in fair value of the hedged asset or liability also recorded in earnings). Changes in the fair value of effective cash flow hedges are recognized in other comprehensive income or loss until earnings are affected by the variability in cash flows of the designated hedged item. Ineffective portions of hedge results are recognized in current earnings. Changes in the fair value of derivatives for which hedge accounting is not applied are recognized in current earnings.

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

People s United Financial uses the dollar offset method, regression analysis and scenario analysis to assess hedge effectiveness at inception and on an ongoing basis. Such methods are chosen based on the nature of the hedge strategy and are used consistently throughout the life of the hedging relationship.

Certain derivative financial instruments are offered to commercial customers to assist them in meeting their financing and investing objectives and for their risk management purposes. These derivative financial instruments consist primarily of interest rate swaps, but also include foreign exchange contracts. The interest rate risk associated with customer interest rate swaps is mitigated by entering into similar derivatives having essentially offsetting terms with other counterparties.

Interest rate-lock commitments extended to borrowers relate to the origination of residential mortgage loans. To mitigate the interest rate risk inherent in these commitments, People s United Financial enters into mandatory delivery and best efforts contracts to sell adjustable-rate and fixed-rate residential mortgage loans (servicing released). Forward commitments to sell and interest rate-lock commitments on residential mortgage loans are considered derivatives and their respective estimated fair values are adjusted based on changes in interest rates.

Changes in the fair value of derivatives for which hedge accounting is not applied are recognized in current earnings, including customer derivatives, interest-rate lock commitments and forward sale commitments.

People s United Financial, Inc.

Notes to Consolidated Financial Statements (Unaudited)

By using derivatives, People s United Financial is exposed to credit risk to the extent that counterparties to the derivative contracts do not perform as required. Should a counterparty fail to perform under the terms of a derivative contract, the Company s counterparty credit risk is equal to the amount reported as a derivative asset in the Consolidated Statements of Condition. In accordance with the Company s offsetting policy noted earlier, amounts reported as derivative assets represent derivative contracts in a gain position, net of derivative contracts in a loss position with the same counterparty (to the extent subject to master netting arrangements) and posted collateral. People s United Financial seeks to minimize counterparty credit risk through credit approvals, limits, monitoring procedures, execution of master netting arrangements and obtaining collateral, where appropriate. Counterparties to People s United Financial s derivatives include major financial institutions with investment grade credit ratings from the major rating agencies. As such, management believes the risk of incurring credit losses on derivative contracts with those counterparties is remote and losses, if any, would be immaterial.

Certain of People s United Financial s derivative contracts contain provisions establishing collateral requirements (subject to minimum collateral posting thresholds) based on the Company s external credit rating. If the Company s senior unsecured debt rating were to fall below the level generally recognized as investment grade, the counterparties to such derivative contracts could require additional collateral on those derivative transactions in a net liability position (after considering the effect of master netting arrangements and posted collateral). The aggregate fair value of derivative instruments with such credit-related contingent features that were in a net liability position at March 31, 2013 was $12.7 million, for which People s United Financial had posted collateral of $11.0 million in the normal course of business. If the Company s senior unsecured debt rating had fallen below investment grade as of that date, $1.7 million in additional collateral would have been required.

The following sections further discuss each class of derivative financial instrument used by People s United Financial, including management s principal objectives and risk management strategies.

Interest Rate Swaps

People s United Financial may, from time to time, enter into pay fixed/receive floating interest rate swaps that are used to manage interest rate risk associated with certain interest-earning assets and interest-bearing liabilities.

Interest rate swaps associated with interest-earning assets, which matured in March 2012, were used to match more closely the repricing of certain commercial real estate loans and the funding associated with these loans. These interest rate swaps were accounted for as fair value hedges.

People s United Financial has entered into an interest rate swap to hedge the LIBOR-based floating rate payments on the Company s $125 million subordinated notes (such payments began in February 2012). The subordinated notes had a fixed interest rate of 5.80% until February 2012, at which time the interest rate converted to the three-month LIBOR plus 68.5 basis points. People s United Financial has agreed with the swap counterparty to exchange, at specified intervals, the difference between fixed-rate (1.99%) and floating-rate interest amounts calculated based on a notional amount of $125 million. The floating rate interest amounts received under the interest rate swap are calculated using the same floating rate paid on the subordinated notes. The interest rate swap effectively converts the variable rate subordinated notes to a fixed interest rate and consequently reduces People s United Financial s exposure to increases in interest rates. This interest rate swap is accounted for as a cash flow hedge.

People s United Financial, Inc.

Notes to Consolidated Financial Statements (Unaudited)

Interest Rate Locks

In connection with its planned issuance of senior notes in the fourth quarter of 2012, People s United Financial entered into U.S. Treasury forward interest rate locks (T-Locks) to hedge the risk that the 10-year U.S. Treasury yield component of the underlying coupon of the fixed rate senior notes would rise prior to establishing the fixed interest rate on the senior notes. Upon pricing the senior notes, the T-Locks were terminated and the unrealized gain of $0.9 million was included (on a net-of-tax basis) as a component of accumulated other comprehensive loss. The gain will be recognized as a reduction of interest expense over the ten-year period during which the hedged item ($500 million senior note issuance) affects earnings.

Foreign Exchange Contracts

Foreign exchange contracts are commitments to buy or sell foreign currency on a future date at a contractual price. People s United Financial uses these instruments on a limited basis to eliminate its exposure to fluctuations in currency exchange rates on certain of its commercial loans that are denominated in foreign currencies. Gains and losses on foreign exchange contracts substantially offset the translation gains and losses on the related loans. Effective in the first quarter of 2010, People s United Financial no longer designates foreign exchange contracts as hedging instruments.

Risk Participation Agreements

People s United Financial has entered into risk participation agreements under which it may either assume or sell credit risk associated with a borrower s performance under certain interest rate derivative contracts. In those instances in which People s United Financial has assumed credit risk, it is not a party to the derivative contract and has entered into the risk participation agreement because it is also a party to the related loan agreement with the borrower. In those instances in which People s United Financial has sold credit risk, it is the sole party to the derivative contract and has entered into the risk participation agreement because it sold a portion of the related loan. People s United Financial manages its credit risk under risk participation agreements by monitoring the creditworthiness of the borrower, based on its normal credit review process. The notional amounts of the risk participation agreements reflect People s United Financial s pro-rata share of the derivative contracts, consistent with its share of the related loans.

Customer Derivatives

People s United Financial has entered into interest rate swaps with certain of its commercial customers. In order to minimize its risk, these customer derivatives (pay floating/receive fixed swaps) have been offset with essentially matching interest rate swaps with People s United Financial s counterparties (pay fixed/receive floating swaps). Hedge accounting has not been applied for these derivatives. Accordingly, changes in the fair value of all such interest rate swaps are recognized in current earnings.

Forward Commitments to Sell Residential Mortgage Loans and Related Interest Rate-Lock Commitments

People s United Financial enters into forward commitments to sell adjustable-rate and fixed-rate residential mortgage loans (all to be sold servicing released) in order to reduce the market risk associated with originating loans for sale in the secondary market. In order to fulfill a forward commitment, People s United Financial delivers originated loans at prices or yields specified by the contract. The risks associated with such contracts arise from the possible inability of counterparties to meet the contract terms or People s United Financial s inability to originate the necessary loans. Gains and losses realized on the forward contracts are reported in the Consolidated Statements of Income as a component of the net gains on sales of residential mortgage loans. In the normal course of business, People s United Financial will commit to an interest rate on a mortgage loan application at a time after the application is approved by People s United Financial. The risks associated with these interest rate-lock commitments arise if market interest rates change prior to the closing of these loans. Both forward sales commitments and interest rate-lock commitments made to borrowers on held-for-sale loans are accounted for as derivatives, with changes in fair value recognized in current earnings.

Table of Contents

People s United Financial, Inc.

Notes to Consolidated Financial Statements (Unaudited)

The table below provides a summary of the notional amounts and fair values (presented on a gross basis) of derivatives outstanding:

(in millions)	Type of Hedge	Notional Amounts March 31, 2013	Notional Amounts Dec. 31, 2012	Fair Values (1) Assets March 31, 2013	Fair Values (1) Assets Dec. 31, 2012	Fair Values (1) Liabilities March 31, 2013	Fair Values (1) Liabilities Dec. 31, 2012
Derivatives Not Designated as Hedging Instruments:							
Interest rate swaps:							
Commercial customers	N/A	$ 1,385.6	$ 1,274.6	$ 66.4	$ 73.8	$ 2.7	$ 0.6
Other counterparties	N/A	1,385.6	1,274.6	4.4	1.2	59.2	66.2
Foreign exchange contracts	N/A	4.4	6.3	0.1			0.1
Risk participation agreements (2)	N/A	30.6	5.3				
Forward commitments to sell residential mortgage loans	N/A	154.7	185.8	2.7	3.1		
Interest rate-lock commitments on residential mortgage loans	N/A	187.0	216.4			3.3	3.5
Total				73.6	78.1	65.2	70.4
Derivatives Designated as Hedging Instruments:							
Interest rate swaps:							
Subordinated notes	Cash flow	125.0	125.0			3.1	3.4
Total						3.1	3.4
Total derivatives				$ 73.6	$ 78.1	$ 68.3	$ 73.8

(1) Assets are recorded in other assets and liabilities are recorded in other liabilities.
(2) Fair value totaled less than $0.1 million at both dates.

The following table summarizes the impact of People s United Financial s derivatives on pre-tax income and AOCL:

Three months ended March 31 (in millions)	Type of Hedge	Amount of Pre-Tax Gain (Loss) Recognized in Earnings (1) 2013	Amount of Pre-Tax Gain (Loss) Recognized in Earnings (1) 2012	Amount of Pre-Tax Gain (Loss) Recognized in AOCL 2013	Amount of Pre-Tax Gain (Loss) Recognized in AOCL 2012
Derivatives Not Designated as Hedging Instruments:					
Interest rate swaps:					
Commercial customers	N/A	$ (3.2)	$ (4.3)	$	$
Other counterparties	N/A	4.2	4.6		
Foreign exchange contracts	N/A	0.2	(0.2)		
Risk participation agreements	N/A	0.3			
Forward commitments to sell residential mortgage loans	N/A	(0.3)	1.1		
Interest rate-lock commitments on residential mortgage loans	N/A	(0.3)	(1.2)		

Total		0.9			
Derivatives Designated as Hedging Instruments:					
Interest rate swaps	Cash flow	(0.3)	(0.1)	0.3	(0.1)
Interest rate locks (2)	Cash flow				
Total		(0.3)	(0.1)	0.3	(0.1)
Total derivatives		$ 0.6	$ (0.1)	$ 0.3	$ (0.1)

(1) Amounts recognized in earnings are recorded in interest income or interest expense for derivatives designated as hedging instruments and in other non-interest income for derivatives not designated as hedging instruments.

(2) Reflects income (less than $0.1 million for the three months ended March 31, 2013) relating to interest rate locks terminated in 2012.

Table of Contents

People s United Financial, Inc.

Notes to Consolidated Financial Statements (Unaudited)

NOTE 12. REVISED FINANCIAL RESULTS

Previously reported results for the three months ended March 31, 2012 have been revised to reflect a reduction in interest income on certain acquired loans relating to an unintentional overstatement of interest income. The effects of these revisions, which were immaterial, are summarized below.

As of and for the three months ended March 31, 2012

(in millions, except per share data)	Previously Reported	Revised
Total loans	$ 20,489.5	$ 20,472.4
Other assets	607.7	613.9
Total stockholders equity	5,180.6	5,169.7
Total interest on loans	243.3	241.4
Total interest and dividend income	262.1	260.2
Net interest income	235.1	233.2
Net interest income after provision for loan losses	223.6	221.7
Income before income tax expense	87.4	85.5
Income tax expense	28.8	28.2
Net income	58.6	57.3
Earnings per common share:		
Basic	$ 0.17	$ 0.17
Diluted	0.17	0.17

The revisions also resulted in a decrease of $1.9 million in net cash provided by operating activities and a corresponding increase in net cash provided by investing activities as reported in the Consolidated Statements of Cash Flows for the three months ended March 31, 2012.

NOTE 13. NEW ACCOUNTING STANDARDS

Comprehensive Income

In June 2011, the Financial Accounting Standards Board (the FASB) amended its standards relating to the presentation of comprehensive income to require that all non-owner changes in stockholders equity be presented either in a single continuous statement of comprehensive income or in two separate consecutive statements. These amendments will make the financial statement presentation of other comprehensive income more prominent by eliminating the alternative to present comprehensive income within the statement of stockholders equity. In December 2011, the FASB deferred indefinitely the portion of the new guidance requiring that items reclassified out of accumulated other comprehensive income (loss) be presented on the face of the financial statements together with the related components of net income and other comprehensive income. The effective date of the deferral is consistent with the effective date of the June 2011 amendments. For public entities, these amendments, which are to be applied retrospectively, became effective January 1, 2012. The Company has presented separate Consolidated Statements of Comprehensive Income immediately following its Consolidated Statements of Income.

Table of Contents

People s United Financial, Inc.

Notes to Consolidated Financial Statements (Unaudited)

In February 2013, the FASB amended its standards to provide specific requirements regarding the disclosure of amounts reclassified out of accumulated other comprehensive income (loss). The amendments require that companies separately provide information about the effects on net income of significant amounts reclassified out of each component of accumulated other comprehensive income (loss) if those amounts are, under other standards, required to be reclassified to net income in their entirety in the same reporting period. An entity shall provide this information together, in one location, either (i) on the face of the statement where net income is presented or (ii) as a separate disclosure in the notes to the financial statements. For any significant reclassification for which other standards do not require reclassification to net income in its entirety in the same reporting period, companies shall cross-reference to the related footnote where additional details about the effect of the reclassification are disclosed. This amendment became effective for People s United Financial on January 1, 2013 and did not have a significant impact on the Company s Consolidated Financial Statements. The applicable required disclosures have been provided in Note 4.

Balance Sheet Offsetting Disclosures

In December 2011, the FASB issued amendments to its standards to provide for certain additional disclosures about financial instruments and derivative instruments that are subject to netting arrangements. Specifically, entities will be required to provide information about both net and gross amounts in the notes to the financial statements for relevant assets and liabilities that are offset. In January 2013, the FASB issued amendments to its standards to clarify the scope of its December 2011 guidance, limiting the disclosure requirements to derivative instruments, repurchase agreements and securities lending transactions to the extent that they are (i) offset in the financial statements or (ii) subject to an enforceable master netting arrangement or similar agreement. This amendment became effective for People s United Financial on January 1, 2013 and did not have a significant impact on the Company s Consolidated Financial Statements.

Accounting for Indemnification Assets

In October 2012, the FASB amended its standards with respect to the subsequent accounting for an indemnification asset recognized in connection with a government-assisted acquisition of a financial institution. The amendment addresses diversity in practice with respect to how entities subsequently recognize decreases in expected cash flows from the indemnification asset resulting from an increase in the expected cash flows from the indemnified asset(s) by requiring that a subsequent adjustment to the indemnification asset be measured on the same basis as the underlying asset(s), taking into consideration the term of the related loss share agreement (LSA). Accordingly, the loss on the indemnification asset would be amortized over the lesser of the remaining contractual term of the LSA or the remaining life of the indemnified asset(s). This would result in a consistent recognition pattern for changes in expected cash flows for both the indemnification asset and the indemnified asset(s).

This amendment, which is to be applied prospectively to new indemnification agreements and to unamortized amounts existing at the date of adoption, became effective for People s United Financial on January 1, 2013 and did not have a significant impact on the Company s Consolidated Financial Statements.

Table of Contents

Item 2 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, Inc. (People s United Financial or the Company) with the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934 (the Exchange Act) may, from time to time, contain information and statements that are forward-looking in nature. Such filings include the Annual Report on Form 10-K, Quarterly 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 acquisitions; 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

FDIC Insurance Coverage / Assessments

The Federal Deposit Insurance Corporation (the FDIC) insures deposits at FDIC insured financial institutions up to certain limits (up to $250,000 per depositor through December 31, 2013), charging premiums to maintain the Deposit Insurance Fund (the DIF) at specified levels. Such premiums vary based on the risk profile of the insured institution.

In February 2011, the FDIC approved a final rule that: (i) changed 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) adopted a new large-bank pricing assessment scheme; and (iii) set 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) implemented 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) created a scorecard-based assessment system for financial institutions with more than $10 billion in assets, including People s United Bank.

One of the financial ratios used in the scorecard-based assessment system for financial institutions with more than $10 billion in assets is the ratio of higher-risk assets to Tier 1 capital and reserves. In October 2012, the FDIC adopted a final rule that revised the definitions of higher-risk commercial and industrial loans, securities and consumer loans and clarified when an asset must be classified as higher risk. This rule is generally effective on April 1, 2013.

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.

41

Table of Contents

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

As previously disclosed in the risk factors included in People s United Financial s Annual Report on Form 10-K for the year ended December 31, 2012, our business is subject to risk as a result of changes in federal and state regulation. The Dodd-Frank Wall Street Reform and Consumer Protection Act (the DFA), which was signed into law on July 21, 2010, imposes significant changes in the financial regulatory landscape and will continue to impact all financial institutions and their holding companies, including People s United Bank and 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 Office of the Comptroller of the Currency (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 Federal Reserve Bank of New York (FRB-NY) to convert to a bank holding company.

The DFA created a new federal consumer protection agency, the Consumer Financial Protection Bureau (the CFPB), which 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 also has 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 banks and limits the preemption of state laws as they affect subsidiaries and agents of federally-chartered banks.

The DFA limits the amount of interchange fee that an issuer of debit cards may charge or receive to an amount that is reasonable and proportional to the cost of the transaction. 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).

All federal prohibitions on the ability of financial institutions to pay interest on demand deposit accounts were repealed as part of the DFA. As of March 31, 2013, People s United Bank s non-interest-bearing deposits totaled $5.0 billion, or 23% of total deposits. The Company s interest expense may increase and its 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 1 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.

In January 2013, the CFPB issued a series of final rules to implement provisions in the DFA related to mortgage origination and mortgage servicing. These rules, which are scheduled to go into effect in January 2014, may increase the cost of originating and servicing residential mortgage loans.

It is anticipated that the DFA 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.

Table of Contents

Selected Consolidated Financial Data

(dollars in millions, except per share data)	Three Months Ended March 31, 2013	Dec. 31, 2012	March 31, 2012 (1)
Earnings Data:			
Net interest income (fully taxable equivalent)	$ 223.3	$ 228.6	$ 235.7
Provision for loan losses	12.4	12.0	11.5
Non-interest income	82.9	84.3	72.4
Non-interest expense	212.0	207.4	208.6
Operating non-interest expense (2)	204.0	204.5	205.6
Income before income tax expense	77.8	90.0	85.5
Net income	52.5	61.2	57.3
Operating earnings (2)	57.9	63.2	59.3
Selected Statistical Data:			
Net interest margin (2)	3.38%	3.63%	3.97%
Operating net interest margin (2), (3)	3.38	3.63	3.97
Return on average assets (3)	0.70	0.85	0.83
Operating return on average assets (2), (3)	0.77	0.87	0.86
Return on average tangible assets (3)	0.75	0.91	0.91
Return on average stockholders equity (3)	4.2	4.8	4.4
Return on average tangible stockholders equity (3)	7.4	8.3	7.5
Operating return on average tangible stockholders equity (2), (3)	8.1	8.6	7.8
Efficiency ratio (2)	64.1	63.1	63.6
Common Share Data:			
Basic and diluted earnings per share	$ 0.16	$ 0.18	$ 0.17
Operating earnings per share (2)	0.18	0.19	0.18
Dividends paid per share	0.1600	0.1600	0.1575
Dividend payout ratio	100.6%	87.4%	95.9%
Operating dividend payout ratio (2)	91.2	84.8	92.6
Book value per share (end of period)	$ 15.24	$ 15.21	$ 15.00
Tangible book value per share (end of period) (2)	8.54	8.71	8.71
Stock price:			
High	13.61	12.50	13.79
Low	12.22	11.36	12.20
Close (end of period)	13.42	12.09	13.23

(1) See Note 12 to the Consolidated Financial Statements.
(2) See Non-GAAP Financial Measures and Reconciliation to GAAP.
(3) Annualized.

Table of Contents

(dollars in millions)	March 31, 2013	Dec. 31, 2012	Sept. 30, 2012	June 30, 2012	March 31, 2012
	As of and for the Three Months Ended				
Financial Condition Data:					
Total assets	$ 30,598	$ 30,324	$ 28,576	$ 28,137	$ 27,797
Loans	22,161	21,737	21,040	20,588	20,472
Securities	4,716	4,669	3,787	3,702	2,895
Short-term investments	127	131	64	73	767
Allowance for loan losses	187	188	186	180	183
Goodwill and other acquisition-related intangible assets	2,147	2,154	2,160	2,166	2,169
Deposits	21,792	21,751	21,363	21,458	21,268
Borrowings	2,849	2,386	1,524	960	811
Notes and debentures	659	659	160	160	160
Stockholders equity	4,886	5,039	5,107	5,135	5,170
Non-performing assets (1)	285	290	294	295	316
Net loan charge-offs	13.1	10.0	9.4	13.5	11.2
Average Balances:					
Loans	$ 21,702	$ 21,183	$ 20,727	$ 20,488	$ 20,407
Securities	4,548	3,867	3,608	2,964	2,751
Short-term investments	146	128	108	562	536
Loans held for sale	25	28	31	26	39
Total earning assets	26,421	25,206	24,474	24,040	23,733
Total assets	30,178	28,991	28,234	27,753	27,463
Deposits	21,558	21,557	21,372	21,190	20,843
Total funding liabilities	24,726	23,487	22,709	22,184	21,862
Stockholders equity	5,005	5,107	5,161	5,188	5,217
Ratios:					
Net loan charge-offs to average loans (annualized)	0.24%	0.19%	0.18%	0.26%	0.22%
Non-performing assets to originated loans, real estate owned and repossessed assets (1)	1.42	1.48	1.59	1.67	1.85
Originated allowance for loan losses to:					
Originated loans (1)	0.88	0.91	0.95	1.00	1.03
Originated non-performing loans (1)	70.6	70.3	66.0	65.6	61.5
Average stockholders equity to average total assets	16.6	17.6	18.3	18.7	19.0
Stockholders equity to total assets	16.0	16.6	17.9	18.3	18.6
Tangible stockholders equity to tangible assets (2)	9.6	10.2	11.2	11.4	11.7
Total risk-based capital (3)	13.7	14.7	15.6	15.6	16.0

(1) Excludes acquired loans. See Asset Quality.

(2) See Non-GAAP Financial Measures and Reconciliation to GAAP.

(3) Consolidated. See Regulatory Capital Requirements.

Table of Contents

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 their 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 intangible assets, losses on real estate assets and non-recurring expenses) (the numerator) to (ii) net interest income on a fully taxable equivalent (FTE) basis 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.

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: (i) merger-related expenses, including acquisition integration and other costs; (ii) charges related to executive-level management separation costs; (iii) severance-related costs; and (iv) writedowns of banking house assets, are generally also excluded when calculating the efficiency ratio. Operating earnings per share is derived by determining the per share impact of the respective adjustments to arrive at operating earnings and adding (subtracting) such amounts to (from) GAAP earnings per share. 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 a discrete 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. Excluded from operating net interest margin is cost recovery income on acquired loans. 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 intangible assets) (the numerator) to (ii) tangible assets (total assets less goodwill and other acquisition-related intangible assets) (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 Employee Stock Ownership Plan (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:

	Three Months Ended		
(dollars in millions)	March 31, 2013	Dec. 31, 2012	March 31, 2012
Total non-interest expense	$ 212.0	$ 207.4	$ 208.6
Adjustments to arrive at operating non-interest expense:			
Writedowns of banking house assets	(6.2)		
Severance-related costs	(1.5)	(2.9)	(2.4)
Acquisition integration and other costs	(0.3)		(0.6)
Total	(8.0)	(2.9)	(3.0)
Operating non-interest expense	204.0	204.5	205.6
Amortization of other acquisition-related intangible assets	(6.5)	(6.7)	(6.6)
Other (1)	(1.5)	(0.6)	(2.4)
Total	$ 196.0	$ 197.2	$ 196.6
Net interest income (FTE basis)	$ 223.3	$ 228.6	$ 235.7
Total non-interest income	82.9	84.3	72.4
Total revenues	306.2	312.9	308.1
Adjustments:			
BOLI FTE adjustment	0.4	0.5	0.9
Net gains on sales of acquired loans		(0.3)	
Other (2)	(0.7)	(0.7)	
Total	$ 305.9	$ 312.4	$ 309.0
Efficiency ratio	64.1%	63.1%	63.6%

(1) Items classified as other and deducted from non-interest expense for purposes of calculating the efficiency ratio include, as applicable, certain franchise taxes, real estate owned expenses, contract termination costs and non-recurring expenses.

(2) Items classified as other and added to (deducted from) total revenues for purposes of calculating the efficiency ratio include, as applicable, asset write-offs and gains associated with the sale of branch locations.

Table of Contents

The following table summarizes People s United Financial s operating earnings, operating earnings per share and operating return on average assets:

(dollars in millions, except per share data)	Three Months Ended March 31, 2013	Dec. 31, 2012	March 31, 2012
Net income, as reported	$ 52.5	$ 61.2	$ 57.3
Adjustments to arrive at operating earnings:			
Writedowns of banking house assets	6.2		
Severance-related costs	1.5	2.9	2.4
Acquisition integration and other costs	0.3		0.6
Total pre-tax adjustments	8.0	2.9	3.0
Tax effect	(2.6)	(0.9)	(1.0)
Total adjustments, net of tax	5.4	2.0	2.0
Operating earnings	$ 57.9	$ 63.2	$ 59.3
Earnings per share, as reported	$ 0.16	$ 0.18	$ 0.17
Adjustment to arrive at operating earnings per share:			
Writedowns of banking house assets	0.02		
Severance-related costs		0.01	0.01
Acquisition integration and other costs			
Total adjustments per share	0.02	0.01	0.01
Operating earnings per share	$ 0.18	$ 0.19	$ 0.18
Average total assets	$ 30,178	$ 28,991	$ 27,463
Operating return on average assets (annualized)	0.77%	0.87%	0.86%

Table of Contents

The following table summarizes People s United Financial s operating net interest margin:

(dollars in millions, except per share data)	Three Months Ended March 31, 2013	Dec. 31, 2012	March 31, 2012
Net interest income (FTE basis)	$ 223.3	$ 228.6	$ 235.7
Adjustments to arrive at operating net interest income:			
Cost recovery income			
Total adjustments			
Operating net interest income	$ 223.3	$ 228.6	$ 235.7
Net interest margin, as reported (annualized)	3.38%	3.63%	3.97%
Adjustments to arrive at operating net interest margin (annualized):			
Cost recovery income			
Total adjustments			
Operating net interest margin (annualized)	3.38%	3.63%	3.97%
Average total earning assets	$ 26,421	$ 25,206	$ 23,733

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

(dollars in millions)	Three Months Ended March 31, 2013	Dec. 31, 2012	March 31, 2012
Operating earnings	$ 57.9	$ 63.2	$ 59.3
Average stockholders equity	$ 5,005	$ 5,107	$ 5,217
Less: Average goodwill and average other acquisition-related intangible assets	2,151	2,157	2,171
Average tangible stockholders equity	$ 2,854	$ 2,950	$ 3,046
Operating return on average tangible stockholders equity (annualized)	8.1%	8.6%	7.8%

(dollars in millions)	Three Months Ended March 31, 2013	Dec. 31, 2012	March 31, 2012
Dividends paid	$ 52.8	$ 53.6	$ 54.9
Operating earnings	$ 57.9	$ 63.2	$ 59.3

Operating dividend payout ratio	91.2%	84.8%	92.6%

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:

(in millions, except per share data)	March 31, 2013	Dec. 31, 2012	Sept. 30, 2012	June 30, 2012	March 31, 2012
Total stockholders equity	$ 4,886	$ 5,039	$ 5,107	$ 5,135	$ 5,170
Less: Goodwill and other acquisition-related intangible assets	2,147	2,154	2,160	2,166	2,169
Tangible stockholders equity	$ 2,739	$ 2,885	$ 2,947	$ 2,969	$ 3,001
Total assets	$ 30,598	$ 30,324	$ 28,576	$ 28,137	$ 27,797
Less: Goodwill and other acquisition-related intangible assets	2,147	2,154	2,160	2,166	2,169