

People's United Financial, Inc.

Form S-4/A

September 23, 2010

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As filed with the U.S. Securities and Exchange Commission on September 22, 2010

Registration No. 333-168766

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

**AMENDMENT NO. 2
TO
FORM S-4
REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933**

People's United Financial, Inc.

(Exact name of registrant as specified in its charter)

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Delaware
(State or other jurisdiction of
incorporation or organization)

6035
(Primary Standard Industrial
Classification Code Number)

20-8447891
(I.R.S. Employer
Identification Number)

850 Main Street
Bridgeport, Connecticut 06604
(203) 338-7171

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Robert E. Trautmann
Senior Executive Vice President and General Counsel

People's United Financial, Inc.
850 Main Street
Bridgeport, Connecticut 06604
(203) 338-7171

(Name, address, including zip code, and telephone number, including area code, of agent for service)

With copies to:

Lee Meyerson, Esq.
Simpson Thacher & Bartlett LLP
425 Lexington Avenue
New York, New York 10017
(212) 455-2000

Patricia C. Delaney
General Counsel
Smithtown Bancorp, Inc.
100 Motor Parkway, Suite 160
Hauppauge, New York 11788
(631) 360-9300

Mark J. Menting
Sullivan & Cromwell LLP
125 Broad Street
New York, NY 10004
(212) 558-4000

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Approximate date of commencement of the proposed sale of the securities to the public: As soon as practicable after this Registration Statement becomes effective and upon completion of the merger described in the enclosed proxy statement/prospectus.

If the securities being registered on this Form are being offered in connection with the formation of a holding company and there is compliance with General Instruction G, check the following box. ☐

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act of 1933, as amended, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

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 definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☒

Non-accelerated filer ☐ (Do not check if a smaller reporting company)

Accelerated filer ☐

Smaller reporting company ☐

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the Registration Statement shall become effective on such dates as the Commission, acting pursuant to said Section 8(a), may determine.

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The information in this proxy statement/prospectus is not complete and may be changed. We may not sell the securities offered by this proxy statement/prospectus until the registration statement filed with the Securities and Exchange Commission is effective. This proxy statement/prospectus does not constitute an offer to sell or a solicitation of an offer to buy any securities in any jurisdiction where an offer or solicitation is not permitted.

PRELIMINARY SUBJECT TO COMPLETION DATED SEPTEMBER 22, 2010

MERGER PROPOSED YOUR VOTE IS VERY IMPORTANT

[] , 2010

Dear Smithtown common stockholders:

On July 15, 2010, Smithtown Bancorp, Inc. ("Smithtown Bancorp") and People's United Financial, Inc. ("People's United") agreed to a strategic business combination in which Smithtown Bancorp will merge with and into People's United with People's United surviving the merger, which we refer to as the merger. If the merger is completed, Smithtown Bancorp common stockholders will have the right to receive merger consideration with a value equal to 0.143 shares of People's United common stock plus \$2.00 in cash for each share of Smithtown Bancorp common stock held immediately prior to the merger. Smithtown common stockholders of record, as of the record date, will be able to elect to receive this amount in People's United common stock, in cash or in a combination of both, but the election will be subject to the allocation and equalization procedures described in this proxy statement/prospectus. In connection with the merger, and assuming that all warrants to purchase Smithtown Bancorp common stock are exercised prior to the effective time of the merger, People's United expects to issue up to 2.2 million shares of its common stock. We are sending you this proxy statement/prospectus to notify you of and invite you to the special meeting of Smithtown Bancorp common stockholders being held to consider the Agreement and Plan of Merger, dated as of July 15, 2010, which we refer to as the merger agreement, that Smithtown Bancorp has entered into with People's United, and to ask you to vote at the special meeting in favor of the merger agreement and the transactions contemplated by the merger agreement, including the merger.

The special meeting of the common stockholders of Smithtown Bancorp will be held at the Sheraton Long Island Hotel, 110 Motor Parkway, Hauppauge, New York 11788 on [] , 2010 at 10:00 a.m. local time.

At the special meeting, you will be asked to approve the merger agreement. You will also be asked to approve the adjournment of the special meeting, if necessary, to solicit additional proxies in favor of the merger agreement and the transactions contemplated by the merger agreement, including the merger.

The merger is intended to qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended, meaning that, to the extent that holders of Smithtown Bancorp common stock receive shares of People's United common stock, such holders of Smithtown Bancorp common stock are not expected to recognize any gain or loss for United States federal income tax purposes on the exchange of shares of Smithtown Bancorp common stock for shares of People's United common stock in the merger.

The value of the merger consideration will fluctuate with the market price of People's United common stock. Shares of People's United common stock are listed on the NASDAQ Global Select Market under the symbol "PBCT", and Smithtown Bancorp's common stock is listed on the NASDAQ Global Select Market under the symbol "SMTB". On July 14, 2010, the day preceding the public announcement of the merger, the closing sale price of People's United common stock was \$14.09 and the closing sale price of Smithtown Bancorp common stock was \$3.87. On [] , 2010, the last practicable trading day before the distribution of this proxy statement/prospectus, the closing sale price of People's United common stock was \$[] and the closing sale price of Smithtown Bancorp common stock was \$[] . The following table shows the average closing sale prices of People's United common stock, as reported on the NASDAQ Global Select Market ("NASDAQ"), for the five trading day period ended on July 14, 2010, the period over which the exchange ratio was calculated and the day preceding the public announcement of the merger and on [] , 2010, the last practicable trading day before the distribution of this proxy statement/prospectus. This table also shows the implied value of the merger consideration proposed for each share of Smithtown Bancorp common stock, which was calculated by multiplying the five-day average of the closing price of People's United common stock for the periods ended on those dates by the exchange ratio of 0.143 and adding \$2.00 in cash.

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	People's United Common Stock	Implied Value of One Share of Smithtown Bancorp Common Stock
Five trading day period ended on July 14, 2010	\$ 13.98	\$ 4.00
Five trading day period ended on [], 2010	\$ []	\$ []

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Smithtown Bancorp's board of directors has unanimously adopted and declared advisable the merger agreement and the transactions contemplated by the merger agreement, including the merger, and recommends that Smithtown Bancorp common stockholders vote FOR approval of the merger agreement and the transactions contemplated by the merger agreement, including the merger, and FOR the approval of the adjournment of the special meeting, if necessary, to solicit additional proxies in favor of the merger agreement and the transactions contemplated thereby, including the merger.

To complete the merger, the merger agreement and the transactions contemplated by the merger agreement must be approved by the holders of two-thirds of all the issued and outstanding Smithtown Bancorp common stock. **Your vote is very important.** Whether or not you expect to attend the special meeting, please vote as soon as possible to ensure that your shares are represented at the special meeting. Registered and many broker-managed stockholders as of the record date can vote their shares by using a toll-free number or the Internet. Instructions for using these convenient services are provided on the enclosed proxy card. You may also vote your shares by marking your votes on the enclosed proxy card, signing and dating it and mailing it in the envelope provided. If you sign and return your proxy card without specifying your vote, your shares will be voted in favor of the merger agreement and the transactions contemplated by the merger agreement, and if necessary, for the approval of the adjournment of the special meeting to solicit additional proxies in favor of the merger agreement and the transactions contemplated by the merger agreement, including the merger.

This proxy statement/prospectus provides you with detailed information about the merger. In addition to being a proxy statement of Smithtown Bancorp, this proxy statement/prospectus is also the prospectus of People's United for the People's United common stock that will be issued in connection with the merger. We encourage you to read the entire document carefully. Please pay particular attention to Risk Factors beginning on page 22 for a discussion of the risks related to the merger and owning People's United common stock after the merger.

I look forward to seeing you on [], 2010 in Hauppauge, New York.

Sincerely,

Bradley E. Rock

Chairman and Chief Executive Officer

Please read this proxy statement/prospectus carefully because it contains important information about the merger. Read carefully the risk factors relating to the merger beginning on page 22. You can also obtain information about People's United and Smithtown Bancorp from documents that each of us has filed with the Securities and Exchange Commission.

Neither the Securities and Exchange Commission nor any state securities commission or bank regulatory agency has approved or disapproved the securities to be issued in the merger or determined if this proxy statement/prospectus is accurate or adequate. Any representation to the contrary is a criminal offense.

The securities to be issued in the merger are not savings or deposit accounts or other obligations of any bank or non-bank subsidiary of either People's United or Smithtown Bancorp, and they are not insured by the Federal Deposit Insurance Corporation or any other governmental agency.

This proxy statement/prospectus is dated [], 2010 and will be first mailed to Smithtown Bancorp stockholders on or about [], 2010.

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ADDITIONAL INFORMATION

The accompanying proxy statement/prospectus incorporates by reference important business and financial information about People's United from documents that are not included in or delivered with the proxy statement/prospectus. This information is available to you without charge upon your written or oral request. You can obtain the documents incorporated by reference in the proxy statement/prospectus by requesting them in writing or by telephone at the following address or telephone number, respectively:

People's United Financial, Inc.

850 Main Street

Bridgeport, Connecticut 06604

Attention: Debbie A. Healey, Investor Relations

(203) 338-7171

www.peoples.com (Investor Relations tab)

In addition, if you have questions about the merger or the special meeting of Smithtown Bancorp stockholders, or if you need to obtain copies of the accompanying proxy statement/prospectus, proxy cards or other documents incorporated by reference in the proxy statement/prospectus, you may contact Smithtown Bancorp's proxy solicitor at the address and telephone number listed below. You will not be charged for any of the documents you request.

Phoenix Advisory Partners, LLC 110 Wall Street, 27th Floor New York, NY 10005 (866) 351-1539

If you would like to request documents, please do so by [], 2010, in order to receive them before the special meeting of Smithtown Bancorp stockholders.

For a more detailed description of the information incorporated by reference in the accompanying proxy statement/prospectus and how you may obtain it, see "Where You Can Find More Information" beginning on page 200 of the accompanying proxy statement/prospectus.

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SMITHTOWN BANCORP, INC.

100 Motor Parkway, Suite 160

Hauppauge, New York 11788

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

TO BE HELD ON [], 2010

Dear Smithtown common stockholder:

You are cordially invited to attend a special meeting of the common stockholders of Smithtown Bancorp, Inc., a New York corporation ("Smithtown Bancorp"), on [], 2010 at 10:00 a.m. local time, at the Sheraton Long Island Hotel, 110 Motor Parkway, Hauppauge, New York 11788, for the purpose of considering and voting upon the following matters:

To approve the Agreement and Plan of Merger (the "merger agreement"), dated as of July 15, 2010, between People's United Financial, Inc., a Delaware corporation ("People's United"), and Smithtown Bancorp, pursuant to which Smithtown Bancorp will merge with and into People's United as more fully described in the attached proxy statement/prospectus, and the transactions contemplated in the merger agreement, including the merger

To adjourn the special meeting, if necessary, to solicit additional proxies in favor of the merger agreement and the transactions contemplated by the merger agreement, including the merger

We have fixed the close of business on September 20, 2010 as the record date for determining those common stockholders entitled to notice of and to vote at the special meeting and any adjournments or postponements of the special meeting. Only Smithtown Bancorp common stockholders of record at the close of business on that date are entitled to vote at the special meeting and any adjournments or postponements of the special meeting.

Please vote as soon as possible. To complete the merger, the merger agreement and the transactions contemplated by the merger agreement must be approved by the holders of two-thirds of the issued and outstanding common stock of Smithtown Bancorp. Abstentions and shares that you have not authorized your broker to vote will have the same effect as votes against approval of the merger agreement and the transactions contemplated by the merger agreement. **Whether or not you intend to attend the special meeting, please vote as promptly as possible by (1) accessing the Internet website specified on your proxy card, (2) calling the toll-free number specified on your proxy card or (3) signing and returning the enclosed proxy card in the postage-paid envelope provided. If your shares are held in the name of a broker, bank or other fiduciary, please follow the instructions on the voting instruction card provided by such person. If you attend the special meeting, you may vote in person if you wish, even if you have previously returned your proxy card. If you wish to attend the special meeting and vote in person and your shares are held in the name of a broker, trust, bank or other nominee, you must bring with you a proxy or letter from the broker, trustee, bank or nominee to confirm your beneficial ownership of the shares.**

We encourage you to read the attached proxy statement/prospectus carefully. If you have any questions or need assistance voting your shares, please call our proxy solicitor, Phoenix Advisory Partners, LLC, toll-free at (866) 351-1539.

Smithtown Bancorp's board of directors has unanimously adopted and declared advisable the merger agreement and the transactions contemplated by the merger agreement, including the merger, and recommends that Smithtown Bancorp common stockholders vote

FOR approval of the merger agreement and the transactions contemplated by the merger agreement, including the merger, and FOR the approval of the adjournment of the special meeting, if necessary, to solicit additional proxies in favor of the merger agreement and the transactions contemplated by the merger agreement, including the merger.

By Order of the Board of Directors,

Bradley E. Rock

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Chairman and Chief Executive Officer

Smithtown, New York

[], 2010

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The accompanying proxy statement/prospectus provides a detailed description of the merger and the merger agreement. We urge you to read the accompanying proxy statement/prospectus, including any documents incorporated by reference into the accompanying proxy statement/prospectus, and its annexes carefully and in their entirety. If you have any questions concerning the merger, the other meeting matters or the accompanying proxy statement/prospectus or need help voting your shares, please contact Smithtown Bancorp's proxy solicitor at the address or telephone number listed below:

Phoenix Advisory Partners, LLC

110 Wall Street, 27th Floor

New York, NY 10005

(866) 351-1539

Please do not send your stock certificates at this time. You will be sent separate instructions regarding the surrender of your stock certificates.

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SUMMARY

*This summary highlights selected information from this proxy statement/prospectus. It does not contain all of the information that may be important to you. We urge you to read carefully the entire document and the other documents to which this proxy statement/prospectus refers in order to fully understand the merger and the related transactions. See *Where You Can Find More Information* beginning on page 200. Each item in this summary refers to the page of this proxy statement/prospectus on which that subject is discussed in more detail. Unless otherwise indicated in this proxy statement/prospectus or the context otherwise requires, all references in the proxy statement/prospectus to *People's United* refer to *People's United Financial, Inc.* All references to the *Company* or to *Smithtown Bancorp* refer to *Smithtown Bancorp, Inc.**

The Parties to the Merger (Page 28)

People's United

People's United is the holding company for People's United Bank. At June 30, 2010, People's United had assets of \$22 billion, deposits of \$16 billion and stockholders' equity of \$5 billion. A diversified financial services company founded in 1842, People's United provides consumer, commercial, insurance, retail investment and wealth management and trust services to personal and business banking customers. The address of People's United's principal executive offices is 850 Main Street, Bridgeport, Connecticut 06604, and its telephone number is (203) 338-7171.

Smithtown Bancorp

Smithtown Bancorp is a New York corporation, incorporated in 1984, which is registered as a bank holding company under the Bank Holding Company Act of 1956, as amended, and parent of Bank of Smithtown, a New York State-chartered commercial bank with 30 branches. As of June 30, 2010, Smithtown Bancorp and its subsidiaries had consolidated total assets of \$2.3 billion, deposits of \$1.8 billion and stockholders' equity of \$95.6 million. Smithtown Bancorp had 275 full-time and 50 part-time employees as of June 30, 2010.

The Merger and Bank Merger (Page 33)

Smithtown Bancorp's board of directors proposes the merger of Smithtown Bancorp with and into People's United, with People's United as the surviving corporation. We refer to this merger as the merger. Upon completion of the merger, the separate existence of Smithtown Bancorp will terminate, and Smithtown Bancorp common stock will be cancelled and no longer publicly traded. The Agreement and Plan of Merger, which we refer to as the merger agreement, is attached to this proxy statement/prospectus as Annex A and is incorporated herein by reference. Please carefully read the merger agreement as it is the legal document that governs the merger. Simultaneously with the merger, Bank of Smithtown, the bank subsidiary of Smithtown Bancorp, will merge with and into People's United Bank, the bank subsidiary of People's United. We refer to this merger as the bank merger. We currently expect to complete these mergers in the fourth quarter of 2010.

What Smithtown Bancorp Stockholders Will Receive in the Merger (Page 63)

Upon completion of the merger, each outstanding share of Smithtown Bancorp common stock will be converted into the right to receive, at the election of each holder of record as of the record date of such share and subject to proration in the circumstances described below, either cash or shares of People's United common stock. To make a valid election, holders of record as of the record date of Smithtown Bancorp's common stock must submit a properly completed election form to the exchange agent by 5:00 p.m., New York City time, on the later of the date of the special meeting and the date that People's United and Smithtown Bancorp believe to be as near as practicable to five business days prior to the anticipated date of completion of the merger or such other time as People's United and Smithtown Bancorp may agree. Holders of Smithtown Bancorp common stock may specify different elections with respect to different shares that they hold (for example, the owner of 100 shares of

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Smithtown Bancorp common stock can make a cash election with respect to 50 shares and a stock election with respect to the other 50 shares). In the event of proration, Smithtown Bancorp stockholders may receive a portion of the merger consideration in a form other than that which they elected.

The implied value of the merger consideration will fluctuate with the market price of People's United common stock and will be determined based on the average closing price of People's United common stock on the NASDAQ for the five trading days ending the day before the completion of the merger. (You may contact Phoenix Advisory Partners, LLC, Smithtown Bancorp's proxy solicitor, at (866) 351-1539 to obtain current information regarding the implied value of the merger consideration.) As explained in more detail in this document, whether Smithtown Bancorp stockholders make a cash election or a stock election, the value of the consideration that they receive as of the date of completion of the merger will be substantially the same and will be based on the average closing price of People's United common stock used to calculate the merger consideration.

As an example, if the average of the closing prices of People's United common stock on the NASDAQ for the five trading days ending the day before the completion of the merger is \$14.00, each share of Smithtown Bancorp common stock would entitle its holder to receive either \$4.00 in cash or 0.286 of a share of People's United common stock, subject to possible proration. We will compute the actual amount of cash and number of shares of People's United common stock that each Smithtown Bancorp stockholder will receive in the merger using the formula contained in the merger agreement. For a summary of the formula contained in the merger agreement, see "The Merger Agreement - Consideration To Be Received in the Merger" beginning on page 63.

Set forth below is a table showing the consideration that a Smithtown Bancorp stockholder would receive in a cash election, on the one hand, or in a stock election, on the other hand, under the merger consideration formula if the actual average of the closing prices of People's United common stock on the NASDAQ for the five trading days ending the day before the completion of the merger were equal to each of the hypothetical average closing prices shown in the table. The merger consideration formula reflected in the table below yields a per-share value for Smithtown Bancorp common stock equal to the sum of (a) \$2.00 plus (b) 0.143 multiplied by the hypothetical average closing prices for People's United common stock shown in the table. The stock consideration reflected in the table below is equal to the quotient obtained by dividing (x) the value determined in accordance with the preceding sentence by (y) the hypothetical average closing prices for People's United common stock shown in the table. The table does not reflect the fact that cash will be paid instead of fractional shares. **As described below, regardless of whether you make a cash election or a stock election, you may nevertheless receive cash, stock or a mix of cash and stock due to proration and adjustment.**

Hypothetical Five-Day Average Closing Price	Cash Election:		Stock Election:	
	Cash Consideration per Share	OR	Fractional Shares of People's United Common Stock ^(*)	Market Value ^(**)
\$12.00	\$3.72		0.310	\$3.72
\$12.25	\$3.75		0.306	\$3.75
\$12.50	\$3.79		0.303	\$3.79
\$12.75	\$3.82		0.300	\$3.82
\$13.00	\$3.86		0.297	\$3.86
\$13.25	\$3.90		0.294	\$3.90
\$13.50	\$3.93		0.291	\$3.93
\$13.75	\$3.97		0.289	\$3.97
\$13.98 ^(***)	\$4.00		0.286	\$4.00
\$14.00	\$4.00		0.286	\$4.00
\$14.25	\$4.04		0.284	\$4.04
\$14.50	\$4.07		0.281	\$4.07
\$14.75	\$4.11		0.279	\$4.11
\$15.00	\$4.15		0.277	\$4.15

* Rounded to the nearest one thousandth.

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** Market value based on hypothetical five trading day average closing price on the NASDAQ of People's United common stock.

*** Average closing price of People's United common stock for five-day period ended July 14, 2010.

Based on the average closing sale price of People's United common stock for the five trading day period ended on [], the last practicable trading day before distribution of this proxy statement/prospectus, which was \$[], a Smithtown Bancorp stockholder would receive either \$[] in cash or [] of a share of People's United common stock in exchange for each share of Smithtown Bancorp common stock owned by that stockholder.

The examples above are illustrative only. The value of the merger consideration that Smithtown Bancorp stockholders actually receive will be based on the actual average closing price of People's United common stock on the NASDAQ for the five trading days ending the day before the completion of the merger, as described below. The actual average closing price may be outside the range of the amounts set forth above, and as a result, the actual value of the merger consideration per share of Smithtown Bancorp common stock may not be shown in the above table.

Regardless of Whether Smithtown Bancorp Stockholders Make a Cash Election or a Stock Election, They May Nevertheless Receive Cash, Stock or a Mix of Cash and Stock (Page 66)

Assuming that none of the outstanding warrants to purchase Smithtown Bancorp's common stock are exercised prior to the effective time of the merger, the aggregate number of shares of People's United common stock that will be issued in the merger is approximately [] million, based on the number of shares of Smithtown Bancorp common stock outstanding on the record date of September 20, 2010, and the aggregate amount of cash that will be paid in the merger is approximately \$[] million. If more Smithtown Bancorp stockholders make valid elections to receive either People's United common stock or cash than is available as merger consideration under the merger agreement, those Smithtown Bancorp stockholders electing the over-subscribed form of consideration will have the over-subscribed consideration proportionately reduced and substituted with consideration in the other form, despite their election.

What Holders of Smithtown Bancorp Warrants and Equity-Based Awards Will Receive in the Merger (Page 68)

At the effective time of the merger, each outstanding warrant to purchase shares of Smithtown Bancorp common stock will remain outstanding pursuant to the terms of such warrant. After the completion of the merger, each such warrant will entitle the holder to receive upon exercise of such warrant, in accordance with its terms, the stock consideration applicable to a share of Smithtown Bancorp common stock (without giving effect to any possible proration, as described above).

Prior to the effective time of the merger, all Smithtown Bancorp restricted stock awards will vest, and all of the previously restricted shares will be treated as outstanding Smithtown Bancorp shares for all purposes under the merger agreement, including for purposes of the holders' right to receive the same merger consideration as all other outstanding shares of Smithtown Bancorp common stock are entitled to receive in the merger.

Accounting Treatment of the Merger (Page 58)

People's United will account for the merger as a purchase for financial reporting purposes.

Material U.S. Federal Income Tax Consequences of the Merger (Page 54)

The merger is intended to qualify for U.S. federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code of 1986, as amended, which we refer to as the Code. Therefore, for U.S. federal income tax purposes, as a result of the merger, a U.S. holder of shares of Smithtown Bancorp common stock generally will only recognize gain (but not loss) in an amount not to exceed the cash

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received as part of the merger consideration but will recognize gain or loss (i) if such holder receives the entirety of its consideration in cash and (ii) with respect to any cash received in lieu of fractional shares of People's United common stock.

Special Meeting of Smithtown Bancorp Common Stockholders (Page 30)

Smithtown Bancorp will hold its special meeting of common stockholders on [], 2010, at 10:00 a.m. local time, at the Sheraton Long Island Hotel, 110 Motor Parkway, Hauppauge, New York 11788. At the special meeting you will be asked to approve the merger agreement and the transactions contemplated by the merger agreement and to approve adjournment of the special meeting, if necessary to solicit additional proxies in favor of the merger agreement.

You can vote at the Smithtown Bancorp special meeting of common stockholders if you owned Smithtown Bancorp common stock at the close of business on September 20, 2010. As of that date, there were approximately [] shares of Smithtown Bancorp common stock outstanding and entitled to vote, approximately [] of which, or []%, were owned beneficially or of record by directors and officers of Smithtown Bancorp. You can cast one vote for each share of Smithtown Bancorp common stock that you owned on that date.

Opinion of Smithtown Bancorp's Financial Advisor (Page 38)

Sandler O'Neill & Partners, L.P., which we refer to as Sandler O'Neill, delivered its opinion to Smithtown Bancorp's board of directors that, as of July 15, 2010 and based upon and subject to the factors and assumptions set forth therein, the merger consideration of 0.143 of a share of People's United common stock plus \$2.00 in cash for each share of Smithtown Bancorp common stock held immediately prior to the merger is fair to the holders of Smithtown Bancorp common stock from a financial point of view.

The full text of the written opinion of Sandler O'Neill, dated July 15, 2010, which sets forth assumptions made, procedures followed, matters considered and limitations on the review undertaken in connection with the opinion, is attached as Annex B. Sandler O'Neill provided its opinion for the information and assistance of Smithtown Bancorp's board of directors in connection with its consideration of the merger. The Sandler O'Neill opinion is not a recommendation as to how any holder of Smithtown Bancorp common stock should vote with respect to the merger or any other matter. Pursuant to an engagement letter between Smithtown Bancorp and Sandler O'Neill, Sandler O'Neill will receive a fee of \$1,000,000 for its services, of which \$850,000 is contingent upon completion of the merger. For further information, please see the discussion under the caption "The Merger - Opinion of Smithtown Bancorp's Financial Advisor," commencing on page 38.

Recommendation of Smithtown Bancorp's Board of Directors (Page 36)

Smithtown Bancorp's board of directors has unanimously adopted and declared advisable the merger agreement and the transactions contemplated by the merger agreement, including the merger, and recommends that Smithtown Bancorp common stockholders vote FOR approval of the merger agreement and the transactions contemplated by the merger agreement, including the merger, and FOR the approval of the adjournment of the special meeting, if necessary, to solicit additional proxies in favor of the merger agreement and the transactions contemplated by the merger agreement, including the merger.

For more information concerning the background of the merger, the recommendation of Smithtown Bancorp's board of directors and the reasons for the merger and the recommendation, please see the discussions under "The Merger - Background of the Merger" and "The Merger - Smithtown Bancorp's Reasons for the Merger; Recommendation," commencing on page 33 and page 36, respectively.

Interests of Smithtown Bancorp's Directors and Executive Officers in the Merger (Page 49)

In considering the information contained in this proxy statement/prospectus, you should be aware that Smithtown Bancorp's executive officers and members of Smithtown Bancorp's board of directors may have

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financial interests in the merger that are different from, or in addition to, the interests of Smithtown Bancorp stockholders generally. These additional interests of Smithtown Bancorp's executive officers and directors may create potential conflicts of interest and cause these persons to view the proposed transaction differently than you may view it as a stockholder.

The independent members of Smithtown Bancorp's board of directors were aware of these interests and, except for a recently agreed retention award between Smithtown Bancorp's chief financial officer and People's United Bank, Smithtown Bancorp's board of directors took them into account in its decision to declare advisable the merger agreement and the transactions contemplated by the merger agreement, including the merger. For information concerning these interests, please see the discussion under the caption "The Merger" Interests of Smithtown Bancorp's Directors and Executive Officers in the Merger, commencing on page 49.

No Solicitation of Alternative Transactions (Page 74)

Smithtown Bancorp has agreed not to initiate, solicit, knowingly encourage or knowingly facilitate the submission of any proposals from third parties regarding acquiring Smithtown Bancorp or its businesses. In addition, Smithtown Bancorp has agreed not to engage in discussions or negotiations with or provide confidential information to a third party regarding acquiring Smithtown Bancorp or its businesses. However, if Smithtown Bancorp receives an unsolicited acquisition proposal from a third party, Smithtown Bancorp may engage in negotiations with or provide confidential information to such third party if, among other steps, the Smithtown Bancorp board of directors concludes in good faith that the proposal constitutes or is reasonably likely to result in a superior proposal to the merger.

Vote Required (Page 30)

The merger agreement and the transactions contemplated by the merger agreement must be approved by the holders of two-thirds of the issued and outstanding common stock of Smithtown Bancorp. The Special Committee of Smithtown Bancorp's board of directors, appointed to select a record date for the determination of holders of Smithtown Bancorp common stock entitled to notice of and to vote at the special meeting, has fixed the close of business on September 20, 2010 as the record date for determining the Smithtown Bancorp common stockholders entitled to receive notice of and to vote at the special meeting.

Smithtown Bancorp is calling a special meeting of the common stockholders to consider and vote on the proposal to approve the merger agreement and the transactions contemplated by the merger agreement, including the merger.

Regulatory Approvals Required for the Merger (Page 58)

To complete the merger, Smithtown Bancorp and People's United need the prior approval of the Office of Thrift Supervision. The United States Department of Justice is able to provide input into the approval process of federal banking agencies to challenge the approval on antitrust grounds. Smithtown Bancorp and People's United have filed all necessary applications and notices with the applicable regulatory authorities. Smithtown Bancorp and People's United cannot predict, however, whether or when the required regulatory approvals will be obtained.

Conditions to Completion of the Merger (Page 77)

As more fully described in this proxy statement/prospectus and the merger agreement, the completion of the merger depends on a number of mutual conditions being satisfied or waived, including:

the approval of the merger agreement by Smithtown Bancorp stockholders;

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the regulatory approvals required in connection with the merger and the bank merger have been obtained and remain in full force and effect; and

the absence of any law or order prohibiting or making illegal the completion of the merger or the bank merger.

Each of People's United's and Smithtown Bancorp's obligations to complete the merger is also separately subject to the satisfaction or waiver of a number of conditions, including:

the other party's representations and warranties in the merger agreement being true and correct, subject to the materiality standards contained in the merger agreement;

material compliance of the other party with its covenants contained in the merger agreement; and

receipt by each party of a legal opinion from its respective counsel that the merger will qualify as a reorganization for United States federal income tax purposes within the meaning of Section 368(a) of the Code.

People's United and Smithtown Bancorp cannot be certain of when, or if, the conditions to the merger will be satisfied or waived or whether or not the merger will be completed.

Termination of the Merger Agreement (Page 78)

People's United and Smithtown Bancorp can agree at any time to terminate the merger agreement without completing the merger, even if Smithtown Bancorp stockholders have approved the merger agreement. Also, either of People's United or Smithtown Bancorp can terminate the merger agreement if:

a governmental entity that must grant a regulatory approval that is a condition to the merger denies such approval and such action has become final and non-appealable;

a governmental entity issues a final non-appealable order enjoining or prohibiting the merger or the bank merger;

the merger is not completed by July 15, 2011 (other than because of a breach of the merger agreement by the party seeking termination);

the other party breaches the merger agreement in a manner that would entitle the party seeking to terminate the merger agreement not to complete the merger, subject to the right of the breaching party to cure, if curable, the breach within 30 days of written notice of the breach, and the party seeking to terminate is not itself then in material breach of the merger agreement; or

Smithtown Bancorp stockholders fail to approve the merger agreement at the Smithtown Bancorp special meeting. Additionally, People's United may terminate the merger agreement if:

Smithtown Bancorp's board of directors has failed to recommend the merger to Smithtown Bancorp stockholders or withdrawn, modified or qualified in a manner adverse to People's United its recommendation of the merger;

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Smithtown Bancorp has failed to call and hold a meeting of Smithtown Bancorp stockholders in a timely manner;

Smithtown Bancorp has materially breached its non-solicitation obligations described under The Merger Agreement No Solicitation of Alternative Transactions, beginning on page 74, in any respect adverse to People's United; or

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a tender or exchange offer for 15% or more of the outstanding Smithtown Bancorp common stock is commenced and the Smithtown Bancorp board of directors recommends that Smithtown Bancorp stockholders tender their shares or otherwise fails to recommend that Smithtown Bancorp stockholders reject such tender or exchange offer within 10 business days of the commencement of the offer.

Termination Fee (Page 79)

Smithtown Bancorp has agreed to pay to People's United a termination fee of up to \$2,400,000 if the merger agreement is terminated under the circumstances specified in The Merger Agreement Termination of the Merger Agreement Termination Fee, beginning on page 79.

Amendment or Waiver of Merger Agreement Provisions (Page 80)

People's United and Smithtown Bancorp may jointly amend the merger agreement, and each of People's United and Smithtown Bancorp may waive its right to require the other party to comply with particular provisions of the merger agreement.

People's United may also change the structure of the merger, as long as any such change does not alter or change the amount or kind of merger consideration to be provided under the merger agreement, materially impede or delay completion of the merger, adversely affect the anticipated tax consequences to Smithtown Bancorp stockholders in the merger or result in the bank merger taking place at any time other than simultaneously with the merger. For example, People's United may decide to merge Smithtown Bancorp into a newly formed wholly owned subsidiary of People's United.

People's United Repurchases of its Common Stock

Following the announcement of the execution of the merger agreement and pursuant to its previously reported repurchase plan, People's United has repurchased shares of its common stock on the open market in reliance on the Rule 10b-18 safe harbor under the Securities Exchange Act of 1934. Since July 15, 2010 through the close of business on September 10, 2010, People's United has repurchased an aggregate of 1,882,592 shares of its common stock at an average price of \$13.29. People's United may make additional purchases of shares of its common stock prior to the completion of the merger, subject to market conditions and applicable securities laws.

No Appraisal or Dissenters' Rights (Page 61)

Holders of Smithtown Bancorp common stock are not entitled to appraisal or dissenters' rights under Section 910 of the New York Business Corporation Law, which we refer to as the NYBCL, in connection with the merger.

Differences Between Rights of People's United and Smithtown Bancorp Stockholders (Page 83)

As a result of the merger, the holders of Smithtown Bancorp common stock who receive stock consideration will become holders of People's United common stock. Following the merger, Smithtown Bancorp stockholders who receive stock consideration will have different rights as stockholders of People's United than as stockholders of Smithtown Bancorp due to differences between the laws of the jurisdictions of incorporation and the different provisions of the certificates of incorporation and bylaws of People's United and Smithtown Bancorp. For additional information regarding the different rights as stockholders of People's United than as stockholders of Smithtown Bancorp, see Comparison of Stockholder Rights beginning on page 83.

Table of Contents**SELECTED CONSOLIDATED HISTORICAL FINANCIAL DATA OF PEOPLE S UNITED**

People s United is providing the following information to aid you in your analysis of the financial aspects of the merger. People s United derived the financial information as of and for the fiscal years ended December 31, 2007 through December 31, 2009 from its historical audited financial statements for these fiscal years. People s United derived the financial information as of and for the fiscal years ended December 31, 2005 and December 31, 2006 from the historical audited financial statements of People s United Bank for these fiscal years. People s United derived the financial information as of and for the six months ended June 30, 2009 and June 30, 2010 from its unaudited financial statements, which financial statements include, in the opinion of People s United s management, all adjustments, consisting of normal and recurring adjustments, necessary for a fair statement of those results.

On April 16, 2010, People s United Bank entered into a definitive purchase and assumption agreement with the Federal Deposit Insurance Corporation (the FDIC) pursuant to which People s United Bank assumed all of the deposits, certain assets and the banking operations of Butler Bank. The transaction resulted in the acquisition of approximately \$244 million in total assets and approximately \$227 million in total deposits. The assets acquired and liabilities assumed were recorded by People s United at their estimated fair values as of the closing date and People s United s results of operations for the six months ended June 30, 2010 include the results of Butler Bank beginning with the closing date.

On February 19, 2010, People s United completed its acquisition of Financial Federal Corporation (Financial Federal), a financial services company providing collateralized lending, financing and leasing services nationwide to small and medium sized businesses. On the closing date, Financial Federal had total assets of \$1.28 billion. The assets acquired and liabilities assumed were recorded by People s United at their estimated fair values as of the closing date and People s United s results of operations for the six months ended June 30, 2010 include the results of Financial Federal beginning with the closing date.

The results for the six months ended June 30, 2010 are not necessarily indicative of the results that may be expected for the fiscal year ending December 31, 2010. This information is only a summary, and you should read it in conjunction with People s United s consolidated financial statements and the related notes contained in People s United s periodic reports filed with the Securities and Exchange Commission that have been incorporated by reference in this proxy statement/prospectus. See [Where You Can Find More Information](#) beginning on page 200.

(in millions, except per share data)	As of and for the Six Months Ended June 30,		As of and for the Year Ended December 31,				
	2010	2009	2009	2008	2007	2006	2005
Selected Financial Condition Data:							
Total assets	\$ 21,950	\$ 20,812	\$ 21,257	\$ 20,168	\$ 13,555	\$ 10,687	\$ 10,933
Loans	15,215	14,553	14,234	14,566	8,950	9,372	8,573
Short-term investments ⁽¹⁾	1,944	3,073	3,492	1,139	3,516	225	57
Securities	1,787	491	902	1,902	61	77	1,363
Allowance for loan losses	173	167	173	158	73	74	75
Goodwill and other acquisition-related intangibles	1,778	1,525	1,515	1,536	104	105	106
Deposits	15,834	15,023	15,446	14,269	8,881	9,083	9,083
Borrowings	141	160	159	188		4	295
Subordinated notes	183	181	182	181	65	65	109
Stockholders equity	5,413	5,130	5,101	5,174	4,445	1,340	1,289
Non-performing assets ⁽²⁾	285	182	206	94	26	23	22

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	As of and for the Six Months Ended June 30,		As of and for the Year Ended December 31,				
	2010	2009	2009	2008	2007	2006	2005
Selected Operating Data:							
Net interest income FTE ⁽³⁾	\$ 335.0	\$ 285.8	\$ 580.2	\$ 640.3	\$ 486.6	\$ 382.4	\$ 370.0
Provision for loan losses	27.3	21.9	57.0	26.2	8.0	3.4	8.6
Net security gains (losses)		17.4	22.0	8.3	5.5	(27.2)	(0.1)
All other non-interest income	147.4	139.8	287.1	295.3	179.9	174.6	173.4
Non-interest expense ⁽⁴⁾	410.1	347.3	684.6	709.0	439.3	346.9	344.4
Income from continuing operations	29.6	49.5	101.2	137.8	149.2	121.7	125.9
Income from discontinued operations					1.5	2.3	11.2
Net income	29.6	49.5	101.2	137.8	150.7	124.0	137.1
Selected Financial Ratios And Other Data:							
Performance Ratios:							
Return on average assets ⁽⁵⁾	0.27%	0.48%	0.49%	0.68%	1.18%	1.15%	1.27%
Return on average tangible assets ⁽⁵⁾	0.30	0.52	0.53	0.73	1.19	1.16	1.28
Return on average stockholders' equity ⁽⁵⁾	1.1	1.9	2.0	2.6	4.2	9.4	11.1
Return on average tangible stockholders' equity ⁽⁵⁾	1.6	2.7	2.8	3.7	4.3	10.2	12.1
Net interest margin ⁽⁶⁾	3.58	3.18	3.19	3.62	4.12	3.87	3.68
Net interest rate spread	3.45	2.95	2.98	3.31	3.54	3.75	3.59
Efficiency ratio	74.2	74.5	73.5	66.6	56.1	61.3	62.8
Average interest-earning assets to average interest-bearing liabilities	149.7	151.8	151.4	151.5	171.3	138.6	140.1
Per Common Share Data:							
Basic earnings per share	\$ 0.08	\$ 0.15	\$ 0.30	\$ 0.41	\$ 0.52	\$ 0.42	\$ 0.46
Diluted earnings per share	0.08	0.15	0.30	0.41	0.52	0.41	0.46
Dividends paid per share ⁽⁷⁾	0.31	0.30	0.61	0.58	0.52	0.46	0.40
Book value (end of period)	15.10	15.29	15.20	15.44	15.43	4.49	4.33
Tangible book value (end of period) ⁽⁸⁾	10.14	10.75	10.68	10.86	15.07	4.13	3.98
Dividend payout ratio ⁽⁷⁾	363.1%	204.6%	201.1%	141.1%	87.0%	48.3%	38.3%
Capital Ratios:							
Average stockholders' equity to average total assets	24.9%	25.2%	24.8%	25.6%	28.1%	12.3%	11.5%
Stockholders' equity to total assets	24.7	24.7	24.0	25.7	32.8	12.5	11.8
Tangible stockholders' equity to tangible assets ⁽⁸⁾	18.0	18.7	18.2	19.5	32.3	11.7	10.9
Regulatory Capital Ratios ⁽⁹⁾:							
Leverage (core) capital	12.8%	10.7%	10.0%	10.0%	24.1%	12.0%	11.2%
Tier 1 risk-based capital	15.7	12.6	13.1	12.2	32.3	14.8	14.8
Total risk-based capital	16.6	13.7	14.1	13.4	33.4	16.1	16.4
Asset Quality Ratios:							
Non-performing originated loans to originated loans ⁽¹⁰⁾	1.56%	1.15%	1.19%	0.58%	0.23%	0.24%	0.25%
Non-performing assets to:							
Originated loans, REO and repossessed assets ⁽¹⁰⁾	2.01	1.25	1.44	0.64	0.29	0.24	0.26
Tangible stockholders' equity and allowance for loan losses	7.47	4.82	5.47	2.47	0.59	1.74	1.75
Net loan charge-offs to average loans ⁽⁶⁾	0.36	0.17	0.29	0.10	0.10	0.05	0.07
Allowance for loan losses to non-performing originated loans ⁽¹⁰⁾	78.5	99.4	102.2	186.8	357.9	327.9	352.5
Allowance for loan losses to originated loans ⁽¹⁰⁾	1.23	1.15	1.21	1.08	0.81	0.79	0.87

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- (1) Includes securities purchased under agreements to resell.
- (2) Excludes acquired loans, which represents those loans acquired in the Financial Federal and Butler Bank transactions that meet People's United's definition of a non-performing loan at June 30, 2010, but for which the risk of credit loss has been considered by virtue of People's United's estimate of acquisition-date fair value and/or the existence of an FDIC loss-share agreement.
- (3) Fully taxable equivalent basis.
- (4) Includes \$46.6 million of merger-related expenses, core system conversion costs and one-time charges for the six months ended June 30, 2010; an FDIC special assessment charge of \$8.4 million for the six months ended June 30, 2009 and year ended December 31, 2009; \$4.5 million of core system conversion costs and merger-related expenses for the year ended December 31, 2009; \$51.3 million of merger-related expenses and one-time charges for the year ended December 31, 2008; and a \$60.0 million contribution to The People's United Community Foundation for the year ended December 31, 2007.
- (5) Calculated based on net income for all periods. Six month ratios are presented on an annualized basis.
- (6) Six month ratios are presented on an annualized basis.
- (7) Reflects the waiver of dividends on the substantial majority of the common shares owned by People's Mutual Holdings, the mutual holding company that owned a majority of the outstanding common stock of People's United Bank, prior to completing the second-step conversion in April 2007.
- (8) The tangible equity ratio is the ratio of (i) tangible stockholders' equity (total stockholders' equity less goodwill and other acquisition-related intangibles) (the numerator) to (ii) tangible assets (total assets less goodwill and other acquisition-related intangibles) (the denominator). Tangible book value per share is calculated by dividing tangible stockholders' equity by common shares outstanding.
- (9) Regulatory capital ratios presented are for People's United Bank and, as such, do not reflect the additional capital residing at People's United in 2010, 2009, 2008 and 2007. Ratios are calculated in accordance with Office of Thrift Supervision regulations for December 31, 2006 and all periods thereafter, and FDIC regulations for December 31, 2005.
- (10) Originated loans represent all loans other than those acquired in the Financial Federal and Butler Bank transactions. Calculations exclude acquired loans. Including acquired loans and acquired non-accrual loans at June 30, 2010, non-performing loans were 1.84% of total loans and non-performing assets were 2.26% of total loans, REO and repossessed assets.

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Smithtown Bancorp is providing the following information to aid you in your analysis of the financial aspects of the merger. Smithtown Bancorp derived the financial information as of and for the fiscal years ended December 31, 2005 through December 31, 2009 from its historical audited financial statements for these fiscal years. Smithtown Bancorp derived the financial information as of and for the six months ended June 30, 2009 and June 30, 2010 from its unaudited financial statements, which financial statements include, in the opinion of Smithtown Bancorp's management, all adjustments, consisting of normal and recurring adjustments, necessary for a fair statement of those results. The results for the six months ended June 30, 2010 are not necessarily indicative of the results that may be expected for the fiscal year ending December 31, 2010. This information is only a summary, and you should read it in conjunction with Smithtown Bancorp's consolidated financial statements, related notes, the information provided under the caption "Information about Smithtown Bancorp Management's Discussion and Analysis of Financial Condition and Results of Operations," and other information included in this prospectus and proxy statement.

(in thousands, except per share data)	As of June 30,		As of December 31,				
	2010	2009	2009	2008	2007	2006	2005
Consolidated Balance Sheets:							
Total cash and cash equivalents	\$ 37,127	\$ 25,219	\$ 22,154	\$ 25,969	\$ 17,455	\$ 27,620	\$ 13,467
Investment securities available for sale	209,221	245,080	397,274	57,698	54,892	100,596	115,091
Investment securities held to maturity	33	66	66	112	210	415	1,101
Restricted stock	18,092	17,168	18,353	15,916	2,113	4,249	6,338
Loans, net	1,920,088	1,956,428	2,052,413	1,677,397	975,668	842,207	692,457
Cash value of company owned life insurance	25,152	19,887	24,874	19,654	18,961	18,195	17,575
Total assets	2,307,172	2,342,115	2,634,930	1,865,390	1,121,149	1,048,224	878,282
Total deposits	1,823,798	1,783,339	2,075,028	1,366,937	990,801	892,317	696,925
Other borrowings	313,480	326,480	352,820	326,480	20,900	59,580	107,949
Subordinated debt	56,514	43,332	56,351	38,836	18,217	18,217	11,000
Total stockholders' equity	95,645	153,386	135,755	119,618	80,102	66,807	55,850

	Six Months ended June 30,			Year ended December 31,			
	2010	2009	2009	2008	2007	2006	2005
Consolidated Statements of Income:							
Total interest income	\$ 58,931	\$ 55,876	\$ 120,072	\$ 91,919	\$ 78,656	\$ 67,781	\$ 48,623
Total interest expense	21,658	26,107	53,138	40,779	37,576	29,564	16,652
Net interest income	37,273	29,769	66,934	51,140	41,080	38,217	31,971
Provision for loan losses	52,500	3,000	51,000	3,200	1,300	1,500	1,200
Net interest income (loss) after provision for loan losses	(15,227)	26,769	15,934	47,940	39,780	36,717	30,771
Total noninterest income	4,798	4,722	10,663	8,479	9,223	9,357	8,190
Total noninterest expense	29,345	20,603	48,801	31,950	26,954	24,413	21,140
Income (loss) before income taxes	(39,774)	10,888	(22,204)	24,469	22,049	21,661	17,821
Provision (benefit) for income taxes	3,209	3,859	(10,356)	8,746	7,774	7,694	6,755
Net income (loss)	\$ (42,983)	\$ 7,029	\$ (11,848)	\$ 15,723	\$ 14,275	\$ 13,967	\$ 11,066

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	Six Months ended June 30,			Year ended December 31,			
	2010	2009	2009	2008	2007	2006	2005
Selected Financial Ratios and Other Data:							
Return on average equity	(64.36)%	10.78	(8.38)%	16.73%	19.40%	22.63%	21.48%
Return on average assets	(3.52)%	0.66	(0.50)%	1.05%	1.32%	1.45%	1.41%
Average equity to average assets	5.47%	6.10	6.00%	6.26%	6.81%	6.39%	6.55%
Dividend payout ratio	N/A	15.19	N/A	10.50%	10.74%	10.18%	12.85%
Diluted earnings (loss) per share	\$ (2.90)	0.56	\$ (0.87)	\$ 1.52	\$ 1.46	\$ 1.43	\$ 1.13
Basic earnings (loss) per share	\$ (2.90)	0.56	\$ (0.87)	\$ 1.52	\$ 1.46	\$ 1.43	\$ 1.13
Cash dividends declared per common share	\$	\$ 0.08	\$ 0.12	\$ 0.16	\$ 0.16	\$ 0.16	\$ 0.16
Total cash dividends declared	\$	\$ 1,068	\$ 1,670	\$ 1,651	\$ 1,533	\$ 1,422	\$ 1,422

	As of June 30,			As of December 31,			
	2010	2009	2009	2008	2007	2006	2005
Book value per share	\$ 6.39	\$ 10.32	\$ 9.14	\$ 10.14	\$ 8.17	\$ 6.84	\$ 5.72
Total trust assets	\$ 39,534	\$ 56,936	\$ 50,866	\$ 63,659	\$ 88,872	\$ 93,824	\$ 92,054
Number of common shares outstanding	14,967,508	14,858,522	14,855,482	11,799,477	9,800,510	8,885,477	5,923,652

Quarterly Financial Data (Unaudited)

	Interest Income	Net Interest Income	Net Income/ (Loss)	Earnings (loss) Per Share	
				Basic	Diluted
2010					
First quarter	\$ 30,598	\$ 19,344	\$ (13,769)	\$ (0.93)	\$ (0.93)
Second quarter	28,333	17,929	(29,214)	(1.97)	(1.97)
2009					
First quarter	\$ 26,578	\$ 13,463	\$ 3,616	\$ 0.31	\$ 0.31
Second quarter	29,298	16,306	3,413	0.26	0.26
Third quarter	32,330	18,858	898	0.06	0.06
Fourth quarter	31,866	18,307	(19,775)	(1.34)	(1.34)
2008					
First quarter	\$ 20,088	\$ 10,959	\$ 3,575	\$ 0.36	\$ 0.36
Second quarter	21,710	12,160	3,951	0.40	0.40
Third quarter	24,467	13,912	4,607	0.47	0.47
Fourth quarter	25,654	14,109	3,590	0.30	0.30

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UNAUDITED COMPARATIVE PER SHARE INFORMATION

The table on the following page presents, for both People's United and Smithtown Bancorp, historical information with respect to earnings, dividends and book value on a per share basis. The table also presents preliminary pro forma information for both companies on a per share basis. The preliminary pro forma information was prepared as if the merger had become effective on January 1, 2009.

The preliminary pro forma information assumes total merger consideration of approximately \$60 million, consisting of approximately \$30 million in cash and approximately 2.1 million shares of People's United common stock with a fair value of approximately \$30 million based on the average closing price of People's United common stock of \$13.98 per share for the five-day period ended July 14, 2010, the last trading day before announcement of the merger. The cash portion of the merger consideration was calculated at the rate of \$2.00 per share of Smithtown Bancorp common stock and the stock portion of the merger consideration was calculated at the rate of 0.143 share of People's United common stock per share of Smithtown Bancorp. Using those assumptions, the value of the merger consideration to be received in exchange for one share of Smithtown Bancorp common stock would have been approximately \$4.00.

The preliminary pro forma equivalent per share information shown for Smithtown Bancorp in the following table was obtained by multiplying the pro forma per share amounts shown for People's United by the exchange ratio of 0.143. The number of shares to be issued by People's United in the merger will depend on the number of shares of Smithtown Bancorp common stock outstanding immediately prior to the effective date of the merger.

The preliminary pro forma financial information reflects estimated adjustments to record Smithtown Bancorp's assets and liabilities at their respective fair values based on People's United management's best estimate using the information available at this time. The preliminary pro forma adjustments will be revised as additional information becomes available and as additional analyses are performed. The final allocation of the purchase price will be determined after the merger is completed and after the completion of a final analysis to determine the fair values of Smithtown Bancorp's tangible and identifiable intangible assets and liabilities as of the closing date. The final purchase price adjustments may differ materially from the estimated pro forma adjustments reflected in the preliminary pro forma financial information. Increases or decreases in the fair value of certain balance sheet amounts and other items of Smithtown Bancorp as compared to the estimates reflected in the preliminary pro forma financial information may change the amount of the purchase price allocated to goodwill and other assets and liabilities and may impact the statement of income due to adjustments in yield and/or amortization of adjusted assets and liabilities.

It is anticipated that the merger will provide People's United with financial benefits, such as possible expense efficiencies and revenue enhancements, among other factors, although no assurances can be given that these benefits will actually be achieved. The impact of these benefits has not been reflected in the preliminary pro forma financial information. As required, the preliminary pro forma financial information includes adjustments that give effect to events that are directly attributable to the merger and factually supportable. As a result, any planned adjustments affecting the balance sheet, income statement, or shares of common stock outstanding subsequent to the assumed merger completion date have not been included.

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

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The information in the following table is derived from and should be read in conjunction with the historical consolidated financial statements and related notes of People's United and Smithtown Bancorp, which are included in or incorporated by reference into this document. The preliminary pro forma book value per common share calculation assumes the merger had been completed as of June 30, 2010. See Selected Historical Financial Data of People's United beginning on page 8.

	As of or for the Six Months Ended June 30, 2010	As of or for the Year Ended December 31, 2009
People's United		
Basic earnings per common share		
Historical	\$ 0.08	\$ 0.30
Pro forma	0.13	0.38
Diluted earnings per common share		
Historical	0.08	0.30
Pro forma	0.13	0.38
Dividends declared per common share		
Historical	0.31	0.61
Pro forma	0.31	0.61
Book value per common share		
Historical	15.10	15.20
Pro forma	15.09	N/A
Smithtown Bancorp		
Basic earnings (loss) per common share		
Historical	\$ (2.90)	\$ (0.87)
Pro forma equivalent	0.02	0.05
Diluted earnings (loss) per common share		
Historical	(2.90)	(0.87)
Pro forma equivalent	0.02	0.05
Dividends declared per common share		
Historical		0.12
Pro forma equivalent	0.04	0.09
Book value per common share		
Historical	6.39	9.14
Pro forma equivalent	2.16	N/A

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People's United common stock is listed and traded on the NASDAQ Global Select Market under the symbol PBCT. Smithtown Bancorp common stock is listed and traded on the NASDAQ Global Select Market under the symbol SMTB. At June 30, 2010, Smithtown Bancorp had approximately 681 stockholders of record, not including the number of persons or entities holding stock in nominee or street name through various banks and brokers. The following table sets forth, for the calendar quarters indicated, the high and low sales prices per share of People's United common stock and the high and low sales prices of Smithtown Bancorp common stock, as reported on the NASDAQ Global Select Market. In addition, the table also sets forth the quarterly cash dividends per share declared by People's United and Smithtown Bancorp with respect to their common stock. On [], 2010, the last practicable trading day prior to the date of this proxy statement/prospectus, there were [] shares of People's United common stock outstanding and [] shares of Smithtown Bancorp common stock outstanding.

For the calendar quarterly period ended:	People's United			Smithtown Bancorp		
	High	Low	Dividends Declared	High	Low	Dividends Declared
2008						
March 31, 2008	\$ 18.25	\$ 14.29	\$ 0.1333	\$ 23.02	\$ 18.70	\$ 0.04
June 30, 2008	\$ 18.52	\$ 15.52	\$ 0.1500	\$ 22.66	\$ 16.25	\$ 0.04
September 30, 2008	\$ 21.76	\$ 13.92	\$ 0.1500	\$ 24.50	\$ 15.50	\$ 0.04
December 31, 2008	\$ 20.15	\$ 14.75	\$ 0.1500	\$ 21.25	\$ 12.95	\$ 0.04
2009						
March 31, 2009	\$ 18.18	\$ 15.61	\$ 0.1500	\$ 16.53	\$ 9.12	\$ 0.04
June 30, 2009	\$ 18.54	\$ 14.72	\$ 0.1525	\$ 15.35	\$ 10.30	\$ 0.04
September 30, 2009	\$ 17.41	\$ 14.84	\$ 0.1525	\$ 14.23	\$ 10.29	\$ 0.04
December 31, 2009	\$ 17.16	\$ 15.15	\$ 0.1525	\$ 11.96	\$ 4.41	\$
2010						
March 31, 2010	\$ 17.08	\$ 15.07	\$ 0.1525	\$ 6.46	\$ 3.71	\$
June 30, 2010	\$ 16.79	\$ 13.49	\$ 0.1550	\$ 5.68	\$ 2.15	\$
September 30, 2010 (through September 21, 2010)	\$ 14.35	\$ 12.56	\$ 0.1550	\$ 4.14	\$ 2.77	\$

The following table presents:

the last reported sale price of a share of Smithtown Bancorp common stock, as reported on the NASDAQ Global Select Market on (i) July 14, 2010, the last full trading day prior to the public announcement of the proposed merger, and (ii) [], 2010, the last practicable trading day prior to the date of this proxy statement/prospectus; and

the average closing price of common stock of People's United during the five trading days ended on (i) July 14, 2010, the last full trading day prior to the public announcement of the proposed merger, and (ii) [], 2010, the last practicable trading day prior to the date of this proxy statement/prospectus, in each case as reported on the NASDAQ Global Select Market.

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The following table also presents the implied value of the merger consideration per share of Smithtown Bancorp common stock on those dates:

	Smithtown Bancorp Common Stock	Five-Day Average People's United Common Stock Closing Price	Implied Value Per Share of Smithtown Bancorp Common Stock ⁽¹⁾
July 14, 2010	\$ 3.87	\$ 13.982	\$ 4.00
[], 2010	\$ []	\$ []	\$ []

⁽¹⁾ Calculated by adding (i) \$2.00 and (ii) 0.143 multiplied by the average closing price of People's United common stock during the five trading days ended on the specified date.

The cash consideration to be paid in exchange for shares of Smithtown Bancorp common stock upon completion of the merger, the exchange ratio that will be used to determine the number of shares of People's United common stock to be issued in exchange for shares of Smithtown Bancorp common stock upon completion of the merger, and the market value of the People's United common stock to be issued in exchange for shares of Smithtown Bancorp common stock upon the completion of the merger will not be known at the time of the Smithtown Bancorp special meeting. The above tables show only historical comparisons. Because the market prices of People's United common stock and Smithtown Bancorp common stock will likely fluctuate prior to the merger, these comparisons may not provide meaningful information to Smithtown Bancorp stockholders in determining whether to approve the merger agreement. Stockholders are encouraged to obtain current market quotations for People's United common stock and Smithtown Bancorp common stock and to review carefully the other information contained in this proxy statement/prospectus or incorporated by reference in this proxy statement/prospectus. See [Where You Can Find More Information](#) beginning on page 200.

The holders of People's United common stock receive dividends as and when declared by People's United's board of directors out of statutory surplus or from net profits. Following the completion of the merger, subject to approval and declaration by People's United's board of directors, People's United expects to continue paying quarterly cash dividends on a basis consistent with past practices.

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QUESTIONS AND ANSWERS ABOUT THE MERGER AND THE SPECIAL MEETING

The following questions and answers are intended to address briefly some commonly asked questions regarding the merger and the special meeting. These questions and answers may not address all questions that may be important to you as a stockholder. To better understand these matters, and for a description of the legal terms governing the merger, you should carefully read this entire proxy statement/prospectus, including the annexes, as well as the documents that have been incorporated by reference in this proxy statement/prospectus.

Q: Why am I receiving this proxy statement/prospectus?

A: People's United and Smithtown Bancorp have agreed to the merger of Smithtown Bancorp with and into People's United under the terms of an agreement and plan of merger that is described in this proxy statement/prospectus. A copy of the merger agreement is attached to this proxy statement/prospectus as Annex A. In order to complete the merger, Smithtown Bancorp stockholders must vote to approve the merger agreement. Smithtown Bancorp will hold a special meeting of its stockholders to obtain this approval. This proxy statement/prospectus contains important information about the merger, the merger agreement, the special meeting of Smithtown Bancorp stockholders and other related matters, and you should read it carefully. The enclosed voting materials for the special meeting allow you to vote your shares of Smithtown Bancorp common stock without attending the special meeting in person.

We are delivering this proxy statement/prospectus to you as both a proxy statement of Smithtown Bancorp and a prospectus of People's United. It is a proxy statement because the Smithtown Bancorp board of directors is soliciting proxies from its stockholders to vote on the approval of the merger agreement at a special meeting of stockholders, and your proxy will be used at the special meeting or at any adjournment or postponement of the special meeting. It is a prospectus because People's United will issue People's United common stock to the Smithtown Bancorp common stockholders in the merger and this prospectus contains information about that common stock.

Q: What am I being asked to vote on?

A: Smithtown Bancorp's stockholders are being asked to vote on the following proposals:

to approve the merger agreement between People's United and Smithtown Bancorp; and

to approve the adjournment of the special meeting, if necessary, to solicit additional proxies in favor of the merger agreement and the transactions contemplated by the merger agreement, including the merger.

Q: What will happen in the merger?

A: In the proposed merger, Smithtown Bancorp will merge with and into People's United, with People's United being the surviving corporation.

Q: What will I receive in the merger?

A: You will be entitled to elect to receive your merger consideration in the form of People's United common stock, cash or a combination of both. Subject to the election, equalization and allocation procedures described in this document, you will be entitled to receive, in

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exchange for each share of Smithtown Bancorp common stock you hold at the time of the merger, consideration, without interest, with a value equal to the sum of (i) \$2.00 and (ii) 0.143 multiplied by the average closing price of People's United common stock on the NASDAQ during the five trading days ending the day before the completion of the merger. The implied value of the merger consideration will fluctuate with the market price of People's United common stock.

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As an example, if the average closing price of People's United common stock on the NASDAQ for the five trading days ending the day before the completion of the merger is \$13.98, which was the average closing price of People's United common stock on the NASDAQ for the five trading days prior to July 15, 2010 (the day of the announcement of the merger), each share of Smithtown Bancorp common stock would be converted into the right to receive either \$4.00 in cash or 0.286 of a share of People's United common stock valued at \$4.00 based on that five-day-average closing price of People's United common stock.

Q: What are the material U.S. federal income tax consequences of the merger to U.S. holders of shares of Smithtown Bancorp common stock?

A: The merger is intended to qualify for U.S. federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Code. Therefore, for U.S. federal income tax purposes, as a result of the merger, a U.S. holder of shares of Smithtown Bancorp common stock generally will only recognize gain (but not loss) in an amount not to exceed the cash received as part of the merger consideration but will recognize gain or loss (i) if such holder receives the entirety of its consideration in cash and (ii) with respect to any cash received in lieu of fractional shares of People's United common stock. See The Merger Material U.S. Federal Income Tax Consequences of the Merger beginning on page 54.

Q: Will I be able to trade the shares of People's United common stock that I receive in the merger?

A: You may freely trade the shares of People's United common stock issued in the merger, unless you are an affiliate of People's United as defined by Rule 144 under the Securities Act of 1933, as amended. Affiliates consist of individuals or entities that control, are controlled by, or under the common control with People's United and include the executive officers and directors and may include significant stockholders of People's United.

Q: What will happen to shares of People's United common stock in the merger?

A: Nothing. Each share of People's United common stock outstanding will remain outstanding as a share of People's United common stock.

Q: When do you expect the merger to be completed?

A: We will complete the merger when all of the conditions to completion contained in the merger agreement are satisfied or waived, including obtaining customary regulatory approvals and the approval of the merger agreement by Smithtown Bancorp stockholders at the special meeting. While we expect the merger to be completed in the fourth quarter of 2010, because fulfillment of some of the conditions to completion of the merger is not entirely within our control, we cannot assure you of the actual timing.

Q: When is this proxy statement/prospectus being mailed?

A: This proxy statement/prospectus and the proxy card are first being sent to Smithtown Bancorp stockholders on or about [], 2010.

Q: When and where is the special meeting?

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A: The special meeting of stockholders of Smithtown Bancorp will be held at the Sheraton Long Island Hotel, 110 Motor Parkway, Hauppauge, New York 11788 on [], 2010 at 10:00 a.m. local time.

Q: What will happen at the special meeting?

A: At the special meeting, Smithtown Bancorp stockholders will consider and vote upon the proposal to approve the merger agreement. If, at the time of the special meeting, there are not sufficient votes to approve the merger agreement, Smithtown Bancorp may ask you to consider and vote upon a proposal to adjourn the special meeting, so that Smithtown Bancorp can solicit additional proxies.

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Q: Who is entitled to vote at the special meeting?

A: All holders of record of Smithtown Bancorp common stock who held shares at the close of business on the record date (September 20, 2010) are entitled to receive notice of and to vote at the special meeting provided that such shares remain outstanding on the date of the special meeting.

Q: Does the Smithtown Bancorp board of directors recommend voting in favor of the merger agreement?

A: Yes. After careful consideration, the Smithtown Bancorp board of directors unanimously recommends that Smithtown Bancorp stockholders vote **FOR** approval of the merger agreement.

Q: Are there any risks that I should consider in deciding whether to vote for approval of the merger agreement?

A: Yes. You should read and carefully consider the risk factors set forth in the section in this proxy statement/prospectus entitled Risk Factors beginning on page 22.

Q: What do I need to do now?

A: You should carefully read and consider the information contained in or incorporated by reference into this proxy statement/prospectus, including its annexes. It contains important information about the merger, the merger agreement, People's United and Smithtown Bancorp. After you have read and considered this information, you should complete and sign your proxy card and return it in the enclosed postage-paid return envelope or submit a proxy through the Internet or by telephone as soon as possible so that your shares of Smithtown Bancorp common stock will be represented and voted at the special meeting.

Q: If my shares are held in street name by my broker, bank or other nominee, will my broker, bank or other nominee automatically vote my shares for me?

A: No. Your broker, bank or other nominee will not vote your shares of Smithtown Bancorp common stock unless you provide instructions to your broker, bank or other nominee on how to vote. You should instruct your broker, bank or other nominee to vote your shares by following the instructions provided by the broker, bank or nominee with this proxy statement/prospectus.

Q: If my shares are held in the Bank of Smithtown Employee Stock Ownership Plan, what should I do?

A: If you are a participant in the Bank of Smithtown Employee Stock Ownership Plan, which we refer to as the ESOP, you may direct the ESOP trustee (or an independent fiduciary) how to vote the shares allocated to your account as of the record date. You will receive additional materials about how to direct the trustee (or an independent fiduciary) to vote the shares in your ESOP account and you should follow these instructions in order to have the trustee (or an independent fiduciary) vote your shares. ESOP participants must vote through the trustee and may not vote the shares allocated to their respective accounts in person at the special meeting.

Q: When must I elect the type of merger consideration that I prefer to receive?

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- A: If you wish to elect the type of merger consideration you receive in the merger, you should carefully review and follow the instructions set forth in the form of election, which is being separately mailed to Smithtown Bancorp stockholders following the mailing of this proxy statement/prospectus. You will need to properly complete, sign and date the form of election and transmittal materials and return them to the exchange agent, Mellon Investor Services LLC, at the address given in the materials, prior to the election deadline. If your shares of Smithtown Bancorp common stock are represented by certificates, those certificates will need to be returned along with your completed election form. The election deadline will be the later of the date of the Smithtown Bancorp special meeting and the date that Smithtown Bancorp and People's United believe

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to be as near as practicable to five business days prior to the anticipated date for the completion of the merger, although this may change if agreed to by People's United and Smithtown Bancorp. If People's United and Smithtown Bancorp agree to change the election deadline, People's United and Smithtown Bancorp will issue a press release announcing the change. If you do not submit a properly completed and signed form of election to the exchange agent by the election deadline, you will have no control over the type of merger consideration you may receive and, consequently, may receive only cash, only People's United common stock or a combination of cash and People's United common stock in the merger. If you hold shares in street name, you must follow your broker's instructions to make an election.

Q: How will my shares be represented at the special meeting?

A: At the special meeting, the officers named in your proxy card will vote your shares in the manner you requested if you properly signed and submitted your proxy. If you sign your proxy card and return it without indicating how you would like to vote your shares, your proxy will be voted as the Smithtown Bancorp board of directors recommends, which is (i) **FOR** the approval of the merger agreement and (ii) **FOR** the approval of the adjournment of the special meeting, if necessary to solicit additional proxies in favor of the merger agreement and the transactions contemplated by the merger agreement, including the merger.

Q: What if I fail to submit my proxy card or to instruct my broker, bank or other nominee?

A: If you fail to properly submit your proxy card or to instruct your broker, bank or other nominee to vote your shares of Smithtown Bancorp common stock and you do not attend the special meeting and vote your shares in person, your shares will not be voted. This will have the same effect as a vote against approval of the merger agreement.

Q: Can I attend the special meeting and vote my shares in person?

A: Yes. All Smithtown Bancorp stockholders of record on September 20, 2010 can vote in person at the special meeting even if you have previously returned your proxy. If your shares are held in street name, you must obtain a proxy from the record holder to vote your shares in person at the special meeting.

Q: Can I change my vote after I have submitted my signed proxy card?

A: Yes. You can change your vote at any time after you have submitted your proxy card and before your proxy is voted at the special meeting.

You may deliver a written notice bearing a date later than the date of your proxy card to the secretary of Smithtown Bancorp, stating that you revoke your proxy.

You may sign and deliver to the secretary of Smithtown Bancorp a new proxy card relating to the same shares and bearing a later date.

You may properly cast a new vote through the Internet or by telephone at any time before the closure of the Internet voting facilities and the telephone voting facilities.

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You may attend the special meeting and vote in person, although attendance at the special meeting will not, by itself, revoke a proxy. You should send any notice of revocation or your completed new proxy card, as the case may be, to Smithtown Bancorp at the following address:

Smithtown Bancorp, Inc.

100 Motor Parkway, Suite 160

Hauppauge, New York 11788

Attn: Corporate Secretary

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If you have instructed a bank, broker or other nominee to vote your shares, you must follow the directions you receive from your bank, broker or other nominee to change your voting instructions.

Q: What happens if I sell my shares after the record date but before the special meeting?

A: The record date of the special meeting is earlier than the date of the special meeting and the date that the merger is expected to be completed. If you sell or otherwise transfer your Smithtown Bancorp shares after the record date but before the date of the special meeting, you will retain your right to vote at the special meeting (provided that such shares remain outstanding on the date of the special meeting), but you will not have the right to receive the merger consideration to be received by Smithtown Bancorp's stockholders in the merger for the shares that you sold or transferred. In order to receive the merger consideration, you must hold your shares through completion of the merger.

Q: What do I do if I receive more than one proxy statement/prospectus or set of voting instructions?

A: If you hold shares directly as a record holder and also in street name or otherwise through a nominee, you may receive more than one proxy statement/prospectus and/or set of voting instructions relating to the special meeting. These should each be voted and/or returned separately in order to ensure that all of your shares are voted.

Q: Are Smithtown Bancorp stockholders entitled to seek appraisal or dissenters' rights if they do not vote in favor of the approval of the merger agreement?

A: No. As a holder of Smithtown Bancorp common stock, you are not entitled to appraisal or dissenters' rights under Section 910 of the NYBCL in connection with the merger. See The Merger No Appraisal or Dissenters' Rights beginning on page 61.

Q: Should I send in my stock certificates now?

A: No. You will receive a form on which you can elect the type of consideration that you would prefer to receive as a result of the merger, which will include instructions for surrendering your stock certificates in order to make an effective election. If you do not surrender your stock certificates as part of the election process, then after the merger is complete you will receive separate written instructions for surrendering your shares of Smithtown Bancorp common stock in exchange for the merger consideration. In the meantime, you should retain your stock certificates because they are still valid. Please do not send in your stock certificates with your proxy card.

Q: Where can I find more information about the companies?

A: You can find more information about People's United and Smithtown Bancorp from the various sources described under Where You Can Find More Information beginning on page 200.

Q: Will a proxy solicitor be used?

A:

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Yes. Smithtown Bancorp has engaged Phoenix Advisory Partners to assist in the solicitation of proxies for the special meeting and Smithtown Bancorp estimates that it will pay Phoenix Advisory Partners a fee between \$8,000 and \$11,500. Smithtown Bancorp has also agreed to reimburse Phoenix Advisory Partners for reasonable out-of-pocket expenses and disbursements incurred in connection with the proxy solicitation and to indemnify Phoenix Advisory Partners against certain losses, costs and expenses. In addition, Smithtown Bancorp officers and employees may request the return of proxies by telephone or in person, but no additional compensation will be paid to them.

Q: Whom should I call with questions?

A: You may contact People's United or Smithtown Bancorp at the telephone numbers listed under "Where You Can Find More Information" on page 200. In each case, please ask to speak with the persons identified in that section. You may also contact Phoenix Advisory Partners toll free at (866) 351-1539.

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RISK FACTORS

In addition to the other information contained in or incorporated by reference into this proxy statement/prospectus, including the matters addressed under the caption "Information Regarding Forward-Looking Statements" on page 26, you should carefully consider the following risk factors in deciding whether to vote for approval of the merger agreement.

Because the market price of People's United common stock will fluctuate, Smithtown Bancorp stockholders will not know until the effective time of the merger the value of the consideration they will receive in the merger.

Upon completion of the merger, each share of Smithtown Bancorp common stock will be converted into the right to receive merger consideration consisting of shares of People's United common stock and/or cash pursuant to the terms of the merger agreement. The value of the merger consideration to be received by Smithtown Bancorp stockholders will be based on the average closing price of People's United common stock on the NASDAQ for the five trading days ending on the day before the completion of the merger. This average price may vary from the closing price of People's United common stock on the date the merger was announced, on the date this document was mailed to Smithtown Bancorp stockholders and on the date of the special meeting of the Smithtown Bancorp stockholders. Any change in the market price of People's United common stock prior to completion of the merger will affect the value of the merger consideration that Smithtown Bancorp stockholders will receive upon completion of the merger. Accordingly, at the time of the Smithtown Bancorp special meeting and prior to the election deadline, Smithtown Bancorp stockholders will not necessarily know or be able to calculate the amount of the cash consideration they would receive, the exchange ratio that will be used to determine the number of any shares of People's United common stock they would receive upon completion of the merger, or the value of any shares of People's United common stock they would receive upon completion of the merger. Smithtown Bancorp is not permitted to terminate the merger agreement or resolicit the vote of Smithtown Bancorp stockholders solely because of changes in the market price of either company's stock. Stock price changes may result from a variety of factors, including general market and economic conditions, changes in the respective businesses, operations and prospects of People's United and Smithtown Bancorp, and regulatory considerations. Many of these factors are beyond the control of People's United or Smithtown Bancorp. You should obtain current market quotations for shares of People's United common stock and for shares of Smithtown Bancorp common stock.

The market price of People's United common stock after the merger may be affected by factors different from those affecting the shares of People's United or Smithtown Bancorp currently.

The businesses of People's United and Smithtown Bancorp differ and, accordingly, the results of operations of the combined company and the market price of the combined company's shares of common stock may be affected by factors different from those currently affecting the independent results of operations and market prices of common stock of each of People's United and Smithtown Bancorp. For a discussion of the businesses of People's United and Smithtown Bancorp and of certain factors to consider in connection with those businesses, see "Information About Smithtown Bancorp" beginning on page 93 and the documents incorporated by reference in this proxy statement/prospectus and referred to under "Where You Can Find More Information" beginning on page 200.

Smithtown Bancorp stockholders may receive a form of consideration different from what they elect.

Although each Smithtown Bancorp stockholder may elect to receive all cash, all People's United common stock or a combination of cash and common stock in the merger, the cash and stock elections are subject to proration and adjustment to preserve the proportion of the aggregate number of People's United shares to be issued to the aggregate cash consideration to be paid in the merger. As a result, even if you make an all-cash election or an all-stock election, you may nevertheless receive a mix of cash and stock consideration. In addition, if you elect to receive a combination of stock and cash, you may not receive the desired mix.

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If you are a Smithtown Bancorp stockholder and you make a valid cash or stock election, you will not be able to sell your shares during certain times.

If you are a Smithtown Bancorp stockholder of record as of September 20, 2010, the record date for the special meeting, holding your shares in certificated form and want to make a valid cash or stock election, you will have to deliver a properly completed and signed form of election and your stock certificates to the exchange agent. For further details on the determination of the election deadline, see *The Merger Conversion of Shares; Exchange of Certificates and Book-Entry Shares; Dividends; Withholding; Election Form of Election* beginning on page 59. The election deadline will be the later of the day of the Smithtown Bancorp special meeting and the date the parties believe to be as near as practicable to five business days before the completion of the merger. You will not be able to sell any certificated shares of Smithtown Bancorp common stock that you have delivered as part of your election unless you revoke your election before the deadline by providing written notice to the exchange agent. If you do not revoke your election before the election deadline, you will not be able to liquidate your investment in Smithtown Bancorp common stock for any reason until you receive cash and/or People's United common stock following completion of the merger. Similarly, holders of book-entry shares of Smithtown Bancorp common stock who have made a valid election and have not revoked their election prior to the election deadline will not be able to sell any shares for which they have made a valid election after the election deadline. In the time between the election deadline and the completion of the merger, the trading price of Smithtown Bancorp or People's United common stock may decrease, and you might otherwise want to sell your shares of Smithtown Bancorp common stock to gain access to cash, make other investments, or reduce the potential for a decrease in the value of your investment. The date that you will receive your merger consideration depends on the completion date of the merger, which is uncertain. The completion date of the merger might be later than expected due to unforeseen events, such as delays in obtaining regulatory approvals.

The failure to successfully integrate Smithtown Bancorp's business and operations in the expected time frame may adversely affect People's United's future results.

The success of the merger will depend, in part, on the combined company's ability to realize the anticipated benefits from combining the businesses of People's United and Smithtown Bancorp. However, to realize these anticipated benefits, the businesses of People's United and Smithtown Bancorp must be successfully combined. If the combined company is not able to achieve these objectives, the anticipated benefits of the merger may not be realized fully or at all or may take longer to realize than expected.

People's United and Smithtown Bancorp have operated and, until the completion of the merger, will continue to operate independently. It is possible that the integration process could result in the loss of key employees, as well as the disruption of each company's ongoing businesses or inconsistencies in standards, controls, procedures and policies, any or all of which could adversely affect People's United's ability to maintain relationships with clients, customers, depositors and employees after the merger or to achieve the anticipated benefits of the merger. Integration efforts between the two companies will also divert management attention and resources. These integration matters could have an adverse effect on each of People's United and Smithtown Bancorp.

The merger agreement limits Smithtown Bancorp's ability to pursue alternatives to the merger.

The merger agreement contains provisions that make it more difficult for Smithtown Bancorp to sell its business to a party other than People's United. These provisions include a general prohibition on Smithtown Bancorp's solicitation of any acquisition proposal or offer for a competing transaction, the requirement that Smithtown Bancorp pay a termination fee of up to \$2,400,000 in the aggregate if the merger agreement is terminated in specified circumstances and the requirement that Smithtown Bancorp submit the adoption of the merger agreement to a vote of Smithtown Bancorp's stockholders even if the board of directors of Smithtown Bancorp revokes its recommendation in favor of the approval of the merger agreement in a manner adverse to People's United. See *The Merger Agreement No Solicitation of Alternative Transactions* and *The Merger Agreement Termination of the Merger Agreement Termination Fee* beginning on pages 74 and 79, respectively.

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These provisions might discourage a third party that might have an interest in acquiring all or a significant part of Smithtown Bancorp from considering or proposing that acquisition, even if that party were prepared to pay consideration with a higher per share value than the current proposed merger consideration. Furthermore, a potential competing acquiror may propose to pay a lower per share price to Smithtown Bancorp stockholders than it might otherwise have proposed to pay because of Smithtown Bancorp's obligation, in connection with termination of the merger agreement under certain circumstances, to pay People's United a \$2,400,000 termination fee.

Multiple lawsuits have been filed against Smithtown Bancorp and People's United challenging the merger, and an adverse judgment in any such lawsuit may prevent the merger from being completed or from being completed within the expected timeframe.

Both Smithtown Bancorp and People's United are named as defendants in purported class action lawsuits brought by Smithtown Bancorp stockholders challenging the proposed merger, seeking, among other things, to enjoin completion of the merger on the agreed-upon terms. See The Merger Litigation Relating to the Merger beginning on page 62 for more information about the purported class action lawsuits related to the merger that have been filed.

One of the conditions to the closing of the merger is that no order, injunction (whether temporary, preliminary or permanent) or decree issued by a court or other agency of competent jurisdiction that makes the merger or the bank merger illegal or prohibits the completion of the merger shall be in effect. As such, if the plaintiffs are successful in obtaining an injunction prohibiting the completion of the merger on the agreed-upon terms, then such injunction may prevent the merger from being completed, or from being completed within the expected timeframe.

Failure to complete the merger could negatively impact the stock prices and future businesses and financial results of People's United and Smithtown Bancorp.

If the merger is not completed, the ongoing businesses of People's United and Smithtown Bancorp may be adversely affected and People's United and Smithtown Bancorp will be subject to several risks, including the following:

Smithtown Bancorp may be required, under certain circumstances, to pay People's United a termination fee of up to \$2,400,000 under the merger agreement;

People's United and Smithtown Bancorp will be required to pay certain costs relating to the merger, whether or not the merger is completed, such as legal, accounting, financial advisor and printing fees;

under the merger agreement, Smithtown Bancorp is subject to certain restrictions on the conduct of its business prior to completing the merger, which may adversely affect its ability to execute certain of its business strategies;

matters relating to the merger may require substantial commitments of time and resources by People's United and Smithtown Bancorp management, which could otherwise have been devoted to other opportunities that may have been beneficial to People's United and Smithtown Bancorp as independent companies, as the case may be; and

Smithtown Bancorp and Bank of Smithtown will still be subject to the provisions of the agreements and orders with bank regulatory authorities described in the section headed "Additional Information About Smithtown Bancorp Consent Agreement" on page 93 of this proxy statement/prospectus, but will not be able to rely on the merger as a means of complying with such agreements and orders. In addition, if the merger is not completed, People's United and/or Smithtown Bancorp may experience negative reactions from the financial markets and from their respective customers and employees. People's United and/or Smithtown Bancorp also could be subject to litigation related to any failure to complete the merger or to

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enforcement proceedings commenced against People's United or Smithtown Bancorp to perform their respective obligations under the merger agreement. If the merger is not completed, People's United and Smithtown Bancorp cannot assure their stockholders that the risks described above will not materialize and will not materially affect the business, financial results and stock prices of People's United and/or Smithtown Bancorp.

The shares of People's United common stock to be received by Smithtown Bancorp stockholders receiving the stock consideration as a result of the merger will have different rights from shares of Smithtown Bancorp common stock.

Following completion of the merger, Smithtown Bancorp stockholders who receive the stock consideration will no longer be stockholders of Smithtown Bancorp, a New York corporation, but will instead be stockholders of People's United, a Delaware corporation. There will be important differences between your current rights as a Smithtown Bancorp stockholder and the rights to which you will be entitled as a People's United stockholder. See "Comparison of Stockholder Rights" beginning on page 83 for a discussion of the different rights associated with People's United common stock and Smithtown Bancorp common stock.

Smithtown Bancorp's directors and executive officers have financial interests in the merger that may be different from, or in addition to, the interests of Smithtown Bancorp stockholders.

In considering the information contained in this proxy statement/prospectus, you should be aware that Smithtown Bancorp's executive officers and directors may have financial interests in the merger that are different from, or in addition to, the interests of Smithtown Bancorp stockholders generally. These interests include the acceleration of vesting of their outstanding Smithtown Bancorp equity compensation awards, the right to potentially receive payments under change in control agreements and rights to continued indemnification and insurance coverage by People's United after the merger for acts or omissions occurring before the merger. See "The Merger: Interests of Smithtown Bancorp's Directors and Executive Officers in the Merger" beginning on page 49 for a discussion of these financial interests.

The fairness opinion obtained by Smithtown Bancorp from its financial advisor will not reflect changes in circumstances subsequent to the date of the fairness opinion

Sandler O'Neill, Smithtown Bancorp's financial advisor in connection with the proposed merger, has delivered to the board of directors of Smithtown Bancorp its opinion dated as of July 15, 2010. The opinion of Sandler O'Neill stated that as of such date, and based upon and subject to the factors and assumptions set forth therein, the merger consideration to be paid to the holders of the outstanding shares of Smithtown Bancorp common stock pursuant to the merger agreement was fair from a financial point of view to such holders. The opinion does not reflect changes that may occur or may have occurred after the date of the opinion, including changes to the operations and prospects of People's United or Smithtown Bancorp, changes in general market and economic conditions or regulatory or other factors. Any such changes, or changes in other factors on which the opinion is based, may materially alter or affect the relative values of People's United and Smithtown Bancorp.

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INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

This proxy statement/prospectus, including information included or incorporated by reference in this proxy statement/prospectus, may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements include, but are not limited to, statements about the benefits of the merger between People's United and Smithtown Bancorp, including future financial and operating results and performance; statements about People's United's and Smithtown Bancorp's plans, objectives, expectations and intentions with respect to future operations, products and services; and other statements identified by words such as expects, anticipates, intends, plans, believes, seeks, estimates, predicts, continues, will, should, may or the negative of these terms or words of similar meaning. Forward-looking statements are based upon the current beliefs and expectations of People's United's and Smithtown Bancorp's management and are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are difficult to predict and generally beyond the control of People's United and Smithtown Bancorp. In addition, these forward-looking statements are subject to assumptions with respect to future business strategies and decisions that are subject to change. Actual results may differ materially from the anticipated results discussed in these forward-looking statements.

The following factors, among others, could cause actual results to differ materially from the anticipated results or other expectations expressed in the forward-looking statements:

the failure of the parties to satisfy the closing conditions in the merger agreement in a timely manner or at all;

the failure of the stockholders of Smithtown Bancorp to approve the merger agreement;

the failure to obtain governmental approvals of the merger;

disruptions to the parties' businesses as a result of the announcement and pendency of the merger;

the risk that the businesses of People's United and Smithtown Bancorp may not be combined successfully, or such combination may take longer or be more difficult, time-consuming or costly to accomplish than expected;

changes in general, national or regional economic conditions;

unprecedented volatility in the global economy;

acts of war or terrorism;

political instability;

the risk that the future business operations of Smithtown Bancorp will not be successful;

the risk that the anticipated benefits, cost savings and any other savings from the merger may not be fully realized or may take longer than expected to realize;

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changes in loan default and charge-off rates;

changes in the demand for loan products or for other financial services;

reductions in deposit levels necessitating increased borrowings to fund loans and investments;

changes in interest rates or credit availability;

changes in inflation, the securities markets and in monetary fluctuations;

possible changes in regulation resulting from or relating to the financial reform legislation;

changes in tax policies, rates and regulations of federal, state and local tax authorities;

the effects of and changes in trade and monetary and fiscal policies and laws, including the interest rate policies of the Federal Reserve Board;

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changes in accounting and regulatory guidance applicable to banks;

the resolution of legal proceedings or regulatory or other governmental inquiries and the results of regulatory examinations or reviews;

greater than expected costs or difficulties related to the opening of new branch offices or the integration of new products and lines of business, or both;

changes in levels of income and expense in non-interest income and expense related activities; and/or

competition and its effect on pricing, spending, third-party relationships and revenues.

Additional factors that could cause People's United's and Smithtown Bancorp's results to differ materially from those described in the forward-looking statements can be found in People's United's and Smithtown Bancorp's filings with the Securities and Exchange Commission, including People's United's Annual Report on Form 10-K for the fiscal year ended December 31, 2009 and Smithtown Bancorp's Annual Report on Form 10-K for the fiscal year ended December 31, 2009.

You are cautioned not to place undue reliance on the forward-looking statements, which speak only as of the date of this proxy statement/prospectus or the date of any document incorporated by reference in this proxy statement/prospectus. All subsequent written and oral forward-looking statements concerning the merger or other matters addressed in this proxy statement/prospectus and attributable to People's United or Smithtown Bancorp or any person acting on their behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. Except to the extent required by applicable law or regulation, People's United and Smithtown Bancorp undertake no obligation to update these forward-looking statements to reflect events or circumstances after the date of this proxy statement/prospectus or to reflect the occurrence of unanticipated events.

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INFORMATION ABOUT THE COMPANIES

People's United Financial

People's United is a savings and loan holding company and is a Delaware corporation. People's United Bank is a federal stock savings bank and a wholly-owned subsidiary of People's United. A diversified financial services company founded in 1842, People's United Bank provides consumer, commercial, insurance, retail investment and wealth management and trust services to personal and business banking customers.

The principal business of People's United is to provide, through People's United Bank and its subsidiaries, commercial banking, retail and small business banking, and wealth management services to individual, corporate and municipal customers. Traditional banking activities are conducted primarily within New England and include extending secured and unsecured commercial and consumer loans, originating mortgage loans secured by residential and commercial properties, and accepting consumer, commercial and municipal deposits. In addition to traditional banking activities, People's United Bank provides specialized financial services tailored to specific markets including: personal, institutional and employee benefit trust; cash management; and municipal banking and finance. Through its non-banking subsidiaries, People's United Bank offers: brokerage, financial advisory services, investment management services and life insurance through People's Securities, Inc.; equipment financing through People's Capital and Leasing Corp. and Financial Federal Credit Inc.; and other insurance services through R.C. Knox and Company, Inc. and Chittenden Insurance Group, LLC.

This full range of financial services is delivered through a network of nearly 300 branches in Connecticut, Vermont, New Hampshire, Maine, Massachusetts and New York, including 82 full-service supermarket branches, 43 investment and brokerage offices, nine People's Capital and Leasing Corp. offices, eight Financial Federal Credit Inc. offices, 16 commercial banking offices and over 400 ATMs. People's United Bank's distribution network also includes online banking and investment trading, a 24-hour telephone banking service and participation in a worldwide ATM network.

At June 30, 2010, People's United had total consolidated assets of \$22 billion, loans of \$15 billion, deposits of \$16 billion and stockholders equity of \$5 billion.

The address of People's United's principal executive offices is 850 Main Street, Bridgeport, Connecticut 06604, and its telephone number is (203) 338-7171. For additional information about People's United, see "Where You Can Find More Information" beginning on page 200.

Smithtown Bancorp

Smithtown Bancorp is a New York corporation which is registered as a bank holding company under the Bank Holding Company Act of 1956, as amended, which we refer to as the BHC Act. Smithtown Bancorp is the parent of Bank of Smithtown, a New York State-chartered commercial bank. As of June 30, 2010, Smithtown Bancorp and its subsidiaries had consolidated total assets of \$2.3 billion, deposits of \$1.8 billion and stockholders' equity of \$95.6 million. Smithtown Bancorp had 275 full-time and 50 part-time employees as of June 30, 2010.

Smithtown Bancorp has three other direct wholly-owned subsidiaries, Smithtown Bancorp Capital Trust I, Smithtown Bancorp Capital Trust II and Smithtown Bancorp Capital Trust III, all of which are Delaware Statutory Trusts that were formed to issue trust preferred securities. Smithtown Bancorp was incorporated under the laws of New York State in 1984. At the direction of the board of directors, pursuant to a plan of reorganization, the former stockholders of Bank of Smithtown became the stockholders of Smithtown Bancorp. Since commencing business in 1984, Smithtown Bancorp has functioned primarily as holder of all of Bank of Smithtown's common stock. Bank of Smithtown has six wholly owned subsidiaries. Through its financial services subsidiary, Bank of Smithtown Financial Services, Inc., Bank of Smithtown offers tax-deferred annuities

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and mutual funds and accepts commission payments generated through a program called Investors Marketplace. Bank of Smithtown offers a full line of commercial and personal insurance products, underwritten by third party insurance companies, through Bank of Smithtown Insurance Agents and Brokers, Inc. BOS Preferred Funding Corporation, a real estate investment trust formed in February 2006 as a vehicle for capital enhancement for Bank of Smithtown, holds a substantial amount of the consumer and commercial real estate loans of Bank of Smithtown. SBRE Realty Corp. and SBRE Realty II, LLC, are entities whose purpose is to hold other real estate owned property. Carlyle & Co. is a nominee partnership, originally registered in 1972 with the New York State Department of Taxation and Finance. Carlyle & Co. is used by the trust department of Bank of Smithtown to house securities held in a fiduciary capacity.

Bank of Smithtown provides a wide range of commercial and consumer banking services, including demand, savings and time deposits accepted from consumers, businesses and municipalities located primarily within Suffolk and Nassau Counties, Long Island, and the five boroughs of New York City. These deposits, along with funds generated from operations and other borrowings, are invested primarily in: (1) commercial, multifamily and residential mortgages, (2) construction and land loans, (3) secured and unsecured commercial loans, (4) secured and unsecured consumer loans, (5) Fannie Mae, Freddie Mac and Ginnie Mae mortgage-backed securities, (6) U.S. government entity and agency securities, (7) obligations of state and political subdivisions, and (8) restricted stock. Bank of Smithtown also offers trust services, merchant credit and debit card processing, safe deposit boxes and online banking, including bill pay, telephone banking, automated teller machines and individual retirement accounts.

All of the business lines engaged in by Bank of Smithtown and its subsidiaries are of a highly competitive nature. Bank of Smithtown faces competitive pressures from many large banks located within its market area, as well as other community banks and regional banks in the area. These competitive pressures can affect the pricing of bank deposit and loan products, as well as the costs of providing bank services. Smithtown Bancorp competes with other commercial banks, savings banks, credit unions and other financial services providers such as finance companies and investment and insurance companies.

As of June 30, 2010, Bank of Smithtown employed 311 full-time equivalent individuals on a full- and part-time basis, including the employees of its subsidiaries.

Smithtown Bancorp's principal executive offices are located at 100 Motor Parkway, Suite 160, Hauppauge, NY 11788. Smithtown Bancorp's telephone number is (631) 360-9300. For additional information about Smithtown Bancorp, see "Information about Smithtown Bancorp" beginning on page 93 and "Where You Can Find More Information" beginning on page 200.

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THE SPECIAL MEETING OF SMITHTOWN BANCORP STOCKHOLDERS

This section contains information from Smithtown Bancorp for Smithtown Bancorp common stockholders about the special meeting Smithtown Bancorp has called for common stockholders to consider and approve the merger agreement and the transactions contemplated by the merger agreement. We are mailing this proxy statement/prospectus to you, as a Smithtown Bancorp common stockholder, on or about [], 2010. Together with this proxy statement/prospectus, we are also sending you a notice of the special meeting of Smithtown Bancorp common stockholders and a form of proxy card that Smithtown Bancorp's board of directors is using to solicit proxies for use at the special meeting and at any adjournments or postponements of the special meeting. The special meeting will be held on [], 2010, at 10:00 a.m. local time, at the Sheraton Long Island Hotel, 110 Motor Parkway, Hauppauge, New York 11788.

This proxy statement/prospectus is also being furnished by People's United to Smithtown Bancorp common stockholders as a prospectus in connection with the issuance of shares of People's United common stock upon completion of the merger.

Matters to be Considered

The principal matter to be considered at the Smithtown Bancorp special meeting is the approval of the merger agreement and the transactions contemplated by the merger agreement. You may also be asked to vote upon a proposal to adjourn the special meeting, if necessary to solicit additional proxies in favor of the merger agreement.

Recommendation of Smithtown Bancorp's Board of Directors

Smithtown Bancorp's board of directors has unanimously declared advisable the merger agreement and the transactions contemplated by the merger agreement, including the merger, and recommends that Smithtown Bancorp common stockholders vote FOR approval of the merger agreement and the transactions contemplated by the merger agreement, including the merger, and FOR the approval of the adjournment of the special meeting, if necessary, to solicit additional proxies in favor of the merger agreement and the transactions contemplated by the merger agreement, including the merger.

Record Date

A special committee of Smithtown Bancorp's board of directors has fixed the close of business on September 20, 2010 as the record date for determining the Smithtown Bancorp common stockholders entitled to receive notice of and to vote at the special meeting. Only Smithtown Bancorp common stockholders of record as of the record date are entitled to and are being requested to vote at the special meeting. As of the record date, [] shares of Smithtown Bancorp common stock were issued and outstanding and held by approximately [] record holders. Smithtown Bancorp common stockholders are entitled to one vote on each matter considered and voted on at the special meeting for each share of Smithtown Bancorp common stock held of record at the close of business on the record date. The presence, in person or by properly executed proxy, of the holders of a majority of the shares of Smithtown Bancorp common stock entitled to vote at the special meeting is necessary to constitute a quorum at the special meeting. For purposes of determining the presence of a quorum, abstentions and broker non-votes will be counted as shares present.

Action Required

The merger agreement and the transactions contemplated by the merger agreement must be approved by the holders of two-thirds of the issued and outstanding common stock of Smithtown Bancorp. The merger agreement

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and the consummation of the transactions contemplated by the merger agreement will not require the approval of the holders of People's United common stock under the NYBCL, Delaware General Corporation Law or the rules of the NASDAQ.

As of the record date, Smithtown Bancorp directors and executive officers and their affiliates held approximately [] shares (or []% of the outstanding shares) of Smithtown Bancorp common stock entitled to vote at the special meeting. See The Merger Interests of Smithtown Bancorp's Directors and Executive Officers in the Merger beginning on page 49.

Solicitation of Proxies

Proxies are being solicited by Smithtown Bancorp's board of directors, which has retained Phoenix Advisory Partners, LLC as its proxy solicitor to assist in the solicitation of proxies, from Smithtown Bancorp common stockholders. Shares of Smithtown Bancorp common stock represented by properly executed proxies will be voted in accordance with the instructions indicated on the enclosed proxy cards. If no instructions are indicated, such proxies will be voted FOR approval of the merger agreement and the transactions contemplated by the merger agreement, including the merger, and FOR any motion to adjourn the special meeting, if necessary, to solicit additional proxies in favor of the merger agreement and the transactions contemplated by the merger agreement, including the merger.

Voting your Shares; Abstentions

The Smithtown Bancorp board of directors is soliciting proxies from the Smithtown Bancorp stockholders. This will give you an opportunity to vote at the Smithtown Bancorp special meeting without attending in person. When you deliver a valid proxy, the shares represented by that proxy will be voted by the officer named in your proxy in accordance with your instructions. If you do not vote by proxy or by attending the Smithtown Bancorp special meeting and vote in person, it will have the same effect as voting against the merger agreement. If you vote by proxy but make no specification on your proxy card that you have otherwise properly executed, the named officer will vote the shares FOR approval of the merger agreement and the transaction contemplated by the merger agreement. If you abstain from voting on any proposal considered at the special meeting, we will not count the abstention as a vote for or against such proposal.

Abstentions and broker non-votes will have the same effect as votes against the merger agreement and the merger, because approval of the merger requires the affirmative vote of at least two-thirds of the issued and outstanding shares of Smithtown Bancorp common stock.

Approval of any proposal to adjourn the special meeting, if necessary, for the purpose of soliciting additional proxies may be obtained by approval of the holders of a majority of the shares of Smithtown Bancorp common stock present in person or represented by proxy at the special meeting, whether or not a quorum is present. Abstentions, failures to vote and broker non-votes will have no effect on the vote to adjourn the special meeting.

Revocation of Proxies

A Smithtown Bancorp common stockholder who has given a proxy may revoke it at any time before its exercise at the special meeting by (1) giving written notice of revocation to Smithtown Bancorp's corporate secretary, (2) properly submitting to Smithtown Bancorp a duly executed proxy bearing a later date, (3) properly casting a new vote through the Internet or by telephone at any time before the closure of the Internet voting facilities and the telephone voting facilities or (4) attending the special meeting and voting in person. All written notices of revocation and other communications with respect to revocation of proxies should be addressed to Smithtown Bancorp as follows: Corporate Secretary, 100 Motor Parkway, Suite 160, Hauppauge, NY 11788.

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Shares of Smithtown Bancorp Common Stock held in Street Name by a Broker, Bank or Other Nominee

Your broker, bank or other nominee will not vote your shares of Smithtown Bancorp common stock unless you provide instructions to your broker, bank or other nominee on how to vote. You should instruct your broker, bank or other nominee to vote your shares by following the instructions provided by the broker, bank or nominee with this proxy statement/prospectus.

Participants in the Bank of Smithtown Employee Stock Ownership Plan

If you own shares of Smithtown Bancorp common stock in the ESOP, your shares will be voted solely by the trustee (or an independent fiduciary) of the ESOP pursuant to the terms of the ESOP and the instructions received by the trustee from plan participants. The trustees of the ESOP will not disclose the confidential voting directions of any individual participant or beneficiary to Smithtown Bancorp. If you own shares of Smithtown Bancorp common stock in the ESOP, you will be receiving a separate letter explaining the voting process with respect to such shares and you will be provided with instructions on how to direct the trustee (or an independent fiduciary) to vote those shares.

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THE MERGER

The following discussion contains material information about the merger. The discussion is subject, and qualified in its entirety by reference, to the merger agreement and financial advisor opinion attached as annexes to this proxy statement/prospectus. We urge you to read carefully this entire proxy statement/prospectus, including the merger agreement and financial advisor opinion attached as annexes to this proxy statement/prospectus, for a more complete understanding of the merger.

On July 15, 2010, the People's United board of directors and the Smithtown Bancorp board of directors each unanimously approved the merger agreement. The merger agreement provides for the merger of Smithtown Bancorp with and into People's United, with People's United as the surviving corporation.

Upon completion of the merger, each outstanding share of Smithtown Bancorp common stock will be converted into the right to receive, at the election of the holder thereof and subject to allocation and equalization, either cash with a value equal to the sum of (i) \$2.00 plus (ii) 0.143 multiplied by the average closing price of common stock of People's United during the five trading days ending the day before completion of the Smithtown Bancorp merger, or a fraction of a share of common stock of People's United having a value of approximately equal amount based on that same five-day-average closing price.

Further, simultaneously with the merger, Bank of Smithtown, the bank subsidiary of Smithtown Bancorp will merge with and into People's United Bank, the bank subsidiary of People's United, which we refer to as the bank merger.

See The Merger Agreement, beginning on page 63, for additional and more detailed information regarding the legal documents that govern the merger, including information about the conditions to the merger and the provisions for terminating or amending the merger agreement.

Background of the Merger

Smithtown Bancorp has recently been adversely affected by the general economic deterioration and downturn in real estate values that has occurred throughout the country, including Smithtown Bancorp's home markets. Declining asset quality has resulted in increased losses, loan loss provisions and charge-offs. Smithtown Bancorp recorded a net loss for 2009 of approximately \$11.8 million. Asset quality deterioration became an increasing problem in the third and fourth quarters of 2009. Nonperforming loans ended the year at 6.23% of total loans. Net charge-offs for 2009 totaled approximately \$23.8 million, or 1.22% of average loans. The provision for loan losses was \$51 million in 2009, and the allowance for loan losses ended the year at approximately \$38.5 million, or 1.84% of total loans.

In the first half of 2010, Smithtown Bancorp continued to experience significant losses in parts of its loan portfolio. For the second quarter, Smithtown Bancorp made provisions for loan losses of approximately \$27.5 million, which brought the year-to-date provisions for loan losses to approximately \$52.5 million. Total net charge offs for the six months ended June 30, 2010 were approximately \$33 million, or 3.20% of average loans. The allowance for loan losses was approximately \$58.0 million at June 30, 2010, or 2.93% of total loans. Nonperforming loans ended the second quarter at approximately \$227.5 million, or 11.50% of total loans, and loans between 30 and 89 days past due totaled approximately \$48.0 million, or 2.43% of total loans. These numbers represent further deterioration from December 31, 2009 levels, when nonperforming loans were approximately \$130.2 million, or 6.23%, of total loans, and loans between 30 and 89 days past due were approximately \$20.8 million, or 0.99% of total loans. Smithtown Bancorp recorded a net loss of \$43.0 million for the first six months of 2010 primarily as a result of the accelerating deterioration in asset quality.

Smithtown Bancorp suspended dividends on its common stock in the fourth quarter of 2009 and deferred interest payments on its trust preferred securities in the second quarter of 2010.

Smithtown Bancorp projects that these trends in loan losses will continue for the foreseeable future. These loan losses and the related necessity for increased loan loss provisions, and the operating losses resulting from the continuing deterioration in credit quality, have depleted Smithtown Bancorp's capital, and future operating losses will further deplete capital. As of June 30 of this year, Smithtown Bancorp's ratio of Tier 1 Risk-Based

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Capital to Total Risk-Weighted Assets was 6.66% and its Tier 1 Capital leverage ratio was 5.06%. Smithtown Bancorp's Total Risk-Based Capital ratio was 9.40%. Bank of Smithtown's, Smithtown Bancorp's banking subsidiary, ratio of Tier 1 Risk-Based Capital to Total Risk-Weighted Assets was 6.54%, its ratio of Tier 1 Capital to Total Assets was 5.12% and its Tier 1 Capital leverage ratio was 4.97%. Bank of Smithtown's Total Risk-Based Capital ratio was 9.31%.

On January 29, 2010, Bank of Smithtown entered into a Consent Agreement with the FDIC and a parallel Consent Order with the New York State Banking Department (the "NY Banking Department") (together referred to as the "Consent Agreements"). Under the Consent Agreements, Bank of Smithtown is required to improve credit administration, loan underwriting and internal loan review process and maintain an adequate allowance for loan losses. Other required actions include the implementation of plans to reduce classified assets, decrease Bank of Smithtown's concentration in commercial real estate loans and increase profitability. Bank of Smithtown's payment of dividends and growth in quarterly average assets require prior approval of the FDIC and NY Banking Department. In addition, Bank of Smithtown is required to maintain no later than June 30, 2010, a ratio of Tier 1 Capital to Total Assets of at least 7.00%, a ratio of Tier 1 Risk-Based Capital to Total Risk-Weighted Assets of at least 9.00%, and a Total Risk-Based Capital ratio of at least 11.00%. The provisions of the Consent Agreement will remain effective until modified, terminated, superseded or set aside in writing by the FDIC and NY Banking Department.

On June 22, 2010, Smithtown Bancorp entered into a Written Agreement (the "Written Agreement") with the Federal Reserve Bank of New York ("FRB"). The Written Agreement is in addition to the Consent Agreements. The Written Agreement, similar to the Consent Agreements, requires that Smithtown Bancorp obtain the approval of the FRB prior to paying a dividend.

Bank of Smithtown has made some progress in meeting the requirements set out in the Consent Agreements and the Written Agreement. However, Bank of Smithtown did not meet the capital requirements of the Consent Agreements as of June 30, 2010, and Smithtown Bancorp believes that without raising additional capital or selling Bank of Smithtown, it has no realistic prospect of meeting those requirements in the foreseeable future, given the expectation of further losses in 2010 and potentially beyond. If Bank of Smithtown continues not to meet those requirements (including by means of a merger or sale), it is possible that Bank of Smithtown could be subject to additional enforcement actions which could result in a loss of value to Smithtown Bancorp's stockholders.

In light of the circumstances, Smithtown Bancorp has undertaken numerous efforts to preserve its capital, reduce problem asset levels and stabilize earnings. Smithtown Bancorp has also suspended all dividends on its common stock and deferred interest payments on its trust preferred securities and has reduced Bank of Smithtown's total loans, but these efforts alone have not been and are unlikely to be sufficient to provide Smithtown Bancorp and Bank of Smithtown with the required capital. Accordingly, since early 2010, Smithtown Bancorp, at the direction of its board of directors, has been involved in discussions with its advisors to consider the potential for strategic initiatives to ensure the continued viability of Smithtown Bancorp's business.

On May 25, 2010, Sandler O'Neill, Smithtown Bancorp's financial advisor, advised Smithtown Bancorp's board of directors that the most promising alternatives for Smithtown Bancorp to address its capital needs would be either to undertake a significant new offering of Smithtown Bancorp common stock or to attempt to merge or sell Smithtown Bancorp in a transaction in which the surviving entities would be well capitalized. Analyses performed by Sandler O'Neill indicated that a public or private stock offering to raise capital would require as much as \$150 million in order to successfully address Smithtown Bancorp's capital needs, fulfill the requirements of the Consent Agreements and provide stockholders with an adequate capital cushion against potential future credit losses. Smithtown Bancorp, following discussions with Sandler O'Neill, concluded that such a capital raise might be possible, but involved doubt as to whether it would be achievable under the circumstances and given current market conditions. Additionally, the analysis indicated that even if the recommended amount of capital could be raised, it would likely result in such massive dilution to existing Smithtown Bancorp stockholders' holdings and to earnings per share in the future that it would almost certainly provide less value to Smithtown Bancorp stockholders than a sale or merger, such as that agreed to with People's United.

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As a result, Sandler O'Neill, Smithtown Bancorp management and Smithtown Bancorp's board of directors concurred that a strategic sale or merger should be the primary option to be pursued. Smithtown Bancorp's board of directors authorized Sandler O'Neill to contact prospective buyers on May 25, 2010 after such discussion.

Smithtown Bancorp also formally engaged Sandler O'Neill to provide financial advisory services in connection with a sale or merger. Sandler O'Neill is nationally recognized for providing investment banking and financial advisory services to financial institutions. In particular, in the opinion of the board of directors of Smithtown Bancorp, Sandler O'Neill has an excellent reputation for knowledge of and experience with small, medium and large banks in the New York, New Jersey and Connecticut region. In retaining a financial advisor to explore a sale, Smithtown Bancorp considered that knowledge of regional commercial banking franchises (which would be the most likely type of buyer for Smithtown Bancorp) and the current environment for banking deals would be critical. Another financial advisor without Sandler O'Neill's expertise in banking deals might have provided less well-informed advice to Smithtown Bancorp.

In addition, the board of directors of Smithtown Bancorp has successfully worked with Sandler O'Neill on several prior engagements. Because of this working relationship and the fact that, in Smithtown Bancorp's view, no other financial advisor would be objectively better qualified to advise on the type of sale that Smithtown Bancorp hoped to undertake, Smithtown Bancorp did not consider it necessary to formally consider or request proposals from other financial advisors in connection with the sale or merger. Smithtown Bancorp received independent legal advice from outside counsel in negotiating the terms of Sandler O'Neill's engagement.

Between May 27 and June 7, 2010, Sandler O'Neill and Smithtown Bancorp management contacted fourteen potential strategic and financial buyers, which consisted primarily of banking organizations headquartered in New York or New England that were determined to be capable of executing a purchase of Smithtown Bancorp. Sandler O'Neill and Smithtown Bancorp proceeded to undertake discussions and due diligence with these potential strategic partners.

During approximately a month of due diligence and management meetings, several prospective buyers indicated that they were not interested in pursuing the transaction further; a small number made initial indications of interest but then declined to make a firm offer; one, a so called "blind pool" vehicle with existing capital, indicated an interest in recapitalizing Smithtown Bancorp by injecting \$180 million of capital in exchange for newly issued securities of Smithtown Bancorp, including purchasing common stock at \$1.33 per share, and leaving the existing Smithtown Bancorp shares outstanding, and on July 2 indicated they would consider raising their purchase price to \$3.00 per share; and one, People's United, made a firm offer on July 9, 2010 for the merger on substantially the terms and conditions set forth in the merger agreement. Smithtown Bancorp's advisors and Smithtown Bancorp's board of directors had concerns regarding the viability of the "blind pool" proposal because, among other reasons, it reflected a significant increase in price in the absence of any additional information and it had not yet performed any on-site due diligence. In addition, Smithtown Bancorp's advisors and Smithtown Bancorp's board of directors had serious doubts about the "blind pool's" ability to complete an offer and, in particular, they noted that the "blind pool" proposal was conditioned on the acceptance of discounts by holders of Smithtown Bancorp's trust preferred securities and subordinated debt, and that there was significant uncertainty regarding the ability of the "blind pool" to obtain regulatory approval since it was not registered as a bank or thrift holding company. As a result Smithtown Bancorp chose not to proceed with the "blind pool" proposal in light of People's United's superior proposal and the likelihood of its completion. By the time People's United submitted its firm offer on July 9, Smithtown Bancorp's advisors and board of directors considered People's United the only remaining viable potential buyer at the offered price.

Throughout this period and through the announcement of the merger on July 15, 2010, Smithtown Bancorp's board of directors met periodically to receive updates and engage in discussions regarding the status of Smithtown Bancorp's efforts to seek a transaction and the potential alternatives, including receiving updates concerning the "blind pool's" oral indications that they would consider increasing their offer to \$3.00 per share as noted above.

Following Smithtown Bancorp's indication late in the day on July 9, 2010, that Smithtown Bancorp was willing to proceed with People's United's offer, Smithtown Bancorp and People's United worked to finalize the terms, and counsel to Smithtown Bancorp and People's United worked to finalize the definitive transaction documentation, including the merger agreement.

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On July 15, 2010, Smithtown Bancorp's board of directors met to consider the proposed merger with People's United. Smithtown Bancorp's management reviewed for Smithtown Bancorp's board of directors the most recent discussions with People's United as well as the discussions with the blind pool regarding a recapitalization. Representatives of Sandler O'Neill reviewed with Smithtown Bancorp's board of directors the proposed financial terms of the transaction with People's United and additional information, including information regarding Smithtown Bancorp's financial condition, information regarding Smithtown Bancorp's capital needs (and its efforts to seek alternative transactions, such as the proposed recapitalization, to meet those needs) and financial information regarding People's United. Sandler O'Neill also analyzed the terms that would be required for any potential capital raise in order for such transaction to be as favorable from a financial point of view to Smithtown Bancorp stockholders as the merger with People's United would be, and concluded that such a capital raise would have required extremely favorable terms, in terms of price paid per share of Smithtown Bancorp common stock, which Sandler O'Neill did not believe were realistic. This meeting also included a review with Smithtown Bancorp's board of directors of the change in control agreements with Smithtown Bancorp's executive officers that would be assumed by operation of law by People's United in the merger, including a review of the financial considerations of these change in control agreements. For more information see Interests of Smithtown Bancorp's Directors and Executive Officers in the Merger beginning on page 49.

In connection with the deliberation by Smithtown Bancorp's board of directors, Sandler O'Neill rendered to Smithtown Bancorp's board of directors its oral opinion (subsequently confirmed in writing), as described under Opinion of Smithtown Bancorp's Financial Advisor, that, as of July 15 and based upon and subject to the assumptions, considerations, qualifications and limitations set forth in the written opinion, the consideration to be received by the holders of shares of Smithtown Bancorp's common stock pursuant to the merger agreement was fair, from a financial point of view, to such holders. Representatives of Sullivan & Cromwell LLP (Sullivan), special counsel to Smithtown Bancorp in connection with the merger, who from time to time at past meetings had discussed with Smithtown Bancorp's board of directors the legal standards applicable to its decisions and actions with respect to its evaluation of merger proposals, reviewed the proposed transaction agreements and related information. Smithtown Bancorp management, Sandler O'Neill and Sullivan took questions from Smithtown Bancorp's board of directors, who discussed the proposed merger and then held an executive session with non-independent directors excused.

Following these discussions with and presentations by management and Smithtown Bancorp's advisors, the members of Smithtown Bancorp's board of directors reviewed and discussed the proposed merger and related matters, including the factors described under Smithtown Bancorp's Reasons for the Merger; Recommendation. Both Smithtown Bancorp's board of directors and Smithtown Bancorp management noted in particular that, other than the People's United merger, Smithtown Bancorp did not presently have any realistic prospects for any other viable alternative transaction that would enable it to meet the obligations under the Consent Agreements other than a possible highly dilutive and contingent capital raise, which Smithtown Bancorp would need to undertake under very difficult circumstances and as to which there were no assurances of success. Smithtown Bancorp's board of directors also noted that if Smithtown Bancorp failed to meet those obligations, Bank of Smithtown could ultimately be subject to additional enforcement actions which could result in a loss of value to Smithtown Bancorp's stockholders. Following these board deliberations, Smithtown Bancorp's board of directors determined that the merger, the merger agreement and the transactions contemplated by the merger agreement are advisable and in the best interests of Smithtown Bancorp and its stockholders, and the directors voted unanimously to approve the merger and other transactions and to approve and adopt the merger agreement and the other agreements and related matters.

The definitive transaction documentation was entered into as of July 15, 2010, and on the same day, the transaction was announced after the close of the market in press releases issued by People's United and Smithtown Bancorp.

Smithtown Bancorp's Reasons for the Merger; Recommendation

After careful consideration, Smithtown Bancorp's board of directors determined that the merger agreement and the transactions contemplated by the merger agreement were advisable and in the best interests of Smithtown Bancorp and its stockholders and approved the merger agreement and the transactions contemplated by the

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merger agreement, including the merger. Accordingly, Smithtown Bancorp's board of directors recommends that Smithtown Bancorp stockholders vote FOR approval and adoption of the merger agreement at the Smithtown Bancorp special meeting.

In reaching its decision, the board of directors, with advice from its financial and legal advisors, considered a number of factors, including the following:

The results of the evaluation of strategic alternatives conducted by Smithtown Bancorp with the assistance of Sandler O'Neill.

The extent and breadth of the auction process and its results.

Even if third-party capital could be raised, the significant dilution of existing Smithtown Bancorp stockholders' interests by such a capital raise.

The possibility that Smithtown Bancorp would not be able to access the capital markets at levels sufficient to meet its obligations under the Consent Agreements and the Written Agreement, and the risk that pursuing such a path would jeopardize Smithtown Bancorp's ability to pursue a superior merger or sale transaction, such as that with People's United.

The fact that any material failure to comply with the provisions of the Consent Agreements in the absence of a transaction could result in additional enforcement actions which could result in a loss of value to Smithtown Bancorp's stockholders.

Smithtown Bancorp's and People's United's respective sizes, businesses, operations, financial condition, asset quality, earnings and prospects, including the strong regulatory capital ratios of People's United Bank.

Bank of Smithtown's loan portfolio and the current and prospective environment in which Bank of Smithtown operates, which reflects challenging conditions and risks that may persist, and the likelihood of further significant and material losses.

The fact that People's United was willing to permit, and the merger agreement allows, all holders of Smithtown Bancorp common stock to elect between the cash consideration and the stock consideration, and that the stock consideration had a fixed exchange ratio and, therefore, would allow Smithtown Bancorp stockholders who receive People's United stock to participate in a portion of the future performance of the combined Smithtown Bancorp and People's United businesses and potential synergies resulting from the merger, and the potential value to Smithtown Bancorp stockholders represented by that consideration.

The extremely high likelihood of the merger closing quickly, along with management's belief that Smithtown Bancorp's and People's United's regulators would view the transaction favorably.

The terms of the merger agreement.

The oral opinion of Sandler O'Neill (which was subsequently confirmed in writing) that, as of July 15, 2010 and based upon and subject to the assumptions, considerations, qualifications and limitations set forth in the written opinion, the consideration to be received by the holders of shares of Smithtown Bancorp's common stock pursuant to the merger agreement was fair, from a financial point of view, to such holders. For more information, see Opinion of Smithtown Bancorp's Financial Advisor beginning on page 38.

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The reasons set forth above are not intended to be exhaustive, but they include all the material factors considered by Smithtown Bancorp's board of directors in approving the merger agreement. Although each member of Smithtown Bancorp's board of directors individually considered these and other factors, the board did not collectively assign any specific or relative weights to the factors considered and did not make any determination with respect to any individual factor. The board collectively made its determination with respect to the merger based on the conclusion reached by its members, in light of the factors that each of them considered appropriate, that the merger is in the best interests of Smithtown Bancorp and its stockholders. Smithtown Bancorp's board of directors realized that there can be no assurance about future results, including results expected or considered in the factors listed above. The board concluded, however, that the potential positive factors outweighed the potential risks of entering into the transaction agreements.

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Opinion of Smithtown Bancorp's Financial Advisor

By letter dated June 11, 2010, Smithtown Bancorp retained Sandler O'Neill to act as its financial advisor in connection with a corporate transaction for the sale of Smithtown Bancorp. Sandler O'Neill is a nationally recognized investment banking firm whose principal business specialty is financial institutions. In the ordinary course of its investment banking business, Sandler O'Neill is regularly engaged in the valuation of financial institutions and their securities in connection with mergers and acquisitions and other corporate transactions.

Sandler O'Neill acted as financial advisor to Smithtown Bancorp in connection with the proposed merger and participated in certain of the negotiations leading to the execution of the merger agreement. At the July 15, 2010 meeting at which Smithtown Bancorp's board of directors considered and approved the merger agreement, Sandler O'Neill delivered to the board its oral opinion that, as of such date, the merger consideration was fair to the holders of Smithtown Bancorp common stock from a financial point of view. **The full text of Sandler O'Neill's opinion is attached as Annex B to this proxy statement/prospectus. The opinion outlines the procedures followed, assumptions made, matters considered and qualifications and limitations on the review undertaken by Sandler O'Neill in rendering its opinion. The description of the opinion set forth below is qualified in its entirety by reference to the opinion. Smithtown Bancorp's stockholders are urged to read the entire opinion carefully in connection with their consideration of the proposed merger.**

Sandler O'Neill's opinion speaks only as of the date of the opinion. The opinion was directed to Smithtown Bancorp's board and is directed only to the fairness of the merger consideration to Smithtown Bancorp's stockholders from a financial point of view. It does not address the underlying business decision of Smithtown Bancorp to engage in the merger or any other aspect of the merger and is not a recommendation to any Smithtown Bancorp stockholder as to how such stockholder should vote at the special meeting with respect to the merger or any other matter.

In connection with rendering its July 15, 2010 opinion, Sandler O'Neill reviewed and considered, among other things:

- (1) the merger agreement;
- (2) certain publicly available financial statements and other historical financial information of Smithtown Bancorp that Sandler O'Neill deemed relevant;
- (3) certain publicly available financial statements and other historical financial information of People's United and its subsidiaries that Sandler O'Neill deemed relevant;
- (4) internal financial projections for Smithtown Bancorp for the years ending December 31, 2010 through 2013 prepared by and reviewed with management of Smithtown Bancorp and an estimated long-term growth rate for the year ended December 31, 2014 as discussed with management of Smithtown Bancorp;
- (5) publicly available median earnings estimates for People's United for the years ending December 31, 2010 through December 31, 2011 and the median publicly available long-term growth rate for the years thereafter and in each case as confirmed with People's United senior management;
- (6) the pro forma financial impact of the merger on People's United, based on assumptions relating to transaction expenses, purchase accounting adjustments and cost savings estimated by the senior management of People's United;
- (7) the publicly reported historical price and trading activity for Smithtown Bancorp's and People's United's common stock, including a comparison of certain financial and stock market information for Smithtown Bancorp and People's United with similar publicly available information for certain other companies the securities of which are publicly traded;

- (8) the financial terms of certain recent business combinations in the commercial banking industry, to the extent publicly available;
- (9) the current market environment generally and the banking environment in particular; and
- (10) such other information, financial studies, analyses and investigations and financial, economic and market criteria as Sandler O'Neill considered relevant.

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Sandler O'Neill also discussed with certain members of senior management of Smithtown Bancorp the business, financial condition, results of operations and prospects of Smithtown Bancorp, including certain operating, liquidity, regulatory and other financial matters and held similar discussions with certain members of senior management of People's United regarding the business, financial condition, results of operations and prospects of People's United.

Sandler O'Neill had significant discussions with the Smithtown Bancorp board of directors and certain members of senior management regarding the Consent Agreement that Bank of Smithtown entered into on January 29, 2010 with the FDIC and a parallel Consent Order with the NY Banking Department and the need to raise additional capital. Under the terms of the Consent Agreements, Bank of Smithtown was required, by June 30, 2010, to maintain Tier 1 Capital at least equal to 7.0% of total assets, a Tier 1 Risk Based Ratio at least equal to 9.0%, and a Total Risk Based Ratio at least equal to 11.0%. If Bank of Smithtown failed to meet the required ratios by June 30, it would be given a 60-day cure period to either meet the ratios or to submit a plan describing how it should meet the minimum requirements, a requirement that could be satisfied by the entry into the merger agreement. As of June 30, 2010, Bank of Smithtown had a Tier 1 Leverage Ratio equal to 4.97%, Tier 1 Risk Based Ratio of 6.54% and Total Risk Based Ratio equal to 9.31%.

In performing its review, Sandler O'Neill has relied upon the accuracy and completeness of all of the financial and other information that was available to Sandler O'Neill from public sources, that was provided to Sandler O'Neill by Smithtown Bancorp and People's United or their respective representatives or that was otherwise reviewed by Sandler O'Neill and Sandler O'Neill assumed such accuracy and completeness for purposes of rendering its opinion. Sandler O'Neill has further relied on the assurances of management of each of Smithtown Bancorp and People's United that they were not aware of any facts or circumstances that would make any of such information inaccurate or misleading. Sandler O'Neill has not been asked to and has not undertaken an independent verification of any of such information and it did not assume any responsibility or liability for the accuracy or completeness thereof. Sandler O'Neill did not make an independent evaluation or appraisal of the specific assets, the collateral securing assets or the liabilities (contingent or otherwise) of Smithtown Bancorp and People's United or any of their subsidiaries, or the collectability of any such assets, nor was it furnished with any such evaluations or appraisals.

Sandler O'Neill did not make an independent evaluation of the adequacy of the allowance for loan losses of Smithtown Bancorp and People's United and has not reviewed any individual credit files relating to Smithtown Bancorp and People's United. Sandler O'Neill assumed, with Smithtown Bancorp's consent, that the respective allowances for loan losses for both Smithtown Bancorp and People's United are adequate to cover such losses and will be adequate on a pro forma basis for the combined entity.

With respect to the internal projections and estimates for Smithtown Bancorp and the publicly available earnings estimates used for People's United and the internal projections and estimates of transaction costs, purchase accounting adjustments and expected cost savings prepared by and/or reviewed with the managements of People's United and Smithtown Bancorp, People's United's and Smithtown Bancorp's management confirmed to Sandler O'Neill that they reflected the best currently available estimates and judgments of management of the future financial performance of Smithtown Bancorp and People's United, and Sandler O'Neill assumed that such performance would be achieved. Sandler O'Neill expressed no opinion as to such financial projections and estimates or the assumptions on which they are based. Sandler O'Neill has also assumed that there has been no material change in Smithtown Bancorp and People's United assets, financial condition, results of operations, business or prospects since the date of the most recent financial statements made available to Sandler O'Neill. Sandler O'Neill has assumed in all respects material to its analysis that Smithtown Bancorp and People's United will remain as going concerns for all periods relevant to the analyses, that all of the representations and warranties contained in the merger agreement are true and correct, that each party to the merger agreement will perform all of the covenants required to be performed by such party under the merger agreement and that the conditions precedent in the merger agreement are not waived. Sandler O'Neill expressed no opinion as to any of the legal, accounting or tax matters relating to the merger and the other transactions contemplated by the merger agreement.

Sandler O'Neill's opinion was necessarily based on financial, economic, market and other conditions as in effect on, and the information made available to Sandler O'Neill as of, the date of the opinion. Events occurring

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after the date of the opinion could materially affect the opinion. Sandler O'Neill has not undertaken to update, revise, reaffirm or withdraw the opinion or otherwise comment upon events occurring after the date of the opinion. Sandler O'Neill expressed no opinion as to what the value of People's United common stock will be when issued to Smithtown Bancorp's stockholders pursuant to the merger agreement or the prices at which Smithtown Bancorp's and People's United's common stock may trade at any time.

Sandler O'Neill's opinion was directed to the board of directors of Smithtown Bancorp in connection with its consideration of the merger and does not constitute a recommendation to any stockholder of Smithtown Bancorp as to how such stockholder should vote at any meeting of stockholders called to consider and vote upon the merger. Sandler O'Neill's opinion is directed only to the fairness, from a financial point of view, of the merger consideration to holders of Smithtown Bancorp common stock and does not address the underlying business decision of Smithtown Bancorp to engage in the merger, the relative merits of the merger as compared to any other alternative business strategies that might exist for Smithtown Bancorp or the effect of any other transaction in which Smithtown Bancorp might engage. Sandler O'Neill has consented to inclusion of its opinion and a summary thereof in this proxy statement/prospectus and in the registration statement on Form S-4 which includes this proxy statement/prospectus. Sandler O'Neill did not express any opinion as to the fairness of the amount or nature of the consideration to be received in the merger by Smithtown Bancorp's officers, directors, or employees, or class of such persons, relative to the consideration to be received in the merger by any other stockholders of Smithtown Bancorp.

Summary of Proposal. Sandler O'Neill reviewed the financial terms of the proposed transaction. Using per share consideration defined as \$2.00 in cash plus the fixed exchange ratio of 0.143 x multiplied by People's United's average closing stock price for the five consecutive trading days ending on July 14, 2010 (\$13.98), Sandler O'Neill calculated a transaction value of \$4.00 per share, or an aggregate transaction value of \$59.9 million. Based upon financial information for Smithtown Bancorp as of or for the quarter ended June 30, 2010, Sandler O'Neill calculated the following transaction ratios:

Transaction Ratios	
Transaction value/Tangible book value	63%
Transaction value/Stated book value per share	66%
Transaction value/Market value ⁽¹⁾	103.4%

⁽¹⁾ Based on Smithtown Bancorp's closing price as of July 14, 2010 (\$3.87)

The aggregate transaction value of approximately \$59.9 million is based upon the offer price per share of \$4.00 and 14,967,508 shares of Smithtown Bancorp common stock outstanding.

Comparable Company Analysis. Sandler O'Neill used publicly available information to perform a comparison of selected financial and market trading information for Smithtown Bancorp and People's United.

Sandler O'Neill also used publicly available information to compare selected financial and market trading information for Smithtown Bancorp and a group of financial institutions selected by Sandler O'Neill. The Smithtown Bancorp peer group consisted of the following banks:

Alliance Financial Corporation	Lakeland Bancorp, Inc.
Arrow Financial Corporation	Peapack-Gladstone Financial Corporation
Canandaigua National Corporation	State Bancorp, Inc.
Financial Institutions, Inc.	Sterling Bancorp
First of Long Island Corporation	Suffolk Bancorp
Hudson Valley Holding Corp.	Tompkins Financial Corporation

The peer group for Smithtown Bancorp included all publicly-traded commercial banks headquartered in New York or New Jersey with total assets greater than \$1.2 billion and less than \$3.5 billion, with one exception

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(Interwest Bancshares Corp., which has only one branch in New York and which has most of its branches in Florida). These criteria were used to identify businesses that were similar to Smithtown Bancorp, which is a publicly-traded commercial bank headquartered in New York with total assets of approximately \$2.4 billion as of the date of the comparison. Sandler O'Neill considered that data from much larger or smaller banks, banks with different core businesses, privately held banks or banks headquartered in other areas of the country would not be particularly valuable as points of comparison with Smithtown Bancorp. Sandler O'Neill considered this to be a customary method of designing a peer group to analyze a company's financial condition, since it compares the company to other companies that operate similar business lines and are exposed to similar market conditions, including regional economic conditions.

The analysis compared publicly available financial information for Smithtown Bancorp and the median financial and market trading data for the Smithtown Bancorp peer group as of and for the twelve months ended March 31, 2010. The table below sets forth the data for Smithtown Bancorp and the median data for the Smithtown Bancorp peer group as of and for the twelve months ended March 31, 2010, with pricing data as of July 14, 2010.

Comparable Group Analysis		
	Smithtown Bancorp	Comparable Group Median Result
Total Assets (<i>in millions</i>)	\$ 2,430	\$ 1,779
Tangible Common Equity/Tangible Assets	4.88%	6.80%
Total Risk Based Capital Ratio	10.10%	13.84%
Core Return on Average Assets	(1.18)%	0.88%
Core Return on Average Equity	(20.10)%	9.43%
Net Interest Margin	3.13%	3.93%
Efficiency Ratio	54.1%	62.0%
Non-performing Assets/Assets	8.65%	1.06%
Loan Loss Reserve/Non-performing Assets	24.4%	80.3%
Net Charge-Offs/Average Loans	2.34%	0.54%
Market Capitalization (<i>in millions</i>)	\$ 57.9	\$ 220.6
Price/LTM Earnings per Share	NM	14.3x
Price/2010 Est. EPS	NM	13.8x
Price/2011 Est. EPS	5.0x	11.7x
Price/Tangible Book Value	49%	158%
Dividend Yield	0.00%	3.32%

The People's United peer group consisted of the following banks and thrifts:

Associated Banc-Corp	Hudson City Bancorp, Inc.
Astoria Financial Corporation	M&T Bank Corporation
BOK Financial Corporation	Marshall & Ilsley Corporation
City National Corporation	New York Community Bancorp, Inc.
Comerica Incorporated	Synovus Financial Corp.
Commerce Bancshares, Inc.	TCF Financial Corporation
Cullen/Frost Bankers, Inc.	Valley National Bancorp
First Horizon National Corporation	Webster Financial Corporation
Flagstar Bancorp, Inc.	Zions Bancorporation
Fulton Financial Corporation	

The peer group for People's United included selected publicly-traded commercial banks and thrifts from around the country with total assets greater than \$14.0 billion and less than \$70.0 billion. The peer group was

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taken from a People's United presentation to investors dated June 7, 2010, which Sandler O'Neill elected to use after reviewing the peer group and agreeing that it was appropriate for the comparable company analysis. Because People's United is a much larger institution than Smithtown Bancorp, the peer group for People's United is less geographically limited, which is a customary practice to obtain a reasonable number of data points for larger institutions.

The analysis compared publicly available financial information for People's United and the median financial and market trading data for the People's United peer group as of and for the last twelve months ended March 31, 2010. The table below sets forth the data for People's United and the median data for the People's United peer group as of and for the last twelve months ended March 31, 2010, with pricing data as of July 14, 2010.

Comparable Group Analysis		
	People's United	Comparable Group Median Result
Total Assets (in millions)	\$ 21,588	\$ 23,108
Tangible Common Equity/Tangible Assets	18.73%	6.81%
Total Risk Based Capital Ratio	16.34%	14.79%
Core Return on Average Assets	0.52%	0.19%
Core Return on Average Equity	2.11%	2.89%
Net Interest Margin	3.24%	3.46%
Efficiency Ratio	75.30%	57.6%
Non-performing Assets/Assets	1.39%	2.37%
Loan Loss Reserve/Non-performing Assets	57.7%	59.3%
Net Charge-Offs/Average Loans	0.26%	1.22%
Market Capitalization (in millions)	\$ 5,235.8	\$ 2,860.8
Price/LTM Earnings per Share	52.2x	21.5x
Price/2010 Est. EPS	37.1x	16.3x
Price/2011 Est. EPS	26.6x	15.7x
Price/Tangible Book Value	137%	156%
Dividend Yield	4.40%	1.17%

Stock Trading History. Sandler O'Neill reviewed the history of the publicly reported trading prices of Smithtown Bancorp's common stock for the one-year period ended July 14, 2010. Sandler O'Neill also reviewed the relationship between the movements in the price of Smithtown Bancorp's common stock and the movements in the prices of the Standard & Poor's 500 Index, the NASDAQ Bank Index and the median performance of a composite peer group of publicly traded commercial banks selected by Sandler O'Neill for Smithtown Bancorp. The composition of the peer group for Smithtown Bancorp is discussed under the relevant section under "Comparable Group Analysis" above.

Smithtown Bancorp's One-Year Common Stock Performance		
	Beginning Index Value July 14, 2009	Ending Index Value July 16, 2010
Smithtown Bancorp	0.0%	(63.3)%
Selected Peer Group ⁽¹⁾	0.0	(2.5)
S&P 500 Index	0.0	20.9
NASDAQ Bank Index	0.0	13.7

⁽¹⁾ Refers to the Smithtown Bancorp peer group outlined in the Comparable Group Analysis section above.

Sandler O'Neill reviewed the history of the publicly reported trading prices of People's United common stock for the one-year period ended July 14, 2010. Sandler O'Neill also reviewed the relationship between the

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movements in the price of People's United common stock and the movements in the prices of the Standard & Poor's 500 Index, the NASDAQ Bank Index and the median performance of a composite peer group of publicly traded commercial banks and thrifts selected by People's United. The composition of the peer group for People's is discussed under the relevant section under "Comparable Group Analysis" above.

People's United One-Year Common Stock Performance		
	Beginning Index Value	Ending Index Value
	July 14, 2009	July 14, 2010
People's United	0.0%	(8.3)%
Selected Peer Group ⁽¹⁾	0.0	37.2
S&P 500 Index	0.0	20.9
NASDAQ Bank Index	0.0	13.7

⁽¹⁾ Refers to the People's United peer group outlined in the Comparable Group Analysis section above.

Net Present Value Analysis. Sandler O'Neill performed an analysis that estimated the present value per share of People's United common stock through December 31, 2014. Sandler O'Neill based the analysis on People's United projected earnings and dividend stream as derived from median analyst estimates for 2010 through 2012 and using the median publicly available analyst estimated long-term growth rate for 2013 through 2014. To approximate the terminal value of People's United common stock at December 31, 2014, Sandler O'Neill applied price to forward earnings multiples of 14.0x to 24.0x and multiples of tangible book value ranging from 125% to 250%. The dividend income streams and terminal values were then discounted to present values using different discount rates ranging from 9.5% to 15.5%, which were selected to reflect different assumptions regarding desired rates of return of holders of People's United common stock.

Earnings Per Share Multiples**Discount**

Rate	14.0x	16.0x	18.0x	20.0x	22.0x	24.0x
9.5%	\$ 9.39	\$ 10.38	\$ 11.36	\$ 12.34	\$ 13.32	\$ 14.31
10.5%	\$ 9.02	\$ 9.96	\$ 10.90	\$ 11.84	\$ 12.78	\$ 13.72
11.5%	\$ 8.67	\$ 9.57	\$ 10.47	\$ 11.37	\$ 12.26	\$ 13.16
12.5%	\$ 8.34	\$ 9.20	\$ 10.06	\$ 10.92	\$ 11.78	\$ 12.63
13.5%	\$ 8.02	\$ 8.85	\$ 9.67	\$ 10.49	\$ 11.31	\$ 12.13
14.5%	\$ 7.72	\$ 8.51	\$ 9.30	\$ 10.08	\$ 10.87	\$ 11.65
15.5%	\$ 7.44	\$ 8.19	\$ 8.94	\$ 9.70	\$ 10.45	\$ 11.20

Tangible Book Value Per Share Multiples**Discount**

Rate	125%	150%	175%	200%	225%	250%
9.5%	\$ 10.75	\$ 12.42	\$ 14.10	\$ 15.77	\$ 17.45	\$ 19.12
10.5%	\$ 10.32	\$ 11.92	\$ 13.52	\$ 15.12	\$ 16.72	\$ 18.32
11.5%	\$ 9.91	\$ 11.44	\$ 12.97	\$ 14.50	\$ 16.02	\$ 17.55
12.5%	\$ 9.52	\$ 10.98	\$ 12.44	\$ 13.91	\$ 15.37	\$ 16.83
13.5%	\$ 9.15	\$ 10.55	\$ 11.95	\$ 13.35	\$ 14.75	\$ 16.14
14.5%	\$ 8.80	\$ 10.14	\$ 11.48	\$ 12.82	\$ 14.15	\$ 15.49
15.5%	\$ 8.46	\$ 9.75	\$ 11.03	\$ 12.31	\$ 13.59	\$ 14.87

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Sandler O'Neill also considered and discussed with the Smithtown Bancorp board of directors how this analysis would be affected by changes in the underlying assumptions, including variations with respect to net income. To illustrate this impact, Sandler O'Neill performed a similar analysis assuming People's United net income varied from 25% above projections to 25% below projections. This analysis resulted in the following reference ranges of indicated per share values for People's United common stock, using a discount rate of 12.58%:

Earnings Per Share Multiples						
EPS Projection Change from Base Case	14.0x	16.0x	18.0x	20.0x	22.0x	24.0x
(25.0%)	\$ 6.82	\$ 7.46	\$ 8.10	\$ 8.74	\$ 9.38	\$ 10.03
(20.0%)	\$ 7.12	\$ 7.80	\$ 8.49	\$ 9.17	\$ 9.86	\$ 10.54
(15.0%)	\$ 7.42	\$ 8.14	\$ 8.87	\$ 9.60	\$ 10.33	\$ 11.05
(10.0%)	\$ 7.72	\$ 8.49	\$ 9.26	\$ 10.03	\$ 10.80	\$ 11.57
(5.0%)	\$ 8.02	\$ 8.83	\$ 9.64	\$ 10.45	\$ 11.27	\$ 12.08
0.0%	\$ 8.32	\$ 9.17	\$ 10.03	\$ 10.88	\$ 11.74	\$ 12.59
5.0%	\$ 8.61	\$ 9.51	\$ 10.41	\$ 11.31	\$ 12.21	\$ 13.11
10.0%	\$ 8.91	\$ 9.86	\$ 10.80	\$ 11.74	\$ 12.68	\$ 13.62
15.0%	\$ 9.21	\$ 10.20	\$ 11.18	\$ 12.16	\$ 13.15	\$ 14.13
20.0%	\$ 9.51	\$ 10.54	\$ 11.57	\$ 12.59	\$ 13.62	\$ 14.65
25.0%	\$ 9.81	\$ 10.88	\$ 11.95	\$ 13.02	\$ 14.09	\$ 15.16

Sandler O'Neill performed an analysis that estimated the present value per share of Smithtown Bancorp common stock for the period ending December 31, 2014, based on a common equity offering in the third quarter of 2010 at various offering amounts and prices. Management of Smithtown Bancorp provided the following financial projections as of June 25, 2010 for the years 2010-2013 for use in the present value analysis. Smithtown Bancorp does not as a matter of course publicly disclose detailed forecasts or internal financial projections (these projections are also subject to the disclosure regarding forward-looking statements under the heading "Information Regarding Forward-Looking Statements" beginning on page 26). The following financial projections were not prepared with a view toward public disclosure, but they are included in this proxy statement/prospectus because they were made available to Sandler O'Neill for the purpose of preparing the present value analysis. Therefore, the projections were also not prepared with a view toward complying with the published guidelines of the SEC regarding forecasts or in accord with the guidelines established by the American Institute of Certified Public Accountants for preparation and presentation of financial forecasts. Smithtown Bancorp's independent auditors did not examine or express any opinion with respect to the projections. The internal financial projections do not take into account any circumstances occurring after the date they were prepared, and Smithtown Bancorp makes no representation that these projections are consistent with its current financial results or its currently anticipated future financial results.

The following financial projections do not, in and of themselves, assume that Smithtown Bancorp issued additional common stock in a common equity offering or received proceeds from that or any other capital raising activity. In other words, they represent a "baseline" and do not include the additional capital that would have been received if Smithtown Bancorp had actually completed a common equity offering in the third quarter of 2010 in any of the scenarios described below. However, the projections were specifically prepared for the Sandler O'Neill present value analysis, which was based on the premise that Smithtown Bancorp would be able to successfully complete a common equity offering to meet its obligations under the Consent Agreements and the Written Agreement. This was because the purpose of the present value analysis was not to compare various merger scenarios to the "status quo" at Smithtown Bancorp, but to compare them to a common equity offering, which was deemed to be the most likely "stand-alone" scenario under which Smithtown Bancorp could satisfy the requirements of the Consent Agreements and the Written Agreement.

Consequently, the financial projections were based on assumptions that management of Smithtown Bancorp determined to be consistent with the premise that Smithtown would be able to raise the additional capital

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contemplated by the present value analysis. Among other things, the projections assumed that there were no additional enforcement actions against Smithtown Bancorp or other changes to Smithtown Bancorp's businesses, such as restrictions on asset growth, as a result of failure to meet its obligations under the Consent Agreements or the Written Agreement. There can be no assurance that these assumptions would have been true or that Smithtown Bancorp would have been able to raise additional capital. Therefore, the projections were estimates that could differ from future results for many reasons (and have differed materially in the case of the three months ended June 30, 2010) and are necessarily of limited usefulness other than for Sandler O'Neill's present value analysis. The projections were also based on a significant improvement in asset quality in the coming years (corresponding to a decrease in net charge-offs from an estimated \$81.25 million in 2010 to an estimated \$30 million, \$8 million and \$6 million in 2011, 2012 and 2013, respectively), which was not guaranteed to occur, but which was a conservative approach that was designed not to under-value the stand-alone scenarios compared to the various merger scenarios.

Table of Contents**Smithtown Bancorp Financial Projections**

	As of June 30, 2010	As of September 30, 2010	2010	As of December 31, 2011	2012	2013
(in thousands, except per share data)						
Consolidated Balance Sheets:						
Total cash and cash equivalents	\$ 18,539	\$ 18,539	\$ 18,539	\$ 21,320	\$ 24,518	\$ 28,196
Investment securities available for sale	223,504	229,651	235,392	271,289	384,553	595,095
Loans, net	1,938,283	1,886,319	1,844,355	1,794,389	1,892,425	2,088,459
Cash value of company owned life insurance	25,124	25,249	25,374	26,389	27,444	28,542
Total assets	2,302,935	2,272,192	2,241,047	2,240,785	2,469,134	2,895,810
Total deposits	1,812,589	1,787,589	1,762,589	1,762,589	1,972,589	2,432,589
Other borrowings	312,298	312,299	312,071	308,849	309,171	253,892
Subordinated debt	17,650	17,700	17,750	17,850	17,950	18,000
Total stockholders equity	105,343	99,548	93,581	94,009	109,138	127,826
	Three Months Ended June 30, 2010	September 30, 2010	2010	Year Ended December 31, 2011	2012	2013
Consolidated Statements of Income:						
Total interest income	\$ 29,211	\$ 27,835	\$ 114,864	\$ 112,882	\$ 120,421	\$ 142,465
Total interest expense	11,344	10,643	43,635	44,309	48,610	60,516
Net interest income	17,867	17,192	71,229	68,573	71,811	81,949
Provision for loan losses	25,000	15,000	80,000	30,000	10,000	10,000
Net interest income after provision for loan losses	(7,133)	2,192	(8,771)	38,573	61,811	71,949
Total noninterest income	2,133	2,125	8,819	7,395	7,536	8,047
Total noninterest expense	12,497	13,232	52,487	45,939	47,099	52,308
Income (loss) before income taxes	(17,497)	(8,915)	(52,439)	29	22,248	27,688
Provision (benefit) for income taxes	876	(3,120)	(8,456)	10	7,787	9,691
Net income (loss)	(18,373)	(5,795)	(43,983)	19	14,461	17,997
	Three Months Ended June 30, 2010	September 30, 2010	2010	Year Ended December 31, 2011	2012	2013
Selected Financial Ratios and Other Data:						
Return on average equity	(60.58)%	(20.01)%	(35.89)%	0.02%	14.24%	15.19%
Return on average assets	(3.19)%	(1.02)%	(1.89)%	0.00%	0.61%	0.67%
Tier 1 leverage ratio	5.52%	5.37%	5.10%	5.08%	5.64%	5.79%
Tier 1 risk based ratio	7.07%	6.80%	6.51%	6.47%	7.12%	7.49%
Total risk based ratio	9.28%	9.04%	8.78%	8.75%	9.34%	9.62%
Dividend payout ratio	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Diluted earnings (loss) per share	\$ (1.24)	\$ (0.39)	\$ (2.98)	\$ 0.00	\$ 0.94	\$ 1.17

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Basic earnings (loss) per share	\$	(1.24)	\$	(0.39)	\$	(2.98)	\$	0.00	\$	0.94	\$	1.17
Cash dividends declared per common share												
Total cash dividends declared												
Number of common shares outstanding		14,979,286		14,979,286		15,005,773		15,191,300		15,335,627		15,401,784

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Sandler O'Neill's present value analysis assumes a 3% yield on the net proceeds of the offering and a 5.25% underwriting discount. The analysis is based on the financial projections through 2013 as set forth in the table above, which were provided by management of Smithtown Bancorp, and an estimated long-term growth rate of 19% for the year ended December 31, 2014 (based on an estimated increase in earnings per share and estimated balance sheet growth in 2014), which was determined by Sandler O'Neill and discussed with management of Smithtown Bancorp. The analysis assumes no tax benefit for negative pre-tax income. Comparing the financial projections to estimates based on more limited near-term improvement in asset quality, Sandler O'Neill also assumed net charge-offs of \$59 million in 2011, and, targeting a loan loss reserve/gross loan ratio of 1.75%, a corresponding provision expense of \$55 million in 2011. To approximate the terminal value of Smithtown Bancorp's common stock at December 31, 2014, Sandler O'Neill applied a price to forward earnings multiple of 12.0x and a multiple of tangible book value of 150%. The dividend income streams and terminal values were then discounted to present values using a discount rate of 15.55% chosen to reflect assumptions regarding required rates of return of holders or prospective buyers of Smithtown Bancorp common stock. The following tables illustrate the present value per share of Smithtown Bancorp common stock for the period ending December 31, 2014, based on a common equity offering in the third quarter of 2010 at various offering amounts and prices.

		Earnings Per Share Multiple					
Capital Raise							
Scenario	Offering Price	\$50 Million Capital Raise		\$75 Million Capital Raise		\$100 Million Capital Raise	
		\$ 2.00	\$ 2.50	\$ 2.00	\$ 2.50	\$ 2.00	\$ 2.50
NPV Based on Projected EPS		\$ 3.10	\$ 3.54	\$ 2.44	\$ 2.83	\$ 2.03	\$ 2.38

		Tangible Book Value Per Share Multiple					
Capital Raise							
Scenario	Offering Price	\$50 Million Capital Raise		\$75 Million Capital Raise		\$100 Million Capital Raise	
		\$ 2.00	\$ 2.50	\$ 2.00	\$ 2.50	\$ 2.00	\$ 2.50
NPV Based on Projected TBV		\$ 2.86	\$ 3.27	\$ 2.53	\$ 2.96	\$ 2.33	\$ 2.76

In its discussions with the Smithtown Bancorp board of directors, Sandler O'Neill noted that the discounted cash flow analysis is a widely used valuation methodology, but the results of such methodology are highly dependent upon the numerous assumptions that must be made, and the results thereof are not necessarily indicative of actual values or future results.

Analysis of Selected Merger Transactions. Sandler O'Neill reviewed the terms of merger transactions announced from January 1, 2008 through July 14, 2010 involving nationwide public banks with announced transaction values greater than \$15 million. Only one of these transactions, Toronto-Dominion Bank's acquisition of The South Financial Group, involved a seller with NPAs/Assets greater than 4.5%. Given Smithtown Bancorp's deteriorated asset quality (9.91% NPAs/Assets as of June 30, 2010), Sandler O'Neill deemed the South Financial acquisition to be the only comparable transaction to Smithtown Bancorp. Sandler O'Neill reviewed the following ratios and multiples: NPAs/Assets, transaction price to last twelve months earnings per share, transaction price to stated book value, transaction price to stated tangible book value and market price premium at announcement. As illustrated in the following table, Sandler O'Neill compared the proposed merger multiples to the median multiples of the comparable transaction.

Comparable Transaction Multiples		
	People's United / Smithtown Bancorp	TD Bank /South Financial Group
NPAs/Assets	9.91%	4.53%
Transaction price/Last twelve months earnings per share	NM	NM
Transaction price/Book value	63%	10%
Transaction price/Tangible book value	66%	17%
Premium to market price one day prior to announcement	3.4%	(58.2)%

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Pro Forma Merger Analysis. Sandler O'Neill analyzed certain potential pro forma effects of the merger, assuming the following: (1) the merger is completed at the end of the fourth quarter of 2010; (2) Smithtown Bancorp shares are exchanged for People's United common stock for cash consideration of \$4.00 per share (based on People's United stated intention to repurchase all shares issued in the transaction); (3) pre-tax, pre-provision run-rate of approximately \$8.5 million per quarter for Smithtown Bancorp; (4) publicly available median earnings estimates for People's United for the years ending December 31, 2010 through December 31, 2011 and the median publicly available long-term growth rate for the years thereafter and in each case as confirmed with People's United senior management; (5) purchase accounting adjustments, including a \$192 million credit mark against Smithtown Bancorp's loan portfolio in the aggregate, and additional marks on securities, FHLB borrowings, and jumbo CDS; (6) cost savings of 15% of Smithtown Bancorp's first quarter 2010 annualized operating expenses, with 50% realized in the first full year; (7) deposit premium of 2.0% on total deposits, amortized over 10 years using a sum-of-the-year's digits methodology; (8) 3.00% opportunity cost of cash; and (9) approximately \$25.0 million in after-tax transaction costs and expenses associated with the merger, with 80% incurred in 2010.

For each of the years 2011 and 2012, Sandler O'Neill compared the earnings per share of People's United common stock to the EPS, on a GAAP basis, of the combined company common stock using the foregoing assumptions. The following table sets forth the results of the analysis:

	GAAP Basis Accretion / (Dilution)
2011 Estimated EPS	\$ 0.09
2012 Estimated EPS	\$ 0.10

The analyses indicated that the merger would be accretive to People's United projected 2011 and 2012 EPS. The actual results achieved by the combined company may vary from projected results and the variations may be material.

Pro Forma Capital Ratios. In completing its reverse due diligence on People's United, Smithtown Bancorp inquired as to People's United projected pro forma tangible common equity / tangible assets for the transaction with Smithtown Bancorp. People's United noted that, concurrent with its merger with Smithtown Bancorp, it was pursuing a second acquisition. People's United calculated and shared with Smithtown Bancorp a pro forma tangible common equity / tangible assets ratio giving effect to for both the Smithtown Bancorp transaction and the aforementioned second transaction of approximately 15.0%.

Sandler O'Neill's Compensation and Other Relationships with Smithtown Bancorp and People's United. Sandler O'Neill has acted as financial advisor to the board of directors of Smithtown Bancorp in connection with the merger and will receive a fee of \$1,000,000 for its services, of which \$850,000 is contingent upon completion of the merger. Smithtown Bancorp has also agreed to indemnify Sandler O'Neill against certain liabilities arising out of its engagement. Sandler O'Neill's fairness opinion was approved by Sandler O'Neill's fairness opinion committee. The fairness opinion was delivered in response to a request from the board of directors of Smithtown Bancorp to receive Sandler O'Neill's opinion on the fairness of the merger consideration based on such customary methods for determining and rendering such an opinion as Sandler O'Neill determined to be appropriate. Sandler O'Neill did not determine or recommend the amount of the merger consideration.

In the past two years, Sandler O'Neill served as placement agent for a private offering of Smithtown Bancorp common stock in 2008, book manager for a public offering of Smithtown common stock in 2009 and placement agent for a private offering of Bank of Smithtown subordinated notes and warrants to purchase Smithtown Bancorp common stock in 2009. For these services, Sandler O'Neill received a total of approximately \$3.18 million in fees.

For more information on Sandler O'Neill's qualifications and the process by which Smithtown Bancorp selected Sandler O'Neill, see Background of the Merger beginning on page 33.

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In 2008 and 2009, Sandler O'Neill's fixed income division received a total of approximately \$112,000 in fees from People's United for executing security trades. Sandler O'Neill did not provide other services to People's United in the past two years.

In the ordinary course of their respective broker and dealer businesses, Sandler O'Neill may purchase securities from and sell securities to Smithtown Bancorp and People's United and their affiliates. Sandler O'Neill may also actively trade the debt and/or equity securities of Smithtown Bancorp or People's United or their affiliates for their own accounts and for the accounts of their customers and, accordingly, may at any time hold a long or short position in such securities.

Interests of Smithtown Bancorp's Directors and Executive Officers in the Merger

In considering the recommendation of Smithtown Bancorp's board of directors to vote FOR the approval of the merger agreement, Smithtown Bancorp stockholders should be aware that Smithtown Bancorp's executive officers and members of Smithtown Bancorp's board of directors may have interests in the transaction that are different from, or in addition to, the interests of Smithtown Bancorp stockholders generally. The independent members of Smithtown Bancorp's board of directors were made aware of these differing interests and potential conflicts, and, except for a recently agreed retention award between Smithtown Bancorp's chief financial officer and People's United Bank, Smithtown Bancorp's board of directors considered them, among other matters, in evaluating and negotiating the merger agreement and the merger and in recommending to the stockholders that the merger be approved.

Settlement of Executive Officer and Director Restricted Stock in the Merger

Smithtown Bancorp's executive officers and directors participate in Smithtown Bancorp's equity-based compensation plans and hold shares of restricted stock granted under the Smithtown Bancorp, Inc. Restricted Stock Plan (the "Restricted Stock Plan") and the Smithtown Bancorp, Inc. 2007 Stock Compensation Plan (the "2007 Stock Compensation Plan"). The shares of restricted common stock are subject to vesting based on continued service of the executives and directors, whereby the restrictions lapse with respect to 20% of the shares awarded in a given year on December 31st of each year after the date of the award, commencing with the year the grant is made. Under the terms of the equity-based plans and award agreements, all shares of restricted stock will vest upon completion of the merger (or, for restricted stock granted under the Restricted Stock Plan, upon stockholder approval of the plan of merger), with the result that all such shares of restricted stock will become nonforfeitable shares of Smithtown Bancorp common stock. In the merger, each share of Smithtown Bancorp common stock will be cancelled and converted into cash or shares of People's United common stock, on the same terms as all other shares of Smithtown Bancorp common stock.

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As of June 30, 2010, the executive officers (as a group) held 79,221 shares of restricted stock and the directors (as a group) held 19,654 shares of restricted stock. The following table sets forth the value that each of the executive officers and directors would receive in the merger in exchange for the shares of Smithtown Bancorp common stock received as a result of the accelerated vesting of restricted stock in connection with the merger as described above. The valuation assumes an average closing price of People's United common stock price of \$[] for the five trading days immediately prior to the closing date of the merger. The valuation also assumes that the tax withholding, if any, associated with the vesting of the restricted stock will be paid in cash and not through the surrender of shares of Smithtown Bancorp common stock in satisfaction of such tax withholding. The actual value of the merger consideration will depend on the average closing price of People's United common stock for the five trading days immediately prior to the closing date of the merger.

	Outstanding Shares of Restricted Stock as of June 30, 2010	Estimated Value of Restricted Stock Vesting
Robert J. Anrig	2,117	\$ []
Christopher Becker	6,000	[]
Patricia C. Delaney	2,559	[]
George H. Duncan	2,300	[]
Anita M. Florek	3,617	[]
Patrick A. Given	2,559	[]
Hyukmun Kwon	2,559	[]
Bradley E. Rock	57,370	[]
John A. Romano	10,117	[]
Robert W. Scherdel	2,559	[]
Manny M. Schwartz	2,559	[]
Barry M. Seigerman	2,559	[]
Joseph M. Winters	2,000	[]

For a more detailed explanation of the treatment of Smithtown Bancorp restricted stock, see "The Merger Agreement" Smithtown Bancorp Warrants and Stock-Based Awards beginning on page 68.

Change in Control Agreements

Smithtown Bancorp has entered into change in control agreements with Messrs. Anrig, Rock and Romano and Ms. Florek. If the executive is involuntarily terminated without cause (as defined in the agreements) or terminates his or her employment for good reason (as defined in the agreements) within 24 months (or, for Mr. Rock, within 36 months) following a change in control, such as the completion of the merger, the executive is entitled to: (i) an amount equal to three times the sum of the executive's highest annual salary and highest annual bonus or similar cash incentive compensation paid in the three most recently completed years preceding the change in control; (ii) an amount equal to the contributions and benefits the executive would have received under any tax-qualified or non-qualified retirement plan for a three-year period, based on the amount received by the executive (or the accruals made on his or her behalf) during the most recently completed year preceding the executive's termination; (iii) continued participation in welfare benefit plans for a period of three years following the qualifying termination (or, if such participation is not permissible, comparable coverage on an individual policy basis or, if such coverage is not available, a cash payment equivalent to the value of such coverage); and (iv) full vesting of outstanding restricted stock awards and other stock-based awards. The amounts described under clauses (i) and (ii) above will be paid in substantially equal monthly installments in accordance with Smithtown Bancorp's normal payroll practices for a period of 36 months from the date of termination, subject to delay to the extent required by applicable tax law. Mr. Rock may also terminate his employment for any reason within one year following the change in control and receive the foregoing payments and benefits.

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The following table sets forth the cash amount of the payments and benefits that each of the executive officers would receive under the change in control agreements (excluding the vesting of restricted stock, which is described above) if the merger were completed on October 31, 2010 and the executives experience a qualifying termination immediately thereafter. All amounts are shown before the deduction of any applicable withholding taxes.

	Cash Payment in Lieu of Tax- Qualified and Non-Qualified Retirement Benefit Contributions	Cash Value of Continued Welfare Benefits	Estimated Aggregate Change in Control Payments
Cash Severance Payment			
Robert J. Anrig	\$ 1,050,702	\$ 33,295	\$ 1,233,811
Anita M. Florek	912,696	13,891	1,072,576
Bradley E. Rock	3,617,307	33,385	3,945,862
John A. Romano	992,121	33,325	1,177,213

In addition, the change in control agreements provide that if any payments, benefits or distributions made to an executive in connection with a change in control of Smithtown Bancorp become subject to the excise tax imposed by Section 4999 of the Code, then the payments will be increased so that after paying the excise tax, the executive retains the amounts listed above. Based on an analysis prepared by the consulting firm Amalfi Consulting at the direction of Smithtown Bancorp, Smithtown Bancorp has determined that each of the Smithtown Bancorp executive officers, who have change in control agreements, is expected to be subject to this excise tax in connection with the merger. Accordingly, based on this analysis, each of Messrs. Anrig, Rock and Romano and Ms. Florek would be entitled to an additional payment estimated at \$523,857, \$1,723,786, \$528,941 and \$456,636, respectively in respect of this excise tax. The Amalfi Consulting analysis was based on the following assumptions: the merger occurs on October 31, 2010; the price of Smithtown Bancorp common stock is \$4.00 per share at the time of the merger; and each executive terminates employment with People's United on October 31, 2010.

Mr. Becker, Smithtown Bancorp's chief financial officer, is not party to a change in control agreement with Smithtown Bancorp. People's United Bank recently entered into a letter agreement with Mr. Becker providing for a lump sum payment of \$180,000 if Mr. Becker remains employed through the closing of the merger.

Supplemental Executive Retirement Agreement

Mr. Rock is party to a supplemental executive retirement agreement, which is an unfunded non-qualified deferred compensation arrangement that provides for post-retirement lifetime benefits calculated based on final average base salary. Upon a termination of employment on or after age 60 (other than a termination for cause (as defined in the retirement agreement) or death), or a termination of employment because of disability before age 60, Mr. Rock is eligible to receive an annual benefit for life (commencing at age 60 if Mr. Rock's employment terminates because of disability), with 15 years of payments guaranteed, equal to 70% of the final three year average base salary reduced by (i) 50% of the amount of his annual social security benefits and (ii) Smithtown Bancorp's contributions on his behalf to certain tax-qualified and non-qualified retirement plans. Upon a termination of employment before age 60 (other than a termination for cause, death, disability, a termination without cause within 24 months of a change in control or a termination in connection with certain other bad acts), Mr. Rock is eligible to receive an early retirement lifetime benefit commencing at age 60, with 15 years of payments guaranteed, equal to the amount required to be accrued by Smithtown Bancorp under GAAP to account for benefits that may become payable under the retirement agreement. This annual benefit is paid in equal monthly installments. The retirement agreement also provides for a special death benefit which is equal to the normal retirement benefit with annual payments commencing immediately and lasting for 15 years.

If Mr. Rock's employment is terminated either by him or by Smithtown Bancorp other than for cause within 24 months following a change in control (including the merger), he will receive a lump sum payment equal to the actuarial equivalent of the normal retirement benefit he would have otherwise received upon a termination of employment on or after age 60. The retirement benefit is calculated by projecting his final

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three year average base salary to age 60 at a 5% annual rate of increase and using other assumptions set forth in the retirement agreement. Payment will be made within three days of Mr. Rock's termination, subject to delay to the extent required by applicable tax law.

If Mr. Rock's employment terminates prior to his reaching age 60 other than for cause or on account of his death or disability and prior to any change in control, he would be entitled to receive the early retirement benefit described above, the estimated lump sum present value of which is equal to \$4,849,155. However, if Mr. Rock's employment terminates following the completion of the merger, he would be entitled to receive the change in control benefit described above, the lump sum present value of which is equal to \$5,478,326. The calculation of these benefits is based on the following assumptions: Mr. Rock terminates employment with People's United on October 31, 2010; a discount rate of 6%; and, for purposes of the calculation of the change in control benefit, the merger occurs on October 31, 2010. The actual value of the supplemental retirement benefit payable to Mr. Rock cannot be definitively determined until a triggering event occurs.

Executive Incentive Retirement Agreements

Messrs. Anrig, Rock and Romano and Ms. Florek are party to executive incentive retirement agreements that provide for an annual contribution by Smithtown Bancorp to each executive's deferral account equal to up to 10% of executive's base salary for the fiscal year prior to the contribution (the Determination Year), based upon Smithtown Bancorp's return on equity in the Determination Year. Each of the executives is already fully vested in his or her respective account balance. Upon a termination at age 65 or at age 55 with 15 years of service, the executive's account is distributed either in a lump sum or in equal monthly installments over 15 years, at the executive's election, subject to delay to the extent required by applicable tax law.

Upon a termination after a change in control (including the completion of the merger), payment of 100% each executive's respective account balance will be made in a lump sum cash payment no later than 60 days after the executive's termination, subject to delay to the extent required by applicable tax law. The following table sets forth the amount of each executive officer's vested account balance as of October 31, 2010:

	Account Balance as of October 31, 2010
Robert J. Anrig	\$ 328,047
Anita M. Florek	328,047
Bradley E. Rock	690,073
John A. Romano	274,225

Executive Deferred Compensation Plan

Messrs. Anrig, Rock and Romano and Ms. Florek each participate in a voluntary deferred compensation plan that allows participants to defer a portion of their compensation. Smithtown Bancorp may also make additional non-elective contributions on behalf of participants. All amounts contributed to the plan are fully vested.

Deferred amounts are generally paid upon a participant's death, disability, separation from service or, if elected by a participant in accordance with the procedures established by Smithtown Bancorp, upon a change in control (including completion of the merger). Payment is made either in a lump sum or in installments over a five- or ten-year period as elected by the participant. Each of Messrs. Anrig, Rock and Romano and Ms. Florek elected to receive a lump sum distribution of their respective account balances upon a change in control, including the completion of the merger. The following table sets forth the amount of each executive officer's vested account balance as of October 31, 2010:

	Account Balance as of October 31, 2010
Robert J. Anrig	\$ 105,975
Anita M. Florek	64,378
Bradley E. Rock	97,435
John A. Romano	218,349

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Messrs. Given, Rock, Scherdel, Schwartz and Seigerman and Ms. Delaney are party to director incentive retirement agreements that provide for an annual contribution by Smithtown Bancorp to each director's deferral account equal to up to 25% of the director's fees for the fiscal year prior to the contribution (the Determination Year), based upon Smithtown Bancorp's return on equity in the Determination Year. Each of the directors is already fully vested in his or her respective account balance. Upon a termination at age 72, or at age 55 with 10 years of service, the director's account is distributed either in a lump sum or in equal monthly installments over 10 years, at the director's election.

Upon a termination of service after a change in control (including the completion of the merger), payment of 100% of each director's respective account balance will be made in a lump sum cash payment and accelerated to a date no later than 60 days after the director's termination of service. The following table sets forth the amount of each director's vested account balance as of October 31, 2010:

	Account Balance as of October 31, 2010
Patricia C. Delaney	\$ 56,349
Patrick A. Given	81,865
Bradley E. Rock	22,320
Robert W. Scherdel	81,689
Manny M. Schwartz	75,639
Barry M. Seigerman	79,891

Directors' Deferred Fee Plan

Messrs. Given, Kwon, Schwartz and Seigerman and Ms. Delaney each participate in a voluntary deferred compensation plan that allows directors to defer all or a portion of their fees. Smithtown Bancorp may also make additional non-elective contributions on behalf of directors. All amounts contributed to the plan are fully vested.

Deferred amounts are generally paid upon a director's separation from service or, if elected by a participant in accordance with the procedures established by the Smithtown Bancorp, upon a change in control (including the completion of the merger). Payment is made either in a lump sum or in installments over a five- or ten-year period as elected by the director. Messrs. Kwon and Schwartz and Ms. Delaney elected to receive a lump sum distribution of their respective account balances upon a change in control (including completion of the merger), Mr. Given elected to receive a distribution of his account balance upon a change in control in ten annual installments and Mr. Seigerman elected to receive a distribution of his account balance upon a change in control in five annual installments. The following table sets forth the amount of each executive officer's vested account balance as of October 31, 2010.

	Account Balance as of October 31, 2010
Patricia C. Delaney	\$ 111,175
Patrick A. Given	94,772
Hyukmun Kwon	138,361
Manny M. Schwartz	57,246
Barry M. Seigerman	88,876

Indemnification of Directors and Officers; Directors' and Officers' Liability Insurance

Under the terms of the merger agreement, People's United has agreed that it will, following the completion of the merger, indemnify, defend, hold harmless and advance expenses to the present and former directors and officers of Smithtown Bancorp or any of its subsidiaries, and any such person presently or formerly serving at the

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request of Smithtown Bancorp or any of its subsidiaries as a director, officer, employee, agent, trustee or fiduciary of another corporation, partnership, joint venture, trust or other enterprise or under or with respect to any employee benefit plan against all costs and expenses (including reasonable attorneys' fees), judgments, fines, losses, claims, damages, penalties, amounts paid in settlement and other liabilities incurred to the same extent as such persons are indemnified or have the right to advancement of expenses pursuant to Smithtown Bancorp's and any relevant subsidiaries' certificate of incorporation, bylaws or similar governing documents in effect on the date of the plan of merger.

The merger agreement also provides that, for a period of six years after completion of the merger, People's United will use its reasonable best efforts to provide directors' and officers' liability insurance (including excess coverage) for the present and former officers and directors of Smithtown Bancorp or any of its subsidiaries with respect to claims against such directors and officers arising from facts or events occurring at or prior to the completion of the merger (including the transactions contemplated by the merger agreement), which insurance will contain at least the same coverage and amounts, and contain terms and conditions no less advantageous in the aggregate, than Smithtown Bancorp's current policy, subject to specified cost limitations.

People's United's Reasons for the Merger

People's United's reasons for entering into the merger agreement include:

the opportunity to extend People's United's footprint into the geographically contiguous markets of Long Island and New York City;

the opportunity to use Smithtown Bancorp's branch network as a platform for further growth in People's United's retail and commercial lines of business; and

the opportunity to invest a portion of People's United's excess capital in a transaction expected to be immediately accretive to earnings.

The board of directors of People's United unanimously approved the merger agreement after People's United senior management discussed with the board of directors a number of factors, including those described above and the business, assets, liabilities, results of operations, financial performance, strategic direction and prospects of Smithtown Bancorp. The People's United board of directors did not consider it practicable to, and did not attempt to, quantify or otherwise assign relative weights to the specific factors it considered in reaching its determination. The People's United board of directors viewed its position as being based on all the information and the factors presented to and considered by it. In addition, individual directors may have given different weights to different information and factors.

People's United's Board of Directors and Management after the Merger

The directors and officers of People's United are not expected to change as a result of the merger. The directors and officers of People's United immediately prior to the merger will continue to be the directors and officers of People's United after completion of the merger.

Material U.S. Federal Income Tax Consequences of the Merger

The following summary describes the anticipated material U.S. federal income tax consequences of the merger to U.S. holders (as defined below) of Smithtown Bancorp common stock. The following summary is based upon the Code, its legislative history, existing and proposed regulations thereunder and published rulings and decisions, all as currently in effect as of the date hereof, and all of which are subject to change, possibly with retroactive effect. Tax considerations under state, local and foreign laws, or federal laws other than those pertaining to income tax, or federal laws applicable to alternative minimum taxes, are not addressed in this proxy statement/prospectus.

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For purposes of this discussion, we use the term "U.S. holder" to mean:

a citizen or resident of the United States;

a corporation (or other entity taxable as a corporation for U.S. federal income tax purposes) created or organized under the laws of the United States or any of its political subdivisions;

a trust that (i) is subject to the supervision of a court within the United States and the control of one or more U.S. persons or (ii) has a valid election in effect under applicable U.S. Treasury regulations to be treated as a U.S. person; or

an estate that is subject to U.S. federal income taxation on its income regardless of its source.

This discussion addresses only those holders of Smithtown Bancorp common stock that hold their Smithtown Bancorp common stock as a capital asset within the meaning of Section 1221 of the Code and does not address all the U.S. federal income tax consequences that may be relevant to particular holders of Smithtown Bancorp common stock in light of their individual circumstances or to holders of Smithtown Bancorp common stock that are subject to special rules, such as:

financial institutions;

investors in pass-through entities;

insurance companies;

tax-exempt organizations;

dealers in securities or currencies;

traders in securities that elect to use a mark to market method of accounting;

persons that hold Smithtown Bancorp common stock as part of a straddle, hedge, constructive sale or conversion transaction;

regulated investment companies;

real estate investment trusts;

persons whose functional currency is not the U.S. dollar;

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persons who are not citizens or residents of the United States; and

holders who acquired their shares of Smithtown Bancorp common stock as compensation.

If a partnership or other entity taxed as a partnership holds Smithtown Bancorp common stock, the tax treatment of a partner in the partnership generally will depend upon the status of the partner and the activities of the partnership. Partnerships and partners in such a partnership should consult their tax advisors about the tax consequences of the merger to them.

The actual tax consequences of the merger to you may be complex and will depend on your specific situation and on factors that are not within our control. You should consult with your own tax advisor as to the tax consequences of the merger in your particular circumstances, including the applicability and effect of the alternative minimum tax and any state, local or foreign and other tax laws and of changes in those laws.

Tax Consequences of the Merger Generally

The merger is intended to qualify as a reorganization within the meaning of Section 368(a) of the Code. Accordingly, the material U.S. federal income tax consequences will be as follows:

no gain or loss will be recognized by People's United or Smithtown Bancorp as a result of the merger;

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except with respect to U.S. holders who receive the entirety of their consideration in cash (discussed below under **Receipt of Cash Consideration Only and Cash Received Instead of a Fractional Share of People's United Common Stock**), gain (but not loss) will be recognized by U.S. holders of Smithtown Bancorp common stock who receive shares of People's United common stock and cash in exchange for shares of Smithtown Bancorp common stock pursuant to the merger, in an amount equal to the lesser of (i) the amount by which the sum of the fair market value of the People's United common stock and cash received by a U.S. holder of Smithtown Bancorp common stock exceeds such U.S. holder's basis in its Smithtown Bancorp common stock and (ii) the amount of cash received by such U.S. holder of Smithtown Bancorp common stock (except with respect to any cash received instead of fractional share interests in People's United common stock, which is discussed below under **Receipt of Cash Consideration Only and Cash Received Instead of a Fractional Share of People's United Common Stock**);

the aggregate basis of the People's United common stock received by a U.S. holder of Smithtown Bancorp common stock in the merger (including fractional shares of People's United common stock deemed received and redeemed as described below) will be the same as the aggregate basis of the Smithtown Bancorp common stock for which it is exchanged, decreased by the amount of cash received in the merger (other than cash received instead of fractional share interests in People's United common stock), and increased by the amount of gain recognized on the exchange, other than with respect to cash received instead of fractional share interests in People's United common stock (regardless of whether such gain is classified as capital gain or as dividend income, as discussed below under **Additional Considerations Recharacterization of Gain as a Dividend**); and

the holding period of People's United common stock received in exchange for shares of Smithtown Bancorp common stock (including fractional shares of People's United common stock deemed received and redeemed as described below) will include the holding period of the Smithtown Bancorp common stock for which it is exchanged.

If a U.S. holder of Smithtown Bancorp common stock acquired different blocks of Smithtown Bancorp common stock at different times or at different prices, any gain will be determined separately with respect to each block of Smithtown Bancorp common stock, and the cash and shares of People's United common stock received will be allocated pro rata to each such block of stock.

Completion of the merger is conditioned on, among other things, the receipt by Smithtown Bancorp and People's United of legal opinions from Sullivan & Cromwell LLP and Simpson Thacher & Bartlett LLP, respectively, each dated as of the closing date of the merger, that for U.S. federal income tax purposes the merger will be treated as a reorganization within the meaning of Section 368(a) of the Code. These opinions will be based on certain assumptions and on representation letters provided by Smithtown Bancorp and People's United to be delivered at the time of closing. Although the merger agreement allows each of People's United and Smithtown Bancorp to waive this condition to closing, neither People's United nor Smithtown Bancorp currently anticipates doing so. Neither of the tax opinions will be binding on the Internal Revenue Service. Neither People's United nor Smithtown Bancorp intends to request any ruling from the Internal Revenue Service as to the U.S. federal income tax consequences of the merger, and there is no guarantee that the Internal Revenue Service will treat the merger as a reorganization within the meaning of Section 368(a) of the Code.

Taxation of Capital Gain

Except as described under **Additional Considerations Recharacterization of Gain as a Dividend** below, gain that U.S. holders of Smithtown Bancorp common stock recognize in connection with the merger generally will constitute capital gain and will constitute long-term capital gain if such U.S. holders have held (or are treated as having held) their Smithtown Bancorp common stock for more than one year as of the date of the merger. For U.S. holders of Smithtown Bancorp common stock that are non-corporate holders, long-term capital gain generally will be taxed at a maximum U.S. federal income tax rate of 15%.

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Additional Considerations Recharacterization of Gain as a Dividend

All or part of the gain that a particular U.S. holder of Smithtown Bancorp common stock (other than U.S. holders who receive the entirety of their consideration in cash) recognizes could be treated as dividend income rather than capital gain if (i) such U.S. holder is a significant stockholder of People's United or (ii) such U.S. holder's percentage ownership, taking into account constructive ownership rules, in People's United after the merger is not meaningfully reduced from what its percentage ownership would have been if it had received solely shares of People's United common stock rather than a combination of cash and shares of People's United common stock in the merger. This could happen, for example, because of ownership of additional shares of People's United common stock by such holder, ownership of shares of People's United common stock by a person related to such holder or a share repurchase by People's United from other holders of People's United common stock. The Internal Revenue Service has indicated in rulings that any reduction in the interest of a minority stockholder that owns a small number of shares in a publicly and widely held corporation and that exercises no control over corporate affairs would result in capital gain as opposed to dividend treatment. Because the possibility of dividend treatment depends primarily upon the particular circumstances of a holder of Smithtown Bancorp common stock, including the application of certain constructive ownership rules, holders of Smithtown Bancorp common stock should consult their own tax advisor regarding the potential tax consequences of the merger to them.

Receipt of Cash Consideration Only and Cash Received Instead of a Fractional Share of People's United Common Stock

A U.S. holder of Smithtown Bancorp common stock who receives the entirety of his or her consideration in the form of cash will generally recognize gain or loss equal to the difference between the amount of cash received and the basis in his or her Smithtown Bancorp common stock. In addition, a U.S. holder of Smithtown Bancorp common stock who receives cash instead of a fractional share of People's United common stock will be treated as having received the fractional share pursuant to the merger and then as having exchanged the fractional share for cash in a redemption by People's United. As a result, such U.S. holder of Smithtown Bancorp common stock will generally recognize gain or loss equal to the difference between the amount of cash received and the basis in his or her fractional share interest as set forth above. The gain or loss recognized by the U.S. holders described in this paragraph will generally be capital gain or loss, and will be long-term capital gain or loss if, as of the effective date of the merger, the U.S. holder's holding period for the relevant shares is greater than one year. The deductibility of capital losses is subject to limitations.

You are urged to consult with your own tax advisors about the particular tax consequences of the merger to you, including the effects of U.S. federal, state or local, or foreign and other tax laws.

Backup Withholding and Information Reporting

Payments of cash to a U.S. holder of Smithtown Bancorp common stock pursuant to the merger may, under certain circumstances, be subject to information reporting and backup withholding unless the holder provides proof of an applicable exemption or, in the case of backup withholding, furnishes its taxpayer identification number and otherwise complies with all applicable requirements of the backup withholding rules. Any amounts withheld from payments to a U.S. holder under the backup withholding rules are not additional tax and generally will be allowed as a refund or credit against the U.S. holder's U.S. federal income tax liability, provided the required information is timely furnished to the Internal Revenue Service.

A U.S. holder of Smithtown Bancorp common stock who receives People's United common stock as a result of the merger will be required to retain records pertaining to the merger. Each U.S. holder of Smithtown Bancorp common stock who is required to file a U.S. federal income tax return and who is a significant holder that receives People's United common stock in the merger will be required to file a statement with such U.S. federal income tax return setting forth such holder's basis in the Smithtown Bancorp common stock surrendered.

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and the fair market value of the People's United common stock and cash received in the merger. A significant holder is a holder of Smithtown Bancorp common stock, who, immediately before the merger, owned at least 5% of the outstanding stock of Smithtown Bancorp.

Accounting Treatment of the Merger

The merger will be accounted for using the purchase method of accounting with People's United treated as the acquiror. Under this method of accounting, Smithtown Bancorp's assets and liabilities will be recorded by People's United at their respective fair values as of the closing date of the merger and added to those of People's United. Any excess of purchase price over the net fair values of Smithtown Bancorp's assets and liabilities will be recorded as goodwill. Any excess of the fair value of Smithtown Bancorp's net assets over the purchase price will be recognized in earnings as a bargain purchase gain by People's United on the closing date of the merger. Financial statements of People's United issued after the merger will reflect these values, but will not be restated retroactively to reflect the historical financial position or results of operations of Smithtown Bancorp prior to the merger. The results of operations of Smithtown Bancorp will be included in the results of operations of People's United beginning on the effective date of the merger.

Status of Regulatory Approvals and Other Information

Before Smithtown Bancorp and People's United may complete the merger and the bank merger, they must obtain regulatory approval from, or give notice to, federal and state bank regulators, as summarized in the following paragraphs.

Office of Thrift Supervision. The merger of Bank of Smithtown with and into People's United Bank must be approved by the Office of Thrift Supervision, which we refer to as the OTS, under the Bank Merger Act.

The OTS's determination whether to approve the merger is subject to certain requirements. Specifically, in determining whether to approve a proposed merger, the OTS must take into consideration the financial and managerial resources and future prospects of the institutions involved in the merger and the convenience and needs of the community to be served. The OTS must consider the records of Bank of Smithtown and People's United Bank of meeting the needs of the community under the Community Reinvestment Act of 1977, and it must take into consideration the conformity of the proposed merger to applicable law, regulation and supervisory policies.

The OTS may not approve any transaction that would result in a monopoly or that would further a combination or conspiracy to monopolize banking in the United States. The OTS also may not approve a transaction that could substantially lessen competition in any section of the country, that would tend to create a monopoly in any section of the country, or that would be in restraint of trade. However, the OTS may approve any such transaction if it determines that the public interest in meeting the convenience and needs of the community served clearly outweigh the anticompetitive effects of the proposed transaction.

Bank of Smithtown and People's United Bank may not complete the transaction before 30 calendar days following the OTS's approval of the transaction or, if the OTS has not received any adverse comments from the Attorney General of the United States concerning the competitive effect of the transaction, such shorter period of time as the OTS may permit that does not end sooner than 15 calendar days following the OTS's approval. During this waiting period, the Attorney General may, but is not expected to, commence an action to stay the effectiveness of the OTS's approval and prevent the transaction. The OTS or the Attorney General may challenge the transaction on competitive grounds, and may require People's United to divest certain of its bank subsidiary's branches in order to complete the transaction. The level of divestitures that the OTS and the Attorney General may require may be unacceptable. In addition, the OTS may require Bank of Smithtown to divest certain of its non-bank subsidiaries before Bank of Smithtown may be acquired or require Smithtown Bancorp to commit to divest such non-bank subsidiaries subsequent to the merger. Such divestitures could delay the date of completion of the merger or may diminish the benefits of the merger.

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Federal Reserve Board. People's United and People's United Bank must obtain from the Federal Reserve Board a waiver from the application requirements of Section 3 of the Bank Holding Company Act before acquiring Smithtown Bancorp and Bank of Smithtown. The Federal Reserve Board may nevertheless require an application under Section 3 of the Bank Holding Company Act.

New York State Banking Board. People's United Bank must submit to the Superintendent of Banks of the New York State Banking Department a copy of any application that it files with the OTS relating to the proposed transaction. The New York State Banking Department has advised People's United that, based on its review of the relevant terms of the merger agreement and assuming the bank merger occurs simultaneously with the merger, it will not require People's United to submit an application seeking approval from the New York State Banking Board for the merger or the bank merger.

Smithtown Bancorp and People's United have filed all applications and notices and have taken or will take all other appropriate action with respect to any requisite approvals or other action of any governmental authority. The merger agreement provides that the obligation of each of Smithtown Bancorp and People's United to complete the merger is conditioned upon the receipt of all requisite regulatory approvals, the giving of all required notices to regulatory agencies and the expiration of all waiting periods. There can be no assurance that any governmental agency will approve or take any required action with respect to the merger, and, if such approvals are received or action is taken, there can be no assurance as to the date of such approvals or action, that such approvals or action will not be conditioned upon matters that would cause the parties to mutually consent to abandon the merger or that no action will be brought challenging such approvals or action, including a challenge by the Attorney General or, if such a challenge is made, the result of that challenge. Smithtown Bancorp and People's United are not aware of any governmental approvals or actions that may be required for completion of the merger other than as described above. Should any other approval or action be required, Smithtown Bancorp and People's United currently contemplate that such approval or action would be sought.

Conversion of Shares; Exchange of Certificates and Book-Entry Shares; Dividends; Withholding; Election

Conversion and Exchange of Shares. The conversion of Smithtown Bancorp common stock into the right to receive the merger consideration will occur automatically at the effective time of the merger. As promptly as reasonably practicable after completion of the merger, the exchange agent will exchange certificates and book-entry shares representing shares of Smithtown Bancorp common stock for the merger consideration, without interest, to be received in the merger pursuant to the terms of the merger agreement. Mellon Investor Services LLC will be the exchange agent in the merger and will receive your form of election, exchange certificates and book-entry shares for the merger consideration and perform other duties as explained in the merger agreement.

If any People's United shares are to be issued, or cash payment made, in a name other than that in which the Smithtown Bancorp stock certificates or book-entry shares surrendered in exchange for the merger consideration are registered, the person requesting the exchange must pay any transfer or other taxes required by reason of the issuance of the new People's United shares or the payment of the cash consideration in a name other than that of the registered holder of the Smithtown Bancorp stock certificate or book-entry shares surrendered, or must establish to the satisfaction of People's United or the exchange agent that any such taxes have been paid or are not applicable.

Form of Election. The form of election and related transmittal materials are being mailed to Smithtown Bancorp stockholders separately following the mailing of this document. The form of election and related documents will allow you to make cash or stock elections or a combination of both. You will also be able to make a no preference election. This will have no effect on the type of merger consideration you receive. However, if you deliver certificates representing your Smithtown Bancorp shares in connection with making this election, the exchange agent will be able to process your exchange when the merger is complete without having to send you a second transmittal letter and wait for you to deliver your Smithtown Bancorp shares following completion of the merger.

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The merger agreement provides that, unless otherwise agreed to by People's United and Smithtown Bancorp, the election deadline will be 5:00 p.m., New York City time, on the later of the day of the Smithtown Bancorp special meeting and the date that the parties believe to be as near as practicable to five business days prior to the anticipated closing of the merger.

If you wish to elect the type of merger consideration you will receive in the merger, you should carefully review and follow the instructions that will accompany the form of election. Stockholders who hold their shares of Smithtown Bancorp common stock in street name or through a bank, broker or other nominee should follow the instructions of the bank, broker or other nominee for making an election with respect to such shares of Smithtown Bancorp common stock. Shares of Smithtown Bancorp common stock as to which the holder has not made a valid election prior to the election deadline will be treated as though the holder had not made an election.

To make a valid election, each Smithtown Bancorp stockholder must submit a properly completed form of election, together with stock certificates (if applicable), so that it is actually received by the exchange agent at or prior to the election deadline in accordance with the instructions on the form of election. Neither People's United nor the exchange agent is under any obligation to notify you of any defect in a form of election. A form of election will be properly completed only if accompanied by certificates representing all shares of Smithtown Bancorp common stock covered by the form of election and which are represented by certificates.

Generally, an election may be revoked or changed, but only by written notice received by the exchange agent prior to the election deadline accompanied by a properly completed and signed revised form of election. If an election is revoked, or the plan of merger is terminated, and any certificates have been transmitted to the exchange agent, the exchange agent will promptly return those certificates to the stockholder who submitted those certificates. Smithtown Bancorp stockholders will not be entitled to revoke or change their elections following the election deadline. As a result, if you have made elections (including no preference elections), you will be unable to revoke your elections or sell your shares of Smithtown Bancorp common stock during the interval between the election deadline and the date of completion of the merger.

Shares of Smithtown Bancorp common stock as to which the holder has made a valid no preference election will be deemed non-election shares. Shares of Smithtown Bancorp common stock as to which the holder has not made a valid election prior to the election deadline, including as a result of revocation, will also be deemed non-election shares. If it is determined that any purported cash election or stock election was not properly made, the purported election will be deemed to be of no force or effect and the holder making the purported election will be deemed not to have made an election for these purposes, unless a proper election is subsequently made on a timely basis.

Letter of Transmittal. Together with the form of election and related transmittal materials, a letter of transmittal will be mailed to Smithtown Bancorp stockholders. This mailing will contain instructions on how to surrender shares of Smithtown Bancorp common stock in order to make a valid election regarding the form of merger consideration to be received. Promptly following completion of the merger, a letter of transmittal will be mailed to Smithtown Bancorp stockholders who did not make a valid election. This mailing will contain instructions on how to surrender shares of Smithtown Bancorp common stock in exchange for the merger consideration that the holder is entitled to receive under the merger agreement. Holders of Smithtown Bancorp stock certificates that hold their shares in certificated form will be required to return, also with surrendered certificates, a letter of transmittal, duly completed and validly executed in accordance with the instructions thereto, and such other documents as may be required pursuant to such instructions, to be entitled to receive the merger consideration pursuant to the terms of the merger agreement. However, holders of Smithtown Bancorp common stock who hold their shares in book-entry form (rather than through a certificate representing Smithtown Bancorp common stock) will not be required to deliver a certificate or an executed letter of transmittal to the exchange agent in order to receive the merger consideration that the holder is entitled to receive pursuant to the terms of the merger agreement.

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If you hold your shares in certificated form, do not submit your Smithtown Bancorp stock certificates for exchange now. You will receive transmittal instructions from the exchange agent at a later date. Please be sure to read and follow the transmittal instructions when you receive them.

If a certificate for Smithtown Bancorp common stock has been lost, stolen or destroyed, the exchange agent will issue the consideration properly payable under the merger agreement upon receipt of appropriate evidence as to that loss, theft or destruction, appropriate evidence as to the ownership of that certificate by the claimant, and, if requested by People's United or the exchange agent, appropriate and customary indemnification.

Fractional Shares. You will not receive fractional shares of People's United common stock in connection with the merger. Instead, each holder of Smithtown Bancorp common stock exchanged in the merger who would otherwise have received a fraction of a share of People's United common stock will receive cash (without interest) in an amount determined by multiplying the fractional interest to which such holder would otherwise be entitled (after taking into account all shares of Smithtown Bancorp common stock owned by such holder at the effective time of the merger) by the average closing price of People's United common stock on the NASDAQ Global Select Market, as reported in the New York City edition of *The Wall Street Journal* or, if not reported therein, another authoritative source agreed between People's United and Smithtown Bancorp, for the five trading days ending the day before the completion of the merger.

Dividends and Distributions. Until shares of Smithtown Bancorp common stock are surrendered for exchange, any dividends or other distributions declared after the effective time of the merger with respect to shares of People's United common stock into which Smithtown Bancorp common stock may have been converted will accrue but will not be paid. People's United will pay to former Smithtown Bancorp stockholders any unpaid dividends or other distributions, without interest, only after they have duly surrendered their shares. At and after the effective time of the merger, there will be no transfers on the stock transfer books of Smithtown Bancorp of any Smithtown Bancorp shares. To the extent permitted by law, holders of Smithtown Bancorp common stock who receive People's United common stock in the merger will be entitled to vote after the completion of the merger at any meeting of People's United stockholders the number of whole shares of People's United common stock into which their respective shares of Smithtown Bancorp common stock are converted, regardless of whether they have exchanged their certificates of Smithtown Bancorp common stock for certificates of People's United common stock in accordance with the provisions of the merger agreement. However, beginning 30 days after the effective time of the merger, no such holder will be entitled to vote on any matter until the holder surrenders the certificates of Smithtown Bancorp common stock for exchange pursuant to the merger agreement.

Withholding. People's United or the exchange agent will be entitled to deduct and withhold from the merger consideration otherwise payable to any Smithtown Bancorp stockholder the amounts it is required to deduct and withhold under the Code and the rules and regulations promulgated under the Code, or any provision of state, local or foreign tax law. To the extent that People's United or the exchange agent withholds any amounts, these amounts will be treated for all purposes of the merger as having been paid to the stockholders in respect of whom such deduction and withholding were made.

No Appraisal or Dissenters' Rights

Under Section 910 of the NYBCL, stockholders may, under certain circumstances, exercise a right of dissent from certain limited corporate actions and obtain payment for the fair value of their shares. However, this right of dissent and appraisal under Section 910 of the NYBCL is not available to holders of Smithtown Bancorp common stock in connection with the merger. Section 910 of the NYBCL provides that stockholders do not have dissenters' rights with respect to a merger if, on the record date, the stock held by such stockholders is listed on a national securities exchange or designated as a national market system security on an interdealer quotation system by the National Association of Securities Dealers, Inc. Because Smithtown Bancorp common stock is listed on the NASDAQ Global Select Market, Smithtown Bancorp stockholders will not have any appraisal or dissenters' rights with respect to the merger.

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Litigation Relating to the Merger

Five cases have been filed in the Supreme Court of the State of New York, Suffolk County, and one in the United States District Court, Eastern District of New York, on behalf of a putative class of Smithtown Bancorp stockholders against Smithtown Bancorp, Smithtown Bancorp's directors and certain of its officers and People's United challenging People's United's proposed acquisition of Smithtown Bancorp: *Barry Brown v. Smithtown Bancorp, Inc., et al.* (No. 026751/2010) was filed on July 20, 2010; *Roger Sandford v. Smithtown Bancorp, Inc., et al.* (No. 027408/2010) was filed on July 22, 2010; *Gang Zhang v. Smithtown Bancorp, Inc., et al.* (No. 027663/2010) was filed on July 26, 2010; *Fitzsimmons, et al. v. Smithtown Bancorp, Inc., et al.* (No. 028218/2010) was filed on August 2, 2010; and *Kevin Brand v. Smithtown Bancorp, Inc., et al.* (No. 028572/2010) was filed on August 4, 2010. *Linda Martucci v. Rock et al.* (CV No. 10-3997) was filed on September 1, 2010 in the United States District Court Eastern District of New York. The complaints allege that the individual defendants breached their fiduciary duties of loyalty, good faith, fair dealing, due care, candor, and full and fair disclosure in connection with the proposed acquisition by People's United. The complaints allege that Smithtown Bancorp and People's United aided and abetted the alleged fiduciary breaches by the individual defendants.

More specifically, the complaints allege that the individual defendants did not maximize stockholder value and agreed to deal protection devices that impermissibly limit their ability to pursue and accept any competing offer for Smithtown Bancorp. In addition, the *Martucci* complaint alleges that the preliminary proxy statement/prospectus filed by People's United contains material misrepresentations and omissions in violation of the federal securities laws. The *Martucci* complaint alleges that the preliminary proxy statement/prospectus fails to disclose (i) the underlying methodologies, projections, key inputs and multiples relied upon and observed by Sandler O'Neill, the financial advisor retained by the Company; (ii) the process by which Sandler O'Neill was engaged and the relationship, if any, between Sandler O'Neill and any of the defendants in the *Martucci* complaint; (iii) the criteria used to select, and the nature of, the 14 potential strategic and financial buyers contacted by Sandler O'Neill as described in the background of the merger section of the preliminary proxy statement/prospectus and the reasons for the potential buyers' lack of interest if provided; (iv) additional detail regarding the proposed alternatives of the Company as described in the background to the merger section of the preliminary proxy statement/prospectus, including the dilutive effects of the alternative transactions on the Company's shareholders; (v) and the progress the Company has made under the Consent Agreements, including to improve credit administration and loan underwriting, and implementation of plans to reduce classified assets and the Company's concentration in commercial real estate loans and to increase profitability.

The complaints seek, among other things, an order enjoining the defendants from proceeding with or consummating the transaction, other equitable relief, damages and attorneys' fees. Smithtown Bancorp, People's United and the individual defendants deny any wrongdoing in connection with the proposed merger and plan to vigorously defend against the claims.

Restrictions on Sales of Shares by Certain Affiliates

The shares of People's United common stock to be issued in the merger will be freely transferable under the Securities Act of 1933, as amended, or the Securities Act, except for shares issued to any stockholder who is an affiliate of People's United as defined by Rule 144 under the Securities Act. Affiliates consist of individuals or entities that control, are controlled by, or are under common control with People's United and include the executive officers and directors of People's United and may include significant stockholders of People's United.

Stock Exchange Listing

Following the merger, the shares of People's United common stock will continue to trade on the NASDAQ Global Select Market under the symbol PBCT.

Delisting and Deregistration of Smithtown Bancorp Common Stock after the Merger

When the merger is completed, the Smithtown Bancorp common stock currently listed on the NASDAQ Global Select Market will be delisted from the NASDAQ Global Select Market and will be deregistered under the Exchange Act.

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THE MERGER AGREEMENT

This section of the document describes the material terms of the merger agreement. The following summary is qualified in its entirety by reference to the complete text of the merger agreement, which is incorporated herein by reference and attached as Annex A to this proxy statement/prospectus. This summary may not contain all of the information about the merger agreement that may be important to you. You are urged to read the full text of the merger agreement.

Structure

Subject to the terms and conditions of the merger agreement, and in accordance with New York and Delaware law, at the completion of the merger, Smithtown Bancorp will merge with and into People's United. People's United will be the surviving corporation in the merger and will continue its corporate existence under the laws of the State of Delaware. Upon completion of the merger, the separate corporate existence of Smithtown Bancorp will terminate.

Each share of People's United common stock issued and outstanding at the effective time of the merger will remain issued and outstanding as one share of common stock of People's United, and each share of Smithtown Bancorp common stock issued and outstanding at the effective time of the merger (other than shares owned directly by Smithtown Bancorp or People's United) will be converted into the right, at the election of the holder of such share and subject to adjustment, to receive either cash or a fraction of a share of People's United common stock, as described below. See **Consideration to be Received in the Merger**.

The certificate of incorporation of People's United will be the certificate of incorporation of the combined company, and the bylaws of People's United will be the bylaws of the combined company. See **Comparison of Stockholder Rights** beginning on page 83.

The merger agreement provides that People's United may change the method of effecting the business combination between People's United and Smithtown Bancorp; however, no such change will alter or change the amount or kind of merger consideration to be provided under the merger agreement, materially impede or delay completion of the merger, adversely affect the anticipated tax consequences to Smithtown Bancorp stockholders in the merger, or result in the bank merger taking place at any time other than simultaneously with the merger.

Effective Time and Timing of Closing

The merger will be completed and become effective when People's United files the certificate of merger with the Secretary of State of the State of Delaware and Smithtown Bancorp files the certificate of merger with the New York State Department of State. However, People's United and Smithtown Bancorp may agree to a later time for completion of the merger and specify that time in the certificates of merger in accordance with Delaware and New York law. The closing of the merger will take place no later than on the fifth business day after the conditions to the merger have been satisfied or waived, or on such other date as People's United and Smithtown Bancorp may agree.

People's United and Smithtown Bancorp anticipate that the merger will be completed during the fourth quarter of 2010. However, completion of the merger could be delayed if there is a delay in obtaining the required regulatory approvals or in satisfying any other conditions to the merger. There can be no assurances as to whether, or when, People's United and Smithtown Bancorp will obtain the required approvals or complete the merger.

Consideration to be Received in the Merger

Upon completion of the merger, each outstanding share of Smithtown Bancorp common stock will be converted into the right to receive, at the election of each holder of such share and subject to adjustment in the circumstances described below, either cash or shares of People's United common stock. In the event of adjustment, Smithtown Bancorp stockholders may receive a portion of the merger consideration in a form other than that which they elected.

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The implied value of the merger consideration will fluctuate with the market price of People's United common stock and will be determined based on the average closing price of People's United common stock on the NASDAQ for the five trading days ending the day before the completion of the merger. (You may contact Phoenix Advisory Partners, LLC, Smithtown Bancorp's proxy solicitor, at (866) 351-1539 to obtain current information regarding the implied value of the merger consideration.) Whether a Smithtown Bancorp stockholder makes a cash election or a stock election, the value of the consideration that such stockholder will receive as of the date of completion of the merger will be substantially the same and will be based on the average People's United closing price used to calculate the merger consideration. Holders of Smithtown Bancorp common stock may specify different elections with respect to different shares that they hold (for example, the owner of 100 shares of Smithtown Bancorp common stock can make a cash election with respect to 50 shares and a stock election with respect to the other 50 shares).

Set forth below is a table showing the consideration that a Smithtown Bancorp stockholder would receive in a cash election, on the one hand, or in a stock election, on the other hand, under the merger consideration formula if the actual average of the closing prices of People's United common stock on the NASDAQ for the five trading days ending the day before the completion of the merger were equal to each of the hypothetical average closing prices shown in the table. The merger consideration formula reflected in the table below yields a per-share value for Smithtown Bancorp common stock equal to the sum of (a) \$2.00 plus (b) 0.143 multiplied by the hypothetical average closing prices for People's United common stock shown in the table. The stock consideration reflected in the table below is equal to the quotient obtained by dividing (x) the value determined in accordance with the preceding sentence by (y) the hypothetical average closing prices for People's United common stock shown in the table. The table does not reflect the fact that cash will be paid instead of fractional shares. **As described below, regardless of whether you make a cash election or a stock election, you may nevertheless receive cash, stock or a mix of cash and stock due to adjustment.**

Hypothetical Five-Day Average Closing Price	Cash Election: Cash Consideration	OR	Stock Election: Stock Consideration per Share	Market Value(**)
	per Share		Fractional Shares of People's United Common Stock(*)	
\$12.00	\$3.72		0.310	\$3.72
\$12.25	\$3.75		0.306	\$3.75
\$12.50	\$3.79		0.303	\$3.79
\$12.75	\$3.82		0.300	\$3.82
\$13.00	\$3.86		0.297	\$3.86
\$13.25	\$3.90		0.294	\$3.90
\$13.50	\$3.93		0.291	\$3.93
\$13.75	\$3.97		0.289	\$3.97
\$13.98 (***)	\$4.00		0.286	\$4.00
\$14.00	\$4.00		0.286	\$4.00
\$14.25	\$4.04		0.284	\$4.04
\$14.50	\$4.07		0.281	\$4.07
\$14.75	\$4.11		0.279	\$4.11
\$15.00	\$4.15		0.277	\$4.15

* Rounded to the nearest one thousandth.

** Market value based on hypothetical five trading day average closing price on the NASDAQ of People's United common stock.

*** Average closing price of People's United common stock for five-day period ended July 14, 2010.

Based on the average closing sale price of People's United common stock for the five trading day period ended on [], the last practicable trading day before distribution of this proxy statement/prospectus, which was \$[], a Smithtown Bancorp stockholder would receive either \$[] in cash or [] of a share of People's United common stock in exchange for each share of Smithtown Bancorp common stock owned by that stockholder.

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The examples above are illustrative only. The value of the merger consideration that Smithtown Bancorp stockholders actually receive will be based on the actual average closing price of People's United common stock on the NASDAQ for the five trading days ending the day before the completion of the merger, as described below. The actual average closing price may be outside the range of the amounts set forth above, and as a result, the actual value of the merger consideration per share of Smithtown Bancorp common stock may not be shown in the above table.

Smithtown Bancorp stockholders should return their properly completed and signed form of election to the exchange agent prior to the election deadline. If you are a Smithtown Bancorp stockholder and you do not return your form of election by the election deadline or improperly complete or do not sign your form of election, you will receive cash, shares of People's United common stock or a mixture of cash and shares of People's United common stock, based on what is available after giving effect to the valid elections made by other stockholders, as well as the adjustment described below.

Cash Election

The merger agreement provides that each Smithtown Bancorp stockholder who makes a valid cash election will have the right to receive, in exchange for each share of Smithtown Bancorp common stock held by such holder, an amount in cash equal to the Per Share Consideration (determined as described below), without interest, subject to proration and adjustment as described below. We refer to this cash amount as the cash consideration. For example, if the average of the closing prices of People's United common stock on the NASDAQ for the five trading days ending the day before the completion of the merger is \$14.00, the cash consideration would be \$4.00.

The Per Share Consideration is the amount, rounded to the nearest whole cent, obtained by adding (A) \$2.00 and (B) the product, rounded to the nearest one-thousandth, of 0.143 and the People's United Closing Price.

The People's United Closing Price is the average of the closing sale prices of People's United common stock on the NASDAQ for the five trading days immediately preceding the completion date of the merger.

Stock Election

The merger agreement provides that each Smithtown Bancorp stockholder who makes a valid stock election will have the right to receive, in exchange for each share of Smithtown Bancorp common stock held, a fraction of a share of People's United common stock equal to the Per Share Stock Consideration (determined as described below), subject to proration and adjustment as described below. We refer to such fraction of a share of People's United common stock as the stock consideration. If the People's United Closing Price (determined as described above) is \$14.00, the stock consideration would be 0.286 of a share of People's United common stock, and the value of the stock consideration would be approximately \$4.00 based on the People's United Closing Price.

The Per Share Stock Consideration is defined in the merger agreement as the quotient obtained by dividing the Per Share Consideration (determined as described above) by the People's United Closing Price (determined as described above).

No fractional shares of People's United common stock will be issued to any holder of Smithtown Bancorp common stock upon completion of the merger. For each fractional share that would otherwise be issued, People's United will pay cash in an amount equal to the fraction multiplied by the People's United Closing Price. No interest will be paid or accrued on cash payable to holders in lieu of fractional shares.

Non-Election Shares

If you are a Smithtown Bancorp stockholder and you make a valid no preference election, you do not make an election to receive cash or People's United common stock in the merger, your elections are not received

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by the exchange agent by the election deadline, your forms of election are improperly completed and/or are not signed, or you do not send together with your forms of elections any certificates representing your shares of Smithtown Bancorp common stock, you will be deemed not to have made an election. Stockholders not making an election may be paid in cash, People's United common stock or a mix of cash and shares of People's United common stock depending on, and after giving effect to, the number of valid cash elections and stock elections that have been made by other Smithtown Bancorp stockholders using the proration adjustment described below.

Proration

The total number of shares of People's United common stock that will be issued in the merger would be approximately 2.1 million and the cash that would be paid would be approximately \$30 million, based on the number of Smithtown Bancorp shares outstanding on July 15, 2010. If the number of shares of Smithtown Bancorp common stock outstanding increases or decreases prior to the date of completion of the merger, the aggregate number of shares of People's United common stock to be issued in the merger and the aggregate amount of cash to be paid will be increased or decreased accordingly.

The cash and stock elections are subject to proration and adjustment to preserve the proportion of the aggregate number of shares of People's United common stock to be issued to the aggregate cash consideration to be paid in the merger. As a result, even if you make an all cash election or an all stock election, you may nevertheless receive a mix of cash and stock consideration.

Adjustment if Stock Election is Oversubscribed

Cash may be paid to Smithtown Bancorp stockholders who make stock elections if the stock election is oversubscribed. The shares of Smithtown Bancorp common stock for which valid stock elections are made are known as the stock election shares. The number of shares of Smithtown Bancorp common stock that will be converted into shares of People's United common stock in the merger is equal to the stock conversion number, which is equal to the aggregate number of Smithtown Bancorp shares to be exchanged in the merger minus the number obtained by dividing (x) the aggregate number of Smithtown Bancorp shares to be exchanged in the merger multiplied by \$2.00 by (y) the Per Share Consideration. If the number of stock election shares is greater than the stock conversion number, the stock election is oversubscribed, in which case:

Smithtown Bancorp stockholders making a cash election, and those stockholders who failed to make valid elections, will receive merger consideration consisting only of cash for each share of Smithtown Bancorp common stock;

the exchange agent will allocate from among the stock election shares pro rata to the holders of those shares in accordance with their respective numbers of stock election shares, a sufficient number of stock election shares, referred to as converted stock election shares, so that the difference between (1) the number of stock election shares less (2) the number of the converted stock election shares equals as closely as practicable the stock conversion number, and each converted stock election share will be, as of the effective time of the merger, converted into the right to receive the cash consideration; and

each other stock election share that is not a converted stock election share will be converted into the right to receive the stock consideration.

Example A. Oversubscription of Stock Election

Assuming that:

the average price of People's United's common stock on the NASDAQ for the five trading days preceding the completion of the merger is \$13.71,

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there are 15,000,000 shares of Smithtown Bancorp issued and outstanding,

there are 10,000,000 stock election shares, and

no election is made with respect to all other outstanding shares, then the stock conversion number is approximately 7,424,242 and a Smithtown Bancorp stockholder making a stock election with respect to 1,000 shares would receive the stock consideration with respect to 742 shares of Smithtown Bancorp common stock ($1,000 \times 7,424,242 \div 10,000,000$) and the cash consideration with respect to the remaining 258 shares of Smithtown Bancorp common stock. Therefore, the Per Share Consideration would be \$3.96 ($\$2.00 + (0.143 \times \$13.71)$) and that Smithtown Bancorp stockholder would receive approximately 214 shares of People's United common stock ($742 \times \$3.96 \div \13.71) and approximately \$1,021.68 in cash ($258 \times \3.96), which does not include cash that would be received for fractional shares.

Adjustment if Cash Election is Oversubscribed

People's United common stock may be issued to Smithtown Bancorp stockholders who make cash elections if the cash election is oversubscribed. If the sum of stock election shares and non-election shares is less than the stock conversion number, the cash election is oversubscribed, in which case:

each stock election share will be converted into the right to receive the stock consideration;

each non-election share will be converted into the right to receive the stock consideration;

the exchange agent will allocate from among the shares with respect to which a valid cash election was made, referred to as cash election shares, pro rata to the holders of cash election shares in accordance with their respective numbers of cash election shares, a sufficient number of cash election shares so that the sum of that number, the number of all stock election shares, and the number of all non-election shares equals as closely as practicable the stock conversion number, and each such allocated cash election share, each referred to as a converted cash election share, will be converted into the right to receive the stock consideration; and

each cash election share that is not a converted cash election share will be converted into the right to receive the cash consideration.

Example B. Oversubscription of Cash Election

Assuming that:

the average price of People's United's common stock on the NASDAQ for the five trading days preceding the completion of the merger is \$13.71,

there are 15,000,000 shares of Smithtown Bancorp issued and outstanding,

there are 10,000,000 cash election shares, and

no election is made with respect to all other outstanding shares,

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then the stock conversion number is approximately 7,424,242. The Smithtown Bancorp stockholders that made no valid election would receive only stock consideration, which would leave approximately 2,424,242 shares that need to receive the stock consideration (7,424,242 - 5,000,000). A Smithtown Bancorp stockholder making a cash election with respect to 1,000 shares would receive the stock consideration with respect to approximately 242 shares of Smithtown Bancorp common stock ($1,000 \times 2,424,242 \div 10,000,000$) and the cash consideration with respect to the remaining 758 shares of Smithtown Bancorp common stock. Therefore, the Per Share Consideration would be \$3.96 ($\$2.00 + (0.143 \times \$13.71)$) and that Smithtown Bancorp stockholder would receive approximately 70 shares of People's United common stock ($242 \times \$3.96 \div \13.71) and approximately \$3,001.68 in cash ($758 \times \3.96), which does not include cash that would be received for fractional shares.

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Adjustment if Neither the Stock Election Nor the Cash Election is Oversubscribed

If the stock election shares are less than the stock conversion number and the sum of stock election shares and non-election shares is greater than the stock conversion number, then neither the stock election nor the cash election is oversubscribed, in which case:

each stock election share will be converted into the right to receive the stock consideration;

each cash election share will be converted into the right to receive the cash consideration;

the exchange agent will allocate from among the shares with respect to which no valid election has been made, referred to as non-election shares, pro rata to the holders of non-election shares in accordance with their respective numbers of non-election shares, a sufficient number of non-election shares so that the sum of that number and the number of stock election shares equals as closely as practicable the stock conversion number, and each such allocated non-election share, each referred to as a stock-selected non-election share, will be converted into the right to receive the stock consideration; and

each non-election share that is not a stock-selected non-election share will be converted into the right to receive the cash consideration.

Adjustment if the Stock Election Equals the Stock Conversion Number

If the number of stock election shares is equal to the stock conversion number, the stock election is exact. If the stock election is exact, then:

a Smithtown Bancorp stockholder making a cash election will receive the cash consideration for each share of Smithtown Bancorp common stock as to which he or she made a cash election;

a Smithtown Bancorp stockholder making a stock election will receive the stock consideration for each share of Smithtown Bancorp common stock as to which he or she made a stock election; and

a Smithtown Bancorp stockholder who made no election or who did not make a valid election with respect to any of his or her shares will receive the cash consideration for each share of Smithtown Bancorp common stock for which he or she made no election or did not make a valid election.

Adjustment if the Cash Election is Exact

If the stock election shares are less than the stock conversion number and the sum of stock election shares and non-election shares is equal to the stock conversion number, then the cash election is exact, in which case:

each stock election share will be converted into the right to receive the stock consideration;

each non-election share will be converted into the right to receive the stock consideration; and

each cash election share will be converted into the right to receive the cash consideration.

Smithtown Bancorp Warrants and Stock-Based Awards

At the effective time of the merger, each outstanding warrant to purchase shares of Smithtown Bancorp common stock will remain outstanding pursuant to the terms of such warrant. After the completion of the merger, each such warrant will entitle the holder of such warrant to receive upon exercise of such warrant, in accordance with its terms, the stock consideration applicable to a share of Smithtown Bancorp common stock (without giving effect to any possible proration or adjustment, as described above).

All Smithtown Bancorp restricted stock awards made pursuant to the Restricted Stock Plan will vest upon approval of the merger agreement by the Smithtown Bancorp stockholders. All Smithtown Bancorp restricted stock awards made pursuant to the 2007 Stock Compensation Plan will vest immediately prior to the effective time of the merger. All of the shares related to the restricted stock awards under each plan will be treated as

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outstanding Smithtown Bancorp shares for all purposes under the merger agreement, including for purposes of the holders' right to receive the same merger consideration as holders of all other outstanding shares of Smithtown Bancorp common stock are entitled to receive in the merger as described above under "Consideration To Be Received in the Merger."

Representations and Warranties

The merger agreement contains customary representations and warranties of People's United and Smithtown Bancorp relating to their respective businesses. With the exception of certain representations that must be true and correct in all material respects and with the exception of the representation concerning the absence of a material adverse effect, which must be true and correct in all respects, no representation or warranty will be deemed untrue, and no party will be deemed to have breached a representation, as a consequence of the existence of any fact, circumstance, event, change, effect, development or occurrence unless that fact, circumstance, event, change, effect, development or occurrence, individually or when taken together with all other facts, circumstances, events, changes, effects, developments or occurrences inconsistent with any representation, has had or is reasonably likely to (i) prevent or materially impair the ability of the party making the representation to complete the merger, or (ii) is materially adverse to the business, financial condition or results of operations of the party making the representation and its subsidiaries, taken as a whole. In determining whether any such materially adverse effect has occurred with respect to clause (ii) above or is reasonably likely to occur, the parties will disregard effects to the extent attributable to or resulting from (1) changes after July 15, 2010 in laws, regulations or interpretations of laws or regulations generally affecting banks, savings associations or their holding companies, (2) changes in generally accepted accounting principles or regulatory accounting requirements generally affecting banks, savings associations or their holding companies, (3) events, conditions or trends in economic, business or financial conditions generally or affecting banks, savings associations or their holding companies generally (including changes in interest rates or securities ratings and changes in the markets for securities), (4) changes after July 15, 2010 in national or international political or social conditions including the engagement by the United States in hostilities, whether or not pursuant to the declaration of a national emergency or war, or the occurrence of any military or terrorist attack upon or within the United States, or any of its territories, possessions or diplomatic or consular offices or upon any military installation, equipment or personnel of the United States, (5) actions or omissions of People's United or Smithtown Bancorp expressly required by the terms of the merger agreement, or (6) the announcement of the merger agreement or the transactions contemplated by the merger agreement. However, effects attributable to or resulting from any of the developments referred to in items (1) to (4) of the preceding sentence need not be excluded from the material adverse effect determination if such effect is materially disproportionately adverse to the business or financial condition or results of operations of the party making the representation or its ability to timely complete the merger, as compared to other banks, savings associations or their holding companies. The decrease in the trading or market price of a party's capital stock will not be considered, by itself, to constitute a material adverse effect.

The merger agreement has been included to provide you with information regarding its terms. The merger agreement contains representations and warranties made by and to People's United and Smithtown Bancorp. The statements embodied in those representations and warranties were made for purposes of the contract between People's United and Smithtown Bancorp and are subject to important qualifications and limitations agreed to by People's United and Smithtown Bancorp in connection with negotiating its terms. In addition, certain representations and warranties were made as of a specified date, may be subject to contractual standards of materiality different from what may be viewed as material to stockholders or may have been used for the purpose of allocating risk between People's United and Smithtown Bancorp rather than establishing matters as facts. For the foregoing reasons, you should not rely on the representations and warranties as statements of factual information.

Each of People's United and Smithtown Bancorp has made representations and warranties to the other regarding, among other things:

corporate matters, including due organization and qualification;

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capitalization;

authority relative to execution and delivery of the merger agreement and the absence of conflicts with, violations of, or a default under organizational documents or other obligations as a result of the merger or the bank merger;

governmental filings and consents necessary to complete the merger;

the timely filing of regulatory reports, the absence of investigations by regulatory agencies and internal controls;

financial statements;

broker's fees payable in connection with the merger;

the absence of events having, or reasonably likely to have, a material adverse effect;

legal proceedings;

the required vote, if any, of such party's stockholders to complete the merger;

compliance with applicable laws; and

absence of agreements with regulatory agencies restricting the conduct of its business.

In addition, Smithtown Bancorp has made other representations and warranties about itself to People's United as to:

approval by its board of directors of the merger agreement and the transactions contemplated by the merger agreement;

inapplicability of its shareholder rights plan ("poison pill") to the merger;

the absence of undisclosed liabilities since December 31, 2009, other than in the ordinary course of business consistent with past practice;

tax matters;

employee matters and benefit plans;

matters relating to certain contracts;

real and personal property;

insurance matters;

environmental liabilities;

the receipt of a fairness opinion from its financial advisor;

intellectual property;

loan matters and allowances for loan losses;

transactions with affiliates;

labor matters;

the absence of appraisal rights;

trust business and fiduciary accounts;

compliance with the Community Reinvestment Act of 1977;

derivative instruments and transactions; and

the inapplicability of state takeover laws.

The representations and warranties of each of People's United and Smithtown Bancorp will expire upon the effective time of the merger.

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Conduct of Business Pending the Merger

Conduct of Business of Smithtown Bancorp Pending the Merger

Smithtown Bancorp has agreed in the merger agreement that, prior to the completion of the merger, except as expressly contemplated by the merger agreement and with certain other exceptions, it will not, and will cause each of its subsidiaries not to, without the prior written consent of People's United (which consent People's United will not unreasonably withhold, delay or condition), conduct its business and the business of its subsidiaries other than in the ordinary and usual course consistent with past practice or fail to use commercially reasonable efforts to maintain and preserve intact their business organizations and assets and maintain their rights, franchises and existing relations with customers, suppliers, employees and business associates, or take any action reasonably likely to materially impair or delay its ability to perform its obligations under the merger agreement or to complete the transactions contemplated by the merger agreement.

Smithtown Bancorp further has agreed that prior to the completion of the merger, except as expressly contemplated by the merger agreement and subject to certain exceptions, Smithtown Bancorp will not, and will cause each of its subsidiaries not to, among other things, undertake the following actions without the prior written consent of People's United (which consent People's United will not unreasonably withhold, delay or condition):

issue shares of its capital stock other than pursuant to the exercise of Smithtown Bancorp warrants or the exercise of other rights outstanding as of the date of the merger agreement;

make, declare or pay any dividends or other distributions on its capital stock or other equity interests, other than dividends on preferred stock of wholly-owned subsidiaries;

adjust, split, combine or reclassify any of its capital stock;

purchase, redeem or otherwise acquire any of its capital stock;

other than with certain exceptions, (i) enter into, amend, terminate or renew any employment, change of control, retention, consulting, severance or similar agreements or arrangements with any of its directors, officers, employees or independent contractors or those of its subsidiaries, (ii) grant any increase in, set aside assets to fund or accelerate the payment or vesting of, compensation or benefits, or (iii) pay or provide any compensation or benefits not required to be paid or provided either by applicable law or to satisfy contractual obligations under applicable benefit plans;

other than with certain exceptions, enter into, establish, adopt, terminate or amend any benefit plan, except as may be required by applicable law;

other than with respect to other real estate owned, sell, license, lease, transfer, mortgage, encumber or otherwise dispose of or discontinue any of its rights, assets, deposits, business or properties, except for sales of loans and sales of investment securities, in each case in the ordinary course of business consistent with past practice;

make any acquisition or investment or make any material property transfers or material purchases of any debt securities, property or assets, other than in each case in the ordinary course of business consistent with past practice and with certain other exceptions;

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adopt or implement any amendment to its certificate of incorporation, bylaws or similar governing documents or the governing documents of any of its subsidiaries, except as contemplated by the merger agreement or as required by law;

implement or adopt any change in its accounting principles, practices or methods, other than as may be required by generally accepted accounting principles, applicable regulatory accounting requirements or applicable law, in each case, as approved in writing by Smithtown Bancorp's independent public accountants;

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other than with certain exceptions, enter into, renew, extend or terminate material contracts, licenses, leases or broker agreements, or make any material change in any material contract, license, lease of broker agreement;

make or acquire any new loan, issue a commitment for any new loan receivable, or increase an existing loan, in each case meeting certain specific criteria;

settle any claim, action or proceeding against it, except for settlements that (i) involve only monetary remedies in the ordinary course of business consistent with past practice not in excess of \$200,000 individually or \$500,000 in the aggregate for all such settlements and (ii) will not create precedent for claims that are reasonably likely to be material to Smithtown Bancorp and its subsidiaries or, after the completion of the merger, People's United and its subsidiaries;

waive or release any material rights or claims, or agree or consent to the issuance of any injunction, decree, order or judgment restricting or otherwise affecting its business or operations;

except as otherwise disclosed to People's United on the date of the merger agreement, make any capital expenditures in excess of (i) \$150,000 per project or related series of projects or (ii) \$750,000 in the aggregate;

incur any indebtedness for borrowed money or assume, guarantee, endorse or otherwise become responsible for the long-term indebtedness of any other person, other than deposits and similar liabilities in the ordinary course of business consistent with past practice and indebtedness of Smithtown Bancorp's subsidiaries to Smithtown Bancorp;

enter into any securitizations of loans or create any special purpose funding or variable interest entity;

make, change or revoke any material tax election, agree to an extension or waiver of any statute of limitations with respect to the assessment or determination of taxes, change any material method of tax accounting, adopt or change any taxable year or period, enter into any closing agreement with respect to taxes, file any material amended tax return, settle or compromise any material claim for taxes or surrender any material claim for a refund of taxes;

enter into any new line of business or change its lending, investment, risk and asset-liability management and other material banking or operating policies in any material respect;

other than in connection with foreclosure proceedings initiated prior to July 15, 2010, foreclose on or take a deed or title to any real estate other than single-family residential properties without having conducted within two years of the date of foreclosure an environmental assessment of the property that satisfies the requirements of the all appropriate inquiries standard of the Comprehensive Environmental Response, Compensation and Liability Act, or foreclose on or take a deed or title to any real estate other than single-family residential properties if such environmental assessment indicates the presence of a hazardous, toxic, radioactive or dangerous materials or other materials regulated under environmental laws;

permit the commencement of any construction of new structures or facilities upon, or purchase or lease any real property in respect of, any branch office or other facility, or make application for the opening, relocation or closing of any, or open, relocate or close any, branch office or other facility;

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other than with certain exceptions, pay, loan or advance any amount to, or sell, transfer or lease any properties, rights or assets (real, personal or mixed, tangible or intangible) to, or enter into any agreement or arrangement with, any of its officers or directors or any of their family members, or any affiliates or associates of any of its officers or directors;

materially change its investment securities portfolio policy, or the manner in which the portfolio is classified or reported, or invest in any mortgage-backed or mortgage-related securities which would be considered high-risk securities under applicable regulatory pronouncements;

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make any material changes in its policies and practices with respect to (i) underwriting, pricing, originating, acquiring, selling, servicing, or buying or selling rights to service loans or (ii) its hedging practices and policies;

introduce any material new products or services, any material marketing campaigns or any material new sales compensation or incentive programs or arrangements;

fail to use commercially reasonable efforts to take any action that is required by a written agreement or similar arrangement with any governmental entity charged with the supervision or regulation of financial institutions or willfully take any action that violates any such document, other than with respect to obligations to raise capital;

take any action or knowingly fail to take any action that would prevent, impede or delay the merger from qualifying as a reorganization within the meaning of Section 368(a) of the Code;

take any action that is reasonably likely to result in (i) any of the conditions to the merger set forth below under the heading **Conditions to Complete the Merger** beginning on page 77 not being satisfied in a timely manner, (ii) a material violation of any provision of the merger agreement except, in each case, as may be required by applicable law or regulation or (iii) any of its representations and warranties being or becoming untrue in any material respect at any time prior to the completion of the merger; or

agree to, or make any commitment to, take any of the foregoing actions.

Conduct of Business of People's United Pending the Merger

People's United has agreed in the merger agreement that, prior to the completion of the merger, except as expressly contemplated by the merger agreement or as required by law, it will not, and will cause each of its subsidiaries not to, without the prior written consent of Smithtown Bancorp:

amend its certificate of incorporation or bylaws in a manner that would affect the holders of Smithtown Bancorp common stock adversely relative to other holders of People's United common stock;

take any action or knowingly fail to take any action that would prevent, impede or delay the merger from qualifying as a reorganization within the meaning of Section 368(a) of the Code; or

take any action that is reasonably likely to result in (i) any of the conditions to the merger set forth below under the heading **Conditions to Complete the Merger** beginning on page 77 not being satisfied in a timely manner, (ii) a material violation of any provision of the merger agreement except, in each case, as may be required by applicable law or regulation or (iii) any of its representations and warranties being or becoming untrue in any material respect at any time prior to the completion of the merger.

Stockholders' Meeting and Duty to Recommend

Smithtown Bancorp has agreed to take in accordance with applicable law and its certificate of incorporation and bylaws all action necessary to convene a meeting of its stockholders, as promptly as practicable, to consider and vote upon the approval of the merger, as well as any other matters required to be approved by its stockholders for completion of the merger and, subject to the following paragraph, take all lawful action to solicit approval of the merger agreement by its stockholders.

Smithtown Bancorp's board of directors has adopted resolutions recommending to its stockholders the approval of the merger agreement and its board of directors has agreed that it will recommend to the stockholders of Smithtown Bancorp the approval of the merger agreement. Notwithstanding the prior sentence, Smithtown Bancorp's board of directors may withdraw, modify, condition, qualify in any manner adverse to

People's United

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or refuse to recommend the approval of the merger agreement or make any other public statement in connection with the meeting of its stockholders, or in reference to an acquisition proposal (as defined below), that is inconsistent with its recommendation of the approval of the merger agreement (we refer to any of the foregoing actions or statements as a change in recommendation), if (i) Smithtown Bancorp complies in all material respects with its non-solicitation obligations described under **No Solicitation of Alternative Transactions** and (ii) Smithtown Bancorp's board of directors determines, in good faith, after consultation with its outside legal advisors, that such action is required for the board of directors to comply with its fiduciary duties.

Notwithstanding any change in recommendation of Smithtown Bancorp's board of directors, the merger agreement must be submitted to Smithtown Bancorp's stockholders at its special meeting for the purpose of approving the merger agreement. However, if Smithtown Bancorp's board of directors has effected a change in its recommendation, then it may submit the merger agreement to the Smithtown Bancorp's stockholders without recommendation, in which event Smithtown Bancorp's board of directors may communicate the basis for its lack of a recommendation to Smithtown Bancorp's stockholders in the registration statement or an appropriate amendment or supplement to the registration statement to the extent required by applicable law.

For purposes of the merger agreement, the term **acquisition proposal** means any inquiry, proposal or offer with respect to the following involving Smithtown Bancorp or Bank of Smithtown:

any merger, consolidation, share exchange, business combination or other similar transaction;

any sale, lease, exchange, pledge, transfer or other disposition of 20% or more of its consolidated revenues, net income, assets (including stock of its subsidiaries), liabilities or deposits in a single transaction or series of transactions;

any tender offer or exchange offer for, or other acquisition of, 20% or more of the outstanding shares of its capital stock; or

any public announcement of a proposal, plan or intention to do any of the foregoing or any agreement to engage in any of the foregoing, other than the merger.

No Solicitation of Alternative Transactions

Smithtown Bancorp has agreed that, with the limited exceptions described below, neither it nor any of its subsidiaries nor any of its or their respective officers, directors or employees will, and it will direct and use all reasonable best efforts to cause its agents, including any investment banker, attorney or accountant retained by it or by any of its subsidiaries not to:

initiate, solicit or encourage, directly or indirectly, any inquiries, proposals or offers (whether firm or hypothetical) with respect to any acquisition proposal or the making or implementation of any acquisition proposal;

engage in any negotiations concerning, or provide any confidential information or data to, or have any discussions with, any person relating to an acquisition proposal;

otherwise facilitate any effort or attempt to make or implement an acquisition proposal;

approve or recommend, or propose to approve or recommend, any acquisition proposal;

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approve or recommend, or propose to approve or recommend, or execute or enter into, any letter of intent, agreement in principle, memorandum of understanding, merger agreement, asset or share purchase or share exchange agreement, option agreement or other similar agreement related to any acquisition proposal;

enter into any agreement or agreement in principle requiring, directly or indirectly, Smithtown Bancorp to abandon, terminate or fail to complete the merger with People's United or breach its obligations under the merger agreement; or

propose or agree to do any of the foregoing.

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However, prior to, but not after, the time when the approval of Smithtown Bancorp's stockholders of the merger agreement is obtained and subject to Smithtown Bancorp taking the steps and making the required determinations described below:

Smithtown Bancorp may provide information in response to a request by a person who has made an unsolicited bona fide written acquisition proposal, if (i) Smithtown Bancorp has received from the person making the acquisition proposal an executed confidentiality agreement on terms at least as favorable to Smithtown Bancorp as those contained in the confidentiality agreement entered into with People's United; and (ii) Smithtown Bancorp immediately discloses and, if applicable, provides copies of, any such information to People's United to the extent not previously provided;

Smithtown Bancorp may engage or participate in any discussions or negotiations with any person who has made such an unsolicited bona fide written acquisition proposal; and

after having complied with the applicable provisions of the merger agreement, Smithtown Bancorp's board of directors may recommend or otherwise declare advisable or propose to recommend or declare advisable (publicly or otherwise) such an acquisition proposal or withdraw or modify in a manner adverse to People's United, or propose to withdraw or so modify (publicly or otherwise), its recommendation in favor of the merger agreement and the transactions contemplated by the merger agreement, or otherwise effect a change in recommendation,

but only if and to the extent that:

prior to taking any such action, Smithtown Bancorp's board of directors determines, in good faith, after consultation with its outside legal advisors, that such action is required for Smithtown Bancorp's board of directors to comply with its fiduciary duties;

prior to providing information or engaging or participating in discussions or negotiations, Smithtown Bancorp's board of directors determines, in good faith, after consultation with its financial advisors and outside legal advisors, that such acquisition proposal either constitutes a superior proposal (as defined below) or is or is reasonably likely to result in a superior proposal; and

prior to effecting a change in recommendation, (i) Smithtown Bancorp's board of directors determines, in good faith, after consultation with its financial advisors and outside legal advisors, that such acquisition proposal is a superior proposal after giving effect to all of the adjustments that may be offered by People's United, (ii) Smithtown Bancorp has notified People's United in writing, at least five business days in advance, that it intends to recommend or otherwise declare advisable such superior proposal or otherwise effect a change in recommendation, which notice shall state expressly that Smithtown Bancorp has received an acquisition proposal that its board of directors has determined is a superior proposal and that it intends to effect a change in its recommendation and the manner in which it intends to do so, and includes the identity of the person making such superior proposal and a copy (if in writing) and summary of the material terms of such superior proposal, and (iii) during such five business day period, and in any event, prior to effecting such change in recommendation, Smithtown Bancorp has negotiated, and has caused its financial and legal advisors to negotiate, with People's United in good faith (to the extent People's United desires to negotiate) to make adjustments to the terms and conditions of the transactions contemplated by the merger agreement proposed by People's United so that the proposal ceases to constitute a superior proposal.

Smithtown Bancorp has also agreed to:

promptly (within 24 hours) advise People's United, orally and in writing, of (i) the receipt by it of any acquisition proposal, any inquiry that could reasonably be expected to lead to an acquisition proposal, any material modification of or material amendment to any acquisition proposal and any request for nonpublic information relating to Smithtown Bancorp or any of its subsidiaries or for access to its or any of its subsidiaries' properties, books or records by any person or entity that informs Smithtown

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Bancorp's board of directors or the board of directors of any of its subsidiaries that such person or entity is considering making, or has made, an acquisition proposal, (ii) the material terms and conditions of such proposal or inquiry (whether written or oral) or modification or amendment to an acquisition proposal (including a copy of all material documentation and correspondence relating thereto) and (iii) the identity of the person making any such proposal or inquiry;

keep People's United fully informed of any related developments, discussions and negotiations and the status and details of any such proposal or inquiry; and

use its reasonable best efforts to enforce any existing confidentiality, standstill or similar agreement relating to an acquisition proposal and not to waive or amend any provisions of any such agreement.

For purposes of the merger agreement, the term "superior proposal" means a bona fide written acquisition proposal to acquire, directly or indirectly, a majority of the total voting power of Smithtown Bancorp, which Smithtown Bancorp's board of directors has determined in its good faith judgment, taking into account timing and all legal, financial and regulatory aspects of the proposal and the person making the proposal (including any break-up fees, expense reimbursement provisions and conditions to consummation),

is reasonably likely to be consummated in accordance with its terms and,

if consummated, would result in a transaction more favorable to Smithtown Bancorp's stockholders from a financial point of view than the merger with People's United.

Employee Matters

People's United has agreed that it will, from and after the completion of the merger, assume and comply with the employee benefit plans, and People's United has agreed to assume, honor and perform the obligations of Smithtown Bancorp and its subsidiaries under such plans and agreements in accordance with their terms. People's United will:

for at least one year following the completion of the merger, provide then current employees of Smithtown Bancorp and its subsidiaries with base salary, wages, or commission rates that are at least at the same levels as the base salary, wages or commission rates in effect with respect to such employees on the date of the merger agreement and with employee benefits (excluding any defined benefit pension and equity-based compensation and benefits) that are no less favorable, in the aggregate, than those provided by Smithtown Bancorp and its subsidiaries on the date of the merger agreement;

for the fiscal years ending December 31, 2010 and December 31, 2011, provide then current employees of Smithtown Bancorp and its subsidiaries with annual cash incentive compensation opportunities that are equal to the annual cash incentive compensation opportunities provided by People's United to its similarly situated employees from time to time; and

until the second anniversary of the completion of the merger, provide severance benefits that are equal to the severance benefits provided by People's United to its similarly situated employees from time to time.

People's United has further agreed that it will:

cause each employee benefit plan or program or service-based policy of People's United and its subsidiaries in which employees of Smithtown Bancorp and its subsidiaries are eligible to participate to give credit for all years of service with Smithtown Bancorp or any of its subsidiaries and their predecessors prior to the completion of the merger for the purpose of eligibility, vesting and benefit accruals (other than benefit accruals under a defined benefit pension plan that would result in duplication of benefits) and levels of

benefits thereunder,

cause any and all pre-existing condition limitations (to the extent that such limitations did not apply to a pre-existing condition under comparable benefit plans) and eligibility waiting periods under group

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health plans of People's United and its subsidiaries to be waived with respect to employees of Smithtown Bancorp and its subsidiaries who remain as employees of People's United or its subsidiaries (and their eligible dependents),

cause to be credited any co-payments, deductibles or out-of-pocket expenses incurred by employees of Smithtown Bancorp and its subsidiaries and their beneficiaries and dependents during the portion of the calendar year prior to their participation in People's United's or its subsidiaries' health plans with the objective that there be no double-counting during the year in which the completion of the merger occurs of such co-payments, deductibles or out-of-pocket expenses, and

assume and honor, or to cause to be assumed and honored, in accordance with their terms, all vested or accrued benefit obligations to, and contractual rights of, current and former employees of Smithtown Bancorp and its subsidiaries, including any benefits or rights arising as a result of the transactions contemplated by the merger agreement (either alone or in combination with any other event).

People's United has acknowledged that the completion of the merger will constitute a change in control of Smithtown Bancorp for the purposes of all Smithtown Bancorp benefit plans.

Additional Agreements

People's United and Smithtown Bancorp have also agreed to use their reasonable best efforts in good faith to take all actions, and to do all things necessary, proper or desirable, or advisable under applicable laws, to

permit completion of the merger and the bank merger as soon as practicable and

otherwise enable completion of the transactions contemplated by the merger agreement, including the completion of the bank merger simultaneously with the merger, and will cooperate fully with the other party to that end.

The merger agreement also contains covenants relating to cooperation in the preparation of this proxy statement/prospectus and additional agreements relating to, among other things, access to information, notice of specified matters, the obtaining of required governmental and third party consents and approvals and public announcements.

Conditions to Complete the Merger

Conditions to Both Parties' Obligations. The obligations of People's United and Smithtown Bancorp to complete the merger are subject to the fulfillment, or written waiver by both parties prior to the completion of the merger, of each the following conditions:

the approval of the merger agreement by Smithtown Bancorp stockholders;

the expiration or termination of all statutory waiting periods applicable to the completion of the merger and the bank merger, the making of all notices, reports and other filings required to be made prior to the completion of the merger and the bank merger by People's United or Smithtown Bancorp or any of their respective subsidiaries with any governmental entity in connection with the completion of the merger and the bank merger, and the obtaining of all regulatory consents, registrations, approvals, permits and authorizations required prior to the completion of the merger and the bank merger by People's United or Smithtown Bancorp or any of their respective subsidiaries from any governmental entity in connection with the completion of the merger and the bank merger unless the failure to obtain any such consent or approval would not be reasonably likely to have, individually or in the aggregate, a material adverse effect on People's United (assuming that People's United were an entity the size of Smithtown Bancorp in term of financial metrics) or Smithtown Bancorp;

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the absence of any law, statute, rule, regulation, judgment, decree, injunction or other order enacted, issued, promulgated, enforced or entered by any United States or state court or other governmental entity of competent jurisdiction that is in effect and prohibits or makes illegal completion of the merger or the bank merger; and

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the effectiveness of the registration statement with respect to the People's United common stock to be issued in the merger under the Securities Act and the absence of any stop order suspending the effectiveness of the registration statement or proceedings initiated or threatened by the Securities and Exchange Commission or any other governmental entity for that purpose;

Conditions to Each Party's Obligations. The obligations of each party to complete the merger are also subject to the fulfillment, or the written waiver by the other party, of the following conditions:

the other party's representations and warranties in the merger agreement being true and correct, subject to the materiality standard contained in the merger agreement, and the performance by the other party in all material respects of its obligations under the merger agreement; and

the receipt by the party of a legal opinion from its counsel, dated the closing date, to the effect that the merger will be treated for United States federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Code.

Termination of the Merger Agreement

General

The merger agreement may be terminated at any time prior to the completion of the merger by mutual consent of People's United and Smithtown Bancorp, by action of their respective boards of directors, whether or not the stockholders of Smithtown Bancorp have adopted and approved the merger agreement. In addition, the merger agreement may be terminated at any time prior to the completion of the merger by action of the board of directors of either People's United or Smithtown Bancorp if:

any governmental entity that must grant a requisite regulatory approval denies approval of the merger or the bank merger and such denial becomes final and non-appealable;

any governmental entity has issued a final non-appealable order permanently restraining, enjoining or otherwise prohibiting completion of the merger or the bank merger;

there has been a breach of any representation, covenant or agreement made by the other party in the merger agreement, that would prevent satisfaction by the other party of the relevant closing condition and the breach is not curable on or before July 15, 2011 or, if curable, is not cured within 30 days after written notice of the breach (and the terminating party is not then in material breach of any representation, warranty, covenant or agreement);

the merger is not completed on or before July 15, 2011, provided that neither People's United nor Smithtown Bancorp may terminate the merger agreement for this reason if its failure to perform its obligations under the merger agreement has resulted in the failure of the merger to occur on or before that date; or

Smithtown Bancorp stockholders fail to approve the merger agreement at the Smithtown Bancorp special meeting or at any adjournment or postponement thereof.

The merger agreement may also be terminated by People's United if:

(i) Smithtown Bancorp's board of directors submits the merger agreement to its stockholders without a recommendation for approval, otherwise withdraws or modifies (or publicly discloses its intention to withdraw or modify) its recommendation of the merger in any manner adverse to People's United, or approves, recommends, or otherwise declares advisable or proposes to or publicly discloses its

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intention to approve, recommend or declare advisable an acquisition proposal other than the merger with People's United, or otherwise effects a change in recommendation, (ii) Smithtown Bancorp materially breaches its non-solicitation obligations in any respect adverse to People's United or (iii) Smithtown Bancorp materially breaches its obligations to call, give notice of, convene and hold a meeting of Smithtown Bancorp stockholders; or

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a tender offer or exchange offer for 15% or more of the outstanding Smithtown Bancorp common stock is commenced and Smithtown Bancorp's board of directors recommends that Smithtown Bancorp's stockholders tender their shares or otherwise fails to recommend that Smithtown Bancorp's stockholders reject such tender offer or exchange offer within ten business days of the commencement of the offer.

Effect of Termination

In the event that the merger agreement is terminated as described above, the merger agreement will become void and none of People's United, Smithtown Bancorp, any of their respective directors, officers, employees, agents, legal and financial advisors or other representatives will have any liability under the merger agreement, except that:

both People's United and Smithtown Bancorp will remain liable for any willful and material breach of the merger agreement (other than liability for punitive damages); and

designated provisions of the merger agreement, including the payment of fees and expenses, the confidential treatment of information, and, if applicable, the termination fee described below, will survive the termination.

Termination Fee

The merger agreement provides that Smithtown Bancorp will be required to pay a termination fee of \$2,400,000 to People's United if the merger agreement is terminated by People's United in the following circumstances:

if (i) Smithtown Bancorp's board of directors submits the merger agreement to its stockholders without a recommendation for approval, otherwise withdraws or modifies (or publicly discloses its intention to withdraw or modify) its recommendation of the merger in any manner adverse to People's United, or approves, recommends, or otherwise declares advisable or proposes to or publicly discloses its intention to approve, recommend or declare advisable an acquisition proposal other than the merger with People's United, or otherwise effects a change in recommendation, (ii) Smithtown Bancorp materially breaches its non-solicitation obligations in any respect adverse to People's United, or (iii) Smithtown Bancorp materially breaches its obligations to call, give notice of, convene and hold a meeting of Smithtown Bancorp stockholders; or

if a tender offer or exchange offer for 15% or more of the outstanding Smithtown Bancorp common stock is commenced and Smithtown Bancorp's board of directors recommends that Smithtown Bancorp's stockholders tender their shares or otherwise fails to recommend that Smithtown Bancorp's stockholders reject such tender offer or exchange offer within ten business days of the commencement of the offer.

The merger agreement also provides that Smithtown Bancorp will be required to pay a termination fee of 20% of \$2,400,000 (or \$480,000) in the following circumstances:

if People's United terminates the merger agreement because there has been a breach of any representation, covenant or agreement made by Smithtown Bancorp in the merger agreement that would prevent satisfaction by Smithtown Bancorp of the relevant closing condition and the breach is not curable on or before July 15, 2011 or, if curable, is not cured within 30 days after written notice of the breach (and People's United is not then in material breach of any representation, warranty, covenant or agreement) and an acquisition proposal has been publicly announced or otherwise communicated or made known to Smithtown Bancorp's senior management or board of directors (or any person has publicly announced an intention to make an acquisition proposal) at any time prior to such termination;

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if either party terminates the merger agreement due to the failure of Smithtown Bancorp's stockholders to approve the merger agreement at the Smithtown Bancorp special meeting or at any adjournment or postponement thereof and an acquisition proposal has been publicly announced or otherwise communicated or made known to Smithtown Bancorp's senior management or board of directors (or any person has publicly announced an intention to make an acquisition proposal) at any time prior to the Smithtown Bancorp special meeting; or

if either party terminates the merger agreement because the merger was not completed on or before July 15, 2011, without a vote of the Smithtown Bancorp's stockholders at the Smithtown Bancorp special meeting having occurred, and an acquisition proposal has been publicly announced or otherwise communicated or made known to Smithtown Bancorp's senior management or board of directors (or any person has publicly announced an intention to make an acquisition proposal) at any time prior to such termination.

In addition, under any of the circumstances described above in which Smithtown Bancorp is required to pay a termination fee of 20% of \$2,400,000 (or \$480,000), if Smithtown Bancorp or any of its subsidiaries enters into a definitive agreement with respect to, or consummates, any acquisition proposal, within 18 months following any such termination, then Smithtown Bancorp has agreed to pay the remaining 80% of the \$2,400,000 termination fee (or \$1,920,000) on the date of such execution or consummation. For purposes of determining whether the termination fee is payable as described in this paragraph, the term acquisition proposal has the meaning described above under *Stockholders Meeting and Duty to Recommend*, except that the references to 20% or more in the definition of acquisition proposal will be deemed to be references to 40% or more.

Amendment, Waiver and Extension of the Merger Agreement

Amendment

Subject to applicable law, at any time prior to the completion of the merger, People's United and Smithtown Bancorp may modify or amend the merger agreement, by written agreement executed and delivered by their duly authorized officers.

Waiver

The conditions to the obligations of each of People's United and Smithtown Bancorp to complete the merger may be waived by each party as a whole or in part to the extent permitted by applicable law.

Fees and Expenses

Except with respect to the termination fee described under *Termination of the Merger Agreement - Termination Fee*, each party will bear all expenses incurred by it in connection with the merger agreement and the transactions contemplated by the merger agreement, except that People's United will bear and pay the costs (excluding the fees and disbursements of counsel, financial advisors and accountants) incurred in connection with copying, printing and distributing the registration statement and this proxy statement/prospectus for the approval of the merger.

Specific Performance

People's United and Smithtown Bancorp have agreed that they are each entitled to an injunction or injunctions to prevent breaches of the merger agreement and to enforce specifically the terms and provisions of the merger agreement, in addition to any other remedy at law or in equity.

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DESCRIPTION OF PEOPLE'S UNITED CAPITAL STOCK

The following summary is a description of the material terms of People's United's capital stock and should be read in conjunction with the section entitled "Comparison of Stockholder Rights" beginning on page 83. This summary is not meant to be complete and is qualified by reference to the applicable provisions of the Delaware General Corporation Law, which we refer to as the DGCL, and the amended and restated certificate of incorporation of People's United and the amended and restated bylaws of People's United. You are urged to read those documents carefully. Copies of the amended and restated certificate of incorporation of People's United and the amended and restated bylaws of People's United are incorporated by reference in this proxy statement/prospectus. See "Where You Can Find More Information" beginning on page 200.

General

People's United's authorized capital stock consists of 1,950,000,000 shares of common stock, par value \$0.01 per share, and 50,000,000 shares of preferred stock, par value \$0.01 per share.

Upon completion of the merger, People's United would have approximately [] shares of common stock issued and outstanding. This amount, which may vary as of the actual closing date, was calculated by adding the aggregate number of shares of People's United common stock expected to be issued in the merger (approximately [] million, based on the number of shares of Smithtown Bancorp common stock outstanding on [], 2010) to the [] shares of People's United common stock issued and outstanding as of [], 2010.

Common Stock

Holders of People's United common stock are entitled to dividends out of funds legally available for that purpose when, as, and if declared by the board of directors. The board of directors' right to declare dividends will be subject to the rights of any holders of preferred stock or any other stock with superior dividend rights and People's United's legal ability to make certain other payments. People's United's board of directors may fix the dividend rights and rates of preferred stock when it is issued.

Each holder of People's United common stock is entitled to one vote for each share held on each matter submitted for stockholder action. People's United common stock has no preferences, preemptive rights, cumulative voting rights, conversion rights or redemption provisions.

In the event of People's United's liquidation, dissolution or winding up, the holders of People's United's common stock would be entitled to receive, after payment or provision for payment of all debts and liabilities, all of People's United's assets available for distribution.

If People's United issues preferred stock, the holders of the preferred stock may have a priority over the holders of the common stock in the event of liquidation or dissolution.

All outstanding shares of People's United common stock are, and shares to be issued in the merger will be, when issued, fully paid and nonassessable.

Preferred Stock

People's United's board of directors is authorized at any time, and from time to time, to provide for the issuance of shares of preferred stock in one or more series, and to prescribe the designation, powers, relative preferences and rights of the shares of each series and the qualifications, limitations, or restrictions of the shares of each series. This authorization includes the right to fix the designation of the series and the number of shares in it, dividend rates and rights, voting rights, conversion rights, redemption rights, sinking fund provisions, liquidation rights and any other relative rights, preferences, and limitations. As of [], 2010, there were no shares of People's United preferred stock issued and outstanding.

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The issuance of shares of People's United preferred stock could adversely affect the availability of earnings for distribution to the holders of People's United common stock if the preferred stock provides for cumulative dividends, dividend preferences, conversion rights or exchange, redemption or other similar rights or preferences.

Transfer Agent and Registrar

The transfer agent and registrar for the common stock of People's United is Mellon Investor Services LLC. The common stock is listed on the NASDAQ Global Select Market under the symbol PBCT.

Restrictions on Ownership

The Change in Bank Control Act provides that no person, acting directly or indirectly or through or in concert with one or more other persons, may acquire control of a savings institution unless the Office of Thrift Supervision has been given 60 days prior written notice. The Home Owners' Loan Act provides that no company may acquire control of a savings institution without the prior approval of the Office of Thrift Supervision. Any company that acquires such control becomes a savings and loan holding company subject to registration, examination and regulation by the Office of Thrift Supervision. Pursuant to federal regulations, control of a savings institution is conclusively deemed to have been acquired by a holder that, among other things, acquires more than 25% of any class of voting stock of the institution or the ability to control the election of a majority of the directors of an institution. Moreover, control is presumed to have been acquired, subject to rebuttal, upon the acquisition of more than 10% of any class of voting stock, or of more than 25% of any class of stock of a savings institution, where certain enumerated control factors are also present in the acquisition.

These restrictions do not apply to the acquisition of a savings institution's capital stock by one or more tax-qualified employee stock benefit plans, provided that the plans do not have beneficial ownership of more than 25% of any class of equity security of the savings institution.

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COMPARISON OF STOCKHOLDER RIGHTS

People's United is incorporated under the laws of the State of Delaware and Smithtown Bancorp is incorporated under the laws of the State of New York. Upon completion of the merger, the certificate of incorporation and bylaws of People's United in effect immediately prior to the effective time of the merger will be the certificate of incorporation and bylaws of the combined company. Consequently, the rights of Smithtown Bancorp stockholders who receive shares of People's United common stock as a result of the merger will be governed by Delaware law, People's United's second amended and restated certificate of incorporation, which we refer to as the certificate of incorporation of People's United, and People's United's fourth amended and restated bylaws, which we refer to as the bylaws of People's United. The following discussion summarizes certain material differences between the rights of holders of Smithtown Bancorp common stock and People's United common stock resulting from the differences in their governing documents and New York and Delaware law.

This discussion does not purport to be a complete statement of the rights of holders of People's United common stock under applicable Delaware law, People's United's certificate of incorporation and People's United's bylaws or the rights of holders of Smithtown Bancorp common stock under applicable New York law, Smithtown Bancorp's amended certificate of incorporation, which we refer to as the certificate of incorporation of Smithtown Bancorp, and Smithtown Bancorp's amended and restated bylaws, which we refer to as the bylaws of Smithtown Bancorp, and is qualified in its entirety by reference to the governing corporate documents of People's United and Smithtown Bancorp and applicable law. See "Where You Can Find More Information" beginning on page 200.

Capital Stock

People's United. People's United's certificate of incorporation authorizes 1,950,000,000 shares of common stock, par value \$0.01 per share, and 50,000,000 shares of preferred stock, par value \$0.01 per share. As of [], 2010, there were [] shares of People's United common stock and no shares of People's United preferred stock issued and outstanding.

Smithtown Bancorp. Smithtown Bancorp's certificate of incorporation authorizes 35,000,000 shares of common stock, par value \$0.01 per share, and 1,000,000 shares of preferred stock, par value \$0.01 per share. As of [], 2010, there were [] shares of Smithtown Bancorp common stock and no shares of Smithtown Bancorp preferred stock issued and outstanding.

Board of Directors

People's United. The DGCL provides that the board of directors of a Delaware corporation must consist of one or more directors. The certificate of incorporation or bylaws of a corporation may fix the number of directors. People's United's certificate of incorporation provide that the number of directors shall be determined only by resolution of the board of directors, but shall not be less than five nor more than 15 directors. People's United currently has 10 directors. People's United's board of directors is divided into three classes, with each class comprising as near as possible to one-third of the total number of directors. All the directors of a particular class are elected in the same year for a three-year term of office; only one class of directors is up for election in any particular year.

Smithtown Bancorp. New York law states that the board of directors must consist of one or more directors. The number of directors constituting the board may be fixed by the bylaws, or by action of the stockholders or of the board under the specific provisions of a bylaw adopted by the stockholders. Smithtown Bancorp's bylaws provide that the board of directors shall consist of nine members. Smithtown Bancorp's board of directors is divided into three classes of three members each. All the directors of a particular class are elected in the same year for a three-year term of office; only one class of directors is up for election in any particular year.

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Removal of Directors

People's United. As described above under **Board of Directors**, People's United has a classified board of directors. Under the DGCL, unless the certificate of incorporation provides otherwise, in a corporation with a classified board of directors any director or the entire board of directors may be removed only for cause and by the holders of a majority of the shares then entitled to vote at an election of directors. People's United's certificate of incorporation provides that a director may be removed prior to the expiration of his or her term only for cause and upon the affirmative vote of at least two-thirds of the outstanding shares of voting stock. No director can be removed without cause.

Smithtown Bancorp. As described above under **Board of Directors**, Smithtown Bancorp has a classified board of directors. New York law states that, subject to certain conditions, any or all of the directors may be removed for cause by vote of the stockholders, and, if the certificate of incorporation or the specific provisions of a bylaw adopted by the stockholders so provides, directors may be removed by action of the board of directors. Both the certificate of incorporation and the bylaws of Smithtown Bancorp provide that any director or the entire board of directors of Smithtown Bancorp may be removed at any time by a majority vote of the other members of the board of directors or by a majority vote of the shares of stock issued and outstanding, but, in either case, only for cause.

Filling Vacancies on the Board of Directors

People's United. The DGCL and People's United's certificate of incorporation provide that all vacancies, including vacancies resulting from newly created directorships due to an increase in the number of directors, may be filled only by a vote of a majority of directors then holding office, whether or not a quorum. Any director so elected shall serve for the remainder of the full term of the class of directors in which the new directorship was created or the vacancy occurred and until such director's successor is elected and qualified.

Smithtown Bancorp. Under New York law, vacancies occurring on the board of directors by reason of the removal of directors without cause may be filled only by a vote of the stockholders unless the certificate of incorporation or bylaws provide otherwise. Pursuant to the bylaws of Smithtown Bancorp, vacancies on the board of directors, whether caused by resignation, death, removal or otherwise, shall be filled by majority vote of the remaining directors. Pursuant to New York law, a director elected to fill a vacancy, unless elected by the stockholders, shall hold office until the next meeting of stockholders at which the election of directors is in the regular order of business, and until such director's successor has been elected and qualified.

Amendment of Certificate of Incorporation

People's United. People's United's certificate of incorporation provides that any alteration, amendment, repeal or rescission of any provision of the certificate of incorporation must be approved by the board of directors and by the affirmative vote of a majority (or such greater proportion as is otherwise required by any specific provision of the certificate of incorporation) of the total votes eligible to be cast by the holders of all outstanding shares of capital stock entitled to vote thereon.

People's United's certificate of incorporation provides that certain provisions of the certificate of incorporation may not be altered, amended, repealed or rescinded without the affirmative vote of either (i) not less than a majority of the authorized number of directors and, if one or more interested shareholders (as defined in People's United's certificate of incorporation) exist, by not less than a majority of the disinterested directors (as defined in People's United's certificate of incorporation); or (ii) the holders of not less than two-thirds of the total votes eligible to be cast by the holders of all outstanding shares of People's United capital stock entitled to vote thereon and, if the alteration, amendment, repeal, or rescission is proposed by or on behalf of an interested shareholder or a director who is an affiliate or associate (each as defined in People's United's certificate of incorporation) of an interested shareholder, by the affirmative vote of the holders of not less than a majority of the total votes eligible to be cast by holders of all outstanding shares entitled to vote

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thereon not beneficially owned by an interested shareholder or an affiliate or associate thereof. Amendment of the provision of People's United's certificate of incorporation relating to business combinations (as defined in People's United's certificate of incorporation) must also be approved by either (a) a majority of the disinterested directors; or (b) the affirmative vote of not less than two-thirds of the total number of votes eligible to be cast by the holders of all outstanding shares of the voting stock entitled to vote generally in the election of directors, voting together as a single class, together with the affirmative vote of not less 50% of the total number of votes eligible to be cast by the holders of all outstanding shares of the voting stock entitled to vote generally in the election of directors not beneficially owned by any interested shareholder or affiliate or associate thereof, voting together as a single class. Absent these provisions, the DGCL provides that a corporation's certificate of incorporation may be amended by the holders of a majority of the corporation's outstanding capital stock.

Smithtown Bancorp. Under New York law, subject to limited exceptions, amendments to the certificate of incorporation must be approved by vote of a majority of all outstanding shares entitled to vote on the proposed amendment, except that provisions of the certificate of incorporation requiring a greater or class vote may only be amended by such greater or class vote. In addition, an amendment that negatively affects in certain ways holders of shares of a class or series requires authorization by a majority of the votes of all outstanding shares of the affected class or series.

Smithtown Bancorp's certificate of incorporation does not contain any general requirements with regard to amendments. However, the certificate of incorporation expressly requires the affirmative vote of 80% of the issued and outstanding shares of stock to amend the provisions governing (i) the number and classification of its directors and removals of directors from the board of directors and (ii) restrictions on certain business combinations involving a person that is the beneficial owner of five percent or more of the outstanding shares of stock of Smithtown Bancorp.

Amendment of Bylaws

People's United. People's United's certificate of incorporation provides that the board of directors is authorized to make, alter, amend, rescind or repeal any of the bylaws in accordance with the terms of the bylaws at any meeting of the entire board of directors by the vote of two-thirds of the members of the entire board. People's United's certificate of incorporation provides that any bylaw made by the board of directors may be altered, amended, rescinded or repealed in accordance with the terms of the bylaw by the holders of two-thirds of the capital stock entitled to vote on such matter at any annual meeting or at any special meeting called for that purpose. Both People's United's certificate of incorporation and bylaws provide that provisions of the bylaws that contain supermajority voting requirements may not be altered, amended, repealed or rescinded without a vote of the board of directors or holders of capital stock entitled to vote on the matter that is not less than the supermajority specified in such provision.

Smithtown Bancorp. New York law provides that the bylaws of a business corporation may be amended or repealed by a majority of the votes cast by the shares at the time entitled to vote in the election of any directors. However, if so provided in the certificate of incorporation or a bylaw adopted by the stockholders, bylaws may also be adopted, amended or repealed by the board of directors by such vote as may be therein specified, but any bylaw adopted by the board of directors may be amended or repealed by the stockholders entitled to vote thereon, as described in the preceding sentence.

Smithtown Bancorp's bylaws provide that the bylaws may be amended, added to or repealed by the affirmative vote of two-thirds of the entire board of directors at any meeting of the board of directors. The bylaws may also be amended, added to or repealed by the affirmative vote of the holders of a majority of the issued and outstanding stock of Smithtown Bancorp, at any meeting of the stockholders, provided notice of the proposed change is given in the notice of meeting or notice thereof is waived in writing.

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Notice of Stockholder Meetings

People's United. In accordance with the DGCL, People's United's bylaws provide that written notice of any stockholders' meeting must be given to each stockholder not less than 10 nor more than 60 days before the meeting date.

Smithtown Bancorp. In accordance with New York law, Smithtown Bancorp's bylaws provide that written notice of any stockholders' meeting must be given to each stockholder entitled to vote not less than 10 nor more than 60 days before the meeting date.

Right to Call Special Meeting of Stockholders

People's United. Under the DGCL, a special meeting of stockholders may be called by (i) the board of directors or (ii) any other person authorized to do so in the certificate of incorporation or the bylaws. People's United's bylaws authorize the calling of a special meeting of stockholders only by the chief executive officer or the president or by resolution of at least three-fourths of the directors then in office. People's United's stockholders do not have the ability to call a special meeting.

Smithtown Bancorp. Under New York law, a special meeting of stockholders may be called by (i) the person or persons authorized to do so by the certificate of incorporation or bylaws or (ii) the board of directors. Smithtown Bancorp's bylaws authorize the calling of a special meeting of stockholders by the chief executive officer, the president, a majority of the board of directors, or by one or more stockholders who are entitled to vote and who hold at least 30% of the issued and outstanding capital stock of Smithtown Bancorp who make written application to the chief executive officer or the president, stating the purpose of the meeting to be called.

Stockholder Nominations and Proposals

People's United. The certificate of incorporation requires a stockholder who intends to nominate a candidate for election to the board of directors at an annual stockholders' meeting to give not less than 120 days' notice in advance of the annual stockholders' meeting to the secretary. This advance notice provision requires a stockholder who wishes to nominate any person for election as a director to provide certain information to People's United concerning the nominee and the proposing stockholder. Similarly, People's United's bylaws generally require a stockholder who intends to raise new business at an annual meeting to give not less than 90 days' notice in advance of the anniversary of the prior year's annual meeting to the corporate secretary. This advance notice provision requires a stockholder who desires to raise new business to provide certain information to People's United concerning the nature of the new business, the stockholder and the stockholder's interest in the matter.

Smithtown Bancorp. Neither Smithtown Bancorp's certificate of incorporation nor its bylaws set forth provisions regarding the procedure for the submission of stockholder proposals in advance of stockholder meetings. Under the rules promulgated by the SEC, a stockholder who intends to submit a proposal to a vote of the stockholders at the annual shareholders' meeting must ensure the proposal is received at Smithtown Bancorp's principal executive offices not less than 120 calendar days before the date of Smithtown Bancorp's proxy statement was released to its stockholders in connection with the previous year's annual meeting, unless the date of this year's annual meeting has been changed by more than 30 days from the date of the previous year's meeting, in which case the stockholder must submit the proposal a reasonable time before Smithtown Bancorp begins to print and send its proxy materials.

Indemnification of Officers, Directors and Employees

People's United. Under Section 145 of the DGCL, a corporation may indemnify a director, officer, employee or agent of the corporation (or a person who is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise)

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against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by the person if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. In the case of an action brought by or in the right of a corporation, the corporation may indemnify a director, officer, employee or agent of the corporation (or a person who is or was serving at the request of the corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise) against expenses (including attorneys' fees) actually and reasonably incurred by him if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the corporation, except that no indemnification may be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the corporation unless and only to the extent a court finds that, in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnification for such expenses as the court shall deem proper. The indemnification provisions of the DGCL require indemnification of a director or officer who has been successful on the merits in defense of any action, suit or proceeding that he was a party to by virtue of the fact that he is or was a director or officer of the corporation.

The certificate of incorporation of People's United provides that People's United shall indemnify, to the fullest extent permitted by Delaware law, any person who is or was or has agreed to become a director or officer of People's United against costs, charges, expenses, judgments, fines and amounts paid in settlement actually and reasonably incurred by such person. This indemnification is conditioned upon the director or officer having acted in good faith and in a manner he or she reasonably believed to be in, or not opposed to, the best interest of People's United and, with respect to any criminal proceeding, had no reasonable cause to believe that his or her conduct was unlawful. People's United may, but is not required to, indemnify employees and agents under the same circumstances as directors and officers. The certificate of incorporation also provides that People's United shall indemnify any present or former director or officer of People's United to the extent such person has been successful, on the merits or otherwise (including, without limitation, the dismissal of an action without prejudice), in defense of any action, suit or proceeding against all costs, charges and expenses actually and reasonably incurred by such person.

Smithtown Bancorp. Under Section 722 of the NYBCL, a corporation may indemnify its directors and officers made, or threatened to be made, a party to any action or proceeding related to service as a director or officer, except for stockholder derivative suits, if the director or officer acted in good faith and for a purpose that he or she reasonably believed to be in, or, in the case of service to another corporation or enterprise, not opposed to the best interests of the corporation, and, in addition in criminal proceedings, had no reasonable cause to believe his or her conduct was unlawful. In the case of stockholder derivative suits, the corporation may indemnify a director or officer if he or she acted in good faith for a purpose that he or she reasonably believed to be in, or, in the case of service to another corporation or enterprise, not opposed to the best interests of the corporation, except that no indemnification may be made in respect of (i) a threatened action, or a pending action that is settled or otherwise disposed of, or (ii) any claim, issue or matter as to which such individual has been adjudged to be liable to the corporation, unless and only to the extent that the court in which the action was brought, or, if no action was brought, any court of competent jurisdiction, determines, upon application, that, in view of all the circumstances of the case, the individual is fairly and reasonably entitled to indemnity for the portion of the settlement amount and expenses as the court deems proper.

Any individual who has been successful on the merits or otherwise in the defense of a civil or criminal action or proceeding will be entitled to indemnification. Except as provided in the preceding sentence, unless ordered by a court pursuant to Section 724 of the NYBCL, any indemnification under the NYBCL as described in the immediately preceding paragraph may be made only if, pursuant to Section 723 of the NYBCL, indemnification is authorized in the specific case and after a finding that the director or officer met the requisite standard of conduct by the disinterested directors if a quorum is available, or, if the quorum so directs or is unavailable, by (i) the board of directors upon the written opinion of independent legal counsel or (ii) the stockholders. Further, New York law permits a corporation to purchase directors and officers insurance.

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Smithtown Bancorp's bylaws provide that any person made or threatened to be made a party to any action or proceeding, whether civil or criminal, by reason of the fact that he is or was a director or officer of Smithtown Bancorp or served any other corporation, partnership, joint venture, trust, employee benefit plan or other enterprise in any capacity at the request of Smithtown Bancorp, shall be indemnified by Smithtown Bancorp against judgments, fines, amounts paid in settlement and reasonable expenses, including attorneys' fees actually and necessarily incurred as a result of such action or proceeding, or any appeal therein, to the fullest extent permitted by New York law. Further, Smithtown Bancorp's board of directors may also, in its discretion, cause Smithtown Bancorp to maintain insurance for the indemnification of directors and officers as permitted under New York law.

Anti-Takeover Provisions

People's United. Under the DGCL, a corporation is prohibited from engaging in any business combination with an interested stockholder or any entity if the transaction is caused by the interested stockholder for a period of three years from the date on which the stockholder first becomes an interested stockholder. There is an exception to the three-year waiting period requirement if:

prior to the stockholder becoming an interested stockholder, the board of directors approves the business combination or the transaction in which the stockholder became an interested stockholder;

upon the completion of the transaction in which the stockholder became an interested stockholder, the interested stockholder owns at least 85% of the voting stock of the corporation other than shares held by directors who are also officers and certain employee stock plans; or

the business combination is approved by the board of directors and by the affirmative vote of two-thirds of the outstanding voting stock not owned by the interested stockholder at a meeting.

The DGCL defines the term "business combination" to include transactions such as mergers, consolidations or transfers of 10% or more of the assets of the corporation. The DGCL defines the term "interested stockholder" generally as any person who (together with affiliates and associates) owns (or in certain cases, within the past three years did own) 15% or more of the outstanding voting stock of the corporation. A corporation can expressly elect not to be governed by the DGCL's business combination provisions in its certificate of incorporation or bylaws, but People's United has not done so.

In addition, the certificate of incorporation of People's United requires the approval of the holders of at least two-thirds of People's United's outstanding shares of voting stock, together with the affirmative vote of at least 50% of the outstanding shares of voting stock not beneficially owned by an "interested shareholder" (as defined in People's United's certificate of incorporation) to approve certain "business combinations" (as defined in People's United's certificate of incorporation) and related transactions with an interested shareholder that would result in People's United or its subsidiaries being merged into or with another corporation or securities of People's United being issued in a transaction that would permit control of People's United to pass to another entity, or similar transactions having the same effect. Approval by the holders of at least two-thirds of People's United's shares is required in connection with any business combination except (i) in cases where the proposed transaction has been approved in advance by a majority of those members of the board of directors who are unaffiliated with the interested shareholder and were directors prior to the time when the interested shareholder became an interested shareholder; or (ii) if the proposed transaction meets certain conditions set forth in People's United certificate of incorporation that are designed to afford the stockholders a fair price in consideration for their shares in which case, if a stockholder vote is required, approval of only a majority of the outstanding shares of voting stock would be sufficient. The term "interested shareholder" is generally defined in People's United's certificate of incorporation to include any person or entity (subject to certain exceptions) which owns beneficially or controls, directly or indirectly, 15% or more of the outstanding shares of People's United voting stock.

Smithtown Bancorp. Section 912 of the NYBCL generally provides that a New York corporation may not engage in a business combination with an interested stockholder for a period of five years following the interested stockholder's becoming such. Such a business combination would be permitted where it is approved

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by the board of directors before the interested stockholder s becoming such. Covered business combinations include certain mergers and consolidations, dispositions of assets or stock, plans for liquidation or dissolution, reclassifications of securities, recapitalizations and similar transactions. An interested stockholder is generally a stockholder owning at least 20% of a corporation s outstanding voting stock. In addition, New York corporations may not engage at any time with any interested stockholder in a business combination other than: (i) a business combination approved by the board of directors before the stock acquisition, or where the acquisition of the stock had been approved by the board of directors before the stock acquisition; (ii) a business combination approved by the affirmative vote of the holders of a majority of the outstanding voting stock not beneficially owned by the interested stockholder at a meeting called for that purpose no earlier than five years after the stock acquisition; or (iii) a business combination in which the interested stockholder pays a formula price designed to ensure that all other stockholders receive at least the highest price per share that is paid by the interested stockholder and that meets certain other requirements.

A corporation may opt out of the interested stockholder provisions described in the preceding paragraph by expressly electing not to be governed by such provisions in its bylaws, which must be approved by the affirmative vote of a majority of votes of the outstanding voting stock of such corporation and is subject to further conditions. However, Smithtown Bancorp s bylaws do not contain any provisions electing not to be governed by Section 912 NYBCL.

Under Smithtown Bancorp s certificate of incorporation, any merger or consolidation of Smithtown Bancorp or any sale, lease, exchange or other disposition of all or substantially all of its assets to or with any other corporation, person or other entity, requires the affirmative vote of the holders of at least 80% of the issued and outstanding shares of stock of Smithtown Bancorp if, as of the record date for the determination of the stockholders entitled to notice thereof and to vote thereon, such other corporation, person or entity is the beneficial owner of five percent or more of the issued and outstanding shares of stock of Smithtown Bancorp. However, the preceding sentence does not apply if (i) the board of directors of Smithtown Bancorp by resolution has approved a memorandum of understanding (which could include a transaction agreement) with such other corporation, person or other entity with respect to the transaction prior to the time such other corporation, person or other entity became the beneficial owner of five percent or more of the issued and outstanding shares of stock of Smithtown Bancorp, or (ii) the transaction has been approved by a resolution unanimously adopted by the entire board of directors of Smithtown Bancorp at any time prior to the record date for the determination of the stockholders entitled to notice of the transaction and to vote on the transaction.

Stockholder Approval of a Merger

People s United. Under the DGCL, a merger must be approved by the board of directors and by a majority (unless the certificate of incorporation requires a higher percentage) of the outstanding stock of the corporation entitled to vote. However, no vote of stockholders of a constituent corporation surviving a merger is required (unless the corporation provides otherwise in its certificate of incorporation) if (i) the merger agreement does not amend such constituent corporation s certificate of incorporation, (ii) each share of stock of such constituent corporation outstanding immediately before the merger is to be an identical outstanding or treasury share of the surviving corporation after the merger and (iii) the number of shares to be issued by the surviving corporation in the merger does not exceed 20% of the shares of such constituent corporation outstanding immediately before the merger. People s United s certificate of incorporation provides for a greater vote only in the case of a business combination involving an interested shareholder (as defined in People s United s certificate of incorporation, as discussed above).

Smithtown Bancorp. Under Section 903 of the NYBCL, the consummation by a corporation of a merger or consolidation requires the approval of the board of directors and (i) a majority of the votes of all outstanding shares entitled to vote thereon for corporations in existence on February 22, 1998 where the certificate of incorporation expressly provides therefor, or corporations incorporated after February 22, 1998, and (ii) two-thirds of the votes of all outstanding shares entitled to vote thereon, for all other corporations.

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Because Smithtown Bancorp was incorporated prior to February 22, 1998 and its certificate of incorporation does not provide for a majority of the votes to be sufficient for the approval of a merger, the vote of two-thirds of all outstanding shares of Smithtown Bancorp are required for the approval of a merger.

Stockholder Action Without A Meeting

People's United. Under the DGCL, unless otherwise provided in a corporation's certificate of incorporation, any action that may be taken at a meeting of stockholders may be taken without a meeting, without prior notice and without a vote if the holders of outstanding stock, having not less than the minimum number of votes that would be necessary to authorize such action, consent in writing. However, the certificate of incorporation of People's United prohibits stockholder action by written consent.

Smithtown Bancorp. Under New York law, whenever stockholders are required or permitted to take any action by vote, such action may, in lieu of a meeting, be taken by unanimous written consent of holders of all outstanding shares entitled to vote on such action. If the certificate of incorporation so permits, any such action may be taken by written consent of the holders of outstanding shares having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted. However, Smithtown Bancorp's certificate of incorporation does not address actions by written consent; therefore any such action can be taken only by unanimous written consent.

Dissenters' Rights

People's United. Under the DGCL, a stockholder of a corporation participating in certain major corporate transactions may, under varying circumstances, be entitled to appraisal rights pursuant to which the stockholder may receive cash in the amount of the fair market value of his or her shares in lieu of the consideration he or she would otherwise receive in the transaction. Unless a corporation's certificate of incorporation provides otherwise, these appraisal rights are not available:

with respect to the sale, lease or exchange of all or substantially all of the assets of the corporation,

with respect to a merger or consolidation by a corporation the shares of which either are listed on a national securities exchange or designated as a national market system security on an interdealer quotation system by the National Association of Securities Dealers, Inc. or are held of record by more than 2,000 holders, if the terms of the merger or consolidation allow the stockholders to receive only shares of the surviving corporation or shares of any other corporation that either are listed on a national securities exchange or designated as a national market system security on an interdealer quotation system by the National Association of Securities Dealers, Inc. or are held of record by more than 2,000 holders, plus cash in lieu of fractional shares, or

to stockholders of the corporation surviving a merger if no vote of the stockholders of the surviving corporation is required to approve the merger and if some other conditions are met.

Smithtown Bancorp. Under New York law, stockholders may, under certain circumstances, exercise a right of dissent from certain limited corporate actions and obtain payment for the fair value of their shares. For example, subject to certain exceptions, dissenters' rights are available under New York law to any stockholder of a constituent corporation in the event of a merger if such stockholder is entitled to vote upon the merger or if the corporation is a subsidiary that is merged with its parent. One of the exceptions under New York law to the general rule described in the preceding sentence, that stockholders have dissenters' rights with respect to a merger if such stockholder is entitled to vote upon the merger, is that, under New York law, stockholders do not have dissenters' rights with respect to a merger if, on the record date, the stock held by such stockholders is listed on a national securities exchange or designated as a national market system security on an interdealer quotation system by the National Association of Securities Dealers, Inc. Neither Smithtown Bancorp's certificate of incorporation nor its bylaws grant any dissenters' rights in addition to the statutorily prescribed rights.

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Stockholders who desire to exercise their dissenters' rights must satisfy all of the conditions and requirements set forth in the NYBCL in order to maintain these rights and obtain any payment due in respect of the exercise of these rights.

Dividends

People's United. People's United can pay dividends out of statutory surplus, or in case there is no such surplus, from net profits if, as and when declared by the board of directors. The holders of People's United common stock will be entitled to receive and share equally in such dividends as may be declared by the board of directors out of funds legally available. If People's United issues preferred stock, the holders of the preferred stock may have a priority over the holders of the common stock with respect to dividends.

Smithtown Bancorp. Under New York law, a corporation may declare and pay dividends or make other distributions, except when the corporation is currently insolvent or would thereby be made insolvent, or when the declaration, payment or distribution would be contrary to any restrictions contained in the certificate of incorporation. Smithtown Bancorp.'s certificate of incorporation does not address dividends. Smithtown Bancorp.'s bylaws provide that Smithtown Bancorp.'s board of directors has the power to declare and pay dividends upon shares of Smithtown Bancorp.'s stock as provided by New York law.

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LEGAL MATTERS

The validity of the shares of People's United common stock to be issued in the merger will be passed upon for People's United by Simpson Thacher & Bartlett LLP. Simpson Thacher & Bartlett LLP and Sullivan & Cromwell LLP will deliver opinions to People's United and Smithtown Bancorp, respectively, as to certain federal income tax consequences of the merger. See The Merger Material U.S. Federal Income Tax Consequences of the Merger beginning on page 54.

EXPERTS

The consolidated financial statements of People's United Financial, Inc. as of December 31, 2009 and 2008, and for each of the years in the three-year period ended December 31, 2009, and management's assessment of the effectiveness of internal control over financial reporting as of December 31, 2009 have been incorporated by reference herein in reliance upon the reports of KPMG LLP, independent registered public accounting firm, incorporated by reference herein, and upon the authority of said firm as experts in accounting and auditing.

The consolidated financial statements of Smithtown Bancorp for the years ended December 31, 2009, 2008 and 2007 and the effectiveness of internal control over financial reporting of Smithtown Bancorp as of December 31, 2009 appearing herein, have been audited by Crowe Horwath LLP, an independent registered public accounting firm, as set forth in its report thereon appearing elsewhere herein, and are included herein in reliance upon such report given on the authority of such firm as experts in accounting and auditing.

FUTURE STOCKHOLDER PROPOSALS

People's United

To be eligible under the SEC's stockholder proposal rule (Rule 14a-8) and under People's United's by-laws for inclusion in People's United's proxy statement, proxy card, and presentation at People's United's 2011 Annual Meeting of Stockholders, a proper stockholder proposal must have been received by People's United at its principal offices at 850 Main Street, Bridgeport, Connecticut 06604 no later than November 23, 2010, which is 120 calendar days before the date on which People's United first mailed its proxy statement for 2010. The notice must be in the manner and form required by People's United's by-laws. If the date of the 2011 Annual Meeting is more than 30 calendar days from May 6, 2011, a stockholder proposal must be received within a reasonable time before People's United begins to print and mail its proxy solicitation materials for the People's United 2011 annual meeting. Any stockholder proposals will be subject to Rule 14a-8 under the Exchange Act.

Smithtown Bancorp

Smithtown Bancorp intends to hold a 2011 annual meeting of stockholders only if the merger agreement is terminated. For a stockholder proposal to be considered for inclusion in Smithtown Bancorp's proxy statement and form of proxy relating to the Smithtown Bancorp 2011 annual meeting of stockholders (in the event this meeting is held), the Secretary of Smithtown Bancorp must have received the proposal, at 100 Motor Parkway, Hauppauge, NY 11788, not later than November 12, 2010. However, if Smithtown Bancorp's 2011 annual meeting of stockholders is held on a date more than 30 calendar days from May 6, 2011, a stockholder proposal must be received within a reasonable time before Smithtown Bancorp begins to print and mail its proxy solicitation materials for the Smithtown Bancorp 2011 annual meeting. Any stockholder proposals will be subject to the SEC's stockholder proposal rule (Rule 14a-8).

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INFORMATION ABOUT SMITHTOWN BANCORP

Additional Information About Smithtown Bancorp

Market Area

Bank of Smithtown attracts deposits through its branch network on Long Island, including both Nassau and Suffolk Counties, principally from Port Washington to Wading River. All but one of Bank of Smithtown's current 30 branch offices are located within this region, as are the majority of the consumers and businesses that it serves. Bank of Smithtown also has a branch located on Seventh Avenue in New York City. Bank of Smithtown opened one new branch during the first two quarters of 2010 and is planning to open approximately three new branches within the next six to nine months.

Bank of Smithtown's primary lending market includes Long Island, the five boroughs of New York City and the greater New York City metropolitan area. Within Bank of Smithtown's lending market, the majority of businesses are considered small businesses, and lending tends to be concentrated within commercial and residential real estate, health services, technology, insurance, construction and small professional businesses. Bank of Smithtown makes loans for office and retail properties, industrial properties, storage facilities, professional offices, golf courses and other recreational facilities, parking garages and other commercial projects. Bank of Smithtown also makes permanent mortgage loans for single family and multifamily housing.

Bank of Smithtown Insurance Agents and Brokers, Inc. (the "Agency") provides insurance and financial services to a wide range of consumer and business customers, who reside primarily within Bank of Smithtown's market area, thus adding a synergy between Bank of Smithtown and the Agency. Insurance products are also provided nationally by the Agency, but to a much lesser degree.

Regulation and Supervision

Smithtown Bancorp is subject to extensive regulation under federal and state laws. Federal and New York State banking laws, regulations and policies extensively regulate Smithtown Bancorp and Bank of Smithtown, including prescribing standards relating to capital, earnings, dividends, the repurchase or redemption of shares, loans or extensions of credit to affiliates and insiders, internal controls, information systems, internal audit systems, loan documentation, credit underwriting, asset growth, impaired assets and loan-to-value ratios. The regulatory framework is intended primarily for the protection of depositors, federal deposit insurance funds and the banking system as a whole and not for the protection of security holders.

Set forth below is a summary description of the significant elements of the laws and regulations applicable to Smithtown Bancorp. The description is qualified in its entirety by reference to the full text of the statutes, regulations and policies that are described. In addition, such statutes, regulations and policies are continually under review by Congress and state legislatures and federal and state regulatory agencies. A change in statutes, regulations or regulatory policies applicable to Smithtown Bancorp and its subsidiaries, including the newly enacted Dodd-Frank Wall Street Reform and Consumer Protection Act, could have a material effect on Smithtown Bancorp's business.

Consent Agreement

On January 29, 2010, Bank of Smithtown entered into a Consent Agreement with the FDIC and a parallel Consent Order with the NY Banking Department. Under the Consent Agreement, Bank of Smithtown is required to improve credit administration, loan underwriting and internal loan review processes and maintain an adequate allowance for loan losses. Other required actions include the implementation of plans to reduce classified assets, decrease Bank of Smithtown's concentration in commercial real estate loans and increase profitability. Bank of Smithtown's payment of dividends and growth in quarterly average assets require prior approval of the FDIC and NY Banking Department. In addition, Bank of Smithtown was required to maintain no later than June 30, 2010,

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Tier 1 Capital at least equal to 7% of Total Assets, Tier 1 Risk-Based Capital at least equal to 9% of Total Risk-Weighted Assets and Total Risk-Based Capital at least equal to 11% of total Risk-Weighted Assets. The provisions of the Consent Agreements will remain effective until modified, terminated, superseded or set aside in writing by the FDIC and NY Banking Department, respectively.

Additionally, on June 22, 2010, Smithtown Bancorp entered into a Written Agreement with the Federal Reserve Bank of New York. The Written Agreement largely incorporates the provisions of the Consent Agreement with the FDIC and the Consent Order with the NY Banking Department. The Written Agreement similarly requires that Smithtown Bancorp obtain the approval of the FRB prior to paying a dividend.

Regulatory Agencies

Smithtown Bancorp is a legal entity separate and distinct from Bank of Smithtown and its other subsidiaries. As a bank holding company, Smithtown Bancorp is regulated under the BHC Act, and is subject to inspection, examination and supervision by the Board of Governors of the Federal Reserve System (Federal Reserve Board). Smithtown Bancorp is also under the jurisdiction of the Securities and Exchange Commission (SEC) and is subject to the disclosure and regulatory requirements of the Securities Act of 1933, as amended (Securities Act,) and the Securities Exchange Act of 1934, as amended (Exchange Act). Smithtown Bancorp common stock is listed on the NASDAQ Global Select Market under the trading symbol SMTB and is subject to the rules of the NASDAQ for listed companies.

Bank of Smithtown is organized as a New York State-chartered bank and is subject to extensive regulation and supervision by the NY Banking Department, as its chartering agency, and by the FDIC, as its insurer of deposits. Bank of Smithtown must file reports with the NY Banking Department and the FDIC concerning its activities and financial condition, in addition to obtaining regulatory approvals prior to entering into certain transactions such as mergers with, or acquisitions of, other depository institutions in which Bank of Smithtown would be the surviving entity. Furthermore, Bank of Smithtown is periodically examined by the NY Banking Department and the FDIC to assess compliance with various regulatory requirements, including safety and soundness considerations.

Smithtown Bancorp's insurance subsidiary is subject to regulation by the New York State Insurance Department.

Bank Holding Company Activities

In general, the BHC Act limits the business of bank holding companies to banking, managing or controlling banks and other activities that the Federal Reserve Board has determined to be so closely related to banking as to be a proper incident thereto. The BHC Act generally limits acquisitions by bank holding companies that are not qualified as financial holding companies to commercial banks and companies engaged in activities that the Federal Reserve Board has determined to be so closely related to banking as to be a proper incident thereto.

The BHC Act, the New York Banking Law (NY Banking Law) and other federal and state statutes regulate acquisitions of commercial banks. The BHC Act requires the prior approval of the Federal Reserve Board for the direct or indirect acquisition of more than 5.0% of the voting shares of a commercial bank or its parent holding company. In reviewing applications seeking approval of merger and acquisition transactions, the bank regulatory authorities will consider, among other things, the competitive effect and public benefits of the transactions, the capital position of the combined organization, the applicant's performance record under the Community Reinvestment Act of 1977, as amended (see the section captioned Community Reinvestment Act included elsewhere in this item) and fair housing laws and the effectiveness of the subject organizations in combating money-laundering activities. The NY Banking Law similarly regulates a change in control affecting Bank of Smithtown and generally requires prior approval of the New York State Banking Board before any

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action is taken that causes any company to acquire direct or indirect control of a banking institution that is organized in New York. For information concerning the specific regulatory requirements for completion of the merger with People's United, see "The Merger Agreement" Conditions to Compete the Merger .

Dividends

As a bank holding company, Smithtown Bancorp's principal source of funds is dividends from its subsidiaries. These funds are used to service Smithtown Bancorp's trust preferred debt obligations as well as to pay expenses and dividends on shares of Smithtown Bancorp's common stock. Under the NY Banking Law, a New York State-chartered stock-form bank may declare and pay dividends out of its net profits, unless there is an impairment of capital, but approval of the Superintendent of Banks is required if the total of all dividends declared in a calendar year would exceed the total of its net profits for that year combined with its retained net profits for the preceding two years less prior dividends paid. Federal bank regulatory agencies have the authority to prohibit Bank of Smithtown from engaging in unsafe or unsound practices in conducting its business. The payment of dividends or other transfers of funds to Smithtown Bancorp, depending on the financial condition of Bank of Smithtown, could be deemed to be an unsafe or unsound practice. Under the terms of the Consent Agreement, Bank of Smithtown is unable to pay dividends without the prior approval of the FDIC and NY Banking Department, and under the Written Agreement, Smithtown Bancorp is unable to pay dividends without the prior approval of the FRB.

In addition, Smithtown Bancorp and Bank of Smithtown are subject to other regulatory policies and requirements relating to the payment of dividends, including requirements to maintain adequate capital above regulatory minimums. The appropriate federal regulatory authority is authorized to determine, under certain circumstances relating to the financial condition of a bank holding company or a bank, that the payment of dividends would be an unsafe or unsound practice and to prohibit payment thereof. The appropriate federal regulatory authorities have indicated that paying dividends that deplete a bank's capital base to an inadequate level would be an unsafe and unsound banking practice and that banking organizations should generally pay dividends only out of current operating earnings.

Restriction on Transactions with Bank of Smithtown

There are various restrictions on Smithtown Bancorp's ability to borrow from, and engage in certain other transactions with, Bank of Smithtown. In general, these restrictions require that any extensions of credit must be secured by designated amounts of specified collateral and are limited, as to any one of Smithtown Bancorp or Smithtown Bancorp's non-bank subsidiaries, to 10% of Bank of Smithtown's capital stock and surplus, and, as to Smithtown Bancorp and all such non-bank subsidiaries in the aggregate, to 20% of Bank of Smithtown's capital stock and surplus.

Federal law also provides that extensions of credit and other transactions between Bank of Smithtown and Smithtown Bancorp or one of its non-bank subsidiaries must be on terms and conditions, including credit standards, that are substantially the same or at least as favorable to Bank of Smithtown as those prevailing at the time for comparable transactions involving other non-affiliated companies or, in the absence of comparable transactions, on terms and conditions, including credit standards, that in good faith would be offered to, or would apply to, non-affiliated companies.

Source of Strength Doctrine

Federal Reserve Board policy requires bank holding companies to act as a source of financial and managerial strength to their subsidiary banks. Under this policy, Smithtown Bancorp is expected to commit resources to support Bank of Smithtown, including at times when Smithtown Bancorp may not be in a financial position to provide such resources. Any capital loans by a bank holding company to any of its subsidiary banks are subordinate in right of payment to deposits and to certain other indebtedness of such subsidiary banks. The

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BHC Act provides that, in the event of a bank holding company's bankruptcy, any commitment by the bank holding company to a federal bank regulatory agency to maintain the capital of a subsidiary bank will be assumed by the bankruptcy trustee and entitled to priority of payment.

Capital Adequacy and Prompt Corrective Action

Banks and bank holding companies are subject to various regulatory capital requirements administered by state and federal banking agencies. Capital adequacy guidelines and, additionally for banks, prompt corrective action regulations, involve quantitative measures of assets, liabilities and certain off-balance-sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by regulators about components, risk weighting and other factors.

The Federal Reserve Board and the FDIC have substantially similar risk-based capital ratio and leverage ratio guidelines for banking organizations. The guidelines are intended to ensure that banking organizations have adequate capital given the risk levels of assets and off balance sheet financial instruments. Under the guidelines, banking organizations are required to maintain minimum ratios for Tier 1 capital and total capital (the sum of Tier 1, Tier 2 and Tier 3 capital described below) to risk-weighted assets (including certain off balance sheet items, such as letters of credit). For purposes of calculating the ratios, a banking organization's assets and some of its specified off balance sheet commitments and obligations are assigned to various risk categories. A depository institution's or holding company's capital, in turn, is classified in one of three tiers, depending on type:

Core Capital (Tier 1). Tier 1 capital includes common equity, retained earnings, qualifying non-cumulative perpetual preferred shares, a limited amount of qualifying cumulative perpetual stock at the holding company level, minority interests in equity accounts of consolidated subsidiaries and qualifying trust preferred securities, less goodwill, most intangible assets and certain other assets.

Supplementary Capital (Tier 2). Tier 2 capital includes, among other things, perpetual preferred shares and trust preferred securities not meeting the Tier 1 definition, qualifying mandatory convertible debt securities, qualifying subordinated debt and allowances for possible loan and lease losses, subject to limitations.

Market Risk Capital (Tier 3). Tier 3 capital includes qualifying unsecured subordinated debt.

Banks and bank holding companies currently are generally required to maintain Tier 1 capital and total capital equal to at least 4.0% and 8.0%, respectively, of their total risk-weighted assets (including various off balance sheet items, such as letters of credit). Banks are required to maintain similar capital levels under capital adequacy guidelines. For an organization to be considered well capitalized under the regulatory framework for prompt corrective action, its Tier 1 and total capital ratios must be at least 6.0% and 10.0% on a risk-adjusted basis, respectively, and its Tier 1 capital must be at least 5% of adjusted period end assets. However, pursuant to the Consent Agreement, as of June 30, 2010, Bank of Smithtown must maintain Tier 1 Capital at least equal to 7% of total assets, Tier 1 Risk-Based Capital at least equal to 9% of Total Risk-Weighted Assets and Total Risk-Based Capital at least equal to 11% of Total Risk-Weighted Assets. Bank of Smithtown is categorized as adequately capitalized for regulatory capital purposes, at June 30, 2010, with a Tier 1 Risk-Based Capital ratio of 6.54% and a Total Risk-Based Capital ratio of 9.31%. Since Bank of Smithtown was unable to meet the required capital ratios under the Consent Agreement, the Consent Agreement requires immediate notification to the FDIC and the NY Banking Department, and provides a 60-day period to either meet the ratios or submit a written plan describing the primary means and timing by which Bank of Smithtown shall meet or exceed the minimum requirements.

Bank holding companies and banks are also required to comply with minimum leverage ratio requirements. The leverage ratio is the ratio of a banking organization's Tier 1 capital to its total adjusted quarterly average assets (as defined for regulatory purposes). For an organization to be considered well capitalized under the

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regulatory framework for prompt corrective action, its leverage ratio must be at least 5.0%. At June 30, 2010, Bank of Smithtown's Tier 1 Leverage ratio was 4.97%.

The Federal Deposit Insurance Act, as amended (FDIA), requires, among other things, the federal banking agencies to take prompt corrective action in respect of depository institutions that do not meet minimum capital requirements. The FDIA sets forth the following five capital tiers: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized and critically undercapitalized. A depository institution's capital tier will depend upon how its capital levels compare with various relevant capital measures and certain other factors, as established by regulation. The relevant capital measures are the total capital ratio, the Tier 1 capital ratio and the leverage ratio.

Under the regulations adopted by the federal regulatory authorities, a bank will be: (1) well capitalized if the institution has a total risk-based capital ratio of 10.0% or greater, a Tier 1 risk-based capital ratio of 6.0% or greater, and a leverage ratio of 5.0% or greater, and is not subject to any order or written directive by any such regulatory authority to meet and maintain a specific capital level for any capital measure; (2) adequately capitalized if the institution has a total risk-based capital ratio of 8.0% or greater, a Tier 1 risk-based capital ratio of 4.0% or greater, and a leverage ratio of 4.0% or greater and is not well capitalized ; (3) undercapitalized if the institution has a total risk-based capital ratio that is less than 8.0%, a Tier 1 risk-based capital ratio of less than 4.0% or a leverage ratio of less than 4.0%; (4) significantly undercapitalized if the institution has a total risk-based capital ratio of less than 6.0%, a Tier 1 risk-based capital ratio of less than 3.0% or a leverage ratio of less than 3.0%; and (5) critically undercapitalized if the institution's tangible equity is equal to or less than 2.0% of average quarterly tangible assets. An institution may be downgraded to, or deemed to be in, a capital category that is lower than indicated by its capital ratios if it is determined to be in an unsafe or unsound condition or if it receives an unsatisfactory examination rating with respect to certain matters. As a result of the Consent Agreement and its leverage ratio, Bank of Smithtown is categorized as adequately capitalized for regulatory capital purposes. A bank's capital category is determined solely for the purpose of applying prompt corrective action regulations, and the capital category may not constitute an accurate representation of the bank's overall financial condition or prospects for other purposes.

The FDIA generally prohibits a depository institution from making any capital distributions (including payment of a dividend) or paying any management fee to its parent holding company if the depository institution would thereafter be undercapitalized. Undercapitalized institutions are subject to growth limitations and are required to submit a capital restoration plan. The agencies may not accept such a plan without determining, among other things, that the plan is based on realistic assumptions and is likely to succeed in restoring the depository institution's capital. In addition, for a capital restoration plan to be acceptable, the depository institution's parent holding company must guarantee that the institution will comply with such capital restoration plan. The aggregate liability of the parent holding company is limited to the lesser of (1) an amount equal to 5.0% of the depository institution's total assets at the time it became undercapitalized and (2) the amount that is necessary (or would have been necessary) to bring the institution into compliance with all capital standards applicable with respect to such institution as of the time it fails to comply with the plan. If a depository institution fails to submit an acceptable plan, it is treated as if it is significantly undercapitalized.

Significantly undercapitalized depository institutions may be subject to a number of requirements and restrictions, including orders to sell sufficient voting stock to become adequately capitalized, requirements to reduce total assets, and cessation of receipt of deposits from correspondent banks. Critically undercapitalized institutions are subject to the appointment of a receiver or conservator.

The federal regulatory authorities' risk-based capital guidelines are based upon the capital accords of the Basel Committee on Banking Supervision (the Basel Committee). The Basel Committee is a committee of central banks and bank supervisors/regulators from the major industrialized countries that develops broad policy guidelines for use by each country's supervisors in determining the supervisory policies they apply.

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On December 17, 2009, the Basel Committee issued a set of proposals (the "Capital Proposals") that would significantly revise the definitions of Tier 1 capital and Tier 2 capital, with the most significant changes being to Tier 1 capital. Most notably, the Capital Proposals would disqualify certain structured capital instruments, such as trust preferred securities, from Tier 1 capital status. The Capital Proposals would also re-emphasize that common equity is the predominant component of Tier 1 capital by adding a minimum common equity to risk-weighted assets ratio and requiring that goodwill, general intangibles and certain other items that currently must be deducted from Tier 1 capital instead be deducted from common equity as a component of Tier 1 capital. The Capital Proposals also leave open the possibility that the Basel Committee will recommend changes to the minimum Tier 1 capital and total capital ratios of 4.0% and 8.0%, respectively.

Concurrently with the release of the Capital Proposals, the Basel Committee also released a set of proposals related to liquidity risk exposure (the "Liquidity Proposals" and, together with the Capital Proposals, the "2009 Basel Committee Proposals"). The Liquidity Proposals have three key elements, including the implementation of (1) a "liquidity coverage ratio" designed to ensure that a bank maintains an adequate level of unencumbered, high-quality assets sufficient to meet the bank's liquidity needs over a 30-day time horizon under an acute liquidity stress scenario, (2) a "net stable funding ratio" designed to promote more medium- and long-term funding of the assets and activities of banks over a one-year time horizon and (3) a set of monitoring tools that the Basel Committee indicates should be considered as the minimum types of information that banks should report to supervisors and that supervisors should use in monitoring the liquidity risk profiles of supervised entities.

Comments on the 2009 Basel Committee Proposals were due on April 16, 2010, with the expectation that the Basel Committee will release a comprehensive set of proposals by December 31, 2010 and that final provisions will be implemented by December 31, 2012. The Basel Committee recently released details of the rules on capital and liquidity. The U.S. bank regulators had urged comment on the 2009 Basel Committee Proposals. Ultimate implementation of such proposals in the U.S. will be subject to the discretion of the U.S. bank regulators and the regulations or guidelines adopted by such agencies may, of course, differ from the 2009 Basel Committee Proposals and other proposals that the Basel Committee may promulgate in the future.

Deposit Insurance

Substantially all of Bank of Smithtown's deposits are insured up to applicable limits by the Deposit Insurance Fund ("DIF") of the FDIC. The DIF is the successor to the Bank Insurance Fund and the Savings Association Insurance Fund, which were merged in 2006. Under the FDIC's risk-based assessment system, insured institutions are assigned to one of four risk categories based on supervisory evaluations, regulatory capital levels and certain other factors, with less risky institutions paying lower assessments. An institution's assessment rate depends upon the category to which it is assigned. For 2009, assessments ranged from 12 to 45 basis points of assessable deposits. Due to losses incurred by the DIF in 2008 and 2009 from failed institutions, and anticipated future losses, the FDIC, pursuant to a restoration plan to replenish the fund, adopted an across the board seven basis point increase in the assessment range for the first quarter of 2009. The FDIC has adopted further refinements to its risk-based assessment effective April 1, 2009 and effectively set the range at 7 to 77.5 basis points. The FDIC may adjust the assessment scale uniformly from one quarter to the next, except that no adjustment can deviate more than three basis points from the base scale without notice and comment rulemaking.

The FDIC imposed on all insured institutions a special emergency assessment of five basis points of Bank of Smithtown's total assets minus Tier 1 capital as of June 30, 2009 in order to cover losses to the DIF. The special assessment was collected on September 30, 2009. The FDIC may impose additional emergency assessments in the future. Smithtown Bancorp's noninterest expense increased by \$1.076 million during the second quarter of 2009 as a result of the special assessment. Overall, deposit insurance costs for 2009 totaled \$4.576 million compared to deposit insurance costs of \$0.648 million during the same period in 2008. As a result of the Consent Agreement, Bank of Smithtown is assigned to a higher risk category and pays a higher rate for deposit insurance while the Consent Agreement is in effect. Deposit insurance costs for the first six months of 2010 totaled \$3.261

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million compared to \$1.271 million, excluding the special assessment of \$1.067 million, during the same period in 2009.

On November 12, 2009, the FDIC adopted a final rule amending the assessment regulations to require insured depository institutions to prepay their quarterly risk-based assessments on December 30, 2009 for the fourth quarter of 2009, and for all of 2010, 2011, and 2012, along with the institution's risk-based assessment for the third quarter of 2009. On its own initiative, the FDIC exempted certain institutions, including Bank of Smithtown, from the prepayment requirement.

Due to recent difficult economic conditions, deposit insurance per account owner has been raised to \$250,000 for all types of accounts through December 31, 2013. In addition, the FDIC adopted an optional Temporary Liquidity Guarantee Program under which, for a fee to participating depository institutions such as Bank of Smithtown, noninterest-bearing transaction deposit accounts, negotiable order of withdrawal (NOW) accounts paying less than 0.5% interest per annum and interest on lawyers trust accounts at participating institutions would receive unlimited insurance coverage until June 30, 2010. Also as part of this program, certain senior unsecured debt issued by participating institutions and their holding companies would temporarily be guaranteed by the FDIC.

On April 13, 2010, the FDIC approved an interim rule (finalized in June 2010) extending the Transaction Account Guarantee program (TAG Program), which offers deposit insurance on the entire amount of all noninterest bearing checking accounts through December 31, 2010. Bank of Smithtown has decided to continue its participation in the TAG Program through this latest extension period.

On July 21, 2010, President Obama signed into law the Dodd-Frank Wall Street Reform and Consumer Protection Act that makes permanent the \$250,000 limit for federal deposit insurance and provides unlimited federal deposit insurance until January 1, 2013, for non-interest bearing demand transactions accounts at all insured depository institutions.

Insurance of deposits may be terminated by the FDIC upon a finding that the institution has engaged in unsafe or unsound practices, is in an unsafe or unsound condition to continue operations or has violated any applicable law, regulation, rule, order or condition imposed by the FDIC. The management of Bank of Smithtown does not know of any practice, condition or violation that might lead to termination of deposit insurance.

Depositor Preference

The FDIA provides that, in the event of the liquidation or other resolution of an insured depository institution, the claims of depositors of the institution, including the claims of the FDIC as subrogee of insured depositors, and certain claims for administrative expenses of the FDIC as a receiver, will have priority over other general unsecured claims against the institution. If an insured depository institution fails, insured and uninsured depositors, along with the FDIC, will have priority in payment ahead of unsecured, non-deposit creditors, including the parent bank holding company, with respect to any extensions of credit they have made to such insured depository institution.

Community Reinvestment Act

The Community Reinvestment Act of 1977, as amended (CRA) requires depository institutions to assist in meeting the credit needs of their market areas consistent with safe and sound banking practice. Under the CRA, each depository institution is required to help meet the credit needs of its market areas by, among other things, providing credit to low and moderate income individuals and communities. Depository institutions are periodically examined for compliance with the CRA and are assigned ratings. Banking regulators take into account CRA ratings when considering approval of a proposed transaction.

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Bank of Smithtown is also subject to the provisions of the NY Banking Law, which impose continuing and affirmative obligations upon a banking institution organized in New York to serve the credit needs of its local community (the NYCRA). Such obligations are substantially similar to those imposed by the CRA. The NYCRA requires the NY Banking Department to make a periodic written assessment of an institution's compliance with the NYCRA, utilizing a four-tiered rating system, and to make such assessment available to the public. The NYCRA also requires the Superintendent of Banks to consider the NYCRA rating when reviewing an application to engage in certain transactions, including mergers, asset purchases, and the establishment of branch offices or ATMs, and provides that such assessment may serve as a basis for the denial of any such application. As of December 31, 2009, Bank of Smithtown's CRA and NYCRA ratings were satisfactory.

Financial Privacy

In accordance with the Gramm-Leach-Bliley Financial Modernization Act of 1999 (GLB Act), federal banking regulators adopted rules that limit the ability of banks and other financial institutions to disclose non-public information about consumers to non-affiliated third parties. These limitations require disclosure of privacy policies to consumers and, in some circumstances, allow consumers to prevent disclosure of certain personal information to a non-affiliated third party. The privacy provisions of the GLB Act affect how consumer information is transmitted through diversified financial companies and conveyed to outside vendors.

Anti-Money Laundering and the USA Patriot Act

A major focus of governmental policy on financial institutions in recent years has been aimed at combating money laundering and terrorist financing. The USA PATRIOT Act of 2001 (the USA Patriot Act) substantially broadened the scope of United States anti-money laundering laws and regulations by imposing significant new compliance and due diligence obligations, creating new crimes and penalties and expanding the extra-territorial jurisdiction of the United States. The United States Treasury Department has issued and, in some cases, proposed a number of regulations that apply various requirements of the USA Patriot Act to financial institutions such as Bank of Smithtown. These regulations impose obligations on financial institutions to maintain appropriate policies, procedures and controls to detect, prevent and report money laundering and terrorist financing and to verify the identity of their customers. Certain of those regulations impose specific due diligence requirements on financial institutions that maintain correspondent or private banking relationships with non-U.S. financial institutions or persons. Failure of a financial institution to maintain and implement adequate programs to combat money laundering and terrorist financing, or to comply with all the relevant laws or regulations, could have serious legal and reputational consequences for the institution.

Office of Foreign Assets Control Regulation

The United States has imposed economic sanctions that affect transactions with designated foreign countries, nationals and others. These are administered by the U.S. Treasury Department Office of Foreign Assets Control (OFAC). The OFAC-administered sanctions targeting countries take many different forms. Generally, however, they contain one or more of the following elements: (1) restrictions on trade with or investment in a sanctioned country, including prohibitions against direct or indirect imports from and exports to a sanctioned country and prohibitions on U.S. persons engaging in financial transactions relating to making investments in, or providing investment-related advice or assistance to, a sanctioned country; and (2) a blocking of assets in which the government or specially designated nationals of the sanctioned country have an interest by prohibiting transfers of property subject to U.S. jurisdiction (including property in the possession or control of U.S. persons). Blocked assets (e.g., property and bank deposits) cannot be paid out, withdrawn, set off or transferred in any manner without a license from OFAC. Failure of a financial institution to comply with these sanctions could have serious legal and reputational consequences for the institution.

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The Dodd-Frank Wall Street Reform and Consumer Protection Act

On July 21, 2010, President Obama signed into law the sweeping financial regulatory reform act entitled the Dodd-Frank Wall Street Reform and Consumer Protection Act that implements far-reaching changes to the regulation of the financial services industry, including provisions that, among other things will:

Centralize responsibility for consumer financial protection by creating a new agency responsible for implementing, examining and enforcing compliance with federal consumer financial laws.

Apply the same leverage and risk-based capital requirements that apply to insured depository institutions to bank holding companies.

Require the FDIC to seek to make its capital requirements for banks such as Bank of Smithtown countercyclical so that the amount of capital required to be maintained increases in times of economic expansion and decreases in times of economic contraction.

Change the assessment base for federal deposit insurance from the amount of insured deposits to consolidated assets less tangible capital.

Implement corporate governance revisions, including with regard to executive compensation and proxy access by stockholders, that apply to all public companies, not just financial institutions.

Make permanent the \$250,000 limit for federal deposit insurance and increase the cash limit of Securities Investor Protection Corporation protection from \$100,000 to \$250,000, and provide unlimited federal deposit insurance until January 1, 2013, for non-interest bearing demand transaction accounts at all insured depository institutions.

Repeal the federal prohibitions on the payment of interest on demand deposits, thereby permitting depository institutions to pay interest on business transaction and other accounts.

Increase the authority of the Federal Reserve to examine Smithtown Bancorp and its non-bank subsidiaries.

Many aspects of the act are subject to rulemaking and will take effect over several years, making it difficult to anticipate the overall financial impact on Smithtown Bancorp, its customers or the financial industry more generally. Provisions in the legislation that affect deposit insurance assessments and payment of interest on demand deposits could increase the costs associated with deposits as well as place limitations on certain revenues those deposits may generate.

Legislative Initiatives

From time to time, various legislative and regulatory initiatives are introduced in Congress and state legislatures, as well as by regulatory agencies. Such initiatives may include proposals to expand or contract the powers of bank holding companies and depository institutions or proposals to substantially change the financial institution regulatory system. Such legislation could change banking statutes and the operating environment of Bank of Smithtown in substantial and unpredictable ways. If enacted, such legislation could increase or decrease the cost of doing business, limit or expand permissible activities or affect the competitive balance among banks, savings associations, credit unions, and other financial institutions. Smithtown Bancorp cannot predict whether any additional legislation will be enacted, and, if enacted, the effect that it, or any implementing regulations, would have on Smithtown Bancorp's financial condition or results of operations. A change in statutes, regulations or regulatory policies applicable to Smithtown Bancorp or any of Smithtown Bancorp's subsidiaries could have a material effect on Smithtown Bancorp's business.

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Description of Smithtown Bancorp Properties

Smithtown Bancorp itself owns no physical properties. Corporate headquarters of Smithtown Bancorp are located at 100 Motor Parkway, Suite 160, Hauppauge, NY 11788 in space leased by Bank of Smithtown. Bank of Smithtown occupies an additional 30 locations in New York. Bank of Smithtown's main office is located at 1 East Main Street, Smithtown, NY, which it owns in fee. Bank of Smithtown also owns in fee a training center at 17 Bank Avenue, Smithtown, NY and three branch locations in East Northport, Hauppauge, and Setauket. The remaining locations are branches held under operating lease agreements. Management believes that the physical facilities are suitable and adequate and at present are being fully utilized. Bank of Smithtown is obligated under three additional operating lease agreements in New York for branches under development in Hicksville, Brentwood and Bayport.

Smithtown Bancorp's Legal Proceedings

On February 25, 2010 and March 29, 2010, Smithtown Bancorp and several of its officers and its directors were named in two lawsuits commenced in United States District Court, Eastern District of New York on behalf of a putative class of all persons and entities who purchased Smithtown Bancorp'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 Bancorp'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.

On April 26, 2010, the Plaintiffs in the February 25, 2010 action moved to consolidate their action with the action filed on March 29, 2010, to have itself appointed lead plaintiff in the consolidated action and to obtain approval of its selection of lead counsel. The motion is currently pending.

On April 22, 2010, an action was commenced in New York State Supreme Court, Kings County by Robert I. Toussie against Smithtown Bancorp and several of its officers. The complaint alleges claims for fraud and aiding and abetting fraud based upon, among other things, the plaintiff's allegation that during 2008 and 2009, one or more defendants made material misrepresentations and incomplete statements to the plaintiff concerning Smithtown Bancorp's loan losses, delinquent loans, capitalization, quarterly earnings and financial soundness. The complaint seeks compensatory and punitive damages against the defendants.

On May 12, 2010, the defendants removed the April 22, 2010 action to the United States District Court for the Eastern District of New York. The defendants notified the court that the action was related to the February 25, 2010 and March 29, 2010 actions. On June 1, 2010, the plaintiff moved to remand the action back to State court. The defendants filed an opposition to the plaintiff's remand motion on June 15, 2010, and the plaintiff filed his reply on June 22, 2010. The plaintiff's remand motion has been assigned to a magistrate judge and is currently pending.

On July 20, 2010, the first of six putative class action lawsuits was filed against, among others, Smithtown Bancorp, People's United and the members of Smithtown Bancorp's board of directors, concerning the recently announced proposed acquisition of Smithtown Bancorp. Five of these suits have been filed in New York State Supreme Court, Suffolk County, and one has been filed in United States District Court, Eastern District of New York. The complaints allege that the members of the board of directors breached their fiduciary duty by causing Smithtown Bancorp to agree to the proposed acquisition, and that Smithtown Bancorp aided and abetted those alleged breaches of duty. The complaint in the suit filed in federal court also alleges violations of federal securities laws. The complaints seek, among other relief, an order enjoining the consummation of the proposed acquisition and rescinding the acquisition agreement.

Smithtown Bancorp and the individual defendants intend to vigorously defend all aspects of these actions.

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Management's Discussion and Analysis of Financial Condition and Results of Operations June 30, 2010

This discussion and analysis should be read in conjunction with the Company's consolidated financial statements as of June 30, 2010, notes thereto and other financial information appearing elsewhere in this proxy statement/prospectus. Dollar amounts are in thousands except per share data.

Overview

The Company recorded a net loss for the second quarter of 2010 of \$29,214, or \$1.97 per fully diluted share. The net loss for the first six months of 2010 was \$42,983, or \$2.90 per fully diluted share. Net charge-offs and additional specific allocations added to the allowance for loan losses on impaired loans, especially in Bank of Smithtown's land and construction portfolio, led to a provisions for loan losses of \$27,500 and \$52,500 for the three and six month periods ended June 30, 2010. After net charge-offs of \$20,722 and \$32,975 during the quarter and six months ended June 30, 2010, the allowance for loan losses at June 30, 2010 totaled \$57,999, or 2.93%, of total loans. Nonperforming loans at June 30, 2010 were \$227,502, or 11.50% of total loans. At December 31, 2009, nonperforming loans were \$130,172, or 6.23%, of total loans.

One new branch was opened during the second quarter and three new branch projects remain under development with expected completion dates between the end of 2010 and the first quarter of 2011. These locations have FDIC and NY Banking Department approval to establish a branch and Bank of Smithtown is obligated under lease agreements. The board of directors and management believe the expanding branch network continues to add to the franchise value of the Company.

On June 22, 2010, the Company entered into a Written Agreement with the FRB. The Written Agreement is in addition to the Consent Agreement and similarly requires that the Company obtain the approval of the FRB prior to paying a dividend.

During the first six months of 2010, Bank of Smithtown made the following progress in complying with the Consent Agreement provisions:

- i. Bank of Smithtown submitted to the FDIC and NY Banking Department a revised lending policy to provide additional guidance and control over the lending functions.
- ii. Bank of Smithtown submitted to the FDIC and NY Banking Department a revised independent loan review policy and program. The policy and program are sufficiently comprehensive to assess risks in Bank of Smithtown's lending and to minimize credit losses.
- iii. Bank of Smithtown has eliminated from its books all assets or portions of assets classified as Loss.
- iv. Bank of Smithtown completed and submitted to the FDIC and NY Banking Department a plan for systematically reducing and monitoring its commercial real estate (CRE) loan concentration of credit to an amount, which is commensurate with Bank of Smithtown's business strategy, management expertise, size and location.
- v. Bank of Smithtown completed and submitted to the FDIC and NY Banking Department a plan to reduce assets classified Doubtful and Substandard.
- vi. Bank of Smithtown completed and submitted to the FDIC and NY Banking Department a profit plan and comprehensive budget for all categories of income and expense for the calendar year 2010.
- vii. Bank of Smithtown provided updated plans and forecasts based on the known information at the time to the FDIC and NY Banking Department regarding Smithtown Bancorp's capital requirements.

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Bank of Smithtown was not successful at meeting the capital ratios in the Consent Agreement of Tier 1 Capital at least equal to 7% of total assets, Tier 1 Risk-Based Capital at least equal to 9% of Total Risk-Weighted Assets and Total Risk-Based Capital at least equal to 11% of Total Risk-Weighted Assets by June 30, 2010.

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Since Bank of Smithtown was unable to meet the required capital ratios, the Consent Agreement requires immediate notification to the FDIC and NY Banking Department and provides a 60 day period to either meet the ratios or to submit a written plan describing the primary means and timing by which Bank of Smithtown shall meet or exceed the minimum requirements, as well as a contingency plan for the sale or merger of Bank of Smithtown in the event the primary sources of capital are not available. Bank of Smithtown has notified the FDIC and NY Banking Department of the merger agreement.

Cash dividends will remain suspended and the Company will continue to defer interest payments on its trust preferred securities. Dividends cannot be paid to common stockholders until all deferred interest payments on the trust preferred securities are brought current.

The merger agreement with People's United, described above, imposes significant restrictions on the Company's operations until the completion of the merger.

On April 13, 2010, the FDIC approved an interim rule (finalized in June 2010) extending the Transaction Account Guarantee Program (TAG Program), which offers deposit insurance on the entire amount of all noninterest bearing checking accounts through December 31, 2010. Bank of Smithtown has decided to continue its participation in the TAG Program through this latest extension period.

Net Income (Loss)

The net loss for the quarter ended June 30, 2010 totaled \$29,214, or \$1.97 per diluted share, while net income for the quarter ending June 30, 2009 totaled \$3,413, or \$0.26 per diluted share. Significant trends for the second quarter of 2010 include: (i) a \$25,700, or 1,427.77%, increase in the provision for loan losses; (ii) a \$1,623, or 9.95%, increase in net interest income; (iii) a \$418, or 21.48%, increase in total noninterest income; (iv) a \$4,627, or 41.26%, increase in total noninterest expense and (v) a \$4,341, or 237.99%, increase in the provision for income taxes.

The net loss for the six months ended June 30, 2010 totaled \$42,983, or \$2.90 per diluted share, while net income for the same period in 2009 totaled \$7,029, or \$0.56 per diluted share. Significant trends for the first six months of 2010 include: (i) a \$49,500, or 1,650.00%, increase in the provision for loan losses; (ii) a \$7,504, or 25.21%, increase in net interest income; (iii) a \$76, or 1.61%, increase in total noninterest income; (iv) a \$8,742, or 42.43%, increase in total noninterest expense and (v) a \$650, or 16.84%, decrease in the provision for income taxes.

Net Interest Income

Net interest income, the primary contributor to earnings, represents the difference between income on interest earning assets and expense on interest bearing liabilities. Net interest income depends upon the volume of interest earning assets and interest bearing liabilities and the interest rates earned or paid on them.

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The following table sets forth certain information relating to the Company's average consolidated statements of financial condition and its consolidated statements of income for the periods indicated and reflects the average yield on assets and average cost of liabilities for the periods indicated. Interest income on investment securities is shown on a tax equivalent (TE) basis. Interest income on nontaxable investment securities depicted below have been grossed up by .54 to estimate the TE yield. Yields and costs are derived by dividing income or expense by the average balance of assets or liabilities, respectively, for the periods shown. Average balances are derived from daily average balances and include nonaccrual loans, if any. The yields and costs include fees, which are considered adjustments to yields.

	For the three months ended June 30, 2010			For the three months ended June 30, 2009		
	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate
ASSETS						
Interest earning assets:						
Investment securities:						
Taxable	\$ 149,781	\$ 1,409	3.76%	\$ 123,207	\$ 843	2.74%
Nontaxable	60,051	769	5.12	16,598	226	5.45
Total investment securities	209,832	2,178	4.15	139,805	1,069	3.06
Loans	2,020,825	26,213	5.19	1,902,130	28,043	5.90
Interest earning deposits with banks	28,498	22	0.31	64,002	40	0.25
Other interest earning assets	18,386	190	4.13	32,468	226	2.78
Total interest earning assets	2,277,541	28,603	5.02	2,138,405	29,378	5.50
Noninterest earning assets:						
Cash and cash equivalents	20,479			21,509		
Other assets	77,371			78,341		
Total assets	\$ 2,375,391			\$ 2,238,255		
LIABILITIES AND STOCKHOLDERS' EQUITY						
Liabilities						
Interest bearing liabilities:						
Savings, NOW and money market deposits	\$ 893,302	\$ 2,148	0.96%	\$ 794,931	\$ 3,520	1.78%
Time deposits of \$100,000 or more	428,043	2,652	2.49	405,834	3,612	3.57
Other time deposits	386,238	2,468	2.56	397,073	3,121	3.15
Other borrowings	320,375	2,118	2.64	327,222	2,262	2.77
Subordinated debt	56,476	1,018	7.21	38,939	477	4.90
Total interest bearing liabilities	2,084,434	10,404	2.00	1,963,999	12,992	2.65
Noninterest bearing liabilities:						
Demand deposits	148,820			121,449		
Other liabilities	16,630			13,325		
Total liabilities	2,249,884			2,098,773		
Stockholders' equity	125,507			139,482		
Total liabilities and stockholders' equity	\$ 2,375,391			\$ 2,238,255		
Net interest income (TE)/interest rate spread		\$ 18,199	3.02%		\$ 16,386	2.85%
Net interest earning assets/net interest margin	\$ 193,107		3.19%	\$ 174,406		3.06%

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Less: tax equivalent adjustment	270	80
Net interest income	\$ 17,929	\$ 16,306

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	For the six months ended June 30, 2010			For the six months ended June 30, 2009		
	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate
ASSETS						
Interest earning assets:						
Investment securities:						
Taxable	\$ 175,377	\$ 3,426	3.91%	\$ 96,895	\$ 1,706	3.52%
Nontaxable	60,231	1,542	5.12	10,662	300	5.63
Total investment securities	235,608	4,968	4.22	107,557	2,006	3.73
Loans	2,058,095	54,030	5.25	1,820,570	53,542	5.89
Interest earning deposits with banks	31,269	40	0.26	89,036	127	0.29
Other interest earning assets	18,247	434	4.76	24,278	307	2.53
Total interest earning assets	2,343,219	59,472	5.08	2,041,441	55,982	5.49
Noninterest earning assets:						
Cash and cash equivalents	20,962			20,582		
Other assets	76,572			76,581		
Total assets	\$ 2,440,753			\$ 2,138,604		
LIABILITIES AND STOCKHOLDERS' EQUITY						
Liabilities						
Interest bearing liabilities:						
Savings, NOW and money market deposits	\$ 928,810	\$ 4,663	1.01%	\$ 708,502	\$ 6,649	1.89%
Time deposits of \$100,000 or more	452,029	5,538	2.47	399,069	6,711	3.39
Other time deposits	375,202	5,181	2.78	406,008	7,268	3.61
Other borrowings	333,775	4,250	2.55	326,853	4,486	2.77
Subordinated debt	56,435	2,026	7.18	38,888	993	5.11
Total interest bearing liabilities	2,146,251	21,658	2.03	1,879,320	26,107	2.80
Noninterest bearing liabilities:						
Demand deposits	149,368			115,567		
Other liabilities	11,553			13,304		
Total liabilities	2,307,172			2,008,191		
Stockholders' equity	133,581			130,413		
Total liabilities and stockholders' equity	\$ 2,440,753			\$ 2,138,604		
Net interest income (TE)/interest rate spread		\$ 37,814	3.05%		\$ 29,875	2.69%
Net interest earning assets/net interest margin	\$ 196,968		3.22%	\$ 162,121		2.92%
Less: tax equivalent adjustment		541			106	
Net interest income		\$ 37,273			\$ 29,769	

Smithtown Bancorp's net interest margin increased 13 basis points during the quarter ended June 30, 2010 compared to the same period last year. Loan yields decreased 71 basis points, primarily the result of nonperforming loans, causing a decrease in the average yield on total interest earning assets of 48 basis points, or 8.73%. The lower yields on interest earning assets were more than offset by lower interest expense on interest bearing liabilities. The average rate on interest bearing liabilities decreased 65 basis points in the first quarter of 2010 from the first quarter of 2009, a 24.53% drop. Net interest income increased \$1,813, or 11.06%, to \$17,929 in the second quarter of 2010 compared to \$16,306 in second quarter of 2009.

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Smithtown Bancorp's net interest margin increased 30 basis points during the six months ended June 30, 2010 compared to the same period last year. Asset yields were lower by 41 basis points resulting largely from loans yields being down 64 basis points due to the continued high level of nonperforming loans. All deposit categories benefited from a lower cost of funds due to the continued low rate environment. The average rate on interest bearing liabilities decreased 77 basis points in the first six months of 2010 from the first six months of 2009, a 27.50% drop. Net interest income increased \$7,504, or 25.21%, in the six-month period of 2010 compared to the same period of 2009.

Asset Quality

The table below sets forth the amounts and categories of Bank of Smithtown's nonperforming assets, including troubled debt restructurings (See Note 5), at the dates indicated.

	At June 30, 2010	At December 31, 2009
Nonaccrual loans:		
Real estate loans:		
Land and construction	\$ 101,755	\$ 52,590
Commercial	80,717	57,026
Multifamily	29,192	7,870
Residential	13,370	9,575
Commercial and industrial loans	2,460	3,097
All other loans (including overdrafts)	8	14
Total nonaccrual loans	\$ 227,502	\$ 130,172
Loans past due 90 days and still accruing		
Total nonperforming loans	\$ 227,502	\$ 130,172
Other nonperforming assets:		
Other real estate owned	\$ 1,130	\$ 2,013
Total nonperforming assets	\$ 228,632	\$ 132,185
Total nonperforming loans to total loans	11.50%	6.23%
Total nonperforming assets to total assets	9.91%	5.02%
Allowance for loan losses to total nonperforming loans	25.49%	29.56%

The following table sets forth certain types of loans which management believes to be considered higher risk loans because of the lack of principal amortization, a collateral position subordinate to another creditor, or increased defaults due to slowdowns in the construction and real estate sales sector during the economic recession. The table quantifies their respective percentage of the Bank of Smithtown's total loans, the total allowance for loan losses balance specifically allocated to these loans and the level of nonperforming loans within these categories.

June 30, 2010	Amount	Percentage of Loan Portfolio	Total Specific Allocation	Nonperforming Loans
Interest only land and construction loans	\$ 331,565	16.76%	\$ 11,345	\$ 97,786
Interest only commercial mortgages	38,065	1.93	1,463	4,230
Interest only residential mortgages and home equity lines	28,672	1.45		1,145
Interest only commercial loans	27,773	1.40		2,046
Interest only consumer loans	551	0.03		

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Total	\$ 426,626	21.57%	\$ 12,808	\$ 105,207
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The following table describes the activity in the allowance for loan losses account followed by a key loan ratio for the periods ended:

	For the six months ended June 30, 2010	For the six months ended June 30, 2009
Allowance for loan losses at beginning of period	\$ 38,483	\$ 11,303
Charge-offs:		
Commercial	2,086	240
Real estate:		
Land and construction	20,361	
Commercial	8,118	
Multifamily	2,484	
Consumer	56	92
Total	33,105	332
Recoveries:		
Commercial	2	121
Real estate:		
Land and construction	5	
Commercial	36	
Multifamily	52	
Consumer	26	17
Total	121	138
Net charge-offs	(32,984)	(194)
Provision for loan losses	52,500	3,000
Allowance for loan losses at end of period	\$ 57,999	\$ 14,109
Ratio of net charge-offs during period to average loans outstanding (annualized)	3.21%	0.02%

Allocation of Allowance for Loan Losses

The following table sets forth the allocation of the Bank of Smithtown's allowance for loan losses by loan category and the percentage of loans in each category to total loans at the date indicated. The portion of the loan loss allowance allocated to each loan category does not represent the total available for future losses, which may occur within the loan category since the total loan loss allowance is a valuation allocation applicable to the entire loan portfolio.

	June 30, 2010		December 31, 2009	
	Amount	Percentage of Loans to Total Loans	Amount	Percentage of Loans to Total Loans
Commercial	\$ 1,429	2.2%	\$ 1,883	3.1%
Real estate	52,006	97.7	35,802	96.8
Consumer and other	142	0.1	138	0.1
Unallocated	4,422	0.0	660	
Total	\$ 57,999	100.0%	\$ 38,483	100.0%

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Bank of Smithtown made a \$52,500 provision for loan losses for the six-month period ended June 30, 2010. Bank of Smithtown received a number of updated appraisals on impaired loans during the first six months of 2010 that demonstrated a continued trend of declining values from the original appraisals. These new appraisals were largely responsible for the increase in specific allocations on impaired loans of \$8,924. Net loan charge-offs totaled \$32,984 during the first six months of 2010, a significant increase from \$194 during the same period last year. The general allocation portion of the allowance for loan losses has been adjusted to account for the higher historical charge-offs. For example, the general allocation for commercial mortgages has increased to 102 basis points at June 30, 2010 from 52 basis points at December 31, 2009 and the general allocation on multifamily mortgages has increased to 105 basis points from 40 basis points over the same period. The general allocation on the loan and construction portfolio increased to 432 basis points at June 30, 2010 from 350 basis points at December 31, 2009.

Nonperforming loans totaled \$227,502, or 11.50%, of total loans as of June 30, 2010, as compared to \$130,172, or 6.23%, as of December 31, 2009. Nonperforming loans include \$28,832 of restructured loans that are in nonaccrual status. In addition, delinquent loans increased as loans 30-89 days past due totaled \$48,042, or 2.43%, of total loans at June 30, 2010 compared to \$20,756, or .99%, of total loans at December 31, 2009.

The ratio of the allowance for loan losses to total nonperforming loans as of June 30, 2010 and December 31, 2009 was 25.49% and 29.56%, respectively. The ratio of the allowance for loan losses to total loans increased to 2.93% at June 30, 2010 from 1.84% at December 31, 2009. Annualized net charge-offs for the first six months of 2010 totaled 3.21% of average total loans. Net charge-offs for 2009 were 1.22% of average total loans.

Noninterest Income

Noninterest income increased \$418, or 21.48%, and \$76, or 1.61%, for the three and six months ended June 30, 2010, respectively, over the comparable periods in 2009. Total noninterest income was reduced \$85 due to the net loss on other-than-temporary-impairment (OTTI) recognized in earnings during the quarter and \$580 for the first six months of 2010. Gross revenues from Bank of Smithtown's insurance subsidiary decreased \$76, or 7.97%, and \$158, or 8.43%, for first three and six months of 2010, respectively, as premiums and corresponding commissions are down as a result of the soft insurance market. Service charge income increased 15.79% for the quarter and 12.70% for the first six months of 2010, due to an increased volume of transaction accounts resulting from branch expansion efforts during 2009. Income from trust and investment management services decreased \$42, or 21.65%, for the quarter to date and increased \$22, or 6.73% for the year to date, due to efforts to move deposit relationships off the balance sheet and into alternative investment products to meet the requirements of the Consent Agreement, offset by efforts to reduce assets under management as Bank of Smithtown moves toward offering limited trust services. Other noninterest income increased \$243, or 62.95%, and \$354, or 39.25%, for the three and six month periods ended June 30, 2010, respectively, mainly the result of ATM and debit card transaction fees and loan fees generated from renewals.

Noninterest Expense

Noninterest expense increased \$4,627, or 41.26%, and \$8,742, or 42.43%, for the three and six months ended June 30, 2010, respectively, as compared to the same periods in 2009. Bank of Smithtown's Federal deposit insurance decreased \$194, or 10.80%, during the second quarter of 2010, as the higher risk based insurance premiums Bank of Smithtown paid in the second quarter of 2010 were less than the regular premiums and special assessment expensed in the second quarter of 2009. Year to date, FDIC insurance premiums have increased \$914, or 38.94%. Occupancy and equipment expense increased \$924, or 33.24%, and \$2,347, or 43.80%, for the quarter and year to date, consistent with the 50% increase in branch locations during 2009. Salary and employee benefits increased \$78, or 1.49%, and \$513, or 5.11%, for the three and six months ended June 30, 2010, respectively, mainly the result of the new branch locations offset by no accruals for incentive compensation due to net losses. Other noninterest expenses increased \$3,848, or 294.41%, and \$5,027, or

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188.28%, due to costs attributed to the impaired loan portfolio such as legal fees, collection expenses, real estate taxes and insurance for properties in foreclosure. Other added costs in other noninterest expenses include expenses attributed to meeting the terms of the Consent Agreement and legal fees associated with defending various lawsuits.

Income Tax Expense/Benefit

The Company had income tax expense for the three months ended June 30, 2010 of \$6,165. Due to an operating loss before taxes for the quarter of \$23,049, there was a gross income tax benefit of \$9,535 offset by a valuation allowance on the Company's deferred tax asset of \$15,700. For the six months ended June 30, 2010, the Company had income tax expense of \$3,209. Due to an operating loss before taxes of \$39,774, there was a gross income tax benefit was \$16,591 offset by a valuation allowance on the Company's deferred tax asset of \$19,800. An assessment of the Company's deferred tax asset before valuation allowance at June 30, 2010 of \$27,970, led to the decision to record the additional valuation allowance. Based on the Company's operating losses over the past three quarters, the ability to realize the full benefits of the deferred tax asset has become further impaired. In determining the need for and the amount of a valuation allowance management considered the Company's ability to realize carry back benefits of the current losses as well as the ability to realize future tax benefits based on tax planning strategies that are feasible and could be implemented. The Company evaluates the need for a valuation allowance for its deferred tax asset on a quarterly basis.

Financial Condition

Total assets were \$2,307,172 at June 30, 2010, a decrease of \$327,758, or 12.44%, from the previous year-end. This decrease in assets was driven predominantly by a decrease in loans, including loans held for sale, of \$129,259, or 6.13%, and investments of \$188,086, or 47.34%. The shrinking of the balance sheet was in reaction to the no growth provision and capital requirements of the Consent Agreement. Deposits have decreased by \$251,230, or 12.11%, mainly through pricing to retain multiple service customers and let go single service certificate of deposit customers.

The decrease in loans during the first six months of 2010 included the sale, or pay off, of \$81,803 of problem real estate loans. In the course of these resolutions, Bank of Smithtown recovered \$63,999 of principal and charged off \$17,804, representing a loss rate of approximately 21.76%. These resolutions, however, were offset by the movement of some loans previously identified at December 31, 2009 as impaired loans into the nonperforming loan category, as well as some new impaired loans in 2010.

Loans

Bank of Smithtown's loan portfolio consists mainly of real estate loans secured by commercial and residential properties located primarily within Bank of Smithtown's market area of Long Island, the five boroughs of New York City and the greater metropolitan area. Most classifications of loans had decreases from the prior year-end. Land and construction loans decreased by \$35,877, or 11.29%, as Bank of Smithtown continued to look to reduce its exposure in this loan category. Commercial real estate loans declined by \$60,085, or 6.03%, and combined with the decrease on land and construction loans represents the bulk of Bank of Smithtown's progress in reducing its CRE loan exposure as per the terms of the Consent Agreement.

With 97.71% of Bank of Smithtown's loan portfolio secured by real estate, the portfolio is subject to additional risk of significant additional losses due to the downturn in the real estate market. The effects of the economic recession, especially commercial real estate difficulties, took, and will continue to take, a significant toll on Smithtown Bancorp's portfolio. The land and construction portfolio, in particular speculative construction, was impacted to the greatest degree resulting in charge-offs well above historical rates.

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The following table sets forth the major classifications of loans:

	June 30, 2010	December 31, 2009
Real estate:		
Land and construction	\$ 317,895	\$ 353,772
Commercial	937,012	997,097
Multifamily	471,084	478,840
Residential	210,041	214,548
Agricultural		
Commercial and industrial loans	43,667	48,625
Loans to individuals for household, family and other personal expenditures	1,252	1,740
All other loans (including overdrafts)	418	342
Less: Net deferred loan fees	3,282	4,068
Total loans	\$ 1,978,087	\$ 2,090,896

Nonaccrual, Past Due and Restructured Loans

The following table sets forth Bank of Smithtown's nonaccrual, contractually past due and restructured loans:

	June 30, 2010	December 31, 2009
Nonaccrual loans	\$ 227,502	\$ 130,172
Trouble Debt Restructured loans	53,124	47,633

The amount of gross interest income that would have been recorded in 2010 on nonaccrual and restructured loans if the loans had been current in accordance with their original terms was \$8,730. The amount of interest income that was recorded in 2010 on nonaccrual and restructured loans was \$2,595.

A loan is moved to nonaccrual status at 90 days past due unless the loan is both well secured and in the process of collection. All interest accrued but not received for loans placed on nonaccrual is reversed against interest income. Interest received on such loans is accounted for on a cash basis, until qualifying for return to accrual status. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Impaired loans of \$298,234 less nonaccrual loans of 227,502, represents \$70,732 of impaired loans that are still performing, which management believes it is probable Bank of Smithtown will be unable to collect all amounts due according to the contractual terms of the loan agreement. In addition to loans identified as impaired that are still performing, there is a total of \$103,864 of loans that are not considered impaired, where management has serious doubts as to the ability of the borrowers to comply with the present loan repayment terms. Potential problem loans are the sum of the \$70,732 and \$103,864 above, or \$174,596.

Securities

Securities totaled \$209,254 at June 30, 2010, down 47.34% from \$397,340 at December 31, 2009. Sales and principal payments of government sponsored entity and agency mortgage-backed securities used to offset the decrease in deposits caused the reduction.

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The following schedule presents the estimated fair value for securities available for sale and the amortized cost for securities held to maturity as detailed in the Company's balance sheets as of June 30, 2010 and December 31, 2009.

	June 30, 2010	December 31, 2009
Available for sale		
U.S. government sponsored entities and agencies	\$ 5,320	\$ 4,966
Obligations of state and political subdivisions	59,933	59,986
Mortgage-backed securities: residential	133,030	320,778
Collateralized mortgage obligations	4,515	4,553
Other securities	6,423	6,991
 Total available for sale	 \$ 209,221	 \$ 397,274
 Held to maturity		
Obligations of state and political subdivisions	\$ 33	\$ 66

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The following table presents the amortized costs and estimated fair values of securities by contractual maturity at June 30, 2010:

	Within One Year			After One But Within Five Years			After Five But Within Ten Years			After Ten Years			Total	
	Amortized Cost	Estimated Fair Value	Yield	Amortized Cost	Estimated Fair Value	Yield	Amortized Cost	Estimated Fair Value	Yield	Amortized Cost	Estimated Fair Value	Yield	Amortized Cost	Estimated Fair Value
Available for sale														
U.S. government sponsored entities and agencies	\$	\$		%	\$		%	\$ 5,000	\$ 5,320	4.00%	\$	\$	%	\$ 5,000 \$ 5,320
Obligations of state and political subdivisions	453	452	3.60	10,782	11,102	3.45	21,855	22,538	3.46	25,226	25,841	4.00	58,316	59,933
Mortgage-backed securities										128,459	133,030	5.23	128,459	133,030
Collateralized mortgage obligations										4,542	4,515	4.80	4,542	4,515
Other securities	7,278	3,943	4.44				1,480	1,480	3.24	1,000	1,000	3.73	9,758	6,423
Total available for sale	\$ 7,731	\$ 4,395	3.73%	\$ 10,782	\$ 11,102	3.45%	\$ 28,335	\$ 29,338	3.55%	\$ 159,227	\$ 164,386	5.17%	\$ 206,075	\$ 209,221
Held to maturity														
Obligations of state and political subdivisions	\$ 33	\$ 34	4.34%	\$ 00	\$ 00	0.00%	\$	\$		%	\$		%	\$ 33 \$ 34

Table of Contents***Deposits & Other Borrowings***

Total deposits decreased \$251,230, or 12.11%, for the period ended June 30, 2010 from December 31, 2009. The largest segment of the portfolio was savings, NOW and money market deposits, which decreased \$130,621, or 13.07%, in the first six months of 2010. Time deposits decreased \$123,249, or 13.34%. Strategies implemented to attempt to meet the terms of the Consent Agreement led to the shrinkage in total deposits.

At June 30, 2010, the remaining maturities of Bank of Smithtown's time deposits in amounts of \$100,000 or more were as follows:

3 months or less	\$ 162,379
Over 3 through 6 months	177,154
Over 6 through 12 months	80,642
Over 12 months	19,208
Total	\$ 439,383

Other borrowings decreased to \$313,480 at June 30, 2010 from \$352,820 at December 31, 2009. Included in other borrowings are \$1,480 of secured borrowings that are a financial arrangement with the Senior Housing Crime Prevention program that are secured by U.S. government agency bonds. At maturity, Bank of Smithtown has the option to repay the secured borrowings simultaneous with the release of the collateral or to renew the borrowings.

The following table sets forth Bank of Smithtown's borrowed funds:

	June 30, 2010	December 31, 2009
FHLBNY OLOC:		
Maximum month end balance during the period	\$ 14,800	\$ 36,340
Average balance during the period	5,048	1,801
Weighted average interest rate during the period	0.46%	0.38%
Weighted average interest rate at period end	0.34	0.34
Term advances from FHLBNY:		
Maximum month end balance during the period	\$ 310,000	\$ 325,000
Average balance during the period	313,846	324,247
Weighted average interest rate during the period	2.68%	2.77%
Weighted average interest rate at period end	2.68	2.70
Senior Housing Crime Prevention:		
Maximum month end balance during the period	\$ 1,480	\$ 1,480
Average balance during the period	1,480	1,480
Weighted average interest rate during the period	1.79%	1.79%
Weighted average interest rate at period end	1.79	1.79

Liquidity

Liquidity provides the source of funds for anticipated deposit outflow and loan growth. Bank of Smithtown's primary sources of liquidity include deposits, repayments of loan principal, maturities and sales of investment securities, principal reductions on mortgage-backed securities, unpledged securities, deposits with banks, and borrowing potential from correspondent banks. The primary factors affecting these sources of liquidity are their immediate availability if necessary and current market rates of interest, which can cause fluctuations in levels of deposits and prepayments on loans and securities. Management believes that Bank of Smithtown's liquidity level is sufficient to meet funding needs while under the terms of the Consent Agreement.

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Bank of Smithtown has the ability, as a member of the Federal Home Loan Bank (FHLB) system, to borrow against residential and commercial mortgages owned by Bank of Smithtown and pledged to FHLB. As a result of entering into the Consent Agreement, the FHLB has required Bank of Smithtown to physically deliver the pledged loan collateral during 2010. At December 31, 2009, the collateral pledged to the FHLB was under a blanket lien arrangement and delivered electronically. At June 30, 2010, the unused available credit totaled \$120,625, which represents a decrease of \$364,604 from the December 31, 2009 amount of \$485,229. Bank of Smithtown has the ability to deliver additional collateral should the need arise. As of June 30, 2010, Bank of Smithtown had \$2,000 of collateralized overnight borrowings, which was down from \$36,340 at December 31, 2009. Bank of Smithtown had \$310,000 and \$315,000 in collateralized term advances outstanding with the FHLB as of June 30, 2010 and December 31, 2009, respectively. At June 30, 2010, the Company has \$37,127 in cash and cash equivalents, a 67.59% increase from the December level of \$22,154, as additional interest earning deposits are being maintained by Bank of Smithtown at the FRB for increased liquidity while under the Consent Agreement.

The Company's principal source of liquidity is dividends from Bank of Smithtown. Cash available to service Company trust preferred debt obligations, to pay expenses and for distribution of dividends to stockholders is primarily derived from dividends paid by Bank of Smithtown to the Company. Under the Consent Agreement, Bank of Smithtown's payment of dividends requires prior approval of the FDIC and NY Banking Department. Under the Written Agreement, Bank of Smithtown's payment of dividends requires prior approval of the FRB. Such prior approval of the FDIC and NY Banking Department and FRB is unlikely to be received. As of June 30, 2010, the Company had \$634 in cash to pay its expenses. Interest payments on trust preferred securities were made during the first quarter of 2010, but the Company deferred interest payments on its trust preferred securities during the second quarter of 2010 to preserve cash for operating expenses due to the dividend restrictions. In the event the Company subsequently needs additional funds and the FRB, FDIC and NY Banking Department are unwilling to approve a dividend from Bank of Smithtown, the Company will need to raise additional capital or borrow funds to meet liquidity needs.

Capital Resources

Total stockholders' equity was \$95,645 at June 30, 2010, a decrease of \$40,110, or 29.55%, from December 31, 2009, primarily due the net loss of \$42,983.

Initial efforts to meet the capital requirements of the Consent Agreement focused upon shrinking the balance sheet, selling one or more packages of nonperforming loans, selling one or more packages of performing loans, raising capital, or some hybrid combination of the foregoing strategies. The success in shrinking the balance sheet and selling loans to meet the capital requirements has been more than offset by the loss for the first six months resulting largely from the \$52,500 provision for loan losses and a valuation allowance of \$19,800 against the Company's deferred tax asset. As a result, efforts were focused on assessing the Company's strategic initiatives, which resulted in the Company entering into the merger agreement with People's United on July 15, 2010.

The Company had returns on average equity of (64.36%) and 10.78%, and returns on average assets of (3.52%) and 0.66% for the six months ended June 30, 2010 and 2009, respectively. The equity to assets ratio was 4.15% and 5.15% at June 30, 2010 and December 31, 2009, respectively. No dividends were paid for the six months ended June 30, 2010. The Company paid dividends of \$946 for the six months ended June 30, 2009.

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Recent Regulatory and Accounting Developments

Adoption of New Accounting Guidance

In January 2010, the Financial Accounting Standards Board (FASB) amended existing guidance to improve disclosure requirements related to fair value measurements. New disclosures are required for significant transfers in and out of Level 1 and Level 2 fair value measurements and the reasons for the transfers. In addition, the FASB clarified guidance related to disclosures for each class of assets and liabilities as well as disclosures about the valuation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements that fall in either Level 2 or Level 3. The impact of adoption on January 1, 2010 was not material as it required only disclosures, which are included in the Fair Value footnote.

In June 2009, the FASB amended existing guidance to improve the relevance, representational faithfulness, and comparability of the information that a reporting entity provides in its financial statements about a transfer of financial assets; the effects of a transfer on its financial position, financial performance, and cash flows; and a transferor's continuing involvement, if any, in transferred financial assets. This amended guidance addresses (1) practices that are not consistent with the intent and key requirements of the original guidance and (2) concerns of financial statement users that many of the financial assets (and related obligations) that have been derecognized should continue to be reported in the financial statements of transferors. The impact of adoption on January 1, 2010 was not material.

In June 2009, the FASB amended guidance for consolidation of variable interest entities by replacing the quantitative-based risks and rewards calculation for determining which enterprise, if any, has a controlling financial interest in a variable interest entity. The new approach focuses on identifying which enterprise has the power to direct the activities of a variable interest entity that most significantly impact the entity's economic performance and (1) the obligation to absorb losses of the entity or (2) the right to receive benefits from the entity. Additional disclosures about an enterprise's involvement in variable interest entities are also required. The impact of adoption on January 1, 2010 was not material.

In December 2007, the FASB enhanced existing guidance for the use of the acquisition method of accounting (formerly the purchase method) for all business combinations, for an acquirer to be identified for each business combination and for intangible assets to be identified and recognized separately from goodwill. An entity in a business combination is required to recognize the assets acquired, the liabilities assumed and any non-controlling interest in the acquiree at the acquisition date, measured at their fair values as of that date, with limited exceptions. Additionally, there were changes in requirements for recognizing assets acquired and liabilities assumed arising from contingencies and recognizing and measuring contingent consideration. Disclosure requirements for business combinations were also enhanced. The impact of adoption on January 1, 2009 was not material.

In April 2009, the FASB issued amended clarifying guidance to address application issues raised by preparers, auditors and members of the legal profession on initial recognition and measurement, subsequent measurement and accounting, and disclosure of assets and liabilities arising from contingencies in a business combination. The impact of adoption on January 1, 2009 was not material.

In January 2010, the FASB issued amended clarifying guidance addressing implementation issues related to the changes in ownership provisions. The impact of adoption on January 1, 2010 was not material.

Newly Issued But Not Yet Effective Accounting Guidance

In January 2010, the FASB amended existing guidance related to fair value measurements requiring new disclosures for activity in Level 3 fair value measurements. In the reconciliation for fair value measurements using significant unobservable inputs (Level 3), a reporting entity should present separately information about purchases, sales, issuances, and settlements (that is, on a gross basis rather than as one net number). These

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disclosures are effective for fiscal years beginning after December 15, 2010, and for interim periods within those fiscal years. The impact of adoption is expected to be immaterial.

Recent Legislative Developments

On July 21, 2010, President Obama signed into law the sweeping financial regulatory reform act entitled the Dodd-Frank Wall Street Reform and Consumer Protection Act that implements far-reaching changes to the regulation of the financial services industry, including provisions that, among other things will:

Centralize responsibility for consumer financial protection by creating a new agency responsible for implementing, examining and enforcing compliance with federal consumer financial laws.

Apply the same leverage and risk-based capital requirements that apply to insured depository institutions to bank holding companies.

Require the FDIC to seek to make its capital requirements for banks such as Bank of Smithtown countercyclical so that the amount of capital required to be maintained increases in times of economic expansion and decreases in times of economic contraction.

Change the assessment base for federal deposit insurance from the amount of insured deposits to consolidated assets less tangible capital.

Implement corporate governance revisions, including with regard to executive compensation and proxy access by stockholders, that apply to all public companies, not just financial institutions.

Make permanent the \$250,000 limit for federal deposit insurance and increase the cash limit of Securities Investor Protection Corporation protection from \$100,000 to \$250,000, and provide unlimited federal deposit insurance until January 1, 2013, for non-interest bearing demand transaction accounts at all insured depository institutions.

Repeal the federal prohibitions on the payment of interest on demand deposits, thereby permitting depository institutions to pay interest on business transaction and other accounts.

Increase the authority of the Federal Reserve to examine the Company and its non-bank subsidiaries.

Many aspects of the act are subject to rulemaking and will take effect over several years, making it difficult to anticipate the overall financial impact on the Company, its customers or the financial industry more generally. Provisions in the legislation that affect deposit insurance assessments and payment of interest on demand deposits could increase the costs associated with deposits as well as place limitations on certain revenues those deposits may generate.

Management's Discussion and Analysis of Financial Condition and Results of Operations December 31, 2009

Overview

This discussion and analysis should be read in conjunction with the Company's consolidated financial statements as of December 31, 2009, notes thereto and other financial information appearing elsewhere in this proxy statement/prospectus. Dollar amounts are in thousands except per share data.

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The Company recorded a net loss for 2009 of \$11,848, or \$.87 per fully diluted share. Asset quality deterioration became an increasing problem in 2009 as the economic recession hit Smithtown Bancorp's region later than other areas of the country. Bank of Smithtown's commercial real estate loan portfolio, especially land and construction loans, was the hardest hit. Nonperforming loans ended the year at \$130,172, or 6.23% of total loans. Net charge-offs for 2009 totaled \$23,820, or 1.22% of average loans. The provision for loan losses was \$51,000 in 2009 and the allowance for loan losses ended the year at \$38,483, or 1.84% of total loans. The Company suspended its dividend in the fourth quarter of 2009.

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While loan growth was strong for the year, the numbers were flat in the final quarter of 2009, as efforts were focused on managing Bank of Smithtown's existing loan portfolio. There was a continued push during the year to reduce land and construction loan exposure. Growth was focused in amortizing residential, multifamily and commercial mortgages.

Total deposits increased for the year by \$708,091. Bank of Smithtown's deposit growth was boosted by the development of ten new branches during 2009. There are currently four new branch projects under development in Manhasset, Hicksville, Brentwood and Bayport. The Manhasset location is expected to open in July 2010 with the other locations expected to be completed between the fourth quarter of 2010 and the first quarter of 2011. These locations have FDIC and NY Banking Department approval to establish a branch and Bank of Smithtown is obligated under lease agreements. The board of directors and management believe the expanding branch network continues to add to the franchise value of Bank of Smithtown.

The Company announced that, on January 29, 2010, Bank of Smithtown entered into a Consent Agreement with the FDIC and NY Banking Department. Under the Consent Agreement, Bank of Smithtown is required to improve credit administration, loan underwriting and internal loan review processes and maintain an adequate allowance for loan losses. Other required actions include the implementation of plans to reduce classified assets, decrease Bank of Smithtown's concentration in commercial real estate loans and increase profitability. Bank of Smithtown's payment of dividends and growth in quarterly average assets require prior approval of the FDIC and NY Banking Department. In addition, Bank of Smithtown is required to maintain no later than June 30, 2010, Tier 1 Capital at least equal to 7% of Total Assets, Tier 1 Risk-Based Capital at least equal to 9% of Total Risk-Weighted Assets and Total Risk-Based Capital at least equal to 11% of Total Risk-Weighted Assets. The provisions of the Consent Agreement will remain effective until modified, terminated, superseded, or set aside in writing by the FDIC and NY Banking Department.

There are currently no plans to submit new branch applications while under the Consent Agreement. Bank of Smithtown expects to continue to serve its customers in all areas including extending loans, accepting deposits and processing banking transactions. Bank of Smithtown's deposits will remain insured by the FDIC to the maximum limits allowed by law. The FDIC and NY Banking Department did not impose or recommend any monetary penalties.

As of March 12, 2010, Bank of Smithtown has made the following progress in complying with the Consent Agreement provisions:

- i. An oversight committee of the board of directors has been formed for the purpose of monitoring Bank of Smithtown's overall compliance with the Consent Agreement and reporting the results to the full board of directors.
- ii. Bank of Smithtown is in the process of developing a written plan to submit to the FDIC and NY Banking Department for systematically reducing and monitoring its CRE loan concentration of credit to an amount which is commensurate with Bank of Smithtown's business strategy, management expertise, size and location.
- iii. Bank of Smithtown has reviewed and revised, and the board of directors has approved, lending policies to provide additional guidance and control over the lending functions.
- iv. Bank of Smithtown has reviewed and revised, and the board of directors has approved, Bank of Smithtown's loan review policy. Bank of Smithtown is in the process of developing a written plan to submit to the FDIC and NY Banking Department to revise its independent loan review program to ensure that it is consistent with Bank of Smithtown's loan review policy and that it is sufficiently comprehensive to assess risks in Bank of Smithtown's lending and minimize credit losses.
- v. Bank of Smithtown has eliminated from its books all assets or portions of assets classified as Loss.
- vi. Bank of Smithtown is in the process of developing a written plan to submit to the FDIC and NY Banking Department to reduce assets classified Doubtful and Substandard.

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- vii. Bank of Smithtown is in the process of developing a written profit plan and comprehensive budget for all categories of income and expense for the calendar year 2010 to be submitted to the FDIC and NY Banking Department for review and comment.
- viii. Bank of Smithtown has completed plans and forecasts and based on such plans and forecasts Bank of Smithtown currently expects to be able to satisfy capital requirements in the Consent Agreement without any need to raise additional capital. The plans and forecasts include reductions in loans through amortization and workouts, reductions in investment securities through maturities and principal payments and decreased deposits through pricing strategies in certain segments of the portfolio. Through February 28, 2010, total assets decreased approximately \$168,179, or 6.38%.
- ix. Bank of Smithtown has taken steps necessary to correct and prevent any violations of law or regulation.

Application of Critical Accounting Policies

In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the reported asset and liability balances and revenue and expense amounts. The Company's determination of the allowance for loan losses and OTTI for debt securities are critical accounting estimates because they are based on a subjective evaluation of a variety of factors at a specific point in time and involve difficult and complex judgments about matters that are inherently uncertain. In the event that management's estimate needs to be adjusted based on, among other things, additional information that comes to light after the estimate is made or changes in circumstances, such adjustment could result in the need for a significantly different allowance for loan losses or OTTI impairment charge and thereby materially impact, either positively or negatively, Bank of Smithtown's results of operations.

The allowance for loan losses is established and maintained through a provision for loan losses based on probable incurred losses inherent in Bank of Smithtown's loan portfolio. Management evaluates the adequacy of the allowance on a quarterly basis. Adjustments are made after each evaluation to a level deemed adequate by management, based on its risk evaluation of the portfolio in its entirety as well as in specific loan details. The allowance is comprised of both specific allocations to individual loans and general allocations to pools of loans with similar characteristics.

Bank of Smithtown monitors its entire loan portfolio on a regular basis, with consideration given to detailed analysis of classified loans, repayment patterns, and probable incurred losses, past loss experience, current economic conditions and various types of concentrations of credit. Additions to the allowance are charged to expense and realized losses, net of recoveries, are charged to the allowance for loan losses.

Specific allocations are established in connection with specific loan reviews and the asset classification process, including the procedures for impairment testing. Such allocations, which include a review of loans for which full collectability in accordance with contractual terms is not reasonably assured, consider the estimated fair value of the underlying collateral less the costs to sell, if any, or the present value of expected future cash flows, or the loan's observable market value. Any shortfall that exists from this analysis results in a specific allocation for the loan. Pursuant to the Bank of Smithtown's policy, loan losses must be charged off in the period the loans, or portions thereof, are deemed uncollectable. Assumptions and judgments by management, in conjunction with outside sources, are used to determine whether full collectability of a loan is not reasonably assured. Assumptions and judgments also are used to determine the estimates of the fair value of the underlying collateral or the present value of expected future cash flows or the loan's observable market value. Specific allocations could differ materially as a result of changes in these assumptions and judgments. Individual loan analyses are periodically performed on specific loans considered impaired. The results of the individual specific allocations are aggregated and included in the overall allowance for loan losses.

In addition to estimating losses for loans individually deemed to be impaired, management also estimates collective impairment losses for pools of loans that are not specifically reviewed. Statistical information

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regarding Bank of Smithtown's historical loss experience over a period of time believed to be relevant is weighted very heavily in management's estimate of such losses. However, future losses could vary significantly from those experienced in the past. In addition, management also considers a variety of general qualitative factors and then subjectively determines the amount of weight to assign to each in estimating losses. The factors include, among others, national and local economic conditions, environmental risks, trends in volume and terms of loans, concentrations of credit, changes in lending policies and procedures, and experience, ability, and depth of Bank of Smithtown's lending staff. Because of the nature of the factors and the difficulty in assessing their impact, management's resulting estimate of losses may not accurately reflect actual losses in the portfolio.

Although the allowance for loan losses has two separate components, one for impairment losses on individual loans and one for collective impairment losses on pools of loans, the entire allowance for loan losses is available to absorb realized losses as they occur whether they relate to individual loans or pools of loans. At December 31, 2009, management believed the allowance for loan losses had been established and maintained at a level adequate to reflect the probable incurred losses in Bank of Smithtown's loan portfolio.

In determining OTTI for debt securities, management considers many factors, including: (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, (3) whether the market decline was affected by macroeconomic conditions, and (4) whether the Company has the intent to sell the debt security or more likely than not will be required to sell the debt security before its anticipated recovery. The assessment of whether an OTTI exists involves a high degree of subjectivity and judgment and is based on the information available to management at a point in time.

The Company uses an OTTI evaluation model to compare the present value of expected cash flows to the previous estimate to ensure there are no adverse changes in cash flows during the period. The OTTI model considers the structure and term of the collateralized debt obligation (CDO) and the financial condition of the underlying issuers. Specifically, the model details interest rates, principal balances of note classes and underlying issuers, the timing and amount of interest and principal payments of the underlying issuers, and the allocation of the payments to the note classes. The current estimate of expected cash flows is based on the most recent trustee reports and any other relevant market information including announcements of interest payment deferrals or defaults of underlying trust preferred securities. Assumptions used in the model include expected future default rates and prepayments. The Company assumes no recoveries on defaults and treats all interest payment deferrals as defaults. Upon completion of its analysis, management believed the OTTI charge to earnings for the year ending December 31, 2009, was adequate to reflect the impairment in these securities.

Net Income (Loss)

The net loss for 2009 totaled \$11,848, or \$.87 per diluted share, while net income for 2008 totaled \$15,723, or \$1.52 per diluted share, as compared to net income of \$14,275, or \$1.46 per diluted share, for the year ended December 31, 2007. The net loss for 2009 was a change of (\$27,571), or (175.35%), from 2008 while net income was up \$1,448, or 10.14%, in 2008 from 2007. Significant trends for 2009 include: (i) a \$47,800, or 1493.75%, increase in the provision for loan losses; (ii) a \$15,794, or 30.88%, increase in net interest income; (iii) a \$2,184, or 25.76%, increase in total noninterest income; (iv) a \$16,851, or 52.74%, increase in total noninterest expense and (v) a \$10,356 income tax benefit compared to an \$8,746 income tax expense for 2008. The large increase in total noninterest expense included a \$6,872 increase in the valuation allowance for other real estate owned and a \$3,928, or 606.17%, increase in Federal deposit insurance.

Net Interest Income

Net interest income, the primary contributor to earnings, represents the difference between income on interest earning assets and expense on interest bearing liabilities. Net interest income depends upon the volume of interest earning assets and interest bearing liabilities and the interest rates earned or paid on them.

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The following table sets forth certain information relating to the Company's average consolidated statements of financial condition and its consolidated statements of income for the years indicated and reflects the average yield on assets and average cost of liabilities for the years indicated. Interest income on investment securities is shown on a TE basis. Interest income on nontaxable investment securities depicted below have been grossed up by .54 to estimate the TE yield. Yields and costs are derived by dividing income or expense by the average balance of assets or liabilities, respectively, for the years shown. Average balances are derived from daily average balances and include nonaccrual loans, if any. The yields and costs include fees, which are considered adjustments to yields.

	2009			2008			2007		
	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate
ASSETS									
Interest earning assets:									
Investment securities:									
Taxable	\$ 201,531	\$ 7,903	3.92%	\$ 57,620	\$ 3,049	5.29%	\$ 67,415	\$ 3,330	4.94%
Nontaxable	33,109	1,726	5.21	5,298	322	6.08	7,745	436	5.63
Total investment securities	234,640	9,629	4.10	62,918	3,371	5.36	75,160	3,766	5.01
Loans	1,944,841	110,100	5.66	1,329,227	87,939	6.62	911,498	73,970	8.12
Interest earning deposits with banks	30,338	53	0.18	11,897	213	1.79	16,384	839	5.12
Term placements	25,055	107	0.43	76	3	4.07			
Other interest earning assets	20,780	788	3.79	12,871	506	3.93	3,235	234	7.23
Total interest earning assets	2,255,654	120,677	5.35	1,416,989	92,032	6.49	1,006,277	78,809	7.83
Noninterest earning assets:									
Cash and cash equivalents	28,835			15,465			13,876		
Other assets	71,015			68,821			60,119		
Total assets	\$ 2,355,504			\$ 1,501,275			\$ 1,080,272		
LIABILITIES AND STOCKHOLDERS' EQUITY									
Liabilities									
Interest bearing liabilities:									
Savings, NOW and money market deposits	\$ 841,009	\$ 13,717	1.63%	\$ 501,672	\$ 12,004	2.39%	\$ 436,487	\$ 15,525	3.56%
Time deposits	850,589	27,466	3.23	494,070	19,501	3.95	405,567	19,325	4.76
Other borrowings	327,528	9,029	2.76	256,588	6,970	2.72	32,599	1,338	4.10
Subordinated debt	46,835	2,926	6.25	35,782	2,304	6.44	18,000	1,388	7.71
Total interest bearing liabilities	2,065,961	53,138	2.57	1,288,112	40,779	3.17	892,653	37,576	4.21
Noninterest bearing liabilities:									
Demand deposits	129,263			109,125			104,285		
Other liabilities	18,913			10,031			9,752		
Total liabilities	2,214,137			1,407,268			1,006,690		
Stockholders' equity	141,367			94,007			73,582		
Total liabilities and stockholders' equity	\$ 2,355,504			\$ 1,501,275			\$ 1,080,272		
Net interest income (TE)/interest rate spread		\$ 67,539	2.78%		\$ 51,253	3.32%		\$ 41,233	3.62%

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Net interest earning assets/net interest margin	\$ 189,693	2.99%	\$ 128,877	3.62%	\$ 113,624	4.10%
Less: tax equivalent adjustment	605		113	153		
Net interest income	\$ 66,934		\$ 51,140		\$ 41,080	

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Rate/Volume Analysis

Net interest income can be analyzed in terms of the impact of changes in rates and volumes. The following table illustrates the extent to which changes in interest rates and in volume of average interest earning assets and interest bearing liabilities have affected Smithtown Bancorp's interest income and interest expense during the periods indicated. Information is provided in each category with respect to (1) changes attributable to changes in volume (changes in volume multiplied by prior rate); (2) changes attributable to changes in rate (changes in rates multiplied by prior volume); and (3) the net changes. For purposes of this table, changes, which are not due solely to volume or rate changes, have been allocated to these categories based on the respective percentage changes in average volume and rate. Due to the numerous simultaneous volume and rate changes during the period analyzed, it is not possible to precisely allocate changes between volume and rates. In addition, average earning assets include any nonaccrual loans.

Rate Volume Relationships of Interest Margin on Interest Earning Assets and Interest Bearing Liabilities

	2009/2008 Increase (Decrease) Due to change in			2008/2007 Increase (Decrease) Due to change in		
	Volume	Rate	Net Change	Volume	Rate	Net Change
Interest income:						