# UNITED STATES

# SECURITIES AND EXCHANGE COMMISSION

**Washington, D.C. 20549**

# FORM 10-K

**ANNUAL REPORT**

**Pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934**

**For the fiscal year ended December 31, 2010**

# People s United Financial, Inc.

**(Exact name of registrant as specified in its charter)**

**001-33326**

**(Commission File Number)**

| | |
|---|---|
| **Delaware**<br>**(State or other jurisdiction of incorporation or organization)** | **20-8447891**<br>**(I.R.S. Employer Identification No.)** |

**850 Main Street**

**Bridgeport, Connecticut 06604**

**(Address of principal executive offices, including zip code)**

**(203) 338-7171**

**(Registrant s telephone number, including area code)**

**Securities registered pursuant to Section 12(b) of the Act:**

| **Common Stock, $0.01 par value per share** | **NASDAQ Global Select Market** |
|---|---|
| **(Title of each class)** | **(Name of each exchange on which registered)** |

**Securities registered pursuant to Section 12(g) of the Act: None.**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No ¨

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No x

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definition of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

| | |
|---|---|
| Large accelerated filer x | Accelerated filer ¨ |
| Non-accelerated filer ¨ (Do not check if a smaller reporting company) | Smaller reporting company ¨ |

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ¨ No x

The aggregate market value of voting stock held by non-affiliates of the registrant, based upon the last reported sales price of its common stock as of the last business day of the registrant s most recently completed second quarter on the NASDAQ Global Select Market was $5,014,568,399.

As of February 11, 2011, there were 362,631,398 shares of the registrant s common stock outstanding.

**Documents Incorporated by Reference**

Portions of the Proxy Statement for the Annual Meeting of Shareholders to be held on April 21, 2011, are incorporated by reference into Part III.

**PEOPLE S UNITED FINANCIAL, INC.**

**2010 FORM 10-K**

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## Part I

### Item 1. Business

*General*

People s United Financial, Inc. ( People s United Financial ) is a savings and loan holding company incorporated under the state laws of Delaware and the holding company for People s United Bank. On April 16, 2007, People s United Financial, People s United Bank and People s Mutual Holdings completed their second-step conversion from a mutual holding company structure to a fully-public stock holding company structure. People s United Bank is a federally-chartered stock savings bank headquartered in Bridgeport, Connecticut.

On November 30, 2010, People s United Financial completed its acquisitions of Smithtown Bancorp, Inc. ( Smithtown ) based in Hauppauge, New York and LSB Corporation ( LSB ) based in North Andover, Massachusetts. On April 16, 2010, People s United Bank entered into a definitive purchase and assumption agreement with the Federal Deposit Insurance Corporation (the FDIC ) pursuant to which People s United Bank assumed all of the deposits, certain assets and the banking operations of Butler Bank, located in Lowell, Massachusetts. On February 19, 2010, People s United Financial completed its acquisition of Financial Federal Corporation ( Financial Federal ), a financial services company providing collateralized lending, financing and leasing services nationwide to small and medium sized businesses. The assets acquired and liabilities assumed in these transactions were recorded at their estimated fair values as of the respective closing dates and People s United Financial s results of operations for the year ended December 31, 2010 include the results of these companies beginning with the respective closing dates. See Note 2 to the Consolidated Financial Statements for a further discussion of these acquisitions.

On January 1, 2008, People s United Financial completed its acquisition of Chittenden Corporation ( Chittenden ), a multi-bank holding company headquartered in Burlington, Vermont. On January 1, 2009, the separate bank charters of the six former Chittenden banks, all previously wholly-owned subsidiaries of People s United Bank, were consolidated into People s United Bank, where they continued to operate as divisions of People s United Bank. In June 2010, People s United Financial announced a plan to re-brand , as People s United Bank, the former Chittenden banks in connection with the scheduled completion of its core system conversion in July 2010. See Note 2 to the Consolidated Financial Statements for a further discussion of this acquisition.

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

This full range of financial services is delivered through a network of nearly 340 branches located in Connecticut, Vermont, New York, New Hampshire, Maine and Massachusetts, including 84 full-service Stop & Shop supermarket branches throughout Connecticut that provide customers with seven-day-a-week banking. People s United Bank s distribution network includes investment and brokerage offices, commercial banking offices, online banking and investment trading, a 24-hour telephone banking service and participation in a worldwide ATM network. PCLC and PUEFC maintain a sales presence in 11 states to support equipment financing operations throughout the United States. Within the Commercial Banking division, People s United Bank maintains a national credits group, which has participated in commercial loans and commercial real estate loans to borrowers in various industries on a national scale.

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

Further discussion of People s United Financial s business and operations appears on pages 23 through 82.

*Supervision and Regulation People s United Financial*

*Federal Holding Company Regulation*

People s United Financial is a savings and loan holding company within the meaning of the Home Owners Loan Act. As such, People s United Financial is regulated by the Office of Thrift Supervision (the OTS ) and subject to OTS examination, supervision and reporting requirements. In addition, the OTS has enforcement authority over People s United Financial and People s United Bank. Among other things, this authority permits the OTS to restrict or prohibit activities that are determined to be a serious risk to the subsidiary savings bank.

***Activities Restrictions Applicable to Savings and Loan Holding Companies.*** Under the Gramm-Leach-Bliley Act, the activities of all savings and loan holding companies formed after May 4, 1999, such as People s United Financial, must be financially related activities permissible for bank holding companies, as defined under the Gramm-Leach-Bliley Act. Accordingly, People s United Financial s activities are restricted to:

- furnishing or performing management services for a savings institution subsidiary;
- conducting an insurance agency or escrow business;
- holding, managing, or liquidating assets owned or acquired from a savings institution subsidiary;
- holding or managing properties used or occupied by a savings institution subsidiary;
- acting as trustee under a deed of trust;
- any other activity (1) that the Federal Reserve Board, by regulation, has determined to be permissible for bank holding companies under Section 4(c) of the Bank Holding Company Act of 1956, unless the Director of the OTS, by regulation, prohibits or limits any such activity for savings and loan holding companies, or (2) that multiple savings and loan holding companies were authorized by regulation to directly engage in on March 5, 1987;
- purchasing, holding, or disposing of stock acquired in connection with a qualified stock issuance if the purchase of such stock is approved by the Director of the OTS; and
- any activity permissible for financial holding companies under Section 4(k) of the Bank Holding Company Act.

Permissible activities that are deemed to be financial in nature or incidental thereto under Section 4(k) of the Bank Holding Company Act include:

- lending, exchanging, transferring, investing for others, or safeguarding money or securities;
- insurance activities or providing and issuing annuities, and acting as principal, agent, or broker;
- financial, investment, or economic advisory services;
- issuing or selling instruments representing interests in pools of assets that a bank is permitted to hold directly;
- underwriting, dealing in, or making a market in securities;
- activities previously determined by the Federal Reserve Board to be closely related to banking;
- activities that bank holding companies are permitted to engage in outside of the United States; and
- portfolio investments made by an insurance company.

In addition, People s United Financial cannot be acquired or acquire a company unless the acquirer or target, as applicable, is engaged solely in financial activities.

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

- control (as defined under the Home Owners Loan Act) of another savings bank (or a holding company parent) without prior OTS approval;
- through merger, consolidation or purchase of assets, another savings bank or a holding company thereof, or acquiring all or substantially all of the assets of such institution or holding company without prior OTS approval; or
- control of any depository institution not insured by the FDIC (except through a merger with and into the holding company s savings bank subsidiary that is approved by the OTS).

The Home Owners Loan Act prohibits a savings and loan holding company (directly or indirectly, or through one or more subsidiaries) from acquiring another savings bank or holding company thereof without prior written approval of the OTS; acquiring or retaining, with certain exceptions, more than 5% of a non-subsidiary savings bank, a non-subsidiary holding company, or a non-subsidiary company engaged in activities other than those permitted by the Home Owners Loan Act; or acquiring or retaining control of a depository institution that is not federally insured. In evaluating applications by holding companies to acquire savings banks, the OTS must consider the financial and managerial resources and future prospects of the company and institution involved, the effect of the acquisition on the risk to the Deposit Insurance Fund, the convenience and needs of the community and competitive factors.

*Federal Securities Law*

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

*Delaware Corporation Law*

People s United Financial is incorporated under the laws of the State of Delaware, and is therefore subject to regulation by the state of Delaware. The rights of People s United Financial s stockholders are governed by the Delaware General Corporation Law.

*Supervision and Regulation People s United Bank*

*General*

People s United Bank has been a federally chartered savings bank since August 18, 2006 when it converted from a Connecticut chartered savings bank. Its deposit accounts are insured up to applicable limits by the FDIC under the Deposit Insurance Fund (the DIF ). Under its charter, People s United Bank is subject to extensive regulation, examination and supervision by the OTS as its chartering agency, and by the FDIC as the deposit insurer. People s United Bank files reports with the OTS concerning its activities and financial condition, and must obtain regulatory approval from the OTS prior to entering into certain transactions, such as mergers with, or acquisitions of, other depository institutions. The OTS conducts periodic examinations to assess compliance with various regulatory requirements. The OTS has primary enforcement responsibility over federally chartered savings banks and has substantial discretion to impose enforcement action on a savings bank that fails to comply with applicable regulatory requirements, particularly with respect to capital requirements imposed on savings banks. In addition, the FDIC has the authority to recommend to the Director of the OTS that enforcement action be taken with respect to a particular federally chartered savings bank and, if action is not taken by the Director, the FDIC has authority to take such action under certain circumstances.

This regulation and supervision establishes a comprehensive framework of activities in which a federal savings bank can engage and is intended primarily for the protection of the DIF and depositors. The regulatory structure also gives the regulatory authorities extensive discretion in connection with their supervisory and enforcement activities and examination policies, including policies with respect to the classification of assets and the establishment of adequate loan loss reserves for regulatory purposes. Any change in such laws and regulations or interpretations thereof, whether by the OTS, the FDIC or through legislation, could have a material adverse impact on People s United Bank and its operations.

People s United Bank s brokerage subsidiary, PSI, is regulated by the SEC, the Financial Industry Regulatory Authority and state securities regulators. People s United Insurance Agency, Inc. is subject to regulation by applicable state insurance regulators.

*Federally Chartered Savings Bank Regulation*

***Activity Powers***. Federal savings banks derive their lending, investment and other activity powers primarily from the Home Owners Loan Act, as amended, and the regulations of the OTS thereunder. Under these laws and regulations, federal savings banks generally may invest in:

- real estate mortgages;
- consumer and commercial loans;
- certain types of debt securities; and
- certain other assets.

Federal savings banks may also establish service corporations that may, subject to applicable limitations, engage in activities not otherwise permissible for federal savings banks, including certain real estate equity investments and securities and insurance brokerage activities. People s United Bank s investment powers are subject to various limitations, including (1) a prohibition against the acquisition of any corporate debt security that is not rated in one of the four highest rating categories; (2) a limit of 400% of a savings bank s capital on the aggregate amount of loans secured by non-residential real estate property; (3) a limit of 20% of a savings bank s assets on commercial loans, with the amount of commercial loans in excess of 10% of assets being limited to small business loans; (4) a limit of 35% of a savings bank s assets on the aggregate amount of consumer loans and acquisitions of certain debt securities, with amounts in excess of 30% of assets being limited to loans made directly to the original obligor and where no third-party finder or referral fees were paid; (5) a limit of 5% of assets on non-conforming loans (residential and farm loans in excess of the specific limitations of the Home

Owners Loan Act); and (6) a limit of the greater of 5% of assets or a savings bank s capital on certain construction loans made for the purpose of financing what is or is expected to become residential property. In connection with People s United Bank s conversion to a federal savings bank in August 2006, the OTS granted People s United Bank a phase-in period to comply with the Home Owners Loan Act s commercial loan limits. This phase-in period expired on January 1, 2011, and People s United Bank is now subject to commercial loan limits imposed under the Home Owners Loan Act.

***Capital Requirements.*** The OTS capital regulations require federally chartered savings banks to meet three minimum capital ratios:

*Tangible Capital Ratio* A 1.5% tangible capital ratio, calculated as tangible capital to adjusted total assets.

*Leverage (Core) Capital Ratio* A 4% leverage (core) capital ratio, calculated as core capital to adjusted total assets. The minimum leverage (core) capital ratio is reduced to 3% if the savings bank received the highest rating on its most recent safety and soundness examination.

*Risk-Based Capital Ratio* An 8% total risk-based capital ratio, calculated as total capital to risk-weighted assets. For purposes of this calculation, total capital includes core and supplementary capital, provided that supplementary capital may not exceed 100% of core capital.

In assessing an institution s capital adequacy, the OTS takes into consideration not only these numeric factors but also qualitative factors as well, and has the authority to establish higher capital requirements for individual institutions where necessary. People s United Bank, as a matter of prudent management, targets as its goal the maintenance of capital ratios which exceed these minimum requirements and that are consistent with People s United Bank s risk profile. At December 31, 2010, People s United Bank exceeded each of its capital requirements. See Regulatory Capital Requirements on pages 78 and 79 for a further discussion regarding People s United Bank s capital requirements.

The Federal Deposit Insurance Corporation Improvement Act requires that the OTS and other federal banking agencies revise their risk-based capital standards, with appropriate transition rules, to ensure that they take into account interest rate risk, concentration risk and the risks of non-traditional activities. The OTS monitors the interest rate risk of individual institutions through the OTS requirements for interest rate risk management, the ability of the OTS to impose individual minimum capital requirements on institutions that exhibit a high degree of interest rate risk, and the requirements of Thrift Bulletin 13a, which provides guidance on the management of interest rate risk and the responsibility of boards of directors in that area.

The OTS continues to monitor the interest rate risk of individual institutions through analysis of the change in net portfolio value. Net portfolio value is defined as the net present value of the expected future cash flows of an entity s assets and liabilities and, therefore, hypothetically represents the value of an institution s net worth. The OTS has also used this net portfolio value analysis as part of its evaluation of certain applications or notices submitted by savings banks. The OTS, through its general oversight of the safety and soundness of savings associations, retains the right to impose minimum capital requirements on individual institutions to the extent the institution is not in compliance with certain written guidelines established by the OTS regarding net portfolio value analysis. The OTS has not imposed any such requirements on People s United Bank.

***Safety and Soundness Standards.*** Pursuant to the requirements of the Federal Deposit Insurance Corporation Improvement Act, as amended by the Riegle Community Development and Regulatory Improvement Act of 1994, each federal banking agency, including the OTS, has adopted guidelines establishing general standards relating to internal controls, information and internal audit systems, loan documentation, credit underwriting, interest rate exposure, asset growth, asset quality, earnings and compensation, fees and benefits. In general, the guidelines require, among other things, appropriate systems and practices to identify and manage the risks and exposures specified in the guidelines. The guidelines prohibit excessive compensation as an unsafe and unsound practice and describe compensation as excessive when the amounts paid are unreasonable or disproportionate to the services performed by an executive officer, employee, director, or principal stockholder.

In addition, the OTS adopted regulations to require a savings bank that is given notice by the OTS that it is not satisfying any of such safety and soundness standards to submit a compliance plan to the OTS. If, after being so notified, a savings bank fails to submit an acceptable compliance plan or fails in any material respect to implement an accepted compliance plan, the OTS may issue an order directing corrective and other actions of the types to which a significantly undercapitalized institution is subject under the prompt corrective action provisions of the Federal Deposit Insurance Corporation Improvement Act. If a savings bank fails to comply with such an order, the OTS may seek to enforce the order in judicial proceedings and to impose civil monetary penalties.

***Prompt Corrective Action.*** The Federal Deposit Insurance Corporation Improvement Act also established a system of prompt corrective action to resolve the problems of undercapitalized institutions. Under this system, the federal bank regulators, including the OTS, are required to take certain and authorized to take other, supervisory actions against undercapitalized institutions, based upon five categories of capitalization which the Federal Deposit Insurance Corporation Improvement Act created: well-capitalized, adequately capitalized, undercapitalized, significantly undercapitalized and critically undercapitalized. The severity of the action authorized or required to be taken under the prompt corrective action regulations increases as a bank s capital decreases within the three undercapitalized categories. All banks are prohibited from paying dividends or other capital distributions or paying management fees to any controlling person if, following such distribution, the bank would be undercapitalized. The OTS is required to monitor closely the condition of an undercapitalized savings bank and to restrict the growth of its assets. An undercapitalized bank is required to file a capital restoration plan within 45 days of the date the bank receives notice or is deemed to have notice that it is within any of the three undercapitalized categories, and the plan must be guaranteed by any parent holding company. The aggregate liability of a parent holding company is limited to the lesser of:

- an amount equal to 5% of the bank s total assets at the time it became undercapitalized ; and

- the amount that is necessary (or would have been necessary) to bring the bank into compliance with all capital standards applicable with respect to such bank as of the time it fails to comply with a capital restoration plan.

If a bank fails to submit an acceptable plan, it is treated as if it were significantly undercapitalized. Banks that are significantly or critically undercapitalized are subject to a wider range of regulatory requirements and restrictions. Under OTS regulations, generally, a federal savings bank is treated as well-capitalized if its total risk-based capital ratio is 10% or greater, its Tier 1 risk-based capital ratio is 6% or greater, and its leverage ratio is 5% or greater, and it is not subject to any order or directive by the OTS to meet a specific capital level. As of December 31, 2010, People s United Bank s regulatory capital ratios exceeded the OTS s numeric criteria for classification as a well-capitalized institution.

***Insurance Activities.*** Federal savings banks are generally permitted to engage in certain insurance and annuity activities through its subsidiaries. However, federal banking laws prohibit depository institutions from conditioning the extension of credit to individuals upon either the purchase of an insurance product or annuity from an entity affiliated with the depository institution or an agreement by the consumer not to purchase an insurance product or annuity from an entity that is not affiliated with the depository institution. Applicable regulations also require prior disclosure of this prohibition to potential insurance product or annuity customers.

Federal banking agencies, including the OTS, also require depository institutions that offer non-deposit investment products, such as certain annuity and related insurance products, to disclose to the consumer that the products are not federally insured, are not guaranteed by the institution and are subject to investment risk including possible loss of principal. These disclosure requirements apply if the institution offers the non-deposit investment products directly or through affiliates or subsidiaries.

***Deposit Insurance.*** People s United Bank is a member of, and pays its deposit insurance assessments to, the DIF.

Pursuant to the Federal Deposit Insurance Corporation Improvement Act, the FDIC established a system for setting deposit insurance premiums based upon the risks a particular bank or savings association posed to its deposit insurance fund. Effective January 1, 2007, the FDIC established a risk-based assessment system for determining the deposit insurance assessments to be paid by insured depository institutions. Under the assessment system, the FDIC assigns an institution to one of four risk categories, with the first category having two sub-categories based on the institution s most recent supervisory and capital evaluations, designed to measure risk. Historically, assessment rates have ranged from 0.05% of deposits for an institution in the highest sub-category of the highest category to 0.43% of deposits for an institution in the lowest category. The FDIC is authorized to raise the assessment rates as necessary to maintain the required reserve ratio of 1.25%.

Current economic conditions have resulted in an increased number of bank failures and, consequently, greater use of DIF resources. In response, the FDIC authorized higher premium assessments in 2009 pursuant to a restoration plan designed to increase the DIF reserve ratio to required levels. Under the FDIC s restoration plan, the premium assessment rate was raised uniformly by seven basis points beginning on January 1, 2009 resulting in an initial base assessment rate of 12 basis points for People s United Bank. Furthermore, the premium assessment rate in effect beginning April 1, 2009 was subject to adjustments based on each institution s risk profile, which could affect its initial base assessment rate.

On May 22, 2009, the FDIC adopted a final rule that imposed a special assessment of 5 basis points on each insured financial institution s total assets less Tier 1 capital as of June 30, 2009. On September 29, 2009, the FDIC adopted a plan that extended the DIF restoration plan from seven years to eight years and on November 12, 2009, the FDIC adopted a final rule that amended the assessment regulations to require insured financial institutions to prepay, on December 30, 2009, their estimated deposit insurance premiums for 2010, 2011 and 2012. Under this rule, which did not include any additional special assessments, the prepayment was based on an assumed 5% annual growth rate in each institution s insured deposits (the assessment base) and an assumed increase of three basis points in each institution s premium assessment rate beginning in 2011.

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

In addition, all FDIC-insured institutions are required to pay assessments to the FDIC at an annual rate of approximately 0.0102% of insured deposits to fund interest payments on bonds issued by the Financing Corporation, an agency of the federal government established to recapitalize the predecessor to the Savings Association Insurance Fund. These assessments will continue until the Financing Corporation bonds mature in 2017 through 2019.

Under the Federal Deposit Insurance Act, the FDIC may terminate the insurance of an institution s deposits upon a finding that the institution has engaged in unsafe or unsound practices, is in an unsafe or unsound condition to continue operations or has violated any applicable law, regulation, rule, order or condition imposed by the FDIC.

***Transactions with Affiliates.*** Federal savings banks are subject to the affiliate and insider transaction rules set forth in Sections 23A, 23B, 22(g) and 22(h) of the Federal Reserve Act, as well as additional limitations as adopted by the Director of the OTS. The OTS regulations regarding transactions with affiliates and insider transactions generally conform to Regulation W and Regulation O, respectively, issued by the Federal Reserve Board. Affiliated transactions provisions, among other things, prohibit or limit a savings bank from extending credit to, or entering into certain transactions with, its affiliates and principal stockholders, directors and executive officers of the federal savings bank.

In addition, Section 11 of the Home Owners Loan Act prohibits a savings bank from making a loan to an affiliate that is engaged in non-bank holding company activities and prohibits a savings bank from purchasing or investing in securities issued by an affiliate that is not a subsidiary. OTS regulations also include certain specific exemptions from these prohibitions. The Federal Reserve Board and the OTS require each depository institution that is subject to the affiliate transaction restrictions of Sections 23A and 23B of the Federal Reserve Act to implement policies and procedures to ensure compliance with Regulation W and the OTS regulations regarding transactions with affiliates.

In addition to the insider transaction limitations of Sections 22(g) and 22(h) of the Federal Reserve Act, Section 402 of the Sarbanes-Oxley Act of 2002 prohibits the extension of personal loans to directors and executive officers of issuers (as defined in the Sarbanes-Oxley Act). The prohibition, however, does not apply to mortgage loans advanced by an insured depository institution, such as People s United Bank, that are subject to the insider lending restrictions of Section 22(h) of the Federal Reserve Act.

***Privacy Standards.*** People s United Bank is subject to OTS regulations implementing the privacy protection provisions of the Gramm-Leach-Bliley Act. These regulations require People s United Bank to disclose its privacy policy, including identifying with whom it shares non-public personal information, to customers at the time of establishing the customer relationship and annually thereafter. In addition, People s United Bank is required to provide its customers with the ability to opt-out of having People s United Bank share their non-public personal information with unaffiliated third parties before the bank can disclose such information, subject to certain exceptions.

In addition to certain state laws governing protection of customer information, People s United Bank is subject to federal regulatory guidelines establishing standards for safeguarding customer information. These regulations implement certain provisions of the Gramm-Leach-Bliley Act. The guidelines describe the agencies expectations for the creation, implementation and maintenance of an information security program, which would include administrative, technical and physical safeguards appropriate to the size and complexity of the institution and the nature and scope of its activities. The standards set forth in the guidelines are intended to ensure the security and confidentiality of customer records and information, protect against any anticipated threats or hazards to the security or integrity of such records and protect against unauthorized access to or use of such records or information that could result in substantial harm or inconvenience to any customer. Federal guidelines also impose certain customer disclosures and other actions in the event of unauthorized access to customer information.

***Community Reinvestment Act.*** Under the Community Reinvestment Act, as implemented by the OTS regulations, any federally chartered savings bank, including People s United Bank, has a continuing and affirmative obligation consistent with its safe and sound operation to help meet the credit needs of its entire community, including low and moderate income neighborhoods. The Community Reinvestment Act does not establish specific lending requirements or programs for financial institutions nor does it limit an institution s discretion to develop the types of products and services that it believes are best suited to its particular community. The Community Reinvestment Act requires the OTS, in connection with its examination of a federally chartered savings bank, to assess the depository institution s record of meeting the credit needs of its community and to take such record into account in its evaluation of certain applications by such institution.

Current Community Reinvestment Act regulations rate an institution based on its actual performance in meeting community needs. In particular, the evaluation system focuses on three tests:

- a lending test, to evaluate the institution s record of making loans in its service areas;

- an investment test, to evaluate the institution s record of investing in community development projects, affordable housing, and programs benefiting low or moderate income individuals and businesses; and

- a service test, to evaluate the institution s delivery of services through its branches, ATMs and other offices.

The Community Reinvestment Act also requires all institutions to make public disclosure of their Community Reinvestment Act ratings. People s United Bank has received an outstanding rating in its most recent Community Reinvestment Act examination performed by the OTS in 2009. The federal banking agencies adopted regulations implementing the requirements under the Gramm-Leach-Bliley Act that insured depository institutions publicly disclose certain agreements that are in fulfillment of the Community Reinvestment Act. People s United Bank has no such agreements in place at this time.

***Loans to One Borrower.*** Under the Home Owners Loan Act, savings banks are generally subject to the national bank limits on loans to one borrower. Generally, savings banks may not make a loan or extend credit to a single or related group of borrowers in excess of 15% of the institution s unimpaired capital and surplus. Additional amounts may be loaned, not in excess of 10% of unimpaired capital and surplus, if such loans or extensions of credit are secured by readily-marketable collateral. People s United Bank is in compliance with applicable loans to one borrower limitations.

***Nontraditional Mortgage Products.*** The federal banking agencies have issued guidance for institutions that originate or service nontraditional or alternative mortgage products, defined to include all residential mortgage loan products that allow borrowers to defer repayment on principal or interest, such as interest-only mortgages and payment option adjustable-rate mortgages. A portion of People s United Bank s adjustable-rate residential mortgage loans represent interest-only residential mortgage loans, however, none of these loans permit negative amortization or optional payment amounts.

Recognizing that alternative mortgage products expose institutions to increased risks as compared to traditional loans where payments amortize or reduce the principal amount, the guidance required increased scrutiny for alternative mortgage products. Institutions that originate or service alternative mortgages should have: (i) strong risk management practices that include maintenance of capital levels and allowance for loan losses commensurate with the risk; (ii) prudent lending policies and underwriting standards that address a borrower s repayment capacity; and (iii) programs and practices designed to ensure that consumers receive clear and balanced information to assist in making informed decisions about mortgage products. The guidance also recommends heightened controls and safeguards when an institution combines an alternative mortgage product with features that compound risk, such as a simultaneous second-lien or the use of reduced documentation to evaluate a loan application. People s United Bank complies with the guidance on non-traditional mortgage products as it is interpreted and applied by the OTS.

***Qualified Thrift Lender Test.*** The Home Owners Loan Act requires federal savings banks to meet a Qualified Thrift Lender test. Under the Qualified Thrift Lender test, a savings bank is required to maintain at least 65% of its portfolio assets (total assets less: (i) specified liquid assets up to 20% of total assets; (ii) intangibles, including goodwill; and (iii) the value of property used to conduct business) in certain qualified thrift investments (primarily residential mortgages and related investments, including certain mortgage-backed securities, credit card loans, student loans, and small business loans) on a monthly basis during at least 9 out of every 12 months. The OTS granted People s United Bank an exception from the Qualified Thrift Lender test for a period of four years from the date of its conversion to a federal charter (August 18, 2006).

A savings bank that fails the Qualified Thrift Lender test will be deemed to have violated Section 5 of the Home Owners Loan Act and be subject to enforcement action under Section 5(d) of the Home Owners Loan Act. In addition, a savings bank that fails the Qualified Thrift Lender test generally will be prohibited from: (i) engaging in any new activity not permissible for a national bank; (ii) paying dividends without prior approval from the Comptroller of the Currency and the Federal Reserve Board; such dividends must also be permissible under national bank regulations; and (iii) establishing any new branch office in a location not permissible for a national bank in the institution s home state. In addition, the institution may have to repay any outstanding advances from the Federal Home Loan Bank as promptly as possible. At December 31, 2010, People s United Bank was in compliance with the Qualified Thrift Lender test.

***Limitation on Capital Distributions.*** The OTS regulations impose limitations upon certain capital distributions by Federal savings banks, such as certain cash dividends, payments to repurchase or otherwise acquire its shares, payments to stockholders of another institution in a cash out merger and other distributions charged against capital.

The OTS regulates all capital distributions by People s United Bank directly or indirectly to its shareholder, including dividend payments. People s United Bank must file a notice with the OTS at least 30 days prior to each capital distribution. However, if the total amount of all capital distributions (including any proposed capital distribution) for the applicable calendar year exceeds net income for that year to date plus the retained net income for the preceding two years, then People s United Bank must file an application to receive the approval of the OTS for a proposed capital distribution.

People s United Bank may not pay dividends to its shareholder if, after paying those dividends, it would fail to meet the required minimum levels under risk-based capital guidelines and the minimum leverage and tangible capital ratio requirements or if the OTS notified People s United Bank that it was in need of more than normal supervision. Under the Federal Deposit Insurance Act, an insured depository institution such as People s United Bank is prohibited from making capital distributions, including the payment of dividends, if, after making such distribution, the institution would become undercapitalized (as such term is used in the Federal Deposit Insurance Act). Payment of dividends by People s United Bank also may be restricted at any time at the discretion of the appropriate regulator if it deems the payment to constitute an unsafe and unsound banking practice. See Note 13 to the Consolidated Financial Statements for a further discussion on capital distributions.

***Liquidity.*** People s United Bank maintains sufficient liquidity to ensure its safe and sound operation, in accordance with OTS regulations.

***Assessments.*** The OTS charges assessments to recover the cost of examining federal savings banks and their affiliates. These assessments are based on three components: (i) the size of the institution on which the basic assessment is based; (ii) the institution s supervisory condition, which results in an additional assessment based on a percentage of the basic assessment for any savings institution with a composite rating of 3, 4 or 5 in its most recent safety and soundness examination; and (iii) the complexity of the institution s operations, which results in an additional assessment based on a percentage of the basic assessment for any savings institution that managed over $1 billion in trust assets, serviced for others loans aggregating more than $1 billion, or had certain off-balance sheet assets aggregating more than $1 billion.

The OTS also assesses fees against savings and loan holding companies, such as People s United Financial. The OTS semi-annual assessment for savings and loan holding companies includes a base assessment with an additional assessment based on the holding company s risk or complexity, organizational form and condition.

***Branching.*** Under OTS branching regulations, People s United Bank is generally authorized to open branches nationwide if People s United Bank (i) continues to meet the requirements of a highly-rated federal savings bank, and (ii) publishes public notice at least 35 days before opening a branch and no one opposes the branch. If a comment in opposition to a branch opening is filed and the OTS determines the comment to be relevant to the approval process standards, and to require action in response, the OTS may, among other things, require a branch application or elect to hold a meeting with People s United Bank and the person who submitted the comment. OTS authority preempts any state law purporting to regulate branching by federal savings banks.

***Anti-Money Laundering and Customer Identification.*** People s United Bank is subject to OTS and Financial Crimes Enforcement Network regulations implementing the Bank Secrecy Act, as amended by the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, or the USA PATRIOT Act. The USA PATRIOT Act gives the federal government powers to address terrorist threats through enhanced domestic security measures, expanded surveillance powers, increased information sharing, and broadened anti-money laundering requirements. By way of amendments to the Bank Secrecy Act, Title III of the USA PATRIOT Act takes measures intended to encourage information sharing among banks, regulatory agencies and law enforcement bodies. Further, certain provisions of Title III impose affirmative obligations on a broad range of financial institutions, including savings banks like People s United Bank.

The USA PATRIOT Act and the related OTS regulations impose the following requirements with respect to financial institutions:

- establishment of anti-money laundering programs, including adoption of written procedures, designation of a compliance officer and auditing of the program;

- establishment of a program specifying procedures for obtaining identifying information from customers seeking to open new accounts, including verifying the identity of customers within a reasonable period of time;

- establishment of enhanced due diligence policies, procedures and controls designed to detect and report money laundering;

- prohibitions on correspondent accounts for foreign shell banks and compliance with record keeping obligations with respect to correspondent accounts of foreign banks; and

- requirements that bank regulators consider a holding company s effectiveness in combating money laundering when ruling on Federal Reserve Act and Bank Merger Act applications.

***Federal Home Loan Bank System.*** People s United Bank is a member of the Federal Home Loan Bank (the FHLB ) system, which consists of twelve regional Federal Home Loan Banks, each subject to supervision and regulation by the Federal Housing Finance Agency. The FHLB provides a central credit facility primarily for member institutions as well as other entities involved in home mortgage lending. It is funded primarily from proceeds derived from the sale of consolidated obligations of the Federal Home Loan Banks. It makes loans or advances to members in accordance with policies and procedures, including collateral requirements, established by the respective boards of directors of the Federal Home Loan Banks. These policies and procedures are subject to the regulation and oversight of the Federal Housing Finance Agency, which has also established standards of community or investment service that members must meet to maintain access to long-term advances.

People s United Bank, as a member of the FHLB of Boston, is currently required to purchase and hold shares of capital stock in the FHLB of Boston in an amount equal to 0.35% of People s United Bank Membership Stock Investment Base plus an Activity Based Stock Investment Requirement. The Activity Based Stock Requirement is equal to 3.0% of any outstanding principal for overnight advances, 4.0% of any outstanding principal for term advances with an original term of two days to three months and 4.5% of any outstanding principal for term advances with an original term greater than three months. People s United Bank is in compliance with these requirements. As a result of the Smithtown acquisition, People s United Bank also holds shares of capital stock in the FHLB of New York.

***Federal Reserve System.*** Federal Reserve Board regulations require federally chartered savings banks to maintain non-interest-earning cash reserves against their transaction accounts (primarily negotiable order of withdrawal and demand deposit accounts). Institutions must maintain a reserve of 3% against aggregate transaction account balances between $10.7 million and $48.1 million (subject to adjustment by the Federal Reserve Board) plus a reserve of 10% (subject to adjustment by the Federal Reserve Board between 8% and 14%) against that portion of total transaction account balances in excess of $48.1 million. The first $10.7 million of otherwise reservable balances is exempt from the reserve requirements. People s United Bank is in compliance with the foregoing requirements. The required reserves must be maintained in the form of vault cash, or an interest-bearing account at a Federal Reserve Bank, or a pass-through account as defined by the Federal Reserve Board.

*Market Area and Competition*

People s United Financial s primary market areas are New England and New York (specifically Westchester, Suffolk and Nassau counties), with Connecticut and Vermont having the largest concentration of its loans, deposits and branches. At December 31, 2010, approximately 68% and 15% of the total loan portfolio represents loans to customers within the New England states and New York, respectively. However, substantially all of the equipment financing portfolio involves customers outside of New England. At December 31, 2010, approximately 34% of the equipment financing portfolio was to customers located in California, Texas and Florida. As of June 30, 2010, People s United Financial had the largest market share of deposits in Fairfield County, the third largest in Connecticut and the largest in Vermont. People s United Financial competes for deposits, loans and financial services with commercial banks, savings institutions, commercial and consumer finance companies, mortgage banking companies, insurance companies, credit unions, and a variety of other institutional lenders and securities firms.

As People s United Financial s predominant market, Connecticut is one of the most attractive banking markets in the United States, with a total population of approximately 3.5 million and a median household income of $70,340 as of June 30, 2010, ranking second in the United States and well above the U.S. median household income of $54,442, according to estimates from SNL Financial. Fairfield County, where People s United Financial is headquartered, has the highest median household income in Connecticut of $87,754 as of June 30, 2010 according to estimates from SNL Financial. The median household income in Vermont, which has the bank s second highest concentration of branches, was $53,811 as of June 30, 2010, comparable to the national level.

The principal basis of competition for deposits is the interest rate paid for those deposits and related fees, convenient access to services through traditional and non-traditional delivery alternatives and the quality of services to customers. The principal basis of competition for loans is through the interest rates and loan fees charged and by developing relationships based on the efficiency, convenience and quality of services provided to borrowers. Further competition has been created through the rapid acceleration of commerce conducted over the Internet. This has enabled institutions, including People s United Financial, to compete in markets outside their traditional geographic boundaries.

*Personnel*

As of December 31, 2010, People s United Financial had 4,528 full-time and 670 part-time employees.

*Access to Information*

As a public company, People s United Financial is subject to the informational requirements of the Securities Exchange Act of 1934, as amended and, in accordance therewith, files reports, proxy and information statements and other information with the Securities and Exchange Commission. Such reports, proxy and information statements and other information can be inspected and copied at prescribed rates at the public reference facilities maintained by the Securities and Exchange Commission at 100 F Street N.E., Mail Stop 5100, Washington, D.C. 20549 and are available on the Securities and Exchange Commission s EDGAR database on the internet at www.sec.gov. People s United Financial s common stock is listed on the NASDAQ Global Select Market under the symbol PBCT .

Copies of many of these reports are also available through People s United Financial s website at *www.peoples.com.*

People s United Financial currently provides website access to the following reports:

Form 10-K (most recent filing and any related amendments)

Form 10-Q (four most recent filings and any related amendments)

Form 8-K (all filings in most recent 12 months and any related amendments)

Annual Report to Shareholders (two most recent years)

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

XBRL Interactive Data (most recent 12 months)

## Item 1A. Risk Factors

**Changes in Interest Rates Could Adversely Affect Our Results of Operations and Financial Condition**

People s United Financial makes most of its earnings based on the difference between interest it earns compared to interest it pays. This difference is called the interest spread. People s United Financial earns interest on loans and to a much lesser extent on securities and short-term investments. These are called interest-earning assets. People s United Financial pays interest on some forms of deposits and on funds it borrows from other sources. These are called interest-bearing liabilities.

People s United Financial s interest spread can change depending on when interest rates earned on interest-earning assets change, compared to when interest rates paid on interest-bearing liabilities change. Some rate changes occur while these assets or liabilities are still on People s United Financial s books. Other rate changes occur when these assets or liabilities mature and are replaced by new interest-earning assets or interest-bearing liabilities at different rates. It may be difficult to replace interest-earning assets quickly, since customers may not want to borrow money when interest rates are high, or People s United Financial may not be able to make loans that meet its lending standards. People s United Financial interest spread may also change based on the mix of interest-earning assets and interest-bearing liabilities.

People s United Financial interest spread may be lower if the timing of interest rate changes is different for its interest-earning assets compared to its interest-bearing liabilities. For example, if interest rates go down, People s United Financial will earn less on some of its interest-earning assets while it is still locked into paying higher rates on some of its interest-bearing liabilities. On the other hand, if interest rates go up, People s United Financial might have to pay more on some of its interest-bearing liabilities while it is still locked in to receiving lower rates on some of its interest-earning assets.

People s United Financial manages this risk using many different techniques. If it is not successful in managing this risk, People s United Financial may be less profitable.

**Changes in Our Asset Quality Could Adversely Affect Our Results of Operations and Financial Condition**

Asset quality measures the performance of a borrower in repaying a loan, with interest, on time. In recent years, we have benefited from relatively stable asset quality. It is possible that our asset quality could deteriorate, depending upon economic conditions.

**The Success of Our Stop & Shop Branches Depends on the Success of the Stop & Shop Brand**

One element of our strategy is to focus on increasing deposits by providing a wide range of convenient services to our customers. An integral component of this strategy is People s United Bank s supermarket banking initiative, pursuant to which, as of December 31, 2010, People s United Bank has established 84 full-service Stop & Shop branches that provide customers with the convenience of seven-day-a-week banking. At December 31, 2010, 25% of People s United Bank branches were located in Stop & Shop supermarkets.

People s United Bank currently has exclusive branching rights in Stop & Shop supermarkets in the state of Connecticut, in the form of a license agreement between The Stop & Shop Supermarket Company and People s United Bank, which provides for the leasing of space to People s United Bank within Stop & Shop supermarkets for branch use. People s United Bank has the exclusive right to branch in these supermarkets until 2012, provided that People s United Bank does not default on its obligations under the licensing agreement. People s United Bank has the option to extend the license agreement until 2022.

Stop & Shop is currently the leading grocery store in Connecticut. The success of People s United Bank supermarket branches is dependent, in part, on the success of the Stop & Shop supermarkets in which they are located. A drop in Stop & Shop s market share, a decrease in the number of Stop & Shop locations or customers, or a decline in the overall quality of Stop & Shop supermarkets could result in decreased business for the Stop & Shop branches, in the form of fewer loan originations, lower deposit generation and fewer overall branch transactions, and could influence market perception of People s United Bank Stop & Shop supermarket branches as convenient banking locations. Under the terms of the license agreement, People s United Bank has the obligation to open branches in new Connecticut Stop & Shop locations through 2012, even if Stop & Shop s market share declines or the value of the Stop & Shop brand is diminished.

**We Depend on Our Executive Officers and Key Personnel to Continue the Implementation of Our Long-Term Business Strategy and Could Be Harmed by the Loss of Their Services**

We believe that our continued growth and future success will depend in large part upon the skills of our management team. The competition for qualified personnel in the financial services industry can be intense, and the loss of our key personnel or an inability to continue to attract, retain and motivate key personnel could adversely affect our business.

**Our Business Is Affected by the International, National, Regional and Local Economy Generally, and the Geographic Concentration of Our Loan Portfolio and Lending Activities Makes Us Vulnerable to a Downturn in the Local Economy**

Changes in international, national, regional and local economic conditions affect our business. If economic conditions change significantly or quickly, our business operations could suffer, and we could become weaker financially as a result.

In recent years, there has been a decline in the housing and real estate markets and in the general economy, both nationally and locally. Housing market conditions in the New England region of the United States, where much of our lending activity occurs, have deteriorated as evidenced by reduced levels of sales, increasing inventories of houses on the market, declining house prices and an increase in the length of time houses remain on the market. No assurance can be given that these conditions will improve or will not worsen or that such conditions will not result in a decrease in our interest income, an increase in our non-performing loans, an increase in our provision for loan losses or an adverse impact on our loan losses.

The past several years have been marked by significant volatility in the financial and capital markets initially brought about by the fallout associated with the subprime mortgage market. This disruption led to significant credit and liquidity concerns, which resulted in government intervention within the banking sector and a substantial decline in activity within the secondary mortgage market. All of these issues have been further exacerbated by an accelerated softening of the real estate market, a worsening recessionary economic environment and, in turn, weakness within the commercial sector.

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

**In Response to Competitive Pressures, Our Costs Could Increase if We Were Required to Increase Our Service and Convenience Levels or Our Margins Could Decrease if We Were Required to Increase Deposit Rates or Lower Interest Rates on Loans**

People s United Financial faces significant competition for deposits and loans. In deciding where to deposit their money, many people look first at the interest rate they will earn. They also might think about whether the bank offers other kinds of services they might need and, if they have ever been a customer of the bank before, what their experience was like. People also like convenience, so the number of offices and banking hours may be important. Some people also think that on-line services are important.

People s United Financial competes with other banks, credit unions, brokerage firms and money market funds for deposits. Some people may decide to buy bonds or similar kinds of investments issued by companies or by the U.S., state and local governments and agencies, instead of opening a deposit account.

In making decisions about loans, many people look first at the interest rate they will have to pay. They also think about any extra fees they might have to pay in order to get the loan. Some people also think about whether the bank offers other kinds of services they might need and, if they have ever been a customer of the bank before, what their experience was like. Many business loans are more complicated because there may not be a standard kind of loan that meets all of the customer s needs. Business borrowers look at many different factors that are not all financial in nature. Examples include the kind and amount of security the lender wants and other terms of the loan that do not involve the interest rate.

People s United Financial competes with other banks, credit unions, credit card issuers, finance companies, mortgage lenders and mortgage brokers for loans. Insurance companies also compete with People s United Financial for some kinds of commercial loans.

Many of People s United Financial s competitors have branches in the same market area as it does. Some of them are much larger than it is. The New England region, including Connecticut, which is People s United Financial s predominant market, and specifically Fairfield County, where People s United Financial is headquartered, is an attractive banking market. Many locally-based banks have been acquired by large regional and national companies in the last several years. We expect this trend to continue. This means that there are not as many competitors in our market as there used to be, but the ones that are left are usually bigger and have more resources than the ones they acquired.

People s United Financial also has competition from outside its own market area. A bank that does not have any branches in our primary markets can still have customers there by providing banking services on-line. It costs money to set up and maintain a branch system. Banks that do not spend as much money as People s United Financial does on branches might be more profitable than it is, even if they pay higher interest on deposits and charge lower interest on loans.

**Changes in Federal and State Regulation Could Adversely Affect Our Results of Operations and Financial Condition**

The banking business is heavily regulated by the federal and state governments. Banking laws and rules are for the most part intended to protect depositors, not stockholders.

Banking laws and rules can change at any time. The government agencies responsible for supervising People s United Financial s businesses can also change the way they interpret these laws and rules, even if the rules themselves do not change. We need to make sure that our business activities comply with any changes in these rules or the interpretation of the rules. We might be less profitable if we have to change the way we conduct business in order to comply. Our business might suffer in other ways as well.

Changes in state and federal tax laws can make our business less profitable. Changes in the accounting standards we are required to follow may also make us less profitable. Changes in the government s economic and monetary policies may hurt our ability to compete for deposits and loans. Changes in these policies can also make it more expensive for us to do business.

The government agencies responsible for supervising our business can take drastic action if they think we are not conducting business safely or are too weak financially. They can force People s United Financial to hold additional capital, pay higher deposit insurance premiums, stop paying dividends, stop making certain kinds of loans or stop offering certain kinds of deposits. If the agencies took any of these steps or other similar steps, it would probably make our business less profitable.

The letter from the OTS dated July 3, 2006 approving, among other things, People s United Bank s conversion from a Connecticut savings bank to a federal savings bank, granted People s United Bank (i) a phase-in period of three years from the date of its conversion to a federal savings bank, August 18, 2006, to comply with the Home Owners Loan Act s commercial loan limits, with the ability to seek an additional one-year extension if necessary (subsequently extended to January 1, 2011); and (ii) an exception from the Qualified Thrift Lender test for a period of four years from the date of its conversion to a federal charter. People s United Bank is now subject to the Qualified Thrift Lender test and commercial loan limits imposed under the Home Owners Loan Act.

On July 21, 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act ) was signed into law. The Dodd-Frank Act implements significant changes in the financial regulatory landscape, many of which will affect us. Among these changes are:

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

Many of the provisions of the Dodd-Frank Act require subsequent regulatory rulemaking, and we can not predict how any new regulations will affect People s United Financial.

People s United Bank is currently regulated by the OTS as a federally-chartered savings bank, and People s United Financial is currently regulated by the OTS as a savings and loan holding company. In July 2011, the Office of the Comptroller of the Currency is expected to assume responsibility for the supervision and regulation of all federally-chartered savings banks, and the Board of Governors of the Federal Reserve System is expected to assume responsibility for the supervision and regulation of all savings and loan holding companies. We can not predict how this transfer of supervisory and regulatory authority may affect us.

**If People s United Financial s Allowance for Loan Losses Is Not Sufficient to Cover Actual Loan Losses, Our Earnings Would Decrease**

People s United Financial is exposed to the risk that customers will not be able to repay their loans. This risk is inherent in the lending business. There is also the risk that the customer s collateral will not be sufficient to cover the balance of their loan, as underlying collateral values fluctuate with market changes. People s United Financial records an allowance for loan losses to cover probable losses inherent in the existing loan portfolio. The allowance for loan losses is established through provisions for loan losses charged to income. Losses on loans, including impaired loans, are charged to the allowance for loan losses when all or a portion of a loan is deemed to be uncollectible. Recoveries of loans previously charged off are credited to the allowance for loan losses when realized.

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

While People s United Financial seeks to use the best available information to make these evaluations, and at December 31, 2010, management believed that the allowance for loan losses was adequate to cover probable losses inherent in the existing loan portfolio, it is possible that borrower defaults could exceed the current estimates for loan losses, which would reduce earnings. In addition, future increases to the allowance for loan losses may be necessary based on changes in economic conditions, results of regulatory examinations, further information obtained regarding known problem loans, increasing charge-offs of existing problem loans, or the identification of additional problem loans and other factors, which would also reduce earnings.

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

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

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

The ultimate success of an acquisition will depend, in part, on the ability of People s United Financial to realize the anticipated benefits from combining the businesses of People s United Financial with those of an acquired company. However, to realize these anticipated benefits, People s United Financial must successfully combine its business with an acquired company. If People s United Financial is not able to achieve these objectives, the anticipated benefits of a merger may not be realized fully or at all or may take longer to realize than expected.

**Item 1B. Unresolved Staff Comments**

None.

**Item 2. Properties**

People s United Financial s corporate headquarters is located in Bridgeport, Connecticut. The headquarters building had a net book value of $73 million at December 31, 2010 and People s United Financial occupies approximately 87% of the building; all other available office space is leased to an unrelated party. People s United Financial delivers its financial services through a network of branches located throughout Connecticut, Vermont, New York, New Hampshire, Maine and Massachusetts. People s United Financial s branch network is primarily concentrated in Connecticut, where it has 163 offices (including 84 located in Stop & Shop supermarkets). People s United Financial also has 46 branches in Vermont, 37 branches in New York, 33 branches in New Hampshire, 31 branches in Maine and 29 branches in Massachusetts. People s United Financial owns 108 of its branches, which had an aggregate net book value of $72 million at December 31, 2010. People s United Financial s remaining banking operations are conducted in leased offices. Information regarding People s United Financial s operating leases for office space and related rent expense appears in Note 20 to the Consolidated Financial Statements.

**Item 3. Legal Proceedings**

The information required by this item appears in Note 20 to the Consolidated Financial Statements.

**Item 4. Reserved**

**Part II**

**Item 5. Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities**

The common stock of People s United Financial, Inc. is listed on the NASDAQ Global Select Market under the symbol PBCT. On February 11, 2011, the closing price of People s United Financial, Inc. common stock was $13.13. As of that date, there were approximately 21,300 record holders of People s United Financial, Inc. common stock.

**Five-Year Performance Comparison**

The following graph compares total shareholder return on People s United Financial common stock over the last five fiscal years with (a) the Standard & Poor s 500 Stock Index (the S & P 500 Stock Index ), (b) the Russell Midcap Index, and (c) the SNL Mid Cap U.S. Bank & Thrift Index (the Mid Cap Index ). Index values are as of December 31 of the indicated year.

The graph assumes $100 invested on December 31, 2005 in each of People s United Financial s common stock, the S & P 500 Stock Index, the Russell Midcap Index and the Mid Cap Index. The graph also assumes reinvestment of all dividends.

The Russell Midcap Index is a market-capitalization weighted index comprised of 800 publicly-traded companies which are among the 1,000 largest U.S. companies (by market capitalization) but not among the 200 largest such companies. People s United Financial is included as a component of the Russell Midcap Index. The Mid Cap Index is an index prepared by SNL Securities comprised of 58 financial institutions (including People s United Financial) located throughout the United States.

**Issuer Purchases of Equity Securities**

The following table provides information with respect to purchases made by People s United Financial of its common stock during the three months ended December 31, 2010.

| Period | Total number of shares purchased | Average price paid per share | Total number of shares purchased as part of publicly announced plans or programs | Maximum number of shares that may yet be purchased under the plans or programs |
|---|---|---|---|---|
| October 1-31, 2010: | | | | |
| Tendered by employees (1) | 89,155 | $ 12.69 | | |
| Publicly announced program (2) | | $ | | 11,661,036 |
| November 1-30, 2010: | | | | |
| Tendered by employees (1) | 5,079 | $ 12.54 | | |
| Publicly announced program (2) | | $ | | 11,661,036 |
| December 1-31, 2010: | | | | |
| Tendered by employees (1) | | $ | | |
| Publicly announced program (2) | 8,732,000 | $ 13.08 | 8,732,000 | 2,929,036 |
| Total: | | | | |
| Tendered by employees (1) | 94,234 | $ 12.68 | | |
| Publicly announced program (2) | 8,732,000 | $ 13.08 | 8,732,000 | 2,929,036 |

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

(2) In April 2008, People s United Financial s Board of Directors authorized the repurchase of up to 5% of People s United Financial s then-outstanding common stock, or up to a maximum of 17.3 million shares. Such shares may be repurchased, either directly or through agents, in the open market at prices and terms satisfactory to management. Through December 31, 2010, a total of 14.3 million shares of People s United Financial common stock had been repurchased under the stock repurchase authorization at a total cost of $191.2 million. Shares acquired in this manner have not been retired by People s United Financial and, as a result, remain available for issuance in the future.

Additional information required by this item is included in Part III, Item 12 of this report, and Notes 13 and 25 to the Consolidated Financial Statements.

**Item 6. Selected Financial Data**

**As of and for the years ended December 31**

| (dollars in millions, except per share data) | 2010 | 2009 | 2008 | 2007 | 2006 |
|---|---|---|---|---|---|
| **Financial Results:** | | | | | |
| Net interest income (fully taxable equivalent) | $ 702.3 | $ 580.2 | $ 640.3 | $ 486.6 | $ 382.4 |
| Provision for loan losses | 60.0 | 57.0 | 26.2 | 8.0 | 3.4 |
| Non-interest income | 299.2 | 309.1 | 303.6 | 185.4 | 147.4 |
| Non-interest expense (1) | 811.2 | 684.6 | 709.0 | 439.3 | 346.9 |
| Income from continuing operations | 85.7 | 101.2 | 137.8 | 149.2 | 121.7 |
| Income from discontinued operations | | | | 1.5 | 2.3 |
| Net income | 85.7 | 101.2 | 137.8 | 150.7 | 124.0 |
| **Selected Statistical Data:** | | | | | |
| Net interest margin | 3.69% | 3.19% | 3.62% | 4.12% | 3.87% |
| Return on average assets (2) | 0.39 | 0.49 | 0.68 | 1.18 | 1.15 |
| Return on average tangible assets (2) | 0.42 | 0.53 | 0.73 | 1.19 | 1.16 |
| Return on average stockholders equity (2) | 1.6 | 2.0 | 2.6 | 4.2 | 9.4 |
| Return on average tangible stockholders equity (2) | 2.4 | 2.8 | 3.7 | 4.3 | 10.2 |
| Efficiency ratio | 73.3 | 73.5 | 66.6 | 56.1 | 61.3 |
| **Financial Condition Data:** | | | | | |
| Total assets | $ 25,037 | $ 21,257 | $ 20,168 | $ 13,555 | $ 10,687 |
| Loans | 17,518 | 14,234 | 14,566 | 8,950 | 9,372 |
| Securities | 3,033 | 902 | 1,902 | 61 | 77 |
| Short-term investments (3) | 1,120 | 3,492 | 1,139 | 3,516 | 225 |
| Allowance for loan losses | 173 | 173 | 158 | 73 | 74 |
| Goodwill and other acquisition-related intangibles | 1,962 | 1,515 | 1,536 | 104 | 105 |
| Deposits | 17,933 | 15,446 | 14,269 | 8,881 | 9,083 |
| Borrowings | 1,011 | 159 | 188 | | 4 |
| Subordinated notes and debentures | 182 | 182 | 181 | 65 | 65 |
| Stockholders equity | 5,219 | 5,101 | 5,174 | 4,445 | 1,340 |
| Non-performing assets (4) | 303 | 206 | 94 | 26 | 23 |
| **Ratios:** | | | | | |
| Net loan charge-offs to average loans | 0.39% | 0.29% | 0.10% | 0.10% | 0.05% |
| Non-performing assets to originated loans, real estate owned and repossessed assets (4) | 2.06 | 1.44 | 0.64 | 0.29 | 0.24 |
| Allowance for loan losses to originated loans (4) | 1.18 | 1.21 | 1.08 | 0.81 | 0.79 |
| Average stockholders equity to average total assets | 24.4 | 24.8 | 25.6 | 28.1 | 12.3 |
| Stockholders equity to total assets | 20.8 | 24.0 | 25.7 | 32.8 | 12.5 |
| Tangible stockholders equity to tangible assets | 14.1 | 18.2 | 19.5 | 32.3 | 11.7 |
| Total risk-based capital (5) | 14.5 | 14.1 | 13.4 | 33.4 | 16.1 |
| **Per Common Share Data:** | | | | | |
| Basic earnings per share | $ 0.24 | $ 0.30 | $ 0.41 | $ 0.52 | $ 0.42 |
| Diluted earnings per share | 0.24 | 0.30 | 0.41 | 0.52 | 0.41 |
| Dividends paid per share (6) | 0.62 | 0.61 | 0.58 | 0.52 | 0.46 |
| Dividend payout ratio (6) | 254.5% | 201.1% | 141.1% | 87.0% | 48.3% |
| Book value (end of period) | $ 14.91 | $ 15.20 | $ 15.44 | $ 15.43 | $ 4.49 |
| Tangible book value (end of period) | 9.30 | 10.68 | 10.86 | 15.07 | 4.13 |
| Stock price: | | | | | |
| High | 17.08 | 18.54 | 21.76 | 22.81 | 21.62 |
| Low | 12.20 | 14.72 | 13.92 | 14.78 | 14.29 |
| Close (end of period) | 14.01 | 16.70 | 17.83 | 17.80 | 21.25 |

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(1) Includes a total of $58.9 million and $4.5 million of merger-related expenses, core system conversion costs and one-time charges in 2010 and 2009, respectively. Also includes an FDIC special assessment charge of $8.4 million in 2009, $51.3 million of merger-related expenses and other one-time charges in 2008, and the $60.0 million contribution to The People s United Community Foundation in 2007.
(2) Calculated based on net income for all years.
(3) Includes securities purchased under agreements to resell.
(4) Excludes acquired loans. See Asset Quality.
(5) Total risk-based capital ratios presented are for People s United Bank and, as such, do not reflect the additional capital residing at People s United Financial, Inc. for periods subsequent to 2006.
(6) Reflects the waiver of dividends on the substantial majority of the common shares owned by People s Mutual Holdings prior to completing the second-step conversion in April 2007.

**Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations**
**Forward-Looking Statements**

Periodic and other filings made by People s United Financial with the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934 (the Exchange Act ) may from time to time contain information and statements that are forward-looking in nature. Such filings include the Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, and may include other forms such as proxy statements. Other written or oral statements made by People s United Financial or its representatives from time to time may also contain forward-looking statements.

In general, forward-looking statements usually use words such as expect, anticipate, believe, should, and similar expressions, and include all statements about People s United Financial s operating results or financial position for future periods. Forward-looking statements represent management s beliefs, based upon information available at the time the statements are made, with regard to the matters addressed; they are not guarantees of future performance.

All forward-looking statements are subject to risks and uncertainties that could cause People s United Financial s actual results or financial condition to differ materially from those expressed in or implied by such statements. Factors of particular importance to People s United Financial include, but are not limited to: (1) changes in general, national or regional economic conditions; (2) changes in interest rates; (3) changes in loan default and charge-off rates; (4) changes in deposit levels; (5) changes in levels of income and expense in non-interest income and expense related activities; (6) residential mortgage and secondary market activity; (7) changes in accounting and regulatory guidance applicable to banks; (8) price levels and conditions in the public securities markets generally; (9) competition and its effect on pricing, spending, third-party relationships and revenues; (10) the successful integration of acquired companies; and (11) possible changes in regulation resulting from or relating to recently enacted financial reform legislation.

All forward-looking statements can be affected by inaccurate assumptions or by known or unknown risks and uncertainties. Consequently, no forward-looking statement can be guaranteed. People s United Financial does not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

**Recent Market Developments**

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

*FDIC Insurance Coverage / Assessments*

The FDIC insures deposits at FDIC insured financial institutions up to certain limits, charging premiums to maintain the DIF at specified levels. Such premiums may vary based on the risk profile of the insured institution and have historically ranged from 0.05% of deposits for an institution in the highest sub-category of the highest category to 0.43% of deposits for an institution in the lowest category. Current economic conditions have resulted in an increased number of bank failures and, consequently, greater use of DIF resources. In response, the FDIC authorized higher premium assessments for 2009 pursuant to a restoration plan designed to increase the DIF reserve ratio to required levels. Under the FDIC s restoration plan, the premium assessment rate was raised uniformly by seven basis points beginning on January 1, 2009 resulting in an initial base assessment rate of 12 basis points for People s United Bank. Furthermore, the premium assessment rate in effect beginning April 1, 2009 is subject to adjustments that are based on each institution s risk profile and may affect its initial base assessment rate.

On September 29, 2009, the FDIC adopted a plan that extended the DIF restoration plan from seven years to eight years and on November 12, 2009, the FDIC adopted a final rule that amended the assessment regulations to require insured financial institutions to prepay, on December 30, 2009, their estimated deposit insurance premiums for 2010, 2011 and 2012. Under this rule, which did not include any additional special assessments, the prepayment was based on an assumed 5% annual growth rate in each institution s insured deposits (the assessment base) and an assumed increase of three basis points in each institution s premium assessment rate beginning in 2011. As such, deposit insurance expense may continue to increase in the future. On December 30, 2009, People s United Bank prepaid its estimated deposit insurance premiums totaling $69 million in accordance with FDIC regulations. After recognizing $23 million of deposit insurance expense in 2010, the prepaid deposit insurance assessment totaled $48 million (including $2 million related to acquired institutions) at December 31, 2010.

The EESA increased the FDIC deposit insurance limit from $100,000 to $250,000 per depositor through December 31, 2009, and subsequent amendments extended the increased coverage through December 31, 2013. In addition, on October 14, 2008, the FDIC announced the Temporary Liquidity Guarantee Program, which consists of two components: temporary unlimited deposit insurance on funds in non-interest-bearing transaction deposit accounts not otherwise covered by the increased $250,000 deposit insurance limit (the Transaction Account Guarantee Program ) and a temporary guarantee of certain newly-issued unsecured debt (the Debt Guarantee Program ). All eligible institutions were covered under both programs for the first 30 days without incurring any costs. After the initial 30 day period, institutions participating in the Transaction Account Guarantee Program are assessed a 10 basis point surcharge on the additional insured deposits and institutions participating in the Debt Guarantee Program are subject to an annualized charge equal to 75 basis points.

On August 26, 2009, the FDIC adopted a final rule extending the Transaction Account Guarantee Program from December 31, 2009 through June 30, 2010. In April 2010, the Transaction Account Guarantee Program was extended again through December 31, 2010. Institutions remaining in the Transaction Account Guarantee Program will be charged an assessment rate of either 15 basis points, 20 basis points or 25 basis points on the additional insured deposits, depending on the institution s risk category as assigned by the FDIC.

Through June 30, 2010, People s United Bank participated in the Transaction Account Guarantee Program as it had historically participated in all other FDIC deposit insurance programs. However, People s United Bank elected to opt out of future participation in the Transaction Account Guarantee Program effective July 1, 2010. While People s United Financial has retained its right to do so, the company does not, at this time, intend to issue senior unsecured debt securities under the Debt Guarantee Program.

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

Based on the increase in the premium assessment rate, the special assessment announced in May 2009, and People s United Bank s participation in the Transaction Account Guarantee Program through June 30, 2010, the company s cost of deposit insurance increased significantly in 2009 and 2010, and further increases may occur. The actual amount of future assessments will be dependent on several factors, including: (i) deposit levels; (ii) People s United Bank s risk profile; (iii) changes resulting from the FDIC s February 2011 final rule; and (iv) whether additional special assessments are imposed in future periods and the manner in which such assessments are determined.

*Dodd-Frank Wall Street Reform and Consumer Protection Act*

As previously discussed in Risk Factors, our business is subject to risk as a result of changes in Federal and State regulation. On July 21, 2010, financial regulatory reform was signed into law by the President as the Dodd-Frank Wall Street Reform and Consumer Protection Act (the Act ). The Act implements significant changes in the financial regulatory landscape and will impact all financial institutions and their holding companies, including People s United Bank and People s United Financial.

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

The Act provides that the amount of interchange fee that an issuer of debit cards may charge or receive must be reasonable and proportional to the cost of the transaction. The Act directs the Board of Governors of the Federal Reserve System (the Board ) to issue regulations to implement this requirement, and further provides that in determining whether a charge is reasonable and proportional the issuer may generally consider only costs that are specific to the individual transaction. Separately, the Board is authorized to issue regulations that would allow an issuer to adjust interchange fees to reflect the costs associated with fraud mitigation related to debit card transactions, provided that the issuer must comply with fraud-related standards to be established by the Board. The Act further provides that a debit card issuer may not restrict the number of payment card networks on which a debit card transaction may be processed to a single network or limit the ability of a merchant to direct the routing of debit card payments for processing. The company expects that the Act s interchange fee provisions will reduce interchange fee revenue, beginning in the third quarter of 2011, but the full impact will not be known until the Board has completed its rule-making. It is anticipated that establishment of the Bureau and these other changes will significantly increase the company s regulatory compliance burden and costs and may restrict the financial products and services People s United Financial offers to its customers.

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

Because many of the Act s provisions require subsequent regulatory rulemaking, the impact that the new regulations will have on People s United Bank and People s United Financial can not be predicted at this time.

The actions noted above, together with additional actions announced by the U.S. Treasury and other regulatory agencies, continue to develop. It is not clear at this time what impact such actions will have on the capital markets and the financial services industry. The extreme levels of market volatility and limited credit availability currently being experienced could continue to adversely affect the U.S. banking industry and the broader U.S. and global economies for the foreseeable future, which will have an effect on all financial institutions, including People s United Financial.

In July 2011, the Office of the Comptroller of the Currency is expected to assume responsibility for the supervision and regulation of all federally-chartered savings banks, and the Board of Governors of the Federal Reserve System is expected to assume responsibility for the supervision and regulation of all savings and loan holding companies.

**General**

People s United Financial, Inc. ( People s United Financial ) is a savings and loan holding company incorporated under the state laws of Delaware and the holding company for People s United Bank. On April 16, 2007, People s United Financial, People s United Bank and People s Mutual Holdings completed their second-step conversion from a mutual holding company structure to a fully-public stock holding company structure. People s United Financial had not engaged in any business through March 31, 2007; accordingly, the financial information for periods prior to March 31, 2007 is that of People s United Bank. People s United Financial is regulated by the Office of Thrift Supervision (the OTS ) and is subject to OTS examination, supervision and reporting requirements.

People s United Bank is a federally-chartered stock savings bank headquartered in Bridgeport, Connecticut with $23.9 billion in total assets as of December 31, 2010. People s United Bank was organized in 1842 as a mutual savings bank, converted to stock form in 1988, and in 2006 converted from a Connecticut-chartered stock savings bank to a federally-chartered stock savings bank. Deposits are insured up to applicable limits by the DIF of the FDIC. People s United Bank is regulated by the OTS.

People s United Financial s results of operations are largely dependent upon revenues generated through net interest income and fee-based revenues and, to a much lesser extent, other forms of non-interest income such as gains on asset sales. Sources for these revenues are diversified across People s United Financial s three primary business segments that represent its core businesses, Commercial Banking, Retail and Business Banking, and Wealth Management, and to a lesser extent, Treasury. People s United Financial s results of operations are also significantly affected by the provision for loan losses and the level of non-interest expense. In addition, People s United Financial s results of operations may also be affected by general and local economic conditions, changes in market interest rates, government policies and actions of regulatory authorities.

**Recent Developments**

On January 20, 2011, People s United Financial announced the signing of a definitive agreement to acquire Danvers Bancorp, Inc. ( Danvers ) based in Danvers, Massachusetts. The acquisition is valued at approximately $493 million, with 55% to be paid in the form of shares of People s United Financial common stock and 45% to be paid in cash. At December 31, 2010, Danvers reported total assets of $2.85 billion and total deposits of $2.10 billion, and operates 28 branches in the greater Boston area. The transaction, which is expected to close in the second quarter of 2011, is subject to approval by bank regulatory authorities and by the shareholders of Danvers. People s United Financial shareholder approval is not required for the transaction.

**Acquisitions**

On November 30, 2010, People s United Financial completed its acquisitions of Smithtown Bancorp, Inc. ( Smithtown ) based in Hauppauge, New York and LSB Corporation ( LSB ) based in North Andover, Massachusetts. On April 16, 2010, People s United Bank entered into a definitive purchase and assumption agreement with the FDIC pursuant to which People s United Bank assumed all of the deposits, certain assets and the banking operations of Butler Bank, located in Lowell, Massachusetts. On February 19, 2010, People s United Financial completed its acquisition of Financial Federal Corporation ( Financial Federal ), a financial services company providing collateralized lending, financing and leasing services nationwide to small and medium sized businesses. The assets acquired and liabilities assumed in these transactions were recorded at their estimated fair values as of the respective closing dates and People s United Financial s results of operations for the year ended December 31, 2010 include the results of these companies beginning with the respective closing dates. See Note 2 to the Consolidated Financial Statements for a further discussion of these acquisitions.

On January 1, 2008, People s United Financial completed its acquisition of Chittenden Corporation ( Chittenden ), a multi-bank holding company headquartered in Burlington, Vermont. On January 1, 2009, the separate bank charters of the six former Chittenden banks, all previously wholly-owned subsidiaries of People s United Bank, were consolidated into People s United Bank, where they continued to operate as divisions of People s United Bank. In June 2010, People s United Financial announced a plan to re-brand , as People s United Bank, the former Chittenden banks in connection with the scheduled completion of its core system conversion in July 2010. See Note 2 to the Consolidated Financial Statements for a further discussion of this acquisition.

**Critical Accounting Policies**

In preparing the Consolidated Financial Statements, People s United Financial is required to make significant estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Actual results could differ from People s United Financial s current estimates, as a result of changing conditions and future events. The current economic environment has increased the degree of uncertainty inherent in these significant estimates.

Several accounting estimates are particularly critical and are susceptible to significant near-term change, including the allowance for loan losses, the valuation of derivative financial instruments, and asset impairment judgments, such as the recoverability of goodwill and other intangible assets, and other-than-temporary declines in the value of securities.

The judgments used by People s United Financial in applying these critical accounting policies may be affected by a further and prolonged deterioration in the economic environment, which may result in changes to future financial results. For example, subsequent evaluations of the loan portfolio, in light of the factors then prevailing, may result in significant changes in the allowance for loan losses in future periods, and the inability to collect outstanding principal may result in increased loan losses. People s United Financial s significant accounting policies and critical estimates are summarized in Note 1 to the Consolidated Financial Statements.

***Allowance for Loan Losses.*** The allowance for loan losses is established through provisions for loan losses charged to income. Losses on loans, including impaired loans, are charged to the allowance for loan losses when all or a portion of a loan is deemed to be uncollectible. Recoveries of loans previously charged off are credited to the allowance for loan losses when realized.

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

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

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

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

Pools of smaller-balance, homogeneous loans with similar risk and loss characteristics are also assessed for probable losses. These loan pools include residential mortgage, home equity and other consumer loans. This element of the allowance for loan losses is established based upon a consideration of recent historical loss experience, delinquency trends, and portfolio-specific risk characteristics, including: (i) collateral values/loan-to-value ratios; (ii) borrower credit scores; (iii) portfolio concentrations; and (iv) other relevant portfolio risk elements.

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

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

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

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

People s United Financial did not change its methodology for determining the allowance for loan losses during 2010. While People s United Financial seeks to use the best available information in determining the allowance for loan losses, future adjustments to the allowance for loan losses may be necessary based on changes in economic conditions, results of regulatory examinations, further information obtained regarding known problem loans, the identification of additional problem loans and other factors.

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

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

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

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

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

**Asset Impairment Judgments**

***Goodwill and Other Intangible Assets.*** Goodwill and indefinite-lived intangible assets are required to be reviewed for impairment at least annually, with impairment losses charged to expense when they occur. Acquisition-related intangible assets other than goodwill and indefinite-lived intangible assets are amortized to expense over their estimated useful lives and are periodically reviewed by management to assess recoverability. Impairment losses on other acquisition-related intangibles are recognized as a charge to expense if carrying amounts exceed fair values.

Goodwill is tested for impairment at the reporting unit level. The test is performed as of an annual impairment testing date or more frequently if a triggering event indicates that impairment may have occurred. The goodwill impairment analysis is a two-step test. The first step ( Step 1 ) is used to identify potential impairment, and involves comparing each reporting unit s estimated fair value to its carrying amount, including goodwill. If the estimated fair value of a reporting unit exceeds its carrying amount, goodwill is not deemed to be impaired. Should the carrying amount of the reporting unit exceed its estimated fair value, an indicator of potential impairment is deemed to exist and a second step is performed to measure the amount of such impairment, if any. None of the company s identified reporting units are at risk of failing the Step 1 goodwill impairment test at this time.

The second step ( Step 2 ) involves calculating the implied fair value of goodwill for each reporting unit for which impairment was indicated in Step 1. The implied fair value of goodwill is determined in a manner similar to how the amount of goodwill is determined in a business combination (i.e. by measuring the excess of the estimated fair value of the reporting unit, as determined in Step 1, over the aggregate estimated fair values of the individual assets, liabilities, and identifiable intangibles applicable to that reporting unit as of the impairment testing date). If the implied fair value of goodwill exceeds the carrying amount of goodwill assigned to the reporting unit, no impairment exists. If the carrying amount of goodwill assigned to a reporting unit exceeds the implied fair value of the goodwill, an impairment loss is recorded in an amount equal to such excess. An impairment loss cannot exceed the carrying amount of goodwill assigned to a reporting unit, and the loss (write-down) establishes a new carrying amount for the goodwill. Subsequent reversal of goodwill impairment losses is not permitted.

In estimating the fair value of its reporting units, People s United Financial uses a present-value measurement technique (discounted cash flow analysis based on internal forecasts) and, to a lesser extent, market-based trading and transaction multiples. More weight is given to the discounted cash flow analysis as: (i) market-based multiples are not deemed directly comparable given the difficulty in identifying operating entities that are substantially similar to the reporting units; (ii) market-based multiples are not deemed to be highly reliable in periods of limited capital markets activity (such as that which has existed during the last several years); and (iii) internal forecasts provide an informed view of longer-term performance based on the company s business plan and growth strategy. The discounted cash flow analysis is based on significant assumptions and judgments including future growth rates and discount rates reflecting management s assessment of market participant views of the risks associated with the projected cash flows of the reporting units. Differences in the identification of reporting units or in the selection of valuation techniques and related assumptions could result in materially different evaluations of goodwill impairment.

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

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

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

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

**Non-GAAP Financial Measures and Reconciliation to GAAP**

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

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

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

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

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

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

| **Years ended December 31 (dollars in millions)** | **2010** | **2009** | **2008** | **2007** | **2006** |
|---|---|---|---|---|---|
| Total non-interest expense | $ 811.2 | $ 684.6 | $ 709.0 | $ 439.3 | $ 346.9 |
| Less: | | | | | |
| Merger-related expenses | 23.3 | 2.0 | 36.5 | | |
| Amortization of other acquisition-related intangibles | 21.7 | 20.6 | 21.3 | 1.0 | 1.1 |
| Executive-level separation agreement | 15.3 | | | | |
| Fair value adjustments | 3.2 | 3.1 | 3.2 | | |
| FDIC special assessment | | 8.4 | | | |
| Other one-time charges | | | 14.8 | | |
| Contribution to The People s United Community Foundation | | | | 60.0 | |
| Other | 9.2 | 6.5 | 2.6 | 1.0 | 2.7 |
| Total | $ 738.5 | $ 644.0 | $ 630.6 | $ 377.3 | $ 343.1 |
| Net interest income (1) | $ 702.3 | $ 580.2 | $ 640.3 | $ 486.6 | $ 382.4 |
| Total non-interest income | 299.2 | 309.1 | 303.6 | 185.4 | 147.4 |
| Add: | | | | | |
| BOLI FTE adjustment (1) | 3.6 | 4.5 | 4.5 | 5.7 | 4.6 |
| Fair value adjustments | 1.1 | 6.5 | 10.4 | | |
| Net security losses | 1.0 | | | | 27.2 |
| Less: | | | | | |
| Net security gains | | 22.0 | 8.3 | 5.5 | |
| Other | | 1.9 | 4.3 | | 2.0 |
| Total | $ 1,007.2 | $ 876.4 | $ 946.2 | $ 672.2 | $ 559.6 |
| Efficiency ratio | 73.3% | 73.5% | 66.6% | 56.1% | 61.3% |

(1) Fully taxable equivalent.

The following table summarizes People s United Financial s operating earnings and operating earnings per share:

| **Years ended December 31** <br> **(in millions, except per share data)** | **2010** | **2009** | **2008** | **2007** | **2006** |
|---|---|---|---|---|---|
| Net income, as reported | $ 85.7 | $ 101.2 | $ 137.8 | $ 150.7 | $ 124.0 |
| Adjustments, net of tax (1) | 39.7 | 3.1 | 33.2 | 39.6 | |
| Operating earnings | $ 125.4 | $ 104.3 | $ 171.0 | $ 190.3 | $ 124.0 |
| Earnings per share, as reported | $ 0.24 | $ 0.30 | $ 0.41 | $ 0.52 | $ 0.41 |
| Adjustments | 0.11 | 0.01 | 0.10 | 0.13 | |
| Operating earnings per share | $ 0.35 | $ 0.31 | $ 0.51 | $ 0.65 | $ 0.41 |

(1) Represents pre-tax merger-related expenses, core system conversion costs and one-time charges and gains totaling $58.9 million, $4.5 million, $48.9 million and $60.0 million for the years ended December 31, 2010, 2009, 2008 and 2007, respectively, less related income taxes.

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

| **Tangible Equity Ratio** <br> **As of December 31 (dollars in millions)** | **2010** | **2009** | **2008** | **2007** | **2006** |
|---|---|---|---|---|---|
| Total stockholders equity | $ 5,219 | $ 5,101 | $ 5,174 | $ 4,445 | $ 1,340 |
| Less: Goodwill and other acquisition-related intangibles | 1,962 | 1,515 | 1,536 | 104 | 105 |
| Tangible stockholders equity | $ 3,257 | $ 3,586 | $ 3,638 | $ 4,341 | $ 1,235 |
| Total assets | $ 25,037 | $ 21,257 | $ 20,168 | $ 13,555 | $ 10,687 |
| Less: Goodwill and other acquisition-related intangibles | 1,962 | 1,515 | 1,536 | 104 | 105 |
| Tangible assets | $ 23,075 | $ 19,742 | $ 18,632 | $ 13,451 | $ 10,582 |
| Tangible equity ratio | 14.1% | 18.2% | 19.5% | 32.3% | 11.7% |

| **Tangible Book Value Per Share** <br> **As of December 31 (in millions, except per share data)** | **2010** | **2009** | **2008** | **2007** | **2006** |
|---|---|---|---|---|---|
| Tangible stockholders equity | $ 3,257 | $ 3,586 | $ 3,638 | $ 4,341 | $ 1,235 |
| Common shares issued | 376.62 | 348.25 | 347.93 | 301.09 | 142.15 |
| Less: Common shares classified as treasury shares | 17.49 | 3.21 | 3.17 | 2.84 | |
| Unallocated ESOP common shares | 9.06 | 9.41 | 9.76 | 10.11 | |
| Common shares | 350.07 | 335.63 | 335.00 | 288.14 | 142.15 |
| Tangible book value per share (1) | $ 9.30 | $ 10.68 | $ 10.86 | $ 15.07 | $ 4.13 |

(1) 2006 reflects the exchange of shares of People s United Bank common stock for 2.1 shares of People s United Financial common stock upon completing the second-step conversion in April 2007.

**Economic Environment**

People s United Financial s results are subject to fluctuations based on economic conditions. Economic activity in the United States has improved since the latter half of 2009 after slowing significantly throughout 2008. Real gross domestic product increased at an annual rate of 2.8% in the fourth quarter of 2010, after increasing 2.6% in the third quarter. The national unemployment rate was 9.4% as of December 31, 2010, down from 9.7% at the end of 2009.

In response to the significant disruptions in the capital markets brought about by the sub-prime mortgage crisis and its after-effects, turmoil in the financial sector, and the contracting U.S. economy, the Federal Reserve Board lowered the targeted federal funds rate ten times since September 2007, and established a target range for the federal funds rate of 0 to 0.25 percent as of December 16, 2008, which did not change throughout 2009 or 2010.

The New England region is People s United Financial s primary market area, with Connecticut and Vermont having the largest concentration of People s United Financial s loans, deposits and branches. Connecticut is one of the most attractive markets in the United States with a total population of approximately 3.5 million and a median household income of $70,340 as of June 30, 2010, ranking second in the United States and well above the U.S. median income of $54,442, according to estimates from SNL Financial. Fairfield County, where People s United Financial is headquartered, has the highest median household income in Connecticut of $87,754 as of June 30, 2010 according to estimates from SNL Financial. The state s unemployment rate increased to 9.0% as of December 31, 2010 compared to 8.9% at the end of 2009, but remains below the national rate. The Connecticut economy experienced a moderate increase in jobs in 2010, with total employment increasing by 5,300 jobs, or approximately 0.3%, from December 31, 2009 to December 31, 2010 compared to a decrease of 59,000 jobs, or approximately 3.5%, from December 31, 2008 to December 31, 2009. The median household income in Vermont was $53,811 as of June 30, 2010, comparable to the national level, and the state s unemployment rate was 5.8% at December 31, 2010, down from 6.9% at the end of 2009 and still below the national rate.

The overall outlook for the New England economy in 2011 is consistent with the rest of the United States, with the expectation that the region may experience continued high unemployment as long as the recessionary environment continues into 2011.

**Financial Overview**

***Comparison of Financial Condition at December 31, 2010 and December 31, 2009.*** Total assets at December 31, 2010 were $25.0 billion, a $3.8 billion increase from December 31, 2009, reflecting increases of $3.3 billion in total loans, $2.1 billion in securities and $462 million in goodwill, partially offset by a $2.4 billion decrease in short-term investments and securities resale agreements. People s United Financial used short-term investments of approximately $418 million to fund the cash consideration in the acquisitions completed in 2010 and approximately $845 million to repay borrowings assumed in these acquisitions (see Note 2 to the Consolidated Financial Statements).

The increase in total loans from December 31, 2009 to December 31, 2010 reflects the addition of loans acquired in connection with the acquisitions completed in 2010, as well as organic growth of $206 million in commercial real estate loans and $210 million in commercial and industrial loans. In addition, fixed-rate residential mortgage loans increased $351 million, reflecting the addition of the acquisitions completed in 2010, as well as organic growth of $188 million, while adjustable-rate residential mortgage loans decreased $60 million. Residential mortgage loans at December 31, 2010 and December 31, 2009 included loans held for sale (substantially all to be sold servicing released) of $88.5 million and $71.3 million, respectively, which approximate fair value. At December 31, 2010, the carrying amount of the acquired loan portfolios totaled $2.9 billion.

Non-performing assets (excluding acquired non-performing loans) totaled $303.1 million at December 31, 2010, a $97.5 million increase from December 31, 2009, primarily reflecting increases of $26.1 million in non-performing residential mortgage loans, $20.8 million in non-performing commercial and industrial loans, $15.4 million in non-performing equipment financing loans, $10.1 million in non-performing commercial real estate loans and $21.1 million in real estate owned ( REO ) and repossessed assets, $31.5 million of which resulted from acquisitions completed in 2010. The allowance for loan losses totaled $172.5 million at both December 31, 2010 and 2009. At December 31, 2010, the allowance for loan losses as a percent of originated loans was 1.18% and as a percent of originated non-performing loans was 70.3%, compared to 1.21% and 102.2%, respectively, at December 31, 2009.

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

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

As a percentage of total assets, stockholders equity was 20.8% at December 31, 2010 compared to 24.0% at December 31, 2009. Tangible stockholders equity (total stockholders equity less goodwill and other acquisition-related intangibles) as a percentage of tangible assets (total assets less goodwill and other acquisition-related intangibles) was 14.1% of tangible assets at December 31, 2010 compared to 18.2% at December 31, 2009.

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

***Comparison of Results of Operations for the Years Ended December 31, 2010 and December 31, 2009.*** People s United Financial reported net income of $85.7 million, or $0.24 per diluted share, for the year ended December 31, 2010, compared to $101.2 million, or $0.30 per diluted share, for the year-ago period. Included in both the 2010 and 2009 results are pre-tax merger-related expenses, core system conversion costs and one-time charges totaling $58.9 million and $4.5 million, respectively. Excluding the effect of these items, net income would have been $125.4 million, or $0.35 per share, for 2010 and $104.3 million, or $0.31 per share, for 2009.

People s United Financial completed four acquisitions in 2010 and accordingly, the results of these acquired companies have been included beginning with their respective acquisition dates. Financial data for prior periods has not been restated and therefore, are not directly comparable to subsequent periods.

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

Net interest income increased $122.2 million from 2009 while the net interest margin increased 50 basis points to 3.69%. The higher net interest margin reflects higher investment income, the benefit from the Financial Federal acquisition completed in February 2010 and lower deposit costs, partially offset by the low interest rate environment and the company s asset sensitive balance sheet, including its significant excess capital position, a portion of which was invested in low-yielding short-term investments for most of 2010.

Average earning assets increased $835 million compared to 2009, reflecting increases of $816 million in average loans and $645 million in average securities, partially offset by a $626 million decrease in average short-term investments and securities resale agreements. Average funding liabilities increased $1.0 billion compared to 2009, reflecting a $925 million increase in average total deposits.

Compared to 2009, total non-interest income decreased $9.9 million and total non-interest expense increased $126.6 million (see Non-Interest Income and Non-Interest Expense). The efficiency ratio was 73.3% in 2010 compared to 73.5% in 2009.

The provision for loan losses in 2010 totaled $60.0 million compared to $57.0 million in 2009. The provision for loan losses in 2010 reflected net loan charge-offs of $60.0 million. The provision for loan losses in 2009 reflected net loan charge-offs of $42.0 million and a $15.0 million increase in the allowance for loan losses. Net loan charge-offs as a percentage of average total loans were 0.39% in 2010 compared to 0.29% in 2009.

***Comparison of Financial Condition at December 31, 2009 and December 31, 2008.*** Total assets at December 31, 2009 were $21.3 billion, an increase of $1.1 billion from December 31, 2008, reflecting an increase of $2.4 billion in short-term investments and securities resale agreements (largely attributable to an increase in total deposits as noted below), partially offset by decreases of $1.0 billion in securities and $332 million in total loans.

The decrease in total loans from December 31, 2008 to December 31, 2009 reflects increases of $432 million in commercial real estate loans and $18 million in consumer loans, which were more than offset by decreases of $598 million in residential mortgage loans and $184 million in commercial loans. The decrease in residential mortgage loans reflects People s United Financial s decision, at the time, to sell essentially all of its newly-originated residential mortgage loans. Residential mortgage loans at December 31, 2009 and December 31, 2008 included loans held for sale (all to be sold servicing released) of $71.3 million and $31.7 million, respectively, which approximate fair value. The increase in loans held for sale from December 31, 2008 reflects a higher backlog associated with an increase in residential mortgage refinancing activity as a result of the historically low interest rate environment.

Non-performing assets totaled $205.6 million at December 31, 2009, a $111.9 million increase from December 31, 2008, primarily reflecting increases of $42.6 million in non-performing commercial real estate loans, $28.5 million in non-performing residential mortgage loans, $14.8 million in non-performing equipment financing loans and $27.4 million in real estate owned and repossessed assets. The allowance for loan losses totaled $172.5 million at December 31, 2009 compared to $157.5 million at December 31, 2008. At December 31, 2009, the allowance for loan losses as a percent of originated loans was 1.21% and as a percent of non-performing loans was 102.2%, compared to 1.08% and 186.8%, respectively, at December 31, 2008.

At December 31, 2009, liabilities totaled $16.2 billion, a $1.2 billion increase from December 31, 2008, reflecting a $1.2 billion increase in total deposits.

People s United Financial s total stockholders equity was $5.1 billion at December 31, 2009, a $73 million decrease from December 31, 2008. The decrease primarily reflects dividends paid of $203.6 million, partially offset by net income of $101.2 million. As a percentage of total assets, stockholders equity was 24.0% at December 31, 2009 compared to 25.7% at December 31, 2008. Tangible stockholders equity as a percentage of tangible assets was 18.2% at December 31, 2009 compared to 19.5% at December 31, 2008.

People s United Bank s leverage (core) capital ratio, and tier 1 and total risk-based capital ratios were 10.0%, 13.1% and 14.1%, respectively, at December 31, 2009, compared to 10.0%, 12.2% and 13.4%, respectively, at December 31, 2008 (see Regulatory Capital Requirements).

***Comparison of Results of Operations for the Years Ended December 31, 2009 and December 31, 2008.*** People s United Financial reported net income of $101.2 million, or $0.30 per diluted share, for the year ended December 31, 2009, compared to $137.8 million, or $0.41 per diluted share, for the year-ago period. Included in the 2008 results are merger-related expenses totaling $41.0 million, other one-time charges totaling $14.8 million and a $6.9 million gain related to the Visa, Inc. initial public offering ( IPO ). The net impact of these items reduced 2008 net income by $33.2 million, or $0.10 per diluted share.

In 2009, People s United Financial s return on average tangible assets was 0.53% and return on average tangible stockholders equity was 2.8%, compared to 0.73% and 3.7%, respectively, in 2008.

Net interest income decreased $59.6 million from 2008 while the net interest margin declined 43 basis points to 3.19%. The lower net interest margin reflects the interest rate cuts initiated by the Federal Reserve Board throughout 2008, and the company s asset sensitive balance sheet, including its significant excess capital position, a portion of which was invested in low-yielding short-term investments and securities resale agreements.

Average earning assets increased $535 million compared to 2008, reflecting increases of $551 million in average short-term investments and securities resale agreements, and $59 million in average loans, partially offset by a decrease of $75 million in average securities. Average funding liabilities increased $431 million compared to 2008, reflecting a $422 million increase in average total deposits.

Compared to 2008, total non-interest income increased $5.5 million and total non-interest expense decreased $24.4 million (see Non-Interest Income and Non-Interest Expense). The efficiency ratio was 73.5% in 2009 compared to 66.6% in 2008.

The provision for loan losses in 2009 was $57.0 million compared to $26.2 million in 2008. The provision for loan losses in 2009 reflected net loan charge-offs of $42.0 million and a $15.0 million increase in the allowance for loan losses. The provision for loan losses in 2008 reflected net loan charge-offs of $14.9 million and an $11.3 million increase in the allowance for loan losses, including a $4.5 million increase resulting from the alignment of the former Chittenden allowance for loan losses methodology with that of People s United Financial. Net loan charge-offs as a percentage of average total loans were 0.29% in 2009 compared to 0.10% in 2008.

**Business Segment Results**

People s United Financial s operations are divided into three primary business segments that represent its core businesses: Commercial Banking, Retail and Business Banking, and Wealth Management. In addition, the Treasury area manages People s United Financial s securities portfolio, short-term investments and securities resale agreements, wholesale borrowings and the funding center.

**Business Segment Performance Summary**

| Years ended December 31 (in millions) | Net Income 2010 | 2009 | 2008 |
|---|---|---|---|
| Commercial Banking | $ 94.8 | $ 81.8 | $ 94.9 |
| Retail and Business Banking | 57.0 | 79.0 | 98.1 |
| Wealth Management | (4.2) | (1.9) | 5.4 |
| Total segments | 147.6 | 158.9 | 198.4 |
| Treasury | (33.1) | (68.8) | (63.6) |
| Other | (28.8) | 11.1 | 3.0 |
| Total Consolidated | $ 85.7 | $ 101.2 | $ 137.8 |

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

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

A five-year rolling average net charge-off rate is used as the basis for the provision for loan losses for the respective segment. People s United Financial allocates a majority of non-interest expenses to each business segment using a full-absorption costing process. Direct and indirect costs are analyzed and pooled by process and assigned to the appropriate business segment and corporate overhead costs are allocated to the business segments. Income tax expense is allocated to each business segment using a constant rate, based on an estimate of the consolidated effective income tax rate for the year.

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

The reported assets of each business segment include allocated goodwill and intangible assets, both of which are reviewed for impairment at least annually. Goodwill is tested for impairment at the reporting unit level and involves a two-step test. The first step ( Step 1 ) is used to identify potential impairment, and involves comparing each reporting unit s estimated fair value to its carrying amount, including goodwill. If the estimated fair value of a reporting unit exceeds its carrying amount, goodwill is not deemed to be impaired. Should the carrying amount of the reporting unit exceed its estimated fair value, an indicator of potential impairment is deemed to exist and a second step is performed to measure the amount of such impairment, if any. None of the company s identified reporting units are at risk of failing the Step 1 goodwill impairment test at this time.

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

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

| **Years ended December 31 (in millions)** | **2010** | **2009** | **2008** |
|---|---|---|---|
| Net interest income | $ 303.9 | $ 255.3 | $ 266.5 |
| Provision for loan losses | 26.1 | 22.0 | 18.7 |
| Total non-interest income | 56.7 | 41.3 | 41.7 |
| Total non-interest expense | 193.6 | 153.8 | 145.9 |
| Income before income tax expense | 140.9 | 120.8 | 143.6 |
| Income tax expense | 46.1 | 39.0 | 48.7 |
| Net income | $ 94.8 | $ 81.8 | $ 94.9 |
| Total average assets | $ 10,957.0 | $ 9,846.0 | $ 9,310.4 |
| Total average liabilities | 2,226.5 | 2,423.2 | 2,397.3 |

Commercial Banking net income increased $13.0 million in 2010 compared to 2009, reflecting the benefits from the Financial Federal acquisition completed in February 2010. The $48.6 million increase in net interest income reflects an increase in average earning assets (see below) as well as improved spreads on commercial loans, partially offset by narrowing spreads on commercial deposits. The $15.4 million increase in non-interest income primarily reflects increases in operating lease income resulting from a higher level of equipment leased to PCLC customers and commercial banking fees. The $39.8 million increase in non-interest expense reflects PUEFC non-interest expenses in 2010, increases in amortization expense on leased equipment and higher direct expenses due to the continued loan growth in Commercial Banking.

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

Commercial Banking net income decreased $13.1 million in 2009 compared to 2008, primarily reflecting a decrease in net interest income and increases in the provision for loan losses and non-interest expense. The $11.2 million decrease in net interest income in 2009 reflects the negative impact of interest rate cuts initiated by the Federal Reserve Board throughout 2008, partially offset by an increase in average earning assets. The $7.9 million increase in non-interest expense compared to 2008 reflects increased amortization expense on leased equipment, as well as higher direct and allocated support costs due to continued loan growth in Commercial Banking.

The total average commercial banking loan portfolio increased $493 million in 2009 compared to 2008, reflecting increases of $388 million in average commercial real estate loans and $185 million in average equipment financing loans, partially offset by an $80 million decrease in average commercial loans.

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

| **Years ended December 31 (in millions)** | **2010** | **2009** | **2008** |
|---|---|---|---|
| Net interest income | $ 383.1 | $ 374.9 | $ 397.8 |
| Provision for loan losses | 6.9 | 4.8 | 5.5 |
| Total non-interest income | 155.7 | 159.9 | 155.0 |
| Total non-interest expense | 447.2 | 413.2 | 398.9 |
| Income before income tax expense | 84.7 | 116.8 | 148.4 |
| Income tax expense | 27.7 | 37.8 | 50.3 |
| Net income | $ 57.0 | $ 79.0 | $ 98.1 |
| Total average assets | $ 5,789.0 | $ 5,874.0 | $ 6,467.0 |
| Total average liabilities | 13,800.3 | 12,557.1 | 12,123.3 |

Retail and Business Banking net income decreased $22.0 million in 2010 compared to 2009, primarily reflecting increases in non-interest expense and the provision for loan losses and a decline in non-interest income, partially offset by an increase in net interest income. The $8.2 million increase in net interest income primarily reflects the growth in deposit balances (see below) and an increase in the spread on residential mortgages, partially offset by narrower spreads on deposit products resulting from the continued negative impact of a reduced interest rate environment initiated by the Federal Reserve Board in 2008, and lower residential mortgage balances. Average residential mortgage loans decreased $350 million compared to 2009, reflecting People s United Financial s past practice, through May 2010, of selling essentially all of its newly-originated residential mortgage loans.

The decrease in non-interest income compared to 2009 reflects a $1.8 million decline in net gains on sales of residential mortgage loans resulting from the lower level of residential mortgage loan sales in 2010. The $34.0

million increase in non-interest expense compared to 2009 reflects increases in direct and allocated expenses associated with expanding the retail deposit franchise through acquisitions as well as organic growth.

Average liabilities increased $1.2 billion compared to 2009. Average deposits increased $925 million, reflecting increases of $215 million in average non-interest-bearing deposits and $1.1 billion in average savings and money market deposits, partially offset by a $433 million decrease in average time deposits.

Retail and Business Banking net income decreased $19.1 million in 2009 compared to 2008, primarily reflecting a decrease in net interest income and an increase in non-interest expense. The $22.9 million decrease in net interest income primarily reflects narrower spreads on deposit products resulting from the negative impact of interest rate cuts initiated by the Federal Reserve Board throughout 2008, and lower residential mortgage interest income, reflecting People s United Financial s decision at the time to sell essentially all of its newly-originated residential mortgage loans. The increase in non-interest income in 2009 reflects a $7.4 million increase in net gains on sales of residential mortgages resulting from the higher level of residential mortgage loan sales due to an increase in refinancing activity in 2009 given the historically low interest rate environment at the time. The increase in non-interest expense compared to 2008 primarily reflects an increase in direct expenses.

In 2009, total average assets decreased $593 million compared to 2008, reflecting a $640 million decrease in residential mortgage loans, and total average liabilities increased $434 million reflecting a $422 million increase in average deposits.

**Wealth Management** consists of trust services, corporate trust, brokerage, financial advisory services, investment management services and life insurance provided by People s Securities, Inc., other insurance services provided through People s United Insurance Agency, Inc. and private banking.

| **Years ended December 31 (in millions)** | **2010** | **2009** | **2008** |
|---|---|---|---|
| Net interest income | $ 3.8 | $ 4.0 | $ 4.4 |
| Provision for loan losses | 0.3 | 0.1 | 0.1 |
| Total non-interest income | 74.9 | 77.4 | 89.9 |
| Total non-interest expense | 84.5 | 84.3 | 86.1 |
| (Loss) income before income tax expense | (6.1) | (3.0) | 8.1 |
| Income tax (benefit) expense | (1.9) | (1.1) | 2.7 |
| Net (loss) income | $ (4.2) | $ (1.9) | $ 5.4 |
| Total average assets | $ 342.7 | $ 333.1 | $ 298.7 |
| Total average liabilities | 197.5 | 158.2 | 138.8 |

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

Wealth Management s net loss in 2009 compared to net income in 2008 primarily reflects a decrease in non-interest income. The decrease in non-interest income in 2009 reflects decreases in investment management fees and brokerage commissions of $4.4 million and $3.8 million, respectively, primarily reflecting the uncertainty in the equity markets and broader economic weakness experienced throughout 2009, and a $3.3 million decline in insurance revenue, reflecting the continued soft insurance market resulting from the contracting economy.

Assets managed and administered, which are not reported as assets of People s United Financial, totaled $17.0 billion at December 31, 2010 compared to $16.2 billion at December 31, 2009.

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

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

| **Years ended December 31 (in millions)** | **2010** | **2009** | **2008** |
|---|---|---|---|
| Net interest loss | $ (53.3) | $ (127.1) | $ (111.8) |
| Total non-interest income | 15.4 | 28.1 | 10.4 |
| Total non-interest expense | 11.3 | 7.3 | (0.7) |
| Loss before income tax benefit | (49.2) | (106.3) | (100.7) |
| Income tax benefit | (16.1) | (37.5) | (37.1) |
| Net loss | $ (33.1) | $ (68.8) | $ (63.6) |
| Total average assets | $ 3,924.7 | $ 3,957.6 | $ 3,303.0 |
| Total average liabilities | 126.4 | 90.7 | 181.6 |

Treasury s net loss in 2010 was reduced by $35.7 million compared to 2009, reflecting a decrease in net interest loss, partially offset by a decrease in non-interest income and an increase in non-interest expense. The $73.8 million decrease in net interest loss reflects an increase in the funding center s net interest spread, which is primarily due to the historically low interest rate environment over an extended period of time, resulting in long-term funding costs declining more than asset yields, reflecting the asset sensitive position of People s United Financial s balance sheet.

The decrease in non-interest income primarily reflects net security losses in 2010 of $1.0 million compared to net security gains of $16.6 million in 2009, partially offset by an increase in revenues relating to derivative contracts with commercial customers. The increase in non-interest expense primarily reflects higher costs relating to derivative transactions entered into with commercial customers.

Total average assets decreased $33 million in 2010 compared to 2009. Average securities increased $645 million and average short-term investments and securities resale agreements decreased $626 million.

The increase in Treasury s loss in 2009 compared to 2008 reflects increases in the net interest loss and non-interest expense, partially offset by an increase in non-interest income. The increase in net interest loss reflects a $27.4 million increase in the funding center s net spread loss, primarily due to the 400 basis point decline in the targeted federal funds rate during 2008 and the asset sensitive position of People s United Financial s balance sheet.

The increase in non-interest income reflects revenues relating to derivative transactions entered into with commercial customers, in addition to net security gains of $16.6 million in 2009 (primarily resulting from the sale of residential mortgage-backed securities with an amortized cost of $1.03 billion) compared to net security gains of $1.3 million in 2008. The increase in non-interest expense in 2009 reflects costs related to derivative transactions entered into with commercial customers.

Total average assets increased $655 million in 2009 compared to 2008. Average short-term investments and securities resale agreements increased $551 million, and average securities decreased $75 million.

**Other** includes the residual financial impact from the allocation of revenues and expenses (including the provision for loan losses) and certain revenues and expenses not attributable to a particular segment, and the FTP impact from excess capital. This category also includes certain nonrecurring items, including merger-related expenses, core system conversion costs and one-time charges totaling $58.9 million, $4.5 million and $51.3 million for the years ended December 31, 2010, 2009 and 2008, respectively; $4.4 million of benefit-related and other charges for the year ended December 31, 2009 (included in total non-interest expense); a $5.6 million gain related to the sale of the company s remaining Class B Visa shares and a $1.4 million gain on sale of two branches (included in total non-interest income for the year ended December 31, 2009); and $6.9 million of gains related to the Visa IPO and a $1.4 million gain on sale of two branches (included in total non-interest income for the year ended December 31, 2008). Included in Other are assets such as cash, premises and equipment, and other assets, including pension assets.

| **Years ended December 31 (in millions)** | **2010** | **2009** | **2008** |
|---|---|---|---|
| Net interest income | $ 61.5 | $ 69.7 | $ 79.5 |
| Provision for loan losses | 26.7 | 30.1 | 1.9 |
| Total non-interest income | (3.5) | 2.4 | 6.6 |
| Total non-interest expense | 74.6 | 26.0 | 78.8 |
| (Loss) income before income tax expense | (43.3) | 16.0 | 5.4 |
| Income tax (benefit) expense | (14.5) | 4.9 | 2.4 |
| Net (loss) income | $ (28.8) | $ 11.1 | $ 3.0 |
| Total average assets | $ 1,002.8 | $ 746.8 | $ 993.9 |
| Total average liabilities | 297.2 | 386.9 | 319.4 |

**Net Interest Income**

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

**Net Interest Margin**

Years ended December 31 (percent)

**Net Interest Income FTE**

Years ended December 31 (dollars in millions)

In response to the significant disruptions in the capital markets brought about by the sub-prime mortgage crisis and its after-effects, turmoil in the financial sector, and the contracting U.S. economy, the Federal Reserve Board lowered the targeted federal funds rate ten times beginning in September 2007, and established a target range for the federal funds rate of 0 to 0.25 percent as of December 16, 2008, which did not change throughout 2009 or 2010. The improvement in the net interest margin in 2010 reflects the benefit from an increase in investment income, acquisitions and lower deposit costs. However, the net interest margin continues to be impacted by the historically low interest rate environment, given the asset sensitive position of People s United Financial s balance sheet, including the investment of a portion of the company s significant excess capital position in low-yielding short-term investments and securities resale agreements for most of 2010.

**2010 Compared to 2009**

The net interest margin increased 50 basis points to 3.69% compared to 2009. The higher net interest margin reflects higher investment income, the benefit from the Financial Federal acquisition completed in February 2010 and lower deposit costs, partially offset by the low interest rate environment and the company's asset sensitive balance sheet, including its significant excess capital position, a portion of which was invested in low-yielding short-term investments for most of 2010. Net interest income (FTE basis) increased $122.1 million, reflecting a $61.9 million increase in total interest and dividend income and a $60.2 million decrease in total interest expense.

Average earning assets totaled $19.0 billion in 2010, an $835 million increase from 2009, reflecting increases of $816 million in average loans and $645 million in average securities, partially offset by a $626 million decrease in average short-term investments and securities resale agreements. Average loans, average short-term investments and securities resale agreements, and average securities comprised 80%, 12% and 8%, respectively, of average earning assets in 2010 compared to 79%, 16% and 5%, respectively, in the 2009 period. In 2010, the yield earned on the total loan portfolio was 5.12% and the yield earned on securities, short-term investments and securities resale agreements was 1.30%, compared to 5.05% and 1.06%, respectively, in 2009. Excluding adjustable-rate residential mortgage loans, which are mostly of the hybrid variety, approximately 45% of the loan portfolio had floating interest rates at December 31, 2010 compared to approximately 44% at December 31, 2009.

The total average commercial banking loan portfolio increased $1.2 billion, reflecting the addition of the PUEFC portfolio (average of $903 million in 2010) and other acquisitions completed in 2010, and a $386 million increase in average commercial real estate loans.

Average residential mortgage loans decreased $350 million compared to 2009, reflecting People's United Financial's past practice, through May 2010, of selling essentially all of its newly-originated residential mortgage loans. Average consumer loans decreased $65 million, reflecting declines of $46 million in average indirect auto loans and $15 million in average home equity loans.

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

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

**2009 Compared to 2008**

The net interest margin declined 43 basis points to 3.19% compared to 2008. The lower net interest margin reflects the dramatic actions taken by the Federal Reserve Board and the company's asset sensitive balance sheet, including its significant excess capital position, a portion of which was invested in low-yielding short-term investments and securities resale agreements. Net interest income decreased $60.1 million, reflecting a $150.9 million decrease in total interest and dividend income, partially offset by a $90.8 million decrease in total interest expense.

Average earning assets totaled $18.2 billion in 2009, a $535 million increase from 2008, reflecting increases in average short-term investments and securities resale agreements of $551 million and average loans of $59 million, partially offset by a decrease in average securities of $75 million. Average loans, average short-term investments and securities resale agreements, and average securities comprised 79%, 16% and 5%, respectively, of average earning assets in 2009 compared to 82%, 12% and 6%, respectively, in 2008. In 2009, the yield earned on the total loan portfolio was 5.05% and the yield earned on securities, short-term investments and securities resale agreements was 1.06%, compared to 5.80% and 2.61%, respectively, in 2008.

The total average commercial banking loan portfolio increased $493 million, reflecting increases of $388 million in average commercial real estate loans and $185 million in average equipment financing loans, partially offset by an $80 million decrease in average commercial loans.

Average residential mortgage loans decreased $640 million compared to 2008, reflecting People's United Financial's decision at the time to sell essentially all of its newly-originated residential mortgage loans. Average consumer loans increased $206 million, including a $202 million increase in average home equity loans.

Average funding liabilities totaled $15.2 billion in 2009, a $431 million increase compared to 2008, primarily reflecting a $422 million increase in average total deposits. Average savings and money market deposits and average non-interest-bearing deposits increased $507 million and $73 million, respectively, and average time deposits decreased $158 million. Average total deposits comprised 98% of average funding liabilities in both 2009 and 2008.

The 65 basis point decrease to 1.25% from 1.90% in the rate paid on average funding liabilities in 2009 compared to 2008 primarily reflects the decrease in market interest rates and the shift in deposit mix. The rates paid on average total deposits decreased 65 basis points in 2009, reflecting decreases of 106 basis points in time deposits and 55 basis points in savings and money market deposits. Average savings and money market deposits and average time deposits comprised 45% and 33%, respectively, of average total deposits in 2009 compared to 43% and 35%, respectively, in 2008.

**Average Balance Sheet, Interest and Yield/Rate Analysis**

The table on the following page presents average balance sheets, interest income, interest expense and the corresponding average yields earned and rates paid for the years ended December 31, 2010, 2009 and 2008. The average balances are principally daily averages and, for loans, include both performing and non-performing balances. Interest income on loans includes the effect of deferred loan fees and costs accounted for as yield adjustments, but does not include interest on loans for which People's United Financial has ceased to accrue interest. Premium amortization and discount accretion (including amounts attributable to purchase accounting adjustments) are also included in the respective interest income and interest expense amounts. The impact of People's United Financial's use of derivative instruments in managing interest rate risk is also reflected in the table, classified according to the instrument hedged and the related risk management objective.

**Average Balance Sheet, Interest and Yield/Rate Analysis**

| Years ended December 31 | 2010 | | | 2009 | | | 2008 | | |
|---|---|---|---|---|---|---|---|---|---|
| (dollars in millions) | Average Balance | Interest | Yield/ Rate | Average Balance | Interest | Yield/ Rate | Average Balance | Interest | Yield/ Rate |
| Assets: | | | | | | | | | |
| Short-term investments | $ 1,725.0 | $ 4.6 | 0.27% | $ 2,386.5 | $ 6.5 | 0.27% | $ 1,946.7 | $ 46.9 | 2.41% |
| Securities purchased under agreements to resell | 456.2 | 0.9 | 0.20 | 421.1 | 0.8 | 0.19 | 310.2 | 7.5 | 2.43 |
| Securities (1) | 1,579.5 | 43.5 | 2.76 | 934.2 | 32.4 | 3.47 | 1,009.1 | 30.8 | 3.05 |
| Loans: | | | | | | | | | |
| Commercial real estate | 5,594.8 | 312.1 | 5.58 | 5,208.5 | 287.8 | 5.52 | 4,820.8 | 302.1 | 6.27 |
| Commercial (2) | 4,961.9 | 269.6 | 5.43 | 4,116.7 | 202.3 | 4.91 | 4,011.1 | 233.0 | 5.81 |
| Residential mortgage | 2,529.7 | 111.8 | 4.42 | 2,880.1 | 145.0 | 5.04 | 3,519.9 | 189.9 | 5.40 |
| Consumer | 2,199.2 | 89.6 | 4.07 | 2,264.4 | 95.4 | 4.21 | 2,058.4 | 110.9 | 5.39 |
| Total loans | 15,285.6 | 783.1 | 5.12 | 14,469.7 | 730.5 | 5.05 | 14,410.2 | 835.9 | 5.80 |
| Total earning assets | 19,046.3 | $ 832.1 | 4.37% | 18,211.5 | $ 770.2 | 4.23% | 17,676.2 | $ 921.1 | 5.21% |
| Other assets | 2,969.9 | | | 2,546.0 | | | 2,696.8 | | |
| Total assets | $ 22,016.2 | | | $ 20,757.5 | | | $ 20,373.0 | | |
| Liabilities and stockholders equity: | | | | | | | | | |
| Deposits: | | | | | | | | | |
| Non-interest-bearing | $ 3,426.0 | $ | % | $ 3,210.8 | $ | % | $ 3,137.9 | $ | % |
| Savings, interest-bearing checking and money market | 7,853.6 | 47.4 | 0.60 | 6,710.6 | 48.2 | 0.72 | 6,203.9 | 78.5 | 1.27 |
| Time | 4,533.5 | 65.4 | 1.44 | 4,966.9 | 125.2 | 2.52 | 5,125.0 | 183.6 | 3.58 |
| Total deposits | 15,813.1 | 112.8 | 0.71 | 14,888.3 | 173.4 | 1.16 | 14,466.8 | 262.1 | 1.81 |
| Borrowings: | | | | | | | | | |
| Repurchase agreements | 211.7 | 1.0 | 0.49 | 151.2 | 0.7 | 0.46 | 123.0 | 2.1 | 1.72 |
| FHLB advances | 52.3 | 1.1 | 2.22 | 14.8 | 0.8 | 5.28 | 16.2 | 0.8 | 5.16 |
| Federal funds purchased/other | 6.5 | 0.2 | 2.70 | 2.1 | | 1.92 | 19.1 | 0.6 | 3.01 |
| Total borrowings | 270.5 | 2.3 | 0.88 | 168.1 | 1.5 | 0.90 | 158.3 | 3.5 | 2.23 |
| Subordinated notes and debentures | 179.6 | 14.7 | 8.17 | 181.2 | 15.1 | 8.35 | 181.4 | 15.2 | 8.34 |
| Total funding liabilities | 16,263.2 | $ 129.8 | 0.80% | 15,237.6 | $ 190.0 | 1.25% | 14,806.5 | $ 280.8 | 1.90% |
| Other liabilities | 384.7 | | | 378.5 | | | 353.9 | | |
| Total liabilities | 16,647.9 | | | 15,616.1 | | | 15,160.4 | | |
| Stockholders equity | 5,368.3 | | | 5,141.4 | | | 5,212.6 | | |
| Total liabilities and stockholders equity | $ 22,016.2 | | | $ 20,757.5 | | | $ 20,373.0 | | |
| Net interest income/spread (3) | | $ 702.3 | 3.57% | | $ 580.2 | 2.98% | | $ 640.3 | 3.31% |
| Net interest margin | | | 3.69% | | | 3.19% | | | 3.62% |

(1) Average balances and yields for securities available for sale are based on amortized cost.
(2) Includes commercial and industrial loans and equipment financing loans.
(3) The FTE adjustment was $3.3 million, $3.4 million and $3.9 million for the years ended December 31, 2010, 2009 and 2008, respectively.

**Volume and Rate Analysis**

The following table shows the extent to which changes in interest rates and changes in the volume of average earning assets and average interest-bearing liabilities have affected People s United Financial s net interest income. For each category of earning assets and interest-bearing liabilities, information is provided relating to: changes in volume (changes in average balances multiplied by the prior year s average interest rate); changes in rates (changes in average interest rates multiplied by the prior year s average balance); and the total change. Changes attributable to both volume and rate have been allocated proportionately.

| | 2010 Compared to 2009 Increase (Decrease) | | | 2009 Compared to 2008 Increase (Decrease) | | |
|---|---|---|---|---|---|---|
| **(in millions)** | **Volume** | **Rate** | **Total** | **Volume** | **Rate** | **Total** |
| Interest and dividend income: | | | | | | |
| Short-term investments | $ (1.8) | $ (0.1) | $ (1.9) | $ 8.7 | $ (49.1) | $ (40.4) |
| Securities purchased under agreements to resell | | 0.1 | 0.1 | 2.0 | (8.7) | (6.7) |
| Securities | 18.8 | (7.7) | 11.1 | (2.4) | 4.0 | 1.6 |
| Loans: | | | | | | |
| Commercial real estate | 21.5 | 2.8 | 24.3 | 23.1 | (37.4) | (14.3) |
| Commercial | 44.4 | 22.9 | 67.3 | 6.0 | (36.7) | (30.7) |
| Residential mortgage | (16.6) | (16.6) | (33.2) | (32.8) | (12.1) | (44.9) |
| Consumer | (2.6) | (3.2) | (5.8) | 10.3 | (25.8) | (15.5) |
| Total loans | 46.7 | 5.9 | 52.6 | 6.6 | (112.0) | (105.4) |
| Total change in interest and dividend income | 63.7 | (1.8) | 61.9 | 14.9 | (165.8) | (150.9) |
| Interest expense: | | | | | | |
| Deposits: | | | | | | |
| Savings, interest-bearing checking and money market | 7.5 | (8.3) | (0.8) | 6.0 | (36.3) | (30.3) |
| Time | (10.1) | (49.7) | (59.8) | (5.5) | (52.9) | (58.4) |
| Total deposits | (2.6) | (58.0) | (60.6) | 0.5 | (89.2) | (88.7) |
| Borrowings: | | | | | | |
| Repurchase agreements | 0.3 | | 0.3 | 0.4 | (1.8) | (1.4) |
| FHLB advances | 1.0 | (0.7) | 0.3 | (0.1) | 0.1 | |
| Federal funds purchased/other | 0.1 | 0.1 | 0.2 | (0.4) | (0.2) | (0.6) |
| Total borrowings | 1.4 | (0.6) | 0.8 | (0.1) | (1.9) | (2.0) |
| Subordinated notes and debentures | (0.1) | (0.3) | (0.4) | (0.1) | | (0.1) |
| Total change in interest expense | (1.3) | (58.9) | (60.2) | 0.3 | (91.1) | (90.8) |
| Change in net interest income | $ 65.0 | $ 57.1 | $ 122.1 | $ 14.6 | $ (74.7) | $ (60.1) |

The following table provides the weighted average yields earned and rates paid for each major category of earning assets and funding liabilities as of December 31, 2010.

| As of December 31, 2010 (dollars in millions) | Actual Balance | Yield/ Rate |
|---|---|---|
| Earning assets: | | |
| Short-term investments | $ 599.8 | 0.29 % |
| Securities purchased under agreements to resell | 520.0 | 0.18 |
| Securities | 3,033.3 | 2.46 |
| Loans | 17,518.2 | 5.14 |
| Total earning assets | $ 21,671.3 | 4.51 % |
| Funding liabilities: | | |
| Non-interest-bearing deposits | $ 3,872.6 | % |
| Savings, interest-bearing checking and money market deposits | 8,897.8 | 0.51 |
| Time deposits | 5,162.7 | 1.42 |
| Borrowings | 1,010.6 | 1.91 |
| Subordinated notes and debentures | 182.2 | 6.22 |
| Total funding liabilities | $ 19,125.9 | 0.78 % |

**Non-Interest Income**

| Years ended December 31 (dollars in millions) | 2010 | 2009 | 2008 | Percentage Increase (Decrease) 2010/2009 | 2009/2008 |
|---|---|---|---|---|---|
| Investment management fees | $ 32.0 | $ 32.4 | $ 36.8 | (1.2)% | (12.0)% |
| Insurance revenue | 28.8 | 30.0 | 33.3 | (4.0) | (9.9) |
| Brokerage commissions | 11.3 | 12.2 | 16.0 | (7.4) | (23.8) |
| Total wealth management income | 72.1 | 74.6 | 86.1 | (3.4) | (13.4) |
| Net security gains (losses): | | | | | |
| Equity securities | | 5.5 | 6.9 | n/m | (20.3) |
| Debt securities | (1.0) | 16.6 | 1.3 | n/m | n/m |
| Trading account securities | | (0.1) | 0.1 | n/m | n/m |
| Total net security gains (losses) | (1.0) | 22.0 | 8.3 | n/m | 165.1 |
| Bank service charges | 126.3 | 128.8 | 127.7 | (1.9) | 0.9 |
| Merchant services income | 25.5 | 24.9 | 27.6 | 2.4 | (9.8) |
| Net gains on sales of residential mortgage loans | 12.1 | 13.9 | 6.5 | (12.9) | 113.8 |
| Bank-owned life insurance | 6.7 | 8.4 | 8.3 | (20.2) | 1.2 |
| Other non-interest income: | | | | | |
| Operating lease income | 19.4 | 14.6 | 10.9 | 32.9 | 33.9 |
| Commercial banking fees | 15.1 | 3.1 | 3.1 | n/m | |
| Other | 23.0 | 18.8 | 25.1 | 22.3 | (25.1) |
| Total other non-interest income | 57.5 | 36.5 | 39.1 | 57.5 | (6.6) |

| | | | | | |
|---|---|---|---|---|---|
| Total non-interest income | $ 299.2 | $ 309.1 | $ 303.6 | (3.2)% | 1.8% |

n/m not meaningful

Total non-interest income decreased $9.9 million in 2010 compared to 2009 and increased $5.5 million in 2009 compared to 2008, primarily reflecting net security losses of $1.0 million in 2010 and net security gains of $22.0 million in 2009 and $8.3 million in 2008 (see below).

The level of investment management fees and brokerage commissions in recent years primarily reflects the uncertainty in the equity markets and broader economic weakness experienced throughout 2009 and 2010. The decrease in insurance revenue primarily reflects the continued soft insurance market resulting from the contracting economy.

Security losses in 2010 resulted from the sale of securities acquired in the Smithtown and LSB acquisitions as a result of changes in market interest rates occurring subsequent to the acquisition date (November 30, 2010).

In 2009, People s United Financial sold residential mortgage-backed securities with an amortized cost of $1.03 billion and recorded security gains totaling $16.9 million. Proceeds from sales transactions occurring during 2009 were subsequently reinvested in residential mortgage-backed securities with substantially-equivalent maturities and yields. This investment portfolio repositioning was undertaken to mitigate prepayment risk. Net security gains in 2009 also include a gain of $5.6 million (included in equity securities gains in the above table) resulting from the sale of People s United Financial s remaining Class B Visa shares that are described below. Including other minor gains and losses, net security gains totaled $22.0 million in 2009.

In 2008, People s United Financial recorded a gain of $5.6 million resulting from the mandatory redemption of a portion of its Class B Visa, Inc. shares as part of Visa s IPO. People s United Financial obtained its ownership in Visa shares as a result of its acquisition of Chittenden, which was a Visa member. In addition, People s United Financial recorded a gain of $1.3 million representing its proportionate share of the litigation reserve escrow account established by Visa in conjunction with its IPO. The foregoing Visa gains are included in equity securities gains in the above table. Securities gains in 2008 also include gains of $1.5 million resulting from the sale of securities acquired in the Chittenden acquisition as a result of changes in market interest rates occurring subsequent to the acquisition date (January 1, 2008).

The fluctuation in payment processing volume is the primary driver for the variances in merchant services income. The decline in net gains on sales of residential mortgage loans in 2010 compared to 2009 reflects the lower level of residential mortgage loan sales (a 20% decline in volume from 2009) due to the lower level of refinancing activity in 2010 and the company s change in strategy to hold certain newly-originated residential mortgage loans, while the increase in 2009 compared to 2008 reflects the higher level of residential mortgage loan sales (a 97% increase in volume from 2008) due to an increase in refinancing activity in 2009 given the historically low interest rate environment at the time. BOLI income totaled $6.7 million ($10.3 million on a taxable-equivalent basis) in 2010, compared to $8.4 million ($12.9 million on a taxable-equivalent basis) in 2009 and $8.3 million ($12.8 million on a taxable-equivalent basis) in 2008. The decrease from 2009 primarily reflects a lower crediting rate in 2010.

The increases in operating lease income and commercial fees reflect a higher level of equipment leased to PCLC customers and commercial banking fees, while other non-interest income reflects an increase in revenues relating to derivative contracts with commercial customers.

**Non-Interest Expense**

| Years ended December 31 (dollars in millions) | 2010 | 2009 | 2008 | Percentage Increase (Decrease) 2010/2009 | 2009/2008 |
|---|---|---|---|---|---|
| Compensation and benefits | $ 380.4 | $ 350.5 | $ 344.6 | 8.5% | 1.7% |
| Occupancy and equipment | 114.4 | 109.8 | 110.3 | 4.2 | (0.5) |
| Professional and outside service fees | 72.7 | 44.0 | 48.0 | 65.2 | (8.3) |
| Merchant services expense | 21.2 | 21.0 | 23.9 | 1.0 | (12.1) |
| Other non-interest expense: | | | | | |
| Regulatory | 27.7 | 30.8 | 8.0 | (10.1) | 285.0 |
| Amortization of other acquisition-related intangibles | 21.7 | 20.6 | 21.3 | 5.3 | (3.3) |
| Stationery, printing, postage and telephone | 20.5 | 17.9 | 19.8 | 14.5 | (9.6) |
| Advertising and promotion | 17.3 | 14.1 | 15.2 | 22.7 | (7.2) |
| Amortization of leased equipment | 16.1 | 12.3 | 8.3 | 30.9 | 48.2 |
| Executive-level separation agreement | 15.3 | | | n/m | n/m |
| Other | 80.6 | 61.6 | 73.1 | 30.8 | (15.7) |
| Total other non-interest expense | 199.2 | 157.3 | 145.7 | 26.6 | 8.0 |
| Total | 787.9 | 682.6 | 672.5 | 15.4 | 1.5 |
| Merger-related expenses | 23.3 | 2.0 | 36.5 | n/m | n/m |
| Total non-interest expense | $ 811.2 | $ 684.6 | $ 709.0 | 18.5% | (3.4)% |
| Efficiency ratio | 73.3% | 73.5% | 66.6% | | |

Excluding the effect of merger-related expenses recorded in each year, total non-interest expense in 2010 increased $105.3 million compared to 2009 and increased $10.1 million in 2009 compared to 2008. Merger-related expenses in 2010 consisted of: (i) fees for investment advisory, legal, accounting and valuation services; (ii) debt prepayment costs; (iii) compensatory charges; and (iv) regulatory filings. Merger-related expenses in 2008 consisted of asset impairment charges of $19.3 million (principally to write-off certain capitalized costs), costs relating to severance and branch closings of $10.5 million and other accrued liabilities of $6.7 million. Included in total non-interest expense in 2010 and 2009 are $20.3 million and $2.5 million, respectively, of core system conversion costs. Also included in 2010 is $15.3 million related to costs incurred in connection with the former CEO separation agreement.

The higher efficiency ratio in 2010 and 2009 compared to 2008 primarily reflects the decline in interest rates that negatively impacted net interest income (see Non-GAAP Financial Measures and Reconciliation to GAAP).

The increase in compensation and benefits in 2010 compared to 2009 primarily reflects normal merit increases, higher benefit-related and stock-based compensation costs, costs related to the core system conversion and additional compensation and benefit costs from acquisitions completed in 2010. The increase in compensation and benefits in 2009 compared to 2008 primarily reflects normal merit increases, higher benefits-related and stock-based compensation costs, partially offset by previously disclosed cost-savings initiatives.

In March 2010, comprehensive health care reform legislation was signed into law under the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act of 2010 (the Acts ). Included among the major provisions of the law is a change in tax treatment of the federal drug subsidy paid with respect to Medicare-eligible retirees. The effect of the Acts on the company s other postretirement benefits obligation, which totaled $10.7 million at December 31, 2010, and related net periodic benefit expense, which totaled $1.0 million for the year ended December 31, 2010, depends on finalization of related regulatory requirements; however, the impact is not expected to be material. People s United Financial will continue to monitor and assess the effect of the Acts as the regulatory requirements are finalized.

Costs recorded in 2010 related to the core system conversion and computer system servicing costs, and expenses related to the trade name and rebranding initiative (see below) are the principal reason for the variances in professional and outside services, and advertising and promotion. The fluctuation in payment processing volume is the primary driver for the variances in merchant services expense.

In connection with People s United Financial s acquisition of Chittenden Corporation ( Chittenden ) in January 2008, a trade name intangible asset with a fair value of $122.7 million was established and assigned an indefinite useful life based on management s intentions at that time. In June 2010, People s United Financial announced a plan to re-brand , as People s United Bank, the former Chittenden banks in connection with the scheduled completion of its core system conversion in July 2010. Management believes the name change better leverages the People s United brand and the full range of services available to its customers.

As a result of the decision to re-brand the Chittenden banks, the useful life of the trade name intangible asset was no longer deemed to be indefinite and management was required to perform a final impairment test prior to amortizing the asset over its estimated remaining useful life beginning July 1, 2010. People s United Financial performed its final trade name impairment test as of June 30, 2010 and determined that the fair value of the trade name intangible exceeded its carrying amount. As a result, no impairment loss was recognized. The trade name intangible will be amortized on an accelerated basis over a period of approximately 20 years, reflecting the manner in which the related benefit is realized.

The increase in amortization expense of leased equipment in 2010 and 2009 relates to the higher level of equipment leased to PCLC customers.

The FDIC authorized higher premium assessments in 2009 pursuant to a restoration plan designed to increase the DIF reserve ratio to required levels. Under the FDIC s restoration plan, the premium assessment rate was raised uniformly by seven basis points beginning on January 1, 2009 resulting in an initial base assessment rate of 12 basis points for People s United Bank. Furthermore, the premium assessment rate in effect beginning April 1, 2009 was subject to adjustments based on each institution s risk profile, which could affect its initial base assessment rate.

On May 22, 2009, the FDIC adopted a final rule that imposed a special assessment of 5 basis points on each insured financial institution s total assets less Tier 1 capital as of June 30, 2009. As a result, included in regulatory expense in 2009 is an FDIC special assessment charge of $8.4 million.

On September 29, 2009, the FDIC adopted a plan that extended the DIF restoration plan from seven years to eight years and on November 12, 2009, the FDIC adopted a final rule that amended the assessment regulations to require insured financial institutions to prepay, on December 30, 2009, their estimated deposit insurance premiums for 2010, 2011 and 2012. Under this rule, which did not include any additional special assessments, the prepayment was based on an assumed 5% annual growth rate in each institution s insured deposits (the assessment base) and an assumed increase of three basis points in each institution s premium assessment rate beginning in 2011.

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

The increase in other non-interest expense in 2010 compared to 2009 reflects higher costs associated with derivative transactions entered into with commercial customers, and expenses related to foreclosed properties. Included in other non-interest expense in 2009 is $4.4 million of benefit-related and other one-time charges. Included in other non-interest expense in 2008 are: (i) one-time charges of $11.5 million, including benefit-related and other costs associated with the death of People s United Financial s former President; (ii) a charge of $2.0 million related to the vesting of outstanding stock options and restricted stock awards upon the dissolution of People s United Financial s Advisory Board; and (iii) a loss of $0.8 million on the sale of a portion of the company s non-branch properties located in Bridgeport, Connecticut.

**Income Taxes**

Income tax expense totaled $41.3 million, $43.1 million and $67.0 million for the years ended December 31, 2010, 2009 and 2008, respectively. Income tax benefits of $2.0 million are included in income tax expense for the year ended December 31, 2009, which stems from a reduction in the combined state income tax rate following the charter consolidations of the former Chittenden banks.

People s United Financial s effective income tax rate was 32.5% and 32.7% for the years ended December 31, 2010 and 2008, respectively, and would have been 31.3% for the year ended December 31, 2009 excluding the income tax benefits of $2.0 million described above. People s United Financial s effective income tax rate is expected to increase slightly in 2011 due to a higher level of non-deductible expenses and an increase in state income tax liabilities associated with the company s expanded geographic franchise.

The difference between People s United Financial s effective income tax rate for the year ended December 31, 2010 and the U.S. federal statutory rate of 35% is primarily attributable to: (i) federal income tax credits associated with the company s investment in affordable housing limited partnerships; (ii) tax exempt interest earned on certain investments; and (iii) tax exempt income from bank-owned life insurance.

People s United Financial maintains an ownership interest in several limited partnership investments to develop and operate affordable housing units for lower income tenants throughout its franchise area. These investments have historically played a significant role in enabling People s United Bank to meet its Community Reinvestment Act requirements while, at the same time, providing federal income tax credits. The cost of these investments is amortized on a straight-line basis over the period during which the related federal income tax credits are realized (generally ten years). These credits totaled $4.6 million, $4.2 million and $4.0 million for the years ended December 31, 2010, 2009 and 2008, respectively.

Income tax expense for all three years reflects the state tax benefit resulting from the formation of People s Mortgage Investment Company, a wholly owned subsidiary of People s United Bank. The formation of this subsidiary was a result of Connecticut tax legislation, which became effective on January 1, 1999, that allows for the transfer of mortgage loans to a passive investment subsidiary. The related earnings of the subsidiary, and any dividends it pays to the parent, are not subject to Connecticut income tax. See Note 12 to the Consolidated Financial Statements for additional information concerning income tax expense.

**Securities**

| As of December 31 (in millions) | 2010 Amortized Cost | 2010 Fair Value | 2009 Amortized Cost | 2009 Fair Value | 2008 Amortized Cost | 2008 Fair Value |
|---|---|---|---|---|---|---|
| Securities held to maturity: | | | | | | |
| Debt securities: | | | | | | |
| Corporate | $ 55.0 | $ 55.0 | $ 55.0 | $ 55.0 | $ | $ |
| Other | 0.1 | 0.1 | 0.3 | 0.3 | 0.9 | 0.9 |
| Total securities held to maturity | $ 55.1 | $ 55.1 | $ 55.3 | $ 55.3 | $ 0.9 | $ 0.9 |
| Securities available for sale: | | | | | | |
| Debt securities: | | | | | | |
| U.S. Treasury, agency and GSE | $ 476.2 | $ 476.3 | $ 10.7 | $ 10.8 | $ 1,469.2 | $ 1,472.1 |
| U.S. agency and GSE residential mortgage-backed securities and CMOs: | | | | | | |
| GSE and CMOs | 2,289.0 | 2,290.6 | 729.9 | 728.1 | 42.0 | 42.0 |
| GNMA | | | | | 331.2 | 333.4 |
| State and municipal | 57.6 | 58.2 | 0.3 | 0.3 | 0.3 | 0.3 |
| Other | 4.5 | 4.5 | | | | |
| Total debt securities | 2,827.3 | 2,829.6 | 740.9 | 739.2 | 1,842.7 | 1,847.8 |
| Equity securities | 1.5 | 1.5 | 0.5 | 0.5 | 0.5 | 0.5 |
| Total securities available for sale | $ 2,828.8 | $ 2,831.1 | $ 741.4 | $ 739.7 | $ 1,843.2 | $ 1,848.3 |

People s United Financial strives to maintain an appropriate balance between loan portfolio growth and deposit funding. People s United Financial s management believes that, other than for transitional deployment of excess deposits or excess equity, a large securities portfolio funded with wholesale borrowings provides limited economic value.

People s United Financial has historically utilized the securities portfolio for earnings generation (in the form of interest and dividend income), liquidity, interest rate risk management, asset diversification and tax planning. Securities available for sale are used as part of People s United Financial s asset/liability management strategy and may be sold in response to, or in anticipation of, factors such as changes in market conditions and interest rates, changes in security prepayment rates, liquidity considerations and regulatory capital requirements.

People s United Financial invests in debt securities rated in the highest category assigned by a nationally recognized statistical ratings organization. Management has internal guidelines for the credit quality and duration of People s United Financial s debt securities portfolio and monitors these on a regular basis.

The increase in debt securities available for sale in 2010 compared to 2009 reflects management s decision to invest in U.S. Treasury and agency securities and government-sponsored enterprise ( GSE ) residential mortgage-backed securities and CMOs in the second half of 2010 to provide the optimal balance of credit risk, yield and duration.

At December 31, 2010, People s United Financial s securities available for sale portfolio totaled $2.8 billion, or 11% of total assets, compared to $0.7 billion, or 3% of total assets, at December 31, 2009.

In 2009, People s United Financial sold residential mortgage-backed securities with an amortized cost of $1.03 billion and recorded security gains totaling $16.9 million. Proceeds from sales occurring during 2009 were subsequently reinvested in residential mortgage-backed securities with substantially-equivalent maturities and yields. This investment portfolio repositioning was undertaken to mitigate prepayment risk.

At December 31, 2010, the fair value exceeded the amortized cost of the securities available for sale portfolio by $2.3 million. At December 31, 2009, the amortized cost exceeded the fair value of the securities available for sale portfolio by $1.7 million, while at December 31, 2008, the fair value exceeded the amortized cost of the securities available for sale portfolio by $5.1 million. All unrealized gains and those unrealized losses representing temporary declines in value due to factors other than credit are recorded in stockholders equity, net of income taxes. As a result, management anticipates continued fluctuations in stockholders equity due to changes in the fair value of these securities, albeit on a relatively small scale due to the size and duration of the portfolio.

The duration of the debt securities portfolio was approximately 3.4 years at December 31, 2010 compared to 4.0 years at December 31, 2009.

**Lending Activities**

People s United Financial conducts its lending activities principally through its Commercial Banking and Retail and Business Banking business segments. People s United Financial s lending activities consist of originating loans secured by commercial and residential properties, and extending secured and unsecured loans to commercial and consumer customers.

Total loans increased $3.28 billion in 2010 compared to 2009 after decreasing $332 million in 2009 compared to 2008. People s United Financial acquired loans with a total fair value of $3.49 billion from acquisitions completed in 2010. Loans acquired in connection with acquisitions were recorded at fair value, including an estimate of future credit losses, and without carryover of the respective portfolio s historical allowance for loan losses. At December 31, 2010, the carrying amount of the acquired loan portfolios totaled $2.88 billion.

The following table summarizes the loan portfolio before deducting the allowance for loan losses:

| **As of December 31 (in millions)** | **2010** | **2009** | **2008** | **2007** | **2006** |
|---|---|---|---|---|---|
| Commercial Banking: | | | | | |
| Commercial real estate | $ 7,306.3 | $ 5,399.4 | $ 4,967.3 | $ 1,885.6 | $ 1,786.7 |
| Commercial and industrial | 3,095.6 | 2,805.7 | 2,999.5 | 1,618.9 | 1,493.8 |
| Equipment financing | 2,100.4 | 1,236.8 | 1,226.9 | 981.5 | 869.8 |
| Total Commercial Banking | 12,502.3 | 9,441.9 | 9,193.7 | 4,486.0 | 4,150.3 |
| Retail: | | | | | |
| Residential mortgage: | | | | | |
| Adjustable-rate | 2,184.2 | 2,244.5 | 2,857.2 | 3,123.8 | 3,805.6 |
| Fixed-rate | 653.8 | 302.4 | 287.4 | 89.1 | 94.5 |
| Total residential mortgage | 2,838.0 | 2,546.9 | 3,144.6 | 3,212.9 | 3,900.1 |
| Consumer: | | | | | |
| Home equity | 1,976.8 | 1,986.3 | 1,945.5 | 1,224.4 | 1,290.6 |
| Other consumer | 201.1 | 258.7 | 281.9 | 26.4 | 30.7 |
| Total consumer | 2,177.9 | 2,245.0 | 2,227.4 | 1,250.8 | 1,321.3 |
| Total Retail | 5,015.9 | 4,791.9 | 5,372.0 | 4,463.7 | 5,221.4 |
| Total loans | $ 17,518.2 | $ 14,233.8 | $ 14,565.7 | $ 8,949.7 | $ 9,371.7 |

People s United Financial s loan portfolio is primarily concentrated within New England with approximately 68% and 81% of the total loan portfolio representing loans to customers within the New England states at December 31, 2010 and 2009, respectively. In addition, approximately 15% of the total loan portfolio represents loans to customers in New York state at December 31, 2010.

**Total Loans**

As of December 31 (dollars in millions)

The following table presents the contractual maturity of total loans as of December 31, 2010:

| **As of December 31, 2010 (in millions)** | **Commercial Banking** | **Retail** | **Total** |
|---|---|---|---|
| Amounts due: | | | |
| One year or less | $ 1,553.1 | $ 261.5 | $ 1,814.6 |
| After one year: | | | |
| One to five years | 3,931.1 | 269.5 | 4,200.6 |
| Over five years | 7,018.1 | 4,484.9 | 11,503.0 |
| Total due after one year | 10,949.2 | 4,754.4 | 15,703.6 |
| Total | $ 12,502.3 | $ 5,015.9 | $ 17,518.2 |

The following table presents, as of December 31, 2010, loan amounts due after December 31, 2011, and whether these loans have adjustable or fixed interest rates:

| | **Interest Rate** | | |
|---|---|---|---|
| **(in millions)** | **Adjustable** | **Fixed** | **Total** |
| Commercial Banking | $ 4,856.7 | $ 6,092.5 | $ 10,949.2 |
| Retail | 3,839.3 | 915.1 | 4,754.4 |
| Total loans due after one year | $ 8,696.0 | $ 7,007.6 | $ 15,703.6 |

**Commercial Banking**

The Commercial Banking lending businesses include commercial real estate, commercial and industrial lending, and equipment financing. Shared national credits are included within the commercial real estate and commercial and industrial lending portfolios according to the nature of the loan.

*Commercial Real Estate*

| As of December 31 (in millions) | 2010 | 2009 |
|---|---|---|
| Property Type: | | |
| Office buildings | $ 1,837.5 | $ 1,307.4 |
| Retail | 1,759.8 | 1,390.8 |
| Residential (multi-family) | 1,271.3 | 756.3 |
| Industrial/manufacturing | 670.6 | 662.4 |
| Mixed/Special use | 590.7 | 270.5 |
| Hospitality and entertainment | 551.0 | 523.2 |
| Land | 269.4 | 161.4 |
| Self storage | 151.6 | 127.4 |
| Health care | 114.2 | 71.1 |
| Other properties | 90.2 | 128.9 |
| Total commercial real estate | $ 7,306.3 | $ 5,399.4 |

People s United Financial manages the commercial real estate portfolio by limiting the concentration in any loan type, term, industry, or to any individual borrower. People s United Financial s highest loan concentration in the commercial real estate loan portfolio is in the office building sector, which represented 25% of this loan portfolio at December 31, 2010.

**Commercial Real Estate Portfolio**

As of December 31 (dollars in millions)

In 2010, the commercial real estate portfolio increased $1.9 billion compared to 2009, after increasing $432 million in 2009 compared to 2008. The increase in 2010 reflects the addition of loans acquired in connection with the acquisitions completed in 2010, as well as organic growth of $206 million, or 4% of the commercial real estate portfolio. Included in the commercial real estate portfolio are construction loans totaling $1.04 billion and $819 million at December 31, 2010 and 2009, respectively, net of the unadvanced portion of such loan totaling $176 million and $235 million, respectively.

At December 31, 2010 and 2009, approximately 28% and 9%, respectively, of People s United Financial s commercial real estate portfolio was secured by properties located in New York, and approximately 22% and 29%, respectively, was secured by properties located in Connecticut. In addition, approximately 35% of the commercial real estate portfolio was secured by properties located in Massachusetts, Vermont and New Hampshire at December 31, 2010 compared to approximately 44% at December 31, 2009. No other state exposure was greater than 6% at December 31, 2010.

Commercial real estate is dependent on the successful operation of the related income-producing real estate. Accordingly, the income streams generated by this portfolio can be impacted by changes in the real estate market and, to a large extent, the New England and Metro New York economies. People s United Financial continues to focus on maintaining strong asset quality standards in a competitive market generally characterized by aggressive pricing and less attractive underwriting terms. The growth and performance of this portfolio is largely dependent on the economic environment and may be adversely impacted if the economy slows in 2011.

**Commercial Real Estate Diversification**

As of December 31, 2010 (percent)

*Commercial and Industrial*

| **As of December 31 (in millions)** | **2010** | **2009** |
|---|---|---|
| Industry: | | |
| Finance, insurance and real estate | $ 725.8 | $ 609.7 |
| Service | 658.5 | 595.0 |
| Manufacturing | 531.6 | 514.5 |
| Wholesale distribution | 254.3 | 244.4 |
| Retail sales | 223.6 | 192.7 |
| Health services | 210.0 | 181.7 |
| Construction | 145.4 | 128.2 |
| Transportation/utility | 76.9 | 77.8 |
| Arts/entertainment/recreation | 65.2 | 67.3 |
| Public administration | 63.5 | 85.3 |
| Agriculture | 29.7 | 31.0 |
| Other | 111.1 | 78.1 |
| Total commercial and industrial | $ 3,095.6 | $ 2,805.7 |

People s United Financial provides diversified products and services to its commercial customers, including short-term working capital credit facilities, term financing, asset-based loans, letters of credit, cash management services and commercial deposit accounts.

Commercial products are generally packaged together to create a financing solution specifically tailored to the needs of the customer. Taking a total relationship-focused approach with commercial customers to meet their financing needs has resulted in substantial growth in non-interest-bearing deposits over time, as well as in opportunities to provide other banking services to principals and employees of these commercial customers.

The borrower s ability to repay a commercial loan is closely tied to the ongoing profitability and cash flow of the borrower s business. Consequently, a commercial loan tends to be more directly impacted by changes in economic cycles that affect businesses generally and the borrower s business specifically. The availability of adequate collateral is a factor in commercial loan decisions; and loans are generally collateralized and/or guaranteed by third parties.

In 2010, the commercial and industrial portfolio increased $290 million compared to 2009, after decreasing $194 million in 2009 compared to 2008. The increase in 2010 reflects the addition of loans acquired in connection with the acquisitions completed in 2010, as well as organic growth of $210 million, or 8% of the commercial and industrial portfolio.

At December 31, 2010, approximately 44% of the commercial and industrial loan portfolio consisted of loans to Connecticut-based businesses, compared to approximately 42% at December 31, 2009. Commercial and industrial loan exposure in the states of Vermont, Massachusetts and New Hampshire totaled approximately 37% at both December 31, 2010 and 2009. No other state exposure was greater than 7%. While People s United Financial continues to focus on asset quality, the performance of the commercial lending and industrial portfolio may be adversely impacted if the economy slows in 2011.

**Commercial and Industrial Diversification**

As of December 31, 2010 (percent)

**Commercial and Industrial Portfolio**

As of December 31 (dollars in millions)

*Equipment Financing*

| **As of December 31 (in millions)** | **2010** | **2009** |
|---|---|---|
| Industry: | | |
| Transportation/utility | $ 630.2 | $ 355.8 |
| Construction | 427.8 | |
| Printing | 381.0 | 407.1 |
| General manufacturing | 176.4 | 170.9 |
| Waste | 135.0 | |
| Retail sales | 103.6 | 128.4 |
| Packaging | 89.9 | 88.0 |
| Service | 43.9 | 37.8 |
| Wholesale distribution | 35.1 | 24.2 |
| Food services | 30.6 | |
| Health services | 21.8 | 24.6 |
| Other | 25.1 | |
| Total equipment financing | $ 2,100.4 | $ 1,236.8 |

PCLC and PUEFC provide equipment financing for customers in all 50 states, specializing in financing for the transportation/utility, construction, printing and general manufacturing industries. PCLC will buy or sell portions of financing transactions in the secondary market to manage the concentration risk of its overall portfolio. In addition, PCLC provides customers with the option to lease equipment. Substantially all (approximately 96% at December 31, 2010 and 2009) of the equipment financing portfolio involves customers outside of New England. At December 31, 2010, approximately 34% of the equipment financing portfolio consisted of loans to customers located in Texas, California and Florida. No other state exposure was greater than 6%.

The equipment financing portfolio increased $864 million in 2010 compared to 2009, reflecting the addition of the PUEFC portfolio in 2010. Operating on a national scale, equipment financing represented 17% of the Commercial Banking loan portfolio at December 31, 2010 compared to 13% at December 31, 2009. While People s United Financial continues to focus on asset quality, the performance of the equipment financing portfolio may be adversely impacted if the economy slows in 2011.

**Equipment Financing Diversification**

As of December 31, 2010 (percent)

**Equipment Financing Portfolio**

As of December 31 (dollars in millions)

The following tables set forth the contractual maturity (based on final payment date) and interest rate sensitivity (based on next repricing date) of People s United Financial s commercial and industrial loans and construction loans:

| As of December 31, 2010 (in millions) | One Year or Less | After One Year Through Five Years | After Five Years | Total |
|---|---|---|---|---|
| Contractual maturity: | | | | |
| Commercial and industrial loans | $ 889.1 | $ 1,104.1 | $ 1,102.4 | $ 3,095.6 |
| Construction loans: | | | | |
| Commercial real estate | 601.9 | 291.3 | 145.6 | 1,038.8 |
| Residential mortgage | 58.8 | 0.7 | 34.5 | 94.0 |
| Total | $ 1,549.8 | $ 1,396.1 | $ 1,282.5 | $ 4,228.4 |

| As of December 31, 2010 (in millions) | One Year or Less | After One Year Through Five Years | After Five Years | Total |
|---|---|---|---|---|
| Interest rate sensitivity: | | | | |
| Variable rates | $ 2,266.0 | $ 167.8 | $ 21.8 | $ 2,455.6 |
| Predetermined rates | 476.1 | 614.3 | 682.4 | 1,772.8 |
| Total | $ 2,742.1 | $ 782.1 | $ 704.2 | $ 4,228.4 |

**Residential Mortgage Lending**

People s United Financial offers its customers a wide range of residential mortgage loan products. These include conventional fixed-rate loans, jumbo fixed-rate loans (loans with principal balances greater than established Freddie Mac and Fannie Mae limits), adjustable-rate loans, sometimes referred to as ARM loans, interest-only loans (loans where payments made by the borrower consist of only interest for a set period of time, before the payments change to principal and interest), as well as Federal Housing Administration insured loans and various state housing finance authority loans. People s United Financial originates these loans through its network of branches and calling officers, as well as in the wholesale market.

At December 31, 2010 and 2009, approximately 87% and 96%, respectively, of the residential mortgage loan portfolio was secured by properties located in New England. At December 31, 2010, the residential mortgage loan portfolio included $447 million of interest-only loans of which $59 million are stated income loans, compared to $1.0 billion and $113 million, respectively, at December 31, 2009. See Asset Quality for further discussion of interest-only and stated income loans. Also included in residential mortgage loans are construction loans totaling $94 million and $65 million at December 31, 2010 and 2009, respectively.

People s United Financial s residential mortgage originations totaled $1.2 billion in 2010, compared to $1.3 billion in 2009 and $692 million in 2008. The decrease in loan originations in 2010 compared to 2009 is primarily due to the lower level of refinancing activity in 2010, while the increase in 2009 compared to 2008 is primarily due to the low interest environment in 2009. The mix and volume of residential mortgage loan originations vary in response to changes in market interest rates and customer preferences. Adjustable-rate residential mortgage loans accounted for 20% of total residential mortgage originations in 2010, compared to 13% in 2009 and 22% in 2008.

In 2010, adjustable-rate residential mortgage loans decreased $60 million compared to 2009 and decreased $613 million in 2009 compared to 2008, reflecting People s United Financial s past practice, through May 2010, of selling essentially all of its newly-originated residential mortgage loans. Fixed-rate residential mortgage loans increased $351 million in 2010 compared to 2009 and increased $15 million in 2009 compared to 2008. The increase in 2010 reflects the addition of the acquisitions completed in 2010, as well as organic growth of $188 million, or 62% of fixed-rate residential mortgage loans. Residential mortgage loans at December 31, 2010 and 2009 included loans held for sale (substantially all to be sold servicing released) of $88 million and $71 million, respectively, which approximate fair value.

Historically, People s United Financial has held virtually all of the adjustable-rate residential mortgage loans that it originates on its balance sheet and has sold virtually all of the fixed-rate residential mortgage loans that it originates into the secondary market. In 2006, People s United Financial completed a reassessment of its pricing with respect to adjustable-rate residential mortgage loans in light of the prevailing interest rate environment at that time. As a result, People s United Financial made the decision in the fourth quarter of 2006 to sell essentially all of its newly-originated residential mortgage loans. People s United Financial continues to actively offer residential mortgage loans of all types through its extensive distribution system. In May 2010, People s United Financial made the decision to retain in its portfolio most of its originated adjustable-rate and 15-year fixed-rate residential mortgage loans. Accordingly, residential mortgage loan balances are expected to increase in 2011.

People s United Financial s loan loss experience within the residential mortgage portfolio continues to be primarily attributable to a small number of loans. The continued performance of the residential mortgage loan portfolio in 2011 may be adversely impacted by the level and direction of interest rates, consumer preferences and the regional economy.

**Residential Mortgage Originations**

Years ended December 31 (dollars in millions)

**Residential Mortgage Originations by Product**

Year ended December 31, 2010 (percent)

**Consumer Lending**

People s United Financial offers home equity credit lines and second mortgage loans, and to a lesser extent, other forms of installment and revolving credit loans. Future growth of People s United Financial s consumer loan portfolio is highly dependent upon economic conditions, the interest rate environment and competitors strategies, as well as the success of People s United Financial s marketing programs and information-based strategies.

| As of December 31 (in millions) | 2010 | 2009 |
|---|---|---|
| Home equity credit lines | $ 1,759.2 | $ 1,740.2 |
| Second mortgages | 217.6 | 246.1 |
| Indirect auto | 155.2 | 207.3 |
| Other loans | 45.9 | 51.4 |
| Total consumer | $ 2,177.9 | $ 2,245.0 |

The consumer loan portfolio decreased $67 million in 2010 compared to 2009 and increased $18 million in 2009 compared to 2008. At December 31, 2010 and 2009, approximately 96% and 99%, respectively, of the consumer loan portfolio was to customers located in New England.

**Asset Quality**

*Recent Trends*

The past several years have been marked by significant volatility in the financial and capital markets initially brought about by the fallout associated with the subprime mortgage market. This disruption led to significant credit and liquidity concerns, which resulted in government intervention within the banking sector and a substantial decline in activity within the secondary mortgage market. All of these issues have been further exacerbated by an accelerated softening of the real estate market, a worsening recessionary economic environment and, in turn, weakness within the commercial sector.

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

People s United Financial actively manages asset quality through its underwriting practices and collection operations. Underwriting practices tend to focus on optimizing the return of a given risk classification while collection operations focus on minimizing losses once an account becomes delinquent. People s United Financial attempts to minimize losses associated with commercial banking loans by requiring borrowers to pledge adequate collateral and/or provide for third-party guarantees. Loss mitigation within the residential mortgage loan portfolio is highly dependent on the value of the underlying real estate.

During the recent credit cycle, People s United Financial has experienced an increase in the number of loan modification requests. Certain loans whose terms have been modified are considered troubled debt restructurings ( TDRs ). Loans are considered TDRs if the borrower is experiencing financial difficulty and is afforded a concession by People s United Financial, such as, but not limited to: (i) a reduction of the stated interest rate for the remaining contractual life of the loan; (ii) an extension of the loan s original contractual term at a stated interest rate lower than the current market rate for a new loan with similar risk; (iii) capitalization of interest; or (iv) forgiveness of principal or interest. Generally, TDRs are placed on non-accrual status (and reported as non-performing loans) until the loan qualifies for return to accrual status. Loans qualify for return to accrual status once they have demonstrated performance with the restructured terms of the loan agreement for a minimum of six months. Loans may continue to be reported as TDRs after they are returned to accrual status.

*Portfolio Risk Elements Residential Mortgage Lending*

People s United Financial does not engage in subprime mortgage lending, which has been the riskiest sector of the residential housing market. People s United Financial has virtually no exposure to subprime loans, or to similarly high-risk Alt-A loans and structured investment vehicles.

At December 31, 2010, the loan portfolio included $447 million of interest-only residential mortgage loans, of which $59 million are stated income loans. People s United Financial began originating interest-only residential mortgage loans in March 2003. The underwriting guidelines and requirements for such loans are generally more restrictive than those applied to other types of residential mortgage loans. In general, People s United Financial s underwriting guidelines for residential mortgage loans require the following: (i) properties must be single-family and owner-occupied primary residences; (ii) lower loan-to-value ratios (less than 60% on average); (iii) higher credit scores (greater than 700 on average); and (iv) sufficient post closing reserves. People s United Financial has not originated interest-only residential mortgage loans that permit negative amortization or optional payment amounts. Amortization of an interest-only residential mortgage loan begins after the initial interest rate changes (e.g. after 5 years for a 5/1 adjustable-rate mortgage).

Stated income loans, which People s United Financial has not offered since mid-2007, represent a form of reduced documentation loan that requires a potential borrower to complete a standard mortgage application with full verification of the borrower s asset information as contained in the loan application, but no verification of the provided income information. As with interest-only loans, underwriting guidelines for stated income loans require properties to be single-family and owner-occupied primary residences with lower loan-to-value ratios and higher credit scores. In addition, stated income loans require the receipt of an appraisal for the real estate used as collateral and a credit report on the prospective borrower.

People s United Financial orders updated independent third-party appraisals for residential mortgage loans once a loan becomes 90 days past due. At December 31, 2010, non-performing residential mortgage loans totaling $1.7 million had current loan-to-value ratios of more than 100%.

The foreclosure practices of several of the nation s largest residential mortgage loan servicers have recently come under the scrutiny of state attorneys general and various regulatory authorities. Certain of these servicers had self-imposed moratoriums on foreclosure activities in light of allegations of robo-signing (signing foreclosure affidavits without an appropriate review) and other issues related to their foreclosure practices. In light of these developments, the company has reviewed its foreclosure policies and procedures and found no systemic concerns or instances of robo-signing with respect to its loan servicing activities. We believe that our established procedures for reviewing foreclosure affidavits and validating information contained in related loan documentation are sound and consistently applied, and that our foreclosure affidavits are accurate. As a result, People s United Bank has not found it necessary to interrupt or suspend foreclosure proceedings. We have also considered the effect of representations and warranties that we made to third-party investors in connection with whole loan sales, and believe our representations and warranties were true and correct and do not expose People s United Bank to any material loss.

The aforementioned foreclosure issues and the potential for additional legal and regulatory action could impact future foreclosure activities, including lengthening the time required for residential mortgage lenders, including People s United Bank, to initiate and complete the foreclosure process. In recent years, foreclosure timelines have increased as a result of, among other reasons, (i) delays associated with the significant increase in the number of foreclosure cases as a result of the economic crisis, (ii) additional consumer protection initiatives related to the foreclosure process and (iii) voluntary and/or mandatory programs intended to permit or require lenders to consider loan modifications or other alternatives to foreclosure. Further increases in the foreclosure timeline may have an adverse effect on collateral values and our ability to minimize losses.

*Portfolio Risk Elements Commercial Real Estate Lending*

In general, construction loans originated by People s United Financial are used to finance improvements to commercial, industrial or residential property. Repayment is typically derived from the sale of the property as a whole, the sale of smaller individual units, or by a take-out from a permanent mortgage. The term of the construction period generally does not exceed two years. Loan commitments are based on established construction budgets which represent an estimate of total costs to complete the proposed project, including both hard (direct) costs (building materials, labor, etc.) and soft (indirect) costs (legal and architectural fees, etc.). In addition, project costs may include an appropriate level of interest reserve to carry the project through to completion. If established, such interest reserves are determined based on (i) a percentage of the committed loan amount, (ii) the loan term, and (iii) the applicable interest rate. Regardless of whether a loan contains an interest reserve, the total project cost statement serves as the basis for underwriting and determining which items will be funded by the loan and which items will be funded through borrower equity.

Construction loans are funded, at the request of the borrower, not more than once per month, based on the extent of work completed, and are monitored, throughout the life of the project, by an independent professional construction engineer and the company s commercial real estate lending department. Interest is advanced to the borrower, upon request, based upon the progress of the project toward completion. The amount of interest advanced is added to the total outstanding principal under the loan commitment. Should the project not progress as scheduled, the adequacy of the interest reserve necessary to carry the project through to completion is subject to close monitoring by management. Should the interest reserve be deemed to be inadequate, the borrower is required to fund the deficiency. Similarly, once a loan is fully funded, the borrower is required to fund all interest payments.

People s United Financial s outstanding construction loan portfolio totaled $1.04 billion (approximately 6% of total loans) at December 31, 2010. The total committed amount at that date, including both the outstanding balance and the unadvanced portion of such loans, totaled $1.22 billion. In some cases, a portion of the total committed amount includes an accompanying interest reserve. At December 31, 2010, outstanding construction loans totaling $333 million had remaining available interest reserves totaling $17 million. At that date, the company had $15 million of construction loans with interest reserves that were on non-accrual status and included in non-performing loans.

The recent economic downturn has resulted in an increase in the number of extension requests for commercial real estate and construction loans, some of which have related repayment guarantees. Modifications of commercial real estate loans involving maturity extensions are evaluated according to the company s normal underwriting standards and are classified as TDRs if the company does not receive a current market interest rate commensurate with current underwriting for a new loan with similar risk. People s United Financial had approximately $6 million of restructured construction loans as of December 31, 2010.

An extension may be granted to allow for the completion of the project, marketing or sales of completed units, or to provide for permanent financing, and is based on a re-underwriting of the loan and management s assessment of the borrower s ability to perform according to the agreed-upon terms. Typically, at the time of an extension, borrowers are performing in accordance with contractual loan terms. Extension terms generally do not exceed 12 to 18 months and typically require that the borrower provide additional economic support in the form of partial repayment, additional collateral or guarantees. In cases where the fair value of the collateral or the financial resources of the borrower are deemed insufficient to repay the loan, reliance may be placed on the support of a guarantee, if applicable. However, such guarantees are never considered the sole source of repayment.

People s United Financial evaluates the financial condition of guarantors based on the most current financial information available. Most often, such information takes the form of (i) personal financial statements of net worth, cash flow statements and tax returns (for individual guarantors) and (ii) financial and operating statements, tax returns and financial projections (for legal entity guarantors). The company s evaluation is primarily focused on various key financial metrics, including net worth, leverage ratios, and liquidity. It is the company s policy to update such information annually, or more frequently as warranted, over the life of the loan.

While People s United Financial does not specifically track the frequency with which it has pursued guarantor performance under a guarantee, the company s underwriting process, both at origination and upon extension, as applicable, includes an assessment of the guarantor s reputation, creditworthiness and willingness to perform. Historically, when the company has found it necessary to seek performance under a guarantee, it has been able to effectively mitigate its losses.

In considering the impairment status of such loans, an evaluation is made of the collateral and future cash flow of the borrower as well as the anticipated support of any repayment guarantor. In the event that the guarantor is unwilling or unable to perform, a legal remedy is pursued. When performance under the loan terms is deemed to be uncertain, including performance of the guarantor, all or a portion of the loan may be charged-off, typically based on the fair value of the collateral securing the loan.

*Allowance and Provision for Loan Losses*

The allowance for loan losses is established through provisions for loan losses charged to income. Losses on loans, including impaired loans, are charged to the allowance for loan losses when all or a portion of a loan is deemed to be uncollectible. Recoveries of loans previously charged off are credited to the allowance for loan losses when realized.

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

For a more detailed discussion of the company s allowance for loan losses methodology and related policies, see Critical Accounting Policies.

Loans acquired in a business combination that have evidence of deterioration in credit quality since origination and for which it is probable, at acquisition, that the company will be unable to collect all contractually required payment receivable are initially recorded at fair value without a carryover of the related allowance for loan losses. Fair value is determined using market participant assumptions in estimating the amount and timing of both principal and interest cash flows expected to be collected on such loans and then applying a market-based discount rate to those cash flows. The excess of the undiscounted expected cash flows at the acquisition date over the estimated fair value is referred to as the accretable yield , which is recognized into interest income over the remaining lives of the acquired loans. The difference between contractually required principal and interest payments at the acquisition date and the undiscounted cash flows expected to be collected at the acquisition date is referred to as the nonaccretable difference , which includes an estimate of future credit losses expected to be incurred over the life of the portfolio. Decreases in the expected cash flows in subsequent periods require the establishment of an allowance for loan losses. Improvements in expected cash flows in future periods result in a reduction of the nonaccretable difference, with such amount reclassified as part of the accretable yield and subsequently recognized into interest income over the remaining lives of the acquired loans. Charge-offs on acquired loans are first applied to the nonaccretable difference and then to any allowance for loan losses recognized subsequent to acquisition

Selected asset quality metrics presented below distinguish between the originated portfolio and the acquired portfolio. All loans acquired in connection with the acquisitions completed in 2010 comprise the acquired loan portfolio; all other loans of the company comprise the originated portfolio, including originations subsequent to the respective acquisition dates.

**Provision and Allowance for Loan Losses**

The following table presents the activity in the allowance for loan losses and ratios:

| **Years ended December 31 (dollars in millions)** | **2010** | **2009** | **2008** | **2007** | **2006** |
|---|---|---|---|---|---|
| Beginning allowance for loan losses | $ 172.5 | $ 157.5 | $ 72.7 | $ 74.0 | $ 75.0 |
| **Charge-offs:** | | | | | |
| Commercial Banking: | | | | | |
| Commercial real estate | (27.5) | (10.9) | (3.4) | | |
| Commercial and industrial | (14.3) | (9.8) | (5.6) | (7.0) | (5.2) |
| Equipment financing | (9.5) | (8.8) | (1.5) | (1.8) | (0.6) |
| Retail: | | | | | |
| Residential mortgage | (4.3) | (5.4) | (1.5) | | (0.1) |
| Home equity | (3.8) | (3.5) | (1.0) | (0.4) | (0.3) |
| Other consumer | (5.3) | (7.1) | (6.2) | (2.3) | (3.1) |
| Total charge-offs | (64.7) | (45.5) | (19.2) | (11.5) | (9.3) |
| **Recoveries:** | | | | | |
| Commercial Banking: | | | | | |
| Commercial real estate | 0.8 | 0.3 | 0.2 | 0.1 | 2.5 |
| Commercial and industrial | 1.0 | 1.0 | 1.3 | 0.3 | 0.4 |
| Equipment financing | 0.3 | 0.2 | 0.3 | 0.1 | 0.3 |
| Retail: | | | | | |
| Residential mortgage | 0.6 | 0.2 | 0.4 | 0.6 | 0.1 |
| Home equity | 0.4 | 0.2 | 0.1 | 0.1 | 0.1 |
| Other consumer | 1.6 | 1.6 | 2.0 | 1.0 | 1.5 |
| Total recoveries | 4.7 | 3.5 | 4.3 | 2.2 | 4.9 |
| Net loan charge-offs | (60.0) | (42.0) | (14.9) | (9.3) | (4.4) |
| Provision for loan losses | 60.0 | 57.0 | 26.2 | 8.0 | 3.4 |
| Allowance recorded in the Chittenden acquisition | | | 73.5 | | |
| Ending allowance for loan losses | $ 172.5 | $ 172.5 | $ 157.5 | $ 72.7 | $ 74.0 |
| Allowance for loan losses as a percentage of: | | | | | |
| Originated loans | 1.18% | 1.21% | 1.08% | 0.81% | 0.79% |
| Originated non-performing loans | 70.3 | 102.2 | 186.8 | 357.8 | 327.9 |

The provision for loan losses in 2010 totaled $60.0 million, reflecting $60.0 million in net loan charge-offs. Commercial real estate loan charge-offs in 2010 include (i) two construction loans totaling $9.8 million, both of which carried specific reserves totaling $9.0 million, and (ii) partial charge-offs totaling $4.8 million related to two shared national credits. Commercial and industrial charge-offs in 2010 include a $6.0 million partial charge-off of a single commercial and industrial loan. The provision for loan losses in 2009 totaled $57.0 million, reflecting $42.0 million in net loan charge-offs and a $15.0 million increase in the allowance for loan losses. Commercial real estate loan charge-offs in 2009 include a $6.1 million partial charge-off of a non-performing shared national credit. The allowance for loan losses as a percentage of originated loans was 1.18% at December 31, 2010 and 1.21% at December 31, 2009.

*Loan Charge-Offs*

The company s charge-off policies, which comply with standards established by banking regulators, are consistently applied from period to period. Charge-offs are recorded on a monthly basis. Partially charged-off loans continue to be evaluated on a monthly basis and additional charge-offs or loan loss provisions may be recorded on the remaining loan balance based on the same criteria.

For unsecured consumer loans, charge-offs generally occur when the loan is deemed to be uncollectible or 120 days past due, whichever occurs first. For consumer loans secured by real estate, including residential mortgage loans, charge-offs generally occur when the loan is deemed to be uncollectible or 180 days past due, whichever occurs first, unless it can be clearly demonstrated that repayment will occur regardless of the delinquency status. Factors that demonstrate an ability to repay may include (i) a loan that is secured by adequate collateral and is in the process of collection, (ii) a loan supported by a valid guarantee or insurance, or (iii) a loan supported by a valid claim against a solvent estate.

For commercial banking loans, a charge-off is recorded when the company determines that it will not collect all amounts contractually due based on the fair value of the collateral (less costs to sell), or the present value of expected future cash flows.

The decision whether to charge-off all or a portion of a loan rather than record a specific or general loss allowance is based on an assessment of all available information which aids in determining the loan s net realizable value. Typically this involves consideration of both (i) the fair value of any collateral securing the loan, including whether the estimate of fair value has been derived from an appraisal or other market information, and (ii) other factors affecting the likelihood of repayment, including the existence of guarantees and insurance. If the amount by which the company s recorded investment in the loan exceeds its net realizable value is deemed to be a confirmed loss, a charge-off is recorded. Otherwise, a specific or general reserve is established, as applicable.

Net loan charge-offs as a percentage of average total loans equaled 0.39% in 2010, 0.29% in 2009 and 0.10% in 2008. The comparatively low level of net loan charge-offs in recent years, in terms of absolute dollars and as a percentage of average loans, may not be sustainable in the future.

**Net Loan Charge-Offs (Recoveries) as a Percentage of Average Total Loans**

| **Years ended December 31** | **2010** | **2009** | **2008** | **2007** | **2006** |
|---|---|---|---|---|---|
| Commercial Banking: | | | | | |
| Commercial real estate | 0.48% | 0.20% | 0.07% | (0.01)% | (0.14)% |
| Commercial and industrial | 0.47 | 0.31 | 0.15 | 0.44 | 0.34 |
| Equipment financing | 0.44 | 0.70 | 0.12 | 0.19 | 0.04 |
| Retail: | | | | | |
| Residential mortgage | 0.15 | 0.18 | 0.03 | (0.02) | |
| Home equity | 0.17 | 0.17 | 0.05 | 0.03 | 0.02 |
| Other consumer | 1.60 | 1.90 | 1.45 | 0.41 | 0.56 |
| Total portfolio | 0.39% | 0.29% | 0.10% | 0.10% | 0.05% |

The following table presents the allocation of the allowance for loan losses by loan category and the percentage of loans in each category to total loans:

| As of December 31 (dollars in millions) | 2010 Amount | 2010 Percent of Loan Portfolio | 2009 Amount | 2009 Percent of Loan Portfolio | 2008 Amount | 2008 Percent of Loan Portfolio | 2007 Amount | 2007 Percent of Loan Portfolio | 2006 Amount | 2006 Percent of Loan Portfolio |
|---|---|---|---|---|---|---|---|---|---|---|
| Commercial Banking: | | | | | | | | | | |
| Commercial real estate | $ 82.0 | 41.7% | $ 91.0 | 37.9% | $ 84.7 | 34.1% | $ 27.9 | 21.0% | $ 27.5 | 19.1% |
| Commercial and industrial | 53.2 | 17.7 | 52.8 | 19.7 | 54.0 | 20.6 | 24.7 | 18.1 | 27.5 | 15.9 |
| Equipment financing | 26.3 | 12.0 | 21.8 | 8.7 | 12.7 | 8.4 | 18.3 | 11.0 | 16.0 | 9.3 |
| Retail: | | | | | | | | | | |
| Residential mortgage | 5.8 | 16.2 | 4.0 | 17.9 | 2.8 | 21.6 | 0.7 | 35.9 | 1.0 | 41.6 |
| Home equity | 2.7 | 10.0 | 1.8 | 12.2 | 1.7 | 11.1 | 0.5 | 10.5 | 1.0 | 10.8 |
| Other consumer | 2.5 | 2.4 | 1.1 | 3.6 | 1.6 | 4.2 | 0.6 | 3.5 | 1.0 | 3.3 |
| Total allowance for loan losses | $ 172.5 | 100.0% | $ 172.5 | 100.0% | $ 157.5 | 100.0% | $ 72.7 | 100.0% | $ 74.0 | 100.0% |

The allocation of the allowance for loan losses at December 31, 2010 reflects management s assessment of credit risk and probable loss within each portfolio. This assessment is based on a variety of internal and external factors including, but not limited to, the likelihood and severity of loss, portfolio growth and related risk characteristics, and current economic conditions. Management believes that the level of the allowance for loan losses at December 31, 2010 is adequate to cover probable losses.

*Non-Performing Assets*

A loan is generally considered non-performing when it is placed on non-accrual status. A loan is generally placed on non-accrual status when it becomes 90 days past due as to interest or principal payments. Past due status is based on the contractual payment terms of the loan. A loan may be placed on non-accrual status before it reaches 90 days past due if such loan has been identified as presenting uncertainty with respect to the collectibility of interest and principal. A loan past due 90 days or more may remain on accruing status if such loan is both well secured and in the process of collection. All previously accrued but unpaid interest on non-accrual loans is reversed from interest income in the period in which interest accrual is discontinued. Interest payments received on non-accrual loans (including impaired loans) are generally applied as a reduction of principal if future collections are doubtful, although such interest payments may be recognized as income. A loan remains on non-accrual status until the factors that indicated doubtful collectability no longer exist or until a loan is determined to be uncollectible and is charged off against the allowance for loan losses.

The following table presents information on non-performing loans, real estate owned ( REO ) and repossessed assets:

| **As of December 31 (dollars in millions)** | **2010** | **2009** | **2008** | **2007** | **2006** |
|---|---|---|---|---|---|
| Originated non-performing loans: | | | | | |
| Commercial Banking: | | | | | |
| Commercial real estate | $ 82.5 | $ 72.4 | $ 29.8 | $ 3.7 | $ 0.2 |
| Commercial and industrial | 38.2 | 17.4 | 21.1 | 1.3 | 11.9 |
| Equipment financing | 36.0 | 20.6 | 5.8 | 3.1 | 2.1 |
| Retail: | | | | | |
| Residential mortgage | 78.8 | 52.7 | 24.2 | 8.9 | 6.7 |
| Home equity | 9.1 | 5.3 | 2.8 | 3.1 | 1.5 |
| Other consumer | 0.6 | 0.4 | 0.6 | 0.2 | 0.2 |
| Total originated non-performing loans (1) | 245.2 | 168.8 | 84.3 | 20.3 | 22.6 |
| REO | 39.8 | 23.9 | 7.0 | 3.2 | |
| Repossessed assets | 18.1 | 12.9 | 2.4 | 2.6 | 0.1 |
| Total non-performing assets | $ 303.1 | $ 205.6 | $ 93.7 | $ 26.1 | $ 22.7 |
| Acquired non-performing loans (2) | $ 359.8 | $ | $ | $ | $ |
| Originated non-performing loans as a percentage of originated loans (3) | 1.67% | 1.19% | 0.58% | 0.23% | 0.24% |
| Non-performing assets as a percentage of: | | | | | |
| Originated loans, REO and repossessed assets (3) | 2.06 | 1.44 | 0.64 | 0.29 | 0.24 |
| Tangible stockholders equity and allowance for loan losses | 5.62 | 5.47 | 2.47 | 0.59 | 1.74 |

(1) Reported net of government guarantees totaling $9.4 million, $8.3 million and $6.5 million at December 31, 2010, 2009 and 2008, respectively.

(2) Represents acquired loans that meet People s United Financial s definition of a non-performing loan but for which the risk of credit loss has been considered by virtue of our estimate of acquisition-date fair value and/or the existence of an FDIC loss-share agreement.

(3) Calculations exclude acquired loans. Including acquired loans and acquired non-performing loans at December 31, 2010, non-performing loans were 3.45% of total loans, and non-performing assets were 3.77% of total loans, REO and repossessed assets.

Total non-performing assets increased $97.5 million in 2010 from December 31, 2009 and equaled 2.06% of originated loans, REO and repossessed assets at December 31, 2010. The change in total non-performing assets from December 31, 2009 includes increases in non-performing residential mortgage loans of $26.1 million, non-performing commercial and industrial loans of $20.8 million, non-performing equipment financing loans of $15.4 million, non-performing commercial real estate loans of $10.1 million, REO of $15.9 million and repossessed assets of $5.2 million. The increase in non-performing residential mortgage loans is a reflection of the continued higher levels of unemployment across People s United Financial s franchise and slower resolution of the foreclosure process. The increases in the commercial banking portfolios reflect broader economic weakness. The increase in repossessed assets reflects the addition of repossessed assets acquired in the Financial Federal acquisition ($11.7 million at December 31, 2010). The increase in REO primarily reflects the addition of $19.8 million of REO in connection with the acquisitions completed in 2010. Loans past due 90 days and still accruing totaled $1.2 million at December 31, 2010 compared to $11.8 million at December 31, 2009.

All loans and REO acquired in the Butler Bank acquisition are subject to an FDIC loss-share agreement. The loss-share agreement provides for coverage by the FDIC, up to certain limits, on all such covered assets . The FDIC is obligated to reimburse the company for 80% of any future losses on covered assets up to $34.0 million. The company will reimburse the FDIC for 80% of recoveries with respect to losses for which the FDIC paid the company 80% reimbursement under the loss-sharing coverage.

Total non-performing assets increased $111.9 million in 2009 from December 31, 2008 and equaled 1.44% of originated loans, REO and repossessed assets at December 31, 2009. The change in total non-performing assets from December 31, 2008 includes increases in non-performing commercial real estate loans of $42.6 million, non-performing residential mortgage loans of $28.5 million, non-performing equipment financing loans of $14.8 million, REO of $16.9 million and repossessed assets of $10.5 million. The increase in non-performing commercial real estate loans primarily reflects the classification of one shared national credit (totaling $16.3 million at December 31, 2009) as non-performing and the impact of continued economic weakness on the commercial real estate sector. The increase in non-performing residential mortgage loans is primarily a reflection of higher levels of unemployment across People s United Financial s franchise, while the increase in non-performing equipment financing loans reflects broader economic weakness. The increase in REO primarily reflects the transfer of one shared national credit (totaling $9.8 million at December 31, 2009) to REO as well as additional commercial properties transferred in 2009. The increase in repossessed assets reflects the higher level of repossessed equipment at PCLC.

In addition to the originated non-performing loans discussed above, People s United Financial has also identified approximately $464 million in originated potential problem loans at December 31, 2010. Originated potential problem loans represent loans that are currently performing, but for which known information about possible credit deterioration on the part of the related borrowers causes management to have concerns as to the ability of such borrowers to comply with contractual loan repayment terms and which may result in the disclosure of such loans as non-performing at some time in the future. The originated potential problem loans are generally loans that, although performing, have been classified as substandard in accordance with People s United Financial s loan rating system, which is consistent with guidelines established by banking regulators.

At December 31, 2010, originated potential problem loans consisted of $210 million of commercial real estate loans, $134 million of commercial and industrial loans, and $120 million of equipment financing loans. Such loans are closely monitored by management and have remained in performing status for a variety of reasons including, but not limited to, delinquency status, borrower payment history and fair value of the underlying collateral. Management cannot predict the extent to which economic conditions may worsen or whether other factors may adversely impact the ability of these borrowers to make payments. Accordingly, there can be no assurance that originated potential problem loans will not become 90 days or more past due, be placed on non-accrual status, be restructured, or require additional provisions for loan losses.

The levels of non-performing assets and potential problem loans are expected to fluctuate in response to changing economic and market conditions, and the relative sizes of the respective loan portfolios, along with management s degree of success in resolving problem assets. Management takes a proactive approach with respect to the identification and resolution of problem loans. However, given the current state of the U.S. economy and, more specifically, the real estate market, the level of non-performing assets may continue to increase in 2011.

**Off-Balance-Sheet Arrangements**

Detailed discussions pertaining to People s United Financial s off-balance-sheet arrangements are included in the following sections: Funding, Liquidity, Stockholders Equity and Dividends, and Market Risk Management.

**Funding**

At the current time, People s United Financial s primary funding sources are deposits and stockholders equity, which represent 92% of total assets at December 31, 2010. Borrowings also are an available source of funding. Based on People s United Bank s membership in the FHLB of Boston and the level of qualifying collateral available at December 31, 2010, People s United Bank had up to $2.7 billion of borrowing capacity in the form of advances from the FHLB of Boston and Federal Reserve Bank of New York, and repurchase agreements. People s United Bank also had unsecured borrowing capacity of $0.6 billion at December 31, 2010.

**Deposits**

| As of December 31 (dollars in millions) | 2010 Amount | 2010 Weighted Average Rate | 2009 Amount | 2009 Weighted Average Rate | 2008 Amount | 2008 Weighted Average Rate |
|---|---|---|---|---|---|---|
| Non-interest-bearing | $ 3,872.6 | % | $ 3,509.0 | % | $ 3,173.4 | % |
| Savings, interest-bearing checking and money market | 8,897.8 | 0.51 | 7,327.9 | 0.65 | 6,214.7 | 1.01 |
| Total | 12,770.4 | 0.36 | 10,836.9 | 0.44 | 9,388.1 | 0.67 |
| Time deposits maturing: | | | | | | |
| Within 6 months | 2,357.9 | 1.14 | 2,244.3 | 1.60 | 2,147.1 | 2.60 |
| After 6 months but within 1 year | 1,485.2 | 1.29 | 1,441.9 | 1.67 | 2,266.1 | 3.35 |
| After 1 but within 2 years | 840.0 | 1.69 | 757.1 | 1.90 | 325.2 | 2.99 |
| After 2 but within 3 years | 195.7 | 2.66 | 78.2 | 2.80 | 63.8 | 3.46 |
| After 3 years | 283.9 | 2.78 | 87.2 | 3.16 | 79.1 | 3.71 |
| Total | 5,162.7 | 1.42 | 4,608.7 | 1.72 | 4,881.3 | 3.00 |
| Total deposits | $ 17,933.1 | 0.66% | $ 15,445.6 | 0.82% | $ 14,269.4 | 1.47% |

People s United Financial s strategy is to focus on increasing deposits by providing a wide range of convenient services to commercial, retail, business and wealth management customers. People s United Financial provides customers access to their deposits through nearly 340 branches, including 84 full-service Stop & Shop supermarket branches, more than 500 ATMs, telephone banking and an Internet banking site.

Deposits equaled 72% and 73% of total assets at December 31, 2010 and 2009, respectively. People s United Financial assumed deposits with a fair value of $2.5 billion in connection with the acquisitions completed in 2010. Deposits and stockholders equity constituted over 95% of People s United Financial s funding base at both December 31, 2010 and 2009.

The expansion of People s United Financial s branch network and its commitment to developing full-service relationships with its customers are integral components of People s United Financial s strategy to leverage the success of its supermarket banking initiative, expand market share and continue growing deposits. At December 31, 2010, People s United Financial s network of Stop & Shop branches held deposits totaling $2.3 billion and deposits in supermarket branches open for more than one year averaged $29 million per store.

Non-interest-bearing deposits are an important source of low-cost funding and fee income for People s United Financial. In addition, People s United Financial believes that checking accounts represent one of the core relationships between a financial institution and its customers, and it is from these relationships that cross-selling of other financial services can be achieved. Non-interest-bearing deposits equaled 22% and 23% of total deposits at December 31, 2010 and 2009, respectively.

Time deposits of $100,000 or more totaled $1.9 billion at December 31, 2010, of which $565 million mature within three months, $303 million mature after three months but within six months, $519 million mature after six months but within one year and $513 million mature after one year. Brokered certificates of deposit totaled $7.9 million and $3.0 million at December 31, 2010 and 2009, respectively.

**Total Deposits**

As of December 31 (dollars in millions)

The following table presents People s United Financial s time deposits by rate category:

| As of December 31 (in millions) | 2010 |
|---|---|
| 1.25% or less | $ 2,778.7 |
| 1.26% to 2.00% | 1,552.3 |
| 2.01% to 2.50% | 282.9 |
| 2.51% to 3.00% | 270.2 |
| 3.01% to 3.50% | 85.9 |
| 3.51% to 4.00% | 109.7 |
| 4.01% and greater | 83.0 |
| Total | $ 5,162.7 |

The following table presents, by rate category, the remaining period to maturity of time deposits outstanding as of December 31, 2010.

| | Period to Maturity from December 31, 2010 | | | | | | |
|---|---|---|---|---|---|---|---|
| (in millions) | Within three months | Over three to six months | Over six months to one year | Over one to two years | Over two to three years | Over three years | Total |
| 1.25% or less | $ 986.7 | $ 608.9 | $ 943.5 | $ 236.4 | $ 3.0 | $ 0.2 | $ 2,778.7 |
| 1.26% to 2.00% | 324.4 | 209.0 | 463.9 | 485.6 | 60.1 | 9.3 | 1,552.3 |
| 2.01% to 2.50% | 41.5 | 32.0 | 35.2 | 56.1 | 58.8 | 59.3 | 282.9 |
| 2.51% to 3.00% | 55.1 | 29.2 | 8.6 | 11.7 | 5.6 | 160.0 | 270.2 |
| 3.01% to 3.50% | 8.9 | 17.3 | 1.3 | 3.5 | 16.9 | 38.0 | 85.9 |
| 3.51% to 4.00% | 15.3 | 18.7 | 8.8 | 22.1 | 31.8 | 13.0 | 109.7 |
| 4.01% and greater | 5.3 | 5.6 | 23.9 | 24.6 | 19.5 | 4.1 | 83.0 |
| Total | $ 1,437.2 | $ 920.7 | $ 1,485.2 | $ 840.0 | $ 195.7 | $ 283.9 | $ 5,162.7 |

**Borrowings**

| As of December 31 (dollars in millions) | 2010 Amount | 2010 Weighted Average Rate | 2009 Amount | 2009 Weighted Average Rate | 2008 Amount | 2008 Weighted Average Rate |
|---|---|---|---|---|---|---|
| Fixed rate FHLB advances maturing: | | | | | | |
| Within 1 year | $ 28.8 | 3.27% | $ 7.7 | 3.98% | $ | % |
| After 1 but within 2 years | 15.4 | 5.17 | 1.7 | 3.97 | 8.3 | 3.93 |
| After 2 but within 3 years | 65.9 | 2.65 | | | 1.8 | 3.96 |
| After 3 but within 4 years | 16.8 | 4.50 | | | | |
| After 4 but within 5 years | 1.5 | 4.37 | | | | |
| After 5 years | 380.9 | 3.05 | 5.4 | 2.04 | 5.0 | 2.14 |
| Total FHLB advances | 509.3 | 3.13 | 14.8 | 3.28 | 15.1 | 3.28 |
| Repurchase agreements maturing: | | | | | | |
| Within 1 month | 472.2 | 0.43 | 144.1 | 0.48 | 156.7 | 0.69 |
| Within 1 year | 1.0 | 0.80 | | | | |
| After 1 but within 2 years | 27.1 | 4.78 | | | | |
| After 4 but within 5 years | 1.0 | 1.75 | | | | |
| Total repurchase agreements | 501.3 | 0.67 | 144.1 | 0.48 | 156.7 | 0.69 |
| Other | | | | | 16.1 | 2.52 |
| Total borrowings | $ 1,010.6 | 1.91% | $ 158.9 | 0.74% | $ 187.9 | 1.06% |

At December 31, 2010, total borrowings equaled 4% of total assets compared to less than 1% at both December 31, 2009 and 2008. People s United Financial retained FHLB advances and term repurchase agreements with fair values of $500 million and $27 million, respectively, which were assumed in connection with the Smithtown and LSB acquisitions. FHLB advances and repurchase agreements both represented 2% of total assets at December 31, 2010. Repurchase agreements at December 31, 2010, 2009 and 2008 primarily consisted of transactions with commercial and municipal customers.

In previous years, People s United Financial s primary source for borrowings were federal funds purchased, which are typically unsecured overnight loans among banks, in addition to advances from the FHLB of Boston, which provides credit for member institutions within its assigned region.

**Subordinated Notes and Debentures**

Subordinated notes and debentures totaled $182 million at both December 31, 2010 and 2009. People s United Financial and People s United Bank assumed subordinated notes and debentures with fair values of $36 million and $29 million, respectively, in connection with the acquisitions completed in 2010 and People s United Financial assumed subordinated notes with a fair value of $115 million in connection with the Chittenden acquisition in 2008. In the first quarter of 2011, People s United Bank redeemed $6 million of its 8.5% fixed rate subordinated notes due in 2016. See Note 11 to the Consolidated Financial Statements for additional information concerning subordinated notes and debentures.

In the fourth quarter of 2008, People s United Financial and People s United Bank both opted in to the FDIC Temporary Liquidity Guarantee Program, which provides a temporary guarantee of newly-issued senior unsecured debt, as defined (the Debt Guarantee Program ). As of December 31, 2010, neither People s United Financial nor People s United Bank had any debt outstanding that qualifies under the Debt Guarantee Program. People s United Bank may issue up to approximately $300 million of senior unsecured debt that would qualify under the Debt Guarantee Program. While People s United Financial has retained the right to do so, the company does not, at this time, intend to issue senior unsecured debt that would qualify under the Debt Guarantee Program.

**Contractual Cash Obligations**

The following table is a summary of People s United Financial s contractual cash obligations, other than deposit liabilities, including operating leases. Additional information concerning these contractual cash obligations is included in Notes 10, 11 and 20 to the Consolidated Financial Statements. Purchase obligations included in the table below represent those agreements to purchase goods or services that are enforceable and legally binding and that specify all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transactions. A substantial majority of People s United Financial s purchase obligations are renewable on a year-to-year basis. As such, the purchase obligations included in this table only reflect the contractual commitment.

| | | Payments Due by Period | | | |
|---|---|---|---|---|---|
| **As of December 31, 2010 (in millions)** | **Total** | **Less Than 1 Year** | **1-3 Years** | **4-5 Years** | **After 5 Years** |
| Borrowings | $ 1,010.6 | $ 502.0 | $ 108.4 | $ 19.3 | $ 380.9 |
| Subordinated notes and debentures | 182.2 | | | | 182.2 |
| Total on-balance-sheet | 1,192.8 | 502.0 | 108.4 | 19.3 | 563.1 |
| Operating leases | 241.1 | 38.1 | 54.6 | 44.8 | 103.6 |
| Purchase obligations | 251.9 | 74.2 | 104.5 | 50.9 | 22.3 |
| Total | $ 1,685.8 | $ 614.3 | $ 267.5 | $ 115.0 | $ 689.0 |

Income tax liabilities totaling $4.7 million, including related interest and penalties, are not included in the above table as the timing of their resolution cannot be estimated. Similarly, obligations totaling $14.1 million related to limited partnership affordable housing investments are not included in the above table as the timing of the related capital calls cannot be estimated. See Note 12 to the Consolidated Financial Statements for further discussion of People s United Financial s unrecognized income tax positions and affordable housing investments.

**Liquidity**

Liquidity is defined as the ability to generate sufficient cash flows to meet all present and future funding requirements at reasonable costs. Liquidity management addresses People s United Financial s and People s United Bank s ability to fund new loans and investments as opportunities arise, to meet customer deposit withdrawals, and to repay borrowings and subordinated notes as they mature. People s United Financial s, as well as People s United Bank s, liquidity positions are monitored daily by management. The Asset and Liability Management Committee ( ALCO ) of People s United Bank has been authorized by the Board of Directors of People s United Financial to set guidelines to ensure maintenance of prudent levels of liquidity for People s United Financial as well as for People s United Bank. ALCO reports to the Treasury and Finance Committee of the Board of Directors of People s United Bank.

Asset liquidity is provided by: cash; short-term investments and security resale agreements; proceeds from security sales, maturities and principal repayments; and proceeds from scheduled principal collections, prepayments and sales of loans. In addition, certain securities may be used to collateralize borrowings under repurchase agreements. The Consolidated Statements of Cash Flows present data on cash provided by and used in People s United Financial s operating, investing and financing activities. At December 31, 2010, People s United Financial (parent company) liquid assets included $520 million in securities purchased under agreements to resell and $437 million in debt securities available for sale. People s United Bank s liquid assets included $955 million in cash and cash equivalents, $2.4 billion in debt securities available for sale and $84 million in trading account securities. Securities available for sale with a fair value of $1.43 billion at December 31, 2010 were pledged as collateral for public deposits and for other purposes.

Liability liquidity is measured by People s United Financial s and People s United Bank s ability to obtain deposits and borrowings at cost-effective rates that are diversified with respect to markets and maturities. Deposits, which are considered the most stable source of liability liquidity, totaled $17.9 billion at December 31, 2010 and represented 74% of total funding (the sum of total deposits, total borrowings, subordinated notes and debentures, and stockholders equity). Borrowings are used to diversify People s United Financial s funding mix and to support asset growth. Borrowings and subordinated notes and debentures totaled $1.0 billion and $182 million, respectively, at December 31, 2010, representing 4.2% and 0.7%, respectively, of total funding at that date.

People s United Bank s current sources of borrowings include: federal funds purchased, advances from the FHLB of Boston and the Federal Reserve Bank of New York, and repurchase agreements. At December 31, 2010, People s United Bank s total borrowing limit from the FHLB of Boston and Federal Reserve Bank of New York for advances, and repurchase agreements, was $2.7 billion, based on the level of qualifying collateral available for these borrowings. In addition, People s United Bank had unsecured borrowing capacity of $0.6 billion at that date.

At December 31, 2010, People s United Bank had outstanding commitments to originate loans totaling $0.8 billion and approved, but unused, lines of credit extended to customers totaling $3.6 billion (including $1.8 billion of home equity lines of credit).

The sources of liquidity discussed above are deemed by management to be sufficient to fund outstanding loan commitments and to meet People s United Financial s and People s United Bank s other obligations.

**Earning Asset Mix**

$21.7 billion as of December 31, 2010 (percent)

**Funding Base**

$24.3 billion as of December 31, 2010 (percent)

**Stockholders Equity and Dividends**

People s United Financial s total stockholders equity was $5.22 billion at December 31, 2010, a $119 million increase compared to $5.10 billion at December 31, 2009. This increase primarily reflects the issuances of 26.0 million shares of common stock with a fair value (net of issuance costs) of approximately $405 million in connection with the Financial Federal acquisition and 2.1 million shares of common stock with a fair value (net of issuance costs) of approximately $26 million in connection with the Smithtown acquisition, and net income of $85.7 million, partially offset by dividends paid of $218.1 million, the open market repurchase of 14.3 million shares of common stock at a total cost of $191.2 million, and a $24.2 million increase in Accumulated Other Comprehensive Loss since December 31, 2009.

Stockholders equity equaled 20.8% of total assets at December 31, 2010 and 24.0% at December 31, 2009. Tangible stockholders equity (total stockholders equity less goodwill and other acquisition-related intangibles) equaled 14.1% of tangible assets (total assets less goodwill and other acquisition-related intangibles) at December 31, 2010 and 18.2% at December 31, 2009.

In January 2011, People s United Financial s Board of Directors authorized an additional repurchase of common stock. Under the new repurchase authorization, up to 5% of People s United Financial s then-outstanding common stock, or up to 17.5 million shares, may be repurchased, either directly or through agents, in the open market at prices and terms satisfactory to management. Also in January 2011, People s United Financial s Board of Directors declared a quarterly dividend on its common stock of $0.1550 per share. The dividend was paid on February 15, 2011 to shareholders of record on February 1, 2011.

In April 2008, People s United Financial s Board of Directors authorized the repurchase of up to 5% of People s United Financial s then-outstanding common stock, or up to a maximum of 17.3 million shares. Such shares may be repurchased, either directly or through agents, in the open market at prices and terms satisfactory to management. Through December 31, 2010, a total of 14.3 million shares of People s United Financial common stock had been repurchased under the stock repurchase authorization at a total cost of $191.2 million.

In February 2011, People s United Financial completed the repurchase of the maximum number of common stock authorized in April 2008 and began repurchasing common stock under the authorization announced in January 2011. Also in February 2011, People s United Financial filed a registration statement with the Securities and Exchange Commission for 144,400 shares of its common stock. Such shares are issuable to the selling shareholders upon the exercise of outstanding warrants previously issued by Smithtown. The exercise price is approximately $37.83 per share, subject to certain adjustments.

People s United Financial s total stockholders equity was $5.10 billion at December 31, 2009, a $74 million decrease compared to $5.17 billion at December 31, 2008. This decrease primarily reflects dividends paid of $203.6 million partially offset by net income of $101.2 million.

Dividends declared and paid per common share totaled $0.6175, $0.6075 and $0.5833 for the years ended December 31, 2010, 2009 and 2008, respectively. People s United Financial s dividend payout ratio (dividends paid as a percentage of net income) for the years ended December 31, 2010, 2009 and 2008 was 254.5%, 201.1% and 141.1%, respectively.

**Regulatory Capital Requirements**

OTS capital regulations require federally-chartered savings banks, such as People s United Bank, to meet three minimum capital ratios:

*Tangible Capital Ratio* A 1.5% tangible capital ratio, calculated as tangible capital to adjusted total assets.

*Leverage (Core) Capital Ratio* A 4% leverage (core) capital ratio, calculated as core capital to adjusted total assets. The minimum leverage (core) capital ratio is reduced to 3% if the savings bank received the highest rating on its most recent safety and soundness examination.

*Risk-Based Capital Ratio* An 8% total risk-based capital ratio, calculated as total risk-based capital to total risk-weighted assets. For purposes of this calculation, total risk-based capital equals the sum of core and supplementary capital, provided that supplementary capital may not exceed 100% of core capital.

In assessing an institution s capital adequacy, the OTS takes into consideration not only these numeric factors but also qualitative factors as well, and has the authority to establish higher capital requirements for individual institutions where necessary. People s United Bank, as a matter of prudent management, targets as its goal the maintenance of capital ratios that exceed these minimum requirements and that are consistent with People s United Bank s risk profile.

People s United Bank s tangible capital ratio, leverage (core) capital ratio and total risk-based capital ratios were 11.4%, 11.4% and 14.5%, respectively, at December 31, 2010, compared to 10.0%, 10.0% and 14.1%, respectively, at December 31, 2009. The improvement in these ratios from December 31, 2009 reflects a $981 million increase in People s United Bank s total equity capital in 2010, primarily attributable to the additional capital resulting from the acquisitions completed in 2010.

The following summary compares People s United Bank s regulatory capital amounts and ratios as of December 31, 2010 to the OTS minimum requirements. At December 31, 2010, People s United Bank s adjusted total assets, as defined, totaled $22.1 billion and its total risk-weighted assets, as defined, totaled $18.5 billion. At December 31, 2010, People s United Bank exceeded each of its regulatory capital requirements. Regulatory capital amounts and ratios presented are for People s United Bank and therefore do not reflect the additional capital residing at People s United Financial.

| **As of December 31, 2010** | **People s United Bank** | | **OTS Minimum Requirements** | |
|---|---|---|---|---|
| **(dollars in millions)** | **Amount** | **Ratio** | **Amount** | **Ratio** |
| Tangible capital | $ 2,522.2(1) | 11.4% | $ 331.3 | 1.5% |
| Leverage (core) capital | 2,522.2(1) | 11.4 | 883.4 | 4.0 |
| Total risk-based capital | 2,693.1(2) | 14.5 | 1,481.4 | 8.0 |

(1) Represents total stockholder s equity, excluding: (i) after-tax net unrealized gains (losses) on certain securities classified as available for sale; (ii) after-tax net gains on derivatives qualifying as cash flow hedges; (iii) certain assets not recognized in tier 1 capital (principally goodwill and other acquisition-related intangibles); and (iv) the amount recorded in accumulated other comprehensive income (loss) relating to pension and other postretirement benefits.

(2) Represents tier 1 capital plus subordinated notes and debentures, up to certain limits, and the allowance for loan losses up to 1.25% of total risk-weighted assets.

Generally, a bank is considered well capitalized if it has a leverage (core) capital ratio of at least 5.0%, a tier 1 risk-based capital ratio of at least 6.0% (calculated as tier 1 capital to total risk-weighted assets) and a total risk-based capital ratio of at least 10.0%. People s United Bank s regulatory capital ratios at December 31, 2010 exceeded the OTS numeric criteria for classification as well capitalized. See Note 14 to the Consolidated Financial Statements for additional information concerning People s United Bank s regulatory capital amounts and ratios.

In September 2010, the Basel Committee on Banking Supervision released revisions to recommended capital requirements, which are referred to as Basel III. People s United Bank s capital ratios at December 31, 2010 were well in excess of these new capital requirements. These new capital ratio requirements are still considered preliminary, and there is a prolonged implementation time frame. Management will monitor any proposed clarifications of the benchmarks.

**People s United Bank Capital Ratios**

**Compared to Regulatory Requirements**

As of December 31, 2010 (percent)

**Item 7A. Quantitative and Qualitative Disclosures About Market Risk**

**Market Risk Management**

Market risk is the risk of loss to earnings, capital and the fair values of certain assets and liabilities resulting from changes in interest rates, equity prices and foreign currency exchange rates.

**Interest Rate Risk**

For People s United Financial, the only relevant market risk at this time is interest rate risk ( IRR ), which is the potential exposure to earnings or capital that may result from changes in interest rates. People s United Financial manages its IRR to achieve a balance between risk, earnings volatility and capital preservation. ALCO has primary responsibility for managing People s United Financial s IRR. To evaluate People s United Financial s IRR profile, ALCO monitors economic conditions, interest rate trends, liquidity levels and capital ratios. Management also reviews assumptions periodically for projected customer and competitor behavior, in addition to the expected repricing characteristics and cash flow projections for assets, liabilities and off-balance-sheet financial instruments. Actual conditions may vary significantly from People s United Financial s assumptions.

Management evaluates the impact of IRR on Income at Risk using an earnings simulation model to project earnings under multiple interest rate environments over a one-year time horizon resulting in a quantification of IRR. Income at Risk includes significant interest rate sensitive income sources, such as net interest income, gains on sales of residential mortgage loans and BOLI income.

The earnings projections are based on a static balance sheet and estimates of pricing levels for People s United Financial s products under multiple scenarios intended to reflect instantaneous yield curve shocks. People s United Financial estimates its base case Income at Risk using current interest rates. Internal policy regarding IRR simulations currently specifies that for instantaneous parallel shifts of the yield curve, estimated Income at Risk for the subsequent one-year period should not decline by more than: 7% for a 100 basis point shift; 10% for a 200 basis point shift; and 15% for a 300 basis point shift.

The following table shows the estimated percentage change in People s United Financial s Income at Risk over a one-year simulation period beginning December 31, 2010. Given the interest rate environment at December 31, 2010, simulations for declines in interest rates below 25 basis points were not deemed to be meaningful.

| **Rate Change (basis points)** | **Percent Change in Income at Risk** |
|---|---|
| +300 | 16.1% |
| +200 | 10.5 |
| +100 | 4.5 |
| -25 | (0.8) |

While Income at Risk simulation identifies earnings exposure over a relatively short time horizon, Net Present Value of Equity at Risk takes a long-term economic perspective when quantifying IRR, thereby identifying possible margin behavior over a longer time horizon. Base case Net Present Value ( NPV ) is calculated by estimating the net present value of all future cash flows from existing assets and liabilities using current interest rates. The base case scenario assumes that future interest rates remain unchanged.

Internal policy currently limits the exposure of a decrease in Net Present Value of Equity at Risk resulting from instantaneous parallel shifts of the yield curve in the following manner: 5% for 100 basis points shift; 10% for 200 basis points shift; and 15% for 300 basis points.

The following table shows the estimated percentage change in People s United Financial s Net Present Value of Equity at Risk, assuming various shifts in interest rates. Given the interest rate environment at December 31, 2010, simulations for declines in interest rates below 25 basis points were not deemed to be meaningful.

| **Rate Change (basis points)** | **Percent Change in Net Present Value** |
|---|---|
| +300 | (3.1)% |
| +200 | (1.0) |
| +100 | (0.5) |
| -25 | (0.1) |

People s United Financial s interest rate risk position at December 31, 2010, as set forth in the Income at Risk and Net Present Value of Equity at Risk tables above, reflects its significant excess capital position at that date. Management s current posture is to invest a portion of such excess capital in liquid, short-term investments and securities resale agreements. While this strategy places additional pressure on net interest income in a low rate environment, management views such risk as an acceptable alternative in light of the current credit environment. Given the uncertainty of the magnitude, timing and direction of future interest rate movements and the shape of the yield curve, actual results may vary from those predicted by People s United Financial s models.

People s United Financial s asset-sensitive balance sheet includes more than just its significant excess capital position. In fact, a 100 basis point increase in the federal funds interest rate translates to an approximate $40 million improvement in net interest income on an annualized basis.

People s United Financial uses derivative financial instruments, including interest rate floors (see below) and interest rate swaps, primarily for market risk management purposes (principally interest rate risk). Certain other derivatives are entered into in connection with transactions with commercial customers. Derivatives are not used for speculative purposes.

At December 31, 2010, People s United Financial used interest rate swaps on a limited basis to manage IRR associated with certain interest-earning assets. Interest rate swaps are used to match more closely the repricing of fewer than five commercial real estate loans and the funding associated with these loans. The interest rate swaps effectively convert the fixed rate assets to a variable interest rate and consequently reduce People s United Financial s exposure to increases in interest rates. Interest rate swaps are accounted for as fair value hedges.

In the first quarter of 2009, People s United Financial terminated its remaining $600 million (notional amount) interest rate floor contracts. The decision to do so was based on management s belief that, in light of the current interest rate environment, the derivative contracts had achieved their stated market risk management objective. Termination of the derivative contracts also served to reduce the company s counterparty credit risk. At the time of termination, the interest rate floors had an unrealized gain of $40.1 million. The gain is included (on a net-of-tax basis) as a component of accumulated other comprehensive loss and is being recognized in income over the period during which the hedged items (certain floating rate commercial loans) affect earnings (approximately 2 years). A total of $19.6 million of this gain was recognized in income during the year ended December 31, 2010 and the remaining unrecognized gain at December 31, 2010 was $0.6 million, which is expected to be recognized in income in the first quarter of 2011.

In connection with the September 2008 bankruptcy filing by Lehman Brothers Holdings, Inc., People s United Financial terminated its $100 million (notional) derivative contract (interest rate floor) with Lehman Brothers. The derivative contract had a fair value of $5.3 million at the time of termination. After considering the master netting arrangement and posted collateral, the net amount due from the counterparty was $1.4 million. After impairment adjustments, the carrying amount of this receivable was $0.4 million at December 31, 2010.

People s United Financial has written guidelines that have been approved by its Board of Directors and ALCO governing the use of derivative financial instruments, including approved counterparties and credit limits. Credit risk associated with these instruments is controlled and monitored through policies and procedures governing collateral management and credit approval.

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

Certain of People s United Financial s derivative contracts contain provisions establishing collateral requirements (subject to minimum collateral posting thresholds) based on the company s external credit rating. If the company s senior unsecured debt rating were to fall below the level generally recognized as investment grade, the counterparties to such derivative contracts could require additional collateral on those derivative transactions in a net liability position (after considering the effect of bilateral netting arrangements and posted collateral). The aggregate fair value of derivative instruments with such credit-related contingent features that were in a net liability position at December 31, 2010 was $2.7 million, for which People s United Financial had posted $2.2 million of collateral in the normal course of business. If the company s senior unsecured debt rating had fallen below investment grade as of that date, $0.5 million in additional collateral would have been required.

**Foreign Currency Risk**

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

**Derivative Financial Instruments**

The following table summarizes certain information concerning derivative financial instruments utilized by People s United Financial in its management of IRR and foreign currency risk. Also see Note 21 to the Consolidated Financial Statements.

| **As of December 31, 2010**<br>**(dollars in millions)** | **Interest Rate Swaps** | **Foreign Exchange Contracts** |
|---|---|---|
| Notional principal amounts | $ 5.7 | $ 8.3 |
| Weighted average interest rates: | | |
| Pay fixed (receive floating) | 5.61%(0.26%) | N/A |
| Weighted average remaining term to maturity (in months) | 26 | 1 |
| Fair value recognized as a liability | $ 0.4 | $ 0.1 |

People s United Financial has entered into interest rate swaps with certain of its commercial customers. In order to minimize its risk, these customer derivatives have been offset with essentially matching interest rate swaps with People s United Financial s counterparties. Changes in the fair value of all such interest rate swaps are recognized in current earnings.

The following table summarizes certain information concerning these interest rate swaps:

| **As of December 31, 2010** | **Interest Rate Swaps** | |
|---|---|---|
| **(dollars in millions)** | **Commercial Customers** | **Other Counterparties** |
| Notional principal amounts | $ 491.5 | $ 491.5 |
| Weighted average interest rates: | | |
| Pay floating (receive fixed) | 0.21%(3.32%) | |
| Pay fixed (receive floating) | | 3.23%/(0.21%) |
| Weighted average remaining term to maturity (in months) | 101 | 101 |
| Fair value: | | |
| Recognized as an asset | $ 13.5 | $ 3.5 |
| Recognized as a liability | 2.8 | 11.5 |

**Item 8. Financial Statements and Supplementary Data**

The information required by this item begins on page F-1.

**Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

None.

**Item 9A. Controls and Procedures**

People s United Financial s management, including the Chief Executive Officer and the Interim Chief Financial Officer, has evaluated the effectiveness of People s United Financial s disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of the end of the period covered by this report. Based upon that evaluation, the Chief Executive Officer and the Interim Chief Financial Officer concluded that People s United Financial s disclosure controls and procedures are effective, as of December 31, 2010, to ensure that information relating to People s United Financial, which is required to be disclosed in the reports People s United Financial files with the Securities and Exchange Commission under the Exchange Act, is (i) recorded, processed, summarized and reported as and when required, and (ii) accumulated and communicated to management, including the principal executive officer and the principal financial officer, as appropriate to allow timely decisions regarding required disclosures.

During the quarter ended December 31, 2010, there has not been any change in People s United Financial s internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, People s United Financial s internal control over financial reporting.

People s United Financial s Management s Report on Internal Control Over Financial Reporting appears on page 93 and the related Report of Independent Registered Public Accounting Firm appears on page F-3.

**Item 9B. Other Information**

None.

**Part III**

**Item 10. Directors, Executive Officers and Corporate Governance**

Directors of the Corporation

The information required by this item appears under the caption Election of Directors in the People s United Financial Proxy Statement for the 2011 Annual Meeting of Shareholders, to be filed within 120 days of People s United Financial s fiscal year end (the Proxy Statement ) and is herein incorporated by reference.

Audit Committee Financial Expert

The Board of Directors has determined that John K. Dwight and Janet M. Hansen, members of the Audit Committee of the Board, are each an audit committee financial expert and are independent within the meaning of those terms as used in the instructions to this Item 10.

Executive Officers of the Corporation

The name, age, principal occupation and business experience for at least the last five years of each executive officer who is not a director of People s United Financial is set forth below as of February 25, 2011.

David A. Bodor, age 64 has been an Executive Vice President and Chief Credit Officer since January 1, 2008. Mr. Bodor was a Senior Vice President (Chief Credit Officer) since 2006. Mr. Bodor has served in various capacities for People s United Bank since 1996.

Robert R. D Amore, age 58, has been a Senior Executive Vice President (Retail and Business Banking Group) since January 1, 2008. Mr. D Amore was an Executive Vice President (Marketing and Regional Banking) since 2000. Mr. D Amore has served in various capacities for People s United Bank since 1981.

David K. Norton, age 55, has been a Senior Executive Vice President and Chief Human Resources Officer since October 30, 2009. Prior to joining People s United Financial, Mr. Norton was a Senior Vice President, Human Resources at the New York Times Co. since 2006. For more than five years prior to that date, Mr. Norton was employed by Starwood Hotels and Resorts, where he was an Executive Vice President, Human Resources.

Lee C. Powlus, age 50, has been an Executive Vice President and Chief Administrative Officer since September 16, 2010. Mr. Powlus was a Senior Vice President (Information Technology) since January 1, 2008. Mr. Powlus served as Director of Information Technology for Chittenden Corporation since 2001.

Louise T. Sandberg, age 59, has been a Senior Executive Vice President (Wealth Management Group) since January 1, 2008. Mrs. Sandberg was a Senior Vice President (Wealth Management Division) at Chittenden Bank since 1997. Mrs. Sandberg has served in various capacities for Chittenden Corporation since 1977.

Chantal D. Simon, age 46, has been a Senior Executive Vice President and Chief Risk Officer since July 18, 2010. Ms. Simon was an Executive Vice President and Chief Risk Officer since May 2009. Prior to joining People s United Financial, Ms. Simon was employed by Merrill Lynch & Co. for twenty years, serving most recently as Chief Risk Officer of Merrill Lynch Bank USA and as head of risk management for all U.S. regulated bank entities at Merrill Lynch since June 2006.

Jeffrey J. Tengel, age 48, has been a Senior Executive Vice President (Commercial Banking Group) since January 1, 2011. Mr. Tengel was an Executive Vice President (Commercial Banking) since February 2010. Prior to joining People s United Financial, Mr. Tengel was an Executive Vice President at PNC Financial Services Group since January 2009. Mr. Tengel was previously employed by National City Corporation for 23 years.

Robert E. Trautmann, age 57, has been a Senior Executive Vice President and General Counsel since July 18, 2010. Mr. Trautmann was an Executive Vice President and General Counsel since November 2008 and served as Acting General Counsel from February 2008 until his appointment as General Counsel. Mr. Trautmann was a Senior Vice President and Deputy General Counsel since January 1, 2008. Mr. Trautmann has served in various capacities for People s United Bank since 1994.

People s United Financial has adopted a Code of Ethics that applies to its Chief Executive Officer, Chief Financial Officer and Controller. The text of the Code of Ethics is available on People s United Financial s website at *www.peoples.com*, under Investor Relations Corporate Governance Management.

Additional information required by this item appears under the caption Board of Directors Committees in the Proxy Statement and is herein incorporated by reference.

**Item 11. Executive Compensation**

The information required by this item appears under the caption Compensation Discussion and Analysis in the Proxy Statement and is herein incorporated by reference.

**Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters**

The following table provides summary information about People s United Financial s equity compensation plans as of December 31, 2010:

**Equity Compensation Plan Information**

| Plan category | Number of securities to be issued upon exercise of outstanding options, warrants and rights (a) | Weighted-average exercise price of outstanding options, warrants and rights (b) | Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c) |
|---|---|---|---|
| Equity compensation plans approved by security holders | 11,480,314 | $ 16.91 | 17,059,829 (1) |
| Equity compensation plans not approved by security holders | 0 | n/a | 0 |
| Total | 11,480,314 | $ 16.91 | 17,059,829 (1) |

(1) Of this amount, 255,948 shares are issuable as shares of restricted stock pursuant to the People s United Financial, Inc. Directors Equity Compensation Plan. The remaining 16,803,881 shares are issuable pursuant to the People s United Financial, Inc. 2008 Long-Term Incentive Plan, the 2007 Recognition and Retention Plan, and the 2007 Stock Option Plan either in the form of options, stock appreciation rights, or shares of restricted stock. Information describing these plans appears in Note 18 to the Consolidated Financial Statements.

Additional information required by this item appears under the caption Security Ownership of Certain Beneficial Owners in the Proxy Statement and is herein incorporated by reference.

**Item 13. Certain Relationships and Related Transactions, and Director Independence**

The information required by this item appears under the caption Certain Transactions with Members of Our Board of Directors and Executive Officers in the Proxy Statement and is herein incorporated by reference.

**Item 14. Principal Accountant Fees and Services**

The information required by this item appears under the caption Ratification of the Appointment of Independent Registered Public Accounting Firm in the Proxy Statement and is herein incorporated by reference.

## Part IV

### Item 15. Exhibits and Financial Statement Schedules

(a)(1) The following consolidated financial statements of People's United Financial, Inc. and the independent registered public accounting firm report thereon are included herein beginning on page F-1:

Consolidated Statements of Condition as of December 31, 2010 and 2009

Consolidated Statements of Income for the years ended December 31, 2010, 2009 and 2008

Consolidated Statements of Changes in Stockholders Equity for the years ended

December 31, 2010, 2009 and 2008

Consolidated Statements of Cash Flows for the years ended December 31, 2010, 2009 and 2008

Notes to Consolidated Financial Statements

Report of Independent Registered Public Accounting Firm

(a)(2) Financial statement schedules have been omitted as they are not applicable or the information is included in the consolidated financial statements or notes thereto.

(a)(3) Exhibits

The following Exhibits are filed with this Report or are incorporated by reference. Each exhibit identified by an asterisk constitutes a management contract or compensatory plan, contract or arrangement.

| **Designation** | **Description** |
|---|---|
| 2.1 | Agreement and Plan of Merger dated as of January 20, 2011 by and between People s United Financial, Inc. and Danvers Bancorp, Inc. (incorporated by reference to Exhibit 2.1 to Current Report on Form 8-K filed with the Securities and Exchange Commission on January 24, 2011) |
| 3.1 | Second Amended and Restated Certificate of Incorporation of People s United Financial, Inc. (incorporated by reference to Exhibit 3.1 to Amendment No. 4 to Form S-1 filed with the Securities and Exchange Commission on February 13, 2007 (Registration No. 333-138389)) |
| 3.2 | Fourth Amended and Restated Bylaws of People s United Financial, Inc. (incorporated by reference to Exhibit 3.2 to Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on August 9, 2010) |
| 4.1 | Form of Stock Certificate of People s United Financial, Inc. (incorporated by reference to Exhibit 4.1 to Amendment No. 4 to Form S-1 filed with the Securities and Exchange Commission on February 13, 2007 (Registration No. 333-138389)) |
| 4.2 | Indenture, dated as of February 14, 2007, by and between Chittenden Corporation and The Bank of New York Trust Company, N.A. as Trustee (incorporated by reference to Exhibit 4.2 to Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 2, 2009) |
| 4.3 | Form of Global Note, registered in the name of Cede & Co. as nominee (February 17, 2007) (incorporated by reference to Exhibit 4.3 to Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 2, 2009) |

| | |
|---|---|
| 4.4 | Subordinated Note Purchase Agreement dated October 20, 2009, between River Bank and Commerce Bank & Trust Company |
| 4.4(a) | Notice of Assumption of Certain Obligations of River Bank by People s United Bank dated as of November 30, 2010 |

| Designation | Description |
|---|---|
| 4.5 | Fiscal and Paying Agency Agreement dated as of June 29, 2009 by and between Bank of Smithtown as Issuer and Wilmington Trust Company as Fiscal and Paying Agent |
| 4.5(a) | Supplemental Fiscal and Paying Agency Agreement dated as of November 30, 2010 by and among People s United Financial, Inc., Bank of Smithtown and Wilmington Trust Company to Fiscal and Paying Agency Agreement dated as of June 29, 2009 |
| 4.6 | Fiscal and Paying Agency Agreement dated as of July 27, 2009 by and between Bank of Smithtown as Issuer and Wilmington Trust Company as Fiscal and Paying Agent |
| 4.6(a) | Supplemental Fiscal and Paying Agency Agreement dated as of November 30, 2010 by and among People s United Financial, Inc., Bank of Smithtown and Wilmington Trust Company to Fiscal and Paying Agency Agreement dated as of July 27, 2009 |
| 4.7 | Indenture dated as of September 25, 2003 between Smithtown Bancorp, Inc. as Issuer and Wilmington Trust Company as Trustee |
| 4.7(a) | First Supplemental Indenture dated as of November 30, 2010 to Indenture dated as of September 25, 2003 |
| 4.8 | Junior Subordinated Indenture dated as of March 30, 2006 between Smithtown Bancorp, Inc. and Wilmington Trust Company as Trustee |
| 4.8(a) | First Supplemental Indenture dated as of November 30, 2010 to Junior Subordinated Indenture dated as of March 30, 2006 |
| 4.9 | Indenture dated as of March 5, 2008 between Smithtown Bancorp, Inc. as Issuer and Wilmington Trust Company as Trustee |
| 4.9(a) | First Supplemental Indenture dated as of November 30, 2010 to Indenture dated as of March 5, 2008 |
| 10.1* | Employment Agreement dated May 15, 2008 by and between People s United Financial, Inc. and Philip R. Sherringham (incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K on May 20, 2008) |
| 10.1(a)* | Separation Agreement dated as of April 25, 2010 by and between Philip R. Sherringham and People s United Financial, Inc. (incorporated by reference to Exhibit 10.1(a) to Current Report on Form 8-K filed with the Securities and Exchange Commission on April 27, 2010) |
| 10.2(a)* | Form of Change in Control Agreement (Senior Executive Vice Presidents) (incorporated by reference to Exhibit 10.5(a) to Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 2, 2009) |
| 10.2(b)* | Form of Change in Control Agreement (Executive Vice Presidents) (incorporated by reference to Exhibit 10.5(b) to Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 2, 2009) |
| 10.3* | 2011 Short-Term Incentive Plan |
| 10.4* | People s United Bank Split Dollar Cash Value Restoration Plan (incorporated by reference to Exhibit 10.7 to Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 2, 2009) |
| 10.5* | Amended and Restated People s Bank 1998 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.9 to Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on November 9, 2007) |

| Designation | Description |
|---|---|
| 10.6* | People s United Financial, Inc. 2008 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.10 to Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 1, 2010) |
| 10.7* | Form of Amendment to Stock Option Agreements (incorporated by reference to Exhibit 10.10(a) to Form S-1 filed with the Securities and Exchange Commission on November 2, 2006 (Registration No. 333-138389)) |
| 10.8* | Form of Grant Agreement for Restricted Stock (incorporated by reference to Exhibit 10.11 to Form S-1 filed with the Securities and Exchange Commission on November 2, 2006 (Registration No. 333-138389)) |
| 10.9* | First Amended and Restated People s United Bank Cap Excess Plan (incorporated by reference to Exhibit 10.13 to Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 2, 2009) |
| 10.10* | The People s United Bank Enhanced Senior Pension Plan - First Amendment and Restatement (incorporated by reference to Exhibit 10.14 to Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 2, 2009) |
| 10.11* | Non-Qualified Pension Trust Agreement, dated as of March 18, 1997, between People s Bank and Morgan Guaranty Trust Company of New York (incorporated by reference to Exhibit 10.15 to Amendment No. 3 to Form S-1 filed with the Securities and Exchange Commission on February 2, 2007 (Registration No. 333-138389)) |
| 10.11(a)* | Amendment to People s Bank Non-Qualified Pension Trust Agreement (incorporated by reference to Exhibit 10.15(a) to Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 29, 2008) |
| 10.12* | People s United Bank Nonqualified Savings and Retirement Plan (incorporated by reference to Exhibit 10.16 to Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 2, 2009) |
| 10.13* | People s Bank Supplemental Savings Plan Non-Qualified Trust Agreement, dated as of July 23, 1998, between People s Bank and Morgan Guaranty Trust Company of New York (incorporated by reference to Exhibit 10.17 to Amendment No. 3 to Form S-1 filed with the Securities and Exchange Commission on February 2, 2007 (Registration No. 333-138389)) |
| 10.13(a)* | Amendment to People s Bank Supplemental Savings Plan Non-Qualified Trust Agreement (incorporated by reference to Exhibit 10.17(a) to Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 29, 2008) |
| 10.14* | Third Amended and Restated People s Bank Directors Equity Compensation Plan (incorporated by reference to Exhibit 10.20 to Form S-1 filed with the Securities and Exchange Commission on November 2, 2006 (Registration No. 333-138389)) |
| 10.15* | Employee Stock Ownership Plan of People s United Financial, Inc. (incorporated by reference to Exhibit 10.24 to Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 29, 2008) |
| 10.15(a)* | Employee Stock Ownership Plan of People s United Financial, Inc. Amendment No. 1 (incorporated by reference to Exhibit 10.24(a) to Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 29, 2008) |
| 10.15(b)* | Employee Stock Ownership Plan of People s United Financial, Inc. Amendment No. 2 (incorporated by reference to Exhibit 10.24(b) to Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 1, 2010) |

| Designation | Description |
|---|---|
| 10.15(c)* | Employee Stock Ownership Plan of People s United Financial, Inc. Amendment No. 3 (incorporated by reference to Exhibit 10.24(c) to Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 1, 2010) |
| 10.16* | People s Bank Change-in-Control Employee Severance Plan (incorporated by reference to Exhibit 10.25 to Amendment No. 4 to Form S-1 filed with the Securities and Exchange Commission on February 13, 2007 (Registration No. 333-138389)) |
| 10.17* | People s United Financial, Inc. 2007 Recognition and Retention Plan (amended) (incorporated by reference to Exhibit 10.26 to Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on August 8, 2008) |
| 10.17(a)* | Form of Grant Agreement for Restricted Stock (Executive Officers) under 2007 Recognition and Retention Plan (corrected) (incorporated by reference to Exhibit 10.26(a) to Current Report on Form 8-K filed with the Securities and Exchange Commission on December 7, 2007) |
| 10.17(b)* | Form of Grant Agreement for Restricted Stock (Non-Executive Employees under 2007 Recognition and Retention Plan (incorporated by reference to Exhibit 10.26(b) to Current Report on Form 8-K filed with the Securities and Exchange Commission on October 31, 2007) |
| 10.17(c)* | Form of Grant Agreement for Restricted Stock (Non-Employee Directors) under 2007 Recognition and Retention Plan (incorporated by reference to Exhibit 10.26(c) to Current Report on Form 8-K filed with the Securities and Exchange Commission on December 7, 2007) |
| 10.18* | People s United Financial, Inc. 2007 Stock Option Plan (amended) (incorporated by reference to Exhibit 10.27 to Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on August 8, 2008) |
| 10.18(a)* | Form of Grant Agreement for Stock Options (Executive Officers) under 2007 Stock Option Plan (corrected) (incorporated by reference to Exhibit 10.27(a) to Current Report on Form 8-K filed with the Securities and Exchange Commission on December 7, 2007) |
| 10.18(b)* | Form of Grant Agreement for Stock Options (Non-Executive Employees) under 2007 Stock Option Plan (incorporated by reference to Exhibit 10.27(b) to Current Report on Form 8-K filed with the Securities and Exchange Commission on October 31, 2007) |
| 10.18(c)* | Form of Grant Agreement for Stock Options (Non-Employee Directors) under 2007 Stock Option Plan (incorporated by reference to Exhibit 10.27(c) to Current Report on Form 8-K filed with the Securities and Exchange Commission on December 7, 2007) |
| 10.19* | Chittenden Corporation Deferred Compensation Plan (incorporated by reference to Exhibit 10.28 to Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 2, 2009) |
| 10.19(a)* | Amendment Number 1 to the Chittenden Corporation Deferred Compensation Plan (incorporated by reference to Exhibit 10.28(a) to Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 2, 2009) |
| 10.20* | Eastern Bancorp, Inc. Amended and Restated Deferred Compensation Plan (incorporated by reference to Exhibit 10.29 to Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 2, 2009) |
| 10.20(a)* | Amendment to the Eastern Bancorp, Inc. Amended and Restated Deferred Compensation Plan (incorporated by reference to Exhibit 10.29(a) to Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 2, 2009) |

| Designation | Description |
|---|---|
| 10.21* | The Chittenden Corporation Supplemental Executive Savings Plan (incorporated by reference to Exhibit 10.30 to Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 2, 2009) |
| 10.21(a)* | Amendment Number 1 to the Chittenden Corporation Supplemental Executive Savings Plan (incorporated by reference to Exhibit 10.30(a) to Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 2, 2009) |
| 10.22 | Purchase and Assumption Agreement dated as of April 16, 2010 among Federal Deposit Insurance Corporation as Receiver of Butler Bank, Federal Deposit Insurance Corporation, and People s United Bank (incorporated by reference to Exhibit 2.1 to Current Report on Form 8-K filed with the Securities and Exchange Commission on April 20, 2010) |
| 21 | Subsidiaries |
| 23 | Consent of KPMG LLP |
| 31.1 | Rule 13a-14(a)/15d-14(a) Certifications |
| 31.2 | Rule 13a-14(a)/15d-14(a) Certifications |
| 32 | Section 1350 Certifications |
| 99.1 | Impact of Inflation |
| 101.1 ** | The following financial information from People s United Financial, Inc. s Annual Report on Form 10-K for the fiscal year ended December 31, 2010 formatted in XBRL: (i) Consolidated Statements of Condition as of December 31, 2010 and 2009; (ii) Consolidated Statements of Income for the years ended December 31, 2010, 2009 and 2008; (iii) Consolidated Statements of Changes in Stockholders Equity for the years ended December 31, 2010, 2009 and 2008; (iv) Consolidated Statements of Cash Flows for the years ended December 31, 2010, 2009 and 2008; and (v) Notes to Consolidated Financial Statements. |

* Each exhibit identified by an asterisk constitutes a management contract or compensation plan, contract or arrangement.

** As provided in Rule 406T of Regulation S-T, the Interactive Data File is deemed not filed for purposes of Sections 11 and 12 of the Securities Act of 1933 and Section 18 of the Securities Exchange Act of 1934.

SIGNATURES

Pursuant to the requirements of Section 13 of the Securities Exchange Act of 1934, People s United Financial, Inc. has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

| | |
|---|---|
| | PEOPLE S UNITED FINANCIAL, INC. |
| Date: March 1, 2011 | By: /s/ John P. Barnes<br>John P. Barnes<br>President and Chief Executive Officer |

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of People s United Finacial, Inc. and in the capacities and on the dates indicated.

| | |
|---|---|
| Date: March 1, 2011 | By: /s/ John P. Barnes<br>John P. Barnes<br>President, Chief Executive Officer and<br>Director (Principal Executive Officer) |
| Date: March 1, 2011 | By: /s/ Jeffrey A. Hoyt<br>Jeffrey A. Hoyt<br>Senior Vice President and<br>Interim Chief Financial Officer<br>(Principal Financial Officer) |
| Date: March 1, 2011 | By: /s/ Jeffrey A. Hoyt<br>Jeffrey A. Hoyt<br>Senior Vice President and Controller<br>(Principal Accounting Officer) |
| Date: March 1, 2011 | By: /s/ Collin P. Baron<br>Collin P. Baron<br>Director |
| Date: March 1, 2011 | By: /s/ George P. Carter<br>George P. Carter<br>Director |
| Date: March 1, 2011 | By: /s/ John K. Dwight<br>John K. Dwight<br>Director |

| | | |
|---|---|---|
| Date: March 1, 2011 | By: | /s/ Jerry Franklin<br>Jerry Franklin<br>Director |
| Date: March 1, 2011 | By: | /s/ Eunice S. Groark<br>Eunice S. Groark<br>Director |

| | |
|---|---|
| Date: March 1, 2011 | By: /s/ Janet M. Hansen<br>Janet M. Hansen<br>Director |
| Date: March 1, 2011 | By: /s/ Richard M. Hoyt<br>Richard M. Hoyt<br>Director |
| Date: March 1, 2011 | By: /s/ Mark W. Richards<br>Mark W. Richards<br>Director |
| Date: March 1, 2011 | By: /s/ James A. Thomas<br>James A. Thomas<br>Director |

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY**

Management is responsible for the preparation, content and integrity of the consolidated financial statements and all other information included in this annual report. The consolidated financial statements and related footnotes are prepared in conformity with U.S. generally accepted accounting principles. Management is also responsible for compliance with laws and regulations relating to safety and soundness as designated by the Office of Thrift Supervision.

The Board of Directors has an Audit Committee composed of five outside directors, each of whom meets the criteria for independence as set forth in applicable listing standards. The Audit Committee meets regularly with the independent auditors, the internal auditors and management to ensure that internal control over financial reporting is being properly administered and that financial data is being properly reported. The Audit Committee reviews the scope and timing of internal audits, including recommendations made with respect to internal control over financial reporting. The independent auditors and the internal auditors have free access to the Audit Committee.

**MANAGEMENT S REPORT ON INTERNAL CONTROL**

**OVER FINANCIAL REPORTING**

Management is responsible for establishing and maintaining effective internal control over financial reporting for People s United Financial, Inc. Management maintains a system of internal control over financial reporting, including an internal audit function, which is designed to provide reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, transactions are properly authorized, and that accounting records are reliable for the preparation of financial statements. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that internal control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In order to evaluate the effectiveness of internal control over financial reporting, as required by Section 404 of the Sarbanes-Oxley Act, management has conducted an assessment, including testing, using the criteria in *Internal Control Integrated Framework,* issued by the Committee of Sponsoring Organizations of the Treadway Commission ( COSO ). Based on its assessment, management has concluded that People s United Financial, Inc. maintained effective internal control over financial reporting as of December 31, 2010, based on criteria in *Internal Control Integrated Framework* issued by COSO.

People s United Financial, Inc. acquired Smithtown Bancorp, Inc. and LSB Corporation on November 30, 2010. Management excluded from its assessment of the effectiveness of internal control over financial reporting, as of December 31, 2010, the internal control over financial reporting associated with (i) acquired assets of approximately $2.6 billion as of December 31, 2010 and (ii) total interest and non-interest income of approximately $11 million for the month then ended, which are included in the consolidated financial statements of People s United Financial, Inc. as of and for the year ended December 31, 2010.

/s/ John P. Barnes
John P. Barnes
*President and Chief Executive Officer*

/s/ Jeffrey A. Hoyt
Jeffrey A. Hoyt
*Senior Vice President*

*and Interim Chief Financial Officer*

Date: March 1, 2011

People s United Financial, Inc. and Subsidiaries

Index to Consolidated Financial Statements

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of People s United Financial, Inc.:

We have audited the accompanying consolidated statements of condition of People s United Financial, Inc. and subsidiaries ( People s ) as of December 31, 2010 and 2009, and the related consolidated statements of income, changes in stockholders equity, and cash flows for each of the years in the three-year period ended December 31, 2010. These consolidated financial statements are the responsibility of People s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of People s United Financial, Inc. and subsidiaries as of December 31, 2010 and 2009, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2010, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), People s internal control over financial reporting as of December 31, 2010, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated March 1, 2011 expressed an unqualified opinion on the effectiveness of People s internal control over financial reporting.

/s/ KPMG LLP

Stamford, Connecticut

March 1, 2011

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders of People s United Financial, Inc.:

We have audited the internal control over financial reporting of People s United Financial, Inc. ( People s ) as of December 31, 2010, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission ( COSO ). People s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management s Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on People s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, People s maintained, in all material respects, effective internal control over financial reporting as of December 31, 2010, based on criteria established in Internal Control Integrated Framework issued by COSO.

People s acquired Smithtown Bancorp, Inc. ( Smithtown ) and LSB Corporation ( LSB ) on November 30, 2010. Management excluded from its assessment of the effectiveness of People s internal control over financial reporting, as of December 31, 2010, the internal control over financial reporting associated with (1) acquired assets of approximately $2.6 billion as of December 31, 2010 and (2) total interest and non-interest income of approximately $11 million for the month then ended, which are included in the consolidated financial statements of People s as of and for the year ended December 31, 2010. Our audit of internal control over financial reporting of People s also excluded an evaluation of the internal control over financial reporting of Smithtown and LSB.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated statements of condition of People s United Financial, Inc. and subsidiaries as of December 31, 2010 and 2009, and the related consolidated statements of income, changes in stockholders equity, and cash flows for each of the years in the three-year period ended December 31, 2010, and our report dated March 1, 2011 expressed an unqualified opinion on those consolidated financial statements.

/s/ KPMG LLP

Stamford, Connecticut

March 1, 2011

**People s United Financial, Inc. and Subsidiaries**

**Consolidated Statements of Condition**

| As of December 31 (in millions) | 2010 | 2009 |
|---|---|---|
| **Assets** | | |
| Cash and due from banks (note 3) | $ 354.7 | $ 326.0 |
| Short-term investments (note 3) | 599.8 | 3,092.0 |
| Total cash and cash equivalents | 954.5 | 3,418.0 |
| Securities purchased under agreements to resell (note 3) | 520.0 | 400.0 |
| Securities (note 4): | | |
| Trading account securities, at fair value | 83.5 | 75.7 |
| Securities available for sale, at fair value | 2,831.1 | 739.7 |
| Securities held to maturity, at amortized cost (fair value of $55.1 million and $55.3 million) | 55.1 | 55.3 |
| Federal Home Loan Bank stock, at cost | 63.6 | 31.1 |
| Total securities | 3,033.3 | 901.8 |
| Loans (note 5): | | |
| Commercial real estate | 7,306.3 | 5,399.4 |
| Commercial | 5,196.0 | 4,042.5 |
| Residential mortgage | 2,838.0 | 2,546.9 |
| Consumer | 2,177.9 | 2,245.0 |
| Total loans | 17,518.2 | 14,233.8 |
| Less allowance for loan losses | (172.5) | (172.5) |
| Total loans, net | 17,345.7 | 14,061.3 |
| Goodwill (notes 2 and 6) | 1,723.4 | 1,261.7 |
| Other acquisition-related intangibles (notes 2 and 6) | 238.6 | 253.5 |
| Premises and equipment (note 7) | 325.1 | 264.5 |
| Bank-owned life insurance | 291.8 | 250.5 |
| Other assets (notes 8 and 12) | 604.7 | 445.9 |
| Total assets | $ 25,037.1 | $ 21,257.2 |
| **Liabilities** | | |
| Deposits (note 9): | | |
| Non-interest-bearing | $ 3,872.6 | $ 3,509.0 |
| Savings, interest-bearing checking and money market | 8,897.8 | 7,327.9 |
| Time | 5,162.7 | 4,608.7 |
| Total deposits | 17,933.1 | 15,445.6 |
| Borrowings (note 10): | | |
| Federal Home Loan Bank advances | 509.3 | 14.8 |
| Repurchase agreements | 501.3 | 144.1 |
| Total borrowings | 1,010.6 | 158.9 |
| Subordinated notes and debentures (note 11) | 182.2 | 181.8 |
| Other liabilities (note 12) | 691.9 | 370.2 |
| Total liabilities | 19,817.8 | 16,156.5 |

| | | |
|---|---|---|
| Commitments and contingencies (notes 20 and 21) | | |
| **Stockholders Equity** (notes 2 and 13) | | |
| Common stock ($0.01 par value; 1.95 billion shares authorized; 376.6 million shares and 348.2 million shares issued) | 3.7 | 3.5 |
| Additional paid-in capital | 4,978.8 | 4,511.3 |
| Retained earnings | 772.6 | 914.5 |
| Treasury stock, at cost (17.5 million shares and 3.2 million shares) | (248.9) | (58.6) |
| Accumulated other comprehensive loss (note 16) | (99.0) | (74.8) |
| Unallocated common stock of Employee Stock Ownership Plan, at cost (9.1 million shares and 9.4 million shares) (note 17) | (187.9) | (195.2) |
| Total stockholders equity | 5,219.3 | 5,100.7 |
| Total liabilities and stockholders equity | $ 25,037.1 | $ 21,257.2 |

See accompanying notes to consolidated financial statements.

**People s United Financial, Inc. and Subsidiaries**

**Consolidated Statements of Income**

| **Years ended December 31 (in millions, except per share data)** | **2010** | **2009** | **2008** |
|---|---|---|---|
| Interest and dividend income: | | | |
| Commercial real estate | $ 312.1 | $ 287.8 | $ 302.1 |
| Commercial | 266.3 | 198.9 | 229.1 |
| Residential mortgage | 111.8 | 145.0 | 189.9 |
| Consumer | 89.6 | 95.4 | 110.9 |
| Total interest on loans | 779.8 | 727.1 | 832.0 |
| Securities | 43.5 | 32.4 | 30.8 |
| Short-term investments | 4.6 | 6.5 | 46.9 |
| Securities purchased under agreements to resell | 0.9 | 0.8 | 7.5 |
| Total interest and dividend income | 828.8 | 766.8 | 917.2 |
| Interest expense: | | | |
| Deposits (note 9) | 112.8 | 173.4 | 262.1 |
| Borrowings (note 10) | 2.3 | 1.5 | 3.5 |
| Subordinated notes and debentures (note 11) | 14.7 | 15.1 | 15.2 |
| Total interest expense | 129.8 | 190.0 | 280.8 |
| Net interest income | 699.0 | 576.8 | 636.4 |
| Provision for loan losses (note 5) | 60.0 | 57.0 | 26.2 |
| Net interest income after provision for loan losses | 639.0 | 519.8 | 610.2 |
| Non-interest income: | | | |
| Investment management fees | 32.0 | 32.4 | 36.8 |
| Insurance revenue | 28.8 | 30.0 | 33.3 |
| Brokerage commissions | 11.3 | 12.2 | 16.0 |
| Total wealth management income | 72.1 | 74.6 | 86.1 |
| Bank service charges | 126.3 | 128.8 | 127.7 |
| Merchant services income | 25.5 | 24.9 | 27.6 |
| Net gains on sales of residential mortgage loans (note 5) | 12.1 | 13.9 | 6.5 |
| Bank-owned life insurance | 6.7 | 8.4 | 8.3 |
| Net security gains (losses) (note 4) | (1.0) | 22.0 | 8.3 |
| Other non-interest income (note 7) | 57.5 | 36.5 | 39.1 |
| Total non-interest income | 299.2 | 309.1 | 303.6 |
| Non-interest expense: | | | |
| Compensation and benefits (notes 17 and 18) | 380.4 | 350.5 | 344.6 |
| Occupancy and equipment | 114.4 | 109.8 | 110.3 |
| Professional and outside service fees | 72.7 | 44.0 | 48.0 |
| Merger-related expenses (note 2) | 23.3 | 2.0 | 36.5 |
| Merchant services expense | 21.2 | 21.0 | 23.9 |
| Other non-interest expense (notes 6 and 7) | 199.2 | 157.3 | 145.7 |
| Total non-interest expense | 811.2 | 684.6 | 709.0 |

| | | | |
|---|---|---|---|
| Income before income tax expense | 127.0 | 144.3 | 204.8 |
| Income tax expense (note 12) | 41.3 | 43.1 | 67.0 |
| Net income | $ 85.7 | $ 101.2 | $ 137.8 |
| Earnings per common share (note 15) | | | |
| Basic | $ 0.24 | $ 0.30 | $ 0.41 |
| Diluted | 0.24 | 0.30 | 0.41 |

See accompanying notes to consolidated financial statements.

**People s United Financial, Inc. and Subsidiaries**

**Consolidated Statements of Changes in Stockholders Equity**

| (in millions, except per share data) | Common Stock | Additional Paid-In Capital | Retained Earnings | Treasury Stock | Accumulated Other Comprehensive Loss | Unallocated ESOP Common Stock | Total Stockholders Equity |
|---|---|---|---|---|---|---|---|
| Balance at December 31, 2007 | $ 3.0 | $ 3,642.8 | $ 1,079.6 | $ (51.8) | $ (18.6) | $ (209.6) | $ 4,445.4 |
| Comprehensive income: | | | | | | | |
| Net income | | | 137.8 | | | | 137.8 |
| Other comprehensive loss, net of tax (note 16) | | | | | (55.8) | | (55.8) |
| Total comprehensive income | | | | | | | 82.0 |
| Common stock issued in the Chittenden Corporation acquisition, net (note 2) | 0.5 | 769.7 | | | | | 770.2 |
| Cash dividends on common stock ($0.5833 per share) | | | (194.4) | | | | (194.4) |
| Restricted stock awards | | 29.6 | (0.6) | (6.1) | | | 22.9 |
| ESOP common stock committed to be released (note 17) | | | (1.2) | | | 7.2 | 6.0 |
| Stock options and related tax benefits | | 40.3 | | | | | 40.3 |
| Tax benefits related to dissolution of People s Mutual Holdings | | 2.7 | | | | | 2.7 |
| Effect of changing pension plan measurement date, net of tax (note 17) | | | (0.3) | | (1.0) | | (1.3) |
| Balance at December 31, 2008 | 3.5 | 4,485.1 | 1,020.9 | (57.9) | (75.4) | (202.4) | 5,173.8 |
| Comprehensive income: | | | | | | | |
| Net income | | | 101.2 | | | | 101.2 |
| Other comprehensive income, net of tax (note 16) | | | | | 0.6 | | 0.6 |
| Total comprehensive income | | | | | | | 101.8 |
| Cash dividends on common stock ($0.6075 per share) | | | (203.6) | | | | (203.6) |
| Restricted stock awards | | 18.5 | (0.1) | (0.7) | | | 17.7 |
| ESOP common stock committed to be released (note 17) | | | (1.5) | | | 7.2 | 5.7 |
| Common stock repurchased and retired upon vesting of restricted stock awards (note 18) | | | (2.4) | | | | (2.4) |
| Stock options and related tax benefits | | 7.7 | | | | | 7.7 |
| Balance at December 31, 2009 | 3.5 | 4,511.3 | 914.5 | (58.6) | (74.8) | (195.2) | 5,100.7 |
| Comprehensive income: | | | | | | | |
| Net income | | | 85.7 | | | | 85.7 |
| Other comprehensive loss, net of tax (note 16) | | | | | (24.2) | | (24.2) |
| Total comprehensive income | | | | | | | 61.5 |
| Common stock issued in acquisitions, net (note 2): | | | | | | | |
| Financial Federal Corporation | 0.3 | 405.1 | | | | | 405.4 |
| Smithtown Bancorp, Inc. | | 26.4 | | | | | 26.4 |
| Cash dividends on common stock ($0.6175 per share) | | | (218.1) | | | | (218.1) |
| Restricted stock awards | | 24.2 | (0.1) | 0.8 | | | 24.9 |
| | | | (2.4) | | | 7.3 | 4.9 |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| ESOP common stock committed to be released (note 17) | | | | | | | |
| Common stock repurchased (note 13) | (0.1) | | | (191.1) | | | (191.2) |
| Common stock repurchased and retired upon vesting of restricted stock awards (note 18) | | | (7.0) | | | | (7.0) |
| Stock options and related tax benefits | | 11.8 | | | | | 11.8 |
| Balance at December 31, 2010 | $ 3.7 | $ 4,978.8 | $ 772.6 | $ (248.9) | $ (99.0) | $ (187.9) | $ 5,219.3 |

See accompanying notes to consolidated financial statements.

**People s United Financial, Inc. and Subsidiaries**

**Consolidated Statements of Cash Flows**

| **Years ended December 31 (in millions)** | **2010** | **2009** | **2008** |
|---|---|---|---|
| **Cash Flows from Operating Activities:** | | | |
| Net income | $ 85.7 | $ 101.2 | $ 137.8 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Provision for loan losses | 60.0 | 57.0 | 26.2 |
| Depreciation and amortization of premises and equipment | 35.3 | 32.8 | 31.7 |
| Impairment loss on premises and equipment | | | 19.3 |
| Amortization of leased equipment | 16.1 | 12.3 | 8.3 |
| Amortization of other acquisition-related intangibles | 21.7 | 20.6 | 21.3 |
| Deferred income tax benefit | (6.0) | (14.6) | (15.4) |
| Net security (gains) losses | 1.0 | (22.0) | (8.3) |
| Net gains on sales of residential mortgage loans | (12.1) | (13.9) | (6.5) |
| ESOP common stock committed to be released | 4.9 | 5.7 | 6.0 |
| Expense related to share-based awards | 25.9 | 24.7 | 22.1 |
| Originations of loans held-for-sale | (892.5) | (1,143.2) | (587.3) |
| Proceeds from sales of loans held-for-sale | 887.4 | 1,117.5 | 535.3 |
| Net increase in trading account securities | (7.8) | (54.3) | (2.7) |
| Net changes in other assets and other liabilities | 10.9 | (20.3) | 37.3 |
| Net cash provided by operating activities | 230.5 | 103.5 | 225.1 |
| **Cash Flows from Investing Activities:** | | | |
| Net (increase) decrease in securities purchased under agreements to resell | (120.0) | (400.0) | 428.0 |
| Proceeds from sales of securities available for sale | 226.4 | 1,041.1 | 645.5 |
| Proceeds from sales of other securities | | 5.6 | 6.9 |
| Proceeds from principal repayments of securities available for sale | 994.6 | 1,646.0 | 1,610.6 |
| Proceeds from principal repayments of securities held to maturity | 0.2 | 0.6 | 0.5 |
| Purchases of securities available for sale | (2,670.3) | (1,595.8) | (3,131.7) |
| Purchases of securities held to maturity | | (55.0) | |
| Proceeds from sales of loans | 5.5 | 9.3 | 53.2 |
| Net loan principal collections | 148.9 | 288.0 | 29.8 |
| Purchases of premises and equipment | (30.1) | (35.3) | (28.3) |
| Purchases of leased equipment | (47.4) | (26.2) | (22.6) |
| Net cash paid in sales of branches | | (16.2) | (20.7) |
| Proceeds from sales of real estate owned | 28.9 | 8.8 | 4.1 |
| Return of premiums on bank-owned life insurance, net | 3.0 | | 1.2 |
| Cash paid, net of cash acquired, in acquisitions | (188.9) | | (762.8) |
| Net cash (used in) provided by investing activities | (1,649.2) | 870.9 | (1,186.3) |
| **Cash Flows from Financing Activities:** | | | |
| Net (decrease) increase in deposits | (13.9) | 1,194.5 | (817.1) |
| Net increase (decrease) in borrowings with terms of three months or less | 318.0 | (28.8) | 48.7 |
| Repayments of borrowings with terms of more than three months | (871.1) | (1.1) | (4.7) |
| Proceeds from borrowings with terms of more than three months | 3.7 | 0.7 | |
| Repayments of subordinated notes and debentures | (65.7) | | |
| Cash dividends paid on common stock | (218.1) | (203.6) | (194.4) |
| Common stock repurchases | (198.2) | (2.4) | |
| Proceeds from stock options exercised, including excess income tax benefits | 0.5 | 0.4 | 28.4 |
| Net cash (used in) provided by financing activities | (1,044.8) | 959.7 | (939.1) |
| Net (decrease) increase in cash and cash equivalents | (2,463.5) | 1,934.1 | (1,900.3) |
| Cash and cash equivalents at beginning of year | 3,418.0 | 1,483.9 | 3,384.2 |
| Cash and cash equivalents at end of year | $ 954.5 | $ 3,418.0 | $ 1,483.9 |

| | | | |
|---|---|---|---|
| **Supplemental Information:** | | | |
| Interest payments | $ 127.1 | $ 190.2 | $ 271.4 |
| Income tax payments | 45.5 | 48.7 | 82.2 |
| Real estate properties acquired by foreclosure | 24.9 | 26.3 | 7.6 |
| Assets acquired and liabilities assumed in acquisitions (note 2): | | | |
| Non-cash assets, excluding goodwill and other acquisition-related intangibles | 4,203.3 | | 6,851.2 |
| Liabilities | 4,053.9 | | 6,719.1 |
| Common stock issued in acquisitions | 431.8 | | 770.2 |

See accompanying notes to consolidated financial statements.

**People s United Financial, Inc. and Subsidiaries**

**Notes to Consolidated Financial Statements**

**NOTE 1 Summary of Significant Accounting Policies**

People s United Financial, Inc. ( People s United Financial ) is a savings and loan holding company (within the meaning of the Home Owners Loan Act) and is incorporated under the state laws of Delaware. The principal business of People s United Financial is to provide, through People s United Bank and its subsidiaries, commercial banking, retail and business banking, and wealth management services to individual, corporate and municipal customers.

People s United Bank, which is a federally-chartered stock savings bank, provides a full range of traditional banking services, including accepting deposits and originating loans, as well as specialized financial services through its non-bank subsidiaries, including: brokerage, financial advisory services, investment management services and life insurance provided through People s Securities, Inc.; equipment financing provided through People s Capital and Leasing Corp. and People s United Equipment Finance Corp.; and other insurance services provided through People s United Insurance Agency, Inc. People s United Financial s overall financial results are particularly dependent on economic conditions in New England and New York, which are its primary markets, although economic conditions elsewhere in the United States affect its equipment financing business. Deposits are insured up to applicable limits by the Deposit Insurance Fund of the Federal Deposit Insurance Corporation (the FDIC ).

People s United Financial is regulated by the Office of Thrift Supervision (the OTS ) and subject to OTS examination, supervision and reporting requirements. Under its federal charter, People s United Bank is regulated by the OTS.

On April 16, 2007, People s United Financial, People s United Bank and People s Mutual Holdings completed their second-step conversion from a mutual holding company structure to a fully-public stock holding company structure. People s Mutual Holdings merged with and into People s United Bank, with People s United Bank as the surviving entity, and People s United Bank became a wholly-owned subsidiary of People s United Financial.

***Basis of Financial Statement Presentation***

The consolidated financial statements have been prepared in conformity with U.S. generally accepted accounting principles and include the accounts of People s United Financial and its subsidiaries. All significant intercompany transactions and balances are eliminated in consolidation. Certain reclassifications have been made to prior year amounts to conform to the current year presentation.

In preparing the consolidated financial statements, management is required to make significant estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Actual results could differ from management s current estimates, as a result of changing conditions and future events. The current economic environment has increased the degree of uncertainty inherent in these significant estimates.

Several accounting estimates are particularly critical and are susceptible to significant near-term change, including the allowance for loan losses, the valuation of derivative financial instruments, and asset impairment judgments, such as the recoverability of goodwill and other intangible assets, and other-than-temporary declines in the value of securities. These significant accounting policies and critical estimates, which are included in the discussion below, are reviewed with the Audit Committee of the Board of Directors.

The judgments used by management in applying these critical accounting policies may be affected by a further and prolonged deterioration in the economic environment, which may result in changes to future financial results. For example, subsequent evaluations of the loan portfolio, in light of the factors then prevailing, may result in significant changes in the allowance for loan losses in future periods, and the inability to collect outstanding principal may result in increased loan losses.

**People s United Financial, Inc. and Subsidiaries**

**Notes to Consolidated Financial Statements**

For purposes of the Consolidated Statements of Cash Flows, cash equivalents include highly liquid instruments with an original maturity of three months or less (determined as of the date of purchase), such as interest-earning deposits at the Federal Reserve Bank of New York, government-sponsored enterprise ( GSE ) debt securities, federal funds sold, commercial paper and money market mutual funds. These instruments are held-to-maturity and reported as short-term investments in the Consolidated Statements of Condition at cost or amortized cost, which approximates fair value. GSE debt securities carry the implicit backing of the U.S. government but are not direct obligations of the U.S. government.

***Securities***

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

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

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

People s United Bank, as a member of the Federal Home Loan Bank ( FHLB ) of Boston, is currently required to purchase and hold shares of FHLB capital stock in an amount equal to its membership base investment plus an activity based investment determined according to the company s level of outstanding FHLB advances. FHLB stock is a non-marketable equity security and is, therefore, reported at cost, which equals par value (the amount at which shares have been redeemed in the past). As with other investment securities, the investment is periodically evaluated for impairment based on, among other things, the capital adequacy of the FHLB and its overall financial condition. As a result of operating losses and a decline in capital, in February 2009 the FHLB of Boston suspended paying dividends and placed a moratorium on certain stock repurchases. Continued operating losses or further declines in capital could cause People s United Financial to conclude that the fair value of its investment in FHLB of Boston stock is less than its par value. However, based on the current capital adequacy and liquidity position of the FHLB of Boston, management believes there is no impairment in the company s investment at December 31, 2010 and the cost of the investment approximates fair value. As a result of the Smithtown acquisition, People s United Financial acquired shares of capital stock in the FHLB of New York, which continues to pay dividends, totaling $18 million.

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

**People s United Financial, Inc. and Subsidiaries**

**Notes to Consolidated Financial Statements**

Management conducts a periodic review and evaluation of the securities portfolio to determine if the decline in fair value of any security is deemed to be other-than-temporary. Other-than-temporary impairment losses are recognized on debt securities when: (i) People s United Financial has an intention to sell the security; (ii) it is more likely than not that People s United Financial will be required to sell the security prior to recovery; or (iii) People s United Financial does not expect to recover the entire amortized cost basis of the security. Other-than-temporary losses on debt securities are reflected in earnings as realized losses to the extent the impairment is related to credit losses. The amount of the impairment related to other factors is recognized in other comprehensive income. Management has the ability and intent to hold the securities classified as held to maturity until they mature, at which time People s United Financial expects to receive full value for the securities. As of December 31, 2010, management believes that all impairments within the securities portfolio are temporary in nature. No other-than-temporary impairment losses were recognized in the Consolidated Statements of Income for the years ended December 31, 2010, 2009 and 2008.

***Securities Resale and Securities Repurchase Agreements***

In securities resale agreements, a counterparty transfers securities to People s United Financial (as transferee) and People s United Financial agrees to resell the same or substantially the same securities to the counterparty at a fixed price in the future. In securities repurchase agreements, People s United Financial (as transferor) transfers securities to a counterparty and agrees to repurchase the same or substantially the same securities from the counterparty at a fixed price in the future. People s United Financial accounts for resale agreements as secured lending transactions and repurchase agreements as secured borrowings since the transferor maintains effective control over the transferred securities and the transfer meets the other criteria for such accounting. The securities are pledged by the transferor as collateral and the transferee has the right by contract to sell or repledge that collateral provided the same or substantially the same collateral and related interest, if any, is returned to the transferor upon maturity of the underlying agreement. The fair value of the pledged collateral approximates the recorded amount of the secured loan or borrowing. Decreases in the fair value of the transferred securities below an established threshold require the transferor to provide additional collateral.

***Loans***

Originated loans represent all loans other than the portfolios acquired in the 2010 acquisitions, while acquired loans represent the acquisition-date portfolios in the 2010 acquisitions that are accounted for as loan pools.

*Basis of Accounting*

Originated loans are reported at amortized cost less the allowance for loan losses. Interest on loans is accrued to income monthly based on outstanding principal balances. Loan origination fees and certain direct loan origination costs are deferred, and the net fee or cost is recognized in interest income as an adjustment of yield. Depending on the loan portfolio, amounts are amortized or accreted using the level yield method over either the actual life or the estimated average life of the loan.

A loan is generally considered non-performing when it is placed on non-accrual status. A loan is generally placed on non-accrual status when it becomes 90 days past due as to interest or principal payments. Past due status is based on the contractual payment terms of the loan. A loan may be placed on non-accrual status before it reaches 90 days past due if such loan has been identified as presenting uncertainty with respect to the collectibility of interest and principal. A loan past due 90 days or more may remain on accruing status if such loan is both well secured and in the process of collection. All previously accrued but unpaid interest on non-accrual loans is reversed from interest income in the period in which interest accrual is discontinued. Interest payments received on non-accrual loans (including impaired loans) are generally applied as a reduction of principal if future collections are doubtful, although such interest payments may be recognized as income. A loan remains on non-accrual status until the factors that indicated doubtful collectibility no longer exist or until a loan is determined to be uncollectible and is charged off against the allowance for loan losses.

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Loans are considered impaired when, based on current information and events, it is probable the company will be unable to collect all amounts due in accordance with the original contractual terms of the loan agreement, including scheduled principal and interest payments. Impaired loans also include certain loans whose terms have been modified in such a way that they are considered troubled debt restructurings ( TDRs ). Loans are considered TDRs if the borrower is experiencing financial difficulty and is afforded a concession by People s United Financial, such as, but not limited to: (i) a reduction of the stated interest rate for the remaining contractual term of the loan; (ii) an extension of the loan s original contractual term at a stated interest rate lower than the current market rate for a new loan with similar risk; (iii) capitalization of interest; or (iv) forgiveness of principal or interest. Generally, TDRs are placed on non-accrual status (and reported as non-performing loans) until the loan qualifies for return to accrual status. Loans qualify for return to accrual status once they have demonstrated performance with the restructured terms of the loan agreement for a minimum of six months. Loans may continue to be reported as TDRs after they are returned to accrual status.

Impairment is evaluated in total for smaller-balance loans of a similar nature and on an individual loan basis for other loans. If a loan is impaired, a specific valuation allowance is allocated, if necessary, so that the loan is reported (net of the allowance) at the present value of estimated future cash flows using the loan s existing rate or at the fair value of collateral if repayment is expected solely from the collateral. Interest payments on impaired loans are typically applied to principal unless collectibility of the principal amount is reasonably assured, in which case interest is recognized on a cash basis. Impaired loans, or portions thereof, are charged off when deemed uncollectible.

Acquired loans that have evidence of deterioration in credit quality since origination and for which it is probable, at acquisition, that the company will be unable to collect all contractually required payments receivable are initially recorded at fair value without a carryover of the related allowance for loan losses. Fair value is determined using market participant assumptions in estimating the amount and timing of both principal and interest cash flows expected to be collected on such loans and then applying a market-based discount rate to those cash flows. The excess of the undiscounted expected cash flows at the acquisition date over the estimated fair value is referred to as the accretable yield , which is recognized into interest income over the remaining lives of the acquired loans. The difference between contractually required principal and interest payments at the acquisition date and the undiscounted cash flows expected to be collected at the acquisition date is referred to as the nonaccretable difference , which includes an estimate of future credit losses expected to be incurred over the life of the portfolio. Decreases in the expected cash flows in subsequent periods require the establishment of an allowance for loan losses. Improvements in expected cash flows in future periods result in a reduction of the nonaccretable difference, with such amount reclassified as part of the accretable yield and subsequently recognized into interest income over the remaining lives of the acquired loans. Charge-offs on acquired loans are first applied to the nonaccretable difference and then to any allowance for loan losses recognized subsequent to acquisition.

Loans held for sale are reported at the lower of cost or fair value in the aggregate, considering the effect of forward sales commitments, with any adjustment for net unrealized losses reported in non-interest income. Management identifies and designates as loans held for sale certain newly originated adjustable-rate and fixed-rate residential mortgage loans that meet secondary market requirements, as these loans are originated with the intent to sell. From time to time, management identifies and designates residential mortgage loans held in the loan portfolio for sale. These loans are transferred to loans held for sale at the lower of cost or fair value at the time of transfer and the resulting unrealized loss is reported in non-interest income.

*Allowance and Provision for Loan Losses*

The allowance for loan losses is established through provisions for loan losses charged to income. Losses on loans, including impaired loans, are charged to the allowance for loan losses when all or a portion of a loan is deemed to be uncollectible. Recoveries of loans previously charged off are credited to the allowance for loan losses when realized.

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

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

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

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

Pools of smaller-balance, homogeneous loans with similar risk and loss characteristics are also assessed for probable losses. These loan pools include residential mortgage, home equity and other consumer loans. This element of the allowance for loan losses is established based upon a consideration of recent historical loss experience, delinquency trends, and portfolio-specific risk characteristics, including: (i) collateral values/loan-to-value ratios; (ii) borrower credit scores; (iii) portfolio concentrations; and (iv) other relevant portfolio risk elements.

The allowance for loan losses also includes specific allowances for individually impaired loans. Generally, the company s impaired loans consist of (i) classified commercial loans in excess of $250,000 that have been placed on non-accrual status and (ii) loans classified as TDRs. Individually impaired loans are measured based upon observable market prices; the present value of expected future cash flows discounted at the loan s original effective interest rate; or, in the case of collateral dependent loans, fair values of the collateral (based on appraisals and other market information) less costs to sell. If the recorded investment in a loan exceeds the amount measured as described in the preceding sentence, a specific allowance for loan losses would be

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established as a component of the overall allowance for loan losses or, in the case of a collateral dependent loan, a charge-off would be recorded for the difference between the loan s recorded investment and management s estimate of the fair value of the collateral (less costs to sell). It would be rare for the company to identify a loan that meets the criteria stated above and requires a specific allowance or a charge-off and not deem it impaired solely as a result of the existence of a guarantee.

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

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

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

People s United Financial did not change its methodology for determining the allowance for loan losses during 2010. While People s United Financial seeks to use the best available information in determining the allowance for loan losses, future adjustments to the allowance for loan losses may be necessary based on changes in economic conditions, results of regulatory examinations, further information obtained regarding known problem loans, the identification of additional problem loans and other factors.

*Loan Charge-Offs*

The company s charge-off policies, which comply with standards established by banking regulators, are consistently applied from period to period. Charge-offs are recorded on a monthly basis. Partially charged-off loans continue to be evaluated on a monthly basis and additional charge-offs or loan loss provisions may be recorded on the remaining loan balance based on the same criteria.

For unsecured consumer loans, charge-offs generally occur when the loan is deemed to be uncollectible or 120 days past due, whichever occurs first. For consumer loans secured by real estate, including residential mortgage loans, charge-offs generally occur when the loan is deemed to be uncollectible or 180 days past due, whichever occurs first, unless it can be clearly demonstrated that repayment will occur regardless of the delinquency status. Factors that demonstrate an ability to repay may include (i) a loan that is secured by adequate collateral and is in the process of collection, (ii) a loan supported by a valid guarantee or insurance, or (iii) a loan supported by a valid claim against a solvent estate.

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For commercial banking loans, a charge-off is recorded when the company determines that it will not collect all amounts contractually due based on the fair value of the collateral (less costs to sell), or the present value of expected future cash flows.

The decision whether to charge-off all or a portion of a loan rather than record a specific or general loss allowance is based on an assessment of all available information which aids in determining the loan s net realizable value. Typically this involves consideration of both (i) the fair value of any collateral securing the loan, including whether the estimate of fair value has been derived from an appraisal or other market information, and (ii) other factors affecting the likelihood of repayment, including the existence of guarantees and insurance. If the amount by which the company s recorded investment in the loan exceeds its net realizable value is deemed to be a confirmed loss, a charge-off is recorded. Otherwise, a specific or general reserve is established, as applicable.

***Wealth Management and Other Fee-Based Revenues***

Investment management fees are accrued when earned based on total assets managed and administered, which are not reported as assets of People s United Financial. Insurance revenue represents commissions earned solely from performing broker- and agency-related services. Insurance commission revenues related to agency-billed policies are recognized at the later of the policy billing date or the policy effective date. Insurance commission revenues on premiums directly billed by insurance carriers are generally recognized as revenue during the period commissions are paid by the insurance carrier. Brokerage commissions are recognized on a trade-date basis. Bank service charges are recorded when earned.

***Bank-Owned Life Insurance***

Bank-owned life insurance ( BOLI ) represents the cash surrender value of life insurance policies purchased on the lives of certain key executives and former key executives. BOLI funds are generally invested in separate accounts and are supported by a stable wrap agreement to fully insulate the underlying investments against changes in fair value. Increases in the cash surrender value of these policies and death benefits in excess of the related invested premiums are included in non-interest income in the Consolidated Statements of Income. The company s BOLI policies have been underwritten by highly-rated third party insurance carriers and the investments underlying these policies are deemed to be of low-to-moderate market risk.

***Premises and Equipment***

Premises and equipment are reported at cost less accumulated depreciation and amortization, except for land, which is reported at cost. Buildings, data processing and other equipment, computer software, furniture and fixtures are depreciated using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized using the straight-line method over the shorter of the remaining lease term, the estimated useful life of the improvements or 10 years. Capitalized software development costs are amortized on a straight-line basis over the estimated useful life of the software. The estimated useful lives are as follows: buildings 40 years; data processing and other equipment 3 to 5 years; computer software 3 to 5 years; and furniture and fixtures 10 years.

***Goodwill and Other Acquisition-Related Intangibles***

The Financial Accounting Standards Board (the FASB ) standards on accounting for business combinations require an acquirer, upon initially obtaining control of another entity, to recognize the assets, liabilities and any non-controlling interest in the acquiree, if any, at fair value as of the acquisition date. Contingent consideration, if any, is also recognized and measured at fair value on the date of acquisition.

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In addition, those standards require that: (i) acquisition-related transaction costs be expensed as incurred; (ii) specific requirements be met in order to accrue for a restructuring plan as part of the acquisition; (iii) certain pre-acquisition contingencies be recognized at fair value; and (iv) acquired loans be recorded at fair value as of the acquisition date without an allocated allowance for loan losses.

The standards described above apply to business combinations completed on or after January 1, 2009. For acquisitions completed prior to January 1, 2009, the cost of an acquisition was allocated to the individual assets acquired and liabilities assumed based on their estimated fair values at the date of acquisition, acquisition-related transaction costs were recorded as part of the acquisition cost and an allocated allowance for loan losses was recognized.

Intangible assets are recognized in an amount equal to the excess of the purchase price over the fair value of the tangible net assets acquired. Acquisition-related intangibles are separately identified, where appropriate, for assets such as trade name and the estimated values of acquired core deposits and/or customer relationships. The remaining intangible asset is classified as goodwill.

Goodwill and indefinite-lived intangible assets are not amortized but, rather, are reviewed for impairment at least annually, with impairment losses charged to expense when they occur. Acquisition-related intangible assets other than goodwill and indefinite-lived intangible assets are amortized to expense over their estimated useful lives and are periodically reviewed by management to assess recoverability. Impairment losses on other acquisition-related intangibles are recognized as a charge to expense if carrying amounts exceed fair values.

The trade name intangible is amortized on an accelerated basis over a period of approximately 20 years, reflecting the manner in which the related benefit is realized. Core deposit intangibles are amortized over 10 years on an accelerated basis that reflects the manner in which the related benefit attributable to the acquired deposits will be recognized. Customer relationship intangibles are amortized on a straight-line basis (approximating the manner in which the benefit is realized) over the estimated remaining average life of those relationships (ranging from 7 to 15 years from the respective acquisition dates).

Goodwill is tested for impairment at the reporting unit level. The test is performed as of an annual impairment testing date or more frequently if a triggering event indicates that impairment may have occurred. The goodwill impairment analysis is a two-step test. The first step ( Step 1 ) is used to identify potential impairment, and involves comparing each reporting unit s estimated fair value to its carrying amount, including goodwill. If the estimated fair value of a reporting unit exceeds its carrying amount, goodwill is not deemed to be impaired. Should the carrying amount of the reporting unit exceed its estimated fair value, an indicator of potential impairment is deemed to exist and a second step is performed to measure the amount of such impairment, if any. None of the company s identified reporting units are at risk of failing the Step 1 goodwill impairment test at this time.

The second step ( Step 2 ) involves calculating the implied fair value of goodwill for each reporting unit for which impairment was indicated in Step 1. The implied fair value of goodwill is determined in a manner similar to how the amount of goodwill is determined in a business combination (i.e. by measuring the excess of the estimated fair value of the reporting unit, as determined in Step 1, over the aggregate estimated fair values of the individual assets, liabilities, and identifiable intangibles applicable to that reporting unit as of the impairment testing date). If the implied fair value of goodwill exceeds the carrying amount of goodwill assigned to the reporting unit, no impairment exists. If the carrying amount of goodwill assigned to a reporting unit exceeds the implied fair value of the goodwill, an impairment loss is recorded in an amount equal to such excess. An impairment loss cannot exceed the carrying amount of goodwill assigned to a reporting unit, and the loss (write-down) establishes a new carrying amount for the goodwill. Subsequent reversal of goodwill impairment losses is not permitted.

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In estimating the fair value of its reporting units, People s United Financial uses a present-value measurement technique (discounted cash flow analysis based on internal forecasts) and, to a lesser extent, market-based trading and transaction multiples. More weight is given to the discounted cash flow analysis as: (i) market-based multiples are not deemed directly comparable given the difficulty in identifying operating entities that are substantially similar to the reporting units; (ii) market-based multiples are not deemed to be highly reliable in periods of limited capital markets activity (such as that which has existed during the last several years); and (iii) internal forecasts provide an informed view of longer-term performance based on the company s business plan and growth strategy. The discounted cash flow analysis is based on significant assumptions and judgments including future growth rates and discount rates reflecting management s assessment of market participant views of the risks associated with the projected cash flows of the reporting units. Differences in the identification of reporting units or in the selection of valuation techniques and related assumptions could result in materially different evaluations of goodwill impairment.

For the purpose of goodwill impairment testing, management has identified reporting units based upon the company s business segments: Commercial Banking, Retail and Business Banking, and Wealth Management. People s United Financial performed its annual goodwill impairment test as of October 1, 2010 and determined that the fair value of each reporting unit exceeded its respective carrying amount. As a result, an impairment loss was not recognized.

***Real Estate Owned***

Real estate owned ( REO ) properties acquired through foreclosure or deed-in-lieu of foreclosure are recorded initially at the lower of cost or estimated fair value less costs to sell. Any write-down of the recorded investment in the related loan is charged to the allowance for loan losses upon transfer to REO. Thereafter, an allowance for REO losses is established for any further declines in the property s value. This allowance is increased by provisions charged to income and decreased by charge-offs for realized losses. Management s periodic evaluation of the adequacy of the allowance is based on an analysis of individual properties, as well as a general assessment of current real estate market conditions.

***Income Taxes***

Deferred taxes are recognized for the estimated future tax effects attributable to temporary differences and tax loss carryforwards. Temporary differences are differences between the financial statement carrying amounts and the tax bases of existing assets and liabilities. A deferred tax liability is recognized for all temporary differences that will result in future taxable income. A deferred tax asset is recognized for all temporary differences that will result in future tax deductions and for all tax loss carryforwards, subject to reduction of the asset by a valuation allowance in certain circumstances. This valuation allowance is recognized if, based on an analysis of available evidence, management determines that it is more likely than not that some portion or all of the deferred tax asset will not be realized. The valuation allowance is subject to ongoing adjustment based on changes in circumstances that affect management s judgment about the realizability of the deferred tax asset.

Deferred tax assets and liabilities are measured using the enacted tax rates expected to apply to future taxable income. The effect on deferred tax assets and liabilities of a change in tax laws or rates is recognized in income tax expense in the period that includes the enactment date of the change. Tax benefits attributable to deductions in excess of financial statement amounts arising from the exercise of non-statutory stock options are credited to additional paid-in capital.

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Individual tax positions taken or expected to be taken on a tax return must satisfy certain criteria in order for some or all of the related tax benefits to be recognized in the company s financial statements. Specifically, a recognition threshold of more-likely-than-not is required in order for those tax positions to be recognized in the consolidated financial statements.

***Earnings Per Common Share***

Basic earnings per common share ( EPS ) excludes dilution and is computed by dividing net income applicable to common stock by the weighted average number of common shares outstanding for the year. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common stock (such as stock options) were exercised or converted into additional common shares that would then share in the earnings of the entity. Diluted EPS is computed by dividing net income applicable to common stock by the weighted average number of common shares outstanding for the year, plus an incremental number of common-equivalent shares computed using the treasury stock method.

Effective January 1, 2009, in accordance with new accounting requirements issued by the FASB, unvested share-based payment awards, which include the right to receive non-forfeitable dividends or dividend equivalents, are considered to participate with common stock in undistributed earnings for purposes of computing EPS. Accordingly, companies that issue share-based payment awards considered to be participating securities, including People s United Financial, are required to calculate basic and diluted EPS amounts under the two-class method. Restricted stock awards granted by People s United Financial are considered participating securities pursuant to this guidance. Calculations of EPS under the two-class method (i) exclude any dividends paid or owed on participating securities and any undistributed earnings considered to be attributable to participating securities from the numerator and (ii) exclude the dilutive impact of the participating securities from the denominator. EPS amounts for the years ended December 31, 2010, 2009 and 2008 have been presented in accordance with these requirements.

***Derivative Instruments and Hedging Activities***

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

All derivatives are recognized as either assets or liabilities and are measured at fair value. Until a derivative is settled, favorable changes in fair values result in unrealized gains that are recognized as assets, while unfavorable changes result in unrealized losses that are recognized as liabilities.

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

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

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

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

***Fair Value Measurements***

Effective January 1, 2008, People s United Financial adopted the provisions of a standard issued by the FASB concerning fair value measurements and disclosures with respect to (i) all financial instruments, and (ii) non-financial instruments accounted for at fair value on a recurring basis, if any. Effective January 1, 2009, these fair value measurement and disclosure provisions also became applicable to People s United Financial for the following additional non-recurring valuation measures: (i) goodwill and other acquisition-related intangible assets; (ii) real estate owned and repossessed assets; and (iii) other long-lived assets.

In April 2009, the FASB affirmed that the objective of fair value, even when the market for an asset is not active, is the price that would be received to sell the asset in an orderly transaction. In order to address application issues, the FASB clarified and provided additional factors to be considered in determining whether there has been a significant decrease in market activity for an asset when the market for that asset is not active, requiring an entity to base its conclusion about whether a transaction was not orderly on the weight of all available evidence. At the same time, the FASB also expanded certain disclosure requirements. These developments did not result in any significant change in valuation techniques and related inputs, or the resulting fair values, for People s United Financial.

In January 2010, the FASB amended its standards related to disclosure of fair value measurements to require: (i) disclosure of amounts transferred in and out of Level 1 and Level 2 of the fair value hierarchy; (ii) a reconciliation, presented on a gross basis rather than a net basis, of activity in the Level 3 fair value measurements; (iii) greater disaggregation of the assets and liabilities for which fair value measurements are presented; and (iv) more robust disclosure of the valuation techniques and inputs used to measure assets and liabilities in Level 2 and Level 3. The new requirements were effective January 1, 2010 for People s United Financial, with the exception of the requirement related to the Level 3 activity reconciliation, which is effective for fiscal years beginning after December 15, 2010 (January 1, 2011 for People s United Financial). The applicable disclosures have been provided in Note 19.

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

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

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

quoted prices for similar assets or liabilities in active markets (such as U.S. agency and GSE issued mortgage-backed securities and CMOs);

quoted prices for identical or similar assets or liabilities in less active markets (such as certain U.S. and government agency debt securities, and corporate and municipal debt securities that trade infrequently); and

other inputs that: (i) are observable for substantially the full term of the asset or liability (e.g. interest rates, yield curves, prepayment speeds, default rates, etc.); or (ii) can be corroborated by observable market data (such as interest rate and currency derivatives and certain other securities).

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

People s United Financial maintains policies and procedures to value assets and liabilities using the most relevant data available.

***Stock-Based Compensation***

People s United Financial s stock-based compensation plans provide for awards of stock options and restricted stock to directors, officers and employees (see Note 18). Costs resulting from the issuance of such share-based payment awards are required to be recognized in the financial statements based on the grant date fair value of the award. Stock-based compensation expense is recognized over the requisite service period, which is generally the vesting period.

**People s United Financial, Inc. and Subsidiaries**

**Notes to Consolidated Financial Statements**

***Accounting Standards***

*Transfers of Financial Assets*

In June 2009, the FASB issued new requirements related to the accounting for transfers of financial assets, including securitization transactions. These requirements: (i) eliminate the concept of a qualifying special-purpose entity; (ii) change the requirements for derecognizing financial assets; and (iii) require additional disclosures, the objective of which is to enhance information reported to users of financial statements by providing greater transparency about transfers of financial assets and an entity s continuing involvement in transferred financial assets. These requirements were effective January 1, 2010 for People s United Financial. Transfers of financial assets occurring on or after the effective date are subject to the new requirements. Adoption did not have a significant impact on the company s Consolidated Financial Statements.

*Variable Interest Entities*

In June 2009, the FASB issued new requirements to improve financial reporting by companies involved with variable interest entities. These requirements: (i) amend existing guidance for determining whether an entity meets the definition of a variable interest entity; (ii) amend the criteria for identification of the primary beneficiary of a variable interest entity by requiring a qualitative analysis rather than a quantitative analysis; and (iii) require continuous reassessments of whether an enterprise is the primary beneficiary of a variable interest entity. Under the new requirements, the identification of the primary beneficiary focuses on which enterprise has the power to direct the activities of a variable interest entity which, in turn, most significantly impacts the entity s economic performance. These requirements were effective January 1, 2010 for People s United Financial. Adoption did not have a significant impact on the company s Consolidated Financial Statements.

*Loan Modifications*

In March 2010, the Emerging Issues Task Force ( EITF ) of the FASB reached a consensus that a modified loan in a pool of purchased credit-impaired loans should remain in the pool even if the modification would otherwise be considered a troubled debt restructuring. The company applies this guidance in accounting for modifications of loans within the pools comprising the acquired loan portfolio. Adoption of the guidance in 2010 did not have a significant impact on the company s Consolidated Financial Statements.

*Credit Quality and Allowance for Credit Losses Disclosures*

In July 2010, the FASB amended its standards related to required disclosures about the credit quality of financing receivables and the allowance for credit losses. As a result, companies are required to provide expanded credit risk disclosures (such as aging information and credit quality indicators) and expanded disclosures related to the allowance for credit losses (such as a disaggregated rollforward of activity in the allowance). Both new and existing disclosures must be disaggregated either by portfolio segment or by class of financing receivable that are based, in part, on how a company develops its allowance for credit losses and manages its credit exposure. The amendments requiring disclosure as of the end of a reporting period are effective for periods ending on or after December 15, 2010 (December 31, 2010 for People s United Financial). The amendments requiring disclosures about activity that occurs during a reporting period are generally effective for periods beginning on or after December 15, 2010 (January 1, 2011 for People s United Financial). In January 2011, the FASB temporarily deferred the effective date for disclosures related to troubled debt restructurings to coincide with the effective date of a proposed accounting standard update related to troubled debt restructurings, which is currently expected to be effective for periods ending after June 15, 2011. The applicable disclosures required at December 31, 2010 have been provided in Note 5.

**People s United Financial, Inc. and Subsidiaries**

**Notes to Consolidated Financial Statements**

*Goodwill and Intangible Assets*

In December 2010, the FASB amended its standards related to intangible assets by modifying Step 1 of the goodwill impairment test for reporting units with zero or negative carrying amounts. For those reporting units, an entity is required to perform Step 2 of the goodwill impairment test if it is more likely than not that a goodwill impairment exists. In determining whether it is more likely than not that a goodwill impairment exists, an entity should consider whether there are any adverse qualitative factors indicating that an impairment may exist such as if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. This amendment is effective for periods beginning on or after December 15, 2010 (January 1, 2011 for People s United Financial) and is not expected to have a significant impact on the company s Consolidated Financial Statements.

*Business Combinations*

In December 2010, the FASB amended its standards related to business combinations by (i) providing clarification regarding the acquisition date that should be used for reporting the pro forma financial information disclosures required when comparative financial statements are presented and (ii) requiring entities to provide a description of the nature and amount of material, nonrecurring pro forma adjustments that are directly attributable to the business combination. For People s United Financial, these amendments are effective for business combinations for which the acquisition date is on or after January 1, 2011.

**NOTE 2 Acquisitions**

***Smithtown and LSB***

On November 30, 2010, People s United Financial completed its acquisitions of Smithtown Bancorp, Inc. ( Smithtown ) based in Hauppauge, New York and LSB Corporation ( LSB ) based in North Andover, Massachusetts.

Total consideration paid in the Smithtown acquisition of approximately $56 million consisted of approximately $30 million in cash and 2.1 million shares of People s United Financial common stock with a fair value of approximately $26 million. Cash consideration was paid at the rate of $3.77 per share of Smithtown common stock and stock consideration was paid at the rate of 0.304 shares of People s United Financial common stock per share of Smithtown common stock. At the acquisition date, Smithtown operated 30 branches, including 29 on Long Island and one in New York City.

Total consideration paid in the LSB acquisition consisted of approximately $95 million in cash. At the acquisition date, LSB operated seven branches, including five in the greater Boston area and two in southern New Hampshire.

The assets acquired and liabilities assumed in these transactions were recorded by People s United Financial at their estimated fair values as of the closing date and People s United Financial s results of operations for the year ended December 31, 2010 include the results of Smithtown and LSB beginning with the closing date. Merger-related expenses relating to these transactions totaling $5.5 million were recorded in 2010.

The excess of the respective purchase prices over the estimated fair value of the net assets acquired has been recorded as goodwill. Goodwill was allocated to the Retail and Business Banking segment and the Commercial Banking segment.

**People s United Financial, Inc. and Subsidiaries**

**Notes to Consolidated Financial Statements**

The acquisition-date estimated fair values of the assets acquired and liabilities assumed in the acquisitions of Smithtown and LSB are summarized as follows:

| (in millions) | Smithtown | LSB |
|---|---|---|
| **Assets:** | | |
| Cash and cash equivalents | $ 151.8 | $ 44.2 |
| Securities | 206.8 | 163.5 |
| Loans | 1,607.3 | 523.9 |
| Goodwill | 114.3 | 58.1 |
| Core deposit intangible | 5.1 | 0.9 |
| Premises and equipment | 54.4 | 9.8 |
| Real estate owned | 10.0 | 1.1 |
| Other assets | 148.5 | 35.5 |
| Total assets | $ 2,298.2 | $ 837.0 |
| **Liabilities:** | | |
| Deposits | $ 1,798.8 | $ 475.1 |
| Borrowings | 333.5 | 252.5 |
| Subordinated notes and debentures | 58.2 | 6.5 |
| Other liabilities | 51.3 | 8.1 |
| Total liabilities | $ 2,241.8 | $ 742.2 |
| Total purchase price | $ 56.4 | $ 94.8 |

Net deferred tax assets totaling $97.3 million relating to the Smithtown acquisition and $15.2 million relating to the LSB acquisition were established in connection with recording the related purchase accounting adjustments (other than goodwill). Fair value adjustments to assets acquired and liabilities assumed will be amortized on a straight-line basis over periods consistent with the average life, useful life and / or contractual term of the related assets and liabilities. The core deposit intangible will be amortized over a 7-year period for Smithtown and a 9-year period for LSB using an accelerated amortization method reflective of the manner in which the related benefit attributable to the deposits will be recognized.

***Butler Bank***

On April 16, 2010, People s United Bank entered into a definitive purchase and assumption agreement (the Agreement ) with the FDIC pursuant to which People s United Bank assumed all of the deposits, certain assets and the banking operations of Butler Bank, located in Lowell, Massachusetts, with four branches in the greater Boston market. The assets acquired and liabilities assumed were recorded at their estimated fair values as of the closing date and People s United Financial s results of operations for the year ended December 31, 2010 include the results of Butler Bank beginning with the closing date. Merger-related expenses totaling $0.7 million were recorded in 2010.

The Agreement also provides for loss-share coverage by the FDIC, up to certain limits, on all covered assets (loans and real estate owned). The FDIC is obligated to reimburse People s United Bank for 80% of any future losses on covered assets up to $34.0 million. People s United Bank will reimburse the FDIC for 80% of recoveries with respect to losses for which the FDIC paid 80% reimbursement under the loss-sharing coverage.

**People s United Financial, Inc. and Subsidiaries**

**Notes to Consolidated Financial Statements**

The asset arising from the loss-sharing coverage (referred to as the FDIC loss-share receivable and included in other assets in the Consolidated Statements of Condition) is measured separately from the covered loans because the coverage is not contractually embedded in the loans and is not transferable should People s United Bank choose to dispose of the covered loans. The FDIC loss-share receivable will be reduced as losses are realized on covered assets and as the loss-sharing payments are received from the FDIC. Realized losses in excess of the acquisition date estimates will result in an increase in the FDIC loss-share receivable. Conversely, the FDIC loss-share receivable will be reduced if realized losses are less than the estimates at acquisition. The amount ultimately collected for the FDIC loss-share receivable is dependent upon the performance of the underlying covered assets over time and claims submitted to the FDIC. In the event that losses under the loss-share coverage do not reach expected levels, People s United Bank has agreed to make a cash payment to the FDIC on approximately the tenth anniversary of the Agreement.

The excess of the purchase price over the estimated fair value of the net assets acquired has been recorded as goodwill. Goodwill was allocated to the Retail and Business Banking segment and the Commercial Banking segment.

The acquisition-date estimated fair values of the assets acquired and liabilities assumed in the acquisition of Butler Bank are summarized as follows:

| (in millions) | Butler Bank |
|---|---|
| **Assets:** | |
| Cash and cash equivalents | $ 31.6 |
| Securities | 4.4 |
| Loans | 143.3 |
| Goodwill | 24.1 |
| Core deposit intangible | 0.7 |
| FDIC loss-share receivable | 26.2 |
| Real estate owned | 13.7 |
| Other assets | 0.8 |
| Total assets | $ 244.8 |
| **Liabilities:** | |
| Deposits | $ 227.5 |
| Borrowings | 14.0 |
| Other liabilities | 3.3 |
| Total liabilities | $ 244.8 |

Net deferred tax liabilities totaling $1.1 million were established in connection with recording the related purchase accounting adjustments. All borrowings assumed by People s United Bank were repaid prior to June 30, 2010. Fair value adjustments to assets acquired and liabilities assumed will be amortized on a straight-line basis over periods consistent with the average life, useful life and / or contractual term of the related assets and liabilities. The core deposit intangible will be amortized over a 5-year period using an accelerated amortization method reflective of the manner in which the related benefit attributable to the deposits will be recognized.

The fair value of the FDIC loss-share receivable represents the present value of the estimated loss-share reimbursements expected to be received from the FDIC for future losses on covered assets, based on the credit loss assumptions used in determining the fair value of covered assets and the loss-sharing percentage. These loss-share reimbursements were discounted using the U.S. Treasury strip curve plus a premium to reflect the uncertainty of the timing and receipt of the loss-sharing reimbursements from the FDIC.

**People s United Financial, Inc. and Subsidiaries**

**Notes to Consolidated Financial Statements**

***Financial Federal***

On February 19, 2010, People s United Financial completed its acquisition of Financial Federal Corporation ( Financial Federal ), a financial services company providing collateralized lending, financing and leasing services nationwide to small and medium sized businesses.

Total consideration paid in the Financial Federal acquisition of approximately $699 million consisted of approximately $293 million in cash and 26.0 million shares of People s United Financial common stock with a fair value of approximately $406 million. Cash consideration was paid at the rate of $11.27 per share of Financial Federal common stock and stock consideration was paid at the rate of one share of People s United Financial common stock per share of Financial Federal common stock. The assets acquired and liabilities assumed were recorded by People s United Financial at their estimated fair values as of the closing date and People s United Financial s results of operations for the year ended December 31, 2010 include the results of Financial Federal beginning with the closing date. Merger-related expenses recorded in 2010 totaled $17.1 million, including (i) fees for investment advisory, legal, accounting and valuation services, (ii) debt prepayment costs and (iii) compensatory charges.

The excess of the purchase price over the estimated fair value of the net assets acquired has been recorded as goodwill. All goodwill was allocated to the Commercial Banking segment. There were no specifically-identifiable intangible assets in the Financial Federal acquisition.

The acquisition-date estimated fair values of the assets acquired and liabilities assumed in the acquisition of Financial Federal are summarized as follows:

| **(in millions)** | **Financial Federal** |
|---|---|
| **Assets:** | |
| Cash and cash equivalents | $ 1.8 |
| Loans | 1,219.2 |
| Goodwill | 268.2 |
| Premises and equipment | 1.6 |
| Repossessed assets | 23.6 |
| Other assets | 9.7 |
| Total assets | $ 1,524.1 |
| **Liabilities:** | |
| Borrowings | $ 801.5 |
| Other liabilities | 23.6 |
| Total liabilities | $ 825.1 |
| Total purchase price | $ 699.0 |

Net deferred tax assets totaling $9.0 million were established in connection with recording the related purchase accounting adjustments (other than goodwill). All borrowings assumed by People s United Financial were repaid prior to March 31, 2010.

The preceding summaries include adjustments to record the acquired assets and assumed liabilities at their respective fair values based on management s best estimate using the information available at this time. While there may be changes in the respective acquisition-date fair values of certain balance sheet amounts and other items as compared to the information presented, management does not expect that such changes, if any, will be material.

**People s United Financial, Inc. and Subsidiaries**

**Notes to Consolidated Financial Statements**

Fair values of the major categories of assets acquired and liabilities assumed were determined as follows:

*Loans*

The acquired loans were recorded at fair value without a carryover of the respective allowance for loan losses. Fair values of the loans are determined using market participant assumptions in estimating the amount and timing of both principal and interest cash flows expected to be collected on such loans, as adjusted for an estimate of future credit losses and prepayments, and then applying a market-based discount rate to those cash flows. In doing so, the loans were segregated into pools based on their principal common risk characteristics such as broad asset types (i.e. loans, leases; construction, permanent), loan/collateral type (i.e. commercial, commercial real estate, residential mortgage) and accrual status (i.e. performing, non-performing). The discounts on the loans acquired in these transactions were due, in part, to credit quality.

For the loans acquired in these transactions, the excess of expected cash flows at the acquisition date over estimated fair value is referred to as the accretable yield , which is recognized into interest income over the remaining lives of the loans. The difference between contractually required principal and interest payments at the acquisition date and the cash flows expected to be collected at the acquisition date is referred to as the nonaccretable difference , which includes an estimate of future credit losses expected to be incurred over the life of the portfolio. Decreases in the expected cash flows in subsequent periods will require People s United Financial to record an allowance for loan losses. Improvements in expected cash flows in future periods will result in a reduction of the nonaccretable difference, with such amount reclassified as part of the accretable yield and subsequently recognized into interest income over the remaining lives of the acquired loans. Charge-offs on acquired loans are first applied to the nonaccretable difference and then to any allowance for loan losses recognized subsequent to acquisition.

Upon acquisition in 2010, the loan portfolios had, on a combined basis, contractually required principal and interest payments receivable of $5.04 billion; expected cash flows of $4.53 billion; and a fair value of $3.49 billion. The difference between the contractually required payments receivable and the expected cash flows ($514.8 million) represents the nonaccretable difference. The difference between the expected cash flows and fair value ($1.04 billion) represents the accretable yield. Both the contractually required payments receivable and the expected cash flows reflect anticipated prepayments, determined based on historical portfolio experience. At December 31, 2010, the outstanding balance and the carrying amount of the acquired loan portfolios were $3.21 billion and $2.88 billion, respectively. There was no related allowance for loan losses for these portfolios at that date, as there were no decreases in expected cash flows compared to the estimates made at the acquisition dates. Included in the Consolidated Statements of Income for the year ended December 31, 2010 was approximately $96 million of interest income attributable to these acquisitions since the respective acquisition dates.

*Deposits*

The fair value of acquired savings and transaction deposit accounts was assumed to approximate the carrying value as these accounts have no stated maturity and are payable on demand. Time deposits were valued based on the present value of the contractual cash flows over the remaining period to maturity using a market rate.

*Borrowings and Subordinated Notes and Debentures*

The fair values of FHLB advances and repurchase agreements represent contractual repayments discounted using interest rates currently available on borrowings with similar characteristics and remaining maturities. The fair values of subordinated notes and debentures were based on dealer quotes.

**People s United Financial, Inc. and Subsidiaries**

**Notes to Consolidated Financial Statements**

The following table summarizes the accretable yield for the acquired loan portfolios:

| **(in millions)** | **Accretable Yield** |
|---|---|
| Balance at January 1, 2010 | $ - |
| Additions: | |
| Smithtown | 783.4 |
| LSB | 134.0 |
| Butler Bank | 35.6 |
| Financial Federal | 84.7 |
| Total | 1,037.7 |
| Accretion | (82.9) |
| Balance at December 31, 2010 | $ 954.8 |

The following table presents selected pro forma financial information reflecting the acquisitions completed in 2010 assuming they were all completed as of the beginning of the respective periods:

| **Years ended December 31 (in millions, except per share data)** | **2010** | **2009** |
|---|---|---|
| Selected Financial Results: | | |
| Net interest income | $ 783.2 | $ 765.6 |
| Provision for loan losses | 60.0 | 57.0 |
| Non-interest income | 312.0 | 329.1 |
| Non-interest expense | 876.2 | 788.8 |
| Net income | $ 106.5 | $ 166.9 |
| Basic and diluted earnings per share | $ 0.29 | $ 0.39 |

The selected 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 acquisitions actually been completed at the beginning of the periods presented, nor does it indicate future results for any other interim or full-year period. Pro forma basic and diluted earnings per common share were calculated using People s United Financial s actual weighted-average shares outstanding for the periods presented, plus the incremental shares issued, assuming the acquisitions occurred at the beginning of the periods presented.

***Chittenden***

On January 1, 2008, People s United Financial completed its acquisition of Chittenden Corporation ( Chittenden ), a multi-bank holding company headquartered in Burlington, Vermont. At December 31, 2007, Chittenden had total assets of $7.4 billion, total loans of $5.7 billion, total deposits of $6.2 billion and 140 branches.

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

**People s United Financial, Inc. and Subsidiaries**

**Notes to Consolidated Financial Statements**

Merger-related charges totaling $41.0 million were recorded in 2008, representing (i) a $4.5 million charge to the provision for loan losses to align allowance for loan loss methodologies across the combined organization and (ii) $36.5 million of merger-related expenses. The latter amount consisted of asset impairment charges ($19.3 million), principally to write-off certain capitalized costs, costs relating to severance and branch closings ($10.5 million), and other accrued liabilities ($6.7 million).

The acquisition cost was allocated to the assets acquired and liabilities assumed based on estimates of fair value at the date of acquisition. The excess of the acquisition cost over the fair value of net tangible and intangible assets acquired resulted in the recognition of $1.16 billion of goodwill. Other acquisition-related intangible assets recorded in connection with the Chittenden acquisition totaled $292.9 million at January 1, 2008. Net deferred tax liabilities totaling $135.4 million were established in connection with the recording of intangible assets (other than goodwill) and other purchase accounting adjustments.

On January 1, 2009, the separate bank charters of the six former Chittenden banks, all previously wholly-owned subsidiaries of People s United Bank, were consolidated into People s United Bank, where they continued to operate as divisions of People s United Bank. In June 2010, People s United Financial announced a plan to re-brand , as People s United Bank, the former Chittenden banks in connection with the scheduled completion of its core system conversion in July 2010 (see Note 6).

**NOTE 3 Cash and Short-Term Investments**

Reserves in the form of deposits with the Federal Reserve Bank and vault cash totaling $50.8 million and $159.0 million at December 31, 2010 and 2009, respectively, were maintained to satisfy federal regulatory requirements. These amounts are included in cash and due from banks in the Consolidated Statements of Condition.

Short-term investments consist of the following cash equivalents:

| **As of December 31 (in millions)** | **2010** | **2009** |
|---|---|---|
| Interest-earning deposits at the Federal Reserve Bank of New York | $ 570.3 | $ 3,064.1 |
| Money market mutual funds | 16.7 | 5.9 |
| Federal funds sold | 7.1 | 4.1 |
| GSE debt securities | | 12.0 |
| Other | 5.7 | 5.9 |
| Total short-term investments | $ 599.8 | $ 3,092.0 |

In the fourth quarter of 2008, the Federal Reserve began paying interest on both required reserves and excess cash balances on deposit at the Federal Reserve. These deposits represent an alternative to overnight federal funds sold and had a yield of 0.25% at both December 31, 2010 and 2009. Also included in short-term investments are GSE debt securities with maturities of 90 days or less. Given the short duration of these securities, they are classified as held to maturity and carried at amortized cost, which approximates fair value.

In connection with its securities purchased under agreements to resell, People s United Financial takes delivery of collateral from all counterparties. The fair value of the collateral securing the agreements outstanding at December 31, 2010 and 2009 was $531 million and $409 million, respectively.

**People s United Financial, Inc. and Subsidiaries**

**Notes to Consolidated Financial Statements**

**NOTE 4 Securities**

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

| As of December 31, 2010 (in millions) | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
|---|---|---|---|---|
| **Securities available for sale:** | | | | |
| Debt securities: | | | | |
| U.S. Treasury and agency | $ 476.2 | $ 0.3 | $ (0.2) | $ 476.3 |
| GSE residential mortgage-backed securities and CMOs | 2,289.0 | 14.5 | (12.9) | 2,290.6 |
| State and municipal | 57.6 | 0.6 | | 58.2 |
| Other | 4.5 | | | 4.5 |
| Total debt securities | 2,827.3 | 15.4 | (13.1) | 2,829.6 |
| Equity securities | 1.5 | | | 1.5 |
| Total securities available for sale | $ 2,828.8 | $ 15.4 | $ (13.1) | $ 2,831.1 |
| **Securities held to maturity:** | | | | |
| Debt securities: | | | | |
| Corporate | $ 55.0 | $ | $ | $ 55.0 |
| Other | 0.1 | | | 0.1 |
| Total securities held to maturity | $ 55.1 | $ | $ | $ 55.1 |

| As of December 31, 2009 (in millions) | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
|---|---|---|---|---|
| **Securities available for sale:** | | | | |
| Debt securities: | | | | |
| U.S. Treasury and agency | $ 10.7 | $ 0.1 | $ | $ 10.8 |
| GSE residential mortgage-backed securities | 729.9 | 2.6 | (4.4) | 728.1 |
| State and municipal | 0.3 | | | 0.3 |
| Total debt securities | 740.9 | 2.7 | (4.4) | 739.2 |
| Equity securities | 0.5 | | | 0.5 |
| Total securities available for sale | $ 741.4 | $ 2.7 | $ (4.4) | $ 739.7 |
| **Securities held to maturity:** | | | | |
| Debt securities: | | | | |
| Corporate | $ 55.0 | $ | $ | $ 55.0 |
| Other | 0.3 | | | 0.3 |
| Total securities held to maturity | $ 55.3 | $ | $ | $ 55.3 |

**People s United Financial, Inc. and Subsidiaries**

**Notes to Consolidated Financial Statements**

Securities available for sale with a fair value of $1.43 billion and $606.8 million at December 31, 2010 and 2009, respectively, were pledged as collateral for public deposits and for other purposes.

The following table is a summary of the amortized cost, fair value and fully taxable equivalent ( FTE ) yield of debt securities. Information is based on remaining period to contractual maturity for categories other than mortgage-backed securities:

| | Available for Sale | | | Held to Maturity | | |
|---|---|---|---|---|---|---|
| **As of December 31, 2010 (dollars in millions)** | **Amortized Cost** | **Fair Value** | **FTE Yield** | **Amortized Cost** | **Fair Value** | **FTE Yield** |
| U.S. Treasury and agency: | | | | | | |
| Within 1 year | $ 16.3 | $ 16.3 | 0.38% | $ | $ | % |
| After 1 but within 5 years | 454.6 | 454.7 | 0.76 | | | |
| After 5 but within 10 years | 5.3 | 5.3 | 3.02 | | | |
| Total | 476.2 | 476.3 | 0.77 | | | |
| State and municipal: | | | | | | |
| Within 1 year | 0.8 | 0.9 | 3.61 | | | |
| After 1 but within 5 years | 10.3 | 10.4 | 2.24 | | | |
| After 5 but within 10 years | 22.9 | 23.1 | 3.21 | | | |
| After 10 years | 23.6 | 23.8 | 4.14 | | | |
| Total | 57.6 | 58.2 | 3.43 | | | |
| Corporate and other: | | | | | | |
| Within 1 year | | | | 0.1 | 0.1 | 5.45 |
| After 5 but within 10 years | | | | 55.0 | 55.0 | 9.00 |
| After 10 years | 4.5 | 4.5 | 6.15 | | | |
| Total | 4.5 | 4.5 | 6.15 | 55.1 | 55.1 | 8.99 |
| Total: | | | | | | |
| Within 1 year | 17.1 | 17.2 | 0.54 | 0.1 | 0.1 | 5.45 |
| After 1 but within 5 years | 464.9 | 465.1 | 0.79 | 55.0 | 55.0 | 9.00 |
| After 5 but within 10 years | 28.2 | 28.4 | 3.17 | | | |
| After 10 years | 28.1 | 28.3 | 4.47 | | | |
| Total | 538.3 | 539.0 | 1.10 | 55.1 | 55.1 | 8.99 |
| GSE residential mortgage-backed securities and CMOs | 2,289.0 | 2,290.6 | 2.80 | | | |
| Total debt securities | $ 2,827.3 | $ 2,829.6 | 2.47% | $ 55.1 | $ 55.1 | 8.99% |

**People s United Financial, Inc. and Subsidiaries**

**Notes to Consolidated Financial Statements**

The components of net security gains (losses) are summarized below. Net gains (losses) on trading account securities included below totaled $0.1 million, $(0.1) million and $0.1 million for the years ended December 31, 2010, 2009 and 2008, respectively.

| **Years ended December 31 (in millions)** | **2010** | **2009** | **2008** |
|---|---|---|---|
| Equity securities: | | | |
| Gains | $ | $ 5.6 | $ 7.0 |
| Losses | | (0.2) | |
| Total equity securities | | 5.4 | 7.0 |
| Debt securities: | | | |
| Gains | | 16.9 | 1.8 |
| Losses | (1.0) | (0.3) | (0.5) |
| Total debt securities | (1.0) | 16.6 | 1.3 |
| Net security gains (losses) | $ (1.0) | $ 22.0 | $ 8.3 |

People s United Financial uses the specific identification method to determine the cost of securities sold and records securities transactions on the trade date. Security losses in 2010 resulted from the sale of securities acquired in the Smithtown and LSB acquisitions as a result of changes in market interest rates subsequent to the acquisition date. In 2009, People s United Financial sold residential mortgage-backed securities with an amortized cost of $1.03 billion and recorded $16.9 million of gross realized gains. Net security gains in 2009 also include a gain of $5.6 million resulting from the sale of People s United Financial s remaining Class B Visa shares that are described below. Including other minor gains and losses, net security gains totaled $22.0 million for the year ended December 31, 2009. In connection with the sale of the aforementioned Class B Visa shares, People s United Financial and the buyer entered into a derivative contract providing for cash settlements that will depend, in part, on the ultimate resolution of certain litigation involving Visa. The amounts recorded for the derivative contract were insignificant through December 31, 2010.

In 2008, People s United Financial recorded a gain of $5.6 million resulting from the mandatory redemption of a portion of its Class B Visa, Inc. shares as part of Visa s initial public offering ( IPO ). People s United Financial obtained its ownership in Visa shares as a result of its acquisition of Chittenden, which was a Visa member. In addition, People s United Financial recorded a gain of $1.3 million representing its proportionate share of the litigation reserve escrow account established by Visa in conjunction with its IPO. Including a gain of $1.5 million related to the sale of securities acquired in connection with the Chittenden acquisition, and other minor gains and losses, net security gains totaled $8.3 million for the year ended December 31, 2008.

**People s United Financial, Inc. and Subsidiaries**

**Notes to Consolidated Financial Statements**

The following table summarizes those securities available for sale as of December 31, 2010 with unrealized losses, segregated by the length of time the securities were in a continuous unrealized loss position:

| | Continuous Unrealized Loss Position | | | | | |
|---|---|---|---|---|---|---|
| | Less Than 12 Months | | 12 Months Or Longer | | Total | |
| **As of December 31, 2010 (in millions)** | **Fair Value** | **Unrealized Losses** | **Fair Value** | **Unrealized Losses** | **Fair Value** | **Unrealized Losses** |
| GSE residential mortgage-backed securities and CMOs | $ 1,125.7 | $ (12.9) | $ | $ | $ 1,125.7 | $ (12.9) |
| U.S. Treasury and agency | 198.0 | (0.2) | | | 198.0 | (0.2) |
| State and municipal (1) | 4.6 | | 0.3 | | 4.9 | |
| Total | $ 1,328.3 | $ (13.1) | $ 0.3 | $ | $ 1,328.6 | $ (13.1) |

(1) Unrealized losses totaled less than $50,000.

At December 31, 2009, GSE residential mortgage-backed securities with a fair value of $303.2 million and an unrealized loss of $4.4 million were in a continuous unrealized loss position for less than 12 months.

Management believes that all impairments within the securities portfolio are temporary in nature. No other-than-temporary impairment losses were recognized in the Consolidated Statements of Income for the years ended December 31, 2010, 2009 and 2008.

**NOTE 5 Loans**

For purposes of the new FASB standards related to required disclosures about the credit quality of financing receivables and the allowance for loan losses (see Note 1), People s United Financial has identified two loan portfolio segments: Commercial Banking and Retail. The classes of loans within the loan portfolio segments are: commercial real estate, commercial and industrial, and equipment financing for Commercial Banking; and residential mortgage, home equity and other consumer for Retail.

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

| **As of December 31 (in millions)** | **2010** | **2009** |
|---|---|---|
| Commercial Banking: | | |
| Commercial real estate | $ 7,306.3 | $ 5,399.4 |
| Commercial and industrial | 3,095.6 | 2,805.7 |
| Equipment financing | 2,100.4 | 1,236.8 |
| Total commercial | 5,196.0 | 4,042.5 |
| Total Commercial Banking | 12,502.3 | 9,441.9 |
| Retail: | | |

| | | |
|---|---|---|
| Residential mortgage: | | |
| Adjustable-rate | 2,184.2 | 2,244.5 |
| Fixed-rate | 653.8 | 302.4 |
| Total residential mortgage | 2,838.0 | 2,546.9 |
| Consumer: | | |
| Home equity | 1,976.8 | 1,986.3 |
| Other consumer | 201.1 | 258.7 |
| Total consumer | 2,177.9 | 2,245.0 |
| Total Retail | 5,015.9 | 4,791.9 |
| Total loans | $ 17,518.2 | $ 14,233.8 |

**People s United Financial, Inc. and Subsidiaries**

**Notes to Consolidated Financial Statements**

Loans acquired in connection with the 2010 acquisitions described in Note 2 were recorded at fair value, without carryover of a historical allowance for loan losses. The discount arising from recording the acquired loans at fair value was due, in part, to credit quality and therefore reflects an estimate of credit losses at the acquisition date. Selected credit quality disclosures have been highlighted to distinguish between the originated portfolio and the acquired portfolios. At December 31, 2010, the net carrying amount of the acquired loans totaled $2.88 billion.

Net deferred loan costs that are included in total loans and accounted for as interest yield adjustments totaled $26.5 million and $25.3 million at December 31, 2010 and 2009, respectively.

Approximately 68% and 81% of the total loan portfolio represents loans to customers within the New England states at December 31, 2010 and 2009, respectively. In addition, approximately 15% of the total loan portfolio represents loans to customers in New York state at December 31, 2010.

Substantially all (approximately 96% at December 31, 2010 and 2009) of the equipment financing portfolio involves customers outside of New England. At December 31, 2010, approximately 34% of the equipment financing portfolio was to customers located in Texas, California and Florida. No other state exposure was greater than 6%.

Commercial real estate loans include construction loans totaling $1.04 billion and $819.0 million at December 31, 2010 and 2009, respectively, net of the unadvanced portion of such loans totaling $176.2 million and $235.4 million, respectively.

At December 31, 2010, the residential mortgage loan portfolio included $447.2 million of interest-only residential mortgage loans, of which $59.2 million are stated-income loans, compared to $1.0 billion and $112.7 million, respectively, at December 31, 2009. People s United Financial s underwriting guidelines and requirements for such loans are generally more restrictive than those applied to other types of residential mortgage products. Also included in residential mortgage loans are construction loans totaling $94.0 million and $65.4 million at December 31, 2010 and 2009, respectively, net of the unadvanced portion of such loans totaling $26.1 million and $9.5 million, respectively.

People s United Financial continues to sell newly-originated residential mortgage loans in the secondary market, without recourse. Net gains on sales of residential mortgage loans totaled $12.1 million, $13.9 million and $6.5 million for the years ended December 31, 2010, 2009 and 2008, respectively. Residential mortgage loans at December 31, 2010 and 2009 included loans held for sale (substantially all to be sold servicing released) of $88.5 million and $71.3 million, respectively, which approximate fair value.

**People s United Financial, Inc. and Subsidiaries**

**Notes to Consolidated Financial Statements**

The following is a summary of activity in the allowance for loan losses:

| **Years ended December 31 (in millions)** | **2010** | **2009** | **2008** |
|---|---|---|---|
| Balance at beginning of year | $ 172.5 | $ 157.5 | $ 72.7 |
| **Charge-offs:** | | | |
| Commercial Banking: | | | |
| Commercial real estate | (27.5) | (10.9) | (3.4) |
| Commercial and industrial | (14.3) | (9.8) | (5.6) |
| Equipment financing | (9.5) | (8.8) | (1.5) |
| Retail: | | | |
| Residential mortgage | (4.3) | (5.4) | (1.5) |
| Home equity | (3.8) | (3.5) | (1.0) |
| Other consumer | (5.3) | (7.1) | (6.2) |
| Total charge-offs | (64.7) | (45.5) | (19.2) |
| **Recoveries:** | | | |
| Commercial Banking: | | | |
| Commercial real estate | 0.8 | 0.3 | 0.2 |
| Commercial and industrial | 1.0 | 1.0 | 1.3 |
| Equipment financing | 0.3 | 0.2 | 0.3 |
| Retail: | | | |
| Residential mortgage | 0.6 | 0.2 | 0.4 |
| Home equity | 0.4 | 0.2 | 0.1 |
| Other consumer | 1.6 | 1.6 | 2.0 |
| Total recoveries | 4.7 | 3.5 | 4.3 |
| Net loan charge-offs | (60.0) | (42.0) | (14.9) |
| Provision for loan losses | 60.0 | 57.0 | 26.2 |
| Allowance recorded in the Chittenden acquisition | | | 73.5 |
| Balance at end of year | $ 172.5 | $ 172.5 | $ 157.5 |

The following is a summary of the allowance for loan losses and related portfolio balances, by loan portfolio segment and impairment methodology, as of December 31, 2010:

| | **Originated Loans Individually Evaluated for Impairment** | | **Originated Loans Collectively Evaluated for Impairment** | | **Acquired Loans (Discounts Related to Credit Quality)** | | **Total** | |
|---|---|---|---|---|---|---|---|---|
| **(in millions)** | **Portfolio** | **Allowance** | **Portfolio** | **Allowance** | **Portfolio** | **Allowance** | **Portfolio** | **Allowance** |
| Commercial Banking | $ 174.4 | $ 27.6 | $ 9,866.1 | $ 133.9 | $ 2,461.8 | $ | $ 12,502.3 | $ 161.5 |
| Retail | 8.2 | | 4,592.0 | 11.0 | 415.7 | | 5,015.9 | 11.0 |
| Total | $ 182.6 | $ 27.6 | $ 14,458.1 | $ 144.9 | $ 2,877.5 | $ | $ 17,518.2 | $ 172.5 |

**People s United Financial, Inc. and Subsidiaries**

**Notes to Consolidated Financial Statements**

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

| As of December 31 (in millions) | 2010 | 2009 | 2008 |
|---|---|---|---|
| Commercial Banking: | | | |
| Commercial real estate | $ 82.5 | $ 72.4 | $ 29.8 |
| Commercial and industrial | 38.2 | 17.4 | 21.1 |
| Equipment financing | 36.0 | 20.6 | 5.8 |
| Retail: | | | |
| Residential mortgage | 78.8 | 52.7 | 24.2 |
| Home equity | 9.1 | 5.3 | 2.8 |
| Other consumer | 0.6 | 0.4 | 0.6 |
| Total originated non-performing loans (1) | $ 245.2 | $ 168.8 | $ 84.3 |

(1) Reported net of government guarantees totaling $9.4 million, $8.3 million and $6.5 million at December 31, 2010, 2009 and 2008, respectively.

The table above excludes acquired loans that meet People s United Financial s definition of a non-performing loan but for which the risk of credit loss has been considered by virtue of our estimate of acquisition-date fair value and/or the existence of an FDIC loss-share agreement. The discounts arising from recording these loans at fair value were due, in part, to credit quality. The acquired loans are accounted for on a pool basis and the accretable yield on the pools is being recognized as interest income over the life of the loans based on expected cash flows at the pool level.

Loans past due 90 days or more and still accruing interest totaled $1.2 million, $11.8 million and $8.0 million at December 31, 2010, 2009 and 2008, respectively.

If interest payments on all originated loans classified as non-performing at December 31, 2010, 2009 and 2008 had been made during the respective years in accordance with the loan agreements, interest income of $35.0 million, $12.5 million and $8.6 million would have been recognized on such loans for the years ended December 31, 2010, 2009 and 2008, respectively. Interest income actually recognized on originated non-performing loans totaled $13.9 million, $3.3 million and $2.4 million for the years ended December 31, 2010, 2009 and 2008, respectively.

People s United Financial s recorded investment in originated loans classified as TDRs totaled $62.6 million and $3.6 million at December 31, 2010 and 2009, respectively. The related allowance for loan losses at December 31, 2010 was $8.4 million (insignificant at December 31, 2009) and interest income recognized on these loans totaled $2.9 million for the year ended December 31, 2010 (insignificant in 2009 and 2008).

People s United Financial s impaired loans consist of certain Commercial Banking and Retail loans, including TDRs.

**People s United Financial, Inc. and Subsidiaries**

**Notes to Consolidated Financial Statements**

The following is a summary of originated loans individually evaluated for impairment, by class of loan, as of December 31, 2010:

| (in millions) | Unpaid Principal Balance | Recorded Investment | Related Allowance for Loan Losses |
|---|---|---|---|
| **Originated loans with no related allowance for loan losses:** | | | |
| Commercial Banking: | | | |
| Commercial real estate | $ 37.4 | $ 33.6 | $ |
| Commercial and industrial | 13.5 | 12.3 | |
| Equipment financing | 24.9 | 22.4 | |
| Retail: | | | |
| Residential mortgage | 8.1 | 8.0 | |
| Home equity | 0.2 | 0.2 | |
| Other consumer | | | |
| **Originated loans with a related allowance for loan losses:** | | | |
| Commercial Banking: | | | |
| Commercial real estate | 89.5 | 70.5 | 18.1 |
| Commercial and industrial | 20.6 | 5.8 | 2.4 |
| Equipment financing | 31.1 | 29.8 | 7.1 |
| Retail: | | | |
| Residential mortgage | | | |
| Home equity | | | |
| Other consumer | | | |
| Total | $ 225.3 | $ 182.6 | $ 27.6 |

The recorded investment in impaired loans was $97.7 million at December 31, 2009. At that date, impaired loans totaling $53.8 million had a related allowance for loan losses of $16.6 million and impaired loans totaling $43.9 million had no allowance for loan losses.

People s United Financial s average recorded investment in impaired loans was approximately $132.1 million, $89.6 million and $40.3 million for the years ended December 31, 2010, 2009 and 2008, respectively. Interest collections and income recognized on loans while considered impaired totaled $6.1 million, $1.6 million and $1.6 million for the years ended December 31, 2010, 2009 and 2008, respectively.

**People s United Financial, Inc. and Subsidiaries**

**Notes to Consolidated Financial Statements**

The following is a summary of aging information, by class of loan, as of December 31, 2010:

| (in millions) | Current | 30-89 Days | Past Due 90 Days or More(1) | Total | Total |
|---|---|---|---|---|---|
| Originated loans: | | | | | |
| Commercial Banking: | | | | | |
| Commercial real estate | $ 5,494.6 | $ 28.0 | $ 82.5 | $ 110.5 | $ 5,605.1 |
| Commercial and industrial | 2,955.3 | 22.5 | 38.2 | 60.7 | 3,016.0 |
| Equipment financing | 1,377.1 | 6.3 | 36.0 | 42.3 | 1,419.4 |
| Total | 9,827.0 | 56.8 | 156.7 | 213.5 | 10,040.5 |
| Retail: | | | | | |
| Residential mortgage | 2,331.8 | 73.9 | 78.8 | 152.7 | 2,484.5 |
| Home equity | 1,896.1 | 14.2 | 9.1 | 23.3 | 1,919.4 |
| Other consumer | 189.1 | 6.6 | 0.6 | 7.2 | 196.3 |
| Total | 4,417.0 | 94.7 | 88.5 | 183.2 | 4,600.2 |
| Total originated loans | $ 14,244.0 | $ 151.5 | $ 245.2 | $ 396.7 | $ 14,640.7 |

(1) Reported net of government guarantees totaling $9.4 million at December 31, 2010.

The following is a summary of credit quality indicators, by class of loan, as of December 31, 2010:

| (in millions) | Commercial Real Estate | Commercial and Industrial | Equipment Financing | Total |
|---|---|---|---|---|
| Commercial Banking: | | | | |
| Pass | $ 5,084.1 | $ 2,735.7 | $ 1,109.3 | $ 8,929.1 |
| Special mention | 232.3 | 116.7 | 79.0 | 428.0 |
| Substandard | 184.4 | 142.6 | 176.3 | 503.3 |
| Doubtful | 0.2 | 2.9 | 2.6 | 5.7 |
| Impaired | 104.1 | 18.1 | 52.2 | 174.4 |
| Total originated loans | 5,605.1 | 3,016.0 | 1,419.4 | 10,040.5 |
| Acquired loans | 1,701.3 | 79.6 | 680.9 | 2,461.8 |
| Total | $ 7,306.4 | $ 3,095.6 | $ 2,100.3 | $ 12,502.3 |

| (in millions) | Residential Mortgage | Home Equity | Other Consumer | Total |
|---|---|---|---|---|
| Retail: | | | | |
| High risk | $ 11.5 | $ 79.5 | $ 23.8 | $ 114.8 |

| | | | | |
|---|---|---|---|---|
| Moderate risk | 883.3 | 623.9 | 7.3 | 1,514.5 |
| Low risk | 1,581.7 | 1,215.8 | 165.2 | 2,962.7 |
| Impaired | 8.0 | 0.2 | | 8.2 |
| Total originated loans | 2,484.5 | 1,919.4 | 196.3 | 4,600.2 |
| Acquired loans | 353.5 | 57.8 | 4.4 | 415.7 |
| Total | $ 2,838.0 | $ 1,977.2 | $ 200.7 | $ 5,015.9 |

**People s United Financial, Inc. and Subsidiaries**

**Notes to Consolidated Financial Statements**

*Commercial Banking Credit Quality Indicators*

The company utilizes an internal loan risk rating system as a means of monitoring portfolio credit quality and identifying both problem and potential problem loans. Under the company s risk rating system, problem and potential problem loans are classified as either Special Mention, Substandard, or Doubtful , which correspond to risk ratings six, seven, and eight, respectively. Substandard loans represent those credits characterized by the distinct possibility that the company will sustain some loss if the deficiencies are not corrected. Loans classified as Doubtful possess all the weaknesses inherent in those classified Substandard with the added characteristic that collection or liquidation in full, on the basis of existing facts, conditions and values, is highly questionable and/or improbable. Loans that do not currently expose the company to sufficient enough risk of loss to warrant classification in one of the aforementioned categories but possess weaknesses that deserve management s close attention, are classified as Special Mention. Loans not meeting the aforementioned criteria are considered to be Pass -rated loans. Risk ratings are updated as warranted.

*Retail Credit Quality Indicators*

Smaller-balance, homogeneous loans possessing similar risk and loss characteristics, such as residential mortgage loans, home equity loans and other consumer loans, are not assigned individual loan risk ratings. As such, the company monitors the credit quality of these portfolios based upon portfolio trends and underlying risk elements.

The company s consideration of portfolio trends involves an analysis of recent loss experience as well as delinquency and non-performing loan levels. Supplementing the company s analysis of portfolio trends is a consideration of relevant portfolio-specific risk characteristics, the combination of which determines whether a loan is classified as High risk, Moderate risk or Low risk. Those risk characteristics include the following:

(i) collateral values / loan-to-value ratios (above and below 70%);
(ii) borrower credit scores under the FICO scoring system (above and below a score of 680); and
(iii) other portfolio risk elements such as income verification at time of underwriting (stated income vs. non-stated income) and the property s intended use (owner occupied, non-owner occupied, second home, etc.).

*Acquired Loans Credit Quality Indicators*

Acquired loans are risk rated, as appropriate, according to the company s internal loan risk rating system, but such ratings are not a determining factor in the establishment of the allowance for loan losses. Rather, acquired loans are initially recorded at fair value, determined based upon an estimate of the amount and timing of both principal and interest cash flows expected to be collected and discounted using a market interest rate. The difference between contractually required principal and interest payments at the acquisition date and the undiscounted cash flows expected to be collected at the acquisition date is referred to as the nonaccretable difference , which includes an estimate of future credit losses expected to be incurred over the life of the portfolio. A decrease in the expected cash flows in subsequent periods requires the establishment of an allowance for loan losses at that time. As such, the primary credit quality indicator for these loans is their underlying cash flows. At December 31, 2010, there was no allowance for loan losses on these loans.

**People s United Financial, Inc. and Subsidiaries**

**Notes to Consolidated Financial Statements**

**NOTE 6 Goodwill and Other Acquisition-Related Intangibles**

***Goodwill***

Changes in the carrying amount of goodwill are summarized as follows for the year ended December 31, 2010. There were no changes in goodwill during 2009.

| | Business Segment | | | |
|---|---|---|---|---|
| (in millions) | Commercial Banking | Retail and Business Banking | Wealth Management | Total |
| Balance at December 31, 2009 | $ 616.9 | $ 595.0 | $ 49.8 | $ 1,261.7 |
| Acquisition of: | | | | |
| Financial Federal | 268.2 | | | 268.2 |
| Smithtown | 102.9 | 11.4 | | 114.3 |
| LSB | 40.7 | 17.4 | | 58.1 |
| Butler Bank | 10.1 | 14.0 | | 24.1 |
| Other adjustments | (1.7) | (1.3) | | (3.0) |
| Balance at December 31, 2010 | $ 1,037.1 | $ 636.5 | $ 49.8 | $ 1,723.4 |

There were no impairment losses relating to goodwill during the years ended December 31, 2010 or 2009. During the second quarter of 2010, People s United Financial changed the date of its annual impairment testing for goodwill from December 31st to October 1st. The change in the date of the annual goodwill impairment test represents a change in the method of applying an accounting principle. Management believes this change in accounting principle is preferable, as the earlier date provides the company additional time for the completion of its annual impairment testing in conjunction with its December 31 year-end closing activities and is better aligned with the timing of its annual budget process.

***Other Acquisition-Related Intangibles***

The following is a summary of People s United Financial s other acquisition-related intangibles:

| | 2010 | | | 2009 | | |
|---|---|---|---|---|---|---|
| As of December 31 (in millions) | Gross Amount | Accumulated Amortization | Carrying Amount | Gross Amount | Accumulated Amortization | Carrying Amount |
| Trade name intangible | $ 122.7 | $ 3.0 | $ 119.7 | $ 122.7 | $ | $ 122.7 |
| Core deposit intangible | 130.8 | 48.5 | 82.3 | 124.1 | 33.5 | 90.6 |
| Trust relationships | 42.7 | 8.5 | 34.2 | 42.7 | 5.7 | 37.0 |
| Insurance relationships | 31.5 | 29.1 | 2.4 | 31.5 | 28.3 | 3.2 |
| Total other acquisition-related intangibles | $ 327.7 | $ 89.1 | $ 238.6 | $ 321.0 | $ 67.5 | $ 253.5 |

**People s United Financial, Inc. and Subsidiaries**

**Notes to Consolidated Financial Statements**

In connection with People s United Financial s acquisition of Chittenden in January 2008, a trade name intangible asset with a fair value of $122.7 million was established and assigned an indefinite useful life based on management s intentions at that time. In June 2010, People s United Financial announced a plan to re-brand , as People s United Bank, the former Chittenden banks in connection with the scheduled completion of its core system conversion in July 2010. Management believes the name change better leverages the People s United brand and the full range of services available to its customers.

As a result of the decision to re-brand the Chittenden banks, the useful life of the trade name intangible asset was no longer deemed to be indefinite and management was required to perform an impairment test prior to amortizing the asset over its estimated remaining useful life beginning July 1, 2010. People s United Financial performed its trade name impairment test as of June 30, 2010 and determined that the fair value of the trade name intangible exceeded its carrying amount. As a result, no impairment loss was recognized. The trade name intangible will be amortized on an accelerated basis over a period of approximately 20 years, reflecting the manner in which the related benefit is realized.

Including the trade name intangible asset discussed above, other acquisition-related intangible assets have an original weighted-average amortization period of 15 years. Amortization expense of other acquisition-related intangible assets totaled $21.7 million, $20.6 million, and $21.3 million for the years ended December 31, 2010, 2009 and 2008, respectively, and is included in other non-interest expense in the Consolidated Statements of Income. The estimated aggregate amortization expense for each of the next five years is as follows: $23.8 million in 2011; $22.4 million in 2012; $21.8 million in 2013; $20.4 million in 2014; and $19.7 million in 2015.

**NOTE 7 Premises and Equipment**

The components of premises and equipment are summarized below:

| **As of December 31 (in millions)** | **2010** | **2009** |
|---|---|---|
| Land | $ 39.5 | $ 37.9 |
| Buildings | 284.6 | 258.5 |
| Leasehold improvements | 116.2 | 63.8 |
| Furniture and equipment | 293.5 | 298.3 |
| Total | 733.8 | 658.5 |
| Less accumulated depreciation and amortization | 408.7 | 394.0 |
| Total premises and equipment, net | $ 325.1 | $ 264.5 |

Depreciation and amortization expense included in occupancy and equipment expense in the Consolidated Statements of Income totaled $35.3 million, $32.8 million and $31.7 million for the years ended December 31, 2010, 2009 and 2008, respectively.

In 2010, People s United Financial sold three of its closed branch offices, two located in New Hampshire and the other in Vermont. Included in the sales were approximately $1.8 million of fixed assets. People s United Financial recorded a total loss on sale of $0.2 million that is included in other non-interest income in the Consolidated Statements of Income.

In 2009, People s United Financial sold two of its branch offices, one located in Vermont and the other in Massachusetts. Included in the sales were approximately $10.0 million in deposits and $0.5 million of fixed assets. People s United Financial recorded a total gain on sale of $1.4 million that is included in other non-interest income in the Consolidated Statements of Income.

**People s United Financial, Inc. and Subsidiaries**

**Notes to Consolidated Financial Statements**

In 2008, People s United Financial sold a portion of its non-branch properties located in Bridgeport, Connecticut with a carrying amount of $9.0 million, and recognized a loss on sale of $0.8 million that is included in other non-interest expense in the Consolidated Statements of Income. Also in 2008, People s United Financial sold two of its branch offices located in New Hampshire. Included in the sales were approximately $24.0 million in deposits and $1.4 million of fixed assets. People s United Financial recorded a total gain on sale of $1.4 million that is included in other non-interest income in the Consolidated Statements of Income.

**NOTE 8 Other Assets**

Selected components of other assets are as follows:

| **As of December 31 (in millions)** | **2010** | **2009** |
|---|---|---|
| Leased equipment | $ 105.6 | $ 74.3 |
| Accrued interest receivable | 67.6 | 54.9 |
| Pension and other retirement benefits (note 17) | 53.8 | 68.0 |
| Net deferred tax asset (note 12) | 51.4 | |
| Prepaid FDIC assessment (1) | 48.4 | 68.9 |
| Economic development investments (note 12) | 46.8 | 42.2 |
| Receivables arising from securities brokerage and insurance businesses | 37.8 | 37.4 |
| Other prepaid expenses | 28.6 | 16.4 |
| FDIC loss-share receivable (note 2) | 26.2 | |
| Other real estate owned: | | |
| Residential | 21.3 | 4.6 |
| Commercial | 18.5 | 22.1 |
| Repossessed assets | 18.1 | 12.9 |
| Fair value of derivative financial instruments (note 19) | 17.1 | 10.0 |

(1) Represents estimated deposit insurance premiums for the three years ending December 31, 2012 assessed in December 2009 in accordance with FDIC regulations.

**NOTE 9 Deposits**

The following is an analysis of People s United Financial s total deposits by product type:

| | **2010** | | **2009** | |
|---|---|---|---|---|
| **As of December 31 (dollars in millions)** | **Amount** | **Weighted Average Rate** | **Amount** | **Weighted Average Rate** |
| Non-interest-bearing | $ 3,872.6 | % | $ 3,509.0 | % |
| Savings, interest-bearing checking and money market | 8,897.8 | 0.51 | 7,327.9 | 0.65 |
| Total | 12,770.4 | 0.36 | 10,836.9 | 0.44 |
| Time deposits maturing: | | | | |
| Within 6 months | 2,357.9 | 1.14 | 2,244.3 | 1.60 |

| | | | | |
|---|---|---|---|---|
| After 6 months but within 1 year | 1,485.2 | 1.29 | 1,441.9 | 1.67 |
| After 1 but within 2 years | 840.0 | 1.69 | 757.1 | 1.90 |
| After 2 but within 3 years | 195.7 | 2.66 | 78.2 | 2.80 |
| After 3 years | 283.9 | 2.78 | 87.2 | 3.16 |
| Total | 5,162.7 | 1.42 | 4,608.7 | 1.72 |
| Total deposits | $ 17,933.1 | 0.66% | $ 15,445.6 | 0.82% |

**People s United Financial, Inc. and Subsidiaries**

**Notes to Consolidated Financial Statements**

People s United Financial assumed deposits with a fair value of $2.5 billion in connection with the acquisitions completed in 2010. Time deposits issued in amounts of $100,000 or more totaled $1.9 billion and $1.5 billion at December 31, 2010 and 2009, respectively. Overdrafts of non-interest-bearing deposit accounts totaling $4.5 million and $4.3 million at December 31, 2010 and 2009, respectively, have been classified as loans.

Interest expense on deposits is summarized as follows:

| **Years ended December 31 (in millions)** | **2010** | **2009** | **2008** |
|---|---|---|---|
| Savings, interest-bearing checking and money market | $ 47.4 | $ 48.2 | $ 78.5 |
| Time | 65.4 | 125.2 | 183.6 |
| Total interest expense | $ 112.8 | $ 173.4 | $ 262.1 |

**NOTE 10 Borrowings**

People s United Financial s borrowings are summarized as follows:

| | **2010** | | **2009** | |
|---|---|---|---|---|
| **As of December 31 (dollars in millions)** | **Amount** | **Weighted Average Rate** | **Amount** | **Weighted Average Rate** |
| Fixed rate FHLB advances maturing: | | | | |
| Within 1 year | $ 28.8 | 3.27% | $ 7.7 | 3.98% |
| After 1 but within 2 years | 15.4 | 5.17 | 1.7 | 3.97 |
| After 2 but within 3 years | 65.9 | 2.65 | | |
| After 3 but within 4 years | 16.8 | 4.50 | | |
| After 4 but within 5 years | 1.5 | 4.37 | | |
| After 5 years | 380.9 | 3.05 | 5.4 | 2.04 |
| Total FHLB advances | 509.3 | 3.13 | 14.8 | 3.28 |
| Repurchase agreements maturing: | | | | |
| Within 1 month | 472.2 | 0.43 | 144.1 | 0.48 |
| Within 1 year | 1.0 | 0.80 | | |
| After 1 but within 2 years | 27.1 | 4.78 | | |
| After 4 but within 5 years | 1.0 | 1.75 | | |
| Total repurchase agreements | 501.3 | 0.67 | 144.1 | 0.48 |