People's United Financial, Inc.
Form 10-Q
November 09, 2009

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF

THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2009

Commission File Number 001-33326

PEOPLE S UNITED FINANCIAL, INC.

(Exact name of registrant as specified in its charter)

Delaware	**20-8447891**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
850 Main Street, Bridgeport, Connecticut	**06604**
(Address of principal executive offices)	**(Zip Code)**

(203) 338-7171

(Registrant s telephone number, including area code)

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

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

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

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

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

As of October 31, 2009, there were 348,254,160 shares of the registrant s common stock outstanding.

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Item 1 - Financial Statements

People s United Financial, Inc.

Consolidated Statements of Condition - (Unaudited)

(in millions)	September 30, 2009	December 31, 2008
Assets		
Cash and due from banks	$ 410.9	$ 345.1
Short-term investments (note 3)	1,933.0	1,138.8
Total cash and cash equivalents	2,343.9	1,483.9
Securities (note 3):		
Trading account securities, at fair value	10.3	21.4
Securities available for sale, at fair value	453.4	1,848.3
Securities held to maturity, at amortized cost (fair value of $55.3 million and $0.9 million)	55.3	0.9
Federal Home Loan Bank stock, at cost	31.1	31.1
Total securities	550.1	1,901.7
Securities purchased under agreements to resell	1,144.0	
Loans (note 4):		
Commercial real estate	5,365.8	4,967.3
Commercial	4,011.4	4,226.4
Residential mortgage	2,654.0	3,144.6
Consumer	2,270.4	2,227.4
Total loans	14,301.6	14,565.7
Less allowance for loan losses	(172.5)	(157.5)
Total loans, net	14,129.1	14,408.2
Goodwill (note 7)	1,261.7	1,261.7
Other acquisition-related intangibles (note 7)	258.5	274.1
Premises and equipment	261.7	262.4
Bank-owned life insurance	235.2	228.6
Other assets (note 11)	625.9	347.1
Total assets	$ 20,810.1	$ 20,167.7
Liabilities		
Deposits:		
Non-interest-bearing	$ 3,192.8	$ 3,173.4
Savings, interest-bearing checking and money market	6,926.0	6,214.7
Time	4,931.6	4,881.3
Total deposits	15,050.4	14,269.4
Borrowings:		

Repurchase agreements	139.0	156.7
Federal Home Loan Bank advances	15.0	15.1
Other		16.1
Total borrowings	154.0	187.9
Subordinated notes	181.5	180.5
Other liabilities (notes 11 and 13)	309.0	356.1
Total liabilities	15,694.9	14,993.9
Stockholders Equity		
Common stock ($0.01 par value; 1.95 billion shares authorized; 348.4 million shares and 347.9 million shares issued)	3.5	3.5
Additional paid-in capital	4,506.3	4,485.1
Retained earnings (note 13)	943.4	1,020.9
Treasury stock, at cost (3.3 million shares and 3.2 million shares)	(59.6)	(57.9)
Accumulated other comprehensive loss (note 5)	(81.4)	(75.4)
Unallocated common stock of Employee Stock Ownership Plan (9.5 million shares and 9.8 million shares) (note 1)	(197.0)	(202.4)
Total stockholders equity	5,115.2	5,173.8
Total liabilities and stockholders equity	$ 20,810.1	$ 20,167.7

See accompanying notes to consolidated financial statements.

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People s United Financial, Inc.

Consolidated Statements of Income - (Unaudited)

(in millions, except per share data)	Three Months Ended Sept. 30, 2009	Three Months Ended Sept. 30, 2008	Nine Months Ended Sept. 30, 2009	Nine Months Ended Sept. 30, 2008
Interest and dividend income:				
Commercial real estate	$ 73.9	$ 75.4	$ 213.7	$ 228.2
Commercial	49.6	56.6	150.8	174.2
Residential mortgage	35.1	45.4	113.6	146.7
Consumer	24.0	27.2	71.9	85.1
Total interest on loans	182.6	204.6	550.0	634.2
Securities	7.5	4.8	24.0	22.3
Short-term investments	1.4	12.5	4.7	40.8
Securities purchased under agreements to resell	0.4	0.5	0.6	7.5
Total interest and dividend income	191.9	222.4	579.3	704.8
Interest expense:				
Deposits	42.5	58.0	137.5	207.5
Borrowings	0.3	0.8	1.1	2.8
Subordinated notes	3.8	3.8	11.4	11.4
Total interest expense	46.6	62.6	150.0	221.7
Net interest income	145.3	159.8	429.3	483.1
Provision for loan losses (note 2)	21.5	6.8	43.4	17.5
Net interest income after provision for loan losses	123.8	153.0	385.9	465.6
Non-interest income:				
Investment management fees	8.4	8.9	24.5	27.2
Insurance revenue	7.9	8.8	23.0	26.0
Brokerage commissions	2.8	4.1	9.3	12.8
Total wealth management income	19.1	21.8	56.8	66.0
Bank service charges	33.3	33.1	96.6	96.2
Merchant services income	6.7	7.5	18.6	21.0
Net gains on sales of residential mortgage loans	5.2	1.5	10.9	5.7
Net security gains (losses) (note 3)	4.7	(0.2)	22.1	8.1
Bank-owned life insurance	2.2	2.1	6.5	6.8
Other non-interest income	9.0	8.4	25.9	26.1
Total non-interest income	80.2	74.2	237.4	229.9
Non-interest expense:				
Compensation and benefits	86.0	85.6	261.3	261.4
Occupancy and equipment	27.5	26.1	81.8	83.8
Professional and outside service fees	11.6	11.9	34.0	35.2
Merchant services expense	5.7	6.8	15.8	18.2
Merger-related expenses (note 2)				36.5

Other non-interest expense (notes 7 and 13)	34.3	28.3	119.5	105.7
Total non-interest expense	165.1	158.7	512.4	540.8
Income before income tax expense	38.9	68.5	110.9	154.7
Income tax expense	12.1	22.5	34.6	50.6
Net income (note 13)	$ 26.8	$ 46.0	$ 76.3	$ 104.1
Earnings per common share (notes 6 and 13):				
Basic	$ 0.08	$ 0.14	$ 0.23	$ 0.32
Diluted	0.08	0.14	0.23	0.32

See accompanying notes to consolidated financial statements.

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People s United Financial, Inc.

Consolidated Statements of Changes in Stockholders Equity - (Unaudited)

For the nine months ended September 30, 2009 (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, 2008 (note 13)	$ 3.5	$ 4,485.1	$ 1,020.9	$ (57.9)	$ (75.4)	$ (202.4)	$ 5,173.8
Comprehensive income:							
Net income			76.3				76.3
Other comprehensive loss, net of tax (note 5)					(6.0)		(6.0)
Total comprehensive income							70.3
Cash dividends on common stock ($0.45 per share)			(152.5)				(152.5)
Restricted stock awards		15.2		(1.7)			13.5
ESOP common stock committed to be released (note 1)			(1.1)			5.4	4.3
Common stock repurchased and retired			(0.2)				(0.2)
Stock options and related tax benefits		6.0					6.0
Balance at September 30, 2009	$ 3.5	$ 4,506.3	$ 943.4	$ (59.6)	$ (81.4)	$ (197.0)	$ 5,115.2

For the nine months ended September 30, 2008 (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			104.1				104.1
Other comprehensive income, net of tax					3.7		3.7
Total comprehensive income							107.8
Common stock issued in the Chittenden Corporation acquisition, net of issuance costs (note 2)	0.5	769.7					770.2
Cash dividends on common stock ($0.43 per share)			(144.2)				(144.2)
Restricted stock awards		24.3	(0.7)	(6.2)			17.4
ESOP common stock committed to be released (note 1)			(0.9)			5.4	4.5
Stock options and related tax benefits		36.1					36.1
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 1)			(0.3)		(1.0)		(1.3)

Balance at September 30, 2008	$ 3.5	$ 4,475.6	$ 1,037.6	$ (58.0)	$ (15.9)	$ (204.2)	$ 5,238.6

See accompanying notes to consolidated financial statements.

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People s United Financial, Inc.

Consolidated Statements of Cash Flows - (Unaudited)

(in millions)	Nine Months Ended Sept. 30, 2009	Sept. 30, 2008
Cash Flows from Operating Activities:		
Net income	$ 76.3	$ 104.1
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	43.4	17.5
Depreciation and amortization of premises and equipment	23.6	24.0
Impairment loss on premises and equipment		19.3
Amortization of leased equipment	10.1	5.9
Amortization of other acquisition-related intangibles	15.6	15.8
Net security gains	(22.1)	(8.1)
Net gains on sales of residential mortgage loans	(10.9)	(5.7)
ESOP common stock committed to be released	4.3	4.5
Expense related to share-based awards	18.9	16.6
Originations of loans held-for-sale	(922.1)	(476.8)
Proceeds from sales of loans held-for-sale	908.6	459.3
Net decrease (increase) in trading account securities	11.1	(14.6)
Net changes in other assets and liabilities	23.5	(17.2)
Net cash provided by operating activities	180.3	144.6
Cash Flows from Investing Activities:		
Net (increase) decrease in securities purchased under agreements to resell	(1,144.0)	428.0
Proceeds from sales of securities available for sale	731.6	638.4
Proceeds from sales of other securities	5.6	6.9
Proceeds from principal repayments of securities available for sale	1,618.1	1,268.1
Proceeds from principal repayments of securities held to maturity	0.6	
Purchases of securities available for sale	(1,275.3)	(1,335.9)
Purchases of securities held to maturity	(55.0)	
Proceeds from sales of loans	9.3	53.2
Net loan principal collections	228.7	241.2
Purchases of bank-owned life insurance		(0.2)
Return of premium on bank-owned life insurance		1.4
Purchases of premises and equipment	(23.4)	(20.2)
Purchases of leased equipment	(20.0)	(11.2)
Net cash paid in sale of branches	(16.2)	
Proceeds from sales of real estate owned	6.5	3.6
Cash paid, net of cash acquired, in acquisition of Chittenden Corporation		(762.8)
Net cash provided by investing activities	66.5	510.5
Cash Flows from Financing Activities:		
Net increase (decrease) in deposits	799.3	(958.7)
Net (decrease) increase in borrowings with terms of three months or less	(33.8)	12.5
Repayments of borrowings with terms of more than three months	(0.8)	(4.5)
Proceeds from borrowings with terms of more than three months	0.7	
Cash dividends paid on common stock	(152.5)	(144.2)
Common stock repurchased and retired	(0.2)	
Proceeds from stock options exercised, including excess income tax benefits	0.5	26.6

Net cash provided by (used in) financing activities	613.2	(1,068.3)
Net increase (decrease) in cash and cash equivalents	860.0	(413.2)
Cash and cash equivalents at beginning of period	1,483.9	3,384.2
Cash and cash equivalents at end of period	$ 2,343.9	$ 2,971.0
Supplemental Information:		
Interest payments	$ 153.5	$ 216.4
Income tax payments	38.4	66.2
Real estate properties acquired by foreclosure	10.0	3.8

See accompanying notes to consolidated financial statements.

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PEOPLE S UNITED FINANCIAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

NOTE 1. GENERAL

In the opinion of management, the accompanying unaudited consolidated financial statements of People s United Financial, Inc. (People s United Financial) have been prepared to reflect all adjustments necessary to present fairly the financial position and results of operations as of the dates and for the periods shown. All significant intercompany transactions and balances are eliminated in consolidation. Certain reclassifications have been made to prior period amounts to conform to the current period presentation. The company has considered all subsequent events through November 6, 2009, the date of issuance of these financial statements, for potential recognition and/or disclosure herein.

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

Note 1 to People s United Financial s audited consolidated financial statements included in the Annual Report on Form 10-K for the year ended December 31, 2008, as supplemented by the Quarterly Reports on Form 10-Q for the periods ended March 31, 2009 and June 30, 2009, and this Quarterly Report for the period ended September 30, 2009, provides disclosure of People s United Financial s significant accounting policies. Several accounting estimates are particularly critical and are susceptible to significant near-term change, including the allowance for loan losses, the valuation of derivative financial instruments, and asset impairment judgments, such as other-than-temporary declines in the value of securities and the recoverability of goodwill and other intangible assets. These significant accounting policies and critical estimates are reviewed with the Audit Committee of the Board of Directors. The judgments used by management in applying these critical accounting policies may be affected by a further and prolonged deterioration in the economic environment, which may result in changes to future financial results. For example, subsequent evaluations of the loan portfolio, in light of the factors then prevailing, may result in significant changes in the allowance for loan losses in future periods, and the inability to collect outstanding principal may result in increased loan losses.

Certain information and footnote disclosures normally included in consolidated financial statements prepared in conformity with U.S. generally accepted accounting principles have been omitted or condensed. As a result, the accompanying consolidated financial statements should be read in conjunction with People s United Financial s Annual Report on Form 10-K for the year ended December 31, 2008. The results of operations for the three and nine months ended September 30, 2009 are not necessarily indicative of the results of operations that may be expected for the entire year or any other interim period.

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Bank-Owned Life Insurance

Bank-owned life insurance (BOLI) represents the cash surrender value of life insurance policies purchased on the lives of certain management-level employees. BOLI funds are 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.

Employee Benefit Plans

People s United Financial Employee Pension and Other Postretirement Benefit Plans

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

New employees of People s United Bank starting on or after August 14, 2006 are not eligible to participate in the defined benefit pension plan. Instead, People s United Financial makes contributions on behalf of these employees to a qualified defined contribution plan in an annual amount equal to 3% of the covered employee s eligible compensation. Employee participation in this plan is restricted to employees who are at least 21 years of age and worked at least 1,000 hours in a year. Both full-time and part-time employees are eligible to participate as long as they meet these requirements.

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

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

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On January 1, 2008, People s United Financial changed its pension plan measurement date upon adoption of the transition provisions of an accounting standard issued by the Financial Accounting Standards Board (the FASB). In doing so, People s United Financial performed a measurement of plan assets and benefit obligations as of January 1, 2008 and recorded the net periodic benefit cost for the period between the measurement date used for purposes of 2007 year-end reporting (September 30, 2007) and December 31, 2007 as an adjustment, net of tax, to the opening balance of retained earnings as of January 1, 2008. Other changes in the fair value of plan assets and the benefit obligations for the period between September 30, 2007 and December 31, 2007 were recognized, net of tax, as a separate adjustment to the opening balance of accumulated other comprehensive loss as of January 1, 2008. Application of these transition provisions on January 1, 2008 resulted in People s United Financial recording a pre-tax reduction in retained earnings of $0.4 million ($0.3 million net of tax) and a pre-tax increase in accumulated other comprehensive loss of $1.6 million ($1.0 million net of tax).

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

For the three months ended September 30 (in millions)	**Pension Benefits 2009**	**Pension Benefits 2008**	**Other Postretirement Benefits 2009**	**Other Postretirement Benefits 2008**
Net periodic benefit expense:				
Service cost	$ 2.4	$ 2.0	$	$
Interest cost	3.9	3.7	0.2	0.2
Expected return on plan assets	(6.2)	(6.1)		
Amortization of unrecognized net transition obligation			0.1	0.1
Recognized net actuarial loss	1.4	0.4		
Recognized prior service credit			(0.1)	(0.1)
Net periodic benefit expense	$ 1.5	$	$ 0.2	$ 0.2

For the nine months ended September 30 (in millions)	**Pension Benefits 2009**	**Pension Benefits 2008**	**Other Postretirement Benefits 2009**	**Other Postretirement Benefits 2008**
Net periodic benefit expense (income):				
Service cost	$ 7.0	$ 6.0	$ 0.1	$ 0.1
Interest cost	11.9	11.1	0.5	0.5
Expected return on plan assets	(18.5)	(18.3)		
Amortization of unrecognized net transition obligation			0.3	0.3
Recognized net actuarial loss	4.2	1.2		
Recognized prior service credit	(0.1)	(0.1)	(0.2)	(0.2)
Net periodic benefit expense (income)	4.5	(0.1)	0.7	0.7
Other changes in plan assets and benefit obligations recognized in other comprehensive income or loss:				
Net actuarial loss	(4.2)	(1.2)		
Transition obligation			(0.3)	(0.3)
Prior service credit	0.1	0.1	0.2	0.2
Total pre-tax changes recognized in other comprehensive income or loss	(4.1)	(1.1)	(0.1)	(0.1)
Total recognized in net periodic benefit expense (income) and other comprehensive income or loss	$ 0.4	$ (1.2)	$ 0.6	$ 0.6

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Chittenden Pension Plan

In addition to the plans described above, People s United Financial continues to maintain a fully-funded qualified defined benefit pension plan that covers former Chittenden employees (see Note 2) who meet certain eligibility requirements. Effective December 31, 2005, benefits accrued under this defined benefit plan were frozen based on participants then current service and pay levels. Net periodic benefit income for this plan totaled $1.0 million for both the nine months ended September 30, 2009 and 2008.

Employee Stock Ownership Plan

In April 2007, People s United Financial established an Employee Stock Ownership Plan (the ESOP). At that time, People s United Financial loaned the ESOP $216.8 million to purchase 10,453,575 shares of People s United Financial common stock in the open market. In order for the ESOP to repay the loan, People s United Financial expects to make annual cash contributions of approximately $18.8 million until 2036. Such cash contributions may be reduced by the cash dividends paid on unallocated ESOP shares. At September 30, 2009, the loan balance totaled $208.1 million.

Shares of People s United Financial common stock are held by the ESOP and allocated to eligible participants annually based upon a percentage of each participant s eligible compensation. Since the ESOP was established, 958,247 shares of People s United Financial common stock have been allocated or committed to be released to participants accounts. At September 30, 2009, a total of 9,495,328 shares of People s United Financial common stock, with a fair value of $147.7 million, have not been allocated or committed to be released.

Compensation expense related to the ESOP is recognized at an amount equal to the number of common shares committed to be released by the ESOP for allocation to participants accounts multiplied by the average fair value of People s United Financial s common stock during the reporting period. The difference between the fair value of the shares of People s United Financial s common stock committed to be released and the cost of those common shares is recorded as an adjustment to either additional paid-in capital (if fair value exceeds cost) or retained earnings (if fair value is less than cost). Expense recognized for the ESOP totaled $4.3 million and $4.5 million for the nine months ended September 30, 2009 and 2008, respectively.

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NOTE 2. ACQUISITION OF CHITTENDEN CORPORATION

On January 1, 2008, People s United Financial completed its acquisition of Chittenden Corporation (Chittenden), a multi-bank holding company headquartered in Burlington, Vermont. Total consideration paid in the Chittenden acquisition of $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. Goodwill resulting from the Chittenden acquisition totaled $1.16 billion and other acquisition-related intangible assets recorded in connection with the Chittenden acquisition totaled $292.9 million at January 1, 2008 (see Note 7).

Merger-related expenses totaling $41.0 million were recorded in the first quarter of 2008. Included in this amount was a $4.5 million charge to the provision for loan losses to align allowance for loan losses methodologies across the combined organization. In addition, non-interest expense included $36.5 million of merger-related charges, including asset impairment charges ($19.3 million), costs relating to severance and branch closings ($10.5 million), and other accrued liabilities ($6.7 million).

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NOTE 3. SECURITIES AND SHORT-TERM INVESTMENTS

The amortized cost, gross unrealized gains and losses, and fair value of People s United Financial s securities are as follows:

As of September 30, 2009 (in millions)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Trading account securities	$ 10.3	$	$	$ 10.3
Securities available for sale:				
Debt securities:				
U.S. Treasury and agency	10.2			10.2
Government-sponsored enterprise (GSE) residential mortgage-backed securities	435.6	6.8		442.4
State and municipal	0.3			0.3
Total debt securities	446.1	6.8		452.9
Equity securities	0.5			0.5
Total securities available for sale	446.6	6.8		453.4
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
Federal Home Loan Bank (FHLB) stock	31.1			31.1
Total securities	$ 543.3	$ 6.8	$	$ 550.1

As of December 31, 2008 (in millions)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Trading account securities	$ 21.4	$	$	$ 21.4
Securities available for sale:				
Debt securities:				
U.S. Treasury, agency and GSE	1,469.2	2.9		1,472.1
U.S. agency and GSE residential mortgage-backed securities	373.2	2.2		375.4
State and municipal	0.3			0.3
Total debt securities	1,842.7	5.1		1,847.8
Equity securities	0.5			0.5
Total securities available for sale	1,843.2	5.1		1,848.3
Securities held to maturity	0.9			0.9
FHLB stock	31.1			31.1

Total securities	$ 1,896.6	$ 5.1	$	$ 1,901.7

At September 30, 2009, eight state and municipal securities classified as available for sale with a fair value of $0.3 million had continuous unrealized losses for a period greater than 12 months totaling less than $25,000 at that date.

Management reviews debt securities with unrealized losses on a regular basis 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) the holder has an intention to sell the security; (ii) it is more likely than not that the security will be required to be sold prior to recovery; or (iii) the holder 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. As of September 30, 2009, 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 three and nine months ended September 30, 2009 and 2008.

At September 30, 2009, the amortized cost of available for sale debt securities, other than residential mortgage-backed securities, and held to maturity debt securities, are as follows (by remaining period to contractual maturity): $9.9 million within 1 year; $0.6 million after 1 but within 5 years; $55.1 million after 5 but within 10 years; and $0.2 million after 10 years.

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 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 in FHLB stock is periodically evaluated for impairment based on, among other things, the capital adequacy of the FHLB and its overall financial condition. The FHLB has reported recent operating losses and a decline in capital, and has, as a result, suspended paying dividends and placed a moratorium on certain stock repurchases. However, based on the capital adequacy and liquidity position of the FHLB, management believes there is no impairment in the company s investment in FHLB stock at September 30, 2009.

People s United Financial uses the specific identification method to determine the cost of securities sold and records securities transactions on the trade date. In the third quarter of 2009, People s United Financial sold residential mortgage-backed securities with an amortized cost of $308 million and recorded $4.8 million of gross realized gains. In the second quarter of 2009, People s United Financial sold residential mortgage-backed securities with an amortized cost of $723 million and recorded $12.1 million of gross realized gains. Net security gains in the first quarter of 2009 include a gain of $5.6 million resulting from the sale of People s United Financial s remaining Class B Visa shares as described below. Including other minor gains and losses, net security gains totaled $22.1 million for the nine months ended September 30, 2009.

In the first quarter of 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 in the first quarter of 2008 representing its proportionate share of the litigation reserve escrow account established by Visa in conjunction with its IPO. Including a first quarter 2008 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 $8.1 million for the nine months ended September 30, 2008.

At September 30, 2009, short-term investments included $0.7 billion of GSE debt securities with maturities of 90 days or less. Given the short duration of these securities, they are held to maturity and carried at amortized cost, which approximates fair value. These securities, which carry the implicit backing of the U.S. government but are not direct obligations of the U.S. government, had a weighted average yield of 0.17% at September 30, 2009. The remaining balance of short-term investments at September 30, 2009 included $1.2 billion of interest-earning deposits at the Federal Reserve Bank of New York.

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NOTE 4. LOANS

The components of People s United Financial s loan portfolio are summarized as follows:

(in millions)	September 30, 2009	December 31, 2008
Commercial real estate:		
Retail	$ 1,333.0	$ 1,204.5
Office buildings	1,274.2	1,047.4
Residential	797.4	766.4
Industrial/manufacturing	648.5	643.2
Hospitality and entertainment	530.7	544.3
Mixed/Special use	259.1	252.2
Land	169.6	172.6
Self storage/industrial	130.4	125.5
Health care	86.5	86.4
Other properties	136.4	124.8
Total commercial real estate	5,365.8	4,967.3
Commercial and industrial:		
Finance, insurance and real estate	596.0	618.3
Service	564.7	571.4
Manufacturing	516.2	633.3
Wholesale distribution	253.7	289.5
Retail sales	193.5	195.0
Health services	179.2	169.3
Construction	123.0	130.2
Public administration	90.7	107.8
Transportation/utility	75.4	77.7
Arts/entertainment/recreation	73.2	65.3
Agriculture	31.4	33.6
Other	84.3	108.1
Total commercial and industrial (1)	2,781.3	2,999.5
People s Capital and Leasing Corp.:		
Printing	404.7	415.4
Transportation/utility	355.6	339.5
General manufacturing	166.3	166.1
Rental/leasing/retail	132.0	135.6
Packaging	83.5	87.3
Service	39.0	33.8
Health services	26.1	25.5
Wholesale distribution	22.9	23.7
Total PCLC (1)	1,230.1	1,226.9
Residential mortgage:		
Adjustable rate	2,377.0	2,857.2
Fixed rate	277.0	287.4

Total residential mortgage	2,654.0	3,144.6
Consumer:		
Home equity credit lines	1,731.3	1,619.8
Second mortgages	261.0	325.7
Indirect auto	223.9	224.8
Other	54.2	57.1
Total consumer	2,270.4	2,227.4
Total loans	$ 14,301.6	$ 14,565.7

(1) Reported as commercial loans in the Consolidated Statements of Condition.

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Residential mortgage loans at September 30, 2009 and December 31, 2008 included loans held for sale (all to be sold servicing released) of $56.1 million and $31.7 million, respectively, which approximate fair value.

NOTE 5. COMPREHENSIVE INCOME

Comprehensive income represents the sum of net income and items of other comprehensive income or loss that are reported directly in stockholders equity on an after-tax basis. These items include: (i) net actuarial gains and losses, prior service credits and costs, and transition assets and obligations related to People s United Financial s pension and other postretirement benefit plans; (ii) net unrealized gains or losses on securities available for sale; and (iii) net gains or losses on derivatives accounted for as cash flow hedges. People s United Financial s total comprehensive income for the nine months ended September 30, 2009 and 2008 is reported in the Consolidated Statements of Changes in Stockholders Equity.

The components of accumulated other comprehensive loss, which is included in People s United Financial s stockholders equity on an after-tax basis, are as follows:

(in millions)	September 30, 2009	December 31, 2008
Net actuarial loss and other amounts related to pension and other postretirement benefit plans	$ (102.8)	$ (106.0)
Net gain on derivatives accounted for as cash flow hedges	17.0	26.8
Net unrealized gain on securities available for sale	4.4	3.8
Total accumulated other comprehensive loss	$ (81.4)	$ (75.4)

The increase in total accumulated other comprehensive loss from December 31, 2008 consisted of an after-tax decrease in the net gain on derivatives accounted for as cash flow hedges ($9.8 million), partially offset by an after-tax decrease in the net actuarial loss and other amounts related to pension and other postretirement benefit plans ($3.2 million) and an after-tax increase in the net unrealized gain on securities available for sale ($0.6 million). Other comprehensive loss, which is presented net of tax, totaled $6.0 million for the nine months ended September 30, 2009. There are no other-than-temporary impairment losses recognized in accumulated other comprehensive loss at September 30, 2009 (see Note 3).

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NOTE 6. EARNINGS PER COMMON SHARE

The following is an analysis of People s United Financial s basic and diluted earnings per share (EPS):

(in millions, except per share data)	Three Months Ended Sept. 30, 2009	Three Months Ended Sept. 30, 2008	Nine Months Ended Sept. 30, 2009	Nine Months Ended Sept. 30, 2008
Net income	$ 26.8	$ 46.0	$ 76.3	$ 104.1
Average common shares outstanding for basic EPS	332.0	329.7	331.8	328.8
Effect of dilutive stock options and unvested stock awards	1.4	1.6	1.2	1.4
Average common and common-equivalent shares for diluted EPS	333.4	331.3	333.0	330.2
Basic EPS	$ 0.08	$ 0.14	$ 0.23	$ 0.32
Diluted EPS	$ 0.08	$ 0.14	$ 0.23	$ 0.32

All unallocated ESOP common shares and all common shares accounted for as treasury shares have been excluded from the calculation of basic and diluted earnings per share. Anti-dilutive stock options and unvested stock awards excluded from the calculation of diluted EPS totaled 9.7 million for both the three and nine months ended September 30, 2009, and 9.3 million for both the three and nine months ended September 30, 2008.

Effective January 1, 2009, in accordance with guidance issued by the FASB, unvested share-based payment awards that include the right to receive non-forfeitable dividends or dividend equivalents are considered to participate with common stock in undistributed earnings. Accordingly, companies that issue share-based payment awards considered to be participating securities are required to calculate basic and diluted earnings per common share amounts under the two-class method. The two-class method excludes from earnings per common share calculations any dividends paid or owed to participating securities and any undistributed earnings considered to be attributable to participating securities. The application of the two-class method did not change earnings per common share amounts for the three and nine months ended September 30, 2009 or 2008.

NOTE 7. GOODWILL AND OTHER ACQUISITION-RELATED INTANGIBLE ASSETS

People s United Financial s goodwill totaled $1.26 billion at both September 30, 2009 and December 31, 2008. At September 30, 2009, goodwill was allocated to People s United Financial s business segments as follows: Commercial Banking ($616.9 million), Retail Banking and Small Business ($595.0 million), and Wealth Management ($49.8 million).

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People s United Financial s other acquisition-related intangible assets totaled $258.5 million and $274.1 million at September 30, 2009 and December 31, 2008, respectively. At September 30, 2009, the carrying amounts of other acquisition-related intangible assets were as follows: core deposits intangible ($94.7 million); trust relationships ($37.7 million); insurance relationships ($3.4 million); and trade names ($122.7 million). Trade names recognized by People s United Financial are deemed to have indefinite useful lives and, accordingly, are not amortized. Amortization expense of other acquisition-related intangible assets, which is included in other non-interest expense in the Consolidated Statements of Income, totaled $5.1 million and $5.3 million for the three months ended September 30, 2009 and 2008, respectively, and $15.6 million and $15.8 million for the nine months ended September 30, 2009 and 2008, respectively. The estimated aggregate amortization expense attributable to other acquisition-related intangible assets for the full-year of 2009 and each of the next five years is as follows: $20.5 million in 2009; $18.4 million in 2010; $16.8 million in 2011; $15.5 million in 2012; $14.9 million in 2013; and $13.7 million in 2014.

NOTE 8. COMMITMENTS AND CONTINGENCIES

In the normal course of business, People s United Financial has various outstanding commitments and contingent liabilities that are not required to be and, therefore, have not been reflected in the consolidated financial statements. In addition, in the normal course of business, People s United Financial is subject to various legal proceedings. Management has discussed the nature of these legal proceedings with legal counsel. In the opinion of management, People s United Financial s financial condition and results of operations will not be affected materially as a result of the outcome of such commitments, contingent liabilities and legal proceedings.

NOTE 9. BUSINESS SEGMENT INFORMATION

See Business Segment Results included in Item 2 for segment information for the three and nine months ended September 30, 2009 and 2008.

NOTE 10. 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 apply to People s United Financial for the following valuation measures: (i) goodwill and other acquisition-related intangible assets; (ii) real estate owned and repossessed assets; and (iii) other long-lived assets.

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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 new disclosure requirements were effective for the quarter ended June 30, 2009 and did not result in any significant change in valuation techniques and related inputs, or the resulting fair values.

The FASB standard defines fair value, establishes a new framework for measuring fair value, and expands related disclosures. These provisions are to be applied whenever other FASB standards require (or permit) assets and liabilities to be measured at fair value. Broadly, the framework defines fair value 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 most 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);
- quoted prices for identical or similar assets or liabilities in inactive markets (such as corporate and municipal bonds 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).

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

People s United Financial maintains policies and procedures to value assets and liabilities using the most relevant data available. Described below are the valuation methodologies used by People s United Financial and the resulting fair value measurement of those financial instruments reported at fair value on a recurring or non-recurring basis.

Recurring Fair Value Measurements

Investments in Debt and Equity Securities

When available, People s United Financial uses quoted market prices for identical securities, received from a third party nationally recognized pricing service, to determine the fair value of investment securities such as U.S. Treasury and agency securities that are included in Level 1. When quoted market prices for identical securities are unavailable, People s United Financial uses prices provided by the independent pricing service based on recent trading activity and other observable information including, but not limited to, market interest rate curves, referenced credit spreads and estimated prepayment rates where applicable. These investments include corporate and municipal debt securities, and government agency-issued mortgage-backed securities, all of which are included in Level 2. With respect to mortgage-backed securities, People s United Financial held GNMA residential mortgage-backed securities with a fair value of $333 million at December 31, 2008 (none at September 30, 2009). While such securities are backed by the full faith and credit of the U.S. government and, as a result, present no credit risk, they have been classified as Level 2 assets due to the method used in determining their fair value. The remaining residential mortgage-backed securities held by People s United Financial at both September 30, 2009 and December 31, 2008 have been issued by GSEs and are also included in Level 2.

Derivatives

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

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The following tables summarize People s United Financial s assets and liabilities measured at fair value on a recurring basis at September 30, 2009 and December 31, 2008:

As of September 30, 2009 (in millions)	Fair Value Measurements Using Level 1	Level 2	Level 3	Total
Assets:				
Trading account securities	$ 10.3	$	$	$ 10.3
Securities available for sale:				
U.S. Treasury and agency	10.2			10.2
GSE residential mortgage-backed securities		442.4		442.4
State and municipal		0.3		0.3
Equity securities		0.5		0.5
Interest rate swaps		7.8		7.8
Forward commitments to sell residential mortgage loans		1.1		1.1
Total	$ 20.5	$ 452.1	$	$ 472.6
Liabilities:				
Interest rate swaps	$	$ 7.3	$	$ 7.3
Foreign exchange contracts				
Interest rate-lock commitments on residential mortgage loans		1.2		1.2
Total	$	$ 8.5	$	$ 8.5

As of December 31, 2008 (in millions)	Fair Value Measurements Using Level 1	Level 2	Level 3	Total
Assets:				
Trading account securities	$ 21.4	$	$	$ 21.4
Securities available for sale:				
U.S. Treasury, agency and GSE	1,472.1			1,472.1
U.S. agency and GSE residential mortgage-backed securities		375.4		375.4
State and municipal		0.3		0.3
Equity securities		0.5		0.5
Interest rate floors		46.3		46.3
Interest rate swaps		7.3		7.3
Forward commitments to sell residential mortgage loans		0.5		0.5
Total	$ 1,493.5	$ 430.3	$	$ 1,923.8
Liabilities:				
Interest rate swaps	$	$ 7.7	$	$ 7.7
Foreign exchange contracts		0.5		0.5
Interest rate-lock commitments on residential mortgage loans		0.5		0.5
Total	$	$ 8.7	$	$ 8.7

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Non-Recurring Fair Value Measurements

Loans Held for Sale

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

Impaired Loans

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

Real Estate Owned and Repossessed Assets

Real estate owned and repossessed assets are recorded at the lower of cost or fair value, less estimated selling costs, and are therefore measured at fair value on a non-recurring basis. People s United Financial has estimated the fair values of these assets using Level 3 inputs, such as independent third-party appraisals and price opinions. Assets that are acquired through loan default are recorded as held for sale initially at the lower of the recorded investment in the loan or fair value (less estimated selling costs) upon the date of foreclosure/repossession. Subsequent to foreclosure/repossession, valuations are updated periodically and these assets may be written down further, resulting in a new cost basis.

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The following tables summarize People s United Financial s assets measured at fair value on a non-recurring basis at September 30, 2009 and December 31, 2008:

As of September 30, 2009 (in millions)	Fair Value Measurements Using Level 1	Level 2	Level 3	Total
Loans held for sale (1)	$	$ 56.1	$	$ 56.1
Impaired loans (2)			52.6	52.6
Real estate owned and repossessed assets (3)			17.0	17.0
Total	$	$ 56.1	$ 69.6	$ 125.7

As of December 31, 2008 (in millions)	Fair Value Measurements Using Level 1	Level 2	Level 3	Total
Loans held for sale	$	$ 31.7	$	$ 31.7
Impaired loans			33.0	33.0
Real estate owned and repossessed assets			9.4	9.4
Total	$	$ 31.7	$ 42.4	$ 74.1

(1) No fair value adjustments were recorded for the nine months ended September 30, 2009 and 2008.

(2) Related impairment charges totaled $10.2 million and $0.2 million for the nine months ended September 30, 2009 and 2008, respectively.

(3) Charge-offs to the allowance for loan losses related to loans that were transferred to real estate owned and repossessed assets totaled $3.2 million and $1.9 million for the nine months ended September 30, 2009 and 2008, respectively. Write downs and net loss on sale related to foreclosed/repossessed assets charged to non-interest expense totaled $0.9 million and $1.2 million for the same periods.

NOTE 11. 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 such time that 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.

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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 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.

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.

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. Counterparty credit risk related to derivatives is considered and, if material, provided for separately. At September 30, 2009, counterparties to People s United Financial s derivatives primarily represent major financial institutions with investment grade credit ratings from the major rating agencies. As such, management believes the risk of incurring losses on derivative contracts related to credit risk 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 September 30, 2009 was $3.7 million, for which People s United Financial had posted collateral of $1.9 million in the normal course of business. If the company s senior unsecured debt rating had fallen below investment grade as of that date, additional collateral of $1.4 million would have been required.

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

Interest Rate Floors

Interest rate floors are a type of option contract that are exercised when the underlying interest rate falls below a specified strike rate. Previously, People s United Financial purchased interest rate floors for the purpose of partially managing its exposure to decreases in the one-month LIBOR-index rate used to reprice certain long-term commercial loans. If the one-month LIBOR-index rate fell below the specified strike rate, People s United Financial received an interest payment on the interest rate floor equal to the difference between the one-month LIBOR-index rate on the reset date and the strike rate, which in effect, offset the decline in interest income earned on the hedged floating rate commercial loans from the decline in interest rates. The interest rate floors were accounted for as cash flow 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 $15.3 million of this gain was recognized in income during the nine months ended September 30, 2009 and the remaining unrecognized gain at September 30, 2009 was $24.8 million. The portion of the unrecognized gain at September 30, 2009 that is expected to be recognized in income over the next 12 months totals approximately $19.4 million.

Interest Rate Swaps

People s United Financial has also entered into pay fixed/receive floating interest rate swaps that are used to manage interest rate risk associated with certain interest-earning assets. Specifically, the swaps are used to match more closely the repricing of fewer than five commercial real estate loans and the funding associated with these loans. Under interest rate swaps, People s United Financial agrees with other parties to exchange, at specified intervals, the difference between fixed rate and floating rate interest amounts calculated by reference to an agreed notional amount. As a result, 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.

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Foreign Exchange Contracts

Foreign exchange contracts are commitments to buy or sell foreign currency on a future date at a contractual price. People s United Financial uses these instruments on a limited basis to eliminate its exposure to fluctuations in currency exchange rates on certain of its commercial loans that are denominated in foreign currencies. Gains and losses on foreign exchange contracts substantially offset the translation gains and losses on the related loans.

Customer Derivatives

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

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

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

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The table below provides a summary of the notional amounts and fair values of derivatives outstanding at September 30, 2009 and December 31, 2008:

		Notional Amounts		Fair Values (a) Assets		Fair Values (a) Liabilities	
(in millions)	**Type of Hedge**	**Sept. 30, 2009**	**Dec. 31, 2008**	**Sept. 30, 2009**	**Dec. 31, 2008**	**Sept. 30, 2009**	**Dec. 31, 2008**
Derivatives Not Designated as Hedging Instruments:							
Interest rate swaps - commercial customers	N/A	$ 217.0	$ 60.3	$ 5.5	$ 7.3	$ 1.8	$
Interest rate swaps - other counterparties	N/A	217.0	60.3	2.3		4.9	6.9
Total				7.8	7.3	6.7	6.9
Derivatives Designated as Hedging Instruments:							
Interest rate floors:							
Loans	Cash flow		600.0		46.3		
Interest rate swaps:							
Loans	Fair value	6.1	6.4			0.6	0.8
Foreign exchange contracts:							
Loans	Fair value	18.7	11.6				0.5
Total					46.3	0.6	1.3
Total derivatives				$ 7.8	$ 53.6	$ 7.3	$ 8.2

(a) Assets are recorded in other assets and liabilities are recorded in other liabilities.

The following table summarizes the impact of People s United Financial s derivatives on pre-tax income and accumulated other comprehensive loss (AOCL) for the nine months ended September 30, 2009 and 2008:

		Amount of Pre-Tax Gain (Loss) Recognized in Earnings (a) Nine Months Ended		Amount of Pre-Tax Gain (Loss) Recognized in AOCL Nine Months Ended	
(in millions)	**Type of Hedge**	**Sept. 30, 2009**	**Sept. 30, 2008**	**Sept. 30, 2009**	**Sept. 30, 2008**
Derivatives Not Designated as Hedging Instruments:					
Interest rate swaps - commercial customers	N/A	$ (1.0)	$ 0.5	$	$
Interest rate swaps - other counterparties	N/A	1.9	(0.3)		
Total		0.9	0.2		
Derivatives Designated as Hedging Instruments:					
Interest rate floors	Cash flow	17.0	7.5	1.2	1.4
Interest rate swaps	Fair value	(0.3)	(0.1)		
Foreign exchange contracts	Fair value				

Total	16.7	7.4	1.2	1.4
Total derivatives	$ 17.6	$ 7.6	$ 1.2	$ 1.4

(a) Amounts recognized in earnings are recorded in interest income on loans for derivatives designated as hedging instruments and other non-interest income for derivatives not designated as hedging instruments.

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NOTE 12. FAIR VALUES OF FINANCIAL INSTRUMENTS

The following is a summary of the carrying amounts and estimated fair values of People s United Financial s financial instruments:

	September 30, 2009		December 31, 2008	
(in millions)	**Carrying Amount**	**Estimated Fair Value**	**Carrying Amount**	**Estimated Fair Value**
Financial assets (other than derivatives):				
Cash and cash equivalents	$ 2,343.9	$ 2,343.9	$ 1,483.9	$ 1,483.9
Securities (1)	550.1	550.1	1,901.7	1,901.7
Securities purchased under agreements to resell	1,144.0	1,144.0		
Loans, net	14,129.1	14,277.2	14,408.2	14,598.9
Accrued interest receivable	54.6	54.6	55.7	55.7
Financial liabilities (other than derivatives):				
Time deposits	4,931.6	4,964.1	4,881.3	4,926.9
Other deposits	10,118.8	10,118.8	9,388.1	9,388.1
Repurchase agreements	139.0	139.0	156.7	156.6
Federal Home Loan Bank advances	15.0	15.1	15.1	15.1
Other borrowings			16.1	16.0
Subordinated notes	181.5	195.4	180.5	162.6
Accrued interest payable	4.2	4.2	8.8	8.8
Derivative financial instruments: (2)				
Recognized as an asset:				
Interest rate floors			46.3	46.3
Interest rate swaps	7.8	7.8	7.3	7.3
Forward commitments to sell residential mortgage loans	1.1	1.1	0.5	0.5
Recognized as a liability:				
Interest rate swaps	7.3	7.3	7.7	7.7
Foreign exchange contracts			0.5	0.5
Interest rate-lock commitments on residential mortgage loans	1.2	1.2	0.5	0.5

(1) Includes: (i) trading account securities of $10.3 million and $21.4 million at September 30, 2009 and December 31, 2008, respectively (no other financial instruments in this table were held for trading purposes); and (ii) FHLB stock, reported at cost, totaling $31.1 million at both September 30, 2009 and December 31, 2008.

(2) See Note 11 for a further discussion of derivative financial instruments.

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As discussed in Note 10, fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date (an exit price approach to value).

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

In April 2009, the FASB revised the disclosure requirements regarding fair values of financial instruments to require public companies to make those disclosures in interim financial statements (in addition to the existing requirement to make such disclosures in annual financial statements). Further, the revisions require disclosure of the methods and significant assumptions used to estimate the fair value of financial instruments on an interim basis, as well as changes in such methods and significant assumptions from prior periods. The revisions did not change the accounting treatment for these financial instruments and are effective for interim reporting periods ended after June 15, 2009.

The following is a description of the principal valuation methods used by People s United Financial for financial instruments other than securities and derivatives, which are discussed in Note 10:

Loans

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

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The fair values of performing loans were estimated by discounting the anticipated cash flows from the respective portfolios. Estimates of the timing and amount of these cash flows considered factors such as future loan prepayments and credit losses. The discount rates reflected current market rates for loans with similar terms to borrowers of similar credit quality. As a result, the valuation method for performing loans, which is consistent with certain guidance provided in FASB standards, does not fully incorporate the exit price approach to fair value. The fair values of non-performing loans were based on recent collateral appraisals or management s analysis of estimated cash flows discounted at rates commensurate with the credit risk involved.

The fair value of home equity lines of credit was based on the outstanding loan balances, and therefore does not reflect the value associated with earnings from future loans to existing customers. Management believes that the fair value of these customer relationships has a substantial intangible value separate from the loan balances currently outstanding.

Deposit Liabilities

The fair values of time deposits represent contractual cash flows discounted using interest rates currently offered on time deposits with similar characteristics and remaining maturities. The fair values of other deposit liabilities (those with no stated maturity, such as checking and savings accounts) are equal to the carrying amounts payable on demand. Deposit fair values do not include the intangible value of core deposit relationships that comprise a significant portion of People s United Financial s deposit base. Management believes that People s United Financial s core deposit relationships provide a relatively stable, low-cost funding source that has a substantial intangible value separate from the deposit balances.

Borrowings and Subordinated Notes

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

Other Financial Assets and Liabilities

Cash and cash equivalents, securities purchased under agreements to resell, and accrued interest receivable and payable have fair values that approximate the respective carrying amounts because the instruments are payable on demand or have short-term maturities, and present relatively low credit risk and interest rate risk.

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Off-Balance-Sheet Financial Instruments

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

NOTE 13. REVISED FINANCIAL RESULTS

In the third quarter of 2009, management identified an error relating to an unintentional under-accrual of certain operating expenses. As a result, operating results for the first two quarters of 2009 and the fourth quarter of 2008 have been revised to reflect the recognition of additional non-interest expense. The effect of these revisions was immaterial to each period (no change in diluted earnings per share for the second quarter of 2009 and a one cent reduction in diluted earnings per share for both the first quarter of 2009 and the fourth quarter of 2008). Net income for the three months ended June 30, 2009, March 31, 2009 and December 31, 2008 was reduced by $2.1 million, $2.5 million and $1.7 million, respectively, reflecting increases in other non-interest expense of $3.1 million, $3.5 million and $2.7 million for the respective periods (less related income taxes). The revision of fourth quarter 2008 results also increased other liabilities and reduced retained earnings by $1.7 million at December 31, 2008.

NOTE 14. NEW ACCOUNTING STANDARDS

Business Combinations

In December 2007, the FASB issued a new standard on accounting for business combinations that applies to all transactions and other events in which one entity obtains control over one or more other businesses. The standard requires 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 required to be recognized and measured at fair value on the date of acquisition rather than at a later date when the amount of that consideration may be determinable beyond a reasonable doubt. This fair value approach replaces the cost-allocation process required under prior accounting standards, whereby the cost of an acquisition was allocated to the individual assets acquired and liabilities assumed based on their estimated fair value.

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The new standard requires: (i) that acquisition-related transaction costs be expensed as incurred rather than allocating such costs to the assets acquired and liabilities assumed; (ii) that specific requirements must be met in order to accrue for a restructuring plan in purchase accounting; and (iii) that certain pre-acquisition contingencies be recognized at fair value. In April 2009, the FASB issued guidance to address application issues with respect to initial recognition and measurement, subsequent measurement and accounting, and disclosure of assets and liabilities arising from contingencies in a business combination.

People s United Financial will apply these provisions prospectively to business combinations completed after January 1, 2009.

Disclosure of Retirement Plan Assets

In December 2008, the FASB provided guidance on an employer s disclosures about plan assets of a defined benefit pension or other postretirement plan. In particular, the guidance requires that employers disclose the following with respect to such plans: (i) how investment allocation decisions are made; (ii) the major categories of plan assets, including concentrations of risk and related fair value measurements; and (iii) the fair value techniques and pertinent inputs used to determine the fair value of plan assets. These disclosures are effective for People s United Financial on a prospective basis beginning with the fiscal year ending December 31, 2009.

Transfers of Financial Assets and Consolidation of Variable Interest Entities

In June 2009, the FASB issued a standard addressing transfers of financial assets, which eliminates the concept of a qualifying special-purpose entity, changes the requirements for de-recognition of financial assets, and requires additional disclosures. The FASB also issued a standard that redefines the criteria to be considered in assessing the need to consolidate variable interest entities. These standards are effective for People s United Financial on January 1, 2010. Adoption is not expected to have a significant impact on the company s Consolidated Financial Statements.

Measuring Fair Value of Liabilities

In August 2009, the FASB issued guidance clarifying that in circumstances in which a quoted price in an active market for the identical liability is not available, a reporting entity is required to measure fair value using one or more of the following methods: (i) a valuation technique that uses either the quoted price of the identical liability when traded as an asset or quoted prices for similar liabilities or similar liabilities when traded as assets; and/or (ii) a valuation technique such as an income approach or market approach. The guidance also clarifies that when estimating the fair value of a liability, a reporting entity is not required to adjust valuation inputs for the effect of transfer restrictions on that liability. Adoption is not expected to have a significant impact on the company s Consolidated Financial Statements.

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Item 2 Management s Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Statements

Periodic and other filings made by People s United Financial 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; and (10) the successful completion of the integration of Chittenden Corporation.

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.

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Emergency Economic Stabilization Act of 2008

Troubled Asset Relief Program

On October 3, 2008, the Emergency Economic Stabilization Act of 2008 (the EESA) was signed into law. The EESA, which is intended to stabilize and provide liquidity to the U.S. financial markets, authorized the U.S. Treasury, acting in accordance with the provisions of the Troubled Asset Relief Program (the TARP), to: (i) purchase up to $700 billion of mortgages, mortgage-backed securities, and certain other financial instruments from financial institutions; and (ii) establish a program to guarantee certain assets issued by financial institutions prior to March 14, 2008. The company has decided not to sell any of its assets pursuant to the TARP or to participate in the asset guarantee program.

On October 14, 2008, the U.S. Treasury announced a plan to employ a portion of its purchasing authority, as provided for by the EESA, in making direct equity investments in qualifying banks and thrifts. Under this program, known as the Troubled Asset Relief Program Capital Purchase Program (the TARP CPP), the U.S. Treasury will utilize up to $250 billion of the $700 billion authorized by the EESA to purchase preferred stock in qualifying institutions that request such investments. The preferred stock issued under the TARP CPP contains a number of provisions, some of which could reduce investment returns to participating banks shareholders by restricting dividends to common shareholders, diluting existing shareholders interests, and restricting capital management practices. People s United Bank currently exceeds all applicable regulatory capital requirements and remains well capitalized. The company has not applied for equity capital under the TARP CPP.

FDIC Insurance Coverage / Assessments

The Federal Deposit Insurance Corporation (the FDIC) insures deposits at FDIC insured financial institutions up to certain limits, charging premiums to maintain the Deposit Insurance Fund (the DIF) at specified levels. Such premiums may vary based on the risk profile of the insured institution. Current economic conditions have resulted in an increased number of bank failures and, consequently, greater use of DIF resources. In response, the FDIC has 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.

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In addition, 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. The FDIC s rule also provided that the FDIC may impose additional special assessments on September 30, 2009 (no such assessment occurred) and December 31, 2009 of up to 5 basis points on each insured financial institution s total assets less Tier 1 capital if the reserve ratio of the DIF is estimated to fall to a level that the FDIC believes would adversely affect public confidence or a level of close to zero or negative.

On September 29, 2009, the FDIC approved a proposed rule extending the DIF restoration plan from seven years to eight years and requiring financial institutions to prepay their estimated deposit insurance premiums for 2010, 2011 and 2012 on December 30, 2009. The proposed rule, which does not include any additional special assessments, assumes a 5% annual growth rate in each institution s insured deposits (the assessment base) and increases each institution s premium assessment rate by three basis points beginning in 2011.

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. Institutions that remain 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.

The company is participating in the Transaction Account Guarantee Program as it participates in all other FDIC deposit insurance programs. 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.

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Based on the increase in the premium assessment rate, the special assessment announced in May 2009, and the company s participation in the Transaction Account Guarantee Program, the company s cost of deposit insurance increased significantly in the first nine months of 2009, and further increases may occur. The actual amount of further increases 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 September 2009 proposed rule; and (iv) whether additional special assessments are imposed in future periods and the manner in which such assessments are determined.

The actions described 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 the EESA, the TARP, the TARP CPP, or other liquidity and funding programs of the U.S. Treasury and bank regulatory agencies, whether previously announced or initiated in the future, 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.

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Selected Consolidated Financial Data

(dollars in millions, except per share data)	Three Months Ended Sept. 30, 2009	June 30, 2009 (1)	Sept. 30, 2008	Nine Months Ended Sept. 30, 2009 (1)	Sept. 30, 2008
Operating Data:					
Net interest income	$ 145.3	$ 141.2	$ 159.8	$ 429.3	$ 483.1
Provision for loan losses	21.5	14.0	6.8	43.4	17.5
Non-interest income (2)	80.2	85.0	74.2	237.4	229.9
Non-interest expense (3)	165.1	176.2	158.7	512.4	540.8
Income before income tax expense	38.9	36.0	68.5	110.9	154.7
Net income	26.8	25.3	46.0	76.3	104.1
Selected Statistical Data:					
Net interest margin (4)	3.19%	3.12%	3.71%	3.18%	3.65%
Return on average assets (4)	0.51	0.49	0.92	0.49	0.68
Return on average tangible assets (4)	0.55	0.53	0.99	0.53	0.73
Return on average stockholders equity (4)	2.1	2.0	3.5	2.0	2.7
Return on average tangible stockholders equity (4)	3.0	2.8	5.0	2.8	3.8
Efficiency ratio	71.1	73.7	64.9	73.3	65.4
Per Common Share Data:					
Basic and diluted earnings per share	$ 0.08	$ 0.08	$ 0.14	$ 0.23	$ 0.32
Dividends paid per share	0.15	0.15	0.15	0.45	0.43
Dividend payout ratio	191.3%	202.0%	108.7%	199.9%	138.6%
Book value (end of period)	$ 15.24	$ 15.29	$ 15.65	$ 15.24	$ 15.65
Tangible book value (end of period)	10.71	10.75	11.06	10.71	11.06
Stock price:					
High	17.41	18.54	21.76	18.54	21.76
Low	14.84	14.72	13.92	14.72	13.92
Close (end of period)	15.56	15.07	19.25	15.56	19.25

(1) Previously reported amounts for the three months ended June 30, 2009 and March 31, 2009 have been revised to reflect the recognition of additional non-interest expense, which, after taxes, reduced net income by $2.1 million and $2.5 million, respectively. Basic and diluted earnings per share were reduced by $0.01 in the three months ended March 31, 2009 (no impact on the three months ended June 30, 2009). Certain statistical information and other per common share data have been revised as necessary. See Note 13 to the Consolidated Financial Statements.

(2) Includes net security gains of $4.7 million and $12.0 million for the three months ended September 30, 2009 and June 30, 2009, respectively, and $22.1 million and $8.1 million for the nine months ended September 30, 2009 and 2008, respectively. See Note 3 to the Consolidated Financial Statements.

(3) Includes an FDIC special assessment charge of $8.4 million for the three months ended June 30, 2009 and nine months ended September 30, 2009, and $51.3 million of merger-related expenses and other one-time charges for the nine months ended September 30, 2008.

(4) Annualized.

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(dollars in millions)	Sept. 30, 2009	June 30, 2009	March 31, 2009	Dec. 31, 2008	Sept. 30, 2008
	As of and for the Three Months Ended				
Financial Condition Data:					
Total assets	$ 20,810	$ 20,812	$ 20,681	$ 20,168	$ 20,042
Loans	14,302	14,553	14,648	14,566	14,331
Short-term investments (1)	3,077	3,073	2,756	1,139	2,534
Securities	550	491	806	1,902	428
Allowance for loan losses	173	167	159	158	155
Goodwill and other acquisition-related intangibles	1,520	1,525	1,531	1,536	1,537
Deposits	15,050	15,023	14,846	14,269	14,152
Borrowings	154	160	185	188	152
Subordinated notes	182	181	181	181	180
Stockholders equity	5,115	5,130	5,156	5,174	5,239
Non-performing assets	193	182	142	94	91
Net loan charge-offs	16.0	6.0	6.4	5.7	4.0
Average Balances:					
Loans	$ 14,454	$ 14,595	$ 14,603	$ 14,371	$ 14,310
Short-term investments (1)	3,105	2,816	1,824	1,610	2,325
Securities	782	799	1,275	1,393	715
Total earning assets	18,341	18,210	17,702	17,374	17,350
Total assets	20,870	20,759	20,258	20,057	20,057
Deposits	15,037	14,886	14,346	14,117	14,193
Total funding liabilities	15,365	15,237	14,721	14,479	14,520
Stockholders equity	5,135	5,162	5,164	5,230	5,204
Ratios:					
Net loan charge-offs to average loans (annualized)	0.44%	0.16%	0.18%	0.16%	0.11%
Non-performing assets to total loans, real estate owned and repossessed assets	1.35	1.25	0.97	0.64	0.64
Allowance for loan losses to non-performing loans	98.2	99.4	126.1	186.8	181.6
Allowance for loan losses to total loans	1.21	1.15	1.09	1.08	1.08
Average stockholders equity to average total assets	24.6	24.9	25.5	26.1	25.9
Stockholders equity to total assets	24.6	24.7	24.9	25.7	26.1
Tangible stockholders equity to tangible assets	18.6	18.7	18.9	19.5	20.0
Total risk-based capital (2)	14.0	13.7	13.5	13.4	16.2

(1) Includes securities purchased under agreements to resell.

(2) Total risk-based capital ratios presented are for People s United Bank and, as such, do not reflect the additional capital residing at People s United Financial, Inc. See Regulatory Capital Requirements.

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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, and tangible book value per share. 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 acquisition-related intangibles and fair value adjustments, losses on real estate assets and nonrecurring 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 nonrecurring income) (the denominator). People s United Financial generally considers an item of income or expense to be nonrecurring if it is not similar to an item of income or expense of a type incurred within the last two years and is not similar to an item of income or expense of a type reasonably expected to be incurred within the following two years.

The tangible equity ratio is the ratio of (i) tangible stockholders equity (total stockholders equity less goodwill and other acquisition-related intangibles) (the numerator) to (ii) tangible assets (total assets less goodwill and other acquisition-related intangibles) (the denominator). Tangible book value per share is calculated by dividing tangible stockholders equity by common shares outstanding (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 for determining the non-GAAP financial measures discussed above may vary significantly.

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

	Three Months Ended			Nine Months Ended	
(dollars in millions)	**Sept. 30, 2009**	**June 30, 2009**	**Sept. 30, 2008**	**Sept. 30, 2009**	**Sept. 30, 2008**
Total non-interest expense	$ 165.1	$ 176.2	$ 158.7	$ 512.4	$ 540.8
Less:					
Amortization of other acquisition-related intangibles	5.1	5.3	5.3	15.6	15.8
FDIC special assessment		8.4		8.4	
Merger-related expenses and other one-time charges					51.3
Fair value adjustments	0.8	0.8	0.8	2.4	2.4
REO expense	0.7	0.6	0.3	1.6	2.1
Other	(0.8)	1.2	(2.7)	5.5	(1.1)
Total	$ 159.3	$ 159.9	$ 155.0	$ 478.9	$ 470.3
Net interest income (1)	$ 146.1	$ 142.1	$ 160.8	$ 431.9	$ 486.0
Total non-interest income	80.2	85.0	74.2	237.4	229.9
Add:					
Fair value adjustments	1.6	1.6	2.6	4.8	7.8
BOLI FTE adjustment (1)	1.1	1.5	1.1	3.5	3.6
Net security losses			0.2		
Less:					
Net security gains	4.7	12.0		22.1	8.1
Gain on sale of assets	0.1	1.3	0.2	1.7	0.2
Other	0.3			0.3	
Total	$ 223.9	$ 216.9	$ 238.7	$ 653.5	$ 719.0
Efficiency ratio	71.1%	73.7%	64.9%	73.3%	65.4%

(1) Fully taxable equivalent.

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

(in millions, except per share data)	**Sept. 30, 2009**	**June 30, 2009**	**March 31, 2009**	**Dec. 31, 2008**	**Sept. 30, 2008**
Total stockholders equity	$ 5,115	$ 5,130	$ 5,156	$ 5,174	$ 5,239
Less: Goodwill and other acquisition-related intangibles	1,520	1,525	1,531	1,536	1,537
Tangible stockholders equity	$ 3,595	$ 3,605	$ 3,625	$ 3,638	$ 3,702
Total assets	$ 20,810	$ 20,812	$ 20,681	$ 20,168	$ 20,042
Less: Goodwill and other acquisition-related intangibles	1,520	1,525	1,531	1,536	1,537
Tangible assets	$ 19,290	$ 19,287	$ 19,150	$ 18,632	$ 18,505

Tangible equity ratio	18.6%	18.7%	18.9%	19.5%	20.0%
Common shares outstanding	335.6	335.5	335.3	335.0	334.8
Tangible book value per share	$ 10.71	$ 10.75	$ 10.81	$ 10.86	$ 11.06

Acquisition

On January 1, 2008, People s United Financial completed its acquisition of Chittenden Corporation (Chittenden), a multi-bank holding company headquartered in Burlington, Vermont for total consideration of approximately $1.8 billion. The acquisition was accounted for using the purchase method of accounting and accordingly, Chittenden s assets and liabilities were recorded by People s United Financial at their estimated fair values as of January 1, 2008. The six former Chittenden banks, which continue to do business under their existing names as divisions of People s United Bank, are: Chittenden Trust Company based in Burlington, Vermont; Flagship Bank and Trust Company based in Worcester, Massachusetts; Maine Bank & Trust based in Portland, Maine; Merrill Merchants Bank based in Bangor, Maine; Ocean Bank based in Portsmouth, New Hampshire; and The Bank of Western Massachusetts based in Springfield, Massachusetts. See Note 2 to the Consolidated Financial Statements for a further discussion of the acquisition.

Financial Overview

People s United Financial reported net income of $26.8 million, or $0.08 per diluted share, for the three months ended September 30, 2009, compared to $46.0 million, or $0.14 per diluted share, for the year-ago period. Third quarter 2009 earnings reflect an increase in the net interest margin despite pressure associated with the historically low interest rate environment and the company s asset sensitive balance sheet, and an increase in the provision for loan losses due, in part, to the partial charge-off of a previously disclosed non-performing shared national credit. For the nine months ended September 30, 2009 and 2008, net income totaled $76.3 million, or $0.23 per diluted share, compared to $104.1 million, or $0.32 per diluted share, respectively. Previously reported amounts for the three months ended June 30, 2009, March 31, 2009 and December 31, 2008 have been revised to reflect the recognition of additional non-interest expense. See Note 13 to the Consolidated Financial Statements.

People s United Financial s return on average tangible assets was 0.55% and return on average tangible stockholders equity was 3.0%, compared to 0.99% and 5.0%, respectively, in the year-ago quarter.

Net interest income decreased $14.5 million from the year-ago quarter while the net interest margin declined 52 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, which continues to be temporarily invested in low-yielding short-term investments. Compared to the second quarter of 2009, net interest income increased $4.1 million and the net interest margin increased 7 basis points, primarily due to a 13 basis point reduction in the cost of deposits.

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Compared to the third quarter of 2008, average earning assets increased $991 million, reflecting increases of $780 million in average short-term investments, $144 million in average loans and $67 million in average securities. Average funding liabilities increased $845 million compared to the third quarter of 2008, reflecting an $844 million increase in average total deposits.

Compared to the year-ago quarter, total non-interest income increased $6.0 million and total non-interest expense increased $6.4 million (see Non-Interest Income and Non-Interest Expense). The efficiency ratio was 71.1% in the third quarter of 2009 compared to 64.9% in the year-ago period.

The provision for loan losses in the third quarter of 2009 was $21.5 million compared to $6.8 million in the year-ago period. The provision for loan losses in the third quarter of 2009 reflected net loan charge-offs of $16.0 million (including $6.1 million related to one shared national credit) and a $5.5 million increase in the allowance for loan losses. The provision for loan losses in the third quarter of 2008 reflected net loan charge-offs of $4.0 million and a $2.8 million increase in the allowance for loan losses. Net loan charge-offs as a percentage of average total loans on an annualized basis were 0.44% in the third quarter of 2009 compared to 0.11% in the year-ago quarter and were 0.26% for the nine months ended September 30, 2009.

The allowance for loan losses totaled $172.5 million at September 30, 2009. Non-performing assets totaled $192.7 million at September 30, 2009, a $99.0 million increase from December 31, 2008. At September 30, 2009, the allowance for loan losses as a percentage of total loans was 1.21% and as a percentage of non-performing loans was 98.2%.

People s United Financial s total stockholders equity was $5.1 billion at September 30, 2009 compared to $5.2 billion at December 31, 2008. As a percentage of total assets, stockholders equity was 24.6% and 25.7%, respectively. Tangible stockholders equity as a percentage of tangible assets was 18.6% at September 30, 2009 compared to 19.5% at December 31, 2008.

People s United Bank s total risk-based capital ratio was 14.0% at September 30, 2009 compared to 13.4% at December 31, 2008 (see Regulatory Capital Requirements).

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Business Segment Results

People s United Financial s operations are divided into three primary business segments that represent its core businesses, Commercial Banking, Retail Banking and Small Business, and Wealth Management. In addition, the Treasury area is responsible for managing People s United Financial s securities portfolio, short-term investments, wholesale funding activities, such as borrowings, and the funding center.

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. 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. Prior period business segments results have been restated to conform to the current presentation.

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Business Segment Performance Summary

Three months ended September 30, 2009 **(in millions)**	**Commercial Banking**	**Retail Banking and Small Business**	**Wealth Management**	**Total Segments**	**Treasury**	**Other**	**Total Consolidated**
Net interest income (loss)	$ 63.9	$ 94.6	$ 0.7	$ 159.2	$ (34.5)	$ 20.6	$ 145.3
Provision for loan losses	5.6	1.2		6.8		14.7	21.5
Total non-interest income	17.7	35.7	19.8	73.2	7.6	(0.6)	80.2
Total non-interest expense	44.3	93.5	20.9	158.7	2.1	4.3	165.1
Income (loss) before income tax expense (benefit)	31.7	35.6	(0.4)	66.9	(29.0)	1.0	38.9
Income tax expense (benefit)	10.3	11.5	(0.2)	21.6	(10.2)	0.7	12.1
Net income (loss)	$ 21.4	$ 24.1	$ (0.2)	$ 45.3	$ (18.8)	$ 0.3	$ 26.8
Total average assets	$ 9,855.9	$ 5,855.5	$ 304.6	$ 16,016.0	$ 4,062.2	$ 791.9	$ 20,870.1
Total average liabilities	2,400.5	12,723.8	141.8	15,266.1	88.2	381.3	15,735.6

Nine months ended September 30, 2009 **(in millions)**	**Commercial Banking**	**Retail Banking and Small Business**	**Wealth Management**	**Total Segments**	**Treasury**	**Other**	**Total Consolidated**
Net interest income (loss)	$ 184.3	$ 283.1	$ 2.8	$ 470.2	$ (99.8)	$ 58.9	$ 429.3
Provision for loan losses	16.6	3.6	0.1	20.3		23.1	43.4
Total non-interest income	51.4						