People's United Financial, Inc.
Form 10-Q
August 11, 2014
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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 June 30, 2014

Commission File Number 001-33326

PEOPLE S UNITED FINANCIAL, INC.

(Exact name of registrant as specified in its charter)

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

850 Main Street, Bridgeport, Connecticut	**06604**
(Address of principal executive offices)	**(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 July 31, 2014, there were 310,305,282 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)	June 30, 2014	December 31, 2013
Assets		
Cash and due from banks	$ 464.1	$ 350.8
Short-term investments (note 2)	98.9	123.6
Total cash and cash equivalents	563.0	474.4
Securities (note 2):		
Trading account securities, at fair value	8.3	8.3
Securities available for sale, at fair value	3,724.0	4,208.2
Securities held to maturity, at amortized cost (fair value of $706.3 million and $642.5 million)	672.1	640.5
Federal Home Loan Bank stock, at cost	175.7	175.7
Total securities	4,580.1	5,032.7
Loans held for sale	34.4	23.3
Loans (note 3):		
Commercial	9,544.4	8,895.2
Commercial real estate	9,193.2	8,921.6
Residential mortgage	4,552.0	4,416.6
Consumer	2,165.4	2,156.9
Total loans	25,455.0	24,390.3
Less allowance for loan losses	(192.6)	(187.8)
Total loans, net	25,262.4	24,202.5
Goodwill (note 6)	1,954.5	1,954.5
Other acquisition-related intangible assets (note 6)	160.4	172.8
Premises and equipment	289.3	304.1
Bank-owned life insurance	341.3	339.4
Other assets (notes 1, 3 and 11)	735.8	710.0
Total assets	$ 33,921.2	$ 33,213.7

Liabilities		
Deposits:		
Non-interest-bearing	$ 5,542.3	$ 5,312.2
Savings, interest-bearing checking and money market	14,115.0	12,862.2
Time	4,431.4	4,382.9
Total deposits	24,088.7	22,557.3
Borrowings:		
Federal Home Loan Bank advances	2,798.2	3,719.8
Federal funds purchased	331.0	825.0
Customer repurchase agreements	441.6	501.2
Repurchase agreements	199.7	1.0
Other borrowings	2.5	10.0
Total borrowings	3,773.0	5,057.0
Notes and debentures (note 1)	1,040.0	639.1
Other liabilities (note 11)	384.0	391.9
Total liabilities	29,285.7	28,645.3
Commitments and contingencies (notes 1 and 8)		
Stockholders Equity		
Common stock ($0.01 par value; 1.95 billion shares authorized; 396.7 million shares and 396.5 million shares issued)	3.9	3.9
Additional paid-in capital	5,281.1	5,277.0
Retained earnings	800.6	779.0
Accumulated other comprehensive loss (note 4)	(126.2)	(155.1)
Unallocated common stock of Employee Stock Ownership Plan, at cost (7.8 million shares and 8.0 million shares) (note 7)	(162.6)	(166.2)
Treasury stock, at cost (89.0 million shares and 89.5 million shares) (note 4)	(1,161.3)	(1,170.2)
Total stockholders equity	4,635.5	4,568.4
Total liabilities and stockholders equity	$ 33,921.2	$ 33,213.7

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 June 30, 2014	Three Months Ended June 30, 2013	Six Months Ended June 30, 2014	Six Months Ended June 30, 2013
Interest and dividend income:				
Commercial real estate	$ 88.6	$ 87.2	$ 177.3	$ 172.7
Commercial	87.5	87.2	172.8	173.9
Residential mortgage	37.8	34.3	75.6	68.8
Consumer	18.4	18.7	36.7	37.5
Total interest on loans	232.3	227.4	462.4	452.9
Securities	24.1	22.2	49.2	44.9
Loans held for sale	0.2	0.4	0.3	0.8
Short-term investments	0.1	0.1	0.2	0.2
Total interest and dividend income	256.7	250.1	512.1	498.8
Interest expense:				
Deposits	19.7	20.5	39.0	41.3
Borrowings	2.8	2.6	5.9	4.9
Notes and debentures	6.0	6.1	11.9	12.4
Total interest expense	28.5	29.2	56.8	58.6
Net interest income	228.2	220.9	455.3	440.2
Provision for loan losses (note 3)	8.8	9.2	18.3	21.6
Net interest income after provision for loan losses	219.4	211.7	437.0	418.6
Non-interest income:				
Bank service charges	32.8	32.1	63.3	62.2
Operating lease income	9.9	8.1	21.2	16.4
Investment management fees	10.6	9.4	20.4	18.4
Commercial banking lending fees	7.4	8.3	16.2	20.5
Insurance revenue	6.8	7.1	14.5	15.4
Brokerage commissions	3.6	3.4	6.8	6.7
Net gains on sales of residential mortgage loans		4.2	0.8	9.9
Net (losses) gains on sales of acquired loans	(0.4)	5.8	(0.4)	5.8
Gain on merchant services joint venture, net of expenses (note 1)	20.6		20.6	
Other non-interest income	8.8	9.8	16.6	17.8

Total non-interest income (note 1)	100.1	88.2	180.0	173.1
Non-interest expense:				
Compensation and benefits	109.3	104.4	219.7	212.6
Occupancy and equipment	36.6	36.9	74.6	74.8
Professional and outside service fees	14.9	14.9	30.2	28.8
Operating lease expense	8.7	7.6	19.8	15.1
Regulatory assessments	9.0	8.6	17.7	16.8
Amortization of other acquisition-related intangible assets (note 6)	6.2	6.6	12.4	13.1
Other non-interest expense	23.6	26.8	50.6	56.6
Total non-interest expense	208.3	205.8	425.0	417.8
Income before income tax expense (note 1)	111.2	94.1	192.0	173.9
Income tax expense (note 1)	38.9	32.0	66.6	59.3
Net income	$ 72.3	$ 62.1	$ 125.4	$ 114.6
Earnings per common share (note 5):				
Basic	$ 0.24	$ 0.20	$ 0.42	$ 0.36
Diluted	0.24	0.20	0.42	0.36

See accompanying notes to consolidated financial statements.

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People s United Financial, Inc.

Consolidated Statements of Comprehensive Income (Loss) - (Unaudited)

(in millions)	Three Months Ended June 30, 2014	Three Months Ended June 30, 2013	Six Months Ended June 30, 2014	Six Months Ended June 30, 2013
Net income	$ 72.3	$ 62.1	$ 125.4	$ 114.6
Other comprehensive income (loss), net of tax:				
Net actuarial loss, prior service credit and transition obligation related to pension and other postretirement benefit plans	0.7	1.0	1.3	2.3
Net unrealized gains and losses on securities available for sale	10.4	(72.5)	26.9	(85.6)
Amortization of unrealized losses on securities transferred to held to maturity	0.5		0.9	
Net unrealized gains and losses on derivatives accounted for as cash flow hedges	(0.3)	1.2	(0.2)	1.4
Total other comprehensive income (loss), net of tax (note 4)	11.3	(70.3)	28.9	(81.9)
Total comprehensive income (loss)	$ 83.6	$ (8.2)	$ 154.3	$ 32.7

See accompanying notes to consolidated financial statements.

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People s United Financial, Inc.

Consolidated Statements of Changes in Stockholders Equity - (Unaudited)

Six months ended June 30, 2014 (in millions, except per share data)	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Unallocated ESOP Common Stock	Treasury Stock	Total Stockholders Equity
Balance at December 31, 2013	$ 3.9	$ 5,277.0	$ 779.0	$ (155.1)	$ (166.2)	$ (1,170.2)	$ 4,568.4
Net income			125.4				125.4
Total other comprehensive income, net of tax (note 4)				28.9			28.9
Cash dividends on common stock ($0.3275 per share)			(98.0)				(98.0)
Restricted stock awards		(1.9)	(2.1)			8.9	4.9
Employee Stock Ownership Plan common stock committed to be released (note 7)			(1.1)		3.6		2.5
Common stock repurchased and retired upon vesting of restricted stock awards			(2.6)				(2.6)
Stock options and related tax benefits		6.0					6.0
Balance at June 30, 2014	$ 3.9	$ 5,281.1	$ 800.6	$ (126.2)	$ (162.6)	$ (1,161.3)	$ 4,635.5

Six months ended June 30, 2013 (in millions, except per share data)	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Unallocated ESOP Common Stock	Treasury Stock	Total Stockholders Equity
Balance at December 31, 2012	$ 3.9	$ 5,261.3	$ 756.2	$ (96.9)	$ (173.5)	$ (712.2)	$ 5,038.8
Net income			114.6				114.6
Total other comprehensive loss, net of tax (note 4)				(81.9)			(81.9)
Cash dividends on common stock ($0.3225 per share)			(104.7)				(104.7)
Restricted stock awards		4.6				0.2	4.8
Employee Stock Ownership Plan common stock committed to be released (note 7)			(1.3)		3.7		2.4
Common stock repurchased (note 4)						(297.3)	(297.3)
Common stock repurchased and retired upon vesting of restricted stock awards			(1.7)				(1.7)

Stock options and related tax benefits		2.9					2.9
Balance at June 30, 2013	$ 3.9	$ 5,268.8	$ 763.1	$ (178.8)	$ (169.8)	$ (1,009.3)	$ 4,677.9

See accompanying notes to consolidated financial statements.

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People s United Financial, Inc.

Consolidated Statements of Cash Flows - (Unaudited)

(in millions)	Six Months Ended June 30, 2014	2013
Cash Flows from Operating Activities:		
Net income	$ 125.4	$ 114.6
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	18.3	21.6
Depreciation and amortization of premises and equipment	19.8	20.2
Expense related to operating leases	19.8	15.1
Amortization of other acquisition-related intangible assets	12.4	13.1
Gain on merchant services joint venture, net of expenses	(20.6)	
Net security gains	(0.1)	
Net gains on sales of residential mortgage loans	(0.8)	(9.9)
Net losses (gains) on sales of acquired loans	0.4	(5.8)
Employee Stock Ownership Plan common stock committed to be released	2.5	2.4
Expense related to share-based awards	7.6	7.1
Originations of loans held-for-sale	(129.9)	(456.6)
Proceeds from sales of loans held-for-sale	119.6	475.2
Net decrease in trading account securities		0.1
Net changes in other assets and liabilities	(21.0)	(62.1)
Net cash provided by operating activities	153.4	135.0
Cash Flows from Investing Activities:		
Proceeds from principal repayments and maturities of securities available for sale	322.2	536.2
Proceeds from sales of securities available for sale	246.9	
Proceeds from principal repayments and maturities of securities held to maturity	6.7	0.1
Proceeds from redemption of Federal Home Loan Bank stock		0.9
Purchases of securities available for sale	(64.9)	(604.2)
Purchases of securities held to maturity	(34.8)	
Purchases of Federal Home Loan Bank stock		(42.6)
Proceeds from sales of loans	6.6	13.8
Loan disbursements, net of principal collections	(1,088.2)	(1,167.2)
Purchases of premises and equipment	(9.4)	(9.9)
Purchases of leased equipment	(3.4)	(22.9)
Proceeds from sales of real estate owned	7.0	8.8
Return of premiums on bank-owned life insurance, net	0.4	0.9
Net cash used in investing activities	(610.9)	(1,286.1)

Cash Flows from Financing Activities:		
Net increase in deposits	1,531.4	231.3
Net (decrease) increase in borrowings with terms of three months or less	(1,282.4)	1,241.6
Repayments of borrowings with terms of more than three months	(0.3)	(0.3)
Repayments of notes and debentures		(20.6)
Net proceeds from issuance of subordinated notes	394.4	
Cash dividends paid on common stock	(98.0)	(104.7)
Common stock repurchases	(2.6)	(299.0)
Proceeds from stock options exercised, including excess income tax benefits	3.6	0.5
Net cash provided by financing activities	546.1	1,048.8
Net increase (decrease) in cash and cash equivalents	88.6	(102.3)
Cash and cash equivalents at beginning of period	474.4	601.4
Cash and cash equivalents at end of period	$ 563.0	$ 499.1
Supplemental Information:		
Interest payments	$ 55.5	$ 60.3
Income tax payments	75.7	63.1
Real estate properties acquired by foreclosure	11.9	9.8

See accompanying notes to consolidated financial statements.

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Notes to Consolidated Financial Statements (Unaudited)

NOTE 1. GENERAL

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

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, 2013, as supplemented by the Quarterly Report for the period ended March 31, 2014 and this Quarterly Report for the period ended June 30, 2014, provides disclosure of People s United Financial s significant accounting policies. Several accounting estimates are particularly critical and are susceptible to significant near-term change, including the allowance for loan losses and asset impairment judgments, such as the recoverability of goodwill and other intangible assets, and other-than-temporary declines in the fair value of securities. These significant accounting policies and critical estimates are reviewed with the Audit Committee of the Board of Directors.

The judgments used by management in applying these critical accounting policies may be affected by economic conditions, 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.

As discussed in Note 13, in the first quarter of 2014, the Company early adopted, with retrospective application, amended standards with respect to the accounting for investments in qualified affordable housing projects. People s United Financial holds ownership interests in limited partnerships formed to develop and operate affordable housing units for lower income tenants throughout its franchise area. The underlying partnerships, which are considered variable interest entities, are not consolidated into the Company s Consolidated Financial Statements. These investments have historically played a role in enabling People s United Bank (the Bank) to meet its Community Reinvestment Act requirements while, at the same time, providing federal income tax credits.

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Notes to Consolidated Financial Statements (Unaudited)

The balance of the Company s affordable housing investments reflected in the Consolidated Statement of Condition at June 30, 2014 totaled $68.4 million (included in other assets). Future contingent commitments (capital calls) related to such investments, the timing of which cannot be reasonably estimated, totaled $20.1 million at that date. The cost of the Company s investments is amortized on a straight-line basis over the period during which the related federal income tax credits are realized (generally ten years). Amortization expense totaled $2.5 million and $2.1 million for the three months ended June 30, 2014 and 2013, respectively, and $4.8 million and $4.1 million for the six months ended June 30, 2014 and 2013, respectively. In accordance with the aforementioned amended standards, amortization of the Company s cost of such investments previously included in pre-tax income is now included as a component of income tax expense for all periods presented.

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, 2013. The results of operations for the three and six months ended June 30, 2014 are not necessarily indicative of the results of operations that may be expected for the entire year or any other interim period.

Recent Developments

During the quarter ended June 30, 2014, the Bank formed a joint venture with Vantiv, Inc. to provide a comprehensive suite of payment solutions to businesses throughout the Bank s footprint. The Bank has retained a 49 percent minority interest in the joint venture and recognized a $20.6 million gain, net of related expenses, resulting from the formation of the joint venture. The gain represents the fair value of the Bank s entire portfolio of merchant contracts that was contributed to the joint venture and which previously had a zero book basis. The investment in the joint venture will be accounted for using the equity method of accounting.

In June 2014, the Bank issued $400 million of 4.00% subordinated notes due 2024. The subordinated notes represent unsecured and subordinated obligations of the Bank with interest payable semi-annually. The Bank may redeem the notes, in whole or in part, on or after April 16, 2024 at a redemption price equal to 100% of the principal amount of the notes to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date. The Bank may redeem the notes in whole, but not in part, at its option at a redemption price equal to 100% of the principal amount of the notes together with accrued but unpaid interest to, but excluding, the date fixed for redemption, within 90 days of the occurrence of a regulatory event (as defined). Pursuant to capital regulations of the Office of the Comptroller of the Currency (the OCC), effective January 1, 2015, the Bank may not redeem the notes prior to maturity without the prior approval of the OCC. For regulatory capital purposes, subordinated note issuances qualify, up to certain limits, as supplementary (Tier 2) capital for the Bank s total risk-based capital.

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People s United Financial, Inc.

Notes to Consolidated Financial Statements (Unaudited)

NOTE 2. SECURITIES AND SHORT-TERM INVESTMENTS

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

As of June 30, 2014 (in millions)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities available for sale:				
Debt securities:				
U.S. Treasury and agency	$ 67.6	$ 0.4	$	$ 68.0
GSE (1) residential mortgage-backed securities and CMOs (2)	3,626.2	41.1	(74.8)	3,592.5
Corporate	58.6	1.8		60.4
Other	2.6	0.3		2.9
Total debt securities	3,755.0	43.6	(74.8)	3,723.8
Equity securities	0.2			0.2
Total securities available for sale	$ 3,755.2	$ 43.6	$ (74.8)	$ 3,724.0
Securities held to maturity:				
Debt securities:				
State and municipal	$ 615.6	$ 33.9	$	$ 649.5
Corporate	55.0	0.3		55.3
Other	1.5			1.5
Total securities held to maturity	$ 672.1	$ 34.2	$	$ 706.3

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

As of December 31, 2013 (in millions)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value

Securities available for sale:				
Debt securities:				
U.S. Treasury and agency	$ 48.6	$ 0.3	$	$ 48.9
GSE residential mortgage-backed securities and CMOs	4,172.2	30.6	(106.4)	4,096.4
Corporate	58.3	1.9		60.2
Other	2.6		(0.1)	2.5
Total debt securities	4,281.7	32.8	(106.5)	4,208.0
Equity securities	0.2			0.2
Total securities available for sale	$ 4,281.9	$ 32.8	$ (106.5)	$ 4,208.2
Securities held to maturity:				
Debt securities:				
State and municipal	$ 584.5	$	$	$ 584.5
Corporate	55.0	2.0		57.0
Other	1.0			1.0
Total securities held to maturity	$ 640.5	$ 2.0	$	$ 642.5

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Notes to Consolidated Financial Statements (Unaudited)

The following table is a summary of the amortized cost and fair value of debt securities as of June 30, 2014, based on remaining period to contractual maturity. Information for GSE residential mortgage-backed securities and CMOs is based on the final contractual maturity dates without considering repayments and prepayments.

	Available for Sale		Held to Maturity	
(in millions)	Amortized Cost	Fair Value	Amortized Cost	Fair Value
U.S. Treasury and agency:				
Within 1 year	$ 22.0	$ 22.0	$	$
After 1 but within 5 years	45.6	46.0		
Total	67.6	68.0		
GSE residential mortgage-backed securities and CMOs:				
Within 1 year	2,900.3	2,861.3		
After 1 but within 5 years	47.2	47.7		
After 5 but within 10 years	678.7	683.5		
Total	3,626.2	3,592.5		
State and municipal:				
Within 1 year			2.9	3.0
After 1 but within 5 years			20.6	20.8
After 5 but within 10 years			233.3	243.4
After 10 years			358.8	382.3
Total			615.6	649.5
Corporate:				
Within 1 year	6.2	6.2		
After 1 but within 5 years	52.4	54.2		
After 5 but within 10 years			55.0	55.3
Total	58.6	60.4	55.0	55.3
Other:				
After 1 but within 5 years			1.5	1.5
After 10 years	2.6	2.9		
Total	2.6	2.9	1.5	1.5

Total:				
Within 1 year	2,928.5	2,889.5	2.9	3.0
After 1 but within 5 years	145.2	147.9	22.1	22.3
After 5 but within 10 years	678.7	683.5	288.3	298.7
After 10 years	2.6	2.9	358.8	382.3
Total	$ 3,755.0	$ 3,723.8	$ 672.1	$ 706.3

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

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Notes to Consolidated Financial Statements (Unaudited)

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

	Continuous Unrealized Loss Position					
	Less Than 12 Months		12 Months Or Longer		Total	
As of June 30, 2014 (in millions)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
GSE residential mortgage-backed securities and CMOs	$ 111.6	$ (0.8)	$ 1,998.3	$ (74.0)	$ 2,109.9	$ (74.8)
Total	$ 111.6	$ (0.8)	$ 1,998.3	$ (74.0)	$ 2,109.9	$ (74.8)

	Continuous Unrealized Loss Position					
	Less Than 12 Months		12 Months Or Longer		Total	
As of December 31, 2013 (in millions)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
GSE residential mortgage-backed securities and CMOs	$ 2,866.2	$ (97.6)	$ 152.0	$ (8.8)	$ 3,018.2	$ (106.4)
U.S. Treasury and agency	18.1				18.1	
Other	2.5	(0.1)			2.5	(0.1)
Total	$ 2,886.8	$ (97.7)	$ 152.0	$ (8.8)	$ 3,038.8	$ (106.5)

At June 30, 2014, 46 securities classified as available for sale, or approximately 39% of the 119 securities owned by the Company, had gross unrealized losses totaling $74.8 million. All of the GSE residential mortgage-backed securities and CMOs had AAA credit ratings and an average maturity of 12 years. The cause of the unrealized losses with respect to these securities is directly related to changes in interest rates.

Management believes that all gross unrealized losses within the securities portfolio at June 30, 2014 and December 31, 2013 are temporary impairments. Management does not intend to sell such securities nor is it more likely than not that management will be required to sell such securities prior to recovery. Further, 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. No other-than-temporary impairment losses were recognized in the Consolidated Statements of Income for the three or six months ended June 30, 2014 and 2013.

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

Securities available for sale with a fair value of $1.45 billion and $1.31 billion at June 30, 2014 and December 31, 2013, respectively, were pledged as collateral for public deposits and for other purposes.

The Bank, as a member of the Federal Home Loan Bank (FHLB) of Boston, is currently required to purchase and hold shares of FHLB capital stock (total cost of $164.4 million at both June 30, 2014 and December 31, 2013) in an amount equal to its membership base investment plus an activity based investment determined according to the Bank s level of outstanding FHLB advances. As a result of the Smithtown Bancorp, Inc. (Smithtown) acquisition completed in 2010, People s United Financial acquired shares of capital stock in the FHLB of New York (total cost of $11.3 million at both June 30, 2014 and December 31, 2013). Based on the current capital adequacy and liquidity position of both the FHLB of Boston and the FHLB of New York, management believes there is no impairment in the Company s investment at June 30, 2014 and the cost of the investment approximates fair value.

Interest-bearing deposits at the Federal Reserve Bank of New York totaling $55.2 million at June 30, 2014 and $102.5 million at December 31, 2013 are included in short-term investments. These deposits represent an alternative to overnight federal funds sold and had a yield of 0.25% at both June 30, 2014 and December 31, 2013.

People s United Financial, Inc.

Notes to Consolidated Financial Statements (Unaudited)

NOTE 3. LOANS

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

- Commercial Banking: commercial real estate; commercial and industrial; and equipment financing.
- Retail: residential mortgage; home equity; and other consumer.

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

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

- Establishment of the allowance for loan losses (including the identification of impaired loans and related impairment measurement considerations);
- Income recognition (including the classification of a loan as non-accrual and the treatment of loan origination costs); and
- Recognition of loan charge-offs.

The Company did not change its policies with respect to loans or its methodology for determining the allowance for loan losses during the six months ended June 30, 2014.

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

	June 30, 2014			December 31, 2013		
(in millions)	Originated	Acquired	Total	Originated	Acquired	Total
Commercial Banking:						

Commercial real estate	$ 8,625.5	$ 567.7	$ 9,193.2	$ 8,286.5	$ 635.1	$ 8,921.6
Commercial and industrial	6,478.9	357.8	6,836.7	5,818.5	483.6	6,302.1
Equipment financing	2,662.5	45.2	2,707.7	2,524.1	69.0	2,593.1
Total commercial	9,141.4	403.0	9,544.4	8,342.6	552.6	8,895.2
Total Commercial Banking	17,766.9	970.7	18,737.6	16,629.1	1,187.7	17,816.8
Retail:						
Residential mortgage:						
Adjustable-rate	3,877.2	148.7	4,025.9	3,734.7	160.6	3,895.3
Fixed-rate	423.8	102.3	526.1	407.4	113.9	521.3
Total residential mortgage	4,301.0	251.0	4,552.0	4,142.1	274.5	4,416.6
Consumer:						
Home equity	2,047.5	54.5	2,102.0	2,023.5	61.1	2,084.6
Other consumer	62.1	1.3	63.4	70.5	1.8	72.3
Total consumer	2,109.6	55.8	2,165.4	2,094.0	62.9	2,156.9
Total Retail	6,410.6	306.8	6,717.4	6,236.1	337.4	6,573.5
Total loans	$ 24,177.5	$ 1,277.5	$ 25,455.0	$ 22,865.2	$ 1,525.1	$ 24,390.3

Net deferred loan costs, which are included in total loans and accounted for as interest yield adjustments, totaled $49.9 million at June 30, 2014 and $47.9 million at December 31, 2013.

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Notes to Consolidated Financial Statements (Unaudited)

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

Three months ended	Commercial Banking			Retail			
June 30, 2014 (in millions)	Originated	Acquired	Total	Originated	Acquired	Total	Total
Balance at beginning of period	$ 160.0	$ 9.8	$ 169.8	$ 20.0	$ 0.5	$ 20.5	$ 190.3
Charge-offs	(6.0)	(1.0)	(7.0)	(2.1)		(2.1)	(9.1)
Recoveries	2.1		2.1	0.5		0.5	2.6
Net loan charge-offs	(3.9)	(1.0)	(4.9)	(1.6)		(1.6)	(6.5)
Provision for loan losses	7.4	0.8	8.2	0.6		0.6	8.8
Balance at end of period	$ 163.5	$ 9.6	$ 173.1	$ 19.0	$ 0.5	$ 19.5	$ 192.6

Six months ended	Commercial Banking			Retail			
June 30, 2014 (in millions)	Originated	Acquired	Total	Originated	Acquired	Total	Total
Balance at beginning of period	$ 158.5	$ 9.8	$ 168.3	$ 19.0	$ 0.5	$ 19.5	$ 187.8
Charge-offs	(9.1)	(2.4)	(11.5)	(5.4)	(0.1)	(5.5)	(17.0)
Recoveries	2.6		2.6	0.9		0.9	3.5
Net loan charge-offs	(6.5)	(2.4)	(8.9)	(4.5)	(0.1)	(4.6)	(13.5)
Provision for loan losses	11.5	2.2	13.7	4.5	0.1	4.6	18.3
Balance at end of period	$ 163.5	$ 9.6	$ 173.1	$ 19.0	$ 0.5	$ 19.5	$ 192.6

Three months ended	Commercial Banking			Retail			
June 30, 2013 (in millions)	Originated	Acquired	Total	Originated	Acquired	Total	Total
Balance at beginning of period	$ 159.5	$ 9.8	$ 169.3	$ 18.0	$	$ 18.0	$ 187.3
Charge-offs	(7.4)	(0.7)	(8.1)	(4.6)		(4.6)	(12.7)
Recoveries	1.2		1.2	0.7		0.7	1.9
Net loan charge-offs	(6.2)	(0.7)	(6.9)	(3.9)		(3.9)	(10.8)

Provision for loan losses	6.0	(1.4)	4.6	4.1	0.5	4.6	9.2
Balance at end of period	$ 159.3	$ 7.7	$ 167.0	$ 18.2	$ 0.5	$ 18.7	$ 185.7

Six months ended June 30, 2013 (in millions)	Commercial Banking Originated	Acquired	Total	Retail Originated	Acquired	Total	Total
Balance at beginning of period	$ 157.5	$ 10.5	$ 168.0	$ 20.0	$	$ 20.0	$ 188.0
Charge-offs	(14.8)	(3.7)	(18.5)	(8.4)	(0.3)	(8.7)	(27.2)
Recoveries	2.2		2.2	1.1		1.1	3.3
Net loan charge-offs	(12.6)	(3.7)	(16.3)	(7.3)	(0.3)	(7.6)	(23.9)
Provision for loan losses	14.4	0.9	15.3	5.5	0.8	6.3	21.6
Balance at end of period	$ 159.3	$ 7.7	$ 167.0	$ 18.2	$ 0.5	$ 18.7	$ 185.7

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Notes to Consolidated Financial Statements (Unaudited)

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

As of June 30, 2014 (in millions)	Originated Loans Individually Evaluated for Impairment		Originated Loans Collectively Evaluated for Impairment		Acquired Loans (Discounts Related to Credit Quality)		Total	
	Portfolio	Allowance	Portfolio	Allowance	Portfolio	Allowance	Portfolio	Allowance
Commercial Banking	$ 167.8	$ 10.6	$ 17,599.1	$ 152.9	$ 970.7	$ 9.6	$ 18,737.6	$ 173.1
Retail	91.9		6,318.7	19.0	306.8	0.5	6,717.4	19.5
Total	$ 259.7	$ 10.6	$ 23,917.8	$ 171.9	$ 1,277.5	$ 10.1	$ 25,455.0	$ 192.6

As of December 31, 2013 (in millions)	Originated Loans Individually Evaluated for Impairment		Originated Loans Collectively Evaluated for Impairment		Acquired Loans (Discounts Related to Credit Quality)		Total	
	Portfolio	Allowance	Portfolio	Allowance	Portfolio	Allowance	Portfolio	Allowance
Commercial Banking	$ 145.4	$ 12.2	$ 16,483.7	$ 146.4	$ 1,187.7	$ 9.8	$ 17,816.8	$ 168.4
Retail	79.4		6,156.7	18.9	337.4	0.5	6,573.5	19.4
Total	$ 224.8	$ 12.2	$ 22,640.4	$ 165.3	$ 1,525.1	$ 10.3	$ 24,390.3	$ 187.8

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

(in millions)	June 30, 2014	December 31, 2013
Commercial Banking:		
Commercial real estate	$ 59.7	$ 70.8
Commercial and industrial	45.8	43.8
Equipment financing	30.7	23.2
Total (1)	136.2	137.8
Retail:		

Residential mortgage	44.8	58.9
Home equity	18.0	19.8
Other consumer	0.1	0.1
Total (2)	62.9	78.8
Total	$ 199.1	$ 216.6

(1) Reported net of government guarantees totaling $18.4 million and $19.4 million at June 30, 2014 and December 31, 2013, respectively. These government guarantees relate, almost entirely, to guarantees provided by the Small Business Administration as well as selected other Federal agencies and represent the carrying value of the loans that are covered by such guarantees, the extent of which (i.e. full or partial) varies by loan. At June 30, 2014, the principal loan classes to which these government guarantees relate are commercial and industrial loans (approximately 99%) and commercial real estate loans (approximately 1%).

(2) Includes $20.4 million and $28.7 million of loans in the process of foreclosure at June 30, 2014 and December 31, 2013, respectively.

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Notes to Consolidated Financial Statements (Unaudited)

The preceding table excludes acquired loans that are (i) accounted for as purchased credit impaired loans or (ii) covered by an Federal Deposit Insurance Corporation (FDIC) loss-share agreement (LSA) totaling $114.1 million and $4.2 million, respectively, at June 30, 2014 and $138.0 million and $4.5 million, respectively, at December 31, 2013. Such loans otherwise meet People s United Financial s definition of a non-performing loan but are excluded because the loans are included in loan pools that are considered performing and/or credit losses are covered by an FDIC LSA. The discounts arising from recording these loans at fair value were due, in part, to credit quality. The acquired loans are generally accounted for on a pool basis and the accretable yield on the pools is being recognized as interest income over the life of the loans based on expected cash flows at the pool level.

A loan is generally considered non-performing when it is placed on non-accrual status. A loan is generally placed on non-accrual status when it becomes 90 days past due as to interest or principal payments. Past due status is based on the contractual payment terms of the loan. A loan may be placed on non-accrual status before it reaches 90 days past due if such loan has been identified as presenting uncertainty with respect to the collectability of interest and principal. A loan past due 90 days or more may remain on accruing status if such loan is both well secured and in the process of collection. There were no loans past due 90 days or more and still accruing interest at June 30, 2014 or December 31, 2013.

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

People s United Financial s recorded investment in originated loans classified as TDRs totaled $177.8 million and $151.5 million at June 30, 2014 and December 31, 2013, respectively. The related allowance for loan losses at June 30, 2014 and December 31, 2013 was $5.1 million and $3.3 million, respectively. Interest income recognized on TDRs totaled $1.1 million for both the three months ended June 30, 2014 and 2013, and $2.0 million and $2.7 million for the six months ended June 30, 2014 and 2013, respectively. Fundings under commitments to lend additional amounts to borrowers with loans classified as TDRs were immaterial for the three and six months ended June 30, 2014 and 2013. Originated loans that were modified and classified as TDRs during the three and six months ended June 30, 2014 and 2013 principally involve reduced payment and/or payment deferral, extension of term (generally no more than two years for commercial loans and five years for retail loans) and/or a temporary reduction of interest rate (generally less than 200 basis points).

People s United Financial, Inc.

Notes to Consolidated Financial Statements (Unaudited)

The following tables summarize, by class of loan, the recorded investments in loans modified as TDRs during the three and six months ended June 30, 2014 and 2013. For purposes of this disclosure, recorded investments represent amounts immediately prior to and subsequent to the restructuring.

	Three Months Ended June 30, 2014		
(dollars in millions)	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Commercial Banking:			
Commercial real estate (1)	7	$ 21.3	$ 21.3
Commercial and industrial (2)	23	21.0	21.0
Equipment financing (3)	6	0.7	0.7
Total	36	43.0	43.0
Retail:			
Residential mortgage (4)	38	8.7	8.7
Home equity (5)	34	3.1	3.1
Other consumer			
Total	72	11.8	11.8
Total	108	$ 54.8	$ 54.8

(1) Represents the following concessions: extension of term (2 contracts; recorded investment of $1.2 million); reduced payment and/or payment deferral (3 contracts; recorded investment of $1.6 million); temporary rate reduction (1 contract; recorded investment of $18.2 million); or a combination of concessions (1 contract; recorded investment of $0.3 million).

(2) Represents the following concessions: extension of term (5 contracts; recorded investment of $2.2 million); reduced payment and/or payment deferral (6 contracts; recorded investment of $1.6 million); or a combination of concessions (12 contracts; recorded investment of $17.2 million).

(3) Represents the following concessions: reduced payment and/or payment deferral (6 contracts; recorded investment of $0.7 million).

(4) Represents the following concessions: loans restructured through bankruptcy (9 contracts; recorded investment of $0.9 million); reduced payment and/or payment deferral (10 contracts; recorded investment of $3.6 million); or a combination of concessions (19 contracts; recorded investment of $4.2 million).

(5)

Represents the following concessions: loans restructured through bankruptcy (15 contracts; recorded investment of $1.0 million); reduced payment and/or payment deferral (6 contracts; recorded investment of $1.2 million); or a combination of concessions (13 contracts; recorded investment of $0.9 million).

People s United Financial, Inc.

Notes to Consolidated Financial Statements (Unaudited)

	Six Months Ended June 30, 2014		
(dollars in millions)	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Commercial Banking:			
Commercial real estate (1)	13	$ 26.4	$ 26.4
Commercial and industrial (2)	29	24.3	24.3
Equipment financing (3)	11	3.7	3.7
Total	53	54.4	54.4
Retail:			
Residential mortgage (4)	86	25.4	25.4
Home equity (5)	72	6.9	6.9
Other consumer			
Total	158	32.3	32.3
Total	211	$ 86.7	$ 86.7

(1) Represents the following concessions: extension of term (6 contracts; recorded investment of $5.4 million); reduced payment and/or payment deferral (3 contracts; recorded investment of $1.6 million); temporary rate reduction (1 contract; recorded investment of $18.2 million); or a combination of concessions (3 contracts; recorded investment of $1.2 million).

(2) Represents the following concessions: extension of term (7 contracts; recorded investment of $3.1 million); reduced payment and/or payment deferral (7 contracts; recorded investment of $2.4 million); or a combination of concessions (15 contracts; recorded investment of $18.8 million).

(3) Represents the following concessions: reduced payment and/or payment deferral (6 contracts; recorded investment of $0.7 million); or a combination of concessions (5 contracts; recorded investment of $3.0 million).

(4) Represents the following concessions: loans restructured through bankruptcy (18 contracts; recorded investment of $4.0 million); extension of term (1 contract; recorded investment of $0.5 million); reduced payment and/or payment deferral (22 contracts; recorded investment of $7.9 million); or a combination of concessions (45 contracts; recorded investment of $13.0 million).

(5) Represents the following concessions: loans restructured through bankruptcy (31 contracts; recorded investment of $3.1 million); reduced payment and/or payment deferral (9 contracts; recorded investment of $1.3 million); temporary rate reduction (1 contract; recorded investment of $0.1 million); or a combination of concessions (31 contracts; recorded investment of $2.4 million).

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People s United Financial, Inc.

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	Three Months Ended June 30, 2013		
(dollars in millions)	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Commercial Banking:			
Commercial real estate (1)	1	$ 1.0	$ 1.0
Commercial and industrial (2)	12	10.8	10.8
Equipment financing (3)	2	1.2	1.2
Total	15	13.0	13.0
Retail:			
Residential mortgage (4)	33	8.8	8.8
Home equity (5)	23	2.9	2.9
Other consumer			
Total	56	11.7	11.7
Total	71	$ 24.7	$ 24.7

(1) Represents the following concessions: extension of term (1 contract; recorded investment of $1.0 million).
(2) Represents the following concessions: extension of term (3 contracts; recorded investment of $2.8 million); payment deferral (6 contracts; recorded investment of $6.4 million); or a combination of concessions (3 contracts; recorded investment of $1.6 million).
(3) Represents the following concessions: payment deferral (2 contracts; recorded investment of $1.2 million).
(4) Represents the following concessions: loans restructured through bankruptcy (7 contracts; recorded investment of $1.6 million); payment deferral (6 contracts; recorded investment of $1.8 million); temporary rate reduction (3 contracts; recorded investment of $0.8 million); or a combination of concessions (17 contracts; recorded investment of $4.6 million).
(5) Represents the following concessions: loans restructured through bankruptcy (10 contracts; recorded investment of $0.6 million); payment deferral (3 contracts; recorded investment of $0.6 million); temporary rate reduction (2 contracts; recorded investment of $0.1 million); or a combination of concessions (8 contracts; recorded investment of $1.6 million).

People s United Financial, Inc.

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	Six Months Ended June 30, 2013		
(dollars in millions)	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Commercial Banking:			
Commercial real estate (1)	4	$ 4.9	$ 4.9
Commercial and industrial (2)	16	12.6	12.6
Equipment financing (3)	5	3.7	3.7
Total	25	21.2	21.2
Retail:			
Residential mortgage (4)	89	26.3	26.3
Home equity (5)	55	5.3	5.3
Other consumer			
Total	144	31.6	31.6
Total	169	$ 52.8	$ 52.8

(1) Represents the following concessions: extension of term (1 contract; recorded investment of $1.0 million); or a combination of concessions (3 contracts; recorded investment of $3.9 million).
(2) Represents the following concessions: extension of term (4 contracts; recorded investment of $3.0 million); payment deferral (7 contracts; recorded investment of $7.6 million); or a combination of concessions (5 contracts; recorded investment of $2.0 million).
(3) Represents the following concessions: payment deferral (2 contracts; recorded investment of $1.2 million); or a combination of concessions (3 contracts; recorded investment of $2.5 million).
(4) Represents the following concessions: loans restructured through bankruptcy (30 contracts; recorded investment of $6.4 million); payment deferral (9 contracts; recorded investment of $2.3 million); temporary rate reduction (4 contracts; recorded investment of $3.4 million); or a combination of concessions (46 contracts; recorded investment of $14.2 million).
(5) Represents the following concessions: loans restructured through bankruptcy (31 contracts; recorded investment of $2.0 million); payment deferral (5 contracts; recorded investment of $0.9 million); temporary rate reduction (3 contracts; recorded investment of $0.6 million); or a combination of concessions (16 contracts; recorded investment of $1.8 million).

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The following is a summary, by class of loan, of information related to TDRs of originated loans completed within the previous 12 months that subsequently defaulted during the three and six months ended June 30, 2014 and 2013. For purposes of this disclosure, the previous 12 months is measured from July 1 of the respective prior year and a default represents a previously-modified loan that became past due 30 days or more during the three or six months ended June 30, 2014 or 2013.

	Three Months Ended June 30,			
	2014		2013	
(dollars in millions)	Number of Contracts	Recorded Investment as of Period End	Number of Contracts	Recorded Investment as of Period End
Commercial Banking:				
Commercial real estate	2	$ 0.4		$
Commercial and industrial	1	0.8		
Equipment financing	1		1	0.5
Total	4	1.2	1	0.5
Retail:				
Residential mortgage	12	2.8	4	1.2
Home equity	12	1.0	4	0.7
Other consumer				
Total	24	3.8	8	1.9
Total	28	$ 5.0	9	$ 2.4

	Six Months Ended June 30,			
	2014		2013	
(dollars in millions)	Number of Contracts	Recorded Investment as of Period End	Number of Contracts	Recorded Investment as of Period End
Commercial Banking:				
Commercial real estate	2	$ 0.4		$
Commercial and industrial	2	2.3	4	0.5
Equipment financing	10	1.0	3	1.3
Total	14	3.7	7	1.8

Retail:						
Residential mortgage	40		14.2	20		4.0
Home equity	20		1.7	7		0.9
Other consumer						
Total	60		15.9	27		4.9
Total	74	$	19.6	34	$	6.7

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

	As of June 30, 2014			As of December 31, 2013		
(in millions)	Unpaid Principal Balance	Recorded Investment	Related Allowance for Loan Losses	Unpaid Principal Balance	Recorded Investment	Related Allowance for Loan Losses
Without a related allowance for loan losses:						
Commercial Banking:						
Commercial real estate	$ 51.2	$ 48.8	$	$ 40.2	$ 37.5	$
Commercial and industrial	37.0	35.1		23.5	22.9	
Equipment financing	35.2	27.7		28.2	18.3	
Retail:						
Residential mortgage	79.5	73.5		69.2	64.6	
Home equity	20.7	18.4		17.2	14.8	
Other consumer						
Total	$ 223.6	$ 203.5	$	$ 178.3	$ 158.1	$
With a related allowance for loan losses:						
Commercial Banking:						
Commercial real estate	$ 54.8	$ 36.0	$ 5.8	$ 53.7	$ 37.8	$ 6.8
Commercial and industrial	16.2	14.7	4.5	17.7	16.0	4.5
Equipment financing	8.6	5.5	0.3	14.5	12.9	0.9
Retail:						
Residential mortgage						
Home equity						
Other consumer						
Total	$ 79.6	$ 56.2	$ 10.6	$ 85.9	$ 66.7	$ 12.2
Total impaired loans:						
Commercial Banking:						
Commercial real estate	$ 106.0	$ 84.8	$ 5.8	$ 93.9	$ 75.3	$ 6.8
Commercial and industrial	53.2	49.8	4.5	41.2	38.9	4.5
Equipment financing	43.8	33.2	0.3	42.7	31.2	0.9

Total	203.0	167.8	10.6	177.8	145.4	12.2
Retail:						
Residential mortgage	79.5	73.5		69.2	64.6	
Home equity	20.7	18.4		17.2	14.8	
Other consumer						
Total	100.2	91.9		86.4	79.4	
Total	$ 303.2	$ 259.7	$ 10.6	$ 264.2	$ 224.8	$ 12.2

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People s United Financial, Inc.

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

	Three Months Ended June 30,			
	2014		2013	
(in millions)	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
Commercial Banking:				
Commercial real estate	$ 71.3	$ 0.7	$ 90.2	$ 0.2
Commercial and industrial	40.6	0.4	65.7	0.4
Equipment financing	29.1	0.1	34.1	0.5
Total	141.0	1.2	190.0	1.1
Retail:				
Residential mortgage	72.5	0.3	55.4	0.2
Home equity	17.2		13.7	0.1
Other consumer				
Total	89.7	0.3	69.1	0.3
Total	$ 230.7	$ 1.5	$ 259.1	$ 1.4

	Six Months Ended June 30,			
	2014		2013	
(in millions)	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
Commercial Banking:				
Commercial real estate	$ 72.7	$ 0.9	$ 93.3	$ 0.6
Commercial and industrial	38.8	0.6	72.1	1.2
Equipment financing	28.7	0.4	34.5	0.8
Total	140.2	1.9	199.9	2.6
Retail:				
Residential mortgage	70.9	0.6	50.5	0.5

Home equity	16.8		0.1	13.2		0.1
Other consumer						
Total	87.7		0.7	63.7		0.6
Total	$ 227.9	$	2.6	$ 263.6	$	3.2

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People s United Financial, Inc.

Notes to Consolidated Financial Statements (Unaudited)

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

As of June 30, 2014 (in millions)	Current	30-89 Days	Past Due 90 Days or More	Total	Total Originated
Commercial Banking:					
Commercial real estate	$ 8,570.4	$ 8.6	$ 46.5	$ 55.1	$ 8,625.5
Commercial and industrial	6,412.6	30.2	36.1	66.3	6,478.9
Equipment financing	2,620.1	37.2	5.2	42.4	2,662.5
Total	17,603.1	76.0	87.8	163.8	17,766.9
Retail:					
Residential mortgage	4,229.6	37.8	33.6	71.4	4,301.0
Home equity	2,029.5	8.9	9.1	18.0	2,047.5
Other consumer	61.0	1.0	0.1	1.1	62.1
Total	6,320.1	47.7	42.8	90.5	6,410.6
Total originated loans	$ 23,923.2	$ 123.7	$ 130.6	$ 254.3	$ 24,177.5

Included in the Current and 30-89 Days categories above are early non-performing commercial real estate loans, commercial and industrial loans, and equipment financing loans totaling $13.5 million, $27.8 million and $25.5 million, respectively, and $20.1 million of retail loans in foreclosure or bankruptcy. These loans are less than 90 days past due but have been placed on non-accrual status as a result of having been identified as presenting uncertainty with respect to the collectability of interest and principal.

As of December 31, 2013 (in millions)	Current	30-89 Days	Past Due 90 Days or More	Total	Total Originated
Commercial Banking:					
Commercial real estate	$ 8,222.5	$ 13.1	$ 50.9	$ 64.0	$ 8,286.5
Commercial and industrial	5,751.4	21.7	45.4	67.1	5,818.5
Equipment financing	2,477.6	38.9	7.6	46.5	2,524.1
Total	16,451.5	73.7	103.9	177.6	16,629.1

Retail:					
Residential mortgage	4,039.4	55.1	47.6	102.7	4,142.1
Home equity	2,000.2	11.3	12.0	23.3	2,023.5
Other consumer	68.7	1.7	0.1	1.8	70.5
Total	6,108.3	68.1	59.7	127.8	6,236.1
Total originated loans	$ 22,559.8	$ 141.8	$ 163.6	$ 305.4	$ 22,865.2

Included in the Current and 30-89 Days categories above are early non-performing commercial real estate loans, commercial and industrial loans, and equipment financing loans totaling $20.4 million, $17.3 million and $15.6 million, respectively, and $19.1 million of retail loans in foreclosure or bankruptcy. These loans are less than 90 days past due but have been placed on non-accrual status as a result of having been identified as presenting uncertainty with respect to the collectability of interest and principal.

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People s United Financial, Inc.

Notes to Consolidated Financial Statements (Unaudited)

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

As of June 30, 2014 (in millions)	Commercial Real Estate	Commercial and Industrial	Equipment Financing	Total
Commercial Banking:				
Originated loans:				
Pass	$ 8,382.8	$ 6,075.2	$ 2,360.1	$ 16,818.1
Special mention	92.6	120.4	85.9	298.9
Substandard	150.0	279.9	216.5	646.4
Doubtful	0.1	3.4		3.5
Total originated loans	8,625.5	6,478.9	2,662.5	17,766.9
Acquired loans:				
Pass	382.4	189.9	17.5	589.8
Special mention	21.7	32.2	1.3	55.2
Substandard	161.0	118.3	26.4	305.7
Doubtful	2.6	17.4		20.0
Total acquired loans	567.7	357.8	45.2	970.7
Total	$ 9,193.2	$ 6,836.7	$ 2,707.7	$ 18,737.6

As of June 30, 2014 (in millions)	Residential Mortgage	Home Equity	Other Consumer	Total
Retail:				
Originated loans:				
Low risk	$ 2,082.1	$ 891.2	$ 34.3	$ 3,007.6
Moderate risk	1,734.4	547.1	7.4	2,288.9
High risk	484.5	609.2	20.4	1,114.1
Total originated loans	4,301.0	2,047.5	62.1	6,410.6
Acquired loans:				
Low risk	115.0			115.0
Moderate risk	57.3			57.3
High risk	78.7	54.5	1.3	134.5

Total acquired loans	251.0	54.5	1.3	306.8
Total	$ 4,552.0	$ 2,102.0	$ 63.4	$ 6,717.4

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People s United Financial, Inc.

Notes to Consolidated Financial Statements (Unaudited)

As of December 31, 2013 (in millions)	Commercial Real Estate	Commercial and Industrial	Equipment Financing	Total
Commercial Banking:				
Originated loans:				
Pass	$ 8,000.7	$ 5,519.2	$ 2,262.3	$ 15,782.2
Special mention	138.1	77.5	93.4	309.0
Substandard	147.6	220.1	168.4	536.1
Doubtful	0.1	1.7		1.8
Total originated loans	8,286.5	5,818.5	2,524.1	16,629.1
Acquired loans:				
Pass	395.6	331.0	31.4	758.0
Special mention	46.8	19.3	4.0	70.1
Substandard	186.6	131.5	33.6	351.7
Doubtful	6.1	1.8		7.9
Total acquired loans	635.1	483.6	69.0	1,187.7
Total	$ 8,921.6	$ 6,302.1	$ 2,593.1	$ 17,816.8

As of December 31, 2013 (in millions)	Residential Mortgage	Home Equity	Other Consumer	Total
Retail:				
Originated loans:				
Low risk	$ 2,032.6	$ 842.5	$ 39.5	$ 2,914.6
Moderate risk	1,619.1	520.7	8.3	2,148.1
High risk	490.4	660.3	22.7	1,173.4
Total originated loans	4,142.1	2,023.5	70.5	6,236.1
Acquired loans:				
Low risk	122.6			122.6
Moderate risk	71.2			71.2
High risk	80.7	61.1	1.8	143.6
Total acquired loans	274.5	61.1	1.8	337.4
Total	$ 4,416.6	$ 2,084.6	$ 72.3	$ 6,573.5

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People s United Financial, Inc.

Notes to Consolidated Financial Statements (Unaudited)

Commercial Banking Credit Quality Indicators

The Company utilizes an internal loan risk rating system as a means of monitoring portfolio credit quality and identifying both problem and potential problem loans. Under the Company s risk rating system, loans not meeting the criteria for problem and potential problem loans as specified below are considered to be Pass -rated loans. Problem and potential problem loans are classified as either Special Mention, Substandard or Doubtful. Loans that do not currently expose the Company to sufficient enough risk of loss to warrant classification as either Substandard or Doubtful, but possess weaknesses that deserve management s close attention, are classified as Special Mention. Substandard loans represent those credits characterized by the distinct possibility that the Company will sustain some loss if the deficiencies are not corrected. Loans classified as Doubtful possess all the weaknesses inherent in those classified Substandard with the added characteristic that collection or liquidation in full, on the basis of existing facts, conditions and values, is highly questionable and/or improbable.

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

Retail Credit Quality Indicators

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

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

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

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

People s United Financial, Inc.

Notes to Consolidated Financial Statements (Unaudited)

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

Acquired Loans Credit Quality Indicators

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

Acquired loans are initially recorded at fair value, determined based upon an estimate of the amount and timing of both principal and interest cash flows expected to be collected and discounted using a market interest rate. The difference between contractually required principal and interest payments at the acquisition date and the undiscounted cash flows expected to be collected at the acquisition date is referred to as the nonaccretable difference , which includes an estimate of future credit losses expected to be incurred over the life of the portfolio. A decrease in the expected cash flows in subsequent periods requires the establishment of an allowance for loan losses at that time. At June 30, 2014 and December 31, 2013, the allowance for loan losses on acquired loans was $10.1 million and $10.3 million, respectively.

Acquired Loans

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

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

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People s United Financial, Inc.

Notes to Consolidated Financial Statements (Unaudited)

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

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

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

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

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

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

At the respective acquisition dates in 2011 and 2010, on an aggregate basis, the acquired loan portfolio had contractually required principal and interest payments receivable of $7.57 billion; expected cash flows of $7.02 billion; and a fair value (initial carrying amount) of $5.36 billion. The difference between the contractually required principal and interest payments receivable and the expected cash flows ($550.9 million) represented the initial nonaccretable difference. The difference between the expected cash flows and fair value ($1.66 billion) represented the initial accretable yield. Both the contractually required principal and interest payments receivable and the expected cash flows reflect anticipated prepayments, determined based on historical portfolio experience. At June 30, 2014, the outstanding principal balance and carrying amount of the acquired loan portfolio were $1.42 billion and $1.28 billion, respectively ($1.69 billion and $1.53 billion, respectively, at December 31, 2013). At June 30, 2014, the aggregate remaining nonaccretable difference applicable to acquired loans totaled $125.5 million.

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Notes to Consolidated Financial Statements (Unaudited)

The following tables summarize activity in the accretable yield for the acquired loan portfolio:

	Three Months Ended June 30,	
(in millions)	2014	2013
Balance at beginning of period	$ 524.4	$ 747.0
Accretion	(21.7)	(34.1)
Reclassification from nonaccretable difference for loans with improved cash flows (1)	0.6	5.3
Other changes in expected cash flows (2)	(55.6)	(33.8)
Balance at end of period	$ 447.7	$ 684.4

	Six Months Ended June 30,	
(in millions)	2014	2013
Balance at beginning of period	$ 639.7	$ 890.2
Accretion	(45.0)	(71.2)
Reclassification from nonaccretable difference for loans with improved cash flows (1)	6.4	5.3
Other changes in expected cash flows (2)	(153.4)	(139.9)
Balance at end of period	$ 447.7	$ 684.4

(1) Results in increased interest accretion as a prospective yield adjustment over the remaining life of the corresponding pool of loans.

(2) Represents changes in cash flows expected to be collected due to factors other than credit (e.g. changes in prepayment assumptions and/or changes in interest rates on variable rate loans), as well as loan sales, modifications and payoffs.

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

Other real estate owned (REO) was comprised of residential and commercial properties totaling $14.9 million and $13.9 million, respectively, at June 30, 2014, and $13.6 million and $13.1 million, respectively, at December 31, 2013. Repossessed assets totaled $4.8 million and $4.5 million at June 30, 2014 and December 31, 2013, respectively.

NOTE 4. STOCKHOLDERS EQUITY

Treasury Stock

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

In November 2012, People s United Financial s Board of Directors authorized the repurchase of up to 10% of the Company s common stock outstanding, or 33.6 million shares. During the six months ended June 30, 2013, 22.4 million shares of People s United Financial common stock were repurchased under this authorization at a total cost of $297.3 million. The Company completed the repurchase of shares authorized during the fourth quarter of 2013.

In conjunction with establishing the RRP in October 2007, a trustee purchased 7.0 million shares of People s United Financial common stock in the open market with funds provided by People s United Financial. At June 30, 2014, the trustee held 2.4 million shares that had not been awarded under the provisions of the RRP. Following shareholder approval of the People s United Financial, Inc. 2014 Long-Term Incentive Plan in the second quarter of 2014, no additional awards may be made under the RRP.

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People s United Financial, Inc.

Notes to Consolidated Financial Statements (Unaudited)

Comprehensive Income

Comprehensive income represents the sum of net income and items of other comprehensive income or loss, including (on an after-tax basis): (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; (iii) net unrealized gains and losses on securities transferred to held to maturity; and (iv) net unrealized gains or losses on derivatives accounted for as cash flow hedges. People s United Financial s total comprehensive income (loss) for the three and six months ended June 30, 2014 and 2013 is reported in the Consolidated Statements of Comprehensive Income (Loss).

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

(in millions)	Pension and Other Postretirement Benefits	Net Unrealized Gains (Losses) on Securities Available for Sale	Net Unrealized Gains (Losses) on Securities Transferred to Held to Maturity	Net Unrealized Gains (Losses) on Derivatives Accounted for as Cash Flow Hedges	Total Accumulated Other Comprehensive Loss
Balance at December 31, 2013	$ (85.0)	$ (46.5)	$ (23.3)	$ (0.3)	$ (155.1)
Other comprehensive income (loss) before reclassifications		27.0		(0.7)	26.3
Amounts reclassified from AOCL (1)	1.3	(0.1)	0.9	0.5	2.6
Current period other comprehensive income (loss)	1.3	26.9	0.9	(0.2)	28.9
Balance at June 30, 2014	$ (83.7)	$ (19.6)	$ (22.4)	$ (0.5)	$ (126.2)

	Pension	Net Unrealized	Net Unrealized Gains (Losses)	Net Unrealized Gains (Losses)	Total Accumulated

(in millions)	and Other Postretirement Benefits	Gains (Losses) on Securities Available for Sale	on Securities Transferred to Held to Maturity	on Derivatives Accounted for as Cash Flow Hedges	Other Comprehensive Loss
Balance at December 31, 2012	$ (148.2)	$ 52.8	$	$ (1.5)	$ (96.9)
Other comprehensive income (loss) before reclassifications	0.2	(85.6)		1.0	(84.4)
Amounts reclassified from AOCL (1)	2.1			0.4	2.5
Current period other comprehensive income (loss)	2.3	(85.6)		1.4	(81.9)
Balance at June 30, 2013	$ (145.9)	$ (32.8)	$	$ (0.1)	$ (178.8)

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

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People s United Financial, Inc.

Notes to Consolidated Financial Statements (Unaudited)

The following is a summary of the amounts reclassified from AOCL:

	Amounts Reclassified from AOCL				Affected Line Item
	Three Months Ended June 30,		Six Months Ended June 30,		in the Statement Where
(in millions)	2014	2013	2014	2013	Net Income is Presented
Details about components of AOCL:					
Amortization of pension and other postretirement benefits items:					
Net actuarial loss	$ (1.4)	$ (1.8)	$ (2.7)	$ (3.7)	(1)
Prior service credit	0.3	0.2	0.6	0.5	(1)
	(1.1)	(1.6)	(2.1)	(3.2)	Income before income tax expense
	0.4	0.6	0.8	1.1	Income tax expense
	(0.7)	(1.0)	(1.3)	(2.1)	Net income
Reclassification adjustment for net realized gains on securities available for sale			0.1		Income before income tax expense (2)
					Income tax expense
			0.1		Net income
Amortization of unrealized losses on securities transferred to held to maturity	(0.8)		(1.5)		Income before income tax expense (3)
	0.3		0.6		Income tax expense
	(0.5)		(0.9)		Net income
Amortization of unrealized gains and losses on cash flow hedges:					
Interest rate swaps	(0.4)	(0.3)	(0.7)	(0.6)	Interest expense - notes and debentures
Interest rate locks (4)					Interest expense - notes and debentures
	(0.4)	(0.3)	(0.7)	(0.6)	Income before income tax expense
	0.1	0.1	0.2	0.2	Income tax expense

	(0.3)	(0.2)	(0.5)	(0.4)	Net income
Total reclassifications for the period	$ (1.5)	$ (1.2)	$ (2.6)	$ (2.5)	

(1) Included in the computation of net periodic pension expense reflected in compensation and benefits expense (see Note 7 for additional details).
(2) Included in other non-interest income.
(3) Included in interest and dividend income securities.
(4) Amount reclassified from AOCL totaled less than $0.1 million for all periods.

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People s United Financial, Inc.

Notes to Consolidated Financial Statements (Unaudited)

NOTE 5. EARNINGS PER COMMON SHARE

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

	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions, except per share data)	2014	2013	2014	2013
Net income	$ 72.3	$ 62.1	$ 125.4	$ 114.6
Dividends and undistributed earnings allocated to participating securities	(0.3)	(0.3)	(0.6)	(0.5)
Income attributable to common shareholders	$ 72.0	$ 61.8	$ 124.8	$ 114.1
Average common shares outstanding for basic EPS	298.2	313.4	298.0	319.2
Effect of dilutive equity-based awards		0.1		0.1
Average common and common-equivalent shares for diluted EPS	298.2	313.5	298.0	319.3
Basic EPS	$ 0.24	$ 0.20	$ 0.42	$ 0.36
Diluted EPS	$ 0.24	$ 0.20	$ 0.42	$ 0.36

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

All unallocated Employee Stock Ownership Plan (ESOP) common shares and all common shares accounted for as treasury shares have been excluded from the calculation of basic and diluted EPS. Anti-dilutive equity-based awards totaling 17.3 million for both the three and six months ended June 30, 2014 and 14.2 million for both the three and six months ended June 30, 2013 have been excluded from the calculation of diluted EPS.

NOTE 6. GOODWILL AND OTHER ACQUISITION-RELATED INTANGIBLE ASSETS

People s United Financial s goodwill totaled $2.0 billion at both June 30, 2014 and December 31, 2013. At both June 30, 2014 and 2013, goodwill was allocated to People s United Financial s operating segments as follows: Commercial Banking ($1.22 billion); Retail and Business Banking ($681.9 million); and Wealth Management ($49.8 million).

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

All of People s United Financial s tax deductible goodwill was created in transactions in which the Company purchased the assets of the target (as opposed to purchasing the issued and outstanding stock of the target). At June 30, 2014 and December 31, 2013, tax deductible goodwill totaled $13.7 million and $14.5 million, respectively, and related, almost entirely, to the Butler Bank acquisition completed in 2010.

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People s United Financial s other acquisition-related intangible assets totaled $160.4 million and $172.8 million at June 30, 2014 and December 31, 2013, respectively. At June 30, 2014, the carrying amounts of other acquisition-related intangible assets were as follows: trade name intangible ($91.9 million); core deposit intangible ($43.1 million); trust relationship intangible ($24.2 million); and insurance relationship intangible ($1.2 million).

Amortization expense of other acquisition-related intangible assets totaled $6.2 million and $6.6 million for the three months ended June 30, 2014 and 2013, respectively, and $12.4 million and $13.1 million for the six months ended June 30, 2014 and 2013, respectively. Scheduled amortization expense attributable to other acquisition-related intangible assets for the full-year of 2014 and each of the next five years is as follows: $24.8 million in 2014; $23.8 million in 2015; $22.7 million in 2016; $21.6 million in 2017; $10.2 million in 2018; and $9.4 million in 2019. There were no impairment losses relating to goodwill or other acquisition-related intangible assets recorded during the six months ended June 30, 2014 or 2013.

NOTE 7. EMPLOYEE BENEFIT PLANS

People s United Financial Employee Pension and Other Postretirement Benefit Plans

People s United Financial maintains a qualified noncontributory defined benefit pension plan (the Qualified Plan) that covers substantially all full-time and part-time employees who (i) meet certain age and length of service requirements and (ii) were employed by the 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 the Bank starting on or after August 14, 2006 are not eligible to participate in the Qualified Plan. Instead, the Bank makes contributions on behalf of these employees to a qualified defined contribution plan in an annual amount equal to 3% of the employee s eligible compensation. Employee participation in this plan is restricted to employees who (i) are at least 18 years of age and (ii) worked at least 1,000 hours in a year. Both full-time and part-time employees are eligible to participate as long as they meet these requirements.

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

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

People s United Financial also maintains (i) unfunded, nonqualified supplemental plans to provide retirement benefits to certain senior officers and (ii) an unfunded plan that provides retirees with optional medical, dental and life insurance benefits (the other postretirement benefits plan). 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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Components of the net periodic benefit (income) expense and other amounts recognized in other comprehensive income or loss for the plans described above are as follows:

	Pension Benefits		Other Postretirement Benefits	
Three months ended June 30 (in millions)	2014	2013	2014	2013
Net periodic benefit (income) expense:				
Service cost	$	$	$ 0.1	$ 0.1
Interest cost	4.8	4.5	0.1	0.1
Expected return on plan assets	(7.1)	(6.6)		
Recognized net actuarial loss	1.0	1.5		
Recognized prior service credit			(0.1)	(0.1)
Settlements	0.9	0.2		
Net periodic benefit (income) expense	$ (0.4)	$ (0.4)	$ 0.1	$ 0.1

	Pension Benefits		Other Postretirement Benefits	
Six months ended June 30 (in millions)	2014	2013	2014	2013
Net periodic benefit (income) expense:				
Service cost	$	$	$ 0.1	$ 0.1
Interest cost	9.6	9.0	0.3	0.3
Expected return on plan assets	(14.2)	(13.3)		
Recognized net actuarial loss	2.0	3.0		
Recognized prior service credit			(0.2)	(0.2)
Settlements	1.0	0.4		
Net periodic benefit (income) expense	(1.6)	(0.9)	0.2	0.2
Other changes in plan assets and benefit obligations recognized in other comprehensive income or loss:				
Net actuarial loss	(2.0)	(3.0)		
Prior service credit			0.2	0.2
Total pre-tax changes recognized in other comprehensive income or loss	(2.0)	(3.0)	0.2	0.2
	$ (3.6)	$ (3.9)	$ 0.4	$ 0.4

Total recognized in net periodic benefit (income) expense and other comprehensive income or loss	

Chittenden Pension Plan

In addition to the benefit plans described above, People s United Financial continues to maintain a qualified defined benefit pension plan that covers former Chittenden Corporation employees who meet certain eligibility requirements (the Chittenden Plan). Effective December 31, 2005, accrued benefits were frozen based on participants then-current service and pay levels. During April 2010, participants who were in payment status as of April 1, 2010, or whose accrued benefit as of that date was scheduled to be paid in the form of an annuity commencing May 1, 2010 based upon elections made by April 15, 2010, were transferred into the Qualified Plan. Net periodic benefit income for the Chittenden Plan totaled $0.2 million and $0.3 million for the six months ended June 30, 2014 and 2013, respectively.

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Employee Stock Ownership Plan

In April 2007, People s United Financial established an ESOP. At that time, People s United Financial loaned the ESOP $216.8 million to purchase 10,453,575 shares of People s United Financial common stock in the open market. In order for the ESOP to repay the loan, People s United Financial expects to make annual cash contributions of approximately $18.8 million until 2036. Such cash contributions may be reduced by the cash dividends paid on unallocated ESOP shares, which totaled $2.6 million for the six months ended June 30, 2014. At June 30, 2014, the loan balance totaled $195.3 million.

Shares of People s United Financial common stock are held by the ESOP and allocated to eligible participants annually based upon a percentage of each participant s eligible compensation. Since the ESOP was established, a total of 2,613,394 shares of People s United Financial common stock have been allocated or committed to be released to participants accounts. At June 30, 2014, 7,840,181 shares of People s United Financial common stock, with a fair value of $118.9 million at that date, have not been allocated or committed to be released.

Compensation expense related to the ESOP is recognized at an amount equal to the number of common shares committed to be released by the ESOP for allocation to participants accounts multiplied by the average fair value of People s United Financial s common stock during the reporting period. The difference between the fair value of the shares of People s United Financial s common stock committed to be released and the cost of those common shares is recorded as a credit to additional paid-in capital (if fair value exceeds cost) or, to the extent that no such credits remain in additional paid-in capital, as a charge to retained earnings (if fair value is less than cost). Expense recognized for the ESOP totaled $2.5 million and $2.4 million for the six months ended June 30, 2014 and 2013, respectively.

NOTE 8. LEGAL PROCEEDINGS

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

Litigation Relating to the Smithtown Transaction

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

On April 26, 2010, the named plaintiff in the *Waterford* action moved to consolidate its action with the *Yourgal* action, to have itself appointed lead plaintiff in the consolidated action and to obtain approval of its selection of lead counsel. The Court approved the consolidation of the two suits, with Waterford Township named the lead plaintiff. On March 22, 2012, People s United Financial filed a Motion to Dismiss the Complaint. On March 29, 2013, the Court granted People s United Financial s Motion to Dismiss. On April 30, 2013, the plaintiffs filed a second Amended Complaint, and on June 6, 2013, People s United Financial filed a Motion to Dismiss the second Amended Complaint. The Court denied People s United Financial s Motion to Dismiss on July 18, 2014.

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Other

The Bank has been named as a defendant in a lawsuit (*Marta Farb, on behalf of herself and all others similarly situated v. People s United Bank*) arising from its assessment and collection of overdraft fees on its checking account customers. The Complaint was filed in the Superior Court of Connecticut, Judicial District of Waterbury, on April 22, 2011 and alleges that the Bank engaged in certain unfair practices in the posting of electronic debit card transactions from highest to lowest dollar amount. The Complaint also alleges that such practices were inadequately disclosed to customers and were unfairly used by the Bank for the purpose of generating revenue by maximizing the number of overdrafts a customer is assessed. The Complaint seeks certification of a class of checking account holders residing in Connecticut and who have incurred at least one overdraft fee, injunctive relief, compensatory, punitive and treble damages, disgorgement and restitution of overdraft fees paid, and attorneys fees. On June 16, 2011, the Bank filed a Motion to Dismiss the Complaint, and on December 7, 2011, that motion was denied by the Court. On April 11, 2012, the plaintiff filed an Amended Complaint, and on May 15, 2012, the Bank filed a Motion to Strike the Amended Complaint. On April 10, 2013, the Bank renewed its Motion to Dismiss the Complaint. On June 6, 2013, the Court denied the Bank s Motion to Strike and its renewed Motion to Dismiss. On September 23, 2013, the Bank filed its Revised Answer, Special Defenses and Counterclaim to Plaintiff s Amended Class Action Complaint. A Court hearing on plaintiff s Motion to Strike certain of the Bank s Defenses and a Counterclaim was held on January 30, 2014. The Court postponed consideration of that Motion and, on April 28, 2014, held a hearing to consider whether it has jurisdiction to hear the case. On July 28, 2014, the Court dismissed the case in its entirety for lack of subject matter jurisdiction because all of the claims are preempted by federal law.

The Bank has been named as a defendant in a lawsuit (*Tracy Fracasse and K. Lee Brown, individually and on behalf of others similarly situated v. People s United Bank*) based on allegations that the Bank failed to pay overtime compensation required by (i) the federal Fair Labor Standards Act and (ii) the Connecticut Minimum Wage Act. The plaintiffs allege that they were employed as underwriters and were misclassified as exempt employees. The plaintiffs further allege that they worked in excess of 40 hours per week and were erroneously denied overtime compensation as required by federal and state wage and hour laws. The Complaint was filed in the U.S. District Court of Connecticut on May 3, 2012. Since the Complaint is brought under both federal and state law, the Complaint seeks certification of two different but overlapping classes. The plaintiffs seek damages in the amount of their respective unpaid overtime and minimum wage compensation, liquidated damages, interest and attorneys fees. On June 29, 2012, the Bank filed its Answer and Affirmative Defenses. On June 17, 2013, the Court granted the plaintiff s motion for conditional certification under the Fair Labor Standards Act and denied the plaintiff s motion for class certification for the plaintiff s state law claims. On April 25, 2014, the parties reached an agreement in principle to settle this matter. On June 20, 2014, Plaintiff s counsel filed a Withdrawal of the Constructive Discharge Complaint as to the state law claims. A hearing to consider the settlement was held and, on July 15, 2014, the Court approved the settlement, the amount of which has been adequately reserved for.

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Notes to Consolidated Financial Statements (Unaudited)

NOTE 9. SEGMENT INFORMATION

See Segment Results included in Item 2 for segment information for the six months ended June 30, 2014 and 2013.

NOTE 10. FAIR VALUE MEASUREMENTS

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

The three levels within the fair value hierarchy are as follows:

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

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

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

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

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

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

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

People s United Financial, Inc.

Notes to Consolidated Financial Statements (Unaudited)

Recurring Fair Value Measurements

Trading Account Securities and Securities Available For Sale

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

Substantially all of the Company s available-for-sale securities represent GSE residential mortgage-backed securities and CMOs. The fair values of these securities are based on prices obtained from the independent pricing service. The pricing service uses various techniques to determine pricing for the Company s mortgage-backed securities, including option pricing and discounted cash flow analysis. The inputs include benchmark yields, reported trades, broker/dealer quotes, issuer spreads, benchmark securities, bids, offers, reference data, monthly payment information and collateral performance. At both June 30, 2014 and December 31, 2013, the entire available-for-sale residential mortgage-backed securities portfolio was comprised of 10- and 15-year GSE securities. An active market exists for securities that are similar to the Company s GSE residential mortgage-backed securities and CMOs, making observable inputs readily available.

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

Other Assets

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

Derivatives

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

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

	Fair Value Measurements Using			
As of June 30, 2014 (in millions)	Level 1	Level 2	Level 3	Total
Financial assets:				
Trading account securities:				
U.S. Treasury	$ 8.3	$	$	$ 8.3
Securities available for sale:				
U.S. Treasury and agency	68.0			68.0
GSE residential mortgage-backed securities and CMOs		3,592.5		3,592.5
Corporate		60.4		60.4
Other		2.9		2.9
Equity securities		0.2		0.2
Other assets:				
U.S. Treasury	30.9			30.9
Fixed income securities		9.6		9.6
Equity mutual funds		0.3		0.3
Interest rate swaps		94.5		94.5
Forward commitments to sell residential mortgage loans		0.5		0.5
Total	$ 107.2	$ 3,760.9	$	$ 3,868.1
Financial liabilities:				
Interest rate swaps	$	$ 75.0	$	$ 75.0
Foreign exchange contracts		0.1		0.1
Interest rate-lock commitments on residential mortgage loans		0.7		0.7
Total	$	$ 75.8	$	$ 75.8

People s United Financial, Inc.

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	Fair Value Measurements Using			
As of December 31, 2013 (in millions)	Level 1	Level 2	Level 3	Total
Financial assets:				
Trading account securities:				
U.S. Treasury	$ 8.3	$	$	$ 8.3
Securities available for sale:				
U.S. Treasury and agency	48.9			48.9
GSE residential mortgage-backed securities and CMOs		4,096.4		4,096.4
Corporate		60.2		60.2
Other		2.5		2.5
Equity securities		0.2		0.2
Other assets:				
U.S. Treasury	30.7			30.7
Fixed income securities		9.2		9.2
Equity mutual funds		0.3		0.3
Interest rate swaps		91.8		91.8
Forward commitments to sell residential mortgage loans		0.1		0.1
Total	$ 87.9	$ 4,260.7	$	$ 4,348.6
Financial liabilities:				
Interest rate swaps	$	$ 76.7	$	$ 76.7
Foreign exchange contracts		0.1		0.1
Interest rate-lock commitments on residential mortgage loans		0.2		0.2
Total	$	$ 77.0	$	$ 77.0

As of June 30, 2014 and December 31, 2013, the fair value of the risk participation agreements totaled less than $0.1 million.

There were no transfers into or out of the Level 1 or Level 2 categories during the six months ended June 30, 2014 and 2013.

Non-Recurring Fair Value Measurements

Loans Held for Sale

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

Impaired Loans

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

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REO and Repossessed Assets

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

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

	Fair Value Measurements Using			
As of June 30, 2014 (in millions)	Level 1	Level 2	Level 3	Total
Loans held for sale (1)	$	$ 34.4	$	$ 34.4
Impaired loans (2)			56.2	56.2
REO and repossessed assets (3)			33.6	33.6
Total	$	$ 34.4	$ 89.8	$ 124.2

	Fair Value Measurements Using			
As of December 31, 2013 (in millions)	Level 1	Level 2	Level 3	Total
Loans held for sale (1)	$	$ 23.3	$	$ 23.3
Impaired loans (2)			66.7	66.7
REO and repossessed assets (3)			31.2	31.2
Total	$	$ 23.3	$ 97.9	$ 121.2

(1) Consists of residential mortgage loans; no fair value adjustments were recorded for the six months ended June 30, 2014 and 2013.

(2) Represents the recorded investment in originated impaired loans with a related allowance for loan losses measured in accordance with applicable accounting guidance. The total consists of $36.0 million, $14.7 million and $5.5 million of commercial real estate loans, commercial and industrial loans, and equipment financing loans, respectively, at June 30, 2014. The provision for loan losses on impaired loans totaled $5.2 million and $10.9

million for the six months ended June 30, 2014 and 2013, respectively.

(3) Represents: (i) $14.9 million of residential REO; (ii) $13.9 million of commercial REO; and (iii) $4.8 million of repossessed assets at June 30, 2014. Charge-offs to the allowance for loan losses related to loans that were transferred to REO and repossessed assets totaled $0.7 million and $1.1 million for the six months ended June 30, 2014 and 2013, respectively. Write downs and net loss on sale of foreclosed/repossessed assets charged to non-interest expense totaled $2.4 million and $2.2 million for the same periods.

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Financial Assets and Financial Liabilities Not Measured At Fair Value

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

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

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

Cash and Short-Term Investments

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

Securities Held to Maturity

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

FHLB Stock

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

Loans

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

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

Deposit Liabilities

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

Borrowings and Notes and Debentures

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

Lending-Related Financial Instruments

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

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Notes to Consolidated Financial Statements (Unaudited)

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

As of June 30, 2014 (in millions)	Carrying Amount	Estimated Fair Value Measurements Using Level 1	Level 2	Level 3	Total
Financial assets:					
Cash and due from banks	$ 464.1	$ 464.1	$	$	$ 464.1
Short-term investments	98.9		98.9		98.9
Securities held to maturity	672.1		704.8	1.5	706.3
FHLB stock	175.7		175.7	.	175.7
Total loans, net (1)	25,206.2		4,572.3	20,546.5	25,118.8
Financial liabilities:					
Time deposits	4,431.4		4,473.8		4,473.8
Other deposits	19,657.3		19,657.3		19,657.3
FHLB advances	2,798.2		2,806.6		2,806.6
Federal funds purchased	331.0		331.0		331.0
Customer repurchase agreements	441.6		441.6		441.6
Repurchase agreements	199.7		199.7		199.7
Other borrowings	2.5		2.5		2.5
Notes and debentures	1,040.0		1,052.2		1,052.2

(1) Excludes impaired loans totaling $56.2 million measured at fair value on a non-recurring basis.

As of December 31, 2013 (in millions)	Carrying Amount	Estimated Fair Value Measurements Using Level 1	Level 2	Level 3	Total
Financial assets:					
Cash and due from banks	$ 350.8	$ 350.8	$	$	$ 350.8
Short-term investments	123.6		123.6		123.6
Securities held to maturity	640.5		641.5	1.0	642.5
FHLB stock	175.7		175.7		175.7
Total loans, net (1)	24,135.8		4,402.0	19,498.7	23,900.7
Financial liabilities:					
Time deposits	4,382.9		4,434.9		4,434.9

Other deposits	18,174.4	18,174.4	18,174.4
FHLB advances	3,719.8	3,728.2	3,728.2
Federal funds purchased	825.0	825.0	825.0
Customer repurchase agreements	501.2	501.2	501.2
Repurchase agreements	1.0	1.0	1.0
Other borrowings	10.0	10.0	10.0
Notes and debentures	639.1	613.2	613.2

(1) Excludes impaired loans totaling $66.7 million measured at fair value on a non-recurring basis.

People s United Financial, Inc.

Notes to Consolidated Financial Statements (Unaudited)

NOTE 11. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING ACTIVITIES

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

All derivatives are recognized as either assets or liabilities in the Consolidated Statements of Condition, reported at fair value and presented on a gross basis. Until a derivative is settled, a favorable change in fair value results in an unrealized gain that is recognized as an asset, while an unfavorable change in fair value results in an unrealized loss that is recognized as a liability.

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

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

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

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

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

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

People s United Financial, Inc.

Notes to Consolidated Financial Statements (Unaudited)

By using derivatives, People s United Financial is exposed to credit risk to the extent that counterparties to the derivative contracts do not perform as required. Should a counterparty fail to perform under the terms of a derivative contract, the Company s counterparty credit risk is equal to the amount reported as a derivative asset in the Consolidated Statements of Condition. In accordance with the Company s balance sheet offsetting policy (see Note 12), amounts reported as derivative assets represent derivative contracts in a gain position, without consideration for derivative contracts in a loss position with the same counterparty (to the extent subject to master netting arrangements) and posted collateral. People s United Financial seeks to minimize counterparty credit risk through credit approvals, limits, monitoring procedures, execution of master netting arrangements and obtaining collateral, where appropriate. Counterparties to People s United Financial s derivatives include major financial institutions with investment grade credit ratings from the major rating agencies. As such, management believes the risk of incurring credit losses on derivative contracts with those counterparties is remote and losses, if any, would be immaterial.

Certain of People s United Financial s derivative contracts contain provisions establishing collateral requirements (subject to minimum collateral posting thresholds) based on the Company s external credit rating. If the Company s senior unsecured debt rating were to fall below the level generally recognized as investment grade, the counterparties to such derivative contracts could require additional collateral on those derivative transactions in a net liability position (after considering the effect of master netting arrangements and posted collateral). The aggregate fair value of derivative instruments with such credit-related contingent features that were in a net liability position at June 30, 2014 was $4.3 million, for which People s United Financial had posted collateral of $3.5 million in the normal course of business. If the Company s senior unsecured debt rating had fallen below investment grade as of that date, $0.8 million in additional collateral would have been required.

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

Interest Rate Swaps

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

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

The Bank has entered into a pay floating/receive fixed interest rate swap to hedge the change in fair value of the Bank s $400 million subordinated notes (see Note 1) due to changes in interest rates. The Bank has agreed with the swap counterparty to exchange, at specified intervals, the difference between fixed-rate and floating-rate interest amounts calculated based on a notional amount of $375 million. The fixed-rate interest payments received on the swap will essentially offset the fixed-rate interest payments made on these notes, notwithstanding the notional difference between these notes and the swap. The floating-rate interest amounts paid under the swap are calculated based on three-month LIBOR plus 126.5 basis points. The swap effectively converts the fixed-rate subordinated notes to a floating-rate liability. This swap is accounted for as a fair value hedge.

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People s United Financial, Inc.

Notes to Consolidated Financial Statements (Unaudited)

Interest Rate Locks

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

Foreign Exchange Contracts

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

Risk Participation Agreements

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

Customer Derivatives

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

People s United Financial, Inc.

Notes to Consolidated Financial Statements (Unaudited)

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

				Fair Values (1)			
		Notional Amounts		Assets		Liabilities	
(in millions)	Type of Hedge	June 30, 2014	Dec. 31, 2013	June 30, 2014	Dec. 31, 2013	June 30, 2014	Dec. 31, 2013
Derivatives Not Designated as Hedging Instruments:							
Interest rate swaps:							
Commercial customers	N/A	$ 2,808.3	$ 2,514.7	$ 68.8	$ 32.8	$ 17.8	$ 47.3
Institutional counterparties	N/A	2,808.3	2,514.7	23.0	59.0	55.7	27.9
Foreign exchange contracts	N/A	20.3	10.3			0.1	0.1
Risk participation agreements (2)	N/A	98.7	62.4				
Forward commitments to sell residential mortgage loans	N/A	37.9	31.3	0.5	0.1		
Interest rate-lock commitments on residential mortgage loans	N/A	60.1	39.7			0.7	0.2
Total				92.3	91.9	74.3	75.5
Derivatives Designated as Hedging Instruments:							
Interest rate swaps:							
Subordinated notes	Cash flow	125.0	125.0			1.5	1.5
Subordinated notes	Fair value	375.0		2.7			
Total				2.7		1.5	1.5
Total derivatives				$ 95.0	$ 91.9	$ 75.8	$ 77.0

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

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

Six months ended June 30 (in millions)	Type of Hedge	Amount of Pre-Tax Gain (Loss) Recognized in Earnings (1) 2014	2013	Amount of Pre-Tax Gain (Loss) Recognized in AOCL 2014	2013
Derivatives Not Designated as Hedging Instruments:					
Interest rate swaps:					
Commercial customers	N/A	$ 90.6	$ (49.9)	$	$
Institutional counterparties	N/A	(86.8)	53.3		
Foreign exchange contracts	N/A		0.1		
Risk participation agreements	N/A	(0.2)	0.4		
Forward commitments to sell residential mortgage loans	N/A	0.4	(2.8)		
Interest rate-lock commitments on residential mortgage loans	N/A	(0.5)	3.2		
Total		3.5	4.3		
Derivatives Designated as Hedging Instruments:					
Interest rate swaps	Cash flow	(0.7)	(0.6)	(0.7)	1.6
Interest rate locks (2)	Cash flow				
Interest rate swaps	Fair value	(0.1)			
Total		(0.8)	(0.6)	(0.7)	1.6
Total derivatives		$ 2.7	$ 3.7	$ (0.7)	$ 1.6

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

(2) Income relating to interest rate locks terminated in 2012 totaled less than $0.1 million for both periods.

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People s United Financial, Inc.

Notes to Consolidated Financial Statements (Unaudited)

NOTE 12. BALANCE SHEET OFFSETTING

Assets and liabilities relating to certain financial instruments, including derivatives, may be eligible for offset in the Consolidated Statements of Condition and/or subject to enforceable master netting arrangements or similar agreements. People s United Financial s derivative transactions with institutional counterparties are generally executed under International Swaps and Derivative Association (ISDA) master agreements, which include right of set-off provisions that provide for a single net settlement of all interest rate swap positions, as well as collateral, in the event of default on, or the termination of, any one contract. Nonetheless, the Company does not offset asset and liabilities under such arrangements in the Consolidated Statements of Condition.

Collateral (generally in the form of marketable debt securities) pledged by counterparties in connection with derivative transactions is not reported in the Consolidated Statements of Condition unless the counterparty defaults. Collateral that has been pledged by People s United Financial to counterparties continues to be reported in the Consolidated Statements of Condition unless the Company defaults.

The following tables provide a gross presentation, the effects of offsetting, and a net presentation of the Company s financial instruments that are eligible for offset in the Consolidated Statements of Condition. The collateral amounts in these tables are limited to the outstanding balances of the related asset or liability (after netting is applied) and, therefore, instances of overcollateralization are not presented. The net amounts of the derivative assets of liabilities can be reconciled to the fair value of the Company s derivative financial instruments in Note 11. The Company s derivative contracts with commercial customers and customer repurchase agreements are not subject to master netting arrangements and, therefore, have been excluded from the tables below.

As of June 30, 2014 (in millions)	Gross Amount Recognized	Gross Amount Offset	Net Amount Presented
Financial assets:			
Interest rate swaps:			
Institutional counterparties	$ 25.7	$	$ 25.7
Total	$ 25.7	$	$ 25.7
Financial liabilities:			
Interest rate swaps:			
Institutional counterparties	$ 57.2	$	$ 57.2
Repurchase agreements	199.7		199.7
Foreign exchange contracts	0.1		0.1

Total	$	257.0	$		$	257.0

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People s United Financial, Inc.

Notes to Consolidated Financial Statements (Unaudited)

As of June 30, 2014 (in millions)	Net Amount Presented	Gross Amounts Not Offset Financial Instruments	Collateral	Net Amount
Financial assets:				
Interest rate swaps:				
Counterparty A	$ 3.4	$ (3.4)	$	$
Counterparty B	3.5	(3.5)		
Counterparty C	6.3	(3.5)	(2.5)	0.3
Counterparty D	7.1	(0.2)	(6.9)	
Counterparty E	3.3	(3.3)		
Other counterparties	2.1	(2.1)		
Total	$ 25.7	$ (16.0)	$ (9.4)	$ 0.3
Financial liabilities:				
Interest rate swaps:				
Counterparty A	$ 12.6	$ (3.4)	$ (9.2)	$
Counterparty B	11.3	(3.5)	(7.8)	
Counterparty C	3.5	(3.5)		
Counterparty D	0.2	(0.2)		
Counterparty E	20.6	(3.3)	(17.3)	
Other counterparties	9.0	(2.1)	(6.1)	0.8
Repurchase agreements	199.7		(199.7)	
Foreign exchange contracts	0.1			0.1
Total	$ 257.0	$ (16.0)	$ (240.1)	$ 0.9

As of December 31, 2013 (in millions)	Gross Amount Recognized	Gross Amount Offset	Net Amount Presented
Financial assets:			
Interest rate swaps:			
Institutional counterparties	$ 59.0	$	$ 59.0
Total	$ 59.0	$	$ 59.0
Financial liabilities:			
Interest rate swaps:			
Institutional counterparties	$ 29.4	$	$ 29.4
Repurchase agreements	1.0		1.0

Foreign exchange contracts		0.1				0.1
Total	$	30.5	$		$	30.5

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People s United Financial, Inc.

Notes to Consolidated Financial Statements (Unaudited)

As of December 31, 2013 (in millions)	Net Amount Presented	Gross Amounts Not Offset: Financial Instruments	Gross Amounts Not Offset: Collateral	Net Amount
Financial assets:				
Interest rate swaps:				
Counterparty A	$ 7.6	$ (7.6)	$	$
Counterparty B	8.4	(8.2)		0.2
Counterparty C	13.3	(2.4)	(10.0)	0.9
Counterparty D	14.1		(14.1)	
Counterparty E	9.5	(1.8)		7.7
Other counterparties	6.1	(2.8)	(1.9)	1.4
Total	$ 59.0	$ (22.8)	$ (26.0)	$ 10.2
Financial liabilities:				
Interest rate swaps:				
Counterparty A	$ 11.4	$ (7.6)	$ (3.8)	$
Counterparty B	8.2	(8.2)		
Counterparty C	2.4	(2.4)		
Counterparty D				
Counterparty E	1.8	(1.8)		
Other counterparties	5.6	(2.8)	(2.8)	
Repurchase agreements	1.0		(1.0)	
Foreign exchange contracts	0.1			0.1
Total	$ 30.5	$ (22.8)	$ (7.6)	$ 0.1

NOTE 13. NEW ACCOUNTING STANDARDS

Accounting for Income Taxes

In July 2013, the Financial Accounting Standards Board (the FASB) amended its standards with respect to income taxes to clarify that an unrecognized tax benefit (or a portion of an unrecognized tax benefit) should be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss or a tax credit carryforward if such settlement is required or expected in the event the uncertain tax position is disallowed. In situations where a net operating loss carryforward, a similar tax loss or a tax credit carryforward is not available at the reporting date under the tax law of the applicable jurisdiction or the tax law of the jurisdiction does not require, and the entity does not intend to use, the deferred tax asset for such purpose, the unrecognized tax benefit should be presented in the financial statements as a liability and should not be combined with deferred tax assets. This amendment, which is being applied prospectively, became effective for People s United Financial on January 1, 2014 and did not have a significant impact on the Company s Consolidated Financial Statements.

Accounting for Investments in Qualified Affordable Housing Projects

In January 2014, the FASB amended its standards with respect to the accounting for investments in qualified affordable housing projects to allow an investor that meets certain conditions to amortize the cost of its investment, in proportion to the tax credits and other tax benefits it receives, and present the amortization as a component of income tax expense. This method replaces the current effective yield method, which allows for amortization to be presented as income tax expense but is limited in its application because of certain criteria that are required to be met. This amendment is effective for fiscal years, and interim periods within those years, beginning after December 31, 2014 (January 1, 2015 for People s United Financial) with retrospective application and early adoption permitted. This amendment, which People s United Financial early adopted on January 1, 2014, did not have a significant impact on the Company s Consolidated Financial Statements as the amortization previously included in pre-tax income is now included as a component of income tax expense (see Note 1).

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People s United Financial, Inc.

Notes to Consolidated Financial Statements (Unaudited)

Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans Upon Foreclosure

In January 2014, the FASB amended its standards with respect to the accounting for consumer mortgage loans collateralized by residential real estate to clarify that such loans should, upon foreclosure, be reclassified by a creditor as REO when either (i) the creditor obtains legal title to the real estate collateral or (ii) a deed in lieu of foreclosure, conveying all interest in the real estate to the creditor, is completed. In addition, the amendment requires a creditor to provide additional disclosures with respect to (i) the amount of residential real estate meeting the conditions set forth above and (ii) the recorded investment in consumer mortgage loans secured by residential real estate properties that are in the process of foreclosure. This amendment, which can be applied prospectively or through the use of the modified retrospective method, is effective for fiscal years, and interim periods within those years, beginning after December 31, 2014 (January 1, 2015 for People s United Financial) and early adoption is permitted. The adoption of this amendment is not expected to have a significant impact on the Company s Consolidated Financial Statements.

Revenue Recognition

In May 2014, the FASB amended its standards with respect to revenue recognition. The amended guidance serves to replace all current U.S. GAAP guidance on this topic and eliminate all industry-specific guidance, providing a unified model to determine when and how revenue is recognized. The underlying principle is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The amendments also require enhanced disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity s contracts with customers. This new guidance, which can be applied retrospectively or through the use of the cumulative effect transition method, is effective for fiscal years, and interim periods within those years, beginning on or after December 15, 2016 (January 1, 2017 for People s United Financial) and early adoption is not permitted. The Company is currently evaluating the impact of the amended guidance on the Company s Consolidated Financial Statements.

Stock Compensation

In June 2014, the FASB amended its standards with respect to stock compensation to require that a performance target that affects vesting, and that could be achieved after the requisite service period, be treated as a performance condition. As such, the performance target should not be reflected in estimating the grant date fair value of the award. The amendment further clarifies that compensation cost should be recognized in the period in which it becomes probable that the performance target will be achieved and should represent the compensation cost attributable to those periods for which the requisite service has already been rendered. This new guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015 (January 1, 2016 for People s United Financial) and can be applied either prospectively or retrospectively to all awards outstanding as of the beginning of the earliest annual period presented as an adjustment to opening retained earnings. The adoption of this amendment, for which early adoption is permitted, is not expected to have a significant impact on the Company s Consolidated Financial Statements.

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People s United Financial, Inc.

Notes to Consolidated Financial Statements (Unaudited)

Repurchase Agreements

In June 2014, the FASB amended its standards with respect to repurchase agreements to (i) require that repurchase-to-maturity transactions be accounted for as secured borrowings, thereby eliminating the possibility of such transactions qualifying for sale accounting treatment, and (ii) eliminate existing guidance for repurchase financings. The amendment also requires enhanced disclosures for certain transactions accounted for as secured borrowings and transfers accounted for as sales when the transferor also retains substantially all of the exposure to the economic return on the transferred financial assets throughout the term of the transaction. This new guidance is required to be adopted for fiscal years, and interim periods within those years, beginning on or after December 15, 2014 (January 1, 2015 for People s United Financial). However, for repurchase and securities lending transactions reported as secured borrowings, the enhanced disclosures required by the new guidance are effective for annual periods beginning after December 15, 2014 (January 1, 2015 for People s United Financial) and interim periods beginning after March 15, 2015 (April 1, 2015 for People s United Financial). Early adoption is not permitted for public business entities. In adopting this new guidance, all entities must report changes in accounting for transactions outstanding on the effective date as a cumulative-effect adjustment to retained earnings as of the beginning of the period of adoption. As of June 30, 2014, none of the Company s repurchase agreements represented repurchase-to-maturity transactions or repurchase financings and all repurchase agreements have been accounted for as secured borrowings. As such, the adoption of this amendment is not expected to have a significant impact on the Company s Consolidated Financial Statements.

Classification of Certain Government-Guaranteed Residential Mortgage Loans upon Foreclosure

In June 2014, the FASB amended its standards with respect to the classification of certain government-guaranteed residential mortgage loans to clarify that upon foreclosure of mortgage loans within the scope of the standard, a creditor will be required to reclassify the previously existing mortgage loan to a separate receivable from the guarantor, measured at the amount of the guarantee that it expects to collect. This amendment, which can be applied prospectively or through the use of the modified retrospective method, is effective for fiscal years, and interim periods within those years, beginning after December 15, 2014 (January 1, 2015 for People s United Financial). However, the transition method selected must be consistent with the method applied in adopting the Auditing Standards Update (ASU) 2014-04, *Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure*. Early adoption is permitted only if ASU 2014-04 has been adopted. The adoption of this amendment 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, Inc. (People s United Financial or the Company) with the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934 (the Exchange Act) may, from time to time, contain information and statements that are forward-looking in nature. Such filings include the Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, and may include other forms such as proxy statements. Other written or oral statements made by People s United Financial or its representatives from time to time may also contain forward-looking statements.

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

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

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

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Selected Consolidated Financial Information

	Three Months Ended			Six Months Ended	
(dollars in millions, except per share data)	June 30, 2014	March 31, 2014	June 30, 2013	June 30, 2014	June 30, 2013
Earnings Data:					
Net interest income (fully taxable equivalent)	$ 232.8	$ 231.8	$ 225.2	$ 464.6	$ 448.5
Net interest income	228.2	227.1	220.9	455.3	440.2
Provision for loan losses	8.8	9.5	9.2	18.3	21.6
Non-interest income (1)	100.1	79.9	88.2	180.0	173.1
Non-interest expense	208.3	216.7	205.8	425.0	417.8
Operating non-interest expense (2)	206.7	211.5	205.4	418.2	409.4
Income before income tax expense (1)	111.2	80.8	94.1	192.0	173.9
Net income	72.3	53.1	62.1	125.4	114.6
Operating earnings (2)	59.9	56.5	62.4	116.4	120.3
Selected Statistical Data:					
Net interest margin (3)	3.13%	3.17%	3.33%	3.15%	3.35%
Return on average assets (3)	0.87	0.65	0.81	0.76	0.75
Operating return on average assets (2), (3)	0.72	0.69	0.81	0.71	0.79
Return on average tangible assets (3)	0.93	0.69	0.87	0.81	0.81
Return on average stockholders equity (3)	6.3	4.7	5.2	5.5	4.7
Return on average tangible stockholders equity (3)	11.6	8.7	9.3	10.2	8.3
Operating return on average tangible stockholders equity (2), (3)	9.6	9.3	9.3	9.4	8.7
Efficiency ratio (2)	61.8	63.9	61.4	62.8	62.0
Common Share Data:					
Basic and diluted earnings per share	$ 0.24	$ 0.18	$ 0.20	$ 0.42	$ 0.36
Operating earnings per share (2)	0.20	0.19	0.20	0.39	0.38
Dividends paid per share	0.165	0.1625	0.1625	0.3275	0.3225
Dividend payout ratio	68.4%	91.5%	83.6%	78.1%	91.3%
Operating dividend payout ratio (2)	82.5	86.0	83.2	84.2	87.0
Book value per share (end of period)	$ 15.46	$ 15.35	$ 15.11	$ 15.46	$ 15.11
Tangible book value per share (end of period) (2)	8.41	8.26	8.20	8.41	8.20
Stock price:					
High	15.23	15.70	15.00	15.70	15.00
Low	14.00	13.73	12.62	13.73	12.22
Close (end of period)	15.17	14.87	14.90	15.17	14.90

(1) Previously reported amounts for the three and six months ended June 30, 2013 have been restated to reflect the change in accounting for investments in qualified affordable housing projects. See Notes 1 and 13 to the Consolidated Financial Statements.

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

(3) Annualized.

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(dollars in millions)	June 30, 2014	March 31, 2014	Dec. 31, 2013	Sept. 30, 2013	June 30, 2013
	As of and for the Three Months Ended				
Financial Condition Data:					
Total assets	$ 33,921	$ 33,112	$ 33,214	$ 31,511	$ 31,345
Loans	25,455	24,629	24,390	23,227	22,866
Securities	4,580	4,690	5,033	4,379	4,618
Short-term investments	99	73	124	148	120
Allowance for loan losses	193	190	188	188	186
Goodwill and other acquisition-related intangible assets	2,115	2,121	2,127	2,134	2,140
Deposits	24,089	23,666	22,557	22,190	21,982
Borrowings	3,773	3,887	5,057	3,621	3,626
Notes and debentures	1,040	639	639	639	639
Stockholders equity	4,636	4,596	4,568	4,638	4,678
Total risk-weighted assets (1)	26,591	25,749	25,386	23,731	23,506
Non-performing assets (2)	233	231	248	271	281
Net loan charge-offs	6.5	7.0	10.4	9.6	10.8
Average Balances:					
Loans	$ 24,856	$ 24,248	$ 23,598	$ 22,916	$ 22,369
Securities (3)	4,674	4,908	4,550	4,529	4,557
Short-term investments	206	121	146	179	153
Total earning assets	29,736	29,277	28,294	27,624	27,079
Total assets	33,273	32,799	31,822	31,216	30,799
Deposits	23,851	22,863	22,379	22,066	21,835
Total funding liabilities	28,305	27,850	26,817	26,168	25,548
Stockholders equity	4,609	4,564	4,574	4,622	4,825
Ratios:					
Net loan charge-offs to average total loans (annualized)	0.10%	0.12%	0.18%	0.17%	0.19%
Non-performing assets to originated loans, real estate owned and repossessed assets (2)	0.96	1.00	1.08	1.26	1.33
Originated allowance for loan losses to:					
Originated loans (2)	0.75	0.78	0.78	0.82	0.85
Originated non-performing loans (2)	91.7	92.7	81.9	74.8	71.8
Average stockholders equity to average total assets	13.9	13.9	14.4	14.8	15.7
Stockholders equity to total assets	13.7	13.9	13.8	14.7	14.9
Tangible stockholders equity to tangible assets (4)	7.9	8.0	7.9	8.5	8.7
Total risk-based capital (1)	12.5	11.2	12.4	12.6	12.8

(1) Consolidated. See Regulatory Capital Requirements.

(2) Excludes acquired loans.

(3) Average balances for securities are based on amortized cost.

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

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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 their evaluation with an analysis of certain non-GAAP financial measures, such as the efficiency and tangible equity ratios, tangible book value per share and operating earnings metrics. Management believes these non-GAAP financial measures provide information useful to investors in understanding People s United Financial s underlying operating performance and trends, and facilitates comparisons with the performance of other banks and thrifts. Further, the efficiency ratio and operating earnings metrics are used by management in its assessment of financial performance, including non-interest expense control, while the tangible equity ratio and tangible book value per share are used to analyze the relative strength of People s United Financial s capital position.

The efficiency ratio, which represents an approximate measure of the cost required by People s United Financial to generate a dollar of revenue, is the ratio of (i) total non-interest expense (excluding goodwill impairment charges, amortization of other acquisition-related intangible assets, losses on real estate assets and non-recurring expenses) (the numerator) to (ii) net interest income on a fully taxable equivalent (FTE) basis plus total non-interest income (including the FTE adjustment on bank-owned life insurance (BOLI) income, and excluding gains and losses on sales of assets other than residential mortgage loans and acquired loans, and non-recurring income) (the denominator). In addition, operating lease expense is excluded from total non-interest expense and netted against operating lease income within non-interest income to conform with the reporting approach applied to our other fee-based businesses that are already presented on a net basis. People s United Financial generally considers an item of income or expense to be non-recurring if it is not similar to an item of income or expense of a type incurred within the last two years and is not similar to an item of income or expense of a type reasonably expected to be incurred within the following two years.

Operating earnings exclude from net income those items that management considers to be of such a non-recurring or infrequent nature that, by excluding such items (net of income taxes), People s United Financial s results can be measured and assessed on a more consistent basis from period to period. Items excluded from operating earnings, which include, but are not limited to: (i) non-recurring gains/losses; (ii) merger-related expenses, including acquisition integration and other costs; (iii) charges related to executive-level management separation costs; (iv) severance-related costs; and (v) writedowns of banking house assets, are generally also excluded when calculating the efficiency ratio. Operating earnings per share is derived by determining the per share impact of the respective adjustments to arrive at operating earnings and adding (subtracting) such amounts to (from) GAAP earnings per share. Operating return on average assets is calculated by dividing operating earnings (annualized) by average total assets. Operating return on average tangible stockholders equity is calculated by dividing operating earnings (annualized) by average tangible stockholders equity. The operating dividend payout ratio is calculated by dividing dividends paid by operating earnings for the respective period.

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

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

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The following table summarizes People s United Financial s operating non-interest expense and efficiency ratio, as derived from amounts reported in the Consolidated Statements of Income:

	Three Months Ended			Six Months Ended	
(dollars in millions)	June 30, 2014	March 31, 2014	June 30, 2013	June 30, 2014	June 30, 2013
Total non-interest expense	$ 208.3	$ 216.7	$ 205.8	$ 425.0	$ 417.8
Adjustments to arrive at operating non-interest expense:					
Writedowns of banking house assets		(4.4)		(4.4)	(6.2)
Severance-related costs	(1.6)	(0.8)	(0.4)	(2.4)	(1.9)
Acquisition integration and other costs					(0.3)
Total	(1.6)	(5.2)	(0.4)	(6.8)	(8.4)
Operating non-interest expense	206.7	211.5	205.4	418.2	409.4
Operating lease expense (1)	(8.7)	(11.1)	(7.6)	(19.8)	(15.1)
Amortization of other acquisition-related intangible assets	(6.2)	(6.2)	(6.6)	(12.4)	(13.1)
Other (2)	(3.7)	(2.0)	(3.5)	(5.7)	(5.0)
Total non-interest expense for efficiency ratio	$ 188.1	$ 192.2	$ 187.7	$ 380.3	$ 376.2
Net interest income (FTE basis)	$ 232.8	$ 231.8	$ 225.2	$ 464.6	$ 448.5
Total non-interest income	100.1	79.9	88.2	180.0	173.1
Total revenues	332.9	311.7	313.4	644.6	621.6
Adjustments:					
Gain on merchant services joint venture, net of expenses	(20.6)			(20.6)	
Operating lease expense (1)	(8.7)	(11.1)	(7.6)	(19.8)	(15.1)
BOLI FTE adjustment	0.6	0.6	0.4	1.2	0.8
Net security gains		(0.1)		(0.1)	
Other (3)		(0.1)	(0.3)	(0.1)	(1.0)
Total revenues for efficiency ratio	$ 304.2	$ 301.0	$ 305.9	$ 605.2	$ 606.3
Efficiency ratio	61.8%	63.9%	61.4%	62.8%	62.0%

(1) Operating lease expense is excluded from total non-interest expense and netted against operating lease income within non-interest income to conform with the reporting approach applied to our other fee-based businesses that

are already presented on a net basis.

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

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

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

(dollars in millions, except per share data)	Three Months Ended June 30, 2014	Three Months Ended March 31, 2014	Three Months Ended June 30, 2013	Six Months Ended June 30, 2014	Six Months Ended June 30, 2013
Net income, as reported	$ 72.3	$ 53.1	$ 62.1	$ 125.4	$ 114.6
Adjustments to arrive at operating earnings:					
Gain on merchant services joint venture, net of expenses	(20.6)			(20.6)	
Writedowns of banking house assets		4.4		4.4	6.2
Severance-related costs	1.6	0.8	0.4	2.4	1.9
Acquisition integration and other costs					0.3
Total pre-tax adjustments	(19.0)	5.2	0.4	(13.8)	8.4
Tax effect	6.6	(1.8)	(0.1)	4.8	(2.7)
Total adjustments, net of tax	(12.4)	3.4	0.3	(9.0)	5.7
Operating earnings	$ 59.9	$ 56.5	$ 62.4	$ 116.4	$ 120.3
Earnings per share, as reported	$ 0.24	$ 0.18	$ 0.20	$ 0.42	$ 0.36
Adjustments to arrive at operating earnings per share:					
Gain on merchant services joint venture, net of expenses	(0.04)			(0.04)	
Writedowns of banking house assets		0.01		0.01	0.02
Severance-related costs					
Acquisition integration and other costs					
Total adjustments per share	(0.04)	0.01		(0.03)	0.02
Operating earnings per share	$ 0.20	$ 0.19	$ 0.20	$ 0.39	$ 0.38
Average total assets	$ 33,273	$ 32,799	$ 30,799	$ 33,037	$ 30,490
Operating return on average assets (annualized)	0.72%	0.69%	0.81%	0.71%	0.79%

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

(dollars in millions)	Three Months Ended June 30, 2014	Three Months Ended March 31, 2014	Three Months Ended June 30, 2013	Six Months Ended June 30, 2014	Six Months Ended June 30, 2013
Operating earnings	$ 59.9	$ 56.5	$ 62.4	$ 116.4	$ 120.3
Average stockholders equity	$ 4,609	$ 4,564	$ 4,825	$ 4,586	$ 4,914
Less: Average goodwill and average other acquisition-related intangible assets	2,118	2,125	2,144	2,121	2,147
Average tangible stockholders equity	$ 2,491	$ 2,439	$ 2,681	$ 2,465	$ 2,767
Operating return on average tangible stockholders equity (annualized)	9.6%	9.3%	9.3%	9.4%	8.7%

(dollars in millions)	Three Months Ended June 30, 2014	Three Months Ended March 31, 2014	Three Months Ended June 30, 2013	Six Months Ended June 30, 2014	Six Months Ended June 30, 2013
Dividends paid	$ 49.4	$ 48.6	$ 51.9	$ 98.0	$ 104.7
Operating earnings	$ 59.9	$ 56.5	$ 62.4	$ 116.4	$ 120.3
Operating dividend payout ratio	82.5%	86.0%	83.2%	84.2%	87.0%

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

(in millions, except per share data)	June 30, 2014	March 31, 2014	Dec. 31, 2013	Sept. 30, 2013	June 30, 2013
Total stockholders equity	$ 4,636	$ 4,596	$ 4,568	$ 4,638	$ 4,678
Less: Goodwill and other acquisition-related intangible assets	2,115	2,121	2,127	2,134	2,140
Tangible stockholders equity	$ 2,521	$ 2,475	$ 2,441	$ 2,504	$ 2,538
Total assets	$ 33,921	$ 33,112	$ 33,214	$ 31,511	$ 31,345
Less: Goodwill and other acquisition-related intangible assets	2,115	2,121	2,127	2,134	2,140
Tangible assets	$ 31,806	$ 30,991	$ 31,087	$ 29,377	$ 29,205
Tangible equity ratio	7.9%	8.0%	7.9%	8.5%	8.7%

(in millions, except per share data)	June 30, 2014	March 31, 2014	Dec. 31, 2013	Sept. 30, 2013	June 30, 2013
Tangible stockholders equity	$ 2,521	$ 2,475	$ 2,441	$ 2,504	$ 2,538
Common shares issued	396.66	396.45	396.45	396.44	396.32
Less: Common shares classified as treasury shares	89.03	89.03	89.54	80.62	78.54
Unallocated ESOP common shares	7.84	7.93	8.01	8.10	8.19
Common shares	299.79	299.49	298.90	307.72	309.59
Tangible book value per share	$ 8.41	$ 8.26	$ 8.17	$ 8.14	$ 8.20

Financial Overview

People s United Financial reported net income of $72.3 million, or $0.24 per diluted share, for the three months ended June 30, 2014, compared to $62.1 million, or $0.20 per diluted share, for the year-ago period. Included in the results for the second quarter of 2014 is a net after-tax gain of $13.4 million ($0.04 per share) resulting from the formation of a merchant services joint venture (see Note 1 to the Consolidated Financial Statements). Operating earnings were $59.9 million, or $0.20 per share, and $62.4 million, or $0.20 per share, for the respective periods. People s United Financial s operating return on average assets was 0.72% for the three months ended June 30, 2014 compared to 0.81% for the year-ago period. Compared to the year-ago period, second quarter 2014 earnings reflect continued loan and deposit growth, and the negative impact of the historically low interest rate environment. Operating return on average tangible stockholders equity was 9.6% for the three months ended June 30, 2014 compared to 9.3% for the year-ago period.

People s United Financial reported net income of $125.4 million, or $0.42 per diluted share, for the six months ended June 30, 2014, compared to $114.6 million, or $0.36 per diluted share, for the year-ago period. Operating earnings were $116.4 million, or $0.39 per share, and $120.3 million, or $0.38 per share, for the respective periods. People s United Financial s operating return on average assets was 0.71% for the six months ended June 30, 2014 compared to 0.79% for the year-ago period. Operating return on average tangible stockholders equity was 9.4% for the six months ended June 30, 2014 compared to 8.7% for the year-ago period. FTE net interest income totaled $464.6 million for the six months ended June 30, 2014, a $16.1 million increase from the year-ago period and the net interest margin decreased 20 basis points to 3.15%.

Compared to the second quarter of 2013, FTE net interest income increased $7.6 million to $232.8 million and the net interest margin decreased 20 basis points to 3.13%. FTE net interest income increased $1.0 million and the net interest margin decreased by four basis points compared to the first quarter of 2014 (see Net Interest Income).

Average total earning assets increased $2.7 billion compared to the second quarter of 2013, primarily reflecting a $2.5 billion increase in average total loans. Average total funding liabilities increased $2.8 billion compared to the year-ago quarter, reflecting increases of $2.0 billion in average total deposits and $0.7 billion in average total borrowings.

Compared to the year-ago quarter, total non-interest income increased $11.9 million and total non-interest expense increased $2.5 million. The efficiency ratio was 61.8% for the second quarter of 2014 compared to 61.4% for the year-ago period (see Non-Interest Income and Non-Interest Expense).

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The provision for loan losses in the second quarter of 2014 totaled $8.8 million compared to $9.2 million in the year-ago quarter. Net loan charge-offs as a percentage of average total loans on an annualized basis were 0.10% in the second quarter of 2014 compared to 0.19% in the year-ago quarter. The allowance for loan losses on originated loans was $182.5 million at June 30, 2014, a $5.0 million increase from December 31, 2013. The allowance for loan losses on acquired loans was $10.1 million and $10.3 million at June 30, 2014 and December 31, 2013, respectively. Non-performing assets totaled $232.7 million at June 30, 2014, a $15.1 million decrease from December 31, 2013. At June 30, 2014, the originated allowance for loan losses as a percentage of originated loans was 0.75% and as a percentage of originated non-performing loans was 91.7% (see Asset Quality).

People s United Financial s total stockholders equity was $4.6 billion at both June 30, 2014 and December 31, 2013 and as a percentage of total assets, stockholders equity was 13.7% and 13.8%, respectively. Tangible stockholders equity as a percentage of tangible assets was 7.9% at both June 30, 2014 and December 31, 2013 (see Stockholders Equity and Dividends).

People s United Bank s (the Bank) and People s United Financial s (consolidated) total risk-based capital ratios were 13.5% and 12.5%, respectively, at June 30, 2014 compared to 12.4% and 11.3%, respectively, at December 31, 2013 (see Regulatory Capital Requirements).

Segment Results

Public companies are required to report (i) certain financial and descriptive information about reportable operating segments, as defined, and (ii) certain enterprise-wide financial information about products and services, geographic areas and major customers. Operating segment information is reported using a management approach that is based on the way management organizes the segments for purposes of making operating decisions and assessing performance.

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

The Company s operating segments have been aggregated into two reportable segments: Commercial Banking; and Retail and Business Banking. These reportable segments have been identified and organized based on the nature of the underlying products and services applicable to each segment, the type of customers to whom those products and services are offered and the distribution channel through which those products and services are made available. With respect to Wealth Management, this presentation results in the Company s insurance business and certain trust activities being allocated to the Commercial Banking segment, while the Company s brokerage business and certain other trust activities are allocated to the Retail and Business Banking segment.

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 segment will not affect the consolidated financial position or results of operations of People s United Financial as a whole.

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

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

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People s United Financial allocates a majority of non-interest expenses to each operating segment using a full-absorption costing process (i.e. all expenses are fully-allocated to the segments). Direct and indirect costs are analyzed and pooled by process and assigned to the appropriate operating segment and corporate overhead costs are allocated to the operating segments. Income tax expense is allocated to each operating segment using a constant rate, based on an estimate of the consolidated effective income tax rate for the year. Average total assets and average total liabilities are presented for each reportable segment due to management s reliance, in part, on such average balances for purposes of assessing segment performance.

Average total assets of each reportable segment include allocated goodwill and intangible assets, both of which are reviewed for impairment at least annually. For the purpose of goodwill impairment evaluations, management has identified reporting units based upon the Company s three operating segments: Commercial Banking, Retail and Business Banking, and Wealth Management. The impairment evaluation is performed as of an annual date or more frequently if a triggering event indicates that impairment may have occurred.

Since 2012, entities have the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of such events or circumstances, an entity determines it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then the entity is not required to perform the two-step impairment test. People s United Financial elected to perform this optional qualitative assessment in its evaluation of goodwill impairment as of October 1, 2013 (the annual impairment evaluation date) and concluded that performance of the two-step test (described below) was not required.

When performed, the goodwill impairment analysis is a two-step test. The first step (Step 1) is used to identify potential impairment, and involves comparing each reporting unit s estimated fair value to its carrying amount, including goodwill. If the estimated fair value of a reporting unit exceeds its carrying amount, goodwill is not deemed to be impaired. Should the carrying amount of the reporting unit exceed its estimated fair value, an indicator of potential impairment is deemed to exist and a second step is performed to measure the amount of such impairment, if any. None of the Company s identified reporting units are at risk of failing the Step 1 goodwill impairment test at this time.

Segment Performance Summary

Three months ended June 30, 2014 (in millions)	Commercial Banking	Retail and Business Banking	Total Reportable Segments	Treasury	Other	Total Consolidated
Net interest income (loss)	$ 123.6	$ 108.1	$ 231.7	$ 2.1	$ (5.6)	$ 228.2
Provision for loan losses	11.3	4.6	15.9		(7.1)	8.8
Total non-interest income	33.2	42.3	75.5	1.7	22.9	100.1
Total non-interest expense	63.3	134.3	197.6	2.7	8.0	208.3
Income before income tax expense	82.2	11.5	93.7	1.1	16.4	111.2
Income tax expense	28.8	4.0	32.8	0.4	5.7	38.9
Net income	$ 53.4	$ 7.5	$ 60.9	$ 0.7	$ 10.7	$ 72.3

Average total assets	$ 18,694.8	$ 8,797.7	$ 27,492.5	$ 5,171.4	$ 608.9	$ 33,272.8
Average total liabilities	4,048.9	19,299.5	23,348.4	5,024.0	291.9	28,664.3

Six months ended June 30, 2014 (in millions)	Commercial Banking	Retail and Business Banking	Total Reportable Segments	Treasury	Other	Total Consolidated
Net interest income (loss)	$ 245.0	$ 215.9	$ 460.9	$ 4.7	$ (10.3)	$ 455.3
Provision for loan losses	22.1	9.1	31.2		(12.9)	18.3
Total non-interest income	68.8	82.9	151.7	3.5	24.8	180.0
Total non-interest expense	130.1	271.6	401.7	4.5	18.8	425.0
Income before income tax expense	161.6	18.1	179.7	3.7	8.6	192.0
Income tax expense	56.0	6.3	62.3	1.3	3.0	66.6
Net income	$ 105.6	$ 11.8	$ 117.4	$ 2.4	$ 5.6	$ 125.4
Average total assets	$ 18,382.1	$ 8,795.8	$ 27,177.9	$ 5,246.3	$ 612.9	$ 33,037.1
Average total liabilities	3,970.4	19,213.6	23,184.0	4,949.6	317.1	28,450.7

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Commercial Banking consists principally of commercial real estate lending, commercial and industrial lending, and commercial deposit gathering activities. This segment also includes the equipment financing operations of People s Capital and Leasing Corp. (PCLC) and People s United Equipment Finance Corp., as well as cash management, correspondent banking and municipal banking. In addition, Commercial Banking consists of institutional trust services, corporate trust, insurance services provided through People s United Insurance Agency, Inc. and private banking.

	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions)	2014	2013	2014	2013
Net interest income	$ 123.6	$ 121.2	$ 245.0	$ 238.2
Provision for loan losses	11.3	11.6	22.1	22.7
Total non-interest income	33.2	37.2	68.8	72.3
Total non-interest expense	63.3	58.3	130.1	120.1
Income before income tax expense	82.2	88.5	161.6	167.7
Income tax expense	28.8	30.1	56.0	57.2
Net income	$ 53.4	$ 58.4	$ 105.6	$ 110.5
Average total assets	$ 18,694.8	$ 16,642.6	$ 18,382.1	$ 16,376.5
Average total liabilities	4,048.9	3,239.3	3,970.4	3,250.9

Commercial Banking net income decreased $5.0 million compared to the second quarter of 2013, as an increase net interest income was more than offset by a decrease in non-interest income and an increase in non-interest expense. The $2.4 million increase in net interest income primarily reflects continued loan growth and lower net FTP funding charges, partially offset by continued repricing pressure within the loan portfolio, including the pay-off of higher-yielding loans, new originations at lower yields and less interest income on acquired loans. Included in non-interest income in both the second quarter of 2014 and 2013 are net (losses) gains on sales of acquired loan totaling $(0.4) million and $5.8 million, respectively. Excluding these (losses) gains, non-interest income in the second quarter of 2014 increased $2.2 million from the year-ago quarter, primarily reflecting increases in operating lease income resulting from a higher level of equipment leased to PCLC customers, partially offset by a decrease in commercial banking lending fees. The $5.0 million increase in non-interest expense in the second quarter of 2014 compared to the second quarter of 2013 reflects both a higher level of direct (including operating lease expense) and allocated expenses. Average total assets increased $2.1 billion and average total liabilities increased $0.8 billion compared to the second quarter of 2013, reflecting loan and deposit growth.

Retail and Business Banking includes, as its principal business lines, business lending, consumer and business deposit gathering activities and consumer lending (including residential mortgage and home equity lending). In addition, Retail and Business Banking consists of brokerage, financial advisory services, investment management services and life insurance provided by People s Securities, Inc. and non-institutional trust services.

	Three Months Ended	Six Months Ended

(in millions)	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
Net interest income	$ 108.1	$ 116.6	$ 215.9	$ 235.4
Provision for loan losses	4.6	3.8	9.1	7.5
Total non-interest income	42.3	45.7	82.9	91.4
Total non-interest expense	134.3	137.6	271.6	275.2
Income before income tax expense	11.5	20.9	18.1	44.1
Income tax expense	4.0	7.1	6.3	15.0
Net income	$ 7.5	$ 13.8	$ 11.8	$ 29.1
Average total assets	$ 8,797.7	$ 8,447.6	$ 8,795.8	$ 8,393.7
Average total liabilities	19,299.5	19,104.8	19,213.6	18,991.7

Retail and Business Banking net income decreased $6.3 million compared to the second quarter of 2013. The $8.5 million decrease in net interest income primarily reflects continued repricing pressure within the loan portfolio, including the pay-off of higher-yielding loans and new loan originations at lower yields and lower FTP funding credits, partially offset by continued loan growth. The $3.4 million decrease in non-interest income primarily reflects a $4.2 million decrease in gains on sales of residential mortgages. The $3.3 million decrease in non-interest expense primarily reflects a lower level of direct expenses. Average total assets increased $0.4 billion and average total liabilities increased $0.2 billion compared to the second quarter of 2013, reflecting loan and deposit growth.

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Treasury encompasses the securities portfolio, short-term investments, wholesale borrowings, and the funding center, which includes the impact of derivative financial instruments used for interest rate risk (IRR) management purposes.

The income or loss for the funding center represents the IRR component of People s United Financial s net interest income as calculated by its FTP model in deriving each operating segment s net interest income. Under this process, the funding center buys funds from liability-generating business lines, such as consumer deposits, and sells funds to asset-generating business lines, such as commercial lending. The price at which funds are bought and sold on any given day is set by People s United Financial s Treasury group and is based on the wholesale cost to People s United Financial of assets and liabilities with similar maturities.

Liability-generating businesses sell newly-originated liabilities to the funding center and recognize a funding credit, while

asset-generating businesses buy funding for newly-originated assets from the funding center and recognize a funding charge. Once funding for an asset is purchased from or a liability is sold to the funding center, the price that is set by the Treasury group will remain with that asset or liability until it matures or reprices, which effectively transfers responsibility for managing IRR to the Treasury group.

	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions)	2014	2013	2014	2013
Net interest income (loss)	$ 2.1	$ (15.9)	$ 4.7	$ (32.8)
Total non-interest income	1.7	2.3	3.5	3.3
Total non-interest expense	2.7	1.1	4.5	(2.1)
Income (loss) before income tax expense (benefit)	1.1	(14.7)	3.7	(27.4)
Income tax expense (benefit)	0.4	(5.0)	1.3	(9.3)
Net income (loss)	$ 0.7	$ (9.7)	$ 2.4	$ (18.1)
Average total assets	$ 5,171.4	$ 5,098.5	$ 5,246.3	$ 5,103.5
Average total liabilities	5,024.0	3,241.4	4,949.6	2,933.8

Treasury s net income in the second quarter of 2014 compared to a loss in the second quarter of 2013 primarily reflects an

$18.0 million increase in net interest income. The improvement in net interest income primarily reflects lower FTP funding costs and increased securities income, partially offset by an increase in interest expense. The increase in non-interest expense primarily reflects an increase in allocated expenses. Average total assets increased $0.1 billion compared to the second quarter of 2013, primarily reflecting an increase in average securities. The $1.8 billion increase in average total liabilities compared to the second quarter of 2013 primarily reflects a increases in average brokered deposits and total borrowings.

Other includes the residual financial impact from the allocation of revenues and expenses (including the provision for loan losses) and certain revenues and expenses not attributable to a particular segment; reversal of the FTE adjustment since net interest income for each segment is presented on an FTE basis; and the FTP impact from excess capital. The Other category also includes certain non-recurring items, such as the gain on the merchant services joint venture totaling $20.6 million for the three and six months ended June 30, 2014 (included in total non-interest income), one-time charges totaling $1.6 million and $2.4 million for the three and six months ended June 30, 2014, respectively, and $0.4 million and $8.4 million for the three and six months ended June 30, 2013, respectively (included in total non-interest expense). Included in Other are assets such as cash, premises and equipment, and other assets.

	Three Months Ended June 30,		Six Months Ended June 30,	
(in millions)	2014	2013	2014	2013
Net interest loss	$ (5.6)	$ (1.0)	$ (10.3)	$ (0.6)
Provision for loan losses	(7.1)	(6.2)	(12.9)	(8.6)
Total non-interest income	22.9	3.0	24.8	6.1
Total non-interest expense	8.0	8.8	18.8	24.6
Income (loss) before income tax expense (benefit)	16.4	(0.6)	8.6	(10.5)
Income tax expense (benefit)	5.7	(0.2)	3.0	(3.6)
Net income (loss)	$ 10.7	$ (0.4)	$ 5.6	$ (6.9)
Average total assets	$ 608.9	$ 610.1	$ 612.9	$ 616.4
Average total liabilities	291.9	388.4	317.1	399.5

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Net Interest Income

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

Since December 2008, the Federal Reserve Board has not changed its targeted range for the federal funds rate of 0% to 0.25% and, for the second quarter of 2014, the average effective federal funds rate was 0.09%. The net interest margin was 3.13% in the second quarter of 2014 compared to 3.17% in the first quarter of 2014 and 3.33% in the second quarter of 2013. The decline in the net interest margin from the first quarter of 2014 primarily reflects continued repricing pressure within the loan portfolio, including the pay-off of higher-yielding loans, new loan originations at lower yields, and less interest income on acquired loans. The net interest margin continues to be negatively impacted by the historically low interest rate environment where loan repricings are outpacing the Company s ability to lower deposit costs as well as the continued investment of a portion of the Company s capital in lower-yielding short-term investments.

Second Quarter 2014 Compared to Second Quarter 2013

FTE net interest income increased $7.6 million compared to the second quarter of 2013, reflecting a $6.9 million increase in total interest and dividend income and a $0.7 million decrease in total interest expense, and the net interest margin decreased

20 basis points to 3.13%.

Average total earning assets were $29.7 billion in the second quarter of 2014, a $2.7 billion increase from the second quarter of 2013, primarily reflecting increases of $2.5 billion in average total loans and $117 million in average securities. Average total loans, average securities and average short-term investments comprised 83%, 16% and 1%, respectively, of average total earning assets in the second quarter of both 2014 and 2013. In the current quarter, the yield earned on the total loan portfolio was 3.78% and the yield earned on securities and short-term investments was 2.17%, compared to 4.11% and 2.07%, respectively, in the year-ago quarter. Excluding adjustable-rate residential mortgage loans, which are mostly of the hybrid variety, approximately 46% of the loan portfolio had floating interest rates at June 30, 2014 compared to approximately 45% at December 31, 2013.

The average total commercial banking loan and residential mortgage portfolios increased $2.0 billion and $491 million, respectively, compared to the year-ago quarter, reflecting growth. Average consumer loans increased $18 million compared to the year-ago quarter, reflecting a $40 million increase in average home equity loans partially offset by a $25 million decrease in average indirect auto loans.

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Average total funding liabilities were $28.3 billion in the second quarter of 2014, a $2.8 billion increase from the year-ago period, reflecting increases of $2.0 billion in average total deposits and $0.7 billion in average total borrowings. The increase in average total deposits reflects organic growth and a $1.0 billion increase in average brokered deposits. Excluding brokered deposits, average savings and money market deposits, and average non-interest-bearing deposits increased $937 million and $339 million, respectively, while average time deposits decreased $298 million. Average total deposits comprised 84% and 85% of average total funding liabilities in the second quarter of 2014 and the year-ago period, respectively. The increase in average total borrowings reflects the additional funding used to support loan growth.

The six basis point decrease to 0.40% from 0.46% in the rate paid on average total funding liabilities primarily reflects the decrease in market interest rates and the shift in deposit mix as well as continued repricing of higher-yielding deposits assumed in acquisitions. The rate paid on average deposits decreased five basis points from the second quarter of 2013, primarily reflecting an 11 basis point decrease in time deposits. Average savings and money market deposits and average time deposits comprised 59% and 19%, respectively, of average total deposits in the second quarter of 2014 compared to 56% and 21%, respectively, in the comparable 2013 period.

Second Quarter 2014 Compared to First Quarter 2014

FTE net interest income increased $1.0 million compared to the first quarter of 2014, reflecting a $1.2 million increase in total interest and dividend income partially offset by a $0.2 million increase in total interest expense, and the net interest margin decreased four basis points to 3.13%. The decline in the net interest margin primarily reflects new loan volume at lower rates (which reduced the net interest margin by seven basis points), partially offset by one more calendar day in the second quarter of 2014 (which benefited the net interest margin by three basis points).

Average total earning assets increased $459 million, primarily reflecting a $608 million increase in average total loans partially offset by a $234 million decrease in average securities. Average total funding liabilities increased $454 million, reflecting a $988 million increase in average total deposits partially offset by a $556 million decrease in average total borrowings. The increase in average total deposits reflects organic growth and a $646 million increase in average brokered deposits.

The following tables present average balance sheets, FTE-basis interest income, interest expense and the corresponding average yields earned and rates paid for the three months ended June 30, 2014, March 31, 2014 and June 30, 2013, and the six months ended June 30, 2014 and 2013. The average balances are principally daily averages and, for loans, include both performing and non-performing balances. Interest income on loans includes the effect of deferred loan fees and costs accounted for as yield adjustments, but does not include interest on loans for which People s United Financial has ceased to accrue interest. Premium amortization and discount accretion (including amounts attributable to purchase accounting adjustments) are also included in the respective interest income and interest expense amounts. The impact of People s United Financial s use of derivative instruments in managing IRR is also reflected in the table, classified according to the instrument hedged and the related risk management objective.

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Average Balance Sheet, Interest and Yield/Rate Analysis (1)

Three months ended (dollars in millions)	June 30, 2014 Average Balance	Interest	Yield/ Rate	March 31, 2014 Average Balance	Interest	Yield/ Rate	June 30, 2013 Average Balance	Interest	Yield/ Rate
Assets:									
Short-term investments	$ 206.3	$ 0.1	0.21%	$ 120.9	$ 0.1	0.19%	$ 152.4	$ 0.1	0.18%
Securities (2)	4,673.5	26.4	2.26	4,907.9	27.3	2.23	4,556.9	24.3	2.13
Loans:									
Commercial (3)	9,087.1	89.8	3.95	8,702.7	87.8	4.04	8,424.6	89.4	4.25
Commercial real estate	9,072.3	88.6	3.91	8,904.5	88.7	3.98	7,757.5	87.2	4.50
Residential mortgage	4,539.5	38.0	3.35	4,482.4	37.9	3.38	4,048.5	34.7	3.43
Consumer	2,157.1	18.4	3.41	2,158.7	18.3	3.40	2,138.6	18.7	3.49
Total loans	24,856.0	234.8	3.78	24,248.3	232.7	3.84	22,369.2	230.0	4.11
Total earning assets	29,735.8	$ 261.3	3.52%	29,277.1	$ 260.1	3.55%	27,078.5	$ 254.4	3.76%
Other assets	3,537.0			3,521.7			3,720.3		
Total assets	$ 33,272.8			$ 32,798.8			$ 30,798.8		
Liabilities and stockholders equity:									
Deposits:									
Non-interest-bearing	$ 5,299.7	$	%	$ 5,187.5	$	%	$ 4,960.8	$	%
Savings, interest-bearing checking and money market	14,138.0	9.1	0.26	13,278.3	8.6	0.26	12,316.4	8.3	0.27
Time	4,413.3	10.6	0.96	4,397.6	10.7	0.98	4,558.2	12.2	1.07
Total deposits	23,851.0	19.7	0.33	22,863.4	19.3	0.34	21,835.4	20.5	0.38
Borrowings:									
Federal Home Loan Bank advances	2,770.6	2.3	0.33	3,221.6	2.6	0.32	1,778.3	2.0	0.44
Federal funds purchased	405.9	0.2	0.19	610.3	0.3	0.17	788.0	0.4	0.19
Customer repurchase agreements	472.8	0.2	0.20	507.6	0.2	0.19	492.3	0.2	0.19
	138.8	0.1	0.24	1.0		1.75	1.0		1.75

Repurchase agreements									
Other borrowings	4.2			7.3		0.05			
Total borrowings	3,792.3	2.8	0.30	4,347.8	3.1	0.28	3,059.6	2.6	0.34
Notes and debentures	661.2	6.0	3.64	639.2	5.9	3.69	653.1	6.1	3.75
Total funding liabilities	28,304.5	$ 28.5	0.40%	27,850.4	$ 28.3	0.41%	25,548.1	$ 29.2	0.46%
Other liabilities	359.8			384.3			425.8		
Total liabilities	28,664.3			28,234.7			25,973.9		
Stockholders equity	4,608.5			4,564.1			4,824.9		
Total liabilities and stockholders equity	$ 33,272.8			$ 32,798.8			$ 30,798.8		
Net interest income/spread (4)		$ 232.8	3.12%		$ 231.8	3.14%		$ 225.2	3.30%
Net interest margin			3.13%			3.17%			3.33%

(1) Average yields earned and rates paid are annualized.
(2) Average balances and yields for securities are based on amortized cost.
(3) Includes commercial and industrial loans and equipment financing loans.
(4) The FTE adjustment was $4.6 million, $4.7 million and $4.3 million for the three months ended June 30, 2014, March 31, 2014 and June 30, 2013, respectively.

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Average Balance Sheet, Interest and Yield/Rate Analysis (1)

Six months ended (dollars in millions)	June 30, 2014 Average Balance	Interest	Yield/ Rate	June 30, 2013 Average Balance	Interest	Yield/ Rate
Assets:						
Short-term investments	$ 163.8	$ 0.2	0.20%	$ 149.4	$ 0.2	0.19%
Securities (2)	4,790.1	53.7	2.24	4,552.5	48.8	2.14
Loans:						
Commercial (3)	8,896.0	177.6	3.99	8,334.8	178.3	4.28
Commercial real estate	8,988.8	177.3	3.94	7,579.5	172.7	4.56
Residential mortgage	4,511.1	75.9	3.37	3,991.8	69.6	3.49
Consumer	2,157.9	36.7	3.40	2,143.3	37.5	3.50
Total loans	24,553.8	467.5	3.81	22,049.4	458.1	4.16
Total earning assets	29,507.7	$ 521.4	3.53%	26,751.3	$ 507.1	3.79%
Other assets	3,529.4			3,738.8		
Total assets	$ 33,037.1			$ 30,490.1		
Liabilities and stockholders equity:						
Deposits:						
Non-interest-bearing	$ 5,243.9	$	%	$ 4,920.1	$	%
Savings, interest-bearing checking and money market	13,710.5	17.7	0.26	12,180.0	16.3	0.27
Time	4,405.5	21.3	0.97	4,597.5	25.0	1.09
Total deposits	23,359.9	39.0	0.33	21,697.6	41.3	0.38
Borrowings:						
Federal Home Loan Bank advances	2,994.9	4.9	0.33	1,562.3	3.7	0.48
Federal funds purchased	507.5	0.4	0.18	696.2	0.7	0.19
Customer repurchase agreements	490.1	0.5	0.20	525.8	0.5	0.20
Repurchase agreements	70.3	0.1	0.25	1.0		1.75
Other borrowings	5.8		0.03			
Total borrowings	4,068.6	5.9	0.29	2,785.3	4.9	0.35
Notes and debentures	650.3	11.9	3.66	656.1	12.4	3.78
Total funding liabilities	28,078.8	$ 56.8	0.40%	25,139.0	$ 58.6	0.47%
Other liabilities	371.9			436.9		

Total liabilities	28,450.7			25,575.9		
Stockholders equity	4,586.4			4,914.2		
Total liabilities and stockholders equity	$ 33,037.1			$ 30,490.1		
Net interest income/spread (4)		$ 464.6	3.13%		$ 448.5	3.32%
Net interest margin			3.15%			3.35%

(1) Average yields earned and rates paid are annualized.
(2) Average balances and yields for securities are based on amortized cost.
(3) Includes commercial and industrial loans and equipment financing loans.
(4) The FTE adjustment was $9.3 million and $8.3 million for the six months ended June 30, 2014 and 2013, respectively.

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Volume and Rate Analysis

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

	Three Months Ended June 30, 2014 Compared To					
	June 30, 2013 Increase (Decrease)			March 31, 2014 Increase (Decrease)		
(in millions)	Volume	Rate	Total	Volume	Rate	Total
Interest and dividend income:						
Short-term investments	$	$	$	$ (1.3)	$ 0.4	$ (0.9)
Securities	0.6	1.5	2.1			
Loans:						
Commercial	6.8	(6.4)	0.4	3.8	(1.8)	2.0
Commercial real estate	13.7	(12.3)	1.4	1.7	(1.8)	(0.1)
Residential mortgage	4.1	(0.8)	3.3	0.5	(0.4)	0.1
Consumer	0.2	(0.5)	(0.3)		0.1	0.1
Total loans	24.8	(20.0)	4.8	6.0	(3.9)	2.1
Total change in interest and dividend income	25.4	(18.5)	6.9	4.7	(3.5)	1.2
Interest expense:						
Deposits:						
Savings, interest-bearing checking and money market	1.2	(0.4)	0.8	0.6	(0.1)	0.5
Time	(0.4)	(1.2)	(1.6)		(0.1)	(0.1)
Total deposits	0.8	(1.6)	(0.8)	0.6	(0.2)	0.4
Borrowings:						
Federal Home Loan Bank advances	0.9	(0.6)	0.3	(0.4)	0.1	(0.3)
Federal funds purchased	(0.2)		(0.2)	(0.1)		(0.1)
Customer repurchase agreements						
Repurchase agreements	0.1		0.1	0.1		0.1
Other borrowings						
Total borrowings	0.8	(0.6)	0.2	(0.4)	0.1	(0.3)
Notes and debentures	0.1	(0.2)	(0.1)	0.2	(0.1)	0.1
Total change in interest expense	1.7	(2.4)	(0.7)	0.4	(0.2)	0.2