

People's United Financial, Inc.
Form S-1
November 02, 2006
Table of Contents

As filed with the Securities and Exchange Commission on November 2, 2006 Registration No. 333-[]

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM S-1

REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

PEOPLE S UNITED FINANCIAL, INC.

(exact name of registrant as specified in its charter)

Delaware
(state or other jurisdiction of
incorporation or organization)

6035
(Primary Standard Industrial
Classification Code Number)
850 Main Street

Pending
(IRS Employer Identification No.)

Bridgeport, Connecticut 06604

(203) 338-7171

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

John A. Klein

Chairman, Chief Executive Officer and President

Edgar Filing: People's United Financial, Inc. - Form S-1

People's United Financial, Inc.

850 Main Street

Bridgeport, Connecticut 06604

(203) 338-7171

(Name, address, including zip code, and telephone number,

including area code, of agent for service)

Copies to:

V. Gerard Comizio

Raymond B. Check

Matthew Dyckman

Cleary Gottlieb Steen & Hamilton LLP

Thacher Proffitt & Wood LLP

One Liberty Plaza

1700 Pennsylvania Ave, N.W., Suite 800

New York, NY 10006

Washington, D.C. 20006

(212) 225-2000

(202) 347-8400

Approximate date of commencement of proposed sale to public: As soon as practicable after this Registration Statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box

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

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

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

CALCULATION OF REGISTRATION FEE

Title of each Class of Securities to be Registered	Amount to be Registered(1)	Proposed Maximum Offering Price Per Share	Proposed Maximum Aggregate Offering Price(2)	Amount of Registration Fee
Common Stock, par value \$0.01 per share	345,819,729	\$20.00	\$6,916,394,580	\$740,054.22

(1) Includes the maximum number of shares that may be issued in connection with this offering.

(2) Estimated solely for the purpose of calculating the registration fee.

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

Table of Contents

The information in this prospectus is not complete and may be changed. We may not sell these securities until the Securities and Exchange Commission declares the registration statement effective. This prospectus is not an offer to sell these securities, and we are not soliciting an offer to buy these securities, in any state or jurisdiction where the offer or sale is not permitted.

SUBJECT TO COMPLETION DATED _____, 2006

PROSPECTUS

[LOGO]

PEOPLE S UNITED FINANCIAL, INC.

(Proposed Holding Company for People s Bank)

Up to 172,500,000 Shares of Common Stock

(subject to increase to up to 198,375,000 shares)

People s United Financial, Inc. is offering up to 172,500,000 shares of its common stock for sale in connection with the conversion of People s Bank and People s Mutual Holdings from the mutual holding company structure to the stock holding company structure. We may increase the maximum number of shares that we sell in the offering, without notice to persons who have subscribed for shares, by up to 15%, to 198,375,000 shares, as a result of market demand, regulatory considerations or changes in financial markets. The shares of People s United Financial common stock are being offered for sale at a price of \$20.00 per share. People s Bank common stock is currently listed on the Nasdaq Global Select Market under the trading symbol PBCT and we expect People s United Financial common stock will continue to trade on that market and under that symbol after the offering. Concurrent with the completion of the offering, shares of People s Bank common stock owned by the public will be exchanged for shares of People s United Financial common stock so that People s Bank s existing public stockholders will own approximately the same percentage of People s United Financial common stock as they owned of People s Bank s common stock immediately prior to the conversion. In connection with the conversion, we also intend to form The People s Community Foundation and contribute to it 2,000,000 shares of People s United Financial common stock and \$20.0 million in cash from the offering proceeds.

We are offering our shares of common stock for sale on a priority basis to People s Bank depositors in a subscription offering. Ryan Beck & Co., Inc. will assist us in selling the common stock in the subscription offering on a best efforts basis. In order to complete the subscription offering and the syndicated offering described below, we must sell, in the aggregate, a minimum of 127,500,000 shares. The minimum purchase is 25 shares. The subscription offering is expected to expire at 11:00 a.m., Eastern Time, on [Expiration Date], 2007. We may extend this expiration date without notice to you until [Extension Date 1], or such later date as the Office of Thrift Supervision may approve, which will not be beyond [Extension Date 2]. Once submitted, subscription orders are irrevocable unless the offering is terminated or extended beyond [Extension Date 1] or the number of shares of common stock to be sold increases above 198,375,000 shares or decreases below 127,500,000 shares. Funds received in the subscription offering will be held in an escrow account at People s Bank or, at our discretion, another insured depository institution, and will earn interest at our passbook savings rate. If we terminate the offering, or if we extend the offering beyond [Extension Date 1] and you rescind or reduce your order, we will promptly return your funds with interest. The offering must be completed no later than 24 months after People s Bank s depositors approve the plan of conversion. After that, the offering may not be extended by us or by the Office of Thrift Supervision.

We are also offering any shares of our common stock not subscribed for in the subscription offering for sale to the general public in a syndicated offering through a syndicate of selected dealers. We may begin the syndicated offering at any time following the commencement of the subscription offering. Morgan Stanley & Co. Incorporated is acting as sole book-running manager, and Ryan Beck & Co., Inc. is acting as joint lead manager for the syndicated offering, which is being conducted on a best efforts basis. None of Morgan Stanley & Co. Incorporated, Ryan Beck & Co., Inc. or any other member of the syndicate is required to purchase any shares in the subscription or syndicated offering. Alternatively, we may sell any remaining shares in an underwritten public offering, which would be conducted on a firm commitment basis.

Investing in our common stock involves risks. Please read the Risk Factors beginning on page [__].

OFFERING SUMMARY

Price: \$20.00 per share

	Minimum	Maximum	Adjusted Maximum
Number of shares	127,500,000	172,500,000	198,375,000
Gross offering proceeds	\$ 2,550,000,000	\$ 3,450,000,000	\$ 3,967,500,000
Estimated offering expenses ⁽¹⁾	\$ 75,950,000	\$ 111,950,000	\$ 132,650,000
Estimated net proceeds	\$ 2,474,050,000	\$ 3,338,050,000	\$ 3,834,850,000
Estimated net proceeds per share	\$ 19.40	\$ 19.35	\$ 19.33

- (1) Includes: (i) selling commissions payable by us to Ryan Beck & Co., Inc. in connection with the subscription offering equal to the lesser of 1% of the aggregate amount of common stock sold in the subscription offering or \$12.0 million; (ii) fees and selling commissions payable by us to Morgan Stanley & Co. Incorporated, Ryan Beck & Co., Inc. and the other syndicate members participating in the syndicated offering equal to 4% of the aggregate amount of common stock sold in the syndicated offering; and (iii) other fees and expenses of the offering estimated to be \$10.0 million. Does not include an advisory fee in the amount of \$5.0 million payable to Morgan Stanley & Co. Incorporated in the event gross proceeds from the subscription offering equal or exceed \$1.75 billion. Also does not include an additional advisory fee in the amount of \$2.5 million payable, in People's Bank's sole discretion, to Morgan Stanley & Co. Incorporated in the event gross proceeds from the subscription offering equal or exceed \$2.5 billion. For information regarding compensation to be received by Morgan Stanley & Co. Incorporated, Ryan Beck & Co., Inc. and the other syndicate members that may participate in the syndicated offering, including the assumptions regarding the number of shares that may be sold in the subscription offering and the syndicated offering to determine the estimated offering expenses, see *Pro Forma Data* on page [] and *The Conversion and Offering Plan of Distribution; Selling Agent Compensation* on page [].
- These securities are not deposits or savings accounts and are not insured or guaranteed by the Federal Deposit Insurance Corporation or any other governmental agency. Neither the Securities and Exchange Commission, the Office of Thrift Supervision nor any state securities regulator has approved or disapproved these securities or determined if this prospectus is accurate or complete. Any representation to the contrary is a criminal offense.**

RYAN BECK & CO.

For assistance, contact the Stock Information Center at _____

The date of this prospectus is _____, 2007

Table of Contents

[MAP OF PEOPLE S BANK BRANCHES INCLUDING WESTCHESTER COUNTY]

Table of Contents

You should rely only on the information contained in this prospectus or to which we have referred you. We have not authorized anyone to provide you with information that is different. This prospectus does not constitute an offer to sell, or the solicitation of an offer to buy, any of the securities offered hereby to any person in any jurisdiction in which such offer or solicitation would be unlawful. The affairs of People's Mutual Holdings, People's United Financial, People's Bank and their subsidiaries may change after the date of this prospectus. Delivery of this prospectus and the sales of shares of our common stock made hereunder does not mean otherwise.

TABLE OF CONTENTS

<u>PROSPECTUS SUMMARY</u>	1
<u>RISK FACTORS</u>	26
<u>FORWARD-LOOKING STATEMENTS</u>	35
<u>SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA</u>	37
<u>HOW WE INTEND TO USE THE PROCEEDS FROM THE OFFERING</u>	39
<u>OUR POLICY REGARDING DIVIDENDS</u>	40
<u>MARKET FOR THE COMMON STOCK</u>	41
<u>BANK REGULATORY CAPITAL COMPLIANCE</u>	43
<u>CAPITALIZATION</u>	44
<u>PRO FORMA DATA</u>	46
<u>COMPARISON OF VALUATION AND PRO FORMA INFORMATION WITH AND WITHOUT THE CHARITABLE FOUNDATION</u>	52
<u>MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	53
<u>BUSINESS OF PEOPLE'S BANK</u>	91
<u>BUSINESS OF PEOPLE'S UNITED FINANCIAL</u>	123
<u>REGULATION OF PEOPLE'S BANK AND PEOPLE'S UNITED FINANCIAL</u>	124
<u>TAXATION</u>	136
<u>PROPERTIES</u>	138
<u>LEGAL PROCEEDINGS</u>	138
<u>MANAGEMENT OF PEOPLE'S UNITED FINANCIAL</u>	139
<u>MANAGEMENT OF PEOPLE'S BANK</u>	143
<u>SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT</u>	163
<u>PROPOSED PURCHASES OF COMMON STOCK BY MANAGEMENT</u>	165
<u>THE CONVERSION AND OFFERING</u>	167
<u>THE PEOPLE'S COMMUNITY FOUNDATION</u>	198
<u>RESTRICTIONS ON ACQUISITION OF PEOPLE'S UNITED FINANCIAL AND PEOPLE'S BANK</u>	203
<u>DESCRIPTION OF CAPITAL STOCK OF PEOPLE'S UNITED FINANCIAL</u>	208
<u>TRANSFER AGENT AND REGISTRAR</u>	209
<u>LEGAL AND TAX OPINIONS</u>	209
<u>EXPERTS</u>	210
<u>REGISTRATION REQUIREMENTS</u>	210
<u>WHERE YOU CAN FIND ADDITIONAL INFORMATION</u>	210
PEOPLE'S BANK AND SUBSIDIARIES INDEX TO CONSOLIDATED FINANCIAL STATEMENTS	F-1
REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM	F-2

Table of Contents

PROSPECTUS SUMMARY

The following summary highlights selected information from this prospectus and may not contain all the information that is important to you. You should read this entire document carefully, including the sections entitled Risk Factors and The Conversion and Offering and the consolidated financial statements and the notes to the consolidated financial statements, before making a decision to invest in our common stock.

The Companies

People's United Financial, Inc. People's United Financial is a newly-formed Delaware corporation and currently a wholly-owned subsidiary of People's Bank. People's United Financial was formed for the purpose of effectuating the conversion and offering described in this prospectus. In connection with those transactions, People's United Financial is registering shares of its common stock with the Securities and Exchange Commission and will be selling shares of its common stock to new stockholders and, as described in this prospectus, issuing shares of its common stock to existing stockholders of People's Bank in exchange for their shares of People's Bank common stock. People's United Financial currently does not have significant assets, but as a result of the conversion and offering, it will become the holding company of People's Bank.

People's Bank. People's Bank is a federal stock savings bank and as a result of the conversion and offering will become the wholly-owned subsidiary of People's United Financial. People's Bank was organized in 1842 as a Connecticut mutual savings bank. In 1988, People's Bank reorganized into the mutual holding company structure, converted to a Connecticut-chartered stock savings bank and became the majority-owned subsidiary of People's Mutual Holdings, a Connecticut-chartered mutual holding company. Effective August 18, 2006, People's Bank converted to a federal stock savings bank regulated by the Office of Thrift Supervision. At September 30, 2006, People's Bank had total assets of \$10.6 billion, total deposits of \$9.0 billion and total stockholders' equity of \$1.4 billion.

People's Mutual Holdings. People's Mutual Holdings is the federally-chartered mutual holding company of People's Bank. Its principal business is to own a majority of People's Bank's outstanding shares of common stock. As of September 30, 2006, People's Mutual Holdings owned 82,012,500 shares, equivalent to approximately 57.7%, of People's Bank common stock. At September 30, 2006, People's Mutual Holdings had \$8.5 million of net assets, excluding the shares of People's Bank. As part of the conversion, People's Mutual Holdings will cease to exist as a separate entity.

Our Business

People's Bank offers a full range of financial services, primarily in the state of Connecticut, to individual, corporate, municipal and institutional customers. Its traditional banking activities include extending secured and unsecured commercial and consumer loans, originating mortgage loans secured by residential and commercial properties and accepting consumer, commercial and municipal deposits. In addition to traditional banking activities, People's Bank provides specialized services tailored to specific markets. Its operations are divided into two primary business lines that represent its core businesses:

Commercial Banking. Commercial banking consists principally of commercial lending, commercial real estate lending and commercial deposit gathering activities. This business line also includes the equipment financing operations of People's Capital and Leasing Corp., People's Bank's wholly-owned subsidiary, as well as cash management, correspondent banking and municipal banking and finance.

Retail Banking. Retail banking includes consumer deposit gathering activities, residential mortgage lending and home equity and other consumer lending. In addition to trust services, this business line also includes brokerage, financial advisory services,

Table of Contents

investment management services and life insurance provided by People's Securities, Inc. and other insurance services provided by R.C. Knox and Company, Inc., both wholly-owned subsidiaries of People's Bank.

People's Bank's business model and broad product offerings allow it to meet the needs of a diverse customer base with varying demographic characteristics. People's Bank delivers its products and services through a network of 75 traditional branches, 73 branches located in Stop & Shop supermarkets, eight limited-service branches, 23 investment and brokerage offices (22 of which are located within branch offices), five wealth management and trust offices, nine People's Capital and Leasing offices (eight of which are located outside of Connecticut), seven commercial lending offices, and over 250 ATMs located in the state of Connecticut. People's Bank also originates residential mortgage and home equity loans in Connecticut and the contiguous markets of New York and Massachusetts. In addition, People's Bank maintains a loan production office in Massachusetts to support its commercial real estate lending initiatives in that state. Its distribution network includes fully integrated online banking and investment trading, a 24-hour telephone banking service and participation in a worldwide ATM network.

During 2005, People's Bank opened seven new branches, three of which are traditional branches and four of which are located in Stop & Shop supermarkets. For the first nine months of 2006, People's Bank opened three new Stop & Shop branches. In May 2006, People's Bank announced plans to open at least 15 branches in Westchester County, New York over the next three years with seven planned by the end of 2007.

Our Market Area And Customer Base

Connecticut is one of the most attractive banking markets in the United States with a total population of approximately 3.5 million and a median household income of \$66,018 as of June 30, 2006, ranking second in the United States and well above the U.S. median household income of \$51,546, according to estimates from SNL Securities. Fairfield County, where People's Bank is headquartered, is the wealthiest county in Connecticut, with a June 30, 2006 median household income of \$81,678 according to estimates from SNL Securities. At June 30, 2006, People's Bank ranked third in deposit market share in Connecticut and first in Fairfield County, according to the Federal Deposit Insurance Corporation.

While People's Bank's primary market area is in the state of Connecticut, substantially all of the equipment financing activities of People's Capital and Leasing involve customers outside of Connecticut. In addition, People's Bank participates in certain loans that aggregate \$20 million or more and are shared by three or more supervised financial institutions. These loans are generally referred to as shared national credits. People's Bank's shared national credits portfolio totaled \$542 million at September 30, 2006, approximately 90% of which involved borrowers outside of Connecticut. People's Bank competes for deposits, loans and other services with commercial banks, savings institutions, commercial and consumer finance companies, mortgage banking companies, insurance companies, credit unions, and a variety of other institutional lenders and securities firms.

Our Competitive Strengths

We believe that the following strengths give us a competitive advantage in our markets:

Market Position in Connecticut. People's Bank currently has 156 branches throughout the state of Connecticut. Connecticut is the second wealthiest state in the United States in terms of median household income, and Fairfield County, where we are headquartered, is the wealthiest county in the state. At June 30, 2006, People's Bank ranked third in deposit market share in Connecticut and first in Fairfield County.

Table of Contents

Stop & Shop Relationship. People's Bank has exclusive branching rights in Stop & Shop supermarkets in the state of Connecticut. Stop & Shop is the leading grocery store chain in Connecticut, with nearly twice the market share of its closest competitor, according to Modern Grocer. We believe that the Connecticut market area, with its compact geographical size and high population density, presents a unique opportunity to operate successful supermarket bank branches that complement our traditional branches. Unlike many other supermarket bank branches, People's Bank's Stop & Shop branches are full-service facilities that provide our customers with the convenience of seven-day-a-week banking. During 2005, these branches originated 27% of People's Bank's home equity loans, 47% of its retail checking and savings accounts, and 34% of its commercial checking accounts. Approximately 40% of People's Bank's total branch transactions originate in its Stop & Shop branches. At September 30, 2006, People's Bank operated 73 Stop & Shop branches. At People's Bank's option, its exclusive right to branch in Connecticut Stop & Shop supermarkets will last until 2022.

Strong Credit Culture. People's Bank's experienced credit risk professionals and conservative credit culture, combined with centralized processes and consistent underwriting standards across all business lines, have allowed it to maintain a high level of asset quality. Over the last eight quarters through September 30, 2006, People's Bank's net charge-offs to average loans ratio has averaged 0.08%, compared to 0.22% for the top 50 U.S. banks and thrifts, according to SNL Securities.

Reputation for Convenience and Customer Service. With the third largest deposit market share in Connecticut, we believe that People's Bank enjoys strong name recognition throughout its market area where it is known for convenience and personalized customer service. People's Bank was founded in 1842 and has operated in Connecticut continuously since that time. Today, People's Bank has banking relationships with a substantial number of households in Connecticut.

Highly Experienced Management Team with a Proven Track Record. Our highly experienced management team has a proven history of performance in the banking industry. As a group, our executive officers have an average of 24 years of experience in the industry and have successfully operated through various industry economic cycles. In addition, our management team has significant experience operating publicly-traded banking companies. A number of our executive officers, including our president and chief executive officer, have been members of our management team since our conversion from the mutual form of ownership and initial public offering in 1988.

Our Business Strategy

Our business strategy is to focus on those businesses in which we have proven competencies. We believe that this clear focus will enable us to continue to grow our franchise, both inside and outside of the state of Connecticut, while maintaining our commitment to the quality of our business, assets and customer service. The following are the key elements of our business strategy:

Expand Our Geographic Reach. Our plans for geographic expansion are based upon both *de novo* branching and acquisitions of financial institutions and other businesses related to banking that are complementary to our current lines of business.

De Novo Branching. As part of its strategy to broaden its footprint by entering markets similar to Connecticut, People's Bank plans to expand into the state of New York by opening at least 15 new branches in Westchester County over the next three years. People's Bank expects to open seven of these branches by the

Table of Contents

end of 2007. Westchester County is a contiguous market with comparable demographics to Fairfield County, Connecticut. As of June 30, 2006, the median household income in Westchester County was \$80,686. The branches People's Bank opens in Westchester County will be traditional branches. People's Bank also plans to continue its branch expansion in Connecticut by opening traditional and Stop & Shop branches.

Complementary Acquisitions. We believe that acquisition opportunities exist both inside and outside of our current market area. We will consider acquiring select banking and banking-related businesses initially in contiguous or near contiguous market areas that will afford us the opportunity to add complementary products to our existing business or to expand our franchise geographically.

Build Upon Our Stop & Shop Relationship. People's Bank's Stop & Shop branches have been a key component of its growth, accounting for approximately 40% of its total branch transactions. These branches originate large percentages of People's Bank's branch-originated home equity loans, retail checking and savings accounts and commercial checking accounts. People's Bank will continue to expand its branch network as Stop & Shop opens new supermarkets in Connecticut. People's Bank is required to open a branch in each new Connecticut Stop & Shop supermarket that meets projected size and customer criteria until 2012, and has the exclusive right to open branches in Connecticut Stop & Shop supermarkets until 2022. During the first nine months of 2006, People's Bank opened three new branches in Stop & Shop supermarkets. People's Bank also plans to open one additional Stop & Shop branch prior to the end of 2006 and seven additional Stop & Shop branches in 2007.

Optimize Our Balance Sheet Management and Net Interest Margin. People's Bank strives to maintain a balance between loan portfolio growth and core deposit funding. Approximately 95% of its assets are funded by low-cost core deposits and equity. People's Bank believes that, other than for deployment of excess core deposits or excess equity, a large securities portfolio provides limited economic value. During the third quarter of 2006, People's Bank sold approximately \$810 million of debt securities and used a portion of the proceeds to pay down short-term borrowings and fund additional loan growth. These transactions were undertaken to better position People's Bank's balance sheet for the current interest rate environment. At September 30, 2006, People's Bank had a securities portfolio of \$202 million, or 2% of its assets, and wholesale borrowings of \$14 million, or 0.1% of assets, ratios well below industry averages. This focused balance sheet management strategy has allowed People's Bank to increase its net interest margin by 42 basis points from 3.47% to 3.89% since the third quarter of 2004, compared to an average decline of 21 basis points for the top 50 U.S. banks and thrifts over the same time period, according to SNL Securities.

Maintain a Diversified Loan Portfolio. People's Bank's loan portfolio is highly diversified with a balance of commercial, residential lending and consumer assets. As of September 30, 2006, 44% of its loan portfolio was comprised of commercial banking loans and 42% was comprised of residential mortgage loans while consumer loans, primarily home equity loans and lines of credit, made up the remainder. In addition, the commercial loan portfolio is diversified across many industries. Loans to the manufacturing industry, which constitute approximately 41% of People's Bank's commercial loan portfolio, are divided among more than 20 manufacturing industry segments. No single borrower or group of related borrowers represents more than 1% of People's Bank's loan portfolio.

Table of Contents

Selected Risk Factors

You should consider carefully the following selected risk factors, as well as the full list of Risk Factors beginning on page [___], before deciding whether to invest in our common stock. Such risks may adversely affect our business, financial condition, operating results and the trading price of our common stock, and you may lose all or part of your investment.

Changes In Interest Rates. People's Bank makes most of its earnings based on the difference between interest it earns on assets such as loans compared to interest it pays on liabilities such as deposits. This difference is called the interest spread. People's Bank's interest spread may be lower if the timing of interest rate changes is very different for its interest-earning assets compared to its interest-bearing liabilities. People's Bank tries to manage this risk using many different techniques. If it is not successful in managing this risk, People's Bank will probably be less profitable.

Asset Quality. Asset quality measures the performance of a borrower in repaying a loan, with interest, on time. It is unlikely that our asset quality will stay as strong as it has been for the past several years, particularly if the economy deteriorates.

Plans For Growth. Since our conversion to the mutual holding company form of organization in 1988, we have experienced strong growth. We will be raising a significant amount of capital in the offering, which we plan to use to continue implementing our growth strategy. There can be no assurance that we will continue to experience the type of growth that we have in the past, that we will be able to adequately and profitably implement our plans for growth or that we will not have to incur additional expenditures beyond current projections to support our growth, all of which could reduce our profitability.

Stop & Shop Branches. At September 30, 2006, 47% of People's Bank's branches were located in Stop & Shop supermarkets. People's Bank is required to open a branch in each new Connecticut Stop & Shop supermarket that meets projected size and customer criteria until at least 2012. A drop in Stop & Shop's market share of the grocery market, a decrease in the number of Stop & Shop customers, or a decline in the overall quality of Stop & Shop supermarkets could result in decreased business for People's Bank's Stop & Shop branches. This could result in fewer loan originations, lower deposit generation and fewer overall branch transactions, and could influence market perception of People's Bank's Stop & Shop supermarket branches as convenient banking locations.

Executive Officers and Key Personnel. We believe that our continued growth and future success will depend in large part upon the skills of our management team. Although we have an employment agreement with our president and chief executive officer, the loss of the services of one or more of our executive officers and key personnel could impair our ability to continue to develop and execute our business strategy.

Our Corporate Information.

The executive offices of People's Bank, People's Mutual Holdings and People's United Financial are located at 850 Main Street, Bridgeport, Connecticut 06604. The telephone number at this address is (203) 338-7171.

Table of Contents**Summary Consolidated Financial And Other Data**

The summary information presented below under Summary Financial Condition Data, Summary Operating Data, Per Common Share Data, and Ratios at each of the dates or for each of the periods presented, except for the information at or for the periods ended September 30, 2005 and 2006 (which has not been audited), is derived in part from the audited consolidated financial statements of People's Bank. The following information is only a summary and you should read it in conjunction with People's Bank's audited consolidated financial statements and notes beginning on page F-1. All share, per share and dividend information reflects the three-for-two stock splits effected by People's Bank on May 15, 2004 and May 15, 2005.

	At September 30,		At December 31,			
	2006	2005	2004	2003	2002	2001
(in millions)						
Summary Financial Condition Data:						
Total assets	\$ 10,612	\$ 10,933	\$ 10,718	\$ 11,672	\$ 12,261	\$ 11,891
Loans	9,185	8,573	7,933	7,105	6,675	6,374
Securities, net	202	1,363	2,071	2,405	3,230	2,900
Allowance for loan losses	74	75	73	71	69	74
Deposits	8,979	9,083	8,862	8,714	8,426	7,983
Core deposits	8,843	8,873	8,681	8,433	8,102	7,709
Borrowings	14	295	341	1,516	2,437	2,542
Stockholders' equity	1,351	1,289	1,200	1,002	940	935

	For the Nine Months Ended September 30,		For the Year Ended December 31,				
	2006	2005	2005	2004	2003	2002	2001
(in millions)							
Summary Operating Data:							
Net interest income ⁽¹⁾	\$ 286.3	\$ 276.4	\$ 370.0	\$ 327.4	\$ 284.3	\$ 318.5	\$ 319.5
Provision for loan losses	2.0	3.3	8.6	13.3	16.7	22.2	45.3
Fee based revenues	113.5	111.7	151.5	142.9	143.0	136.2	113.9
Net security losses	(27.2)	(0.1)	(0.1)	(4.7)	(0.6)	(3.3)	(18.5)
All other non-interest income ⁽²⁾	15.8	9.5	21.9	13.5	23.9	16.3	38.2
Non-interest expense ⁽³⁾	261.3	253.8	344.4	479.7	346.0	341.5	343.5
Income (loss) from continuing operations	83.0	91.6	125.9	(5.6)	62.7	67.7	38.9
Income (loss) from discontinued operations ⁽⁴⁾	1.7	10.3	11.2	205.3	1.1	(12.3)	36.9
Net income	84.7	101.9	137.1	199.7	63.8	55.4	75.8
Adjusted net income ⁽⁵⁾	100.7	91.7	124.5	84.2	63.9	69.8	48.7

(1) Fully taxable equivalent basis.

(2) Includes \$8.1 million and \$20.0 million in gains on asset sales in 2005 and 2001, respectively.

(3) Includes liability restructuring costs totaling \$2.7 million, \$133.4 million, \$1.2 million and \$16.6 million in 2005, 2004, 2003 and 2001, respectively.

(4) Includes an after tax gain of \$6.2 million for both the nine months ended September 30, 2005 and the full year 2005 and of \$198.5 million for the full year 2004 related to the sale of the credit card business.

(5) Net income excluding net security losses, income (loss) from discontinued operations, items described in footnotes (2) and (3) and a \$2.0 million goodwill impairment charge that was recorded in 2005.

Table of Contents

	For the Nine						
	Months Ended						
	September 30		For the Year Ended December 31,				
	2006	2005	2005	2004	2003	2002	2001
Per Common Share Data:							
Basic earnings per share	\$ 0.60	\$ 0.73	\$ 0.97	\$ 1.43	\$ 0.46	\$ 0.40	\$ 0.55
Diluted earnings per share	0.59	0.72	0.97	1.42	0.46	0.40	0.55
Cash dividends paid per share ⁽¹⁾	0.72	0.63	0.85	0.75	0.68	0.63	0.59
Book value (end of period)	9.51	8.95	9.10	8.52	7.18	6.77	6.76
Tangible book value (end of period)	8.77	8.20	8.35	7.74	6.37	5.95	5.92
Ratios:							
Net interest margin ⁽²⁾	3.83%	3.66%	3.68%	3.33%	2.89%	3.24%	3.40%
Efficiency ratio	61.9	62.8	62.8	69.2	76.4	71.3	77.3
Return on average assets ⁽²⁾	1.04	1.26	1.27	1.86	0.54	0.47	0.68
Return on average stockholders' equity ⁽²⁾	8.6	11.1	11.1	17.6	6.6	5.9	8.2
Non-performing assets to total loans, real estate owned and repossessed assets	0.25	0.24	0.26	0.36	0.48	0.53	0.48
Non-performing assets to total assets	0.22	0.18	0.20	0.27	0.29	0.29	0.26
Net loan charge-offs to average loans ⁽²⁾	0.05	0.05	0.07	0.15	0.22	0.42	0.55
Allowance for loan losses to total loans	0.81	0.87	0.87	0.91	0.99	1.04	1.16
Stockholders' equity to total assets	12.7	11.6	11.8	11.2	8.6	7.7	7.9
Tangible stockholders' equity to total tangible assets	11.9	10.8	10.9	10.3	7.7	6.8	7.0
Tier 1 capital ⁽³⁾	14.7	14.9	14.8	14.6	9.9	9.1	8.8
Total risk-based capital ⁽³⁾	16.2	17.0	16.4	16.7	13.1	12.5	12.3
Other Information:							
Number of Branches	156	152	153	155	154	155	148
Employees ⁽⁴⁾	2,617	2,679	2,655	2,689	2,791	2,948	2,907

(1) Reflects the waiver of dividends on the substantial majority of the common shares owned by People's Mutual Holdings.

(2) Calculated based on net income for all periods. These nine months ratios are presented on an annualized basis.

(3) Calculated in accordance with Office of Thrift Supervision regulations as of September 30, 2006 and Federal Deposit Insurance Corporation regulations for all prior dates.

(4) Full-time equivalents. Excluded from 2003, 2002 and 2001 are the employees of People's Bank's credit card division that was sold in March 2004.

Table of Contents

Our Conversion And Offering

We are converting from the mutual holding company structure, where People's Bank is 42.3% owned by public stockholders, to a stock holding company, which will be 100% owned by public stockholders. This is commonly referred to as a "second-step" conversion. As part of the conversion, People's Mutual Holdings will convert into a federal stock savings bank, which will merge with and into People's Bank, with People's Bank as the surviving entity. As a result, People's Mutual Holdings will cease to exist as a separate entity. Voting rights in People's United Financial will be vested solely in the public stockholders immediately following the conversion.

In connection with the conversion, the shares of common stock of People's Bank owned by People's Mutual Holdings will be cancelled and new shares of common stock representing the 57.7% ownership interest of People's Mutual Holdings will be offered for sale by People's United Financial in the offering. In addition, the total assets of People's Mutual Holdings will be added to People's Bank as a capital contribution. At September 30, 2006, People's Mutual Holdings' net assets, excluding its ownership of shares of People's Bank common stock, totaled \$8.5 million. At the conclusion of the conversion and offering, existing public stockholders of People's Bank will receive shares of common stock of People's United Financial for each share of People's Bank common stock they own at that date, based on an exchange ratio as described in *The Conversion and the Offering: The Share Exchange of People's Bank Common Stock for People's United Financial Common Stock*. As a result, People's Bank's existing public stockholders will own approximately the same percentage of People's United Financial common stock as they owned of People's Bank common stock immediately prior to the conversion.

In addition, in connection with and immediately following the conversion, we intend to contribute 2,000,000 shares of People's United Financial common stock and \$20.0 million in cash from the offering proceeds to The People's Community Foundation, a charitable foundation to be established in connection with the conversion and offering. The shares of common stock contributed to the charitable foundation will be in addition to the shares being offered for sale. For a further discussion of the charitable foundation, see *The People's Community Foundation*.

Table of Contents

This chart shows our structure before the conversion and offering:

This chart shows our new structure after the conversion and offering:

Table of Contents

Terms Of The Offering

We are offering between 127,500,000 and 172,500,000 shares of our common stock to our depositors and to the public in subscription and syndicated offerings (which we refer to in this document collectively as the offering). We may increase the maximum number of shares that we sell in the offering by up to 15% to 198,375,000 shares as a result of market demand, regulatory considerations or changes in financial markets. The offering price is \$20.00 per share. All new investors will pay the same purchase price per share. No commission will be charged to purchasers in the offering.

The shares of common stock are being offered on a priority basis to depositors of People's Bank in a subscription offering. Ryan Beck & Co., Inc., our financial advisor and selling agent in connection with the subscription offering, will use its best efforts to assist us in selling our common stock in the subscription offering. Ryan Beck & Co., Inc. is not obligated to purchase any shares of common stock in the subscription offering.

We are also offering for sale to the general public in a syndicated offering through a syndicate of selected dealers any shares of our common stock not subscribed for by our depositors in the subscription offering. We may begin the syndicated offering at any time following the commencement of the subscription offering. Morgan Stanley & Co. Incorporated is acting as sole book-running manager and Ryan Beck & Co., Inc. is acting as joint lead manager for the syndicated offering, which is also being conducted on a best efforts basis. None of Morgan Stanley & Co. Incorporated, Ryan Beck & Co., Inc. or any other member of the syndicate is required to purchase any shares in the syndicated offering. Alternatively, we may sell any remaining shares in an underwritten public offering, which would be conducted on a firm commitment basis.

Reasons For The Conversion And Offering

The conversion and offering are intended to provide us with substantially greater access to capital than is currently available to us under the mutual holding company structure and are expected to significantly increase the liquidity of our common stock. In addition, the stock holding company structure will provide us with more flexibility in structuring mergers and acquisitions. The net proceeds raised in the offering will allow us and People's Bank to:

finance *de novo* expansion and support organic growth both inside and outside of the state of Connecticut;

acquire other financial institutions, businesses related to banking or branches, although there is no specific agreement with any institution or business at this time;

increase lending to support continued growth in our commercial banking loan portfolios;

form a charitable foundation to benefit the communities we serve; and

use the additional capital for other general corporate purposes.

After considering the relative merits of the conversion and offering, as well as applicable fiduciary duties, the Board of Trustees of People's Mutual Holdings and the Board of Directors of People's Bank unanimously approved the plan of conversion as being in the best interests of each such institution, the communities they serve and the depositors, stockholders and employees of People's Bank. The completion of the conversion and offering are subject to the approval of stockholders and depositors of People's Bank who are being asked to vote on the plan of conversion.

Table of Contents

How We Intend To Use The Proceeds From The Offering

We intend to contribute approximately 50% of the net proceeds from the offering to People's Bank. We also intend to lend our employee stock ownership plan cash to enable the plan to buy a number of shares equal to up to 6% of the total number of shares of common stock to be sold in the offering plus the shares to be issued to the charitable foundation, either through the exercise of subscription rights or in open market transactions after the completion of the offering. We also intend to contribute 2,000,000 shares of our common stock and \$20.0 million in cash from the offering proceeds to The People's Community Foundation. The balance of the net proceeds will be retained by People's United Financial.

We may use the portion of the net proceeds that is not contributed to People's Bank to, among other things, acquire other financial institutions or businesses related to banking, though there is no specific agreement with any institution or business at this time. We may also use it to pay cash dividends or repurchase shares of common stock, subject to regulatory restrictions, or for other general corporate purposes. People's Bank may use the portion of the net proceeds that it receives to acquire other financial institutions, fund new loans, open or acquire new branches, expand its business activities, pay dividends to People's United Financial or for other general corporate purposes.

Due to the amount of net proceeds being raised in the offering, it may take a significant amount of time for us and People's Bank to deploy the net proceeds to our best advantage. We anticipate that our retained portion of the net proceeds and the net proceeds that we contribute to People's Bank from the offering proceeds will be invested in accordance with People's Bank's investment policy. It is expected that the investments will include short-term investments, government securities or government-sponsored agency securities.

How We Determined The Offering Range

The offering range is based on an independent appraisal of the market value of the common stock to be offered. RP Financial, LC, an appraisal firm experienced in appraisals of financial institutions, has advised us that, as of October 16, 2006, the estimated pro forma market value of our common stock, including offering shares, exchange shares and shares issued to the charitable foundation, ranges from a minimum of \$4.460 billion to a maximum of \$6.019 billion, with a midpoint of \$5.240 billion. Based on this valuation range, the percentage of People's Bank common stock owned by People's Mutual Holdings, the shares issued to the charitable foundation and the \$20.00 price per share, the Board of Directors of People's Bank and the Board of Trustees of People's Mutual Holdings determined to offer shares of People's United Financial common stock ranging from a minimum of 127,500,000 shares to a maximum of 172,500,000 shares, with a midpoint of 150,000,000 shares. Under certain circumstances, the pro forma market value can be adjusted upward to reflect changes in market conditions, and, at the adjusted maximum, the estimated pro forma market value of People's United Financial's common stock would be \$6.916 billion and the number of shares offered would equal 198,375,000 shares.

The independent appraisal was based in part on our financial condition and results of operations, the pro forma impact of the additional capital raised by the sale of common stock in the offering, and an analysis of a peer group of companies that RP Financial considered comparable to us. RP Financial also considered that we intend to contribute cash and issue shares of People's United Financial common stock to The People's Community Foundation, a charitable foundation that will be established in connection with the conversion. The intended contribution of cash and shares of common stock to the charitable foundation has the effect of reducing the number of shares in the offering. See *Comparison of Valuation and Pro Forma Information With and Without the Charitable Foundation*. RP Financial's independent valuation will be updated before we complete our offering.

Table of Contents

The following table presents a summary of selected pricing ratios for the companies comprising the peer group used by RP Financial in its independent appraisal report dated October 16, 2006 and the pro forma pricing ratios for us, as calculated in the table on page [] in the section of this prospectus entitled *Pro Forma Data*. Compared to the median pricing of the peer group, our pro forma pricing ratios at the midpoint of the offering range indicated a premium of 88% on a price-to-earnings basis and discounts of 37% on a price-to-book value basis and 47% on a price-to-tangible book value basis. The estimated appraised value and the resulting premiums and discounts took into consideration the potential financial impact of the conversion and offering and RP Financial's analysis of the results of operations and financial condition of People's United Financial compared to the peer group.

	Price-to- earnings multiple (1)	Price-to- book value ratio	Price-to- tangible book value ratio
People's United Financial (pro forma)			
Minimum of offering range	25.86x	124.77%	128.53%
Midpoint of offering range	28.85x	132.28%	135.87%
Maximum of offering range	31.25x	138.41%	141.84%
Maximum of offering range, as adjusted	34.09x	144.30%	147.49%
Valuation of peer group companies as of October 16, 2006³:			
Average	17.24x	211.79%	283.30%
Median	15.32x	210.66%	255.83%

- (1) Multiples calculated by RP Financial in the independent appraisal are based on an estimate of core, or recurring earnings, total pro forma outstanding shares of common stock, including all shares owned by our employee stock ownership plan, whether or not allocated to participants, and including shares issued to the charitable foundation, and equal 24.56x, 27.42x, 30.02x and 32.72x, respectively, at the minimum, midpoint, maximum and adjusted maximum of the offering range. Because this is a different method than used by us in calculating the numbers included in this table and in the pro forma information included under *Pro Forma Data*, the pro forma price-to-earnings multiples in the table do not correspond with the multiples in the independent appraisal. See note 1 to the pro forma information included under *Pro Forma Data* for more information on our treatment of shares owned by our employee stock ownership plan for purposes of this calculation.
- (2) Based on People's Bank's financial data as of and for the nine months ended September 30, 2006. Price-to-earnings multiples for People's United Financial are shown on an annualized basis.
- (3) Reflects earnings for the most recent 12-month period for which data was publicly available.

The independent appraisal is not necessarily indicative of post-offering trading value. You should not assume or expect that the valuation of People's United Financial as indicated above means that the common stock will trade at or above the \$20.00 purchase price after the offering is completed.

We may increase the number of shares of common stock being offered by up to 15% without notice to persons who have subscribed for our common stock, so that a total of up to 198,375,000 shares would be sold in the offering. On [], 2007, we received authorization from the Office of Thrift Supervision to conduct the offering. The independent appraisal must be updated before we can complete the offering. The updated appraisal will be subject to the further approval of the Office of Thrift Supervision.

After-Market Performance Information Provided By The Independent Appraiser

The following table, prepared by our independent appraiser, presents for all second-step conversions that began trading from January 1, 2004 to October 16, 2006, the percentage change in the trading price from the initial trading date of the offering to the dates shown in the table. The table also

Table of Contents

presents the average and median trading prices and percentage change in trading prices for the same dates. **This information relates to stock performance experienced by other companies that may have no similarities to us with regard to market capitalization, offering size, earnings quality and growth potential, among other factors.** Most of the institutions listed in the table are significantly smaller than we are in terms of asset size. In addition, gross proceeds raised in most of the offerings listed in the table are significantly less than the amount of gross proceeds we expect to raise in the offering. Also, two of the three largest offerings listed in the table involved a simultaneous acquisition of another financial institution.

The table is not intended to indicate how our common stock may perform. Data represented in the table reflects a small number of transactions and is not indicative of general stock market performance trends or of price performance trends of companies that undergo second-step conversions. Furthermore, this table presents only short-term price performance and may not be indicative of the longer-term stock price performance of these companies. **There can be no assurance that our stock price will appreciate or that our stock price will not trade below \$20.00 per share.** The movement of any particular company's stock price is subject to various factors, including, but not limited to, the amount of proceeds a company raises, the company's historical and anticipated operating results, the nature and quality of the company's assets, the company's market area and the quality of management and management's ability to deploy proceeds (such as through loans and investments, the acquisition of other financial institutions or other businesses, the payment of dividends and common stock repurchases). In addition, stock prices may be affected by general market and economic conditions, the interest rate environment, the market for financial institutions and merger or takeover transactions and the presence of professional and other investors who purchase stock on speculation, as well as other unforeseeable events not in the control of management. Before you make an investment decision, please carefully read this prospectus, including *Risk Factors*.

Table of Contents**After Market Trading Activity****Second Step Offerings****Completed Closing Dates between January 1, 2004 and October 16, 2006**

Transaction	Closing Date	Gross Proceeds (in millions)	Price Performance from Initial Trading Date Through October 16, 2006			
			1 Day	1 Week	1 Month	
Liberty Bancorp, Inc.	7/24/06	\$ 28.1	2.5%	1.0%	1.5%	0.4%
First Clover Leaf Financial Corp. ⁽¹⁾	7/11/06	\$ 41.7	3.9%	6.0%	11.2%	13.0%
Monadnock Bancorp, Inc.	6/29/06	\$ 5.7	0.0%	-5.0%	-13.8%	-16.9%
NEBS Bancshares, Inc.	12/29/05	\$ 30.8	6.6%	7.0%	7.0%	30.0%
American Bancorp, Inc.	10/6/05	\$ 99.2	1.6%	-2.5%	1.6%	17.5%
Hudson City Bancorp, Inc.	6/7/05	\$ 3,929.8	9.6%	10.8%	15.9%	34.9%
First Federal of Northern Michigan Bancorp, Inc.	4/4/05	\$ 17.0	-5.1%	-8.0%	-16.0%	-8.0%
Rome Bancorp, Inc.	3/31/05	\$ 59.0	0.5%	-2.5%	-5.6%	26.5%
Roebling Financial Corp.	10/1/04	\$ 9.1	-1.0%	-0.5%	-8.0%	22.5%
DSA Financial Corporation	7/30/04	\$ 8.5	-2.0%	-5.0%	-7.0%	25.0%
Partners Trust Financial Group, Inc. ⁽¹⁾	7/15/04	\$ 148.8	-0.1%	-0.2%	-1.9%	10.1%
Synergy Financial Group, Inc.	1/21/04	\$ 70.4	8.1%	8.0%	7.9%	61.2%
Provident Bancorp, Inc. ⁽¹⁾	1/15/04	\$ 195.7	15.0%	11.5%	15.1%	42.8%
Average			3.0%	1.6%	0.6%	19.9%
Median			1.6%	-0.2%	1.5%	22.5%

(1) Included a simultaneous acquisition.

Public Stockholders Will Receive Shares Through The Exchange Of People's Bank Common Stock

If you are currently a stockholder of People's Bank, your shares as of the date of completion of the conversion and offering will be cancelled and exchanged for new shares of People's United Financial common stock. The number of shares you receive will be based on an exchange ratio which will be determined as of the date of completion of the conversion and offering and will be based on the percentage of People's Bank common stock held by the public prior to the conversion, the final independent appraisal of People's United Financial common stock prepared by RP Financial and the number of shares of common stock sold in the offering. The exchange ratio will ensure that existing public stockholders of People's Bank common stock will own approximately the same percentage of People's United Financial common stock after the conversion and offering as they owned of People's Bank common stock immediately prior to completion of the conversion and offering, exclusive of the effect of their purchase of additional shares in the offering and the receipt of cash in lieu of fractional shares. The exchange ratio will not depend on the market price of People's Bank common stock.

The following table shows how many shares a hypothetical owner of People's Bank common stock would receive in the share exchange, based on the number of shares sold in the offering.

Table of Contents

	Shares to be sold in		Shares to be exchanged for		Shares to be issued		Total shares of common stock to be outstanding after the conversion	Exchange ratio	Equivalent per share current market price ⁽¹⁾	Shares that would be exchanged per 100 shares of People's Bank common stock
	this offering		of People's Bank		to the foundation					
	Amount	Percent	Amount	Percent	Amount	Percent				
Minimum	127,500,000	57.18%	93,480,544	41.92%	2,000,000	0.90%	222,980,544	1.5546	\$ 31.09	155
Midpoint	150,000,000	57.26%	109,977,110	41.98%	2,000,000	0.76%	261,977,110	1.8290	\$ 36.58	182
Maximum	172,500,000	57.31%	126,473,677	42.02%	2,000,000	0.67%	300,973,677	2.1033	\$ 42.07	210
Maximum, as adjusted	198,375,000	57.36%	145,444,729	42.06%	2,000,000	0.58%	345,819,729	2.4188	\$ 48.38	241

(1) Represents the value of shares of People's United Financial common stock received in the share exchange by a holder of one share of People's Bank common stock at the exchange ratio, assuming a market price of \$20.00 per share.

As of the completion of the conversion, if you own shares of People's Bank common stock in street name through a brokerage firm, the shares will be promptly exchanged in that account, without any action on your part. Likewise, if you hold your shares in book-entry form with our transfer agent, they will be promptly exchanged without any action on your part, and an account statement will be mailed to you, indicating the number of shares of People's United Financial common stock owned as a result of the exchange.

As of the completion of the conversion, if you hold a stock certificate representing your shares of People's Bank common stock, you will receive a transmittal form, with instructions to surrender your certificate to our transfer agent, acting as exchange agent. The transmittal form will be mailed to you as soon as practicable after the completion of the conversion. **Do not forward a stock certificate without a transmittal form.** Shares of People's United Financial common stock to be issued in the exchange will be issued in book-entry form, meaning that you will not receive a stock certificate. Instead, within [] business days after the exchange agent receives your properly executed transmittal form, accompanied by a stock certificate, you will be mailed an account statement. The account statement will indicate the number of shares of People's United Financial common stock owned as a result of the exchange and held in book-entry form with our transfer agent. No fractional shares of our common stock will be issued. For each fractional share that would otherwise be issued, we will pay by check an amount equal to the product obtained by multiplying the fractional share interest to which the holder would otherwise be entitled by the \$20.00 per share purchase price. Holders with shares held in street name will receive these funds in their brokerage accounts. At the midpoint shown in the preceding table a stockholder owning 100 shares of People's Bank common stock would receive 182 shares of People's United Financial common stock plus \$18.00 in cash.

We also will convert options previously awarded under the People's Bank 1998 Long-Term Incentive Plan into options to purchase People's United Financial common stock. At September 30, 2006, there were outstanding options to purchase 1,435,055 shares of People's Bank common stock. The number of outstanding options and related per share exercise prices will be adjusted based on the exchange ratio. The aggregate exercise price, term and vesting period of the outstanding options will remain unchanged. If any options are exercised before we complete the offering, the number of shares of People's Bank common stock outstanding will increase and the exchange ratio could be adjusted. If all currently outstanding options are exercised, stockholders will experience dilution of approximately 1.00% in their ownership interest in People's Bank common stock.

Table of Contents**Our Policy Regarding Dividends**

People's Bank has paid quarterly cash dividends in each quarter since the fourth quarter of 1993. On October 19, 2006, the Board of Directors of People's Bank declared a quarterly cash dividend of \$0.25 per common share outstanding, or \$1.00 per share on an annualized basis, payable on November 15, 2006 to stockholders of record as of the close of business on November 1, 2006. The amount of dividends that People's United Financial initially intends to pay to stockholders following the conversion and offering is intended to approximate the per share dividend amount, adjusted to reflect the share exchange, that People's Bank's stockholders currently receive on their shares of People's Bank common stock. The following table sets forth the dividend amounts that we expect to pay per share at the minimum, midpoint, maximum and adjusted maximum of the offering range.

	Quarterly dividends per share	Annual dividends per share	Annual dividend yield(1)
Dividends on People's United Financial Common Stock:			
Minimum of offering range	\$ 0.16	0.64	3.20%
Midpoint of offering range	\$ 0.14	0.56	2.80%
Maximum of offering range	\$ 0.12	0.48	2.40%
Maximum of offering range, as adjusted	\$ 0.10	0.40	2.00%

(1) Based upon a price of \$20.00 per share

The continued payment of dividends will depend upon our debt and equity structure, earnings and financial condition and need for capital in connection with possible future acquisitions and other factors, including economic conditions, regulatory restrictions and tax considerations. We cannot guarantee that we will pay dividends in the future or, if we pay dividends, the amount and frequency of these dividends.

Ownership By Officers And Directors

Collectively, our directors and executive officers and their associates expect to purchase a total of 387,500 shares, or approximately 0.2% of the shares of common stock available for sale in the offering plus the shares to be issued to the charitable foundation (assuming the midpoint of the offering range). These shares do not include shares that may be awarded or issued in the future under any of our stock benefit plans. The shares purchased by our directors and executive officers and their associates will be included in determining whether the minimum number of shares necessary to close the offering have been sold. See *Proposed Purchases of Common Stock by Management*.

After the offering, the exchange of existing shares of People's Bank common stock, including stock options exercisable within 60 days of September 30, 2006, our directors and executive officers, together with their associates, are expected to beneficially own approximately 3,681,180 shares of our common stock, or 1.41% of the total outstanding shares of our common stock, including shares to be issued to the charitable foundation, based upon the midpoint of the offering range.

Future Benefit Plans

We intend to implement a tax-qualified employee stock ownership plan in connection with the offering which we expect will purchase an amount of common stock equal to up to 6% of the shares of common stock we sell in the offering and issue to the charitable foundation, or 10,470,000 shares of common stock, assuming we sell 172,500,000 shares, the maximum of the offering range. We expect that this employee stock ownership plan will purchase these shares in the open market following the offering using funds borrowed from us. As a tax-qualified employee benefit plan, this plan may instead purchase shares in the subscription offering consistent with its subscription priority. The plan is a tax-qualified

Table of Contents

retirement plan for the benefit of all employees who meet certain eligibility requirements. Assuming the employee stock ownership plan purchases 10,470,000 shares, we will recognize additional compensation expense of \$209.4 million (or approximately \$138.2 million after tax) over a 30-year period, assuming the shares of common stock have a fair market value of \$20.00 per share for the full 30-year period. If, in the future, the shares of common stock have a fair market value greater or less than \$20.00, the compensation expense will increase or decrease accordingly.

Because investment decisions for our employee stock ownership plan are subject to the discretion of an independent fiduciary, we can offer no assurance as to the amount, timing or other terms of stock purchases by this plan.

We also intend to implement a stock option plan, providing for grants of stock options, and a recognition and retention plan, providing for awards of restricted stock to our key employees, officers and directors. If these stock-based incentive plans are implemented and approved by stockholders within one year of the completion of our conversion, the number of options granted or shares of restricted stock awarded under these stock-based incentive plans may not exceed 10% and 4%, respectively, of the shares of common stock sold in the offering and issued to the charitable foundation. We expect that any shares required for restricted stock awards would be purchased in the open market or privately negotiated transactions following stockholder approval of the plan. Funds necessary for stock purchases would be provided by People's United Financial. We anticipate that awards under the stock option plan and recognition and retention plan would vest over a five-year period measured from the award date and that compensation expense would be recognized over the vesting period. Both the stock option plan and recognition and retention plan cannot be adopted sooner than six months after the completion of our conversion and will be contingent on approval of People's United Financial stockholders.

The following table summarizes the number of shares and aggregate dollar value of awards available for grant that are expected under the stock option and recognition and retention plans, if adopted as expected after the offering. A portion of the available stock grants shown in the table below may be made to non-executive employees.

	Number of new shares or				Value of new	
	options to be granted				available grants(1)	
	At		As a	Maximum		
	minimum	At	percentage	dilution	At minimum	At maximum of
of offering	of offering	of common	resulting	of	offering range	
range	range	stock to be	from	offering range	offering range	
		sold in the	issuance of			
		offering	shares for			
		and issued	stock benefit			
		to the	plans(2)			
		foundation				
Recognition and retention plan	5,180,000	6,980,000	4.00%	2.27%	\$ 103,600,000	\$ 139,600,000
Stock option plan	12,950,000	17,450,000	10.00%	5.48%	42,864,500	57,759,500
Total	18,138,000	24,430,000	14.00%	7.51%	\$ 146,464,500	\$ 197,359,500

(1) The actual value of restricted stock grants will be determined based on their fair value as of the date that grants are made. For purposes of this table, fair value of the restricted stock grants is assumed to be the same as the offering price of \$20.00 per share. The fair value of stock options has been estimated at \$3.31 per option using the Black-Scholes option pricing model with the following assumptions: a grant-date share price and option exercise price of \$20.00; dividend yield of 3.0%; expected option life of 10 years; risk free interest rate of 4.64%; and a volatility rate of 11.3% based on an index of publicly-traded thrifts. The actual value of option grants will be determined by the grant-date fair value of the option which will depend on a number of factors, including the valuation assumptions used in the option pricing model.

(2) Assumes shares are issued from authorized but unissued shares and dilution is calculated at the maximum of the offering range.

Table of Contents

Unless a waiver is obtained from the Office of Thrift Supervision, the following additional Office of Thrift Supervision restrictions would apply to these stock-based incentive plans:

non-employee directors in the aggregate may not receive more than 30% of the options and restricted stock awards authorized under the plans;

any one non-employee director may not receive more than 5% of the options and restricted stock awards authorized under the plans;

any officer or employee may not receive more than 25% of the options and restricted stock awards authorized under the plans;

the options and restricted stock awards may not vest more rapidly than 20% per year, beginning on the first anniversary of stockholder approval of the plans; and

accelerated vesting is not permitted except for death, disability or upon a change in control of People's Bank or People's United Financial.

In the event the Office of Thrift Supervision changes its regulations or policies regarding stock-based incentive plans, including any regulations or policies restricting the size of awards and vesting of benefits as described above, the restrictions described above may not be applicable. Also, these restrictions will not apply to stock-based compensation plans currently maintained by People's Bank (the People's Bank 1998 Long-Term Incentive Plan and the People's Bank Directors' Equity Compensation Plan), which will continue in effect after the conversion.

The following table presents information regarding the eligible participants in our contemplated employee stock ownership plan and our contemplated stock-based incentive plans, the percentage of outstanding shares of common stock after the offering assuming shares are sold at the maximum of the offering range and the dollar value of the common stock available for issuance or allocation under these plans.

Table of Contents

	Individuals Eligible to Participate	Number of Shares at the Maximum of Offering Range	Percentage of Total Shares Outstanding (including shares issued to the charitable foundation)	Percentage of Shares Sold in the Offering (including shares issued to the charitable foundation)	Estimated Value of Shares at the Maximum of the Offering Range(1)
Employee stock ownership plan	Officers and Employees	10,470,000	3.48%	6.0%	\$ 209,400,000
Stock option plan	Directors, Officers and Employees	17,450,000	5.80%	10.0%	\$ 57,759,500
Recognition and retention plan	Directors, Officers and Employees	6,980,000	2.32%	4.0%	\$ 139,600,000

(1) The actual value of restricted stock grants will be determined based on their fair value as of the date that grants are made. For purposes of this table, fair value of the restricted stock grants is assumed to be the same as the offering price of \$20.00 per share. The fair value of stock options has been estimated at \$3.31 per option using the Black-Scholes option pricing model with the following assumptions: a grant-date share price and option exercise price of \$20.00; dividend yield of 3.0%; expected option life of 10 years; risk free interest rate of 4.64%; and a volatility rate of 11.3% based on an index of publicly-traded thrifits. The actual value of option grants will be determined by the grant-date fair value of the option which will depend on a number of factors, including the valuation assumptions used in the option pricing model.

For a detailed description of these potential plans and their applicable limitations see *Future Benefit Plans*. For a detailed description of the benefit plans we currently have in place, see *Director Compensation* and *Executive Officer Compensation*.

Limits On Purchases Of Common Stock

Limitations on the purchase of common stock in the offering have been set by the plan of conversion adopted by the People's Bank Board of Directors and the People's Mutual Holdings Board of Trustees. These limitations include the following:

You may not purchase fewer than 25 shares (\$500).

You may not purchase more than \$2 million of common stock (100,000 shares). If you are purchasing in the subscription offering, this limit applies to you, together with any persons with whom you are exercising subscription rights through a single qualifying deposit account held jointly.

You, together with any of the following persons (referred to as associates) or persons who may be acting in concert with you, may not purchase more than \$2 million of common stock (100,000 shares) in all categories of the offering combined, including the syndicated offering:

your spouse or relatives of you or your spouse living in your house; or

companies, trusts or other entities in which you have an ownership or financial interest or hold a senior position.

Table of Contents

If you are currently a People's Bank stockholder, in addition to the above purchase limitations, there is an additional ownership limitation for you. Shares of common stock that you purchase in the offering individually, and together with associates or persons acting in concert, plus any shares of People's United Financial common stock you and they receive in the share exchange, may not exceed 5% of the total shares of People's United Financial common stock issued and outstanding at the completion of the conversion and offering.

Subject to the approval of the Office of Thrift Supervision, we may increase or decrease the purchase and ownership limitations at any time. If a purchase limitation is increased, subscribers in the subscription offering who order the maximum amount of shares and so indicate on their stock order forms will be given the opportunity to increase their subscriptions up to the new limit. For a detailed description of purchase limitations see *Limitations on Common Stock Purchases*.

Conditions To Completing the Conversion And Offering

We are conducting the conversion and offering pursuant to the terms of our plan of conversion. We cannot complete the conversion and offering unless:

the plan of conversion is approved by at least a majority of votes eligible to be cast by depositors of People's Bank;

the plan of conversion is approved by a majority of the outstanding shares of People's Bank common stock entitled to vote at a meeting of stockholders of People's Bank (because People's Mutual Holdings owns more than 50% of People's Bank's outstanding shares, we expect that People's Mutual Holdings will control the outcome of this vote);

the plan of conversion is approved by a majority of the outstanding shares of People's Bank common stock held by the stockholders of People's Bank, excluding People's Mutual Holdings;

we sell at least the minimum number of shares of common stock offered; and

we receive approval from the Office of Thrift Supervision to complete the conversion and offering.

People's Mutual Holdings intends to vote its ownership interest in favor of the transaction. At September 30, 2006, it owned 57.7% of the outstanding common stock of People's Bank. As of September 30, 2006, the directors and executive officers of People's Bank and their associates beneficially owned 1,800,809 shares of People's Bank common stock (including options exercisable within 60 days of September 30, 2006), or 1.26% of the outstanding shares of common stock. They intend to vote their shares in favor of the plan of conversion and establishment of the charitable foundation.

Market For Our Common Stock

People's Bank's common stock is currently listed on the Nasdaq Global Select Market under the symbol PBCT, and People's United Financial's common stock will continue to trade on this market under this symbol after the offering. See *Market for the Common Stock*.

Table of Contents

Tax Aspects of the Conversion

As a general matter, the conversion and offering will not be taxable transactions for federal or state income tax purposes to People's Mutual Holdings, People's Bank, People's United Financial, persons eligible to subscribe in the subscription offering or existing stockholders of People's Bank. Existing stockholders of People's Bank who receive cash in lieu of a fractional share of People's United Financial common stock in the share exchange will recognize a gain or loss equal to the difference between the cash received and the tax basis of such fractional share. Thacher Proffitt & Wood LLP will issue an opinion to us to the effect that consummation of the transactions contemplated by the conversion and offering qualifies as a tax-free transaction for federal income tax purposes and will not result in any adverse federal tax consequences to People's Mutual Holdings, People's Bank, People's United Financial, persons eligible to subscribe in the subscription offering or existing stockholders of People's Bank before or after the conversion. PricewaterhouseCoopers LLP will issue an opinion to us to the effect that consummation of the transactions contemplated by the conversion and offering should qualify as a tax-free transaction for Connecticut state income tax purposes and should not result in any adverse Connecticut state tax consequences to People's Mutual Holdings, People's Bank, People's United Financial, persons eligible to subscribe in the subscription offering or existing stockholders of People's Bank before or after the conversion. See *The Conversion and Offering Tax Aspects*.

The Subscription Offering

Persons Who May Order Stock In The Subscription Offering.

We are offering shares of People's United Financial common stock in a subscription offering in the following descending order of priority:

- (1) Depositors with accounts at People's Bank with aggregate balances of at least \$50 on June 30, 2005;
- (2) Our tax-qualified employee stock benefit plans;
- (3) Depositors with accounts at People's Bank with aggregate balances of at least \$50 on [_____]; and
- (4) People's Bank depositors as of [_____], 2007.

If you qualify under one of these categories, you will have priority subscription rights and the following provisions will apply to you.

How You May Purchase Common Stock in the Subscription Offering.

To purchase shares of common stock in the subscription offering, you must deliver a properly signed and completed original stock order form to our Stock Information Center, accompanied by full payment or a deposit account withdrawal authorization as described below, by 11:00 a.m., Eastern Time, on [_____], 2007. A properly completed and signed stock order form together with full payment must be actually received by our Stock Information Center (not postmarked) by this offering deadline. You may submit your stock order form and payment by mail using the return envelope provided, by bringing your stock order form to our Stock Information Center, or by overnight delivery to the address indicated on the front of the stock order form. Mail or delivery of stock order forms to banking or other offices of People's Bank will not be accepted. We are not required to accept orders submitted on photocopied or facsimiled stock order forms.

Table of Contents

You may pay for your shares by:

Personal check, bank check or money order. The check or money order must be made payable directly to People's United Financial, Inc. Cash, wire transfers and third party checks and People's Bank line of credit checks may not be remitted as payment for your purchase; or

Authorized deposit account withdrawal. The stock order includes instructions on how you can authorize direct withdrawals from the types of People's Bank deposit accounts provided for on the stock order form. The funds you designate must be in your account at the time your stock order form is received. A hold will be placed on these funds making them unavailable to you for any reason. Funds authorized for withdrawal will continue to earn interest within the account at the contract rate until the offering is completed, at which time the designated withdrawal will be made. You may authorize withdrawal from a People's Bank certificate of deposit account without incurring an early withdrawal penalty if the withdrawal is authorized for the purchase of shares of common stock in the offering.

You may not authorize withdrawals from People's Bank retirement accounts (IRAs, Keogh) or People's Bank accounts with check-writing privileges. If you wish to use funds from an account with check-writing privileges, please make payment by a check drawn on such account. By law, People's Bank retirement accounts are not self-directed and therefore cannot be used to purchase shares of common stock. If you wish to use any of the funds that are currently in a People's Bank retirement account, the funds must be transferred to a self-directed retirement account maintained by an independent trustee, such as a brokerage firm other than People's Securities, Inc., before your order is placed. If you are interested in using funds in a retirement account at People's Bank or elsewhere to purchase common stock, you should contact our Stock Information Center as soon as possible, preferably at least two weeks before the [_____], 2007 end of the offering period, because processing such transactions takes additional time. Whether you may use such funds for the purchasing of shares of common stock in the offering may also depend on limitations imposed by the institution where the funds are held.

Once we receive your properly completed stock order form, you may not change or rescind your order unless the number of shares of common stock to be issued is increased to more than 198,375,000 or decreased below 127,500,000, or the offering is not completed by [___], 2007. We are not required to notify you of incomplete or improperly executed stock order forms. We have the right to waive or permit the correction of incomplete or improperly executed stock order forms, but do not represent that we will do so.

We may not lend funds, guarantee loans or otherwise extend credit to any person other than our tax-qualified employee stock ownership plan to purchase shares of common stock in the offering.

Funds received in the subscription offering will be held in a segregated escrow account at People's Bank established to hold funds received as payment for shares. We will pay interest on these funds at People's Bank's passbook savings rate from the date payment is received until completion or termination of the conversion and offering. We may, at our discretion, determine during the offering that it is in the best interest of People's Bank to hold subscription funds in a segregated escrow account at another insured financial institution instead of People's Bank.

Table of Contents

Deadline for Ordering Stock in the Subscription Offering.

The subscription offering will expire at 11:00 a.m., Eastern Time, on [_____], 2007. We may extend this expiration date without notice to you up to 45 days until [_____], 2007, but in no event may the offering extend beyond [_____], unless the Office of Thrift Supervision approves a later date. We may decide to extend the expiration date of the subscription offering for any reason, whether or not subscriptions have been received for shares at the minimum, midpoint or maximum of the offering range.

Steps We May Take If We Do Not Sell The Minimum Number Of Shares.

We will not complete the subscription and syndicated offerings until at least the minimum number of shares of common stock have been sold. If at least 127,500,000 shares have not been sold by [_____], 2007 and the Office of Thrift Supervision has not consented to an extension, all funds delivered to us to purchase shares of common stock in the subscription offering will be returned promptly to the subscribers with interest at People's Bank's passbook savings rate and all deposit account withdrawal authorizations will be canceled. If an extension beyond [_____], 2007 is granted by the Office of Thrift Supervision, we will notify each person who subscribed for common stock in the subscription offering, indicating that each such person who subscribed for common stock may increase, decrease, or rescind their subscription within the resolicitation period.

We reserve the right in our sole discretion to terminate the offering at any time and for any reason, in which case we will cancel all deposit account withdrawal authorizations and will return by check all funds submitted in the subscription offering, plus interest at People's Bank's passbook savings rate calculated from the date of receipt of the stock order.

Delivery Of Shares.

Shares of People's United Financial common stock to be issued in the subscription offering will be issued in book-entry form, meaning you will not receive a stock certificate. Instead, you will receive an account statement, indicating the number of shares of People's United Financial common stock purchased by you. As soon as practicable following the completion of the conversion, an account statement will be mailed by our transfer agent to the registration address you note on the stock order form. You may choose to continue to hold your shares in book-entry form with the transfer agent. If you would prefer to have a stock certificate or would prefer to transfer your book-entry shares to a brokerage account, you may do so, as described on the account statement. **Until purchasers have received their account statements, they may not be able to sell the shares of common stock which they ordered, even though the common stock will have commenced trading.**

If you are currently a stockholder of People's Bank, see *Public Stockholders Will Receive Shares Through The Exchange of People's Bank Common Stock.*

You May Not Sell Or Transfer Your Subscription Rights.

Office of Thrift Supervision regulations prohibit you from transferring your subscription rights. Your subscription rights may only be exercised by you for your own account. Common stock may also be registered to you or in the name of a trust for which you are the sole beneficiary or sole income beneficiary. For this purpose, an individual retirement account that is held as a custodial account is deemed to be a trust. When completing your stock order form, you should not add the name(s) of persons who do not have subscription rights or who qualify in a lower subscription priority than you do. If you do so, you will lose your subscription rights. If you order shares of common stock in the subscription offering, you will be required to certify on the stock order form that you are purchasing shares solely for

Table of Contents

your own account and that you have no agreement or understanding to sell or transfer your subscription rights or the shares of common stock to be issued upon their exercise. The regulations also prohibit any person from offering or making an announcement of an offer or intent to make an offer to purchase subscription rights or shares of common stock to be issued upon their exercise. We will pursue any and all legal and equitable remedies in the event we become aware of the transfer of subscription rights. We will not honor orders that we believe involve the transfer of subscription rights. In addition, if you attempt to sell or otherwise transfer your subscription rights, you may be subject to criminal prosecution and/or other sanctions.

Stock Information Center.

If you have any questions regarding the offering or the conversion, please call our Stock Information Center, at [_____], from 10:00 a.m. to 4:00 p.m., Eastern Time, Monday through Friday. The Stock Information Center is closed on weekends and bank holidays. The Stock Information Center is located at our executive offices at 850 Main Street, Bridgeport, Connecticut. Our banking and other offices will not have offering materials and cannot accept completed stock order forms or proxy cards.

To ensure that you receive a prospectus at least 48 hours before the offering deadline, we may not mail prospectuses any later than five days prior to the offering deadline or hand-deliver any prospectus later than two days prior to the offering deadline. Stock order forms may only be distributed with or preceded by a prospectus.

By signing the stock order form, you are acknowledging your receipt of a prospectus and your understanding that the shares are not a deposit account and are not insured or guaranteed by People's Mutual Holdings, People's United Financial, People's Bank, the Federal Deposit Insurance Corporation or any other federal or state governmental agency.

We will make reasonable attempts to provide a prospectus and offering materials to holders of subscription rights. The subscription offering and all subscription rights are expected to expire at 11:00 a.m., Eastern Time, on [_____] 2007, whether or not we have been able to locate each person entitled to subscription rights.

The Syndicated Offering

We are also offering any shares of our common stock not subscribed for by our depositors in the subscription offering for sale to the general public in a syndicated offering through a syndicate of selected dealers. We may begin the syndicated offering at any time following the commencement of the subscription offering. Morgan Stanley & Co. Incorporated is acting as sole book-running manager and Ryan Beck & Co., Inc. is acting as joint lead manager for the syndicated offering, which is being conducted on a best efforts basis. The syndicated offering will terminate no later than 45 days after the expiration of the subscription offering, unless extended by us with approval of the Office of Thrift Supervision. None of Morgan Stanley & Co. Incorporated, Ryan Beck & Co., Inc. or any other member of the syndicate is required to purchase any shares in the syndicated offering. Alternatively, we may sell any remaining shares in an underwritten public offering, which would be conducted on a firm commitment basis. For further information on the syndicated offering and any underwritten public offering, see *The Conversion and Offering Syndicated Offering/Underwritten Public Offering*.

Table of Contents

The People's Community Foundation

Charitable contributions are one way that we demonstrate our commitment to the betterment of our local communities. In order to maximize the impact of funds that we contribute, our policy has been to focus on charitable giving in the following areas: affordable housing, community development and youth development in the state of Connecticut. In 2005, People's Bank and People's Mutual Holdings contributed approximately \$1.5 million to a variety of charitable causes.

To continue our long-standing commitment to our local communities, we intend to establish a charitable foundation, The People's Community Foundation, as a non-stock Delaware corporation in connection with the conversion. We will fund the charitable foundation with 2,000,000 shares of People's United Financial common stock and \$20.0 million in cash from the net offering proceeds. The shares of common stock contributed to the charitable foundation will be issued in addition to the shares being offered for sale in the offering and will not be included in determining whether the minimum number of shares of common stock has been sold in order to complete the offering. Our contribution to the charitable foundation would reduce net earnings by \$39.6 million, after tax, in 2007.

The purpose of The People's Community Foundation will be to make grants and donations to non-profit and community groups and projects located within our market area. It is anticipated that The People's Community Foundation will distribute at least 5% of its net investment assets each year. The governing board of the foundation will develop detailed plans, policies and procedures for soliciting and accepting grant applications.

Currently, there are no plans to make further contributions to the charitable foundation in the future. The amount of common stock that we offer for sale in the offering would be greater if the offering were to be completed without the contribution to The People's Community Foundation. The establishment and funding of the charitable foundation requires the affirmative vote of a majority of the votes eligible to be cast by People's Bank's depositors and the affirmative vote of a majority of the stockholders of People's Bank, excluding People's Mutual Holdings. If these approvals are not obtained, the foundation will not be established and the shares of People's United Financial common stock we intend to issue to the foundation will remain unissued. The charitable foundation will be required to vote its shares in the same ratio as all other shares of the common stock on all proposals considered by People's United Financial's stockholders.

Issuing shares of common stock to the charitable foundation will:

dilute the ownership interests of holders of People's United Financial common stock; and

result in an expense, and a reduction in earnings, during the year in which the contribution is made, equal to the full amount of the contribution to the charitable foundation, offset in part by a corresponding tax benefit.

For a further discussion of the financial impact of the charitable foundation, including its effect on those who purchase shares in the offering, see *Risk Factors The Contribution To The People's Community Foundation Will Hurt Our Profits For 2007 And Dilute Your Ownership Interest, Comparison of Valuation and Pro Forma Information With and Without the Charitable Foundation* and *The People's Community Foundation*.

Table of Contents

RISK FACTORS

You should consider carefully the following risk factors before deciding whether to invest in our common stock. Our business could be harmed by any of these risks. The trading price of our common stock could decline due to any of these risks, and you may lose all or part of your investment. In assessing these risks you should also refer to the other information contained in this prospectus, including our consolidated financial statements and related notes.

Risks Related To Our Business

Changes In Interest Rates Could Adversely Affect Our Results Of Operations And Financial Condition. People's Bank makes most of its earnings based on the difference between interest it earns compared to interest it pays. This difference is called the interest spread. People's Bank earns interest on loans and to a much lesser extent on securities and short-term investments. These are called interest-earning assets. People's Bank pays interest on some forms of deposits and on funds it borrows from other sources. These are called interest-bearing liabilities.

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

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

People's Bank manages this risk using many different techniques. If it is not successful in managing this risk, People's Bank will probably be less profitable.

Changes In Our Asset Quality Could Adversely Affect Our Results Of Operations And Financial Condition. Asset quality measures the performance of a borrower in repaying a loan, with interest, on time. It is unlikely that our asset quality will stay as strong as it has been for the past several years, particularly if the economy deteriorates.

We May Not Be Able To Successfully Implement Our Plans For Growth. Since our conversion to the mutual holding company form of organization in 1988, we have experienced significant growth. We will be raising a significant amount of capital from the offering, which we plan to use to continue implementing our growth strategy, primarily by building our core banking business through internal growth and increased *de novo* branching and acquisitions. During 2005, People's Bank opened seven new branches, three of which are traditional branches and four of which are located in Stop & Shop supermarkets. During the first nine months of 2006, People's Bank opened three new Stop & Shop branches. People's Bank also plans to expand into New York State by opening at least 15 new traditional branches in Westchester County over the next three years. Seven of these branches are expected to be

Table of Contents

open by the end of 2007. People's Bank also plans to continue its branch expansion in Connecticut by opening new traditional and Stop & Shop branches. In addition, we will consider expansion opportunities such as the acquisition of branches and other financial institutions, although we do not have any current understandings, agreements or arrangements for expansion by the acquisition of any branches or other financial institutions. There can be no assurance that we will continue to experience such rapid growth, or any growth, in the future. Significant changes in interest rates or the competition we face may make it difficult to attract the level of customer deposits needed to fund our internal growth at projected levels. In addition, People's Bank may have difficulty finding suitable sites for *de novo* branches. Our expansion plans may result in People's Bank opening branches in geographic markets in which it has no previous experience. Our ability to grow effectively in those markets will be dependent on our ability to identify and retain personnel familiar with the new markets. Any future acquisitions of branches or of other financial institutions would present many challenges associated with integrating merged institutions and expanding operations. We cannot assure you that we will be able to adequately and profitably implement our possible future growth plans or that we will not have to incur additional expenditures beyond current projections to support such growth.

The Success Of Our Stop & Shop Branches Depends On The Success Of The Stop & Shop Brand. One element of our strategy is to focus on increasing deposits by providing a wide range of convenient services to our customers. An integral component of this strategy is People's Bank's supermarket banking initiative, pursuant to which, as of September 30, 2006, People's Bank has established 73 full-service Stop & Shop branches that provide customers with the convenience of seven-day-a-week banking. At September 30, 2006, 47% of People's Bank's branches were located in Stop & Shop supermarkets. During 2005, the Stop & Shop branches originated 27% of People's Bank's home equity loans, 47% of retail checking and savings accounts, and 34% of commercial checking accounts. Approximately 40% of People's Bank's branch transactions originate in Stop & Shop branches. During 2005, People's Bank opened four new branches located in Stop & Shop supermarkets, and are planning to open four new Stop & Shop branches in 2006 (three of which have opened as of September 30, 2006) and up to seven Stop & Shop branches in 2007.

People's Bank currently has exclusive branching rights in Stop & Shop supermarkets in the state of Connecticut, in the form of a license agreement between The Stop & Shop Supermarket Company and People's Bank, which provides for the leasing of space to People's Bank within Stop & Shop supermarkets for branch use. Under the terms of the license agreement, People's Bank is required to open a branch in each new Connecticut Stop & Shop supermarket (up to a maximum of 120 supermarkets) that has either (1) a total square footage of greater than 45,000 square feet or (2) if less than 45,000 square feet in size, the store has projected customers of at least 15,000 per week. People's Bank has the exclusive right to branch in these supermarkets until 2012, provided that People's Bank does not default on its obligations under the licensing agreement. People's Bank has the option to extend the license agreement until 2022.

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

Table of Contents

In addition, there is no guarantee that People's Bank will be able to renew or renegotiate the license agreement with Stop & Shop beyond 2022. If renewal or renegotiation of the license agreement were unsuccessful, People's Bank would be forced to find new locations for and relocate the Stop & Shop branches, or to close those branches and transfer the affected customer accounts to other People's Bank branches, either of which would involve significant expense and the possible loss of customer relationships.

We Depend On Our Executive Officers And Key Personnel To Continue the Implementation of Our Long-Term Business Strategy And Could be Harmed By The Loss Of Their Services. We believe that our continued growth and future success will depend in large part upon the skills of our management team. The competition for qualified personnel in the financial services industry is intense, and the loss of our key personnel or an inability to continue to attract, retain and motivate key personnel could adversely affect our business. We cannot assure you that we will be able to retain our existing key personnel or attract additional qualified personnel. Although People's Bank has an employment agreement with its president and chief executive officer, the loss of the services of one or more of our executive officers and key personnel could impair our ability to continue to develop and execute our business strategy.

Our Business Is Affected by the International, National, Regional and Local Economy Generally, and the Geographic Concentration Of Our Loan Portfolio And Lending Activities Makes Us Vulnerable To A Downturn In The Local Economy. Changes in international, national, regional and local economic conditions affect our business. We cannot predict these changes, and we cannot control them. If economic conditions change significantly or quickly, our business operations could suffer, and we could become weaker financially as a result.

At September 30, 2006, approximately 77% of People's Bank's loans by outstanding principal amount were to people and businesses located in the state of Connecticut, or involved property located here. All of People's Bank's branches are currently in Connecticut. How well we perform depends very much on the health of the Connecticut economy, and we expect that to remain true for the foreseeable future.

As of June 30, 2006, the median household income in Connecticut was \$66,018, ranking second in the United States and well above the U.S. median household income of \$51,546. Our state unemployment rate as of June 2006 was 4.1%, slightly lower than the national rate of 4.6%. A low unemployment rate usually means that businesses have a hard time finding qualified workers, and will have to pay them more if they can find them. Businesses that cannot find qualified workers or that have to pay higher wages might decide not to stay in Connecticut, or send work outside the state. Someone deciding where to locate a new business or to expand an existing business might decide to go somewhere outside Connecticut.

If the general economic situation deteriorates, or there are negative trends in the stock market, the Connecticut economy could suffer more than the national economy. This would be especially likely in Fairfield County, where People's Bank has many of its branches and where many of its customers reside, because of the large number of Fairfield County residents who are professionals in the financial services industry.

People's Bank could experience losses in its real estate-related loan portfolios if the prices for housing and other kinds of real estate decreased significantly in Connecticut. Even though Connecticut (especially Fairfield County) has some of the highest housing prices in the country, property values can decrease. This has happened before (as recently as the early 1990s), and can happen again.

Table of Contents

In Response To Competitive Pressures, Our Costs Could Increase If We Were Required to Increase Our Service and Convenience Levels or Our Margins Could Decrease If We Were Required To Increase Deposit Rates Or Lower Interest Rates On Loans. People's Bank faces significant competition for deposits and loans. In deciding where to deposit their money, many people look first at the interest rate they will earn. They also might think about whether the bank offers other kinds of services they might need and if they have ever been a customer of the bank before, what their experience was like. People also like convenience, so the number of offices and banking hours may be important. Some people also think that on-line services are important.

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

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

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

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

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

Changes In Federal And State Regulation Could Adversely Affect Our Results Of Operations And Financial Condition. The banking business is heavily regulated by the federal and state governments. Banking laws and rules are for the most part intended to protect depositors, not stockholders.

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

Table of Contents

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

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

The Office of Thrift Supervision letter dated July 3, 2006 approving, among other things, People's Bank's conversion from a Connecticut savings bank to a federal savings bank granted People's Bank (1) a phase-in period of three years from the date of its conversion to a federal savings bank, August 18, 2006, to comply with the Home Owners' Loan Act's commercial loan limits, with the ability to seek an additional one-year extension if necessary; and (2) an exception from the Qualified Thrift Lender test for a period of four years from the date of conversion. The manner in which the Office of Thrift Supervision interprets or applies their phase-in period can also make it more expensive for us to do business, make our business less profitable and limit our strategic flexibility.

If People's Bank Is Not Permitted to Pay Dividends To Us, We May Not Be Able to Fully Fund Our Operations, Pay Dividends Or Make Acquisitions. People's United Financial will fund its operations and pay dividends to its stockholders through the net offering proceeds it retains, cash and cash equivalents held by People's United Financial, dividends paid by People's Bank to People's United Financial, and borrowings. Dividends may be paid only out of current or retained net profits, and prior Office of Thrift Supervision approval is required if dividends for the current year would exceed net income for the current year plus retained net income for the preceding two years. People's Bank will also be prohibited from paying cash dividends to People's United Financial to the extent that any such payment would reduce People's Bank's capital below required capital levels, would impair the liquidation account to be established for the benefit of the People's Bank's eligible account holders and supplemental eligible account holders at the time of the conversion and offering, or if the Office of Thrift Supervision notified People's Bank that it was in need of more than normal supervision. Payment of dividends by People's Bank also may be restricted at any time at the discretion of the Office of Thrift Supervision if it deems the payment to constitute an unsafe and unsound banking practice. If People's Bank is not permitted to pay dividends to us, we may not be able to fully fund our operations, pay dividends to our stockholders or make acquisitions.

If People's Bank's Allowance for Loan Losses Is Not Sufficient to Cover Actual Loan Losses, Our Earnings Could Decrease. People's Bank is exposed to the risk that customers will not be able to repay their loans. This risk is inherent in the lending business. There is also the risk that the customer's collateral will not be sufficient to cover the balance of their loan, as underlying collateral values fluctuate with market changes. People's Bank records an allowance for loan losses to cover probable losses inherent in the existing loan portfolio. The allowance for loan losses is established through provisions for loan losses charged to income. Losses on loans, including impaired loans, are charged to provision expense or to the allowance for loan losses when all or a portion of a loan is deemed to be uncollectible. Recoveries of loans previously charged off are credited to the allowance for loan losses when realized.

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

Table of Contents

characteristics; the present financial condition of borrowers; and current economic conditions. While People's Bank seeks to use the best available information to make these evaluations, and at September 30, 2006, management believed that the allowance for loan losses was adequate to cover probable losses inherent in the existing loan portfolio, it is possible that borrower defaults could exceed the current estimates for loan losses, which would reduce earnings. In addition, future increases to the allowance for loan losses may be necessary based on changes in economic conditions, results of regulatory examinations, further information obtained regarding known problem loans, increasing charge-offs of existing problem loans, or the identification of additional problem loans and other factors, which would also reduce earnings.

Our Stock Benefit Plans Will Increase Our Costs, Which Will Reduce Our Profitability And Stockholders' Equity. We anticipate that our employee stock ownership plan will purchase an amount of common stock equal to up to 6% of the common stock sold in the offering and issued to the charitable foundation. The cost of acquiring the employee stock ownership plan shares will be between \$155.4 million at the minimum of the offering range and \$209.4 million at the maximum of the offering range, or \$240.5 million at the adjusted maximum of the offering range, assuming a purchase price of \$20.00 per share. Under current accounting standards, we will record annual employee stock ownership plan expenses in an amount equal to the fair market value of shares committed to be released to employees for that year. If our common stock appreciates in value over time, compensation expense relating to the employee stock ownership plan will increase.

We intend to adopt a stock option plan that will provide for grants to key employees, officers, and directors of options to purchase an amount of common stock equal to up to 10% of the shares of common stock sold in the offering and issued to the charitable foundation. We also intend to adopt a recognition and retention plan that will provide for awards of common stock to key employees, officers, and directors in an amount of up to 4% of the shares of common stock sold in the offering and issued to the charitable foundation. We will fund these plans through either open market purchases, if permitted, or from the issuance of authorized but unissued shares. These plans will increase our future costs of compensating our key employees, officers and directors, thereby reducing our earnings. In addition, at the maximum of our offering range stockholders will experience a 2.27% reduction or dilution in ownership interest in the event authorized but unissued shares are used to fund restricted stock awards and a 5.48% reduction or dilution in ownership interest in the event authorized but unissued shares are used to fund the stock options. Under current accounting standards, we will expense the grant-date fair value of stock options granted to key employees, officers and directors over the vesting period of such awards. Similarly, under current accounting standards, as the restricted stock shares are awarded and vest under the recognition and retention plan, we will recognize compensation expense equal to the fair market value of such shares at grant. Recognizing an expense equal to the grant-date fair value of stock options or shares of restricted stock will increase our compensation costs over the vesting period of the options or shares of restricted stock.

Risks Related To The Offering

After The Offering, Our Return On Average Equity Will Be Low Compared To Other Companies. This Could Negatively Impact The Price Of Our Common Stock. The net proceeds from the offering will substantially increase our equity capital. It may take a significant period of time to prudently invest this capital. Our ability to leverage our new capital and grow our balance sheet profitably will be significantly affected by industry competition for loans and deposits. The net proceeds will be invested initially in short-term investments, government securities or government-sponsored agency securities. These investments have lower average yields than a significant portion of our existing interest-earning assets. This excess capital will result in a significantly lower return on equity, which is the ratio of our earnings divided by our average stockholders' equity, than we have experienced

Table of Contents

previously. For the nine months ended September 30, 2006 and the year ended December 31, 2005, our return on average equity was 8.6% and 11.1%, respectively. On a pro forma basis assuming that 172,500,000 shares had been sold at the beginning of the year, the maximum of the offering range, and the net proceeds had been invested at an average yield of 5.25%, our return on pro forma equity for the nine months ended September 30, 2006 and the year ended December 31, 2005 would have been approximately 5.0% and 5.7%, respectively. As a result of the offering, our return on equity will be lower than that of our peers. To the extent that the stock market values a company based in part on its return on equity, our low return on equity relative to our peers could negatively affect the trading price of our common stock.

We Have Broad Discretion In Allocating The Proceeds Of The Offering. Our Failure To Effectively Utilize The Proceeds Could Significantly Reduce Our Profitability. People's United Financial intends to contribute approximately 50% of the net proceeds of the offering to People's Bank. People's United Financial may use the remaining net proceeds to purchase investment securities, finance the acquisition of other financial institutions or other businesses that are related to banking or for other general corporate purposes, including repurchases of common stock and the payment of cash dividends. People's United Financial expects to use a portion of the net proceeds to fund the purchase by People's Bank's employee stock ownership plan of shares of People's United Financial common stock. We also intend to contribute 2,000,000 shares of People's United Financial common stock and \$20.0 million in cash to The People's Community Foundation. People's Bank may use the net proceeds it receives to make acquisitions, fund new loans, purchase investment securities, establish or acquire new branches, acquire financial institutions or other businesses that are related to banking, pay dividends to People's United Financial or for general corporate purposes. Although the net proceeds of the offering are expected to be invested initially in short-term investments, government securities or government-sponsored agency securities, People's United Financial and People's Bank will have significant flexibility in determining how much of the net proceeds to apply to different uses and the timing of such applications. The failure by us or People's Bank to utilize these funds effectively could significantly reduce our profitability.

Stock Market Volatility May Affect The Price Of Our Common Stock. Publicly traded stocks can experience substantial market price volatility that may be unrelated to the operating performance of the particular companies. We cannot assure you that if you purchase shares of common stock in the offering you will be able to sell them later at or above the \$20.00 purchase price. The final number of shares of common stock sold in the offering will be based on an independent appraisal prepared by RP Financial. The independent appraisal is not intended, and should not be construed, as a recommendation of any kind as to the advisability of purchasing shares of common stock. The valuation is based on estimates and projections of a number of factors, all of which are subject to change. After the shares begin trading, the trading price of our common stock will be determined by the marketplace, and will be influenced not only by our results of operations and financial condition but also by many factors outside of our control, including prevailing interest rates, investor perceptions of us, our performance relative to our peers, research analysts ratings, and general industry and economic conditions.

The Certificate of Incorporation and Bylaws of People's United Financial And Certain Laws And Regulations May Prevent or Make More Difficult Certain Transactions, Including A Sale Or Merger Of People's United Financial. Provisions of the Certificate of Incorporation and Bylaws of People's United Financial, federal regulations and various other factors may make it more difficult for companies or persons to acquire control of People's United Financial. The factors that may discourage takeover attempts or make them more difficult include:

Office of Thrift Supervision regulations. Office of Thrift Supervision regulations prohibit, for three years following the completion of a mutual-to-stock conversion, the

Table of Contents

offer to acquire or the acquisition of more than 10% of any class of equity security of a converted institution without the prior approval of the Office of Thrift Supervision.

Certificate of Incorporation and statutory provisions. Provisions of the Certificate of Incorporation and Bylaws of People's United Financial and of Delaware law may make it more difficult and expensive to pursue a takeover attempt that the Board of Directors opposes. These provisions also make more difficult the removal of current directors or management, or the election of new directors. These provisions include:

limitations on voting rights of the beneficial owners of more than 10% of People's United Financial common stock;

supermajority voting requirements for certain business combinations and changes to some provisions of the Certificate of Incorporation and Bylaws;

the election of directors to staggered terms of three years;

provisions regarding the timing and content of stockholder proposals and nominations;

provisions restricting the calling of special meetings of stockholders;

the absence of cumulative voting by stockholders in the election of directors; and

limitations imposed by Delaware law on business transactions with certain significant stockholders.

Significant ownership by our directors, executive officers and stock benefit plans. Following the conversion and offering, the directors, executive officers and stock benefit plans of People's United Financial are expected to own in the aggregate approximately 7.41% of People's United Financial common stock to be outstanding based upon the midpoint of the offering range. This significant percentage ownership by directors, executive officers and stock benefit plans could make it more difficult to obtain the required vote for a takeover or merger that management opposes.

You May Not Revoke Your Decision To Purchase People's United Financial Common Stock In the Subscription Offering After You Send Us Your Subscription. Funds submitted or automatic withdrawals authorized in connection with a purchase of shares of common stock in the subscription offering will be held by us until the completion or termination of the conversion and offering, including any extension of the expiration date. Because completion of the conversion and offering will be subject to regulatory approvals and an update of the independent appraisal prepared by RP Financial, among other factors, there may be one or more delays in the completion of the conversion and offering. Orders submitted in the subscription offering are irrevocable, and subscribers will have no access to subscription funds unless the offering is terminated, or extended beyond [___], or the number of shares to be sold in the offering is increased to more than 198,375,000 shares or decreased to less than 127,500,000 shares.

Risks Related to the Formation of Our Charitable Foundation

The Contribution To The People's Community Foundation Will Hurt Our 2007 Profits And Dilute Your Ownership Interest. We intend to contribute 2,000,000 shares of People's United Financial common stock and \$20.0 million in cash from the net offering proceeds to The People's Community

Table of Contents

Foundation. This contribution of common stock and cash will be an additional operating expense and will reduce net income during the fiscal year in which The People's Community Foundation is established, which is expected to be the year ending December 31, 2007. Based on the pro forma assumptions, the contribution to The People's Community Foundation would reduce net earnings by approximately \$39.6 million, after tax, in 2007. In addition, at the midpoint of the offering range, purchasers of shares in the offering and current People's Bank stockholders will have their ownership interests diluted by 0.76% at the close of the offering when we contribute the shares of our common stock to The People's Community Foundation from authorized but unissued shares of common stock. For a further discussion regarding the effect of the contribution to the charitable foundation, see *Pro Forma Data* and *Comparison of Valuation and Pro Forma Information With and Without the Charitable Foundation*.

Our Contribution To The People's Community Foundation May Not Be Tax Deductible, Which Could Hurt Our Profits. We believe that our \$60 million, pre-tax, contribution in cash and shares of our common stock to The People's Community Foundation will be deductible for federal income tax purposes. However, we do not have any assurance that the Internal Revenue Service will grant tax-exempt status to the charitable foundation. If the contribution is not deductible, we would not receive any tax benefit from the contribution. In addition, even if the contribution is tax deductible, we may not have sufficient profits to be able to use the deduction fully.

Table of Contents

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements, which may be identified by the use of such words as may, believe, expect, anticipate, should, plan, estimate, predict, continue and potential or the negative of these terms or other comparable terminology. Examples of forward-looking statements include, but are not limited to, estimates with respect to our financial condition, results of operations and business that are subject to various factors which could cause actual results to differ materially from these estimates. These factors include, but are not limited to:

our business is affected by the international, national, regional and local economy generally, and the geographic concentration of our loan portfolio and lending activities makes us vulnerable to a downturn in the local economy.

in response to competitive pressures, our costs could increase if we were required to increase our service and convenience levels or our margins could decrease if we were required to increase deposit rates or lower interest rates on loans;

changes in our asset quality could adversely affect our results of operations and financial condition;

changes in federal and state regulation could adversely affect our results of operations and financial condition;

changes in interest rates could adversely affect our results of operations and financial condition;

we have broad discretion in allocating the net proceeds of the offering; our failure to effectively utilize the net proceeds could significantly reduce our profitability;

our stock benefit plans will increase our costs, which will reduce our profitability and stockholders' equity;

after the offering, our return on average equity will be low compared to other companies; this could negatively impact the price of our common stock;

stock market volatility may affect the price of our common stock;

the contribution to The People's Community Foundation will hurt our profits for 2007 and dilute your ownership interest;

our contribution to The People's Community Foundation may not be tax deductible, which could hurt our profits;

applicable technological changes may be more difficult or expensive than we anticipate;

success or consummation of new business initiatives may be more difficult or expensive than we anticipate; and

Edgar Filing: People's United Financial, Inc. - Form S-1

litigation or matters before regulatory agencies, whether currently existing or commencing in the future, may delay the occurrence or non-occurrence of events longer than we anticipate.

Table of Contents

Any or all of our forward-looking statements in this prospectus and in any other public statements we make may turn out to be wrong. They can be affected by inaccurate assumptions we might make or by known or unknown risks and uncertainties. Consequently, no forward-looking statement can be guaranteed. We do not intend to update any of the forward-looking statements after the date of this prospectus or to conform these statements to actual results.

Table of Contents**SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA**

The summary information presented below under Selected Financial Condition Data, Selected Operating Data, and Selected Financial Ratios and Other Data at each of the dates or for each of the periods presented, except for the information at or for the periods ended September 30, 2005 and 2006 (which has not been audited), is derived in part from the audited consolidated financial statements of People's Bank. The following information is only a summary and you should read it in conjunction with People's Bank's audited consolidated financial statements and notes beginning on page F-1. All share, per share and dividend information reflects the three-for-two stock splits effected by People's Bank on May 15, 2004 and May 15, 2005.

	At September		At December 31,			
	30, 2006	2005	2004	2003	2002	2001
	(in millions)					
Selected Financial Condition Data:						
Total assets	\$ 10,612	\$ 10,933	\$ 10,718	\$ 11,672	\$ 12,261	\$ 11,891
Loans	9,185	8,573	7,933	7,105	6,675	6,374
Securities, net	202	1,363	2,071	2,405	3,230	2,900
Allowance for loan losses	74	75	73	71	69	74
Deposits	8,979	9,083	8,862	8,714	8,426	7,983
Core deposits	8,843	8,873	8,681	8,433	8,102	7,709
Borrowings	14	295	341	1,516	2,437	2,542
Subordinated notes	109	109	122	253	252	252
Stockholders' equity	1,351	1,289	1,200	1,002	940	935
Non-performing assets	23	22	29	34	36	31

	For the Nine Months Ended September 30,		For the Year Ended December 31,				
	2006	2005	2005	2004	2003	2002	2001
	(in millions)						
Selected Operating Data:							
Net interest income ⁽¹⁾	\$ 286.3	\$ 276.4	\$ 370.0	\$ 327.4	\$ 284.3	\$ 318.5	\$ 319.5
Provision for loan losses	2.0	3.3	8.6	13.3	16.7	22.2	45.3
Fee based revenues	113.5	111.7	151.5	142.9	143.0	136.2	113.9
Net security losses	(27.2)	(0.1)	(0.1)	(4.7)	(0.6)	(3.3)	(18.5)
All other non-interest income ⁽²⁾	15.8	9.5	21.9	13.5	23.9	16.3	38.2
Non-interest expense ⁽³⁾	261.3	253.8	344.4	479.7	346.0	341.5	343.5
Income (loss) from continuing operations	83.0	91.6	125.9	(5.6)	62.7	67.7	38.9
Income (loss) from discontinued operations ⁽⁴⁾	1.7	10.3	11.2	205.3	1.1	(12.3)	36.9
Net income	84.7	101.9	137.1	199.7	63.8	55.4	75.8
Adjusted net income ⁽⁵⁾	100.7	91.7	124.5	84.2	63.9	69.8	48.7

(1) Fully taxable equivalent basis.

(2) Includes \$8.1 million and \$20 million in gains on asset sales in 2005 and 2001, respectively.

(3) Includes liability restructuring costs totaling \$2.7 million, \$133.4 million, \$1.2 million and \$16.6 million in 2005, 2004, 2003 and 2001, respectively.

(4) Includes an after tax gain on sale of \$6.2 million for both the nine months ended September 30, 2005 and the year ended December 31, 2005 and \$198.5 million in 2004 related to the sale of the credit card business.

(5) Net income excluding net security losses, income (loss) from discontinued operations, items described in footnotes (2) and (3) and a \$2.0 million goodwill impairment charge that was recorded in 2005.

Table of Contents

	For the Nine Months Ended September 30,			For the Year Ended December 31,			
	2006	2005	2005	2004	2003	2002	2001
Selected Financial Ratios And Other Data:							
Performance Ratios:							
Return on average assets ⁽¹⁾	1.04%	1.26%	1.27%	1.86%	0.54%	0.47%	0.68%
Return on average stockholders' equity ⁽¹⁾	8.6	11.1	11.1	17.6	6.6	5.9	8.2
Net interest margin ⁽¹⁾	3.83	3.66	3.68	3.33	2.89	3.24	3.40
Net interest rate spread	3.71	3.57	3.59	3.25	2.84	3.28	2.84
Efficiency ratio	61.9	62.8	62.8	69.2	76.4	71.3	77.3
Average interest-earning assets to average interest-bearing liabilities	138.6	140.3	140.1	139.5	130.5	120.0	121.5
Per Common Share Data:							
Basic earnings per share	\$ 0.60	\$ 0.73	\$ 0.97	\$ 1.43	\$ 0.46	\$ 0.40	\$ 0.55
Diluted earnings per share	0.59	0.72	0.97	1.42	0.46	0.40	0.55
Cash dividends paid per share ⁽²⁾	0.72	0.63	0.85	0.75	0.68	0.63	0.59
Book value (end of period)	9.51	8.95	9.10	8.52	7.18	6.77	6.76
Tangible book value (end of period)	8.77	8.20	8.35	7.74	6.37	5.95	5.92
Total dividend pay-out ratio ⁽²⁾	52.5%	38.2%	38.3%	22.9%	63.7%	67.4%	49.4%
Capital Ratios:							
Average stockholders' equity to average assets	12.1	11.4	11.5	10.6	8.2	8.0	8.2
Stockholders' equity to total assets	12.7	11.6	11.8	11.2	8.6	7.7	7.9
Tangible stockholders' equity to total assets	11.7	10.7	10.8	10.2	7.6	6.7	6.9
Regulatory Capital Ratios⁽³⁾:							
Tier 1 ratio	14.7	14.9	14.8	14.6	9.9	9.1	8.8
Leverage ratio	11.8	11.0	11.2	10.5	8.0	7.4	7.7
Total risk-based capital	16.2	17.0	16.4	16.7	13.1	12.5	12.3
Asset Quality Ratios:							
Non-performing loans to total loans	0.23	0.23	0.25	0.35	0.48	0.52	0.46
Non-performing assets to total assets	0.22	0.18	0.20	0.27	0.29	0.29	0.26
Non-performing assets to total loans, real estate owned and repossessed assets	0.25	0.24	0.26	0.36	0.48	0.53	0.48
Net loan charge-offs to average loans ⁽¹⁾	0.05	0.05	0.07	0.15	0.22	0.42	0.55
Allowance for loan losses to non-performing loans	354.9	379.6	352.5	264.6	208.4	198.2	253.3
Allowance for loan losses to total loans	0.81	0.87	0.87	0.91	0.99	1.04	1.16
Other Information:							
Number of Branches	156	152	153	155	154	155	148
Employees ⁽⁴⁾	2,617	2,679	2,655	2,689	2,791	2,948	2,907

(1) Calculated based on net income for all periods. These nine month ratios are presented on an annualized basis.

(2) Reflects the waiver of dividends on the substantial majority of the common shares owned by People's Mutual Holdings.

(3) Calculated in accordance with Office of Thrift Supervision regulations as of September 30, 2006 and Federal Deposit Insurance Corporation regulations for all prior dates.

(4) Full-time equivalents. Excluded from 2003, 2002 and 2001 are the employees of People's Bank's credit card division that was sold in March 2004.

Table of Contents**HOW WE INTEND TO USE THE PROCEEDS FROM THE OFFERING**

The net offering proceeds will depend on the total number of shares of common stock sold in the offering, which in turn will depend on RP Financial's independent appraisal, regulatory and market considerations, and the expenses incurred in connection with the offering. Although we will not be able to determine the actual net proceeds from the sale of the common stock until we complete the offering, we estimate the net proceeds to be between \$2.474 billion and \$3.338 billion, or \$3.835 billion if the offering is increased by 15%.

We intend to distribute the net proceeds from the offering as follows:

	Number of Shares Sold			Adjusted Maximum
	Minimum 127,500,000	Midpoint 150,000,000	Maximum 172,500,000	
	Shares	Shares	Shares	Shares
	(in millions)			
Gross offering proceeds	\$ 2,550.0	\$ 3,000.0	\$ 3,450.0	\$ 3,967.5
Less: offering expenses	76.0	94.0	112.0	132.7
Net offering proceeds	2,474.0	2,906.0	3,338.0	3,834.8
Less:				
Proceeds contributed to People's Bank	1,237.0	1,453.0	1,669.0	1,917.4
Loan to employee stock ownership plan	155.4	182.4	209.4	240.5
Proceeds contributed to charitable foundation	20.0	20.0	20.0	20.0
Proceeds retained by People's United Financial	\$ 1,061.6	\$ 1,250.6	\$ 1,439.6	\$ 1,656.9

We intend to contribute 50% of the net proceeds from the offering to People's Bank. We also intend to lend our employee stock ownership plan cash to enable the plan to purchase an amount of common stock equal to up to 6% of the shares sold in the offering and issued to the charitable foundation. Our employee stock ownership plan expects to purchase these shares of common stock in the open market after the offering, although it may purchase common stock in the offering pursuant to the subscription right granted to our tax-qualified employee stock benefit plans. In addition, we expect to contribute \$20.0 million in cash to The People's Community Foundation. The balance of the net proceeds will be retained by People's United Financial and used for general corporate purposes, which we expect to include:

financing acquisitions of other financial institutions or other businesses related to banking (although there is no specific agreement with any institution or business at this time);

investing in short-term investments, government securities or government-sponsored agency securities;

payment of cash dividends; and

repurchasing shares of our common stock.

The funds contributed to People's Bank will be used for general business purposes, including:

Edgar Filing: People's United Financial, Inc. - Form S-1

financing acquisitions of other financial institutions or other businesses related to banking (although there is no specific agreement with any institution or business at this time);

originating and purchasing residential mortgage loans, commercial real estate loans, commercial loans, People's Capital and Leasing loans and home equity lines of credit;

Table of Contents

opening additional branch offices on a *de novo* basis; and

distributions of capital to People's United Financial.

People's Bank currently intends to open at least 15 traditional branches in Westchester County, New York over the next three years. In addition, People's Bank plans to continue to open traditional and Stop & Shop supermarket branches in Connecticut. These additional traditional branches will be evaluated and added consistent with the branch expansion strategy that People's Bank has followed in the past. Factors that would affect this investment include the locations of the properties, whether the properties are purchased or leased, local zoning ordinances, whether the properties are existing structures or new construction and, if existing structures, the state of repair of the structures.

In addition to expanding our core banking business through internal growth (funded by customer deposits and borrowed funds) and *de novo* branching, we will also consider expansion opportunities such as the acquisition of other financial institutions, businesses related to banking and branches. We do not, however, have any current understandings, agreements or arrangements for expansion by the acquisition of any branches or other financial institutions.

Due to the amount of net proceeds being raised in the offering, it may take a significant amount of time for us and People's Bank to deploy the net proceeds to our best advantage. We anticipate that our retained portion of the net proceeds and the net proceeds that we contribute to People's Bank from the offering proceeds will be invested in accordance with People's Bank's investment policy. It is expected that the investments will include short-term investments, government securities or government-sponsored agency securities.

The net proceeds may vary because total expenses relating to the conversion and offering may be more or less than our estimates. For example, our expenses will increase if we sell a smaller amount of common stock in the subscription offering and a larger amount in the syndicated offering than is set forth in our assumptions under *Pro Forma Data*. The net proceeds will also vary if the number of shares to be sold in the offering is adjusted to reflect a change in the estimated pro forma market value of People's United Financial. Payments for shares made through withdrawals from existing deposit accounts will not result in the receipt of new funds for investment by People's United Financial or People's Bank but will result in a reduction of People's Bank's deposits and may result in a reduction of interest expense as funds are transferred from interest-bearing deposit accounts.

OUR POLICY REGARDING DIVIDENDS

People's Bank has paid quarterly cash dividends in each quarter since the fourth quarter of 1993. On October 19, 2006, the Board of Directors of People's Bank declared a quarterly cash dividend of \$0.25 per common share outstanding, or \$1.00 per share on an annualized basis, payable on November 15, 2006 to stockholders of record as of the close of business on November 1, 2006. The amount of dividends that People's United Financial initially intends to pay to stockholders following the conversion is intended to approximate the per share dividend amount, adjusted to reflect the share exchange, that People's Bank's stockholders currently receive on their shares of People's Bank common stock. During the three-year period following the completion of the conversion, we will not take any action to declare an extraordinary dividend to stockholders that would be treated by recipients as a tax-free return of capital for federal income tax purposes.

The following table sets forth the dividend amounts that we expect to initially pay per share at the minimum, midpoint, maximum and adjusted maximum of the offering range.

Table of Contents

	Quarterly dividends per share	Annual dividends per share	Annual dividend yield(1)
Dividends on People s United Financial Common Stock:			
Minimum of offering range	\$ 0.16	0.64	3.20%
Midpoint of offering range	\$ 0.14	0.56	2.80%
Maximum of offering range	\$ 0.12	0.48	2.40%
15% above the maximum of offering range	\$ 0.10	0.40	2.00%

(1) Based upon a price of \$20.00 per share.

The continued payment of dividends will be subject to the determination of the Board of Directors of People s Bank and People s United Financial, which will take into account, among other things, our debt and equity structure, earnings and financial condition, need for capital in connection with possible future acquisitions and other factors, including economic conditions, regulatory restrictions and tax considerations. We cannot guarantee that we will pay dividends in the future or, if we pay dividends, the amount and frequency of these dividends.

The only funds available for the payment of dividends on People s United Financial common stock will be cash and cash equivalents held by People s United Financial, earnings from the investment of net proceeds from the sale of common stock retained by People s United Financial, dividends paid by People s Bank to People s United Financial, and borrowings.

People s Bank s ability to pay dividends will be governed by the Home Owners Loan Act and the regulations of the Office of Thrift Supervision. Under that statute and those regulations, all dividends declared by a federal savings bank must be paid out of current or retained net profits. In addition, the prior approval of the Office of Thrift Supervision is required for the payment of a dividend if the total of all dividends declared by a federal savings bank in any calendar year would exceed the total of its net profits for the year combined with its net profits for the two preceding years, less any capital distributions (including dividends) paid during that time and any required transfers to surplus or a fund for the retirement of any preferred stock. People s Bank will also be prohibited from paying cash dividends to People s United Financial to the extent that any such payment would reduce People s Bank s capital below required capital levels or would impair the liquidation account to be established for the benefit of the People s Bank s eligible account holders and supplemental eligible account holders at the time of the conversion and offering. See *The Conversion and Offering Effects of the Conversion Effect on Liquidation Rights*. For more information regarding the capital distribution regulations of the Office of Thrift Supervision and restrictions on the ability of People s Bank to lend funds or make other payments to People s United Financial, see *Regulation of People s Bank and People s United Financial*.

MARKET FOR THE COMMON STOCK

People s Bank common stock is currently listed on the Nasdaq Global Select Market under the trading symbol PBCT. We expect People s United Financial s common stock will continue to be listed on the Nasdaq Global Select Market under the symbol PBCT after the offering. At September 30, 2006, People s Bank had approximately 32 market makers, including Ryan Beck & Co., Inc. and Morgan Stanley & Co. Incorporated, which intend to remain market makers in our common stock following the offering.

At the close of business on September 29, 2006, there were 142,142,485 shares of People s Bank common stock outstanding. The following table sets forth for the periods indicated the high and low sales prices per share of the common stock as reported by the Nasdaq Global Select Market and dividends paid

Table of Contents

per share. The quotations reflect inter-dealer prices, without retail mark-up, mark-down or commissions, and may not represent actual transactions.

	Sales Price		Amount Per Share	Dividend Information
	High	Low		Date of Payment
2004				
First Quarter	\$ 20.91	\$ 14.44	\$ 0.18	February 15, 2004
Second Quarter	22.49	18.39	0.19	May 15, 2004
Third Quarter	24.67	20.00	0.19	August 15, 2004
Fourth Quarter	29.65	23.30	0.19	November 15, 2004
2005				
First Quarter	\$ 28.00	\$ 23.99	\$ 0.19	February 15, 2005
Second Quarter	30.48	26.27	0.22	May 15, 2005
Third Quarter	33.75	28.17	0.22	August 15, 2005
Fourth Quarter	33.57	28.85	0.22	November 15, 2005
2006				
First Quarter	\$ 33.83	\$ 30.00	\$ 0.22	February 15, 2006
Second Quarter	34.50	30.87	0.25	May 15, 2006
Third Quarter	41.15	31.89	0.25	August 15, 2006
Fourth Quarter (through _____)	[_____]	[_____]	0.25	November 15, 2006

Figures in the table above have been adjusted to reflect the three-for-two stock splits effected by People's Bank on each of May 15, 2004 and May 15, 2005.

On September 19, 2006, the business day immediately preceding the public announcement of the conversion, the closing price of People's Bank common stock, as reported on the Nasdaq Global Select Market, was \$37.39 per share. On [__] 2007, the closing price of People's Bank common stock was \$[_____] per share and there were approximately [_____] holders of record.

Table of Contents**BANK REGULATORY CAPITAL COMPLIANCE**

At September 30, 2006, People's Bank exceeded all regulatory capital requirements. Set forth below is a summary of People's Bank's capital computed under accounting principles generally accepted in the United States of America, referred to as GAAP, and its compliance with regulatory capital standards at September 30, 2006, on a historical and pro forma basis under Office of Thrift Supervision regulations. The pro forma calculations reflect several assumptions. First, we have assumed that the indicated number of shares were sold as of September 30, 2006. Second, we have assumed that the assets of People's Bank increased as a result of receiving 50% of the net proceeds from the offering and receiving a deposit from People's United Financial for the portion of the net proceeds retained after funding the employee stock ownership plan and funding the cash portion of the charitable foundation. The change in risk weighted assets assumed People's Bank invested the funds in 20% risk-weighted assets. Third, we have assumed that tangible, core and total risk-based capital of People's Bank increased as a result of receiving 50% of the net proceeds from the offering, reduced by the contra-equity adjustment related to the employee stock ownership plan. See *Pro Forma Data*. For a discussion of the capital requirements applicable to People's Bank, see *Regulation of People's Bank and People's United Financial Federally Chartered Savings Bank Regulation Capital Requirements*.

	Pro Forma at September 30, 2006 Based Upon the Sale at \$20.00 Per Share									
	Historical at September 30, 2006 Percent		127,500,000 Shares (Minimum of the Range) Percent		150,000,000 Shares (Midpoint of the Range) Percent		172,500,000 Shares (Maximum of the Range) Percent		198,375,000 Shares (15% above Maximum of the Range)(1) Percent	
	of Amount	Assets(2)	of Amount	Assets(2)	of Amount	Assets(2)	of Amount	Assets(2)	of Amount	Assets(2)
Capital under generally accepted accounting principles (3)	\$ 1,351.4	12.73%	\$ 2,432.9	18.83%	\$ 2,621.9	19.67%	\$ 2,810.9	20.47%	\$ 3,028.2	21.33%
Tangible capital Requirement	\$ 1,248.5	11.80%	\$ 2,330.1	18.09%	\$ 2,519.1	18.97%	\$ 2,708.1	19.79%	\$ 2,925.4	20.67%
Excess	158.7	1.50%	193.2	1.50%	199.2	1.50%	205.3	1.50%	212.3	1.50%
Core capital (4) Requirement	\$ 1,089.8	10.30%	\$ 2,136.9	16.59%	\$ 2,319.9	17.47%	\$ 2,502.8	18.29%	\$ 2,713.1	19.17%
Excess	\$ 1,248.5	11.80%	\$ 2,330.1	18.09%	\$ 2,519.1	18.97%	\$ 2,708.1	19.79%	\$ 2,925.4	20.67%
Core capital (4) Requirement	423.1	4.00%	515.1	4.00%	531.3	4.00%	547.5	4.00%	566.1	4.00%
Excess	\$ 825.4	7.80%	\$ 1,815.0	14.09%	\$ 1,987.8	14.97%	\$ 2,160.6	15.79%	\$ 2,359.3	16.67%
Total risk-based capital Requirement	\$ 1,374.7	16.19%	\$ 2,456.3	27.45%	\$ 2,645.3	29.29%	\$ 2,834.3	31.11%	\$ 3,051.6	33.15%
Excess	679.2	8.00%	716.0	8.00%	722.4	8.00%	728.9	8.00%	736.4	8.00%
Excess	\$ 695.5	8.19%	\$ 1,740.3	19.45%	\$ 1,922.9	21.29%	\$ 2,105.4	23.11%	\$ 2,315.2	25.15%

- (1) As adjusted to give effect to an increase in the number of shares which could occur due to an increase in the offering range of up to 15% as a result of market demand, regulatory considerations or changes in financial markets following the commencement of the offering.
- (2) Core capital levels are shown as a percentage of total assets, and risk-based capital levels are calculated on the basis of a percentage of risk-weighted assets, each as defined in the Office of Thrift Supervision regulations.
- (3) At September 30, 2006, the \$102.8 million decrease in the amount of tangible capital from the amount of capital under generally accepted accounting principles, referred to as GAAP, is due to the deduction of \$105.5 million of goodwill from GAAP capital and to the inclusion in GAAP capital of an unrealized gain on People's Bank's available for sale securities. The increase of \$126.2 million in the amount of total risk-based capital is due to the addition of \$52.1 million of qualifying subordinated debt and the addition of the allowance for loan losses up to 1.25% of total risk weighted assets in the total risk-based capital calculation.

Edgar Filing: People's United Financial, Inc. - Form S-1

- (4) The current core capital requirement for savings banks is 3% of total adjusted assets for savings banks that receive the highest supervisory ratings for safety and soundness and that are not experiencing or anticipating significant growth. The current core capital ratio applicable to all other savings banks is 4%.

Table of Contents**CAPITALIZATION**

The following table presents the historical deposits and consolidated capitalization of People's Bank at September 30, 2006, and the pro forma consolidated capitalization of People's United Financial after giving effect to the conversion and offering, based upon the sale of the number of shares shown below at \$20.00 per share and the other assumptions set forth under *Pro Forma Data*. A change in the number of shares sold in the offering may materially affect the capitalization.

	Historical	Pro Forma Capitalization at September 30, 2006			
		127,500,000 Shares (Minimum of Range)	150,000,000 Shares (Midpoint of Range) (Dollars in millions)	172,500,000 Shares (Maximum of Range)	198,375,000 Shares (15% Above Maximum of Range)(1)
Deposits (2)	\$ 8,978.6	\$ 8,978.6	\$ 8,978.6	\$ 8,978.6	\$ 8,978.6
Borrowed funds	13.6	13.6	13.6	13.6	13.6
Subordinated notes	108.8	108.8	108.8	108.8	108.8
Total deposits and borrowings	\$ 9,101.0	\$ 9,101.0	\$ 9,101.0	\$ 9,101.0	\$ 9,101.0
Stockholders' equity:					
Common stock, par value \$0.01 per share,					
3.2 billion shares authorized;					
to be issued as reflected (3)	\$ 142.1	\$ 2.2	\$ 2.6	\$ 3.0	\$ 3.5
Additional paid-in capital	177.8	2,831.7	3,263.3	3,694.9	4,191.2
Retained earnings(4)	1,038.6	1,038.6	1,038.6	1,038.6	1,038.6
Accumulated other comprehensive (loss) (5)	(7.1)	(7.1)	(7.1)	(7.1)	(7.1)
Add: MHC capital contribution (6)		8.5	8.5	8.5	8.5
Less:					
Expense of cash contribution to charitable foundation		(20.0)	(20.0)	(20.0)	(20.0)
Expense of stock contribution to charitable foundation		(40.0)	(40.0)	(40.0)	(40.0)
Add: Tax benefit of contribution to charitable foundation (7)		20.4	20.4	20.4	20.4
Less:					
Common stock acquired by employee stock ownership plan (8)		(155.4)	(182.4)	(209.4)	(240.5)
Common stock acquired by recognition and retention plan (9)		(103.6)	(121.6)	(139.6)	(160.3)
Total stockholders' equity	\$ 1,351.4	\$ 3,575.3	\$ 3,962.3	\$ 4,349.3	\$ 4,794.3
Stockholders' equity as a percentage of total assets	12.73%	27.85%	29.97%	31.96%	34.11%
Tangible stockholders' equity as a percentage of tangible assets	11.86%	27.26%	29.40%	31.43%	33.61%

(1) As adjusted to give effect to an increase in the number of shares which could occur due to an increase in the offering range of up to 15% as a result of market demand, regulatory considerations or changes in financial markets following the commencement of the offering.

(2) Does not reflect withdrawals from deposit accounts for the purchase of common stock in the offering. Withdrawals from deposit accounts would reduce pro forma deposits by the amount of such withdrawals.

(3) Reflects the total shares to be outstanding after the conversion and offering: 222,980,544 shares at the minimum of the estimated valuation range, 261,977,110 shares at the midpoint, 300,973,677 shares at the maximum and 345,819,729 shares at the adjusted maximum. Does not reflect the impact of the

Edgar Filing: People's United Financial, Inc. - Form S-1

share exchange on treasury shares, which otherwise would result in an increase in stated capital and a corresponding decrease in additional paid-in capital. After the conversion and offering, we will have 800 million authorized shares of preferred stock, par value \$0.01 per share, all of which will be unissued.

Table of Contents

- (4) The retained earnings of People's Bank will be substantially restricted after the offering.
- (5) Represents the net unrealized gains and losses on securities classified as available-for-sale and derivatives, net of related taxes.
- (6) Reflects contribution of People's Mutual Holdings capital as a result of the conversion of People's Mutual Holdings into a federal stock savings bank and merger into People's Bank as part of the conversion.
- (7) Represents the tax effect of the contribution to the charitable foundation based on an effective 34% tax rate. The realization of the deferred tax benefit is limited annually to a maximum deduction for charitable foundations equal to 10% of our annual taxable income, subject to our ability to carry forward any unused portion of the deduction for five years following the year in which the contribution is made.
- (8) Assumes that an amount equal to 6% of the shares sold in the offering and issued to the charitable foundation will be purchased by the employee stock ownership plan at \$20.00 per share and the funds used to acquire the employee stock ownership plan shares will be borrowed from People's United Financial. People's Bank intends to contribute funds to the employee stock ownership plan to enable the plan to repay the loan from People's United Financial. The common stock acquired by the employee stock ownership plan is reflected as a reduction of stockholders' equity.
- (9) Assumes that, subsequent to the offering, an amount equal to 4% of the offering and issued to the charitable foundation is purchased by a recognition and retention plan at \$20.00 per share through open market purchases or in privately negotiated transactions. We intend to purchase the common stock for the recognition and retention plan with funds from general operating cash flows. The common stock purchased by the recognition and retention plan is reflected as a reduction of stockholders' equity.

Table of Contents

PRO FORMA DATA

We cannot determine the actual net proceeds from the sale of the common stock until the offering is completed. However, we estimate that net proceeds will be between \$2.474 billion and \$3.338 billion, or \$3.835 billion if the offering range is increased by 15%. The following tables set forth People's Bank's historical net income and stockholders' equity prior to the offering and pro forma net income and stockholders' equity giving effect to the offering. In preparing these tables and in calculating net proceeds and pro forma data, we have made the following assumptions:

For purposes of calculating the expenses of the offering, we assumed that we will sell approximately 60.0 million shares of common stock in the subscription offering and between 67.5 million and 112.5 million shares in the syndicated offering, or 138.4 million shares at the adjusted maximum of the offering range. We estimated that expenses of the offering, including the fees and selling commissions of Morgan Stanley & Co. Incorporated, Ryan Beck & Co., Inc. and the other syndicate members in the syndicated offering, would be approximately \$76.0 million at the minimum and \$112.0 million at the maximum of the offering range, or \$132.7 million at the adjusted maximum of the offering range. These expenses include fixed expenses of \$10.0 million exclusive of the fees and selling commissions of Morgan Stanley & Co. Incorporated, Ryan Beck & Co., Inc. and the other syndicate members.

We assumed that we will loan an amount equal to the cost of purchasing an amount equal to 6% of the shares of common stock sold in the offering and issued to the charitable foundation to our employee stock ownership plan to fund its purchase of our common stock in the open market upon the completion of the offering at an assumed purchase price of \$20.00 per share. We assumed that People's Bank would make annual contributions to the plan in an amount at least equal to the principal and interest requirement of the loan. We have assumed a 30-year amortization period for the loan. The common stock acquired by the employee stock ownership plan is reflected as a reduction of stockholders' equity.

We assumed that a recognition and retention plan, expected to be adopted by us no sooner than six months following the offering, had been approved by stockholders of People's United Financial and that the recognition and retention plan had acquired an amount equal to 4% of the shares of common stock sold in the offering and issued to the charitable foundation at the beginning of the periods presented through open market purchases or privately negotiated transactions at a price of \$20.00 per share using funds contributed to the recognition and retention plan by People's United Financial. We assumed that all the shares held by the plan were granted to plan participants at the beginning of the period, that the shares would vest at a rate of 20% per year and that compensation expense will be recognized on a straight-line basis over the five year vesting period.

We assumed that a stock option plan expected to be adopted by us no sooner than six months following the offering had been approved by the stockholders of People's United Financial and that the exercise price of the stock options and the market price of the stock at the date of grant were \$20.00 per share, and that the stock options had a term of ten years, vested over five years and that the stock option plan granted options to acquire an amount equal to 10% of the shares of common stock sold in the offering and issued to the charitable foundation. We applied the Black-Scholes option pricing model to estimate a grant-date fair value of \$3.31 for each option. In addition to the terms of the options

Table of Contents

described above, the Black-Scholes option pricing model incorporated an estimated volatility rate of 11.3% for the common stock based on the trading activity of an index of publicly-traded thrifts, a dividend yield of 3.0%, an expected option life of ten years and a risk free interest rate of 4.64%.

Pro forma earnings have been calculated assuming the common stock had been sold at the beginning of the period and the net proceeds had been invested at an average yield of 5.25% and 4.25% for the nine months ended September 30, 2006 and the year ended December 31, 2005, which approximates the federal funds rate on September 30, 2006 and December 31, 2005, respectively. The federal funds yield, rather than an arithmetic average of the average yield on interest-earning assets and the average rate paid on deposits, has been used to estimate income on net proceeds because we believe that this rate is a more accurate estimate of the rate that would be obtained on an investment of net proceeds from the offering. The pro forma after-tax yield on the net proceeds is assumed to be 3.47% and 2.81% for the nine months ended September 30, 2006 and the year ended December 31, 2005, respectively.

We used an effective tax rate of 34% in calculating the pro forma net income.

We did not give effect to any withdrawals from deposit accounts to purchase shares in the offering.

Historical and pro forma per share amounts have been calculated by dividing historical and pro forma amounts by the indicated number of shares of stock, as adjusted in the pro forma net earnings per share to give effect to the purchase of shares by the employee stock ownership plan.

Pro forma stockholders' equity amounts have been calculated as if the stock had been sold on September 30, 2006 and December 31, 2005, respectively, and no effect has been given to the assumed earnings effect of the transaction.

The following pro forma data relies on the assumptions outlined above, and does not represent the fair market value of the common stock, the current value of our assets or liabilities, or the amount of money that would be distributed to stockholders if People's United Financial were liquidated. Book value does not give effect to the allowance for loan losses or the liquidation account in the event of liquidation. The pro forma data does not predict how much we will earn in the future. **You should not use the following information to predict future results of operations.**

Table of Contents

	At or for the Nine Months Ended September 30, 2006			
	Minimum			Adjusted
	127,500,000 Shares Sold at	Midpoint 150,000,000 Shares Sold at	Maximum 172,500,000 Shares Sold at	Maximum
	\$20.00 Per Share	\$20.00 Per Share (Dollars in millions, except per share amounts)	\$20.00 Per Share	198,375,000 Shares Sold at \$20.00 Per Share (1)
Gross proceeds of offering	\$ 2,550.0	\$ 3,000.0	\$ 3,450.0	\$ 3,967.5
Plus: Market value of shares issued to charitable foundation	40.0	40.0	40.0	40.0
Plus: Market value of shares issued in the exchange	1,869.6	2,199.5	2,529.5	2,908.9
Pro forma market capitalization	\$ 4,459.6	\$ 5,239.5	\$ 6,019.5	\$ 6,916.4
Gross proceeds of offering	\$ 2,550.0	3,000.0	\$ 3,450.0	\$ 3,967.5
Less: Expenses	76.0	94.0	112.0	132.7
Estimated net proceeds	2,474.0	\$ 2,906.0	3,338.0	\$ 3,834.8
Less: Common stock purchased by employee stock ownership plan (2)	(155.4)	(182.4)	(209.4)	(240.5)
Less: Common stock purchased by recognition and retention plan (3)	(103.6)	(121.6)	(139.6)	(160.3)
Less: Cash contribution to charitable foundation	(20.0)	(20.0)	(20.0)	(20.0)
Plus: MHC capital contribution (4)	8.5	8.5	8.5	8.5
Estimated net proceeds, as adjusted	\$ 2,203.5	\$ 2,590.5	\$ 2,977.5	\$ 3,422.5
Net income:				
Historical	\$ 84.7	\$ 84.7	\$ 84.7	\$ 84.7
Plus: Pro forma income on net proceeds	57.3	67.3	77.4	88.9
Less: Pro forma stock option plan adjustment (5)	(4.2)	(5.0)	(5.7)	(6.6)
Less: Pro forma employee stock ownership plan adjustment (2)	(2.6)	(3.0)	(3.5)	(4.0)
Less: Pro forma recognition and retention plan adjustment (3)	(10.3)	(12.0)	(13.8)	(15.9)
Pro forma net income	\$ 124.9	\$ 132.0	\$ 139.1	\$ 147.1
Per share net income:				
Historical	\$ 0.39	\$ 0.33	\$ 0.29	\$ 0.25
Plus: Pro forma income on net proceeds, as adjusted (4)	0.27	0.27	0.27	0.27
Less: Pro forma stock option plan adjustment (5)	(0.02)	(0.02)	(0.02)	(0.02)
Less: Pro forma employee stock ownership plan adjustment (2)	(0.01)	(0.01)	(0.01)	(0.01)
Less: Pro forma recognition and retention plan adjustment (3)	(0.05)	(0.05)	(0.05)	(0.05)
Pro forma net income per share (6)	\$ 0.58	\$ 0.52	\$ 0.48	\$ 0.44

Edgar Filing: People's United Financial, Inc. - Form S-1

Offering price as a multiple of pro forma net income per share	25.86x	28.85x	31.25x	34.09x
Number of shares outstanding for pro forma net income per share calculations (7)	215,404,794	253,085,110	290,765,427	334,097,791
Stockholders' equity:				
Historical	\$ 1,351.4	\$ 1,351.4	\$ 1,351.4	\$ 1,351.4
Estimated net proceeds	2,474.0	2,906.0	3,338.0	3,834.8
Plus: Market value of shares issued to charitable foundation	40.0	40.0	40.0	40.0
Plus: Tax benefit of contribution to charitable foundation (8)	20.4	20.4	20.4	20.4
Plus: MHC capital contribution (4)	8.5	8.5	8.5	8.5
Less: Common stock acquired by employee stock ownership plan (2)	(155.4)	(182.4)	(209.4)	(240.5)
Less: Common stock acquired by recognition and retention plan (3)	(103.6)	(121.6)	(139.6)	(160.3)
Less: Expense of contribution to charitable foundation	(60.0)	(60.0)	(60.0)	(60.0)
Pro forma stockholders' equity	3,575.3	3,962.3	4,349.3	4,794.3
Intangible assets	(105.3)	(105.3)	(105.3)	(105.3)
Pro forma tangible stockholders' equity	\$ 3,470.0	\$ 3,857.0	\$ 4,244.0	\$ 4,689.0
Stockholders' equity per share (9):				
Historical	\$ 6.06	\$ 5.16	\$ 4.49	\$ 3.90
Estimated net proceeds	11.09	11.09	11.09	11.09
Plus: Market value of shares issued to charitable foundation	0.18	0.15	0.13	0.12
Plus: Tax benefit of contribution to charitable foundation (8)	0.09	0.08	0.07	0.06
Plus: MHC capital contribution (4)	0.04	0.03	0.03	0.02
Less: Common stock acquired by employee stock ownership plan (2)	(0.70)	(0.70)	(0.70)	(0.70)
Less: Common stock acquired by recognition and retention plan (3)	(0.46)	(0.46)	(0.46)	(0.46)
Less: Expense of contribution to charitable foundation	(0.27)	(0.23)	(0.20)	(0.17)
Pro forma stockholders' equity per share (9)	16.03	15.12	14.45	13.86
Intangible assets	(0.47)	(0.40)	(0.35)	(0.30)
Pro forma tangible stockholders' equity per share (9)	\$ 15.56	\$ 14.72	\$ 14.10	\$ 13.56
Offering price as a percentage of stockholders' equity per share	124.77%	132.28%	138.41%	144.30%
Offering price as a percentage of tangible equity per share	128.53%	135.87%	141.84%	147.49%
Shares used for pro forma stockholders' equity per share (7)	222,980,544	261,977,110	300,973,677	345,819,729

(See footnotes on next page)

Table of Contents

- (1) As adjusted to give effect to an increase in the number of shares which could occur due to an increase in the offering range of up to 15% as a result of market demand, regulatory considerations or changes in financial markets following the commencement of the offering.
- (2) It is assumed that an amount of common stock equal to 6.0% of the shares of common stock sold in the offering and issued to the charitable foundation will be purchased by our employee stock ownership plan. For purposes of this table, it is assumed that the funds used to acquire such shares have been borrowed by the employee stock ownership plan from People's United Financial. The amount to be borrowed is reflected as a reduction of stockholders' equity. Employee stock ownership plan expense is based upon generally accepted accounting principles as described in accounting Statement of Position 93-6. Generally accepted accounting principles require that as and when shares pledged as security for an employee stock ownership plan loan are committed to be released from the loan (*i.e.*, as the loan is repaid), employee stock ownership plan expense is recorded based upon the fair value of the shares at the time. People's Bank intends to make annual contributions to the employee stock ownership plan in an amount at least equal to the principal and interest requirement of the debt. The pro forma net income assumes: (i) that People's Bank's contribution to the employee stock ownership plan is equivalent to the debt service requirement for the nine months ended September 30, 2006, and was made at the end of the period; (ii) that 194,250 shares at the minimum of the offering range, 228,000 shares at the midpoint of the offering range, 261,750 shares at the maximum of the offering range and 300,563 shares at the adjusted maximum of the offering range were committed to be released during the nine months ended September 30, 2006 at an average fair value of \$20.00 per share in accordance with Statement of Position 93-6; and (iii) that the employee stock ownership plan shares committed to be released were considered outstanding for the entire period for purposes of the net income per share calculations.
- (3) Gives effect to the recognition and retention plan expected to be adopted by People's United Financial no sooner than six months following the offering and thereafter presented for approval at a meeting of stockholders. Assumes that the recognition and retention plan acquires an amount of common stock equal to 4% of the shares of common stock sold in the offering and issued to the charitable foundation, or 5,180,000 shares at the minimum of the offering range, 6,080,000 shares at the midpoint of the offering range, 6,980,000 shares at the maximum of the offering range and 8,015,000 shares at the adjusted maximum of the offering range through open market purchases or privately negotiated transactions. We intend to purchase the common stock for the recognition and retention plan with funds from general operating cash flows. In calculating the pro forma effect of the recognition and retention plan, it is assumed that the shares were acquired by the recognition and retention plan at the beginning of the period presented in open market purchases at a purchase price of \$20.00 per share and that 20% of the amount contributed was an amortized expense during such period. The issuance of authorized but previously unissued shares of common stock for the recognition and retention plan would dilute stockholders' ownership and voting interests by approximately 2.27% at the maximum of the offering range.
- (4) Reflects contribution of People's Mutual Holdings' capital as a result of the conversion of People's Mutual Holdings into a federal stock savings bank and its merger into People's Bank as part of the conversion.
- (5) Gives effect to the stock option plan expected to be adopted by People's United Financial no sooner than six months following the offering and thereafter presented for approval at a meeting of stockholders. Assumes that options to acquire an amount of common stock equal to 10% of the common stock sold in the offering and issued to the charitable foundation will be granted. In calculating the pro forma effect of the stock option expense, it is assumed that the exercise price of the stock options and trading price of the common stock at the date of grant were \$20.00 per share, the estimated grant-date fair value pursuant to the application of the Black-Scholes option pricing model was \$3.31 for each option, the aggregate grant-date fair value of the stock options was amortized to expense on a straight-line basis over a five year vesting period of the options and that option expense was tax effected with an assumed effective tax rate of 34%. Under the above assumptions, the adoption of the stock option plan will result in no additional shares under the treasury stock method for purposes of calculating earnings per share. There can be no assurance that the actual exercise price of the stock options will be equal to the \$20.00 per share price. If a portion of the shares to satisfy the exercise of options under stock option plan are obtained from the issuance of authorized but unissued shares, our net income per share and stockholders' equity per share will decrease. This will also have a dilutive effect of up to 5.48% at the maximum of the offering range on the ownership interests of persons who purchase common stock in the offering.
- (6) Per share figures include publicly held shares of People's Bank common stock that will be exchanged for share of People's United Financial. See *The Conversion and Offering: The Share Exchange of People's Bank Common Stock for People's United Common Stock*. Net income per share computations are determined by taking the number of shares assumed to be sold in the offering, the number of shares expected to be issued in exchange for publicly held shares and the number of shares expected to be contributed to the charitable foundation and, in accordance with Statement of Position 93-6, subtracting the employee stock ownership plan shares which have not been committed for release during the respective periods. See footnote 2. The number of shares of common stock actually sold and the corresponding number of exchange shares may be more or less than the assumed amounts.
- (7) The number of shares used to calculate the pro forma net income per share is equal to the total number of shares to be outstanding upon completion of the conversion and offering, less the number of shares purchased by the employee stock ownership plan not committed to be released during the respective periods. The number of shares used to calculate pro forma stockholders' equity per share is equal to the total number of shares to be outstanding upon completion of the conversion and offering.
- (8) Represents the tax effect of the contribution to the charitable foundation based on an effective 34% tax rate. The realization of the deferred tax benefit is limited annually to a maximum deduction for charitable foundations equal to 10% of our annual taxable income, subject to our ability to carry forward any unused portion of the deduction for five years following the year in which the contribution is made.
- (9) Per share figures include shares of People's Bank common stock that will be issued in the share exchange that is part of the conversion and offering. The additional shares reflect an exchange ratio of 1.5546, 1.8290, 2.1033 and 2.4188 at the minimum, midpoint, maximum and adjusted maximum of the offering range, respectively. The number of shares of common stock actually sold and the corresponding number of shares issued in the share exchange may be more or less than the assumed amounts.

Table of Contents

	At or for the Year Ended December 31, 2005			
	Minimum 127,500,000 Shares Sold at \$20.00 Per Share	Midpoint 150,000,000 Shares Sold at \$20.00 Per Share (Dollars in millions, except per share amounts)	Maximum 172,500,000 Shares Sold at \$20.00 Per Share	Adjusted Maximum 198,375,000 Shares Sold at \$20.00 Per Share ⁽¹⁾
Gross proceeds of offering	\$ 2,550.0	\$ 3,000.0	\$ 3,450.0	\$ 3,967.5
Plus: Market value of shares issued to charitable foundation	40.0	40.0	40.0	40.0
Plus: Market value of shares issued in the exchange	1,869.6	2,199.5	2,529.5	2,908.9
Pro forma market capitalization	\$ 4,459.6	\$ 5,239.5	\$ 6,019.5	\$ 6,916.4
Gross proceeds of offering	\$ 2,550.0	\$ 3,000.0	\$ 3,450.0	\$ 3,967.5
Less: Expenses	76.0	94.0	112.0	132.7
Estimated net proceeds	2,474.0	2,906.0	3,338.0	3,834.8
Less: Common stock purchased by employee stock ownership plan (2)	(155.4)	(182.4)	(209.4)	(240.5)
Less: Common stock purchased by recognition and retention plan (3)	(103.6)	(121.6)	(139.6)	(160.3)
Less: Cash contribution to charitable foundation	(20.0)	(20.0)	(20.0)	(20.0)
Plus: MHC capital contribution (4)	8.5	8.5	8.5	8.5
Estimated net proceeds, as adjusted	\$ 2,203.5	\$ 2,590.5	\$ 2,977.5	\$ 3,422.5
Net income:				
Historical	\$ 137.1	\$ 137.1	\$ 137.1	\$ 137.1
Plus: Pro forma income on net proceeds	61.8	72.7	83.5	96.0
Less: Pro forma stock option plan adjustment (5)	(5.7)	(6.6)	(7.6)	(8.8)
Less: Pro forma employee stock ownership plan adjustment(2)	(3.4)	(4.0)	(4.6)	(5.3)
Less: Pro forma recognition and retention plan adjustment (3)	(13.7)	(16.1)	(18.4)	(21.2)
Pro forma net income	\$ 176.1	\$ 183.1	\$ 190.0	\$ 197.8
Per share net income:				
Historical	\$ 0.64	\$ 0.54	0.47	0.41
Plus: Pro forma income on net proceeds, as adjusted (4)	0.29	0.29	0.29	0.29
Less: Pro forma stock option plan adjustment (5)	(0.03)	(0.03)	(0.03)	(0.03)
Less: Pro forma employee stock ownership plan adjustment (2)	(0.02)	(0.02)	(0.02)	(0.02)
Less: Pro forma recognition and retention plan adjustment (3)	(0.06)	(0.06)	(0.06)	(0.06)
Pro forma net income per share (6)	\$ 0.82	\$ 0.72	\$ 0.65	\$ 0.59
Offering price as a multiple of pro forma net income per share	24.39x	27.78x	30.77x	33.90x

Edgar Filing: People's United Financial, Inc. - Form S-1

Number of shares outstanding for pro forma net income per share calculations (7)	215,469,544	253,161,110	290,852,677	334,197,978
Stockholders' equity:				
Historical	\$ 1,288.6	\$ 1,288.6	\$ 1,288.6	\$ 1,288.6
Estimated net proceeds	2,474.0	2,906.0	3,338.0	3,834.8
Plus: Market value of shares issued to charitable foundation	40.0	40.0	40.0	40.0
Plus: Tax benefit of contribution to charitable foundation (8)	20.4	20.4	20.4	20.4
Plus: MHC capital contribution (4)	8.5	8.5	8.5	8.5
Less: Common stock acquired by employee stock ownership plan (2)	(155.4)	(182.4)	(209.4)	(240.5)
Less: Common stock acquired by recognition and retention plan (3)	(103.6)	(121.6)	(139.6)	(160.3)
Less: Expense of contribution to charitable foundation	(60.0)	(60.0)	(60.0)	(60.0)
Pro forma stockholders' equity	3,512.5	3,899.5	4,286.5	4,731.5
Intangible assets	(106.1)	(106.1)	(106.1)	(106.1)
Pro forma tangible stockholders' equity	\$ 3,406.4	\$ 3,793.4	\$ 4,180.4	\$ 4,625.4
Stockholders' equity per share (9):				
Historical	\$ 5.78	\$ 4.92	\$ 4.28	\$ 3.72
Estimated net proceeds	11.09	11.09	11.09	11.09
Plus: Market value of shares issued to charitable foundation	0.18	0.15	0.13	0.12
Plus: Tax benefit of contribution to charitable foundation (8)	0.09	0.08	0.07	0.06
Plus: MHC capital contribution (4)	0.04	0.03	0.03	0.02
Less: Common stock acquired by employee stock ownership plan (2)	(0.70)	(0.70)	(0.70)	(0.70)
Less: Common stock acquired by recognition and retention plan (3)	(0.46)	(0.46)	(0.46)	(0.46)
Less: Expense of contribution to charitable foundation	(0.27)	(0.23)	(0.20)	(0.17)
Pro forma stockholders' equity per share (9)	15.75	14.88	14.24	13.68
Intangible assets	(0.48)	(0.40)	(0.35)	(0.31)
Pro forma tangible stockholders' equity per share (9)	\$ 15.27	\$ 14.48	\$ 13.89	\$ 13.37
Offering price as a percentage of equity per share	126.98%	134.41%	140.45%	146.20%
Offering price as a percentage of tangible equity share	130.98%	138.12%	143.99%	149.59%
Shares used to pro forma stockholders' equity per share (7)	222,980,544	261,977,110	300,973,677	345,819,729

(See footnotes on next page)

Table of Contents

- (1) As adjusted to give effect to an increase in the number of shares which could occur due to an increase in the offering range of up to 15% as a result of market demand, regulatory considerations or changes in financial markets following the commencement of the offering.
- (2) It is assumed that an amount of common stock equal to 6.0% of the shares of common stock sold in the offering and issued to the charitable foundation will be purchased by our employee stock ownership plan. For purposes of this table, it is assumed that the funds used to acquire such shares have been borrowed by the employee stock ownership plan from People's United Financial. The amount to be borrowed is reflected as a reduction of stockholders' equity. Employee stock ownership plan expense is based upon generally accepted accounting principles as described in accounting Statement of Position 93-6. Generally accepted accounting principles require that as and when shares pledged as security for an employee stock ownership plan loan are committed to be released from the loan (*i.e.*, as the loan is repaid), employee stock ownership plan expense is recorded based upon the fair value of the shares at the time. People's Bank intends to make annual contributions to the employee stock ownership plan in an amount at least equal to the principal and interest requirement of the debt. The pro forma net income assumes: (i) that People's Bank's contribution to the employee stock ownership plan is equivalent to the debt service requirement for the nine months ended September 30, 2006, and was made at the end of the period; (ii) that 259,000 shares at the minimum of the offering range, 304,000 shares at the midpoint of the offering range, 349,000 shares at the maximum of the offering range and 400,750 shares at the adjusted maximum of the offering range were committed to be released during the nine months ended September 30, 2006 at an average fair value of \$20.00 per share in accordance with Statement of Position 93-6; and (iii) that the employee stock ownership plan shares committed to be released were considered outstanding for the entire period for purposes of the net income per share calculations.
- (3) Gives effect to the recognition and retention plan expected to be adopted by People's United Financial no sooner than six months following the offering and thereafter presented for approval at a meeting of stockholders. Assumes that the recognition and retention plan acquires an amount of common stock equal to 4% of the shares of common stock sold in the offering and issued to the charitable foundation, or 5,180,000 shares at the minimum of the offering range, 6,080,000 shares at the midpoint of the offering range, 6,980,000 shares at the maximum of the offering range and 8,015,000 shares at the adjusted maximum of the offering range through open market purchases or privately negotiated transactions. We intend to purchase the common stock for the recognition and retention plan with funds from general operating cash flows. In calculating the pro forma effect of the recognition and retention plan, it is assumed that the shares were acquired by the recognition and retention plan at the beginning of the period presented in open market purchases at a purchase price of \$20.00 per share and that 20% of the amount contributed was an amortized expense during such period. The issuance of authorized but previously unissued shares of common stock for the recognition and retention plan would dilute stockholders' ownership and voting interests by approximately 2.27% at the maximum of the offering range.
- (4) Reflects contribution of People's Mutual Holdings' capital as a result of the conversion of People's Mutual Holdings into a federal stock savings bank and its merger into People's Bank as part of the conversion.
- (5) Gives effect to the stock option plan expected to be adopted by People's United Financial no sooner than six months following the offering and thereafter presented for approval at a meeting of stockholders. Assumes that options to acquire an amount of common stock equal to 10% of the common stock sold in the offering and issued to the charitable foundation will be granted. In calculating the pro forma effect of the stock option expense, it is assumed that the exercise price of the stock options and trading price of the common stock at the date of grant were \$20.00 per share, the estimated grant-date fair value pursuant to the application of the Black-Scholes option pricing model was \$3.31 for each option, the aggregate grant-date fair value of the stock options was amortized to expense on a straight-line basis over a five year vesting period of the options and that option expense was tax effected with an assumed effective tax rate of 34%. Under the above assumptions, the adoption of the stock option plan will result in no additional shares under the treasury stock method for purposes of calculating earnings per share. There can be no assurance that the actual exercise price of the stock options will be equal to the \$20.00 per share price. If a portion of the shares to satisfy the exercise of options under stock option plan are obtained from the issuance of authorized but unissued shares, our net income per share and stockholders' equity per share will decrease. This will also have a dilutive effect of up to 5.48% at the maximum of the offering range on the ownership interests of persons who purchase common stock in the offering.
- (6) Per share figures include publicly held shares of People's Bank common stock that will be exchanged for share of People's United Financial. See *The Conversion and Offering: The Share Exchange of People's Bank Common Stock for People's United Common Stock*. Net income per share computations are determined by taking the number of shares assumed to be sold in the offering, the number of shares expected to be issued in exchange for publicly held shares and the number of shares expected to be contributed to the charitable foundation and, in accordance with Statement of Position 93-6, subtracting the employee stock ownership plan shares which have not been committed for release during the respective periods. See footnote 2. The number of shares of common stock actually sold and the corresponding number of exchange shares may be more or less than the assumed amounts.
- (7) The number of shares used to calculate the pro forma net income per share is equal to the total number of shares to be outstanding upon completion of the conversion and offering, less the number of shares purchased by the employee stock ownership plan not committed to be released during the respective periods. The number of shares used to calculate pro forma stockholders' equity per share is equal to the total number of shares to be outstanding upon completion of the conversion and offering.
- (8) Represents the tax effect of the contribution to the charitable foundation based on an effective 34% tax rate. The realization of the deferred tax benefit is limited annually to a maximum deduction for charitable foundations equal to 10% of our annual taxable income, subject to our ability to carry forward any unused portion of the deduction for five years following the year in which the contribution is made.
- (9) Per share figures include shares of People's Bank common stock that will be issued in the share exchange that is part of the conversion and offering. The additional shares reflect an exchange ratio of 1.5546, 1.8290, 2.1033 and 2.4188 at the minimum, midpoint, maximum and adjusted maximum of the offering range, respectively. The number of shares of common stock actually sold and the corresponding number of shares issued in the share exchange may be more or less than the assumed amounts.

Table of Contents

COMPARISON OF VALUATION AND PRO FORMA INFORMATION
WITH AND WITHOUT THE CHARITABLE FOUNDATION

As set forth in the following table, if we did not make a contribution to The People's Community Foundation as part of the offering, RP Financial estimates that our pro forma valuation would be greater, which would increase the amount of common stock offered for sale. Without the charitable foundation, the amount of common stock offered for sale at the midpoint of the offering would be \$3.040 billion. If The People's Community Foundation were not established, there is no assurance that the updated appraisal that RP Financial will prepare at the closing of the conversion would conclude that our pro forma market value would be the same as the estimate set forth in the table below. The updated appraisal will be based on the facts and circumstances existing at closing time, including, among other things, market and economic conditions. The offering amounts referred to in the table below relate to the value of the shares sold to the public.

	At the Minimum of the Offering Range		At the Midpoint of the Offering Range		At the Maximum of the Offering Range		At the Maximum, As Adjusted, of the Offering Range	
	With	Without	With	Without	With	Without	With	Without
	Foundation	Foundation	Foundation	Foundation	Foundation	Foundation	Foundation	Foundation
(Dollars in millions, except per share amounts)								
Estimated offering amount	\$ 2,550.0	\$ 2,584.0	\$ 3,000.0	\$ 3,040.0	\$ 3,450.0	\$ 3,496.0	\$ 3,967.5	\$ 4,020.4
Pro forma market capitalization	\$ 4,459.6	\$ 4,478.5	\$ 5,239.5	\$ 5,268.9	\$ 6,019.5	\$ 6,059.2	\$ 6,916.4	\$ 6,968.1
Total assets	\$ 12,836.0	\$ 12,828.9	\$ 13,223.0	\$ 13,221.0	\$ 13,610.0	\$ 13,613.2	\$ 14,055.0	\$ 14,064.2
Total liabilities	\$ 9,260.7	\$ 9,260.7	\$ 9,260.7	\$ 9,260.7	\$ 9,260.7	\$ 9,260.7	\$ 9,260.7	\$ 9,260.7
Pro forma stockholders equity	\$ 3,575.3	\$ 3,588.2	\$ 3,962.3	\$ 3,980.3	\$ 4,349.3	\$ 4,372.5	\$ 4,794.3	\$ 4,823.5
Pro forma net income (nine months ended September 30, 2006)	\$ 124.9	\$ 125.8	\$ 132.0	\$ 133.0	\$ 139.1	\$ 140.2	\$ 147.1	\$ 148.4
Pro forma stockholders equity per share	\$ 16.03	\$ 16.02	\$ 15.12	\$ 15.11	\$ 14.45	\$ 14.43	\$ 13.86	\$ 13.84
Pro forma tangible stockholders equity per share	\$ 15.56	15.55	\$ 14.72	\$ 14.71	\$ 14.10	\$ 14.08	13.56	\$ 13.54
Pro forma net income per share (nine months ended September 30, 2006)	\$ 0.58	\$ 0.58	\$ 0.52	\$ 0.52	\$ 0.48	\$ 0.48	\$ 0.44	\$ 0.44

Pro Forma Pricing Ratios

Offering price as a percentage of pro forma stockholders equity per share	124.77%	124.84%	132.28%	132.36%	138.41%	138.60%	144.30%	144.51%
Offering price as a percent of pro forma tangible stockholders equity per share	128.53%	128.62%	135.87%	135.96%	141.84%	142.05%	147.49%	147.71%
Offering price to pro forma net income per share	25.86x	25.86x	28.85x	28.85x	31.25x	31.25x	34.09x	34.09x

Pro Forma Financial Ratios

Return on assets (annualized)	1.30%	1.31%	1.33%	1.34%	1.37%	1.37%	1.40%	1.41%
	4.66%	4.67%	4.44%	4.46%	4.26%	4.28%	4.09%	4.10%

Edgar Filing: People's United Financial, Inc. - Form S-1

Return on equity
(annualized)

Equity/assets	27.85%	27.97%	29.97%	30.11%	31.96%	32.12%	34.11%	34.30%
Tangible equity ratio	27.26%	27.37%	29.40%	29.54%	31.43%	31.59%	33.61%	33.80%

Table of Contents

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

This discussion and analysis reflects People's Bank's consolidated financial statements and other relevant statistical data and is intended to enhance your understanding of our financial condition and results of operations. You should read the information in this section in conjunction with People's Bank's consolidated financial statements and accompanying notes to the consolidated financial statements beginning on page F-1 of this prospectus, and the other statistical data provided elsewhere in this prospectus. The results of operations for the nine months ended September 30, 2006 are not necessarily indicative of the results of operations that may be expected for the entire year or any other interim period. **Unless otherwise indicated, the financial information presented in this section reflects the consolidated financial condition and operations of People's Bank.**

General

People's Bank is a federally-chartered stock savings bank headquartered in Bridgeport, Connecticut with \$10.6 billion in total assets as of September 30, 2006. People's Bank was organized in 1842 as a mutual savings bank and converted to stock form in 1988. In August 2006, People's Bank converted from a Connecticut-chartered stock savings bank to a federally-chartered stock savings bank.

People's Bank offers a full range of financial services to individual, corporate and municipal customers. Traditional banking activities are conducted primarily within the state of Connecticut and include extending secured and unsecured commercial and consumer loans, originating mortgage loans secured by residential and commercial properties, and accepting consumer, commercial and municipal deposits. In addition to traditional banking activities, People's Bank provides specialized services tailored to specific markets including: personal, institutional and employee benefit trust; cash management; and municipal banking and finance. Through its subsidiaries, People's Bank offers: brokerage, financial advisory services, investment management services and life insurance through People's Securities, Inc.; equipment financing through People's Capital and Leasing Corp.; and other insurance services through R.C. Knox and Company, Inc.

This full range of financial services is delivered through a network of 75 traditional branches, 73 Stop & Shop supermarket branches, eight limited-service branches, 23 investment and brokerage offices (22 of which are located within branch offices), five wealth management and trust offices, nine People's Capital and Leasing offices and seven commercial banking offices. People's Bank's distribution network also includes fully integrated online banking and investment trading, a 24-hour telephone banking service and participation in a worldwide ATM network.

People's Bank has expanded its residential mortgage and home equity lending activities in the contiguous markets of New York and Massachusetts. In addition, People's Bank maintains a loan production office in Massachusetts and People's Capital and Leasing offices in six states in addition to Connecticut to support commercial real estate lending and equipment financing initiatives, respectively, outside of Connecticut. Within the Commercial banking division, People's Bank maintains a national credits group, which seeks to participate in commercial loans and commercial real estate finance loans to borrowers in various industries across the country.

People's Bank's results of operations are largely dependent upon revenues generated through net interest income and fee-based revenues and, to a much lesser extent, other forms of non-interest income such as gains on asset sales. Sources for these revenues are diversified across People's Bank's two primary business segments representing its core businesses, commercial banking and consumer financial services, and to a lesser extent, treasury. People's Bank's results of operations are also significantly

Table of Contents

affected by the provision for loan losses and the level of non-interest expense. In addition, People's Bank's results of operations may also be affected by general and local economic conditions, changes in market interest rates, government policies and actions of regulatory authorities.

Financial Overview

Comparison of Financial Condition at September 30, 2006 and December 31, 2005. Total assets at September 30, 2006 were \$10.6 billion, a decrease of \$320 million, or 3%, from December 31, 2005, primarily due to a \$1.2 billion decline in total securities, partially offset by increases of \$612 million in total loans, \$148 million in short-term investments and \$57 million in bank-owned life insurance. People's Bank contributed \$91.5 million in the third quarter of 2006 to the employee retirement plan (recorded in other assets) to more than fully fund its projected benefit obligation.

At September 30, 2006, liabilities totaled \$9.3 billion, a \$383 million decrease from December 31, 2005, reflecting a \$281 million reduction in total borrowings and a \$104 million decrease in total deposits.

Total loans increased \$612 million, or 10% on an annualized basis, from December 31, 2005 to September 30, 2006. This increase reflects growth of \$423 million, or 12% annualized, in consumer financial services and \$189 million, or 7% annualized, in commercial banking. The increase in total loans from year-end 2005 was largely attributable to increases of \$370 million in residential mortgage loans and \$117 million in People's Capital and Leasing loans. The increase in residential mortgage loans reflects, in part, the purchase of \$170 million of adjustable-rate mortgages towards the end of the first quarter of 2006. The decrease in the securities portfolio reflects the sale of \$810 million and \$266 million of debt securities in the third and second quarters of 2006, respectively, as part of restructuring activities to better position People's Bank's balance sheet for the current interest rate environment. People's Bank also funded an additional \$50 million of bank-owned life insurance with proceeds from maturing securities in the first quarter of 2006.

Non-performing assets totaled \$22.9 million at September 30, 2006, a \$0.9 million increase from year-end 2005. The allowance for loan losses decreased \$1.0 million to \$74 million at September 30, 2006 compared to December 31, 2005, primarily reflecting reductions in the allowance for loan losses allocated to the consumer loan portfolios, partially offset by net additions allocated to the commercial banking loan portfolios. At September 30, 2006, the allowance for loan losses as a percentage of total loans was 0.81% and as a percent of non-performing loans was 355%, compared to 0.87% and 353%, respectively, at December 31, 2005.

People's Bank's total stockholders' equity was \$1.35 billion at September 30, 2006, a \$63 million increase from December 31, 2005, reflecting net income of \$84.7 million and a \$16.3 million decrease in accumulated other comprehensive loss, partially offset by dividends paid of \$44.5 million. As a percentage of total assets, stockholders' equity was 12.7% at September 30, 2006, compared to 11.8% at December 31, 2005. People's leverage capital ratio, and tier 1 and total risk-based capital ratios were 11.8%, 14.7% and 16.2%, respectively, at September 30, 2006, compared to 11.2%, 14.8% and 16.4%, respectively, at December 31, 2005. The capital ratios were calculated in accordance with Office of Thrift Supervision regulations as of September 30, 2006 and Federal Deposit Insurance Corporation regulations as of December 31, 2005.

Comparison of Financial Condition at December 31, 2005 and December 31, 2004. Total assets at December 31, 2005 were \$10.9 billion, an increase of \$215 million, or 2%, from December 31,

Table of Contents

2004, primarily due to increases of \$640 million in total loans and \$154 million in bank-owned life insurance, partially offset by a \$708 million decline in total securities.

At December 31, 2005, liabilities totaled \$9.6 billion, a \$126 million increase from December 31, 2004, reflecting a \$221 million increase in total deposits and an \$89 million increase in stockholders' equity, partially offset by a \$46 million reduction in total borrowings.

The increase in total loans from year-end 2004 was largely attributable to increases of \$340 million in commercial loans and \$242 million in residential mortgage loans. The decrease in the securities portfolio reflects the substitution of higher-yielding loans for securities and the funding of a \$150 million investment in bank-owned life insurance with proceeds from maturing securities.

Non-performing assets totaled \$22.0 million at December 31, 2005, a \$6.6 million decrease from year-end 2004. The allowance for loan losses increased \$2.5 million to \$75 million at December 31, 2005 compared to December 31, 2004, primarily reflecting increases in the allowance for loan losses allocated to commercial loans of \$2.0 million and People's Capital and Leasing loans of \$2.5 million, partially offset by a \$2.0 million reduction in the allowance for loan losses allocated to the consumer loan portfolio. At December 31, 2005, the allowance for loan losses as a percent of total loans was 0.87% and as a percent of non-performing loans was 353%, compared to 0.91% and 265%, respectively, at December 31, 2004.

People's Bank's total stockholders' equity was \$1.29 billion at December 31, 2005, an \$89 million increase from December 31, 2004, reflecting net income of \$137.1 million, partially offset by dividends paid of \$52.4 million. As a percentage of total assets, stockholders' equity was 11.8% at December 31, 2005, compared to 11.2% at December 31, 2004. People's Bank's tier 1 leverage capital ratio, and tier 1 and total risk-based capital ratios were 11.2%, 14.8% and 16.4%, respectively, at December 31, 2005, compared to 10.5%, 14.6% and 16.7%, respectively, at December 31, 2004. The capital ratios were calculated in accordance with Federal Deposit Insurance Corporation regulations.

Comparison of Results of Operations for the Nine Months Ended September 30, 2006 and 2005. People's Bank reported net income of \$84.7 million, or \$0.59 per diluted share, for the nine months ended September 30, 2006, compared to \$101.9 million, or \$0.72 per diluted share, for the year-ago period. Income from continuing operations totaled \$83.0 million, or \$0.58 per diluted share, for the first nine months of 2006, compared to \$91.6 million, or \$0.65 per diluted share, for the year-ago period.

Results for the first nine months of 2006 included net security losses of \$27.4 million on the sale of \$810 million and \$266 million of debt securities in the third and second quarters of 2006, respectively. These transactions were undertaken to better position People's Bank's balance sheet for the current interest rate environment. Results for the first nine months of 2005 included after-tax income of \$6.2 million from the resolution of a significant contingency related to the sale of the credit card business (reported in income from discontinued operations).

Net interest income increased \$9.9 million, or 4%, from the year-ago period and the net interest margin improved 17 basis points to 3.83%. The higher net interest margin reflects the asset sensitive position of the balance sheet, the substitution of securities with higher-yielding loans, and the use of a portion of the proceeds from security sales discussed above to pay down borrowings. Compared to the first nine months of 2005, average earning assets decreased 1%, as a \$684 million, or 8%, increase in average loans was more than offset by an \$827 million, or 45%, decline in average securities. In addition to funding loan growth with proceeds from maturing securities, People's Bank invested \$50 million in the first quarter of 2006 and \$150 million in the second quarter of 2005 in bank-owned life insurance.

Table of Contents

Average core deposits increased \$51 million, or 1%, compared to the first nine months of 2005, reflecting People's Bank's current decision to fund loan growth with proceeds from maturing securities.

Compared to the first nine months of 2005, total non-interest income, excluding net security losses, increased \$8.1 million, or 7%; non-interest expense increased \$7.5 million, or 3%; and the efficiency ratio improved to 61.9%, from 62.8%.

The provision for loan losses in the first nine months of 2006 was \$2.0 million compared to \$3.3 million in the year-ago period. The provision for loan losses in the 2006 period reflected net loan charge-offs of \$3.0 million, partially offset by a \$1.0 million decrease in the allowance for loan losses. The 2005 period reflected net loan charge-offs of \$2.8 million and a \$0.5 million increase in the allowance for loan losses. Net loan charge-offs increased \$0.2 million, or 7%, for the first nine months of 2006, compared to the year-ago period. The allowance for loan losses as a percentage of total loans was 0.81% at September 30, 2006, compared to 0.87% at September 30, 2005. Net loan charge-offs as a percentage of average total loans equaled 0.05%, unchanged from the year-ago period.

Comparison of Results of Operations for 2005 and 2004. People's Bank reported net income in 2005 of \$137.1 million, or \$0.97 per diluted share, compared to \$199.7 million, or \$1.42 per diluted share in 2004. Per share data has been restated to give retroactive effect to the three-for-two stock split completed in 2005. Included in the 2005 results were a gain on the sale of three branches, a gain from the resolution of a significant contingency related to the sale of People's Bank's credit card portfolio in 2004, an income tax benefit, a goodwill impairment charge and expenses incurred in connection with the repurchase of subordinated notes and the accelerated vesting of stock options. The 2004 results included the net gain on the sale of People's Bank credit card business, liability restructuring charges, other nonrecurring expenses and an income tax benefit. People's Bank's return on average assets was 1.27% and return on average stockholders' equity was 11.1% in 2005.

The net interest margin improved 35 basis points from 2004, reflecting a combination of People's Bank's asset-sensitive position and the ongoing shift of its asset mix from investment securities to higher-yielding loans. Other important factors that affected the financial results in 2005 were:

strong loan growth in People's Bank's commercial banking and home equity lending portfolios;

a 35% reduction in the provision for loan losses;

growth in fee-based revenues; and

continued expense control.

On March 5, 2004, People's Bank completed the sale of its credit card business, which included \$2.0 billion of credit card receivables, as well as the transfer of its related credit card operations and 420 employees, to The Royal Bank of Scotland Group. The net pre-tax gain on sale of \$305.4 million is included in income from discontinued operations for 2004 in the consolidated statements of income.

People's Bank utilized a portion of the proceeds from the sale of its credit card business to prepay slightly over \$1.0 billion of long-term borrowings. In addition, derivative positions with notional values of \$770 million, including positions on certain of these borrowings, were cancelled. Liability restructuring costs totaling \$133.4 million are included in total non-interest expense for 2004 in the consolidated statements of income.

Table of Contents

Critical Accounting Policies

In preparing the consolidated financial statements, People's Bank is required to make significant estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, including the classification of revenues and expenses to discontinued operations. Actual results could differ from People's Bank's current estimates, as a result of changing conditions and future events. Several estimates are particularly critical and are susceptible to significant near-term change, including the allowance for loan losses, the valuation of derivative financial instruments, and asset impairment judgments including other than temporary declines in the value of securities and the recoverability of goodwill and other intangible assets. People's Bank's significant accounting policies and critical estimates are summarized in Note 1 to the consolidated financial statements.

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

Management maintains the allowance for loan losses at a level that is believed to be adequate to absorb probable losses inherent in the existing loan portfolio, based on a quarterly evaluation of a variety of factors. These factors include, but are not limited to: People's Bank historical loan loss experience and recent trends in that experience; risk ratings assigned by lending personnel to commercial real estate finance, commercial and People's Capital and Leasing loans, and the results of ongoing reviews of those ratings by People's Bank's independent loan review function; an evaluation of non-performing loans and related collateral values; the probability of loss in view of geographic and industry concentrations and other portfolio risk characteristics; the present financial condition of borrowers; and current economic conditions. While management seeks to use the best available information to make these evaluations, future adjustments to the allowance for loan losses may be necessary based on changes in economic conditions, results of regulatory examinations, further information obtained regarding known problem loans, the identification of additional problem loans and other factors.

The allowance for loan losses consists of amounts determined in accordance with Statement of Financial Accounting Standards (SFAS) No. 5, Accounting for Contingencies, and SFAS No. 114, Accounting by Creditors for Impairment of a Loan. In applying SFAS No. 5, management considers the factors listed in the preceding paragraph in order to estimate a loss allowance for (1) each homogeneous pool of smaller balance loans (residential mortgage and consumer loans) that are evaluated on a collective basis, and (2) commercial real estate finance and commercial loans that are not considered impaired under SFAS No. 114. A loan is considered impaired when, based on current information and events, it is probable that People's Bank will be unable to collect all principal and interest due according to the contractual terms of the loan. People's Bank applies SFAS No. 114 to loans that are individually evaluated for collectibility in accordance with its normal loan review procedures. Under SFAS No. 114, impaired loans are reported based on one of three measures: the present value of expected future cash flows discounted at the loan's effective interest rate; the loan's observable market price; or the fair value of the collateral if the loan is collateral dependent. If the measure is less than an impaired loan's recorded investment, an impairment loss is recognized as part of the allowance for loan losses.

Valuation of Derivative Financial Instruments. People's Bank uses derivatives for market risk management purposes (principally interest rate risk) and not for trading or speculation purposes.

All derivatives are recognized as either assets or liabilities and are measured at fair value. Favorable changes in fair values result in unrealized gains that are recognized as assets, while unfavorable changes result in unrealized losses that are recognized as liabilities. People's Bank's hedge accounting

Table of Contents

methods vary depending on whether the derivative instrument is classified as a fair value hedge or a cash flow hedge. 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. Results of effective hedges are recognized in current earnings for fair value hedges. Changes in the fair value of effective cash flow hedges are recognized in other comprehensive income 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.

People's Bank formally documents 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 Bank 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 Bank would discontinue hedge accounting prospectively.

Interest rate-lock commitments extended to borrowers relate to the origination of residential mortgage loans. To mitigate the interest rate risk inherent in these commitments, People's Bank enters into mandatory delivery and best efforts contracts to sell fixed-rate residential mortgage loans. 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 and exclude the value of mortgage servicing rights.

Asset Impairment Judgments

Goodwill and Other Intangible Assets. SFAS No. 141, *Business Combinations*, requires, among other things, use of the purchase method to account for all business combinations and specifies criteria that acquired intangible assets must meet in order to be recognized and reported separately from goodwill. The assets and liabilities of an acquired company are recorded at fair value at the date of acquisition. Intangible assets are recognized in an amount equal to the excess of the acquisition cost over the fair value of the net assets acquired. Other acquisition-related intangibles are separately identified, where appropriate, for the estimated value of acquired customer relationships and are amortized on a straight-line basis over the estimated remaining average life of those relationships (ranging from 7 to 12 years from the respective acquisition dates). The remaining intangible asset is classified as goodwill.

SFAS No. 142, *Goodwill and Other Intangible Assets*, requires that goodwill be reviewed for impairment at least annually, with impairment losses charged to expense when they occur. Acquisition-related intangible assets other than goodwill are amortized to expense over their estimated useful lives and are periodically reviewed by management to assess recoverability. Impairment losses are recognized as a charge to expense if carrying amounts exceed fair values.

SFAS No. 142 requires that goodwill be tested for impairment at least annually using a two-step approach that involves the identification of reporting units and the estimation of fair values. Goodwill shall also be tested for impairment when events occur that would more likely than not reduce the implied fair value of goodwill below its carrying value. An impairment loss is recognized as a charge to expense for any excess of the goodwill carrying amount over implied fair value.

Securities. Marketable equity and debt securities (other than those reported as short-term investments) are classified as either trading account securities, held to maturity securities (applicable only

Table of Contents

to debt securities) or available for sale securities. Management determines the classification of a security at the time of its purchase.

Securities purchased for sale in the near term are classified as trading account securities and reported at fair value. Unrealized gains and losses are reported in non-interest income. Debt securities that People's Bank has the positive intent and ability to hold to maturity are classified as held to maturity securities and reported at amortized cost. All other securities are classified as available for sale and reported at fair value. Unrealized gains and losses on securities available for sale are reported on an after-tax basis in stockholders' equity as accumulated other comprehensive income or loss. Premiums are amortized and discounts are accreted to interest income for debt securities, using the interest method over the remaining period to contractual maturity, adjusted for the effect of actual prepayments in the case of mortgage-backed securities, collateralized mortgage obligations and other asset-backed securities. Federal Home Loan Bank stock is a non-marketable equity security reported at cost.

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

Management conducts a periodic review and evaluation of the securities portfolio to determine if the decline in fair value of any security appears to be other than temporary. If the decline is deemed to be other than temporary, the security is written down to a new cost basis and the resulting loss is reported in non-interest income. The factors considered by management in its periodic review include, but are not limited to: the length of time and extent to which the fair value has been less than cost; the financial condition and near-term prospects of the issuer; whether the decline in fair value appears to be issuer specific or, alternatively, a reflection of general market or industry conditions; and People's Bank's intent and ability to hold the security for a period of time sufficient to allow for a recovery in fair value.

Selected Financial Terms

In addition to presenting financial information in accordance with generally accepted accounting principles, referred to as GAAP, certain non-GAAP information is also presented, such as core deposits and purchased funds. Core deposits, a measure of stable funding sources, equal total deposits, other than brokered certificates of deposit (acquired in the wholesale market), municipal deposits (which are seasonally variable by nature) and non-interest-bearing deposits utilized for the operation of People's Bank's businesses. Purchased funds include borrowings, brokered certificates of deposit and municipal deposits.

Information regarding People's Bank's operating revenue and its efficiency ratio (each a non-GAAP measure), which is derived in part from operating revenue, are included in the discussion that follows. Operating revenue is based on income from continuing operations adjusted for gains and losses on sales of assets, other than residential mortgage loans, and excluding other items that may recur from time to time but that are deemed to occur irregularly or infrequently. Management considers this measure to be more representative of People's Bank's ongoing profitability, as the excluded items are generally related to external market conditions and non-routine transactions. Management considers the efficiency ratio to be useful because it represents an approximate measure of the cost required by People's Bank to generate a dollar of revenue, is the ratio of operating expense to operating revenue. Operating expense equals People's Bank's total non-interest expense, excluding goodwill impairment, amortization of acquisition-related intangibles, losses on real estate assets and nonrecurring expenses. People's Bank generally considers an expense to be nonrecurring if it is not similar to an expense of a type incurred within the last two years and is not similar to an expense of a type reasonably expected to be incurred within the following two years.

Table of Contents

Economic Environment

People's Bank's results are subject to fluctuations based on economic conditions. Economic activity in the United States showed continued signs of expanding in 2005. Real gross domestic product increased at a rate of 3.5%, a level that represents the country's long-term historical average growth rate, and the national unemployment rate was 4.9% as of December 31, 2005, down from 5.4% at the end of 2004. The national economy continued to grow despite widening federal budget and trade deficits, rising energy costs, the negative impact from the hurricanes in 2005 and geopolitical uncertainties. In response to continuing signs that the U.S. economy was expanding, the Federal Reserve Board increased the targeted federal funds rate eight times in 2005 by a total of 200 basis points, after five interest rate increases in the second half of 2004 totaling 125 basis points, bringing the rate to 4.25% as of December 31, 2005 from 1.00% at the end of 2003. The national economy continues to grow in 2006, albeit at a slower pace than in 2005. Real gross domestic product increased at a rate of 2.6% for the second quarter of 2006 and the unemployment rate at June 30, 2006 was 4.6%. The Federal Reserve raised interest rates an additional 100 basis points bringing the Federal Funds rate to 5.25% as of June 30, 2006.

People's Bank's primary market area, Connecticut, continues to enjoy the second highest median household income in the country. The state's unemployment rate, which decreased to 4.1% as of June 30, 2006, compared to 4.6% at the end of 2005, was below the national rate of 4.6%. The Connecticut economy experienced moderate job growth in 2005, with total employment in 2005 increasing by 12,500 jobs, or approximately 0.8% since December 31, 2004. As of June 30, 2006, Connecticut's total employment increased by 7,700 or 0.5%, over June 30, 2005.

Business Segment Results

People's Bank's operations are divided into two primary business segments that represent its core businesses, commercial banking and consumer financial services. In addition, treasury is responsible for managing People's Bank's securities portfolio and wholesale funding activities.

Business Segment Performance Summary Net Income

	For the Nine Months Ended September 30,		For the Year Ended December 31,		
	2006	2005	2005 (in millions)	2004	2003
Commercial banking	\$ 30.1	\$ 35.3	\$ 45.7	\$ 45.1	\$ 50.4
Consumer financial services	65.1	65.1	94.2	90.0	92.6
Treasury	(25.5)	(21.8)	(25.0)	(60.5)	(73.8)
Total reportable segments	69.7	78.6	114.9	74.6	69.2
Other	15.0	23.3	22.2	125.1	(5.4)
Total consolidated	\$ 84.7	\$ 101.9	\$ 137.1	\$ 199.7	\$ 63.8

People's Bank 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, the provision for loan losses, non-interest expense and income taxes. These estimates and allocations, some of which can be subjective in nature, are continually being reviewed and refined. Any changes in estimates and allocations that may affect the reported results of any business segment will not affect the consolidated financial position or results of operations of People's Bank as a whole.

Funds transfer pricing is used in the calculation of the respective 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 funds transfer pricing charge for interest income or credit for interest expense results in net

Table of Contents

spread income. The provision for loan losses for the commercial banking and consumer financial services segments is generally based on a five-year rolling average net charge-off rate for the respective segment. The provision for loan losses for the national consumer loan portfolio is based on the actual loan loss provision for the year. People's Bank allocates a majority of non-interest expenses to each operating segment using a full-absorption costing process. Direct and indirect costs are analyzed and pooled by process and assigned to the appropriate operating segment. Corporate overhead costs are assigned to the operating segments using a standard allocation process. 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.

In the second quarter of 2006, the results of the funding center, previously included in other, were reclassified to treasury. The funding center refers to People's Bank's funds transfer pricing model, which is used in the calculation of the respective operating segment's net interest income, and measures the value of funds used in and provided by an operating segment. In the first quarter of 2006, People's Bank revised its funds transfer pricing methodology assumptions relating to those deposit products with indeterminate maturities, based on a comprehensive historical analysis of the implied maturities and repricing characteristics of those deposits. As a result, the duration for most of those deposits was lengthened, which in turn increased their value and corresponding funds transfer pricing credit. Segment information for all periods presented has been restated to reflect the changes resulting from the reclassification of the funding center to treasury and the revised funds transfer pricing methodology assumptions.

For a more detailed description of the estimates and allocations used to measure business segment performance, see Note 20 to the consolidated financial statements.

Commercial Banking. Commercial banking consists principally of commercial lending, commercial real estate finance lending and commercial deposit gathering activities. This segment also includes the equipment financing operations of People's Capital and Leasing, as well as cash management, correspondent banking and municipal banking.

	For the Nine Months Ended September 30,		For the Year Ended December 31,		
	2006	2005	2005	2004	2003
	(in millions)				
Net interest income	\$ 96.6	\$ 97.4	\$ 129.7	\$ 125.8	\$ 120.3
Provision for loan losses	7.7	6.9	9.4	8.8	7.1
Non-interest income:					
Fee-based revenues	12.1	17.3	21.7	18.4	21.3
Other non-interest income	3.3	1.3	2.0	1.4	1.1
Total non-interest income	15.4	18.6	23.7	19.8	22.4
Non-interest expense	57.9	54.9	73.7	67.4	60.1
Income before income tax expense	46.4	54.2	70.3	69.4	75.5
Income tax expense	16.3	18.9	24.6	24.3	25.1
Income from continuing operations	\$ 30.1	\$ 35.3	\$ 45.7	\$ 45.1	\$ 50.4
Average earning assets	\$ 3,864.3	\$ 3,598.4	\$ 3,620.9	\$ 3,204.3	\$ 2,908.0
Average liabilities	1,206.7	1,237.8	1,270.5	1,195.3	1,181.3
Period end assets	4,001.5	3,659.2	3,812.2	3,531.8	3,040.1

Commercial banking income from continuing operations declined \$5.2 million, or 15%, for the nine months ended September 30, 2006 compared to the nine months ended September 30, 2005, primarily reflecting lower fee-based revenues and an increase in non-interest expense, partially offset by

Table of Contents

an increase in other non-interest income. Net interest income decreased \$0.8 million, or 1%, as a \$266 million, or 7%, increase in average earning assets was essentially offset by narrower net spreads. The \$5.2 million decrease in fee-based revenues reflects lower lending-related charges and fees, primarily lower commercial real estate finance loan prepayment penalties. The increase in other non-interest income primarily reflects a \$1.8 million increase in rental income on leased equipment. The \$3.0 million, or 5%, increase in non-interest expense reflects an increase in direct expenses due to the continued growth in this business.

The increase in average earning assets compared to the nine months ended September 30, 2005 reflects increases of \$182 million, or 37%, in People's Capital and Leasing loans, and \$134 million, or 10%, in commercial loans, partially offset by a \$48 million, or 3%, decrease in commercial real estate finance loans. Average commercial non-interest-bearing deposits totaled \$942 million for the nine months ended September 30, 2006, a \$34 million, or 3%, decrease compared to the year-ago period, reflecting the current interest rate environment.

Commercial banking income from continuing operations increased \$0.6 million, or 1%, in 2005 compared to 2004, reflecting increases in net interest income and fee-based revenues, partially offset by increases in non-interest expense and the provision for loan losses. Net interest income increased \$3.9 million, or 3%, reflecting a \$417 million, or 13%, increase in average earning assets, partially offset by narrower net spreads. The \$3.3 million increase in fee-based revenues reflects higher lending-related charges and fees, primarily higher commercial real estate loan prepayment penalties. The \$6.3 million, or 9%, increase in non-interest expense reflects a \$5.3 million increase in allocated expenses, due to the continued growth in this business during 2005 and a higher level of charges related to loan repayments.

The increase in average earning assets compared to 2004 reflects increases of \$224 million, or 21%, in commercial loans, \$164 million, or 46%, in People's Capital and Leasing loans and \$30 million, or 2%, in commercial real estate finance loans. Average commercial non-interest-bearing deposits grew \$43 million, or 5%, on a year-over-year basis.

Commercial banking income from continuing operations declined \$5.3 million, or 11%, in 2004 compared to 2003, as an increase in net interest income was more than offset by a reduction in fee-based revenues and increases in non-interest expense and the provision for loan losses. Net interest income increased \$5.5 million, or 5% in 2004 compared to 2003 reflecting a \$296 million, or 10%, increase in average earning assets, partially offset by narrower net spreads. The \$7.3 million, or 12%, increase in non-interest expense reflects increases in compensation and benefits, and a \$2.3 million increase in allocated expenses, largely related to portfolio growth in 2004. The \$2.9 million decrease in fee-based revenues reflects lower lending-related charges and fees, including loan prepayment penalties.

Table of Contents

Consumer Financial Services. Consumer financial services includes, as its principal business lines, consumer deposit gathering activities, residential mortgage, home equity and other consumer lending (excluding the national consumer loan portfolio, which is reported in Other). In addition to trust services, this segment also includes brokerage, financial advisory services, investment management services and life insurance provided by People's Securities, and other insurance services provided through R.C. Knox.

	For the Nine Months Ended September 30,		For the Year Ended December 31,		
	2006	2005	2005 (in millions)	2004	2003
Net interest income	\$ 194.2	\$ 200.5	\$ 266.4	\$ 268.0	\$ 264.3
Provision for loan losses	2.3	2.7	3.5	3.3	2.3
Non-interest income:					
Fee-based revenues	100.9	93.6	129.0	123.7	120.9
Net gains on sales of residential mortgage loans	1.5	3.1	4.0	3.7	14.8
Gain on sale of branches			8.1		
Other non-interest income	2.9	1.6	2.4	2.1	2.6
Total non-interest income	105.3	98.3	143.5	129.5	138.3
Non-interest expense	196.5	194.0	259.4	252.1	258.1
Income before income tax expense	100.7	102.1	147.0	142.1	142.2
Income tax expense	35.6	37.0	52.8	52.1	49.6
Income from continuing operations	\$ 65.1	\$ 65.1	\$ 94.2	\$ 90.0	\$ 92.6
Average earning assets	\$ 5,024.4	\$ 4,585.4	\$ 4,634.9	\$ 4,148.2	\$ 3,821.0
Average liabilities	7,817.5	7,787.5	7,762.4	7,626.0	7,437.3
Period end assets	5,333.1	4,859.6	4,900.7	4,487.9	4,075.1

Consumer financial services income from continuing operations was unchanged for the nine months ended September 30, 2006 compared to the nine months ended September 30, 2005, primarily reflecting a \$6.3 million decrease in net interest income and a \$2.5 million increase in non-interest expense, partially offset by a \$7.3 million increase in fee-based revenues. The decrease in net interest income primarily reflects the reduction in net spread interest income for residential mortgage loans, and the decline in net interest spread from the shift in deposits, partially offset by the benefit of an increase in average loan balances. During the nine months ended September 30, 2006, average earning assets increased \$439 million, or 10%, including increases of \$322 million, or 10%, in average residential mortgage loans and \$117 million, or 10%, in average home equity loans. People's Bank purchased \$170 million of adjustable-rate mortgages towards the end of the first quarter of 2006. Average consumer deposits totaled \$7.8 billion, a 1% increase compared to the nine months ended September 30, 2005.

The increase in fee-based revenues compared to the nine months ended September 30, 2005 primarily reflects an increase in service charges on deposit accounts, reflecting changes in People's Bank's fee structure. The increase in non-interest income reflects a \$0.7 million net gain from the sale of a corporate insurance account by R.C. Knox. The increase in non-interest expense reflects a \$2.1 million increase in allocated expenses in 2006 and a \$2.0 million goodwill impairment charge in the 2005 period.

Consumer financial services income from continuing operations increased \$4.2 million, or 5%, in 2005 compared to 2004. Fee-based revenues increased \$5.3 million compared to 2004, reflecting increases in service charges on deposit accounts and insurance revenue. Included in non-interest income

Table of Contents

in 2005 was an \$8.1 million gain on the sale of three branches. The increase in non-interest expense reflects a \$7.6 million increase in allocated expenses and a \$2.0 million goodwill impairment charge in 2005 resulting from the decision to combine Olson Mobeck Investment Advisors, Inc., previously a separate operating subsidiary, with one of People's Bank's other businesses within the consumer financial services segment (see Note 1 to the consolidated financial statements).

In 2005, average earning assets increased \$487 million, or 12%, including increases of \$250 million, or 8%, in average residential mortgage loans and \$228 million, or 25%, in average home equity loans. Average consumer deposits increased \$90 million, or 2%, compared to 2004.

Income from continuing operations for this segment decreased \$2.6 million, or 3%, in 2004 compared to 2003. The \$3.7 million increase in net interest income reflects increases in residential mortgage loans and consumer loans. Fee-based revenues increased \$2.8 million compared to 2003 reflecting an increase in insurance revenue, partially offset by slightly lower brokerage commissions. The \$11.1 million decrease in net gains on sales of residential mortgage loans reflects a substantial decline in fixed-rate residential mortgage origination volume (down 69% compared to 2003) and the resulting reduced level of loan sales. The \$6.0 million decrease in non-interest expense reflects reductions in compensation and commission expenses related to lower mortgage origination volume in 2004 and lower allocated expenses.

In 2004, average home equity loans increased \$230 million, or 34%, average residential mortgage loans increased \$101 million, or 3%, and average consumer deposits increased \$152 million, or 2%, all compared to 2003.

Table of Contents

Treasury. Treasury encompasses the securities portfolio, short-term investments and wholesale funding activities, such as borrowings and the funding center, which includes the impact of derivative financial instruments used for risk management purposes. The funding center refers to People's Bank's funds transfer pricing model, which is used in the calculation of the respective operating segment's net interest income, and measures the value of funds used in and provided by an operating segment. Under this process, a money desk 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 Bank's treasury group and is based on the wholesale cost to People's Bank of assets and liabilities with similar maturities. Liability-generating businesses sell newly originated liabilities to the money desk and recognize a funding credit, while asset-generating businesses buy funding for newly originated assets from the money desk and recognize a funding charge. Once funding for an asset is purchased from or a liability is sold to the money desk, the price that is set by the treasury group will remain with that asset or liability until it matures or reprices, which effectively transfers responsibility for managing interest rate risk to the treasury group.

	For the Nine Months Ended September 30,		For the Year Ended December 31,		
	2006	2005	2005	2004	2003
	(in millions)				
Net interest income (loss)	\$ (21.1)	\$ (34.2)	\$ (43.0)	\$ (88.4)	\$ (110.2)
Non-interest income:					
Fee-based revenues	0.4		0.5		
Net security losses	(27.4)			(4.5)	(0.3)
Bank-owned life insurance	6.3	1.7	3.3		
Other non-interest income	0.1	0.2	0.3	0.1	
Total non-interest income	(20.6)	1.9	4.1	(4.4)	(0.3)
Non-interest expense	1.1	1.3	1.4	0.2	3.4
Loss before income tax benefit	(42.8)	(33.6)	(40.3)	(93.0)	(113.9)
Income tax benefit	(17.3)	(11.8)	(15.3)	(32.5)	(40.1)
Loss from continuing operations	\$ (25.5)	\$ (21.8)	\$ (25.0)	\$ (60.5)	\$ (73.8)
Average earning assets	\$ 1,077.4	\$ 1,866.3	\$ 1,765.9	\$ 2,403.8	\$ 2,884.4
Average liabilities	277.1	301.4	282.5	480.8	1,919.7
Period end assets	546.1	1,749.6	1,553.2	2,086.8	2,452.7

Treasury's loss from continuing operations for the nine months ended September 30, 2006 compared to the 2005 period reflects \$27.4 million of net security losses, partially offset by a \$13.1 million improvement in net interest income and the earnings from People's Bank's investment in bank-owned life insurance of \$6.3 million (\$9.5 million on a taxable-equivalent basis).

The improvement in net interest income reflects the funding center's net spread loss declining by \$22.3 million, partially offset by a \$9.2 million decline in treasury's net spread income. The reduction in treasury reflects an \$827 million decline in average securities and an increase in the funds transfer pricing charge for funding the bank-owned life insurance investment (with no offsetting interest income as bank-owned life insurance earnings are recorded in non-interest income). The improvement in the funding center's net spread loss reflects the rising interest rate environment and the asset sensitive position of People's Bank's balance sheet.

Average earning assets decreased \$789 million, or 42%, reflecting an \$827 million, or 45%, decline in average securities from the year-ago period given People's Bank's sale of its debt securities portfolio during 2006 as part of restructuring activities to better position People's Bank's balance sheet.

Table of Contents

for the current interest rate environment. The debt securities portfolio totaled \$145 million at September 30, 2006, compared to \$1.3 billion at December 31, 2005 and \$1.4 billion at September 30, 2005. During the nine months ended September 30, 2006, the debt securities portfolio decreased \$1.2 billion, reflecting the sale of \$1.1 billion of securities and the substitution of securities with higher-yielding loans.

Average securities comprised 10% of average earning assets during the nine months ended September 30, 2006, compared to 18% in the year-ago period.

The improvement in treasury's loss from continuing operations in 2005 compared to 2004 reflects an increase in non-interest income (attributable to bank-owned life insurance income of \$3.3 million in 2005 and \$4.5 million of net security losses in 2004) and an improvement in net interest income of \$45.4 million.

The improvement in net interest income reflects the funding center's net spread loss declining by \$49.7 million, partially offset by a \$4.3 million decline in treasury's net spread income. The reduction in treasury reflects a \$510 million decline in average securities. The improvement in the funding center's net spread loss reflects the rising interest rate environment and the asset sensitive position of People's Bank's balance sheet.

People's Bank invested \$150 million in a bank-owned life insurance program in the second quarter of 2005 with proceeds from maturing securities. Increases in the cash surrender value of bank-owned life insurance are included in non-interest income and totaled \$3.3 million in 2005. People's Bank invested an additional \$50 million in bank-owned life insurance in February 2006 with proceeds from maturing securities.

Average securities comprised 17% of average earning assets in 2005, compared to 23% in 2004 and 27% in 2003.

Treasury's loss from continuing operations improved \$13.3 million in 2004 compared to 2003 primarily due to an improvement in net interest income, partially offset by a \$4.2 million increase in net security losses. The improvement in net interest income reflects the funding center's net spread loss declining by \$22.3 million, partially offset by a \$0.5 million decline in treasury's net spread income. The improvement in the funding center's net spread loss reflects the rising interest rate environment and the asset sensitive position of People's Bank's balance sheet.

Table of Contents

Other. Other includes the residual financial impact from the allocation of revenues and expenses and certain revenues and expenses not attributable to a particular segment. This category also includes: revenues and expenses relating to the national consumer loan portfolio; liability restructuring costs in 2004 and 2003; certain nonrecurring items and income from discontinued operations, including the gain on sale of the credit card business, and benefits from completed Internal Revenue Service audits in each of the three full years presented. Included in period-end assets are cash, national consumer loans, premises and equipment, assets of discontinued operations in 2003, and other assets.

	For the Nine Months Ended September 30,		For the Year Ended December 31,		
	2006	2005	2005	2004	2003
	(in millions)				
Net interest income	\$ 16.6	\$ 12.7	\$ 16.6	\$ 21.7	\$ 7.2
Provision for loan losses	(8.0)	(6.3)	(4.3)	1.2	7.3
Non-interest income	2.0	2.3	2.0	6.8	5.9
Liability restructuring costs			2.7	133.4	1.2
Other non-interest expense	5.8	3.6	7.2	26.6	23.2
Income (loss) before income tax expense (benefit)	20.8	17.7	13.0	(132.7)	(18.6)
Income tax expense (benefit)	7.5	4.7	2.0	(52.5)	(12.1)
Income (loss) from continuing operations	13.3	13.0	11.0	(80.2)	(6.5)
Income from discontinued operations, net of tax	1.7	4.1	5.0	6.8	1.1
Gain on sale of discontinued operations, net of tax		6.2	6.2	198.5	
Income from discontinued operations	1.7	10.3	11.2	205.3	1.1
Net income (loss)	\$ 15.0	\$ 23.3	\$ 22.2	\$ 125.1	\$ (5.4)
Average liabilities	\$ 249.0	\$ 271.1	\$ 264.5	\$ 316.0	\$ 302.0
Period end assets	731.4	622.7	666.4	611.4	2,103.6

Results of Operations

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.

In response to signs of an expanding U.S. economy, since June 2004 the Federal Reserve Board increased the targeted federal funds rate 17 times by a total of 425 basis points, bringing the rate to 5.25% as of September 30, 2006. Given the asset sensitive position of the balance sheet, the net interest margin has generally benefited from these interest rate increases.

Net interest income increased \$10 million, or 4%, and the net interest margin improved 17 basis points to 3.83%. The increase in net interest income reflects a \$57 million increase in total interest and dividend income, partially offset by a \$47 million increase in total interest expense.

Average earning assets totaled \$10.0 billion in the first nine months of 2006, a \$108 million, or 1%, decrease from the 2005 period, while the asset mix continued to shift. The ongoing shift in asset mix from securities to higher yielding loans continues to benefit the net interest margin. Average loans

Table of Contents

increased \$684 million, or 8%, while average securities declined \$820 million, or 45%. As a result, average loans and average securities comprised 89% and 10%, respectively, of average earning assets, for the first nine months of 2006 compared to 81% and 18%, respectively, for the year-ago period. The yield earned on the total loan portfolio was 6.03% in 2006 while the yield earned on securities was 3.64%, compared to 5.31% and 3.45%, respectively, for the year-ago period.

Growth in loans reflects increases of \$323 million, or 10%, in average residential mortgage loans, \$268 million, or 7%, in average commercial banking loans and \$93 million, or 8%, in average consumer loans. The increase in average residential mortgage loans reflects, in part, the purchase of \$170 million of adjustable rate loans towards the end of the first quarter of 2006.

The growth in average commercial banking loans reflects a \$182 million, or 37%, increase in average People's Capital and Leasing loans and a \$134 million, or 10%, increase in average commercial loans, partially offset by a \$48 million, or 3%, decrease in average commercial real estate finance loans. Included in average commercial loans and average commercial real estate finance loans were increases of \$47 million, or 17%, and \$38 million, or 25%, respectively, in the national credits portfolios.

The growth in average consumer loans continues to reflect a shift in mix as an increase of \$119 million, or 11%, in home equity loans was partially offset by a \$24 million, or 80%, reduction in higher-yielding national unsecured installment loans, which continue to run off as a result of a management decision to discontinue this type of lending. Given the upward movement in market interest rates, future growth in both residential mortgage and home equity lending may not continue at recent levels in the future.

The significant decrease in the average securities portfolio reflects the substitution of securities with higher-yielding loans as securities pay down and mature, as well as the partial impact of security sales as part of restructuring activities to better position People's Bank's balance sheet for the current interest rate environment. People's Bank sold \$810 million and \$266 million of debt securities in the third and second quarters of 2006, respectively, and used the proceeds to fund loan growth and pay down borrowings. The duration of the securities portfolio was approximately 0.09 years at September 30, 2006. In addition to funding loan growth, People's Bank invested \$50 million in the first quarter of 2006 and \$150 million in the second quarter of 2005 in a bank-owned life insurance program with proceeds from maturing securities. The earnings from bank-owned life insurance are reported in non-interest income in the Consolidated Statements of Income.

The overall 82 basis point improvement in the yield on average earning assets primarily reflects increases in market interest rates since June 2004 and the ongoing shift in asset mix. The interest rate increases initiated by the Federal Reserve continue to have a beneficial effect on the earning asset yield as approximately 29% of the loan portfolio at September 30, 2006 has floating interest rates.

Average funding liabilities totaled \$9.4 billion for the first nine months of 2006, essentially flat with 2005. Average core deposits increased \$51 million, or 1%, to \$8.9 billion and comprised 95% of average funding liabilities, compared to 94% in 2005. Average interest-bearing core deposits increased \$86 million, or 1%, and average non-interest-bearing core deposits decreased \$35 million, or 2%, reflective of People's Bank's current strategy of funding loan growth with proceeds from the repayment of securities.

The 68 basis point increase to 2.06% from 1.38% in the rate paid on average funding liabilities primarily reflects increases in market interest rates since June 2004 and the ongoing shift in deposit mix. The rates paid on average core deposits increased 66 basis points in the first nine months of 2006, reflecting increases of 109 basis points in time deposits and 38 basis points in savings and money market

Table of Contents

deposits in response to rising market interest rates. The change in the mix of average interest-bearing core deposits reflects a \$632 million, or 24%, increase in higher-rate time deposits, partially offset by a \$546 million, or 13%, decline in savings and money market deposits, reflecting customers' preferences for deposit products with higher interest rates given the current rate environment. Average time deposits comprised 36% of average total core deposits, compared to 29% for the year-ago period. Further shifts in deposit mix to higher-rate deposits are likely to raise People's Bank's overall cost of funding.

Net interest income increased \$43 million, or 13%, and the net interest margin improved 35 basis points to 3.68% compared to 2004. The increase in net interest income reflects a \$71 million increase in total interest and dividend income, partially offset by a \$28 million increase in total interest expense.

Average earning assets totaled \$10.0 billion in 2005, a \$205 million, or 2%, increase from 2004, while the asset mix continued to shift. Average loans increased \$836 million, or 11%, while average securities and average short-term investments declined a combined \$631 million, or 26%. As a result, average loans and average securities comprised 82% and 17%, respectively, of average earning assets, compared to 75% and 23%, respectively, in 2004. The yield earned on the total loan portfolio was 5.41% in 2005 while the yield earned on securities and short-term investments was 3.45%.

The total average commercial banking loan portfolio increased \$418 million, or 13%, reflecting increases of \$224 million, or 21%, in commercial loans, \$164 million, or 46%, in People's Capital and Leasing loans and \$30 million, or 2%, in commercial real estate finance loans. Included in average commercial loans and average commercial real estate finance loans were increases of \$83 million, or 41%, and \$8 million, or 5%, respectively, in the national credits portfolios.

Average residential mortgage loans increased \$250 million, or 8%, while average consumer loans increased \$168 million, or 16%. Consumer loans continued to reflect a shift in mix as growth of \$228 million, or 25%, in home equity loans generated by the Connecticut franchise was partially offset by a \$60 million, or 70%, reduction in higher-yielding national unsecured installment loans, which continued to run off as a result of a management decision to discontinue this type of lending. The growth in home equity lending reflected a combination of the emphasis placed on this line of business by People's Bank, as well as nationwide trends.

The \$510 million, or 23%, decrease in the average securities portfolio reflected the substitution of securities with higher-yielding loans as securities pay down and mature. The duration of the securities portfolio was approximately 1.7 years at December 31, 2005. In addition, People's Bank invested \$150 million in a bank-owned life insurance program with proceeds from maturing securities in 2005.

The overall 61 basis point improvement in the yield on average earning assets primarily reflected the increase in market interest rates since June 2004 and the ongoing shift in asset mix. The interest rate increases initiated by the Federal Reserve had a beneficial effect on the earning asset yield as approximately 30% of the loan portfolio had floating interest rates.

In 2005, average funding liabilities totaled \$9.4 billion, essentially flat with 2004 before the allocation of funding liabilities to discontinued operations. Average core deposits increased \$224 million, or 3%, and comprised 94% of average funding liabilities in 2005 compared to 91% in 2004 before the allocation of funding liabilities to discontinued operations. Average non-interest-bearing core deposits increased \$98 million, or 5%, and average interest-bearing core deposits increased \$126 million, or 2%, due in part to People's Bank's focus on growing core deposits during 2005.

Table of Contents

The 27 basis point increase to 1.47% from 1.20% in the rate paid on average funding liabilities primarily reflects the increases in market interest rates throughout 2005 and the shift in deposit mix. The rates paid on average core deposits increased 32 basis points in 2005, reflecting increases of 50 basis points in time deposits and 25 basis points in savings and money market deposits in response to rising market interest rates, partially offset by growth in non-interest-bearing core deposits. The change in the mix of average interest-bearing core deposits reflects a \$377 million, or 17%, increase in higher-rate time deposits, partially offset by a \$251 million, or 6%, decline in savings and money market deposits, reflecting customers' preferences for deposit products with higher interest rates. Average time deposits comprised 29% of average total deposits in 2005, compared to 26% in 2004.

Average purchased funds decreased \$186 million, or 33%, and average subordinated notes decreased \$25 million, or 17%. In December 2005, People's Bank repurchased \$13.5 million of its 9.875% subordinated notes due 2010.

In the first quarter of 2004, People's Bank used a portion of the proceeds from the sale of its credit card business to pay down interest-bearing liabilities. The repayment of over \$1 billion in high-cost wholesale liabilities and the cancellation of derivative positions relating to a portion of these liabilities had a net beneficial impact on the net interest margin in 2004.

Net interest income increased \$43 million, or 15%, and the net interest margin improved 44 basis points to 3.33%. The increase in net interest income reflects a \$62 million reduction in total interest expense, partially offset by a \$19 million decrease in total interest and dividend income.

Average earning assets totaled \$9.8 billion in 2004, essentially flat with 2003, while the asset mix continued to shift. Average loans increased \$484 million, or 7%, while average securities and average short-term investments declined a combined \$475 million, or 16%. As a result, average loans comprised 75% and average securities and average short-term investments comprised 25% of average earning assets, compared to 70% and 30%, respectively, in 2003. The decrease in the average securities portfolio reflects the decision to substitute, over time, securities with higher-yielding loans.

Average commercial loans increased \$178 million, or 14%, and included a \$104 million, or 42%, increase in average People's Capital and Leasing loans. Average commercial real estate finance loans increased \$114 million, or 7%. Average consumer loans increased \$92 million, or 10%, and continued to reflect a shift in mix as growth of \$230 million, or 34%, in home equity loans generated by the Connecticut franchise was partially offset by a \$134 million, or 61%, reduction in higher-yielding unsecured national personal installment loans. The growth in home equity lending reflected the combination of increased focus placed on this line of business by People's Bank and nationwide trends.

The overall low level of interest rates adversely affected the yields on People's Bank's earning assets, as seen in the 20 basis point reduction in the yield on average earning assets in 2004. The yield on average residential mortgage loans declined 28 basis points, reflecting refinancings and new originations at relatively low market interest rates that existed in 2003 and 2004. The 133 basis point decline in the yield on the consumer loan portfolio reflects a change in portfolio mix from higher-yielding national unsecured consumer loans to home equity loans originated at lower market and promotional interest rates.

In 2004, average funding liabilities before the allocation of funding liabilities to discontinued operations totaled \$9.4 billion, a \$1.3 billion, or 12%, decline from 2003, reflecting the impact of the balance sheet restructuring in 2004 and growth of \$258 million, or 3%, in average core deposits. Average non-interest-bearing core deposits increased \$175 million, or 9%, and average interest-bearing core deposits increased \$83 million, or 1%, due in part to People's Bank's focus on growing core deposits, during 2004. Average core deposits comprised 91% of average funding liabilities before the allocation of

Table of Contents

funding liabilities to discontinued operations, compared to 78% in 2003, reflecting the balance sheet restructuring in 2004.

Average rates paid on total deposits declined 20 basis points, reflecting the continued strong growth in non-interest-bearing core deposits and the overall low level of interest rates. The rates paid by People's Bank on certain interest-bearing deposit products began to increase by the end of 2004 from the historically low interest rate levels experienced in 2003, reflective of the increases in interest rates initiated by the Federal Reserve Board.

Average purchased funds decreased \$1.3 billion, or 71%, and average subordinated notes decreased \$106 million, or 42%, reflecting the results of the balance sheet restructuring in 2004. The 61 basis point improvement to 1.20% from 1.81% in the average rate paid on total funding liabilities primarily reflects the benefits from the balance sheet restructuring in 2004.

Average Balance, Interest and Yield/Rate Analysis. The tables on the following pages present average balance sheets, interest income, interest expense and the corresponding average yields earned and rates paid for the nine month periods ended September 30, 2006 and 2005 and for the years ended December 31, 2005, 2004 and 2003. 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 Bank has ceased to accrue interest. The impact of People's Bank's use of derivative instruments in managing interest rate risk is also reflected in the table, classified according to the instrument hedged and the risk management objective.

For 2004 and 2003, the net interest margin, net interest income and average funding liabilities reflect a reduction in funding liabilities and interest expense relating to the earning assets of the credit card business that were reclassified to discontinued operations for the periods prior to the sale in the first quarter of 2004. Interest expense was allocated to discontinued operations for those years by applying the weighted-average cost of funds previously used for credit card segment reporting purposes to the average earning assets of the discontinued operations for the respective year, with a corresponding reduction in total interest expense.

Table of Contents

	For the Nine Months Ended September 30,					
	2006			2005		
	Average Balance	Interest	Yield/ Rate ⁽¹⁾	Average Balance	Interest	Yield/ Rate ⁽¹⁾
Earning assets:						
Short term investments	\$ 84.1	\$ 3.1	4.87%	\$ 55.7	\$ 1.0	2.53%
Securities purchased under agreements to resell	22.2	0.8	4.97	22.1	0.7	4.08
Securities (2)	1,018.7	27.8	3.64	1,838.9	47.7	3.45
Loans:						
Residential mortgage	3,708.2	135.2	4.86	3,385.7	114.0	4.49
Commercial real estate finance	1,755.9	92.5	7.02	1,804.0	86.4	6.39
Commercial	2,104.6	107.3	6.80	1,788.4	77.7	5.79
Consumer	1,278.5	64.8	6.76	1,185.1	46.9	5.27
Total loans	8,847.2	399.8	6.03	8,163.2	325.0	5.31
Total earning assets	\$ 9,972.2	\$ 431.5	5.77%	\$ 10,079.9	\$ 374.4	4.95%
Funding Liabilities:						
Deposits:						
Non-interest-bearing deposits	\$ 2,107.7	\$	%	\$ 2,143.0	\$	%
Savings, interest-bearing checking and money market	3,549.8	36.8	1.38	4,095.8	30.7	1.00
Time	3,215.3	89.2	3.70	2,583.1	50.5	2.61
Total core deposits	8,872.8	126.0	1.89	8,821.9	81.2	1.23
Non-core deposits (3)	129.1	2.0	2.12	164.6	1.5	1.19
Total deposits	9,001.9	128.0	1.90	8,986.5	82.7	1.23
Borrowings:						
Federal funds purchased	207.2	7.4	4.76	242.5	5.2	2.90
Federal Home Loan Bank advances	63.2	2.4	5.13	64.9	1.3	2.68
Repurchase agreements				2.3	0.1	2.40
Total borrowings	270.4	9.8	4.84	309.7	6.6	2.85
Subordinated notes	108.7	7.4	9.04	121.9	8.4	9.18
Total funding liabilities	\$ 9,381.0	\$ 145.2	2.06%	\$ 9,418.1	\$ 97.7	1.38%
Excess of earning assets over funding liabilities	\$ 591.2			661.8		
Net interest income/spread		\$ 286.3	3.71%		\$ 276.7	3.57%
Net interest margin			3.83%			3.66%

(1) Average yields earned and rates paid are annualized.

(2) Average balances and yields for securities available for sale are based on amortized cost.

(3) Includes \$79.7 million and \$91.5 million of non-interest-bearing deposits for the nine months ended September 30, 2006 and 2005, respectively.

Table of Contents

	For the Year Ended December 31,									
	2005			2004			2003			
	Average Balance	Interest	Yield/ Rate	Average Balance	Interest	Yield/ Rate	Average Balance	Interest	Yield/ Rate	
Earning assets:										
Short term investments	\$ 54.5	\$ 1.5	2.86%	\$ 198.0	\$ 2.3	1.19%	\$ 265.4	\$ 4.9	1.80%	
Securities purchased under agreements to resell	22.8	1.0	4.22							
Securities (1)	1,737.8	60.4	3.47	2,248.0	72.5	3.23	2,656.0	85.8	3.23	
Loans:										
Residential mortgage	3,413.3	154.7	4.53	3,163.4	137.7	4.35	3,062.4	141.7	4.63	
Commercial and real estate finance	1,790.5	116.2	6.49	1,760.7	105.0	5.96	1,647.1	103.1	6.26	
Commercial	1,825.5	108.7	5.95	1,437.6	73.3	5.10	1,259.6	66.3	5.27	
Consumer	1,203.3	65.8	5.47	1,035.0	46.7	4.51	943.5	55.1	5.84	
Total Loans	8,232.6	445.4	5.41	7,396.7	362.7	4.90	6,912.6	366.2	5.30	
Total earning assets	\$ 10,047.7	\$ 508.3	5.06%	\$ 9,842.7	\$ 437.5	4.45%	\$ 9,834.0	\$ 456.9	4.65%	
Funding Liabilities:										
Deposits:										
Non-interest-bearing deposits	\$ 2,142.0	\$	%	\$ 2,043.7	\$	%	\$ 1,868.3	\$	%	
Savings, interest-bearing checking and money market	4,023.4	42.6	1.06	4,274.7	34.4	0.81	3,973.6	35.5	0.89	
Time	2,648.8	72.6	2.74	2,271.5	50.9	2.24	2,489.4	65.0	2.61	
Total core deposits	8,814.2	115.2	1.31	8,589.9	85.3	0.99	8,331.3	100.5	1.20	
Non-core deposits (2)	167.2	2.3	1.40	198.5	1.4	0.69	300.3	2.0	0.68	
Total deposits	8,981.4	117.5	1.31	8,788.4	86.7	0.99	8,631.6	102.5	1.19	
Borrowings										
Federal funds purchased	250.5	7.9	3.19	249.6	3.2	1.25	517.9	9.3	1.80	
Federal Home Loan Bank advances	50.3	1.4	2.73	176.1	9.4	5.32	1,059.5	53.8	5.08	
Repurchase agreements	1.7	0.1	2.41	36.1	1.0	2.91	201.7	5.9	2.91	
Total borrowings	302.5	9.4	3.11	461.8	13.6	2.94	1,779.1	69.0	3.88	
Subordinated notes	121.2	11.3	9.29	146.5	13.4	9.16	252.7	22.8	9.04	
Total	9,405.1			9,396.7			10,663.4			
Funding liabilities allocated to discontinued operations(3)				(203.6)	(3.6)	1.77	(1,133.6)	(21.7)	1.91	
Total funding liabilities	\$ 9,405.1	\$ 138.2	1.47%	\$ 9,193.1	\$ 110.1	1.20%	\$ 9,529.8	\$ 172.6	1.81%	
Excess of earnings assets over funding liabilities	\$ 642.6			\$ 649.6			\$ 304.2			
Net interest income/spread(4)		\$ 370.1	3.59%		\$ 327.4	3.25%		\$ 284.3	2.84%	
Net interest margin			3.68%			3.33%			2.89%	

(1) Average balances and yields for securities available for sale are based on amortized cost.

Edgar Filing: People's United Financial, Inc. - Form S-1

- (2) Includes \$89.7 million, \$94.6 million and \$125.1 million of non-interest-bearing deposits in 2005, 2004 and 2003, respectively.
- (3) Represents an allocation of funding liabilities and interest expense to discontinued operations.
- (4) The fully-taxable equivalent adjustment for 2005, 2004 and 2003 was \$0.3 million, \$0.3 million and \$2.7 million, respectively.

Table of Contents

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

	Nine Months Ended September 30, 2006 Compared to Nine Months Ended September 30, 2005		
	Volume	Rate (In millions)	Net
Interest and dividend income:			
Short term investments	\$ 0.7	\$ 1.4	\$ 2.1
Securities purchased under agreement to resell		0.1	0.1
Securities	(22.3)	2.4	(19.9)
Loans:			
Residential mortgage	11.3	9.9	21.2
Commercial real estate finance	(2.4)	8.5	6.1
Commercial	14.9	14.7	29.6
Consumer	3.9	14.0	17.9
Total loans	27.7	47.1	74.8
Total change in interest and dividend income	6.1	51.0	57.1
Interest expense:			
Deposits:			
Savings, interest-bearing checking and money market	(4.5)	10.6	6.1
Time	14.3	24.4	38.7
Total core deposits	9.8	35.0	44.8
Non-core deposits	(0.4)	0.9	0.5
Total deposits	9.4	35.9	45.3
Borrowings:			
Federal Home Loan Bank advances		1.1	1.1
Federal funds purchased	(0.9)	3.1	2.2
Repurchase agreements	(0.1)		(0.1)
Total borrowings	(1.0)	4.2	3.2
Subordinated notes	(0.9)	(0.1)	(1.0)
Total change in interest expense	7.5	40.0	47.5
Change in net interest income.	\$ (1.4)	\$ 11.0	\$ 9.6

Table of Contents

	2005 Compared to 2004			2004 Compared to 2003		
	Increase (Decrease) Due To Volume	Increase (Decrease) Due To Rate	Increase (Decrease) Due To Net	Increase (Decrease) Due To Volume	Increase (Decrease) Due To Rate	Increase (Decrease) Due To Net
	(In millions)					
Interest and dividend income:						
Short term investments	\$ (2.5)	\$ 1.7	\$ (0.8)	\$ (1.0)	\$ (1.6)	\$ (2.6)
Securities purchased under agreement to resell	1.0		1.0			
Securities	(17.4)	5.3	(12.1)	(13.2)	(0.1)	(13.3)
Loans:						
Residential mortgage	11.2	5.8	17.0	4.6	(8.6)	(4.0)
Commercial real estate finance	1.8	9.4	11.2	6.9	(5.0)	1.9
Commercial	21.8	13.6	35.4	9.1	(2.1)	7.0
Consumer	8.3	10.8	19.1	5.0	(13.4)	(8.4)
Total loans	43.1	39.6	82.7	25.6	(29.1)	(3.5)
Total change in interest and dividend income	24.2	46.6	70.8	11.4	(30.8)	(19.4)
Interest expense:						
Deposits:						
Savings, interest-bearing checking and money market	(2.1)	10.3	8.2	2.6	(3.7)	(1.1)
Time	9.3	12.4	21.7	(5.4)	(8.7)	(14.1)
Total core deposits	7.2	22.7	29.9	(2.8)	(12.4)	(15.2)
Non-core deposits	(0.2)	1.1	0.9	(0.7)	0.1	(0.6)
Total deposits	7.0	23.8	30.8	(3.5)	(12.3)	(15.8)
Borrowings:						
Federal Home Loan Bank advances	(4.8)	(3.2)	(8.0)	(46.9)	2.5	(44.4)
Federal funds purchased		4.7	4.7	(3.9)	(2.2)	(6.1)
Repurchase agreements	(0.9)		(0.9)	(4.8)	(0.1)	(4.9)
Total borrowings	(5.7)	1.5	(4.2)	(55.6)	0.2	(55.4)
Subordinated notes	(2.3)	0.2	(2.1)	(9.7)	0.3	(9.4)
Funding liabilities allocated to discontinued operations	3.6		3.6	16.6	1.5	18.1
Total change in interest expense	2.6	25.5	28.1	(52.2)	(10.3)	(62.5)
Change in net interest income.	\$ 21.6	\$ 21.1	\$ 42.7	\$ 63.6	\$ (20.5)	\$ 43.1

Table of Contents

Provision for Loan Losses and Net Charge-offs. The provision for loan losses in the first nine months of 2006 totaled \$2.0 million, a \$1.3 million, or 39%, reduction compared to the year-ago period. The 2006 period reflects \$3.0 million in net loan charge-offs, partially offset by a \$1.0 million reduction in the allowance for loan losses. The 2005 period reflected net loan charge-offs of \$2.8 million and a \$0.5 million increase in the allowance for loan losses. Net loan charge-offs increased \$0.2 million, or 7%, for the first nine months of 2006, compared to the year-ago period. The allowance for loan losses as a percentage of total loans was 0.81% at September 30, 2006 and 0.87% at September 30, 2005.

Commercial loan net charge-offs reflect a \$4.0 million charge-off in the third quarter of 2006 relating to one commercial banking loan that was placed on non-accrual in the second quarter of 2006 as previously disclosed. Commercial real estate finance net recoveries reflect a \$2.3 million cash recovery in the first quarter of 2006 on one non-performing loan that was favorably resolved.

Consumer loan net charge-offs decreased \$0.9 million, or 42%, reflecting a \$1.6 million decrease in national consumer loan net charge-offs, partially offset by a \$0.6 million increase in charge-offs related to consumer overdrafts that were previously reported in non-interest expense through the second quarter of 2005. The average national consumer loan portfolio decreased \$24 million, or 80%, on a year-over-year basis.

Net loan charge-offs as a percentage of average total loans equaled 0.05% for the first nine months of 2006, unchanged from the year-ago period. The impact of the slight increase in net loan charge-offs on the net loan charge-off ratio was offset by a \$684 million, or 8%, increase in average loans from the first nine months of 2005. The very low level of net loan charge-offs in terms of absolute dollars and as a percentage of average loans is unlikely to be sustainable in the future.

Net loan charge-offs in 2005 declined \$5.2 million, or 46%, compared to 2004. Consumer loan net charge-offs decreased \$4.0 million, or 58%, reflecting a 72% decrease in the dollar amount of national consumer loan net charge-offs given a \$60 million, or 70%, reduction in this portfolio's average balances during 2005. The increase in People's Capital and Leasing loan net charge-offs in 2005 reflects a \$2.3 million charge-off related to one loan. Commercial real estate finance loan net charge-offs in 2004 reflected a \$3.2 million charge-off related to one shared national credit that had been classified as non-performing since 2002. The provision for loan losses decreased \$4.7 million in 2005 compared to 2004, reflecting lower net loan charge-offs in 2005, partially offset by a \$2.5 million increase in the allowance for loan losses in 2005, compared to a \$2.0 million increase in the allowance for loan losses in 2004.

Net loan charge-offs as a percentage of average total loans decreased 8 basis points to 0.07% in 2005 compared to 0.15% in 2004. In addition to the \$5.2 million decrease in net loan charge-offs, the improvement in the net loan charge-off ratio reflected an \$836 million, or 11%, increase in average total loans.

Net loan charge-offs in 2004 declined \$4.1 million, or 27%, compared to 2003, reflecting a \$7.0 million, or 50%, reduction in consumer loan net charge-offs, partially offset by the commercial real estate loan charge-off discussed above. The provision for loan losses decreased \$3.4 million in 2004 compared to 2003, reflecting lower consumer loan net charge-offs in 2004.

Non-Interest Income. Non-interest income (especially fee-based revenues) is an important revenue source for People's Bank that can mitigate the impact of interest rate volatility on net interest income. People's Bank has focused on enhancing these revenue streams by leveraging its commercial banking relationships, growing existing fee-based revenue generating businesses, and strengthening its retail delivery network and products.

Table of Contents

	For the Nine Months		For the Year Ended December 31,		
	Ended September 30, 2006	2005	2005	2004	2003
	(in millions)				
Fee-based Revenues:					
Service charges on deposit accounts	\$ 58.4	\$ 52.6	\$ 72.4	\$ 69.2	\$ 68.7
Insurance revenue	20.2	20.4	28.0	27.9	26.2
Brokerage commissions	9.2	9.1	11.7	12.6	13.2
Other fee-based revenues:					
Other banking service charges and fees	11.9	11.6	15.5	14.4	13.7
Investment management fees	8.1	7.9	10.6	9.9	8.9
Other fees	5.7	10.1	13.3	8.9	12.3
Total other fee-based revenues	25.7	29.6	39.4	33.2	34.9
Total fee-based revenues	113.5	111.7	151.5	142.9	143.0
Net security gains (losses):					
Equity securities available for sale	0.1			(0.3)	(0.2)
Debt securities available for sale	(27.4)			(4.4)	(1.5)
Trading account securities	0.1	(0.1)	(0.1)		1.1
Total net security losses	(27.2)	(0.1)	(0.1)	(4.7)	(0.6)
Net gains on sales of residential mortgage loans	1.5	3.1	4.0	3.7	14.8
Gain on sale of branches			8.1		
Bank-owned life insurance	6.3	1.7	3.3		
Other non-interest income	8.0	4.7	6.5	9.8	9.1
Total non-interest income	\$ 102.1	\$ 121.1	\$ 173.3	\$ 151.7	\$ 166.3

Total non-interest income decreased \$19.0 million in the first nine months of 2006, compared to the 2005 period, reflecting net security losses of \$27.4 million as part of balance sheet restructuring activities in 2006. Excluding net security losses from both periods, total non-interest income would have increased \$8.1 million or 7%, reflecting higher fee-based revenues, higher bank-owned life insurance income and higher other non-interest income, partially offset by lower net gains on sales of residential mortgage loans.

Revenue from service charges on deposit accounts increased \$5.8 million, or 11%, compared to the first nine months of 2005, reflecting changes in People's Bank's fee structure implemented in both the second quarter of 2006 and the third quarter of 2005 to close the gap between People's Bank's pricing practices and those of the competition.

Insurance revenue declined \$0.2 million in the first nine months of 2006, reflecting industry-wide trends for this business, characterized as a soft market with lower pricing for renewals.

Other banking service charges and fees increased \$0.3 million in the first nine months of 2006, primarily due to growth in retail banking fees associated with higher levels of PIN debit interchange fees resulting from customer preferences for debit card-related transactions. Other fees decreased \$4.4 million, reflecting lower lending-related charges and fees, primarily lower commercial real estate loan prepayment penalties.

As previously discussed, \$810 million and \$266 million of debt securities were sold in the third and second quarters of 2006, respectively, resulting in net security losses of \$23.4 million and \$4.0 million for the respective periods. As part of this transaction, People's Bank also sold \$25 million in securities purchased under agreements to resell at a loss of \$0.3 million, which is reported in other non-interest expense. These transactions were undertaken to better position People's Bank's balance sheet for the current interest rate environment.

Table of Contents

People's Bank invested an additional \$50 million in the first quarter of 2006 in bank-owned life insurance, after an initial investment of \$150 million in the second quarter of 2005 to help defray the rising costs of employee benefits. Increases in the cash surrender value of bank-owned life insurance are included in non-interest income and totaled \$6.3 million in the first nine months of 2006 (\$9.5 million on a taxable-equivalent basis), compared to \$1.7 million (\$2.6 million on a taxable-equivalent basis) for the year-ago period.

Net gains on sales of residential mortgage loans decreased \$1.6 million in the first nine months of 2006, reflecting lower residential mortgage loan origination volume and subsequent lower levels of fixed-rate loan sales. Sales volume of fixed-rate residential mortgage loans decreased approximately 42% in the 2006 period, which is consistent with the 41% decrease in fixed-rate residential mortgage originations compared to the first nine months of 2005. Residential mortgage originations, including refinancings, totaled \$807 million in the first nine months of 2006, compared to \$1.0 billion in the year-ago period.

The increase in other non-interest income compared to the first nine months of 2005 reflects a \$1.8 million increase in rental income resulting from the higher level of equipment leased to commercial customers. In addition, other non-interest income for the 2006 period includes a \$0.7 million net gain from the sale of a corporate insurance account by R.C. Knox (recorded in the third quarter of 2006), a \$0.7 million gain from the redemption of common stock received in conjunction with the MasterCard Incorporated initial public offering given People's Bank's debit card business (recorded in the second quarter of 2006) and \$0.6 million of interest related to the completion of a federal tax audit (recorded in the first quarter of 2006).

Total non-interest income increased \$21.6 million in 2005 compared to 2004, reflecting an \$8.1 million gain on sale of three branches, higher fee-based revenues, bank-owned life insurance income and net security losses in 2004, partially offset by a reduction in other non-interest income in 2005 due to the elimination of servicing income from The Royal Bank of Scotland Group, which purchased People's Bank's credit card business in 2004.

Service charges on deposit accounts increased \$3.2 million compared to 2004, reflecting changes in People's Bank's fee structure implemented in the third quarter of 2005 to close the gap between People's Bank's pricing practices and those of the competition, partially offset by the impact of promotional campaigns on certain commercial and retail checking fees that began in the third quarter of 2004.

Insurance revenue reflects higher commissions earned by R.C. Knox in a soft insurance market, offset by lower contingent commission revenue and lower fee-based revenues from the sale of life insurance products offered in People's Bank's branch network. The decrease in brokerage commissions primarily reflects lower fees received from sales of annuity products.

Other banking service charges and fees increased primarily due to growth in retail banking fees associated with higher levels of PIN debit interchange fees resulting from customer preferences for debit card-related transactions. The increase in other fees reflects higher lending-related charges and fees, including higher commercial real estate loan prepayment penalties received resulting from the low interest rate environment in 2005.

Net gains on sales of residential mortgage loans increased \$0.3 million compared to 2004. Sales volume of fixed-rate residential mortgage loans increased approximately 6% in 2005, which is consistent with the 6% increase in fixed-rate residential mortgage originations compared to 2004.

Table of Contents

People's Bank invested \$150 million in the second quarter of 2005 in a bank-owned life insurance program to help defray the rising costs of employee benefits. Increases in the cash surrender value of bank-owned life insurance are included in non-interest income and totaled \$3.3 million in 2005.

Included in other non-interest income in 2004 was \$4.8 million of servicing income related to the interim servicing agreement with The Royal Bank of Scotland Group following the credit card sale. Included in other non-interest income in 2003 was \$4.3 million of interest received related to the completion of a routine federal tax audit.

Total non-interest income decreased \$14.6 million in 2004 compared to 2003, reflecting a decrease in net gains on sales of residential mortgage loans, higher net security losses in 2004 and essentially flat fee-based revenues. Net gains on sales of residential mortgage loans decreased \$11.1 million, which is consistent with the 69% reduction in fixed-rate residential mortgage originations compared to 2003 and subsequent reduced levels of sales of these loans.

In 2004, People's Bank sold its remaining preferred and common stock portfolios after substantially reducing the preferred stock portfolio and selling virtually the entire common stock portfolio in 2003. Net security losses in 2003 included \$1.4 million in write-downs in the carrying amount of certain equity securities due to declines in value deemed to be other than temporary, reflecting the equity markets at the time.

Non-Interest Expense. The following table sets forth the components of our non-interest expense for the periods indicated.

	For the Nine Months Ended September 30,		For the Year Ended December 31,		
	2006	2005	2005	2004	2003
	(in millions)				
Compensation and benefits	\$ 153.5	\$ 145.8	\$ 195.5	\$ 194.3	\$ 187.2
Occupancy and equipment	46.8	46.0	62.4	69.3	74.8
Professional and outside service fees	17.8	19.2	26.1	25.8	26.0
Advertising and promotion	8.0	7.5	9.9	9.8	12.8
Stationery, printing and postage	5.4	5.2	7.1	8.0	8.7
Amortization of other acquisition-related intangibles	0.8	1.5	1.8	3.4	3.5
Other non-interest expense	29.0	26.6	36.9	35.7	31.8
Total	261.3	251.8	339.7	346.3	344.8
Liability restructuring costs			2.7	133.4	1.2
Goodwill impairment charge		2.0	2.0		
Total non-interest expense	\$ 261.3	\$ 253.8	\$ 344.4	\$ 479.7	\$ 346.0
Efficiency ratio	61.9%	62.8%	62.8%	69.2%	76.4%

Total non-interest expense in the first nine months of 2006 increased \$7.5 million compared to the year-ago period, primarily reflecting higher compensation and benefits and lower professional and outside service fees.

The first nine months of 2006 included the following items: severance-related expenses totaling \$0.4 million and \$1.2 million in the second and first quarters of 2006, respectively (recorded to compensation and benefits); a \$0.3 million charge related to the sale of \$25 million of securities purchased under agreements to resell as part of further balance sheet restructuring activities (recorded to other non-interest expense in the third quarter of 2006); and a \$0.9 million charge related to an R.C. Knox contingency that was resolved in the second quarter of 2006 (recorded to other non-interest expense in the

Table of Contents

first quarter of 2006). The first nine months of 2005 included a \$2.0 million goodwill impairment charge (recorded in the second quarter of 2005). Excluding these expenses from the respective periods, total non-interest expense in the first nine months of 2006 would have increased \$5.7 million, or 3%, compared to the year-ago period.

Compensation and benefits increased \$6.1 million, or 4%, compared to the 2005 period, after excluding severance expense. The increase reflects the combination of normal merit increases, higher accruals for incentive compensation, and increased pension and health care-related costs. On September 29, 2006, People's Bank contributed \$91.5 million to the employee retirement plan, representing the maximum deductible contribution per Internal Revenue Service rules. Earnings on these contributions are expected to significantly reduce People's Bank's pension expense beginning in 2007.

Professional and outside service fees decreased \$1.4 million, or 7%, compared to the 2005 period, reflecting lower utilization of information technology contractors and lower costs for People's Bank's declining national consumer loan portfolio, partially offset by higher legal costs related to People's Bank's conversion to a federal charter.

The increase in other non-interest expense compared to the first nine months of 2005 primarily reflects a \$1.3 million increase in the amortization of equipment leased to commercial customers and increased spending levels for advertising campaigns, partially offset by lower operational charge-offs and state assessment fees.

The \$2.0 million goodwill impairment charge in 2005 related to the decision to combine Olson Mobeck Investment Advisors, Inc. with one of People's Bank's other businesses in the consumer financial services business segment.

Included in total non-interest expense for 2005 and 2004 were liability restructuring costs and certain nonrecurring expenses totaling \$0.7 million in 2005 and \$9.3 million in 2004, as well as a \$2.0 million goodwill impairment charge in 2005. Excluding these expenses from the respective years, total non-interest expense would have increased \$2.0 million in 2005 compared to 2004. The improvement in People's Bank's efficiency ratio in 2005 primarily reflects a \$53.0 million, or 11%, increase in operating revenue.

Included in compensation and benefits was a \$0.7 million nonrecurring charge related to the accelerated vesting of stock options in 2005 (discussed below) and \$6.7 million of nonrecurring expenses in 2004. Compensation and benefits increased \$7.2 million, or 4%, compared to 2004, after excluding these nonrecurring expenses from both years. The increase reflects the combination of normal merit increases, higher accruals for incentives tied to overall bank performance, higher incentive compensation for revenue-generating businesses and increased health care costs.

Occupancy and equipment decreased \$6.9 million in 2005 compared to 2004, reflecting a \$3.2 million, or 11%, reduction in depreciation expense and a substantially higher level of costs incurred in 2004 to upgrade personal computers throughout People's Bank.

Professional and outside service fees increased \$0.7 million in 2005, after excluding \$0.4 million of nonrecurring expenses in 2004. Other non-interest expense included \$2.2 million of nonrecurring expenses in 2004.

In December 2004, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards (SFAS) No. 123-R, Share-Based Payment, which replaced SFAS No. 123 and superseded APB Opinion No. 25 and its related interpretations. Among other things, SFAS No. 123-R

Table of Contents

requires that costs resulting from all share-based payment transactions with employees be recognized in the financial statements.

On December 22, 2005, People's Bank accelerated the vesting of all outstanding unvested stock options that had been previously awarded to employees. Shares of common stock acquired pursuant to the exercise of an accelerated option may not be sold or otherwise transferred until the earlier of (1) the date the option would have vested under the terms on which it was initially awarded, or (2) termination of the option holder's employment with People's Bank. The purpose of the acceleration was to eliminate compensation expense associated with these options in future years upon the adoption of SFAS No. 123-R in the first quarter of 2006. As a result of the acceleration, options to purchase 0.9 million shares of common stock became immediately exercisable. Substantially all of these options were in-the-money at the time of acceleration. The accelerated vesting of these options eliminated potential pre-tax compensation expense through 2008 of approximately \$1.7 million, including approximately \$0.8 million in 2006. People's Bank recorded a one-time charge of \$0.7 million in 2005 as a result of the accelerated vesting, which is included in compensation and benefits in the Consolidated Statements of Income. See Note 1 to the consolidated financial statements.

Included in total non-interest expense was \$133.4 million and \$1.2 million of liability restructuring costs in 2004 and 2003, respectively, and certain nonrecurring expenses totaling \$9.3 million in 2004. Excluding these expenses, total non-interest expense would have decreased \$7.8 million in 2004 compared to 2003.

Included in compensation and benefits was \$6.7 million of nonrecurring expenses in 2004. Compensation and benefits increased \$0.4 million compared to 2003, after excluding the nonrecurring expenses in 2004, reflecting a \$3.8 million increase in pension-related expenses and normal salary increases, essentially offset by an approximate 4% reduction in the number of full-time equivalent employees in 2004, and lower salary and commission expense related to the substantial reduction in mortgage origination volume in 2004.

In 2004, occupancy and equipment decreased \$5.5 million compared to 2003, reflecting a \$6.6 million, or 22%, reduction in depreciation expense in 2004, primarily due to lower levels of capital spending.

After excluding \$0.4 million of nonrecurring expenses in 2004, professional and outside service fees decreased \$0.6 million in 2004 compared to 2003.

Advertising and promotion decreased \$3.0 million in 2004 compared to 2003, reflecting lower spending on bank-wide advertising campaigns during 2004 and higher amortization of deferred consumer loan marketing expenses in 2003.

Discontinued Operations. Income from discontinued operations, net of income taxes, totaled \$1.7 million for the first nine months of 2006, compared to \$10.3 million for the year-ago period. Included in income from discontinued operations was an after-tax charge of \$0.5 million (recorded in the third quarter of 2006) from the resolution of a contingency related to the sale of the People's Bank's credit card business in 2004 and after-tax income of \$6.2 million (recorded in the second quarter of 2005) from the resolution of a significant contingency related to the credit card sale.

Following the sale of its credit card business in 2004, People's Bank continues to generate recoveries from collection efforts on previously charged-off credit card accounts that were not included in the sale. These recoveries are included in income from discontinued operations in the Consolidated Statements of Income for periods subsequent to the sale. Recoveries, net of collection costs, totaled \$3.4

Table of Contents

million for the first nine months of 2006, compared to \$6.2 million for the comparable period in 2005. The level of recoveries is expected to continue to decline due to the aging and diminishing pool of charged-off accounts.

Income from discontinued operations, net of income taxes, totaled \$11.2 million in 2005 and \$205.3 million in 2004. Recoveries, net of collection costs, totaled \$7.7 million in 2005 and \$11.2 million in 2004.

Included in income from discontinued operations in 2005 was after-tax income of \$6.2 million resulting from the resolution of a significant contingency relating to the credit card sale. Included in 2004 was an after-tax gain of \$198.5 million on the sale of the credit card business. See Note 21 to the consolidated financial statements.

Income Taxes. Income tax expense from continuing operations totaled \$42.1 million in the first nine months of 2006, compared to \$48.8 million in the 2005 period. The effective income tax rate from continuing operations was 33.7% and 34.8% for the first nine months of 2006 and 2005, respectively. The lower effective rate for 2006 primarily reflects the higher level of tax-exempt bank-owned life insurance income compared to the year-ago period.

Income tax expense (benefit) from continuing operations totaled \$64.1 million in 2005 as compared to \$(8.6) million in 2004. Income tax benefits of \$2.0 million and \$4.0 million resulting from the completion of federal tax audits are included in income tax expense (benefit) from continuing operations in 2005 and 2004, respectively. Excluding these benefits from the respective years, People's Bank's effective income tax rate from continuing operations would have been 34.8% in 2005 and 32.2% in 2004.

Income tax expense (benefit) from continuing operations totaled \$(8.6) million in 2004 and \$22.5 million in 2003. Income tax benefits of \$4.0 million and \$6.0 million resulting from the completion of federal tax audits are included in income tax expense (benefit) from continuing operations in 2004 and 2003, respectively. Excluding these benefits from the respective years, People's Bank's effective income tax rate from continuing operations would have been 32.2% in 2004 and 33.4% in 2003.

Income tax expense (benefit) for the nine months ended September 30, 2006 and 2005 and the years ended December 31, 2005, 2004 and 2003 reflects the state tax benefit resulting from the formation of People's Mortgage Investment Company, a wholly owned subsidiary. The formation of this subsidiary was a result of Connecticut tax legislation, which became effective on January 1, 1999, that allows for the transfer of mortgage loans to a passive investment subsidiary. The related earnings of the subsidiary, and any dividends it pays to the parent, are not subject to Connecticut income tax.

Liquidity

Liquidity is defined as the ability to generate sufficient cash flows to meet all present and future funding requirements at reasonable costs. Liquidity management addresses People's Bank's ability to fund new loans and investments as opportunities arise, to meet customer deposit withdrawals and to repay borrowings and subordinated notes as they mature. People's Bank's liquidity position is monitored daily by management. The Asset and Liability Management Committee is responsible for setting guidelines to ensure maintenance of prudent levels of liquidity.

Asset liquidity is provided by: cash; short-term investments; proceeds from security sales, maturities and principal repayments; and proceeds from scheduled principal collections, prepayments and sales of loans. In addition, certain securities may be used to collateralize borrowings under repurchase

Table of Contents

agreements. The Consolidated Statements of Cash Flows present data on cash provided by and used in People's Bank's operating, investing and financing activities. At September 30, 2006, People's Bank's liquid assets included \$30 million in trading account securities, \$535 million in cash and cash equivalents, and \$171 million in debt securities available for sale. At September 30, 2006, People's Bank had pledged securities available for sale with a total fair value of \$140 million as collateral for public deposits, for derivatives transactions and for other purposes.

Liability liquidity is measured by People's Bank's ability to obtain core deposits and purchased funds at cost-effective rates that are diversified with respect to markets and maturities. Core deposits, which are considered the most stable source of liability liquidity, totaled \$8.8 billion, \$8.9 billion and \$8.7 billion at September 30, 2006, December 31, 2005, and December 31, 2004, respectively, (representing 85%, 82% and 82% of total funding at the respective dates). Purchased funds are used from time to time to diversify People's Bank's funding mix and to support asset growth. People's Bank's purchased funds totaled \$0.1 billion, \$0.4 billion and \$0.4 billion at September 30, 2006, December 31, 2005 and December 31, 2004 (representing 1%, 4% and 4% of total funding at the respective dates).

People's Bank's sources of purchased funds include: municipal deposits, brokered certificates of deposit, federal funds purchased, advances from the Federal Home Loan Bank of Boston and the Federal Reserve Bank of New York, and repurchase agreements. At September 30, 2006, People's Bank's borrowing limit from Federal Home Loan Bank and Federal Reserve Bank advances and repurchase agreements was \$2.8 billion, based on the level of qualifying collateral available for these borrowing sources and People's Bank had unsecured borrowing capacity of \$825 million.

At September 30, 2006 and December 31, 2005, People's Bank had outstanding commitments to originate loans totaling \$1.1 billion and \$766 million, respectively, and approved, but unused, lines of credit extended to customers totaling \$2.2 billion at both dates. See Note 17 to the consolidated financial statements.

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

Capital

People's Bank's total stockholders' equity was \$1.4 billion at September 30, 2006, a \$63 million increase from December 31, 2005. This increase primarily reflects net income of \$85 million and a \$16 million decrease in accumulated other comprehensive loss, partially offset by dividends paid of \$44 million. The decrease in accumulated other comprehensive loss primarily reflects a \$19 million reduction in the after-tax net unrealized loss on securities available for sale as a result of the previously mentioned sale of debt securities in the third and second quarters of 2006.

People's Bank's total stockholders' equity was \$1.3 billion at December 31, 2005, an \$89 million net increase compared to \$1.2 billion at December 31, 2004. This increase primarily reflects net income of \$137 million and net stock option-related activity totaling \$15 million for 2005, partially offset by dividends paid in 2005 of \$52 million and an \$11 million increase in Accumulated Other Comprehensive Loss since December 31, 2004. The increase in Accumulated Other Comprehensive Loss primarily reflects a \$10 million increase in the after-tax net unrealized loss on securities available for sale in response to rising interest rates.

Dividends declared and paid per common share (other than shares on which People's Mutual Holdings waived receipt of dividends) were \$0.72, \$0.85, \$0.75 and \$0.68 in the first nine months of 2006 and for the full years of 2005, 2004 and 2003, respectively. Stockholders' equity equaled 12.7%,

Table of Contents

11.8% and 11.2% of total assets at September 30, 2006, December 31, 2005 and December 31, 2004, respectively.

People's Bank's tangible capital ratio was 11.80% at September 30, 2006, compared to the minimum ratio of 1.5% generally required by Office of Thrift Supervision regulations. People's Bank is also subject to the Office of Thrift Supervision's risk-based capital regulations, which require minimum ratios of leverage (core) and total risk-based capital of 4.0% and 8.0%, respectively. People's Bank satisfied these requirements at September 30, 2006 with ratios of 11.80% and 16.19%, respectively, compared to 11.20% and 16.41%, respectively, at December 31, 2005. People's Bank converted to a federal savings bank in August 2006. Prior to the conversion, People's Bank was regulated by the Federal Deposit Insurance Corporation. Regulatory capital information for all dates prior to August 2006 were calculated in accordance with the capital regulations of the Federal Deposit Insurance Corporation rather than those of the Office of Thrift Supervision. While the capital regulations of these two agencies are substantially similar, they are not identical.

The following summary compares People's Bank's risk-based capital amounts and ratios as of September 30, 2006 to the Office of Thrift Supervision requirements for minimum capital adequacy. People's Bank's risk-adjusted total assets, as defined, totaled \$8.5 billion at September 30, 2006.

	People's Bank Actual		Office of Thrift Supervision Requirements			
			Minimum Capital Adequacy		For Classification as Well-Capitalized	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
September 30, 2006						
Tangible capital	\$ 1,248.5	11.80%	\$ 158.7	1.50%	n/a	n/a
Leverage (core) capital	1,248.5	11.80	423.1	4.00	\$ 528.9	5.00%
Total-risk-based capital	1,374.7	16.19	679.2	8.00	849.0	10.00

People's Bank's regulatory capital ratios at September 30, 2006 exceeded the Office of Thrift Supervision's numeric criteria for classification as a well-capitalized institution. See Note 11 to the consolidated financial statements for additional information concerning People's Bank's regulatory capital amounts and ratios.

Market Risk Management

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

Interest Rate Risk. For People's Bank, the only relevant market risk at this time is interest rate risk, which is the potential exposure to earnings or capital that may result from changes in interest rates. People's Bank actively manages its interest rate risk to achieve a balance between risk, earnings volatility and capital preservation. The Asset and Liability Management Committee has primary responsibility for managing People's Bank's interest rate risk and reports to the Treasury and Finance Committee of the Board of Directors. To evaluate People's Bank's interest rate risk profile, the Asset and Liability Management Committee monitors economic conditions, interest rate trends, liquidity levels and capital ratios. Management also reviews assumptions periodically for projected customer and competitor behavior, in addition to the expected repricing characteristics and cash flow projections for assets, liabilities and off-balance-sheet financial instruments. Actual conditions may vary significantly from People's Bank's assumptions.

Table of Contents

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

The earnings projections are based on a static balance sheet and estimates of pricing levels for People's Bank's products under multiple scenarios intended to reflect instantaneous yield curve shocks. People's Bank estimates its base case **Income at Risk** using current interest rates. Internal guidelines regarding interest rate risk simulation specify that for instantaneous parallel shifts of the yield curve, estimated **Income at Risk** for the subsequent one-year period should not decline by more than: 10% for a 100 basis point shift; 15% for a 200 basis point shift; and 20% for a 300 basis point shift.

The following table shows the estimated percentage increase (decrease) in People's Bank's **Income at Risk** over a one-year simulation period beginning September 30, 2006.

Rate Change (basis points)	Percent Change in Income at Risk
+300	10.07%
+200	7.10
+100	3.70
-100	(4.14)
-200	(10.03)
-300	(18.07)

While **Income at Risk** simulation identifies earnings exposure over a relatively short time horizon, **Market Value of Equity** takes a long-term economic perspective when quantifying interest rate risk. **Market Value of Equity** identifies possible margin behavior over a longer time horizon and is therefore a valuable complement of interest rate risk management. Base case **Market Value of Equity** is calculated by estimating the net present value of all future cash flows from existing assets and liabilities using current interest rates. The base case scenario assumes that future interest rates remain unchanged.

Internal guidelines limit the exposure of a decrease in **Market Value of Equity** resulting from instantaneous parallel shifts of the yield curve in the following manner: for 100 basis points 10% of base case **Market Value of Equity**; for 200 basis points 15% of base case **Market Value of Equity**; and for 300 basis points 20% of base case **Market Value of Equity**.

The following table shows the estimated percentage decrease in People's Bank's **Market Value of Equity**, assuming various shifts in interest rates.

Rate Change (basis points)	Percent Change in Market Value of Equity
+300	(5.72)%
+200	(3.28)
+100	(1.19)
-100	(0.54)
-200	(2.80)
-300	(5.52)

Management believes People's Bank's interest rate risk position at September 30, 2006 represented an acceptable level of risk. However, given the uncertainty of the magnitude, timing and

Table of Contents

direction of future interest rate movements and the shape of the yield curve, actual results may vary from those predicted by People's Bank's models.

People's Bank uses derivative financial instruments, including interest rate swaps and interest rate floors as components of its interest rate risk management. People's Bank has written guidelines that have been approved by the Board of Directors and the Asset and Liability Management Committee governing the use of these financial instruments, including approved counterparties and risk limits, and controls the credit risk of these instruments through collateral, credit approvals and monitoring procedures. At September 30, 2006, each of People's Bank's counterparties had an investment grade credit rating from the major rating agencies and is specifically approved up to a maximum credit exposure. Derivative financial instruments have been used for market risk management purposes (principally interest rate risk) and not for trading or speculative purposes.

People's Bank is currently using interest rate swaps and interest rate floors to manage interest rate risk associated with certain interest-earning assets and interest-bearing liabilities. Interest rate swaps, which are accounted for as fair value hedges, are used to match more closely the repricing of certain commercial real estate finance loans and the funding associated with these loans. The interest rate swaps effectively convert the funding liabilities from a variable interest rate into a fixed interest rate and consequently reduce People's Bank's exposure to increases in interest rates and their effect on interest income and interest expense.

People's Bank purchased interest rate floors to partially manage its exposure to a decrease in interest income resulting from declines in certain interest rates. These interest rate floors, which are accounted for as cash flow hedges, offer protection against a decline in interest income if the one-month LIBOR-index rate used to reprice certain floating-rate commercial loans declines below the strike rate on the interest rate floors. If the one-month LIBOR-index rate falls below the specified strike rate, People's Bank would receive an interest payment on the interest rate floor equal to the difference between the one-month LIBOR-index rate on the reset date and the strike rate, which in effect, would offset the decline in interest income earned on the hedged floating rate commercial loans from the decline in interest rates.

Foreign Currency Risk. Foreign exchange forward contracts are commitments to buy or sell foreign currency on a future date at a contractual price. People's Bank 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.

Table of Contents

Derivative Financial Instruments. The following tables summarize certain information concerning the derivative financial instruments utilized by People's Bank in its management of interest rate risk. Also see Note 17 to the consolidated financial statements.

	As of and for the nine months ended September 30, 2006		
	Interest Rate Floors	Interest Rate Swaps (dollars in millions)	Foreign Exchange Contracts
Notional amount at period end	\$ 700.0	\$ 9.3	\$ 13.3
Weighted average remaining term to maturity (in months)	52	76	2
Decrease in pre-tax income	\$ (0.4)	\$	\$
Fair Value:			
Recognized as an asset	13.8		0.1
Recognized as a liability		0.2	

	As of and for the year ended December 31, 2005		
	Interest Rate Floors	Interest Rate Swaps (dollars in millions)	Foreign Exchange Contracts
Notional amount at year end	\$ 400.0	\$ 9.6	\$ 17.4
Weighted average remaining term to maturity (in months)	60	85	3
Decrease in pre-tax income	\$	\$ (0.7)	\$
Fair Value:			
Recognized as an asset	5.9		
Recognized as a liability		0.4	

	As of and for the year ended December 31, 2004		
	Interest Rate Swaps (dollars in millions)	Interest Rate Swaps (dollars in millions)	Interest Rate Corridors
Notional amount at year end	\$	\$ 26.2	\$
Weighted average remaining term to maturity (in months)		86	
Decrease in pre-tax income	\$	\$ (3.0)	\$ (0.9)
Fair value recognized as a liability		1.3	

Off-Balance Sheet Arrangements and Contractual Obligations

Detailed discussions pertaining to People's Bank's off-balance sheet arrangements are included in the following sections: *Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity*, *Management's Discussion and Analysis of Financial Condition and Results of Operations - Capital*, *Management's Discussion and Analysis of Financial Condition and Results of Operations - Market Risk Management* and *Business of People's Bank and People's United Financial - Sources of Funds*.

The following tables summarize People's Bank's contractual cash obligations, other than deposit liabilities, including operating leases at the periods indicated. Additional information concerning these contractual cash obligations is included in Notes 8, 9 and 18 to the consolidated financial statements. Purchase obligations included in the table represent those agreements to purchase goods or services that

Table of Contents

are enforceable and legally binding and that specify all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the appropriate timing of the transactions. A substantial majority of People's purchase obligations are renewable on a year-to-year basis. As such, the purchase obligations included in this table only reflect the contractual commitment.

As of December 31, 2005 (in millions)	Total	Payments Due by Period			
		Less Than 1 Year	1 - 3 Years	3 - 5 Years	After 5 Years
Borrowings	\$ 294.9	\$ 294.9	\$	\$	\$
Subordinated notes	108.6	43.5			65.1
Total on-balance-sheet	403.5	338.4			65.1
Operating leases	115.2	18.1	34.2	28.8	34.1
Purchase obligations	108.3	34.9	44.5	20.4	8.5
Total	\$ 627.0	\$ 391.4	\$ 78.7	\$ 49.2	\$ 107.7

Recent Accounting Pronouncements

In June 2006, the Financial Accounting Standards Board (the FASB) issued FASB Interpretation No. 48 (FIN 48), Accounting for Uncertainty in Income Taxes. FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with FASB Statement No. 109, Accounting for Income Taxes. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006. People's Bank is currently evaluating FIN 48 to determine if it will have a material effect on its Consolidated Financial Statements.

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements, which establishes a definition and measurement date for fair value and expands the disclosures regarding fair-value measurement. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007. People's Bank is currently evaluating SFAS No. 157 to determine if it will have a material effect on its Consolidated Financial Statements.

In September 2006, the FASB issued SFAS No. 158, Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans. Among other things, SFAS No. 158 will require an employer to recognize the funded status of its pension and other postretirement benefit plans in the statement of financial position effective for fiscal years ending after December 15, 2006. SFAS No. 158 will also require the measurement of plan assets and benefit obligations as of the date of the employer's fiscal year-end (eliminating the use of earlier measurement dates currently permissible), effective for fiscal years ending after December 15, 2008. People's Bank is currently evaluating SFAS No. 158 to determine if it will have a material effect on its Consolidated Financial Statements.

In September 2006, the Securities and Exchange Commission issued Staff Accounting Bulletin (SAB) Topic IN, Financial Statements Considering the Effects of Prior Year Misstatements When Qualifying Misstatements in Current Year Financial Statements (SAB No. 108), in order to address diversity in practice in qualifying financial statement misstatements. The techniques most commonly used in practice to accumulate and quantify misstatements are generally referred to as the rollover and iron curtain approaches. SAB No. 108 requires that errors be quantified under both the rollover and iron curtain approaches. Financial statements would require adjustment when either approach results in quantifying a misstatement that is material, after considering all relevant quantitative and qualitative factors. SAB No. 108 is effective for annual financial statements for the first fiscal year ending after November 15, 2006. SAB No. 108 is not expected to have a material impact on People's Bank's Consolidated Financial Statements.

Table of Contents

Impact of Inflation and Changing Prices

Our consolidated financial statements and accompanying notes have been prepared in accordance with accounting principles generally accepted in the United States of America, commonly referred to as GAAP. GAAP generally requires the measurement of financial position and operating results in terms of historical dollars without consideration for changes in the relative purchasing power of money over time due to inflation. The impact of inflation is reflected in the increased cost of our operations. Unlike industrial companies, our assets and liabilities are primarily monetary in nature. As a result, changes in market interest rates have a greater impact on performance than do the effects of inflation.

Statement of Management's Responsibility

Management is responsible for the preparation, content and integrity of the consolidated financial statements. The consolidated financial statements and related footnotes are prepared in conformity with accounting principles generally accepted in the United States of America. Management is also responsible for compliance with laws and regulations relating to safety and soundness as designated by the Federal Deposit Insurance Corporation.

The consolidated financial statements as identified in the accompanying Report of Independent Registered Public Accounting Firm have been audited by KPMG LLP, an independent registered public accounting firm. These audits were conducted in accordance with auditing standards generally accepted in the United States of America, and included tests of the accounting records and other auditing procedures considered necessary to formulate an opinion on the consolidated financial statements.

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

Management's Report on Internal Control Over Financial Reporting

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

In order to evaluate the effectiveness of internal control over financial reporting, as required by Section 404 of the Sarbanes-Oxley Act, management has conducted an assessment, including testing, using the criteria in *Internal Control - Integrated Framework*, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on its assessment, management has concluded that People's Bank maintained effective internal control over financial reporting as of December 31, 2005, based on criteria in *Internal Control - Integrated Framework* issued by the COSO.

Table of Contents

Management's assessment of the effectiveness of People's Bank's internal control over financial reporting as of December 31, 2005 has been audited by KPMG LLP, an independent registered public accounting firm, as stated in their report that is included herein.

/s/ John A. Klein
John A. Klein
Chairman, Chief Executive Officer

/s/ Philip R. Sherringham
Philip R. Sherringham
Executive Vice President and

and President
March 3, 2006

Chief Financial Officer

Table of Contents

BUSINESS OF PEOPLE S BANK

People s Bank is a federally-chartered stock savings bank headquartered in Bridgeport, Connecticut with \$10.6 billion in total assets as of September 30, 2006. People s Bank was organized in 1842 as a mutual savings bank and converted to stock form in 1988. In August 2006, People s Bank converted from a Connecticut-chartered stock savings bank to a federally-chartered stock savings bank.

People s Bank offers a full range of financial services to individual, corporate and municipal customers. Traditional banking activities are conducted primarily within the state of Connecticut and include extending secured and unsecured commercial and consumer loans, originating mortgage loans secured by residential and commercial properties, and accepting consumer, commercial and municipal deposits. In addition to traditional banking activities, People s Bank provides specialized services tailored to specific markets including: personal, institutional and employee benefit trust; cash management; and municipal banking and finance. Through its subsidiaries, People s Bank offers: brokerage, financial advisory services, investment management services and life insurance through People s Securities, Inc.; equipment financing through People s Capital and Leasing Corp. and other insurance services through R.C. Knox and Company, Inc.

This full range of financial services is delivered through a network of 75 traditional branches, 73 supermarket branches, eight limited-service branches, 23 investment and brokerage offices (22 of which are located within branch offices), five wealth management and trust offices, nine People s Capital and Leasing offices, seven commercial banking offices and over 250 ATMs. People s Bank s distribution network also includes fully integrated online banking and investment trading, a 24-hour telephone banking service and participation in a worldwide ATM network.

People s Bank s operations are divided into two primary business segments that represent its core businesses, commercial banking and consumer financial services. Commercial banking consists principally of commercial lending, commercial real estate finance lending and commercial deposit gathering activities. This segment also includes the equipment financing operations of People s Capital and Leasing, cash management, correspondent banking and municipal banking. Consumer financial services includes, as its principal business lines, consumer deposit gathering activities, residential mortgage lending and home equity and other consumer lending. In addition to trust services, this segment also includes brokerage, financial advisory services, investment management services and life insurance provided by People s Securities and other insurance services provided through R.C. Knox. In addition, treasury is responsible for managing People s Bank s securities portfolio and wholesale funding activities.

Market Area and Competition

People s Bank s primary market area is the state of Connecticut. However, substantially all of the equipment financing activities of People s Capital and Leasing involve customers outside of Connecticut. People s Capital and Leasing provides equipment financing for customers in 48 states. In addition, People s Bank also participates in certain loans that aggregate \$20 million or more and are shared by three or more supervised financial institutions. These loans are generally referred to as shared national credits. Approximately 90% of the shared national credits portfolio is to borrowers located outside of Connecticut as of September 30, 2006. People s Bank competes for deposits, loans and financial services with commercial banks, savings institutions, commercial and consumer finance companies, mortgage banking companies, insurance companies, credit unions, and a variety of other institutional lenders and securities firms.

The principal basis of competition for deposits is the interest rate paid for those deposits and related fees, convenient access to services through traditional and non-traditional delivery alternatives and

Table of Contents

the quality of services to customers. The principal basis of competition for loans is through the interest rates and loan fees charged and by developing relationships based on the efficiency, convenience and quality of services provided to borrowers. Further competition has been created through the rapid acceleration of commerce conducted over the Internet. This has enabled institutions, including People's Bank, to compete in markets outside their traditional geographic boundaries.

Lending Activities

People's Bank conducts its lending activities through its two major business segments that constitute its core business: consumer financial services and commercial banking. People's Bank's lending activities consist of originating loans secured by residential and commercial properties, and extending secured and unsecured loans to consumers and businesses.

Table of Contents

The following table presents the composition of our loan portfolio in dollar amounts and in percentages of the total portfolio at the dates indicated. Amounts represent gross loans before deducting the allowance for loan losses.

	At September 30, 2006		2005		2004		At December 31 2003		2002		2001	
	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total	Amount	Percent of Total
Consumer Financial Services:												
Residential mortgage:												
Adjustable rate	\$ 3,787.2	41.2%	\$ 3,410.8	39.8%	\$ 3,156.6	39.8%	\$ 2,940.0	41.4%	\$ 2,515.7	37.7%	\$ 2,266.4	35.5%
Fixed rate	90.5	1.0	97.1	1.1	109.8	1.4	149.1	2.1	355.6	5.3	464.9	7.3
Total residential mortgage	3,877.7	42.2	3,507.9	40.9	3,266.4	41.2	3,089.1	43.5	2,871.3	43.0	2,731.3	42.8
Consumer	1,310.5	14.3	1,257.5	14.7	1,140.0	14.4	980.5	13.8	969.3	14.5	928.1	14.6
Commercial Banking:												
Commercial real-estate finance	1,799.3	19.6	1,778.3	20.7	1,838.1	23.1	1,699.9	23.9	1,610.2	24.1	1,540.2	24.2
Commercial lending	1,445.5	15.7	1,394.5	16.3	1,235.9	15.6	1,035.2	14.6	1,002.6	15.0	949.2	14.9
People's Capital and Leasing Corp.	751.9	8.2	634.7	7.4	453.0	5.7	300.3	4.2	222.0	3.4	224.8	3.5
Total commercial banking	3,996.7	43.5	3,807.5	44.4	3,527.0	44.4	3,035.4	42.7	2,834.8	42.5	2,714.2	42.6
Total loans	\$ 9,184.9	100.0%	\$ 8,572.9	100.0%	\$ 7,933.4	100.0%	\$ 7,105.0	100.0%	\$ 6,675.4	100.0%	\$ 6,373.6	100.0%

Table of Contents

Loan Maturity. The following table presents the contractual maturity of our loans at December 31, 2005. The table does not include the effect of prepayments or scheduled principal amortization. Prepayments and scheduled principal amortization on first mortgage loans totaled \$0.7 billion for 2005.

	At December 31, 2005		
	Consumer Financial Services	Commercial Banking	Total
(In millions)			
Amounts Due:			
One year or less	\$ 285.6	\$ 903.0	\$ 1,188.6
After one year:			
One to five years	89.0	1,313.8	1,402.8
Over five years	4,416.4	1,591.3	6,007.7
Total due after one year	4,505.4	2,905.1	7,410.5
Total	\$ 4,791.0	\$ 3,808.1	\$ 8,599.1
Less:			
Deferred loan fees			26.2
Allowance for loan losses			75.0
Net loans			\$ 8,497.9

The following table presents, as of December 31, 2005, the dollar amount of all loans, including deferred loan fees, due after December 31, 2006, and whether these loans have fixed interest rates or adjustable interest rates.

	Due After December 31, 2006		
	Fixed	Adjustable	Total
(In millions)			
Consumer Financial Services	\$ 288.3	\$ 4,191.5	\$ 4,479.8
Commercial Banking	1,375.0	1,529.5	2,904.5
Total loans due after one year	\$ 1,663.3	\$ 5,721.0	\$ 7,384.3

Table of Contents

The following table presents our loan originations, purchases, sales and principal payments for the periods indicated.

	For the Nine Months Ended September 30, 2006		For the Year Ended December 31, 2005
	(In millions)		
Total loans:			
Balance outstanding at beginning of period	\$ 8,572.9	\$ 7,933.4	\$ 7,933.4
Originations:			
Consumer Financial Services	1,455.4	1,663.6	2,155.1
Commercial Banking	2,658.2	2,438.3	3,355.3
Total originations	4,113.6	4,101.9	5,510.4
Purchases:			
Consumer Financial Services	169.9		
Commercial Banking	35.4	29.2	47.4
Total purchases	205.3	29.2	47.4
Less:			
Principal payments:			
Consumer Financial Services	1,062.2	1,102.4	1,473.3
Commercial Banking	2,487.1	2,320.2	3,102.9
Total principal payments	3,549.3	3,422.6	4,576.2
Sales	143.0	245.9	334.6
Premium amortization, discount accretion and other, net	11.7	12.1	6.1
Transfers to foreclosed real estate	2.9	1.3	1.4
Balance outstanding at end of period	\$ 9,184.9	\$ 8,382.6	\$ 8,572.9

Consumer Financial Services.

Residential Mortgage Lending. People's Bank offers its customers a wide range of residential mortgage loan products. These include conventional fixed rate loans, jumbo fixed rate loans (loans with principal balances greater than established Freddie Mac and Fannie Mae limits), adjustable rate loans, sometimes referred to as ARM loans, interest-only loans (loans where payments made by the borrower consist of only interest for a set period of time, before the payments change to principal and interest), as well as Federal Housing Authority insured loans and Connecticut Housing Finance Authority loans.

People's Bank originates these loans through its network of branches and calling officers, as well as in the wholesale market, which accounted for approximately 66%, 59% and 57% of People's Bank's mortgage loan originations for the first nine months of 2006 and the full years of 2005 and 2004, respectively.

At September 30, 2006 and December 31, 2005, 93% and 97%, respectively, of the residential mortgage portfolio was secured by properties located in Connecticut. Included in residential mortgage loans are construction loans totaling \$185 million, \$197 million and \$161 million at September 30, 2006, December 31, 2005 and 2004, respectively. For the first nine months of 2006, People's Bank's level of residential mortgage originations declined to \$800 million, compared to \$1.0 billion for the first nine months of 2005. In 2005, People's Bank's level of residential mortgage originations declined to \$1.4

Table of Contents

billion, compared to \$1.6 billion in 2004 and \$3.2 billion in 2003, consistent with industry-wide trends attributable to rising interest rates.

The mix and volume of residential mortgage loan originations vary in response to changes in market interest rates and customer preferences. Adjustable rate loans accounted for 83% of total residential mortgage originations in the first nine months of 2006, and 73%, 72% and 65% for the full years of 2005, 2004 and 2003, respectively. Overall, the volume of refinancings (approximately 40% and 46% of year-to-date 2006 and full-year 2005 originations, respectively) was less than the volume of purchase mortgages as the upward movement in interest rates continues to make the refinancing market relatively less attractive for consumers.

At September 30, 2006, the adjustable rate loan portfolio included \$1.7 billion, or 44%, of interest-only loans, compared to \$1.6 billion, or 47%, at December 31, 2005. See *Regulation of People's Bank and People's United Financial Federally Chartered Savings Bank Regulation Nontraditional Mortgage Products*. People's Bank's underwriting practices and credit review standards for such loans are consistent with those applied to other types of residential mortgage products.

Adjustable rate residential loans at September 30, 2006 increased \$376 million compared to year-end 2005, while fixed-rate mortgage loans decreased \$7 million. Total adjustable rate residential loans increased \$254 million in 2005 compared to year-end 2004, while fixed-rate mortgage loans decreased \$13 million. People's Bank may purchase or sell adjustable rate residential loans in the secondary market from time to time as conditions warrant. The continued growth and performance of the residential mortgage loan portfolio in 2006 and 2007 may be adversely impacted by the level and direction of interest rates, consumer preferences and the regional economy.

Historically, People's Bank has held virtually all of the adjustable-rate residential mortgage loans that it originates on its balance sheet and has sold virtually all of the fixed-rate residential mortgage loans that it originates into the secondary market.

People's Bank has recently reassessed its pricing with respect to adjustable-rate residential mortgage loans in light of the current interest rate environment. As a result, People's Bank believes the level of adjustable-rate residential mortgage loans it originates will be reduced significantly in the near term. People's Bank intends to continue to actively offer residential mortgage loans of all types through its extensive distribution system. However, if a reduction in originations occurs and continues for an extended period, the balance of People's Bank's residential mortgage loan portfolio will decline.

Consumer Lending. The following table summarizes People's Bank's consumer lending portfolio by product at the dates indicated.

(in millions)	As of	As of December 31,	
	September 30, 2006	2005	2004
Home equity credit lines	\$ 1,009.4	\$ 1,027.8	\$ 914.3
Second mortgages	267.2	184.5	145.7
Personal installment loans	15.6	25.8	60.9
Other loans	18.3	19.4	19.1
Total consumer	\$ 1,310.5	\$ 1,257.5	\$ 1,140.0

People's Bank offers Connecticut-based customers a full range of competitive products, such as home equity lines of credit, second mortgage loans, and other forms of installment and revolving credit loans. In the first quarter of 2006, People's Bank began offering home equity credit lines and loans in Massachusetts and New York. Consumer loans also include unsecured personal installment loans that

Table of Contents

had been originated nationally in prior years and totaled \$2 million at September 30, 2006, compared to \$12 million and \$46 million at December 31, 2005 and 2004, respectively. Future growth of People's Bank's consumer loan portfolio is highly dependent upon economic conditions and competitors' strategies, as well as the success of People's Bank's marketing programs and information-based strategies.

At September 30, 2006 and December 31, 2005, approximately 99% and 98%, respectively, of the consumer loan portfolio was to customers located in Connecticut. The increase in consumer loans reflects growth in home equity lending, partially offset by continued declines in national unsecured personal installment loans, which continue to run off as a result of a management decision to discontinue this type of lending. Home equity lines of credit decreased \$18 million, or 2% on an annualized basis, since year-end 2005, and increased \$114 million, or 12%, during 2005. The slower rate of portfolio growth in a rising interest rate environment reflects nationwide trends.

Commercial Banking. The Commercial banking lending businesses include commercial real estate finance, commercial lending and equipment financing by People's Capital and Leasing. Shared national credits are included in the commercial real estate finance and commercial lending portfolios.

Commercial Real Estate Finance. People's Bank manages the commercial real estate finance portfolio by limiting the concentration in any loan type, term, industry, or to any individual borrower. People's Bank's primary strategy is to focus on lending in the state of Connecticut and adjacent states that represent its home market. In addition, People's Bank will purchase interests in out-of-state loan participations. Included in commercial real estate finance loans are shared national credits totaling \$204 million, \$143 million and \$105 million at September 30, 2006, December 31, 2005 and December 31, 2004, respectively. People's Bank's highest loan concentration was in the residential sector, which represented 29% of this loan portfolio at September 30, 2006, compared to 25% at December 31, 2005 and 17% at year-end 2004. Much of the growth in the residential sector was due to increases in shared national credits totaling \$78 million, or 97%, for the first nine months of 2006 and \$70 million, or 52% for 2005.

(in millions)	As of	As of December 31,	
	September 30, 2006	2005	2004
Property Type:			
Residential	\$ 520.0	\$ 439.9	\$ 305.8
Retail	396.8	435.0	494.0
Office buildings	363.8	367.1	472.9
Industrial/manufacturing	181.2	202.9	244.3
Hospitality and entertainment	72.2	90.1	86.1
Self storage/industrial	98.4	84.9	73.9
Special use	48.2	52.3	54.2
Health care	52.8	47.0	38.9
Land	51.0	44.8	50.4
Other properties	14.9	14.3	17.6
Total commercial real estate finance	\$ 1,799.3	\$ 1,778.3	\$ 1,838.1

At September 30, 2006, approximately 68% of People's Bank's commercial real estate finance portfolio was secured by properties located in Connecticut, compared to approximately 74% and 76% at December 31, 2005 and 2004, respectively. Included in this portfolio are construction loans totaling \$567 million, \$512 million and \$429 million at September 30, 2006, December 31, 2005 and December 31, 2004, respectively.

Table of Contents

Commercial real estate finance is dependent on the successful operation of the related income-producing real estate. Accordingly, the income streams generated by this portfolio can be impacted by changes in the real estate market and, to a large extent, Connecticut's economy. The commercial real estate finance portfolio increased 2% annualized in the first nine months of 2006 and decreased 3% in 2005 after growing 8% in 2004. The decrease in 2005 and slow growth in 2006 reflects the high level of loan prepayments and People's Bank's focus on maintaining strong asset quality standards in a competitive market characterized by aggressive pricing and less attractive underwriting terms. The growth and performance of this portfolio is largely dependent on the economic environment in Connecticut and may be adversely impacted if the economy slows in 2006 and 2007.

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

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

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

(in millions)	As of September 30,		As of December 31,	
	2006	2005	2004	
Industry:				
Manufacturing	\$ 428.2	\$ 414.7	\$ 323.3	
Finance, insurance and real estate	302.7	330.4	235.8	
Service	224.7	208.0	225.5	
Wholesale distribution	114.6	127.0	126.9	
Retail sales	111.7	103.6	114.0	
Health services	109.5	91.9	87.9	
Arts/entertainment/recreation	53.3	30.7	36.9	
Transportation/utility	24.3	24.8	20.7	
Other	76.5	63.4	64.9	
Total commercial lending	\$ 1,445.5	\$ 1,394.5	\$ 1,235.9	

In the first nine months of 2006, the commercial lending portfolio increased \$51 million, or 5% on an annualized basis, compared to increases of \$159 million, or 13%, in 2005 and \$201 million or 19% in 2004. The increase in the first nine months of 2006 includes a \$17 million, or 7% annualized, increase in shared national credits, compared to an increase of \$61 million, or 24%, for the full year of 2005. Included in commercial lending are shared national credits totaling \$338 million, \$321 million and \$260 million at September 30, 2006, December 31, 2005 and December 31, 2004, respectively. At September 30, 2006, approximately 67% of the commercial loan portfolio consisted of loans to Connecticut-based businesses, compared to approximately 69% and 72% at December 31, 2005 and 2004, respectively. The manufacturing sector remains People's Bank's highest commercial loan concentration. Growth in the finance, insurance and real estate sector in 2005 reflects an increase of \$88 million in loans to real estate investment trusts. While People's Bank continues to focus on asset quality, the performance of the commercial lending portfolio may be adversely impacted if the economy slows in 2006 or 2007.

Table of Contents

Shared National Credits. At September 30, 2006, the shared national credits loan portfolio totaled \$542 million, compared to \$464 million and \$365 million at December 31, 2005 and 2004, respectively, and represented 14%, 12% and 10% of the total commercial banking loan portfolio at the respective dates. As discussed above, included in the shared national credits portfolio at September 30, 2006, December 31, 2005 and 2004 were commercial loans totaling \$338 million, \$321 million and \$260 million, respectively, and commercial real estate finance loans totaling \$204 million, \$143 million and \$105 million, respectively.

People's Bank will purchase, and to a lesser extent sell, interests in shared national credits from and to other financial institutions having comparable asset quality standards. At September 30, 2006, the shared national credits loan portfolio included \$524 million in loans purchased from other financial institutions and \$18 million in loans originated by People's Bank.

At September 30, 2006, approximately \$56 million, or 10%, of the shared national credits loan portfolio is to borrowers that are headquartered in Connecticut, while approximately \$232 million, or 43%, is to borrowers located in California, Florida and New York. Over time, People's Bank may grow this portfolio to represent approximately 15% of the overall commercial banking loan portfolio.

People's Capital and Leasing Corp. People's Capital and Leasing provides equipment financing for customers in 48 states, specializing in financing for the printing, transportation/utility, general manufacturing, and packaging industries. People's Capital and Leasing will buy or sell portions of financing transactions in the secondary market to manage the concentration risk of the overall portfolio. At September 30, 2006, approximately 3% of the portfolio consisted of Connecticut-based businesses, while approximately 40% were to customers located in California, Texas, Illinois and Florida. The People's Capital and Leasing portfolio grew \$117 million, or 25% on an annualized basis, in the first nine months of 2006, and grew \$182 million, or 40%, in 2005 and \$153 million, or 51%, in 2004, reflecting management's decision to grow this portfolio through higher loan originations. Operating on a national scale, People's Capital and Leasing represented 19% of the commercial banking loan portfolio at September 30, 2006, compared to 17% and 13% at year-end 2005 and 2004, respectively. Portfolio growth in 2007 may not continue at recent levels.

(in millions)	As of September 30,		As of December 31,	
	2006	2005	2004	
Industry:				
Printing	\$ 295.0	\$ 263.0	\$ 182.2	
General manufacturing	117.2	118.0	82.5	
Transportation/utility	159.2	100.3	38.8	
Packaging	70.8	63.8	68.7	
Retail sales	67.0	41.5	26.5	
Service	23.1	26.1	24.5	
Wholesale distribution	12.8	12.4	14.0	
Health services	6.5	8.5	13.1	
Finance, insurance and real estate	0.3	1.1	2.7	
Total People's Capital and Leasing	\$ 751.9	\$ 634.7	\$ 453.0	

Table of Contents

Loan Approval Procedures and Authority. People's Bank has different loan approval procedures depending on the type of loan.

Commercial Loan Approval Procedures and Authority. Commercial loan approval authority is granted to People's Bank loan officers by department (commercial loan, commercial real estate finance, small business lending, shared national credits, and classified assets) and People's Bank's twelve lending authority levels.

No lending officer, regardless of lending classification, may approve a credit request on a single-signature basis. The management-level Credit Policy Committee approves commercial lending and commercial real estate finance credits rated "watch" or better up to and including \$10,000,000 in total exposure (outstanding credit facilities plus new extensions of credit), and up to and including \$5,000,000 for credits rated "special mention" or worse. Credits in excess of these amounts are submitted to the Board-level Loan Review Committee for approval, with certain exceptions for shared national credits. The in-house lending limit, currently \$50,000,000, is set jointly by the Credit Policy Committee and the Loan Review Committee. The Loan Review Committee may increase this limit on a case-by-case basis based on the overall creditworthiness of the borrower, as well as geographic, property type and industry concentration criteria within a particular lending relationship.

The commercial loan origination and underwriting process begins when a borrower or prospect expresses an interest in a commercial loan product to a commercial loan officer. The loan officer is responsible for managing the underwriting process in conjunction with the region manager, market manager and department head, as appropriate. Each loan officer is responsible for developing, documenting and making loans in accordance with policy. The loan officer is also required to conform to applicable line of business procedural guidelines with respect to debt coverage ratios, loan-to-value ratios, completion of loan submissions and to ensure compliance with applicable laws and regulations. People's Bank also requires borrowers to obtain flood insurance, prior to closing, for all loans secured by real estate within a designated flood zone.

Real estate appraisers are engaged by the commercial appraisal department, and are generally selected from an approved appraiser list. All third-party appraisals of commercial properties where transactions are greater than \$250,000 are submitted in writing and are reviewed by the commercial appraisal department prior to closing to verify that the methods, assumptions and conclusions used in the appraisal are reasonable and appropriate for the transaction and the property.

Residential and Consumer Loan Approval Procedures and Authority. Residential mortgage loan and consumer loan approval authority is delegated to individuals based on loan type, loan size, and where appropriate, occupancy of property securing the loan. Residential and consumer lending policies and delegation of lending authorities are reviewed and approved annually by the Board-level Loan Review Committee. Dual authorization is required for larger credits, as discussed in the following paragraph. Levels of approval authority, which include lending limit increases (recommended by senior department management), are reviewed quarterly and approved by the Executive Vice President for Consumer Financial Services.

People's Bank's Senior Vice President of residential lending is authorized to approve residential mortgage loans up to and including \$2.0 million and home equity loans up to and including \$1.0 million. First Vice Presidents of residential lending may approve residential mortgage loans up to and including \$1.5 million, and two such officers may jointly approve loans up to and including \$1.75 million. First Vice Presidents may also approve home equity loans up to and including \$750,000.

Table of Contents

All residential mortgage loans greater than \$2.0 million up to and including \$5.0 million, and home equity loans greater than \$1.0 million up to and including \$2.0 million may be approved by People's Bank's Executive Vice President for Consumer Financial Services, acting alone; by the Senior Vice President of residential lending and one Executive Vice President other than the Executive Vice President for Consumer Financial Services; or by any two Executive Vice Presidents other than the Executive Vice President for Consumer Financial Services. All loans over \$3.0 million must be reported to the Loan Review Committee at the next meeting of the committee following approval of the loan. The Loan Review Committee must approve residential mortgage loans in excess of \$5.0 million and home equity loans in excess of \$2.0 million.

Authorized residential lenders are responsible for determining the total direct, indirect and contingent liabilities of borrowers and assuring compliance with People's Bank's residential and consumer lending underwriting policies.

The following describes People's Bank's residential and consumer lending procedures:

Residential Lending. People's Bank utilizes an automated underwriting system as a tool when making the loan decision. The automated underwriting system allows for the streamlining of document and appraisal requirements for certain loan products.

Retail loan processors obtain credit reports on all retail loan applications prior to loan approval. Wholesale loan application files contain a credit report when they are submitted by the broker. If a credit report is not available, industry standard alternative credit references are provided. The documentation required to support income and assets is based on information from the automated underwriting system, or a specific secondary market investor requirement. If necessary, direct verification of information such as employment data and deposits with institutions is performed by loan processors for retail loans, and provided by brokers for wholesale loans.

Standard FNMA/FHLMC appraisals are performed by appropriately licensed appraisers, and are obtained for all residential mortgages. Life-of-loan flood certifications are ordered from an outside vendor at the time the appraisal is ordered (for retail loans), or when the loan is approved (for wholesale loans). The type of appraisal report is dependent upon the automated underwriting system's response for the loan. The appraisal report is reviewed by the loan processor and/or underwriter. The appraisal department staff is consulted for guideline and property value questions.

Consumer Lending. The consumer loan credit department reviews and processes consumer loan applications. The authorized consumer lender is responsible for making the credit decision. Credit decisions are based on the applicant's ability, stability and willingness to pay as demonstrated by income, job stability and credit history. Credit reports, containing credit scores, are obtained on all loan applications. Approval by an authorized consumer lender is documented on the underwriter's summary contained in the loan file.

Table of Contents

Asset Quality

People's Bank actively manages asset quality through its underwriting practices and collection operations. Underwriting practices tend to focus on optimizing the return of a given risk classification while collection operations focus on minimizing losses once an account becomes delinquent.

A loan is classified as non-accrual generally when it becomes 90 days past due as to interest or principal payments. All previously accrued but unpaid interest on non-accrual loans is reversed from interest income in the current period. Interest payments received on non-accrual loans (including impaired loans) are generally recognized as income, although such interest payments may be applied as a reduction of principal if future collections are doubtful. A loan remains on non-accrual status until the factors that indicated doubtful collectibility no longer exist or until a loan is determined to be uncollectible and is charged off against the allowance for loan losses. The classification of a loan as non-performing does not necessarily indicate that loan principal and interest ultimately will not be collected.

People's Bank's historical experience suggests that a portion of these assets will eventually be recovered. All non-performing loans are in various stages of collection, workout, settlement or foreclosure. When loan workout efforts are exhausted and it is determined that the borrower is unable to repay the obligation, People's Bank will complete foreclosure procedures, if applicable. Restructured commercial and commercial real estate finance loans are those for which concessions to below market terms, such as below market interest rates or deferral of interest, have been granted due to the borrowers' financial condition.

Table of Contents

At September 30, 2006 and December 31, 2005, 2004 and 2003, loans delinquent 60 days to 89 days and 90 days or more were as follows:

	At September 30, 2006			
	60-89 Days		90 Days or More	
	No. of Loans	Principal Balance of Loans	No. of Loans	Principal Balance of Loans
	(Dollars in millions)			
Consumer Financial Services	128	\$ 4.9	173	\$ 9.0
Commercial Banking	36	14.3	98	10.1
Total delinquent loans (60 days and over)	164	\$ 19.2	271	\$ 19.1
Delinquent loans (60 days and over) to total loans		0.21%		0.21%

	2005				2004				2003			
	60-89 Days		90 Days or More		60-89 Days		90 Days or More		60-89 Days		90 Days or More	
	No. of Loans	Principal Balance of Loans	No. of Loans	Principal Balance of Loans	No. of Loans	Principal Balance of Loans	No. of Loans	Principal Balance of Loans	No. of Loans	Principal Balance of Loans	No. of Loans	Principal Balance of Loans
	(Dollars in millions)											
Consumer Financial Services	213	\$ 4.0	202	\$ 7.9	232	\$ 5.6	245	\$ 8.0	397	\$ 9.9	614	\$ 13.6
Commercial Banking	23	6.2	101	10.1	24	5.4	79	12.3	32	2.5	68	15.8
Total delinquent loans (60 days and over)	236	\$ 10.2	303	\$ 18.0	256	\$ 11.0	324	\$ 20.3	429	\$ 12.4	682	\$ 29.4
Delinquent loans (60 days and over) to total loans		0.12%		0.21%		0.14%		0.26%		0.17%		0.41%

Table of Contents

Non-Performing Assets. Non-performing assets totaled \$22.9 million at September 30, 2006, an increase of \$0.9 million or 4% compared to December 31, 2005 and improved 1 basis point to 0.25% of total loans, real estate owned and repossessed assets at September 30, 2006. Total non-performing assets at December 31, 2005 represented a decrease of \$6.6 million, or 23%, from December 31, 2004 and an improvement of 10 basis points to 0.26% of total loans, real estate owned and repossessed assets at December 31, 2005. For the September 30, 2006 to year-end 2005 comparison, the slight increase in non-performing assets reflects increases in non-performing commercial loans, non-performing residential mortgage loans and non-performing commercial real estate finance loans of \$1.7 million, \$1.1 million and \$0.8 million, respectively, and a \$1.4 million increase in repossessed equipment financed by People's Capital and Leasing, partially offset by a \$4.1 million reduction in People's Capital and Leasing non-performing loans. The net change in non-performing commercial real estate finance loans since December 31, 2005 reflects one loan totaling \$12.1 million that was classified as non-performing in the first quarter of 2006, a \$5.5 million partial payment on that loan received in the third quarter of 2006, and one non-performing loan totaling \$5.5 million that was favorably resolved in the first quarter of 2006 and generated a \$2.3 million cash recovery. For the year-end 2005 to year-end 2004 comparison, reductions of \$3.9 million and \$2.9 million in non-performing commercial and commercial real estate finance loans, respectively, were partially offset by an increase of \$1.1 million in non-performing People's Capital and Leasing loans.

The level of non-performing assets is expected to fluctuate in response to changing economic and market conditions, and the relative sizes of the respective loan portfolios, along with management's degree of success in resolving problem assets.

The following table presents information regarding non-accrual loans, restructured loans, and real estate owned and repossessed assets as of the dates indicated.

	At		At December 31,			
	September 30, 2006	2005	2004	2003	2002	2001
	(Dollars in millions)					
Non-accrual loans:						
Residential mortgage	\$ 7.8	\$ 6.7	\$ 7.5	\$ 11.4	\$ 13.2	\$ 14.7
People's Capital and Leasing Corp.	2.1	6.2	5.1	4.2	3.3	1.7
Commercial real estate finance	6.6	5.8	8.7	11.4	10.2	5.9
Commercial	3.0	1.3	5.2	3.3	4.8	2.8
Consumer	1.3	1.3	0.9	2.5	3.4	4.0
Total non-accrual loans	20.8	21.3	27.4	32.8	34.9	29.1
Restructured loans				1.0		
Total non-performing loans	20.8	21.3	27.4	33.8	34.9	29.1
Real estate owned (REO) and repossessed assets, net	2.1	0.7	1.2	0.5	0.7	1.4
Total non-performing assets	\$ 22.9	\$ 22.0	\$ 28.6	\$ 34.3	\$ 35.6	\$ 30.5