

People's United Financial, Inc.
Form 10-Q
May 10, 2013
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2013

Commission File Number 001-33326

PEOPLE S UNITED FINANCIAL, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of

20-8447891
(I.R.S. Employer

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incorporation or organization)

Identification No.)

850 Main Street, Bridgeport, Connecticut
(Address of principal executive offices)

06604
(Zip Code)

(203) 338-7171

(Registrant's telephone number, including area code)

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

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

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

Large accelerated filer

Accelerated filer

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

Smaller reporting company

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

As of April 30, 2013, there were 330,734,186 shares of the registrant's common stock outstanding.

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Item 1 - Financial Statements

People's United Financial, Inc.

Consolidated Statements of Condition - (Unaudited)

(in millions)	March 31, 2013	December 31, 2012
Assets		
Cash and due from banks	\$ 320.5	\$ 470.0
Short-term investments (note 2)	127.2	131.4
 Total cash and cash equivalents	 447.7	 601.4
Securities (note 2):		
Trading account securities, at fair value	6.4	6.5
Securities available for sale, at fair value	4,570.4	4,532.3
Securities held to maturity, at amortized cost (fair value of \$60.6 million and \$60.9 million)	56.1	56.2
Federal Home Loan Bank stock, at cost	83.0	73.7
 Total securities	 4,715.9	 4,668.7
 Loans held for sale	 50.7	 77.0
Loans (note 3):		
Commercial	8,469.5	8,400.0
Commercial real estate	7,599.2	7,294.2
Residential mortgage	3,958.8	3,886.1
Consumer	2,133.4	2,156.3
 Total loans	 22,160.9	 21,736.6
Less allowance for loan losses	(187.3)	(188.0)
 Total loans, net	 21,973.6	 21,548.6
 Goodwill (note 6)	 1,954.5	 1,954.5
Other acquisition-related intangible assets (note 6)	192.5	199.0
Premises and equipment	327.0	330.4
Bank-owned life insurance	336.3	336.5
Other assets (notes 3 and 11)	600.0	608.3
 Total assets	 \$ 30,598.2	 \$ 30,324.4

Liabilities

Deposits:

Non-interest-bearing	\$ 4,994.3	\$ 5,084.3
Savings, interest-bearing checking and money market	12,210.8	11,959.8
Time	4,586.5	4,706.4
 Total deposits	 21,791.6	 21,750.5

Borrowings:

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Federal Home Loan Bank advances	1,407.4	1,178.3
Federal funds purchased	934.0	619.0
Retail repurchase agreements	506.9	588.2
Other borrowings	1.0	1.0
Total borrowings	2,849.3	2,386.5
Notes and debentures	659.3	659.0
Other liabilities (note 11)	411.9	489.6
Total liabilities	25,712.1	25,285.6
Commitments and contingencies (note 8)		
Stockholders Equity		
Common stock (\$0.01 par value; 1.95 billion shares authorized; 396.2 million shares and 395.8 million shares issued)	3.9	3.9
Additional paid-in capital	5,265.2	5,261.3
Retained earnings	753.6	756.2
Treasury stock, at cost (67.3 million shares and 56.2 million shares) (note 4)	(856.4)	(712.2)
Accumulated other comprehensive loss (note 4)	(108.5)	(96.9)
Unallocated common stock of Employee Stock Ownership Plan, at cost (8.3 million shares and 8.4 million shares) (note 7)	(171.7)	(173.5)
Total stockholders equity	4,886.1	5,038.8
Total liabilities and stockholders equity	\$ 30,598.2	\$ 30,324.4

See accompanying notes to consolidated financial statements.

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People's United Financial, Inc.

Consolidated Statements of Income - (Unaudited)

(in millions, except per share data)	Three Months Ended March 31,	
	2013	2012
Interest and dividend income:		
Commercial	\$ 86.7	\$ 92.8
Commercial real estate	85.5	91.7
Residential mortgage	34.5	36.2
Consumer	18.8	20.7
Total interest on loans (note 12)	225.5	241.4
Securities	22.7	18.0
Loans held for sale	0.4	0.5
Short-term investments	0.1	0.3
Total interest and dividend income (note 12)	248.7	260.2
Interest expense:		
Deposits	20.8	23.1
Borrowings	2.3	1.7
Notes and debentures	6.3	2.2
Total interest expense	29.4	27.0
Net interest income (note 12)	219.3	233.2
Provision for loan losses (note 3)	12.4	11.5
Net interest income after provision for loan losses (note 12)	206.9	221.7
Non-interest income:		
Bank service charges	30.1	30.3
Investment management fees	9.0	8.6
Insurance revenue	8.3	8.4
Brokerage commissions	3.3	3.1
Operating lease income	8.3	6.7
Net gains on sales of residential mortgage loans	5.7	3.6
Other non-interest income	18.2	11.7
Total non-interest income	82.9	72.4
Non-interest expense:		
Compensation and benefits	108.2	110.3
Occupancy and equipment	37.9	33.4
Professional and outside service fees	13.9	15.3
Operating lease expense	7.5	5.6
Amortization of other acquisition-related intangible assets (note 6)	6.5	6.6
Other non-interest expense	38.0	37.4
Total non-interest expense	212.0	208.6

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Income before income tax expense (note 12)	77.8	85.5
Income tax expense (note 12)	25.3	28.2
Net income (note 12)	\$ 52.5	\$ 57.3
Earnings per common share (notes 5 and 12):		
Basic	\$ 0.16	\$ 0.17
Diluted	0.16	0.17
See accompanying notes to consolidated financial statements.		

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People's United Financial, Inc.

Consolidated Statements of Comprehensive Income - (Unaudited)

(in millions)	Three Months Ended	
	March 31,	
	2013	2012
Net income	\$ 52.5	\$ 57.3
Other comprehensive income (loss), net of tax:		
Net actuarial loss, prior service cost and transition obligation related to pension and other postretirement benefit plans	1.3	1.7
Net unrealized gains and losses on securities available for sale	(13.1)	1.5
Net unrealized gains and losses on derivatives accounted for as cash flow hedges	0.2	(0.5)
Total other comprehensive (loss) income, net of tax (note 4)	(11.6)	2.7
Total comprehensive income	\$ 40.9	\$ 60.0

See accompanying notes to consolidated financial statements.

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People's United Financial, Inc.

Consolidated Statements of Changes in Stockholders' Equity - (Unaudited)

Three months ended March 31, 2013	Common Stock	Additional Paid-In Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Loss	Unallocated ESOP Common Stock	Total Stockholders Equity
(in millions, except per share data)							
Balance at December 31, 2012	\$ 3.9	\$ 5,261.3	\$ 756.2	\$ (712.2)	\$ (96.9)	\$ (173.5)	\$ 5,038.8
Net income			52.5				52.5
Other comprehensive loss, net of tax					(11.6)		(11.6)
Cash dividends on common stock (\$0.16 per share)			(52.8)				(52.8)
Restricted stock awards		2.6					2.6
ESOP common stock committed to be released (note 7)			(0.7)			1.8	1.1
Common stock repurchased (note 4)				(144.2)			(144.2)
Common stock repurchased and retired upon vesting of restricted stock awards			(1.6)				(1.6)
Stock options and related tax benefits		1.3					1.3
Balance at March 31, 2013	\$ 3.9	\$ 5,265.2	\$ 753.6	\$ (856.4)	\$ (108.5)	\$ (171.7)	\$ 4,886.1

Three months ended March 31, 2012	Common Stock	Additional Paid-In Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Loss	Unallocated ESOP Common Stock	Total Stockholders Equity
(in millions, except per share data)							
Balance at December 31, 2011	\$ 3.9	\$ 5,247.0	\$ 734.5	\$ (493.5)	\$ (95.8)	\$ (180.7)	\$ 5,215.4
Net income			57.3				57.3
Other comprehensive income, net of tax					2.7		2.7
Cash dividends on common stock (\$0.1575 per share)			(54.9)				(54.9)
Restricted stock awards		3.2	(0.2)	0.8			3.8
ESOP common stock committed to be released (note 7)			(0.7)			1.8	1.1
Common stock repurchased (note 4)				(56.4)			(56.4)
Common stock repurchased and retired upon vesting of restricted stock awards			(1.4)				(1.4)
Stock options and related tax benefits		2.1					2.1
Balance at March 31, 2012 (note 12)	\$ 3.9	\$ 5,252.3	\$ 734.6	\$ (549.1)	\$ (93.1)	\$ (178.9)	\$ 5,169.7

See accompanying notes to consolidated financial statements.

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People's United Financial, Inc.

Consolidated Statements of Cash Flows - (Unaudited)

(in millions)	Three Months Ended March 31,	
	2013	2012
Cash Flows from Operating Activities:		
Net income	\$ 52.5	\$ 57.3
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	12.4	11.5
Depreciation and amortization of premises and equipment	10.1	9.3
Expense related to operating leases	7.5	5.6
Amortization of other acquisition-related intangible assets	6.5	6.6
Net gains on sales of residential mortgage loans	(5.7)	(3.6)
ESOP common stock committed to be released	1.1	1.1
Expense related to share-based awards	3.9	5.6
Originations of loans held-for-sale	(223.4)	(195.7)
Proceeds from sales of loans held-for-sale	255.4	244.5
Net decrease in trading account securities	0.1	49.2
Net changes in other assets and liabilities	(45.8)	(26.0)
Net cash provided by operating activities	74.6	165.4
Cash Flows from Investing Activities:		
Proceeds from principal repayments and maturities of securities available for sale	278.4	220.0
Proceeds from principal repayments of securities held to maturity	0.1	
Proceeds from redemption of FHLB stock	0.9	4.0
Purchases of securities available for sale	(358.2)	(235.9)
Purchases of FHLB stock	(10.2)	
Proceeds from sales of loans		7.4
Loan disbursements, net of principal collections	(435.6)	(120.6)
Purchases of premises and equipment	(6.7)	(0.1)
Purchases of leased equipment	(9.3)	(14.9)
Proceeds from sales of real estate owned	5.1	7.5
Return of premiums on bank-owned life insurance, net	0.9	0.1
Net cash used in investing activities	(534.6)	(132.5)
Cash Flows from Financing Activities:		
Net increase in deposits	41.1	451.7
Net increase (decrease) in borrowings with terms of three months or less	463.8	(44.4)
Repayments of borrowings with terms of more than three months	(0.1)	(0.1)
Cash dividends paid on common stock	(52.8)	(54.9)
Common stock repurchases	(145.8)	(57.8)
Proceeds from stock options exercised, including excess income tax benefits	0.1	0.2
Net cash provided by financing activities	306.3	294.7
Net (decrease) increase in cash and cash equivalents	(153.7)	327.6
Cash and cash equivalents at beginning of period	601.4	780.9
Cash and cash equivalents at end of period	\$ 447.7	\$ 1,108.5

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Supplemental Information:

Interest payments	\$ 26.2	\$ 31.2
Income tax payments	5.1	2.2
Real estate properties acquired by foreclosure	3.1	4.5

See accompanying notes to consolidated financial statements.

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People's United Financial, Inc.

Notes to Consolidated Financial Statements (Unaudited)

NOTE 1. GENERAL

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

As discussed in Note 12, previously reported results for the three months ended March 31, 2012 have been revised to reflect a reduction in interest income on certain acquired loans.

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

Note 1 to People's United Financial's audited consolidated financial statements included in the Annual Report on Form 10-K for the year ended December 31, 2012, as supplemented by this Quarterly Report for the period ended March 31, 2013, provides disclosure of People's United Financial's significant accounting policies. Several accounting estimates are particularly critical and are susceptible to significant near-term change, including the allowance for loan losses and asset impairment judgments, such as the recoverability of goodwill and other intangible assets, and other-than-temporary declines in the fair value of securities. These significant accounting policies and critical estimates are reviewed with the Audit Committee of the Board of Directors.

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

Certain information and footnote disclosures normally included in consolidated financial statements prepared in conformity with U.S. generally accepted accounting principles have been omitted or condensed. As a result, the accompanying consolidated financial statements should be read in conjunction with People's United Financial's Annual Report on Form 10-K for the year ended December 31, 2012. The results of operations for the three months ended March 31, 2013 are not necessarily indicative of the results of operations that may be expected for the entire year or any other interim period.

Table of Contents**People's United Financial, Inc.****Notes to Consolidated Financial Statements (Unaudited)****NOTE 2. SECURITIES AND SHORT-TERM INVESTMENTS**

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

As of March 31, 2013 (in millions)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities available for sale:				
Debt securities:				
U.S. Treasury and agency	\$ 23.3	\$ 0.6	\$	\$ 23.9
GSE (1) residential mortgage-backed securities and CMOs (2)	3,844.2	59.9	(3.7)	3,900.4
State and municipal	579.5	11.2	(8.3)	582.4
Corporate	58.0	2.3		60.3
Other	2.6	0.6		3.2
Total debt securities	4,507.6	74.6	(12.0)	4,570.2
Equity securities	0.2			0.2
Total securities available for sale	\$ 4,507.8	\$ 74.6	\$ (12.0)	\$ 4,570.4
Securities held to maturity:				
Debt securities:				
Corporate	\$ 55.0	\$ 4.5	\$	\$ 59.5
Other	1.1			1.1
Total securities held to maturity	\$ 56.1	\$ 4.5	\$	\$ 60.6

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

As of December 31, 2012 (in millions)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities available for sale:				
Debt securities:				
U.S. Treasury and agency	\$ 30.1	\$ 0.6	\$	\$ 30.7
GSE residential mortgage-backed securities and CMOs	3,830.9	69.1	(1.0)	3,899.0
State and municipal	527.4	15.0	(2.8)	539.6
Corporate	57.9	2.0		59.9
Other	2.6	0.3		2.9

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Total debt securities	4,448.9	87.0	(3.8)	4,532.1
Equity securities	0.2			0.2
Total securities available for sale	\$ 4,449.1	\$ 87.0	\$ (3.8)	\$ 4,532.3
Securities held to maturity:				
Debt securities:				
Corporate	\$ 55.0	\$ 4.7	\$	\$ 59.7
Other	1.2			1.2
Total securities held to maturity	\$ 56.2	\$ 4.7	\$	\$ 60.9

Table of Contents**People's United Financial, Inc.****Notes to Consolidated Financial Statements (Unaudited)**

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

	Continuous Unrealized Loss Position				Total	
	Less Than 12 Months		12 Months Or Longer		Fair Value	Unrealized Losses
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses		
As of March 31, 2013 (in millions)						
GSE residential mortgage-backed securities and CMOs	\$ 1,235.0	\$ (3.7)	\$	\$	\$ 1,235.0	\$ (3.7)
State and municipal	324.0	(8.3)	0.1		324.1	(8.3)
U.S. Treasury and agency	7.0				7.0	
Total	\$ 1,566.0	\$ (12.0)	\$ 0.1	\$	\$ 1,566.1	\$ (12.0)

	Continuous Unrealized Loss Position				Total	
	Less Than 12 Months		12 Months Or Longer		Fair Value	Unrealized Losses
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses		
As of December 31, 2012 (in millions)						
GSE residential mortgage-backed securities and CMOs	\$ 571.6	\$ (1.0)	\$	\$	\$ 571.6	\$ (1.0)
State and municipal	148.2	(2.8)	0.1		148.3	(2.8)
U.S. Treasury and agency	4.2				4.2	
Total	\$ 724.0	\$ (3.8)	\$ 0.1	\$	\$ 724.1	\$ (3.8)

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

Management believes that all gross unrealized losses within the securities portfolio at March 31, 2013 and December 31, 2012 are temporary impairments. Management does not intend to sell such securities. No other-than-temporary impairment losses were recognized in the Consolidated Statements of Income for the three months ended March 31, 2013 and 2012.

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

Table of Contents**People's United Financial, Inc.****Notes to Consolidated Financial Statements (Unaudited)**

The following table is a summary of the amortized cost and fair value of debt securities as of March 31, 2013, based on remaining period to contractual maturity. Information for GSE residential mortgage-backed securities and CMOs is based on the final contractual maturity dates without considering repayments and prepayments.

(in millions)	Available for Sale		Held to Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
U.S. Treasury and agency:				
Within 1 year	\$ 18.0	\$ 18.1	\$	\$
After 5 but within 10 years	5.3	5.8		
Total	23.3	23.9		
GSE residential mortgage-backed securities and CMOs:				
After 5 but within 10 years	681.4	684.8		
After 10 years	3,162.8	3,215.6		
Total	3,844.2	3,900.4		
State and municipal:				
Within 1 year	1.5	1.6		
After 1 but within 5 years	15.0	15.7		
After 5 but within 10 years	121.4	125.3		
After 10 years	441.6	439.8		
Total	579.5	582.4		
Corporate:				
After 1 but within 5 years	58.0	60.3		
After 5 but within 10 years			55.0	59.5
Total	58.0	60.3	55.0	59.5
Other:				
Within 1 year			0.1	0.1
After 1 but within 5 years			1.0	1.0
After 10 years	2.6	3.2		
Total	2.6	3.2	1.1	1.1
Total:				
Within 1 year	19.5	19.7	0.1	0.1
After 1 but within 5 years	73.0	76.0	1.0	1.0
After 5 but within 10 years	808.1	815.9	55.0	59.5
After 10 years	3,607.0	3,658.6		
Total	\$ 4,507.6	\$ 4,570.2	\$ 56.1	\$ 60.6

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People's United Bank, as a member of the Federal Home Loan Bank (FHLB) of Boston, is currently required to purchase and hold shares of FHLB capital stock (total cost of \$70.1 million at March 31, 2013 and \$59.9 million at December 31, 2012) in an amount equal to its membership base investment plus an activity based investment determined according to People's United Bank's level of outstanding FHLB advances. As a result of the Smithtown Bancorp, Inc. (Smithtown) acquisition completed in 2010, People's United Financial acquired shares of capital stock in the FHLB of New York (total cost of \$12.9 million at March 31, 2013 and \$13.8 million at December 31, 2012). Based on the current capital adequacy and liquidity position of both the FHLB of Boston and the FHLB of New York, management believes there is no impairment in the Company's investment at March 31, 2013 and the cost of the investment approximates fair value.

The balance of short-term investments at March 31, 2013 and December 31, 2012 primarily consisted of \$72.8 million and \$69.7 million, respectively, of interest-bearing deposits at the Federal Reserve Bank of New York. These deposits represent an alternative to overnight federal funds sold and had a yield of 0.25% at both March 31, 2013 and December 31, 2012.

Table of Contents**People's United Financial, Inc.****Notes to Consolidated Financial Statements (Unaudited)****NOTE 3. LOANS**

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

Commercial Banking: commercial real estate; commercial and industrial; and equipment financing.

Retail: residential mortgage; home equity; and other consumer.

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

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

Establishment of the allowance for loan losses (including the identification of *impaired* loans and related impairment measurement considerations);

Income recognition (including the classification of a loan as *non-accrual* and the treatment of loan origination costs); and

Recognition of loan charge-offs.

The Company did not change its policies with respect to loans or its methodology for determining the allowance for loan losses during the three months ended March 31, 2013.

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

(in millions)	March 31, 2013			December 31, 2012		
	Originated	Acquired	Total	Originated	Acquired	Total
Commercial Banking:						
Commercial real estate	\$ 6,632.7	\$ 966.5	\$ 7,599.2	\$ 6,256.1	\$ 1,038.1	\$ 7,294.2
Commercial and industrial	5,499.8	586.9	6,086.7	5,437.4	610.3	6,047.7
Equipment financing	2,261.1	121.7	2,382.8	2,201.9	150.4	2,352.3
Total commercial	7,760.9	708.6	8,469.5	7,639.3	760.7	8,400.0
Total Commercial Banking	14,393.6	1,675.1	16,068.7	13,895.4	1,798.8	15,694.2

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Retail:						
Residential mortgage:						
Adjustable-rate	3,238.7	191.1	3,429.8	3,130.9	204.3	3,335.2
Fixed-rate	389.1	139.9	529.0	400.5	150.4	550.9
Total residential mortgage	3,627.8	331.0	3,958.8	3,531.4	354.7	3,886.1
Consumer:						
Home equity	1,967.8	74.8	2,042.6	1,969.4	82.1	2,051.5
Other consumer	88.6	2.2	90.8	102.3	2.5	104.8
Total consumer	2,056.4	77.0	2,133.4	2,071.7	84.6	2,156.3
Total Retail	5,684.2	408.0	6,092.2	5,603.1	439.3	6,042.4
Total loans	\$ 20,077.8	\$ 2,083.1	\$ 22,160.9	\$ 19,498.5	\$ 2,238.1	\$ 21,736.6

Net deferred loan costs, which are included in total loans and accounted for as interest yield adjustments, totaled \$42.6 million at March 31, 2013 and \$41.9 million at December 31, 2012.

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People's United Financial, Inc.

Notes to Consolidated Financial Statements (Unaudited)

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

Three months ended March 31, 2013 (in millions)	Commercial Banking			Retail			Total
	Originated	Acquired	Total	Originated	Acquired	Total	
Balance at beginning of period	\$ 157.5	\$ 10.5	\$ 168.0	\$ 20.0	\$	\$ 20.0	\$ 188.0
Charge-offs	(7.4)	(3.0)	(10.4)	(3.8)	(0.3)	(4.1)	(14.5)
Recoveries	1.0		1.0	0.4		0.4	1.4
Net loan charge-offs	(6.4)	(3.0)	(9.4)	(3.4)	(0.3)	(3.7)	(13.1)
Provision for loan losses	8.4	2.3	10.7	1.4	0.3	1.7	12.4
Balance at end of period	\$ 159.5	\$ 9.8	\$ 169.3	\$ 18.0	\$	\$ 18.0	\$ 187.3

Three months ended March 31, 2012 (in millions)	Commercial Banking			Retail			Total
	Originated	Acquired	Total	Originated	Acquired	Total	
Balance at beginning of period	\$ 160.4	\$ 7.4	\$ 167.8	\$ 15.1	\$	\$ 15.1	\$ 182.9
Charge-offs	(8.1)		(8.1)	(4.8)		(4.8)	(12.9)
Recoveries	0.9		0.9	0.8		0.8	1.7
Net loan charge-offs	(7.2)		(7.2)	(4.0)		(4.0)	(11.2)
Provision for loan losses	4.3	0.3	4.6	6.9		6.9	11.5
Balance at end of period	\$ 157.5	\$ 7.7	\$ 165.2	\$ 18.0	\$	\$ 18.0	\$ 183.2

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

As of March 31, 2013 (in millions)	Originated Loans		Originated Loans		Acquired Loans (Discounts Related to Credit Quality)		Total	
	Individually Evaluated for Impairment Portfolio	Allowance	Collectively Evaluated for Impairment Portfolio	Allowance	Portfolio	Allowance	Portfolio	Allowance
Commercial Banking	\$ 210.0	\$ 12.6	\$ 14,183.6	\$ 146.9	\$ 1,675.1	\$ 9.8	\$ 16,068.7	\$ 169.3
Retail	69.5		5,614.7	18.0	408.0		6,092.2	18.0
Total	\$ 279.5	\$ 12.6	\$ 19,798.3	\$ 164.9	\$ 2,083.1	\$ 9.8	\$ 22,160.9	\$ 187.3

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As of December 31, 2012
(in millions)

	Originated Loans Collectively Evaluated for Impairment	Acquired Loans (Discounts Related to Credit Quality)	Total
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