# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION
**Washington, D.C. 20549**

# FORM 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
**For the fiscal year ended December 31, 2020**
**or**

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
**For the transition period from ___________ to _________**

# People's United Financial, Inc.
**(Exact name of registrant as specified in its charter)**

**001-33326**
**(Commission File Number)**

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

**850 Main Street**
**Bridgeport, Connecticut 06604**
**(Address of principal executive offices, including zip code)**
**(203) 338-7171**
**(Registrant's telephone number, including area code)**

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

| (Title of each class) | Trading Symbol | (Name of each exchange on which registered) |
|---|---|---|
| Common Stock, $0.01 par value per share | PBCT | NASDAQ Global Select Market |
| Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, Series A, $0.01 par value per share | PBCTP | NASDAQ Global Select Market |

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

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

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

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 every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

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

| | | | | | |
|---|---|---|---|---|---|
| Large accelerated filer | ☒ | Accelerated filer | ☐ | Smaller reporting company | ☐ |
| Non-accelerated filer | ☐ | | | Emerging growth company | ☐ |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

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

The aggregate market value of voting stock held by non-affiliates of the registrant, based upon the last reported sales price of its common stock as of the last business day of the registrant's most recently completed second quarter on the NASDAQ Global Select Market was approximately $4.91 billion.

As of February 19, 2021, there were 425,524,923 shares of the registrant's common stock outstanding.

**Documents Incorporated by Reference**

The information required by Part III is incorporated by reference to our definitive proxy statement or in an amendment to the Form 10-K, to be filed no later than 120 days after the end of the fiscal year covered by this Form 10-K.

**PEOPLE'S UNITED FINANCIAL, INC.**
**2020 FORM 10-K**

**Table of Contents**

## Part I

## Item 1. Business

### General

People's United Financial, Inc. ("People's United" or the "Company") is a bank holding company and a financial holding company registered under the Bank Holding Company Act of 1956 (the "BHC Act"), as amended, and is incorporated under the state laws of Delaware. People's United is the holding company for People's United Bank, National Association (the "Bank"), a national banking association headquartered in Bridgeport, Connecticut.

The principal business of People's United is to provide, through the Bank and its subsidiaries, commercial banking, retail banking and wealth management services to individual, corporate and municipal customers. Traditional banking activities are conducted primarily within New England and southeastern New York, and include extending secured and unsecured commercial and consumer loans, originating mortgage loans secured by residential and commercial properties, and accepting consumer, commercial and municipal deposits.

In addition to traditional banking activities, the Bank provides specialized financial services tailored to specific markets including: personal, institutional and employee benefit trust; cash management; and municipal banking. Through its non-banking subsidiaries, the Bank offers: equipment financing through People's Capital and Leasing Corp. ("PCLC"), People's United Equipment Finance Corp. ("PUEFC") and LEAF Commercial Capital, Inc. ("LEAF"); brokerage, financial advisory services, investment management services and life insurance through People's Securities, Inc. ("PSI"); and investment advisory services and financial management and planning services through People's United Advisors, Inc. ("PUA").

This full-range of financial services is delivered through a network of 417 branches located in Connecticut, southeastern New York, Massachusetts, Vermont, New Hampshire and Maine, including 84 full-service in-store Stop & Shop supermarket branches throughout Connecticut and 56 in southeastern New York that provide customers with seven-days-a-week banking in most locations. The Bank's distribution network includes investment and brokerage offices, commercial banking offices, online banking and investment trading, a 24-hour telephone banking service and participation in a worldwide ATM network. PCLC, PUEFC and LEAF maintain a sales presence in 16 states to support equipment financing operations throughout the United States. The Bank maintains a mortgage warehouse lending group located in Kentucky and a national credits group that has participations in commercial loans and commercial real estate loans to borrowers in various industries on a national scale.

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

The Company's operating segments have been aggregated into two reportable segments: Commercial Banking and Retail Banking. Commercial Banking consists principally of commercial real estate lending, middle market and business banking, mortgage warehouse and asset-based lending, and the equipment financing operations of PCLC, PUEFC and LEAF. This segment also provides treasury management services, capital market capabilities and commercial deposit products. Retail Banking includes, as its principal business lines, consumer lending (including residential mortgage and home equity lending) and consumer deposit gathering activities. This segment also includes those services provided by PSI and PUA as well as non-institutional trust services.

Effective June 27, 2018, the Bank completed its acquisition of Vend Lease Company ("Vend Lease"). Effective October 1, 2018, People's United completed its acquisition of First Connecticut Bancorp, Inc. ("First Connecticut") based in Farmington, Connecticut. Effective January 2, 2019, the Bank completed its acquisition of VAR Technology Finance ("VAR"). Both Vend Lease and VAR are now considered divisions of LEAF. Effective April 1, 2019, People's United completed its acquisition of BSB Bancorp, Inc. ("BSB Bancorp") based in Belmont, Massachusetts. Effective November 1, 2019, People's United completed its acquisition of United Financial Bancorp, Inc. ("United Financial") based in Hartford, Connecticut. The assets acquired and liabilities assumed in these transactions were recorded at their estimated fair values as of the respective closing dates. People's United's results of operations include the results of these acquired companies beginning with the respective effective dates. See Note 2 to the Consolidated Financial Statements for a further discussion on these acquisitions. Further discussion of People's United's business and operations appears on pages 21 through 72.

On February 22, 2021, People's United and M&T Bank Corporation ("M&T") announced that they have entered into a definitive agreement under which M&T will acquire People's United in an all-stock transaction. Under the terms of the agreement, each share of People's United common stock will be converted into the right to receive 0.118 shares of M&T common stock. The merger is expected to close in the fourth quarter of 2021, subject to the satisfaction of customary closing conditions, including receipt of regulatory approvals and approval by the shareholders of each company.

## Supervision and Regulation

*People's United Financial, Inc.*

*General*

As a bank holding company and a financial holding company, People's United is regulated under the BHC Act and is subject to supervision, examination and regulation by the Board of Governors of the Federal Reserve System (the "FRB"). Among other things, this authority permits the FRB to restrict or prohibit activities that are determined to be a serious risk to the subsidiary bank. A bank holding company should have sufficient capital and an effective capital planning process, consistent with its overall risk profile and considering the size, scope, and complexity of its operations, to ensure its safe and sound operation. In addition, the FRB evaluates a bank holding company's capital planning and capital distribution processes, and its capital sufficiency in light of relevant regulations and supervisory guidance applicable to bank holding companies.

***Activities Restrictions Applicable to Bank Holding Companies.*** The activities of a bank holding company, including People's United, must be financially-related activities permissible for a bank holding company, unless the bank holding company has elected to be treated as a financial holding company. A bank holding company that has made a financial holding company election may also engage in activities permissible under section 4(k) of the BHC Act.

Federal law prohibits a bank holding company directly or indirectly, from acquiring:

- control (as defined under the BHC Act) of another bank (or a holding company parent) without prior FRB approval;
- through merger, consolidation or purchase of assets, another bank or a holding company thereof, or acquiring all or substantially all of the assets of such institution or holding company without prior approval by the FRB or the Office of the Comptroller of the Currency (the "OCC"); or
- control of any depository institution not insured by the Federal Deposit Insurance Corporation (the "FDIC") (except through a merger with and into the holding company's bank subsidiary that is approved by the OCC).

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

*Federal Securities Law*

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

*Delaware Corporation Law*

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

*Regulatory Capital Requirements*

Bank holding companies and national banks are subject to various regulations regarding capital requirements administered by U.S. banking agencies. The FRB (in the case of a bank holding company) and the OCC (in the case of a bank) may initiate certain actions if a bank holding company or a bank fails to meet minimum capital requirements. In addition, under its prompt corrective action regulations, the OCC is required to take certain supervisory actions (and may take additional discretionary actions) with respect to an undercapitalized bank. These actions could have a direct material effect on a bank's financial statements. People's United and the Bank are subject to regulatory capital requirements administered by the FRB and the OCC, respectively. Both People's United and the Bank are subject to capital rules (the "Basel III capital rules") issued by U.S. banking agencies. See *Management's Discussion and Analysis—Regulatory Capital Requirements* beginning on page 67 for a further discussion regarding capital requirements.

*Dividends and Capital Distributions*

People's United is dependent upon dividends from the Bank to provide funds for the payment of dividends to shareholders and other general corporate purposes. People's United's ability to pay cash dividends is governed by federal law and regulations, including requirements to maintain adequate capital above regulatory minimums and safety and soundness practices.

The National Bank Act and OCC regulations impose limitations upon dividend payments by national banks. A national bank must file an application with the OCC if the total amount of its dividends for the applicable calendar year exceeds the national bank's net income for that year plus its retained net income for the preceding two years. The Bank may not pay dividends to People's United if, after paying those dividends, it would fail to meet the required minimum levels under risk-based capital guidelines or if the OCC notified the Bank that it was in need of more than normal supervision.

In addition, a national bank is required to file an application with the OCC for the redemption of subordinated debt under certain circumstances, as well as for reductions in permanent capital.

Under the Federal Deposit Insurance Act (the "FDI Act"), an insured depository institution, such as the Bank, is prohibited from making capital distributions, including the payment of dividends, if, after making such distribution, the institution would become "undercapitalized" (as such term is used in the FDI Act). Payment of dividends by the Bank also may be restricted at any time at the discretion of the appropriate regulator if it deems the payment to constitute an unsafe and unsound banking practice. See Note 15 to the Consolidated Financial Statements for a further discussion on capital distributions.

**Supervision and Regulation**

*People's United Bank, National Association*

*General*

The Bank is subject to regulation, examination, supervision and reporting requirements by the OCC as its primary regulator, by the FDIC as the deposit insurer and by the Consumer Financial Protection Bureau (the "CFPB") with respect to compliance with designated consumer financial laws. Its deposit accounts are insured up to applicable limits by the FDIC under the DIF.

The Bank files reports with the OCC concerning its activities and financial condition, and must obtain regulatory approval from the OCC prior to entering into certain transactions, such as mergers with, or acquisitions of, other depository institutions. The OCC conducts periodic examinations to assess compliance with various regulatory requirements. The OCC has substantial discretion to impose enforcement action on a national bank that fails to comply with applicable regulatory requirements, particularly with respect to capital requirements imposed on national banks. In addition, the FDIC has the authority to recommend to the OCC that enforcement action be taken with respect to a particular national bank and, if action is not taken by the OCC, the FDIC has authority to take such action under certain circumstances.

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

The Bank's brokerage subsidiary, PSI, is regulated by the SEC, the Financial Industry Regulatory Authority and state securities regulators. PUA is subject to the disclosure and regulatory requirements of the Investment Advisers Act of 1940, as administered by the SEC.

**Activity Powers.** National association banks derive their lending, investment and other activity powers primarily from the National Bank Act and the regulations of the OCC thereunder. Under these laws and regulations, national banks generally may invest in:

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

The ability of a national bank to invest in debt securities is limited to those securities that are readily marketable, investment grade and primarily non-speculative. OCC regulations also impose limits on the amount of investments in certain types of debt securities.

**Safety and Soundness Standards.** Each federal banking agency, including the OCC, has adopted guidelines establishing general standards relating to internal controls, information and internal audit systems, loan documentation, credit underwriting, interest rate exposure, asset growth, asset quality, earnings and compensation, fees and benefits. In general, the guidelines require, among other things, appropriate systems and practices to identify and manage the risks and exposures specified in the guidelines.

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

**Prompt Corrective Action.** FDICIA also established a system of prompt corrective action to resolve the problems of undercapitalized institutions. Under this system, federal bank regulators, including the OCC, are required to take certain, and authorized to take other, supervisory actions against undercapitalized institutions, based upon five categories of capitalization which FDICIA created: "well-capitalized," "adequately capitalized," "undercapitalized," "significantly undercapitalized" and "critically undercapitalized".

The severity of the action authorized or required to be taken under the prompt corrective action regulations increases as a bank's capital decreases within the three undercapitalized categories. All banks are prohibited from paying dividends or other capital distributions or paying management fees to any controlling person if, following such distribution, the bank would be undercapitalized. The OCC is required to monitor closely the condition of an undercapitalized bank and to restrict the growth of its assets. An undercapitalized bank is required to file a capital restoration plan within 45 days of the date the bank receives notice or is deemed to have notice that it is within any of the three undercapitalized categories, and the plan must be guaranteed by a parent holding company.

The aggregate liability of a parent holding company is limited to the lesser of:

- an amount equal to 5% of the bank's total assets at the time it became "undercapitalized"; and
- the amount that is necessary (or would have been necessary) to bring the bank into compliance with all capital standards applicable with respect to such bank as of the time it fails to comply with a capital restoration plan.

If a bank fails to submit an acceptable plan, it is treated as if it were "significantly undercapitalized". Banks that are significantly or critically undercapitalized are subject to a wider range of regulatory requirements and restrictions. Under OCC regulations, generally, a national bank is treated as "well-capitalized" if its Total risk-based capital ratio is 10% or greater, its Tier 1 risk-based capital ratio is 8% or greater, its Common Equity Tier 1 ("CET 1") capital ratio is 6.5% or greater and its Tier 1 leverage ratio is 5% or greater, and it is not subject to any order or directive by the OCC to meet a specific capital level. Basel III capital rules also revised the prompt corrective action framework by incorporating new regulatory capital minimums. As of December 31, 2020, the Bank's regulatory capital ratios exceeded the OCC's numeric criteria for classification as a "well-capitalized" institution.

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

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

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

The FDIC has established a system for setting deposit insurance premiums based upon the risks a particular bank poses to the DIF. The quarterly assessment is based on a bank's average consolidated total assets minus average tangible equity (defined as Tier 1 capital). The FDIC applies a scorecard-based assessment system for financial institutions with more than $10 billion in assets (such as the Bank). One of the financial ratios used in the scorecard is the ratio of "higher risk" assets to Tier 1 capital and reserves. The classification of assets such as commercial and industrial loans, securities and consumer loans as "higher risk" is determined in accordance with applicable FDIC regulations and guidance. See *Management's Discussion and Analysis—Non-Interest Expense* beginning on page 41 for a further discussion regarding regulatory assessments.

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

**Transactions with Affiliates.** National banks are subject to the affiliate and insider transaction rules set forth in Sections 23A, 23B, 22(g) and 22(h) of the Federal Reserve Act, and their implementing regulations, Regulation W and Regulation O, issued by the FRB. Affiliated transaction provisions, among other things, prohibit or limit a national bank from extending credit to, or entering into certain transactions with, its affiliates and principal stockholders, directors and executive officers.

In addition, national banks are prohibited from making a loan to an affiliate that is engaged in non-bank holding company activities and purchasing or investing in securities issued by an affiliate that is not a subsidiary. The FRB and the OCC require each depository institution that is subject to the affiliate transaction restrictions of Sections 23A and 23B of the Federal Reserve Act to implement policies and procedures to ensure compliance with Regulation W.

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

**Privacy Standards.** The Bank is subject to OCC regulations implementing statutorily-mandated privacy protection. These regulations require the Bank to disclose its privacy policy, including identifying with whom it shares "non-public personal information," to customers at the time of establishing the customer relationship and annually thereafter. In addition, the Bank is required to provide its customers with the ability to "opt-out" of having the Bank share their non-public personal information with unaffiliated third parties before the Bank can disclose such information, subject to certain exceptions.

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

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

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

- a lending test, to evaluate the institution's record of making loans in its service areas;
- an investment test, to evaluate the institution's record of investing in community development projects, affordable housing and programs benefiting low or moderate income individuals and businesses; and
- a service test, to evaluate the institution's delivery of services through its branches, ATMs and other offices.

The CRA also requires all institutions to make public disclosure of their CRA ratings. The Bank received a "satisfactory" rating in its most recent CRA examination for the evaluation period ending December 31, 2018. The Federal banking agencies adopted regulations implementing the requirements under the Gramm-Leach-Bliley Act that insured depository institutions publicly disclose certain agreements that are in fulfillment of the CRA. The Bank has no such agreements in place at this time.

**Loans to One Borrower.** Generally, national banks may not make a loan or extend credit, including credit associated with derivatives and securities financing transactions, to a single or related group of borrowers in excess of 15% of the institution's unimpaired capital and surplus. Additional amounts may be loaned, not in excess of 10% of unimpaired capital and surplus, if such loans or extensions of credit are secured by readily-marketable collateral. The Bank is in compliance with applicable loans to one borrower limitations.

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

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

**Liquidity.** The Bank maintains sufficient liquidity to ensure its safe and sound operation, in accordance with applicable OCC regulations.

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

**Branching.** Under OCC branching regulations, the Bank is generally authorized to open branches nationwide. The Bank is required to submit an application to the OCC and publish a public notice prior to establishing a new branch or relocating an existing branch. OCC authority preempts any state law purporting to regulate branching by national banks.

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

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

The Bank, as a member of the FHLB of Boston, is currently required to purchase and hold shares of capital stock in the FHLB of Boston in an amount equal to 0.20% of the Bank's Membership Stock Investment Base plus an Activity Based Stock Investment Requirement. The Activity Based Stock Investment Requirement is equal to 3.0% of the principal balance of FHLB advances with an original maturity of one day and 4.0% of the principal balance of FHLB advances with an original maturity of two days or longer. The Bank is in compliance with these requirements. The Bank, as a member of the Federal Reserve Bank system, is currently required to purchase and hold shares of capital stock in the Federal Reserve Bank of New York (the "FRB-NY") in an amount equal to 6% of its capital and surplus.

**Reserve Requirements.** In December 2020, the FRB adopted a final rule that served to lower reserve requirement ratios on transaction accounts maintained at depository institutions, including the Bank, to zero percent, thereby effectively eliminating all reserve requirements.

**Market Area and Competition**

People's United's primary market areas are New England and southeastern New York, with Connecticut, Massachusetts and New York having the largest concentration of its loans, deposits and branches. At December 31, 2020, 25%, 20% and 18% of the Company's loans by outstanding principal amount were to customers located within Connecticut, Massachusetts and New York, respectively. Loans to customers located in the New England states as a group represented 55% of total loans at December 31, 2020. However, substantially the entire equipment financing portfolio (94% at December 31, 2020) was to customers located outside of New England. At December 31, 2020, 29% of the equipment financing portfolio was to customers located in Texas, California and New York, and no other state exposure was greater than 7%.

As of June 30, 2020, People's United had: (i) the largest market share of deposits in Fairfield County, Connecticut; (ii) the second largest market share of deposits in the state of Connecticut; and (iii) the largest market share of deposits in the state of Vermont. People's United competes for deposits, loans and financial services with commercial banks, savings institutions, commercial and consumer finance companies, mortgage banking companies, insurance companies, credit unions and a variety of other institutional lenders and securities firms.

As People's United's predominant market, Connecticut is one of the most attractive banking markets in the U.S. With a total population of approximately 3.6 million and a median household income of $81,962, Connecticut ranks seventh in the U.S., well above the U.S. median household income of $67,761, according to U.S. Census data and SNL Financial. The median household income in New York, which has the Company's second highest number of branches, was $74,462, according to U.S. Census data and SNL Financial. The median household income in Massachusetts and Vermont, which have the Company's third and fourth highest number of branches, was $87,126 and $67,454, respectively, according to U.S. Census data and SNL Financial.

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

## Human Capital Management

As an organization, we remain steadfast in our commitment to focus on our impact as a good corporate citizen and to create a culture where our moral and ethical obligations intersect with our top priorities of providing an exceptional customer experience and empowering our employees. Our human capital management strategy aligns with that commitment to ensure we leverage the talent needed, not just for today, but also for the future. Our employees are the foundation of our success and are responsible for upholding our guiding principles, which embody integrity, trust, empathy, collaboration, work ethic, courage, inclusion and positive attitude.

As of December 31, 2020 the Bank employed 5,987 total employees in the United States with a breakdown as follows:

- Full-Time 5,640
- Part-Time 287
- Temporary 60

### ***Talent Acquisition, Development and Retention***

*Hiring and Early-Stage Career Programs*

Successful execution of our strategy largely depends on attracting, developing and retaining dedicated employees and members of our management team. The skills, experience and industry knowledge of our employees significantly benefit our overall operations and performance. We regularly evaluate, modify, and enhance our methodology and processes to enhance employee engagement, productivity, and efficiency opportunities, skills, and resources they need to be successful.

To continuously provide our customers with a great banking experience, we are committed to hiring and building an outstanding team. In 2020, we hired 934 new employees, including 13 senior officers for key strategic positions. Though hiring was down 47% from the previous year due to the COVID-19 pandemic and a decrease in turnover, our commitment to maintaining a skilled and engaged workforce to meet the needs of our customers, especially during this challenging time, was and continues to be a top priority.

Another way we invest in our employees is through the continuous development and learning opportunities we provide. From early-stage career programs to management and leadership development, our employees are encouraged to take advantage of these dynamic tools to cultivate the knowledge and skills needed to perform and grow.

In 2020, we launched our first rotational development program where we enrolled 11 recent college graduates into a one-year learning experience, working directly with business areas where they will be assigned to positions upon graduation. Seven of these associates were participants in our corporate intern program, which we run each year attracting rising juniors and seniors from colleges and universities across our footprint.

*Talent Development, Career & Succession Planning*

To build manager capability and leadership skills, we offer several programs that combine instructor-led and self-paced curriculum as well as dialogues with executives and applied learning.

In 2020, we added a new program, “Always Coaching,” to build the coaching capability of our managers. Through coaching and the self-discovery it promotes for employees, we are supporting managers across all lines of our business to leverage coaching techniques to accelerate employee performance.

To provide all employees with access to continuous learning, we employ learning platforms that contain a library of on-demand courses on a variety of relevant topics that focus on skill enhancement, product knowledge and competency development.

To develop a pipeline of future leaders, high potential employees are nominated to participate in the “Lead from Any Chair” program, where emerging talent in non-management roles are exposed to training designed to increase strategic and business acumen and the development of impact and influence across the organization.

To identify our top talent and prepare them for future leadership roles, we have a disciplined annual talent management program that begins with managers and employees discussing career aspirations, followed by performance and potential talent discussions and succession planning, all supported by an integrated talent management portal.

### ***Total Rewards***

Our pay-for-performance culture enables employees to earn a salary and bonus based on how they perform compared against established business and development goals. This alignment of performance with goals originating from the top of the organization ensures that everyone is working toward a common purpose, which results in a clear vision and better outcomes.

To additionally recognize and reward employees who demonstrate the behaviors associated with our Guiding Principles and exhibit strong performance and results, we introduced two new recognition programs in 2020. The People's United Leadership program for managers to nominate deserving employees, and a peer-to-peer recognition program where colleagues can reward and recognize each other through an interactive platform.

Our benefit programs also demonstrate our commitment to the health and wellbeing of our employees. They include medical, dental, vision and other wellness plan options. For employees desiring to continue their education and explore opportunities across the organization, we offer tuition reimbursement and an internal job-posting program. We also offer flexible work arrangements, paid time off, employee assistance programs with 24/7 support, and leave of absence/family leave policies to help our employees balance their professional and personal goals.

***Diversity Equity and Inclusion/Culture***

We embrace diversity and inclusion. Our commitment to diversity and inclusion is represented by our hiring of the first Chief Diversity Officer in the Bank's history who will be empowered to focus on creating and executing our multi-year diversity, equity and inclusion strategy.

- As of December 31, 2020, women represented 62% of our overall workforce and represented 58% of new hires and 63% of promotions in 2020.
- As of December 31, 2020, people of color represented approximately 30% of our overall workforce and accounted for 32% of new hires and 33% of promotions.
- The Women in Leadership ("WIL") program launched in 2015 and has been a foundational pillar supporting our culture of diversity and inclusion. With 11 chapters across the country, WIL provided resources, support and contributions to over 25 community organizations. WIL also provides development opportunities through its signature mentoring program and event programming.

To protect our customers, our employees and our brand, as well as ensure we uphold our values of trust and respect for each other, all employees are required to successfully complete annual training on topics including safety, ethics and privacy. Employees must also complete training on sexual harassment prevention. Additionally, we consistently enforce policies such as Conflict Resolution, Discrimination- and Harassment-Free Work Environment, and Workplace Violence Prevention that help create and sustain our respectful, inclusive and positive work environment. People's United prohibits discrimination based on, including but not limited to, age, race, color, religion, sex, sexual orientation, gender, and gender identity and expression.

***Health and Safety/Well-Being***

Due to the priority and concern for the health and safety of our employees given the COVID-19 environment, we instituted many protocols and practices in 2020 that enabled us to meet the needs of our customers and maintain banking operations while demonstrating our commitment to the wellbeing of our employees.

We were able to swiftly shift two-thirds of the workforce to work remotely while our Retail Branch employees worked onsite following safety protocols to ensure their health and safety. A Health & Safety site plan was created for all work locations and a mandatory Health & Safety on-line pre-screen survey was implemented for all employees to successfully complete prior to entering a People's United worksite. Training on health and safety practices was administered to all employees.

To assist employees with balancing their personal responsibilities during this time, we created an additional Paid-Time-Off award program (10 days) for employees who did not have the ability to work remotely due to the nature of their jobs.

To support employee health and wellbeing, we implemented the CARES Act changes to our Medical plan covering telehealth services at 100% regardless of diagnosis and waived member out-of-pocket costs for COVID-related approved testing and treatment. We also implemented CARES Act changes to our 401(k) plan to allow for COVID-related distributions and increase the 401(k) loan allowance amount and 401(k) loan re-payment deferral period.

To maintain open communications and obtain feedback from our employees with respect to their continued wellbeing and productivity while working remotely, we created a dedicated intranet site with resources and FAQs and conducted surveys. Results from the survey conducted in September 2020 revealed that:

- 88% of the respondents felt they were as or more productive working from home; and
- 95% of the respondents felt the frequency and effectiveness of the communication from the Company had exceeded or met their expectations.

**Access to Information**

As a public company, People's United is subject to the informational requirements of the Exchange Act, as amended and, in accordance therewith, files reports, proxy and information statements and other information with the SEC. Such reports, proxy and information statements and other information can be inspected and copied at prescribed rates at the public reference room maintained by the SEC at 100 F Street N.E., Washington, D.C. 20549 and are available on the SEC's EDGAR database on the internet at www.sec.gov. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. People's United's common stock is listed on the NASDAQ Global Select Market under the symbol PBCT.

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

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

Form 10-K;

Form 10-Q;

Form 8-K;

Annual Report to Shareholders; and

Proxy Statement for Annual Meeting of Shareholders

## Item 1A. Risk Factors

**Interest Rate Risk**

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

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

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

People's United'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 United could earn less on some of its interest-earning assets while it is still obligated to pay higher rates on some of its interest-bearing liabilities. On the other hand, if interest rates go up, People's United might have to pay more on some of its interest-bearing liabilities while it continues to receive lower rates on some of its interest-earning assets.

People's United manages this risk using many different techniques. If unsuccessful in managing this risk, People's United may be less profitable.

***The Planned Phase-Out of LIBOR as a Reference Rate Could Adversely Affect our Results of Operations and Financial Condition***

The London Interbank Offered Rate ("LIBOR") is the reference rate used for many of our transactions, including lending and borrowing activities and the purchase and sale of securities, as well as derivative contracts entered into to manage the risk related to such transactions. In July 2017, the United Kingdom's Financial Conduct Authority ("FCA"), which regulates LIBOR, announced that it would no longer compel contributing banks to submit to the Intercontinental Exchange ("ICE") Benchmark Administrator the rates required to calculate LIBOR after 2021. This announcement indicates that the continuation of LIBOR on the current basis cannot be, and will not be, guaranteed after 2021. Consequently, at this time, it is not possible to predict whether and to what extent banks will continue to provide submissions for the calculation of LIBOR. Similarly, it is not possible to predict whether LIBOR will continue to be viewed as an acceptable market benchmark, what rate or rates may become accepted alternatives to LIBOR, or what the effect of any such changes in views or alternatives may be on the markets for LIBOR-indexed financial instruments.

In response to the FCA's announcement, regulators, industry groups and certain committees (e.g. the Alternative Reference Rates Committee) have published recommended fall-back language for LIBOR-linked financial instruments, identified recommended alternatives for certain LIBOR rates (e.g. the Secured Overnight Financing Rate as the recommended alternative to U.S. Dollar LIBOR), and proposed implementations of the recommended alternatives in floating-rate instruments. At this time, it is not possible to predict whether these specific recommendations and proposals will be broadly accepted, whether they will continue to evolve, and what the effect of their implementation may be on the markets for floating-rate financial instruments.

A transition from LIBOR could create considerable cost and additional risk for the Company. There remains uncertainty as to whether the composition or characteristics of any successor or alternative rate to LIBOR will be similar to, or produce the same economic value as, LIBOR. The transition may change our market risk profile, potentially requiring changes to risk and pricing models, valuation tools, product design and hedging strategies. Furthermore, failure to adequately manage this transition process with our customers could adversely impact our reputation and increase legal and operational costs. While we are currently unable to assess the ultimate impact of a transition from LIBOR, failure to effectively manage the transition could have a material adverse effect on our business, results of operations and financial condition.

**Lending and Credit-Related Risk**

***The Geographic Concentration of Our Loan Portfolio Could Make Us Vulnerable to a Downturn in the Economies in Which We Operate***

At December 31, 2020, 25%, 20% and 18% of the Company's loans by outstanding principal amount were to customers located within Connecticut, Massachusetts and New York, respectively. Loans to people and businesses located in the New England states as a group represented 55% of total loans at that date. How well our business performs depends very much on the health of these regional and local economies. We could experience losses in our real estate-related loan portfolios if the prices for housing and other kinds of real estate decreased significantly in New England or southeastern New York.

If the economic environment deteriorates, or negative trends emerge with respect to the financial markets, the New England and southeastern New York economies could suffer more than the national economy. This would be especially likely in Fairfield County, Connecticut (where the Company is headquartered) as well as the suburban communities of New York City and Boston as a result of the significant number of people living in these areas who also work in the financial services industry.

In addition, our ability to continue to originate real estate loans may be impaired by adverse changes in the local and regional economic conditions in these real estate markets. Decreases in real estate values could adversely affect the value of property used as collateral for our loans. Adverse changes in the economy may also have a negative effect on the ability of our borrowers to make timely repayments of their loans, which would have an adverse impact on our earnings. In addition, if poor economic conditions result in decreased demand for real estate loans, our profits may decrease because our alternative investments may be less profitable than real estate loans.

Our equipment financing business, which operates nationally, could be negatively affected by adverse changes in the national economy, even if those changes have no significant effect on the local and regional economies in which our other businesses operate.

No assurance can be given that such conditions will not occur or that such conditions will not result in a decrease in our interest income, an increase in our non-accrual loans, an increase in our provision for credit losses or an adverse impact on our loan losses.

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

We maintain an allowance for credit losses ("ACL") on loans, securities and off-balance-sheet credit exposures. In the case of loans and securities, the ACL represents a contra-asset valuation account that is deducted from the amortized cost basis of these assets to present the net amount expected to be collected. In the case of off-balance-sheet credit exposures, the ACL represents a liability account reported as a component of other liabilities in the Consolidated Statement of Condition. The amount of each allowance account represents management's best estimate of current expected credit losses on these financial instruments considering available information, from both internal and external sources, relevant to assessing exposure to credit loss over the contractual term of the underlying instruments. Relevant available information includes historical credit loss experience, current conditions and reasonable and supportable forecasts. As a result, the determination of the appropriate level of ACL inherently involves a high degree of subjectivity and requires us to make significant estimates related to current and expected future credit risks and trends, all of which may undergo material changes. Continuing deterioration in economic conditions affecting borrowers and securities issuers; new information regarding existing loans, credit commitments and securities holdings; and identification of additional problem loans, ratings down-grades and other factors, both within and outside of our control, may require an increase in the ACL on loans, securities and off-balance sheet credit exposures.

In addition, bank regulatory agencies periodically review our ACL and may require an increase in credit loss expense or the recognition of further loan charge-offs, based on judgments different than those of management. Furthermore, if any charge-offs related to loans, securities or off-balance sheet credit exposures in future periods exceed our ACL on loans, securities or off-balance sheet credit exposures, we will need to recognize additional credit loss expense to increase the applicable allowance. Any increase in the ACL on loans, securities and/or off-balance sheet credit exposures will result in a decrease in net income and, possibly, capital, and may have a material adverse effect on our business, financial condition and results of operations. See Note 1, "Summary of Significant Accounting Policies" and Note 6, "Allowance for Credit Losses" in the accompanying Consolidated Financial Statements for a further discussion.

***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. While we believe we have benefited from relatively stable asset quality, there are elements of our loan portfolio that inherently present greater credit risk, such as interest-only residential mortgage loans, home equity loans and lines with incomplete first lien data, and commercial real estate loans. Each of these portfolio risk elements, where potentially material in the context of our overall loan portfolio, are discussed in greater detail within *Management's Discussion and Analysis—Asset Quality* beginning on page 52. While the Company believes that it manages asset quality through prudent underwriting practices and collection operations, it is possible that our asset quality could deteriorate, depending upon economic conditions and other factors.

***Availability of First Lien Data With Respect to Our Home Equity Loans and Lines of Credit Could Delay Our Response to Any Deterioration in the Borrower's Credit***

We do not currently have statistics for our entire portfolio of home equity loans and lines of credit with respect to first liens serviced by third parties that have priority over our junior liens, as we did not historically capture that data on our loan servicing systems. As a result, we may therefore be unaware that the loan secured by the first lien is not performing, which could delay our response to an apparent deterioration in the borrower's creditworthiness. As of December 31, 2020, full and complete first lien position data was not readily available for 36% of the home equity portfolio which, in turn, represented 2% of our overall loan portfolio at that date.

We are working to obtain the missing first lien information and have, in certain cases, obtained the data through information reported to credit bureaus when the borrower defaults. This data collection effort, however, can be more difficult in cases where more than one mortgage is reported in a borrower's credit report and/or there is not a corresponding property address associated with a reported mortgage, in which case we are often unable to associate a specific first lien with our junior lien. See the discussion in *Management's Discussion and Analysis—Asset Quality—Portfolio Risk Elements—Home Equity Lending* beginning on page 54 for more detail, including steps we are taking to otherwise address this issue.

**<u>Operational Risk</u>**

***Our Business Is Affected by the International, National, Regional and Local Economies in Which We Operate***

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

During certain economic cycles, the housing and real estate markets, as well as the broader economy, may experience declines, both on a national and local level. Housing market conditions in the New England and New York metro regions, where much of our lending activity occurs, may be adversely impacted, leading to a reduced level of sales, an increased inventory of houses on the market, a decline in house prices and an increase in the length of time houses remain on the market. No assurance can be given that these economic conditions will not occur or that such conditions will not result in a decrease in our interest income, an increase in our non-accrual loans, an increase in our provision for credit losses or an adverse impact on our loan losses.

Significant volatility in the financial and capital markets during this time may lead to credit and liquidity concerns, a recessionary economic environment and, in turn, weakness within the commercial sector. Our loan portfolio is not immune to potential negative consequences arising as a result of general economic weakness and, in particular, a prolonged downturn in the housing market on a national scale. Decreases in real estate values could adversely affect the value of property used as collateral for loans. In addition, adverse changes in the economy could have a negative effect on the ability of borrowers to make scheduled loan payments, which would likely have an adverse impact on earnings. Further, an increase in loan delinquencies may serve to decrease interest income and adversely impact loan loss experience, resulting in an increased provision and ACL.

International economic uncertainty continues to have an impact on the U.S. financial markets, potentially suppressing stock prices and adding to volatility. Our foreign country exposure, which is defined as the aggregation of exposure maintained with financial institutions, companies or individuals in a given country outside of the U.S., is minimal and indirect, with the majority of such exposure comprised of corporate debt securities. Our sovereign credit exposure is comprised of an immaterial amount of government bonds issued by a single non-European sovereign.

***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 the Bank's supermarket banking initiative, pursuant to which, as of December 31, 2020, the Bank has established 140 full-service Stop & Shop branches throughout Connecticut and southeastern New York, most of which are in close proximity to our traditional branches, which provide customers with the convenience of seven-days-a-week banking in most locations. At December 31, 2020, 34% of the Bank's branches were located in Stop & Shop supermarkets and 11% of our total deposits at that date were held in Stop & Shop branches.

The Bank currently has exclusive branching rights in Stop & Shop supermarkets in the state of Connecticut and certain counties in the state of New York, in the form of licensing agreements between The Stop & Shop Supermarket Company and the Bank, which provides for the leasing of space to the Bank within Stop & Shop supermarkets for branch use. The Bank has the exclusive right to branch in these supermarkets until 2022, provided that the Bank does not default on its obligations under the licensing agreement.

Stop & Shop is a leading grocery store in Connecticut. The success of the 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 locations or customers, or a decline in the overall quality of Stop & Shop supermarkets could result in decreased business for the Stop & Shop branches, in the form of fewer loan originations, lower deposit generation and fewer overall branch transactions, and could influence market perception of the Bank's Stop & Shop supermarket branches as convenient banking locations.

On January 21, 2021, the Bank announced its decision not to renew its agreements with Stop & Shop to operate 140 in-store branches in Connecticut and New York upon their expiration in 2022. Branch closures will take place over several years using a phased approach.

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

People's United evaluates goodwill for impairment on an annual basis (or more frequently, if necessary). According to applicable accounting requirements, acceptable valuation methods include present-value measurements based on multiples of earnings or revenues, or similar performance measures. If the quoted market price for People's United common stock were to decline significantly, or if it was determined that the carrying amount of our goodwill exceeded its implied fair value, we would be required to write down the asset recorded for goodwill as reflected in the Consolidated Statements of Condition. This, in turn, would result in a non-cash charge to earnings and, thus, a reduction in stockholders' equity. See Notes 1 and 8 to the Consolidated Financial Statements for additional information concerning People's United's goodwill and the required impairment test.

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

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

***A Failure In or Breach Of Our Operational or Security Systems or Infrastructure, or Those of Our Third-Party Vendors and Other Service Providers, Including as a Result of Cyber-Attacks, Could Disrupt Our Business, Result in the Disclosure or Misuse of Confidential or Proprietary Information, Damage Our Reputation, Increase Our Costs and Cause Losses***

In the ordinary course of business, we rely on our ability to securely process, record, monitor and store data associated with a large number of customer transactions on a continuous basis. In doing so, our business relies on various digital technologies, computer and email systems, software and networks to conduct operations, and for which we have information security procedures and controls in place. Still, as customer, public and regulatory expectations regarding operational and information security have increased, our operational systems and infrastructure must continue to be safeguarded and monitored for potential failures, disruptions, breakdowns and security breaches.

Security breaches and cybersecurity-related incidents may include, but are not limited to, attempts to access information, including customer and company information, malicious code, computer viruses and denial of service attacks that could result in unauthorized access, misuse, loss or destruction of data (including confidential customer or proprietary information), account takeovers, unavailability of service or other events. These types of threats may derive from human error, fraud or malice on the part of external or internal parties, or may result from accidental technological failure. Further sources of operational and information security risk to us include (i) our customers, who, when accessing our products and services, may use computers or mobile devices that are beyond our security control systems and (ii) third parties with whom we do business or that facilitate our business activities (including exchanges, clearing houses, financial intermediaries or vendors that provide services or security solutions for our operations) should they suffer breakdowns, failures or capacity constraints of their own systems.

In recent years, information security risks for financial institutions, such as ours, have increased due, in part, to (i) the proliferation of new technologies, including internet and mobile banking capabilities, to conduct financial transactions and (ii) the increased sophistication and activities of organized crime, hackers, terrorists, hostile foreign governments, activists and other external parties. There have been several instances involving financial services and consumer-based companies reporting unauthorized access to, and disclosure of, client or customer information or the destruction or theft of corporate data. There have also been highly-publicized cases where hackers have requested “ransom” payments in exchange for not disclosing customer information.

While we have not, to date, experienced any material losses relating to cyber-attacks or other information security breaches, there can be no assurance that we will not suffer such losses in the future. Our risk and exposure to these matters remains heightened because of, among other things: (i) the constantly evolving nature of these threats; (ii) the size and scale of People’s United; (iii) our plans to continue implementing our internet and mobile banking strategies and develop additional remote connectivity solutions in order to serve our customers when and how they want to be served; (iv) our expanded geographic footprint; (v) the outsourcing of some of our business operations; and (vi) the continued uncertain global economic environment. As a result, cybersecurity and the continued development and enhancement of our controls, processes and practices designed to protect our systems, computers, software, data and networks from attack, damage or unauthorized access remain a focus for us. As threats continue to increase in number, intensity and sophistication, we may be required to expend additional resources to continue to modify or enhance our protective measures or to investigate and remediate information security vulnerabilities.

Disruptions or failures in the physical infrastructure or operating systems that support our business and customers, or cyber-attacks or security breaches of the networks, systems or devices that our customers use to access our products and services could result in customer attrition, regulatory fines, penalties or intervention, reputational harm, reimbursement or other compensation costs, and/or additional compliance costs, any of which could materially adversely affect our results of operations or financial condition.

## External and Market-Related Risk

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

People’s United 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 consider whether a bank offers other kinds of services they might need and, if they have been a customer of a 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 prefer the availability of on-line services.

People’s United 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 federal, state and local governments and agencies, instead of opening a deposit account.

In making decisions about loans, many people consider the interest rate they will have to pay. They also consider any extra fees they might have to pay in order to get the loan. Many business loans are more complicated because there may not be a standard type of loan that meets all of the customer’s needs. Business borrowers consider many different factors that are not all financial in nature, including the type and amount of security the lender wants and other terms of the loan that do not involve the interest rate.

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

Several of People's United's competitors have branches in the same market area as it does, some of which are much larger than it is. The New England region, including Connecticut, which is People's United's predominant market, and specifically Fairfield County, where People's United is headquartered, is an attractive banking market. As locally-based banks continue to be acquired by large regional and national companies, there are not as many bank competitors in our market as there used to be, but the remaining ones are usually larger and have more resources than the banks they acquired.

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

**Compliance and Regulatory Risk**

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

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

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

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

The government agencies responsible for supervising our business can take drastic action if they think we are not conducting business safely or are too weak financially. They can force People's United 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.

While it is difficult to fully quantify the increase in our regulatory compliance burden, we do believe that costs associated with regulatory compliance will continue to increase.

***Our Ability to Declare and Pay Dividends May Be Subject to Additional Regulatory Restrictions and We May Not Pay Dividends on Our Common Stock in the Future***

People's United's stockholders receive dividends, as the Board of Directors may declare, out of funds legally available for such payments. Our ability to pay dividends depends primarily on our receipt of dividends from the Bank, the payment of which is subject to numerous limitations under federal and state banking laws, regulations and policies. As a consequence of these various limitations and restrictions, we may not be able to make, or may have to reduce or eliminate, the payment of dividends on our common stock. In addition, as a bank holding company our ability to declare and pay dividends is dependent on certain federal regulatory considerations, including the guidelines of the FRB regarding capital adequacy and dividends. As a result of negative retained income (as defined) at the Bank as of December 31, 2020, and a consolidated net loss in the fourth quarter of 2020 brought about by a $353.0 million non-cash goodwill impairment charge, both the Company and the Bank may be required to obtain the non-objection of their respective primary regulator prior to declaring and paying a dividend.

**Acquisition-Related Risk**

***Failure to Complete the Merger With M&T Could Negatively Affect Our Stock Price and Our Future Business and Financial Results***

If the pending merger with M&T is not completed for any reason, People's United's ongoing business may be adversely affected and, without realizing any of the benefits of having completed the merger, People's United would be subject to a number of risks, including the following:

- we may experience negative reactions from the financial markets, including negative effects on our stock price;
- we may experience negative reactions from our customers and vendors;
- we will have incurred substantial expenses and will be required to pay certain costs relating to the merger, including legal, accounting, and other fees, whether or not the merger is completed; and
- our management team will have devoted substantial time and resources to matters relating to the merger, and would otherwise have devoted their time and resources to other opportunities that may have been beneficial to People's United.

In addition, if the Merger Agreement is terminated and People's United seeks another merger or business combination, the market price of our common stock could decline, which could make it more difficult to find a party willing to offer equivalent or more attractive consideration than the consideration M&T has agreed to provide in the merger.

***We Will be Subject to Uncertainties While Our Merger With M&T is Pending, Which Would Adversely Affect Our Business***

Uncertainty about the effect of the merger on our employees and customers may have an adverse effect on us. These uncertainties may impair our ability to attract, retain and motivate key personnel until the merger is consummated and for a period of time thereafter, and could cause customers and others that deal with us to seek to change their existing business relationships with us. Employee retention may be particularly challenging during the pendency of the merger, as employees may experience uncertainty about their roles with the surviving corporation following the merger.

***The Merger Agreement May be Terminated and Our Merger With M&T May Not be Completed***

The Merger Agreement is subject to a number of customary closing conditions, including the receipt of regulatory approvals and the requisite approvals of our and M&T's stockholders. Conditions to the closing of the merger may not be fulfilled in a timely manner or at all, and, accordingly, the merger may be delayed or may not be completed. In addition, we and/or M&T may elect to terminate the Merger Agreement under certain circumstances.

***Shareholder Litigation Could Prevent or Delay the Closing of Our Pending Merger With M&T or Otherwise Negatively Affect our Business and Operations***

We may incur additional costs in connection with the defense or settlement of any shareholder lawsuits filed in connection with our pending merger with M&T. Such litigation could have an adverse effect on our financial condition and results of operations and could prevent or delay the consummation of the merger.

***Because the Market Price of M&T's Common Stock May Fluctuate, Our Stockholders Cannot be Certain of the Precise Value of the Merger Consideration They May Receive In Our Proposed Merger With M&T***

At the time our pending merger with M&T is completed, each issued and outstanding share of our common stock (other than certain shares held by us or M&T) will be converted into the right to receive 0.118 shares of M&T's common stock. There will be a time lapse between each of the date of the proxy statement/prospectus for the stockholders' meeting to approve the merger, the date on which our stockholders vote to approve the merger, and the date on which our stockholders entitled to receive shares of M&T's common stock actually receive such shares. The market value of M&T's common stock may fluctuate during these periods as a result of a variety of factors, including general market and economic conditions, changes in M&T's businesses, operations and prospects, and regulatory considerations. Many of these factors are outside of our and M&T's control. Consequently, at the time that our stockholders must decide whether to approve the merger, they will not know the actual market value of the shares of M&T's common stock they will receive when the merger is completed. The actual value of the shares of M&T's common stock received by our shareholders will depend on the market value of shares of M&T's common stock at the time the merger is completed. This market value may be less or more than the value used to determine the exchange ratio stated in the Merger Agreement.

## General

***Risks Relating to the Impact of COVID-19***

On March 11, 2020, the World Health Organization declared the outbreak of a strain of novel coronavirus disease ("COVID-19") a global pandemic. The COVID-19 pandemic has had, and continues to have, a material impact on businesses around the world and the economic environments in which they operate. In March 2020, the United States declared a federal state of emergency in response to the COVID-19 pandemic, which continued to spread throughout the country. The outbreak of this virus has disrupted global financial markets and negatively affected supply and demand across a broad range of industries. There are a number of factors associated with the outbreak and its impact on global economies, including the United States, that have had, and could continue to have, a material adverse effect on (among other things) the profitability, capital and liquidity of financial institutions such as People's United.

The COVID-19 pandemic has caused disruption to our customers, suppliers and staff. A number of states in which we operate have implemented restrictions on the movement of their respective populations, with a resultant significant impact on economic activity in those states. The pandemic has resulted in temporary closures of many businesses and the institution of social distancing and sheltering-in-place requirements in many states and communities. As a result, the demand for our products and services has been, and may continue to be, significantly impacted. The circumstances around this pandemic are evolving rapidly and will likely continue to impact our business in future periods.

In the United States, the Federal government has taken action to provide financial support to those sectors of the economy most impacted by the COVID-19 pandemic. The details of how these actions will impact our customers and, therefore, the impact on People's United remains uncertain at this stage. The actions taken by the U.S. government and the Federal banking regulators may indicate a view on the potential severity of a downturn and post-recovery environment, which from a commercial, regulatory and risk perspective could be significantly different to past crises and persist for a prolonged period.

An immediate financial impact during 2020 has been higher lifetime expected credit losses driven by a worsening of the economic scenarios used to calculate the ACL due, primarily, to a weakening in gross domestic product and employment in the United States. See Note 6, "Allowance for Credit Losses" in the accompanying Consolidated Financial Statements for further discussion.

Should the COVID-19 pandemic continue to cause disruption to economic activity, there could be further impacts on the Company's income due to lower lending and transaction volumes and lower wealth management revenue due to volatility and weakness in the equity markets. Other potential risks include credit rating migration which could negatively impact our risk-weighted assets and capital position, and potential liquidity stress due, among other factors, to increased customer drawdowns, notwithstanding the significant initiatives that the U.S. government and the Federal banking regulators have put in place to support both funding and liquidity. In addition, lower interest rates will negatively impact net interest income. Should the aforementioned economic conditions persist, the impairment of goodwill and other acquisition-related intangible assets could occur. Further, while the Company continues to develop its program for transitioning away from interbank offered rates, including LIBOR, the COVID-19 pandemic could affect its progress as well as the progress of other market participants.

Government actions and support measures taken in response to the COVID-19 pandemic may create restrictions in relation to capital. These may limit management's flexibility in managing the business and taking action with respect to capital distribution and capital allocation. In addition, federal and state legislative and regulatory developments in response to COVID-19 may continue to impact our business and operations by, for example, requiring forbearance on loans, suspending foreclosure sales and imposing restrictions on our ability to charge certain fees. The extent of such impact will depend on the outcome of certain developments, including but not limited to, the duration and spread of the pandemic as well as its continuing impact on our customers, vendors and employees, all of which are uncertain at this time. Although vaccine distribution began in late 2020, uncertainty remains with respect to when, and to what extent, economic activity will notably improve.

**Item 1B. Unresolved Staff Comments**

None.

**Item 2. Properties**

People's United's corporate headquarters is located in Bridgeport, Connecticut. The headquarters building had a net book value of $42 million at December 31, 2020 and People's United occupies 89% of the building; all other available office space is leased to an unrelated party. People's United delivers its financial services through a network of 417 branches located throughout Connecticut, southeastern New York, Massachusetts, Vermont, New Hampshire and Maine. People's United's branch network is primarily concentrated in Connecticut, where it has 172 offices (including 84 located in Stop & Shop supermarkets). People's United also has 101 branches in southeastern New York (including 56 located in Stop & Shop supermarkets), 64 branches in Massachusetts, 38 branches in Vermont, 25 branches in New Hampshire and 17 branches in Maine. People's United owns 143 of its branches, which had an aggregate net book value of $124 million at December 31, 2020. People's United's remaining banking operations are conducted in leased locations. Information regarding People's United's operating leases for office space and related rent expense appears in Note 7 to the Consolidated Financial Statements.

**Item 3. Legal Proceedings**

The information required by this item appears in Note 22 to the Consolidated Financial Statements.

**Item 4. Mine Safety Disclosures**

None.

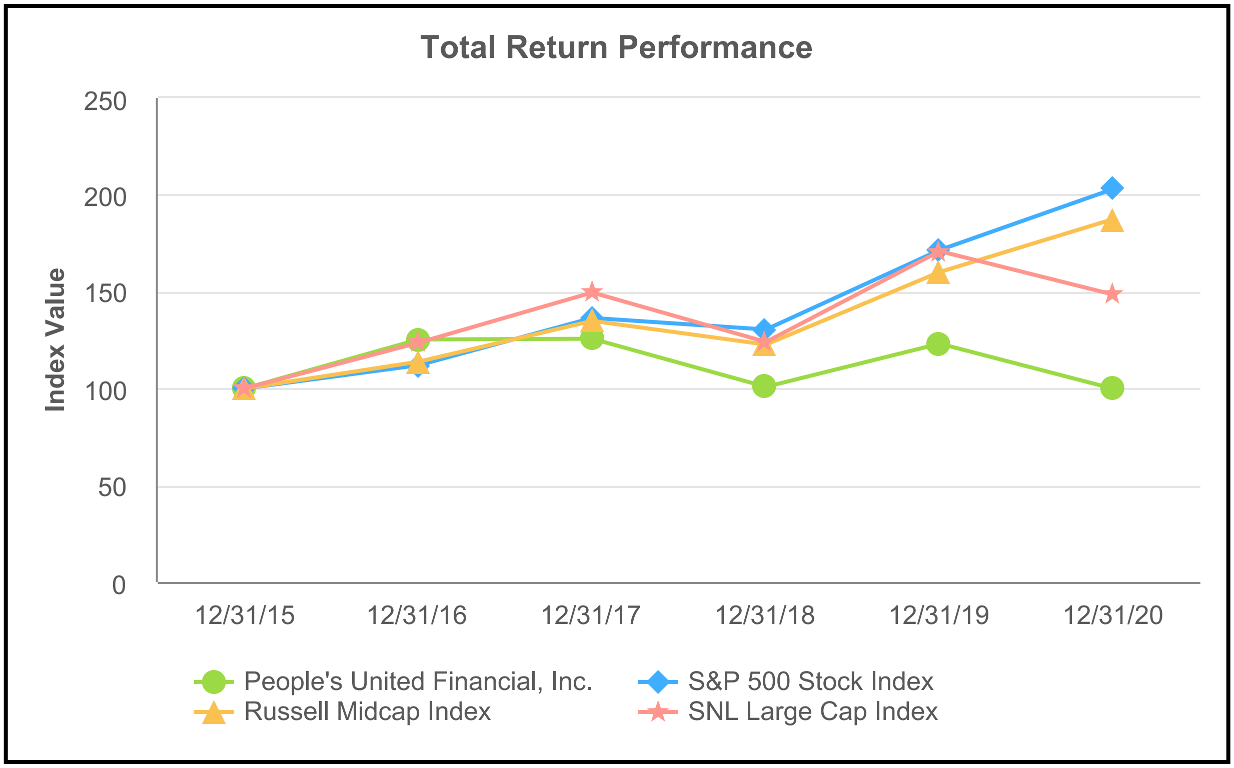
## Part II

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

The common stock of People's United is listed on the NASDAQ Global Select Market under the symbol "PBCT". On February 19, 2021, the closing price of People's United common stock was $15.68. As of that date, there were approximately 21,150 record holders of People's United common stock.

**Five-Year Performance Comparison**

The following graph compares total shareholder return on People's United common stock over the last five fiscal years with: (i) the Standard & Poor's 500 Stock Index (the "S&P 500 Stock Index"); (ii) the Russell Midcap Index; and (iii) the SNL Large Cap U.S. Bank & Thrift Index (the "SNL Large Cap Index"). Index values are as of December 31 of the indicated year.




The graph assumes $100 invested on December 31, 2015 in each of People's United's common stock, the S&P 500 Stock Index, the Russell Midcap Index and the SNL Large Cap Index. The graph also assumes reinvestment of all dividends.

The Russell Midcap Index is a market-capitalization weighted index comprised of 800 publicly-traded companies which are among the 1,000 largest U.S. companies (by market capitalization) but not among the 200 largest such companies. People's United is included as a component of the Russell Midcap Index. The SNL Large Cap Index is an index prepared by SNL Securities comprised of 40 financial institutions (including People's United) located throughout the U.S.

**Issuer Purchases of Equity Securities**

The following table provides information with respect to purchases made by People's United of its common stock during the three months ended December 31, 2020:

| Period | Total number of shares purchased | Average price paid per share | Total number of shares purchased as part of publicly announced plans or programs | Maximum number of shares that may yet be purchased under the plans or programs |
|---|---|---|---|---|
| October 1—31, 2020: | | | | |
| Tendered by employees (1) | — | $ — | — | — |
| November 1—30, 2020: | | | | |
| Tendered by employees (1) | — | $ — | — | — |
| December 1—31, 2020: | | | | |
| Tendered by employees (1) | 9,260 | $ 12.78 | — | — |
| Total: | | | | |
| Tendered by employees (1) | 9,260 | $ 12.78 | — | — |

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

Additional information required by this item is included in Part III, Item 12 of this report, and Notes 15 and 28 to the Consolidated Financial Statements.

## Item 6. Selected Financial Data

| As of and for the years ended December 31<br>(dollars in millions, except per common share data) | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|
| **Earnings Data:** | | | | | |
| Net interest income (fully taxable equivalent) | $1,605.6 | $1,441.7 | $1,262.4 | $1,143.2 | $1,004.5 |
| Net interest income | 1,575.8 | 1,412.3 | 1,236.0 | 1,100.5 | 972.2 |
| Provision for credit losses (1) | 155.8 | 28.3 | 30.0 | 26.0 | 36.6 |
| Non-interest income | 492.7 | 431.1 | 366.4 | 352.9 | 342.7 |
| Non-interest expense (2) | 1,564.1 | 1,162.7 | 996.1 | 960.3 | 868.8 |
| Income before income tax expense | 348.6 | 652.4 | 576.3 | 467.1 | 409.5 |
| Net income | 219.6 | 520.4 | 468.1 | 337.2 | 281.0 |
| Net income available to common shareholders (2) | 205.5 | 506.3 | 454.0 | 323.1 | 279.2 |
| **Selected Statistical Data:** | | | | | |
| Net interest margin | 2.99 % | 3.14 % | 3.12 % | 2.98 % | 2.80 % |
| Return on average assets (2) | 0.36 | 1.01 | 1.04 | 0.79 | 0.71 |
| Return on average common equity | 2.7 | 7.4 | 7.8 | 6.0 | 5.8 |
| Return on average tangible common equity (2) | 4.8 | 13.4 | 14.3 | 11.0 | 10.2 |
| Efficiency ratio (2) | 54.2 | 55.8 | 57.4 | 57.7 | 60.5 |
| **Financial Condition Data:** | | | | | |
| Total assets | $ 63,092 | $ 58,590 | $ 47,877 | $ 44,453 | $ 40,610 |
| Loans | 43,870 | 43,596 | 35,241 | 32,575 | 29,745 |
| Securities | 9,191 | 7,790 | 7,233 | 7,043 | 6,738 |
| Short-term investments | 3,766 | 317 | 266 | 378 | 182 |
| Allowance for credit losses on loans (3) | 425 | 247 | 240 | 234 | 229 |
| Goodwill and other acquisition-related intangible assets | 2,846 | 3,275 | 2,866 | 2,560 | 2,142 |
| Deposits | 52,138 | 43,590 | 36,159 | 33,056 | 29,861 |
| Borrowings | 1,148 | 5,155 | 3,593 | 4,104 | 4,057 |
| Notes and debentures | 1,010 | 993 | 896 | 902 | 1,030 |
| Stockholders' equity | 7,603 | 7,947 | 6,534 | 5,820 | 5,142 |
| Non-accrual loans (3) | 329 | 224 | 218 | 178 | 173 |
| **Ratios:** | | | | | |
| Net loan charge-offs to average total loans | 0.11 % | 0.06 % | 0.07 % | 0.07 % | 0.06 % |
| Non-performing assets to total loans, real estate owned and repossessed assets (3) | 0.78 | 0.57 | 0.67 | 0.61 | 0.64 |
| Allowance for credit losses on loans to (3): | | | | | |
| Total loans | 0.97 | 0.57 | 0.68 | 0.72 | 0.77 |
| Non-accrual loans | 129.1 | 110.0 | 110.4 | 131.4 | 132.8 |
| Average stockholders' equity to average total assets | 12.8 | 13.6 | 13.4 | 13.1 | 12.2 |
| Stockholders' equity to total assets | 12.1 | 13.6 | 13.6 | 13.1 | 12.7 |
| Tangible common equity to tangible assets (2) | 7.5 | 8.0 | 7.6 | 7.2 | 7.2 |
| Total risk-based capital (4) | 12.4 | 12.0 | 12.5 | 12.2 | 12.5 |
| **Common Share Data:** | | | | | |
| Earnings per common share: | | | | | |
| Basic | $ 0.49 | $ 1.28 | $ 1.30 | $ 0.98 | $ 0.92 |
| Diluted (2) | 0.49 | 1.27 | 1.29 | 0.97 | 0.92 |
| Dividends paid per common share | 0.7175 | 0.7075 | 0.6975 | 0.6875 | 0.6775 |
| Common dividend payout ratio (2) | 148.0 % | 54.3 % | 53.7 % | 70.6 % | 73.7 % |
| Book value per common share (end of period) | $ 17.56 | $ 17.60 | $ 16.95 | $ 16.40 | $ 15.85 |
| Tangible book value per common share (end of period) (2) | 10.77 | 10.12 | 9.23 | 8.87 | 8.92 |
| Stock price: | | | | | |
| High | 17.00 | 18.03 | 20.26 | 19.85 | 20.13 |
| Low | 9.37 | 13.81 | 13.66 | 15.97 | 13.62 |
| Close (end of period) | 12.93 | 16.90 | 14.43 | 18.70 | 19.36 |

(1) Provision for credit losses in 2020 reflects the application of the CECL standard and the impact of COVID-19.
(2) See Non-GAAP Financial Measures and Reconciliation to GAAP.
(3) Allowance for credit losses on loans and asset quality ratios for 2020 reflect the initial adoption and application of the CECL standard. Ratios for prior periods have been restated to reflect the total loan portfolio (originated and acquired). Non-accrual loans for prior periods have been restated to include acquired loans. See Asset Quality.
(4) Total risk-based capital ratios presented are for People’s United Financial, Inc. See Regulatory Capital Requirements.

## Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations

### Forward-Looking Statements

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

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

All forward-looking statements are subject to risks and uncertainties that could cause People’s United’s actual results or financial condition to differ materially from those expressed in or implied by such statements. Factors of particular importance to People’s United include, but are not limited to: (1) changes in general, international, national or regional economic conditions; (2) changes in interest rates; (3) changes in loan default and charge-off rates; (4) changes in deposit levels; (5) changes in levels of income and expense in non-interest income and expense related activities; (6) changes in accounting and regulatory guidance applicable to banks; (7) price levels and conditions in the public securities markets generally; (8) competition and its effect on pricing, spending, third-party relationships and revenues; (9) the pending merger with M&T; (10) changes in regulation resulting from or relating to financial reform legislation; and (11) the COVID-19 pandemic and its effect on the economic and business environment in which we operate.

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

### General

The following discussion and analysis presents the more significant factors that affected People's United's financial condition as of December 31, 2020 and 2019, and the results of operations for each of the years then ended. For a discussion and analysis of the more significant factors that affected periods prior to 2019, refer to Item 7 - “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2019 filed with the SEC on March 2, 2020.

People’s United is a bank holding company and a financial holding company, and the Bank is a national banking association. The principal business of People’s United is to provide, through the Bank and its subsidiaries, commercial banking, retail banking and wealth management services to individual, corporate and municipal customers. The Bank, which is headquartered in Bridgeport, Connecticut, had $63.1 billion in total assets as of December 31, 2020. Its deposit accounts are insured up to applicable limits by the FDIC under the DIF. The Bank is subject to regulation, examination, supervision and reporting requirements by the OCC, as its primary regulator, and by the FDIC as the deposit insurer. In addition, the CFPB has responsibility for supervising the Bank’s compliance with designated consumer financial laws.

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

## Recent Developments

On February 22, 2021, People's United and M&T announced that they have entered into a definitive agreement under which M&T will acquire People's United in an all-stock transaction. Under the terms of the agreement, each share of People's United common stock will be converted into the right to receive 0.118 shares of M&T common stock. The merger is expected to close in the fourth quarter of 2021, subject to the satisfaction of customary closing conditions, including receipt of regulatory approvals and approval by the shareholders of each company.

On January 21, 2021, the Bank announced its decision not to renew its agreements with Stop & Shop to operate 140 in-store branches in Connecticut and New York upon their expiration in 2022. Branch closures will take place over several years using a phased approach.

On March 11, 2020, the World Health Organization declared the outbreak of COVID-19 a global pandemic. Economic activity in many countries, including the United States, began to deteriorate rapidly as the COVID-19 pandemic spread across the globe. In the United States, which has been operating under a presidentially-declared national emergency since March 13, 2020, the COVID-19 pandemic continues to cause disruption to the capital markets as well as business and economic activity. Since March, individual municipalities and entire states adopted travel and work location restrictions, social distancing requirements, and in some cases, shelter-in-place protocols in order to slow the spread of the virus. These measures resulted in the closure of many schools, stores, offices, restaurants and manufacturing facilities, causing a decline in spending and an increase in layoffs. While some re-opening measures have been initiated on a limited scale, negative trends in both U.S. Gross Domestic Product ("GDP") and unemployment persisted throughout 2020.

In response, the Federal government introduced several measures to mitigate the magnitude of the pandemic's effects. Most notably, on March 27, 2020, the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act"), which provided financial assistance for businesses and individuals as well as targeted regulatory relief for financial institutions, was signed into law. In December 2020, Congress approved an additional round of relief legislation, the Consolidated Appropriations Act, 2021 (see Asset Quality), providing new stimulus for individuals, businesses and hospitals, and extending some provisions of the CARES Act that would have expired on December 31, 2020. Also in March 2020, the Federal Open Market Committee (the "FOMC") of the Federal Reserve reduced short-term interest rates by 150 basis points (to near zero) and announced various other initiatives to enhance liquidity and support the flow of credit to households and businesses.

The impact of the COVID-19 pandemic on economic conditions, both in the United States and abroad, has created global uncertainty about the future economic environment including the length and depth of any global recession that may occur. Concerns over interest rates, domestic and global policy issues, U.S. trade policy and geopolitical events, and the influence of those factors on the markets in general, further add to this uncertainty. Although vaccine distribution began in late 2020, uncertainty remains with respect to when, and to what extent, economic activity will notably improve.

## Sale of Business

On November 2, 2020, the Bank completed its sale of People's United Insurance Agency, Inc. ("PUIA") to AssuredPartners in an all-cash transaction for $120 million. PUIA is a full-service insurance brokerage providing commercial, personal and employee benefit insurance solutions. The decision to sell PUIA was a result of the Bank's continued reassessment of its business model in an effort to identify opportunities to improve its core banking products and services and to further enhance digital offerings across markets. Prior to the sale, the activities of PUIA were included in the Wealth Management operating segment which, for reporting purposes, was allocated among the Commercial Banking and Retail Banking reportable segments (see "Segment Results" for additional information). The sale resulted in a pre-tax gain, net of expenses, of $75.9 million, which is included in non-interest income in the Consolidated Statements of Income. See Note 2 to the Consolidated Financial Statements for a further discussion.

## Critical Accounting Policies

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.

Several accounting estimates are particularly critical and are susceptible to significant near-term change, including the ACL and the recoverability of goodwill and other intangible assets.

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

### Allowance for Credit Losses

The ACL is established through provisions for credit losses on loans charged to income. Losses on loans are charged to the ACL when all or a portion of a loan is deemed to be uncollectible. Recoveries of loans previously charged off are credited to the ACL when realized. On January 1, 2020, the Company adopted new accounting guidance, which requires entities to estimate and recognize an allowance for lifetime expected credit losses for loans and other financial assets measured at amortized cost (the "CECL standard"). Previously, an ACL on loans was recognized based on probable incurred losses. See Note 1 to the Consolidated Financial Statements for a further discussion of the Company's accounting policies and methodologies for establishing the ACL and the liability for off-balance-sheet credit exposures beginning in 2020.

The ACL remains a critical accounting estimate for the following reasons:

- Estimates relating to the ACL require management to project future borrower performance, including cash flows, delinquencies, charge-offs, and collateral values, based on a reasonable and supportable forecast period utilizing forward-looking economic scenarios in order to estimate probability of default and loss given default;
- The ACL is influenced by factors outside of management's control such as industry and business trends, geopolitical events and the effects of laws and regulations as well as economic conditions including, but not limited to, housing prices, interest rates, GDP, inflation, and unemployment; and
- Judgment is required to determine whether the models used to generate the ACL produce results that appropriately reflect a current estimate of lifetime expected credit losses.

Because management's estimates of the ACL involve judgment and are influenced by factors outside their control, there is uncertainty inherent in such estimates. Changes in these estimates could significantly impact the allowance and provision for credit losses.

As discussed further in Note 6 to the Consolidated Financial Statements, as a result of a deterioration in U.S. economic conditions caused by the emergence, in March 2020, of the COVID-19 pandemic, and the corresponding increase in economic uncertainty, a fourth forward-looking economic scenario (the "Severe Downside" scenario) has also been considered for purposes of estimating expected credit losses since that time. All four scenarios reflect the effects of the COVID-19 pandemic as well as the United States government's monetary and fiscal response. Each scenario is assigned a weighting with the majority of the weighting placed on the Baseline scenario and lower weights placed on each of the Upside, Downside and Severe Downside scenarios. The weightings assigned by management are based on the economic outlook and available information at each reporting date.

As a result of the unprecedented economic uncertainty resulting from the COVID-19 pandemic, the Company's future loss estimates may vary considerably as a result of: (i) changes in the economy compared to management's December 31, 2020 assumptions; (ii) the magnitude of the pandemic; and (iii) the impact of the United States' monetary and fiscal response.

### Goodwill and Other Acquisition-Related Intangible Assets

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

Goodwill is evaluated for impairment at the reporting unit level. For the purpose of the goodwill impairment evaluation, management has identified reporting units based upon the Company's three operating segments: Commercial Banking; Retail Banking; and Wealth Management. The specific assets and liabilities assigned to the reporting units is based on whether such assets and liabilities will be employed in or relate to the operations of a particular reporting unit. Newly acquired goodwill is allocated to reporting units based on the degree to which a reporting unit is expected to benefit from the related acquisition. The impairment evaluation is performed as of an annual measurement date or more frequently if a triggering event indicates that impairment may have occurred.

Entities have the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of such events or circumstances, an entity determines it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then the entity is not required to perform the quantitative impairment test as described below.

The quantitative test is used to identify potential impairment, and involves comparing each reporting unit's estimated fair value to its carrying amount, including goodwill. If the estimated fair value of a reporting unit exceeds its carrying amount, goodwill is not deemed to be impaired. Should the carrying amount of the reporting unit exceed its estimated fair value, an impairment loss shall be recognized in an amount equal to that excess, not to exceed the carrying amount of goodwill.

The Company estimates the fair value of its reporting units by applying a weighting of values determined using (i) the discounted cash flow method of the income approach and (ii) the guideline public company method of the market approach. The income approach is based on significant assumptions and judgments, including internal forecasts and growth rates, as well as discount rates and terminal values that reflect management's assessment of market participant views of the risks associated with the projected cash flows of the reporting units. The market approach is based on a comparison of certain financial metrics, including trading multiples and control premiums, derived from the market prices of stocks of companies that are actively traded and engaged in the same or similar businesses as the Company and the respective reporting unit. The derived multiples are then applied to the reporting unit's financial metrics to produce an indication of value. Differences in the identification of reporting units or in the selection of valuation techniques and related assumptions could result in materially different evaluations of goodwill impairment.

People's United performed a quantitative assessment of goodwill impairment as of October 1, 2020 (its annual measurement date). In doing so, the income-based discounted cash flow approach was more heavily weighted (75%) than the market-based approach (25%) due to significant volatility in the market since the COVID-19 pandemic was declared a National Emergency on March 13, 2020. As noted above, the income approach to estimating fair value requires significant assumptions and judgments, including projections of future operating results and cash flows of each reporting unit that are based on an internal budget and strategic plan, expected long-term growth rates, discount rates, terminal multiples and the effects of external factors and market conditions. Changes in these estimates and assumptions could materially affect the estimated fair value of each reporting unit that could result in an impairment charge to reduce the carrying value of goodwill, which could be material to the Company's financial position and results of operations.

The following discusses the key assumptions utilized in the discounted cash flow valuation methodology that require significant management judgment:

- *Future Operating Results & Cash Flows* — Projections of future cash flows utilized in arriving at the fair value estimate are derived from historical experience and assumptions regarding future growth and profitability of each reporting unit. Cash flows for a period of five years subsequent to the measurement date are utilized in the determination of the fair value of each reporting unit. Projections for the first three years are consistent with the Company's operating budget and strategic plan. Projections beyond three years are based on long-term growth rates developed upon consideration of past and current performance as well as the economic and regulatory environments. Beyond five years, a terminal value is determined using a perpetuity growth rate based on inflation and real GDP growth rates.
- *Discount Rates* — The cash flows determined based on the process described above are discounted to their present value. The discount rate (cost of equity) applied is comprised of a risk-free interest rate, an equity risk premium, a size premium, a factor covering the systemic market risk (equity beta) and, where applicable, a company-specific risk premium. The values for the factors applied are determined primarily using external sources of information. The equity betas are determined based on a group of public companies similar to the reporting unit. The discount rates applied to the reporting units in connection with the quantitative impairment assessment ranged from 11.0% to 13.5%. Differences in the discount rates between reporting units are primarily due to distinct risks and uncertainties regarding the cash flows of the different reporting units.

Based on the quantitative assessment performed as of October 1, 2020, People's United recognized a non-cash goodwill impairment charge totaling $353.0 million (representing 12% of total goodwill) associated with the Retail Banking reporting unit, while the fair values of the Commercial Banking and Wealth Management reporting units continued to exceed the respective carrying values by 4% and 103%, respectively. The projected cash flows of the Retail Banking reporting unit declined from prior period valuations due to record-low mortgage rates and the Federal Reserve's updated guidance in the third quarter of 2020 regarding inflation targeting and expectations for interest rates to remain low for an extended period of time. The lower yielding and longer duration nature of the Company's residential mortgage portfolio and a decline in home equity portfolio balances in recent years adversely impacted the Retail Banking reporting unit.

The Commercial Banking reporting unit's allocated goodwill totaled approximately $2.0 billion as of October 1, 2020. Because the estimated fair value of the reporting unit was not substantially in excess of its carrying amount as of that date, a sensitivity analysis of both the projected future cash flows and the discount rate was performed. The results of that sensitivity analysis indicated (i) that a 10% reduction in the discrete cash flows projected for the five years subsequent to the measurement date would not result in the reporting unit's estimated fair value being less than its carrying value and (ii) that an increase in the discount rate of 50 basis points would not result in the reporting unit's estimated fair value being less than its carrying value. Management will continue to monitor the remaining goodwill for potential impairment.

After considering the effects of the aforementioned impairment charge and the Company's market capitalization as of October 1, 2020, the implied control premium was determined to be approximately 55-60%. This implied control premium is largely a function of the Company's stock price on the measurement date ($10.17) and in the weeks leading up to that date. Notably, through September 30, 2020, the Company's stock price had only closed at or below $10.17 seven times with six of those occurrences between September 10, 2020 and September 29, 2020, a period during which several key market indices experienced volatility.

Subsequent to the measurement date, an improved outlook with regard to interest rates and a reduction in the level of economic uncertainty due, in part, to widespread distribution of the COVID-19 vaccine has resulted in a significant (~50%) appreciation in People's United's stock price and an approximate $2.0 billion increase in its market capitalization. At the same time, the Company's expectations with respect to future earnings and cash flows have also improved.

Due to the high degree of subjectivity involved in estimating the fair value of the Company's reporting units, a decline in People's United's expected future cash flows or projected growth rates due to further deterioration in the economic environment, or continued market capitalization of the Company below book value, could result in an additional non-cash goodwill impairment charge that is material to People's United's results from operations but would have no effect on the Company's cash balances, liquidity or tangible equity. In addition, because goodwill and other acquisition-related intangible assets are not included in the calculation of regulatory capital, the Company's well-capitalized regulatory capital ratios would not be affected by such a potential non-cash charge.

## Non-GAAP Financial Measures and Reconciliation to GAAP

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

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

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

Pre-provision net revenue is a useful financial measure as it enables an assessment of the Company's ability to generate earnings to cover credit losses through a credit cycle as well as providing an additional basis for comparing the Company's results of operation between periods by isolating the impact of the provision for credit losses, which can vary significantly between periods.

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

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

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

| Years ended December 31 (dollars in millions) | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|
| Total non-interest expense | $ 1,564.1 | $1,162.7 | $ 996.1 | $ 960.3 | $ 868.8 |
| Adjustments to arrive at operating non-interest expense: | | | | | |
| Goodwill impairment | (353.0) | — | — | — | — |
| Merger-related expenses | (45.9) | (49.1) | (11.4) | (30.6) | (4.0) |
| Intangible asset write-down | — | (16.5) | — | — | — |
| Acquisition integration and other costs | — | — | — | — | (0.7) |
| Total | (398.9) | (65.6) | (11.4) | (30.6) | (4.7) |
| **Operating non-interest expense** | 1,165.2 | 1,097.1 | 984.7 | 929.7 | 864.1 |
| Adjustments: | | | | | |
| Amortization of other acquisition-related intangible assets | (40.8) | (32.5) | (21.8) | (30.0) | (23.6) |
| Operating lease expense | (36.4) | (38.8) | (36.4) | (35.2) | (36.3) |
| Other (1) | (10.2) | (6.2) | (6.4) | (5.1) | (5.7) |
| Total non-interest expense for efficiency ratio | $ 1,077.8 | $1,019.6 | $ 920.1 | $ 859.4 | $ 798.5 |
| Net interest income (FTE basis) | $ 1,605.6 | $1,441.7 | $1,262.4 | $1,143.2 | $ 1,004.5 |
| Total non-interest income | 492.7 | 431.1 | 366.4 | 352.9 | 342.7 |
| Total revenues | 2,098.3 | 1,872.8 | 1,628.8 | 1,496.1 | 1,347.2 |
| Adjustments: | | | | | |
| Gain on sale of business, net of expenses | (75.9) | — | — | — | — |
| Operating lease expense | (36.4) | (38.8) | (36.4) | (35.2) | (36.3) |
| BOLI FTE adjustment | 3.5 | 2.5 | 1.9 | 3.4 | 2.8 |
| Gain on sale of branches, net of expenses | — | (7.6) | — | — | — |
| Net security (gains) losses | — | (0.2) | 9.8 | 25.4 | 5.9 |
| Other (2) | (0.4) | (2.8) | — | (1.3) | (0.8) |
| Total revenues for efficiency ratio | $ 1,989.1 | $1,825.9 | $1,604.1 | $1,488.4 | $ 1,318.8 |
| **Efficiency ratio** | 54.2 % | 55.8 % | 57.4 % | 57.7 % | 60.5 % |

(1) Items classified as "other" and deducted from non-interest expense for purposes of calculating the efficiency ratio include certain franchise taxes and real estate owned expenses.

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

The following table summarizes People's United's operating earnings, operating EPS and operating return on average assets:

| Years ended December 31 (dollars in millions, except per common share data) | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|
| Net income available to common shareholders | $ 205.5 | $ 506.3 | $ 454.0 | $ 323.1 | $ 279.2 |
| Adjustments to arrive at operating earnings: | | | | | |
| Goodwill impairment | 353.0 | — | — | — | — |
| Merger-related expenses | 45.9 | 49.1 | 11.4 | 30.6 | 4.0 |
| Gain on sale of business, net of expenses | (75.9) | — | — | — | — |
| Gain on sale of branches, net of expenses | — | (7.6) | — | — | — |
| Intangible asset write-down | — | 16.5 | — | — | — |
| Security losses associated with tax reform (1) | — | — | 10.0 | 10.0 | — |
| Acquisition integration and other costs | — | — | — | — | 0.7 |
| Total pre-tax adjustments | 323.0 | 58.0 | 21.4 | 40.6 | 4.7 |
| Tax effect (2) | 6.1 | (12.2) | (14.0) | (17.9) | (1.6) |
| Total adjustments, net of tax | 329.1 | 45.8 | 7.4 | 22.7 | 3.1 |
| **Operating earnings** | $ 534.6 | $ 552.1 | $ 461.4 | $ 345.8 | $ 282.3 |
| Diluted EPS, as reported | $ 0.49 | $ 1.27 | $ 1.29 | $ 0.97 | $ 0.92 |
| Adjustment to arrive at operating EPS: | | | | | |
| Goodwill impairment | 0.83 | — | — | — | — |
| Merger-related expenses | 0.09 | 0.10 | 0.02 | 0.07 | 0.01 |
| Gain on sale of business, net of expenses | (0.14) | — | — | — | — |
| Gain on sale of branches, net of expenses | — | (0.01) | — | — | — |
| Intangible asset write-down | — | 0.03 | — | — | — |
| Security losses associated with tax reform | — | — | 0.02 | 0.02 | — |
| Tax benefits associated with tax reform | — | — | (0.02) | (0.02) | — |
| Acquisition integration and other costs | — | — | — | — | — |
| Total adjustments per common share | 0.78 | 0.12 | 0.02 | 0.07 | 0.01 |
| **Operating EPS** | $ 1.27 | $ 1.39 | $ 1.31 | $ 1.04 | $ 0.93 |
| Average total assets | $ 61,038 | $ 51,658 | $ 45,030 | $ 42,582 | $ 39,784 |
| **Operating return on average assets** | 0.88 % | 1.07 % | 1.02 % | 0.81 % | 0.71 % |

(1) Security losses incurred as a tax planning strategy in response to tax reform-related benefits are considered non-operating.
(2) The goodwill impairment charge in 2020 is non-tax-deductible. Includes $9.2 million of benefits recognized in connection with tax reform for the year ended December 31, 2018.

The following table summarizes People's United's pre-provision net revenue, as derived from amounts reported in the Consolidated Statements of Income:

| Years ended December 31 (in millions) | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|
| Net interest income | $ 1,575.8 | $ 1,412.3 | $ 1,236.0 | $ 1,100.5 | $ 972.2 |
| Non-interest income | 492.7 | 431.1 | 366.4 | 352.9 | 342.7 |
| Non-interest expense | (1,564.1) | (1,162.7) | (996.1) | (960.3) | (868.8) |
| **Pre-provision net revenue** | 504.4 | 680.7 | 606.3 | 493.1 | 446.1 |
| Non-operating income | (75.9) | (7.6) | 10.0 | 10.0 | — |
| Non-operating expense | 398.9 | 65.6 | 11.4 | 30.6 | 4.7 |
| **Operating pre-provision net revenue** | $ 827.4 | $ 738.7 | $ 627.7 | $ 533.7 | $ 450.8 |

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

| Years ended December 31 (dollars in millions) | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|
| Operating earnings | $ 534.6 | $ 552.1 | $ 461.4 | $ 345.8 | $ 282.3 |
| Average stockholders' equity | $ 7,812 | $ 7,071 | $ 6,037 | $ 5,592 | $ 4,859 |
| Less: Average preferred stock | 244 | 244 | 244 | 244 | 41 |
| Average common equity | 7,568 | 6,827 | 5,793 | 5,348 | 4,818 |
| Less: Average goodwill and average other acquisition-related intangible assets | 3,247 | 3,060 | 2,623 | 2,410 | 2,083 |
| Average tangible common equity | $ 4,321 | $ 3,767 | $ 3,170 | $ 2,938 | $ 2,735 |
| **Operating return on average tangible common equity** | 12.4 % | 14.7 % | 14.6 % | 11.8 % | 10.3 % |

| Years ended December 31 (dollars in millions) | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|
| Common dividends paid | $ 304.1 | $ 274.8 | $ 243.8 | $ 227.9 | $ 205.7 |
| Operating earnings | $ 534.6 | $ 552.1 | $ 461.4 | $ 345.8 | $ 282.3 |
| **Operating common dividend payout ratio** | 56.9 % | 49.8 % | 52.8 % | 65.9 % | 72.9 % |

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

| As of December 31 (dollars in millions) | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|
| Total stockholders' equity | $ 7,603 | $ 7,947 | $ 6,534 | $ 5,820 | $ 5,142 |
| Less: Preferred stock | 244 | 244 | 244 | 244 | 244 |
| Common equity | 7,359 | 7,703 | 6,290 | 5,576 | 4,898 |
| Less: Goodwill and other acquisition-related intangible assets | 2,846 | 3,275 | 2,866 | 2,560 | 2,142 |
| Tangible common equity | $ 4,513 | $ 4,428 | $ 3,424 | $ 3,016 | $ 2,756 |
| Total assets | $ 63,092 | $ 58,590 | $ 47,877 | $ 44,453 | $ 40,610 |
| Less: Goodwill and other acquisition-related intangible assets | 2,846 | 3,275 | 2,866 | 2,560 | 2,142 |
| Tangible assets | $ 60,246 | $ 55,315 | $ 45,011 | $ 41,893 | $ 38,468 |
| **Tangible common equity ratio** | 7.5 % | 8.0 % | 7.6 % | 7.2 % | 7.2 % |

| As of December 31 (in millions except per common share data) | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|
| Tangible common equity | $ 4,513 | $ 4,428 | $ 3,424 | $ 3,016 | $ 2,756 |
| Common shares issued | 533.68 | 532.83 | 466.32 | 435.64 | 405.00 |
| Less: Common shares classified as treasury shares | 109.00 | 89.17 | 89.03 | 89.04 | 89.06 |
| Common shares outstanding | 424.68 | 443.66 | 377.29 | 346.60 | 315.94 |
| Less: Unallocated ESOP shares | 5.57 | 5.92 | 6.27 | 6.62 | 6.97 |
| Common shares | 419.11 | 437.74 | 371.02 | 339.98 | 308.97 |
| **Tangible book value per common share** | $ 10.77 | $ 10.12 | $ 9.23 | $ 8.87 | $ 8.92 |

## Economic Environment

People's United's results are subject to fluctuations based on economic conditions that can affect, among other things, interest rates, deposit flows, credit demand and the ability of borrowers to service debt. The U.S. economy contracted 3.5% in 2020, after growing 2.3% in 2019, as a result of the impact of the COVID-19 pandemic and steps taken by government authorities to control the spread of the virus. While the most severe impact from COVID-19 was felt in the first half of 2020, growth accelerated in the second half of the year, but was still restrained by the continuing spread of the virus and limits on certain activities to reduce infections. Non-farm payrolls shrank by 22 million in March/April before partially recovering to end the year down by 9 million in 2020. The national unemployment rate increased from 3.5% at the end of 2019 to 14.8% in April before settling at 6.7% as of December 2020. The labor force shrank by 4.0 million people in 2020 compared to an increase of 1.4 million people in 2019, as the labor force participation rate declined from 63.3% in December 2019 to 61.5% in December 2020.

The FOMC responded promptly and aggressively at the onset of the pandemic and cut the Federal funds rate effectively to zero in March setting the policy rate at 0.00% - 0.25%, where it remained for the rest of the year and where the FOMC indicated they expect it to maintain through 2021. In addition, the FOMC announced their intention to increase their purchases of Treasury and mortgage-backed securities by at least $700 billion in total to provide liquidity to the financial markets. As a consequence of these steps and the market's reaction to them, the yield on the 2-year Treasury note decreased from 1.58% to 0.13% during 2020, and the yield on the 10-year Treasury note decreased from 1.92% to 0.93%. The slope of the yield curve – the difference between short-term and long-term interest rates – increased in 2020 as the difference between the 10-year and the 2-year Treasury yields went from 0.34% at December 31, 2019 to 0.80% at December 31, 2020. The contraction in economic output impacted prices with inflation measures declining to near 1% or less on a year-over-year basis in the first half of the year. The subsequent recovery eased deflationary pressures. By year-end, the headline consumer price index was 1.3% above the prior year level, compared to 2.3% at December 2019. The Personal Consumption price index for December 2020 was also 1.3% above the prior year level compared to 1.6% at December 2019.

The 2020 interest rate environment, on balance, was not supportive of the net interest margin and led to a 15 basis point reduction in the margin. Loan losses remained low, but the economic displacements precipitated by the pandemic necessitated a substantial increase in the provision for credit losses. Marginal loan growth in 2020 was supported by originations under the Paycheck Protection Program (the "PPP"), while deposit growth was substantially boosted by stimulus payments under the CARES Act. The Company expects the economic recovery that started in the second half of 2020 to continue throughout 2021, which should support a return to more normalized loan growth. Deposit growth will be dependent on the size of additional stimulus payments and the consumer's propensity to save.

The New England region and southeastern New York comprise People's United's primary market area. Several areas within this region were severely impacted by the COVID-19 pandemic, with New York, Connecticut and Massachusetts suffering among the highest per capita death rates in the nation. The end-of-year experience during the third national wave of the pandemic, however, was more moderate within the region. The impact of the pandemic on the regional economy has been severe. Job losses in 2020 were large enough to eliminate virtually all of the job gains in the ten years of expansion from 2010 to 2019. Massachusetts was the only state in the market area with employment materially above its January 2010 level at approximately 105%.

Economic growth within People's United's primary market area is expected to mirror the national experience as its skilled labor force should enable it to be competitive in high-growth potential sectors of the economy, including health care, technology, education, and advanced manufacturing, while the sectors dependent on renewed social contact such as travel and leisure will depend on the national success at suppressing the COVID-19 pandemic to enable people to travel and socialize without fear of adverse health consequences. Although vaccine distribution began in late 2020, uncertainty remains with respect to when, and to what extent, economic activity will notably improve.

## Financial Overview

People's United completed its acquisitions of Vend Lease effective June 27, 2018, First Connecticut effective October 1, 2018, VAR effective January 2, 2019, BSB Bancorp effective April 1, 2019 and United Financial effective November 1, 2019. The assets acquired and liabilities assumed in these transactions were recorded at their estimated fair values as of the respective closing dates. People's United's results of operations include the results of these acquired companies beginning with the respective effective dates and financial data for prior periods has not been restated and therefore, are not directly comparable to subsequent periods. See Note 2 to the Consolidated Financial Statements for a further discussion on these acquisitions.

***Comparison of Financial Condition at December 31, 2020 and 2019.*** Total assets at December 31, 2020 were $63.1 billion, a $4.5 billion increase from December 31, 2019, primarily reflecting increases of $3.4 billion in short-term investments, $1.4 billion in total securities, $499 million in other assets and $273 million in total loans, partially offset by decreases of $485 million in loans held-for-sale and $385 million in goodwill (see Note 8 to the Consolidated Financial Statements). The increase in short-term investments reflects an increase in interest bearing deposits at the FRB-NY. The increase in total securities primarily reflects net purchases of government sponsored enterprise ("GSE") mortgage-backed securities and a $102 million increase in the unrealized gain on debt securities available-for-sale, partially offset by principal repayments and maturities of U.S Treasury and agency securities. The increase in total loans from December 31, 2019 to December 31, 2020 reflects a $2.5 billion increase in commercial loans, partially offset by a $2.3 billion decrease in retail loans, as the Company continues to remix the balance sheet with a focus on higher-yielding portfolios. Included in commercial loans at December 31, 2020 are PPP loans totaling $2.3 billion. The increase in other assets primarily reflects the change in fair value of derivative financial instruments. The decrease in loans held-for-sale reflects the sale of consumer and commercial loans previously acquired in the United Financial acquisition (see Note 5 to the Consolidated Financial Statements).

Non-performing assets totaled $341.6 million at December 31, 2020, a $94.1 million increase from December 31, 2019, primarily reflecting increases of $61.6 million in non-accrual equipment finance loans and $36.9 million in non-accrual commercial and industrial loans, partially offset by a $12.4 million decrease in other real estate owned ("REO"). The ACL on loans was $425.1 million at December 31, 2020 compared to $246.6 million at December 31, 2019 (see Note 6 to the Consolidated Financial Statements). At December 31, 2020, the ACL as a percentage of total loans was 0.97% and as a percentage of non-accrual loans was 129.1%, compared to 0.57% and 110.0%, respectively, at December 31, 2019.

At December 31, 2020, total liabilities were $55.5 billion, a $4.8 billion increase from December 31, 2019, primarily reflecting an $8.5 billion increase in total deposits, partially offset by a $4.0 billion decrease in total borrowings.

People's United's total stockholders' equity was $7.6 billion at December 31, 2020, a $344 million decrease from December 31, 2019. As a percentage of total assets, stockholders' equity was 12.8% and 13.6% at December 31, 2020 and 2019, respectively. Tangible common equity as a percentage of tangible assets was 7.5% and 8.0% at December 31, 2020 and 2019, respectively.

People's United's (consolidated) Tier 1 Leverage capital ratio and its CET 1, Tier 1 and Total risk-based capital ratios were 8.4%, 10.5%, 11.0% and 12.4%, respectively, at December 31, 2020, compared to 9.1%, 10.2%, 10.7% and 12.0%, respectively, at December 31, 2019. The Bank's Tier 1 Leverage capital ratio and its CET 1, Tier 1 and Total risk-based capital ratios were 8.7%, 11.5%, 11.5% and 12.8%, respectively, at December 31, 2020, compared to 9.3%, 10.9%, 10.9% and 12.1%, respectively, at December 31, 2019.

***Comparison of Results of Operations for the Years Ended December 31, 2020 and 2019.*** People's United reported net income of $219.6 million, or $0.49 per diluted common share, for the year ended December 31, 2020, compared to $520.4 million, or $1.27 per diluted common share, for the 2019 period. Included in the 2020 results are: (i) a goodwill impairment charge (non-tax-deductible) totaling $353.0 million, or $(0.83) per common share; (ii) merger-related expenses totaling $45.9 million ($36.5 million after-tax), or $(0.09) per common share; and (iii) a $75.9 million ($60.4 million after-tax), or $0.14 per common share, net gain recognized on the sale of PUIA. Results for 2019 include merger-related expenses totaling $49.1 million ($38.8 million after-tax) or $(0.10) per common share, and a $16.5 million charge ($13.0 million after-tax), or $(0.03) per common share, associated with the complete write-down of an acquisition-related intangible asset stemming from the liquidation of the Company's public mutual funds. On an operating basis, earnings were $534.6 million in 2020, or $1.27 per share, compared to $552.1 million, or $1.39 per share, in 2019. The results for 2020 reflect the benefits from recent acquisitions, continued loan and deposit growth, and meaningful cost control, partially offset by a goodwill impairment charge and an increase in the provision for credit losses.

People's United's return on average assets was 0.36% for 2020 compared to 1.01% for the 2019 period. Return on average tangible common equity was 4.8% for 2020 compared to 13.4% for the 2019 period. On an operating basis, return on average assets was 0.88% for 2020 (1.07% for 2019) and return on average tangible common equity was 12.4% (14.7% for 2019). FTE net interest income totaled $1.6 billion in 2020, a $163.9 million increase from the year-ago period, and the net interest margin decreased 15 basis points from 2019 to 2.99%. The decrease in the net interest margin primarily reflects lower yields on the loan portfolio, partially offset by lower rates on deposits and borrowings.

Average total earning assets increased $7.8 billion compared to 2019, reflecting increases of $6.0 billion in average total loans, $926 million in average securities and $892 million in average short-term investments. Average total funding liabilities increased $8.1 billion compared to 2019, reflecting a $9.1 billion increase in average total deposits, partially offset by a $1.1 billion decrease in average total borrowings.

Compared to 2019, total non-interest income increased $61.6 million (included in 2020 is a $75.9 million net gain recognized on the sale of PUIA). The $401.4 million increase in total non-interest expense in 2020 compared to 2019 primarily resulted from a $353.0 million goodwill impairment charge taken in the fourth quarter. The efficiency ratio was 54.2% for 2020 compared to 55.8% for the year-ago period. The provision for credit losses on loans totaled $156.1 million in 2020 compared to $28.3 million in the year-ago period. The increase primarily reflects the initial application of the CECL standard and the economic uncertainties brought about by COVID-19, specifically as it relates to assumptions regarding GDP and unemployment. Net loan charge-offs as a percentage of average total loans were 0.11% in 2020 compared to 0.06% in 2019.

## Segment Results

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

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

### Segment Performance Summary

| | Net Income (Loss) | | |
|---|---|---|---|
| Years ended December 31 (in millions) | 2020 | 2019 | 2018 |
| Commercial Banking | $ 640.2 | $ 416.5 | $ 369.6 |
| Retail Banking (1) | (229.7) | 113.4 | 64.7 |
| Total reportable segments | 410.5 | 529.9 | 434.3 |
| Treasury | (94.3) | 53.3 | 67.7 |
| Other | (96.6) | (62.8) | (33.9) |
| Total Consolidated | $ 219.6 | $ 520.4 | $ 468.1 |

(1) Retail Banking includes a $353.0 million non-cash goodwill impairment charge in 2020. See Note 8 to the Consolidated Financial Statements for a further discussion.

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

FTP, which is used in the calculation of each operating segment's net interest income, measures the value of funds used in and provided by an operating segment. The difference between the interest income on earning assets and the interest expense on funding liabilities, and the corresponding FTP charge for interest income or credit for interest expense, results in net spread income (see Treasury). For fixed-term assets and liabilities, the FTP rate is assigned at the time the asset or liability is originated by reference to the Company's FTP yield curve, which is updated daily. For non-maturity-term assets and liabilities, the FTP rate is determined based upon the underlying characteristics, or behavior, of each particular product and results in the use of a historical rolling average FTP rate determined over a period that is most representative of the average life of the particular asset or liability. While the Company's FTP methodology serves to remove interest rate risk ("IRR") from the operating segments and better facilitate pricing decisions, thereby allowing management to more effectively assess the longer-term profitability of an operating segment, it may, in sustained periods of low and/or high interest rates, result in a measure of operating segment net interest income that is not reflective of current interest rates.

A five-year rolling average net charge-off rate is used as the basis for the provision for credit losses on loans for the respective operating segment in order to present a level of portfolio credit cost that is representative of the Company's historical experience, without presenting the potential volatility from year-to-year changes in credit conditions. While this method of allocation allows management to assess the longer-term profitability of an operating segment more effectively, it may result in a measure of an operating segment's provision for credit losses on loans that does not reflect actual incurred losses for the periods presented. The provision for credit losses for Treasury reflects the application of the CECL standard (see Note 4 to the Consolidated Financial Statements for a further discussion).

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

For a more detailed description of the estimates and allocations used to measure segment performance, see Note 25 to the Consolidated Financial Statements.

**Commercial Banking** consists principally of commercial real estate lending, middle market and business banking, the equipment financing operations of PCLC, PUEFC and LEAF, and mortgage warehouse and asset-based lending. This segment also provides treasury management services, capital market capabilities and commercial deposit products. Commercial insurance services were previously provided through PUIA (see Note 2 to the Consolidated Financial Statements for a further discussion).

| Years ended December 31 (in millions) | 2020 | 2019 | 2018 |
| --- | --- | --- | --- |
| Net interest income | $ 1,098.9 | $ 807.1 | $ 699.2 |
| Provision for credit losses | 52.8 | 44.1 | 38.7 |
| Total non-interest income | 217.3 | 206.5 | 177.8 |
| Total non-interest expense | 478.5 | 448.7 | 383.7 |
| Income before income tax expense | 784.9 | 520.8 | 454.6 |
| Income tax expense | 144.7 | 104.3 | 85.0 |
| Net income | $ 640.2 | $ 416.5 | $ 369.6 |
| Average total assets | $ 35,946.3 | $ 29,746.8 | $ 25,956.7 |
| Average total liabilities | 16,524.6 | 11,490.2 | 9,305.0 |

Commercial Banking's net income increased $223.7 million in 2020 compared to 2019, reflecting increases in net interest income and non-interest income, partially offset by an increase in non-interest expense. The $291.8 million increase in net interest income primarily reflects the benefits from increases in FTP net spread income and average commercial loan and lease balances, and a decrease in interest expense, partially offset by the adverse effect of a decline in loan yields. Non-interest income increased $10.8 million in 2020 compared to 2019, primarily reflecting increases in commercial banking lending fees and net gains on sales of loans, partially offset by a decrease in net customer interest rate swap income. The $29.8 million increase in non-interest expense in 2020 compared to 2019 reflects a higher level of allocated expenses, partially offset by a lower level of direct expenses.

Compared to 2019, average total assets increased $6.2 billion, primarily reflecting loans acquired in recently completed acquisitions as well as organic loan growth and PPP loans. Average total liabilities increased $5.0 billion in 2020 compared to 2019, primarily reflecting organic deposit growth and deposits assumed in recently completed acquisitions.

**Retail Banking** includes, as its principal business lines, consumer lending (including residential mortgage and home equity lending) and consumer deposit products. This segment also includes brokerage, financial advisory services, investment management services and life insurance through PSI, investment advisory services and financial management and planning services through PUA and non-institutional trust services.

| Years ended December 31 (in millions) | 2020 | 2019 | 2018 |
|---|---|---|---|
| Net interest income | $ 634.9 | $ 555.1 | $ 467.2 |
| Provision for credit losses | 10.0 | 8.9 | 9.0 |
| Total non-interest income | 182.2 | 195.9 | 186.7 |
| Total non-interest expense | 1,009.4 | 600.2 | 565.3 |
| Income (loss) before income tax expense (benefit) | (202.3) | 141.9 | 79.6 |
| Income tax expense (benefit) | 27.4 | 28.5 | 14.9 |
| Net income (loss) | $ (229.7) | $ 113.4 | $ 64.7 |
| | | | |
| Average total assets | $ 13,447.3 | $ 12,560.9 | $ 10,103.3 |
| Average total liabilities | 26,978.3 | 23,397.7 | 20,699.1 |

Retail Banking's net loss in 2020 compared to net income in the year-ago period reflects an increase in net interest income, which was more than offset by a decrease in non-interest income and an increase in non-interest expense. The $79.8 million increase in net interest income primarily reflects a decrease in interest expense, the benefits from increases in FTP net spread income and average residential mortgage loan balances, partially offset by the adverse effect of a decline in loan yields. Non-interest income decreased $13.7 million in 2020 compared to 2019, primarily reflecting decreases in bank service charges and investment management fees. The $409.2 million increase in non-interest expense in 2020 compared to 2019 reflects a $353.0 million non-cash goodwill impairment charge (see Note 8 to the Consolidated Financial Statements), as well as a higher level of allocated expenses, partially offset by a lower level of direct expenses.

Compared to 2019, average total assets increased $886 million, primarily reflecting loans acquired in recently completed acquisitions and organic loan growth. Average total liabilities increased $3.6 billion, primarily reflecting organic deposit growth and deposits assumed in recently completed acquisitions.

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

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

| Years ended December 31 (in millions) | 2020 | 2019 | 2018 |
|---|---|---|---|
| Net interest income (loss) | $ (118.5) | $ 66.5 | $ 93.0 |
| Total non-interest income | 7.8 | 14.1 | 8.3 |
| Total non-interest expense | 3.7 | 13.8 | 17.8 |
| Income (loss) before income tax expense (benefit) | (114.1) | 66.8 | 83.5 |
| Income tax expense (benefit) | (19.8) | 13.5 | 15.8 |
| Net income (loss) | $ (94.3) | $ 53.3 | $ 67.7 |
| | | | |
| Average total assets | $ 9,988.1 | $ 7,882.3 | $ 7,955.8 |
| Average total liabilities | 8,863.8 | 9,011.9 | 8,544.3 |

Treasury's net loss in 2020 compared to net income in the year-ago period primarily reflects a decrease in net interest income. The $185.0 million decrease in net interest income primarily reflects the adverse effect from a decrease in FTP net spread income, primarily resulting from the reduction in interest rates initiated by the FOMC (see Recent Developments and Net Interest Income), partially offset by the benefits from a decrease in interest expense and an increase in average securities balances. Non-interest income in 2020 includes BOLI death benefits received totaling $2.1 million and a net loss on equity securities totaling $0.8 million. The $10.1 million decrease in non-interest expense in 2020 compared to 2019 reflects a lower level of allocated expenses.

Compared to 2019, average total assets increased $2.1 billion, primarily reflecting increases in securities and short-term investments. Average total liabilities decreased $148 million in 2020 compared to 2019, primarily reflecting a decrease in borrowings, partially offset by an increase in deposits.

**Other** includes the residual financial impact from the allocation of revenues and expenses (including the provision for credit losses on loans) and certain revenues and expenses not attributable to a particular segment; assets and liabilities not attributable to a particular segment; reversal of the FTE adjustment since net interest income for each segment is presented on an FTE basis; and the FTP impact from excess capital. The provision for credit losses on loans in 2020 reflects the application of the CECL standard and the impact of COVID-19. Included in non-interest income are (i) a $75.9 million net gain recognized on the sale of PUIA in 2020 and (ii) gains of $7.6 million resulting from the sale of eight branches in central Maine and $3.3 million on a sale-leaseback transaction in 2019. Included in non-interest expense are (i) merger-related expenses totaling $45.9 million and $49.1 million in 2020 and 2019, respectively, and (ii) a $16.5 million charge in 2019 associated with the complete write-down of an acquisition-related intangible asset stemming from the liquidation of the Company's public mutual funds.

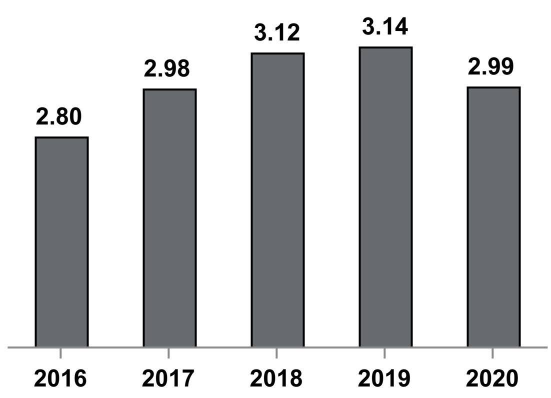
| Years ended December 31 (in millions) | 2020 | 2019 | 2018 |
|---|---|---|---|
| Net interest loss | $ (39.5) | $ (16.4) | $ (23.4) |
| Provision for credit losses | 93.3 | (24.7) | (17.7) |
| Total non-interest income | 85.4 | 14.6 | (6.4) |
| Total non-interest expense | 72.5 | 100.0 | 29.3 |
| Loss before income tax expense | (119.9) | (77.1) | (41.4) |
| Income tax expense | (23.3) | (14.3) | (7.5) |
| Net loss | $ (96.6) | $ (62.8) | $ (33.9) |
| | | | |
| Average total assets | $ 1,656.4 | $ 1,468.0 | $ 1,013.9 |
| Average total liabilities | 859.6 | 686.9 | 444.1 |

## 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 interest-earning assets and interest-bearing liabilities; non-interest-bearing sources of funds; hedging activities; and asset quality.

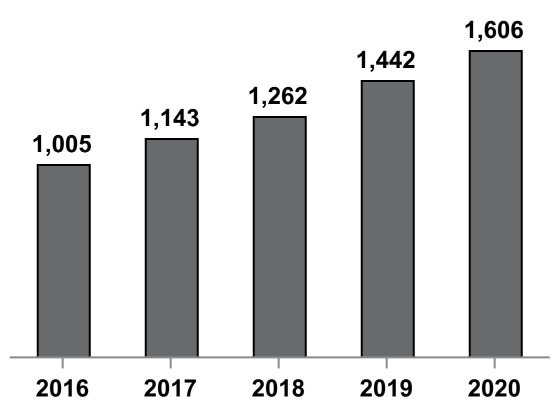
**Net Interest Margin**

Years ended December 31 (percent)




**Net Interest Income - FTE**

Years ended December 31 (dollars in millions)



In March 2020, the FOMC lowered the target range for the federal funds rate by a total of 150 basis points (see Recent Developments), bringing the current target range to between 0.00% and 0.25%. In 2019, the FOMC lowered the target range three times by a total of 75 basis points. Previously, the FOMC raised the target range four times during 2018 by a total of 100 basis points. For the fourth quarter of 2020, the average effective federal funds rate was 0.09%.

The net interest margin was 2.99% in 2020 compared to 3.14% in 2019 and 3.12% in 2018. The decline in the net interest margin over the past two years generally reflects lower yields on the loan and securities portfolios, partially offset by lower rates on deposits and borrowings.

**2020 Compared to 2019**

FTE net interest income increased $163.9 million compared to 2019, reflecting a $65.7 million decrease in total interest and dividend income, which was more than offset by a $229.6 million decrease in total interest expense. The net interest margin decreased 15 basis points to 2.99% reflecting lower yields on the loan and securities portfolios, which reduced the net interest margin by 55 basis points and ten basis points, respectively, partially offset by lower rates on deposits and borrowings, which benefited the net interest margin by 37 basis points and 13 basis points, respectively. Included in interest income in 2020 are fees, net of related costs, totaling $34.6 million, recognized in connection with the Company's role in originating loans under the PPP. Fees earned as a participating PPP lender are deferred and recognized over the earlier of the life of the related loans or until forgiven by the Small Business Administration ("SBA").

Average total earning assets were $53.7 billion in 2020, a $7.8 billion increase from 2019, reflecting increases of $6.0 billion in average total loans, $926 million in average securities and $892 million in average short-term investments. The increase in average total loans reflects loans and leases acquired in connection with acquisitions completed in 2019, PPP loans (average of $1.7 billion in 2020), as well as organic growth. Average total loans, average securities and average short-term investments comprised 83%, 15% and 2%, respectively, of average total earning assets in 2020 compared to 84%, 15% and 1%, respectively, in 2019. At December 31, 2020 and 2019, approximately 46% and 44%, respectively, of the Company's loan portfolio was comprised of Prime Rate and one-month LIBOR-based floating-rate loans.

Average total funding liabilities were $51.7 billion in 2020, an $8.1 billion increase from the year-ago period, reflecting a $9.1 billion increase in average total deposits, partially offset by a $1.1 billion decrease in average total borrowings. The increase in average total deposits reflects organic growth, deposits assumed in connection with acquisitions completed in 2019 and a $580 million increase in average brokered deposits. Excluding brokered deposits, average savings and average non-interest-bearing deposits increased $4.5 billion and $4.0 billion, respectively, while average time deposits decreased $53 million. Average total deposits comprised 93% and 90% of average total funding liabilities in 2020 and 2019, respectively.

The 62 basis point decrease to 0.46% from 1.08% in the rate paid on average total funding liabilities in 2020 compared to 2019 primarily reflects the decreases in the target federal funds rate discussed above. The rate paid on average total deposits decreased 52 basis points in 2020, reflecting decreases of 61 basis points in savings, interest-bearing checking and money market deposits and 56 basis points in time deposits and the benefit from a $4.0 billion increase in non-interest-bearing deposits. Average savings, interest-bearing checking and money market deposits and average time deposits comprised 58% and 16%, respectively, of average total deposits in 2020 compared to 57% and 21%, respectively, in 2019.

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

The table on the following page presents average balance sheets, FTE-basis interest income, interest expense and the corresponding average yields earned and rates paid for the years ended December 31, 2020, 2019 and 2018. The average balances are principally daily averages and, for loans, include both performing and non-performing balances. Interest income on loans includes the effect of deferred loan fees and costs accounted for as yield adjustments, but does not include interest on loans for which People's United has ceased to accrue interest. Premium amortization and discount accretion (including amounts attributable to purchase accounting adjustments) are also included in the respective interest income and interest expense amounts. The impact of People's United's use of derivative instruments in managing IRR is also reflected in the table, classified according to the instrument hedged and the related risk management objective.

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

| Years ended December 31 (dollars in millions) | 2020 Average Balance | 2020 Interest | 2020 Yield/ Rate | 2019 Average Balance | 2019 Interest | 2019 Yield/ Rate | 2018 Average Balance | 2018 Interest | 2018 Yield/ Rate |
|---|---|---|---|---|---|---|---|---|---|
| **Assets:** | | | | | | | | | |
| Short-term investments | $ 1,125.1 | $ 3.4 | 0.31 % | $ 232.7 | $ 4.8 | 2.06 % | $ 278.9 | $ 5.0 | 1.81 % |
| Securities (1) | 8,143.7 | 215.7 | 2.65 | 7,217.5 | 205.2 | 2.84 | 7,343.7 | 200.9 | 2.74 |
| Loans: | | | | | | | | | |
| Commercial real estate | 14,057.6 | 488.6 | 3.48 | 12,480.1 | 556.4 | 4.46 | 11,017.7 | 463.4 | 4.21 |
| Commercial and industrial | 13,456.8 | 451.0 | 3.35 | 9,874.7 | 454.3 | 4.60 | 8,611.7 | 375.4 | 4.36 |
| Equipment financing | 4,898.2 | 263.3 | 5.38 | 4,574.9 | 253.8 | 5.55 | 4,040.8 | 212.3 | 5.25 |
| Residential mortgage | 9,569.2 | 333.3 | 3.48 | 9,314.8 | 329.9 | 3.54 | 7,188.6 | 237.1 | 3.30 |
| Home equity and other consumer | 2,400.5 | 89.5 | 3.73 | 2,174.0 | 106.1 | 4.88 | 1,995.6 | 88.6 | 4.44 |
| Total loans | 44,382.3 | 1,625.7 | 3.66 | 38,418.5 | 1,700.5 | 4.43 | 32,854.4 | 1,376.8 | 4.19 |
| Total earning assets | 53,651.1 | $1,844.8 | 3.44 % | 45,868.7 | $1,910.5 | 4.17 % | 40,477.0 | $1,582.7 | 3.91 % |
| Other assets | 7,387.0 | | | 5,789.3 | | | 4,552.7 | | |
| Total assets | $ 61,038.1 | | | $ 51,658.0 | | | $ 45,029.7 | | |
| **Liabilities and stockholders' equity:** | | | | | | | | | |
| Deposits: | | | | | | | | | |
| Non-interest-bearing | $ 12,864.4 | $ — | — % | $ 8,822.9 | $ — | — % | $ 8,069.8 | $ — | — % |
| Savings, interest-bearing checking and money market | 27,831.9 | 92.2 | 0.33 | 22,204.1 | 209.3 | 0.94 | 19,630.1 | 127.4 | 0.65 |
| Time | 7,520.6 | 95.0 | 1.26 | 8,115.7 | 147.6 | 1.82 | 5,901.4 | 88.7 | 1.50 |
| Total deposits | 48,216.9 | 187.2 | 0.39 | 39,142.7 | 356.9 | 0.91 | 33,601.3 | 216.1 | 0.64 |
| Borrowings: | | | | | | | | | |
| FHLB advances | 1,371.2 | 13.7 | 1.00 | 2,098.0 | 50.1 | 2.39 | 2,653.6 | 54.5 | 2.05 |
| Federal funds purchased | 688.2 | 5.4 | 0.79 | 1,127.5 | 24.6 | 2.18 | 682.2 | 13.6 | 2.00 |
| Customer repurchase agreements | 379.0 | 1.1 | 0.29 | 296.6 | 2.2 | 0.75 | 252.7 | 1.0 | 0.40 |
| Other borrowings | — | — | — | 3.3 | 0.1 | 1.87 | 104.5 | 1.8 | 1.66 |
| Total borrowings | 2,438.4 | 20.2 | 0.83 | 3,525.4 | 77.0 | 2.18 | 3,693.0 | 70.9 | 1.92 |
| Notes and debentures | 1,009.5 | 31.8 | 3.15 | 922.1 | 34.9 | 3.78 | 889.8 | 33.3 | 3.75 |
| Total funding liabilities | 51,664.8 | $ 239.2 | 0.46 % | 43,590.2 | $ 468.8 | 1.08 % | 38,184.1 | $ 320.3 | 0.84 % |
| Other liabilities | 1,561.5 | | | 996.5 | | | 808.4 | | |
| Total liabilities | 53,226.3 | | | 44,586.7 | | | 38,992.5 | | |
| Stockholders' equity | 7,811.8 | | | 7,071.3 | | | 6,037.2 | | |
| Total liabilities and stockholders' equity | $ 61,038.1 | | | $ 51,658.0 | | | $ 45,029.7 | | |
| Net interest income/spread (2) | | $1,605.6 | 2.98 % | | $1,441.7 | 3.09 % | | $1,262.4 | 3.07 % |
| **Net interest margin** | | | 2.99 % | | | 3.14 % | | | 3.12 % |

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

(2) The FTE adjustment was $29.8 million, $29.4 million and $26.4 million for the years ended December 31, 2020, 2019 and 2018, respectively.

**Volume and Rate Analysis**

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

| | 2020 Compared to 2019 Increase (Decrease) | | | 2019 Compared to 2018 Increase (Decrease) | | |
|---|---|---|---|---|---|---|
| (in millions) | Volume | Rate | Total | Volume | Rate | Total |
| Interest and dividend income: | | | | | | |
| Short-term investments | $ 5.6 | $ (7.0) | $ (1.4) | $ (0.9) | $ 0.7 | $ (0.2) |
| Securities | 25.2 | (14.7) | 10.5 | (3.5) | 7.8 | 4.3 |
| Loans: | | | | | | |
| Commercial real estate | 64.7 | (132.5) | (67.8) | 64.0 | 29.0 | 93.0 |
| Commercial and industrial | 139.2 | (142.5) | (3.3) | 57.3 | 21.6 | 78.9 |
| Equipment financing | 17.5 | (8.0) | 9.5 | 29.2 | 12.3 | 41.5 |
| Residential mortgage | 8.9 | (5.5) | 3.4 | 74.3 | 18.5 | 92.8 |
| Home equity and other consumer | 10.3 | (26.9) | (16.6) | 8.3 | 9.2 | 17.5 |
| Total loans | 240.6 | (315.4) | (74.8) | 233.1 | 90.6 | 323.7 |
| Total change in interest and dividend income | 271.4 | (337.1) | (65.7) | 228.7 | 99.1 | 327.8 |
| Interest expense: | | | | | | |
| Deposits: | | | | | | |
| Savings, interest-bearing checking and money market | 43.4 | (160.5) | (117.1) | 18.4 | 63.5 | 81.9 |
| Time | (10.2) | (42.4) | (52.6) | 37.8 | 21.1 | 58.9 |
| Total deposits | 33.2 | (202.9) | (169.7) | 56.2 | 84.6 | 140.8 |
| Borrowings: | | | | | | |
| FHLB advances | (13.6) | (22.8) | (36.4) | (12.5) | 8.1 | (4.4) |
| Federal funds purchased | (7.3) | (11.9) | (19.2) | 9.6 | 1.4 | 11.0 |
| Customer repurchase agreements | 0.5 | (1.6) | (1.1) | 0.2 | 1.0 | 1.2 |
| Other borrowings | (0.1) | — | (0.1) | (1.9) | 0.2 | (1.7) |
| Total borrowings | (20.5) | (36.3) | (56.8) | (4.6) | 10.7 | 6.1 |
| Notes and debentures | 3.1 | (6.2) | (3.1) | 1.2 | 0.4 | 1.6 |
| Total change in interest expense | 15.8 | (245.4) | (229.6) | 52.8 | 95.7 | 148.5 |
| Change in net interest income | $ 255.6 | $ (91.7) | $ 163.9 | $ 175.9 | $ 3.4 | $ 179.3 |

The following table provides the weighted-average yields earned and rates paid for each major category of earning assets and funding liabilities as of December 31, 2020:

| (dollars in millions) | Balance | Yield/Rate |
|---|---|---|
| Earning assets: | | |
| Short-term investments | $ 3,766.0 | 0.11 % |
| Securities | 9,191.2 | 2.40 |
| Loans | 43,869.5 | 3.31 |
| Total earning assets | $ 56,826.7 | 2.95 % |
| Funding liabilities: | | |
| Non-interest-bearing deposits | $ 15,881.7 | — % |
| Interest-bearing deposits: | | |
| Money market | 15,266.1 | 0.17 |
| Interest-bearing checking | 9,301.4 | 0.18 |
| Savings | 6,029.7 | 0.04 |
| Time | 5,658.8 | 0.92 |
| Borrowings | 1,147.6 | 0.28 |
| Notes and debentures | 1,009.6 | 3.97 |
| Total funding liabilities | $ 54,294.9 | 0.26 % |

## Non-Interest Income

| | | | | Percentage Increase (Decrease) | |
|---|---|---|---|---|---|
| Years ended December 31 (dollars in millions) | 2020 | 2019 | 2018 | 2020/2019 | 2019/2018 |
| Bank service charges | $ 97.5 | $ 107.5 | $ 99.9 | (9.3)% | 7.6 % |
| Investment management fees | 73.2 | 78.2 | 81.5 | (6.4) | (4.0) |
| Commercial banking lending fees | 50.9 | 42.7 | 37.3 | 19.2 | 14.5 |
| Operating lease income | 49.7 | 50.8 | 44.4 | (2.2) | 14.4 |
| Insurance revenue | 33.7 | 37.0 | 34.6 | (8.9) | 6.9 |
| Cash management fees | 33.4 | 28.4 | 27.1 | 17.6 | 4.8 |
| Net security gains (losses) | — | 0.2 | (9.8) | n/m | n/m |
| Gain on sale of business, net of expenses | 75.9 | — | — | n/m | n/m |
| Other non-interest income: | | | | | |
| Net gains on sales of loans | 15.5 | 0.4 | 1.8 | n/m | (77.8) |
| Customer interest rate swap income, net | 14.9 | 24.0 | 7.7 | (37.9) | 211.7 |
| BOLI | 12.7 | 10.7 | 7.2 | 18.7 | 48.6 |
| Credit card fees | 7.7 | 8.2 | 6.4 | (6.1) | 28.1 |
| Net gains on sales of residential mortgage loans held-for-sale | 4.8 | 1.9 | 1.2 | 152.6 | 58.3 |
| Other | 22.8 | 41.1 | 27.1 | (44.5) | 51.7 |
| Total other non-interest income | 78.4 | 86.3 | 51.4 | (9.2) | 67.9 |
| Total non-interest income | $ 492.7 | $ 431.1 | $ 366.4 | 14.3 % | 17.7 % |

n/m – not meaningful

Total non-interest income in 2020 increased $61.6 million compared to 2019. Excluding the $75.9 million gain on the sale of PUIA in 2020 and the $7.6 million gain on the sale of branches in 2019, both of which are considered non-operating income, non-interest income decreased $6.7 million in 2020 compared to 2019. Increases in commercial banking lending fees and net gains on sales of loans were more than offset by decreases in bank service charges and other non-interest income.

The decrease in bank service charges in 2020 compared to 2019 primarily reflects the adverse impact from the lower level of customer activity resulting from the economic uncertainties brought about by COVID-19. The decreases in investment management fees in 2020 compared to 2019 primarily reflects the effect of market volatility during 2020. At December 31, 2020, assets under discretionary management totaled $9.5 billion compared to $9.2 billion at December 31, 2019.

The increase in commercial banking lending fees in 2020 compared to 2019 is primarily related to the levels of prepayment income and loan syndication fees collected in the respective periods. The level of insurance revenue reflects the continued soft commercial insurance market. In November 2020, the Bank completed its sale of PUIA (see Note 2 to the Consolidated Financial Statements for a further discussion).

Net gains on sales of loans in 2020 include gains, net of expenses, totaling $16.9 million from the sale of consumer and commercial loans previously acquired in the United Financial acquisition. The decrease in net customer interest rate swap income in 2020 compared to 2019 reflects lower levels in both the number and notional value of swap transactions. On an FTE basis, BOLI income totaled $16.1 million in 2020, compared to $13.2 million in 2019. BOLI income includes death benefits received totaling $2.1 million and $2.2 million in 2020 and 2019, respectively.

The increase in net gains on sales of residential mortgage loans in 2020 compared to 2019 reflects improved spreads on pricing as well as a 15% increase in the volume of residential mortgage loans sold.

Other non-interest income in 2020 includes a $5.8 million charge relating to the write-down of a mortgage servicing right asset acquired in the United Financial acquisition. Included in other non-interest income in 2019 is a $7.6 million gain, net of expenses, on the sale of eight branches and a $3.3 million gain resulting from the sale-leaseback of a building.

## Non-Interest Expense

| | | | | Percentage Increase (Decrease) | |
|---|---|---|---|---|---|
| Years ended December 31 (dollars in millions) | 2020 | 2019 | 2018 | 2020/2019 | 2019/2018 |
| Compensation and benefits | $ 674.8 | $ 646.2 | $ 562.9 | 4.4 % | 14.8 % |
| Occupancy and equipment | 199.0 | 185.9 | 168.2 | 7.0 | 10.5 |
| Professional and outside services | 113.2 | 98.2 | 77.6 | 15.3 | 26.5 |
| Amortization of other acquisition-related intangible assets | 40.8 | 32.5 | 21.8 | 25.5 | 49.1 |
| Operating lease expense | 36.4 | 38.8 | 36.4 | (6.2) | 6.6 |
| Regulatory assessments | 32.7 | 26.1 | 37.9 | 25.3 | (31.1) |
| Goodwill impairment | 353.0 | — | — | 100.0 | N/A |
| Other non-interest expense: | | | | | |
| Stationary, printing, postage and telephone | 26.0 | 26.6 | 24.7 | (2.3) | 7.7 |
| Advertising and promotion | 13.3 | 16.4 | 15.8 | (18.9) | 3.8 |
| Other | 74.9 | 92.0 | 50.8 | (18.6) | 81.1 |
| Total other non-interest expense | 114.2 | 135.0 | 91.3 | (15.4) | 47.9 |
| Total non-interest expense | $1,564.1 | $1,162.7 | $ 996.1 | 34.5 % | 16.7 % |
| Efficiency ratio | 54.2 % | 55.8 % | 57.4 % | | |

Total non-interest expense increased $401.4 million in 2020 compared to 2019. Excluding non-operating expenses in both 2020 (goodwill impairment of $353.0 million and merger-related expenses totaling $45.9 million) and 2019 (merger-related and other expenses totaling $65.6 million), non-interest expense increased $68.1 million in 2020 compared to 2019.

The improvement in the efficiency ratio in 2020 compared to 2019 reflects increases in adjusted total revenues and adjusted total expenses (see Non-GAAP Financial Measures and Reconciliation to GAAP).

Compensation and benefits includes merger-related expenses totaling $1.5 million in 2020 and $11.2 million in 2019. Excluding such expenses, compensation and benefits increased $38.3 million, or 6.0%, in 2020 compared to 2019. The increase in 2020 compared to 2019 primarily reflects the incremental costs relating to recently completed acquisitions, as well as the effect of normal merit increases and higher incentive-related expenses.

The increase in occupancy and equipment expense in 2020 compared to and 2019 primarily reflects higher equipment-related costs and the incremental costs resulting from acquisitions completed in 2019, partially offset by the benefits from consolidating branches and other office space over the past several years. In January 2021, the Bank announced its decision not to renew its agreements with Stop & Shop to operate 140 in-store branches in Connecticut and New York upon their expiration in 2020. Branch closures will take place over several years using a phased approach.

Professional and outside services fees include merger-related expenses totaling $20.9 million in 2020 and $15.1 million in 2019. Excluding such expenses, professional and outside services fees increased $9.2 million in 2020 compared to 2019, primarily resulting from higher levels of spending on projects and computer-related services. The decrease in operating lease expense in 2020 compared to 2019 primarily relates to the levels of equipment leased to equipment financing customers, while the decrease in advertising and promotion expense primarily reflects the timing of certain advertising campaigns.

Regulatory assessments include FDIC insurance premiums, which are based on the Bank's average total assets and average tangible equity, and FDIC-defined risk factors. The actual amount of future regulatory assessments will be dependent on several factors, including: (i) the Bank's average total assets and average tangible equity; (ii) the Bank's risk profile; and (iii) whether additional special assessments are imposed in future periods and the manner in which such assessments are determined. The increase in regulatory assessments in 2020 compared to 2019 primarily reflects an increase in the Bank's total assessment base resulting from recent acquisitions and organic growth.

The increases in amortization of other acquisition-related intangible assets expense in 2020 compared to 2019 reflects the effect of additional intangible assets resulting from the acquisitions completed during 2019. Scheduled amortization expense attributable to other acquisition-related intangible assets for each of the next five years is as follows: $35.5 million in 2021; $31.0 million in 2022; $23.3 million in 2023; $19.6 million in 2024; and $16.8 million in 2025.

Goodwill is evaluated for impairment as of the annual measurement date or more frequently if a triggering event indicates that it is more likely than not that an impairment loss has been incurred. People's United performed a quantitative assessment of goodwill impairment as of October 1, 2020 (its annual measurement date). A quantitative assessment includes determining the estimated fair value of each reporting unit, utilizing a combination of the discounted cash flow method of the income approach and the guideline public company method of the market approach, and comparing that fair value to each reporting unit's carrying amount. Based on the quantitative assessment performed as of October 1, 2020, People's United recognized a non-cash goodwill impairment charge totaling $353.0 million (representing 12% of total goodwill) associated with the Retail Banking reporting unit (see Note 8 to the Consolidated Financial Statements for a further discussion).

Included in other non-interest expense are merger-related costs totaling $20.8 million and $13.7 million in 2020 and 2019, respectively. Also included in other non-interest expense in 2019 is a $16.5 million charge (considered a non-operating expense) associated with the complete write-down of an acquisition-related intangible asset stemming from the liquidation of the Company's public mutual funds.

## Income Taxes

Income tax expense totaled $129.0 million and $132.0 million for the years ended December 31, 2020 and 2019, respectively. People's United's effective income tax rate was 37.0% and 20.2% for the respective years. Income tax expense in each year includes $14.8 million and $12.7 million, respectively, of federal income tax credits, which relate, primarily, to an increase in tax-advantaged investments. People's United's effective income tax rate for 2021 is expected to be approximately 21%.

Differences, if any, arising between People's United's effective income tax rate and the U.S. federal statutory rate of 21% are generally attributable to: (i) tax-exempt interest earned on certain investments; (ii) tax-exempt income from BOLI; and (iii) state income taxes. The effective income tax rate in 2020 reflects the impact of a non-deductible goodwill impairment charge for which no tax benefit was realized (see Note 8 to the Consolidated Financial Statements for a further discussion). Excluding non-deductible goodwill impairment, the effective income tax rate was 18.4% for 2020.

People's United holds ownership interests in limited partnerships formed to develop and operate affordable housing units for lower income tenants throughout its franchise area. The underlying partnerships, which are considered variable interest entities, are not consolidated into the Company's Consolidated Financial Statements. These investments have historically played a role in enabling the Bank to meet its CRA requirements while, at the same time, providing tax benefits, including federal income tax credits. The cost of the Company's investments is amortized on a straight-line basis over the period during which the related federal income tax credits are realized (generally ten years). Amortization expense, which is included as a component of income tax expense, totaled $31.4 million and $25.0 million for the years ended December 31, 2020 and 2019, respectively.

Income tax expense in both 2020 and 2019 reflects the state tax benefit resulting from the formation of People's Mortgage Investment Company, a wholly owned subsidiary of the Bank. The formation of this subsidiary was a result of Connecticut tax legislation, which became effective on January 1, 1999, that allows for the transfer of mortgage loans to a passive investment subsidiary. The related earnings of the subsidiary, and any dividends it pays to the parent, are not subject to Connecticut income tax.

See Notes 1 and 14 to the Consolidated Financial Statements for additional information concerning income tax expense.

## Securities

| As of December 31 (in millions) | 2020 Amortized Cost | 2020 Fair Value | 2019 Amortized Cost | 2019 Fair Value | 2018 Amortized Cost | 2018 Fair Value |
|---|---|---|---|---|---|---|
| Debt securities held-to-maturity: | | | | | | |
| State and municipal | $ 2,824.3 | $ 3,060.2 | $ 2,503.9 | $ 2,645.5 | $ 2,352.4 | $ 2,369.4 |
| GSE mortgage-backed securities | 1,079.9 | 1,116.3 | 1,271.4 | 1,279.1 | 1,367.5 | 1,334.3 |
| Corporate | 89.7 | 89.0 | 92.4 | 93.9 | 70.9 | 70.7 |
| Other | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 | 1.5 |
| Total debt securities held-to-maturity | $ 3,995.4 | $ 4,267.0 | $ 3,869.2 | $ 4,020.0 | $ 3,792.3 | $ 3,775.9 |
| Debt securities available-for-sale: | | | | | | |
| U.S. Treasury and agency | $ 529.8 | $ 541.6 | $ 689.5 | $ 687.1 | $ 699.0 | $ 678.0 |
| GSE mortgage-backed and CMO (1) securities | 4,274.7 | 4,383.9 | 2,856.3 | 2,877.2 | 2,486.6 | 2,443.0 |
| Total debt securities available-for-sale | $ 4,804.5 | $ 4,925.5 | $ 3,545.8 | $ 3,564.3 | $ 3,185.6 | $ 3,121.0 |

(1) Collateralized Mortgage Obligation

People's United strives to maintain an appropriate balance between loan portfolio growth and deposit funding. The Company's management believes that a large debt securities portfolio funded with wholesale borrowings provides limited economic value and therefore, at December 31, 2020, the debt securities portfolio only comprised 14% of total assets.

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

The Company primarily invests in debt securities rated in the highest categories assigned by nationally recognized statistical ratings organizations ("NRSRO") and all credit risk undergoes an internal creditworthiness assessment separate from NRSRO ratings. Management has internal guidelines for the credit quality and duration of People's United's debt securities portfolio and monitors these on a regular basis.

At December 31, 2020, the fair value of People's United's debt securities available-for-sale portfolio totaled $4.93 billion, or 8% of total assets, compared to $3.56 billion, or 6% of total assets, at December 31, 2019. The $1.36 billion increase in fair value in 2020 compared to 2019 primarily reflects net purchases of GSE mortgage-backed securities and a $102.5 million increase in the unrealized gain on debt securities available-for-sale in 2020. At December 31, 2020 and 2019, the fair value of the debt securities available-for-sale portfolio exceeded the amortized cost by $121.0 million and $18.5 million, respectively. The increase in investment grade state and municipal securities in both 2020 and 2019 reflects the Company's continued investment in such securities based on their value relative to other securities of comparable duration, yield and credit risk.

With respect to debt securities available-for-sale, all unrealized gains and those unrealized losses representing temporary declines in value due to factors other than credit are recorded in stockholders' equity, net of income taxes, as a component of accumulated comprehensive income (loss). As a result, management anticipates continued fluctuations in stockholders' equity due to changes in the fair value of such debt securities, albeit on a relatively modest scale due to the duration of the portfolio. The duration of the entire debt securities portfolio was approximately 4.1 years at both December 31, 2020 and 2019.

In addition to the debt securities held-to-maturity and available-for-sale discussed above, the Bank holds shares of capital stock in the FRB-NY (total cost of $228.4 million at December 31, 2020) and the FHLB of Boston (total cost of $38.2 million at December 31, 2020). Dividend income on FRB-NY capital stock totaled $2.0 million and $3.8 million for the years ended December 31, 2020 and 2019, respectively. Dividend income on FHLB capital stock totaled $4.8 million and $7.0 million for the years ended December 31, 2020 and 2019, respectively.

In connection with the Company's adoption of the CECL standard on January 1, 2020, selected accounting policies related to securities have been revised and/or certain accounting policy elections have been made. See Notes 1 and 4 to the Consolidated Financial Statements for additional information concerning securities.

## Lending Activities

As a result of adopting the CECL standard on January 1, 2020, the Company's prior distinction between the originated loan portfolio and the acquired loan portfolio is no longer necessary. Accordingly, prior period disclosures have been revised to conform to the current period presentation.

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

In 2020, total loans increased $273 million compared to 2019 and increased $8.4 billion in 2019 compared to 2018. At the respective acquisition dates in 2019, the fair values of BSB Bancorp's and United Financial's loans were $2.64 billion and $5.54 billion, respectively. Loans held-for-sale at December 31, 2020 and 2019 consisted of newly-originated residential mortgage loans with carrying amounts of $26.5 million and $19.7 million, respectively. At December 31, 2019, loans held-for-sale also included $333.7 million of consumer loans and $157.9 million of commercial loans previously acquired in the United Financial acquisition, all of which were subsequently sold by the end of February 2020.

The following table summarizes the loan portfolio before deducting the ACL on loans:

| As of December 31 (in millions) | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|
| Commercial: | | | | | |
| Commercial real estate (1) | $ 13,336.9 | $ 14,762.3 | $ 11,649.6 | $ 11,068.7 | $ 10,247.3 |
| Commercial and industrial (1) | 10,764.1 | 8,693.2 | 7,504.0 | 6,967.6 | 6,348.1 |
| Equipment financing | 4,930.0 | 4,910.4 | 4,339.2 | 3,905.4 | 3,032.5 |
| MW/ABL (2) | 4,218.2 | 2,348.4 | 1,584.9 | 1,763.5 | 1,777.0 |
| Total Commercial Portfolio | 33,249.2 | 30,714.3 | 25,077.7 | 23,705.2 | 21,404.9 |
| Retail: | | | | | |
| Residential mortgage: | | | | | |
| Adjustable-rate | 5,517.3 | 7,064.8 | 6,662.0 | 5,926.6 | 5,549.1 |
| Fixed-rate | 3,001.6 | 3,253.3 | 1,492.2 | 879.1 | 667.6 |
| Total residential mortgage | 8,518.9 | 10,318.1 | 8,154.2 | 6,805.7 | 6,216.7 |
| Home equity and other consumer: | | | | | |
| Home equity | 1,997.2 | 2,406.5 | 1,962.5 | 2,015.2 | 2,072.6 |
| Other consumer | 104.2 | 157.2 | 47.0 | 49.2 | 50.7 |
| Total home equity and other consumer | 2,101.4 | 2,563.7 | 2,009.5 | 2,064.4 | 2,123.3 |
| Total Retail Portfolio | 10,620.3 | 12,881.8 | 10,163.7 | 8,870.1 | 8,340.0 |
| Total loans | $ 43,869.5 | $ 43,596.1 | $ 35,241.4 | $ 32,575.3 | $ 29,744.9 |

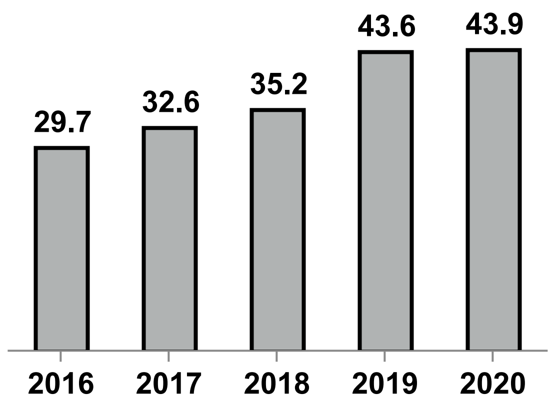
(1) In connection with the United Bank core system conversion in April 2020, approximately $400 million of loans secured by owner-occupied commercial properties were prospectively at that time reclassified from commercial real estate loans to commercial and industrial loans. Loan balances for 2019 were not restated to conform to the current period presentation.

(2) Mortgage warehouse lending/asset based lending

People's United's loan portfolio is primarily concentrated within New England and New York. At December 31, 2020 and 2019, 55% and 58% of the total loan portfolio represented loans to customers located within the New England states, respectively. Loans to customers located in New York represented 18% of the total loan portfolio at both dates.

**Total Loans**

As of December 31 (dollars in billions)




**Contractual Maturity and Interest Rate Sensitivity**

The following table presents the contractual maturity of People's United's loan portfolio as of December 31, 2020:

| (in millions) | One Year or Less | After One Year Through Five Years | After Five Years | Total Due After One Year | Total |
|---|---|---|---|---|---|
| Contractual maturity: | | | | | |
| Commercial | $ 6,150.2 | $ 16,080.9 | $ 11,018.1 | $ 27,099.0 | $ 33,249.2 |
| Retail | 72.9 | 203.9 | 10,343.5 | 10,547.4 | 10,620.3 |
| Total | $ 6,223.1 | $ 16,284.8 | $ 21,361.6 | $ 37,646.4 | $ 43,869.5 |

The following table presents, as of December 31, 2020, loan amounts due after December 31, 2021, and whether these loans have adjustable or fixed interest rates:

| | Interest Rate | | |
|---|---|---|---|
| (in millions) | Adjustable | Fixed | Total |
| Commercial | $ 15,078.3 | $ 12,020.7 | $ 27,099.0 |
| Retail | 7,107.0 | 3,440.4 | 10,547.4 |
| Total loans due after one year | $ 22,185.3 | $ 15,461.1 | $ 37,646.4 |

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

| As of December 31, 2020 (in millions) | One Year or Less | After One Year Through Five Years | After Five Years | Total |
|---|---|---|---|---|
| Contractual maturity: | | | | |
| Commercial and industrial loans | $ 4,653.4 | $ 6,950.3 | $ 3,378.6 | $ 14,982.3 |
| Construction loans: | | | | |
| Commercial real estate | 387.2 | 324.0 | 323.4 | 1,034.6 |
| Residential mortgage | 12.5 | 32.3 | — | 44.8 |
| Total | $ 5,053.1 | $ 7,306.6 | $ 3,702.0 | $ 16,061.7 |

| As of December 31, 2020 (in millions) | One Year or Less | After One Year Through Five Years | After Five Years | Total |
|---|---|---|---|---|
| Interest rate sensitivity: | | | | |
| Variable rates | $ 10,851.5 | $ 552.1 | $ 103.3 | $ 11,506.9 |
| Fixed rates | 92.0 | 3,182.2 | 1,280.6 | 4,554.8 |
| Total | $ 10,943.5 | $ 3,734.3 | $ 1,383.9 | $ 16,061.7 |

**Commercial Portfolio**

The commercial lending businesses include commercial real estate, commercial and industrial lending (including MW/ABL), and equipment financing.

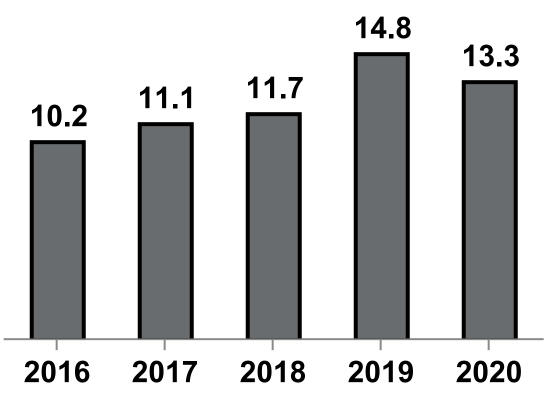
*Commercial Real Estate*

People's United manages the commercial real estate portfolio by limiting the concentration in any particular loan type, term, industry, or to any individual borrower. People's United's highest loan concentration in the commercial real estate loan portfolio is in the residential (multifamily) sector, which represented 32% of this loan portfolio at December 31, 2020 and 35% at December 31, 2019.

| As of December 31 (in millions) | 2020 | 2019 |
|---|---|---|
| Property Type: | | |
| Residential (multifamily) | $ 4,231.4 | $ 5,140.2 |
| Retail | 3,579.3 | 3,843.8 |
| Office buildings | 2,366.7 | 2,689.6 |
| Hospitality/entertainment | 980.4 | 948.4 |
| Industrial/manufacturing | 840.3 | 784.2 |
| Health care | 560.7 | 561.3 |
| Mixed/special use | 353.2 | 287.2 |
| Self storage | 198.7 | 209.8 |
| Land | 79.3 | 73.8 |
| Other | 146.9 | 224.0 |
| Total commercial real estate | $ 13,336.9 | $ 14,762.3 |

**Commercial Real Estate Portfolio**

As of December 31 (dollars in billions)



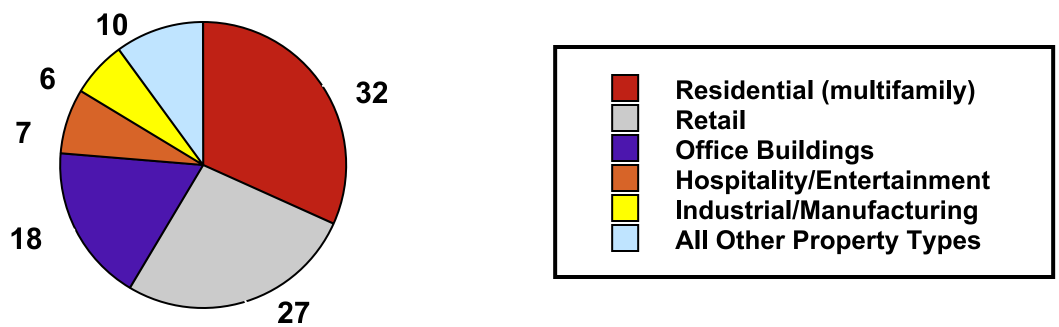

The disruption in economic activity throughout 2020 caused by the COVID-19 pandemic was the primary reason behind a $1.4 billion decrease in this portfolio compared to 2019. In addition, expected run-off totaling $224 million in the transactional portion of the New York multifamily portfolio and run-off in the acquired portfolio negatively impacted balances in 2020. Included in the commercial real estate portfolio are construction loans totaling $1.0 billion at both December 31, 2020 and 2019, net of the unadvanced portion of such loan totaling $447 million and $724 million, respectively.

At December 31, 2020 and 2019, 26% and 29%, respectively, of People's United's commercial real estate portfolio was secured by properties located in New York. At both December 31, 2020 and 2019, 23% were secured by properties located in Connecticut. In addition, 32% and 31% of the commercial real estate portfolio was secured by properties located in Massachusetts, Vermont and New Hampshire at December 31, 2020 and 2019, respectively. No other state exposure was greater than 5% at both December 31, 2020 and 2019.

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

**Commercial Real Estate Diversification by Property Type**

As of December 31, 2020 (percent)



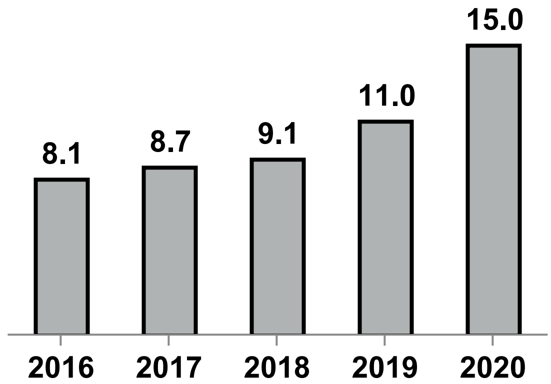

*Commercial and Industrial (including MW/ABL)*

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

| As of December 31 (in millions) | 2020 | 2019 |
|---|---|---|
| Industry: | | |
| Finance and insurance | $ 4,485.5 | $ 2,521.8 |
| Service | 2,688.4 | 1,975.0 |
| Health services | 1,489.6 | 960.1 |
| Manufacturing | 1,384.7 | 1,175.1 |
| Wholesale trade | 1,223.4 | 1,286.6 |
| Real estate, rental and leasing | 1,152.1 | 1,131.0 |
| Retail trade | 851.3 | 694.0 |
| Construction | 533.6 | 314.3 |
| Transportation and utilities | 450.4 | 384.3 |
| Arts, entertainment and recreation | 236.2 | 159.3 |
| Information and media | 165.7 | 141.8 |
| Printing | 79.0 | 91.0 |
| Packaging | 58.5 | 65.5 |
| Public administration | 49.9 | 64.6 |
| Other | 134.0 | 77.2 |
| Total commercial and industrial | $ 14,982.3 | $ 11,041.6 |

**Commercial and Industrial Portfolio**

As of December 31 (dollars in billions)




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 2020, the commercial and industrial portfolio increased $3.9 billion compared to 2019, reflecting PPP loans totaling $2.3 billion and a $1.9 billion increase in the mortgage warehouse portfolio, partially offset by the adverse effect the COVID-19 pandemic had on loan demand.

At December 31, 2020 and 2019, the commercial and industrial portfolio included $771 million and $767 million, respectively, of asset-based lending loans to companies with annual sales between $15 million and $500 million, of which 70% and 68% were to companies located within the Company's geographic footprint at December 31, 2020 and 2019, respectively. Targeted industries include wholesale and distribution, manufacturing, food distribution and processing, transportation, and retail and business services. Credit facilities include revolving and working capital lines of credit, machinery and equipment term loans and lines of credit, owner-occupied real estate mortgage loans and stretch term loans for qualified customers.

The commercial and industrial portfolio also included $3.4 billion of mortgage warehouse loans at December 31, 2020, compared to $1.5 billion at December 31, 2019. Such loans represent lines of credit extended to a loan originator to fund a mortgage that a borrower initially used to purchase a property. The extension of credit generally lasts from the loan's point of origination to the point when the mortgage is sold into the secondary market. At December 31, 2020 and 2019, 16% and 12%, respectively, of the mortgage warehouse loans were to customers located within the Company's footprint.

At December 31, 2020 and 2019, 21% and 20%, respectively, of the commercial and industrial loan portfolio consisted of loans to Connecticut-based businesses. Commercial and industrial loan exposure in the states of Vermont, Massachusetts and New Hampshire totaled a combined 27% and 31% at December 31, 2020 and 2019, respectively. Commercial and industrial loan exposure in the state of New York totaled 18% at both dates. No other state exposure was greater than 6%. While People's United continues to focus on asset quality, the performance of the commercial lending and industrial portfolio may be adversely impacted if the economy weakens in the future.

Included in commercial and industrial loans at December 31, 2020 are PPP loans totaling $2.3 billion (including $720 million in Service, $374 million in Health services, $310 million in Manufacturing, $266 million in Construction and $156 million in Retail trade) and associated deferred loan fees totaling $45.9 million.

**Commercial and Industrial Diversification by Industry**

As of December 31, 2020 (percent)


*Equipment Financing*

People's Financial has three equipment financing businesses – PCLC, PUEFC and LEAF. The three companies have different business models and go-to-market strategies, and are viewed in the marketplace as separate companies.

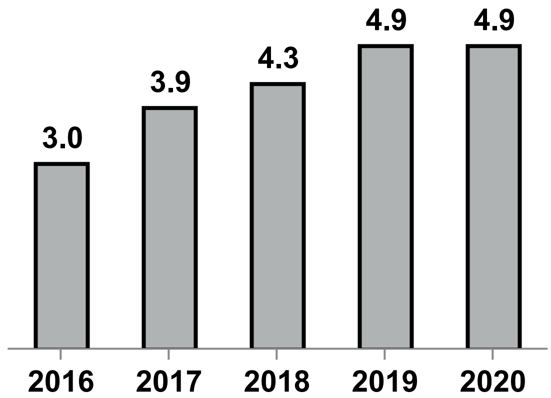
- PCLC is an equipment finance company specializing in financing for the transportation, equipment rental, construction, manufacturing, printing, packaging and service industries in all 50 states. PCLC assists companies in acquiring new and used equipment and/or refinancing existing equipment.
- PUEFC is a secured equipment finance company with a focus on the construction, equipment rental, road transportation and waste industries nationwide.
- LEAF maintains a nationwide origination footprint working with manufacturers, distributors, dealers and end-users of essential use equipment and software in a variety of industries including industrial, manufacturing, light construction, office products and medical.

Substantially the entire equipment financing portfolio (94% and 95% at December 31, 2020 and 2019, respectively) was to customers located outside of New England. At December 31, 2020, 29% of the equipment financing portfolio consisted of loans to customers located in Texas, California and New York, and no other state exposure was greater than 7%.

| As of December 31 (in millions) | 2020 | 2019 |
|---|---|---|
| Industry: | | |
| Transportation and utilities | $ 1,122.8 | $ 1,213.3 |
| Construction | 716.7 | 689.9 |
| Service | 713.1 | 694.2 |
| Rental and leasing | 500.3 | 580.2 |
| Manufacturing | 416.6 | 306.4 |
| Health services | 268.8 | 219.4 |
| Wholesale trade | 263.3 | 256.8 |
| Waste management | 198.9 | 196.8 |
| Printing | 178.7 | 191.8 |
| Retail trade | 142.3 | 121.3 |
| Packaging | 118.7 | 114.3 |
| Mining, oil and gas | 67.4 | 74.7 |
| Other | 222.4 | 251.3 |
| Total equipment financing | $ 4,930.0 | $ 4,910.4 |

**Equipment Financing Portfolio**

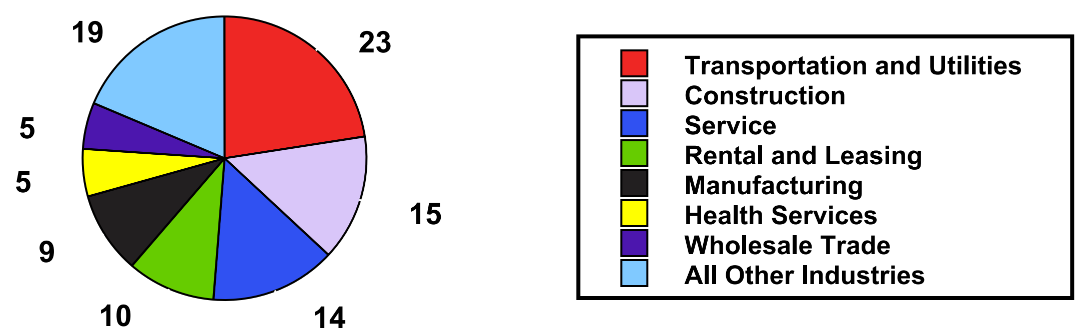
As of December 31 (dollars in billions)




The equipment financing portfolio increased $20 million in 2020 compared to 2019, primarily reflecting growth in LEAF's portfolio. Operating on a national scale, equipment financing represented 15% and 16% of the total Commercial portfolio at December 31, 2020 and 2019, respectively. While People's United continues to focus on asset quality, the performance of the equipment financing portfolio may be adversely impacted if the national economy weakens in the future.

**Equipment Financing Diversification by Industry**

As of December 31, 2020 (percent)




**Retail Portfolio**

*Residential Mortgage Lending*

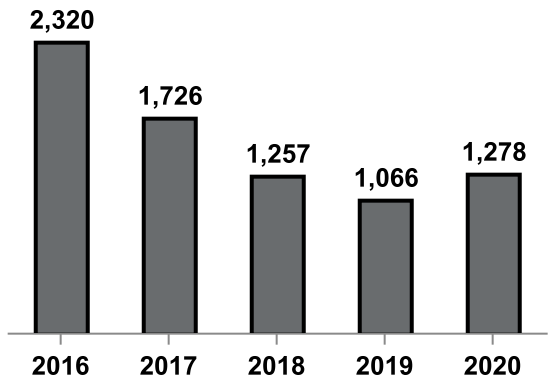
People's United offers its customers a wide range of residential mortgage loan products. These include conventional fixed-rate loans, jumbo fixed-rate loans (loans with principal balances greater than established Freddie Mac and Fannie Mae limits), adjustable-rate loans, sometimes referred to as "ARM"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

At both December 31, 2020 and 2019, 81% of the residential mortgage loan portfolio was secured by properties located in New England and 11% and 10%, respectively, at these dates, was secured by properties located in New York. At December 31, 2020 and 2019, the residential mortgage loan portfolio included $866 million and $1.1 billion, respectively of interest-only loans. See *Asset Quality* for further discussion of interest-only loans. Also included in residential mortgage loans at December 31, 2020 and 2019 are construction loans totaling $45 million and $41 million, respectively.

People's United's residential mortgage loan originations totaled $1.3 billion in 2020 and $1.1 billion in 2019. The mix and volume of residential mortgage loan originations vary in response to changes in market interest rates, customer preferences and the level of refinancing activity. ARM loans accounted for 50% of total residential mortgage originations in 2020 compared to 52% in 2019.

**Residential Mortgage Originations**

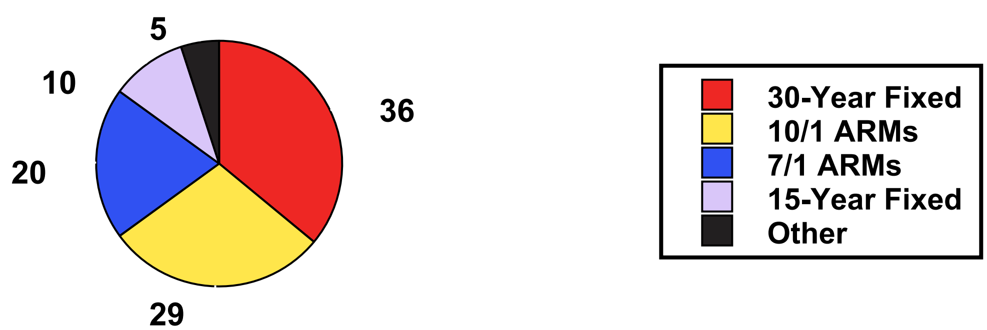
Years ended December 31 (dollars in millions)




In 2020, ARM loans decreased $1.5 billion and fixed-rate residential mortgage loans decreased $252 million, both as compared to 2019, primarily reflecting People's United's decision to remix the balance sheet with a focus on higher-yielding loan portfolios.

**Residential Mortgage Originations by Product**

Year ended December 31, 2020 (percent)




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

*Home Equity and Other Consumer Lending*

People's United offers home equity lines of credit ("HELOCs") and home equity loans, and to a lesser extent, other forms of installment and revolving credit loans. At December 31, 2020, 78% of the consumer loan portfolio was to customers located within the New England states. Future growth of People's United's home equity and other consumer loan portfolio is highly dependent upon economic conditions, the interest rate environment and competitors' strategies.

| As of December 31 (in millions) | 2020 | 2019 |
|---|---|---|
| HELOCs | $ 1,814.1 | $ 2,153.2 |
| Home equity loans | 183.1 | 253.3 |
| Other | 104.2 | 157.2 |
| Total home equity and other consumer | $ 2,101.4 | $ 2,563.7 |

## Asset Quality

***CARES Act***

Issued in response to the economic disruption caused by the COVID-19 pandemic, the CARES Act provides financial assistance for businesses and individuals as well as targeted regulatory relief for financial institutions. The following provisions of the CARES Act are significant to People's United.

*Paycheck Protection Program*

The CARES Act created a new loan guarantee program known as the PPP, the objective of which is to provide small businesses with financial support to cover payroll and certain other qualifying expenses. Loans made under the PPP are fully guaranteed by the SBA, whose guarantee is backed by the full faith and credit of the United States. PPP loans also afford borrowers forgiveness up to the principal amount of the loan, plus accrued interest, provided the loan proceeds are used to retain workers and maintain payroll or to make certain mortgage interest, lease and utility payments, and certain other criteria are satisfied. The SBA will reimburse PPP lenders for any amount of a PPP loan that is forgiven, and PPP lenders will not be held liable for any representations made by PPP borrowers in connection with their requests for loan forgiveness. As of February 22, 2021, People's United, as a participating PPP lender, had approved, submitted to the SBA and funded PPP loan requests totaling approximately $3.3 billion, of which approximately $2.6 billion remains outstanding. For regulatory capital purposes, PPP loans are assigned a zero risk-weighting as a result of the related SBA guarantee.

*Loan Forbearance Initiatives*

The CARES Act, along with supervisory guidance issued by the federal banking regulators, also created a forbearance program for federally-backed mortgage loans and provides financial institutions with the option to temporarily suspend certain requirements under U.S. GAAP related to troubled debt restructurings ("TDRs"). Specifically, short-term modifications made on a good faith basis in response to COVID-19 to borrowers that are current prior to any relief, are not required to be considered for TDR classification. This includes short-term (e.g. six months or less) modifications such as payment deferrals, fee waivers, extensions of repayment terms or other delays in payment that are insignificant. This exception relates to any eligible loan modification made between March 1, 2020 and the earlier of December 31, 2020 or 60 days after the national emergency related to COVID-19 is ended. In December 2020, the signing of the Consolidated Appropriations Act, 2021 extended this guidance to modifications made until the earlier of January 1, 2022 or 60 days after the end of the COVID-19 national emergency. Further, for loans not otherwise reportable as past due, financial institutions are not expected to designate loans with deferrals granted due to COVID-19 as past due because of the deferral. The Company applied this guidance in 2020 however, its policies and practices with respect to the assessment of loan repayment, non-accrual status and charge-offs remain unchanged.

As of February 22, 2021, the Company had granted loan forbearance requests representing approximately $7.5 billion of outstanding balances across nearly all of the Company's loan portfolios, with the most significant activity noted in commercial real estate, commercial and industrial, and equipment financing. Of the loans that were granted a deferral related to COVID-19, approximately 92% have left deferral and made their first full payment. We anticipate that this percentage will increase as the remainder of these loans exit their first deferral.

The CARES Act also prohibits servicers of federally-backed mortgage loans from initiating any foreclosure action on any residential property that is not vacant or abandoned for a period of 60 days, beginning on March 18, 2020. In addition to these federal measures, some state governments have taken action to require forbearance with respect to certain loans and fees. The Company continues to monitor both federal and state regulatory developments in relation to COVID-19 and their potential impact on our operations.

***General***

As a result of adopting the CECL standard on January 1, 2020, the Company's prior distinction between the originated loan portfolio and the acquired loan portfolio is no longer necessary. Accordingly, prior period disclosures have been revised to conform to the current period presentation. In addition, the portfolio segments and loan classes are unchanged following the adoption of the CECL standard with the exception of MW/ABL which, prior to January 1, 2020, was included in commercial and industrial.

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

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

Certain loans whose terms have been modified are considered TDRs. Loans are considered TDRs if the borrower is experiencing financial difficulty and is afforded a concession by People's United, such as, but not limited to: (i) payment deferral; (ii) a reduction of the stated interest rate for the remaining contractual life of the loan; (iii) an extension of the loan's original contractual term at a stated interest rate lower than the current market rate for a new loan with similar risk; (iv) capitalization of interest; or (v) forgiveness of principal or interest.

Guidance issued by the OCC requires that loans subject to a borrower's discharge from personal liability following a Chapter 7 bankruptcy be treated as TDRs, included in non-accrual loans and written down to the estimated collateral value, regardless of delinquency status. Included in TDRs at December 31, 2020 are $38.4 million of such loans. Of this amount, $30.2 million, or 79%, were less than 90 days past due on their payments as of that date.

TDRs may either be accruing or placed on non-accrual status (and reported as non-accrual loans) depending upon the loan's specific circumstances, including the nature and extent of the related modifications. TDRs on non-accrual status remain classified as such until the loan qualifies for return to accrual status. Loans qualify for return to accrual status once they have demonstrated performance with the restructured terms of the loan agreement for a minimum of six months in the case of a commercial loan or, in the case of a retail loan, when the loan is less than 90 days past due. Loans may continue to be reported as TDRs after they are returned to accrual status.

During 2020, we performed 61 loan modifications that were not classified as TDRs. The balances of the loans at the time of the respective modifications totaled $247.7 million. In each case, we concluded that the modification did not result in the granting of a concession based on one or more of the following considerations: (i) the receipt of additional collateral (the nature and amount of which was deemed to serve as adequate compensation for other terms of the restructuring) and/or guarantees; (ii) the borrower having access to funds at a market rate for debt with similar risk characteristics as the restructured debt; and (iii) the restructuring resulting in a delay in payment that is insignificant in relation to the other terms of the obligation. See Note 5 to the Consolidated Financial Statements and *Loan Forbearance Initiatives* above for additional disclosures relating to TDRs.

*Portfolio Risk Elements—Residential Mortgage Lending*

People's United does not actively engage in subprime mortgage lending that has, historically, been the riskiest sector of the residential housing market. People's United has virtually no exposure to subprime loans, or to similarly high-risk Alt-A loans and structured investment vehicles. While no standard definition of "subprime" exists within the industry, the Company has generally defined subprime as borrowers with credit scores of 660 or less, either at or subsequent to origination.

At December 31, 2020, the loan portfolio included $866.4 million of interest-only residential mortgage loans. People's United began originating interest-only residential mortgage loans in March 2003. The underwriting guidelines and requirements for such loans are generally more restrictive than those applied to other types of residential mortgage loans. People's United has not originated interest-only residential mortgage loans that permit negative amortization or optional payment amounts. Amortization of an interest-only residential mortgage loan begins after the initial interest rate changes (e.g. after 5 years for a 5/1 ARM loan). In general, People's United's underwriting guidelines for residential mortgage loans require the following: (i) properties must be single-family and owner-occupied primary residences; (ii) lower loan-to-value ("LTV") ratios (less than 60% on average); (iii) higher credit scores (greater than 700 on average); and (iv) sufficient post-closing reserves.

Updated estimates of property values are obtained from an independent third-party for residential mortgage loans 90 days past due. At December 31, 2020, non-accrual residential mortgage loans totaling $0.2 million had current LTV ratios of more than 100%. At that date, the weighted average LTV ratio and FICO score for the residential mortgage loan portfolio were 62% and 762, respectively.

The Company continues to monitor its foreclosure policies and procedures to ensure ongoing compliance with applicable industry standards. We believe that our established procedures for reviewing foreclosure affidavits and validating information contained in related loan documentation are sound and consistently applied, and that our foreclosure affidavits are accurate. As a result, People's United has not found it necessary to interrupt or suspend foreclosure proceedings. We have also considered the effect of representations and warranties that we made to third-party investors in connection with whole loan sales, and believe our representations and warranties were true and correct and do not expose the Company to any material loss.

During 2020, the Company repurchased six residential mortgage loans from GSEs that we had previously sold to the GSEs. The balance of the loans at the time of the repurchase totaled \$0.8 million and related fees and expenses incurred totaled less than \$0.1 million. During that same time period, the Company issued 26 investor refunds, totaling \$0.1 million, under contractual recourse agreements. Based on the limited number of repurchase requests the Company has historically received, the immaterial cost associated with such repurchase requests and management's view that this past experience is consistent with our current and near-term estimate of such exposure, the Company has established a reserve for such repurchase requests, which totaled \$0.2 million at December 31, 2020.

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

*Portfolio Risk Elements—Home Equity Lending*

The majority of our HELOCs have an initial draw period of $9^1/2$ years followed by a 20-year repayment phase. During the initial draw period, interest-only payments are required, after which the disbursed balance is fully amortized over a 20-year repayment term. HELOCs carry variable rates indexed to the Prime Rate with a lifetime interest rate ceiling and floor, and are secured by first or second liens on the borrower's primary residence. The rate used to qualify borrowers is the Prime Rate plus 3.00%, even though the initial rate may be substantially lower. The maximum LTV ratio is 80% on a single-family property, including a condominium, and 70% on a two-family property. Lower LTV ratios are required on larger line amounts. The minimum FICO credit score is 680. The borrower has the ability to convert the entire balance or a portion of the balance to a fixed-rate term loan during the draw period. There is a limit of three term loans that must be fully amortized over a term not to exceed the original HELOC maturity date.

A smaller portion of our HELOC portfolio has an initial draw period of 10 years with a variable-rate interest-only payment, after which there is a 5-year amortization period. An additional small portion of our HELOC portfolio has a 5-year draw period which, at our discretion, may be renewed for an additional 5-year interest-only draw period.

The following table sets forth, as of December 31, 2020, the committed amount of HELOCs scheduled to have the draw period end during the years shown:

| December 31, (in millions) | Credit Lines |
|---|---|
| 2020 | \$ 227.4 |
| 2021 | 399.3 |
| 2022 | 422.1 |
| 2023 | 465.1 |
| 2024 | 464.9 |
| Later years | 2,195.6 |
| Total | \$ 4,174.4 |

Approximately 88% of our HELOCs are presently in their draw period. Although converted amortizing payment loans represent only a small portion of the portfolio, our default and delinquency statistics indicate a higher level of occurrence for such loans when compared to HELOCs that are still in the draw period.

Delinquency statistics for the HELOC portfolio as of December 31, 2020 are as follows:

| (dollars in millions) | Portfolio Balance | Delinquencies | |
|---|---|---|---|
| | | Amount | Percent |
| HELOC status: | | | |
| Still in draw period | $ 1,787.9 | $ 13.8 | 0.87 % |
| Amortizing payment | 209.3 | 12.5 | 5.99 |

For the three months ended December 31, 2020, 53% of our borrowers with balances outstanding under HELOCs paid only the minimum amount due.

The majority of home equity loans fully amortize over terms ranging from 5 to 20 years. Home equity loans are limited to first or second liens on a borrower's primary residence. The maximum LTV ratio is 80% on a single-family property, including a condominium, and 70% on a two-family property. Lower LTV ratios are required on larger line amounts.

We are not able, at this time, to develop statistics for the entire home equity portfolio (both HELOCs and home equity loans) with respect to first liens serviced by third parties that have priority over our junior liens, as lien position data has not historically been captured on our loan servicing systems. As of December 31, 2020, full and complete first lien position data was not readily available for 36% of the home equity portfolio. Effective January 2011, we began tracking lien position data for all new originations and our collections department continues to add lien position data once a loan reaches 75 days past due in connection with our updated assessment of combined loan-to-value ("CLTV") exposure, which takes place for loans 90 days past due. In addition, when we are notified that the holder of a superior lien has commenced a foreclosure action, our home equity account is identified in the collections system for ongoing monitoring of the legal action. As of December 31, 2020, the portion of the home equity portfolio more than 90 days past due with a CLTV greater than 80% was $3.1 million.

As of December 31, 2020, full and complete first lien position data was readily available for 64%, or $1.2 billion, of the home equity portfolio. Of that total, 40%, or $470.5 million, are in a junior lien position. We estimate that of those junior liens, 35%, or $164.7 million, are held or serviced by others.

When the first lien is held by a third party, we can, in some cases, obtain an indication that a first lien is in default through information reported to credit bureaus. However, because more than one mortgage may be reported in a borrower's credit report and there may not be a corresponding property address associated with reported mortgages, we are often unable to associate a specific first lien with our junior lien. As of December 31, 2020, there were seven loans totaling $0.9 million for which we have received notification that the holder of a superior lien has commenced foreclosure action. For one of the loans (totaling less than $0.1 million), our second lien position was performing at the time such foreclosure action was commenced. There was no estimated loss related to that one loan as of December 31, 2020. It is important to note that the percentage of new home equity originations for which we hold the first lien has increased from approximately 40% in 2009 to approximately 52% as of December 31, 2020.

We believe there are several factors that serve to mitigate the potential risk associated with the limitations on available first lien data. Most importantly, our underwriting guidelines for home equity loans, which have been, and continue to be, consistently applied, generally require the following: (i) properties located within our geographic footprint; (ii) lower LTV ratios; and (iii) higher credit scores. Notwithstanding the maximum LTV ratios and minimum FICO scores discussed previously, actual LTV ratios at origination were less than 60% on average and current FICO scores of our borrowers are greater than 750 on average. In addition, as of December 31, 2020, 97% of the portfolio balance relates to originations that occurred since 2005, which is generally recognized as the peak of the last housing bubble. We believe these factors are a primary reason for the portfolio's relatively low level of non-accrual loans and net loan charge-offs, both in terms of absolute dollars and as a percentage of average total loans.

Each month, all home equity and second mortgage loans greater than 180 days past due (regardless of our lien position) are analyzed in order to determine the amount by which the balance outstanding (including any amount subject to a first lien) exceeds the underlying collateral value. To the extent a shortfall exists, a charge-off is recognized. This charge-off activity is reflected in our established ACL for home equity and second mortgage loans as part of the component attributable to historical portfolio loss experience, which considers losses incurred over the most recent 12-month period. While the limitations on available first lien data could impact the accuracy of our loan loss estimates, we believe that our methodology results in an ACL that appropriately estimates the inherent probable losses within the portfolio, including those loans originated prior to January 2011 for which certain lien position data is not available.

As of December 31, 2020, the weighted average CLTV ratio and FICO score for the home equity portfolio were 57% and 742, respectively.

*Portfolio Risk Elements—Commercial Real Estate Lending*

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

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

People's United's construction loan portfolio totaled $1.2 billion (3% of total loans) at December 31, 2020. The total committed amount at that date, including both the outstanding balance and the unadvanced portion of such loans, was $1.7 billion. In some cases, a portion of the total committed amount includes an accompanying interest reserve. At December 31, 2020, construction loans totaling $634.7 million had remaining available interest reserves of $44.9 million. At that date, the Company had construction loans with interest reserves totaling $0.1 million that were on non-accrual status and included in non-accrual loans.

Historically, certain economic conditions have resulted in an increase in the number of extension requests for commercial real estate and construction loans, some of which may have included related repayment guarantees. Modifications of commercial real estate loans involving maturity extensions are evaluated according to the Company's normal underwriting standards and are classified as TDRs if the borrower is experiencing financial difficulty and is afforded a concession by People's United similar to those discussed previously. People's United had $4.2 million of restructured construction loans at December 31, 2020.

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

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

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

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

*Allowance and Provision for Credit Losses on Loans*

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

Under the CECL standard, the Company determines the ACL on loans based upon a consideration of its historical portfolio loss experience, current borrower-specific risk characteristics, forecasts of future economic conditions and other relevant factors. The allowance is measured on a collective (pool) basis when similar risk characteristics exist. Loans that do not share common risk characteristics are evaluated on an individual basis and are excluded from the collective evaluation. At December 31, 2020, the collective ACL totaled $404.6 million and the specific allocation of the ACL for loans evaluated on an individual basis totaled $20.5 million.

The Company's loan portfolio segments include Commercial and Retail and each of these segments comprises multiple loan classes, which are characterized by similarities in initial measurement, risk attributes, and the manner in which credit risk is monitored and assessed. The Commercial loan portfolio segment is comprised of the commercial real estate, commercial and industrial, equipment financing and MW/ABL loan classes. The Retail loan portfolio segment is comprised of the residential mortgage, home equity and other consumer loan classes. Common characteristics and risk profiles include the type/purpose of loan and historical/expected credit loss patterns. The Company periodically reassesses each pool to ensure the loans within the pool continue to share similar characteristics and risk profiles and to determine whether further segmentation is necessary.

For a more detailed discussion of the Company's ACL methodology and related policies, see Note 1 to the Consolidated Financial Statements.

The following table presents the activity in the ACL and ratios:

| Years ended December 31 (dollars in millions) | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|
| Balance at beginning of period | $ 246.6 | $ 240.4 | $ 234.4 | $ 229.3 | $ 211.0 |
| CECL transition adjustment | 72.2 | N/A | N/A | N/A | N/A |
| Balance at beginning of period, adjusted | 318.8 | 240.4 | 234.4 | 229.3 | 211.0 |
| **Charge-offs:** | | | | | |
| Commercial: | | | | | |
| Commercial real estate | (9.8) | (1.4) | (5.2) | (4.6) | (2.4) |
| Commercial and industrial | (16.8) | (7.5) | (7.3) | (9.6) | (6.1) |
| Equipment financing | (25.8) | (18.2) | (13.9) | (7.3) | (6.4) |
| MW/ABL | — | (0.4) | (1.2) | — | — |
| Total | (52.4) | (27.5) | (27.6) | (21.5) | (14.9) |
| Retail: | | | | | |
| Residential mortgage | (1.3) | (1.1) | (0.8) | (1.1) | (2.5) |
| Home equity | (1.6) | (1.8) | (1.6) | (4.2) | (5.0) |
| Other consumer | (3.6) | (1.1) | (0.9) | (1.1) | (1.0) |
| Total | (6.5) | (4.0) | (3.3) | (6.4) | (8.5) |
| Total charge-offs | (58.9) | (31.5) | (30.9) | (27.9) | (23.4) |
| **Recoveries:** | | | | | |
| Commercial: | | | | | |
| Commercial real estate | 0.4 | 0.5 | 0.9 | 0.4 | 0.6 |
| Commercial and industrial | 2.1 | 1.8 | 1.5 | 2.7 | 1.3 |
| Equipment financing | 3.7 | 3.8 | 2.4 | 1.6 | 0.2 |
| MW/ABL | 0.2 | 0.2 | — | 0.2 | — |
| Total | 6.4 | 6.3 | 4.8 | 4.9 | 2.1 |
| Retail: | | | | | |
| Residential mortgage | 1.0 | 1.1 | 0.6 | 0.5 | 1.4 |
| Home equity | 0.9 | 1.7 | 1.2 | 1.0 | 1.1 |
| Other consumer | 0.8 | 0.3 | 0.3 | 0.6 | 0.5 |
| Total | 2.7 | 3.1 | 2.1 | 2.1 | 3.0 |
| Total recoveries | 9.1 | 9.4 | 6.9 | 7.0 | 5.1 |
| Net loan charge-offs | (49.8) | (22.1) | (24.0) | (20.9) | (18.3) |
| Provision for credit losses on loans | 156.1 | 28.3 | 30.0 | 26.0 | 36.6 |
| Balance at end of period | $ 425.1 | $ 246.6 | $ 240.4 | $ 234.4 | $ 229.3 |
| ACL as a percentage of (1): | | | | | |
| Total loans | 0.97 | 0.57 | 0.68 | 0.72 | 0.77 |
| Non-accrual loans | 129.1 | 110.0 | 110.4 | 131.4 | 132.8 |

The provision for credit losses on loans totaled $156.1 million in 2020, reflecting net loan charge-offs of $49.8 million and an increase in the ACL resulting from the initial application of the CECL standard and the economic uncertainties brought about by COVID-19, specifically as it relates to assumptions regarding GDP and unemployment. The provision for credit losses on loans totaled $28.3 million in 2019, reflecting net loan charge-offs of $22.1 million and an increase in the ACL in response to portfolio-specific risk factors and loan growth. The ACL as a percentage of total loans was 0.97% and 0.57% at December 31, 2020 and 2019, respectively.

*Loan Charge-Offs*

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

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

For commercial loans, a charge-off is recorded when the Company determines that it will not collect all amounts contractually due based on the fair value of the collateral less cost to sell.

The decision whether to charge-off all or a portion of a loan rather than to record a specific or general loss allowance is based on an assessment of all available information that aids in determining the loan's net realizable value. Typically, this involves consideration of both (i) the fair value of any collateral securing the loan, including whether the estimate of fair value has been derived from an appraisal or other market information and (ii) other factors affecting the likelihood of repayment, including the existence of guarantees and insurance. If the amount by which the Company's recorded investment in the loan exceeds its net realizable value is deemed to be a confirmed loss, a charge-off is recorded. Otherwise, a specific or general reserve is established, as applicable. The comparatively low level of net loan charge-offs in recent years, in terms of absolute dollars and as a percentage of average total loans, may not be sustainable in the future.

The following table summarizes net loan charge-offs by class of loan and total net loan charge-offs to average total loans:

| Years ended December 31 | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|
| Commercial: | | | | | |
| Commercial real estate | 0.07 % | 0.01 % | 0.04 % | 0.04 % | 0.02 % |
| Commercial and industrial | 0.14 | 0.07 | 0.08 | 0.10 | 0.08 |
| Equipment financing | 0.45 | 0.32 | 0.28 | 0.17 | 0.21 |
| MW/ABL | (0.01) | 0.01 | 0.08 | (0.10) | — |
| Retail: | | | | | |
| Residential mortgage (1) | — | — | — | 0.01 | 0.02 |
| Home equity (2) | 0.03 | — | 0.02 | 0.15 | 0.19 |
| Other consumer | 2.21 | 0.70 | 1.27 | 1.09 | 0.98 |
| Total portfolio | 0.11 % | 0.06 % | 0.07 % | 0.07 % | 0.06 % |

(1) Less than 0.01% at December 31, 2020, 2019 and 2018.
(2) Less than 0.01% at December 31, 2019.

The following table presents, by class of loan, the allocation of the ACL on loans and the percent of loans in each class to total loans:

| As of December 31 (dollars in millions) | 2020 Amount | 2020 Percent of Loan Portfolio | 2019 Amount | 2019 Percent of Loan Portfolio | 2018 Amount | 2018 Percent of Loan Portfolio | 2017 Amount | 2017 Percent of Loan Portfolio | 2016 Amount | 2016 Percent of Loan Portfolio |
|---|---|---|---|---|---|---|---|---|---|---|
| Commercial: | | | | | | | | | | |
| Commercial real estate | $ 122.9 | 30.4 % | $ 76.9 | 33.9 % | $ 79.9 | 33.1 % | $ 80.6 | 34.0 % | $ 77.3 | 34.4 % |
| Commercial and industrial | 79.0 | 24.5 | 93.6 | 19.9 | 85.5 | 21.3 | 80.6 | 21.4 | 86.4 | 21.4 |
| Equipment financing | 97.9 | 11.3 | 47.4 | 11.3 | 44.1 | 12.3 | 43.3 | 12.0 | 41.2 | 10.2 |
| MW/ABL | 3.8 | 9.6 | — | 5.4 | — | 4.5 | — | 5.4 | — | 6.0 |
| Retail: | | | | | | | | | | |
| Residential mortgage | 66.2 | 19.4 | 20.0 | 23.7 | 21.8 | 23.1 | 20.6 | 20.9 | 16.8 | 20.9 |
| Home equity | 52.4 | 4.6 | 7.7 | 5.5 | 8.4 | 5.6 | 8.4 | 6.2 | 7.0 | 7.0 |
| Other consumer | 2.9 | 0.2 | 1.0 | 0.3 | 0.7 | 0.1 | 0.9 | 0.1 | 0.6 | 0.1 |
| Total ACL | $ 425.1 | 100.0 % | $ 246.6 | 100.0 % | $ 240.4 | 100.0 % | $ 234.4 | 100.0 % | $ 229.3 | 100.0 % |

The allocation of the ACL on loans at December 31, 2020 reflects management's assessment of credit risk and probable loss within each portfolio. This assessment is based on a variety of internal and external factors including, but not limited to, the likelihood and severity of loss, portfolio growth and related risk characteristics, and current economic conditions. The allocation of a portion of the allowance to one portfolio does not preclude its availability to absorb losses in another portfolio. Management believes that the level of the ACL on loans at December 31, 2020 represents an appropriate estimate of lifetime expected credit losses.

*Past Due and Non-Accrual Loans*

Loans are considered past due if required principal and interest payments have not been received as of the date such payments were contractually due. A loan is generally considered "non-performing" when it is placed on non-accrual status. A loan is generally placed on non-accrual status when it becomes 90 days past due as to interest or principal payments. A loan may be placed on non-accrual status before it reaches 90 days past due if such loan has been identified as presenting uncertainty with respect to the collectability of interest and principal. A loan past due 90 days or more may remain on accruing status if such loan is both well secured and in the process of collection.

All previously accrued but unpaid interest on non-accrual loans is reversed from interest income in the period in which the accrual of interest is discontinued. Interest payments received on non-accrual loans are generally applied as a reduction of principal if future collections are doubtful, although such interest payments may be recognized as income. A loan remains on non-accrual status until the factors that indicated doubtful collectability no longer exist or until a loan is determined to be uncollectible and is charged-off against the ACL. There were no loans past due 90 days or more and still accruing interest at December 31, 2020 or 2019.

People's United's non-performing assets are summarized as follows:

| As of December 31 (dollars in millions) | 2020 | 2019 | 2018 | 2017 | 2016 |
|---|---|---|---|---|---|
| Commercial: | | | | | |
| Commercial real estate | $ 60.4 | $ 53.8 | $ 46.8 | $ 30.0 | $ 32.5 |
| Commercial and industrial | 75.4 | 38.5 | 54.1 | 46.2 | 47.6 |
| Equipment financing | 109.3 | 47.7 | 44.3 | 46.5 | 39.4 |
| MW/ABL | 1.0 | — | — | — | — |
| Total | 246.1 | 140.0 | 145.2 | 122.7 | 119.5 |
| Retail: | | | | | |
| Residential mortgage | 62.3 | 63.3 | 55.0 | 38.9 | 34.9 |
| Home equity | 20.5 | 20.8 | 16.5 | 16.1 | 17.9 |
| Other consumer | 0.2 | — | 1.1 | 0.7 | 0.4 |
| Total | 83.0 | 84.1 | 72.6 | 55.7 | 53.2 |
| Total non-accrual loans (1) | 329.1 | 224.1 | 217.8 | 178.4 | 172.7 |
| REO: | | | | | |
| Residential | 3.2 | 11.9 | 5.5 | 7.6 | 8.1 |
| Commercial | 3.6 | 7.3 | 8.7 | 9.3 | 4.0 |
| Total REO | 6.8 | 19.2 | 14.2 | 16.9 | 12.1 |
| Repossessed assets | 5.7 | 4.2 | 3.9 | 2.5 | 7.2 |
| Total non-performing assets | $ 341.6 | $ 247.5 | $ 235.9 | $ 197.8 | $ 192.0 |
| Non-accrual loans as a percentage of total loans | 0.75 % | 0.51 % | 0.62 % | 0.55 % | 0.58 % |
| Non-performing assets as a percentage of: | | | | | |
| Total loans, REO and repossessed assets | 0.78 | 0.57 | 0.67 | 0.61 | 0.64 |
| Tangible stockholders' equity and ACL | 6.59 | 5.03 | 6.03 | 5.66 | 5.94 |

(1) Reported net of government guarantees totaling $2.5 million, $1.3 million, $1.9 million, $3.1 million and $13.1 million at December 31, 2020, 2019, 2018, 2017 and 2016, respectively. These government guarantees relate, almost entirely, to guarantees provided by the SBA as well as selected other Federal agencies and represent the carrying value of the loans that are covered by such guarantees, the extent of which (i.e. full or partial) varies by loan. At December 31, 2020, all of the government guarantees relate to commercial and industrial loans.

Total non-performing assets increased $94.1 million from December 31, 2019 and equaled 0.57% of total loans, REO and repossessed assets at December 31, 2020. The increase in total non-performing assets from December 31, 2019 primarily reflects increases of $61.6 million in non-accrual equipment financing loans, $36.9 million in non-accrual commercial and industrial loans and $6.6 million in non-accrual commercial real estate loans, partially offset by a $12.4 million decrease in REO. The increase in non-accrual equipment financing loans primarily relates to PCLC's motor coach portfolio, which has experienced a significant decline in business as a result of the COVID-19 pandemic.

In addition to the non-accrual loans discussed above, People's United has also identified $1.3 billion in potential problem loans at December 31, 2020. Potential problem loans represent loans that are currently performing, but for which known information about possible credit deterioration on the part of the related borrowers causes management to have concerns as to the ability of such borrowers to comply with contractual loan repayment terms and which may result in the disclosure of such loans as non-performing at some time in the future. The potential problem loans are generally loans that, although performing, have been classified as "substandard" in accordance with People's United's loan rating system, which is consistent with guidelines established by banking regulators.

At December 31, 2020, potential problem loans consisted of commercial and industrial loans ($456.9 million), commercial real estate loans ($417.3 million), equipment financing loans ($369.6 million) and MW/ABL loans ($16.7 million). Such loans are closely monitored by management and have remained in performing status for a variety of reasons including, but not limited to, delinquency status, borrower payment history and fair value of the underlying collateral. Management cannot predict the extent to which economic conditions may worsen or whether other factors may adversely impact the ability of these borrowers to make payments. Accordingly, there can be no assurance that potential problem loans will not become 90 days or more past due, be placed on non-accrual status, be restructured, or require additional provisions for loan losses.

The levels of non-performing assets and potential problem loans are expected to fluctuate in response to changing economic and market conditions, and the relative sizes of the respective loan portfolios, along with management's degree of success in resolving problem assets. While management takes a proactive approach with respect to the identification and resolution of problem loans, the level of non-performing assets may increase in the future.

## Off-Balance-Sheet Arrangements

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

## Funding

People's United's primary funding sources are deposits and stockholders' equity, which represented 95% of total assets at December 31, 2020. Borrowings and notes and debentures also are available sources of funding.

### Deposits

People's United's strategy is to focus on increasing deposits by providing a wide range of convenient services to commercial, retail, business and wealth management customers. People's United provides customers access to their deposits through 417 branches, including 140 full-service in-store Stop & Shop supermarket branches, 631 ATMs, telephone banking and an Internet banking site.

| As of December 31 (dollars in millions) | 2020 Amount | 2020 Weighted-Average Rate | 2019 Amount | 2019 Weighted-Average Rate | 2018 Amount | 2018 Weighted-Average Rate |
|---|---|---|---|---|---|---|
| Non-interest-bearing | $ 15,881.7 | — % | $ 9,803.7 | — % | $ 8,543.0 | — % |
| Money market | 15,266.1 | 0.17 | 11,651.3 | 0.98 | 9,859.7 | 1.10 |
| Interest-bearing checking | 9,301.4 | 0.18 | 7,941.3 | 0.84 | 6,723.6 | 0.90 |
| Total | 24,567.5 | 0.17 | 19,592.6 | 0.92 | 16,583.3 | 1.04 |
| Savings | 6,029.7 | 0.04 | 4,987.7 | 0.23 | 4,116.5 | 0.09 |
| Time deposits maturing: | | | | | | |
| Within 3 months | 1,850.6 | 1.10 | 3,984.7 | 1.90 | 1,480.0 | 1.66 |
| After 3 but within 6 months | 1,155.1 | 0.68 | 2,659.3 | 2.12 | 1,375.6 | 1.67 |
| After 6 months but within 1 year | 1,464.1 | 0.75 | 1,354.8 | 1.77 | 2,511.5 | 1.83 |
| After 1 but within 2 years | 950.8 | 1.02 | 816.3 | 1.82 | 1,275.5 | 1.98 |
| After 2 but within 3 years | 165.7 | 1.75 | 275.4 | 2.23 | 153.5 | 1.97 |
| After 3 but within 4 years | 18.1 | 0.99 | 97.8 | 2.37 | 102.1 | 1.63 |
| After 4 but within 5 years | 54.4 | 0.68 | 17.2 | 1.09 | 18.0 | 1.29 |
| After 5 years (1) | — | 0.99 | — | 0.99 | — | 1.10 |
| Total | 5,658.8 | 0.92 | 9,205.5 | 1.95 | 6,916.2 | 1.78 |
| Total deposits | $ 52,137.7 | 0.19 % | $ 43,589.5 | 0.85 % | $ 36,159.0 | 0.83 % |

(1) Amount totaled less than $0.1 million for all periods.

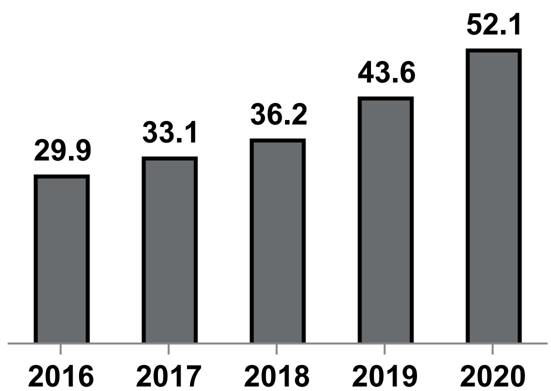
Deposits equaled 83% and 74% of total assets at December 31, 2020 and 2019, respectively. Deposits and stockholders' equity constituted 95% of People's United's funding base at December 31, 2020 compared to 88% at December 31, 2019.

The expansion of People's United's branch network and its commitment to developing full-service relationships with its customers are integral components of People's United's strategy to expand market share and continue growing deposits. At December 31, 2020, People's United's network of Stop & Shop branches held $5.8 billion in total deposits and deposits in supermarket branches open for more than one year averaged $41 million per store. On January 21, 2021, the Bank announced its decision not to renew its agreements with Stop & Shop to operate 140 in-store branches in Connecticut and New York upon their expiration in 2022. Branch closures will take place over several years using a phased approach.

Non-interest-bearing deposits are an important source of low-cost funding and fee income for People's United. In addition, People's United believes that checking accounts represent one of the core relationships between a financial institution and its customers, and it is from these relationships that cross-selling of other financial services can be achieved. Non-interest-bearing deposits equaled 30% of total deposits at December 31, 2020 and 22% at December 31, 2019. Time deposits of $100,000 or more totaled $3.0 billion at December 31, 2020, of which $1.1 billion mature within three months, $619 million mature after three months but within six months, $770 million mature after six months but within one year and $561 million mature after one year. Included in total deposits at December 31, 2020 are $4.5 billion of brokered deposits, comprised of money market ($4.2 billion), interest-bearing checking ($152 million) and time ($151 million). See Note 11 to the Consolidated Financial Statements for additional information concerning deposits.

**Total Deposits**

As of December 31 (dollars in billions)




The following table presents, by rate category, the remaining period to maturity of time deposits outstanding:

| | Period to Maturity from December 31, 2020 | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| (in millions) | Within Three Months | Over Three to Six Months | Over Six Months to One Year | Over One to Two Years | Over Two to Three Years | Over Three to Four Years | Over Four to Five Years | Over Five Years (1) | Total |
| 0.50% or less | $ 724.0 | $ 647.5 | $ 657.4 | $ 369.5 | $ 16.6 | $ 1.6 | $ 18.6 | $ — | $ 2,435.2 |
| 0.51% to 1.00% | 213.7 | 359.5 | 422.5 | 301.0 | 58.6 | 10.8 | 35.0 | — | 1,401.1 |
| 1.01% to 1.50% | 72.6 | 7.1 | 260.3 | 23.7 | 12.4 | 4.5 | 0.8 | — | 381.4 |
| 1.51% to 2.00% | 682.6 | 15.5 | 10.6 | 79.9 | 0.4 | 0.2 | — | — | 789.2 |
| 2.01% to 2.50% | 25.9 | 14.7 | 18.0 | 50.4 | 4.4 | — | — | — | 113.4 |
| 2.51% and greater | 131.8 | 110.8 | 95.3 | 126.3 | 73.3 | 1.0 | — | — | 538.5 |
| Total | $ 1,850.6 | $ 1,155.1 | $ 1,464.1 | $ 950.8 | $ 165.7 | $ 18.1 | $ 54.4 | $ — | $ 5,658.8 |

(1) Amount totaled less than $0.1 million at December 31, 2020.

**Borrowings**

People's United's primary source for borrowings are advances from the FHLB of Boston, which provides credit for member institutions within its assigned region, and federal funds purchased, which are typically unsecured overnight loans among banks. Customer repurchase agreements primarily consist of transactions with commercial and municipal customers.

At December 31, 2020, the Bank's total borrowing capacity from (i) the FHLB of Boston and the FRB-NY for advances and (ii) repurchase agreements was $16.6 billion based on the level of qualifying collateral available for these borrowings. In addition, the Bank had unsecured borrowing capacity of $1.0 billion at that date. FHLB advances are secured by the Bank's investment in FHLB stock and by a security agreement that requires the Bank to maintain, as collateral, sufficient qualifying assets not otherwise pledged (principally single-family residential mortgage loans, home equity lines of credit and loans, and commercial real estate loans).

Total borrowings equaled 2% of total assets at December 31, 2020 compared to 9% at December 31, 2019. FHLB advances and customer repurchase agreements each represented 1%, of total assets at December 31, 2020, while federal funds purchased totaled less than 1% of total assets. See Note 12 to the Consolidated Financial Statements for additional information concerning borrowings.

| | 2020 | | 2019 | | 2018 | |
|---|---|---|---|---|---|---|
| As of December 31 (dollars in millions) | Amount | Weighted-Average Rate | Amount | Weighted-Average Rate | Amount | Weighted-Average Rate |
| Fixed-rate FHLB advances maturing: | | | | | | |
| Within 1 month | $ — | — % | $ 3,060.8 | 1.79 % | $ 2,270.3 | 2.59 % |
| After 1 month but within 1 year | 556.9 | 0.41 | 44.8 | 1.79 | 61.0 | 1.76 |
| After 1 but within 2 years | 1.2 | 0.50 | 6.8 | 2.11 | 54.2 | 1.75 |
| After 2 but within 3 years | 0.5 | 0.05 | 1.2 | 0.51 | 6.8 | 2.11 |
| After 3 but within 4 years | — | — | 0.6 | 0.05 | 1.3 | 0.52 |
| After 4 but within 5 years | 8.6 | 1.70 | — | — | 0.6 | 0.05 |
| After 5 years | 2.5 | 0.83 | 11.2 | 1.50 | 10.3 | 1.64 |
| Total FHLB advances | 569.7 | 0.43 | 3,125.4 | 1.79 | 2,404.5 | 2.54 |
| Federal funds purchased maturing: | | | | | | |
| Within 1 month | 125.0 | 0.07 | 1,620.0 | 1.61 | 845.0 | 2.53 |
| Customer repurchase agreements maturing: | | | | | | |
| Within 1 month | 452.9 | 0.14 | 409.1 | 0.69 | 332.9 | 0.61 |
| Other borrowings maturing: | | | | | | |
| Within 1 year | — | — | — | — | 11.0 | 2.40 |
| Total other borrowings | — | — | — | — | 11.0 | 2.40 |
| Total borrowings | $ 1,147.6 | 0.28 % | $ 5,154.5 | 1.64 % | $ 3,593.4 | 2.36 % |

**Notes and Debentures**

Notes and debentures totaled $1.0 billion and $993 million at December 31, 2020 and 2019, respectively, and equaled 1% of total assets at each respective date. See Note 13 to the Consolidated Financial Statements for additional information concerning notes and debentures.

**Contractual Cash Obligations**

The following table is a summary of People's United's contractual cash obligations, other than deposit liabilities. Additional information concerning the Company's contractual cash obligations is included in Notes 11, 12, 13 and 22 to the Consolidated Financial Statements. Purchase obligations included in the table below represent those agreements to purchase goods or services that are enforceable and legally binding and that specify all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provisions; and the approximate timing of the transactions. A substantial majority of People's United's purchase obligations are renewable on a year-to-year basis. As such, the purchase obligations included in this table only reflect the contractual commitment.

| | Payments Due by Period | | | | |
|---|---|---|---|---|---|
| As of December 31, 2020 (in millions) | Total | Less Than One Year | One to Three Years | Four to Five Years | After Five Years |
| Borrowings | $ 1,147.6 | $ 1,134.8 | $ 1.7 | $ 8.6 | $ 2.5 |
| Notes and debentures | 1,009.6 | — | 498.9 | 510.7 | — |
| Interest payments on fixed-rate borrowings and notes and debentures (1) | 101.1 | 39.4 | 53.4 | 8.2 | 0.1 |
| Operating leases | 306.7 | 66.7 | 86.3 | 57.8 | 95.9 |
| Purchase obligations | 206.1 | 83.2 | 98.1 | 24.0 | 0.8 |
| Total | $ 2,771.1 | $ 1,324.1 | $ 738.4 | $ 609.3 | $ 99.3 |

(1) Interest payments on floating-rate borrowings are not included in the table above as the timing and amount of such payments is uncertain. See Note 12 to the Consolidated Financial Statements.

Future contingent commitments totaling $182.4 million at December 31, 2020, related to limited partnership affordable housing investments, are not included in the table above as the timing of the related capital calls cannot be estimated. Similarly, income tax liabilities totaling $33.4 million, including related interest and penalties, are not included in the table above as the timing of their resolution cannot be estimated. See Note 14 to the Consolidated Financial Statements.

Also not included in the table above are expected future net benefit payments related to the Company's pension and other postretirement plans that are due as follows: $33.5 million in less than one year; $66.2 million in one to three years; $72.2 million in four to five years; and $199.9 million after five years. See Note 19 to the Consolidated Financial Statements.

**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 both People's United's and the Bank's ability to fund new loans and investments as opportunities arise, to meet customer deposit withdrawals and to repay borrowings and subordinated notes as they mature. People's United's, as well as the Bank's, liquidity positions are monitored daily by management. The Asset and Liability Management Committee ("ALCO") of the Bank has been authorized by the Board of Directors of People's United to set guidelines to ensure maintenance of prudent levels of liquidity for People's United as well as for the Bank. ALCO reports to the Treasury and Finance Committee of the Board of Directors of People's United.

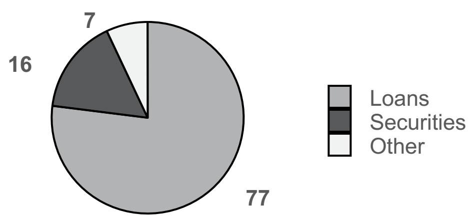
Asset liquidity is provided by: cash; short-term investments and securities purchased under agreements to resell; proceeds from maturities, principal repayments and sales of securities; and proceeds from scheduled principal collections, prepayments and sales of loans. In addition, certain securities may be used to collateralize borrowings under repurchase agreements. The Consolidated Statements of Cash Flows present data on cash provided by and used in People's United's operating, investing and financing activities. At December 31, 2020, People's United (parent company) liquid assets included $305 million in cash and $5 million in equity securities, while the Bank's liquid assets included $4.9 billion in debt securities available-for-sale and $3.9 billion in cash and cash equivalents. At December 31, 2020, debt securities available-for-sale with a fair value of $4.9 billion and debt securities held-to-maturity with an amortized cost basis of $2.1 billion were pledged as collateral for public deposits and for other purposes.

Liability liquidity is measured by both People's United's and the Bank's ability to obtain deposits and borrowings at cost-effective rates that are diversified with respect to markets and maturities. Deposits, which are considered the most stable source of liability liquidity, totaled $52.1 billion at December 31, 2020 and represented 84% of total funding (the sum of total deposits, total borrowings, notes and debentures, and stockholders' equity). Borrowings are used to diversify People's United's funding mix and to support asset growth. Borrowings and notes and debentures totaled $1.1 billion and $1.0 billion, respectively, at December 31, 2020, representing 2% and 1%, respectively, of total funding at that date.

The Bank’s current available sources of borrowings include: federal funds purchased, advances from the FHLB of Boston and the FRB-NY, and repurchase agreements. At December 31, 2020, the Bank’s total borrowing capacity from (i) the FHLB of Boston and the FRB-NY for advances and (ii) repurchase agreements was $16.6 billion based on the level of qualifying collateral available for these borrowings. In addition, the Bank had unsecured borrowing capacity of $1.0 billion at that date.

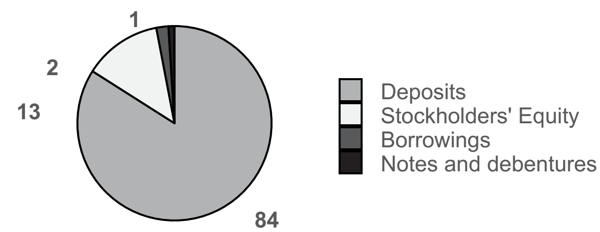
**Earning Asset Mix**

$56.9 billion as of December 31, 2020 (percent)




**Funding Base**

$62.3 billion as of December 31, 2020 (percent)




At December 31, 2020, the Bank had outstanding commitments to originate loans totaling $1.3 billion and approved, but unused, lines of credit extended to customers totaling $10.2 billion (including $2.8 billion of HELOCs).

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

## Stockholders’ Equity and Dividends

People’s United’s total stockholders’ equity was $7.60 billion at December 31, 2020, a $344.4 million decrease from December 31, 2019. This decrease primarily reflects: (i) the repurchase of 19.8 million shares of People’s United common stock, at a total cost of $304.4 million, during the first quarter of 2020; and (ii) common and preferred dividends paid in 2020 totaling $318.2 million, partially offset by (i) net income in 2020 of $219.6 million; and (ii) a $77.7 million decrease in accumulated other comprehensive loss (“AOCL”) since December 31, 2019. The decrease in AOCL, net of tax, primarily reflects a $78.1 million increase in the unrealized gain on debt securities available-for-sale. As a percentage of total assets, stockholders’ equity was 12.1% and 13.6% at December 31, 2020 and 2019, respectively. Tangible common equity as a percentage of tangible assets was 7.5% and 8.0% at December 31, 2020 and December 31, 2019, respectively.

In June 2019, the Company’s Board of Directors authorized the repurchase of up to 20.0 million shares of People’s United’s outstanding common stock. Such shares may be repurchased, either directly or through agents, in the open market at prices and terms satisfactory to management. In the fourth quarter of 2019, the Company repurchased 19.8 million shares of People’s United common stock under this authorization at a total cost of $304.4 million. In March 2020, People’s United completed this repurchase authorization (see above). Shares acquired in this manner have not been retired by the Company and, as a result, remain available for issuance in the future.

Common dividends declared and paid per common share totaled $0.7175 and $0.7075 for the years ended December 31, 2020 and 2019, respectively. People’s United’s common dividend payout ratio (common dividends paid as a percentage of net income available to common shareholders) for the years ended December 31, 2020 and 2019 was 148.0% and 54.3%, respectively. On an operating basis, the common dividend payout ratio was 56.9% and 49.8% for the respective periods. The Company’s Board of Directors declared a quarterly dividend on its common stock of $0.18 per share on January 21, 2021, which was paid on February 15, 2021 to shareholders of record on February 1, 2021.

The Bank paid cash dividends totaling $498.0 million and $457.0 million to People’s United (parent company) in 2020 and 2019, respectively. See *Risk Factors - Compliance and Regulatory Risk* for a further discussion regarding the Company's and Bank's ability to declare and pay dividends.

## Regulatory Capital Requirements

Both People's United and the Bank are subject to the Basel III capital rules issued by U.S. banking agencies. The Basel III capital rules require U.S. financial institutions to maintain: (i) a minimum ratio of CET 1 capital to total risk-weighted assets of at least 4.5%, plus a 2.5% "capital conservation buffer" (which is added to the 4.5% CET 1 risk-based capital ratio, effectively resulting in a minimum CET 1 risk-based capital ratio of 7.0%); (ii) a minimum ratio of Tier 1 capital to total risk-weighted assets of at least 6.0%, plus the capital conservation buffer (which is added to the 6.0% Tier 1 risk-based capital ratio, effectively resulting in a minimum Tier 1 risk-based capital ratio of 8.5%); (iii) a minimum ratio of Total (that is, Tier 1 plus Tier 2) capital to total risk-weighted assets of at least 8.0%, plus the capital conservation buffer (which is added to the 8.0% Total risk-based capital ratio, effectively resulting in a minimum Total risk-based capital ratio of 10.5%); and (iv) a minimum Tier 1 Leverage capital ratio of at least 4.0%, calculated as the ratio of Tier 1 capital to average total assets, as defined.

In order to avoid limitations on distributions, including dividend payments, and certain discretionary bonus payments, a financial institution must hold a capital conservation buffer of 2.50% above its minimum risk-based capital requirements.

For regulatory capital purposes, subordinated note issuances qualify, up to certain limits, as Tier 2 capital for Total risk-based capital. In accordance with regulatory capital rules, the eligible amount of the Bank's $400 million subordinated notes due 2024 and People's United's $75 million subordinated notes due 2024 included in Tier 2 capital will both be reduced each year until the year of final maturity by 20%, or $80 million and $15 million, respectively.

As discussed in Note 1 to the Consolidated Financial Statements, the Company's adoption of the CECL standard effective January 1, 2020, resulted in an approximate 10 basis points decrease in the capital ratios at both the Bank and People's United at that time. In December 2018, the Federal banking agencies approved a final rule allowing an option to phase-in, over three years, the day one regulatory capital effects of the CECL standard. In March 2020, the Federal banking agencies issued an interim final rule providing an alternative option to delay, for two years, an estimate of the CECL standard's effect on regulatory capital (relative to incurred loss methodology's effect on regulatory capital), followed by a three-year transition period. The Company has elected the alternative option provided in the March 2020 interim final rule.

The following is a summary of People's United's and the Bank's regulatory capital amounts and ratios under the Basel III capital rules. The minimum capital required amounts are based on the capital conservation buffer of the Basel III capital rules. In connection with the adoption of the Basel III capital rules, both the Company and the Bank elected to opt-out of the requirement to include most components of AOCL in CET 1 capital. At December 31, 2020, People's United's and the Bank's total risk-weighted assets, as defined, totaled $45.1 billion and $45.0 billion, respectively.

| (dollars in millions) | As of December 31, 2020 Amount | Ratio | Minimum Capital Required Amount | Ratio | Classification as Well-Capitalized Amount | Ratio |
|---|---|---|---|---|---|---|
| Tier 1 Leverage Capital (1): | | | | | | |
| People's United | $ 4,967.8 | 8.4 % | $ 2,374.3 | 4.0 % | N/A | N/A |
| Bank | 5,168.4 | 8.7 | 2,373.7 | 4.0 | $ 2,967.2 | 5.0 % |
| CET 1 Risk-Based Capital (2): | | | | | | |
| People's United | 4,723.7 | 10.5 | 3,155.3 | 7.0 | N/A | N/A |
| Bank | 5,168.4 | 11.5 | 3,151.1 | 7.0 | 2,926.0 | 6.5 |
| Tier 1 Risk-Based Capital (3): | | | | | | |
| People's United | 4,967.8 | 11.0 | 3,831.4 | 8.5 | 2,704.5 | 6.0 |
| Bank | 5,168.4 | 11.5 | 3,826.3 | 8.5 | 3,601.3 | 8.0 |
| Total Risk-Based Capital (4): | | | | | | |
| People's United | 5,589.5 | 12.4 | 4,732.9 | 10.5 | 4,507.5 | 10.0 |
| Bank | 5,745.1 | 12.8 | 4,726.7 | 10.5 | 4,501.6 | 10.0 |

(1) Tier 1 Leverage Capital ratio represents CET 1 Capital plus Additional Tier 1 Capital instruments (together, "Tier 1 Capital") divided by Average Total Assets (less goodwill, other acquisition-related intangibles and other deductions from CET 1 Capital).

(2) CET 1 Risk-Based Capital ratio represents equity capital, as defined, less: (i) after-tax net unrealized gains (losses) on certain securities classified as available-for-sale; (ii) after-tax net unrealized gains (losses) on securities transferred to held-to-maturity; (iii) goodwill and other acquisition-related intangible assets; and (iv) the amount recorded in AOCL relating to pension and other postretirement benefits divided by Total Risk-Weighted Assets.

(3) Tier 1 Risk-Based Capital ratio represents Tier 1 Capital divided by Total Risk-Weighted Assets.

(4) Total Risk-Based Capital ratio represents Tier 1 Capital plus subordinated notes and debentures, up to certain limits, and the ACL, up to 1.25% of Total Risk-Weighted Assets, divided by Total Risk-Weighted Assets.

See Note 16 to the Consolidated Financial Statements for additional information concerning both the Company's and the Bank's regulatory capital amounts and ratios.

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

### Market Risk Management

Market risk represents the risk of loss to earnings, capital and the economic values of certain assets and liabilities resulting from changes in interest rates, equity prices and foreign currency exchange rates. The only significant market risk exposure for People's United at this time is IRR, which is a result of the Company's core business activities of making loans and accepting deposits.

#### Interest Rate Risk

The effective management of IRR is essential to achieving the Company's financial objectives. Responsibility for overseeing management of IRR resides with ALCO. The goal of ALCO is to generate a stable net interest margin over entire interest rate cycles regardless of changes in either short- or long-term interest rates. Generating earnings by taking excessive IRR is prohibited by the IRR limits established by the Company's Board of Directors. ALCO manages IRR by using two primary risk measurement techniques: simulation of net interest income and simulation of economic value of equity. These two measurements are complementary and provide both short-term and long-term risk profiles of the Company.

*Net Interest Income at Risk Simulation* is used to measure the sensitivity of net interest income to changes in market rates over a period of time, such as 12 or 24 months. This simulation captures underlying product behaviors, such as asset and liability repricing dates, balloon dates, interest rate indices and spreads, rate caps and floors, as well as other behavioral attributes. The simulation of net interest income also requires a number of key assumptions such as: (i) future balance sheet volume and mix assumptions that are management judgments based on estimates and historical experience; (ii) prepayment projections for loans and securities that are projected under each interest rate scenario using internal and external analytics; (iii) new business loan spreads that are based on recent new business origination experience; and (iv) deposit pricing assumptions that are based on historical experience and management judgment. Combined, these assumptions can be inherently uncertain, and as a result, actual results may differ from simulation forecasts due to the timing, magnitude and frequency of interest rate changes, future business conditions, as well as unanticipated changes in management strategies.

The Company uses two sets of standard scenarios to measure net interest income at risk. Parallel shock scenarios assume instantaneous parallel movements in the yield curve compared to a flat yield curve scenario. Yield curve twist scenarios assume the shape of the curve flattens or steepens instantaneously centered on the 18-month point of the curve, thereby segmenting the yield curve into a “short-end” and a “long-end”.

The following tables set forth the estimated percent change in the Company’s net interest income at risk over one-year simulation periods beginning December 31, 2020 and 2019. Given the current spot interest rate curve at December 31, 2020, a down 100 basis point rate scenario is no longer simulated due to negative interest rates in this scenario.

| Parallel Shock Rate Change (basis points) | Estimated Percent Change in Net Interest Income 2020 | 2019 |
|---|---|---|
| +300 | 22.6 % | 4.8 % |
| +200 | 16.0 | 3.5 |
| +100 | 8.2 | 2.0 |
| -(25) | (1.7) | N/A |
| -100 | N/A | (2.1) |

| Yield Curve Twist Rate Change (basis points) | Estimated Percent Change in Net Interest Income 2020 | 2019 |
|---|---|---|
| Short End -25 | (1.0)% | N/A |
| Short End +100 | 6.1 | 0.6 |
| Long End -25 | (0.7) | N/A |
| Long End +100 | 2.4 | 1.6 |

The net interest income at risk simulation results indicate that at both December 31, 2020 and 2019, the Company is asset sensitive over the twelve-month forecast horizon (i.e. net interest income will increase if market rates rise). The asset sensitive position at December 31, 2020 primarily reflects: (i) 100% of the Company’s loan portfolio being funded by less rate-sensitive core deposits; (ii) approximately 46% of the Company’s loan portfolio being comprised of Prime Rate and one-month LIBOR-based floating-rate loans; and (iii) the repricing of variable-rate loans, the origination of fixed-rate loans as well as the purchase and reinvestment of securities all over the twelve-month forecast horizon.

The increase the Company’s asset sensitivity since December 31, 2019 is primarily due to: (i) faster mortgage-backed security and residential mortgage loan prepayment speeds in the low interest rate environment; (ii) a decline in residential mortgage loans; (iii) higher liquid deposits resulting from governmental stimulus programs and reduced consumer spending during the COVID-19 pandemic; (iv) the addition of $1.3 billion of term deposits; and (v) the execution of pay fixed/receive floating interest rates swaps ($550 million aggregate notional value); (vi) decreased deposit pricing elasticity and lengthened deposit pricing lag assumptions in the Company’s IRR model resulting from observed deposit behavior; partially offset by the repurchase of 19.8 million shares of common stock, the addition of $2.5 billion of fixed-rate PPP loans and an increase in the securities portfolio. Based on the Company’s IRR position at December 31, 2020, an immediate 100 basis point parallel increase in interest rates translates to an approximate $123 million increase in net interest income on an annualized basis.

*Economic Value of Equity at Risk Simulation* is conducted in tandem with net interest income simulations, to ascertain a longer term view of the Company's IRR position by capturing longer-term re-pricing risk and options risk embedded in the balance sheet. It measures the sensitivity of economic value of equity to changes in interest rates. Economic value of equity at risk simulation values only the current balance sheet and does not incorporate the growth assumptions used for income simulations. As with net interest income modeling, this simulation captures product characteristics such as loan resets, repricing terms, maturity dates, rate caps and floors. Key assumptions include loan prepayment speeds, deposit pricing elasticity and non-maturity deposit attrition rates. These assumptions can have significant impacts on valuation results as the assumptions remain in effect for the entire life of each asset and liability. The Company conducts core deposit behavior studies on a periodic basis to support deposit assumptions used in the valuation process. All key assumptions are subject to periodic review.

Base case economic value of equity at risk is calculated by estimating the net present value of all future cash flows from existing assets and liabilities using current interest rates. The current spot interest rate curve is shocked up and down to generate new interest rate curves for parallel rate shock scenarios. These new curves are then used to recalculate economic value of equity at risk for these rate shock scenarios.

The following table sets forth the estimated percent change in the Company's economic value of equity at risk, assuming various instantaneous parallel shocks in interest rates. Given the current spot interest rate curve at December 31, 2020, a down 100 basis point rate scenario is no longer simulated due to negative rates in this scenario.

| Parallel Shock Rate Change (basis points) | Estimated Percent Change in Economic Value of Equity 2020 | 2019 |
|---|---|---|
| +300 | 11.6 % | (12.6)% |
| +200 | 13.7 | (6.6) |
| +100 | 10.3 | (1.6) |
| -25 | (3.9) | (3.3) |
| -100 | N/A | (3.0) |

The Company's economic value of equity at risk profile indicates that at December 31, 2020, the Company's economic value of equity is asset sensitive. The increase in assert sensitivity since December 31, 2019 primarily reflects: (i) an increase in the modeled weighted average life of non-maturity deposits and a decrease in the duration of both mortgage-backed securities and residential mortgage loans resulting from lower interest rates; (ii) a decline in residential mortgage loans; (iii) an increase in liquid deposits; and (iv) the addition of $1.3 billion of term deposits; partially offset by the addition of PPP loans, increase in the securities portfolio and deposit modeling assumption updates.

People's United's IRR position at December 31, 2020, as set forth in the net interest income at risk and economic value of equity at risk tables above, reflects an asset sensitive net interest income at risk position and a liability sensitive economic value of equity position. From a net interest income perspective, asset sensitivity over the next 12 months is primarily attributable to the effect of the substantial Prime and LIBOR-based loan balances that are funded mainly by less rate-sensitive deposits. From an economic value of equity perspective, in a rising rate environment, the Company's assets are more price sensitive than its liabilities due to slightly longer asset duration, which serves to create a liability sensitive risk position. Given the uncertainty of the magnitude, timing and direction of future interest rate movements and the shape of the yield curve, actual results may vary from those predicted by the Company's models.

Management has established procedures to be followed in the event of an anticipated or actual breach in policy limits. As of December 31, 2020, there were no breaches of the Company's internal policy limits with respect to either IRR measure. Management utilizes both interest rate measures in the normal course of measuring and managing IRR and believes that each measure is valuable in understanding the Company's IRR position.

People's United uses derivative financial instruments, including interest rate swaps, as components of its market risk management (principally to manage IRR). Certain other derivatives are entered into in connection with transactions with commercial customers. Derivatives are not used for speculative purposes. At December 31, 2020, People's United used interest rate swaps to manage IRR associated with certain interest-bearing assets and interest-bearing liabilities.

The Bank has entered into pay floating/receive fixed interest rate swaps to reduce its IRR exposure to the variability in interest cash flows on certain floating-rate commercial loans. The Bank has agreed with the swap counterparties to exchange, at specified intervals, the difference between fixed-rate and floating-rate interest amounts calculated based on notional amounts totaling $210 million. The floating-rate interest payments made under the swaps are calculated using the same floating rate received on the commercial loans. The swaps effectively convert the floating-rate one-month LIBOR interest payments received on the commercial loans to a fixed rate and consequently reduce the Bank's exposure to variability in short-term interest rates. These swaps are accounted for as cash flow hedges.

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

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

By using derivatives, People's United is exposed to credit risk to the extent that counterparties to the derivative contracts do not perform as required. Should a counterparty fail to perform under the terms of a derivative contract, the Company's counterparty credit risk is equal to the amount reported as a derivative asset in the Consolidated Statements of Condition. In accordance with the Company's balance sheet offsetting policy (see Note 1 to the Consolidated Financial Statements), amounts reported as derivative assets represent derivative contracts in a gain position, without consideration for derivative contracts in a loss position with the same counterparty (to the extent subject to master netting arrangements) and posted collateral. People's United seeks to minimize counterparty credit risk through credit approvals, limits, monitoring procedures, execution of master netting arrangements and obtaining collateral, where appropriate. Counterparties to People's United's derivatives include major financial institutions and exchanges that undergo comprehensive and periodic internal credit analysis as well as maintain investment grade credit ratings from the major credit rating agencies. As such, management believes the risk of incurring credit losses on derivative contracts with those counterparties is remote and losses, if any, would be immaterial.

Certain of People's United's derivative contracts contain provisions establishing collateral requirements (subject to minimum collateral posting thresholds) based on the Company's external credit rating. If the Company's senior unsecured debt rating were to fall below the level generally recognized as investment grade, the counterparties to such derivative contracts could require additional collateral on those derivative transactions in a net liability position (after considering the effect of master netting arrangements and posted collateral). The aggregate fair value of derivative instruments with such credit-related contingent features that were in a net liability position at December 31, 2020 was $0.7 million, for which People's United had posted no collateral in the normal course of business. If the Company's senior unsecured debt rating had fallen below investment grade as of that date, $0.7 million in additional collateral would have been required.

**Foreign Currency Risk**

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

**Derivative Financial Instruments**

The following table summarizes certain information concerning derivative financial instruments utilized by People's United in its management of IRR and foreign currency risk:

| | Interest Rate Swaps | | |
|---|---|---|---|
| As of December 31, 2020 (dollars in millions) | Fair Value Hedge | Cash Flow Hedge | Foreign Exchange Contracts |
| Notional principal amounts | $ 375.0 | $ 550.0 | $ 285.3 |
| Weighted average interest rates: | | | |
| Pay floating (receive fixed) | Libor + 1.265% (4.00%) | N/A | N/A |
| Pay fixed (receive floating) | N/A | 0.53% (0.25%) | N/A |
| Weighted average remaining term to maturity (in months) | 42 | 20 | 1 |
| Fair value: | | | |
| Recognized as an asset | $ — | $ — | $ 12.8 |
| Recognized as a liability | — | — | 8.8 |

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

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

| | Interest Rate Swaps | | Interest Rate Caps | |
|---|---|---|---|---|
| As of December 31, 2020 (dollars in millions) | Commercial Customers | Institutional Counterparties | Commercial Customers | Institutional Counterparties |
| Notional principal amounts | $ 8,878.6 | $ 8,881.3 | $ 185.1 | $ 185.1 |
| Weighted average interest rates: | | | | |
| Pay floating (receive fixed) | 0.40% (2.38%) | — | N/A | N/A |
| Pay fixed (receive floating) | — | 2.25% (0.40%) | N/A | N/A |
| Weighted average strike rate | N/A | N/A | 3.37 % | 3.37 % |
| Weighted average remaining term to maturity (in months) | 77 | 77 | 22 | 22 |
| Fair value: | | | | |
| Recognized as an asset | $ 778.0 | $ 5.8 | $ 3.0 | $ — |
| Recognized as a liability | 0.4 | 156.8 | — | 3.0 |

See Notes 22 and 23 to the Consolidated Financial Statements for further information relating to derivatives.

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

The information required by this item begins on page 81.

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

None.

**Item 9A. Controls and Procedures**

People's United's management, including the Chief Executive Officer and the Chief Financial Officer, has evaluated the effectiveness of People's United's disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of the end of the period covered by this report. Based upon that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that People's United's disclosure controls and procedures are effective, as of December 31, 2020, to ensure that information relating to People's United, which is required to be disclosed in the reports People's United files with the SEC under the Exchange Act, is (i) recorded, processed, summarized and reported as and when required and (ii) accumulated and communicated to management, including the principal executive officer and the principal financial officer, as appropriate to allow timely decisions regarding required disclosures.

During the quarter ended December 31, 2020, there has not been any change in People's United's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, People's United's internal control over financial reporting. People's United's Management's Report on Internal Control Over Financial Reporting appears on page 80 and the related Report of Independent Registered Public Accounting Firm appears on page 85.

**Item 9B. Other Information**

None.

## Part III

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

Directors of the Corporation

The information required herein is incorporated by reference to our definitive proxy statement or in an amendment to this Form 10-K, to be filed no later than 120 days after the end of the fiscal year covered by this Form 10-K.

Audit Committee Financial Expert

The Board of Directors has determined that all members of the Audit Committee of the Board are each an "audit committee financial expert" and are "independent" within the meaning of those terms as used in the instructions to this Item 10.

Executive Officers of the Corporation

The information required herein is incorporated by reference to our definitive proxy statement or in an amendment to this Form 10-K, to be filed no later than 120 days after the end of the fiscal year covered by this Form 10-K.

People's United has adopted a Code of Ethics that applies to its Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer. The text of the Code of Ethics is available on People's United's website at www.peoples.com, under "Investor Relations—Governance Documents—Code of Ethics for Senior Financial Officers."

Additional information required by this item is incorporated by reference to our definitive proxy statement or in an amendment to this Form 10-K, to be filed no later than 120 days after the end of the fiscal year covered by this Form 10-K.

**Item 11. Executive Compensation**

The information required herein is incorporated by reference to our definitive proxy statement or in an amendment to this Form 10-K, to be filed no later than 120 days after the end of the fiscal year covered by this Form 10-K.

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

The following table provides summary information about People's United's equity compensation plans as of December 31, 2020:

**Equity Compensation Plan Information**

| Plan category | (a) Number of securities to be issued upon exercise of outstanding options, warrants and rights (1) | (b) Weighted-average exercise price of outstanding options, warrants and rights (2) | (c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in Column (a)) (3) |
|---|---|---|---|
| Equity compensation plans approved by security holders | 20,600,894 | $ 16.19 | 25,704,590 |
| Equity compensation plans not approved by security holders | — | n/a | — |
| Total | 20,600,894 | $ 16.19 | 25,704,590 |

(1) Consists of the following as of December 31, 2020: 2,578,622 performance shares (assuming maximum performance for each of the performance measures) and 18,022,272 options. There is no exercise event as to performance shares which vest, if at all, following the three-year performance period.

(2) The weighted-average exercise price in column (b) does not take the performance share awards into account.

(3) Of this amount, 258,714 shares are issuable as shares of restricted stock pursuant to the People's United Financial, Inc. Directors' Equity Compensation Plan. The remaining 25,445,876 shares are issuable pursuant to the People's United Financial, Inc. 2014 Long-Term Incentive Plan either in the form of options, stock appreciation rights, shares of restricted stock or performance shares. Information describing these plans appears in Note 20 to the Consolidated Financial Statements.

Additional information required by this item is incorporated by reference to our definitive proxy statement or in an amendment to this Form 10-K, to be filed no later than 120 days after the end of the fiscal year covered by this Form 10-K.

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

The information required herein is incorporated by reference to our definitive proxy statement or in an amendment to this Form 10-K, to be filed no later than 120 days after the end of the fiscal year covered by this Form 10-K.

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

The information required herein is incorporated by reference to our definitive proxy statement or in an amendment to this Form 10-K, to be filed no later than 120 days after the end of the fiscal year covered by this Form 10-K.

## Part IV

### Item 15. Exhibits and Financial Statement Schedules

(a)(1) The following consolidated financial statements of People's United Financial, Inc. and the independent registered public accounting firm report thereon are included herein beginning on page 81:

Consolidated Statements of Condition as of December 31, 2020 and 2019

Consolidated Statements of Income for the years ended December 31, 2020, 2019 and 2018

Consolidated Statements of Comprehensive Income for the years ended December 31, 2020, 2019 and 2018

Consolidated Statements of Changes in Stockholders' Equity for the years ended December 31, 2020, 2019 and 2018

Consolidated Statements of Cash Flows for the years ended December 31, 2020, 2019 and 2018

Notes to Consolidated Financial Statements

Report of Independent Registered Public Accounting Firm

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

(a)(3) Exhibits

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

| Designation | Description |
|---|---|
| 3.1 | Third Amended and Restated Certificate of Incorporation of People's United Financial, Inc. (incorporated by reference to Exhibit 3.1 to Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on May 10, 2013) |
| 3.2 | Amended Eighth Amended and Restated Bylaws of People's United Financial, Inc. (incorporated by reference to Exhibit 3.1 to Current Report on Form 8-K filed with the Securities and Exchange Commission on June 26, 2018) |
| 3.3 | Certificate of Amendment of Third Amended and Restated Certificate of Incorporation of People's United Financial, Inc. (incorporated by reference to Exhibit 3.1(a) to Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on May 10, 2016) |
| 3.4 | Certificate of Amendment of Third Amended and Restated Certificate of Incorporation of People's United Financial, Inc. (incorporated by reference to Exhibit 3.1 to Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on May 10, 2017) |
| 4 | Description of Registrant's Securities (incorporated by reference to Exhibit 4 to Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 2, 2020) |
| 4.1 | Form of Stock Certificate of People's United Financial, Inc. (incorporated by reference to Exhibit 4.1 to Amendment No. 4 to Form S-1 filed with the Securities and Exchange Commission on February 13, 2007 (Registration No. 333-138389)) |
| 4.2 | Indenture, dated as of February 14, 2007, by and between Chittenden Corporation and The Bank of New York Trust Company, N.A. as Trustee (incorporated by reference to Exhibit 4.2 to Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 2, 2009) |
| 4.3 | Form of Global Note, registered in the name of Cede & Co. as nominee (February 17, 2007) (incorporated by reference to Exhibit 4.3 to Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 2, 2009) |
| 4.5 | Senior Indenture dated as of December 6, 2012 between People's United Financial, Inc. and The Bank of New York Mellon as Trustee (incorporated by reference to Exhibit 4.5 to Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 1, 2013) |
| 4.6 | Form of Global Note, registered in the name of Cede & Co. as nominee (December 6, 2012) (incorporated by reference to Exhibit 4.6 to Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 1, 2013) |

| Designation | Description |
|---|---|
| 4.7 | Issuing and Paying Agency Agreement dated June 26, 2014 between People's United Bank as Issuer and Bank of New York Mellon as Agent (incorporated by reference to Exhibit 4.1 to Current Report on Form 8-K filed with the Securities and Exchange Commission on June 26, 2014) |
| 4.8 | Form of Global Subordinated Note, registered in the name of Cede & Co. as nominee (June 26, 2014) (incorporated by reference to Exhibit 4.2 to Current Report on Form 8-K filed with the Securities and Exchange Commission on June 26, 2014) |
| 10.1* | Form of Change in Control Agreement (Senior Executive Vice Presidents) (incorporated by reference to Exhibit 10.2(c) to Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 29, 2012) |
| 10.2* | People's United Financial, Inc. Short-Term Incentive Plan (incorporated by reference to Exhibit 10.2 to Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on May 10, 2017) |
| 10.3* | Amended and Restated People's Bank 1998 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.9 to Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on November 9, 2007) |
| 10.4* | People's United Financial, Inc. 2008 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.10 to Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 1, 2010) |
| 10.5* | Form of Stock Option Agreement under 2008 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.7 to Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 1, 2013) |
| 10.6* | Form of Grant Agreement for Restricted Stock under 2008 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.8 to Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 1, 2013) |
| 10.7* | People's United Financial, Inc. Amended and Restated 2014 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.7 to Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on May 10, 2017) |
| 10.7(a)* | Amendment No. 1 to the People's United Financial, Inc. 2014 Long-Term Incentive Plan, as Amended and Restated, February 16, 2017 (incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K filed with the Securities and Exchange Commission on October 1, 2018) |
| 10.7(b)* | Form of Grant Agreement for Performance Shares under the People's United Financial, Inc. 2014 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.7(a) to Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on May 10, 2017) |
| 10.7(c)* | Form of Grant Agreement for Stock Options under the People's United Financial, Inc. 2014 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.7(b) to Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on May 10, 2017) |
| 10.7(d)* | Form of Grant Agreement for Stock Options under the People's United Financial, Inc. 2014 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.7(c) to Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on May 10, 2017) |
| 10.7(e)* | Form of Grant Agreement for Restricted Stock under the People's United Financial, Inc. 2014 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.7(d) to Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on May 10, 2017) |
| 10.7(f)* | Form of Grant Agreement for Restricted Stock under the People's United Financial, Inc. 2014 Long-Term Incentive Plan (incorporated by reference to Exhibit 10.7(e) to Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on May 10, 2017) |
| 10.8* | First Amended and Restated People's United Bank Cap Excess Plan (incorporated by reference to Exhibit 10.13 to Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 2, 2009) |
| 10.8(a)* | First Amendment to the First Amended and Restated People's United Bank Cap Excess Plan (incorporated by reference to Exhibit 10.9(a) to Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 29, 2012) |
| 10.9* | The People's United Bank Enhanced Senior Pension Plan-First Amendment and Restatement (incorporated by reference to Exhibit 10.14 to Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 2, 2009) |
| 10.9(a)* | First Amendment to The People's United Bank Enhanced Senior Pension Plan (incorporated by reference to Exhibit 10.10(a) to Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 29, 2012) |
| 10.10* | Non-Qualified Pension Trust Agreement, dated as of March 18, 1997, between People's Bank and Morgan Guaranty Trust Company of New York (incorporated by reference to Exhibit 10.15 to Amendment No. 3 to Form S-1 filed with the Securities and Exchange Commission on February 2, 2007 (Registration No. 333-138389)) |

| Designation | Description |
|---|---|
| 10.10(a)* | Amendment to People's Bank Non-Qualified Pension Trust Agreement (incorporated by reference to Exhibit 10.15(a) to Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 29, 2008) |
| 10.10(b)* | Trustee Engagement Agreement (Non-Qualified Pension Plans) dated May 21, 2014 between People's United Bank and First Bankers Trust Services, Inc. (incorporated by reference to Exhibit 10.11(b) to Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 1, 2015) |
| 10.11* | People's United Bank, N.A. Nonqualified Savings and Retirement Plan (amended and restated as of January 1, 2016) (incorporated by reference to Exhibit 10.11 to Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 29, 2016) |
| 10.12* | People's Bank Supplemental Savings Plan Non-Qualified Trust Agreement, dated as of July 23, 1998, between People's Bank and Morgan Guaranty Trust Company of New York (incorporated by reference to Exhibit 10.17 to Amendment No. 3 to Form S-1 filed with the Securities and Exchange Commission on February 2, 2007 (Registration No. 333-138389)) |
| 10.12(a)* | Amendment to People's Bank Supplemental Savings Plan Non-Qualified Trust Agreement (incorporated by reference to Exhibit 10.17(a) to Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 29, 2008) |
| 10.12(b)* | Trustee Engagement Agreement (Nonqualified Savings and Retirement Plan) dated May 21, 2014 between People's United Bank and First Bankers Trust Services, Inc. (incorporated by reference to Exhibit 10.13(b) to Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 1, 2015) |
| 10.13* | People's United Financial, Inc. Third Amended and Restated Directors' Equity Compensation Plan (incorporated by reference to Exhibit 4.5 to Form S-8 filed with the Securities and Exchange Commission on September 30, 2019) |
| 10.14* | People's Bank Change-in-Control Employee Severance Plan (incorporated by reference to Exhibit 10.25 to Amendment No. 4 to Form S-1 filed with the Securities and Exchange Commission on February 13, 2007 (Registration No. 333-138389)) |
| 10.15* | People's United Financial, Inc. 2007 Recognition and Retention Plan (amended) (incorporated by reference to Exhibit 10.26 to Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on August 8, 2008) |
| 10.15(a)* | Form of Grant Agreement for Restricted Stock under 2007 Recognition and Retention Plan (incorporated by reference to Exhibit 10.16(d) to Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 29, 2012) |
| 10.16* | People's United Financial, Inc. 2007 Stock Option Plan (amended) (incorporated by reference to Exhibit 10.27 to Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission on August 8, 2008) |
| 10.16(a)* | Form of Grant Agreement for Stock Options under 2007 Stock Option Plan (incorporated by reference to Exhibit 10.17(d) to Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 29, 2012) |
| 10.17* | Chittenden Corporation Deferred Compensation Plan (incorporated by reference to Exhibit 10.28 to Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 2, 2009) |
| 10.17(a)* | Amendment No. 1 to the Chittenden Corporation Deferred Compensation Plan (incorporated by reference to Exhibit 10.28(a) to Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 2, 2009) |
| 10.17(b)* | Amendment No. 2 to the Chittenden Corporation Deferred Compensation Plan (incorporated by reference to Exhibit 10.18(b) to Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 29, 2012) |
| 10.17(c)* | Amendment No. 3 to the Chittenden Corporation Deferred Compensation Plan (incorporated by reference to Exhibit 10.18(c) to Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 29, 2012) |
| 10.18* | The Chittenden Corporation Supplemental Executive Savings Plan (incorporated by reference to Exhibit 10.30 to Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 2, 2009) |

| Designation | Description |
|---|---|
| 10.18(a)* | Amendment No. 1 to the Chittenden Corporation Supplemental Executive Savings Plan (incorporated by reference to Exhibit 10.30(a) to Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 2, 2009) |
| 10.18(b)* | Amendment No. 2 to the Chittenden Corporation Supplemental Executive Savings Plan (incorporated by reference to Exhibit 10.19(b) to Annual Report on Form 10-K filed with the Securities and Exchange Commission on February 29, 2012) |
| 10.19* | Purchase and Assumption Agreement dated as of April 16, 2010 among Federal Deposit Insurance Corporation as Receiver of Butler Bank, Federal Deposit Insurance Corporation, and People's United Bank (incorporated by reference to Exhibit 2.1 to Current Report on Form 8-K filed with the Securities and Exchange Commission on April 20, 2010) |
| 21 | Subsidiaries |
| 23 | Consent of KPMG LLP |
| 31.1 | Rule 13a-14(a)/15d-14(a) Certifications |
| 31.2 | Rule 13a-14(a)/15d-14(a) Certifications |
| 32 | Section 1350 Certifications |
| 99.1 | Impact of Inflation |
| 101.1 | The following financial information from People's United Financial, Inc.'s Annual Report on Form 10-K for the fiscal year ended December 31, 2018 formatted in Inline XBRL: (i) Consolidated Statements of Condition as of December 31, 2020 and 2019; (ii) Consolidated Statements of Income for the years ended December 31, 2020, 2019 and 2018; (iii) Consolidated Statements of Comprehensive Income for the years ended December 31, 2020, 2019 and 2018; (iv) Consolidated Statements of Changes in Stockholders' Equity for the years ended December 31, 2020, 2019 and 2018; (v) Consolidated Statements of Cash Flows for the years ended December 31, 2020, 2019 and 2018; and (vi) Notes to Consolidated Financial Statements. |
| 104 | Cover page formatted in Inline XBRL and contained within Exhibit 101.1 |

**Item 16. Form 10-K Summary**

None.

## SIGNATURES

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

PEOPLE'S UNITED FINANCIAL, INC.

| | |
|---|---|
| Date: March 1, 2021 | By: /s/ John P. Barnes<br>John P. Barnes<br>Chairman and Chief Executive Officer |

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

| | |
|---|---|
| Date: March 1, 2021 | By: /s/ John P. Barnes<br>John P. Barnes<br>Chairman, Chief Executive Officer and<br>Director (Principal Executive Officer) |
| Date: March 1, 2021 | By: /s/ R. David Rosato<br>R. David Rosato<br>Senior Executive Vice President and<br>Chief Financial Officer<br>(Principal Financial Officer) |
| Date: March 1, 2021 | By: /s/ Jeffrey A. Hoyt<br>Jeffrey A. Hoyt<br>Senior Vice President and<br>Chief Accounting Officer<br>(Principal Accounting Officer) |
| Date: March 1, 2021 | By: /s/ Collin P. Baron<br>Collin P. Baron<br>Director |
| Date: March 1, 2021 | By: /s/ George P. Carter<br>George P. Carter<br>Lead Director |
| Date: March 1, 2021 | By: /s/ Jane Chwick<br>Jane Chwick<br>Director |

| | | |
|---|---|---|
| Date: March 1, 2021 | By: | /s/ William F. Cruger, Jr.<br>William F. Cruger, Jr.<br>Director |
| Date: March 1, 2021 | By: | /s/ John K. Dwight<br>John K. Dwight<br>Director |
| Date: March 1, 2021 | By: | /s/ Jerry Franklin<br>Jerry Franklin<br>Director |
| Date: March 1, 2021 | By: | /s/ Janet M. Hansen<br>Janet M. Hansen<br>Director |
| Date: March 1, 2021 | By: | /s/ Nancy McAllister<br>Nancy McAllister<br>Director |
| Date: March 1, 2021 | By: | /s/ Mark W. Richards<br>Mark W. Richards<br>Director |
| Date: March 1, 2021 | By: | /s/ Kirk W. Walters<br>Kirk W. Walters<br>Senior Executive Vice President and Director |

## STATEMENT OF MANAGEMENT’S RESPONSIBILITY

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

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

## MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management is responsible for establishing and maintaining effective internal control over financial reporting for People's United Financial, Inc. (the Company). 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 (2013)*, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on its assessment, management has concluded that People's United Financial, Inc. maintained effective internal control over financial reporting as of December 31, 2020, based on criteria in *Internal Control – Integrated Framework (2013)* issued by COSO.

| /s/ John P. Barnes | /s/ R. David Rosato |
|---|---|
| John P. Barnes | R. David Rosato |
| *Chairman and Chief Executive Officer* | *Senior Executive Vice President and Chief Financial Officer* |

Date: March 1, 2021

**People’s United Financial, Inc. and Subsidiaries**
**Index to Consolidated Financial Statements**

## Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
People's United Financial, Inc.:

*Opinion on the Consolidated Financial Statements*

We have audited the accompanying consolidated statements of condition of People's United Financial, Inc. and subsidiaries (the Company) as of December 31, 2020 and 2019, the related consolidated statements of income, comprehensive income, changes in stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2020, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2020, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated March 1, 2021 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

*Change in Accounting Principle*

As discussed in Note 1 to the consolidated financial statements, the Company has changed its method of accounting for the recognition and measurement of credit losses as of January 1, 2020 due to the adoption of ASC Topic 326, Financial Instruments – Credit Losses.

*Basis for Opinion*

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

*Critical Audit Matters*

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

*Allowance for credit losses for loans evaluated on a collective basis*

As discussed in Note 1 to the consolidated financial statements, the Company adopted ASU No. 2016-13, Financial Instruments - Credit Losses (ASC Topic 326) as of January 1, 2020. As discussed in Note 6 to the consolidated financial statements, the Company's total allowance for credit losses as of December 31, 2020 was $425.1 million, of which $404.6 million related to the allowance for credit losses for loans evaluated on a collective basis (the collective ACL). The collective ACL includes the measure of expected credit losses on an aggregate basis through pooling loans that share similar risk characteristics. The Company estimates the collective ACL based upon a consideration of its historical portfolio loss experience, current economic conditions, and forecasts of future economic conditions that affect the collectability of the loan balances. The collective ACL on loans consists of both quantitative and qualitative loss components. The Company estimates the quantitative component by segmenting the loan portfolio into pools of loans with similar risk characteristics and projecting (i) probability-of-default, representing the likelihood that a loan will stop performing/default (PD), (ii) loss-given-default, representing the expected loss rate for loans in default (LGD) and (iii) exposure-at-default (EAD), representing the estimated outstanding principal balance of the loans upon default, adjusted for anticipated prepayments, for each month of a loan's remaining contractual term. Expected credit losses for the quantitative component are calculated as the product of the PD, LGD and EAD. The Company utilizes a two-year reasonable and supportable forecast period followed by a one-year period over which estimated losses revert on a straight-line basis to average historical loss experience, determined over the historical observation period, for the remaining life of the loan. The measurement of the quantitative component is impacted by loan/borrower attributes, including loan risk ratings for certain loan portfolios, and certain macroeconomic variables derived from an externally-sourced forward-looking economic scenario. The qualitative component of the collective ACL represents adjustments to the quantitative reserves for idiosyncratic risk factors, changes in current economic conditions that may not be reflected in quantitatively-derived results, weightings to multiple economic scenarios based on an assessment of the economic outlook, and other relevant factors.

We identified the assessment of the collective ACL as a critical audit matter. A high degree of audit effort, including specialized skills and knowledge, and subjective and complex auditor judgment was involved in the assessment of the collective ACL. Specifically, the assessment encompassed the evaluation of the collective ACL methodology, including the methods and models used to estimate (i) certain PD, LGD, and EAD models (the models) and their significant assumptions, including portfolio segmentation, the externally-sourced forward-looking economic scenarios, the reasonable and supportable forecast period, reversion period and method, the historical observation period, and loan risk ratings for certain loan portfolios, and (ii) the qualitative factors and their significant assumptions. The assessment of the collective ACL also included an evaluation of the conceptual soundness and performance of the models. In addition, auditor judgment was required to evaluate the sufficiency of audit evidence obtained.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls related to the Company's measurement of the collective ACL estimate, including controls over the:

- development of the collective ACL methodology
- development of the models
- identification and determination of the significant assumptions used in the models
- development of qualitative factor adjustments
- performance monitoring of the models
- periodic testing of loan risk ratings for loans
- analysis of the collective ACL results, trends, and ratios.

We evaluated the Company's process to develop the collective ACL estimate by testing certain sources of data, factors, and assumptions that the Company used, and considered the relevance and reliability of such data, factors, and assumptions. In addition, we involved credit risk professionals with specialized skills and knowledge, who assisted in:

- evaluating the Company's collective ACL methodology for compliance with U.S. generally accepted accounting principles
- evaluating judgments made by the Company relative to the development and performance testing of the models by comparing them to relevant Company specific metrics and trends and applicable industry and regulatory practices
- testing the conceptual soundness and performance of the models by inspecting the model documentation to determine whether the models are suitable for their intended use
- evaluating the methodology used to develop the externally-sourced forward-looking economic scenarios and underlying assumptions by comparing it to the Company's business environment and relevant industry practices
- evaluating the length of the historical loss observation period, reasonable and supportable forecast period, and reversion to average historical loss experience by comparing to specific portfolio risk characteristics and trends
- determining whether the loan portfolio is segmented by similar risk characteristics by comparing to the Company's business environment and relevant industry practices
- testing individual loan risk ratings for a selection of loans by evaluating the financial performance of the borrower and underlying collateral
- evaluating the methodology used to develop the qualitative component including (i) determination of potential portfolio adjustments, metrics used to determine such adjustments through assessing the effect of those factors on the collective ACL compared with credit risk factors and consistency with credit trends and (ii) evaluating judgments made by the Company relative to the assigned weightings to each economic scenario.

We also assessed the sufficiency of the audit evidence obtained related to the collective ACL estimate by evaluating the cumulative results of the audit procedures, qualitative aspects of the Company's accounting practices and potential bias in the accounting estimate.

*Assessment of goodwill impairment in the Commercial Banking and Retail Banking reporting units*

As discussed in Notes 1 and 8 to the consolidated financial statements, the carrying value of the Company's goodwill balance as of December 31, 2020 was $2,680.8 million, of which $1,966.1 million and $657.9 million relate to the Commercial Banking and Retail Banking reporting units, respectively. The Company performs goodwill impairment testing as of the annual measurement date or more frequently if a triggering event indicates that impairment may have occurred. The impairment test compares the fair value of the reporting unit with its carrying amount, including goodwill. The Company estimates the fair value of its reporting units by applying a weighting of values determined using (i) the discounted cash flow method of the income approach and (ii) the guideline public company method of the market approach. If the estimated fair value of a reporting unit exceeds its carrying amount, goodwill is not deemed to be impaired. Should the carrying amount of the reporting unit exceed its estimated fair value, an impairment loss is recognized in an amount equal to that excess, not to exceed the carrying amount of goodwill.

We identified the evaluation of the goodwill impairment assessment of the Commercial Banking and Retail Banking reporting units as a critical audit matter. A high degree of complex auditor judgment, including specialized skills and knowledge, was involved in evaluating the overall fair value of the Commercial Banking and Retail Banking reporting units, including the estimation of the (i) discounted cash flow method of the income approach and its key assumptions, which include the growth rates, discount rates, and terminal values and (ii) guideline public company method of the market approach and its key assumptions, which include the selected trading multiples and control premiums used.

The following are the primary procedures we performed to address the critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls over the Company's goodwill impairment assessment of the Commercial Banking and Retail Banking reporting units, including controls related to the development of the assumptions listed above. We involved valuation professionals with specialized skills and knowledge, who assisted in the following procedures over the Commercial Banking and Retail Banking reporting units:

- evaluating the Company's fair value methodology for compliance with U.S. generally accepted accounting principles
- developing independent fair value estimates of the reporting units using independently developed growth rates, discount rates, terminal values, trading multiples, and control premiums, and comparing the results to the Company's fair value estimates and carrying values of the reporting units
- reconciling the Company's estimated fair value to its market capitalization as of the annual measurement date.

/s/ KPMG LLP

We have served as the Company's auditor since 1986.

Stamford, Connecticut
March 1, 2021

## Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
People's United Financial, Inc.:

*Opinion on Internal Control Over Financial Reporting*

We have audited People's United Financial, Inc. and subsidiaries' (the Company) internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated statements of condition of the Company as of December 31, 2020 and 2019, the related consolidated statements of income, comprehensive income, changes in stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2020, and the related notes (collectively, the consolidated financial statements), and our report dated March 1, 2021 expressed an unqualified opinion on those consolidated financial statements.

*Basis for Opinion*

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

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

*Definition and Limitations of Internal Control Over Financial Reporting*

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

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

/s/ KPMG LLP

Stamford, Connecticut
March 1, 2021

## People's United Financial, Inc. and Subsidiaries
## Consolidated Statements of Condition

| As of December 31 (in millions) | 2020 | 2019 |
|---|---|---|
| **Assets** | | |
| Cash and due from banks | $ 477.3 | $ 484.2 |
| Short-term investments | 3,766.0 | 316.8 |
| Total cash and cash equivalents (note 3) | 4,243.3 | 801.0 |
| Securities (note 4): | | |
| Trading debt securities, at fair value | — | 7.1 |
| Equity securities, at fair value | 5.3 | 8.2 |
| Debt securities available-for-sale, at fair value | 4,925.5 | 3,564.3 |
| Debt securities held-to-maturity, at amortized cost and net of allowance for credit losses of $1.6 million at December 31, 2020 (fair value of $4.27 billion and $4.02 billion) | 3,993.8 | 3,869.2 |
| Federal Home Loan Bank and Federal Reserve Bank stock, at cost | 266.6 | 341.1 |
| Total securities | 9,191.2 | 7,789.9 |
| Loans held-for-sale (note 5) | 26.5 | 511.3 |
| Loans (notes 5, 6 and 7): | | |
| Commercial real estate | 13,336.9 | 14,762.3 |
| Commercial and industrial | 14,982.3 | 11,041.6 |
| Equipment financing | 4,930.0 | 4,910.4 |
| Total Commercial Portfolio | 33,249.2 | 30,714.3 |
| Residential mortgage | 8,518.9 | 10,318.1 |
| Home equity and other consumer | 2,101.4 | 2,563.7 |
| Total Retail Portfolio | 10,620.3 | 12,881.8 |
| Total loans | 43,869.5 | 43,596.1 |
| Less allowance for credit losses on loans | (425.1) | (246.6) |
| Total loans, net | 43,444.4 | 43,349.5 |
| Goodwill (notes 2 and 8) | 2,680.8 | 3,065.5 |
| Bank-owned life insurance | 711.6 | 705.0 |
| Premises and equipment, net (note 9) | 276.7 | 305.5 |
| Other acquisition-related intangible assets (notes 2 and 8) | 165.1 | 209.1 |
| Other assets (notes 4, 5, 7, 10 and 23) | 2,352.2 | 1,853.0 |
| Total assets | $ 63,091.8 | $ 58,589.8 |
| **Liabilities** | | |
| Deposits (note 11): | | |
| Non-interest-bearing | $ 15,881.7 | $ 9,803.7 |
| Savings | 6,029.7 | 4,987.7 |
| Interest-bearing checking and money market | 24,567.5 | 19,592.6 |
| Time | 5,658.8 | 9,205.5 |
| Total deposits | 52,137.7 | 43,589.5 |
| Borrowings (note 12): | | |
| Federal Home Loan Bank advances | 569.7 | 3,125.4 |
| Customer repurchase agreements | 452.9 | 409.1 |
| Federal funds purchased | 125.0 | 1,620.0 |
| Total borrowings | 1,147.6 | 5,154.5 |
| Notes and debentures (note 13) | 1,009.6 | 993.1 |
| Other liabilities (notes 7, 10 and 23) | 1,194.1 | 905.5 |
| Total liabilities | 55,489.0 | 50,642.6 |
| Commitments and contingencies (notes 7, 22 and 23) | | |
| Stockholders' Equity (notes 2, 15, 18, 19 and 20): | | |
| Preferred stock ($0.01 par value; 50.0 million shares authorized; 10.0 million shares issued and outstanding at both dates) | 244.1 | 244.1 |
| Common stock ($0.01 par value; 1.95 billion shares authorized; 533.7 million shares and 532.8 million shares issued) | 5.3 | 5.3 |
| Additional paid-in capital | 7,663.6 | 7,639.4 |
| Retained earnings | 1,363.6 | 1,512.8 |
| Accumulated other comprehensive loss | (89.2) | (166.9) |
| Unallocated common stock of Employee Stock Ownership Plan, at cost (5.6 million shares and 5.9 million shares) | (115.6) | (122.9) |
| Treasury stock, at cost (109.0 million shares and 89.2 million shares) | (1,469.0) | (1,164.6) |
| Total stockholders' equity | 7,602.8 | 7,947.2 |
| Total liabilities and stockholders' equity | $ 63,091.8 | $ 58,589.8 |

See accompanying notes to consolidated financial statements.

## People's United Financial, Inc. and Subsidiaries
## Consolidated Statements of Income

| Years ended December 31 (in millions, except per common share data) | 2020 | 2019 | 2018 |
|---|---|---|---|
| **Interest and dividend income:** | | | |
| Commercial real estate | $ 488.6 | $ 556.4 | $ 463.4 |
| Commercial and industrial | 440.8 | 443.6 | 365.7 |
| Equipment financing | 263.3 | 253.8 | 212.3 |
| Residential mortgage | 332.2 | 329.1 | 236.2 |
| Home equity and other consumer | 86.7 | 106.1 | 88.6 |
| Total interest on loans | 1,611.6 | 1,689.0 | 1,366.2 |
| Securities | 195.7 | 186.5 | 184.2 |
| Loans held-for-sale | 4.3 | 0.8 | 0.9 |
| Short-term investments | 3.4 | 4.8 | 5.0 |
| Total interest and dividend income | 1,815.0 | 1,881.1 | 1,556.3 |
| **Interest expense:** | | | |
| Deposits (note 11) | 187.2 | 356.9 | 216.1 |
| Borrowings (note 12) | 20.2 | 77.0 | 70.9 |
| Notes and debentures | 31.8 | 34.9 | 33.3 |
| Total interest expense | 239.2 | 468.8 | 320.3 |
| Net interest income | 1,575.8 | 1,412.3 | 1,236.0 |
| Provision for credit losses on loans (notes 5 and 6) | 156.1 | 28.3 | 30.0 |
| Provision for credit losses on securities (note 4) | (0.3) | — | — |
| Net interest income after provision for credit losses | 1,420.0 | 1,384.0 | 1,206.0 |
| **Non-interest income:** | | | |
| Bank service charges | 97.5 | 107.5 | 99.9 |
| Investment management fees | 73.2 | 78.2 | 81.5 |
| Commercial banking lending fees | 50.9 | 42.7 | 37.3 |
| Operating lease income (note 7) | 49.7 | 50.8 | 44.4 |
| Insurance revenue (note 2) | 33.7 | 37.0 | 34.6 |
| Cash management fees | 33.4 | 28.4 | 27.1 |
| Net security gains (losses) (note 4) | — | 0.2 | (9.8) |
| Gain on sale of business, net of expenses (note 2) | 75.9 | — | — |
| Other non-interest income (notes 4 and 7) | 78.4 | 86.3 | 51.4 |
| Total non-interest income | 492.7 | 431.1 | 366.4 |
| **Non-interest expense:** | | | |
| Compensation and benefits (notes 19 and 20) | 674.8 | 646.2 | 562.9 |
| Occupancy and equipment (note 9) | 199.0 | 185.9 | 168.2 |
| Professional and outside services | 113.2 | 98.2 | 77.6 |
| Amortization of other acquisition-related intangible assets (note 8) | 40.8 | 32.5 | 21.8 |
| Operating lease expense | 36.4 | 38.8 | 36.4 |
| Regulatory assessments | 32.7 | 26.1 | 37.9 |
| Goodwill impairment (note 8) | 353.0 | — | — |
| Other non-interest expense | 114.2 | 135.0 | 91.3 |
| Total non-interest expense | 1,564.1 | 1,162.7 | 996.1 |
| Income before income tax expense | 348.6 | 652.4 | 576.3 |
| Income tax expense (note 14) | 129.0 | 132.0 | 108.2 |
| Net income | 219.6 | 520.4 | 468.1 |
| Preferred stock dividend | 14.1 | 14.1 | 14.1 |
| Net income available to common shareholders | $ 205.5 | $ 506.3 | $ 454.0 |
| Earnings per common share (note 17): | | | |
| Basic | $ 0.49 | $ 1.28 | $ 1.30 |
| Diluted | 0.49 | 1.27 | 1.29 |

See accompanying notes to consolidated financial statements.

**People's United Financial, Inc. and Subsidiaries**
**Consolidated Statements of Comprehensive Income**

| Years ended December 31 (in millions) | 2020 | 2019 | 2018 |
|---|---|---|---|
| Net income | $ 219.6 | $ 520.4 | $ 468.1 |
| Other comprehensive income (loss), before tax: | | | |
| Net actuarial gains and losses on pension and other postretirement plans: | | | |
| Net actuarial (losses) gains arising during the year | (15.7) | 12.1 | (32.6) |
| Reclassification adjustment for net actuarial loss included in net income | 8.4 | 8.3 | 8.6 |
| Net actuarial (losses) gains | (7.3) | 20.4 | (24.0) |
| Prior service credit on pension and other postretirement plans: | | | |
| Reclassification adjustment for prior service credit included in net income | — | — | (0.3) |
| Net actuarial (losses) gains and prior service credit | (7.3) | 20.4 | (24.3) |
| Net unrealized gains and losses on securities available-for-sale: | | | |
| Net unrealized holding gains (losses) arising during the year | 107.8 | 89.2 | (38.3) |
| Reclassification adjustment for net realized (gains) losses included in net income | — | (0.1) | 9.9 |
| Net unrealized gains (losses) | 107.8 | 89.1 | (28.4) |
| Net unrealized gains and losses on securities transferred to held-to-maturity: | | | |
| Reclassification adjustment for amortization of unrealized losses on securities transferred to held-to-maturity included in net income | 4.7 | 4.6 | 3.9 |
| Net unrealized gains | 4.7 | 4.6 | 3.9 |
| Net unrealized gains and losses on derivatives accounted for as cash flow hedges: | | | |
| Net unrealized (losses) gains arising during the year | (1.4) | 1.9 | (1.7) |
| Reclassification adjustment for net realized (gains) losses included in net income | (2.0) | 1.1 | 0.5 |
| Net unrealized (losses) gains | (3.4) | 3.0 | (1.2) |
| Other comprehensive income (loss), before tax | 101.8 | 117.1 | (50.0) |
| Deferred income tax (expense) benefit related to other comprehensive income (loss) | (24.1) | (27.2) | 12.2 |
| Total other comprehensive income (loss), net of tax (note 18) | 77.7 | 89.9 | (37.8) |
| Total comprehensive income | $ 297.3 | $ 610.3 | $ 430.3 |

See accompanying notes to consolidated financial statements.

**People's United Financial, Inc. and Subsidiaries**
**Consolidated Statements of Changes in Stockholders' Equity**

| (in millions, except per common share data) | Preferred Stock | Common Stock | Additional Paid-In Capital | Retained Earnings | Unallocated ESOP (1) Common Stock | Accumulated Other Comprehensive Loss | Treasury Stock | Total Stockholders' Equity |
|---|---|---|---|---|---|---|---|---|
| Balance at December 31, 2017 | $ 244.1 | $ 4.4 | $ 6,012.3 | $ 1,040.2 | $ (137.3) | $ (181.7) | $ (1,162.1) | $ 5,819.9 |
| Net income | — | — | — | 468.1 | — | — | — | 468.1 |
| Total other comprehensive loss, net of tax (note 18) | — | — | — | — | — | (37.8) | — | (37.8) |
| Common stock issued in First Connecticut acquisition (note 2) | — | 0.3 | 486.1 | — | — | — | — | 486.4 |
| Cash dividends on common stock ($0.6975 per share) | — | — | — | (243.8) | — | — | — | (243.8) |
| Cash dividends on preferred stock | — | — | — | (14.1) | — | — | — | (14.1) |
| Restricted stock and performance-based share awards | — | — | 17.9 | — | — | — | — | 17.9 |
| ESOP common stock committed to be released (note 19) | — | — | — | (1.0) | 7.2 | — | — | 6.2 |
| Common stock repurchased and retired upon vesting of restricted stock awards (note 20) | — | — | — | (2.5) | — | — | — | (2.5) |
| Stock options exercised | — | — | 33.0 | — | — | — | — | 33.0 |
| Transition adjustments related to adoption of new accounting standards (note 18) | — | — | — | 37.9 | — | (37.3) | — | 0.6 |
| Balance at December 31, 2018 | 244.1 | 4.7 | 6,549.3 | 1,284.8 | (130.1) | (256.8) | (1,162.1) | 6,533.9 |
| Net income | — | — | — | 520.4 | — | — | — | 520.4 |
| Total other comprehensive income, net of tax (note 18) | — | — | — | — | — | 89.9 | — | 89.9 |
| Common stock issued in acquisitions (note 2): | | | | | | | | |
| BSB Bancorp | — | 0.2 | 324.3 | — | — | — | — | 324.5 |
| United Financial | — | 0.4 | 720.2 | — | — | — | — | 720.6 |
| Cash dividends on common stock ($0.7075 per share) | — | — | — | (274.8) | — | — | — | (274.8) |
| Cash dividends on preferred stock | — | — | — | (14.1) | — | — | — | (14.1) |
| Restricted stock and performance-based share awards | — | — | 16.3 | — | — | — | — | 16.3 |
| Common stock repurchased (note 15) | — | — | — | — | — | — | (2.5) | (2.5) |
| ESOP common stock committed to be released (note 19) | — | — | — | (1.5) | 7.2 | — | — | 5.7 |
| Common stock repurchased and retired upon vesting of restricted stock awards (note 20) | — | — | — | (2.0) | — | — | — | (2.0) |
| Stock options exercised | — | — | 29.3 | — | — | — | — | 29.3 |
| Balance at December 31, 2019 | 244.1 | 5.3 | 7,639.4 | 1,512.8 | (122.9) | (166.9) | (1,164.6) | 7,947.2 |
| Net income | — | — | — | 219.6 | — | — | — | 219.6 |
| Total other comprehensive income, net of tax (note 18) | — | — | — | — | — | 77.7 | — | 77.7 |
| Cash dividends on common stock ($0.7175 per share) | — | — | — | (304.1) | — | — | — | (304.1) |
| Cash dividends on preferred stock | — | — | — | (14.1) | — | — | — | (14.1) |
| Restricted stock and performance-based share awards | — | — | 17.2 | — | — | — | — | 17.2 |
| Common stock repurchased (note 15) | — | — | — | — | — | — | (304.4) | (304.4) |
| ESOP common stock committed to be released (note 19) | — | — | — | (3.0) | 7.3 | — | — | 4.3 |
| Common stock repurchased and retired upon vesting of restricted stock awards (note 20) | — | — | — | (1.7) | — | — | — | (1.7) |
| Stock options exercised | — | — | 7.0 | — | — | — | — | 7.0 |
| Transition adjustment related to adoption of new accounting standard (note 1) | — | — | — | (45.9) | — | — | — | (45.9) |
| Balance at December 31, 2020 | $ 244.1 | $ 5.3 | $ 7,663.6 | $ 1,363.6 | $ (115.6) | $ (89.2) | $ (1,469.0) | $ 7,602.8 |

(1) Employee Stock Ownership Plan

See accompanying notes to consolidated financial statements.

**People's United Financial, Inc. and Subsidiaries**
**Consolidated Statements of Cash Flows**

| Years ended December 31 (in millions) | 2020 | 2019 | 2018 |
|---|---|---|---|
| **Cash Flows from Operating Activities:** | | | |
| Net income | $ 219.6 | $ 520.4 | $ 468.1 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Provision for credit losses | 155.8 | 28.3 | 30.0 |
| Depreciation and amortization of premises and equipment | 43.4 | 41.7 | 36.3 |
| Amortization of other acquisition-related intangible assets | 40.8 | 32.5 | 21.8 |
| Expense related to operating leases | 36.4 | 38.8 | 36.4 |
| Expense related to share-based awards | 26.2 | 24.9 | 22.4 |
| Deferred income tax (benefit) expense | (18.7) | 14.3 | 1.9 |
| ESOP common stock committed to be released | 4.3 | 5.7 | 6.2 |
| Net security (gains) losses | — | (0.2) | 9.8 |
| Net gains on sales of loans | (15.5) | (0.4) | (1.8) |
| Net gains on sales of residential mortgage loans held-for-sale | (4.8) | (1.9) | (1.2) |
| Originations of loans held-for-sale | (213.8) | (180.3) | (188.2) |
| Proceeds from sales of loans held-for-sale | 703.4 | 181.9 | 186.5 |
| Net decrease (increase) in trading debt securities | 7.1 | 1.3 | (0.2) |
| Excess income tax benefits from stock options exercised | — | 0.3 | 1.3 |
| Goodwill impairment | 353.0 | — | — |
| Net changes in other assets and other liabilities | (494.3) | (466.5) | (40.0) |
| Net cash provided by operating activities | 842.9 | 240.8 | 589.3 |
| **Cash Flows from Investing Activities:** | | | |
| Proceeds from sales of equity securities | 2.0 | 1.6 | 2.3 |
| Proceeds from principal repayments and maturities of debt securities available-for-sale | 1,307.5 | 578.5 | 465.5 |
| Proceeds from sales of debt securities available-for-sale | — | 365.3 | 313.8 |
| Proceeds from principal repayments and maturities of debt securities held-to-maturity | 262.5 | 158.2 | 185.3 |
| Purchases of debt securities available-for-sale | (2,398.9) | (827.8) | (726.8) |
| Purchases of debt securities held-to-maturity | (406.8) | (257.9) | (407.4) |
| Net redemptions of Federal Home Loan Bank stock | 99.0 | 19.3 | 17.2 |
| Net purchases of Federal Reserve Bank stock | (24.6) | (25.2) | (8.3) |
| Proceeds from sales of loans | 102.1 | 51.2 | 22.3 |
| Net principal (disbursements) collections of loans | (293.3) | (770.3) | 244.8 |
| Purchases of loans | (50.3) | (71.2) | (37.5) |
| Purchases of premises and equipment | (37.1) | (26.5) | (28.3) |
| Purchases of leased equipment, net | (8.7) | (41.2) | (59.6) |
| Proceeds from sales of real estate owned | 11.7 | 13.9 | 9.1 |
| Return of premiums on bank-owned life insurance, net | 2.1 | 2.2 | 1.0 |
| Net cash acquired in acquisitions and dispositions | 114.8 | 519.4 | 6.2 |
| Net cash used in investing activities | (1,318.0) | (310.5) | (0.4) |

| | | | |
|---|---|---|---|
| **Cash Flows from Financing Activities:** | | | |
| Net increase (decrease) in deposits | 8,548.2 | (117.6) | 696.6 |
| Net (decrease) increase in borrowings with terms of three months or less | (3,952.0) | 647.7 | (525.7) |
| Repayments of borrowings with terms of more than three months | (55.2) | (321.2) | (476.7) |
| Cash dividends paid on common stock | (304.1) | (274.8) | (243.8) |
| Cash dividends paid on preferred stock | (14.1) | (14.1) | (14.1) |
| Repurchases of common stock | (306.1) | (4.5) | (2.5) |
| Proceeds from stock options exercised | 0.7 | 24.1 | 27.9 |
| Contingent consideration payments | — | (0.9) | (1.2) |
| Net cash provided by (used in) financing activities | 3,917.4 | (61.3) | (539.5) |
| Net increase (decrease) in cash and cash equivalents | 3,442.3 | (131.0) | 49.4 |
| Cash and cash equivalents at beginning of year | 801.0 | 932.0 | 882.6 |
| Cash and cash equivalents at end of year | $ 4,243.3 | $ 801.0 | $ 932.0 |
| **Supplemental Information:** | | | |
| Interest payments | $ 248.1 | $ 473.4 | $ 312.3 |
| Income tax payments | 109.7 | 107.7 | 45.6 |
| Significant non-cash transactions: | | | |
| Unsettled purchases of securities | 194.8 | — | 4.0 |
| Right-of-use assets obtained in exchange for lessee operating and finance lease liabilities | 22.8 | 91.7 | — |
| Real estate properties acquired by foreclosure | 4.8 | 19.9 | 7.7 |
| Assets (disposed) acquired and liabilities (disposed) assumed in acquisitions and dispositions (note 2): | | | |
| Non-cash assets, excluding goodwill and other acquisition-related intangibles | (18.4) | 9,224.7 | 3,173.6 |
| Liabilities | (14.4) | 9,120.4 | 2,965.1 |
| Common stock issued in acquisitions | — | 1,045.1 | 486.4 |

See accompanying notes to consolidated financial statements.

## NOTE 1 – Summary of Significant Accounting Policies

People’s United Financial, Inc. (“People’s United” or the “Company”) is a bank holding company and a financial holding company registered under the Bank Holding Company Act of 1956, as amended, and is incorporated under the state laws of Delaware. People’s United is the holding company for People’s United Bank, National Association (the “Bank”), a national banking association headquartered in Bridgeport, Connecticut. The principal business of People’s United is to provide, through the Bank and its subsidiaries, commercial banking, retail banking and wealth management services to individual, corporate and municipal customers.

The Bank provides a full-range of traditional banking services, including accepting deposits and originating loans, as well as specialized financial services through its non-bank subsidiaries, including: equipment financing provided through People’s Capital and Leasing Corp. (“PCLC”), People’s United Equipment Finance Corp. (“PUEFC”) and LEAF Commercial Capital, Inc. (“LEAF”); brokerage, financial advisory services, investment management services and life insurance provided through People’s Securities, Inc. (“PSI”) and investment advisory services and financial management and planning services provided through People’s United Advisors, Inc. (“PUA”). The Company’s overall financial results are particularly dependent on economic conditions in New England and New York, which are its primary markets, although economic conditions elsewhere in the United States affect its national equipment financing business.

People’s United is regulated by the Board of Governors of the Federal Reserve System (the “FRB”) and subject to FRB examination, supervision and reporting requirements. The Bank is regulated by the Office of the Comptroller of the Currency (the “OCC”) and subject to OCC examination, supervision and reporting requirements. Deposits are insured up to applicable limits by the Deposit Insurance Fund of the Federal Deposit Insurance Corporation (the “FDIC”).

On March 11, 2020, the World Health Organization declared the outbreak of a strain of novel coronavirus disease (“COVID-19”) a global pandemic. Economic activity in many countries, including the United States, began to deteriorate rapidly as the COVID-19 pandemic spread across the globe. In the United States, which has been operating under a presidentially-declared national emergency since March 13, 2020, the COVID-19 pandemic continues to cause disruption to the capital markets as well as business and economic activity. Since March, individual municipalities and entire states adopted travel and work location restrictions, social distancing requirements, and in some cases, shelter-in-place protocols in order to slow the spread of the virus. These measures resulted in the closure of many schools, stores, offices, restaurants and manufacturing facilities, causing a decline in spending and an increase in layoffs. While some re-opening measures have been initiated on a limited scale, negative trends in both U.S. Gross Domestic Product (“GDP”) and unemployment persisted throughout 2020.

In response, the Federal government introduced several measures to mitigate the magnitude of the pandemic’s effects. Most notably, on March 27, 2020, the Coronavirus Aid, Relief and Economic Security Act (the “CARES Act”), which provides financial assistance for businesses and individuals as well as targeted regulatory relief for financial institutions, was signed into law. In December 2020, Congress approved an additional round of relief legislation providing new stimulus for individuals, businesses and hospitals, and extending some provisions of the CARES Act that would have expired on December 31, 2020. The impact of the COVID-19 pandemic on economic conditions, both in the United States and abroad, has created global uncertainty about the future economic environment including the length and depth of any global recession that may occur. Concerns over interest rates, domestic and global policy issues, U.S. trade policy and geopolitical events, and the influence of those factors on the markets in general, further add to this uncertainty. Although vaccine distribution began in late 2020, uncertainty remains with respect to when, and to what extent, economic activity will notably improve.

### *Basis of Financial Statement Presentation*

The accompanying consolidated financial statements have been prepared in conformity with U.S. generally accepted accounting principles (“GAAP”) and include the accounts of People’s United and its subsidiaries. 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.

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.

Several accounting estimates are particularly critical and are susceptible to significant near-term change, including the allowance for credit losses ("ACL") and the recoverability of goodwill and other intangible assets. These accounting estimates, which are included in the discussion below, are reviewed with the Audit Committee of the Board of Directors.

The Financial Accounting Standards Board (the "FASB") has issued changes to several accounting standards, some of which govern key aspects of the Company's financial statements. Most notably, the FASB's standard on accounting for credit losses (the "CECL standard"), removes from U.S. GAAP the existing "probable" threshold for recognizing credit losses and, instead, utilizes an "expected credit loss" measurement principle. The CECL standard, which was adopted by the Company on January 1, 2020, is applied in the recognition of credit losses for loans and held-to-maturity securities and other receivables at the time the financial asset is originated or acquired and adjusted each period for changes in expected credit losses. This standard represents a significant change in GAAP and may result in material changes to the Company's Consolidated Financial Statements. See Note 4, "Securities," Note 5, "Loans," Note 6, "Allowance for Credit Losses" and "New Accounting Standards" for more information.

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

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

***Securities***

Marketable debt securities (other than those reported as short-term investments) are classified as either trading debt securities, debt securities held-to-maturity or debt securities available-for-sale. Management determines the classification of a security at the time of its purchase and reevaluates such classification at each balance sheet date.

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

Debt securities for which People's United has the intent and ability to hold to maturity are classified as held-to-maturity securities and reported at amortized cost. All other debt securities are classified as available-for-sale and reported at fair value with unrealized gains and losses reported on an after-tax basis in stockholders' equity as a component of accumulated other comprehensive income (loss) ("AOCL"). Premiums (discounts) are amortized (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 and collateralized mortgage obligation ("CMO") securities.

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.

Debt securities transferred from available-for-sale to held-to-maturity are recorded at fair value at the date of transfer. The unrealized pre-tax gain or loss resulting from the difference between fair value and amortized cost at the transfer date becomes part of the new amortized cost basis of the securities and remains in AOCL. Such unrealized gains or losses are amortized to interest income as an adjustment to yield over the remaining life of the securities, offset by the amortization (accretion) of the premium (discount) resulting from the transfer at fair value, with no effect to net income.

In connection with the Company's adoption of the CECL standard on January 1, 2020, selected accounting policies related to securities have been revised and/or certain accounting policy elections have been implemented. These policies are described below.

*Allowance for Credit Losses – Available-for-Sale Securities*

For available-for sale securities in an unrealized loss position, management first assesses whether (i) the Company intends to sell, or (ii) it is more likely than not that the Company will be required to sell the security before recovery of its amortized cost basis. If either criteria are met, any previously recognized ACL (see below) is charged-off and the security's amortized cost is written down to fair value through income. If neither criteria are met, the security is evaluated to determine whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, management considers the extent to which fair value is less than amortized cost, any changes to the rating of the security by a rating agency and any adverse conditions specifically related to the security, among other factors.

If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security are compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, an ACL is recorded for the credit loss, limited by the amount that the fair value is less than the amortized cost basis. Any impairment that has not been recorded through an ACL is recognized in other comprehensive income. Adjustments to the ACL are reported as a component of credit loss expense. Available-for-sale securities are charged-off against the ACL or, in the absence of any ACL, written down through income when deemed uncollectible or when either of the aforementioned criteria regarding intent or requirement to sell is met. The Company has made the accounting policy election to exclude accrued interest receivable on available-for-sale securities from the estimate of credit losses.

*Allowance for Credit Losses – Held-to-Maturity Securities*

Management measures expected credit losses on held-to-maturity securities on a collective basis by major security type with each type sharing similar risk characteristics, and considers historical credit loss information that is adjusted for current conditions and reasonable and supportable forecasts. Held-to-maturity securities are charged-off against the ACL when deemed to be uncollectible and adjustments to the ACL are reported as a component of credit loss expense. The Company has made the accounting policy election to exclude accrued interest receivable on held-to-maturity securities from the estimate of credit losses.

With regard to U.S. Treasury and residential mortgage-backed securities issued by the U.S. government, or agencies thereof, it is expected that the securities will not be settled at prices less than the amortized cost bases of the securities as such securities are backed by the full faith and credit of and/or guaranteed by the U.S. government. Accordingly, no ACL has been recorded for these securities. With regard to securities issued by corporations, states and/or political subdivisions and other held-to-maturity securities, management considers a number of factors, including: (i) issuer bond ratings; (ii) historical loss rates for given bond ratings; and (iii) whether issuers continue to make timely principal and interest payments under the contractual terms of the securities.

For periods prior to January 1, 2020, management conducted periodic reviews and evaluation of the debt securities portfolio to determine if the decline in fair value of any security was deemed to be other-than-temporary. Other-than-temporary impairment losses were recognized on debt securities when: (i) People’s United had an intention to sell the security; (ii) it was more likely than not that People’s United would be required to sell the security prior to recovery; or (iii) People’s United did not expect to recover the entire amortized cost basis of the security. Other-than-temporary impairment losses on debt securities were reflected in earnings as realized losses to the extent the impairment is related to credit losses of the issuer. The amount of the impairment related to other factors was recognized in other comprehensive income.

Both Federal Home Loan Bank (“FHLB”) stock and FRB-NY stock are non-marketable equity securities and are, therefore, reported at their respective costs, which equals par value (the amount at which shares have been redeemed in the past). These investments are periodically evaluated for impairment based on, among other things, the capital adequacy of the applicable FHLB or the FRB-NY and their overall financial condition. Equity securities are reported at fair value with gains and losses reported in non-interest income.

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

In securities resale agreements, a counterparty transfers securities to People’s United (as transferee) and People’s United agrees to resell the same securities to the counterparty at a fixed price in the future. In securities repurchase agreements, which include both retail arrangements with customers and wholesale arrangements with other counterparties, People’s United (as transferor) transfers securities to a counterparty and agrees to repurchase the same securities from the counterparty at a fixed price in the future.

People's United accounts for securities resale agreements as secured lending transactions and securities repurchase agreements as secured borrowings since the transferor maintains effective control over the transferred securities and the transfer meets the other criteria for such accounting. The securities are pledged by the transferor as collateral and the transferee has the right by contract to repledge that collateral provided the same collateral is returned to the transferor upon maturity of the underlying agreement. The fair value of the pledged collateral approximates the recorded amount of the secured loan or borrowing. Decreases in the fair value of the transferred securities below an established threshold require the transferor to provide additional collateral.

***Loans Held-for-Sale***

Loans held-for-sale are reported at the lower of cost or fair value in the aggregate with any adjustment for net unrealized losses reported in non-interest income. Management identifies and designates as loans held-for-sale certain newly-originated adjustable-rate and fixed-rate residential mortgage loans that meet secondary market requirements, as these loans are originated with the intent to sell. From time to time, management may also identify and designate certain loans previously held-for-investment as held-for-sale. Such loans are transferred to loans held-for-sale and adjusted to the lower of cost or fair value with the resulting unrealized loss, if any, reported in non-interest income.

***Loans***

As a result of adopting the CECL standard on January 1, 2020, the Company's prior distinction between the originated loan portfolio and the acquired loan portfolio is no longer necessary. In addition, selected accounting policies related to loans have been revised and/or certain accounting policy elections have been implemented. These policies are described below.

*Basis of Accounting*

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

*Allowance for Credit Losses*

The ACL on loans, calculated in accordance with the CECL standard, is deducted from the amortized cost basis of loans to present the net amount expected to be collected. The amount of the allowance represents management's best estimate of current expected credit losses on loans considering available information, from both internal and external sources, deemed relevant to assessing collectability over the loans' contractual terms, adjusted for anticipated prepayments, as appropriate. Accrued interest on loans is excluded from the calculation of the ACL due to the Bank's established non-accrual policy, which results in the reversal of uncollectible accrued interest on non-accrual loans against interest income in a timely manner (see below).

*Purchased Credit Deteriorated Loans*

In addition to originating loans, the Company may acquire loans through portfolio purchases or acquisitions of other companies. Purchased loans that have evidence of more than insignificant credit deterioration since origination are deemed purchased credit deteriorated ("PCD") loans. In connection with its adoption of the CECL standard, the Company did not reassess whether previously recognized purchased credit impaired ("PCI") loans accounted for under prior accounting guidance met the criteria of a PCD loan as of the date of adoption. PCD loans are initially recorded at fair value along with an ACL determined using the same methodology as originated loans. The sum of the loan's purchase price and ACL becomes its initial amortized cost basis. The difference between the initial amortized cost basis and the par value of the loan is a noncredit discount or premium, which is amortized into interest income over the life of the loan. Subsequent changes to the ACL are recorded through provision for credit losses.

*Past Due and Non-Accrual Loans*

Loans are considered past due if required principal and interest payments have not been received as of the date such payments were contractually due. A loan is generally considered "non-performing" when it is placed on non-accrual status. A loan is generally placed on non-accrual status when it becomes 90 days past due as to interest or principal payments. A loan may be placed on non-accrual status before it reaches 90 days past due if such loan has been identified as presenting uncertainty with respect to the collectability of interest and principal. A loan past due 90 days or more may remain on accruing status if such loan is both well secured and in the process of collection.

All previously accrued but unpaid interest on non-accrual loans is reversed from interest income in the period in which the accrual of interest is discontinued. Interest payments received on non-accrual loans are generally applied as a reduction of principal if future collections are doubtful, although such interest payments may be recognized as income. A loan remains on non-accrual status until the factors that indicated doubtful collectability no longer exist or until a loan is determined to be uncollectible and is charged-off against the ACL. There were no loans past due 90 days or more and still accruing interest at December 31, 2020, 2019 or 2018.

*Collateral Dependent Loans*

Loans for which the borrower is experiencing financial difficulty and repayment is expected to be provided substantially through the operation or sale of the collateral are considered to be collateral dependent loans. Collateral can have a significant financial effect in mitigating exposure to credit risk and, where there is sufficient collateral, an allowance for expected credit losses is not recognized or is minimal.

For collateral dependent commercial loans, the allowance for expected credit losses is individually assessed based on the fair value of the collateral. Various types of collateral are used, including real estate, inventory, equipment, accounts receivable, securities and cash, among others. For commercial real estate loans, collateral values are generally based on appraisals which are updated based on management judgment under the specific circumstances on a case-by-case basis. The collateral value for other financial assets is generally based on quoted market prices or broker quotes (in the case of securities) or appraisals. Commercial loan balances are charged-off at the time all or a portion of the balance is deemed uncollectible.

Collateral dependent residential mortgage and home equity loans are carried at the lower of amortized cost or fair value of the collateral less costs to sell, with any excess in the carrying amount of the loan representing the related ACL. Collateral values are based on broker price opinions or appraisals.

*Troubled Debt Restructurings*

Troubled Debt Restructurings ("TDRs"), which, beginning in 2020, also includes loans reasonably expected to become TDRs, represent loans for which the original contractual terms have been modified to provide for terms that are less than what the Company would be willing to accept for new loans with comparable risk because of deterioration in the borrower's financial condition. Such loan modifications are handled on a case-by-case basis and are negotiated to achieve mutually agreeable terms that maximize loan collectability and meet the borrower's financial needs. Modifications may include changes to one or more terms of the loan, including, but not limited to: (i) payment deferral; (ii) a reduction in the stated interest rate for the remaining contractual life of the loan; (iii) an extension of the loan's original contractual term at a stated interest rate lower than the current market rate for a new loan with similar risk; (iv) capitalization of interest; or (v) forgiveness of principal or interest.

TDRs may either be accruing or placed on non-accrual status (and reported as non-accrual loans) depending upon the loan's specific circumstances, including the nature and extent of the related modifications. TDRs on non-accrual status remain classified as such until the loan qualifies for return to accrual status. Loans qualify for return to accrual status once they have demonstrated performance with the restructured terms of the loan agreement for a minimum of six months in the case of a commercial loan or, in the case of a retail loan, when the loan is less than 90 days past due. Loans may continue to be reported as TDRs after they are returned to accrual status. In accordance with regulatory guidance, residential mortgage and home equity loans restructured in connection with the borrower's bankruptcy and meeting certain criteria are also required to be classified as TDRs, included in non-accrual loans and written down to the estimated collateral value, regardless of delinquency status.

The CARES Act and guidance issued by the Federal banking agencies provides that certain loan modifications to borrowers experiencing financial distress as a result of the economic impacts created by the COVID-19 pandemic are not required to be treated as TDRs under GAAP. As such, the Company suspended TDR accounting for COVID-19 related loan modifications meeting the loan modification criteria set forth under the CARES Act or as specified in the regulatory guidance. Further, loans granted payment deferrals related to COVID-19 are not required to be reported as past due or placed on non-accrual status (provided the loans were not past due or on non-accrual status prior to the deferral).

***Allowance and Provision for Credit Losses***

The ACL is established through provisions for credit losses on loans charged to income. Losses on loans are charged to the ACL when all or a portion of a loan is deemed to be uncollectible. Recoveries of loans previously charged off are credited to the ACL when realized. On January 1, 2020, the Company adopted the CECL standard, which requires the measurement of expected credit losses for financial assets measured at amortized cost, including loans, and certain off-balance-sheet credit exposures.

*Allowance for Credit Losses – Loans*

Under the CECL standard, the Company determines the ACL on loans based upon a consideration of its historical portfolio loss experience, current borrower-specific risk characteristics, forecasts of future economic conditions and other relevant factors. The allowance is measured on a collective (pool) basis when similar risk characteristics exist. Loans that do not share common risk characteristics are evaluated on an individual basis and are excluded from the collective evaluation.

The Company’s loan portfolio segments include Commercial and Retail and each of these segments comprises multiple loan classes, which are characterized by similarities in initial measurement, risk attributes, and the manner in which credit risk is monitored and assessed. The Commercial loan portfolio segment is comprised of the commercial real estate, commercial and industrial, equipment financing and mortgage warehouse/asset based lending (“MW/ABL”) loan classes. The Retail loan portfolio segment is comprised of the residential mortgage, home equity and other consumer loan classes. Common characteristics and risk profiles include the type/purpose of loan and historical/expected credit loss patterns. The Company periodically reassesses each pool to ensure the loans within the pool continue to share similar characteristics and risk profiles and to determine whether further segmentation is necessary.

The ACL on loans represents management’s current estimate of lifetime expected credit losses inherent in the loan portfolio at the balance sheet date. As such, the estimate of expected credit losses is dependent upon portfolio size, composition and credit quality, as well as economic conditions and forecasts existing at that time. Expected future losses are estimated for the loan's entire contractual term adjusted for anticipated prepayments, as appropriate. The contractual term excludes expected extensions, renewals, and modifications unless (i) management has a reasonable expectation that a TDR will be executed with an individual borrower or (ii) such extension or renewal options are not unconditionally cancellable by the Company and, in such cases, the borrower is likely to meet applicable conditions and likely to request extension or renewal.

Credit loss expense related to loans reflects the totality of actions taken on all loans for a particular period including any necessary increases or decreases in the allowance related to changes in credit loss expectations associated with specific loans or pools of loans. Portions of the allowance may be allocated for specific credits; however, the entire allowance is available for any credit that, in management’s judgment, should be charged-off. While management utilizes its best judgment and information available, the ultimate appropriateness of the allowance is dependent upon a variety of factors beyond management's control, including the performance of the loan portfolio, changes in interest rates and the broader economy.

The ACL on loans is comprised of three components: (i) quantitative (formulaic) reserves; (ii) qualitative (judgmental) reserves; and (iii) individual loan reserves.

***Quantitative Component***. Management estimates the quantitative component by projecting (i) probability-of-default, representing the likelihood that a loan will stop performing/default (“PD”), (ii) loss-given-default, representing the expected loss rate for loans in default (“LGD”) and (iii) exposure-at-default (“EAD”), representing the estimated outstanding principal balance of the loans upon default, adjusted for anticipated prepayments, as appropriate, based on economic parameters for each month of a loan’s remaining contractual term. Expected credit losses for the quantitative component are calculated as the product of the PD, LGD and EAD.

Historical credit experience provides the basis for the estimation of expected credit losses, with adjustments made for differences in current loan-specific risk characteristics such as differences in underwriting standards, portfolio mix, delinquency levels and terms, as well as for changes in the economic environment over a reasonable and supportable forecast period. The Company utilizes a two-year reasonable and supportable forecast period followed by a one-year period over which estimated losses revert, on a straight-line basis, to average historical loss experience, determined over the historical observation period, for the remaining life of the loan.

PDs are estimated by analyzing internal data related to the historical performance of each loan pool over an economic cycle. PDs are adjusted to reflect the current impact of certain macroeconomic variables as well as their expected changes over the reasonable and supportable forecast period. The LGD is based on historical losses for each loan pool, adjusted to reflect the current impact of certain macroeconomic variables as well as their expected changes over a two-year forecast period. EAD is estimated using a linear regression model that estimates the average percentage of the loan balance that remains at the time of a default event. The macroeconomic variables utilized as inputs in the Company's quantitative modeling process were selected primarily based on their relevance and correlation to historical credit losses. The Company's quantitative models yield a measurement of expected credit losses reflective of average historical loss rates for periods subsequent to the reasonable and supportable forecast period by reverting such modeling inputs to their historical mean while also considering loan/borrower specific attributes. This same forecast/reversion period is used for all macroeconomic variables employed in all of the Company's models.

The measurement of expected credit losses is impacted by loan/borrower attributes and certain macroeconomic variables derived from an externally-sourced forward-looking economic scenario. Significant loan/borrower attributes utilized in the Company's quantitative modeling include, among other things: (i) origination date; (ii) maturity date; (iii) payment type; (iv) collateral type and amount; (v) current risk rating (as applicable); (vi) current unpaid balance and commitment utilization rate; and (vii) payment status/delinquency history. Significant macroeconomic variables utilized in the Company's quantitative modeling include, among other things: (i) U.S. Gross Domestic Product; (ii) selected market interest rates including U.S. Treasury rates, Prime rate, 30-year fixed mortgage rate, BBB corporate bond rate (spread), among others; (iii) unemployment rates; and (iv) commercial and residential property prices. In establishing its estimate of expected credit losses, the Company typically employs three separate, externally-sourced forward-looking economic scenarios. Those scenarios, which range from more benign to more severe, represent a 'most likely outcome' (the "Baseline" scenario) and two less likely scenarios referred to as the "Upside" scenario and the "Downside" scenario.

***Qualitative Component***. The ACL on loans also includes qualitative considerations related to idiosyncratic risk factors, changes in current economic conditions that may not be reflected in quantitatively-derived results, weightings to economic scenarios based on an assessment of the economic outlook and other relevant factors. These qualitative adjustments may increase or decrease management's estimate of expected credit losses by a calculated percentage or amount based upon the estimated level of risk.

The various risks that may be considered in making qualitative adjustments include, among other things, the impact of: (i) changes in lending policies and procedures, including changes in underwriting standards and practices for collections, write-offs, and recoveries; (ii) actual and expected changes in international, national, regional, and local economic and business conditions and developments that affect collectability of the loan pools; (iii) changes in the nature and volume of the loan pools and in the terms of the underlying loans; (iv) changes in the experience, ability, and depth of our lending management and staff; (v) changes in volume and severity of past due financial assets, the volume of non-accrual assets, and the volume and severity of adversely classified or graded assets; (vi) changes in the quality of our credit review function; (vii) changes in the value of the underlying collateral for loans that are non-collateral dependent; (viii) the existence, growth, and effect of any concentrations of credit; and (ix) other external factors such as the regulatory, legal and technological environments, competition and events, such as natural disasters or health pandemics.

The weighted estimate of expected credit losses under various economic scenarios is compared to the result of the Baseline scenario with the difference included as an element of the qualitative component. The Company recognizes an approach using three scenarios may be insufficient in certain economic environments. This may result in a change to the weighting assigned to the three scenarios or the inclusion of additional scenarios.

For instance, as a result of a deterioration in U.S. economic conditions caused by the emergence, in March 2020, of the COVID-19 pandemic, and the corresponding increase in economic uncertainty, a fourth forward-looking economic scenario (the "Severe Downside" scenario) has also been considered for purposes of estimating expected credit losses since that time. All four scenarios reflect the effects of the COVID-19 pandemic as well as the United States government's monetary and fiscal response. Each scenario is assigned a weighting with the majority of the weighting placed on the Baseline scenario and lower weights placed on each of the Upside, Downside and Severe Downside scenarios. The weightings assigned by management are based on the economic outlook and available information at each reporting date.

While the Company's loss estimation methodologies strive to reflect all relevant risk factors, uncertainty exists associated with, but not limited to, potential imprecision in the estimation process due to the inherent time lag of obtaining information and normal variations between estimates and actual outcomes, including with respect to forward-looking economic forecasts. The qualitative component is designed to adjust the ACL to reflect such risk factors.

***Individual Component***. In some cases, management may determine that an individual loan exhibits unique risk characteristics which differentiate that loan from other loans within the pool. In such cases, the loans are evaluated for expected credit losses on an individual basis and excluded from the collective evaluation. Specific allocations of the ACL are determined by analyzing the borrower's ability to repay amounts owed, collateral deficiencies, the relative risk of the loan and economic conditions affecting the borrower's industry, among other things. For collateral dependent loans, expected credit losses are based on the fair value of the collateral at the measurement date, adjusted for estimated selling costs if satisfaction of the loan depends on the sale of the collateral. The Company reevaluates the fair value of collateral supporting collateral dependent loans on a quarterly basis.

*Allowance for Credit Losses – Off-Balance-Sheet Credit Exposures*

An ACL on off-balance-sheet credit exposures is reported in other liabilities in the Consolidated Statements of Condition. This liability represents an estimate of expected credit losses arising from off-balance-sheet exposures such as letters of credit, guarantees and unfunded commitments to extend credit. The process for measuring lifetime expected credit losses on such exposures is consistent with that for Commercial and Retail loans as discussed above (as applicable), but is subject to an additional estimate reflecting the likelihood that funding will occur. Adjustments to the liability are reported as a component of credit loss expense. No liability is recognized for off-balance-sheet credit exposures that are unconditionally cancellable.

As noted above, People's United updated its methodologies with respect to determining the ACL in accordance with adoption of the CECL standard on January 1, 2020. As part of its ongoing assessment of the ACL, People's United regularly makes refinements to certain underlying assumptions used in its methodologies. However, such refinements did not have a material impact on the ACL or the provision for credit losses on loans as of or for the year ended December 31, 2020.

While People's United seeks to use the best available information to make these determinations, future adjustments to the ACL may be necessary based on changes in economic conditions, results of regulatory examinations, further information obtained regarding known problem loans, the identification of additional problem loans and other factors.

Loan policies followed by the Company prior to adopting the CECL standard on January 1, 2020 were as follows:

***Loans***

Loans acquired in connection with business combinations 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.

*Basis of Accounting*

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

*Non-Accrual Loans*

A loan is generally considered "non-performing" when it is placed on non-accrual status. A loan is generally placed on non-accrual status when it becomes 90 days past due as to interest or principal payments. Past due status is based on the contractual payment terms of the loan. A loan may be placed on non-accrual status before it reaches 90 days past due if such loan has been identified as presenting uncertainty with respect to the collectability of interest and principal. A loan past due 90 days or more may remain on accruing status if such loan is both well secured and in the process of collection.

All previously accrued but unpaid interest on non-accrual loans is reversed from interest income in the period in which the accrual of interest is discontinued. Interest payments received on non-accrual loans (including impaired loans) are generally applied as a reduction of principal if future collections are doubtful, although such interest payments may be recognized as income. A loan remains on non-accrual status until the factors that indicated doubtful collectability no longer exist or until a loan is determined to be uncollectible and is charged off against the allowance for loan losses.

*Impaired Loans*

A loan is considered impaired when, based on current information and events, it is probable that the Company will be unable to collect all amounts due in accordance with the original contractual terms of the loan agreement, including scheduled principal and interest payments. Impaired loans also include certain loans whose terms have been modified in such a way that they are considered TDRs. Loans are considered TDRs if the borrower is experiencing financial difficulty and is afforded a concession by People's United, such as, but not limited to: (i) payment deferral; (ii) a reduction of the stated interest rate for the remaining contractual life of the loan; (iii) an extension of the loan's original contractual term at a stated interest rate lower than the current market rate for a new loan with similar risk; (iv) capitalization of interest; or (v) forgiveness of principal or interest.

TDRs may either be accruing or placed on non-accrual status (and reported as non-performing loans) depending upon the loan's specific circumstances, including the nature and extent of the related modifications. TDRs on non-accrual status remain classified as such until the loan qualifies for return to accrual status. Loans qualify for return to accrual status once they have demonstrated performance with the restructured terms of the loan agreement for a minimum of six months in the case of a commercial loan or, in the case of a retail loan, when the loan is less than 90 days past due. Loans may continue to be reported as TDRs after they are returned to accrual status. In accordance with regulatory guidance, residential mortgage and home equity loans restructured in connection with the borrower's bankruptcy and meeting certain criteria are also required to be classified as TDRs, included in non-performing loans and written down to the estimated collateral value, regardless of delinquency status. Acquired loans that are modified are not considered for TDR classification provided they are evaluated for impairment on a pool basis (see further discussion under 'Acquired Loans' below).

Impairment is evaluated on a collective basis for pools of retail loans possessing similar risk and loss characteristics and on an individual basis for other loans. If a loan is deemed to be impaired, a specific valuation allowance is allocated, if necessary, so that the loan is reported (net of the allowance) at the present value of expected future cash flows discounted at the loan's original effective interest rate or at the fair value of the collateral less cost to sell if repayment is expected solely from the collateral. Interest payments on impaired non-accrual loans are typically applied to principal unless collectability of the principal amount is reasonably assured, in which case interest is recognized on a cash basis. Impaired loans, or portions thereof, are charged off when deemed uncollectible.

*Acquired Loans*

Loans acquired in a business combination are initially recorded at fair value with no carryover of an acquired entity's previously established allowance for loan losses. Fair value of the loans is determined using market participant assumptions in estimating the amount and timing of both principal and interest cash flows expected to be collected, as adjusted for an estimate of future credit losses and prepayments, and then applying a market-based discount rate to those cash flows. Acquired loans are evaluated upon acquisition and classified as either purchased performing or PCI.

For purchased performing loans, any premium or discount, representing the difference between the fair value and the outstanding principal balance of the loans, is recognized (using the level yield method) as an adjustment to interest income over the remaining period to contractual maturity or until the loan is repaid in full or sold. Subsequent to the acquisition date, the method utilized to estimate the required allowance for loan losses for these loans is similar to that for originated loans. However, a provision for loan losses is only recorded when the required allowance for loan losses exceeds any remaining purchase discount at the loan level.

PCI loans represent those acquired loans with specific evidence of deterioration in credit quality since origination and for which it is probable that, as of the acquisition date, all contractually required principal and interest payments will not be collected**.** Such loans are generally accounted for on a pool basis, with pools formed based on the loans' common risk characteristics, such as loan collateral type and accrual status. Each pool is accounted for as a single asset with a single composite interest rate and an aggregate expectation of cash flows.

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

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

- *Changes in the expected principal and interest payments over the estimated life* — Updates to changes in expected cash flows are driven by the credit outlook and actions taken with borrowers. Changes in expected future cash flows resulting from loan modifications are included in the assessment of expected cash flows;
- *Changes in prepayment assumptions* — Prepayments affect the estimated life of the loans which may change the amount of interest income, and possibly principal, expected to be collected; and
- *Changes in interest rate indices for variable rate loans* — Expected future cash flows are based, as applicable, on the variable rates in effect at the time of the assessment of expected cash flows.

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

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

*Allowance and Provision for Loan Losses*

<u>Originated Portfolio</u>

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

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

The Company's allowance for loan losses consists of three elements: (i) an allowance for commercial loans collectively evaluated for impairment; (ii) an allowance for retail loans collectively evaluated for impairment; and (iii) a specific allowance for loans individually evaluated for impairment, including loans classified as TDRs.

***Commercial Loans Collectively Evaluated for Impairment.*** The Company establishes a loan loss allowance for its commercial loans collectively evaluated for impairment using a methodology that incorporates (i) the probability of default for a given loan risk rating and (ii) historical loss-given-default data, both derived using appropriate look-back periods and loss emergence periods. In accordance with the Company’s loan risk rating system, each commercial loan is assigned a risk rating (using a nine-grade scale) by the originating loan officer, credit management, internal loan review or loan committee. Loans rated “One” represent those loans least likely to default while loans rated “Nine” represent a loss. The probability of loans defaulting for each risk rating, referred to as default factors, are estimated based on the historical pattern of loans migrating from one risk rating to another and to default status over time as well as the length of time that it takes losses to emerge. Estimated loan default factors, which are updated annually (or more frequently, if necessary), are multiplied by loan balances within each risk-rating category and again multiplied by a historical loss-given-default estimate for each loan type to determine an appropriate level of allowance by loan type. The historical loss-given-default estimates are also updated annually (or more frequently, if necessary) based on actual charge-off experience. This approach is applied to the commercial and industrial, commercial real estate and equipment financing components of the loan portfolio.

In establishing the allowance for loan losses for commercial loans collectively evaluated for impairment, the Company also gives consideration to certain qualitative factors, including the macroeconomic environment and any potential imprecision inherent in its loan loss model that may result from having limited historical loan loss data which, in turn, may result in inaccurate probability of default and loss-given-default estimates. In this manner, historical portfolio experience, as described above, is not adjusted and the allowance for loan losses always includes a component attributable to qualitative factors, the degree of which may change from period to period as such qualitative factors indicate improving or worsening trends. The Company evaluates the qualitative factors on a quarterly basis in order to conclude that they continue to be appropriate. There were no significant changes in our approach to determining the qualitative component of the related allowance for loan losses during 2019.

***Retail Loans Collectively Evaluated for Impairment.*** Pools of retail loans possessing similar risk and loss characteristics are collectively evaluated for impairment. These loan pools include residential mortgage, home equity and other consumer loans that are not assigned individual loan risk ratings. Rather, the assessment of these portfolios, and the establishment of the related allowance for loan losses, is based upon a consideration of (i) historical portfolio loss experience over an appropriate look-back period and loss emergence period and (ii) certain qualitative factors.

The qualitative component of the allowance for loan losses for retail loans collectively evaluated for impairment is intended to incorporate risks inherent in the portfolio, economic uncertainties, regulatory requirements and other subjective factors such as changes in underwriting standards. Accordingly, consideration is given to: (i) present and forecasted economic conditions, including unemployment rates; (ii) changes in industry trends, including the impact of new regulations, (iii) trends in property values; (iv) broader portfolio indicators, including delinquencies, non-performing loans, portfolio concentrations, and trends in the volume and terms of loans; and (v) portfolio-specific risk characteristics.

Portfolio-specific risk characteristics considered include: (i) collateral values/loan-to-value ("LTV") ratios (above and below 70%); (ii) borrower credit scores under the FICO scoring system (above and below a score of 680); and (iii) other relevant portfolio risk elements such as income verification at the time of underwriting (stated income vs. non-stated income) and the property’s intended use (owner-occupied, non-owner occupied, second home, etc.), the combination of which results in a loan being classified as either “High”, “Moderate” or “Low” risk. These risk classifications are reviewed quarterly to ensure that changes within the portfolio, as well as economic indicators and industry developments, have been appropriately considered in establishing the related allowance for loan losses.

In establishing the allowance for loan losses for retail loans collectively evaluated for impairment, the amount reflecting the Company’s consideration of qualitative factors is added to the amount attributable to historical portfolio loss experience. In this manner, historical charge-off data (whether periods or amounts) is not adjusted and the allowance for loan losses always includes a component attributable to qualitative factors, the degree of which may change from period to period as such qualitative factors indicate improving or worsening trends. The Company evaluates the qualitative factors on a quarterly basis in order to conclude that they continue to be appropriate. There were no significant changes in our approach to determining the qualitative component of the related allowance for loan losses during 2019.

***Individually Impaired Loans.*** The allowance for loan losses also includes specific allowances for individually impaired loans. Generally, the Company's impaired loans consist of (i) classified commercial loans in excess of $1 million that have been placed on non-accrual status and (ii) loans classified as TDRs. Individually impaired loans are measured based upon observable market prices; the present value of expected future cash flows discounted at the loan's original effective interest rate; or, in the case of collateral dependent loans, fair value of the collateral (based on appraisals and other market information) less cost to sell. If the recorded investment in a loan exceeds the amount measured as described in the preceding sentence, a specific allowance for loan losses would be established as a component of the overall allowance for loan losses or, in the case of a collateral dependent loan, a charge-off would be recorded for the difference between the loan's recorded investment and management's estimate of the fair value of the collateral (less cost to sell). It would be rare for the Company to identify a loan that meets the criteria stated above and requires a specific allowance or a charge-off and not deem it impaired solely as a result of the existence of a guarantee.

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

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

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

People's United did not change its methodologies with respect to determining the allowance for loan losses during 2019. As part of its ongoing assessment of the allowance for loan losses, People's United regularly makes refinements to certain underlying assumptions used in its methodologies. However, such refinements did not have a material impact on the allowance for loan losses or the provision for loan losses as of or for the year ended December 31, 2019.

<u>Acquired Portfolio</u>

Acquired loans are evaluated upon acquisition and classified as either purchased performing or PCI, which represents those acquired loans with specific evidence of deterioration in credit quality since origination and for which it is probable that, as of the acquisition date, all contractually required principal and interest payments will not be collected. PCI loans are generally accounted for on a pool basis, with pools formed based on the loans' common risk characteristics, such as loan collateral type and accrual status. Each pool is accounted for as a single asset with a single composite interest rate and an aggregate expectation of cash flows.

For purchased performing loans, the required allowance for loan losses is determined in a manner similar to that for originated loans with a provision for loan losses only recorded when the required allowance for loan losses exceeds any remaining purchase discount at the loan level. For PCI loans, the difference between contractually required principal and interest payments at the acquisition date and the undiscounted cash flows expected to be collected at the acquisition date is referred to as the "nonaccretable difference", which includes an estimate of future credit losses expected to be incurred over the life of the loans in each pool. A decrease in the expected cash flows in subsequent periods requires the establishment of an allowance for loan losses at that time.

***Loan Charge-Offs***

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

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

For commercial loans, a charge-off is recorded when the Company determines that it will not collect all amounts contractually due based on the fair value of the collateral less cost to sell.

The decision whether to charge-off all or a portion of a loan rather than to record a specific or general loss allowance is based on an assessment of all available information that aids in determining the loan's net realizable value. Typically, this involves consideration of both (i) the fair value of any collateral securing the loan, including whether the estimate of fair value has been derived from an appraisal or other market information and (ii) other factors affecting the likelihood of repayment, including the existence of guarantees and insurance. If the amount by which the Company's recorded investment in the loan exceeds its net realizable value is deemed to be a confirmed loss, a charge-off is recorded. Otherwise, a specific or general reserve is established, as applicable. The comparatively low level of net loan charge-offs in recent years, in terms of absolute dollars and as a percentage of average total loans, may not be sustainable in the future.

***Revenue from Contracts with Customers***

The Company earns revenue from a variety of sources. For revenue streams other than (i) net interest income and (ii) other revenues associated with financial assets and financial liabilities, including loans, leases, securities and derivatives, the Company generally applies the following steps with respect to revenue recognition: (i) identify the contract; (ii) identify the performance obligation; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligation; and (v) recognize revenue when the performance obligation is satisfied. The Company's contracts with customers are generally short-term in nature, typically due within one year or less, or cancellable by the Company or the customer upon a short notice period. Performance obligations for customer contracts are generally satisfied at a single point in time, typically when the transaction is complete, or over time. For performance obligations satisfied over time, the value of the products/services transferred to the customer are evaluated to determine when, and to what degree, performance obligations have been satisfied. Payments from customers are typically received, and revenue recognized, concurrent with the satisfaction of our performance obligations. In most cases, this occurs within a single financial reporting period. For payments received in advance of the satisfaction of our performance obligations, revenue recognition is deferred until such time the performance obligations have been satisfied. In cases where a payment has not been received despite satisfaction of our performance obligations, an estimate of the amount due is accrued in the period our performance obligations have been satisfied. For contracts with variable components, amounts for which collection is probable are accrued.

The following summarizes the Company's performance obligations for the more significant recurring revenue streams included in non-interest income:

*Service charges and fees on deposit accounts* — Service charges and fees on deposit accounts consist of monthly account maintenance and other related fees (bank service charges) as well as cash management fees, which are earned for services related to payment processing, overdrafts, non-sufficient funds and other deposit account activity. The Company's performance obligation for monthly service fees is generally satisfied, and the related revenue recognized, over the period in which the service is provided. Other deposit account related fees, including overdraft charges and cash management fees, are largely transactional-based, and therefore, the Company's performance obligation is satisfied, and related revenue recognized, at a point in time. Payment for service charges on deposit accounts is primarily received immediately or in the following month through a direct charge to customers' accounts.

*Card-based and other non-deposit fees* — Card-based and other non-deposit fees are comprised, primarily, of debit and credit card income and ATM fees as well as certain commercial banking lending fees. Debit and credit card income is primarily comprised of interchange fees earned whenever the Company's debit and credit cards are processed through card payment networks. ATM fees and commercial banking lending fees are largely transactional-based and, therefore, the Company's performance obligation is satisfied, and related revenue recognized, at a point in time. Payment is typically received immediately or in the following month.

*Investment management fees* — Investment management income is primarily comprised of fees earned from the management and administration of trusts and other customer assets. The Company's performance obligation is generally satisfied over time and the resulting fees are recognized monthly, based upon the month-end market value of the assets under management and the applicable fee rate. Payment is generally received a few days after month end through a direct charge to customers' accounts. The Company's performance obligation for these transactional-based services is generally satisfied, and the related revenue recognized, at a point in time (i.e. as incurred). Payment is received shortly after services are rendered.

*Insurance commissions and fees* — The Company's insurance revenue, which represents commissions earned for performing broker- and agency-related services, has two distinct performance obligations. The first performance obligation is the selling of the policy as an agent for the carrier. This performance obligation is satisfied upon binding of the policy. The second performance obligation is the ongoing servicing of the policy which is satisfied over the life of the policy. For employee benefits, the payment is typically received monthly. For property and casualty, payments can vary but are typically received at, or in advance of, the policy period.

*Brokerage commissions and fees* — Brokerage commissions and fees primarily relate to investment advisory and brokerage activities as well as the sale of mutual funds and annuities. The Company's performance obligation for investment advisory services is generally satisfied, and the related revenue recognized, over the period in which the services are provided. Fees earned for brokerage activities, such as facilitating securities transactions, are generally recognized at the time of transaction execution. The performance obligation for mutual fund and annuity sales is satisfied upon sale of the underlying investment, and therefore, the related revenue is primarily recognized at the time of sale. Payment for these services is typically received immediately or in advance of the service.

The revenue streams noted above represent approximately $277 million (or 56%) of total non-interest income for the year ended December 31, 2020, approximately $288 million (or 67%) for the year ended December 31, 2019 and approximately $270 million (or 74%) for the year ended December 31, 2018. Of these amounts, approximately 40% in 2020, 2019 and 2018 is allocated to the Commercial Banking operating segment and approximately 30% in 2020, 2019 and 2018 is allocated to each of the Retail Banking and Wealth Management operating segments.

The Company generally acts in a principal capacity, on its own behalf, in the majority of its contracts with customers. In such transactions, revenue and the related costs to provide our services are recognized on a gross basis in the financial statements. In some cases, the Company may act in an agent capacity, deriving revenue by assisting other entities in transactions with our customers. In such transactions, revenue and the related costs to provide our services are recognized on a net basis in the financial statements. The extent of the Company's activities for which it acts as an agent (and for which the related revenue and expense has been presented on a net basis) is immaterial.

***Bank-Owned Life Insurance***

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

***Premises and Equipment***

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

***Goodwill and Other Acquisition-Related Intangible Assets***

An acquirer in a business combination is required, upon initially obtaining control of another entity, to recognize the assets, liabilities and any non-controlling interest in the acquiree at fair value as of the acquisition date. Contingent consideration, if any, is also recognized and measured at fair value on the date of acquisition. In addition, the accounting standards for business combinations require that: (i) acquisition-related transaction costs be expensed as incurred; (ii) specific requirements be met in order to accrue for a restructuring plan as part of the acquisition; (iii) certain pre-acquisition contingencies be recognized at fair value; and (iv) acquired loans be recorded at fair value as of the acquisition date without recognition of an ACL.

Intangible assets are recognized in an amount equal to the excess of the consideration transferred over the fair value of the tangible net assets acquired. "Acquisition-related intangible assets" are separately identified, recognized and amortized, where appropriate, for assets such as trade names, certain contractual agreements and the estimated values of acquired core deposits and/or customer relationships. Mutual fund management contract intangibles recognized by People's United are deemed to have indefinite useful lives and, accordingly, are not amortized. The remaining intangible asset is recognized as goodwill.

Goodwill and indefinite-lived intangible assets are not amortized but, rather, are required to be reviewed for impairment at least annually, with impairment losses recognized as a charge to expense when they occur. Acquisition-related intangible assets other than goodwill and indefinite-lived intangible assets are amortized to expense over their estimated useful lives in a manner consistent with that in which the related benefits are expected to be realized, and are periodically reviewed by management to assess recoverability, with impairment losses recognized as a charge to expense if carrying amounts exceed fair values.

The Company's trade name intangibles are amortized on either (i) an accelerated basis over a period of approximately 20 years or (ii) a straight-line basis over 5 years. Core deposit intangibles are amortized on an accelerated basis over a period ranging from 6 to 10 years. Customer relationship intangibles are amortized on a straight-line basis over the estimated remaining average life of those relationships, which ranges from 10 to 15 years from the respective acquisition dates. Intangibles stemming from contractual agreements, such as favorable lease and non-compete agreements, are amortized on a straight-line basis over the remaining term of the respective agreements.

Goodwill is evaluated for impairment at the reporting unit level. For the purpose of the goodwill impairment evaluation, management has identified reporting units based upon the Company's three operating segments: Commercial Banking; Retail Banking; and Wealth Management. The specific assets and liabilities assigned to the reporting units is based on whether such assets and liabilities will be employed in or relate to the operations of a particular reporting unit. Newly acquired goodwill is allocated to reporting units based on the degree to which a reporting unit is expected to benefit from the related acquisition. The impairment evaluation is performed as of an annual measurement date or more frequently if a triggering event indicates that impairment may have occurred.

Entities have the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of such events or circumstances, an entity determines it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then the entity is not required to perform the quantitative impairment test as described below.

The quantitative test is used to identify potential impairment, and involves comparing each reporting unit's estimated fair value to its carrying amount, including goodwill. If the estimated fair value of a reporting unit exceeds its carrying amount, goodwill is not deemed to be impaired. Should the carrying amount of the reporting unit exceed its estimated fair value, an impairment loss shall be recognized in an amount equal to that excess, not to exceed the carrying amount of goodwill.

The Company estimates the fair value of its reporting units by applying a weighting of values determined using (i) the discounted cash flow method of the income approach and (ii) the guideline public company method of the market approach. The income approach is based on significant assumptions and judgments, including internal forecasts and growth rates, as well as discount rates and terminal values that reflect management's assessment of market participant views of the risks associated with the projected cash flows of the reporting units. The market approach is based on a comparison of certain financial metrics, including trading multiples and control premiums, derived from the market prices of stocks of companies that are actively traded and engaged in the same or similar businesses as the Company and the respective reporting unit. The derived multiples are then applied to the reporting unit's financial metrics to produce an indication of value. Differences in the identification of reporting units or in the selection of valuation techniques and related assumptions could result in materially different evaluations of goodwill impairment.

In conducting its 2020 goodwill impairment evaluation (as of the annual October 1st evaluation date), People's United elected to perform the quantitative impairment test for all three reporting units (see Note 8). In both 2019 and 2018, People's United elected to perform the optional qualitative assessment for all three reporting units.

***Real Estate Owned***

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

***Income Taxes***

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

Deferred tax assets and liabilities are measured using the enacted tax rates expected to apply to future taxable income. The effect on deferred tax assets and liabilities of a change in tax laws or rates is recognized in income tax expense in the period that includes the enactment date of the change.

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

***Earnings Per Common Share***

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

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

***Derivative Financial Instruments and Hedging Activities***

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

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

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

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

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

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

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

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

***Balance Sheet Offsetting***

Assets and liabilities relating to certain financial instruments, including derivatives, may be eligible for offset in the Consolidated Statements of Condition and/or subject to enforceable master netting arrangements or similar agreements. People's United's derivative transactions with institutional counterparties are generally executed under International Swaps and Derivative Association master agreements, which include "right of set-off" provisions that provide for a single net settlement of all interest rate swap positions, as well as collateral, in the event of default on, or the termination of, any one contract. Nonetheless, the Company does not, except as discussed in Note 24, offset asset and liabilities under such arrangements in the Consolidated Statements of Condition.

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

***Fair Value Measurements***

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

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

- Level 1 — Unadjusted quoted market prices for identical assets or liabilities in active markets that the entity has the ability to access at the measurement date (such as active exchange-traded equity securities or mutual funds and certain U.S. and government agency debt securities).
- Level 2 — Observable inputs other than quoted prices included in Level 1, such as:
    - quoted prices for similar assets or liabilities in active markets (such as U.S. agency and GSE issued mortgage-backed and CMO securities);
    - quoted prices for identical or similar assets or liabilities in less active markets (such as certain U.S. and government agency debt securities, and corporate and municipal debt securities that trade infrequently); and
    - other inputs that (i) are observable for substantially the full term of the asset or liability (e.g. interest rates, yield curves, prepayment speeds, default rates, etc.) or (ii) can be corroborated by observable market data (such as interest rate and currency derivatives and certain other securities).
- Level 3 — Valuation techniques that require unobservable inputs that are supported by little or no market activity and are significant to the fair value measurement of the asset or liability (such as pricing models, discounted cash flow methodologies and similar techniques that typically reflect management’s own estimates of the assumptions a market participant would use in pricing the asset or liability).

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

***Stock-Based Compensation***

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

***New Accounting Standards***

***Standards effective in 2020***

*Financial Instruments — Credit Losses*

In June 2016, the FASB amended its standards with respect to certain aspects of measurement, recognition and disclosure of credit losses on loans and other financial instruments carried at amortized cost, as well as debt securities available-for-sale and purchased financial assets with credit deterioration (“PCD assets”). The amendment is to be applied through a cumulative effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective (that is, a modified-retrospective approach). For certain assets (such as debt securities for which other-than-temporary impairment has been recognized before the effective date and PCD assets), a prospective transition approach is required. For existing purchased credit impaired assets, upon adoption, the amortized cost basis is adjusted to reflect the addition of the ACL. This transition relief avoids the need for a reporting entity to reassess its purchased financial assets that exist as of the date of adoption in order to determine whether they would have met, at acquisition, the new criteria of 'more-than insignificant' credit deterioration since origination. The transition relief also allows an entity to accrete the remaining noncredit discount (based on the revised amortized cost basis) into interest income over the life of the related asset using the interest method.

Under the standard, the Company will determine the ACL based upon a consideration of its historical loss experience, current borrower-specific risk characteristics, forecasts of future economic conditions and other relevant factors. In doing so, the method for determining estimated credit losses will move from an “incurred loss” model to a “life of loan” model.

For public business entities, this new amendment is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. The Company's adoption of this guidance as of January 1, 2020, which was based upon forecasted economic conditions and portfolio balances existing as of December 31, 2019, resulted in the following:

- an increase in the ACL on funded loans of $72 million:
  - amount includes a $28 million adjustment to the amortized cost basis of PCD loans;
- an increase in the ACL on off-balance-sheet commitments of $15 million;
- the establishment of an ACL on debt securities held-to-maturity of $2 million; and
- a decrease in retained earnings of $46 million, net of tax.

The increase in aggregate loan allowance levels was driven, primarily, by higher reserve requirements associated with the Company's retail portfolios (i.e. residential mortgage and home equity) due to the difference between the loss emergence periods of these portfolios under the prior incurred loss model and the expected remaining life of such loans as required by the standard, partially offset by lower reserve requirements associated with certain of the Company's commercial portfolios, which generally have shorter contractual maturities. The liability for off-balance sheet commitments reflects the inclusion of lifetime losses for expected funding over the remaining life of such exposures. The Company's held-to-maturity debt securities portfolio consists primarily of agency-backed securities and highly-rated municipal and corporate bonds, all of which inherently have minimal non-payment risk.

In accordance with the amended guidance, the Company elected the practical expedients related to (i) the presentation of accrued interest receivable, net of the ACL, in other assets within the Consolidated Statements of Condition and (ii) the exclusion, for disclosure purposes, of accrued interest balances from the amortized cost basis of the loan portfolio.

The adjustments noted above served to reduce regulatory capital ratios for both the Holding Company and the Bank by approximately 10 basis points at that time. In December 2018, the Federal banking agencies approved a final rule allowing an option to phase-in, over three years, the day one regulatory capital effects of the standard. In March 2020, the Federal banking agencies issued an interim final rule providing an alternative option to delay, for two years, an estimate of the standard's effect on regulatory capital (relative to incurred loss methodology's effect on regulatory capital), followed by a three-year transition period. The Company has elected the alternative option provided in the March 2020 interim final rule.

The amended guidance also requires expanded disclosures. See Note 4, "Securities," Note 5, "Loans" and Note 6, "Allowance for Credit Losses" for the new disclosures required by the standard, including further discussion of the Company's accounting policies and methodologies used to estimate expected credit losses beginning in 2020.

*Simplifying the Test for Goodwill Impairment*

In January 2017, the FASB amended its standards with respect to goodwill, simplifying how an entity is required to conduct the impairment assessment by eliminating Step 2, which requires a hypothetical purchase price allocation, from the goodwill impairment test. Instead, goodwill impairment will now be measured as the amount by which a reporting unit's carrying amount exceeds its fair value, not to exceed the carrying amount of goodwill. An entity will still have the option to perform a qualitative assessment to determine if a quantitative impairment test is necessary. For public business entities, this new guidance is effective in fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019 (January 1, 2020 for People's United) and is to be applied prospectively. Early adoption is permitted for any impairment tests performed after January 1, 2017. This amendment, which the Company elected to early adopt effective January 1, 2018, was applied in connection with the Company's annual impairment evaluation conducted as of October 1, 2020 (see Note 8).

*Disclosure Requirements — Fair Value Measurement*

In August 2018, the FASB issued targeted amendments that serve to eliminate, add and modify certain disclosure requirements for fair value measurements. Among the changes, entities are no longer required to disclose the amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy, but are required to disclose the range and weighted average used to develop significant unobservable inputs for Level 3 fair value measurements. These amendments are effective for interim and annual reporting periods beginning after December 15, 2019 (January 1, 2020 for People's United) and early adoption is permitted. Entities may also elect to (i) early adopt the eliminated and/or modified disclosure requirements and (ii) delay adoption of the new disclosure requirements until their effective date. The provisions set forth in this guidance, which the Company elected to early adopt in 2018, have been reflected in Note 21 (as applicable) and did not have a significant impact on the Company's Consolidated Financial Statements.

*Reference Rate Reform*

In 2017, the United Kingdom’s Financial Conduct Authority announced that it will cease to compel its panel banks to submit London Interbank Offered Rate (“LIBOR”) rates after December 31, 2021 as a result of the steadily decreasing number of transaction-based borrowing observations between banks in interbank funding markets. LIBOR is widely used by the Company as it serves as the primary index rate for approximately 46% of its loan portfolio. As a result of LIBOR cessation, a Company-wide initiative was introduced to assess all applicable loan, deposit and borrowing categories, and develop a comprehensive plan for the transition away from LIBOR. The Company expects to follow recommendations from the Federal Reserve’s Alternative Reference Rate Committee and the International Swaps and Derivatives Association, along with industry-led solutions, in establishing a replacement index, or indices, for LIBOR.

In March 2020, the FASB issued a new standard providing temporary optional expedients and exceptions to existing U.S. GAAP on contract modifications and hedge accounting in order to ease the financial reporting burdens associated with transitioning away from LIBOR and other interbank offered rates to acceptable alternative rates. Under the new guidance, an entity can elect, by accounting topic or industry subtopic, to account for the modification of a contract affected by reference rate reform as a continuation of the existing contract, if certain conditions are met. In addition, the new guidance allows an entity to elect, on a hedge-by-hedge basis, to continue to apply hedge accounting for hedging relationships in which the critical terms change due to reference rate reform, if certain conditions are met. A one-time election to sell and/or transfer held-to-maturity debt securities that reference a rate affected by reference rate reform is also permitted under the new guidance. While the standard is effective upon issuance, the Company continues to evaluate the impact and which optional expedients and exceptions might be elected. These optional elections will generally cease to apply to contract modifications or existing hedging relationships after December 31, 2022.

In November 2020, the Federal banking agencies issued a statement encouraging banks that enter into new financial contracts prior to December 31, 2021 to utilize a reference rate other than LIBOR or include robust fallback language that specifies a clearly defined alternative reference rate after LIBOR's discontinuation. Separately, the agencies indicated that a bank may use any reference rate for its loans that the bank determines to be appropriate for its funding model and customer needs.

***Standards effective in 2021***

*Disclosure Requirements — Defined Benefit Plans*

In August 2018, the FASB issued targeted amendments that serve to make minor changes to the disclosure requirements for employers that sponsor defined benefit pension and/or other postretirement benefit plans. More specifically, the amendments (i) remove disclosures that are no longer considered cost beneficial, (ii) clarify the specific requirements of selected disclosures and (iii) add disclosure requirements identified as relevant. These amendments are effective for fiscal years ending after December 15, 2020 (January 1, 2021 for People’s United) and early adoption is permitted. The provisions set forth in this guidance, which the Company elected to early adopt in 2018, have been reflected in Note 19 (as applicable) and did not have a significant impact on the Company’s Consolidated Financial Statements.

*Simplifying the Accounting for Income Taxes*

In December 2019, the FASB amended its standards with respect to income taxes, simplifying the accounting in several areas, including intra-period tax allocation, deferred tax liabilities related to outside basis differences, and year-to-date losses in interim periods, among others. For public business entities, this new guidance is effective in fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020 (January 1, 2021 for People’s United) and early adoption is permitted. If an entity elects to early adopt, it must adopt all changes as a result of the guidance. Adoption of this standard is not expected to have a significant impact on the Company’s Consolidated Financial Statements.

## NOTE 2 – Acquisitions and Dispositions

***Dispositions Completed in 2020 and 2019***

*Sale of People's United Insurance Agency*

On November 2, 2020, the Bank completed its sale of People's United Insurance Agency, Inc. (“PUIA”) to AssuredPartners in an all-cash transaction for $120 million. PUIA is a full-service insurance brokerage providing commercial, personal and employee benefit insurance solutions. The decision to sell PUIA was a result of the Bank’s continued reassessment of its business model in an effort to identify opportunities to improve its core banking products and services and to further enhance digital offerings across markets. The assets sold totaled $58.5 million, consisting of cash and short-term receivables as well as related goodwill ($31.7 million) and other acquisition-related intangible assets (insurance customer relationships totaling $3.2 million). The liabilities sold totaled $14.4 million, consisting of short-term payables and other accrued expenses.

Prior to the sale, the activities of PUIA were included in the Wealth Management operating segment which, for reporting purposes, was allocated among the Commercial Banking and Retail Banking reportable segments (see Note 25 for additional information). The sale resulted in a pre-tax gain, net of expenses, of $75.9 million, which is included in non-interest income in the Consolidated Statements of Income. As a result of the sale, the capital ratios for both the Holding Company and the Bank improved by approximately 15 basis points at that time.

*Sale of Branches*

On October 25, 2019, the Bank completed the sale of eight branches located in central Maine, including approximately: (i) $103 million in loans; (ii) $258 million in deposits; and (iii) $227 million of assets under management. The sale resulted in a gain, net of expenses, of $7.6 million, which is included in other non-interest income in the Consolidated Statements of Income.

***Acquisitions Completed in 2019***

*United Financial Bancorp, Inc.*

Effective November 1, 2019, People’s United completed its acquisition of United Financial Bancorp, Inc. (“United Financial”) based in Hartford, Connecticut. The fair value of the consideration transferred in the United Financial acquisition totaled $720.6 million and consisted of 44.4 million shares of People’s United common stock. At the acquisition date, United Financial operated 58 branch locations concentrated in central Connecticut and western Massachusetts. The fair value of assets acquired and liabilities assumed in the United Financial acquisition totaled $7.22 billion and $6.50 billion, respectively. Merger-related expenses recorded during the years ended December 31, 2020 and 2019 related to this acquisition totaled $43.3 million and $22.2 million, respectively.

*BSB Bancorp, Inc.*

Effective April 1, 2019, People’s United completed its acquisition of BSB Bancorp, Inc. (“BSB Bancorp”) based in Belmont, Massachusetts. The fair value of the consideration transferred in the BSB Bancorp acquisition totaled $324.5 million and consisted of 19.7 million shares of People’s United common stock. At the acquisition date, BSB Bancorp operated six branches in the greater Boston area. The fair value of assets acquired and liabilities assumed in the BSB Bancorp acquisition totaled $3.19 billion and $2.86 billion, respectively. Merger-related expenses recorded during the years ended December 31, 2020 and 2019 related to this acquisition totaled $0.4 million and $8.1 million, respectively.

*VAR Technology Finance*

Effective January 2, 2019, the Bank completed its acquisition of VAR Technology Finance ("VAR"), a leasing and financing company headquartered in Mesquite, Texas. The fair value of the consideration transferred in the VAR acquisition consisted of $60.0 million in cash. Merger-related expenses totaling $1.9 million relating to this transaction were recorded during the year ended December 31, 2019.

***Acquisitions Completed in 2018***

*First Connecticut Bancorp, Inc.*

Effective October 1, 2018, the Company completed its acquisition of First Connecticut Bancorp, Inc. ("First Connecticut") based in Farmington, Connecticut. The fair value of the consideration transferred in the First Connecticut acquisition totaled $486.4 million and consisted of 28.4 million shares of People's United common stock. At the acquisition date, First Connecticut operated 25 branch locations throughout central Connecticut and western Massachusetts. The fair value of assets acquired and liabilities assumed in the First Connecticut acquisition totaled $3.45 billion and $2.96 billion, respectively. Merger-related expenses recorded during the years ended December 31, 2019 and 2018 related to this acquisition totaled $16.8 million and $8.8 million, respectively.

*Vend Lease Company*

Effective June 27, 2018, the Bank completed its acquisition of Vend Lease Company ("Vend Lease"), a Baltimore-based equipment finance company. The fair value of the consideration transferred in the Vend Lease acquisition consisted of $37.5 million in cash. In connection with this transaction, the Bank acquired a lease and loan portfolio with an acquisition-date estimated fair value of $68.8 million and recorded goodwill of $23.9 million. Merger-related expenses totaling $2.1 million relating to this transaction were recorded during the year ended December 31, 2018.

## NOTE 3 – Cash and Cash Equivalents

In December 2020, the FRB adopted a final rule that served to lower reserve requirement ratios on transaction accounts maintained at depository institutions, including the Bank, to zero percent, thereby effectively eliminating all reserve requirements. A combination of reserves in the form of deposits with the FRB-NY and vault cash totaling $171.6 million at December 31, 2019 were used to satisfy federal regulatory requirements at that time. Vault cash is included in cash and due from banks, and interest-bearing deposits the FRB-NY are included in short-term investments in the Consolidated Statements of Condition. These deposits represent an alternative to overnight federal funds sold and yielded 0.10% and 1.55% at December 31, 2020 and 2019, respectively.

Short-term investments consist of the following cash equivalents:

| As of December 31 (in millions) | 2020 | 2019 |
|---|---|---|
| Interest-bearing deposits at the FRB-NY | $ 3,598.9 | $ 219.4 |
| Collateral posted for derivative instruments | 151.9 | 84.4 |
| Money market mutual funds | 8.9 | 5.7 |
| Other | 6.3 | 7.3 |
| Total short-term investments | $ 3,766.0 | $ 316.8 |

## NOTE 4 – Securities

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

| As of December 31, 2020 (in millions) | Amortized Cost | ACL (1) | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
|---|---|---|---|---|---|
| Debt securities available-for-sale: | | | | | |
| U.S. Treasury and agency | $ 529.8 | $ — | $ 11.8 | $ — | $ 541.6 |
| GSE mortgage-backed and CMO securities | 4,274.7 | — | 110.9 | (1.7) | 4,383.9 |
| Total debt securities available-for-sale | $ 4,804.5 | $ — | $ 122.7 | $ (1.7) | $ 4,925.5 |
| Debt securities held-to-maturity: | | | | | |
| State and municipal | $ 2,824.3 | $ (0.1) | $ 236.0 | $ — | $ 3,060.2 |
| GSE mortgage-backed securities | 1,079.9 | — | 36.4 | — | 1,116.3 |
| Corporate | 89.7 | (1.5) | 1.0 | (0.2) | 89.0 |
| Other | 1.5 | — | — | — | 1.5 |
| Total debt securities held-to-maturity | $ 3,995.4 | $ (1.6) | $ 273.4 | $ (0.2) | $ 4,267.0 |

(1) As discussed in Note 1, beginning January 1, 2020, an ACL is required to be recognized (as appropriate) for debt securities.

| As of December 31, 2019 (in millions) | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Value |
|---|---|---|---|---|
| Debt securities available-for-sale: | | | | |
| U.S. Treasury and agency | $ 689.5 | $ 0.4 | $ (2.8) | $ 687.1 |
| GSE mortgage-backed securities | 2,856.3 | 25.0 | (4.1) | 2,877.2 |
| Total debt securities available-for-sale | $ 3,545.8 | $ 25.4 | $ (6.9) | $ 3,564.3 |
| Debt securities held-to-maturity: | | | | |
| State and municipal | $ 2,503.9 | $ 142.0 | $ (0.4) | $ 2,645.5 |
| GSE mortgage-backed securities | 1,271.4 | 8.0 | (0.3) | 1,279.1 |
| Corporate | 92.4 | 1.5 | — | 93.9 |
| Other | 1.5 | — | — | 1.5 |
| Total debt securities held-to-maturity | $ 3,869.2 | $ 151.5 | $ (0.7) | $ 4,020.0 |

At December 31, 2020, accrued interest receivable associated with debt securities available-for-sale and held-to-maturity totaled $10.7 million and $31.5 million, respectively, and is reported in other assets in the Consolidated Statements of Condition.

At December 31, 2020, no debt securities held-to-maturity were past due or in non-accrual status. The following table summarizes changes in the ACL on debt securities held-to-maturity for the year ended December 31, 2020:

| (in millions) | Corporate | State and municipal | Total |
|---|---|---|---|
| Balance at beginning of period | $ — | $ — | $ — |
| CECL transition adjustment | 1.8 | 0.1 | 1.9 |
| Balance at beginning of period, adjusted | 1.8 | 0.1 | 1.9 |
| Provision charged (credited) to income | (0.3) | — | (0.3) |
| Balance at end of period | $ 1.5 | $ 0.1 | $ 1.6 |

***Credit Quality Indicators***

Credit ratings, which are updated monthly, are a key measure for estimating the probability of a bond's default and for monitoring credit quality on an on-going basis. For bonds other than U.S. Treasuries and bonds issued or guaranteed by U.S. government agencies, credit ratings issued by one or more nationally recognized statistical rating organizations such as Moody's, S&P, Fitch or Kroll are considered in conjunction with an assessment by the Company's risk management department. In the case of multiple ratings, generally the lower rating prevails. Investment grade reflects a credit rating of BBB- or above.

The table below indicates the credit profile of the Company's debt securities held-to-maturity at amortized cost:

| As of December 31, 2020 (in millions) | Investment Grade | Non-Investment Grade | Total |
|---|---|---|---|
| State and municipal | $ 2,824.1 | $ 0.2 | $ 2,824.3 |
| GSE mortgage-backed securities | 1,079.9 | — | 1,079.9 |
| Corporate | 84.7 | 5.0 | 89.7 |
| Other | 1.5 | — | 1.5 |
| Total | $ 3,990.2 | $ 5.2 | $ 3,995.4 |

The following table summarizes those debt securities available-for-sale with unrealized losses at December 31, 2020, classified as to the length of time the losses have existed and, for which no ACL has been recognized.

| | Continuous Unrealized Loss Position | | | | | |
|---|---|---|---|---|---|---|
| | Less Than 12 Months | | 12 Months Or Longer | | Total | |
| As of December 31, 2020 (in millions) | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses |
| Debt securities available-for-sale: | | | | | | |
| GSE mortgage-backed and CMO securities | $ 225.5 | $ (1.7) | $ — | $ — | $ 225.5 | $ (1.7) |
| Total debt securities available-for-sale | $ 225.5 | $ (1.7) | $ — | $ — | $ 225.5 | $ (1.7) |

At December 31, 2020, nine of the 2,448 debt securities available-for-sale owned by the Company had gross unrealized losses totaling $1.7 million. With respect to those securities with unrealized losses, all of the GSE mortgage-backed and CMO securities had AAA credit ratings and an average contractual maturity of 10 years.

As of December 31, 2020, no ACL has been recognized on debt securities available-for-sale in an unrealized loss position as management does not believe any of the securities are impaired due to reasons of credit quality. Rather, the cause of the gross unrealized losses with respect to all of the debt securities is directly related to changes in interest rates. At this time, management does not intend to sell such securities nor is it more likely than not, based upon available evidence, that management will be required to sell such securities prior to recovery. No credit impairment losses were recognized in the Consolidated Statements of Income for the years ended December 31, 2020, 2019 and 2018.

The following table summarizes those debt securities with unrealized losses at December 31, 2019, classified as to the length of time the unrealized losses have existed. Certain unrealized losses totaled less than $0.1 million.

| | Continuous Unrealized Loss Position | | | | | |
|---|---|---|---|---|---|---|
| | Less Than 12 Months | | 12 Months Or Longer | | Total | |
| As of December 31, 2019 (in millions) | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses |
| Debt securities available-for-sale: | | | | | | |
| GSE mortgage-backed securities | $ 565.4 | $ (3.1) | $ 509.3 | $ (1.0) | $ 1,074.7 | $ (4.1) |
| U.S. Treasury and agency | 181.0 | (0.4) | 362.4 | (2.4) | 543.4 | (2.8) |
| Total debt securities available-for-sale | $ 746.4 | $ (3.5) | $ 871.7 | $ (3.4) | $ 1,618.1 | $ (6.9) |
| Debt securities held-to-maturity: | | | | | | |
| GSE mortgage-backed securities | $ 100.9 | $ (0.3) | $ 9.1 | $ — | $ 110.0 | $ (0.3) |
| State and municipal | 33.0 | (0.2) | 11.4 | (0.2) | 44.4 | (0.4) |
| Corporate | 3.5 | — | 8.6 | — | 12.1 | — |
| Total debt securities held-to-maturity | $ 137.4 | $ (0.5) | $ 29.1 | $ (0.2) | $ 166.5 | $ (0.7) |

At December 31, 2020 and 2019, debt securities available-for-sale with fair values of $4.93 billion and $2.43 billion, respectively, and debt securities held-to-maturity with an amortized cost basis of $2.08 billion and $1.47 billion, respectively, were pledged as collateral for public deposits and for other purposes.

The following table is a summary of the amortized cost, fair value and fully taxable equivalent (“FTE”) yield of debt securities as of December 31, 2020, based on remaining period to contractual maturity. Information for GSE mortgage-backed and CMO securities is based on the final contractual maturity dates without considering repayments and prepayments.

| | Available-for-Sale | | | Held-to-Maturity | | |
|---|---|---|---|---|---|---|
| (dollars in millions) | Amortized Cost | Fair Value | FTE Yield | Amortized Cost | Fair Value | FTE Yield |
| U.S. Treasury and agency: | | | | | | |
| Within 1 year | $ 61.3 | $ 61.9 | 1.49 % | $ — | $ — | — % |
| After 1 but within 5 years | 468.5 | 479.7 | 1.43 | — | — | — |
| Total | 529.8 | 541.6 | 1.43 | — | — | — |
| GSE mortgage-backed and CMO securities: | | | | | | |
| After 1 but within 5 years | 113.5 | 118.2 | 3.19 | 866.4 | 896.3 | 2.45 |
| After 5 but within 10 years | 1,287.1 | 1,332.8 | 2.16 | 208.9 | 215.3 | 2.21 |
| After 10 years | 2,874.1 | 2,932.9 | 1.77 | 4.6 | 4.7 | 2.09 |
| Total | 4,274.7 | 4,383.9 | 1.93 | 1,079.9 | 1,116.3 | 2.40 |
| State and municipal: | | | | | | |
| Within 1 year | — | — | — | 6.6 | 6.7 | 3.10 |
| After 1 but within 5 years | — | — | — | 281.4 | 296.0 | 2.73 |
| After 5 but within 10 years | — | — | — | 576.5 | 626.2 | 3.60 |
| After 10 years | — | — | — | 1,959.8 | 2,131.3 | 3.56 |
| Total | — | — | — | 2,824.3 | 3,060.2 | 3.49 |
| Corporate: | | | | | | |
| After 1 but within 5 years | — | — | — | 12.8 | 12.8 | 3.21 |
| After 5 but within 10 years | — | — | — | 76.9 | 76.2 | 4.56 |
| Total | — | — | — | 89.7 | 89.0 | 4.37 |
| Other: | | | | | | |
| After 1 but within 5 years | — | — | — | 1.5 | 1.5 | 1.75 |
| Total | — | — | — | 1.5 | 1.5 | 1.75 |
| Total: | | | | | | |
| Within 1 year | 61.3 | 61.9 | 1.49 | 6.6 | 6.7 | 3.10 |
| After 1 but within 5 years | 582.0 | 597.9 | 1.77 | 1,162.1 | 1,206.6 | 2.52 |
| After 5 but within 10 years | 1,287.1 | 1,332.8 | 2.16 | 862.3 | 917.7 | 3.35 |
| After 10 years | 2,874.1 | 2,932.9 | 1.77 | 1,964.4 | 2,136.0 | 3.56 |
| Total | $ 4,804.5 | $ 4,925.5 | 1.87 % | $ 3,995.4 | $ 4,267.0 | 3.21 % |

People’s United uses the specific identification method to determine the cost of securities sold and records securities transactions on the trade date. People’s United sold GSE mortgage-backed securities with an amortized cost of $235.5 million and recorded $10.0 million of gross realized losses in December 2018. Including other minor gains and losses, net security gains (losses) totaled $0.2 million and $(9.8) million for the years ended December 31, 2019 and 2018, respectively.

The components of net security gains (losses) are summarized below. Gains on trading debt securities totaled less than $0.1 million for the year ended December 31, 2020. There were no other security gains or losses recognized for the year ended December 31, 2020.

| Years ended December 31 (in millions) | 2019 | 2018 |
|---|---|---|
| Debt securities: | | |
| Gains | $ 0.5 | $ 0.1 |
| Losses | (0.4) | (10.0) |
| Total debt securities | 0.1 | (9.9) |
| Trading debt securities: | | |
| Gains | 0.1 | 0.1 |
| Losses | — | — |
| Total trading debt securities | 0.1 | 0.1 |
| Net security gains (losses) | $ 0.2 | $ (9.8) |

Effective January 1, 2018, People’s United adopted new accounting guidance that requires equity investments (other than equity method investments) to be measured at fair value with changes in fair value recognized in net income. At December 31, 2017, the Company’s securities portfolio included equity securities with an amortized cost of $9.6 million and a fair value of $8.7 million. Accordingly, upon adoption of this guidance, a cumulative-effect transition adjustment, representing the cumulative unrealized loss (net-of-tax) within AOCL was recorded, which served to decrease opening retained earnings by $0.6 million. For the years ended December 31, 2020, 2019 and 2018, People’s United recorded unrealized (losses) gains of $(1.1) million, $1.5 million and $0.6 million (included in other non-interest income in the Consolidated Statements of Income) relating to the change in fair value of its equity securities during the respective periods.

The Bank, as a member of the FHLB of Boston, is currently required to purchase and hold shares of capital stock in the FHLB of Boston (total cost of $38.2 million and $136.6 million at December 31, 2020 and 2019, respectively) in an amount equal to its membership base investment plus an activity based investment determined according to the Bank’s level of outstanding FHLB advances. As a result of prior acquisitions, the Bank acquired shares of capital stock in the FHLB of New York (total cost of $0.7 million at December 31, 2019, none at December 31, 2020). Based on the current capital adequacy and liquidity position of the FHLB of Boston, management believes there is no impairment in the Company’s investment at December 31, 2020 and the cost of the investment approximates fair value. Dividend income on FHLB capital stock totaled $4.8 million, $7.0 million and $8.3 million for the years ended December 31, 2020, 2019 and 2018, respectively.

The Bank, as a member of the Federal Reserve Bank system, is currently required to purchase and hold shares of capital stock in the FRB-NY (total cost of $228.4 million and $203.8 million at December 31, 2020 and 2019, respectively) in an amount equal to 6% of its capital and surplus. Based on the current capital adequacy and liquidity position of the FRB-NY, management believes there is no impairment in the Company’s investment at December 31, 2020 and the cost of the investment approximates fair value. Dividend income on FRB-NY capital stock totaled $2.0 million, $3.8 million and $5.1 million for the years ended December 31, 2020, 2019 and 2018, respectively.

## NOTE 5 – Loans

As a result of adopting the CECL standard on January 1, 2020, the Company's prior distinction between the originated loan portfolio and the acquired loan portfolio is no longer necessary. Accordingly, prior period disclosures have been revised to conform to the current period presentation. For purposes of disclosures related to the credit quality of financing receivables and the ACL (see Note 6), People's United has identified two loan portfolio segments, Commercial and Retail, which are comprised of the following loan classes:

- *Commercial Portfolio*: commercial real estate; commercial and industrial; equipment financing; and MW/ABL.
- *Retail Portfolio*: residential mortgage; home equity; and other consumer.

These portfolio segments and loan classes are unchanged following adoption of the CECL standard, with the exception of MW/ABL which, prior to January 1, 2020, was included in commercial and industrial. The following table summarizes People's United's loans by loan portfolio segment and class:

| As of December 31 (in millions) | 2020 | 2019 |
|---|---|---|
| Commercial: | | |
| Commercial real estate (1) | $ 13,336.9 | $ 14,762.3 |
| Commercial and industrial (1) | 10,764.1 | 8,693.2 |
| Equipment financing | 4,930.0 | 4,910.4 |
| MW/ABL | 4,218.2 | 2,348.4 |
| Total Commercial Portfolio | 33,249.2 | 30,714.3 |
| Retail: | | |
| Residential mortgage: | | |
| Adjustable-rate | 5,517.3 | 7,064.8 |
| Fixed-rate | 3,001.6 | 3,253.3 |
| Total residential mortgage | 8,518.9 | 10,318.1 |
| Home equity and other consumer: | | |
| Home equity | 1,997.2 | 2,406.5 |
| Other consumer | 104.2 | 157.2 |
| Total home equity and other consumer | 2,101.4 | 2,563.7 |
| Total Retail Portfolio | 10,620.3 | 12,881.8 |
| Total loans | $ 43,869.5 | $ 43,596.1 |

(1) In connection with the United Bank core system conversion in April 2020, approximately $400 million of loans secured by owner-occupied commercial properties were prospectively reclassified, at that time, from commercial real estate loans to commercial and industrial loans. Prior period loan balances were not restated to conform to the current period presentation.

### *Paycheck Protection Program*

The CARES Act created a new loan guarantee program known as the Paycheck Protection Program ("PPP"), the objective of which is to provide small businesses with financial support to cover payroll and certain other qualifying expenses. Loans made under the PPP are fully guaranteed by the Small Business Administration (the "SBA"), whose guarantee is backed by the full faith and credit of the United States. PPP loans also afford borrowers forgiveness up to the principal amount of the loan, plus accrued interest, provided the loan proceeds are used to retain workers and maintain payroll or to make certain mortgage interest, lease and utility payments, and certain other criteria are satisfied. The SBA will reimburse PPP lenders for any amount of a PPP loan that is forgiven, and PPP lenders will not be held liable for any representations made by PPP borrowers in connection with their requests for loan forgiveness. Included in commercial and industrial loans at December 31, 2020 are PPP loans totaling $2.3 billion and associated deferred loan fees totaling $45.9 million. For regulatory capital purposes, PPP loans are assigned a zero risk-weighting as a result of the related SBA guarantee.

Net deferred loan costs, which are included in loans by respective class and exclude deferred fees on loans issued under the PPP, totaled $68.1 million at December 31, 2020 and $87.5 million at December 31, 2019. At December 31, 2020, accrued interest receivable associated with loans totaled $159.9 million and is reported in other assets in the Consolidated Statements of Condition. During the year ended December 31, 2020, the Company wrote off accrued interest receivable attributable to the Commercial and Retail portfolio segments totaling $1.3 million and $0.2 million, respectively.

At December 31, 2020, 25%, 20% and 18% of the Company's loans by outstanding principal amount were to customers located within Connecticut, Massachusetts and New York, respectively. Loans to customers located in the New England states as a group represented 55% and 58% of total loans at December 31, 2020 and 2019, respectively. Substantially the entire equipment financing portfolio (94% and 95% at December 31, 2020 and 2019) was to customers located outside of New England. At December 31, 2020, 29% of the equipment financing portfolio was to customers located in Texas, California and New York, and no other state exposure was greater than 7%. Included in the Commercial portfolio are construction loans totaling $1.2 billion and $1.1 billion at December 31, 2020 and 2019, respectively, net of the unadvanced portion of such loans totaling $508.6 million and $798.3 million, respectively.

At December 31, 2020 and 2019, residential mortgage loans included $866.4 million and $1.1 billion, respectively, of interest-only loans. People's United's underwriting guidelines and requirements for such loans are generally more restrictive than those applied to other types of residential mortgage products. Also included in residential mortgage loans are construction loans totaling $44.8 million and $40.5 million at December 31, 2020 and 2019, respectively, net of the unadvanced portion of such loans totaling $7.2 million and $14.6 million, respectively.

People's United sells newly-originated residential mortgage loans in the secondary market, without recourse. Net gains on sales of residential mortgage loans totaled $4.8 million, $1.9 million and $1.2 million for the years ended December 31, 2020, 2019 and 2018, respectively. Loans held-for-sale at December 31, 2020 and 2019 included newly-originated residential mortgage loans with carrying amounts of $26.5 million and $19.7 million, respectively. At December 31, 2019, loans held-for-sale also included $333.7 million of consumer loans and $157.9 million of commercial loans previously acquired in the United Financial acquisition. All of the consumer and commercial loans were sold during the first quarter of 2020, resulting in a gain, net of expenses, of $16.9 million, which is included in other non-interest income in the Consolidated Statements of Income.

The following tables summarize aging information by class of loan:

| | | Past Due | | | |
|---|---|---|---|---|---|
| As of December 31, 2020 (in millions) | Current | 30-89 Days | 90 Days or More | Total | Total |
| Commercial: | | | | | |
| Commercial real estate | $ 13,283.2 | $ 27.3 | $ 26.4 | $ 53.7 | $ 13,336.9 |
| Commercial and industrial | 10,694.9 | 17.3 | 51.9 | 69.2 | 10,764.1 |
| Equipment financing | 4,846.8 | 64.0 | 19.2 | 83.2 | 4,930.0 |
| MW/ABL | 4,218.2 | — | — | — | 4,218.2 |
| Total | 33,043.1 | 108.6 | 97.5 | 206.1 | 33,249.2 |
| Retail: | | | | | |
| Residential mortgage | 8,447.9 | 32.2 | 38.8 | 71.0 | 8,518.9 |
| Home equity | 1,977.3 | 8.4 | 11.5 | 19.9 | 1,997.2 |
| Other consumer | 103.4 | 0.7 | 0.1 | 0.8 | 104.2 |
| Total | 10,528.6 | 41.3 | 50.4 | 91.7 | 10,620.3 |
| Total loans | $ 43,571.7 | $ 149.9 | $ 147.9 | $ 297.8 | $ 43,869.5 |

Included in the "Current" and "30-89 Days" categories above are early non-performing commercial real estate loans, commercial and industrial loans, equipment financing loans and MW/ABL loans totaling $34.0 million, $26.0 million, $90.1 million and $1.0 million, respectively, and $32.6 million of retail loans in the process of foreclosure or bankruptcy. These loans are less than 90 days past due but have been placed on non-accrual status as a result of having been identified as presenting uncertainty with respect to the collectability of interest and principal.

| As of December 31, 2019 (in millions) | Current | Past Due 30-89 Days | Past Due 90 Days or More | Past Due Total | Total |
|---|---|---|---|---|---|
| Commercial: | | | | | |
| Commercial real estate | $ 14,713.8 | $ 22.3 | $ 26.2 | $ 48.5 | $ 14,762.3 |
| Commercial and industrial | 11,011.7 | 13.1 | 16.8 | 29.9 | 11,041.6 |
| Equipment financing | 4,791.0 | 97.9 | 21.5 | 119.4 | 4,910.4 |
| Total | 30,516.5 | 133.3 | 64.5 | 197.8 | 30,714.3 |
| Retail: | | | | | |
| Residential mortgage | 10,216.2 | 65.5 | 36.4 | 101.9 | 10,318.1 |
| Home equity | 2,385.7 | 9.9 | 10.9 | 20.8 | 2,406.5 |
| Other consumer | 156.1 | 1.1 | — | 1.1 | 157.2 |
| Total | 12,758.0 | 76.5 | 47.3 | 123.8 | 12,881.8 |
| Total loans | $ 43,274.5 | $ 209.8 | $ 111.8 | $ 321.6 | $ 43,596.1 |

Included in the "Current" and "30-89 Days" categories above are early non-performing commercial real estate loans, commercial and industrial loans, and equipment financing loans totaling $27.6 million, $23.0 million and $26.2 million, respectively, and $36.8 million of retail loans in the process of foreclosure or bankruptcy. These loans are less than 90 days past due but have been placed on non-accrual status as a result of having been identified as presenting uncertainty with respect to the collectability of interest and principal.

The recorded investment in non-accrual loans, by class of loan and year of origination, is summarized as follows:

| As of December 31, 2020 (in millions) | Non-Accrual Loans 2020 | 2019 | 2018 | 2017 | 2016 | Prior | Revolving Loans | Revolving Loans Converted to Term | Total | Non-Accrual Loans With No ACL |
|---|---|---|---|---|---|---|---|---|---|---|
| Commercial: | | | | | | | | | | |
| Commercial real estate | $ — | $ 8.6 | $ 9.7 | $ 2.8 | $ 1.9 | $ 35.4 | $ 0.2 | $ 1.8 | $ 60.4 | $ 10.9 |
| Commercial and industrial | 0.2 | 3.1 | 2.3 | 16.2 | 13.4 | 17.5 | 15.5 | 7.2 | 75.4 | 27.8 |
| Equipment financing | 16.4 | 27.4 | 25.3 | 25.5 | 7.8 | 6.9 | — | — | 109.3 | 0.6 |
| MW/ABL | — | — | — | — | — | — | — | 1.0 | 1.0 | — |
| Total (1) | 16.6 | 39.1 | 37.3 | 44.5 | 23.1 | 59.8 | 15.7 | 10.0 | 246.1 | 39.3 |
| Retail: | | | | | | | | | | |
| Residential mortgage | — | 2.9 | 3.9 | 1.8 | 2.6 | 51.1 | — | — | 62.3 | 28.3 |
| Home equity | — | — | 0.4 | 0.1 | 0.6 | 2.8 | — | 16.6 | 20.5 | 7.9 |
| Other consumer | — | 0.1 | — | 0.1 | — | — | — | — | 0.2 | — |
| Total (2) | — | 3.0 | 4.3 | 2.0 | 3.2 | 53.9 | — | 16.6 | 83.0 | 36.2 |
| Total | $16.6 | $42.1 | $41.6 | $46.5 | $26.3 | $113.7 | $ 15.7 | $ 26.6 | $ 329.1 | $ 75.5 |

| As of December 31 (in millions) | 2019 | 2018 |
|---|---|---|
| Commercial: | | |
| Commercial real estate | $ 53.8 | $ 46.8 |
| Commercial and industrial | 38.5 | 54.1 |
| Equipment financing | 47.7 | 44.3 |
| Total (1) | 140.0 | 145.2 |
| Retail: | | |
| Residential mortgage | 63.3 | 55.0 |
| Home equity | 20.8 | 17.6 |
| Other consumer | — | — |
| Total (2) | 84.1 | 72.6 |
| Total | $ 224.1 | $ 217.8 |

(1) Reported net of government guarantees totaling $2.5 million, $1.3 million and $1.9 million at December 31, 2020, 2019 and 2018, respectively. These government guarantees relate, almost entirely, to guarantees provided by the SBA as well as selected other Federal agencies and represent the carrying value of the loans that are covered by such guarantees, the extent of which (i.e. full or partial) varies by loan. At December 31, 2020, 100% of the government guarantees relate to commercial and industrial loans.
(2) Includes $23.6 million, $17.0 million and $24.8 million of loans in the process of foreclosure at December 31, 2020, 2019 and 2018, respectively.

Interest income recognized on non-accrual loans totaled $4.1 million, $2.3 million and $2.9 million for the years ended December 31, 2020, 2019 and 2018, respectively.

At December 31, 2020, the Company had collateral dependent commercial loans and collateral dependent residential mortgage and home equity loans totaling $71.1 million and $37.8 million, respectively. The Company's collateral dependent loans primarily relate to loans in the commercial and industrial, commercial real estate and residential mortgage portfolios. The extent to which collateral secures such loans is greatest within the residential mortgage portfolio.

At December 31, 2020 and 2019, People’s United’s recorded investment in loans classified as TDRs totaled $196.9 million and $177.0 million, respectively, and the related ACL was $12.0 million and $4.3 million at the respective dates. Interest income recognized on TDRs totaled $4.6 million, $5.5 million and $6.1 million for the years ended December 31, 2020, 2019 and 2018, respectively. Fundings under commitments to lend additional amounts to borrowers with loans classified as TDRs were immaterial for the years ended December 31, 2020, 2019 and 2018. Loans that were modified and classified as TDRs during 2020 principally involve reduced payment and/or payment deferral, extension of term (generally no more than two years for commercial loans and nine years for retail loans) and/or a temporary reduction of interest rate (generally less than 200 basis points).

The following tables summarize, by class of loan, the recorded investments in loans modified as TDRs during the years ended December 31, 2020 and 2019. For purposes of this disclosure, recorded investments represent amounts immediately prior to and subsequent to the restructuring.

| | Year ended December 31, 2020 | | |
|---|---|---|---|
| (dollars in millions) | Number of Contracts | Pre-Modification Outstanding Recorded Investment | Post-Modification Outstanding Recorded Investment |
| Commercial: | | | |
| Commercial real estate (1) | 18 | $ 16.7 | $ 16.7 |
| Commercial and industrial (2) | 44 | 71.5 | 71.5 |
| Equipment financing (3) | 43 | 14.4 | 14.4 |
| MW/ABL (4) | 9 | 7.6 | 7.6 |
| Total | 114 | 110.2 | 110.2 |
| Retail: | | | |
| Residential mortgage (5) | 38 | 16.3 | 16.3 |
| Home equity (6) | 50 | 5.7 | 5.7 |
| Other consumer | — | — | — |
| Total | 88 | 22.0 | 22.0 |
| Total | 202 | $ 132.2 | $ 132.2 |

(1) Represents the following concessions: extension of term (13 contracts; recorded investment of $8.3 million); reduced payment and/or payment deferral (2 contracts; recorded investment of $3.9 million); temporary rate reduction (1 contract; recorded investment of $0.4 million); or a combination of concessions (2 contracts; recorded investment of $4.1 million).

(2) Represents the following concessions: extension of term (23 contracts; recorded investment of $30.0 million); reduced payment and/or payment deferral (10 contracts; recorded investment of $36.7 million); temporary rate reduction (2 contracts; recorded investment of $0.9 million); or a combination of concessions (9 contracts; recorded investment of $3.9 million).

(3) Represents the following concessions: extension of term (21 contracts; recorded investment of $5.2 million); reduced payment and/or payment deferral (13 contracts; recorded investment of $3.4 million); or a combination of concessions (9 contracts; recorded investment of $5.8 million).

(4) Represents the following concessions: extension of term (9 contracts; recorded investment of $7.6 million).

(5) Represents the following concessions: loans restructured through bankruptcy (10 contracts; recorded investment of $2.4 million); reduced payment and/or payment deferral (12 contracts; recorded investment of $7.3 million); or a combination of concessions (16 contracts; recorded investment of $6.6 million).

(6) Represents the following concessions: loans restructured through bankruptcy (19 contracts; recorded investment of $1.5 million); reduced payment and/or payment deferral (2 contracts; recorded investment of $0.2 million); or a combination of concessions (29 contracts; recorded investment of $4.0 million).

| | Year ended December 31, 2019 | | |
|---|---|---|---|
| (dollars in millions) | Number of Contracts | Pre-Modification Outstanding Recorded Investment | Post-Modification Outstanding Recorded Investment |
| Commercial: | | | |
| Commercial real estate (1) | 12 | $ 17.2 | $ 17.2 |
| Commercial and industrial (2) | 33 | 31.9 | 31.9 |
| Equipment financing (3) | 37 | 24.9 | 24.9 |
| MW/ABL | — | — | — |
| Total | 82 | 74.0 | 74.0 |
| Retail: | | | |
| Residential mortgage (4) | 85 | 26.3 | 26.3 |
| Home equity (5) | 102 | 9.0 | 9.0 |
| Other consumer | — | — | — |
| Total | 187 | 35.3 | 35.3 |
| Total | 269 | $ 109.3 | $ 109.3 |

(1) Represents the following concessions: extension of term (7 contracts; recorded investment of $2.1 million); reduced payment and/or payment deferral (1 contract; recorded investment of $0.6 million); or a combination of concessions (4 contracts; recorded investment of $14.5 million).
(2) Represents the following concessions: extension of term (26 contracts; recorded investment of $26.4 million); reduced payment and/or payment deferral (3 contracts; recorded investment of $0.8 million); or a combination of concessions (4 contracts; recorded investment of $4.7 million).
(3) Represents the following concessions: extension of term (5 contracts; recorded investment of $1.6 million); reduced payment and/or payment deferral (26 contracts; recorded investment of $18.9 million); or a combination of concessions (6 contracts; recorded investment of $4.4 million).
(4) Represents the following concessions: loans restructured through bankruptcy (45 contracts; recorded investment of $9.9 million); reduced payment and/or payment deferral (24 contracts; recorded investment of $10.1 million); or a combination of concessions (16 contracts; recorded investment of $6.3 million).
(5) Represents the following concessions: loans restructured through bankruptcy (54 contracts; recorded investment of $3.2 million); reduced payment and/or payment deferral (18 contracts; recorded investment of $2.9 million); or a combination of concessions (30 contracts; recorded investment of $2.9 million).

The following is a summary, by class of loan, of information related to TDRs completed within the previous 12 months that subsequently defaulted during the years ended December 31, 2020 and 2019. For purposes of this disclosure, the previous 12 months is measured from January 1 of the respective prior year and a default represents a previously-modified loan that became past due 30 days or more during 2020 or 2019.

| | 2020 | | 2019 | |
|---|---|---|---|---|
| Years ended December 31 (dollars in millions) | Number of Contracts | Recorded Investment as of Period End | Number of Contracts | Recorded Investment as of Period End |
| Commercial: | | | | |
| Commercial real estate | 2 | $ 1.5 | — | $ — |
| Commercial and industrial | 8 | 4.7 | 2 | 2.4 |
| Equipment financing | 9 | 1.7 | 8 | 5.3 |
| MW/ABL | — | — | — | — |
| Total | 19 | 7.9 | 10 | 7.7 |
| Retail: | | | | |
| Residential mortgage | 2 | 0.1 | 5 | 2.2 |
| Home equity | — | — | 12 | 1.0 |
| Other consumer | — | — | — | — |
| Total | 2 | 0.1 | 17 | 3.2 |
| Total | 21 | $ 8.0 | 27 | $ 10.9 |

***Credit Quality Indicators***

As part of the on-going monitoring of the credit quality of the loan portfolio, management tracks certain credit quality indicators, including trends related to: (i) internal Commercial loan risk ratings; (ii) internal Retail loan risk classification; and (iii) non-accrual loans (see Note 1).

*Commercial Credit Quality Indicators*

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

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

The following table presents Commercial loan risk ratings, by class of loan and year of origination:

| As of December 31, 2020 (in millions) | 2020 | 2019 | 2018 | 2017 | 2016 | Prior | Revolving Loans | Revolving Loans Converted to Term | Total |
|---|---|---|---|---|---|---|---|---|---|
| Commercial real estate: | | | | | | | | | |
| Pass | $ 848.5 | $1,743.2 | $1,490.4 | $1,397.8 | $1,274.2 | $5,039.3 | $ 165.8 | $ 19.7 | $ 11,978.9 |
| Special Mention | 28.5 | 72.9 | 225.6 | 131.2 | 58.9 | 362.7 | 0.5 | — | 880.3 |
| Substandard | 12.0 | 26.7 | 63.3 | 51.9 | 63.2 | 252.7 | 2.8 | 4.2 | 476.8 |
| Doubtful | — | — | — | — | — | 0.9 | — | — | 0.9 |
| Total | $ 889.0 | $1,842.8 | $1,779.3 | $1,580.9 | $1,396.3 | $5,655.6 | $ 169.1 | $ 23.9 | $ 13,336.9 |
| Commercial and industrial: | | | | | | | | | |
| Pass | $2,952.8 | $1,236.9 | $ 821.9 | $ 527.1 | $ 487.2 | $1,588.5 | $ 1,949.1 | $ 77.4 | $ 9,640.9 |
| Special Mention | 113.9 | 41.7 | 46.4 | 120.3 | 57.1 | 122.1 | 80.8 | 6.3 | 588.6 |
| Substandard | 27.0 | 86.3 | 84.2 | 47.6 | 29.8 | 141.2 | 97.7 | 18.4 | 532.2 |
| Doubtful | — | — | — | — | 0.8 | 1.5 | — | 0.1 | 2.4 |
| Total | $3,093.7 | $1,364.9 | $ 952.5 | $ 695.0 | $ 574.9 | $1,853.3 | $ 2,127.6 | $ 102.2 | $ 10,764.1 |
| Equipment financing: | | | | | | | | | |
| Pass | $1,703.3 | $1,358.7 | $ 727.2 | $ 362.1 | $ 155.5 | $ 67.1 | $ — | $ — | $ 4,373.9 |
| Special Mention | 20.5 | 27.5 | 16.7 | 7.3 | 4.2 | 1.5 | — | — | 77.7 |
| Substandard | 169.9 | 137.5 | 87.7 | 49.8 | 17.9 | 15.6 | — | — | 478.4 |
| Doubtful | — | — | — | — | — | — | — | — | — |
| Total | $1,893.7 | $1,523.7 | $ 831.6 | $ 419.2 | $ 177.6 | $ 84.2 | $ — | $ — | $ 4,930.0 |
| MW/ABL: | | | | | | | | | |
| Pass | $ 99.4 | $ 18.6 | $ 18.3 | $ 8.8 | $ 14.1 | $ 19.6 | $ 3,994.3 | $ — | $ 4,173.1 |
| Special Mention | — | 6.9 | — | — | — | — | 20.5 | — | 27.4 |
| Substandard | — | 1.7 | — | — | — | — | 15.0 | 1.0 | 17.7 |
| Doubtful | — | — | — | — | — | — | — | — | — |
| Total | $ 99.4 | $ 27.2 | $ 18.3 | $ 8.8 | $ 14.1 | $ 19.6 | $ 4,029.8 | $ 1.0 | $ 4,218.2 |

*Retail Credit Quality Indicators*

Pools of Retail loans with similar risk and loss characteristics are also assessed for losses. These loan pools include residential mortgage, home equity and other consumer loans that are not assigned individual loan risk ratings. Rather, the assessment of these portfolios is based upon a consideration of recent historical loss experience, broader portfolio indicators, including trends in delinquencies, non-accrual loans and portfolio concentrations, and portfolio-specific risk characteristics, the combination of which determines whether a loan is classified as "High", "Moderate" or "Low" risk.

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

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

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

The following table presents Retail loan risk classification, by class of loan and year of origination:

| As of December 31, 2020 (in millions) | 2020 | 2019 | 2018 | 2017 | 2016 | Prior | Revolving Loans | Revolving Loans Converted to Term | Total |
|---|---|---|---|---|---|---|---|---|---|
| Residential mortgage: | | | | | | | | | |
| Low Risk | $ 609.5 | $ 349.1 | $ 338.3 | $ 504.0 | $1,004.6 | $1,793.8 | $ — | $ — | $4,599.3 |
| Moderate Risk | 752.5 | 456.8 | 443.9 | 517.5 | 520.2 | 519.8 | — | — | 3,210.7 |
| High Risk | 81.2 | 60.4 | 95.0 | 109.6 | 86.6 | 276.1 | — | — | 708.9 |
| Total | $1,443.2 | $ 866.3 | $ 877.2 | $1,131.1 | $1,611.4 | $2,589.7 | $ — | $ — | $8,518.9 |
| Home equity: | | | | | | | | | |
| Low Risk | $ 1.9 | $ 7.4 | $ 21.1 | $ 24.6 | $ 10.7 | $ 25.8 | $ 580.0 | $ 42.9 | $ 714.4 |
| Moderate Risk | 0.6 | 3.7 | 9.2 | 12.2 | 6.6 | 13.4 | 520.0 | 45.3 | 611.0 |
| High Risk | 2.8 | 21.8 | 38.1 | 22.0 | 7.5 | 18.8 | 415.7 | 145.1 | 671.8 |
| Total | $ 5.3 | $ 32.9 | $ 68.4 | $ 58.8 | $ 24.8 | $ 58.0 | $ 1,515.7 | $ 233.3 | $1,997.2 |
| Other consumer: | | | | | | | | | |
| Low Risk | $ 0.9 | $ 1.7 | $ 1.7 | $ 0.9 | $ 0.4 | $ 2.7 | $ 11.4 | $ 0.1 | $ 19.8 |
| Moderate Risk | — | — | — | — | — | 0.1 | 4.8 | 0.1 | 5.0 |
| High Risk | 5.5 | 27.3 | 17.9 | 2.3 | 1.0 | 8.5 | 16.8 | 0.1 | 79.4 |
| Total | $ 6.4 | $ 29.0 | $ 19.6 | $ 3.2 | $ 1.4 | $ 11.3 | $ 33.0 | $ 0.3 | $ 104.2 |

The following tables present Commercial and Retail credit quality indicators as of December 31, 2019:

| (in millions) | Commercial Real Estate | Commercial and Industrial | Equipment Financing | Total |
|---|---|---|---|---|
| Commercial: | | | | |
| Pass | $ 14,222.3 | $ 10,391.7 | $ 4,433.5 | $ 29,047.5 |
| Special mention | 334.3 | 330.4 | 76.5 | 741.2 |
| Substandard | 202.6 | 315.8 | 400.4 | 918.8 |
| Doubtful | 3.1 | 3.7 | — | 6.8 |
| Total | 14,762.3 | 11,041.6 | 4,910.4 | 30,714.3 |

| (in millions) | Residential Mortgage | Home Equity | Other Consumer | Total |
|---|---|---|---|---|
| Retail: | | | | |
| Low risk | $ 4,410.0 | $ 747.3 | $ 24.9 | $ 5,182.2 |
| Moderate risk | 4,958.3 | 548.5 | 5.9 | 5,512.7 |
| High risk | 949.8 | 1,110.7 | 126.4 | 2,186.9 |
| Total | $ 10,318.1 | $ 2,406.5 | $ 157.2 | $ 12,881.8 |

The following table is a summary of revolving loans that converted to term:

| Year ended December 31 (in millions) | 2020 |
|---|---|
| Commercial: | |
| Commercial real estate | $ 1.4 |
| Commercial and industrial | 53.3 |
| Equipment financing | — |
| MW/ABL | — |
| Total | 54.7 |
| Retail: | |
| Residential mortgage | — |
| Home equity | 37.1 |
| Other consumer | 0.1 |
| Total | 37.2 |
| Total | $ 91.9 |

## NOTE 6 – Allowance for Credit Losses

On January 1, 2020, the Company adopted the CECL standard, which requires the measurement of expected credit losses for financial assets measured at amortized cost, including loans, and certain off-balance-sheet credit exposures.

***Allowance for Credit Losses – Loans***

At December 31, 2020, the collective ACL totaled $404.6 million and the specific allocations of the ACL for loans evaluated on an individual basis totaled $20.5 million. The increase in the ACL in 2020 primarily reflects the initial application of the CECL standard and the economic uncertainties brought about by COVID-19, specifically as it relates to assumptions regarding GDP and unemployment.

The following table presents a summary, by loan portfolio segment, of activity in the ACL for the years ended December 31, 2020, 2019 and 2018:

| | 2020 | | | 2019 | | | 2018 | | |
|---|---|---|---|---|---|---|---|---|---|
| Years ended December 31 (in millions) | Commercial | Retail | Total | Commercial | Retail | Total | Commercial | Retail | Total |
| Balance at beginning of period | $ 217.9 | $ 28.7 | $ 246.6 | $ 209.5 | $ 30.9 | $ 240.4 | $ 204.5 | $ 29.9 | $ 234.4 |
| CECL transition adjustment | (17.3) | 89.5 | 72.2 | N/A | N/A | N/A | N/A | N/A | N/A |
| Balance at beginning of period, adjusted | 200.6 | 118.2 | 318.8 | 209.5 | 30.9 | 240.4 | 204.5 | 29.9 | 234.4 |
| Charge-offs | (52.4) | (6.5) | (58.9) | (27.5) | (4.0) | (31.5) | (27.6) | (3.3) | (30.9) |
| Recoveries | 6.4 | 2.7 | 9.1 | 6.3 | 3.1 | 9.4 | 4.8 | 2.1 | 6.9 |
| Net loan charge-offs | (46.0) | (3.8) | (49.8) | (21.2) | (0.9) | (22.1) | (22.8) | (1.2) | (24.0) |
| Provision for credit losses on loans | 149.0 | 7.1 | 156.1 | 29.6 | (1.3) | 28.3 | 27.8 | 2.2 | 30.0 |
| Balance at end of period | $ 303.6 | $ 121.5 | $ 425.1 | $ 217.9 | $ 28.7 | $ 246.6 | $ 209.5 | $ 30.9 | $ 240.4 |

***Allowance for Credit Losses – Off-Balance-Sheet Credit Exposures***

The following table summarizes the changes in the ACL on off-balance-sheet credit exposures:

| Years ended December 31 (in millions) | 2020 | 2019 | 2018 |
|---|---|---|---|
| Balance at beginning of period | $ 5.6 | $ 2.7 | $ 2.3 |
| CECL transition adjustment | 14.5 | N/A | N/A |
| Balance at beginning of period, adjusted | 20.1 | 2.7 | 2.3 |
| Provision charged (credited) to income | 6.8 | 2.9 | 0.4 |
| Balance at end of period | $ 26.9 | $ 5.6 | $ 2.7 |

## NOTE 7 – Leases

Effective January 1, 2019, People's United adopted new accounting guidance relating to real estate (primarily branch locations) and office equipment subject to non-cancelable operating lease agreements entered into by the Company as lessee. The amount of the right-of-use ("ROU") assets and corresponding lease liabilities recorded upon adoption were based, primarily, on the present value of unpaid future minimum lease payments, the amount of which is dependent upon the population of leases in effect at the date of adoption, as well as assumptions with respect to renewals and/or extensions and the interest rate used to discount the future lease obligations.

As it relates to lease agreements entered into with equipment financing customers, and for which the Company acts as lessor, the impact principally relates to the definition of eligible initial direct costs ("IDC") under the new guidance. Specifically, the standard maintains a narrower definition of IDC which will result in the Company recognizing immediately (rather than deferring) certain lease origination-related expenses. Such expenses would be offset by the recognition of a higher yield on the underlying leases over their contractual term.

Upon adoption, the Company recognized (i) operating lease liabilities totaling $268.8 million, based on the present value of the remaining minimum lease payments, determined using a discount rate as of the effective date and (ii) corresponding ROU assets totaling $248.5 million, based upon the operating lease liabilities, adjusted for prepaid and deferred rent, and liabilities associated with lease termination costs.

*Lessor Arrangements*

People's United provides equipment financing to its customers through a variety of lessor arrangements, some of which may include options to renew and/or for the lessee to purchase the leased equipment at the end of the lease term. Direct financing leases and sales-type leases (collectively, "lease financing receivables") are carried at the aggregate of lease payments receivable plus the estimated residual value of the leased assets and any IDC incurred to originate these leases, less unearned income, which is accreted to interest income over the lease term using the interest method.

The residual value component of a lease financing receivable represents the estimated fair value of the leased equipment at the end of the lease term. In establishing residual value estimates, the Company may rely on industry data, historical experience, independent appraisals and, where appropriate, information regarding product life cycle, product upgrades and competing products. Upon expiration of a lease, residual assets are remarketed, resulting in an extension of the lease by the lessee, a lease to a new customer or purchase of the residual asset by the lessee or another party. Impairment of residual values arises if the expected fair value is less than the carrying amount. The Company assesses its net investment in lease financing receivables (including residual values) for impairment on a quarterly basis with any impairment losses recognized in accordance with the impairment guidance for financial instruments. As such, net investment in lease financing receivables may be reduced by an ACL with changes recognized as provision expense.

The composition of the Company's total net investment in lease financing receivables included within equipment financing loans in the Consolidated Statements of Condition was as follows:

| As of December 31 (in millions) | 2020 | 2019 |
|---|---|---|
| Lease payments receivable | $ 1,418.4 | $ 1,417.1 |
| Estimated residual value of leased assets | 132.7 | 128.0 |
| Gross investment in lease financing receivables | 1,551.1 | 1,545.1 |
| Plus: Deferred origination costs | 11.6 | 13.4 |
| Less: Unearned income | (150.7) | (156.9) |
| Total net investment in lease financing receivables | $ 1,412.0 | $ 1,401.6 |

The contractual maturities of the Company's lease financing receivables were as follows:

| (in millions) | December 31, 2020 |
|---|---|
| 2021 | $ 547.5 |
| 2022 | 421.0 |
| 2023 | 285.8 |
| 2024 | 175.9 |
| 2025 | 91.3 |
| Later years | 29.6 |
| Total | $ 1,551.1 |

Operating lease income, generated in connection with operating leases for which the Company acts as a lessor, is recognized on a straight-line basis over the lease term as a component of non-interest income in the Consolidated Statements of Income. Depreciation expense for assets under operating leases, which are included in other assets in the Consolidated Statements of Condition, is generally recorded on a straight-line basis over the lease term as a component of non-interest expense in the Consolidated Statements of Income.

The following table summarizes People's United's total lease income:

| Years ended December 31 (in millions) | 2020 | 2019 |
|---|---|---|
| Lease financing receivables | $ 69.0 | $ 66.7 |
| Operating leases | 49.7 | 50.8 |
| Total lease income | $ 118.7 | $ 117.5 |

*Lessee Arrangements*

Substantially all of the Company's lessee arrangements represent non-cancelable operating leases for real estate (primarily branch locations) and office equipment with terms extending through 2054. Under these arrangements, People's United records ROU assets and corresponding lease liabilities at lease commencement. Lease liabilities are recognized based on the present value of the remaining lease payments and discounted using the Company's incremental borrowing rate for borrowings of similar term. ROU assets initially equal the related lease liability, adjusted for any lease payments made prior to the lease commencement and any lease incentives. Portions of certain properties are subleased for terms extending through 2028.

At lease commencement, the Company considers renewal or termination options in the determination of the term of the lease. If it is reasonably certain that a renewal or termination option will be exercised, the effects of such options are included in the determination of the expected lease term. All leases are recorded with the exception of leases with an initial term of twelve months or less for which the Company made the short-term lease election. Within the Consolidated Statements of Condition, ROU assets are reported in other assets and the related lease liabilities are reported in other liabilities.

In recognizing ROU assets and related lease liabilities, lease and non-lease components (such as taxes, insurance and common area maintenance costs) are accounted for separately as such amounts are generally readily determinable under the Company's lease contracts. Lease expense is recognized on a straight-line basis over the lease term and is recorded within occupancy and equipment expense in the Consolidated Statements of Income. Variable lease payments, which generally relate to the non-lease components noted above, are expensed as incurred.

The following tables provide the components of lease cost and supplemental information:

| Years ended December 31 (in millions) | 2020 | 2019 |
|---|---|---|
| Operating lease cost | $ 65.1 | $ 61.6 |
| Variable lease cost | 10.0 | 8.6 |
| Finance lease cost | 0.3 | 0.1 |
| Sublease income | (1.9) | (1.4) |
| Net lease cost | $ 73.5 | $ 68.9 |

Rent expense under operating leases included in occupancy and equipment in the Consolidated Statements of Income totaled $64.2 million for the year ended December 31, 2018.

| As of and for the years ended December 31 (dollars in millions) | 2020 | 2019 |
|---|---|---|
| Lease ROU assets: | | |
| Operating lease | $ 234.9 | $ 276.6 |
| Finance lease | 2.3 | $ 2.6 |
| Lease liabilities: | | |
| Operating lease | $ 270.4 | $ 307.9 |
| Finance lease | 4.9 | 5.3 |
| Weighted-average discount rate: | | |
| Operating leases | 3.08 % | 3.13 % |
| Finance leases | 2.59 | 2.58 |
| Weighted-average remaining lease term (in years): | | |
| Operating leases | 7.6 | 7.7 |
| Finance leases | 11.2 | 12.2 |
| Cash payments included in the measurement of lease liabilities: | | |
| Reported in operating cash from operating leases | $ 66.6 | $ 61.7 |
| Reported in financing cash from finance leases | $ 0.1 | $ 0.1 |
| ROU assets obtained in exchange for lessee: | | |
| Operating lease liabilities (1) | 22.8 | 89.1 |
| Finance lease liabilities (1) | — | 2.6 |

(1) Liabilities as of December 31, 2019 exclude the related transition adjustment (see above).

The contractual maturities of the Company's lease liabilities as of December 31, 2020 were as follows:

| (in millions) | Operating Leases | Finance Leases |
|---|---|---|
| 2021 | $ 66.7 | $ 0.5 |
| 2022 | 48.8 | 0.5 |
| 2023 | 37.5 | 0.5 |
| 2024 | 31.2 | 0.5 |
| 2025 | 26.6 | 0.5 |
| Later years | 95.9 | 3.2 |
| Total lease payments | 306.7 | 5.7 |
| Less: Interest | (36.3) | (0.8) |
| Total lease liabilities | $ 270.4 | $ 4.9 |

In the fourth quarter of 2019, the Company completed a sale-leaseback transaction on a property located in Burlington, Vermont. The transaction resulted in a gain of $3.3 million, which is included in other non-interest income in the Consolidated Statements of Income.

## NOTE 8 – Goodwill and Other Acquisition-Related Intangible Assets

### *Goodwill*

Changes in the carrying amount of People’s United’s goodwill are summarized as follows:

| | Operating Segment | | | |
|---|---|---|---|---|
| (in millions) | Commercial Banking | Retail Banking | Wealth Management | Total |
| Balance at December 31, 2018 | $ 1,759.4 | $ 835.3 | $ 91.0 | $ 2,685.7 |
| Acquisition of: | | | | |
| United Financial | 120.5 | 83.8 | — | 204.3 |
| BSB Bancorp | 49.3 | 95.6 | — | 144.9 |
| VAR | 37.5 | — | — | 37.5 |
| Write-down relating to the sale of branches (1) | (0.6) | (3.8) | (2.5) | (6.9) |
| Balance at December 31, 2019 | 1,966.1 | 1,010.9 | 88.5 | 3,065.5 |
| Sale of PUIA (1) | — | — | (31.7) | (31.7) |
| Goodwill impairment | — | (353.0) | — | (353.0) |
| Balance at December 31, 2020 | $ 1,966.1 | $ 657.9 | $ 56.8 | $ 2,680.8 |

(1) See Note 2.

Goodwill is evaluated for impairment as of the annual measurement date or more frequently if a triggering event indicates that it is more likely than not that an impairment loss has been incurred. People’s United performed a quantitative assessment of goodwill impairment as of October 1, 2020 (its annual measurement date). A quantitative assessment includes determining the estimated fair value of each reporting unit, utilizing a combination of the discounted cash flow method of the income approach and the guideline public company method of the market approach, and comparing that fair value to each reporting unit's carrying amount. The income approach included a consideration of internal forecasts, growth rates, discount rates and terminal values. The market approach was based on a comparison of certain financial metrics of People’s United’s reporting units to guideline public company peers to derive selected trading multiples and incorporation of control premiums used. The income-based discounted cash flow approach was more heavily weighted (75%) than the market-based approach (25%) due to significant volatility in the market since the COVID-19 pandemic was declared a National Emergency on March 13, 2020.

Based on the quantitative assessment performed as of October 1, 2020, People’s United recognized a non-cash goodwill impairment charge totaling $353.0 million (representing 12% of total goodwill) associated with the Retail Banking reporting unit, while the fair values of the Commercial Banking and Wealth Management reporting units continued to exceed the respective carrying values by 4% and 103%, respectively. The projected cash flows of the Retail Banking reporting unit declined from prior period valuations due to record-low mortgage rates and the Federal Reserve’s updated guidance in the third quarter of 2020 regarding inflation targeting and expectations for interest rates to remain low for an extended period of time. The lower yielding and longer duration nature of the Company’s residential mortgage portfolio and a decline in home equity portfolio balances in recent years adversely impacted the Retail Banking reporting unit.

Due to the high degree of subjectivity involved in estimating the fair value of the Company’s reporting units, a decline in People’s United’s expected future cash flows or projected growth rates due to further deterioration in the economic environment, or continued market capitalization of the Company below book value, could result in an additional non-cash goodwill impairment charge that is material to People’s United’s results from operations.

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

All of People’s United’s tax deductible goodwill was created in transactions in which the Company purchased the assets of the target (as opposed to purchasing the issued and outstanding stock of the target). At December 31, 2020 and 2019, tax deductible goodwill totaled $113.6 million and $134.4 million, respectively.

***Other Acquisition-Related Intangible Assets***

The following is a summary of People’s United’s other acquisition-related intangible assets:

| | 2020 | | | 2019 | | |
|---|---|---|---|---|---|---|
| As of December 31 (in millions) | Gross Amount | Accumulated Amortization | Carrying Amount | Gross Amount | Accumulated Amortization | Carrying Amount |
| Core deposit intangible | $ 303.9 | $ 206.3 | $ 97.6 | $ 303.9 | $ 177.3 | $ 126.6 |
| Trade name intangible | 123.9 | 79.6 | 44.3 | 123.9 | 73.4 | 50.5 |
| Client relationships | 24.4 | 8.4 | 16.0 | 24.4 | 6.4 | 18.0 |
| Trust relationships | 42.7 | 37.6 | 5.1 | 42.7 | 35.1 | 7.6 |
| Insurance relationships | 38.1 | 38.1 | — | 38.1 | 34.3 | 3.8 |
| Favorable lease agreements | 2.9 | 0.9 | 2.0 | 2.9 | 0.6 | 2.3 |
| Non-compete agreements | 0.6 | 0.5 | 0.1 | 0.6 | 0.3 | 0.3 |
| Total other acquisition-related intangible assets | $ 536.5 | $ 371.4 | $ 165.1 | $ 536.5 | $ 327.4 | $ 209.1 |

Other acquisition-related intangible assets subject to amortization have an original weighted-average amortization period of 12 years. Amortization expense of other acquisition-related intangible assets totaled $40.8 million, $32.5 million and $21.8 million for the years ended December 31, 2020, 2019 and 2018, respectively. Scheduled amortization expense attributable to other acquisition-related intangible assets for each of the next five years is as follows: $35.5 million in 2021; $31.0 million in 2022; $23.3 million in 2023; $19.6 million in 2024; and $16.8 million in 2025.

In the fourth quarter of 2020, People's United recorded a complete write-down of the insurance customer relationships intangible asset ($3.2 million) as a result of its sale of PUIA. This charge is included in non-interest income (as a component of the net gain on sale) in the Consolidated Statements of Income. In the fourth quarter of 2019, People's United recorded a complete write-down of the mutual fund management contract intangible asset ($16.5 million) stemming from the liquidation of the Company's public mutual funds. The charge is included in other non-interest expense in the Consolidated Statements of Income. Also in the fourth quarter of 2019, People's United recorded partial write-downs of the trade name and trust relationship intangible assets ($1.9 million and $1.0 million, respectively) as a result of the sale of eight branches in central Maine. The charge is included in other non-interest income (as a component of the net gain on sale) in the Consolidated Statements of Income. Other than as described above, there were no impairment losses relating to goodwill or other acquisition-related intangible assets recorded in the Consolidated Statements of Income during the years ended December 31, 2020, 2019 and 2018.

## NOTE 9 – Premises and Equipment

The components of premises and equipment are summarized below:

| As of December 31 (in millions) | 2020 | 2019 |
|---|---|---|
| Land | $ 51.1 | $ 49.8 |
| Buildings | 313.6 | 330.6 |
| Leasehold improvements | 169.6 | 197.4 |
| Furniture and equipment | 277.3 | 324.3 |
| Total | 811.6 | 902.1 |
| Less: Accumulated depreciation and amortization | 534.9 | 596.6 |
| Total premises and equipment, net | $ 276.7 | $ 305.5 |

Depreciation and amortization expense included in occupancy and equipment expense in the Consolidated Statements of Income totaled $43.4 million, $41.7 million and $36.3 million for the years ended December 31, 2020, 2019 and 2018, respectively.

## NOTE 10 – Other Assets and Other Liabilities

The components of other assets are as follows:

| As of December 31 (in millions) | 2020 | 2019 |
|---|---|---|
| Fair value of derivative financial instruments (notes 21 and 23) | $ 800.3 | $ 341.0 |
| Affordable housing investments (note 14) | 460.8 | 383.9 |
| Lease ROU assets (note 7) | 237.2 | 279.2 |
| Accrued interest receivable (notes 4 and 5) | 202.2 | 156.1 |
| Leased equipment | 163.7 | 191.3 |
| Funded status of defined benefit pension plans (note 19) | 141.2 | 121.4 |
| Loan disbursements in process | 68.0 | 65.8 |
| Assets held in trust for supplemental retirement plans (note 19) | 56.9 | 51.0 |
| Net deferred tax asset (note 14) | 45.8 | 33.6 |
| Current income tax receivable (note 14) | 44.7 | 51.7 |
| Other prepaid expenses | 32.7 | 32.6 |
| Economic development investments | 29.1 | 29.2 |
| Investment in joint venture | 14.7 | 16.3 |
| Repossessed assets | 5.7 | 4.2 |
| Mortgage servicing rights | 4.8 | 10.6 |
| REO: | | |
| Commercial | 3.6 | 7.3 |
| Residential | 3.2 | 11.9 |
| Other | 37.6 | 65.9 |
| Total other assets | $ 2,352.2 | $ 1,853.0 |

The components of other liabilities are as follows:

| As of December 31 (in millions) | 2020 | 2019 |
|---|---|---|
| Lease liabilities (note 7) | $ 275.3 | $ 313.2 |
| Liability for unsettled purchases of securities | 194.8 | — |
| Future contingent commitments for affordable housing investments (note 14) | 182.4 | 141.1 |
| Fair value of derivative financial instruments (notes 21 and 23) | 170.4 | 96.2 |
| Liabilities for supplemental retirement plans (note 19) | 89.5 | 84.4 |
| Accrued expenses payable | 82.6 | 104.3 |
| Accrued employee benefits | 72.2 | 74.8 |
| Loan payments in process | 28.3 | 18.8 |
| ACL on off-balance-sheet credit exposures (note 6) | 26.9 | 5.6 |
| Other postretirement plans (note 19) | 17.7 | 18.7 |
| Accrued interest payable | 12.1 | 21.7 |
| Other | 41.9 | 26.7 |
| Total other liabilities | $ 1,194.1 | $ 905.5 |

## NOTE 11 – Deposits

The following is an analysis of People's United's total deposits by product type:

| | 2020 | | 2019 | |
|---|---|---|---|---|
| As of December 31 (dollars in millions) | Amount | Weighted-Average Rate | Amount | Weighted-Average Rate |
| Non-interest-bearing | $ 15,881.7 | — % | $ 9,803.7 | — % |
| Savings | 6,029.7 | 0.04 | 4,987.7 | 0.23 |
| Interest-bearing checking and money market | 24,567.5 | 0.17 | 19,592.6 | 0.92 |
| Time deposits maturing: | | | | |
| Within 3 months | 1,850.6 | 1.10 | 3,984.7 | 1.90 |
| After 3 but within 6 months | 1,155.1 | 0.68 | 2,659.3 | 2.12 |
| After 6 months but within 1 year | 1,464.1 | 0.75 | 1,354.8 | 1.77 |
| After 1 but within 2 years | 950.8 | 1.02 | 816.3 | 1.82 |
| After 2 but within 3 years | 165.7 | 1.75 | 275.4 | 2.23 |
| After 3 but within 4 years | 18.1 | 0.99 | 97.8 | 2.37 |
| After 4 but within 5 years | 54.4 | 0.68 | 17.2 | 1.09 |
| After 5 years (1) | — | 0.99 | — | 0.99 |
| Total | 5,658.8 | 0.92 | 9,205.5 | 1.95 |
| Total deposits | $ 52,137.7 | 0.19 % | $ 43,589.5 | 0.85 % |

(1) Amount totaled less than $0.1 million at both December 31, 2020 and 2019.

Time deposits issued in amounts that exceed $250,000 totaled $1.2 billion and $1.9 billion at December 31, 2020 and 2019, respectively. Overdrafts of non-interest-bearing deposit accounts totaling $2.8 million and $4.0 million at December 31, 2020 and 2019, respectively, have been classified as loans.

Interest expense on deposits is summarized as follows:

| Years ended December 31 (in millions) | 2020 | 2019 | 2018 |
|---|---|---|---|
| Savings | $ 5.4 | $ 13.4 | $ 7.2 |
| Interest-bearing checking and money market | 86.8 | 195.9 | 120.2 |
| Time | 95.0 | 147.6 | 88.7 |
| Total | $ 187.2 | $ 356.9 | $ 216.1 |

## NOTE 12 – Borrowings

People's United's borrowings are summarized as follows:

| | 2020 | | 2019 | |
|---|---|---|---|---|
| As of December 31 (dollars in millions) | Amount | Weighted-Average Rate | Amount | Weighted-Average Rate |
| Fixed-rate FHLB advances maturing: | | | | |
| Within 1 month | $ — | — % | $ 3,060.8 | 1.79 % |
| After 1 month but within 1 year | 556.9 | 0.41 | 44.8 | 1.79 |
| After 1 but within 2 years | 1.2 | 0.50 | 6.8 | 2.11 |
| After 2 but within 3 years | 0.5 | 0.05 | 1.2 | 0.51 |
| After 3 but within 4 years | — | — | 0.6 | 0.05 |
| After 4 but within 5 years | 8.6 | 1.70 | — | — |
| After 5 years | 2.5 | 0.83 | 11.2 | 1.50 |
| Total FHLB advances | 569.7 | 0.43 | 3,125.4 | 1.79 |
| Federal funds purchased maturing: | | | | |
| Within 1 month | 125.0 | 0.07 | 1,620.0 | 1.61 |
| Total federal funds purchased | 125.0 | 0.07 | 1,620.0 | 1.61 |
| Customer repurchase agreements maturing: | | | | |
| Within 1 month | 452.9 | 0.14 | 409.1 | 0.69 |
| Total customer repurchase agreements | 452.9 | 0.14 | 409.1 | 0.69 |
| Total borrowings | $ 1,147.6 | 0.28 % | $ 5,154.5 | 1.64 % |

At December 31, 2020, the Bank's total borrowing capacity from (i) the FHLB of Boston and the FRB-NY for advances and (ii) repurchase agreements was $16.6 billion based on the level of qualifying collateral available for these borrowings. In addition, the Bank had unsecured borrowing capacity of $1.0 billion at that date. FHLB advances are secured by the Bank's investment in FHLB stock and by a security agreement that requires the Bank to maintain, as collateral, sufficient qualifying assets not otherwise pledged (principally single-family residential mortgage loans, home equity lines of credit and loans, and commercial real estate loans).

Interest expense on borrowings consists of the following:

| Years ended December 31 (in millions) | 2020 | 2019 | 2018 |
|---|---|---|---|
| FHLB advances | $ 13.7 | $ 50.1 | $ 54.5 |
| Federal funds purchased | 5.4 | 24.6 | 13.6 |
| Customer repurchase agreements | 1.1 | 2.2 | 1.0 |
| Other borrowings | — | 0.1 | 1.8 |
| Total | $ 20.2 | $ 77.0 | $ 70.9 |

Information concerning People’s United’s borrowings is presented below:

| As of and for the years ended December 31 (dollars in millions) | 2020 | 2019 | 2018 |
|---|---|---|---|
| FHLB advances: | | | |
| Balance at year end | $ 569.7 | $ 3,125.4 | $ 2,404.5 |
| Average outstanding during the year | 1,371.2 | 2,098.0 | 2,653.6 |
| Maximum outstanding at any month end | 4,489.7 | 3,125.5 | 3,510.1 |
| Average interest rate during the year | 1.00 % | 2.39 % | 2.05 % |
| Federal funds purchased: | | | |
| Balance at year end | $ 125.0 | $ 1,620.0 | $ 845.0 |
| Average outstanding during the year | 688.2 | 1,127.5 | 682.2 |
| Maximum outstanding at any month end | 1,692.0 | 1,665.0 | 855.0 |
| Average interest rate during the year | 0.79 % | 2.18 % | 2.00 % |
| Customer repurchase agreements: | | | |
| Balance at year end | $ 452.9 | $ 409.1 | $ 332.9 |
| Carrying amount of collateral securities at year end | 462.0 | 418.0 | 342.3 |
| Average outstanding during the year | 379.0 | 296.6 | 252.7 |
| Maximum outstanding at any month end | 452.9 | 409.1 | 332.9 |
| Average interest rate during the year | 0.29 % | 0.75 % | 0.40 % |
| Other borrowings: | | | |
| Balance at year end | $ — | $ — | $ 11.0 |
| Average outstanding during the year | — | 3.3 | 104.5 |
| Maximum outstanding at any month end | — | 10.4 | 207.6 |
| Average interest rate during the year | — % | 1.87 % | 1.66 % |

## NOTE 13 – Notes and Debentures

Notes and debentures are summarized as follows:

| As of December 31 (in millions) | 2020 | 2019 |
|---|---|---|
| People’s United Financial, Inc.: | | |
| 3.65% senior notes due 2022 | $ 498.9 | $ 498.3 |
| 5.75% subordinated notes due 2024 | 80.2 | 81.6 |
| People’s United Bank: | | |
| 4.00% subordinated notes due 2024 | 430.5 | 413.2 |
| Total notes and debentures | $ 1,009.6 | $ 993.1 |

The 3.65% senior notes represent fixed-rate unsecured and unsubordinated obligations of People’s United with interest payable semi-annually. The Company may redeem the senior notes at its option, in whole or in part, at any time prior to September 6, 2022, at a redemption price equal to the greater of (i) 100% of the principal amount of the senior notes to be redeemed or (ii) a “make-whole” amount, plus in either case accrued and unpaid interest to the redemption date. In addition, the Company may redeem the senior notes at its option, in whole or in part, at any time on or following September 6, 2022, at a redemption price equal to 100% of the principal amount of the senior notes to be redeemed, plus accrued and unpaid interest to the redemption date.

People's United assumed the 5.75% subordinated notes in connection with its acquisition of United Financial. These subordinated notes, which were issued in September 2014, represent fixed-rate unsecured and unsubordinated obligations of People’s United with interest payable semi-annually. People's United may not redeem the subordinated notes prior to maturity without the prior approval of the FRB.

The 4.00% subordinated notes represent fixed-rate unsecured and subordinated obligations of the Bank with interest payable semi-annually. The Bank may redeem the notes, in whole or in part, on or after April 16, 2024 at a redemption price equal to 100% of the principal amount of the notes to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date. The Bank may redeem the notes in whole, but not in part, at its option at a redemption price equal to 100% of the principal amount of the notes together with accrued but unpaid interest to, but excluding, the date fixed for redemption, within 90 days of the occurrence of a "regulatory event" (as defined). Pursuant to capital regulations of the OCC, effective January 1, 2015, the Bank may not redeem the notes prior to maturity without the prior approval of the OCC. The Bank has entered into a pay floating/receive fixed interest rate swap to hedge the change in fair value of the subordinated notes due to changes in interest rates (see Note 23). For regulatory capital purposes, subordinated note issuances qualify, up to certain limits, as Tier 2 capital for both People's United's and the Bank's Total risk-based capital (see Note 16).

## NOTE 14 – Income Taxes

The following is a summary of total income tax expense:

| Years ended December 31 (in millions) | 2020 | 2019 | 2018 |
|---|---|---|---|
| Income tax expense applicable to pre-tax income | $ 129.0 | $ 132.0 | $ 108.2 |
| Deferred income tax expense (benefit) applicable to items reported in total other comprehensive income (loss) (note 18) | 24.1 | 27.2 | (12.2) |
| Total | $ 153.1 | $ 159.2 | $ 96.0 |

The components of income tax expense applicable to pre-tax income are summarized as follows:

| Years ended December 31 (in millions) | 2020 | 2019 | 2018 |
|---|---|---|---|
| Current tax expense: | | | |
| Federal | $ 113.4 | $ 90.8 | $ 83.0 |
| State | 34.3 | 26.9 | 23.3 |
| Total current tax expense | 147.7 | 117.7 | 106.3 |
| Deferred tax (benefit) expense (1) | (18.7) | 14.3 | 1.9 |
| Total income tax expense | $ 129.0 | $ 132.0 | $ 108.2 |

(1) Includes the effect of (decreases) increases in the valuation allowance for state deferred tax assets of $(13.7) million, $(7.7) million and $0.3 million in 2020, 2019 and 2018, respectively.

The following is a reconciliation of expected income tax expense, computed at the U.S. federal statutory rate of 21% to actual income tax expense:

| | 2020 | | 2019 | | 2018 | |
|---|---|---|---|---|---|---|
| Years ended December 31 (dollars in millions) | Amount | Rate | Amount | Rate | Amount | Rate |
| Expected income tax expense | $ 73.2 | 21.0 % | $ 137.0 | 21.0 % | $ 121.0 | 21.0 % |
| State income tax, net of federal tax effect | 23.9 | 6.8 | 22.6 | 3.4 | 23.2 | 4.1 |
| Non-deductible FDIC insurance premiums | 5.8 | 1.6 | 4.4 | 0.7 | 6.5 | 1.1 |
| Non-deductible goodwill impairment (1) | 74.1 | 21.3 | — | — | — | — |
| Tax-exempt interest | (22.0) | (6.3) | (21.4) | (3.3) | (19.4) | (3.4) |
| Federal income tax credits | (14.8) | (4.2) | (12.7) | (2.0) | (12.3) | (2.1) |
| Tax-exempt income from BOLI | (2.7) | (0.8) | (2.2) | (0.3) | (1.5) | (0.3) |
| Tax benefits recognized in connection with: | | | | | | |
| Release of CT valuation allowance | (7.1) | (2.1) | — | — | — | — |
| Equity-based compensation | 1.3 | 0.4 | (0.1) | — | (1.3) | (0.2) |
| The Tax Cuts and Jobs Act | — | — | — | — | (9.2) | (1.6) |
| Other, net | (2.7) | (0.7) | 4.4 | 0.7 | 1.2 | 0.2 |
| Actual income tax expense | $ 129.0 | | $ 132.0 | | $ 108.2 | |
| Effective income tax rate | | 37.0 % | | 20.2 % | | 18.8 % |

(1) See Note 8.

*Tax Reform*

The Tax Cuts and Jobs Act (the "Act") was enacted on December 22, 2017. The most significant provision of the Act applicable to the Company served to reduce the U.S. federal corporate income tax rate, effective January 1, 2018, from 35% to 21%. During the quarter ended December 31, 2018, the Company recognized an income tax benefit of $9.2 million related, primarily, to voluntary employer contributions totaling $50 million made to the Company’s defined benefit pension plans in February 2018 and deducted (as permitted) on the Company’s 2017 federal income tax return (see Note 19).

Under GAP, the effect of a change in tax law is recorded discretely as a component of the income tax provision related to continuing operations in the period of enactment. This is true even if the deferred taxes being revalued were established through a financial statement component other than continuing operations (e.g. accumulated other comprehensive income). Adjusting the deferred taxes for temporary differences that arose from items of income or loss that were originally recorded in accumulated other comprehensive income through continuing operations may result in a disproportionate tax effect lodged in accumulated other comprehensive income. In other words, the original deferred tax amount recorded through accumulated other comprehensive income at the old tax rate will remain in accumulated other comprehensive income despite the fact that its related deferred tax asset/liability will be reduced through continuing operations to reflect the new tax rate. The amounts lodged in accumulated other comprehensive income are often referred to as “stranded tax effects.”

In February 2018, as a result of the enactment of the Act, the FASB issued new accounting guidance that provided entities with the option to reclassify, from accumulated other comprehensive income to retained earnings, certain “stranded tax effects” resulting from application of the Act. The guidance became effective for all organizations for fiscal years beginning after December 15, 2018 (January 1, 2019 for People’s United), including interim periods within those fiscal years, and early adoption was permitted. The Company elected to early adopt this amendment effective January 1, 2018. Upon adoption, $37.9 million, representing the income tax effects of the Act as well as the indirect impacts from the decreased federal tax effect on future state tax benefits, was reclassified from AOCL to retained earnings. The reclassification adjustment, which related to: (i) the net actuarial loss on defined benefit pension and postretirement plans; (ii) the net unrealized loss on debt securities available-for-sale and debt securities transferred to held-to-maturity; and (iii) the net unrealized loss on derivatives accounted for as cash flow hedges, served to increase regulatory capital by $37.9 million, which resulted in an approximate 11 basis point increase in the risk-based capital ratios of both the Company and the Bank at that time.

*Affordable Housing Investments*

People's United holds ownership interests in limited partnerships formed to develop and operate affordable housing units for lower income tenants throughout its franchise area. The underlying partnerships, which are considered variable interest entities, are not consolidated into the Company's Consolidated Financial Statements. These investments have historically played a role in enabling the Bank to meet its Community Reinvestment Act requirements while, at the same time, providing federal income tax credits.

Affordable housing investments, including all legally binding commitments to fund future investments, are included in other assets in the Consolidated Statements of Condition ($460.8 million and $383.9 million at December 31, 2020 and 2019, respectively). Included in other liabilities in the Consolidated Statements of Condition is a liability for all legally binding unfunded commitments to fund future investments ($182.4 million and $141.1 million at those dates). The cost of the Company's investments is amortized on a straight-line basis over the period during which the related federal income tax credits are realized (generally ten years). Amortization expense, which is included as a component of income tax expense in the Consolidated Statements of Income, totaled $31.4 million, $25.0 million and $19.1 million for the years ended December 31, 2020, 2019 and 2018, respectively.

*D.C. Solar Tax-Advantaged Investments*

As a result of its acquisition of United Financial, People’s United became a limited liability member in three tax-advantaged funds – Solar Eclipse Investment Fund X, LLC; Solar Eclipse Investment Fund XV, LLC; and Solar Eclipse Investment Fund XXII, LLC (collectively, the “LLCs”) – each of which previously generated solar investment tax credits for United Financial. Solarmore Management Services, Inc. (“Solarmore”) originally served as the managing member for each of the LLCs, and also acted as the managing member of a number of other solar investment tax credit LLC funds (collectively, the “Funds”). In December 2019, Solarmore was replaced as the manager of the LLCs. The LLCs were established to participate in a government-sponsored program to promote solar technology and obtain financing to acquire approximately 500 mobile solar generators and place those generators in service to qualify for a federal tax credit based upon the fair value of the generators. Each Fund (and each LLC) obtained financing from D.C. Solar Solutions, Inc. (“Solutions”), which is also the manufacturer and seller of the generators, and entered into a master lease arrangement with D.C. Solar Distribution, Inc. (“Distribution”), the entity that is responsible for the end sub-lease activity supporting the fair value of the master lease agreement. Solutions and Distribution are indirectly related.

In December 2018, Solutions and Distribution (collectively, “D.C. Solar”) had certain assets seized by the U.S. Government. In late January and early February 2019, D.C. Solar and certain affiliated companies filed voluntary petitions for bankruptcy under Chapter 11 of the U.S. Bankruptcy Code in an attempt to reorganize. On March 22, 2019, primarily as a result of a lack of financing to maintain the on-going operations of these companies, ambiguity around actual inventory in existence and the U.S. Government’s seizure of certain assets, the bankruptcy cases were converted to cases under Chapter 7. Prior to conversion of the bankruptcy cases, an FBI affidavit filed in the bankruptcy cases contained allegations of a potential fraud perpetrated by the principals of D.C. Solar, including allegations of fictitious or overstated sales of mobile solar generators sold to the Funds (including the LLCs) as well as the fabrication of sublease revenue streams for the generators.

At the time of the Company’s acquisition of United Financial, further developments had occurred which served to increase the level of uncertainty with respect to the existence, condition and fair value of the generators. These factors were considered by the Company and, as a result, it was concluded that there was sufficient evidence to support that a full loss was probable. Accordingly, in connection with the related purchase accounting for United Financial, People’s United recorded a full write-down of the balance of the remaining investments in the LLCs of $8.4 million (after-tax) and established a reserve against tax benefits and credits of $18.9 million to reflect a full loss on the generators and the associated tax benefits previously realized by United Financial.

In January 2020, the principals of D.C. Solar plead guilty in federal court to conspiracy to commit wire fraud and money laundering in connection with their role in a Ponzi scheme in which they: (i) sold solar generators that did not exist; (ii) made it appear as though solar generators existed in locations where they did not; (iii) created false financial statements; and (iv) obtained false lease contracts. In connection with the guilty plea, the U.S. Securities and Exchange Commission filed related civil charges against the principals.

*Connecticut Passive Investment Company*

In 1998, the Bank formed a passive investment company, People's Mortgage Investment Company ("PMIC"), in accordance with Connecticut tax laws, which permit transfers of mortgage loans to such subsidiaries on or after January 1, 1999. The related earnings of PMIC, and any dividends it pays to the Bank, are not subject to Connecticut income tax. As a result of the exclusion of such earnings and dividends from Connecticut taxable income beginning in 1999, the Bank initially established a valuation allowance for the full amount of its Connecticut deferred tax asset attributable to net temporary differences and state net operating loss carryforwards. Connecticut tax net operating loss carryforwards totaled $1.1 billion at December 31, 2020 and expire between 2023 and 2032.

As a result of continued business expansion and growth, including, in recent years, within the state of Connecticut, during 2020 the Bank completed a review of its state net deferred tax assets, including an assessment of the valuation allowance established for net operating loss carryforwards not expected to be utilized. Consequently, the Bank adjusted the estimated realizability of its state net deferred tax assets by $7.1 million and recorded this amount as a one-time decrease to the provision for income tax expense in the fourth quarter of 2020.

The tax effects of temporary differences that give rise to People's United's deferred tax assets and liabilities are as follows:

| As of December 31 (in millions) | 2020 | 2019 |
|---|---|---|
| Deferred tax assets: | | |
| Allowance for credit losses and non-accrual interest | $ 117.3 | $ 65.5 |
| State tax net operating loss carryforwards, net of federal tax effect | 65.9 | 71.8 |
| Tax credits and net operating loss carryforwards | 24.7 | 24.7 |
| Equity-based compensation | 19.9 | 18.1 |
| Acquisition-related deferred tax assets | 12.7 | 30.5 |
| ROU lease assets, net of lease liabilities | 8.6 | 7.5 |
| D.C. Solar investment basis difference | 6.8 | 6.8 |
| Unrealized loss on debt securities transferred to held-to-maturity | 2.5 | 3.6 |
| Other deductible temporary differences | 26.6 | 28.2 |
| Total deferred tax assets | 285.0 | 256.7 |
| Less: valuation allowance for state deferred tax assets | (58.7) | (72.4) |
| Total deferred tax assets, net of the valuation allowance | 226.3 | 184.3 |
| Deferred tax liabilities: | | |
| Leasing activities | (88.3) | (92.7) |
| Unrealized gain on debt securities available-for-sale | (31.4) | (6.6) |
| Pension and other postretirement benefits | (25.6) | (20.0) |
| Book over tax income recognized on consumer loans | (17.2) | (18.0) |
| Temporary differences related to merchant services joint venture | (3.5) | (3.5) |
| Mark-to-market and original issue discounts for tax purposes | (1.8) | (5.2) |
| Other taxable temporary differences | (12.7) | (4.7) |
| Total deferred tax liabilities | (180.5) | (150.7) |
| Net deferred tax asset | $ 45.8 | $ 33.6 |

Based on People's United's recent historical and anticipated future pre-tax earnings and the reversal of taxable temporary differences, management believes it is more likely than not that People's United will realize its total deferred tax assets, net of the valuation allowance.

People's United's current income tax receivable at December 31, 2020 and 2019 totaled $44.7 million and $51.7 million, respectively.

The following is a reconciliation of the beginning and ending balances of People's United's unrecognized income tax benefits related to uncertain tax positions:

| Years ended December 31 (in millions) | 2020 | 2019 | 2018 |
|---|---|---|---|
| Balance at beginning of year | $ 33.3 | $ 5.2 | $ 2.7 |
| Additions for tax positions taken in prior years | 0.1 | 0.5 | 2.5 |
| Additions related to D.C. Solar: | | | |
| Established by United Financial prior to acquisition | — | 8.7 | — |
| Established by People's United subsequent to acquisition | — | 18.9 | — |
| Reductions attributable to audit settlements/lapse of statute of limitations | — | — | — |
| Balance at end of year | $ 33.4 | $ 33.3 | $ 5.2 |

If recognized, the unrecognized income tax benefits at December 31, 2020 would minimally affect People’s United’s annualized income tax rate. Accrued interest expense related to the unrecognized income tax benefits totaled $0.1 million at both December 31, 2020 and 2019. People’s United recognizes accrued interest related to unrecognized income tax benefits and penalties, if incurred, as components of income tax expense in the Consolidated Statements of Income. The amount of total unrecognized income tax benefits, excluding those related to D.C. Solar, is not expected to change significantly within the next twelve months. With respect to unrecognized income tax benefits related to D.C. Solar, timing remains uncertain given the nature of the matter, including the ongoing federal criminal investigation. People's United files a consolidated U.S. federal income tax return and various state income tax returns and is no longer subject to federal or state income tax examinations through 2016.

## NOTE 15 – Stockholders’ Equity and Dividends

People’s United is authorized to issue (i) 50.0 million shares of preferred stock, par value of $0.01 per share, of which 10.0 million shares were issued at December 31, 2020, and (ii) 1.95 billion shares of common stock, par value of $0.01 per share, of which 533.7 million shares were issued at December 31, 2020.

Treasury stock includes (i) common stock repurchased by People’s United, either directly or through agents, in the open market at prices and terms satisfactory to management in connection with stock repurchases authorized by its Board of Directors (106.4 million shares at December 31, 2020) and (ii) common stock purchased in the open market by a trustee with funds provided by People’s United and originally intended for awards under the People’s United Financial, Inc. 2007 Recognition and Retention Plan (the “RRP”) (2.6 million shares at December 31, 2020). Following shareholder approval of the People’s United Financial, Inc. 2014 Long-Term Incentive Plan (the “2014 Plan”) in 2014, no new awards may be granted under the RRP (see Note 20).

In June 2019, the Company’s Board of Directors authorized the repurchase of up to 20.0 million shares of People’s United’s outstanding common stock. Such shares may be repurchased, either directly or through agents, in the open market at prices and terms satisfactory to management. During 2019, the Company repurchased 0.2 million shares of People's United common stock under this authorization at a total cost of $2.5 million. In the first quarter of 2020, the Company completed the repurchase authorization by purchasing 19.8 million shares of People's United common stock at a total cost of $304.4 million.

In April 2007, People’s United established an ESOP (see Note 19). At that time, People’s United loaned the ESOP $216.8 million to purchase 10.5 million shares of People’s United common stock in the open market. Shares of People’s United common stock are held by the ESOP and allocated to eligible participants annually based upon a percentage of each participant’s eligible compensation. At December 31, 2020, 5.6 million shares of People’s United common stock, with a contra-equity balance of $115.6 million, have not been allocated or committed to be released.

Common dividends declared and paid per common share totaled $0.7175, $0.7075 and $0.6975 for the years ended December 31, 2020, 2019 and 2018, respectively. People’s United’s common dividend payout ratio (common dividends paid as a percentage of net income available to common shareholders) was 148.0%, 54.3% and 53.7% for the years ended December 31, 2020, 2019 and 2018, respectively.

In the ordinary course of business, People’s United (parent company) is dependent upon dividends from the Bank to provide funds for the payment of dividends to shareholders and other general corporate purposes. People’s United’s ability to pay cash dividends is governed by federal law, regulations and related guidance. The Bank’s ability to pay cash dividends directly or indirectly to People’s United also is governed by federal law and regulations. These provide that the Bank must receive OCC approval to declare a dividend if the total amount of all dividends (common and preferred), including the proposed dividend, declared by the Bank in any current year exceeds the total of the Bank’s net income for the current year to date, combined with its retained net income for the previous two years, less the sum of any transfers required by the OCC and any transfers required to be made to a fund for the retirement of any preferred stock. The term “retained net income” as defined by federal regulations means the Bank’s net income for a specified period less the total amount of all dividends declared in that period.

The Bank may not pay dividends to People’s United if, after paying those dividends, it would fail to meet the required minimum levels under risk-based capital guidelines or if the OCC has notified the Bank that it is in need of more than normal supervision. See Note 16 for a discussion of regulatory capital requirements. Under the Federal Deposit Insurance Act, an insured depository institution such as the Bank is prohibited from making capital distributions, including the payment of dividends, if, after making such distribution, the institution would become “undercapitalized” (as such term is used in the Federal Deposit Insurance Act). Payment of dividends by the Bank also may be restricted at any time at the discretion of the appropriate regulator if it deems the payment to constitute an unsafe and unsound banking practice.

In 2020, 2019 and 2018, the Bank paid a total of $498.0 million, $457.0 million and $342.0 million, respectively, in cash dividends to People’s United (parent company). At December 31, 2020, the Bank’s retained net income, as defined by federal regulations, totaled $(170.3) million.

## NOTE 16 – Regulatory Capital Requirements

Bank holding companies and banks are subject to various regulations regarding capital requirements administered by U.S. banking agencies. The FRB (in the case of a bank holding company) and the OCC (in the case of a bank) may initiate certain actions if a bank holding company or a bank fails to meet minimum capital requirements. In addition, under its prompt corrective action regulations, the OCC is required to take certain supervisory actions (and may take additional discretionary actions) with respect to an undercapitalized bank. These actions could have a direct material effect on a bank’s financial statements. People’s United and the Bank are subject to regulatory capital requirements administered by the FRB and the OCC, respectively.

Both People’s United and the Bank are subject to capital rules (the “Basel III capital rules”) issued by U.S. banking agencies. The Basel III capital rules require U.S. financial institutions to maintain: (i) a minimum ratio of Common Equity Tier 1 (“CET 1”) capital to total risk-weighted assets of at least 4.5%, plus a 2.5% “capital conservation buffer” (which is added to the 4.5% CET 1 risk-based capital ratio, effectively resulting in a minimum CET 1 risk-based capital ratio of 7.0%); (ii) a minimum ratio of Tier 1 capital to total risk-weighted assets of at least 6.0%, plus the capital conservation buffer (which is added to the 6.0% Tier 1 risk-based capital ratio, effectively resulting in a minimum Tier 1 risk-based capital ratio of 8.5%); (iii) a minimum ratio of Total (that is, Tier 1 plus Tier 2) capital to total risk-weighted assets of at least 8.0%, plus the capital conservation buffer (which is added to the 8.0% Total risk-based capital ratio, effectively resulting in a minimum Total risk-based capital ratio of 10.5%); and (iv) a minimum Tier 1 Leverage capital ratio of at least 4.0%, calculated as the ratio of Tier 1 capital to average total assets, as defined.

In order to avoid limitations on distributions, including dividend payments, and certain discretionary bonus payments, a financial institution must hold a capital conservation buffer of 2.50% above its minimum risk-based capital requirements.

For regulatory capital purposes, subordinated note issuances qualify, up to certain limits, as Tier 2 capital for Total risk-based capital. In accordance with regulatory capital rules, the eligible amount of the Bank's $400 million subordinated notes due 2024 and People's United's $75 million subordinated notes due 2024 included in Tier 2 capital will both be reduced each year until the year of final maturity by 20%, or $80 million and $15 million, respectively.

The foregoing capital ratios are based in part on specific quantitative measures of assets, liabilities and certain off-balance-sheet items as calculated under regulatory accounting guidelines. Capital amounts and classifications are also subject to qualitative judgments by federal regulators about capital components, risk weightings and other factors.

Management believes that, as of December 31, 2020, both People's United and the Bank met all capital adequacy requirements to which each is subject. Further, the most recent regulatory notification categorized the Bank as a well-capitalized institution under the prompt corrective action regulations. Since that notification, no conditions or events have occurred that have caused management to believe any change in the Bank's capital classification would be warranted.

As discussed in Note 1, the Company's adoption of the CECL standard effective January 1, 2020, resulted in an approximate 10 basis points decrease in the capital ratios at both the Bank and People's United at that time. In December 2018, the Federal banking agencies approved a final rule allowing an option to phase-in, over three years, the day one regulatory capital effects of the CECL standard. In March 2020, the Federal banking agencies issued an interim final rule providing an alternative option to delay, for two years, an estimate of the CECL standard’s effect on regulatory capital (relative to incurred loss methodology's effect on regulatory capital), followed by a three-year transition period. The Company has elected the alternative option provided in the March 2020 interim final rule.

The following is a summary of People's United’s and the Bank's regulatory capital amounts and ratios under the Basel III capital rules. The minimum capital required amounts are based on the capital conservation buffer of the Basel III capital rules. In connection with the adoption of the Basel III capital rules, both the Company and the Bank elected to opt-out of the requirement to include most components of AOCL in CET 1 capital. At December 31, 2020, People's United's and the Bank's total risk-weighted assets, as defined, were $45.1 billion and $45.0 billion, respectively, compared to $45.2 billion for both at December 31, 2019. For regulatory capital purposes, PPP loans are assigned a zero risk-weighting as a result of the related SBA guarantee on such loans.

| | As of December 31, 2020 | | Minimum Capital Required | | Classification as Well-Capitalized | |
|---|---|---|---|---|---|---|
| (dollars in millions) | Amount | Ratio | Amount | Ratio | Amount | Ratio |
| Tier 1 Leverage Capital (1): | | | | | | |
| People’s United | $ 4,967.8 | 8.4 % | $ 2,374.3 | 4.0 % | N/A | N/A |
| Bank | 5,168.4 | 8.7 | 2,373.7 | 4.0 | $ 2,967.2 | 5.0 % |
| CET 1 Risk-Based Capital (2): | | | | | | |
| People’s United | 4,723.7 | 10.5 | 3,155.3 | 7.0 | N/A | N/A |
| Bank | 5,168.4 | 11.5 | 3,151.1 | 7.0 | 2,926.0 | 6.5 |
| Tier 1 Risk-Based Capital (3): | | | | | | |
| People’s United | 4,967.8 | 11.0 | 3,831.4 | 8.5 | 2,704.5 | 6.0 |
| Bank | 5,168.4 | 11.5 | 3,826.3 | 8.5 | 3,601.3 | 8.0 |
| Total Risk-Based Capital (4): | | | | | | |
| People’s United | 5,589.5 | 12.4 | 4,732.9 | 10.5 | 4,507.5 | 10.0 |
| Bank | 5,745.1 | 12.8 | 4,726.7 | 10.5 | 4,501.6 | 10.0 |

| | As of December 31, 2019 | | Minimum Capital Required | | Classification as Well-Capitalized | |
|---|---|---|---|---|---|---|
| (dollars in millions) | Amount | Ratio | Amount | Ratio | Amount | Ratio |
| Tier 1 Leverage Capital (1): | | | | | | |
| People’s United | $ 4,846.1 | 9.1 % | $ 2,119.7 | 4.0 % | N/A | N/A |
| Bank | 4,902.0 | 9.3 | 2,119.1 | 4.0 | $ 2,648.8 | 5.0 % |
| CET 1 Risk-Based Capital (2): | | | | | | |
| People’s United | 4,602.1 | 10.2 | 3,164.5 | 7.0 | N/A | N/A |
| Bank | 4,902.0 | 10.9 | 3,162.2 | 7.0 | 2,936.3 | 6.5 |
| Tier 1 Risk-Based Capital (3): | | | | | | |
| People’s United | 4,846.1 | 10.7 | 3,842.6 | 8.5 | 2,712.5 | 6.0 |
| Bank | 4,902.0 | 10.9 | 3,839.8 | 8.5 | 3,614.0 | 8.0 |
| Total Risk-Based Capital (4): | | | | | | |
| People’s United | 5,435.6 | 12.0 | 4,746.8 | 10.5 | 4,520.8 | 10.0 |
| Bank | 5,474.2 | 12.1 | 4,743.3 | 10.5 | 4,517.4 | 10.0 |

(1) Tier 1 Leverage Capital ratio represents CET 1 Capital plus Additional Tier 1 Capital instruments (together, "Tier 1 Capital") divided by Average Total Assets (less goodwill, other acquisition-related intangibles and other deductions from CET 1 Capital). Average PPP loans are included in Average Total Assets.

(2) CET 1 Risk-Based Capital ratio represents equity capital, as defined, less: (i) after-tax net unrealized gains (losses) on certain securities classified as available-for-sale; (ii) after-tax net unrealized gains (losses) on securities transferred to held-to-maturity; (iii) goodwill and other acquisition-related intangible assets; and (iv) the amount recorded in AOCL relating to pension and other postretirement benefits divided by Total Risk-Weighted Assets.

(3) Tier 1 Risk-Based Capital ratio represents Tier 1 Capital divided by Total Risk-Weighted Assets.

(4) Total Risk-Based Capital ratio represents Tier 1 Capital plus subordinated notes and debentures, up to certain limits, and the ACL, up to 1.25% of Total Risk-Weighted Assets, divided by Total Risk-Weighted Assets.

## NOTE 17 – Earnings Per Common Share

The following is an analysis of People's United's basic and diluted EPS, reflecting the application of the two-class method, as described in Note 1:

| Years ended December 31 (in millions, except per common share data) | 2020 | 2019 | 2018 |
|---|---|---|---|
| Net income available to common shareholders | $ 205.5 | $ 506.3 | $ 454.0 |
| Dividends paid on and undistributed earnings allocated to participating securities | — | (0.2) | (0.2) |
| Earnings attributable to common shareholders | $ 205.5 | $ 506.1 | $ 453.8 |
| Weighted average common shares outstanding for basic EPS | 420.3 | 394.0 | 348.1 |
| Effect of dilutive equity-based awards | 2.3 | 3.2 | 3.6 |
| Weighted average common shares and common-equivalent shares for diluted EPS | 422.6 | 397.2 | 351.7 |
| EPS: | | | |
| Basic | $ 0.49 | $ 1.28 | $ 1.30 |
| Diluted | 0.49 | 1.27 | 1.29 |

All unallocated ESOP common shares and all common shares accounted for as treasury shares have been excluded from the calculation of basic and diluted EPS. Anti-dilutive equity-based awards totaling 18.0 million shares, 6.7 million shares and 6.8 million shares for the years ended December 31, 2020, 2019 and 2018, respectively, have also been excluded from the calculation of diluted EPS.

## NOTE 18 – Comprehensive Income

Comprehensive income represents the sum of net income and items of "other comprehensive income or loss," including (on an after-tax basis): (i) net actuarial gains and losses, prior service credits and costs, and transition assets and obligations related to People's United's pension and other postretirement plans; (ii) net unrealized gains and losses on debt securities available-for-sale; (iii) net unrealized gains and losses on debt securities transferred to held-to-maturity; and (iv) net unrealized gains and losses on derivatives accounted for as cash flow hedges. People's United's total comprehensive income for the years ended December 31, 2020, 2019 and 2018 is reported in the Consolidated Statements of Comprehensive Income.

The following is a summary of the changes in the components of AOCL, which are included in People's United's stockholders' equity on an after-tax basis:

| (in millions) | Pension and Other Postretirement Plans | Net Unrealized Gains (Losses) on Debt Securities Available-for-Sale | Net Unrealized Gains (Losses) on Debt Securities Transferred to Held-to-Maturity | Net Unrealized Gains (Losses) on Derivatives Accounted for as Cash Flow Hedges | Total AOCL |
|---|---|---|---|---|---|
| Balance at December 31, 2017 | $ (144.1) | $ (21.6) | $ (15.1) | $ (0.9) | $ (181.7) |
| Other comprehensive income (loss) before reclassifications | (24.7) | (29.0) | — | (1.3) | (55.0) |
| Amounts reclassified from AOCL (1) | 6.3 | 7.5 | 3.0 | 0.4 | 17.2 |
| Current period other comprehensive income (loss) | (18.4) | (21.5) | 3.0 | (0.9) | (37.8) |
| Transition adjustments related to adoption of new accounting standards (2) | (30.0) | (3.9) | (3.2) | (0.2) | (37.3) |
| Balance at December 31, 2018 | (192.5) | (47.0) | (15.3) | (2.0) | (256.8) |
| Other comprehensive income (loss) before reclassifications | 9.7 | 67.9 | — | 1.5 | 79.1 |
| Amounts reclassified from AOCL (1) | 6.6 | (0.1) | 3.5 | 0.8 | 10.8 |
| Current period other comprehensive income (loss) | 16.3 | 67.8 | 3.5 | 2.3 | 89.9 |
| Balance at December 31, 2019 | (176.2) | 20.8 | (11.8) | 0.3 | (166.9) |
| Other comprehensive income (loss) before reclassifications | (12.0) | 82.3 | — | (1.0) | 69.3 |
| Amounts reclassified from AOCL (1) | 6.4 | — | 3.6 | (1.6) | 8.4 |
| Current period other comprehensive income (loss) | (5.6) | 82.3 | 3.6 | (2.6) | 77.7 |
| Balance at December 31, 2020 | $ (181.8) | $ 103.1 | $ (8.2) | $ (2.3) | $ (89.2) |

(1) See the following table for details about these reclassifications.
(2) See Notes 4 and 14.

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

| | Amounts Reclassified from AOCL | | | Affected Line Item in the Statement Where Net Income is Presented |
|---|---|---|---|---|
| Years ended December 31 (in millions) | 2020 | 2019 | 2018 | |
| Details about components of AOCL: | | | | |
| Amortization of pension and other postretirement plans items: | | | | |
| Net actuarial loss | $ (8.4) | $ (8.3) | $ (8.6) | (1) |
| Prior service credit | — | — | 0.3 | (1) |
| | (8.4) | (8.3) | (8.3) | Income before income tax expense |
| | 2.0 | 1.7 | 2.0 | Income tax expense |
| | (6.4) | (6.6) | (6.3) | Net income |
| Reclassification adjustment for net realized losses on debt securities available-for-sale | — | 0.1 | (9.9) | Income before income tax expense (2) |
| | — | — | 2.4 | Income tax expense |
| | — | 0.1 | (7.5) | Net income |
| Amortization of unrealized losses on debt securities transferred to held-to-maturity | (4.7) | (4.6) | (3.9) | Income before income tax expense (3) |
| | 1.1 | 1.1 | 0.9 | Income tax expense |
| | (3.6) | (3.5) | (3.0) | Net income |
| Amortization of unrealized gains and losses on cash flow hedges: | | | | |
| Interest rate swaps | 1.9 | (1.2) | (0.6) | (4) |
| Interest rate locks | 0.1 | 0.1 | 0.1 | (4) |
| | 2.0 | (1.1) | (0.5) | Income before income tax expense |
| | (0.4) | 0.3 | 0.1 | Income tax expense |
| | 1.6 | (0.8) | (0.4) | Net income |
| Total reclassifications for the period | $ (8.4) | $ (10.8) | $ (17.2) | |

(1) Included in the computation of net periodic benefit income (expense) reflected in other non-interest expense (see Note 19 for additional details).
(2) Included in non-interest income.
(3) Included in interest and dividend income — securities.
(4) Included in interest expense — notes and debentures.

Deferred income taxes applicable to the components of AOCL are as follows:

| As of December 31 (in millions) | 2020 | 2019 | 2018 |
|---|---|---|---|
| Net actuarial loss and other amounts related to pension and other postretirement plans | $ 57.0 | $ 55.3 | $ 59.4 |
| Net unrealized (gain) loss on debt securities available-for-sale | (32.1) | (6.6) | 14.7 |
| Net unrealized loss on debt securities transferred to held-to-maturity | 2.5 | 3.6 | 4.7 |
| Net unrealized loss (gain) on derivatives accounted for as cash flow hedges | 0.7 | (0.1) | 0.6 |
| Total deferred income taxes | $ 28.1 | $ 52.2 | $ 79.4 |

The following is a summary of the components of People's United's total other comprehensive income (loss):

| Year ended December 31, 2020 (in millions) | Pre-Tax Amount | Tax Effect | After-Tax Amount |
|---|---|---|---|
| Net actuarial gains and losses on pension and other postretirement plans: | | | |
| Net actuarial loss arising during the year | $ (15.7) | $ 3.7 | $ (12.0) |
| Reclassification adjustment for net actuarial loss included in net income | 8.4 | (2.0) | 6.4 |
| Net actuarial loss | (7.3) | 1.7 | (5.6) |
| Net unrealized gains and losses on debt securities available-for-sale: | | | |
| Net unrealized holding gains arising during the year | 107.8 | (25.5) | 82.3 |
| Net unrealized gains | 107.8 | (25.5) | 82.3 |
| Net unrealized gains and losses on debt securities transferred to held-to-maturity: | | | |
| Reclassification adjustment for amortization of unrealized losses on debt securities transferred to held-to-maturity included in net income | 4.7 | (1.1) | 3.6 |
| Net unrealized gains | 4.7 | (1.1) | 3.6 |
| Net unrealized gains and losses on derivatives accounted for as cash flow hedges: | | | |
| Net unrealized losses arising during the year | (1.4) | 0.4 | (1.0) |
| Reclassification adjustment for net realized gains included in net income | (2.0) | 0.4 | (1.6) |
| Net unrealized losses | (3.4) | 0.8 | (2.6) |
| Total other comprehensive income | $ 101.8 | $ (24.1) | $ 77.7 |

| Year ended December 31, 2019 (in millions) | Pre-Tax Amount | Tax Effect | After-Tax Amount |
|---|---|---|---|
| Net actuarial gains and losses on pension and other postretirement plans: | | | |
| Net actuarial gain arising during the year | $ 12.1 | $ (2.4) | $ 9.7 |
| Reclassification adjustment for net actuarial loss included in net income | 8.3 | (1.7) | 6.6 |
| Net actuarial gain | 20.4 | (4.1) | 16.3 |
| Net unrealized gains and losses on debt securities available-for-sale: | | | |
| Net unrealized holding gains arising during the year | 89.2 | (21.3) | 67.9 |
| Reclassification adjustment for net realized losses included in net income | (0.1) | — | (0.1) |
| Net unrealized gains | 89.1 | (21.3) | 67.8 |
| Net unrealized gains and losses on debt securities transferred to held-to-maturity: | | | |
| Reclassification adjustment for amortization of unrealized losses on debt securities transferred to held-to-maturity included in net income | 4.6 | (1.1) | 3.5 |
| Net unrealized gains | 4.6 | (1.1) | 3.5 |
| Net unrealized gains and losses on derivatives accounted for as cash flow hedges: | | | |
| Net unrealized gains arising during the year | 1.9 | (0.4) | 1.5 |
| Reclassification adjustment for net realized losses included in net income | 1.1 | (0.3) | 0.8 |
| Net unrealized gains | 3.0 | (0.7) | 2.3 |
| Total other comprehensive income | $ 117.1 | $ (27.2) | $ 89.9 |

| Year ended December 31, 2018 (in millions) | Pre-Tax Amount | Tax Effect | After-Tax Amount |
|---|---|---|---|
| Net actuarial gains and losses on pension and other postretirement plans: | | | |
| Net actuarial loss arising during the year | $ (32.6) | $ 7.9 | $ (24.7) |
| Reclassification adjustment for net actuarial loss included in net income | 8.6 | (2.1) | 6.5 |
| Net actuarial loss | (24.0) | 5.8 | (18.2) |
| Prior service credit on pension and other postretirement plans: | | | |
| Reclassification adjustment for prior service credit included in net income | (0.3) | 0.1 | (0.2) |
| Net actuarial loss and prior service credit | (24.3) | 5.9 | (18.4) |
| Net unrealized gains and losses on debt securities available-for-sale: | | | |
| Net unrealized holding losses arising during the year | (38.3) | 9.3 | (29.0) |
| Reclassification adjustment for net realized losses included in net income | 9.9 | (2.4) | 7.5 |
| Net unrealized losses | (28.4) | 6.9 | (21.5) |
| Net unrealized gains and losses on debt securities transferred to held-to-maturity: | | | |
| Reclassification adjustment for amortization of unrealized losses on debt securities transferred to held-to-maturity included in net income | 3.9 | (0.9) | 3.0 |
| Net unrealized gains | 3.9 | (0.9) | 3.0 |
| Net unrealized gains and losses on derivatives accounted for as cash flow hedges: | | | |
| Net unrealized losses arising during the year | (1.7) | 0.4 | (1.3) |
| Reclassification adjustment for net realized losses included in net income | 0.5 | (0.1) | 0.4 |
| Net unrealized losses | (1.2) | 0.3 | (0.9) |
| Total other comprehensive loss | $ (50.0) | $ 12.2 | $ (37.8) |

## NOTE 19 – Employee Benefit Plans

***People’s United Employee Pension and Other Postretirement Plans***

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

New employees of the Bank starting on or after August 14, 2006 are not eligible to participate in the People’s Qualified Plan. Instead, the Bank makes contributions on behalf of these employees to a qualified defined contribution plan in an annual amount equal to 3% of the employee’s eligible compensation. Employee participation in this plan is restricted to employees who (i) are at least 18 years of age and (ii) worked at least 1000 hours in a year. Both full-time and part-time employees are eligible to participate as long as they meet these requirements.

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

In addition to the People’s Qualified Plan, People’s United continues to maintain the qualified defined benefit pension plan that covers former United Financial employees who meet certain eligibility requirements (the “United Financial Qualified Plan”). All benefits under this plan were frozen effective December 31, 2012. Effective December 31, 2020, the First Connecticut Qualified Plan was merged into the People's Qualified Plan.

People’s United also maintains (i) unfunded, nonqualified supplemental plans to provide retirement benefits to certain senior officers (the “People’s Supplemental Plans”) and (ii) an unfunded plan that provides retirees with optional medical, dental and life insurance benefits (the “People’s Postretirement Plan”). People’s United accrues the cost of these postretirement benefits over the employees’ years of service to the date of their eligibility for such benefit. People’s United also continues to maintain: (1) for certain eligible former First Connecticut employees (i) an unfunded, nonqualified supplemental retirement plan (the “First Connecticut Supplemental Plan”) and (ii) unfunded plans that provide medical, dental and life insurance benefits (the “First Connecticut Postretirement Plans”); (2) for certain eligible former BSB Bancorp employees (i) an unfunded, nonqualified supplemental retirement plan (the “BSB Bancorp Supplemental Plan”) and (ii) unfunded plans that provide life insurance benefits (the “BSB Bancorp Post Retirement Welfare (Life Insurance) Plan”); and (3) for certain former United Financial employees (i) an unfunded, nonqualified supplemental retirement plan (the “United Financial Supplemental Plan”) and (ii) unfunded plans that provide medical, dental and life insurance benefits (the “United Financial Postretirement Benefit Plan”).

An employer is required to recognize an asset or a liability for the funded status of pension and other postretirement plans. The funded status is measured as the difference between the fair value of plan assets and the applicable benefit obligation, which is the projected benefit obligation for a pension plan and the accumulated postretirement benefit obligation for another postretirement plan. Plan assets and benefit obligations are required to be measured as of the date of the employer’s fiscal year-end.

The following table summarizes changes in the benefit obligations and plan assets of (i) the People’s Qualified Plan (including the First Connecticut Qualified Plan), the People's Supplemental Plans, the First Connecticut Supplemental Plan, the BSB Bancorp Supplemental Plan and the United Financial Supplemental Plan (together the “Pension Plans”) and (ii) the People’s Postretirement Plan, the First Connecticut Postretirement Plans, the BSB Bancorp Post Retirement Welfare (Life Insurance) Plan and the United Financial Postretirement Plan (together the “Other Postretirement Plans”). The table also shows the funded status (or the difference between benefit obligations and plan assets) recognized in the Consolidated Statements of Condition. All plans have a December 31 measurement date.

| (in millions) | Pension Plans 2020 | Pension Plans 2019 | Other Postretirement Plans 2020 | Other Postretirement Plans 2019 |
|---|---|---|---|---|
| Benefit obligations: (1) | | | | |
| Beginning of year | $ 665.5 | $ 562.7 | $ 18.7 | $ 15.3 |
| Service cost | — | — | 0.3 | 0.3 |
| Interest cost | 19.7 | 22.9 | 0.6 | 0.6 |
| Actuarial loss (gain) | 85.9 | 80.2 | (1.5) | 1.2 |
| Benefits paid | (30.0) | (28.2) | (0.4) | (0.7) |
| Settlements | (0.6) | (13.1) | — | — |
| Acquisitions (2) | — | 41.0 | — | 2.0 |
| End of year | 740.5 | 665.5 | 17.7 | 18.7 |
| Fair value of plan assets: | | | | |
| Beginning of year | 746.7 | 596.4 | — | — |
| Actual return on assets | 120.2 | 138.6 | — | — |
| Employer contributions | 3.6 | 18.7 | 0.4 | 0.7 |
| Benefits paid | (30.0) | (28.2) | (0.4) | (0.7) |
| Settlements | (0.6) | (13.1) | — | — |
| Acquisitions (2) | — | 34.3 | — | — |
| End of year | 839.9 | 746.7 | — | — |
| Funded status at end of year | $ 99.4 | $ 81.2 | $ (17.7) | $ (18.7) |
| Amounts recognized in the Consolidated Statements of Condition: | | | | |
| Other assets | $ 141.2 | $ 121.4 | $ — | $ — |
| Other liabilities | (41.8) | (40.2) | (17.7) | (18.7) |
| Funded status at end of year | $ 99.4 | $ 81.2 | $ (17.7) | $ (18.7) |

(1) Represents the projected benefit obligation for the Pension Plans and the accumulated benefit obligation for the Other Postretirement Plans.

(2) Represents the benefit obligations and plan assets of the United Financial Qualified Plan and the United Financial Supplemental Plan as of November 1, 2019, the BSB Bancorp Supplemental Plan as of April 1, 2019, and the benefit obligations of the United Financial Postretirement Plan as of November 1, 2019 and the BSB Bancorp Post Retirement Welfare (Life Insurance) Plan as of April 1, 2019.

Plan assets for the People's Qualified Plan and the United Financial Qualified Plan (together the "Qualified Plans") were $801.5 million and $38.4 million, respectively, as of December 31, 2020. The related projected benefit obligation of each plan was $663.4 million and $35.3 million, respectively, at the same date.

Although the People's Supplemental Plans and the First Connecticut Supplemental Plan (together the "Supplemental Plans") hold no assets, People's United has funded trusts to provide benefit payments to the extent such benefits are not paid directly by People's United. Trust assets of $36.8 million as of December 31, 2020 (which are included in other assets in the Consolidated Statements of Condition) were exceeded by the related projected benefit obligation of $41.8 million at that date.

The following table summarizes the accumulated and projected benefit obligations for the Pension Plans at the respective measurement dates:

| As of December 31 (in millions) | Pension Plans 2020 | Pension Plans 2019 |
|---|---|---|
| Accumulated benefit obligations: | | |
| Qualified Plans | $ 698.7 | $ 625.3 |
| Supplemental Plans | 41.6 | 40.0 |
| Total | $ 740.3 | $ 665.3 |
| Projected benefit obligations: | | |
| Qualified Plans | $ 698.7 | $ 625.3 |
| Supplemental Plans | 41.8 | 40.2 |
| Total | $ 740.5 | $ 665.5 |

Components of net periodic benefit (income) expense and other amounts recognized in other comprehensive income (loss) are as follows:

| | Pension Plans | | | Other Postretirement Plans | | |
|---|---|---|---|---|---|---|
| Years ended December 31 (in millions) | 2020 | 2019 | 2018 | 2020 | 2019 | 2018 |
| Net periodic benefit (income) expense: | | | | | | |
| Interest cost | $ 19.7 | $ 22.9 | $ 20.2 | $ 0.9 | $ 0.9 | $ 0.8 |
| Expected return on plan assets | (49.5) | (46.1) | (44.3) | — | — | — |
| Recognized net actuarial loss | 7.9 | 5.3 | 7.3 | 0.2 | 0.1 | 0.3 |
| Recognized prior service credit | — | — | (0.3) | — | — | — |
| Settlements (1) | 0.2 | 2.9 | 1.0 | — | — | — |
| Net periodic benefit (income) expense | (21.7) | (15.0) | (16.1) | 1.1 | 1.0 | 1.1 |
| Other changes in plan assets and benefit obligations recognized in other comprehensive income (loss): | | | | | | |
| Net actuarial loss (gain) | 7.5 | (20.5) | 26.0 | (1.6) | 1.1 | (2.0) |
| Prior service credit | — | — | 0.3 | — | — | — |
| Total pre-tax changes recognized in other comprehensive income (loss) | 7.5 | (20.5) | 26.3 | (1.6) | 1.1 | (2.0) |
| Total recognized in net periodic benefit (income) expense and other comprehensive income (loss) | $ (14.2) | $ (35.5) | $ 10.2 | $ (0.5) | $ 2.1 | $ (0.9) |

(1) Settlement charges are a result of lump-sum benefit payments in excess of the sum of a plan's annual interest and service costs. When an employer settles the full amount of its obligation for vested benefits with respect to some of a plan's participants, the employer is required to recognize in income a pro-rata portion of the aggregate gain or loss recorded in AOCL.

The pre-tax amounts in AOCL that have not been recognized as components of net periodic benefit (income) expense are as follows:

| | Pension Plans | | Other Postretirement Plans | |
|---|---|---|---|---|
| As of December 31 (in millions) | 2020 | 2019 | 2020 | 2019 |
| Net actuarial loss | $ 236.0 | $ 228.5 | $ 2.3 | $ 3.9 |
| Total pre-tax amounts included in AOCL | $ 236.0 | $ 228.5 | $ 2.3 | $ 3.9 |

The Company uses a corridor approach in the valuation of its Qualified Plans, which results in the deferral of actuarial gains and losses resulting from differences between actual results and actuarial assumptions. Amortization of actuarial gains and losses occurs when the accumulated unrecognized gain or loss balance, as of the beginning of the year, exceeds 10% of the greater of the projected benefit obligation or the market-related value of plan assets. The excess unrecognized gain or loss balance is amortized over the average remaining life expectancy of plan participants for the People's Qualified Plan (approximately 25 years) and over the average working lifetime of active participants for the United Financial Qualified Plan (approximately 28 years) as of December 31, 2020.

The following assumptions were used in determining the benefit obligations and net periodic benefit (income) expense as of and for the periods indicated:

| | Qualified Plans | | | Other Postretirement Plans | | |
|---|---|---|---|---|---|---|
| | 2020 | 2019 | 2018 | 2020 | 2019 | 2018 |
| Weighted-average assumptions used to determine benefit obligations at December 31: | | | | | | |
| Discount rate: | | | | | | |
| People's Qualified Plan | 2.50 % | 3.38 % | 4.41 % | 2.50 % | 3.40 % | 4.40 % |
| First Connecticut Qualified Plan (1) | n/a | 3.39 | 4.41 | n/a | n/a | n/a |
| United Financial Qualified Plan | 2.53 | 3.42 | n/a | n/a | n/a | n/a |
| Rate of compensation increase | n/a | n/a | n/a | n/a | n/a | n/a |
| Weighted-average assumptions used to determine net periodic benefit (income) expense for the years ended December 31: | | | | | | |
| Discount rate: | | | | | | |
| People's Qualified Plan (2) | 3.38 % | 4.41 % | 3.74%/4.34% | 3.40 % | 4.40 % | 3.70 % |
| First Connecticut Qualified Plan (1) | 3.39 | 4.41 | 4.35 | n/a | n/a | n/a |
| United Financial Qualified Plan | 3.42 | 3.33 | n/a | n/a | n/a | n/a |
| Expected return on plan assets: | | | | | | |
| People's Qualified Plan | 7.25 | 7.25 | 7.25 | n/a | n/a | n/a |
| First Connecticut Qualified Plan (1) | n/a | 6.00 | 6.00 | n/a | n/a | n/a |
| United Financial Qualified Plan | 5.25 | 5.25 | n/a | n/a | n/a | n/a |
| Rate of compensation increase | n/a | n/a | n/a | n/a | n/a | n/a |
| Assumed health care cost trend rates at December 31: | | | | | | |
| Health care cost trend rate assumed for next year | n/a | n/a | n/a | 5.50 % | 5.70 % | 6.00 % |
| Rate to which the cost trend rate is assumed to decline (the ultimate trend rate) | n/a | n/a | n/a | 4.50 | 4.50 | 4.50 |
| Year that the rate reaches the ultimate trend rate | n/a | n/a | n/a | 2037 | 2037 | 2037 |

n/a — not applicable

(1) Effective December 31, 2020, the First Connecticut Qualified Plan was merged into the People's Qualified Plan.
(2) Rate of 3.74% through September 30, 2018 and 4.34% through December 31, 2018.

The discount rates used to determine the benefit obligation of the Supplemental Plans at December 31, 2020 ranged from 1.60% to 2.50%, while the discount rate used to determine net periodic benefit (income) expense for 2020 ranged from 1.29% to 2.50%. The discount rates used to determine the benefit obligation of the People's Supplemental Plans at December 31, 2019 ranged from 2.76% to 3.40%, while the discount rate used to determine net periodic benefit (income) expense for 2019 ranged from 3.33% to 4.40%.

The discount rates reflect the then current rates available on long-term high-quality fixed-income debt instruments, and are reset annually on the measurement date. To determine the discount rates, People's United reviews, along with its independent actuary, spot interest rate yield curves based upon yields from a broad population of high-quality bonds adjusted to match the timing and amounts of expected benefit payments. People's United uses a full yield curve approach to estimate the interest cost component of net periodic benefit income by applying the specific spot rates along the yield curve, used in the determination of the benefit obligations, to the relevant projected cash flows.

In developing an expected long-term rate of return on asset assumption for the Qualified Plans for purposes of determining 2020 net periodic benefit income, People’s United considered the historical returns and the future expectations for returns within each asset class, as well as the target asset allocation of the pension portfolio. This resulted in an expected long-term rate of return assumption of 7.25% for the People’s Qualified Plan and 5.25% for the United Financial Qualified Plan. This was intended to reflect expected asset returns over the life of the related pension benefits expected to be paid.

In 2021, $29.9 million in net periodic benefit income is expected to be recognized related to the Qualified Plans. This amount was determined using the following assumptions: (i) expected long-term rates of return of 7.25% for the People’s Qualified Plan and 5.25% for the United Financial Qualified Plan; (ii) discount rates of 2.50% and 2.53% for the People's Qualified Plan and the United Financial Qualified Plan, respectively; and (iii) updated mortality tables issued by the Society of Actuaries in the fourth quarter of 2020. The mortality rate is a key assumption used in valuing retirement benefit obligations as it reflects the probability of future benefit payments that are contingent upon the longevity of plan participants and their beneficiaries.

People’s United’s funding policy is to contribute the amounts required by applicable regulations, although additional amounts may be contributed from time to time. In February 2018, People’s United made voluntary employer contributions totaling $50 million to the Company's defined benefit pension plans in response to tax reform (see Note 14). Employer contributions for the Supplemental Plans and the Other Postretirement Plans in 2021 are expected to total $6.0 million, representing net benefit payments expected to be paid under these plans.

Expected future net benefit payments for the Pension Plans as of December 31, 2020 are: $32.5 million in 2021; $31.0 million in 2022; $33.0 million in 2023; $35.0 million in 2024; $35.1 million in 2025; and an aggregate of $195.1 million in 2026 through 2030. As of December 31, 2020, expected future net benefit payments for the Other Postretirement Plans are (i) $1.0 million for 2021, $1.1 million in each of the years 2022 through 2024, $1.0 million for 2025 and (ii) an aggregate of $4.8 million in 2026 through 2030.

The investment strategy of the Qualified Plans is to develop a diversified portfolio, representing a variety of asset classes of varying duration, in order to effectively fund expected near-term and long-term benefit payments. All investment decisions are governed by an established policy that contains the following asset allocation guidelines:

| | Asset Class | |
|---|---|---|
| | Policy Target % | Policy Range % |
| Cash equivalents | 1 | 0-20 |
| Equity securities | 71 | 55-75 |
| Fixed income securities | 28 | 10-40 |

Equity investments are required to be diversified among industries and economic sectors and may be invested directly in individual securities or indirectly through the use of mutual funds, trust company common funds, REIT's, investment partnerships, LLCs or exchange traded funds. Limitations have been established on the overall allocation to any individual security representing more than 3% of the market value of plan assets. A limit of 50% of equity holdings may be invested in international equities. Short sales, margin purchases, physical commodities and future contracts, and exchange traded or over-the-counter options are prohibited.

Fixed income securities are oriented toward risk-averse, investment-grade securities rated “A” or higher. A limit of up to 30% of the fixed income holdings may be purchased and held indirectly in issues rated below “Baa3” by Moody’s or “BBB-” by Standard & Poor’s, if the higher investment risk is compensated for by the prospect of a positive incremental investment return. With the exception of U.S. government securities, in which the Qualified Plans may invest the entire fixed income allocation, fixed income securities require diversification among individual securities and sectors. Limitations have been established on the overall investment in securities of a single issuer to no more than 2.5% of the market value of total plan assets. There is no limit on the maximum maturity of securities held.

The following table summarizes the percentages of fair value for the major categories of assets in the Qualified Plans as of the respective measurement dates:

| | Plan Assets | | | | | |
|---|---|---|---|---|---|---|
| | 2020 | | | 2019 | | |
| As of December 31 | People’s Qualified Plan | First Connecticut Qualified Plan (1) | United Financial Qualified Plan (2) | People’s Qualified Plan | First Connecticut Qualified Plan | United Financial Qualified Plan (2) |
| Equity securities | 70 % | n/a | 4 % | 66 % | 66 % | 9 % |
| Cash and fixed income securities | 30 | n/a | 96 | 34 | 34 | 91 |
| Total | 100 % | n/a | 100 % | 100 % | 100 % | 100 % |

(1) Effective December 31, 2020, the First Connecticut Qualified Plan was merged into the People's Qualified Plan.
(2) The United Financial Qualified Plan is not yet aligned with the Company's investment strategy and asset allocation guidelines as the acquisition of United Financial occurred effective November 1, 2019.

The following tables present the Qualified Plans’ assets measured at fair value:

| | Fair Value Measurements Using | | | |
|---|---|---|---|---|
| As of December 31, 2020 (in millions) | Level 1 | Level 2 | Level 3 | Total |
| Cash and cash equivalents | $ 23.9 | $ — | $ — | $ 23.9 |
| Equity securities: | | | | |
| Common stocks | 302.6 | — | — | 302.6 |
| Mutual funds | — | 259.6 | — | 259.6 |
| Fixed income securities: | | | | |
| Mutual funds | — | 103.3 | — | 103.3 |
| U.S. Treasury | — | 52.5 | — | 52.5 |
| Corporate | — | 96.5 | — | 96.5 |
| Other | — | 1.5 | — | 1.5 |
| Total | $ 326.5 | $ 513.4 | $ — | $ 839.9 |

| | Fair Value Measurements Using | | | |
|---|---|---|---|---|
| As of December 31, 2019 (in millions) | Level 1 | Level 2 | Level 3 | Total |
| Cash and cash equivalents | $ 18.9 | $ — | $ — | $ 18.9 |
| Equity securities: | | | | |
| Common stocks | 261.2 | — | — | 261.2 |
| Mutual funds | — | 215.2 | — | 215.2 |
| Fixed income securities: | | | | |
| Mutual funds | — | 72.5 | — | 72.5 |
| U.S. Treasury | — | 104.8 | — | 104.8 |
| Corporate | — | 73.0 | — | 73.0 |
| Other | — | 1.1 | — | 1.1 |
| Total | $ 280.1 | $ 466.6 | $ — | $ 746.7 |

***Employee Stock Ownership Plan***

In April 2007, People’s United established an ESOP. At that time, People’s United loaned the ESOP $216.8 million to purchase 10,453,575 shares of People’s United common stock in the open market. In order for the ESOP to repay the loan, People’s United expects to make annual cash contributions of approximately $18.8 million until 2036. Such cash contributions may be reduced by the cash dividends paid on unallocated ESOP shares, which totaled $4.3 million in 2020, $4.4 million in 2019 and $4.6 million in 2018. At December 31, 2020, the loan balance totaled $166.7 million.

Employee participation in this plan is restricted to those employees who (i) are at least 18 years of age and (ii) worked at least 1000 hours within 12 months of their hire date or any plan year (January 1 to December 31) after their date of hire. Employees meeting the aforementioned eligibility criteria during the plan year must continue to be employed as of the last day of the plan year in order to receive an allocation of shares for that plan year.

Shares of People’s United common stock are held by the ESOP and allocated to eligible participants annually based upon a percentage of each participant’s eligible compensation. Since the ESOP was established, a total of 4,878,335 shares of People’s United common stock have been allocated or committed to be released to participants’ accounts.
At December 31, 2020, 5,575,240 shares of People’s United common stock, with a fair value of $72.1 million at that date, have not been allocated or committed to be released.

Compensation expense related to the ESOP is recognized at an amount equal to the number of common shares committed to be released by the ESOP for allocation to participants’ accounts multiplied by the average fair value of People’s United’s common stock during the reporting period. The difference between the fair value of the shares of People’s United’s common stock committed to be released and the cost of those common shares is recorded as a credit to additional paid-in capital (if fair value exceeds cost) or, to the extent that no such credits remain in additional paid-in capital, as a charge to retained earnings (if fair value is less than cost). Expense recognized for the ESOP totaled $4.3 million, $5.7 million and $6.2 million for the years ended December 31, 2020, 2019 and 2018, respectively.

***Employee Savings Plans***

People’s United sponsors an employee savings plan that qualifies as a 401(k) plan under the Internal Revenue Code. Employees may contribute up to 50% of their pre-tax compensation up to certain limits, and People’s United makes a matching contribution equal to 100% of a participant’s contributions up to 4% of pre-tax compensation. Participants vest immediately in their own contributions and after one year in People’s United’s contributions. A supplemental savings plan has also been established for certain senior officers and the Company has funded a trust to provide benefit payments to the extent such benefits are not paid directly by People’s United. People’s United also continues to maintain, for former First Connecticut participants who met certain eligibility requirements, a funded plan that provides supplemental retirement benefits. Combined trust assets of $20.1 million as of December 31, 2020 (which are included in other assets in the Consolidated Statements of Condition) were exceeded by the related combined benefit obligations of $47.7 million at that date. Expense recognized for these employee savings plans totaled $35.5 million, $32.3 million and $29.1 million for the years ended December 31, 2020, 2019 and 2018, respectively.

## NOTE 20 – Stock-Based Compensation Plans

***Long-Term Incentive Plan***

People's United’s 2014 Plan, as amended and restated in 2017, and the predecessor 2008 Long-Term Incentive Plan (together the "Incentive Plans") provide for awards to officers and employees in the form of: (i) incentive stock options that may afford tax benefits to recipients; (ii) non-statutory stock options that do not afford tax benefits to recipients but may provide tax benefits to People's United; and (iii) stock appreciation rights, restricted stock and performance shares. A total of 75,850,000 shares of People's United common stock are reserved for issuance under the 2014 Plan. The number of shares of common stock reserved under the 2014 Plan is depleted by one share for each option or stock appreciation right, by 5.32 shares for each restricted stock award and by 7.98 shares for each performance share. At December 31, 2020, a total of 25,445,876 reserved shares remain available for future awards.

Non-statutory stock options have been granted under the Incentive Plans at exercise prices equal to the fair value of People’s United common stock at the grant dates. Option expiration dates are fixed at the grant date, with a maximum term of ten years. Prior to 2013, options granted under the Incentive Plans generally vested 50% after two years, 75% after three years and 100% after four years. Beginning in 2013, options granted under the Incentive Plans vest 33% after one year, 66% after two years and 100% after three years. Unvested options become fully exercisable in the event of a change of control, as defined in the Incentive Plans.

People's United has also granted restricted stock awards under the Incentive Plans. Employees become fully vested in these shares generally after a three-year period, with requisite service conditions and no performance-based conditions to such vesting. During the vesting period, dividends are paid on the restricted stock (for grants occurring prior to February 2017) or accrued to the employees’ benefit (for grants occurring in or after February 2017) and the recipients are entitled to vote these restricted shares. The fair value of all restricted stock awards is measured at the grant date based on quoted market prices. Unvested restricted stock awards become fully vested in the event of a change in control, as defined in the Incentive Plans.

People's United has also granted performance shares under the 2014 Plan. A performance share represents the right to receive a share of People’s United common stock contingent upon the Company achieving certain pre-established performance goals and the employee satisfying requisite service conditions. Employees become fully vested in these performance shares upon completion of a three-year performance period beginning with the year in which the performance shares are granted. At the end of the three-year performance period, if performance goals have been achieved, the number of performance shares earned by each employee is determined by the level of achievement against the pre-established performance goals. During the performance period, dividend equivalents are accrued to the employees' benefit. Such dividends are paid out at the end of the performance period based on the number of performance shares earned. Unvested performance shares and dividend equivalents become fully vested in the event of a change in control, as defined in the Incentive Plans.

*Performance Shares Awarded*

The following is a summary of performance share activity under the 2014 Plan:

| | Shares | Weighted-Average Grant Date Fair Value |
|---|---|---|
| Unvested performance shares outstanding at December 31, 2017 | 984,835 | $ 16.80 |
| Granted | 532,740 | 19.78 |
| Forfeited | (62,124) | 17.82 |
| Vested | (2,079) | 16.70 |
| Unvested performance shares outstanding at December 31, 2018 | 1,453,372 | 17.85 |
| Granted | 637,118 | 17.84 |
| Forfeited | (80,319) | 18.66 |
| Vested | (505,755) | 15.23 |
| Unvested performance shares outstanding at December 31, 2019 | 1,504,416 | 18.68 |
| Granted | 691,989 | 16.75 |
| Change in shares based on approved performance factors | 79,623 | 18.60 |
| Forfeited | (55,378) | 17.90 |
| Vested | (501,569) | 18.60 |
| Unvested performance shares outstanding at December 31, 2020 | 1,719,081 | $ 17.94 |

Expense related to unvested performance shares is recognized on a straight-line basis, generally over the applicable service period, and totaled $11.2 million, $12.2 million and $10.5 million for the years ended December 31, 2020, 2019 and 2018, respectively. Unamortized cost for unvested performance shares, which reflects an estimated forfeiture rate of 5% per year over the vesting period, totaled $11.3 million at December 31, 2020, and is expected to be recognized over the remaining weighted-average vesting period of 1.7 years. The fair value of performance shares vested during the years ended December 31, 2020, 2019, and 2018 was $7.2 million, $7.7 million and less than $0.1 million, respectively.

***Recognition and Retention Plan and Stock Option Plan***

Following shareholder approval of the 2014 Plan in 2014, no new awards may be granted under the 2008 Long-Term Incentive Plan, the 2007 Stock Option Plan (the "SOP") or the RRP (together the "Prior Plans"). All awards granted under the Prior Plans and the 1998 Long-Term Incentive Plan that were unvested (in the case of stock options and restricted stock awards) or unexercised (in the case of stock options) as of the date of shareholder approval of the 2014 Plan continue to be governed by the terms of the plan under which such awards were granted and the applicable grant agreements.

The RRP and SOP (together the "2007 Plans") provided for awards to directors, officers and employees in the form of: (i) incentive stock options that may afford tax benefits to recipients; (ii) non-statutory stock options that do not afford tax benefits to recipients but may provide tax benefits to People's United; and (iii) restricted stock. Shares of People's United common stock were purchased in the open market in October 2007 by a trustee with funds provided by People's United for the maximum number of shares available to be awarded in the form of restricted stock.

Previously, non-statutory stock options were granted under the SOP at exercise prices equal to the fair value of People's United's common stock at the grant date based on quoted market prices. The fair value of all restricted stock awarded under the RRP was measured at the grant date based on quoted market prices. Prior to 2014, most restricted stock awards and stock options granted under the 2007 Plans were scheduled to vest in 20% annual increments over a five-year period with requisite service conditions and no performance-based conditions to such vesting. Beginning in 2014, awards made under the 2007 Plans in 2014 are scheduled to vest in one-third annual increments over a three-year period with requisite service conditions and no performance-based conditions to such vesting. During the vesting period, dividends are paid on the restricted stock and the recipients are entitled to vote these restricted shares. All restricted stock awards and stock options become fully vested and exercisable, respectively, in the event of a change of control, as defined in the 2007 Plans.

*Stock Options Granted*

People's United granted a total of 3,419,934 stock options in 2020, 2,807,692 stock options in 2019 and 2,450,861 stock options in 2018 under the Incentive Plans. The estimated weighted-average grant-date fair value of all stock options granted in 2020, 2019 and 2018 was $1.67 per option, $2.04 per option and $2.31 per option, respectively, using the Black-Scholes option-pricing model with assumptions as follows: dividend yield of 4.4% in 2020, 4.0% in 2019 and 3.5% in 2018; expected volatility rate of 21% in 2020, 19% in 2019 and 18% in 2018; risk-free interest rate of 1.4% in 2020 and 2.6% in both 2019 2018; and expected option life of approximately four years in 2020, 2019 and 2018.

In arriving at the grant date fair value of stock options using the Black-Scholes option-pricing model, expected volatilities were based on the historical volatilities of People's United traded common stock. The expected term of stock options represents the period of time that options granted are expected to be outstanding. People’s United used historical data to estimate voluntary suboptimal (early) exercises by continuing employees, and estimates of post-vest option exercise or forfeiture by terminated employees. Suboptimal exercise data and employee termination estimates are incorporated into Monte Carlo simulations of People’s United common stock prices to calculate the expected term. The risk-free interest rate approximated the U.S. Treasury rate curve matched to the expected option term at the time of the grant.

The following is a summary of stock option activity under the Incentive Plans and the SOP:

| | Shares Subject To Option | Weighted-Average Exercise Price | Weighted-Average Remaining Contractual Term (in years) | Aggregate Intrinsic Value (1) (in millions) |
|---|---|---|---|---|
| Options outstanding at December 31, 2017 | 14,437,641 | $ 15.11 | | |
| Granted | 2,450,861 | 19.61 | | |
| Forfeited | (294,474) | 17.87 | | |
| Exercised | (1,916,961) | 14.55 | | |
| Options outstanding at December 31, 2018 | 14,677,067 | 15.87 | | |
| Granted | 2,807,692 | 17.62 | | |
| Forfeited | (652,965) | 18.28 | | |
| Exercised | (1,632,971) | 14.77 | | |
| Options outstanding at December 31, 2019 | 15,198,823 | 16.20 | | |
| Granted | 3,419,934 | 16.21 | | |
| Forfeited | (552,726) | 16.65 | | |
| Exercised | (43,759) | 14.91 | | |
| Options outstanding at December 31, 2020 | 18,022,272 | $ 16.19 | 5.9 | $ 0.1 |
| Options exercisable at December 31, 2020 | 12,415,430 | $ 15.81 | 4.7 | $ 0.1 |

(1) Reflects only those stock options with intrinsic value at December 31, 2020.

Expense relating to stock options granted is recognized on a straight-line basis, generally over the applicable service period, and totaled $6.3 million for the year ended December 31, 2020 and $5.2 million for both the years ended December 31, 2019 and 2018. Unamortized cost for unvested stock options, which reflects an estimated forfeiture rate of 5.0% per year over the vesting period, totaled $4.3 million at December 31, 2020, and is expected to be recognized over the remaining weighted-average vesting period of 1.6 years. The total intrinsic value of stock options exercised was $0.1 million, $3.2 million and $8.7 million for the years ended December 31, 2020, 2019 and 2018, respectively.

Additional information concerning options outstanding and options exercisable at December 31, 2020 is summarized as follows:

| | Options Outstanding | | | Options Exercisable | |
|---|---|---|---|---|---|
| | | Weighted-Average | | | |
| Exercise Price Range | Number | Remaining Life (in years) | Exercise Price | Number | Weighted-Average Exercise Price |
| $11.29 — $14.64 | 5,457,370 | 3.5 | $ 13.92 | 5,448,198 | $ 13.93 |
| 14.65 — 15.56 | 2,867,597 | 4.1 | 14.85 | 2,867,597 | 14.85 |
| 15.57 — 18.40 | 5,839,282 | 8.6 | 16.83 | 903,986 | 17.57 |
| 18.41 — 19.71 | 3,858,023 | 6.6 | 19.45 | 3,195,649 | 19.39 |

*Restricted Stock Awarded*

The following is a summary of restricted stock award activity under the Incentive Plans and the RRP:

| | Shares | Weighted-Average Grant Date Fair Value |
|---|---|---|
| Unvested restricted shares outstanding at December 31, 2017 | 672,321 | $ 16.53 |
| Granted | 489,789 | 18.50 |
| Forfeited | (29,426) | 17.81 |
| Vested | (402,134) | 16.40 |
| Unvested restricted shares outstanding at December 31, 2018 | 730,550 | 18.03 |
| Granted | 383,420 | 17.44 |
| Forfeited | (68,091) | 17.11 |
| Vested | (347,078) | 17.49 |
| Unvested restricted shares outstanding at December 31, 2019 | 698,801 | 18.07 |
| Granted | 562,739 | 14.60 |
| Forfeited | (28,090) | 17.31 |
| Vested | (326,878) | 18.33 |
| Unvested restricted shares outstanding at December 31, 2020 | 906,572 | $ 15.85 |

Expense relating to unvested restricted stock awards is recognized on a straight-line basis, generally over the applicable service period, and totaled $7.8 million, $6.6 million and $5.8 million for the years ended December 31, 2020, 2019 and 2018, respectively. Unamortized cost for unvested restricted stock awards, which reflects an estimated forfeiture rate of 5.0% per year over the vesting period, totaled $6.9 million at December 31, 2020, and is expected to be recognized over the remaining weighted-average vesting period of 1.8 years. The total fair value of restricted stock awards vested during the years ended December 31, 2020, 2019 and 2018 was $5.9 million, $6.0 million and $7.5 million, respectively.

During 2020, 2019 and 2018, employees of People's United tendered a total of 117,125 shares, 115,632 shares and 136,426 shares of common stock, respectively, in satisfaction of their related minimum tax withholding obligations upon the vesting of restricted stock awards granted in prior periods and/or in payment of the exercise price and satisfaction of their related minimum tax withholding obligations upon the exercise of stock options granted in prior periods. There is no limit on the number of shares that may be tendered by employees of People's United in the future for these purposes. Shares acquired in payment of the stock option exercise price or in satisfaction of minimum tax withholding obligations are not eligible for reissuance in connection with any subsequent grants made pursuant to equity compensation plans maintained by People's United. Rather, all shares acquired in this manner are retired by People’s United, resuming the status of authorized but unissued shares of People’s United’s common stock. The total cost of shares repurchased and retired applicable to restricted stock awards during the years ended December 31, 2020, 2019 and 2018 was $1.6 million, $2.0 million and $2.5 million, respectively.

***Directors’ Equity Compensation Plan***

The People's United Financial, Inc. Directors' Equity Compensation Plan (the "Directors' Plan") provides for an annual award of shares of People's United common stock with a fair value of approximately $95,000 to each non-employee director immediately following each annual meeting of shareholders. Shares of People's United common stock issued pursuant to the Directors' Plan are subject to a one-year vesting period, with no post-vesting transfer restrictions. A total of 1,492,500 shares of People's United common stock are reserved for issuance under the Directors' Plan.

In 2020, 2019 and 2018, directors were granted a total of 75,267 shares, 58,340 shares and 51,680 shares, respectively, of People’s United common stock, with grant date fair values of $11.30 per share, $16.31 per share and $18.21 per share, respectively, at those dates. Expense totaling $0.9 million for the Directors’ Plan was recognized for each of the years ended December 31, 2020, 2019 and 2018. At December 31, 2020, a total of 258,714 shares remain available for issuance.

## NOTE 21 – Fair Value Measurements

Described below are the valuation methodologies used by People’s United and the resulting fair values for those financial instruments measured at fair value on both a recurring and a non-recurring basis. For those financial instruments not measured at fair value either on a recurring or non-recurring basis, disclosure of each instrument’s carrying amount and estimated fair value has been provided.

***Recurring Fair Value Measurements***

*Trading Debt Securities, Equity Securities and Debt Securities Available-For-Sale*

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

The Company’s debt securities available-for-sale are primarily comprised of GSE mortgage-backed securities. The fair value of these securities is based on prices obtained from the independent pricing service. The pricing service uses various techniques to determine pricing for the Company’s mortgage-backed securities, including option pricing and discounted cash flow analysis. The inputs include benchmark yields, reported trades, broker/dealer quotes, issuer spreads, benchmark securities, bids, offers, reference data, monthly payment information and collateral performance. At both December 31, 2020 and 2019, the mortgage-backed securities available-for-sale portfolio was entirely comprised of GSE mortgage-backed and CMO securities with original final maturities ranging from 7 to 40 years. An active market exists for securities that are similar to the Company’s GSE mortgage-backed and CMO securities, making observable inputs readily available.

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

*Other Assets*

As discussed in Note 19, certain unfunded, nonqualified supplemental plans have been established to provide retirement benefits to certain senior officers. People's United has funded two trusts to provide benefit payments to the extent such benefits are not paid directly by People's United, the assets of which are included in other assets in the Consolidated Statements of Condition. When available, People's United determines the fair value of the trust assets using quoted market prices for identical securities received from a third-party nationally recognized pricing service.

*Derivatives*

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

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

| | Fair Value Measurements Using | | | |
|---|---|---|---|---|
| As of December 31, 2020 (in millions) | Level 1 | Level 2 | Level 3 | Total |
| Financial assets: | | | | |
| Debt securities available-for-sale: | | | | |
| U.S. Treasury and agency | $ 541.6 | $ — | $ — | $ 541.6 |
| GSE mortgage-backed and CMO securities | — | 4,383.9 | — | 4,383.9 |
| Equity securities | 5.3 | — | — | 5.3 |
| Other assets: | | | | |
| Exchange-traded funds | 53.0 | — | — | 53.0 |
| Mutual funds | 3.9 | — | — | 3.9 |
| Interest rate swaps | — | 783.8 | — | 783.8 |
| Interest rate caps | — | 3.0 | — | 3.0 |
| Foreign exchange contracts | — | 12.8 | — | 12.8 |
| Forward commitments to sell residential mortgage loans | — | 0.7 | — | 0.7 |
| Total | $ 603.8 | $ 5,184.2 | $ — | $ 5,788.0 |
| Financial liabilities: | | | | |
| Interest rate swaps | $ — | $ 157.2 | $ — | $ 157.2 |
| Interest rate caps | — | 3.0 | — | 3.0 |
| Risk participation agreements | — | 0.4 | — | 0.4 |
| Foreign exchange contracts | — | 8.8 | — | 8.8 |
| Interest rate-lock commitments on residential mortgage loans | — | 1.0 | — | 1.0 |
| Total | $ — | $ 170.4 | $ — | $ 170.4 |

| | Fair Value Measurements Using | | | |
|---|---|---|---|---|
| As of December 31, 2019 (in millions) | Level 1 | Level 2 | Level 3 | Total |
| Financial assets: | | | | |
| Trading debt securities: | | | | |
| U.S. Treasury | $ 7.1 | $ — | $ — | $ 7.1 |
| Debt securities available-for-sale: | | | | |
| U.S. Treasury and agency | 687.1 | — | — | 687.1 |
| GSE mortgage-backed securities | — | 2,877.2 | — | 2,877.2 |
| Equity securities | 8.2 | — | — | 8.2 |
| Other assets: | | | | |
| Exchange-traded funds | 47.7 | — | — | 47.7 |
| Mutual funds | 3.3 | — | — | 3.3 |
| Interest rate swaps | — | 337.6 | — | 337.6 |
| Interest rate caps | — | 1.7 | — | 1.7 |
| Foreign exchange contracts | — | 1.2 | — | 1.2 |
| Forward commitments to sell residential mortgage loans | — | 0.5 | — | 0.5 |
| Total | $ 753.4 | $ 3,218.2 | $ — | $ 3,971.6 |
| Financial liabilities: | | | | |
| Interest rate swaps | $ — | $ 92.1 | $ — | $ 92.1 |
| Interest rate caps | — | 1.7 | — | 1.7 |
| Risk participation agreements | — | 0.1 | — | 0.1 |
| Foreign exchange contracts | — | 1.8 | — | 1.8 |
| Interest rate-lock commitments on residential mortgage loans | — | 0.5 | — | 0.5 |
| Total | $ — | $ 96.2 | $ — | $ 96.2 |

***Non-Recurring Fair Value Measurements***

The valuation techniques and inputs used by People's United for those assets measured at fair value on a non-recurring basis, excluding goodwill, are described below.

*Loans Held-for-Sale*

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

*Collateral Dependent / Impaired Loans (periods prior to January 1, 2020)*

The Company's approach to determining the fair value of collateral dependent loans is described in Note 5, "Loans".

Prior to the Company's adoption of the CECL standard, loan impairment was deemed to exist when full repayment of principal and interest according to the contractual terms of the loan was no longer probable. Impaired loans were reported based on one of three measures: (i) the present value of expected future cash flows discounted at the loan's original effective interest rate; (ii) the loan's observable market price; or (iii) the fair value of the collateral (less estimated cost to sell) if the loan is collateral dependent. Accordingly, certain impaired loans may have been subject to measurement at fair value on a non-recurring basis.

People's United has estimated the fair values of these assets using Level 3 inputs, such as discounted cash flows based on inputs that are largely unobservable and, instead, reflect management's own estimates of the assumptions a market participant would use in pricing such loans and/or the fair value of collateral based on independent third-party appraisals for collateral dependent loans. Such appraisals are based on the market and/or income approach to value and are subject to a discount (to reflect estimated cost to sell) that generally approximates 10%.

*REO and Repossessed Assets*

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

*Mortgage Servicing Rights*

Mortgage servicing rights are evaluated for impairment based upon the fair value of the servicing rights as compared to their amortized cost. The fair value of mortgage servicing rights is based on a valuation model that calculates the present value of estimated net servicing income. This model incorporates certain assumptions that market participants would likely use in estimating future net servicing income, such as interest rates, prepayment speeds and the cost to service (including delinquency and foreclosure costs), all of which require a degree of management judgment. Adjustments are only recorded when the discounted cash flows derived from the valuation model are less than the carrying value of the asset. As such, mortgage servicing rights are subject to measurement at fair value on a non-recurring basis and are classified as Level 3 assets.

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

| | Fair Value Measurements Using | | | |
|---|---|---|---|---|
| As of December 31, 2020 (in millions) | Level 1 | Level 2 | Level 3 | Total |
| Goodwill (1) | $ — | $ — | $ 2,680.8 | $ 2,680.8 |
| Loans held-for-sale (2) | $ — | $ 26.5 | $ — | $ 26.5 |
| Collateral dependent loans (3) | — | — | 32.8 | 32.8 |
| REO and repossessed assets (4) | — | — | 12.5 | 12.5 |
| Mortgage servicing rights (5) | — | — | 4.8 | 4.8 |
| Total | $ — | $ 26.5 | $ 2,730.9 | $ 2,757.4 |

| As of December 31, 2019 (in millions) | Fair Value Measurements Using Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| Loans held-for-sale: | | | | |
| Commercial | $ — | $ — | $ 157.9 | $ 157.9 |
| Other consumer | — | — | 333.7 | 333.7 |
| Residential (2) | — | 19.7 | — | 19.7 |
| Impaired loans (6) | — | — | 61.9 | 61.9 |
| REO and repossessed assets (4) | — | — | 23.4 | 23.4 |
| Mortgage servicing rights | — | — | 10.6 | 10.6 |
| Total | $ — | $ 19.7 | $ 587.5 | $ 607.2 |

(1) Goodwill was evaluated for impairment as of October 1, 2020 (the Company's annual measurement date). As a result, a non-cash goodwill impairment charge totaling $353.0 million was recorded associated with the Retail Banking reporting unit (see Note 8).

(2) Consists of residential mortgage loans; no fair value adjustments were recorded for the years ended December 31, 2020 and 2019.

(3) Represents the recorded investment in collateral dependent loans with a related ACL totaling $20.5 million, measured in accordance with applicable accounting guidance at December 31, 2020. The provision for credit losses on collateral dependent loans totaled $22.0 million for the year ended December 31, 2020.

(4) Represents: (i) $3.6 million of commercial REO; (ii) $3.2 million of residential REO; and (iii) $5.7 million of repossessed assets at December 31, 2020. Charge-offs to the ACL related to loans that were transferred to REO or repossessed assets totaled $4.6 million and $2.8 million for the year ended December 31, 2020 and 2019, respectively. Write downs and net losses on sale of foreclosed/repossessed assets charged to non-interest expense totaled $5.2 million and $1.1 million for the same periods.

(5) Fair value adjustments in the form of write-downs totaling $5.8 million were recorded for the year ended December 31, 2020.

(6) Represents the recorded investment in impaired loans with a related ACL measured in accordance with applicable accounting guidance. The provision for credit losses on impaired loans totaled $9.3 million for the year ended December 31, 2019.

***Financial Assets and Financial Liabilities Not Measured At Fair Value***

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

| As of December 31, 2020 (in millions) | Carrying Amount | Estimated Fair Value Measurements Using Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|---|
| Financial assets: | | | | | |
| Cash and due from banks | $ 477.3 | $ 477.3 | $ — | $ — | $ 477.3 |
| Short-term investments | 3,766.0 | — | 3,766.0 | — | 3,766.0 |
| Debt securities held-to-maturity, net | 3,993.8 | — | 4,265.5 | 1.5 | 4,267.0 |
| FHLB and FRB stock | 266.6 | — | 266.6 | — | 266.6 |
| Total loans, net (1) | 43,411.6 | — | 8,539.4 | 35,294.0 | 43,833.4 |
| Financial liabilities: | | | | | |
| Time deposits | 5,658.8 | — | 5,699.7 | — | 5,699.7 |
| Other deposits | 46,478.9 | — | 46,478.9 | — | 46,478.9 |
| FHLB advances | 569.7 | — | 570.3 | — | 570.3 |
| Customer repurchase agreements | 452.9 | — | 452.9 | — | 452.9 |
| Fed funds purchased | 125.0 | — | 125.0 | — | 125.0 |
| Notes and debentures | 1,009.6 | — | 1,035.8 | — | 1,035.8 |

| As of December 31, 2019 (in millions) | Carrying Amount | Estimated Fair Value Measurements Using Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|---|
| Financial assets: | | | | | |
| Cash and due from banks | $ 484.2 | $ 484.2 | $ — | $ — | $ 484.2 |
| Short-term investments | 316.8 | — | 316.8 | — | 316.8 |
| Debt securities held-to-maturity | 3,869.2 | — | 4,018.5 | 1.5 | 4,020.0 |
| FHLB and FRB stock | 341.1 | — | 341.1 | — | 341.1 |
| Total loans, net (1) | 43,287.6 | — | 10,072.1 | 33,282.9 | 43,355.0 |
| Financial liabilities: | | | | | |
| Time deposits | 9,205.5 | — | 9,218.1 | — | 9,218.1 |
| Other deposits | 34,384.0 | — | 34,384.0 | — | 34,384.0 |
| FHLB advances | 3,125.4 | — | 3,125.5 | — | 3,125.5 |
| Federal funds purchased | 1,620.0 | — | 1,620.0 | — | 1,620.0 |
| Customer repurchase agreements | 409.1 | — | 409.1 | — | 409.1 |
| Notes and debentures | 993.1 | — | 1,021.3 | — | 1,021.3 |

(1) Excludes collateral dependent loans totaling $32.8 million at December 31. 2020 and impaired loans totaling $61.9 million at December 31, 2019, both measured at fair value on a non-recurring basis.

## NOTE 22 – Legal Proceedings

In the normal course of business, People's United is subject to various legal proceedings. Management has discussed with legal counsel the nature of these legal proceedings and, based on the advice of counsel and the information currently available, believes that the eventual outcome of these legal proceedings will not have a material adverse effect on People's United's financial condition, results of operations or liquidity.

## NOTE 23 – Financial Instruments

In the normal course of business, People's United is a party to both on-balance-sheet and off-balance-sheet financial instruments involving, to varying degrees, elements of credit risk and IRR in addition to the amounts recognized in the Consolidated Statements of Condition. The contractual amounts of off-balance-sheet instruments reflect the extent of People's United's involvement in particular classes of financial instruments.

A summary of the contractual or notional amounts of People's United's lending-related and derivative financial instruments follows:

| As of December 31 (in millions) | 2020 | 2019 |
|---|---|---|
| Lending-Related Financial Instruments: (1) | | |
| Loan origination commitments and unadvanced lines of credit: | | |
| Commercial and industrial | $ 6,723.5 | $ 5,549.9 |
| Home equity and other consumer | 3,349.5 | 3,401.9 |
| Commercial real estate | 962.4 | 1,614.9 |
| Equipment financing | 437.6 | 471.0 |
| Residential mortgage | 44.6 | 54.7 |
| Letters of credit: | | |
| Stand-by | 150.4 | 185.2 |
| Commercial | 4.5 | 4.4 |
| Derivative Financial Instruments: (2) | | |
| Interest rate swaps: | | |
| For market risk management | 925.0 | 585.0 |
| For commercial customers: | | |
| Customer | 8,878.6 | 8,848.7 |
| Institutional counterparties | 8,881.3 | 8,851.8 |
| Interest rate caps: | | |
| For commercial customers: | | |
| Customer | 185.1 | 246.0 |
| Institutional counterparties | 185.1 | 246.0 |
| Risk participation agreements | 924.3 | 882.8 |
| Foreign exchange contracts | 285.3 | 180.4 |
| Forward commitments to sell residential mortgage loans | 25.4 | 23.3 |
| Interest rate-lock commitments on residential mortgage loans | 41.5 | 33.6 |

(1) The contractual amounts of these financial instruments represent People's United's maximum potential exposure to credit loss, assuming: (i) the instruments are fully funded at a later date; (ii) the borrower does not meet contractual repayment obligations; and (iii) any collateral or other security proves to be worthless.

(2) The contractual or notional amounts of these financial instruments are substantially greater than People's United's maximum potential exposure to credit loss.

***Lending-Related Financial Instruments***

The contractual amounts of People's United's lending-related financial instruments do not necessarily represent future cash requirements since certain of these instruments may expire without being funded and others may not be fully drawn upon. These instruments are subject to People's United's credit approval process, including an evaluation of the customer's creditworthiness and related collateral requirements. Commitments generally have fixed expiration dates or other termination clauses and may require the payment of a fee by the customer. The geographic distribution of People's United's lending-related financial instruments is similar to the distribution of its loan portfolio as described in Note 5.

People's United issues both stand-by and commercial letters of credit. Stand-by letters of credit are conditional commitments issued by People's United to guarantee the performance of a customer to a third party. The letter of credit is generally extended for an average term of one year and is secured in a manner similar to existing extensions of credit. For each letter of credit issued, if the customer fails to perform under the terms of the agreement, People's United would have to fulfill the terms of the letter of credit. The credit risk involved in issuing stand-by letters of credit is essentially the same as that involved in extending loan facilities to customers.

A commercial letter of credit is normally a short-term instrument issued by a financial institution on behalf of its customer. The letter of credit authorizes a beneficiary to draw drafts on the financial institution or one of its correspondent banks, provided the terms and conditions of the letter of credit have been met. In issuing a commercial letter of credit, the financial institution has substituted its credit standing for that of its customer. After drafts are paid by the financial institution, the customer is charged or an obligation is created under an existing reimbursement agreement. An advance under a reimbursement agreement is recorded as a loan by the financial institution and is subject to terms and conditions similar to other commercial obligations.

The fair value of People's United's obligations relating to its unfunded loan commitments and letters of credit was $26.9 million and $5.6 million at December 31, 2020 and 2019, respectively, and is included in other liabilities in the Consolidated Statements of Condition (see Note 6).

***Derivative Financial Instruments and Hedging Activities***

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

By using derivatives, People's United is exposed to credit risk to the extent that counterparties to the derivative contracts do not perform as required. Should a counterparty fail to perform under the terms of a derivative contract, the Company's counterparty credit risk is equal to the amount reported as a derivative asset in the Consolidated Statements of Condition. In accordance with the Company's balance sheet offsetting policy (see Note 1), amounts reported as derivative assets represent derivative contracts in a gain position, without consideration for derivative contracts in a loss position with the same counterparty (to the extent subject to master netting arrangements) and posted collateral. People's United seeks to minimize counterparty credit risk through credit approvals, limits, monitoring procedures, execution of master netting arrangements and obtaining collateral, where appropriate. Counterparties to People's United's derivatives include major financial institutions and exchanges that undergo comprehensive and periodic internal credit analysis as well as maintain investment grade credit ratings from the major credit rating agencies. As such, management believes the risk of incurring credit losses on derivative contracts with those counterparties is remote and losses, if any, would be immaterial.

Certain of People's United's derivative contracts contain provisions establishing collateral requirements (subject to minimum collateral posting thresholds) based on the Company's external credit rating. If the Company's senior unsecured debt rating were to fall below the level generally recognized as investment grade, the counterparties to such derivative contracts could require additional collateral on those derivative transactions in a net liability position (after considering the effect of master netting arrangements and posted collateral). The aggregate fair value of derivative instruments with such credit-related contingent features that were in a net liability position at December 31, 2020 was $0.7 million, for which People's United had posted no collateral in the normal course of business. If the Company's senior unsecured debt rating had fallen below investment grade as of that date, $0.7 million in additional collateral would have been required.

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

*Interest Rate Swaps*

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

The Bank has entered into pay floating/receive fixed interest rate swaps to reduce its IRR exposure to the variability in interest cash flows on certain floating-rate commercial loans. The Bank has agreed with the swap counterparties to exchange, at specified intervals, the difference between fixed-rate and floating-rate interest amounts calculated based on notional amounts totaling $210 million. The floating-rate interest payments made under the swaps are calculated using the same floating rate received on the commercial loans. The swaps effectively convert the floating-rate one-month LIBOR interest payments received on the commercial loans to a fixed rate and consequently reduce the Bank's exposure to variability in short-term interest rates. These swaps are accounted for as cash flow hedges.

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

The Bank has entered into two-year and three-year pay fixed/receive floating interest rate swaps to reduce its interest rate exposure by hedging the variability in interest cash flows on certain rolling three-month funding liabilities, which may consist of FHLB advances. The Bank has agreed with the swap counterparty to exchange, at specified intervals, the difference between fixed-rate and floating-rate interest amounts calculated based on an aggregate notional amount of $550 million. The interest rate swaps effectively convert a short-term benchmark interest rate (LIBOR) into a fixed-rate. These swaps are accounted for as cash flow hedges.

*Customer Derivatives*

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

*Foreign Exchange Contracts*

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

*Risk Participation Agreements*

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

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

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

*Interest Rate Locks*

In connection with its planned issuance of senior notes in the fourth quarter of 2012, People’s United entered into U.S. Treasury forward interest rate locks (“T-Locks”) to hedge the risk that the 10-year U.S. Treasury yield component of the underlying coupon of the fixed-rate senior notes would rise prior to establishing the fixed interest rate on the senior notes. Upon pricing the senior notes, the T-Locks were terminated and the unrealized gain of $0.9 million was included (on a net-of-tax basis) as a component of AOCL. The gain is being recognized as a reduction of interest expense over the ten-year period during which the hedged item ($500 million senior note issuance) affects earnings. The portion of the unrecognized gain at December 31, 2020 that is expected to be recognized over the next 12 months totals approximately $0.1 million.

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

| | | | | Fair Values (1) | | | |
|---|---|---|---|---|---|---|---|
| | | Notional Amounts | | Assets | | Liabilities | |
| As of December 31 (in millions) | Type of Hedge | 2020 | 2019 | 2020 | 2019 | 2020 | 2019 |
| Derivatives Not Designated as Hedging Instruments: | | | | | | | |
| Interest rate swaps: | | | | | | | |
| Commercial customers | N/A | $ 8,878.6 | $ 8,847.7 | $ 778.0 | $ 320.5 | $ 0.4 | $ 13.9 |
| Institutional counterparties | N/A | 8,881.3 | 8,851.8 | 5.8 | 17.1 | 156.8 | 78.2 |
| Interest rate caps: | | | | | | | |
| Commercial customers | N/A | 185.1 | 246.0 | 3.0 | 1.6 | — | 0.1 |
| Institutional counterparties | N/A | 185.1 | 246.0 | — | 0.1 | 3.0 | 1.6 |
| Risk participation agreements | N/A | 924.3 | 882.8 | — | — | 0.4 | 0.1 |
| Foreign exchange contracts | N/A | 285.3 | 180.4 | 12.8 | 1.2 | 8.8 | 1.8 |
| Forward commitments to sell residential mortgage loans | N/A | 25.4 | 23.3 | 0.7 | 0.5 | — | — |
| Interest rate-lock commitments on residential mortgage loans | N/A | 41.5 | 33.6 | — | — | 1.0 | 0.5 |
| Total | | | | 800.3 | 341.0 | 170.4 | 96.2 |
| Derivatives Designated as Hedging Instruments: | | | | | | | |
| Interest rate swaps: | | | | | | | |
| FHLB advances | Cash flow | 550.0 | — | — | — | — | — |
| Subordinated notes | Fair value | 375.0 | 375.0 | — | — | — | — |
| Loans | Cash flow | — | 210.0 | — | — | — | — |
| Total | | | | — | — | — | — |
| Total fair value of derivatives | | | | $ 800.3 | $ 341.0 | $ 170.4 | $ 96.2 |

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

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

| Years ended December 31 (in millions) | Type of Hedge | Amount of Pre-Tax Gain (Loss) Recognized in Earnings (1) 2020 | 2019 | 2018 | Amount of Pre-Tax Gain (Loss) Recognized in AOCL 2020 | 2019 | 2018 |
|---|---|---|---|---|---|---|---|
| Derivatives Not Designated as Hedging Instruments: | | | | | | | |
| Interest rate swaps: | | | | | | | |
| Commercial customers | N/A | $ 614.8 | $ 374.9 | $ (3.6) | $ — | $ — | $ — |
| Institutional counterparties | N/A | (599.4) | (350.3) | 17.1 | — | — | — |
| Interest rate caps: | | | | | | | |
| Commercial customers | N/A | 1.4 | 1.4 | 1.1 | — | — | — |
| Institutional counterparties | N/A | (1.4) | (1.5) | (1.0) | — | — | — |
| Foreign exchange contracts | N/A | 1.0 | 1.0 | 0.9 | — | — | — |
| Risk participation agreements | N/A | (0.5) | (0.4) | 0.2 | — | — | — |
| Forward commitments to sell residential mortgage loans | N/A | 0.3 | 0.3 | (0.1) | — | — | — |
| Interest rate-lock commitments on residential mortgage loans | N/A | (0.5) | (0.4) | 0.1 | — | — | — |
| Total | | 15.7 | 25.0 | 14.7 | — | — | — |
| Derivatives Designated as Hedging Instruments: | | | | | | | |
| Interest rate swaps | Fair value | 5.9 | 0.3 | 2.1 | — | — | — |
| Interest rate swaps | Cash flow | 1.9 | (1.2) | (0.6) | (1.3) | 1.9 | (1.7) |
| Interest rate locks | Cash flow | 0.1 | 0.1 | 0.1 | — | — | — |
| Total | | 7.9 | (0.8) | 1.6 | (1.3) | 1.9 | (1.7) |
| Total | | $ 23.6 | $ 24.2 | $ 16.3 | $ (1.3) | $ 1.9 | $ (1.7) |

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

## NOTE 24 – Balance Sheet Offsetting

The Chicago Mercantile Exchange ("CME") legally characterizes variation margin payments for over-the-counter derivatives that clear as settlements rather than collateral. Accordingly, the Company's accounting policies classify, for accounting and presentation purposes, variation margin payments deemed to be legal settlements as a single unit of account with the related derivative(s). At both December 31, 2020 and 2019, this presentation impacted one of the Company's institutional counterparties. As such, People's United has, subject to the corresponding enforceable master netting arrangement, netted the institutional counterparty's CME derivative position and offset the counterparty's variation margin payments in the Consolidated Statement of Condition as of both dates.

The following tables provide a gross presentation, the effects of offsetting, and a net presentation of the Company's financial instruments that are eligible for offset in the Consolidated Statements of Condition. The collateral amounts in these tables are limited to the outstanding balances of the related asset or liability (after netting is applied) and, therefore, instances of overcollateralization are not presented. In the tables below, the Net Amount Presented of the derivative assets and liabilities can be reconciled to the fair value of the Company's derivative financial instruments in Note 23. The Company's derivative contracts with commercial customers and customer repurchase agreements are not subject to master netting arrangements and, therefore, have been excluded from the tables below.

| | | | | Gross Amounts Not Offset | | |
|---|---|---|---|---|---|---|
| As of December 31, 2020 (in millions) | Gross Amount Recognized | Gross Amount Offset | Net Amount Presented | Financial Instruments | Collateral | Net Amount |
| Financial assets: | | | | | | |
| Interest rate swaps/caps: | | | | | | |
| Counterparty A | $ — | $ — | $ — | $ — | $ — | $ — |
| Counterparty B | — | — | — | — | — | — |
| Counterparty C | 0.3 | — | 0.3 | (0.3) | — | — |
| Counterparty D | — | — | — | — | — | — |
| Counterparty E | 5.4 | — | 5.4 | — | — | 5.4 |
| Other counterparties | 0.1 | — | 0.1 | (0.1) | — | — |
| Foreign exchange contracts | 12.8 | — | 12.8 | — | — | 12.8 |
| Total | $ 18.6 | $ — | $ 18.6 | $ (0.4) | $ — | $ 18.2 |
| Financial liabilities: | | | | | | |
| Interest rate swaps/caps: | | | | | | |
| Counterparty A | $ 5.6 | $ — | $ 5.6 | $ — | $ (5.6) | $ — |
| Counterparty B | 7.1 | — | 7.1 | — | (7.1) | — |
| Counterparty C | 56.6 | — | 56.6 | (0.3) | (56.3) | — |
| Counterparty D | 21.4 | — | 21.4 | — | (10.4) | 11.0 |
| Counterparty E | — | — | — | — | — | — |
| Other counterparties | 69.1 | — | 69.1 | (0.1) | (69.0) | — |
| Foreign exchange contracts | 8.8 | — | 8.8 | — | — | 8.8 |
| Total | $ 168.6 | $ — | $ 168.6 | $ (0.4) | $ (148.4) | $ 19.8 |

| As of December 31, 2019 (in millions) | Gross Amount Recognized | Gross Amount Offset | Net Amount Presented | Gross Amounts Not Offset: Financial Instruments | Gross Amounts Not Offset: Collateral | Net Amount |
|---|---|---|---|---|---|---|
| Financial assets: | | | | | | |
| Interest rate swaps/caps: | | | | | | |
| Counterparty A | $ 0.2 | $ — | $ 0.2 | $ (0.2) | $ — | $ — |
| Counterparty B | 0.1 | — | 0.1 | (0.1) | — | — |
| Counterparty C | 0.4 | — | 0.4 | (0.4) | — | — |
| Counterparty D | 0.1 | — | 0.1 | (0.1) | — | — |
| Counterparty E | 15.3 | — | 15.3 | — | — | 15.3 |
| Other counterparties | 1.1 | — | 1.1 | (1.1) | — | — |
| Foreign exchange contracts | 1.2 | — | 1.2 | — | — | 1.2 |
| Total | $ 18.4 | $ — | $ 18.4 | $ (1.9) | $ — | $ 16.5 |
| Financial liabilities: | | | | | | |
| Interest rate swaps/caps: | | | | | | |
| Counterparty A | $ 2.3 | $ — | $ 2.3 | $ (0.2) | $ (2.1) | $ — |
| Counterparty B | 5.5 | — | 5.5 | (0.1) | (5.4) | — |
| Counterparty C | 28.2 | — | 28.2 | (0.4) | (27.8) | — |
| Counterparty D | 10.9 | — | 10.9 | (0.1) | (10.8) | — |
| Counterparty E | — | — | — | — | — | — |
| Other counterparties | 32.9 | — | 32.9 | (1.1) | (31.8) | — |
| Foreign exchange contracts | 1.8 | — | 1.8 | — | — | 1.8 |
| Total | $ 81.6 | $ — | $ 81.6 | $ (1.9) | $ (77.9) | $ 1.8 |

The following tables show the extent to which assets and liabilities exchanged under resale and repurchase agreements have been offset in the Consolidated Statements of Condition. These agreements: (i) are entered into simultaneously with the same financial institution counterparty; (ii) have the same principal amounts and inception/maturity dates; and (iii) are subject to a master netting arrangement that contains a conditional right of offset upon default. At December 31, 2020 and 2019, the Company posted as collateral marketable securities with fair values of $258.7 million and $462.4 million, respectively, and, in turn, accepted as collateral marketable securities with fair values of $254.4 million and $457.5 million, respectively.

| As of December 31, 2020 (in millions) | Gross Amount Recognized | Gross Amount Offset | Net Amount Presented |
|---|---|---|---|
| Total resale agreements | $ 250.0 | $ (250.0) | $ — |
| Total repurchase agreements | $ 250.0 | $ (250.0) | $ — |

| As of December 31, 2019 (in millions) | Gross Amount Recognized | Gross Amount Offset | Net Amount Presented |
|---|---|---|---|
| Total resale agreements | $ 450.0 | $ (450.0) | $ — |
| Total repurchase agreements | $ 450.0 | $ (450.0) | $ — |

## NOTE 25 – Segment Information

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

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

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

*Commercial Banking* consists principally of commercial real estate lending, middle market and business banking, equipment financing, and mortgage warehouse and asset-based lending. This segment also provides treasury management services, capital market capabilities and commercial deposit products. Commercial insurance services were previously provided through PUIA (see Note 2).

*Retail Banking* includes, as its principal business lines, consumer lending (including residential mortgage and home equity lending) and consumer deposit gathering activities. This segment also includes brokerage, financial advisory services, investment management services and life insurance provided by PSI, investment advisory services and financial management and planning services provided by PUA and non-institutional trust services.

People's United's segment disclosure is based on an internal profitability reporting system, which generates information by operating segment based on a series of management estimates and allocations regarding funds transfer pricing ("FTP"), the provision for credit losses on loans, non-interest expense and income taxes. These estimates and allocations, some of which are subjective in nature, are subject to periodic review and refinement. Any changes in estimates and allocations that may affect the reported results of any segment will not affect the consolidated financial position or results of operations of People's United as a whole.

FTP, which is used in the calculation of each operating segment's net interest income, measures the value of funds used in and provided by an operating segment. The difference between the interest income on earning assets and the interest expense on funding liabilities, and the corresponding FTP charge for interest income or credit for interest expense, results in net spread income. For fixed-term assets and liabilities, the FTP rate is assigned at the time the asset or liability is originated by reference to the Company's FTP yield curve, which is updated daily. For non-maturity-term assets and liabilities, the FTP rate is determined based upon the underlying characteristics, or behavior, of each particular product and results in the use of a historical rolling average FTP rate determined over a period that is most representative of the average life of the particular asset or liability. While the Company's FTP methodology serves to remove IRR from the operating segments and better facilitate pricing decisions, thereby allowing management to assess the longer-term profitability of an operating segment more effectively, it may, in sustained periods of low and/or high interest rates, result in a measure of operating segment net interest income that is not reflective of current interest rates.

A five-year rolling average net charge-off rate is used as the basis for the provision for credit losses on loans for the respective operating segment in order to present a level of portfolio credit cost that is representative of the Company's historical experience, without presenting the potential volatility from year-to-year changes in credit conditions. While this method of allocation allows management to assess the longer-term profitability of an operating segment more effectively, it may result in a measure of an operating segment's provision for credit losses on loans that does not reflect actual incurred losses for the periods presented. The provision for credit losses for Treasury reflects the application of the CECL standard (see Note 4).

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

The "Other" category includes the residual financial impact from the allocation of revenues and expenses (including the provision for credit losses on loans) and certain revenues and expenses not attributable to a particular segment; assets and liabilities not attributable to a particular segment; reversal of the FTE adjustment since net interest income for each segment is presented on an FTE basis; and the FTP impact from excess capital. The provision for credit losses for the year ended December 31, 2020 reflects application of the CECL standard as well as the economic uncertainties brought about by COVID-19. The "Other" category also includes certain gains and losses totaling $75.9 million, $10.9 million and $(10.0) million for the years ended December 31, 2020, 2019 and 2018, respectively (included in non-interest income), and certain charges totaling $45.9 million, $65.6 million and $11.4 million for the years ended December 31, 2020, 2019 and 2018, respectively (included in non-interest expense).

The following tables provide selected financial information for People's United's reportable segments:

| Year ended December 31, 2020 (in millions) | Commercial Banking | Retail Banking | Total Reportable Segments | Treasury | Other | Total Consolidated |
|---|---|---|---|---|---|---|
| Net interest income (loss) | $ 1,098.9 | $ 634.9 | $ 1,733.8 | $ (118.5) | $ (39.5) | $ 1,575.8 |
| Provision for credit losses | 52.8 | 10.0 | 62.8 | (0.3) | 93.3 | 155.8 |
| Total non-interest income | 217.3 | 182.2 | 399.5 | 7.8 | 85.4 | 492.7 |
| Total non-interest expense (1) | 478.5 | 1,009.4 | 1,487.9 | 3.7 | 72.5 | 1,564.1 |
| Income (loss) before income tax expense (benefit) | 784.9 | (202.3) | 582.6 | (114.1) | (119.9) | 348.6 |
| Income tax expense (benefit) | 144.7 | 27.4 | 172.1 | (19.8) | (23.3) | 129.0 |
| Net income (loss) | $ 640.2 | $ (229.7) | $ 410.5 | $ (94.3) | $ (96.6) | $ 219.6 |
| Average total assets | $ 35,946.3 | $ 13,447.3 | $ 49,393.6 | $ 9,988.1 | $ 1,656.4 | $ 61,038.1 |
| Average total liabilities | 16,524.6 | 26,978.3 | 43,502.9 | 8,863.8 | 859.6 | 53,226.3 |

(1) Retail Banking includes a $353.0 million non-cash goodwill impairment charge (see Note 8).

| Year ended December 31, 2019 (in millions) | Commercial Banking | Retail Banking | Total Reportable Segments | Treasury | Other | Total Consolidated |
|---|---|---|---|---|---|---|
| Net interest income (loss) | $ 807.1 | $ 555.1 | $ 1,362.2 | $ 66.5 | $ (16.4) | $ 1,412.3 |
| Provision for credit losses | 44.1 | 8.9 | 53.0 | — | (24.7) | 28.3 |
| Total non-interest income | 206.5 | 195.9 | 402.4 | 14.1 | 14.6 | 431.1 |
| Total non-interest expense | 448.7 | 600.2 | 1,048.9 | 13.8 | 100.0 | 1,162.7 |
| Income (loss) before income tax expense (benefit) | 520.8 | 141.9 | 662.7 | 66.8 | (77.1) | 652.4 |
| Income tax expense (benefit) | 104.3 | 28.5 | 132.8 | 13.5 | (14.3) | 132.0 |
| Net income (loss) | $ 416.5 | $ 113.4 | $ 529.9 | $ 53.3 | $ (62.8) | $ 520.4 |
| Average total assets | $ 29,746.8 | $ 12,560.9 | $ 42,307.7 | $ 7,882.3 | $ 1,468.0 | $ 51,658.0 |
| Average total liabilities | 11,490.2 | 23,397.7 | 34,887.9 | 9,011.9 | 686.9 | 44,586.7 |

| Year ended December 31, 2018 (in millions) | Commercial Banking | Retail Banking | Total Reportable Segments | Treasury | Other | Total Consolidated |
|---|---|---|---|---|---|---|
| Net interest income (loss) | $ 699.2 | $ 467.2 | $ 1,166.4 | $ 93.0 | $ (23.4) | $ 1,236.0 |
| Provision for credit losses | 38.7 | 9.0 | 47.7 | — | (17.7) | 30.0 |
| Total non-interest income | 177.8 | 186.7 | 364.5 | 8.3 | (6.4) | 366.4 |
| Total non-interest expense | 383.7 | 565.3 | 949.0 | 17.8 | 29.3 | 996.1 |
| Income (loss) before income tax expense (benefit) | 454.6 | 79.6 | 534.2 | 83.5 | (41.4) | 576.3 |
| Income tax expense (benefit) | 85.0 | 14.9 | 99.9 | 15.8 | (7.5) | 108.2 |
| Net income (loss) | $ 369.6 | $ 64.7 | $ 434.3 | $ 67.7 | $ (33.9) | $ 468.1 |
| Average total assets | $ 25,956.7 | $ 10,103.3 | $ 36,060.0 | $ 7,955.8 | $ 1,013.9 | $ 45,029.7 |
| Average total liabilities | 9,305.0 | 20,699.1 | 30,004.1 | 8,544.3 | 444.1 | 38,992.5 |

## NOTE 26 – Parent Company Financial Information

Condensed financial information of People's United (parent company only) is presented below:

### CONDENSED STATEMENTS OF CONDITION

| As of December 31 (in millions) | 2020 | 2019 |
|---|---|---|
| Assets: | | |
| Cash at bank subsidiary | $ 305.3 | $ 455.2 |
| Total cash and cash equivalents | 305.3 | 455.2 |
| Equity securities, at fair value | 5.3 | 8.2 |
| Investments in subsidiaries: | | |
| Bank subsidiary | 7,600.3 | 7,800.0 |
| Non-bank subsidiaries | 7.3 | 4.8 |
| Goodwill | 203.0 | 203.0 |
| Due from bank subsidiary | 3.1 | 4.6 |
| Other assets | 62.2 | 56.0 |
| Total assets | $ 8,186.5 | $ 8,531.8 |
| Liabilities and Stockholders' Equity: | | |
| Notes and debentures | $ 579.1 | $ 579.9 |
| Other liabilities | 4.6 | 4.7 |
| Stockholders' equity | 7,602.8 | 7,947.2 |
| Total liabilities and stockholders' equity | $ 8,186.5 | $ 8,531.8 |

## CONDENSED STATEMENTS OF INCOME

| Years ended December 31 (in millions) | 2020 | 2019 | 2018 |
|---|---|---|---|
| Revenues: | | | |
| Dividend income from bank subsidiary | $ 498.0 | $ 457.0 | $ 342.0 |
| Interest income | 0.3 | 0.4 | 0.4 |
| Non-interest income | (0.8) | 1.7 | 2.3 |
| Total revenues | 497.5 | 459.1 | 344.7 |
| Expenses: | | | |
| Interest on notes and debentures | 21.7 | 19.2 | 18.7 |
| Non-interest expense | 8.5 | 14.1 | 11.4 |
| Total expenses | 30.2 | 33.3 | 30.1 |
| Income before income tax benefit and subsidiaries (distributions in excess of income) undistributed income | 467.3 | 425.8 | 314.6 |
| Income tax benefit | (6.5) | (6.2) | (5.5) |
| Income before subsidiaries (distributions in excess of income) undistributed income | 473.8 | 432.0 | 320.1 |
| Subsidiaries (distributions in excess of income) undistributed income | (254.2) | 88.4 | 148.0 |
| Net income | $ 219.6 | $ 520.4 | $ 468.1 |

## CONDENSED STATEMENTS OF COMPREHENSIVE INCOME

| Years ended December 31 (in millions) | 2020 | 2019 | 2018 |
|---|---|---|---|
| Net income | $ 219.6 | $ 520.4 | $ 468.1 |
| Other comprehensive income (loss), net of tax: | | | |
| Net unrealized losses on derivatives accounted for as cash flow hedges | (0.1) | (0.1) | — |
| Other comprehensive income (loss) of bank subsidiary | 77.8 | 90.0 | (37.8) |
| Total other comprehensive income (loss), net of tax | 77.7 | 89.9 | (37.8) |
| Total comprehensive income | $ 297.3 | $ 610.3 | $ 430.3 |

**CONDENSED STATEMENTS OF CASH FLOWS**

| Years ended December 31 (in millions) | 2020 | 2019 | 2018 |
|---|---|---|---|
| Cash Flows from Operating Activities: | | | |
| Net income | $ 219.6 | $ 520.4 | $ 468.1 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Subsidiaries distributions in excess of income (undistributed income) | 254.2 | (88.4) | (148.0) |
| Net change in other assets and other liabilities | (2.1) | (0.7) | 23.1 |
| Net cash provided by operating activities | 471.7 | 431.3 | 343.2 |
| Cash Flows from Investing Activities: | | | |
| Proceeds from sales of equity securities | 2.0 | 1.6 | 2.3 |
| Increase in investment in bank subsidiary | — | — | (200.0) |
| Net cash provided by (used in) investing activities | 2.0 | 1.6 | (197.7) |
| Cash Flows from Financing Activities: | | | |
| Cash dividends paid on common stock | (304.1) | (274.8) | (243.8) |
| Cash dividends paid on preferred stock | (14.1) | (14.1) | (14.1) |
| Common stock repurchases | (306.1) | (4.5) | (2.5) |
| Proceeds from stock options exercised | 0.7 | 24.1 | 27.9 |
| Net cash used in financing activities | (623.6) | (269.3) | (232.5) |
| Net (decrease) increase in cash and cash equivalents | (149.9) | 163.6 | (87.0) |
| Cash and cash equivalents at beginning of year | 455.2 | 291.6 | 378.6 |
| Cash and cash equivalents at end of year | $ 305.3 | $ 455.2 | $ 291.6 |

**NOTE 27 – Subsequent Events**

On February 22, 2021, People’s United and M&T Bank Corporation ("M&T") announced that they have entered into a definitive agreement under which M&T will acquire People’s United in an all-stock transaction. Under the terms of the agreement, each share of People’s United common stock will be converted into the right to receive 0.118 shares of M&T common stock. The merger is expected to close in the fourth quarter of 2021, subject to the satisfaction of customary closing conditions, including receipt of regulatory approvals and approval by the shareholders of each company.

On January 21, 2021, the Bank announced its decision not to renew its agreements with Stop & Shop to operate 140 in-store branches in Connecticut and New York upon their expiration in 2022. Branch closures will take place over several years using a phased approach.

**NOTE 28 – Selected Quarterly Financial Data (Unaudited)**

The following table presents People's United's quarterly financial data for 2020 and 2019:

| | 2020 (1) | | | | 2019 (1) | | | |
|---|---|---|---|---|---|---|---|---|
| (dollars in millions, except per common share data) | First | Second | Third | Fourth | First | Second | Third | Fourth |
| Interest and dividend income | $499.1 | $457.6 | $436.8 | $ 421.5 | $440.5 | $472.8 | $470.9 | $496.9 |
| Interest expense | 103.1 | 52.0 | 45.4 | 38.7 | 107.7 | 124.7 | 122.2 | 114.2 |
| Net interest income | 396.0 | 405.6 | 391.4 | 382.8 | 332.8 | 348.1 | 348.7 | 382.7 |
| Provision for credit losses | 33.5 | 80.8 | 26.8 | 14.7 | 5.6 | 7.6 | 7.8 | 7.3 |
| Net interest income after provision for credit losses | 362.5 | 324.8 | 364.6 | 368.1 | 327.2 | 340.5 | 340.9 | 375.4 |
| Non-interest income | 123.8 | 89.6 | 101.1 | 178.2 | 94.6 | 106.3 | 106.0 | 124.2 |
| Non-interest expense | 320.1 | 304.0 | 293.6 | 646.4 | 277.2 | 278.4 | 281.4 | 325.7 |
| Income (loss) before income tax expense | 166.2 | 110.4 | 172.1 | (100.1) | 144.6 | 168.4 | 165.5 | 173.9 |
| Income tax expense | 35.8 | 20.5 | 27.5 | 45.2 | 30.0 | 35.2 | 30.4 | 36.4 |
| Net income (loss) | 130.4 | 89.9 | 144.6 | (145.3) | 114.6 | 133.2 | 135.1 | 137.5 |
| Preferred stock dividend | 3.5 | 3.5 | 3.5 | 3.5 | 3.5 | 3.5 | 3.5 | 3.5 |
| Net income (loss) available to common shareholders | $126.9 | $ 86.4 | $141.1 | $(148.8) | $111.1 | $129.7 | $131.6 | $134.0 |
| Common Share Data: | | | | | | | | |
| EPS: | | | | | | | | |
| Basic | $ 0.30 | $ 0.21 | $ 0.34 | $ (0.36) | $ 0.30 | $ 0.33 | $ 0.34 | $ 0.31 |
| Diluted | 0.30 | 0.21 | 0.34 | (0.35) | 0.30 | 0.33 | 0.33 | 0.31 |
| Common dividends paid | 77.3 | 75.5 | 75.7 | 75.6 | 65.2 | 69.8 | 69.9 | 69.9 |
| Dividends paid per common share | 0.1775 | 0.1800 | 0.1800 | 0.1800 | 0.1750 | 0.1775 | 0.1775 | 0.1775 |
| Common dividend payout ratio | 60.9 % | 87.4 % | 53.6 % | (50.8)% | 58.6 % | 53.8 % | 53.1 % | 52.2 % |
| Stock price: | | | | | | | | |
| High | $17.00 | $13.99 | $12.36 | $ 13.58 | $18.03 | $17.66 | $17.10 | $17.22 |
| Low | 10.40 | 9.37 | 9.74 | 9.98 | 14.25 | 15.24 | 13.81 | 14.73 |
| Weighted average common shares outstanding (in millions): | | | | | | | | |
| Basic | 427.18 | 417.91 | 418.05 | 418.15 | 370.72 | 391.27 | 391.66 | 421.85 |
| Diluted | 429.77 | 420.15 | 420.29 | 420.39 | 374.09 | 394.57 | 394.45 | 424.98 |

(1) The sum of the quarterly amounts for certain line items may not equal the full-year amounts due to rounding.

INDEX TO EXHIBITS

| Designation | Description |
|---|---|
| 21 | Subsidiaries |
| 23 | Consent of KPMG LLP |
| 31.1 | Rule 13a-14(a)/15d-14(a) Certifications |
| 31.2 | Rule 13a-14(a)/15d-14(a) Certifications |
| 32 | Section 1350 Certifications |
| 99.1 | Impact of Inflation |
| 101.1 | The following financial information from People's United Financial, Inc.'s Annual Report on Form 10-K for the fiscal year ended December 31, 2020 formatted in Inline XBRL: (i) Consolidated Statements of Condition as of December 31, 2020 and 2019; (ii) Consolidated Statements of Income for the years ended December 31, 2020, 2019 and 2018; (iii) Consolidated Statements of Comprehensive Income for the years ended December 31, 2020, 2019 and 2018; (iv) Consolidated Statements of Changes in Stockholders' Equity for the years ended December 31, 2020, 2019 and 2018; (v) Consolidated Statements of Cash Flows for the years ended December 31, 2020, 2019 and 2018; and (vi) Notes to Consolidated Financial Statements. |
| 104 | Cover page formatted in Inline XBRL and contained within Exhibit 101.1 |

Exhibit 21

| Name and Address of Each Member of the Affiliated Group | Jurisdiction of Organization | Line of Business | Ownership |
|---|---|---|---|
| People's United Bank, National Association<br>850 Main Street<br>Bridgeport, Connecticut | United States | Financial Services | 100 % |
| People's Ventures II, Inc.<br>850 Main Street<br>Bridgeport, Connecticut | Connecticut | Investment Subsidiary | 100 % |
| Commerce Square Equipment Reinsurance Co. Ltd.<br>2005 Market Street, 14th Floor<br>Philadelphia, Pennsylvania | Turks and Caicos Islands | Insurance Underwriter | 100 % |

The following subsidiaries are owned directly by People's United Bank, National Association:

| | | | |
|---|---|---|---|
| People's United Equipment Finance Corp.<br>1300 Post Oak Boulevard, Suite 1300<br>Houston, Texas | Texas | Equipment Financing | 100 % |
| LEAF Commercial Capital, Inc.<br>2005 Market Street, 14th Floor<br>Philadelphia, Pennsylvania | Delaware | Equipment Financing | 100 % |
| BOWM Securities Corporation<br>1391 Main Street<br>Springfield, Massachusetts | Massachusetts | Investment Subsidiary | 100 % |

The address of the following subsidiaries owned directly by People's United Bank, National Association is 850 Main Street, Bridgeport, Connecticut:

| | | | |
|---|---|---|---|
| People's Capital and Leasing Corp. | Connecticut | Equipment Financing | 100 % |
| People's Securities, Inc. | Connecticut | Securities Brokerage | 100 % |
| People's United Muni Finance Corp. | Vermont | Investment Subsidiary | 100 % |
| People's United Merchant Services Holdings, Inc. | Connecticut | Service Corporation | 100 % |
| People's Mortgage Investment Company | Connecticut | Connecticut Passive Investment Company | 100 % |
| People's United Advisors, Inc. | Connecticut | Investment Adviser | 100 % |
| MSB Real Estate Corp. | Connecticut | Real Estate Investment | 100 % |
| PB Real Estate, Inc. | Connecticut | Real Estate Investment | 100 % |
| ONB Realty Corp. | Maine | Real Estate Investment | 100 % |

Exhibit 23

**Consent of Independent Registered Public Accounting Firm**

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

We consent to the incorporation by reference in the registration statements (No. 333-234013, No. 333-226342, No. 333-218928, No. 333-195996, No. 333-176163, No. 333-163873, No. 333-142119, and No. 333-140865) on Form S-8 and in the registration statements (No. 333-234019, No. 333-213710, No. 333-184753, and No. 333-172201) on Form S-3 of People’s United Financial, Inc. of our reports dated March 1, 2021, with respect to the consolidated statements of condition of People’s United Financial, Inc. and subsidiaries as of December 31, 2020 and 2019, the related consolidated statements of income, comprehensive income, changes in stockholders’ equity, and cash flows for each of the years in the three-year period ended December 31, 2020, and the related notes (collectively, the consolidated financial statements), and the effectiveness of internal control over financial reporting as of December 31, 2020, which reports appear in the December 31, 2020 Annual Report on Form 10-K of People’s United Financial, Inc.

As discussed in Note 1 to the financial statements, the Company has changed its method of accounting for the recognition and measurement of credit losses as of January 1, 2020 due to the adoption of ASC Topic 326, Financial Instruments - Credit Losses.

/s/ KPMG LLP

Stamford, Connecticut
March 1, 2021

Exhibit 31.1
Rule 13a-14(a)/15d-14(a) Certifications

CERTIFICATIONS

I, John P. Barnes, certify that:

1. I have reviewed this Annual Report on Form 10-K of People's United Financial, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 1, 2021

/s/ John P. Barnes
John P. Barnes
Principal Executive Officer

Exhibit 31.2
Rule 13a-14(a)/15d-14(a) Certifications

CERTIFICATIONS

I, R. David Rosato, certify that:

1. I have reviewed this Annual Report on Form 10-K of People's United Financial, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 1, 2021

/s/ R. David Rosato
R. David Rosato
Principal Financial Officer

Exhibit 32
Section 1350 Certifications

Executive Certifications
pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), each of the undersigned officers of People's United Financial, Inc. (the "Company"), does hereby certify, to the best of such officer's knowledge, that:

1. The Company's Annual Report on Form 10-K for the period ended December 31, 2020 (the "Report") fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934.

2. Information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of and for the period ended December 31, 2020.

This Certification is made effective as of the date the Report is filed with the Securities and Exchange Commission.

| | |
|---|---|
| Date: March 1, 2021 | /s/ John P. Barnes |
| | John P. Barnes |
| | Principal Executive Officer |
| Date: March 1, 2021 | /s/ R. David Rosato |
| | R. David Rosato |
| | Principal Financial Officer |

The foregoing certification is being furnished solely pursuant to section 906 of the Sarbanes-Oxley Act of 2002 and is not being filed as part of the Report or as a separate disclosure document.

Exhibit 99.1

## Impact of Inflation

The Consolidated Financial Statements and other financial information presented in the Annual Report (on Form 10-K) have been prepared in conformity with U.S. generally accepted accounting principles, which require the measurement of financial position and operating results in terms of historical dollars without considering changes in the relative purchasing power of money over time due to inflation. Unlike most industrial companies, virtually all of the assets and liabilities of a financial institution are monetary in nature. As a result, interest rates have a more significant impact on a financial institution's performance than the effects of general levels of inflation. Interest rates do not necessarily move in the same direction or in the same magnitude as the prices of goods and services.