PEOPLE'S UNITED FINANCIAL, INC.

REGULATORY CAPITAL DISCLOSURES

For the Quarter Ended June 30, 2021

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FORWARD-LOOKING STATEMENTS

These regulatory capital disclosures include forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. In addition, periodic and other filings made by People's United Financial, Inc. ("People's United" or the "Company") with the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended, 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 Bank Corporation; (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. For a further discussion of risk factors that may cause the Company's actual results to differ from those expected, refer to "*Item 1A. Risk Factors*" beginning on page 10 in People's United's Annual Report on Form 10-K for the fiscal year ended December 31, 2020 (the "2020 Form 10-K").

OVERVIEW

People’s United 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. At June 30, 2021, the Company had total assets of $63.3 billion, total loans of $41.4 billion, total deposits of $52.6 billion and total stockholders’ equity of $7.7 billion.

SCOPE OF APPLICATION

Supervision and Regulation

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. The Bank is subject to regulation, examination, supervision and reporting requirements by the Office of the Comptroller of the Currency (the “OCC”) as its primary regulator.

Refer to pages 2 through 7 in People’s United’s 2020 Form 10-K for a further discussion on supervision and regulation of both the Company and the Bank.

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" or "Basel III") 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.

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 accounting standard relating to current expected credit losses (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.

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 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. As of June 30, 2021, the Bank’s regulatory capital ratios exceeded the OCC’s numeric criteria for classification as a “well-capitalized” institution.

Management believes that, as of June 30, 2021, 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.

Refer to “*Regulatory Capital Requirements”* on pages 67 to 68 in the Company’s 2020 Form 10-K and pages 89 to 90 in the Company’s Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2021 (the “2021 Form 10-Q”) for additional information regarding regulatory capital.

Basis of Consolidation

The consolidated financial statements for both financial and regulatory reporting purposes have been prepared in conformity with U.S. generally accepted accounting principles and include the accounts of People’s United and its subsidiaries. All significant intercompany transactions and balances are eliminated in consolidation. 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. There are no entities within People's United that are deconsolidated or whose capital is deducted for Basel III. Refer to Note 1 in the Company’s 2020 Form 10-K for additional information.

Restrictions on funds and capital transfers

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.

For additional information on dividend restrictions, refer to: (i) "*Item 1A. Risk Factors*" beginning on page 10; (ii) "*Stockholders' Equity and Dividends*" on page 66; and (iii) Note 15 in the Company's 2020 Form 10-K.

CAPITAL STRUCTURE

Regulatory Capital Instruments

People's United's regulatory capital instruments include: (i) preferred stock; (ii) common stock; and (iii) qualifying subordinated notes. 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.

People's United authorized capital stock consists of (i) 1.95 billion shares of common stock, par value $0.01 per share, of which 536.8 million shares were issued at June 30, 2021, and (ii) 50.0 million shares of preferred stock, par value $0.01 per share, of which 10.0 million shares have been designated fixed-to-floating rate non-cumulative perpetual preferred stock, Series A (the "Series A preferred stock") and were issued at June 30, 2021.

Each holder of People's United common stock is entitled to one vote for each share held on each matter submitted for shareholder action. People's United common stock has no preferences, preemptive rights, cumulative voting rights, conversion rights, sinking fund privileges or redemption provisions.

The Series A preferred stock ranks senior to shares of People's United common stock as to dividends and distributions in the event of liquidation or dissolution of People's United. The Series A preferred stock is not convertible into or exchangeable for any shares of common stock or other capital stock of People's United, and does not have any preemptive rights. The Series A preferred stock is perpetual and has no maturity date.

People’s United will pay dividends on the Series A preferred stock, when, as and if declared by its board of directors or a duly authorized committee of our board of directors. From the date of issuance to, but excluding, December 15, 2026, dividends on shares of the Series A preferred stock will be payable quarterly in arrears on the dividend payment dates at a rate of 5.625% per annum. From and including December 15, 2026, dividends on shares of the Series A preferred stock will be payable at a floating rate equal to three-month LIBOR plus a spread of 4.02% per annum, payable quarterly in arrears. Dividends on shares of the Series A preferred stock will not be cumulative.

Refer to Notes 13 and 15 in the Company’s 2020 Form 10-K and Note 6 in the Company’s 2021 Form 10-Q for further information relating to subordinated notes and stockholders' equity.

Table 1: Reconciliation of Total Stockholders' Equity to Total Capital

The following table reconciles the Company's total stockholders' equity to CET 1 capital, Tier 1 capital and Total capital:

(in millions)		June 30, 2021
Stockholders' Equity		
Preferred stock	$	244.1
Common stock		5.4
Additional paid-in capital		7,709.4
Retained earnings		1,516.5
Accumulated other comprehensive loss (AOCI)		(144.8)
Unallocated common stock of Employee Stock Ownership Plan, at cost		(112.0)
Treasury stock, at cost		(1,469.0)
Total stockholders' equity		7,749.6
Less:		
Preferred stock		244.1
Goodwill		2,680.8
Other acquisition-related intangible assets, net		109.4
CECL transition adjustment		(77.1)
Other adjustments		24.1
AOCI-related adjustments (1)		(157.9)
CET 1 capital		4,926.2
Preferred stock		244.1
Tier 1 capital		5,170.3
Total capital minority interest that is not included in Tier 1 capital		240.0
Qualifying subordinated notes		45.0
Allowance for credit losses, net of CECL transition adjustment		280.8
Tier 2 capital		565.8
Total capital (Tier 1 plus Tier 2)	$	5,736.1

(1) 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 AOCI in CET 1 capital.

Additional information regarding People's United's regulatory capital is included in Schedule HC-R in the Consolidated Financial Statements for Holding Companies - FR Y-9C for June 30, 2021.

CAPITAL ADEQUACY

General

People's United's Capital Management Committee (the "CMC") oversees the process of managing capital resources. Specific responsibilities of the CMC include oversight for the development and implementation of both the Company's and the Bank's Capital Plan and capital management strategies. The CMC is also responsible for monitoring and ensuring that capital positions and capital management activities conform to risk appetite statements, the Capital Policy, and regulatory requirements. The CMC has oversight for review and implementation of new capital regulations, including Basel IV.

The Company and the Bank seek to maintain strong capital levels that: (i) exceed regulatory requirements for well-capitalized institutions; (ii) are more than sufficient to support the volume and risk characteristics of the Company and the Bank; (iii) will support Bank operations, taking into consideration asset quality, regulatory capital requirements, earnings and growth expectations, and risk appetite; and (iv) will provide a cushion against unanticipated losses.

The Board of Directors has determined that the Company's ability to access the capital markets and to maintain flexibility to respond to unanticipated capital needs is enhanced over the long-term by its continued payment of a cash dividend to its common shareholders; provided that payment of such dividend, when combined with other capital actions, such as share repurchases, does not impact the ability of the Company to achieve its strategic objectives while maintaining capital targets. Consideration of dividend payments by both the Company and the Bank are made in the context of the Capital Policy.

People's United has a comprehensive stress testing process from which results are incorporated into the Committee's operating framework and reported to the Stress Testing Oversight Committee, the CMC, the Executive Risk Oversights Committee ("EROC"), and the Board of Directors at both the Bank and Holding Company level. The Company continues to conduct stress testing exercises as a component of sound enterprise-wide risk management despite the regulatory relief provided through the Economic Growth, Regulatory Relief, and Consumer Protection Act.

Table 2: Risk-Weighted Assets by Type

The following table summarizes, by component, the Company's risk-weighted assets:

(in millions)		June 30, 2021
On-balance sheet		
Cash and balances due from depository institutions	$	83
Claims on U.S government-sponsored entities		1,337
Exposures to state and municipal governments in the U.S.		588
Corporate debt exposure		87
Residential mortgage loans		6,527
All other loans		28,035
High volatility commercial real estate loans		65
Past due loans		396
Equity exposure		9
All other assets		3,212
Total on-balance sheet		40,339
Off-balance sheet		
Financial stand-by letters of credit		129
Performance stand-by letters of credit		23
Commercial and similar letters of credit with an original maturity of one year or less		1
Unused commitments with an original maturity of one year or less		1,027
Unused commitments with an original maturity exceeding one year		1,963
Over-the-counter derivatives		62
Centrally cleared derivatives		93
All other off-balance sheet liabilities		17
Total off-balance sheet		3,315
Total risk-weighted assets	$	43,654

Additional information regarding People's United's regulatory capital is included in Schedule HC-R in the Consolidated Financial Statements for Holding Companies - FR Y-9C for June 30, 2021.

Table 3: Regulatory Capital Requirements

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. 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 AOCI in CET 1 capital.

	June 30, 2021		Minimum Capital Required (7)		Classification as Well-Capitalized		Capital Conservation
(dollars in millions)	Amount	Ratio	Amount	Ratio	Amount	Ratio	Buffer (7)
Tier 1 Leverage Capital (1):							
People's United	$ 5,170.3	8.4 %	$ 2,454.8	4.0 %	N/A	N/A	N/A
Bank	5,385.3	8.8	2,454.3	4.0	$ 3,067.8	5.0 %	N/A
CET 1 Risk-Based Capital (2):							
People's United	4,926.2	11.3	3,055.8	7.0	N/A	N/A	6.8 %
Bank	5,385.3	12.3	3,053.6	7.0	2,835.5	6.5	7.8
Tier 1 Risk-Based Capital (3):							
People's United	5,170.3	11.8	3,710.6	8.5	2,619.3	6.0	5.8
Bank	5,385.3	12.3	3,707.9	8.5	3,489.8	8.0	6.3
Total Risk-Based Capital (4):							
People's United	5,736.1	13.1	4,583.7	10.5	4,365.4	10.0	5.1
Bank	5,906.1	13.5	4,580.4	10.5	4,362.3	10.0	5.5
Total Risk-Weighted Assets:							
People's United	43,654.2						
Bank	43,622.9						
Average Total Assets: (5)							
People's United	61,369.1						
Bank	61,356.3						
Eligible Retained Income: (6)							
People's United	78.6						
Bank	108.9						

(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 AOCI 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 allowance for credit losses, up to 1.25% of Total Risk-Weighted Assets, divided by Total Risk-Weighted Assets.
(5) Average total assets include quarterly average total assets (less goodwill, other acquisition-related intangibles and other deductions from CET 1 Capital).
(6) Eligible retained income is the greater of (1) the sum of net income for the four calendar quarters preceding the current calendar quarter, net of any distributions not already reflected in net income, or (2) the average of net income over the preceding four quarters. Represents the amount to which restrictions on dividend payments and certain discretionary bonus payments would apply if the capital conservation buffer falls below the required minimum.
(7) In order to avoid limitations on distributions, including dividend payments, and certain discretionary bonus payments to executive officers, a financial institution must hold a capital conservation buffer of 2.5% above its minimum risk-based capital requirements. The minimum capital required amounts and ratio reflect the additional 2.5% capital conservation buffer.

CREDIT DISCLOSURES

General

For purposes of disclosures related to the credit quality of financing receivables and the allowance for credit losses on loans, 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 mortgage warehouse/asset based lending.
- *Retail Portfolio*: residential mortgage; home equity; and other consumer.

Additional information relating to the Company's loan portfolio, credit quality, allowance for credit losses on loans, loan charge-offs and non-performing assets is provided in the Company's 2021 Form 10-Q in "*Loans"* and "*Asset Quality"* on pages 76 to 88 and Notes 3 and 4.

RISK MANAGEMENT

Enterprise Risk

Although acceptance of risk is inherent in the business of banking and other financial services, the Company's risk philosophy is to assume risks that can be efficiently managed. Effective risk management requires the establishment of a comprehensive process to identify, assess and control risks.

The Company's Enterprise Risk Management ("ERM") program is intended to assist the Board of Directors and Management in their efforts to provide value to the Company's stakeholders and to maintain an appropriate balance of risks and rewards. This is achieved through proper identification, assessment and management of risks that could negatively impact the Company's ability to achieve its strategic objectives. The ERM program objectives focus on four general areas:

1. Strategy – establishment of processes to ensure that management's goals are aligned with the Company's strategic objectives, including its appetite for risk;
2. Operations – managing operational, credit, liquidity, compliance, capital, information security and other risks in order to maximize the effective and efficient use of the Company's resources;
3. Reporting – creation of timely and reliable reports that assist management and the Board in identifying, quantifying and monitoring risks; and
4. Compliance – development of a comprehensive and effective program for complying with applicable laws, regulatory guidance and regulations.

ERM at the Company is focused on identifying and managing existing enterprise-wide risks; reviewing and monitoring specific risks existing within business and functional areas at the business unit, divisional level, and enterprise wide level; and anticipating emerging risk and developing potential courses of action in response to such risk.

The ERM framework is structured to identify and address ways in which individual risks interconnect and particularly instances where risk in one area may exacerbate risk in another area. It accomplishes this by embedding risk management concepts and practices into all aspects of the management process, starting with the “tone at the top” and the establishment of a clear risk culture and common understanding of risk at all levels of the organization. The framework incorporates risk assessment into strategy and objective setting; it also establishes processes to identify, assess, respond to, and control risks at both the individual business unit and divisional level as well as on an enterprise-wide basis.

The Bank's risk management framework seeks to ensure that there are effective processes in place to manage risk across the Bank. Risk management is integral to all aspects of Bank’s activities and is the responsibility of all staff. Managers have a particular responsibility to evaluate their risk environment, to put in place appropriate controls and to monitor the effectiveness of those controls. The Bank’s risk management culture emphasizes careful analysis and management of risk in all business processes.

These risks are identified, assessed and managed at an enterprise level. EROC, which is chaired by the Chief Executive Officer, and the Enterprise Risk Committee of the Board of Directors are the two primary governance bodies that provide oversight of the framework that is managed under the direction of the Chief Risk Officer.

The Risk Appetite Framework provides a mechanism for Management and the Board of Directors to communicate the types and quantity of risks that the Bank is willing to accept in pursuit of its business objectives. The Risk Appetite Framework is made up of Risk Appetite Statements, which are high level qualitative standards designed to communicate operational and strategic guidelines for the organization, as well as qualitative requirements and quantitative Key Risk Indicators, or metrics designed to measure the Bank’s adherence to those standards. People’s United has a moderate risk appetite and maintains a moderate risk profile.

Strategic focus areas for Risk Management include establishing risk management capabilities supportive of a digital banking environment, delivering risk management effectively and efficiently, and continued deepening and refinement of its support of businesses to meet their strategic objectives.

CREDIT RISK

General

A strong credit culture and conservative underwriting standards are the cornerstones of the Company's risk management program. The Company's credit philosophy is a fundamental driver of the planning process and as such echoed throughout this document. The Company's credit culture is exemplified by the strong asset quality that was maintained throughout prior economic downturns and disruptions caused by the ongoing COVID-19 pandemic.

The Company has a moderate risk appetite and maintains a moderate risk profile, which is owned by all levels of the organization. Detailed underwriting standards are established in order to preserve strong asset quality results. These standards include a focus on debt service coverage, debt yield and collateral coverage. Each loan is stressed individually for interest rate increases and other factors such as vacancy, rental rates, cap rates and margin compression as appropriate.

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.

Debt Securities

People's United has historically utilized the debt securities portfolio for earnings generation (in the form of interest and dividend income), liquidity, interest rate risk 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. Refer to (i) Notes 1 and 4 and *"Securities"* beginning on page 43 in the Company's 2020 Form 10-K and (ii) Note 2 in the Company's 2021 Form 10-Q for additional information relating to People's United's securities portfolio.

Management of the investment portfolio is an integral part of the risk management activities of the Bank. The primary driver of investment portfolio strategy is the Bank's interest rate risk profile and the secondary driver is the liquidity profile of the Bank. The Treasury Policy (the "Policy") clearly requires that permissible securities utilized for interest rate risk management purposes must be highly liquid and readily saleable. The Asset & Liability Committee ("ALCO") will direct Treasury to purchase securities with risk profiles that achieve the primary objectives described within in this Policy. Turmoil in the capital markets during the financial crisis has heightened focus on security selection and liquidity as markets can become significantly or completely illiquid and dislocated very quickly. The process of security selection will favor securities that have historically traded in highly liquid markets and carry credit ratings of investment grade as determined through the credit analysis of Credit Risk Management ("CRM").

People's United's available-for-sale and held-to-maturity portfolios may include obligations issued by state or local governments or U.S. possessions having investment grade credit ratings per CRM. Position and credit limits are delineated in the Municipal Bond Portfolio Policy.

Corporate Obligations

The Company may purchase corporate debt obligations having investment grade credit ratings per CRM. Position and credit limits are delineated in the Corporate Bond Portfolio Policy.

Municipal Bond Portfolio Policy

People's United seeks to purchase a well-diversified group of municipal debt obligations ("municipal bonds") that, when aggregated together, form the Municipal Bond Portfolio (the "Portfolio"). The Portfolio is limited to an aggregate exposure level of 6.0% of the Bank's assets (the "Maximum Portfolio Size"). EROC will formally review the performance of the Portfolio as well as the policies and procedures governing the Portfolio and, subject to the satisfaction of EROC, authorize the continued growth of the Portfolio. Any further increases to the Maximum Portfolio Size will be determined by EROC and ALCO.

Geography

The aggregate exposure of municipal bonds issued by municipalities located in any one state will be limited to 10% of the Actual Portfolio Size at any point in time except for states where People's United has a retail branch, where the limitation will be 15% of the Actual Portfolio Size at any point in time.

For further information relating to credit risk and risk management objectives, refer to: (i) "*Lending Activities"* beginning on page 44; (ii) "*Market Risk Management*" beginning on page 68; and (iii) Notes 1 and 23 in the Company's 2020 Form 10-K, and (i) "*Market Risk Management*" beginning on page 91 and (ii) Note 13 in the Company's 2021 Form 10-Q.

Table 4: Total Credit Risk Exposure

The following table summarizes the Company's credit risk exposures.

			Remaining Contractual Maturiy			
(in millions)	June 30, 2021	Quarterly Average (2)	One Year or Less	After One Year Through Five Years	After Five Years	Total
On-balance sheet						
Short-term investments	$ 5,249.4	$ 5,468.5	$ 5,249.4	$ -	$ -	$ 5,249.4
U.S. Treasury and agency securities	529.0	529.2	131.6	397.4	-	529.0
GSE mortgage-backed and CMO securities	6,754.2	6,607.0	11.7	927.1	5,815.4	6,754.2
State and municipal securities	2,927.6	2,925.6	17.6	267.4	2,642.6	2,927.6
Corporate and other securities	88.3	90.2	1.0	13.3	74.0	88.3
Loans	41,371.0	41,682.8	6,253.1	15,696.0	19,421.9	41,371.0
Derivatives	534.8	514.7	15.5	150.3	369.0	534.8
Total on-balance-sheet	57,454.3	57,818.0	11,679.9	17,451.5	28,322.9	57,454.3
Off-balance sheet						
Unfunded lending-related commitments (1)	12,929.2	12,989.0	6,010.8	4,895.7	2,022.7	12,929.2
Letters of credit (1)	178.5	171.6	110.6	66.5	1.4	178.5
Total off-balance-sheet	13,107.7	13,160.6	6,121.4	4,962.2	2,024.1	13,107.7
Total	$ 70,562.0	$ 70,978.6	$ 17,801.3	$ 22,413.7	$ 30,347.0	$ 70,562.0

(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) Derivatives and off-balance-sheet average balances are calculated based on the beginning and ending quarterly balances.

CREDIT DISCLOSURE BY GEOGRAPHY AND INDUSTRY

The following tables present the Company's credit exposure by geographic region and industry. The Company's loan portfolio is primarily concentrated within New England and New York.

The Company's credit exposure by industry is included in *"Loans"* in the Company's 2021 Form 10-Q on pages 76 and 77.

The geographic distribution of People’s United’s lending-related financial instruments is similar to the distribution of its loan portfolio.

Table 5: Credit Exposure by Geography

The following table presents the geographic distribution for loans and lending-related commitments.

	June 30, 2021			
(dollars in millions)	Total Loans	Unfunded Lending-Related Commitments	Total	Percentage of Total
State				
Connecticut	$ 9,956.9	$ 3,111.7	$ 13,068.6	24.1 %
Massachusetts	8,012.0	2,503.9	10,515.9	19.4
New York	7,386.1	2,308.3	9,694.4	17.9
New Jersey	1,773.7	554.3	2,328.0	4.3
Vermont	1,688.2	527.6	2,215.8	4.1
New Hampshire	1,618.4	505.8	2,124.2	3.9
California	1,013.8	316.8	1,330.6	2.5
Pennsylvania	1,006.7	314.6	1,321.3	2.4
Texas	968.0	302.5	1,270.5	2.3
Maine	779.2	243.5	1,022.7	1.9
Florida	686.0	214.4	900.4	1.7
All other states	6,482.0	2,025.8	8,507.8	15.5
Total	$ 41,371.0	$ 12,929.2	$ 54,300.2	100.0 %

Table 6: State and Municipal Securities Exposure

The following table presents the geographic distribution for the Company's state and municipal securites:

(dollars in millions)		June 30, 2021	Percentage of Total	
State				
California	$	288.9	9.9	%
Massachusetts		273.6	9.3	
Texas		257.1	8.8	
Washington		169.7	5.8	
Florida		151.7	5.2	
Minnesota		138.2	4.7	
Wisconsin		129.2	4.4	
Maryland		118.2	4.0	
New York		117.2	4.0	
Ohio		113.9	3.9	
All other states		1,169.9	40.0	
Total state and municipal securities at amortized cost	$	2,927.6	100.0	%

COUNTERPARTY CREDIT RISK

General

Credit risk is the risk of loss if a counterparty defaults on a contract and at the time of default the contract has a positive mark-to-market value for the non-defaulting party. Prior to maturity, credit risk also includes an amount in excess of the then current mark-to-market value, reflecting the likelihood that a derivative instrument will attain even higher mark-to-market values prior to its maturity. Instruments and foreign exchange transactions pose "settlement risk," which is the short-term risk (less than 24 hours) a bank faces when it has performed its obligations under a contract, but has not yet received value from its counterparty.

Credit Risk Management

Derivative transactions will only be conducted with counterparties approved by CRM, Chicago Mercantile Exchange cleared transactions notwithstanding. Counterparty credit risk mitigation measures include netting agreements and daily collateral management. Treasury executes an International Swaps and Derivative Association ("ISDA") Master Agreement, Schedule to the Master Agreement, and the associated Credit Support Annex ("CSA") with all derivative counterparties. Treasury also seeks to reduce counterparty credit exposures by having low counterparty credit thresholds and using collateral to secure amounts owed. Where the threshold level is greater than zero, the net credit exposure, which will require the counterparty to post collateral, is NRSRO credit ratings based. Each individual ISDA document specifies collateral requirements.

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). 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.

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 ISDA master agreements, which include "right of set-off" provisions that provide for a single net settlement of all interest rate swap positions, as well as collateral, in the event of default on, or the termination of, any one contract.

Financial derivatives are broadly defined as financial instruments which derive their value from the performance of assets, interest or currency exchange rates, or indices. Derivatives include a wide assortment of financial contracts including structured debt obligations and deposits, swaps, futures, options, caps, floors, collars, forwards, and various combinations thereof. Derivatives provide the Bank with greater flexibility in managing risk by separating the different types of risk that are found in financial instruments and services, and by transferring those risks to parties who are more willing to manage those risks. Derivatives often provide users with lower cost funding alternatives by reducing transaction costs or by exploiting arbitrage opportunities across financial markets.

The level of market risk varies depending on the scope, size and complexity of the derivative activity engaged in by the Bank. The Bank is primarily engaged in risk management activities for the Bank's balance sheet and derivatives are also offered to the Bank's customers who are seeking risk management tools to assist in meeting their business objectives.

The Bank adheres to the guidelines set for in 12CFR Section 563 and OCC Bank Circular 277 regarding prudent practices for engaging in financial derivative activities. The OCC Handbook on derivatives is also used as a reference to determine best practice and appropriate policy. Included under the Treasury Policy are other balance sheets and off balance sheet delivery versus payment transactions where counterparty exposure is limited to market movement. The Treasury Policy therefore includes repurchase and reverse repurchase agreements even though they are not derivative transactions.

Treasury provides commercial customers and municipalities with access to the capital markets in order to help them invest excess funds and manage interest rate and foreign exchange risk. Financial derivative products are available to help customers hedge the risk arising from their business activities. All transactions are executed in compliance with the Bank's policies on Financial Derivatives as well as all aforementioned regulatory requirements. This policy authorizes Treasury to enter into: (i) interest rate swap and foreign exchange transactions in conjunction with balance sheet activities; (ii) customer swap transactions; and (iii) customer foreign exchange transactions.

For further information relating to counterparty credit risk, refer to (i) Notes 1, 23 and 24 in the Company's 2020 Form 10-K and (ii) Notes 13 and 14 in the Company's 2021 Form 10-Q.

EQUITY SECURITIES NOT SUBJECT TO THE MARKET RISK RULES

General

At June 30, 2021, the Company's equity investments not subject to the market risk rules included the following:

Stock of both the Federal Home Loan Bank of Boston and the Federal Reserve Bank of New York 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).

Bank-owned life insurance ("BOLI"), representing the cash surrender value of life insurance policies purchased on the lives of certain key executives and former key executives, is included in other assets in the Consolidated Statements of Condition. 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.

Affordable housing investments, including all legally binding commitments to fund future investments, are included in other assets in the Consolidated Statements of Condition.

Certain unfunded nonqualified supplemental plans have been established to provide retirement benefits to certain senior officers. People's United has funded 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.

Refer to Notes 1, 4, 14 and 19 in the Company's 2020 Form 10-K for additional information.

Table 7: Equity Securities Not Subject to the Market Rule

The following table summarizes the carrying values and capital requirements for those securities not subject to the market risk rule.

	June 30, 2021	
(in millions)	Carrying Amount	Risk-weighted Amount
Public:		
Risk-weight category		
0%	$ -	$ -
20%	-	-
100%	82.8	82.8
Total	$ 82.8	$ 82.8
Nonpublic:		
Risk-weight category		
0%	$ 228.8	$ -
20%	36.1	7.6
100%	704.2	704.2
Total	$ 969.1	$ 711.8

Regulatory Capital Disclosure Index