UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2020

or

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

For the transition period from ___ to ___

Commission File Number 001-33326

PEOPLE'S UNITED FINANCIAL, INC.

(Exact name of registrant as specified in its charter)

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)	(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(s)	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

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 is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of October 31, 2020, there were 424,866,565 shares of the registrant's common stock outstanding.

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Part 1 - Financial Information

Item 1 - Financial Statements

People's United Financial, Inc.

Consolidated Statements of Condition - (Unaudited)

(in millions)	September 30, 2020	December 31, 2019
Assets		
Cash and due from banks	$ 616.8	$ 484.2
Short-term investments	438.6	316.8
Total cash and cash equivalents (note 2)	1,055.4	801.0
Securities (note 2):		
Trading debt securities, at fair value	—	7.1
Equity securities, at fair value	5.6	8.2
Debt securities available-for-sale, at fair value	4,080.7	3,564.3
Debt securities held-to-maturity, at amortized cost and net of allowance for credit losses of $1.6 million at September 30, 2020 (fair value of $4.17 billion and $4.02 billion)	3,916.5	3,869.2
Federal Home Loan Bank and Federal Reserve Bank stock, at cost	267.1	341.1
Total securities	8,269.9	7,789.9
Loans held-for-sale (note 3)	21.4	511.3
Loans (notes 3, 4 and 5):		
Commercial and industrial	15,295.0	11,041.6
Commercial real estate	13,713.3	14,762.3
Equipment financing	4,887.6	4,910.4
Total Commercial Portfolio	33,895.9	30,714.3
Residential mortgage	9,095.6	10,318.1
Home equity and other consumer	2,239.1	2,563.7
Total Retail Portfolio	11,334.7	12,881.8
Total loans	45,230.6	43,596.1
Less allowance for credit losses on loans	(423.8)	(246.6)
Total loans, net	44,806.8	43,349.5
Goodwill (note 8)	3,065.5	3,065.5
Bank-owned life insurance	710.5	705.0
Premises and equipment, net	281.3	305.5
Other acquisition-related intangible assets (note 8)	178.0	209.1
Other assets (notes 1, 3, 5 and 13)	2,482.4	1,853.0
Total assets	$ 60,871.2	$ 58,589.8
Liabilities		
Deposits:		
Non-interest-bearing	$ 14,101.9	$ 9,803.7
Savings	5,846.3	4,987.7
Interest-bearing checking and money market	23,361.8	19,592.6
Time	6,326.5	9,205.5
Total deposits	49,636.5	43,589.5
Borrowings:		
Federal Home Loan Bank advances	579.8	3,125.4
Customer repurchase agreements	432.5	409.1
Federal funds purchased	225.0	1,620.0
Total borrowings	1,237.3	5,154.5
Notes and debentures	1,012.0	993.1
Other liabilities (notes 1, 4, 5 and 13)	1,153.9	905.5
Total liabilities	53,039.7	50,642.6
Commitments and contingencies (notes 1, 5 and 10)		
Stockholders' Equity (notes 6, 9 and 15)		
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	7,657.3	7,639.4
Retained earnings	1,589.1	1,512.8
Accumulated other comprehensive loss	(77.9)	(166.9)
Unallocated common stock of Employee Stock Ownership Plan, at cost (5.7 million shares and 5.9 million shares)	(117.4)	(122.9)
Treasury stock, at cost (109.0 million shares and 89.2 million shares)	(1,469.0)	(1,164.6)
Total stockholders' equity	7,831.5	7,947.2
Total liabilities and stockholders' equity	$ 60,871.2	$ 58,589.8

See accompanying notes to consolidated financial statements.

People’s United Financial, Inc.
Consolidated Statements of Income - (Unaudited)

(in millions, except per common share data)	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Interest and dividend income:				
Commercial real estate	$ 110.5	$ 136.6	$ 382.5	$ 409.2
Commercial and industrial	110.7	113.4	329.5	328.7
Equipment financing	65.4	65.3	201.2	187.0
Residential mortgage	82.1	84.7	257.3	240.9
Home equity and other consumer	19.9	24.7	68.0	75.4
Total interest on loans	388.6	424.7	1,238.5	1,241.2
Securities	47.5	44.7	148.5	138.7
Loans held-for-sale	0.3	0.2	3.9	0.6
Short-term investments	0.4	1.3	2.6	3.8
Total interest and dividend income	436.8	470.9	1,393.5	1,384.3
Interest expense:				
Deposits	36.5	92.2	157.1	270.0
Notes and debentures	7.4	8.5	24.5	26.1
Borrowings	1.5	21.5	18.9	58.6
Total interest expense	45.4	122.2	200.5	354.7
Net interest income	391.4	348.7	1,193.0	1,029.6
Provision for credit losses on loans (notes 3 and 4)	27.1	7.8	141.4	21.0
Provision for credit losses on securities (note 2)	(0.3)	—	(0.3)	—
Net interest income after provision for credit losses	364.6	340.9	1,051.9	1,008.6
Non-interest income:				
Bank service charges	24.5	27.0	72.8	78.6
Investment management fees	18.8	19.9	54.3	58.9
Operating lease income (note 5)	12.4	12.9	36.8	38.1
Commercial banking lending fees	12.7	11.8	35.4	29.8
Insurance revenue	9.7	10.3	29.6	29.5
Cash management fees	8.8	7.3	24.3	21.2
Other non-interest income (notes 2 and 3)	14.2	16.8	61.3	50.8
Total non-interest income	101.1	106.0	314.5	306.9
Non-interest expense:				
Compensation and benefits	166.5	158.1	508.2	474.8
Occupancy and equipment	49.1	45.0	148.1	133.7
Professional and outside services	24.1	23.7	88.3	68.6
Amortization of other acquisition-related intangible assets (note 8)	10.2	8.0	31.1	22.7
Operating lease expense	9.3	9.9	27.9	29.2
Regulatory assessments	8.4	5.3	25.8	18.8
Other non-interest expense	26.0	31.4	88.3	89.2
Total non-interest expense	293.6	281.4	917.7	837.0
Income before income tax expense	172.1	165.5	448.7	478.5
Income tax expense (note 1)	27.5	30.4	83.8	95.5
Net income	144.6	135.1	364.9	383.0
Preferred stock dividend	3.5	3.5	10.5	10.5
Net income available to common shareholders	$ 141.1	$ 131.6	$ 354.4	$ 372.5
Earnings per common share (note 7):				
Basic	$ 0.34	$ 0.34	$ 0.84	$ 0.97
Diluted	0.34	0.33	0.84	0.96

See accompanying notes to consolidated financial statements.

People's United Financial, Inc.

Consolidated Statements of Comprehensive Income - (Unaudited)

(in millions)	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Net income	$ 144.6	$ 135.1	$ 364.9	$ 383.0
Other comprehensive income (loss), net of tax:				
Net actuarial gains and losses related to pension and other postretirement plans	1.5	1.0	4.7	3.9
Net unrealized gains and losses on debt securities available-for-sale	(5.9)	8.6	84.1	66.2
Amortization of unrealized losses on debt securities transferred to held-to-maturity	0.7	0.8	2.7	2.0
Net unrealized gains and losses on derivatives accounted for as cash flow hedges	(0.3)	0.3	(2.5)	2.4
Total other comprehensive income (loss), net of tax (note 6)	(4.0)	10.7	89.0	74.5
Total comprehensive income	$ 140.6	$ 145.8	$ 453.9	$ 457.5

See accompanying notes to consolidated financial statements.

People’s United Financial, Inc.

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

Three months ended September 30, 2020 (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 June 30, 2020	$ 244.1	$ 5.3	$ 7,651.2	$ 1,524.6	$ (119.3)	$ (73.9)	$(1,469.0)	$ 7,763.0
Net income	—	—	—	144.6	—	—	—	144.6
Total other comprehensive loss, net of tax (note 6)	—	—	—	—	—	(4.0)	—	(4.0)
Cash dividend on common stock ($0.18 per share)	—	—	—	(75.7)	—	—	—	(75.7)
Cash dividend on preferred stock	—	—	—	(3.5)	—	—	—	(3.5)
Restricted stock and performance-based share awards	—	—	4.6	—	—	—	—	4.6
ESOP common stock committed to be released (note 9)	—	—	—	(0.9)	1.9	—	—	1.0
Stock options exercised	—	—	1.5	—	—	—	—	1.5
Balance at September 30, 2020	$ 244.1	$ 5.3	$ 7,657.3	$ 1,589.1	$ (117.4)	$ (77.9)	$(1,469.0)	$ 7,831.5

Nine months ended September 30, 2020 (in millions, except per common share data)	Preferred Stock	Common Stock	Additional Paid-In Capital	Retained Earnings	Unallocated ESOP Common Stock	Accumulated Other Comprehensive Loss	Treasury Stock	Total Stockholders’ Equity
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	—	—	—	364.9	—	—	—	364.9
Total other comprehensive income, net of tax (note 6)	—	—	—	—	—	89.0	—	89.0
Cash dividends on common stock ($0.5375 per share)	—	—	—	(228.5)	—	—	—	(228.5)
Cash dividends on preferred stock	—	—	—	(10.5)	—	—	—	(10.5)
Restricted stock and performance-based share awards	—	—	12.0	—	—	—	—	12.0
Common stock repurchased (note 6)	—	—	—	—	—	—	(304.4)	(304.4)
ESOP common stock committed to be released (note 9)	—	—	—	(2.2)	5.5	—	—	3.3
Common stock repurchased and retired upon vesting of restricted stock awards	—	—	—	(1.5)	—	—	—	(1.5)
Stock options exercised	—	—	5.9	—	—	—	—	5.9
Transition adjustment related to adoption of new accounting standard (note 15)	—	—	—	(45.9)	—	—	—	(45.9)
Balance at September 30, 2020	$ 244.1	$ 5.3	$ 7,657.3	$ 1,589.1	$ (117.4)	$ (77.9)	$(1,469.0)	$ 7,831.5

(1) Employee Stock Ownership Plan

Three months ended September 30, 2019 (in millions, except per common share data)	Preferred Stock	Common Stock	Additional Paid-In Capital	Retained Earnings	Unallocated ESOP Common Stock	Accumulated Other Comprehensive Loss	Treasury Stock	Total Stockholders' Equity
Balance at June 30, 2019	$ 244.1	$ 4.9	$ 6,890.7	$ 1,388.1	$ (126.5)	$ (193.0)	$(1,162.1)	$ 7,046.2
Net income	—	—	—	135.1	—	—	—	135.1
Total other comprehensive income, net of tax (note 6)	—	—	—	—	—	10.7	—	10.7
Cash dividend on common stock ($0.1775 per share)	—	—	—	(69.9)	—	—	—	(69.9)
Cash dividend on preferred stock	—	—	—	(3.5)	—	—	—	(3.5)
Restricted stock and performance-based share awards	—	—	6.0	—	—	—		6.0
ESOP common stock committed to be released (note 9)	—	—	—	(0.4)	1.8	—	—	1.4
Common stock repurchased and retired upon vesting of restricted stock awards	—	—	—	(0.1)	—	—	—	(0.1)
Stock options exercised	—	—	4.8	—	—	—	—	4.8
Balance at September 30, 2019	$ 244.1	$ 4.9	$ 6,901.5	$ 1,449.3	$ (124.7)	$ (182.3)	$(1,162.1)	$ 7,130.7

Nine months ended September 30, 2019 (in millions, except per common share data)	Preferred Stock	Common Stock	Additional Paid-In Capital	Retained Earnings	Unallocated ESOP Common Stock	Accumulated Other Comprehensive Loss	Treasury Stock	Total Stockholders' Equity
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	—	—	—	383.0	—	—	—	383.0
Total other comprehensive income, net of tax (note 6)	—	—	—	—	—	74.5	—	74.5
Common stock issued in BSB Bancorp acquisition	—	0.2	324.3	—	—	—	—	324.5
Cash dividends on common stock ($0.53 per share)	—	—	—	(204.9)	—	—	—	(204.9)
Cash dividends on preferred stock	—	—	—	(10.5)	—	—	—	(10.5)
Restricted stock and performance-based share awards	—	—	10.9	—	—	—		10.9
ESOP common stock committed to be released (note 9)	—	—	—	(1.2)	5.4	—	—	4.2
Common stock repurchased and retired upon vesting of restricted stock awards	—	—	—	(1.9)	—	—	—	(1.9)
Stock options exercised	—	—	17.0	—	—	—	—	17.0
Balance at September 30, 2019	$ 244.1	$ 4.9	$ 6,901.5	$ 1,449.3	$ (124.7)	$ (182.3)	$(1,162.1)	$ 7,130.7

See accompanying notes to consolidated financial statements.

People’s United Financial, Inc.
Consolidated Statements of Cash Flows - (Unaudited)

(in millions)	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Cash Flows from Operating Activities:		
Net income	$ 364.9	$ 383.0
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for credit losses	141.1	21.0
Depreciation and amortization of premises and equipment	32.7	29.0
Amortization of other acquisition-related intangible assets	31.1	22.7
Expense related to operating leases	27.9	29.2
Expense related to share-based awards	20.0	18.5
ESOP common stock committed to be released	3.3	4.2
Net gains on sales of loans	(16.0)	—
Net gains on sales of residential mortgage loans held-for-sale	(2.4)	(1.5)
Originations of loans held-for-sale	(136.6)	(124.8)
Proceeds from sales of loans held-for-sale	628.9	120.6
Net decrease (increase) in trading debt securities	7.1	(0.9)
Excess income tax benefits from stock option exercises	—	0.3
Net changes in other assets and other liabilities	(453.5)	(495.0)
Net cash provided by operating activities	648.5	6.3
Cash Flows from Investing Activities:		
Proceeds from sales of equity securities	0.9	0.9
Proceeds from principal repayments and maturities of debt securities available-for-sale	969.9	350.0
Proceeds from sales of debt securities available-for-sale	—	311.8
Proceeds from principal repayments and maturities of debt securities held-to-maturity	219.3	121.3
Purchases of debt securities available-for-sale	(1,363.3)	(305.1)
Purchases of debt securities held-to-maturity	(275.5)	(153.5)
Net (purchases) redemptions of Federal Reserve Bank stock	(24.4)	26.1
Net redemptions (purchases) of Federal Home Loan Bank stock	98.3	(25.0)
Proceeds from sales of loans	83.0	23.6
Net principal disbursements of loans	(1,633.4)	(881.9)
Purchases of loans	(30.6)	(50.7)
Purchases of premises and equipment	(27.2)	(19.7)
Purchases of leased equipment, net	(9.5)	(34.6)
Proceeds from sales of real estate owned	11.4	10.4
Return of premium on bank-owned life insurance, net	1.8	1.2
Net cash acquired in acquisitions	—	48.7
Net cash used in investing activities	(1,979.3)	(576.5)
Cash Flows from Financing Activities:		
Net increase in deposits	6,047.0	295.8
Net (decrease) increase in borrowings with terms of three months or less	(3,872.4)	417.5
Repayments of borrowings with terms of more than three months	(45.2)	(76.8)
Cash dividends paid on common stock	(228.5)	(204.9)
Cash dividends paid on preferred stock	(10.5)	(10.5)
Repurchases of common stock	(305.9)	(1.9)
Proceeds from stock options exercised	0.7	12.9
Contingent consideration payments	—	(0.9)
Net cash provided by financing activities	1,585.2	431.2
Net increase (decrease) in cash and cash equivalents	254.4	(139.0)
Cash and cash equivalents at beginning of period	801.0	932.0
Cash and cash equivalents at end of period	$ 1,055.4	$ 793.0
Supplemental Information:		
Interest payments	$ 207.4	$ 356.6
Income tax payments	77.3	86.5
Significant non-cash transactions:		
Unsettled purchases of securities	38.3	2.1
Right-of-use assets obtained in exchange for lessee operating lease liabilities	15.3	30.3
Real estate properties acquired by foreclosure	2.8	17.1
Assets acquired and liabilities assumed in acquisitions:		
Non-cash assets, excluding goodwill and other acquisition-related intangibles	—	2,893.6
Liabilities	—	2,862.2
Common stock issued in BSB Bancorp acquisition	—	324.5

See accompanying notes to consolidated financial statements.

NOTE 1. GENERAL

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

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 asset impairment judgments, such as the recoverability of goodwill and other intangible assets. These accounting estimates 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. generally accepted accounting principles (“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 2, “Securities”, Note 3, “Loans”, Note 4, “Allowance for Credit Losses” and Note 15, “New Accounting Pronouncements” 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 credit losses.

Certain information and footnote disclosures normally included in consolidated financial statements prepared in conformity with U.S. GAAP have been omitted or condensed. As a result, the accompanying consolidated financial statements should be read in conjunction with People’s United’s Annual Report on Form 10-K for the year ended December 31, 2019. The results of operations for the three and nine months ended September 30, 2020 are not necessarily indicative of the results of operations that may be expected for the entire year or any other interim period.

Note 1 to People’s United’s audited consolidated financial statements included in the Annual Report on Form 10-K for the year ended December 31, 2019, as supplemented by the Quarterly Reports for the periods ended March 31, 2020 and June 30, 2020, and this Quarterly Report for the period ended September 30, 2020, provides disclosure of People’s United’s significant accounting policies.

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 People’s United Bank, National Association (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 ($460.9 million and $383.9 million at September 30, 2020 and December 31, 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 ($188.2 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 10 years). Amortization expense, which is included as a component of income tax expense, totaled $8.0 million and $6.4 million for the three months ended September 30, 2020 and 2019, respectively, and $23.2 million and $18.5 million for the nine months ended September 30, 2020 and 2019, respectively.

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 severe 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 are expected to persist throughout the remainder of 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. 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.

NOTE 2. CASH AND CASH EQUIVALENTS AND SECURITIES

Included in short-term investments are interest-bearing deposits at the Federal Reserve Bank of New York (the "FRB-NY") totaling $245.5 million at September 30, 2020 and $219.4 million at December 31, 2019. These deposits represent an alternative to overnight federal funds sold and yielded 0.10% and 1.55% at September 30, 2020 and December 31, 2019, respectively.

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

<u>Allowance for Credit Losses – Available-for-Sale Securities</u>

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 allowances are 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 allowance are reported as a component of credit loss expense. Available-for-sale securities are charged-off against the allowance or, in the absence of any allowance, 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. At September 30, 2020, accrued interest receivable associated with debt securities available-for-sale totaled $10.3 million and is reported in other assets in the Consolidated Statements of Condition.

<u>Allowance for Credit Losses – Held-to-Maturity Securities</u>

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 allowance when deemed to be uncollectible and adjustments to the allowance 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. Accrued interest receivable associated with debt securities held-to-maturity totaling $29.2 million at September 30, 2020 is reported in other assets in the Consolidated Statements of Condition.

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.

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 September 30, 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	$ 530.4	$ —	$ 13.4	$ —	$ 543.8
GSE (2) mortgage-backed and CMO (3) securities	3,421.8	—	115.5	(0.4)	3,536.9
Total debt securities available-for-sale	$ 3,952.2	$ —	$ 128.9	$ (0.4)	$ 4,080.7
Debt securities held-to-maturity:					
State and municipal	$ 2,709.4	$ (0.1)	$ 215.4	$ (1.6)	$ 2,923.1
GSE mortgage-backed securities	1,117.6	—	42.5	—	1,160.1
Corporate	89.6	(1.5)	1.0	(0.3)	88.8
Other	1.5	—	—	—	1.5
Total debt securities held-to-maturity	$ 3,918.1	$ (1.6)	$ 258.9	$ (1.9)	$ 4,173.5

(1) As discussed in Note 15, beginning January 1, 2020, an ACL is required to be recognized (as appropriate) for debt securities.

(2) Government sponsored enterprise

(3) Collateralized mortgage obligation

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 and CMO 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 September 30, 2020, no debt securities held-to-maturity were past due or in non-accrual status. The following table summarizes the changes in the ACL on debt securities held-to-maturity:

	Three Months Ended September 30, 2020			Nine Months Ended September 30, 2020		
(in millions)	Corporate	State and municipal	Total	Corporate	State and municipal	Total
Balance at beginning of period	$ 1.8	$ 0.1	$ 1.9	$ —	$ —	$ —
CECL transition adjustment	—	—	—	1.8	0.1	1.9
Balance at beginning of period, adjusted	1.8	0.1	1.9	1.8	0.1	1.9
Provision charged (credited) to income	(0.3)	—	(0.3)	(0.3)	—	(0.3)
Balance at end of period	$ 1.5	$ 0.1	$ 1.6	$ 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 September 30, 2020 (in millions)	Investment Grade	Non-Investment Grade	Total
State and municipal	$ 2,709.2	$ 0.2	$ 2,709.4
GSE mortgage-backed securities	1,117.6	—	1,117.6
Corporate	84.6	5.0	89.6
Other	1.5	—	1.5
Total	$ 3,912.9	$ 5.2	$ 3,918.1

The following table summarizes those debt securities available-for-sale with unrealized losses at September 30, 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 September 30, 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	$ 308.6	$ (0.4)	$ —	$ —	$ 308.6	$ (0.4)
Total	$ 308.6	$ (0.4)	$ —	$ —	$ 308.6	$ (0.4)

At September 30, 2020, 12 of the 2,343 debt securities available-for-sale owned by the Company had gross unrealized losses totaling $0.4 million. The GSE mortgage-backed and CMO securities with unrealized losses had AAA credit ratings and an average contractual maturity of 29 years.

As of September 30, 2020, no ACL has been recognized on debt securities available-for-sale in an unrealized loss position as management does not believe any of those 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 recorded in the Consolidated Statements of Income during the three or nine months ended September 30, 2020 and 2019.

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 and CMO 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 September 30, 2020 and December 31, 2019, debt securities available-for-sale with fair values of $4.08 billion and $2.43 billion, respectively, and debt securities held-to-maturity with amortized costs of $2.01 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 and fair value of debt securities as of September 30, 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	
(in millions)	Amortized Cost	Fair Value	Amortized Cost	Fair Value
U.S. Treasury and agency:				
Within 1 year	$ 21.0	$ 21.2	$ —	$ —
After 1 but within 5 years	509.4	522.6	—	—
Total	530.4	543.8	—	—
GSE mortgage-backed and CMO securities:				
After 1 but within 5 years	93.0	97.2	882.8	918.4
After 5 but within 10 years	1,017.5	1,066.2	164.8	169.4
After 10 years	2,311.3	2,373.5	70.0	72.3
Total	3,421.8	3,536.9	1,117.6	1,160.1
State and municipal:				
Within 1 year	—	—	7.4	7.5
After 1 but within 5 years	—	—	255.0	268.7
After 5 but within 10 years	—	—	534.8	580.5
After 10 years	—	—	1,912.2	2,066.4
Total	—	—	2,709.4	2,923.1
Corporate:				
After 1 but within 5 years	—	—	6.8	6.8
After 5 but within 10 years	—	—	82.8	82.0
Total	—	—	89.6	88.8
Other:				
After 1 but within 5 years	—	—	1.5	1.5
Total	—	—	1.5	1.5
Total:				
Within 1 year	21.0	21.2	7.4	7.5
After 1 but within 5 years	602.4	619.8	1,146.1	1,195.4
After 5 but within 10 years	1,017.5	1,066.2	782.4	831.9
After 10 years	2,311.3	2,373.5	1,982.2	2,138.7
Total	$ 3,952.2	$ 4,080.7	$ 3,918.1	$ 4,173.5

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.

Equity investments (other than equity method investments) are measured at fair value with changes in fair value recognized in net income. People's United recorded unrealized losses of $0.3 million and $0.5 million for the three months ended September 30, 2020 and 2019, respectively, and unrealized losses of $1.8 million and unrealized gains of $0.4 million for the nine months ended September 30, 2020 and 2019, respectively (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 Federal Home Loan Bank (the “FHLB”) of Boston, is currently required to purchase and hold shares of capital stock in the FHLB of Boston (total cost of $39.0 million and $136.6 million at September 30, 2020 and December 31, 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, which matured in April 2020 (total cost of $0.7 million at December 31, 2019). 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 September 30, 2020 and the cost of the investment approximates fair value.

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 $228.1 million and $203.8 million at September 30, 2020 and December 31, 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 September 30, 2020 and the cost of the investment approximates fair value.

NOTE 3. 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.

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 ("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:

(in millions)	September 30, 2020	December 31, 2019
Commercial:		
Commercial real estate (1)	$ 13,713.3	$ 14,762.3
Commercial and industrial (1)	11,242.2	8,693.2
Equipment financing	4,887.6	4,910.4
MW/ABL	4,052.8	2,348.4
Total Commercial Portfolio	33,895.9	30,714.3
Retail:		
Residential mortgage:		
Adjustable-rate	5,970.3	7,064.8
Fixed-rate	3,125.3	3,253.3
Total residential mortgage	9,095.6	10,318.1
Home equity and other consumer:		
Home equity	2,124.8	2,406.5
Other consumer	114.3	157.2
Total home equity and other consumer	2,239.1	2,563.7
Total Retail Portfolio	11,334.7	12,881.8
Total loans	$ 45,230.6	$ 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.

In connection with the Company’s adoption of the CECL standard, 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. Net deferred loan costs, which are included in loans by respective class and exclude deferred fees on loans issued under the Paycheck Protection Program (see page 26), totaled $68.4 million at September 30, 2020 and $87.5 million at December 31, 2019.

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). At September 30, 2020, accrued interest receivable associated with loans totaled $156.7 million and is reported in other assets in the Consolidated Statements of Condition. See Note 4, “Allowance for Credit Losses” for a further discussion on the Company's ACL.

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. Interest income recognized on non-accrual loans for the three and nine months ended September 30, 2020 totaled $0.6 million and $2.2 million, respectively. 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 September 30, 2020 or December 31, 2019.

The following tables summarize aging information by class of loan:

As of September 30, 2020 (in millions)	Current	Past Due 30-89 Days	Past Due 90 Days or More	Past Due Total	Total
Commercial:					
Commercial real estate	$ 13,640.6	$ 32.0	$ 40.7	$ 72.7	$ 13,713.3
Commercial and industrial	11,162.2	33.9	46.1	80.0	11,242.2
Equipment financing	4,807.4	63.9	16.3	80.2	4,887.6
MW/ABL	4,052.8	—	—	—	4,052.8
Total	33,663.0	129.8	103.1	232.9	33,895.9
Retail:					
Residential mortgage	9,027.1	30.4	38.1	68.5	9,095.6
Home equity	2,102.5	9.5	12.8	22.3	2,124.8
Other consumer	113.4	0.7	0.2	0.9	114.3
Total	11,243.0	40.6	51.1	91.7	11,334.7
Total loans	$ 44,906.0	$ 170.4	$ 154.2	$ 324.6	$ 45,230.6

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 $44.6 million, $42.0 million, $32.7 million and $1.0 million, respectively, and $34.1 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:

	Non-Accrual Loans									
As of September 30, 2020 (in millions)	2020	2019	2018	2017	2016	Prior	Revolving Loans	Revolving Loans Converted to Term	Total	Non-Accrual Loans With No ACL
Commercial:										
Commercial real estate	$ —	$22.8	$ 3.3	$ 3.2	$ 2.1	$ 51.8	$ 0.3	$ 1.8	$ 85.3	$ 43.5
Commercial and industrial	0.1	3.1	0.9	17.0	14.2	18.4	20.8	11.2	85.7	45.3
Equipment financing	6.6	9.6	16.1	11.0	2.2	3.5	—	—	49.0	1.4
MW/ABL	—	—	—	—	—	—	—	1.0	1.0	—
Total (1)	6.7	35.5	20.3	31.2	18.5	73.7	21.1	14.0	221.0	90.2
Retail:										
Residential mortgage	—	2.5	5.0	2.6	1.2	51.6	—	—	62.9	32.9
Home equity	—	—	0.3	0.2	0.3	2.7	—	18.6	22.1	9.4
Other consumer	—	0.1	0.1	—	—	—	—	—	0.2	—
Total (2)	—	2.6	5.4	2.8	1.5	54.3	—	18.6	85.2	42.3
Total	$ 6.7	$38.1	$25.7	$34.0	$20.0	$128.0	$ 21.1	$ 32.6	$ 306.2	$ 132.5

As of December 31, 2019 (in millions)	Non-Accrual Loans
Commercial:	
Commercial real estate	$ 53.8
Commercial and industrial	38.5
Equipment financing	47.7
MW/ABL	—
Total (1)	140.0
Retail:	
Residential mortgage	63.3
Home equity	20.8
Other consumer	—
Total (2)	84.1
Total	$ 224.1

(1) Reported net of government guarantees totaling $2.4 million and $1.3 million at September 30, 2020 and December 31, 2019, respectively. These government guarantees relate, almost entirely, to guarantees provided by the Small Business Administration ("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 September 30, 2020, all of the government guarantees related to commercial and industrial loans.

(2) Includes $23.3 million and $17.0 million of loans in the process of foreclosure at September 30, 2020 and December 31, 2019, respectively.

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. At September 30, 2020, the Company had collateral dependent commercial loans totaling $88.7 million.

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. At September 30, 2020, the Company had collateral dependent residential mortgage and home equity loans totaling $43.2 million.

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.

At September 30, 2020 and December 31, 2019, People's United's recorded investment in loans classified as TDRs totaled $220.1 million and $177.0 million, respectively, and the related ACL was $17.2 million and $4.3 million at the respective dates. Interest income recognized on TDRs totaled $1.2 million and $1.5 million for the three months ended September 30, 2020 and 2019, respectively, and $3.7 million and $4.3 million for the nine months ended September 30, 2020 and 2019, respectively. Funding under commitments to lend additional amounts to borrowers with loans classified as TDRs was immaterial for the three and nine months ended September 30, 2020 and 2019. Loans that were modified and classified as TDRs during the three and nine months ended September 30, 2020 and 2019 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 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).

The following tables summarize, by class of loan, the recorded investments in loans modified as TDRs during the three and nine months ended September 30, 2020 and 2019. For purposes of this disclosure, recorded investments represent amounts immediately prior to and subsequent to the restructuring.

	Three Months Ended September 30, 2020		
(dollars in millions)	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Commercial:			
Commercial real estate (1)	4	$ 6.2	$ 6.2
Commercial and industrial (2)	9	13.5	13.5
Equipment financing (3)	9	3.8	3.8
MW/ABL (4)	3	1.9	1.9
Total	25	25.4	25.4
Retail:			
Residential mortgage (5)	9	2.9	2.9
Home equity (6)	6	0.7	0.7
Other consumer	—	—	—
Total	15	3.6	3.6
Total	40	$ 29.0	$ 29.0

(1) Represents the following concessions: extension of term (3 contracts; recorded investment of $2.8 million) and reduced payment and/or payment deferral (1 contract recorded investment of $3.4 million).
(2) Represents the following concessions: extension of term (5 contracts; recorded investment of $9.8 million); reduced payment and/or payment deferral (2 contracts; recorded investment of $2.7 million); or a combination of concessions (2 contracts; recorded investment of $1.0 million).
(3) Represents the following concessions: extension of term (7 contracts; recorded investment of $1.2 million); reduced payment and/or payment deferral (1 contract; recorded investment of $0.2 million); or a combination of concessions (1 contract; recorded investment of $2.4 million).
(4) Represents the following concessions: extension of term (3 contracts; recorded investment of $1.9 million).
(5) Represents the following concessions: loans restructured through bankruptcy (3 contracts; recorded investment of $0.3 million); reduced payment and/or payment deferral (2 contracts; recorded investment of $1.0 million); or a combination of concessions (4 contracts; recorded investment of $1.6 million).
(6) Represents the following concessions: loans restructured through bankruptcy (3 contracts; recorded investment of $0.4 million); or a combination of concessions (3 contracts; recorded investment of $0.3 million).

(dollars in millions)	Nine Months Ended September 30, 2020 Number of Contracts	Pre-Modification Outstanding Recorded	Post-Modification Outstanding Recorded
Commercial:			
Commercial real estate (1)	12	$ 11.0	$ 11.0
Commercial and industrial (2)	37	63.5	63.5
Equipment financing (3)	37	11.9	11.9
MW/ABL (4)	8	6.6	6.6
Total	94	93.0	93.0
Retail:			
Residential mortgage (5)	29	11.6	11.6
Home equity (6)	38	3.7	3.7
Other consumer	—	—	—
Total	67	15.3	15.3
Total	161	$ 108.3	$ 108.3

(1) Represents the following concessions: extension of term (10 contracts; recorded investment of $7.1 million); or a reduced payment and/or payment deferral (2 contracts; recorded investment of $3.9 million).
(2) Represents the following concessions: extension of term (20 contracts; recorded investment of $28.7 million); reduced payment and/or payment deferral (8 contracts; recorded investment of $30.2 million); temporary rate reduction (2 contracts; recorded investment of $0.9 million); or a combination of concessions (7 contracts; recorded investment of $3.7 million).
(3) Represents the following concessions: extension of term (18 contracts; recorded investment of $4.3 million); reduced payment and/or payment deferral (13 contracts; recorded investment of $3.4 million); or a combination of concessions (6 contracts; recorded investment of $4.2 million).
(4) Represents the following concessions: extension of term (8 contracts; recorded investment of $6.6 million).
(5) Represents the following concessions: loans restructured through bankruptcy (9 contracts; recorded investment of $2.3 million); reduced payment and/or payment deferral (11 contracts; recorded investment of $6.5 million); or a combination of concessions (9 contracts; recorded investment of $2.8 million).
(6) Represents the following concessions: loans restructured through bankruptcy (15 contracts; recorded investment of $1.1 million); reduced payment and/or payment deferral (2 contracts; recorded investment of $0.2 million); or a combination of concessions (21 contracts; recorded investment of $2.4 million).

(dollars in millions)	Three Months Ended September 30, 2019 Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Commercial:			
Commercial real estate (1)	7	$ 13.1	$ 13.1
Commercial and industrial (2)	8	4.1	4.1
Equipment financing (3)	10	9.5	9.5
MW/ABL	—	—	—
Total	25	26.7	26.7
Retail:			
Residential mortgage (4)	15	6.5	6.5
Home equity (5)	15	1.3	1.3
Other consumer	—	—	—
Total	30	7.8	7.8
Total	55	$ 34.5	$ 34.5

(1) Represents the following concessions: extension of term (5 contracts; recorded investment of $1.7 million); or a combination of concessions (2 contracts; recorded investment of $11.4 million).

(2) Represents the following concessions: extension of term (5 contracts; recorded investment of $1.9 million); reduced payment and/or payment deferral (2 contracts; recorded investment of $0.3 million); or a combination of concessions (1 contract; recorded investment of $1.9 million).

(3) Represents the following concessions: extension of term (1 contract; recorded investment of $0.4 million); reduced payment and/or payment deferral (5 contracts; recorded investment of $5.1 million); or a combination of concessions (4 contracts; recorded investment of $4.0 million).

(4) Represents the following concessions: loans restructured through bankruptcy (4 contracts; recorded investment of $1.6 million); reduced payment and/or payment deferral (9 contracts; recorded investment of $3.7 million); or a combination of concessions (2 contracts; recorded investment of $1.2 million).

(5) Represents the following concessions: loans restructured through bankruptcy (6 contracts; recorded investment of $0.4 million); reduced payment and/or payment deferral (5 contracts; recorded investment of $0.6 million); or a combination of concessions (4 contracts; recorded investment of $0.3 million).

(dollars in millions)	Nine Months Ended September 30, 2019 Number of Contracts	Pre-Modification Outstanding Recorded	Post-Modification Outstanding Recorded
Commercial:			
Commercial real estate (1)	8	$ 13.7	$ 13.7
Commercial and industrial (2)	27	27.5	27.5
Equipment financing (3)	33	22.9	22.9
MW/ABL	—	—	—
Total	68	64.1	64.1
Retail:			
Residential mortgage (4)	73	22.2	22.2
Home equity (5)	83	7.0	7.0
Other consumer	—	—	—
Total	156	29.2	29.2
Total	224	$ 93.3	$ 93.3

(1) Represents the following concessions: extension of term (5 contracts; recorded investment of $1.7 million); reduced payment and/or payment deferral (1 contract; recorded investment of $0.6 million); or a combination of concessions (2 contracts; recorded investment of $11.4 million).
(2) Represents the following concessions: extension of term (22 contracts; recorded investment of $24.3 million); reduced payment and/or payment deferral (2 contracts; recorded investment of $0.3 million); or a combination of concessions (3 contracts; recorded investment of $2.9 million).
(3) Represents the following concessions: extension of term (5 contracts; recorded investment of $1.6 million); reduced payment and/or payment deferral (22 contracts; recorded investment of $16.9 million); or a combination of concessions (6 contracts; recorded investment of $4.4 million).
(4) Represents the following concessions: loans restructured through bankruptcy (39 contracts; recorded investment of $8.2 million); reduced payment and/or payment deferral (21 contracts; recorded investment of $8.4 million); or a combination of concessions (13 contracts; recorded investment of $5.6 million).
(5) Represents the following concessions: loans restructured through bankruptcy (48 contracts; recorded investment of $2.6 million); reduced payment and/or payment deferral (16 contracts; recorded investment of $2.8 million); or a combination of concessions (19 contracts; recorded investment of $1.6 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 three and nine months ended September 30, 2020 and 2019. For purposes of this disclosure, the previous 12 months is measured from October 1 of the respective prior year and a default represents a previously-modified loan that became past due 30 days or more during the nine months ended September 30, 2020 or 2019.

	Three Months Ended September 30,			
	2020		2019	
(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	1	$ 1.1	1	$ 0.2
Commercial and industrial	7	3.2	—	—
Equipment financing	6	1.4	1	0.3
MW/ABL	—	—	—	—
Total	14	5.7	2	0.5
Retail:				
Residential mortgage	1	0.1	2	0.6
Home equity	1	0.1	3	0.1
Other consumer	—	—	—	—
Total	2	0.2	5	0.7
Total	16	$ 5.9	7	$ 1.2

	Nine Months Ended September 30,			
	2020		2019	
(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	1	$ 1.1	1	$ 0.2
Commercial and industrial	8	3.5	—	—
Equipment financing	7	1.4	8	8.2
MW/ABL	—	—	—	—
Total	16	6.0	9	8.4
Retail:				
Residential mortgage	1	0.1	6	2.4
Home equity	2	0.1	9	0.6
Other consumer	—	—	—	—
Total	3	0.2	15	3.0
Total	19	$ 6.2	24	$ 11.4

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 credit 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.

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 details above).

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 September 30, 2020:

(in millions)	2020	2019	2018	2017	2016	Prior	Revolving Loans	Revolving Loans Converted to Term	Total
Commercial real estate:									
Pass	$ 693.5	$1,796.7	$1,600.4	$1,477.0	$1,363.2	$5,541.1	$ 156.1	$ 21.1	$ 12,649.1
Special Mention	—	58.2	173.6	88.4	67.1	297.0	0.5	—	684.8
Substandard	2.1	39.9	52.1	44.8	3.0	229.7	2.3	4.6	378.5
Doubtful	—	—	—	—	—	0.9	—	—	0.9
Total	$ 695.6	$1,894.8	$1,826.1	$1,610.2	$1,433.3	$6,068.7	$ 158.9	$ 25.7	$ 13,713.3
Commercial and industrial:									
Pass	$3,137.2	$1,328.4	$ 895.1	$ 623.6	$ 544.4	$1,705.3	$ 2,034.8	$ 51.6	$ 10,320.4
Special Mention	66.1	20.7	34.4	72.1	45.7	118.0	67.2	5.3	429.5
Substandard	23.3	59.5	76.2	40.7	32.9	152.9	81.5	21.1	488.1
Doubtful	—	—	—	0.6	1.3	1.5	—	0.8	4.2
Total	$3,226.6	$1,408.6	$1,005.7	$ 737.0	$ 624.3	$1,977.7	$ 2,183.5	$ 78.8	$ 11,242.2
Equipment financing:									
Pass	$1,219.6	$1,542.6	$ 866.8	$ 444.2	$ 209.9	$ 97.1	$ —	$ —	$ 4,380.2
Special Mention	16.4	34.6	14.7	9.3	4.0	1.2	—	—	80.2
Substandard	139.3	128.5	83.9	42.3	10.7	22.5	—	—	427.2
Doubtful	—	—	—	—	—	—	—	—	—
Total	$1,375.3	$1,705.7	$ 965.4	$ 495.8	$ 224.6	$ 120.8	$ —	$ —	$ 4,887.6
MW/ABL:									
Pass	$ 92.5	$ 22.3	$ 20.9	$ 11.1	$ 20.3	$ 20.2	$ 3,794.1	$ —	$ 3,981.4
Special Mention	—	7.0	—	—	—	—	40.8	—	47.8
Substandard	—	3.0	—	1.5	—	—	18.1	1.0	23.6
Doubtful	—	—	—	—	—	—	—	—	—
Total	$ 92.5	$ 32.3	$ 20.9	$ 12.6	$ 20.3	$ 20.2	$ 3,853.0	$ 1.0	$ 4,052.8

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/loan-to-value ("LTV") ratios (above and below 70%); (ii) borrower credit scores under the FICO scoring system (above and below a score of 680); and (iii) other relevant portfolio risk elements such as income verification at the time of underwriting (stated income vs. non-stated income) and the property's intended use (owner-occupied, non-owner occupied, second home, etc.). In classifying a loan as either "High", "Moderate" or "Low" risk, the combination of each of the aforementioned risk characteristics is considered for that loan, resulting, effectively, in a "matrix approach" to its risk classification. These risk classifications are reviewed 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 September 30, 2020:

(in millions)	2020	2019	2018	2017	2016	Prior	Revolving Loans	Revolving Loans Converted to Term	Total
Residential mortgage:									
Low Risk	$ 427.9	$ 389.5	$ 372.0	$ 547.5	$1,105.3	$1,973.2	$ —	$ —	$4,815.4
Moderate Risk	583.5	516.0	550.2	621.7	605.6	620.9	—	—	3,497.9
High Risk	91.0	59.5	105.4	121.7	94.5	310.2	—	—	782.3
Total	$1,102.4	$ 965.0	$ 1,027.6	$1,290.9	$1,805.4	$2,904.3	$ —	$ —	$9,095.6
Home equity:									
Low Risk	$ 1.7	$ 8.4	$ 23.4	$ 26.3	$ 11.7	$ 28.0	$ 594.4	$ 41.2	$ 735.1
Moderate Risk	0.6	4.4	10.3	12.7	6.5	14.5	562.3	47.5	658.8
High Risk	2.8	24.1	42.8	24.2	8.8	21.7	455.8	150.7	730.9
Total	$ 5.1	$ 36.9	$ 76.5	$ 63.2	$ 27.0	$ 64.2	$ 1,612.5	$ 239.4	$2,124.8
Other consumer:									
Low Risk	$ 0.6	$ 2.1	$ 1.9	$ 1.2	$ 0.4	$ 3.0	$ 10.9	$ 0.1	$ 20.2
Moderate Risk	—	—	—	—	—	0.1	5.0	—	5.1
High Risk	4.7	31.7	21.7	3.1	1.1	9.6	16.9	0.2	89.0
Total	$ 5.3	$ 33.8	$ 23.6	$ 4.3	$ 1.5	$ 12.7	$ 32.8	$ 0.3	$ 114.3

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 during the three and nine months ended September 30, 2020:

(in millions)	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2020
Commercial:		
Commercial real estate	$ 0.4	$ 1.7
Commercial and industrial	8.3	23.9
Equipment financing	—	—
MW/ABL	—	—
Total	8.7	25.6
Retail:		
Residential mortgage	—	—
Home equity	9.5	24.4
Other consumer	—	0.1
Total	9.5	24.5
Total	$ 18.2	$ 50.1

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 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 September 30, 2020 are PPP loans totaling $2.6 billion and associated deferred loan fees totaling $61.3 million. For regulatory capital purposes, PPP loans are assigned a zero risk-weighting as a result of the related SBA guarantee.

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

Other real estate owned (“REO”) was comprised of commercial and residential properties totaling $3.6 million and $1.9 million, respectively, at September 30, 2020, and $7.3 million and $11.9 million, respectively, at December 31, 2019. Repossessed assets totaled $9.7 million and $4.2 million at September 30, 2020 and December 31, 2019, respectively.

Loans Held for Sale

Loans held-for-sale at September 30, 2020 and December 31, 2019 included newly-originated residential mortgage loans with carrying amounts of $21.4 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 Bancorp, Inc. 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.

NOTE 4. 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

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 September 30, 2020, the collective ACL totaled $404.3 million and the specific allocations of the ACL for loans evaluated on an individual basis totaled $19.5 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.

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. 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. Each scenario is assigned a weighting with a majority of the weighting placed on the Baseline scenario and lower weights placed on both the Upside and Downside scenarios. The weighting assigned by management is based on the economic outlook and available information at the reporting date. The resultant weighted estimate of expected credit losses is compared to the result of the Baseline scenario with the difference included as an element of the qualitative component (see below). 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.

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, 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.

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.

The following tables present a summary, by loan portfolio segment, of activity in the ACL during the three and nine months ended September 30, 2020 and 2019:

	Three Months Ended September 30,					
	2020			2019		
(in millions)	Commercial	Retail	Total	Commercial	Retail	Total
Balance at beginning of period	$ 277.4	$ 136.6	$ 414.0	$ 214.6	$ 29.4	$ 244.0
Charge-offs	(18.4)	(0.9)	(19.3)	(7.5)	(0.7)	(8.2)
Recoveries	1.2	0.8	2.0	1.9	0.5	2.4
Net loan charge-offs	(17.2)	(0.1)	(17.3)	(5.6)	(0.2)	(5.8)
Provision for credit losses	31.1	(4.0)	27.1	7.8	—	7.8
Balance at end of period	$ 291.3	$ 132.5	$ 423.8	$ 216.8	$ 29.2	$ 246.0

	Nine Months Ended September 30,					
	2020			2019		
(in millions)	Commercial	Retail	Total	Commercial	Retail	Total
Balance at beginning of period	$ 217.9	$ 28.7	$ 246.6	$ 209.5	$ 30.9	$ 240.4
CECL transition adjustment	(17.3)	89.5	72.2	N/A	N/A	N/A
Balance at beginning of period, adjusted	200.6	118.2	318.8	209.5	30.9	240.4
Charge-offs	(36.4)	(5.8)	(42.2)	(20.1)	(2.9)	(23.0)
Recoveries	3.9	1.9	5.8	5.3	2.3	7.6
Net loan charge-offs	(32.5)	(3.9)	(36.4)	(14.8)	(0.6)	(15.4)
Provision for credit losses	123.2	18.2	141.4	22.1	(1.1)	21.0
Balance at end of period	$ 291.3	$ 132.5	$ 423.8	$ 216.8	$ 29.2	$ 246.0

Allowance for Credit Losses – Off-Balance-Sheet Exposures

An ACL on off-balance-sheet 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.

The following table summarizes the changes in the ACL on off-balance-sheet credit exposures:

(in millions)	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2020
Balance at beginning of period	$ 21.8	$ 5.6
CECL transition adjustment	—	14.5
Balance at beginning of period, adjusted	21.8	20.1
Provision charged (credited) to income	2.9	4.6
Balance at end of period	$ 24.7	$ 24.7

NOTE 5. 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 initial direct costs 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:

(in millions)	September 30, 2020	December 31, 2019
Lease payments receivable	$ 1,425.0	$ 1,417.1
Estimated residual value of leased assets	132.5	128.0
Gross investment in lease financing receivables	1,557.5	1,545.1
Plus: Deferred origination costs	11.7	13.4
Less: Unearned income	(151.5)	(156.9)
Total net investment in lease financing receivables	$ 1,417.7	$ 1,401.6

The contractual maturities of the Company's lease financing receivables were as follows:

(in millions)	September 30, 2020
2020 (1)	$ 154.9
2021	501.5
2022	396.6
2023	258.5
2024	153.9
Later years	92.1
Total	$ 1,557.5

(1) Contractual maturities for the remaining three months in 2020.

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:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	2020	2019	2020	2019
Lease financing receivables	$ 17.4	$ 17.2	$ 52.5	$ 49.2
Operating leases	12.4	12.9	36.8	38.1
Total lease income	$ 29.8	$ 30.1	$ 89.3	$ 87.3

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:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	2020	2019	2020	2019
Operating lease cost	$ 16.1	$ 15.0	$ 49.2	$ 45.4
Variable lease cost	2.7	2.0	7.4	6.4
Finance lease cost	0.1	—	0.3	—
Sublease income	(0.5)	(0.3)	(1.5)	(1.0)
Net lease cost	$ 18.4	$ 16.7	$ 55.4	$ 50.8

(dollars in millions)	September 30, 2020	December 31, 2019
Lease ROU assets:		
Operating leases	$ 242.9	$ 276.6
Finance leases	2.4	2.6
Lease liabilities:		
Operating leases	278.6	307.9
Finance leases	5.0	5.3
Weighted-average discount rate:		
Operating leases	3.12 %	3.13 %
Finance leases	2.59	2.58
Weighted-average remaining lease term (in years):		
Operating leases	7.7	7.7
Finance leases	11.5	12.2

	Nine Months Ended September 30,	
(in millions)	2020	2019
Cash payments included in the measurement of lease liabilities:		
Reported in operating cash from operating leases	$ 51.0	$ 45.8
Reported in financing cash from finance leases	0.3	—
ROU assets obtained in exchange for lessee:		
Operating lease liabilities (1)	15.3	30.3
Finance lease liabilities	—	—

(1) Excludes the related transition adjustment recorded during the nine months ended September 30, 2019 (see above).

The contractual maturities of the Company's lease liabilities as of September 30, 2020 were as follows:

(in millions)	Operating Leases	Finance Leases
2020 (1)	$ 16.6	$ 0.2
2021	65.3	0.5
2022	47.5	0.5
2023	36.6	0.5
2024	30.0	0.5
Later years	120.8	3.6
Total lease payments	316.8	5.8
Less: Interest	(38.2)	(0.8)
Total lease liabilities	$ 278.6	$ 5.0

(1) Contractual maturities for the remaining three months in 2020.

NOTE 6. STOCKHOLDERS' EQUITY

Preferred Stock and Common Stock

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 both September 30, 2020 and December 31, 2019, and (ii) 1.95 billion shares of common stock, par value of $0.01 per share, of which 533.7 million shares and 532.8 million shares were issued at September 30, 2020 and December 31, 2019, respectively.

Treasury Stock

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 and 86.6 million shares at September 30, 2020 and December 31, 2019, respectively) 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 both September 30, 2020 and December 31, 2019). Following shareholder approval of the People’s United Financial, Inc. 2014 Long-Term Incentive Plan in 2014, no new awards may be granted under the RRP.

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 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.

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 three and nine months ended September 30, 2020 and 2019 is reported in the Consolidated Statements of Comprehensive Income.

The following is a summary of the changes in the components of accumulated other comprehensive income (loss) ("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, 2019	$ (176.2)	$ 20.8	$ (11.8)	$ 0.3	$ (166.9)
Other comprehensive income (loss) before reclassifications	—	84.1	—	(0.8)	83.3
Amounts reclassified from AOCL (1)	4.7	—	2.7	(1.7)	5.7
Current period other comprehensive income (loss)	4.7	84.1	2.7	(2.5)	89.0
Balance at September 30, 2020	$ (171.5)	$ 104.9	$ (9.1)	$ (2.2)	$ (77.9)

(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, 2018	$ (192.5)	$ (47.0)	$ (15.3)	$ (2.0)	$ (256.8)
Other comprehensive income before reclassifications	—	66.2	—	1.6	67.8
Amounts reclassified from AOCL (1)	3.9	—	2.0	0.8	6.7
Current period other comprehensive income	3.9	66.2	2.0	2.4	74.5
Balance at September 30, 2019	$ (188.6)	$ 19.2	$ (13.3)	$ 0.4	$ (182.3)

(1) See the following table for details about these reclassifications.

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

	Amounts Reclassified from AOCL				
	Three Months Ended September 30,		Nine Months Ended September 30,		Affected Line Item in the Statement Where Net Income is Presented
(in millions)	2020	2019	2020	2019	
Details about components of AOCL:					
Amortization of pension and other postretirement plans items:					
Net actuarial loss	$ (2.0)	$ (1.4)	$ (6.1)	$ (4.1)	(1)
	(2.0)	(1.4)	(6.1)	(4.1)	Income before income tax expense
	0.5	0.4	1.4	0.2	Income tax expense
	(1.5)	(1.0)	(4.7)	(3.9)	Net income
Reclassification adjustment for net realized gains (losses) on debt securities available-for-sale	—	—	—	—	Income before income tax expense (2)
	—	—	—	—	Income tax expense
	—	—	—	—	Net income
Amortization of unrealized losses on debt securities transferred to held-to-maturity	(0.9)	(1.1)	(3.6)	(2.7)	Income before income tax expense (3)
	0.2	0.3	0.9	0.7	Income tax expense
	(0.7)	(0.8)	(2.7)	(2.0)	Net income
Amortization of unrealized gains and losses on cash flow hedges:					
Interest rate swaps	1.4	(0.3)	2.1	(1.1)	(4)
Interest rate locks	0.1	0.1	0.1	0.1	(4)
	1.5	(0.2)	2.2	(1.0)	Income before income tax expense
	(0.3)	—	(0.5)	0.2	Income tax expense
	1.2	(0.2)	1.7	(0.8)	Net income
Total reclassifications for the period	$ (1.0)	$ (2.0)	$ (5.7)	$ (6.7)	

(1) Included in the computation of net periodic benefit income (expense) reflected in other non-interest expense (see Note 9 for additional details).
(2) Included in other non-interest income.
(3) Included in interest and dividend income - securities.
(4) Included in interest expense - notes and debentures.

NOTE 7. EARNINGS PER COMMON SHARE

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

(in millions, except per common share data)	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Net income available to common shareholders	$ 141.1	$ 131.6	$ 354.4	$ 372.5
Dividends paid on and undistributed earnings allocated to participating securities	—	(0.1)	—	(0.2)
Earnings attributable to common shareholders	$ 141.1	$ 131.5	$ 354.4	$ 372.3
Weighted average common shares outstanding for basic EPS	418.0	391.7	421.0	384.6
Effect of dilutive equity-based awards	2.2	2.8	2.2	3.2
Weighted average common shares and common-equivalent shares for diluted EPS	420.2	394.5	423.2	387.8
EPS:				
Basic	$ 0.34	$ 0.34	$ 0.84	$ 0.97
Diluted	0.34	0.33	0.84	0.96

Unvested share-based payment awards, which include the right to receive non-forfeitable dividends or dividend equivalents, are considered to participate with common stock in undistributed earnings for purposes of computing EPS. Companies that have such participating securities, including People's United, are required to calculate basic and diluted EPS using the two-class method. Restricted stock awards granted by People's United prior to 2017 are considered participating securities. Calculations of EPS under the two-class method (i) exclude from the numerator any dividends paid or owed on participating securities and any undistributed earnings considered to be attributable to participating securities and (ii) exclude from the denominator the dilutive impact of the participating securities.

All unallocated 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 18.2 million shares and 7.2 million shares for the three months ended September 30, 2020 and 2019, respectively, and 18.1 million shares and 7.1 million shares for the nine months ended September 30, 2020 and 2019, respectively, have also been excluded from the calculation of diluted EPS.

NOTE 8. GOODWILL AND OTHER ACQUISITION-RELATED INTANGIBLE ASSETS

People's United's goodwill totaled $3.07 billion at both September 30, 2020 and December 31, 2019, and was allocated to its operating segments as follows: Commercial Banking ($1.97 billion); Retail Banking ($1.01 billion); and Wealth Management ($88.5 million).

Recent acquisitions have been undertaken with the objective of expanding the Company's business, both geographically and through product offerings, as well as realizing synergies and economies of scale by combining with the acquired entities. For these reasons, a market-based premium was 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 September 30, 2020 and December 31, 2019, tax deductible goodwill totaled $126.0 million and $134.4 million, respectively.

People's United's other acquisition-related intangible assets totaled $178.0 million and $209.1 million at September 30, 2020 and December 31, 2019, respectively. At September 30, 2020, the carrying amounts of other acquisition-related intangible assets were as follows: core deposit intangible ($104.3 million); trade name intangible ($45.9 million); client relationships intangible ($16.4 million); trust relationships intangible ($5.7 million); insurance relationships intangible ($3.4 million); favorable lease agreements ($2.1 million); and non-compete agreements ($0.2 million).

Amortization expense of other acquisition-related intangible assets totaled $10.2 million and $8.0 million for the three months ended September 30, 2020 and 2019, respectively, and $31.1 million and $22.7 million for the nine months ended September 30, 2020 and 2019, respectively. Scheduled amortization expense attributable to other acquisition-related intangible assets for the full-year of 2020 and each of the next five years is as follows: $40.9 million in 2020; $36.1 million in 2021; $31.7 million in 2022; $24.0 million in 2023; $20.3 million in 2024; and $17.3 million in 2025. There were no impairment losses relating to goodwill or other acquisition-related intangible assets recorded in the Consolidated Statements of Income during the nine months ended September 30, 2020 and 2019.

NOTE 9. 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 1,000 hours in a year. Both full-time and part-time employees are eligible to participate as long as they meet these requirements.

In July 2011, the Bank amended the 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 qualified defined benefit pension plans that cover (i) former First Connecticut Bancorp, Inc. employees who meet certain eligibility requirements (the “First Connecticut Qualified Plan”) and (ii) former United Financial Bancorp, Inc. employees who meet certain eligibility requirements (the “United Financial Qualified Plan”). All benefits under these plans were frozen effective February 28, 2013 and December 31, 2012, respectively.

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.

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 Bancorp, Inc. 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, Inc. 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 Bancorp, Inc. 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”).

Components of net periodic benefit (income) expense and other amounts recognized in other comprehensive income (loss) for (i) the People’s Qualified Plan, 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") are as follows:

	Pension Plans		Other Postretirement Plan	
Three months ended September 30 (in millions)	2020	2019	2020	2019
Net periodic benefit (income) expense:				
Interest cost	$ 5.0	$ 5.7	$ 0.2	$ 0.2
Expected return on plan assets	(12.4)	(11.4)	—	—
Recognized net actuarial loss	1.9	1.3	0.1	0.1
Settlements	0.8	0.4	—	—
Net periodic benefit (income) expense	$ (4.7)	$ (4.0)	$ 0.3	$ 0.3

	Pension Plans		Other Postretirement Plans	
Nine months ended September 30 (in millions)	2020	2019	2020	2019
Net periodic benefit (income) expense:				
Interest cost	$ 14.8	$ 17.1	$ 0.7	$ 0.7
Expected return on plan assets	(37.2)	(34.3)	—	—
Recognized net actuarial loss	5.9	4.0	0.2	0.1
Settlements	2.5	1.3	—	—
Net periodic benefit (income) expense	(14.0)	(11.9)	0.9	0.8
Other changes in plan assets and benefit obligations recognized in other comprehensive income (loss):				
Net actuarial loss	(5.9)	(4.0)	(0.2)	(0.1)
Total pre-tax changes recognized in other comprehensive income (loss)	(5.9)	(4.0)	(0.2)	(0.1)
Total recognized in net periodic benefit (income) expense and other comprehensive income (loss)	$ (19.9)	$ (15.9)	$ 0.7	$ 0.7

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, for the nine months ended September 30, 2020, totaled $3.2 million. At September 30, 2020, the loan balance totaled $171.8 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 1,000 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 4,791,222 shares of People’s United common stock have been allocated or committed to be released to participants’ accounts. At September 30, 2020, 5,662,353 shares of People’s United common stock, with a fair value of $58.4 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 $3.3 million and $4.2 million for the nine months ended September 30, 2020 and 2019, respectively.

NOTE 10. 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 11. SEGMENT INFORMATION

See "Segment Results" included in Item 2 for segment information for the three and nine months ended September 30, 2020 and 2019.

NOTE 12. 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. 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 available-for-sale debt securities 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 September 30, 2020 and December 31, 2019, the entire available-for-sale mortgage-backed securities portfolio was comprised of GSE mortgage-backed and CMO securities with original final maturities ranging from 10 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 9, 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 September 30, 2020 (in millions)	Level 1	Level 2	Level 3	Total
Financial assets:				
Debt securities available-for-sale:				
U.S. Treasury and agency	$ 543.8	$ —	$ —	$ 543.8
GSE mortgage-backed and CMO securities	—	3,536.9	—	3,536.9
Equity securities	5.6	—	—	5.6
Other assets:				
Exchange-traded funds	46.8	—	—	46.8
Mutual funds	4.3	—	—	4.3
Interest rate swaps	—	916.3	—	916.3
Interest rate caps	—	3.4	—	3.4
Foreign exchange contracts	—	9.7	—	9.7
Forward commitments to sell residential mortgage loans	—	1.7	—	1.7
Total	$ 600.5	$ 4,468.0	$ —	$ 5,068.5
Financial liabilities:				
Interest rate swaps	$ —	$ 176.0	$ —	$ 176.0
Interest rate caps	—	3.4	—	3.4
Risk participation agreements	—	0.5	—	0.5
Foreign exchange contracts	—	7.9	—	7.9
Interest rate-lock commitments on residential mortgage loans	—	1.8	—	1.8
Total	$ —	$ 189.6	$ —	$ 189.6

As of December 31, 2019 (in millions)	Fair Value Measurements Using 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 and CMO 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

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 3, “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 September 30, 2020 (in millions)	Level 1	Level 2	Level 3	Total
Loans held-for-sale (1)	$ —	$ 21.4	$ —	$ 21.4
Collateral dependent loans (2)	—	—	43.0	43.0
REO and repossessed assets (3)	—	—	15.2	15.2
Mortgage servicing rights (4)	—	—	5.4	5.4
Total	$ —	$ 21.4	$ 63.6	$ 85.0

	Fair Value Measurements Using			
As of December 31, 2019 (in millions)	Level 1	Level 2	Level 3	Total
Loans held-for-sale:				
Commercial	$ —	$ —	$ 157.9	$ 157.9
Other consumer	—	—	333.7	333.7
Residential (1)	—	19.7	—	19.7
Impaired loans (5)	—	—	61.9	61.9
REO and repossessed assets (3)	—	—	23.4	23.4
Mortgage servicing rights	—	—	10.6	10.6
Total	$ —	$ 19.7	$ 587.5	$ 607.2

(1) Consists of residential mortgage loans; no fair value adjustments were recorded for the nine months ended September 30, 2020 and 2019.
(2) Represents the recorded investment in collateral dependent loans with a related ACL totaling $19.5 million measured in accordance with applicable accounting guidance at September 30, 2020. The provision for credit losses on collateral dependent loans totaled $16.5 million for the nine months ended September 30, 2020.
(3) Represents: (i) $3.6 million of commercial REO; (ii) $1.9 million of residential REO; and (iii) $9.7 million of repossessed assets at September 30, 2020. Charge-offs to the ACL related to loans that were transferred to REO or repossessed assets totaled $3.9 million and $2.1 million for the nine months ended September 30, 2020 and 2019, respectively. Write downs and net (gains) loss on sale of foreclosed/repossessed assets charged to non-interest expense totaled $4.8 million and $(0.3) million for the same periods.
(4) Fair value adjustments in the form of write-downs totaling $5.2 million were recorded for the nine months ended September 30, 2020.
(5) 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 $5.3 million for the nine months ended September 30, 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 September 30, 2020 (in millions)	Carrying Amount	Estimated Fair Value Measurements Using			Total
		Level 1	Level 2	Level 3	
Financial assets:					
Cash and due from banks	$ 616.8	$ 616.8	$ —	$ —	$ 616.8
Short-term investments	438.6	—	438.6	—	438.6
Debt securities held-to-maturity, net	3,916.5	—	4,172.0	1.5	4,173.5
FHLB and FRB stock	267.1	—	267.1	—	267.1
Total loans, net (1)	44,763.8	—	9,103.5	36,207.1	45,310.6
Financial liabilities:					
Time deposits	6,326.5	—	6,384.5	—	6,384.5
Other deposits	43,310.0	—	43,310.0	—	43,310.0
FHLB advances	579.8	—	580.5	—	580.5
Customer repurchase agreements	432.5	—	432.5	—	432.5
Federal funds purchased	225.0	—	225.0	—	225.0
Notes and debentures	1,012.0	—	1,034.4	—	1,034.4

As of December 31, 2019 (in millions)	Carrying Amount	Estimated Fair Value Measurements Using			Total
		Level 1	Level 2	Level 3	
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 $43.0 million at September 30, 2020 and impaired loans totaling $61.9 million at December 31, 2019, both measured at fair value on a non-recurring basis.

NOTE 13. 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.

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 14), 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). There were no derivative instruments with such credit-related contingent features that were in a net liability position at September 30, 2020.

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

				Fair Values (1)			
		Notional Amounts		Assets		Liabilities	
(in millions)	Type of Hedge	Sept. 30, 2020	Dec 31, 2019	Sept. 30, 2020	Dec 31, 2019	Sept. 30, 2020	Dec 31, 2019
Derivatives Not Designated as Hedging Instruments:							
Interest rate swaps:							
Commercial customers	N/A	$9,073.9	$8,847.7	$ 893.0	$ 320.5	$ —	$ 13.9
Institutional counterparties	N/A	9,076.9	8,851.8	23.3	17.1	176.0	78.2
Interest rate caps:							
Commercial customers	N/A	224.2	246.0	3.4	1.6	—	0.1
Institutional counterparties	N/A	224.2	246.0	—	0.1	3.4	1.6
Risk participation agreements	N/A	947.9	882.8	—	—	0.5	0.1
Foreign exchange contracts	N/A	320.2	180.4	9.7	1.2	7.9	1.8
Forward commitments to sell residential mortgage loans	N/A	68.8	23.3	1.7	0.5	—	—
Interest rate-lock commitments on residential mortgage loans	N/A	84.8	33.6	—	—	1.8	0.5
Total				931.1	341.0	189.6	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	210.0	—	—	—	—
Total				—	—	—	—
Total fair value of derivatives				$ 931.1	$ 341.0	$ 189.6	$ 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:

	Type of Hedge	Amount of Pre-Tax Gain (Loss) Recognized in Earnings (1)		Amount of Pre-Tax Gain (Loss) Recognized in AOCL	
Nine months ended September 30 (in millions)		2020	2019	2020	2019
Derivatives Not Designated as Hedging Instruments:					
Interest rate swaps:					
Commercial customers	N/A	$ 684.6	$ 466.8	$ —	$ —
Institutional counterparties	N/A	(671.5)	(451.3)	—	—
Interest rate caps:					
Commercial customers	N/A	1.8	2.0	—	—
Institutional counterparties	N/A	(1.8)	(2.0)	—	—
Foreign exchange contracts	N/A	0.7	0.5	—	—
Risk participation agreements	N/A	(0.4)	0.1	—	—
Forward commitments to sell residential mortgage loans	N/A	1.2	0.3	—	—
Interest rate-lock commitments on residential mortgage loans	N/A	(1.3)	(0.3)	—	—
Total		13.3	16.1	—	—
Derivatives Designated as Hedging Instruments:					
Interest rate swaps	Fair value	3.6	(0.2)	—	—
Interest rate swaps	Cash flow	2.1	(1.1)	(1.2)	2.1
Interest rate locks	Cash flow	0.1	0.1	—	—
Total		5.8	(1.2)	(1.2)	2.1
Total		$ 19.1	$ 14.9	$ (1.2)	$ 2.1

(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 14. 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 ("ISDA") master agreements, which include "right of set-off" provisions that provide for a single net settlement of all interest rate swap positions, as well as collateral, in the event of default on, or the termination of, any one contract. Nonetheless, the Company does not, except as indicated below, offset asset and liabilities under such arrangements in the Consolidated Statements of Condition.

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 September 30, 2020 and December 31, 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.

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.

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 13. 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 September 30, 2020 (in millions)	Gross Amount Recognized	Gross Amount Offset	Net Amount Presented	Financial Instruments	Collateral	Net Amount
Financial assets:						
Interest rate swaps:						
Counterparty A	$ —	$ —	$ —	$ —	$ —	$ —
Counterparty B	—	—	—	—	—	—
Counterparty C	—	—	—	—	—	—
Counterparty D	—	—	—	—	—	—
Counterparty E	23.3	—	23.3	—	—	23.3
Other counterparties	—	—	—	—	—	—
Foreign exchange contracts	9.7	—	9.7	—	—	9.7
Total	$ 33.0	$ —	$ 33.0	$ —	$ —	$ 33.0
Financial liabilities:						
Interest rate swaps:						
Counterparty A	$ 6.2	$ —	$ 6.2	$ —	$ (6.2)	$ —
Counterparty B	8.6	—	8.6	—	(8.6)	—
Counterparty C	63.4	—	63.4	—	(63.4)	—
Counterparty D	23.7	—	23.7	—	(17.5)	6.2
Counterparty E	—	—	—	—	—	—
Other counterparties	77.5	—	77.5	—	(77.5)	—
Foreign exchange contracts	7.9	—	7.9	—	—	7.9
Total	$ 187.3	$ —	$ 187.3	$ —	$ (173.2)	$ 14.1

As of December 31, 2019 (in millions)	Gross Amount Recognized	Gross Amount Offset	Net Amount Presented	Gross Amounts Not Offset		Net Amount
				Financial Instruments	Collateral	
Financial assets:						
Interest rate swaps:						
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:						
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

Resale and repurchase agreements represent agreements to purchase/sell securities subject to an obligation to resell/ repurchase the same or similar securities. 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.

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 September 30, 2020 and December 31, 2019, the Company posted as collateral marketable securities with fair values of $258.8 million and $462.4 million, respectively, and, in turn, accepted as collateral marketable securities with fair values of $253.7 million and $457.5 million, respectively.

As of September 30, 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 15. 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 available-for-sale debt securities 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. 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 2, "Securities", Note 3, "Loans" and Note 4, "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 required 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, did not impact the Company's Consolidated Financial Statements as of and for the period ended September 30, 2020.

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 12 (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 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 45% 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.

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 9 (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 16. SUBSEQUENT EVENT

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. The assets of PUIA total approximately $46.5 million and consist of cash and short-term receivables as well as related goodwill and other acquisition-related intangible assets (insurance customer relationships). The liabilities of PUIA total approximately $18.0 million and consist 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 “Segment Results” in Item 2 for additional information).

The sale is expected to result in a pre-tax gain, net of expenses, of approximately $75 to $80 million and will be recorded within other non-interest income in the Consolidated Statements of Income in the fourth quarter of 2020. As a result of the sale, the capital ratios for both the Holding Company and the Bank are expected to improve by approximately 15 basis points.

Item 2 – Management’s Discussion and Analysis of Financial Condition and Results of Operations

Forward Looking Statements

Periodic and other filings made by People’s United Financial, Inc. (“People’s United” or the “Company”) with the Securities and Exchange Commission (the "SEC") pursuant to the Securities Exchange Act of 1934 (the “Exchange Act”) may, from time to time, contain information and statements that are forward-looking in nature. Such filings include the Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, and may include other forms such as proxy statements. Other written or oral statements made by People’s United 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 successful integration of acquisitions; (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.

Recent Developments

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 severe 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 are expected to persist throughout the remainder of 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. 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. See “Asset Quality” and Part II, Item 1A, "Risk Factors - Risks Related to the Impact of COVID-19" for further discussion.

In response to the pandemic, the Company activated its disaster recovery protocol, successfully avoiding significant disruptions to internal and external functions and ensuring business continuity. To ensure the safety of personnel, several actions were taken, including: (i) enactment of a Company-wide prevention and social distancing policy; (ii) implementation of reduced branch hours with in-person meetings conducted by appointment only; and (iii) initiation of a work-from-home approach for non-branch employees. Increased communication protocols were implemented to keep all employees informed, engaged and connected. Further, benefits, such as additional paid time off and other programs for those whose families have been directly impacted by the virus, have been made available.

People's United Bank and its charitable foundations have provided more than $3 million to support response funds and non-profits that are meeting the basic needs of vulnerable populations, including low-income residents, first responders, health care workers and small businesses.

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. The assets of PUIA total approximately $46.5 million and consist of cash and short-term receivables as well as related goodwill and other acquisition-related intangible assets (insurance customer relationships). The liabilities of PUIA total approximately $18.0 million and consist 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 Segment Results for additional information).

The sale is expected to result in a pre-tax gain, net of expenses, of approximately $75 to $80 million and will be recorded within other non-interest income in the Consolidated Statements of Income in the fourth quarter of 2020. As a result of the sale, the capital ratios for both the Holding Company and the Bank are expected to improve by approximately 15 basis points.

Critical Accounting Estimates

Determining the allowance for credit losses ("ACL") on loans has historically been identified as a critical accounting estimate. 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 4, "Allowance for Credit Losses" in the accompanying Consolidated Financial Statements for further discussion of the Company's accounting policies and methodologies for establishing the ACL and the liability for off-balance-sheet commitments 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 4, "Allowance for Credit Losses" in the accompanying 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 September 30, 2020 assumptions; (ii) the magnitude of the pandemic; and (iii) the impact of the United States' monetary and fiscal response.

Selected Consolidated Financial Information

(dollars in millions, except per common share data)	Three Months Ended Sept. 30, 2020	June 30, 2020	Sept. 30, 2019	Nine Months Ended Sept. 30, 2020	Sept. 30, 2019
Earnings Data:					
Net interest income (fully taxable equivalent)	$ 398.7	$ 413.0	$ 356.0	$1,215.4	$1,051.4
Net interest income	391.4	405.6	348.7	1,193.0	1,029.6
Provision for credit losses (1)	26.8	80.8	7.8	141.1	21.0
Non-interest income	101.1	89.6	106.0	314.5	306.9
Non-interest expense (2)	293.6	304.0	281.4	917.7	837.0
Income before income tax expense	172.1	110.4	165.5	448.7	478.5
Net income	144.6	89.9	135.1	364.9	383.0
Net income available to common shareholders (2)	141.1	86.4	131.6	354.4	372.5
Selected Statistical Data:					
Net interest margin (3)	2.97 %	3.05 %	3.12 %	3.05 %	3.14 %
Return on average assets (2), (3)	0.94	0.58	1.05	0.80	1.02
Return on average common equity (3)	7.5	4.6	7.7	6.3	7.5
Return on average tangible common equity (2), (3)	13.1	8.1	14.0	11.0	13.7
Efficiency ratio (2)	53.8	53.5	56.8	53.8	56.6
Common Share Data:					
Earnings per common share:					
Basic	$ 0.34	$ 0.21	$ 0.34	$ 0.84	$ 0.97
Diluted (2)	0.34	0.21	0.33	0.84	0.96
Dividends paid per common share	0.1800	0.1800	0.1775	0.5375	0.5300
Common dividend payout ratio (2)	53.6 %	87.4 %	53.1 %	64.5 %	55.0 %
Book value per common share (end of period)	$ 18.11	$ 17.95	$ 17.54	$ 18.11	$ 17.54
Tangible book value per common share (end of period) (2)	10.37	10.18	9.74	10.37	9.74
Stock price:					
High	12.36	13.99	17.10	17.00	18.03
Low	9.74	9.37	13.81	9.37	13.81
Close (end of period)	10.31	11.57	15.64	10.31	15.64

(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) Annualized.

(dollars in millions)	As of and for the Three Months Ended Sept. 30, 2020	June 30, 2020	Mar. 31, 2020	Dec. 31, 2019	Sept. 30, 2019
Financial Condition Data:					
Total assets	$ 60,871	$ 61,510	$ 60,433	$ 58,590	$ 52,072
Loans	45,231	45,452	44,284	43,596	38,781
Securities	8,270	8,233	8,552	7,790	7,135
Short-term investments	439	987	744	317	158
Allowance for credit losses (1)	424	414	342	247	246
Goodwill and other acquisition-related intangible assets	3,244	3,254	3,264	3,275	3,065
Deposits	49,637	49,934	44,741	43,590	38,574
Borrowings	1,237	1,782	5,911	5,155	4,629
Notes and debentures	1,012	1,015	1,013	993	916
Stockholders' equity	7,831	7,763	7,726	7,947	7,131
Total risk-weighted assets:					
People's United	45,756	45,657	46,408	45,208	39,794
People's United Bank, National Association	45,685	45,615	46,397	45,174	39,742
Non-accrual loans	306	296	240	224	176
Net loan charge-offs	17.3	8.5	10.6	6.7	5.8
Average Balances:					
Loans	$ 44,853	$ 45,153	$ 43,460	$ 42,006	$ 38,317
Securities (2)	7,922	8,240	8,022	7,372	7,041
Short-term investments	842	774	289	294	219
Total earning assets	53,617	54,168	51,772	49,673	45,577
Total assets	61,293	61,841	58,604	56,130	51,524
Deposits	49,542	48,447	44,163	42,195	38,657
Borrowings	1,283	2,911	4,353	4,146	3,855
Notes and debentures	1,014	1,014	1,000	974	914
Total funding liabilities	51,839	52,372	49,515	47,314	43,427
Stockholders' equity	7,801	7,757	7,804	7,654	7,079
Ratios:					
Net loan charge-offs to average total loans (annualized)	0.15 %	0.08 %	0.10 %	0.06 %	0.06 %
Non-performing assets to total loans, real estate owned and repossessed assets (1)	0.71	0.69	0.59	0.57	0.52
Allowance for credit losses to (1):					
Total loans	0.94	0.91	0.77	0.57	0.63
Non-accrual loans	138.4	139.8	142.2	110.0	139.5
Average stockholders' equity to average total assets	12.7	12.5	13.3	13.6	13.7
Stockholders' equity to total assets	12.9	12.6	12.8	13.6	13.7
Tangible common equity to tangible assets (3)	7.5	7.3	7.4	8.0	7.8
Total risk-based capital:					
People's United	11.8	11.8	11.3	12.0	12.0
People's United Bank, National Association	12.3	12.3	12.0	12.1	12.2

(1) Allowance for credit losses and asset quality ratios for 2020 reflect the initial adoption and application of the CECL standard.

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

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

Non-GAAP Financial Measures and Reconciliation to GAAP

In addition to evaluating People's United's results of operations in accordance with U.S. generally accepted accounting principles ("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:

(dollars in millions)	Three Months Ended Sept. 30, 2020	Three Months Ended June 30, 2020	Three Months Ended Sept. 30, 2019	Nine Months Ended Sept. 30, 2020	Nine Months Ended Sept. 30, 2019
Total non-interest expense	$ 293.6	$ 304.0	$ 281.4	$ 917.7	$ 837.0
Adjustments to arrive at operating non-interest expense:					
Merger-related expenses	(4.6)	(18.5)	(5.0)	(41.0)	(26.5)
Total	(4.6)	(18.5)	(5.0)	(41.0)	(26.5)
Operating non-interest expense	289.0	285.5	276.4	876.7	810.5
Adjustments:					
Amortization of other acquisition-related intangible assets	(10.2)	(10.2)	(8.0)	(31.1)	(22.7)
Operating lease expense	(9.3)	(8.8)	(9.9)	(27.9)	(29.2)
Other (1)	(5.1)	(1.9)	(1.4)	(8.9)	(4.6)
Total non-interest expense for efficiency ratio	$ 264.4	$ 264.6	$ 257.1	$ 808.8	$ 754.0
Net interest income (FTE basis)	$ 398.7	$ 413.0	$ 356.0	$1,215.4	$1,051.4
Total non-interest income	101.1	89.6	106.0	314.5	306.9
Total revenues	499.8	502.6	462.0	1,529.9	1,358.3
Adjustments:					
Operating lease expense	(9.3)	(8.8)	(9.9)	(27.9)	(29.2)
BOLI FTE adjustment	0.8	1.0	0.5	2.6	1.8
Net security gains	—	—	—	—	(0.1)
Other (2)	(0.1)	—	0.1	(0.4)	0.4
Total revenues for efficiency ratio	$ 491.2	$ 494.8	$ 452.7	$1,504.2	$1,331.2
Efficiency ratio	53.8 %	53.5 %	56.8 %	53.8 %	56.6 %

(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) added to 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 pre-provision net revenue, as derived from amounts reported in the Consolidated Statements of Income:

(in millions)	Three Months Ended Sept. 30, 2020	Three Months Ended June 30, 2020	Three Months Ended Sept. 30, 2019	Nine Months Ended Sept. 30, 2020	Nine Months Ended Sept. 30, 2019
Net interest income	$ 391.4	$ 405.6	$ 348.7	$ 1,193.0	$ 1,029.6
Non-interest income	101.1	89.6	106.0	314.5	306.9
Non-interest expense	(293.6)	(304.0)	(281.4)	(917.7)	(837.0)
Pre-provision net revenue	198.9	191.2	173.3	589.8	499.5
Non-operating expense	4.6	18.5	5.0	41.0	26.5
Operating pre-provision net revenue	$ 203.5	$ 209.7	$ 178.3	$ 630.8	$ 526.0

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

(dollars in millions, except per common share data)	Three Months Ended Sept. 30, 2020	Three Months Ended June 30, 2020	Three Months Ended Sept. 30, 2019	Nine Months Ended Sept. 30, 2020	Nine Months Ended Sept. 30, 2019
Net income available to common shareholders	$ 141.1	$ 86.4	$ 131.6	$ 354.4	$ 372.5
Adjustments to arrive at operating earnings:					
Merger-related expenses	4.6	18.5	5.0	41.0	26.5
Total pre-tax adjustments	4.6	18.5	5.0	41.0	26.5
Tax effect	(1.0)	(3.9)	(1.1)	(8.6)	(5.6)
Total adjustments, net of tax	3.6	14.6	3.9	32.4	20.9
Operating earnings	$ 144.7	$ 101.0	$ 135.5	$ 386.8	$ 393.4
Diluted EPS, as reported	$ 0.34	$ 0.21	$ 0.33	$ 0.84	$ 0.96
Adjustments to arrive at operating EPS:					
Merger-related expenses	—	0.03	0.01	0.07	0.05
Total adjustments per common share	—	0.03	0.01	0.07	0.05
Operating EPS	$ 0.34	$ 0.24	$ 0.34	$ 0.91	$ 1.01
Average total assets	$ 61,293	$ 61,841	$ 51,524	$ 60,582	$ 50,151
Operating return on average assets (annualized)	0.94 %	0.65 %	1.05 %	0.85 %	1.05 %

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

(dollars in millions)	Three Months Ended Sept. 30, 2020	Three Months Ended June 30, 2020	Three Months Ended Sept. 30, 2019	Nine Months Ended Sept. 30, 2020	Nine Months Ended Sept. 30, 2019
Operating earnings	$ 144.7	$ 101.0	$ 135.5	$ 386.8	$ 393.4
Average stockholders' equity	$ 7,801	$ 7,757	$ 7,079	$ 7,788	$ 6,875
Less: Average preferred stock	244	244	244	244	244
Average common equity	7,557	7,513	6,835	$ 7,544	$ 6,631
Less: Average goodwill and average other acquisition-related intangible assets	3,249	3,259	3,069	3,259	3,005
Average tangible common equity	$ 4,308	$ 4,254	$ 3,766	$ 4,285	$ 3,626
Operating return on average tangible common equity (annualized)	13.4 %	9.5 %	14.4 %	12.0 %	14.5 %

(dollars in millions)	Three Months Ended Sept. 30, 2020	Three Months Ended June 30, 2020	Three Months Ended Sept. 30, 2019	Nine Months Ended Sept. 30, 2020	Nine Months Ended Sept. 30, 2019
Common dividends paid	$ 75.7	$ 75.5	$ 69.9	$ 228.5	$ 204.9
Operating earnings	$ 144.7	$ 101.0	$ 135.5	$ 386.8	$ 393.4
Operating common dividend payout ratio	52.3 %	74.8 %	51.6 %	59.1 %	52.1 %

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:

(dollars in millions)	Sept. 30, 2020	June 30, 2020	Mar. 31, 2020	Dec. 31, 2019	Sept. 30, 2019
Total stockholders' equity	$ 7,831	$ 7,763	$ 7,726	$ 7,947	$ 7,131
Less: Preferred stock	244	244	244	244	244
Common equity	7,587	7,519	7,482	7,703	6,887
Less: Goodwill and other acquisition-related intangible assets	3,244	3,254	3,264	3,275	3,065
Tangible common equity	$ 4,343	$ 4,265	$ 4,218	$ 4,428	$ 3,822
Total assets	$ 60,871	$ 61,510	$ 60,433	$ 58,590	$ 52,072
Less: Goodwill and other acquisition-related intangible assets	3,244	3,254	3,264	3,275	3,065
Tangible assets	$ 57,627	$ 58,256	$ 57,169	$ 55,315	$ 49,007
Tangible common equity ratio	7.5 %	7.3 %	7.4 %	8.0 %	7.8 %

(in millions, except per common share data)	Sept. 30, 2020	June 30, 2020	Mar. 31, 2020	Dec. 31, 2019	Sept. 30, 2019
Tangible common equity	$ 4,343	$ 4,265	$ 4,218	$ 4,428	$ 3,822
Common shares issued	533.67	533.59	533.47	532.83	487.59
Less: Shares classified as treasury shares	109.00	109.00	109.00	89.17	89.01
Common shares outstanding	424.67	424.59	424.47	443.66	398.58
Less: Unallocated ESOP shares	5.66	5.75	5.84	5.92	6.01
Common shares	419.01	418.84	418.63	437.74	392.57
Tangible book value per common share	$ 10.37	$ 10.18	$ 10.07	$ 10.12	$ 9.74

Financial Overview

People's United completed its acquisitions of VAR Technology Finance effective January 2, 2019, BSB Bancorp, Inc. effective April 1, 2019 and United Financial Bancorp, Inc. 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. Financial data for prior periods has not been restated and therefore, are not directly comparable to subsequent periods.

People's United reported net income of $144.6 million, or $0.34 per diluted common share, for the three months ended September 30, 2020, compared to $135.1 million, or $0.33 per diluted common share, for the year-ago period. Included in the results for the three months ended September 30, 2020 and 2019 are merger-related expenses totaling $4.6 million ($3.6 million after-tax) with no per share impact and $5.0 million ($3.9 million after-tax) or $0.01 per common share, respectively. Compared to the year-ago period, third quarter of 2020 earnings reflect the benefits from recent acquisitions, continued loan and deposit growth, and meaningful cost control, partially offset by an increase in the provision for credit losses.

People's United's return on average assets was 0.94% for the three months ended September 30, 2020 compared to 1.05% for the year-ago period. Return on average tangible common equity was 13.1% (13.4% on an operating basis) for the three months ended September 30, 2020 compared to 14.0% (14.4% on an operating basis) for the year-ago period. Compared to the third quarter of 2019, FTE net interest income increased $42.7 million to $398.7 million and the net interest margin decreased 15 basis points to 2.97% (see Net Interest Income).

Net income for the nine months ended September 30, 2020 totaled $364.9 million, or $0.84 per diluted common share, compared to $383.0 million, or $0.96 per diluted common share, for the year-ago period. Included in the results for the nine months ended September 30, 2020 are merger-related expenses totaling $41.0 million ($32.4 million after-tax) or $0.07 per common share. Included in the results for the nine months ended September 30, 2019 are merger-related expenses totaling $26.5 million ($20.9 million after-tax) or $0.05 per common share. People's United's return on average assets was 0.80% (0.85% on an operating basis) for the nine months ended September 30, 2020 compared to 1.02% (1.05% on an operating basis) for the year-ago period. Return on average tangible common equity was 11.0% (12.0% on an operating basis) for the nine months ended September 30, 2020 compared to 13.7% (14.5% on an operating basis) for the year-ago period. FTE net interest income totaled $1.2 billion for the nine months ended September 30, 2020, a $164.0 million increase from the year-ago period and the net interest margin decreased nine basis points to 3.05%.

Average total earning assets increased $8.0 billion compared to the third quarter of 2019, reflecting increases of $6.5 billion in average total loans, $881 million in average securities and $623 million in average short-term investments. Average total funding liabilities increased $8.4 billion compared to the year-ago quarter, primarily reflecting a $10.9 billion increase in average total deposits, partially offset by a $2.6 billion decrease in average total borrowings.

Compared to the year-ago quarter, total non-interest income decreased $4.9 million and total non-interest expense increased $12.2 million. The efficiency ratio was 53.8% for the third quarter of 2020 compared to 56.8% for the year-ago quarter (see Non-Interest Income and Non-Interest Expense).

The provision for credit losses on loans in the third quarter of 2020 totaled $27.1 million, reflecting the economic uncertainty brought about by COVID-19, compared to $7.8 million in the year-ago quarter. Net loan charge-offs as a percentage of average total loans on an annualized basis were 0.15% in the third quarter of 2020 compared to 0.06% in the year-ago quarter. The ACL was $423.8 million at September 30, 2020, a $177.2 million increase from December 31, 2019. Non-performing assets totaled $321.4 million at September 30, 2020, a $73.9 million increase from December 31, 2019. At September 30, 2020, the ACL as a percentage of total loans was 0.94% and as a percentage of non-accrual loans was 138.4%, compared to 0.57% and 110.0%, respectively, at December 31, 2019 (see Asset Quality).

People's United's total stockholders' equity was $7.8 billion at September 30, 2020 compared to $7.9 billion at December 31, 2019. Stockholders' equity as a percentage of total assets was 12.9% and 13.6% at September 30, 2020 and December 31, 2019, respectively. Tangible common equity as a percentage of tangible assets was 7.5% at September 30, 2020 compared to 8.0% at December 31, 2019 (see Stockholders' Equity and Dividends). People's United's and People's United Bank, National Association (the "Bank's") Total risk-based capital ratios were 11.8% and 12.3%, respectively, at September 30, 2020, compared to 12.0% and 12.1%, respectively, at December 31, 2019 (see Regulatory Capital Requirements).

Segment Results

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

People's United'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.

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, 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 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 that does not reflect actual losses recognized for the periods presented. The provision for credit losses for Treasury reflects the application of the CECL standard (see Note 2 to the Consolidated Financial Statements).

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. For the purpose of goodwill impairment evaluations, management has identified reporting units based upon the Company's three operating segments: Commercial Banking; Retail Banking; and Wealth Management. The impairment evaluation is performed as of an annual date or more frequently if a triggering event indicates that impairment may have occurred.

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.

In conducting its 2019 goodwill impairment evaluation (as of the annual October 1st evaluation date), People's United elected to perform the optional qualitative assessment for all three reporting units, and, upon doing so, concluded that performance of the quantitative impairment test was not required. At this time, none of the Company's identified reporting units are at risk of failing the quantitative goodwill impairment test. See Note 15 to the Consolidated Financial Statements for a further discussion regarding the assessment of goodwill impairment.

In light of the economic disruption and uncertainty surrounding the COVID-19 pandemic, the Company qualitatively assessed, as of September 30, 2020, recent potential triggering events that could serve as indicators that the carrying amount of its goodwill is impaired. Based on this evaluation, which also considered the results of the 2019 impairment assessment, the Company concluded that it was not more likely than not that the fair value of any reporting unit was less than its carrying amount at that date.

Segment Performance Summary

Three months ended September 30, 2020 (in millions)	Commercial Banking	Retail Banking	Total Reportable Segments	Treasury	Other	Total Consolidated
Net interest income (loss)	$ 283.7	$ 165.5	$ 449.2	$ (41.8)	$ (16.0)	$ 391.4
Provision for credit losses	13.8	2.8	16.6	(0.3)	10.5	26.8
Total non-interest income	49.6	46.2	95.8	2.7	2.6	101.1
Total non-interest expense	122.9	169.6	292.5	0.7	0.4	293.6
Income (loss) before income tax expense (benefit)	196.6	39.3	235.9	(39.5)	(24.3)	172.1
Income tax expense (benefit)	31.3	6.2	37.5	(6.3)	(3.7)	27.5
Net income (loss)	$ 165.3	$ 33.1	$ 198.4	$ (33.2)	$ (20.6)	$ 144.6
Average total assets	$ 36,741.2	$ 13,381.1	$ 50,122.3	$ 9,519.7	$ 1,651.4	$ 61,293.4
Average total liabilities	17,162.0	27,601.2	44,763.2	7,906.8	822.1	53,492.1

Nine months ended September 30, 2020 (in millions)	Commercial Banking	Retail Banking	Total Reportable Segments	Treasury	Other	Total Consolidated
Net interest income (loss)	$ 815.8	$ 474.2	$ 1,290.0	$ (65.1)	$ (31.9)	$ 1,193.0
Provision for credit losses	39.1	7.3	46.4	(0.3)	95.0	141.1
Total non-interest income	169.2	134.5	303.7	3.8	7.0	314.5
Total non-interest expense	366.0	491.6	857.6	4.2	55.9	917.7
Income (loss) before income tax expense (benefit)	579.9	109.8	689.7	(65.2)	(175.8)	448.7
Income tax expense (benefit)	108.0	20.2	128.2	(11.1)	(33.3)	83.8
Net income (loss)	$ 471.9	$ 89.6	$ 561.5	$ (54.1)	$ (142.5)	$ 364.9
Average total assets	$ 35,809.1	$ 13,709.0	$ 49,518.1	$ 9,395.9	$ 1,668.1	$ 60,582.1
Average total liabilities	15,901.5	26,722.4	42,623.9	9,309.0	861.7	52,794.6

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 are provided through PUIA. On November 2, 2020, the Bank completed its sale of PUIA to AssuredPartners (see Note 16 to the Consolidated Financial Statements).

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	2020	2019	2020	2019
Net interest income	$ 283.7	$ 200.7	$ 815.8	$ 577.5
Provision for credit losses	13.8	11.3	39.1	32.6
Total non-interest income	49.6	53.2	169.2	151.4
Total non-interest expense	122.9	111.6	366.0	330.1
Income before income tax expense	196.6	131.0	579.9	366.2
Income tax expense	31.3	24.1	108.0	73.1
Net income	$ 165.3	$ 106.9	$ 471.9	$ 293.1
Average total assets	$ 36,741.2	$ 29,886.6	$ 35,809.1	$ 28,800.9
Average total liabilities	17,162.0	11,397.3	15,901.5	10,839.6

Commercial Banking's net income increased $58.4 million for the three months ended September 30, 2020 compared to the year-ago period, reflecting an increase in net interest income, partially offset by a decrease in non-interest income and an increase in non-interest expense. The $83.0 million increase in net interest income primarily reflects the benefits from increases in FTP net spread income and average commercial loans and leases, and a decrease in interest expense, partially offset by the adverse effect of a decline in loan yields. Non-interest income for the three months ended September 30, 2020 decreased $3.6 million compared to the year-ago period, primarily reflecting decreases in net customer interest rate swap income and operating lease income, partially offset by increases in commercial banking lending fees and cash management fees. The $11.3 million increase in non-interest expense in the third quarter of 2020 compared to the year-ago period reflects a higher level of allocated expenses, partially offset by a lower level of direct expenses. Compared to the third quarter of 2019, average total assets increased $6.9 billion, primarily reflecting loans and leases acquired in connection with acquisitions as well as organic loan growth and Paycheck Protection Program ("PPP") loans. Average total liabilities increased $5.8 billion, primarily reflecting organic deposit growth and deposits assumed in connection with 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 provides brokerage, financial advisory services, investment management services and life insurance through People's Securities, Inc., investment advisory services and financial management and planning services through People's United Advisors, Inc. and non-institutional trust services.

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	2020	2019	2020	2019
Net interest income	$ 165.5	$ 136.9	$ 474.2	$ 405.4
Provision for credit losses	2.8	2.3	7.3	6.7
Total non-interest income	46.2	49.7	134.5	144.2
Total non-interest expense	169.6	150.0	491.6	445.7
Income before income tax expense	39.3	34.3	109.8	97.2
Income tax expense	6.2	6.3	20.2	19.4
Net income	$ 33.1	$ 28.0	$ 89.6	$ 77.8
Average total assets	$ 13,381.1	$ 12,410.2	$ 13,709.0	$ 12,120.7
Average total liabilities	27,601.2	23,066.4	26,722.4	22,982.5

Retail Banking's net income increased $5.1 million for the three months ended September 30, 2020 compared to the year-ago period, reflecting an increase in net interest income, partially offset by a decrease in non-interest income and an increase in non-interest expense. The $28.6 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 loans, partially offset by the adverse effect of a decline in loan yields. Non-interest income for the three months ended September 30, 2020 decreased $3.5 million compared to the year-ago period, primarily reflecting decreases in bank service charges and investment management fees. The $19.6 million increase in non-interest expense in the third quarter of 2020 compared to the year-ago period reflects a higher level of allocated expenses, partially offset by a lower level of direct expenses. Compared to the third quarter of 2019, average total assets increased $1.0 billion, primarily reflecting loans acquired in connection with acquisitions. Average total liabilities increased $4.5 billion, primarily reflecting organic deposit growth and deposits assumed in connection with 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.

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	2020	2019	2020	2019
Net interest income (loss)	$ (41.8)	$ 15.0	$ (65.1)	$ 58.7
Provision for credit losses	(0.3)	—	(0.3)	—
Total non-interest income	2.7	2.9	3.8	9.2
Total non-interest expense	0.7	2.4	4.2	11.3
Income (loss) before income tax expense (benefit)	(39.5)	15.5	(65.2)	56.6
Income tax expense (benefit)	(6.3)	2.9	(11.1)	11.4
Net income (loss)	$ (33.2)	$ 12.6	$ (54.1)	$ 45.2
Average total assets	$ 9,519.7	$ 7,686.1	$ 9,395.9	$ 7,784.2
Average total liabilities	7,906.8	9,329.5	9,309.0	8,788.0

Treasury's net loss for the three months ended September 30, 2020 compared to net income in the year-ago period primarily reflects a decrease in net interest income. The $56.8 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 a decrease in interest expense and an increase in securities income. Compared to the third quarter of 2019, average total assets increased $1.8 billion, primarily reflecting an increase in securities, and average total liabilities decreased $1.4 billion, 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) 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 in 2020 reflects the economic uncertainty brought about by COVID-19. Non-interest income for the three and nine months ended September 30, 2020 includes gains totaling $1.5 million on the sales of residential mortgage loans. Included in non-interest expense for the three and nine months ended September 30, 2020 are merger-related expenses totaling $4.6 million and $41.0 million, respectively. Included in non-interest expense for the three and nine months ended September 30, 2019 are merger-related expenses totaling $5.0 million and $26.5 million, respectively, as well as costs associated with certain legal and other one-time operational expenses.

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions)	2020	2019	2020	2019
Net interest loss	$ (16.0)	$ (3.9)	$ (31.9)	$ (12.0)
Provision for credit losses	10.5	(5.8)	95.0	(18.3)
Total non-interest income	2.6	0.2	7.0	2.1
Total non-interest expense	0.4	17.4	55.9	49.9
Loss before income tax benefit	(24.3)	(15.3)	(175.8)	(41.5)
Income tax benefit	(3.7)	(2.9)	(33.3)	(8.4)
Net loss	$ (20.6)	$ (12.4)	$ (142.5)	$ (33.1)
Average total assets	$ 1,651.4	$ 1,541.4	$ 1,668.1	$ 1,445.2
Average total liabilities	822.1	652.5	861.7	666.0

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.

In March 2020, the FOMC lowered the target range for the federal funds rate twice 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 third quarter of 2020, the average effective federal funds rate was 0.09%.

The net interest margin was 2.97% in the third quarter of 2020, compared to 3.05% in the second quarter of 2020 and 3.12% in the third quarter of 2019. As compared to the second quarter of 2020, the decrease in the net interest margin primarily reflects lower yields on the loan portfolio, partially offset by the benefit of lower funding costs.

Third Quarter 2020 Compared to Third Quarter 2019

FTE net interest income increased $42.7 million compared to the third quarter of 2019, reflecting a $34.1 million decrease in total interest and dividend income, which was more than offset by a $76.8 million decrease in total interest expense, and the net interest margin decreased 15 basis points to 2.97%.

Average total earning assets were $53.6 billion in the third quarter of 2020, an $8.0 billion increase from the third quarter of 2019, reflecting increases of $6.5 billion in average total loans, $881 million in average securities and $623 million in average short-term investments. The average total commercial loan, average home equity and average residential mortgage loan portfolios increased $6.3 billion, $144 million and $15 million, respectively, compared to the year-ago period, reflecting loans and leases acquired in connection with acquisitions, PPP loans, as well as organic growth.

Average total loans, average securities and average short-term investments comprised 84%, 15% and 1%, respectively, of average total earning assets in both the third quarter of 2020 and 2019. In the current quarter, the yield earned on the total loan portfolio was 3.49% and the yield earned on securities and short-term investments was 2.41%, compared to 4.46% and 2.79%, respectively, in the year-ago period. At September 30, 2020, approximately 45% of the Company's loan portfolio was comprised of Prime Rate and LIBOR-based floating rate loans, compared to approximately 44% at December 31, 2019.

Average total funding liabilities were $51.8 billion in the third quarter of 2020, an $8.4 billion increase from the year-ago period, primarily reflecting a $10.9 billion increase in average total deposits, partially offset by a $2.6 billion decrease in average total borrowings. The increase in average total deposits reflects organic growth as well as deposits assumed in connection with acquisitions. Excluding brokered deposits, average savings, interest-bearing checking and money market deposits and average non-interest bearing deposits increased $5.6 billion and $5.0 billion, respectively, while average time deposits decreased $494 million. Average total deposits comprised 96% and 89% of average total funding liabilities in the third quarters of 2020 and 2019, respectively.

The 78 basis point decrease to 0.35% in the rate paid on average total funding liabilities in the third quarter of 2020 compared to 2019 primarily reflects the decreases in the target federal funds rate discussed above. The rate paid on average total deposits decreased 66 basis points, reflecting decreases of 75 basis points in savings, interest-bearing checking and money market deposits and 73 basis points in time deposits and the benefit from a $5.0 billion increase in non-interest bearing deposits. Average savings, interest-bearing checking and money market deposits and average time deposits comprised 58% and 14%, respectively, of average total deposits in the third quarter of 2020 compared to 56% and 21%, respectively, in the comparable 2019 period.

Third Quarter 2020 Compared to Second Quarter 2020

FTE net interest income decreased $14.3 million compared to the second quarter of 2020, reflecting a $20.9 million decrease in total interest and dividend income, partially offset by a $6.6 million decrease in total interest expense. The net interest margin decreased eight basis points to 2.97%, reflecting (i) lower yields on the loan portfolio, which reduced the net interest margin by 15 basis points, partially offset by (i) lower rates on deposits and borrowings, which benefited the net interest margin by four basis points and one basis point, respectively and (ii) one additional calendar day in the third quarter, which benefited the net interest margin by two basis points. Included in interest income in the third and second quarters of 2020 are fees, net of related costs, totaling $9.9 million and $9.4 million, respectively, 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 decreased $550 million from the second quarter of 2020, reflecting decreases of $318 million in average securities and $300 million in average total loans, partially offset by a $68 million increase in average short-term investments. In the third quarter of 2020, the average total commercial loan portfolio increased $225 million, while the average residential loan portfolio decreased $413 million and the average home equity portfolio decreased $103 million. Within commercial loans, the commercial and industrial portfolio increased $524 million (PPP loans averaged $2.5 billion in the third quarter of 2020 and $1.8 billion in the second quarter of 2020) while the commercial real estate portfolio decreased $242 million.

Average total funding liabilities decreased $533 million from the second quarter of 2020, primarily reflecting a $1.6 billion decrease in average total borrowings, partially offset by a $1.1 billion increase in average total deposits.

The following tables present average balance sheets, FTE-basis interest income, interest expense and the corresponding average yields earned and rates paid for the three months ended September 30, 2020, June 30, 2020 and September 30, 2019, and the nine months ended September 30, 2020 and 2019. 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 tables, classified according to the instrument hedged and the related risk management objective.

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

Three months ended (dollars in millions)	September 30, 2020 Average Balance	September 30, 2020 Interest	September 30, 2020 Yield/ Rate	June 30, 2020 Average Balance	June 30, 2020 Interest	June 30, 2020 Yield/ Rate	September 30, 2019 Average Balance	September 30, 2019 Interest	September 30, 2019 Yield/ Rate
Assets:									
Short-term investments	$ 841.5	$ 0.4	0.19 %	$ 774.0	$ 0.2	0.14 %	$ 218.7	$ 1.3	2.33 %
Securities (2)	7,922.4	52.5	2.65	8,240.4	54.8	2.66	7,041.3	49.4	2.80
Loans:									
Commercial real estate	13,853.1	110.5	3.19	14,095.2	122.4	3.48	12,194.8	136.6	4.48
Commercial and industrial	14,419.8	113.0	3.13	13,895.6	114.8	3.30	10,059.2	116.0	4.61
Equipment financing	4,876.4	65.4	5.37	4,933.8	67.6	5.48	4,640.6	65.3	5.63
Residential mortgage	9,408.0	82.4	3.51	9,821.4	85.1	3.46	9,392.7	84.9	3.62
Home equity and other consumer	2,296.0	19.9	3.47	2,407.1	20.1	3.34	2,029.2	24.7	4.88
Total loans	44,853.3	391.2	3.49	45,153.1	410.0	3.63	38,316.5	427.5	4.46
Total earning assets	53,617.2	$ 444.1	3.31 %	54,167.5	$ 465.0	3.43 %	45,576.5	$ 478.2	4.20 %
Other assets	7,676.2			7,673.9			5,947.8		
Total assets	$ 61,293.4			$ 61,841.4			$ 51,524.3		
Liabilities and stockholders' equity:									
Deposits:									
Non-interest-bearing	$ 13,753.8	$ —	— %	$ 12,852.8	$ —	— %	$ 8,777.3	$ —	— %
Savings, interest-bearing checking and money market	28,970.0	16.4	0.23	27,402.5	17.0	0.25	21,758.5	53.4	0.98
Time	6,817.8	20.1	1.18	8,191.4	24.7	1.21	8,121.6	38.8	1.91
Total deposits	49,541.6	36.5	0.29	48,446.7	41.7	0.34	38,657.4	92.2	0.95
Borrowings:									
Federal Home Loan Bank advances	640.5	1.3	0.79	1,858.8	1.5	0.32	2,363.0	14.1	2.39
Customer repurchase agreements	382.6	0.2	0.18	357.2	0.2	0.24	290.1	0.6	0.86
Federal funds purchased	260.1	—	0.08	695.5	0.3	0.15	1,202.3	6.8	2.26
Total borrowings	1,283.2	1.5	0.46	2,911.5	2.0	0.27	3,855.4	21.5	2.23
Notes and debentures	1,014.0	7.4	2.92	1,013.8	8.3	3.29	913.8	8.5	3.73
Total funding liabilities	51,838.8	$ 45.4	0.35 %	52,372.0	$ 52.0	0.40 %	43,426.6	$ 122.2	1.13 %
Other liabilities	1,653.3			1,712.6			1,019.1		
Total liabilities	53,492.1			54,084.6			44,445.7		
Stockholders' equity	7,801.3			7,756.8			7,078.6		
Total liabilities and stockholders' equity	$ 61,293.4			$ 61,841.4			$ 51,524.3		
Net interest income/spread (3)		$ 398.7	2.96 %		$ 413.0	3.03 %		$ 356.0	3.07 %
Net interest margin			2.97 %			3.05 %			3.12 %

(1) Average yields earned and rates paid are annualized.
(2) Average balances and yields for securities are based on amortized cost.
(3) The FTE adjustment was $7.3 million, $7.4 million and $7.3 million for the three months ended September 30, 2020, June 30, 2020 and September 30, 2019, respectively.

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

Nine months ended (dollars in millions)	September 30, 2020 Average Balance	Interest	Yield/ Rate	September 30, 2019 Average Balance	Interest	Yield/ Rate
Assets:						
Short-term investments	$ 635.9	$ 2.6	0.55 %	$ 211.9	$ 3.8	2.37 %
Securities (2)	8,061.0	163.3	2.70	7,165.4	152.6	2.84
Loans:						
Commercial real estate	14,219.8	382.5	3.59	12,037.6	409.2	4.53
Commercial and industrial	13,065.7	337.6	3.44	9,561.1	336.6	4.69
Equipment financing	4,908.5	201.2	5.47	4,504.1	187.0	5.54
Residential mortgage	9,820.4	258.0	3.50	9,077.5	241.5	3.55
Home equity and other consumer	2,475.7	70.7	3.81	2,029.1	75.4	4.95
Total loans	44,490.1	1,250.0	3.75	37,209.4	1,249.7	4.48
Total earning assets	53,187.0	$ 1,415.9	3.55 %	44,586.7	$ 1,406.1	4.20 %
Other assets	7,395.1			5,564.3		
Total assets	$ 60,582.1			$ 50,151.0		
Liabilities and stockholders' equity:						
Deposits:						
Non-interest-bearing	$ 12,233.7	$ —	— %	$ 8,563.2	$ —	— %
Savings, interest-bearing checking and money market	27,111.2	77.5	0.38	21,708.6	159.6	0.98
Time	8,046.8	79.6	1.32	7,842.4	110.4	1.88
Total deposits	47,391.7	157.1	0.44	38,114.2	270.0	0.94
Borrowings:						
Federal Home Loan Bank advances	1,639.6	12.6	1.02	2,034.1	38.7	2.54
Federal funds purchased	847.7	5.4	0.85	1,005.6	18.2	2.41
Customer repurchase agreements	356.0	0.9	0.35	272.1	1.6	0.76
Other borrowings	—	—	—	4.4	0.1	1.86
Total borrowings	2,843.3	18.9	0.89	3,316.2	58.6	2.35
Notes and debentures	1,009.1	24.5	3.24	904.7	26.1	3.85
Total funding liabilities	51,244.1	$ 200.5	0.52 %	42,335.1	$ 354.7	1.12 %
Other liabilities	1,550.5			941.0		
Total liabilities	52,794.6			43,276.1		
Stockholders' equity	7,787.5			6,874.9		
Total liabilities and stockholders' equity	$ 60,582.1			$ 50,151.0		
Net interest income/spread (3)		$ 1,215.4	3.03 %		$ 1,051.4	3.08 %
Net interest margin			3.05 %			3.14 %

(1) Average yields earned and rates paid are annualized.
(2) Average balances and yields for securities are based on amortized cost.
(3) The FTE adjustment was $22.4 million and $21.8 million for the nine months ended September 30, 2020 and 2019, respectively.

Volume and Rate Analysis

The following tables 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's 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.

	Three Months Ended September 30, 2020 Compared To					
	September 30, 2019 Increase (Decrease)			June 30, 2020 Increase (Decrease)		
(in millions)	Volume	Rate	Total	Volume	Rate	Total
Interest and dividend income:						
Short-term investments	$ 1.1	$ (2.0)	$ (0.9)	$ —	$ 0.2	$ 0.2
Securities	6.0	(2.9)	3.1	(2.1)	(0.2)	(2.3)
Loans:						
Commercial real estate	16.9	(43.0)	(26.1)	(2.1)	(9.8)	(11.9)
Commercial and industrial	41.0	(44.0)	(3.0)	4.2	(6.0)	(1.8)
Equipment financing	3.2	(3.1)	0.1	(0.8)	(1.4)	(2.2)
Residential mortgage	0.1	(2.6)	(2.5)	(3.6)	0.9	(2.7)
Home equity and other consumer	3.0	(7.8)	(4.8)	(0.9)	0.7	(0.2)
Total loans	64.2	(100.5)	(36.3)	(3.2)	(15.6)	(18.8)
Total change in interest and dividend income	71.3	(105.4)	(34.1)	(5.3)	(15.6)	(20.9)
Interest expense:						
Deposits:						
Savings, interest-bearing checking and money market	13.6	(50.6)	(37.0)	0.9	(1.5)	(0.6)
Time	(5.5)	(13.2)	(18.7)	(4.1)	(0.5)	(4.6)
Total deposits	8.1	(63.8)	(55.7)	(3.2)	(2.0)	(5.2)
Borrowings:						
Federal Home Loan Bank advances	(6.7)	(6.1)	(12.8)	(1.4)	1.2	(0.2)
Federal funds purchased	(3.0)	(3.8)	(6.8)	(0.1)	(0.2)	(0.3)
Customer repurchase agreements	0.1	(0.5)	(0.4)	—	—	—
Total borrowings	(9.6)	(10.4)	(20.0)	(1.5)	1.0	(0.5)
Notes and debentures	0.9	(2.0)	(1.1)	—	(0.9)	(0.9)
Total change in interest expense	(0.6)	(76.2)	(76.8)	(4.7)	(1.9)	(6.6)
Change in net interest income	$ 71.9	$ (29.2)	$ 42.7	$ (0.6)	$ (13.7)	$ (14.3)

Volume and Rate Analysis

(in millions)	Nine Months Ended September 30, 2020 Compared To September 30, 2019 Increase (Decrease)		
	Volume	Rate	Total
Interest and dividend income:			
Short-term investments	$ 3.4	$ (4.6)	$ (1.2)
Securities	18.4	(7.7)	10.7
Loans:			
Commercial real estate	67.0	(93.7)	(26.7)
Commercial and industrial	104.3	(103.3)	1.0
Equipment financing	16.6	(2.4)	14.2
Residential mortgage	19.5	(3.0)	16.5
Home equity and other consumer	14.7	(19.4)	(4.7)
Total loans	222.1	(221.8)	0.3
Total change in interest and dividend income	243.9	(234.1)	9.8
Interest expense:			
Deposits:			
Savings, interest-bearing checking and money market	32.7	(114.8)	(82.1)
Time	2.8	(33.6)	(30.8)
Total deposits	35.5	(148.4)	(112.9)
Borrowings:			
Federal Home Loan Bank advances	(6.4)	(19.7)	(26.1)
Federal funds purchased	(2.5)	(10.3)	(12.8)
Customer repurchase agreements	0.4	(1.1)	(0.7)
Other borrowings	(0.1)	—	(0.1)
Total borrowings	(8.6)	(31.1)	(39.7)
Notes and debentures	2.8	(4.4)	(1.6)
Total change in interest expense	29.7	(183.9)	(154.2)
Change in net interest income	$ 214.2	$ (50.2)	$ 164.0

Non-Interest Income

(in millions)	Three Months Ended Sept. 30, 2020	Three Months Ended June 30, 2020	Three Months Ended Sept. 30, 2019	Nine Months Ended Sept. 30, 2020	Nine Months Ended Sept. 30, 2019
Bank service charges	$ 24.5	$ 20.3	$ 27.0	$ 72.8	$ 78.6
Investment management fees	18.8	17.4	19.9	54.3	58.9
Operating lease income	12.4	11.8	12.9	36.8	38.1
Commercial banking lending fees	12.7	10.6	11.8	35.4	29.8
Insurance revenue	9.7	9.0	10.3	29.6	29.5
Cash management fees	8.8	8.1	7.3	24.3	21.2
Other non-interest income:					
Customer interest rate swap income, net	1.2	2.7	5.5	12.7	15.6
BOLI	2.9	3.8	2.2	9.6	8.0
Net gains on sales of residential mortgage loans held-for-sale	0.8	0.8	0.6	2.4	1.1
Other	9.3	5.1	8.5	36.7	26.1
Total other non-interest income	14.2	12.4	16.8	61.4	50.8
Total non-interest income	$ 101.1	$ 89.6	$ 106.0	$ 314.6	$ 306.9

Total non-interest income in the third quarter of 2020 decreased $4.9 million compared to the third quarter of 2019 and increased $11.5 million compared to the second quarter of 2020. The decrease in non-interest income in the third quarter of 2020 compared to the year-ago period primarily reflects decreases in net customer interest rate swap income and bank service charges, partially offset by increases in net gains on sales of residential mortgage loans and cash management fees. The increase compared to the second quarter of 2020 primarily reflects increases in bank service charges and commercial banking lending fees, partially offset by decreases in net customer interest rate swap income and BOLI income.

The fluctuations in bank service charges in the third quarter of 2020 compared to both the second quarter of 2020 and the year-ago period primarily reflects the level of customer activity resulting from the economic uncertainty brought about by COVID-19. The fluctuations in investment management fees compared to both the second quarter of 2020 and the third quarter of 2019 primarily reflects the effect of recent market volatility. At September 30, 2020, assets under discretionary management totaled $8.9 billion compared $8.7 billion at June 30, 2020 and $9.2 billion at December 31, 2019.

The increase in insurance revenue compared to the second quarter of 2020 primarily reflects the seasonality of commercial insurance renewals. On November 2, 2020, the Bank completed its sale of PUIA (see Note 16 to the Consolidated Financial Statements). The fluctuations in commercial banking lending fees compared to both the second quarter of 2020 and third quarter of 2019 are primarily related to the levels of prepayment income and loan syndication fees collected in the respective periods. The fluctuations in net customer interest rate swap income in the third quarter of 2020 compared to the third quarter of 2019 and second quarter of 2020 reflect the levels in both the number and notional value of customer swaps.

On an FTE basis, BOLI income totaled $3.7 million in the third quarter of 2020 compared to $4.8 million in the second quarter of 2020 and $2.7 million in the year-ago quarter. BOLI income in the third quarter of 2020 compared to the second quarter of 2020 includes death benefits received totaling $0.8 million and $1.0 million, respectively (none in the third quarter of 2019). Other non-interest income in the third quarter of 2020 includes net gains totaling $1.5 million on the sales of residential mortgage loans. Included in other non-interest income are unrealized losses relating to the change in fair value of equity securities totaling $0.3 million, $0.2 million and $0.5 million in the third and second quarters of 2020 and third quarter of 2019, respectively (see Note 2 to the Consolidated Financial Statements). Other non-interest income in the third and second quarters of 2020 also includes charges totaling $0.5 million and $1.7 million, respectively, relating to the write-down of a mortgage servicing right asset.

Non-Interest Expense

(dollars in millions)	Three Months Ended Sept. 30, 2020	June 30, 2020	Sept. 30, 2019	Nine Months Ended Sept. 30, 2020	Sept. 30, 2019
Compensation and benefits	$ 166.5	$ 167.8	$ 158.1	$ 508.2	$ 474.8
Occupancy and equipment	49.1	48.0	45.0	148.1	133.7
Professional and outside services	24.1	25.7	23.7	88.3	68.6
Amortization of other acquisition-related intangible assets	10.2	10.2	8.0	31.1	22.7
Operating lease expense	9.3	8.8	9.9	27.9	29.2
Regulatory assessments	8.4	8.7	5.3	25.8	18.8
Other non-interest expense:					
Stationary, printing, postage and telephone	6.6	6.6	6.9	20.1	19.8
Advertising and promotion	2.6	2.5	4.4	8.9	11.9
Other	16.8	25.7	20.1	59.3	57.5
Total other non-interest expense	26.0	34.8	31.4	88.3	89.2
Total non-interest expense	$ 293.6	$ 304.0	$ 281.4	$ 917.7	$ 837.0
Efficiency ratio	53.8 %	53.5 %	56.8 %	53.8 %	56.6 %

Total non-interest expense in the third quarter of 2020 increased $12.2 million compared to the third quarter of 2019 and decreased $10.4 million compared to the second quarter of 2020. Included in total non-interest expense are merger-related expenses totaling $4.6 million in the third quarter of 2020, $18.5 million in the second quarter of 2020 and $5.0 million in the year-ago quarter. Excluding such expenses, total non-interest expense increased $12.6 million compared to the third quarter of 2019 (primarily reflecting the incremental costs resulting from recent acquisitions) and increased $3.5 million compared to the second quarter of 2020 (primarily reflecting an increase in other non-interest expense).

As compared to the third quarter of 2019, the improvement in the efficiency ratio reflects increases in adjusted total revenues of 8% and adjusted total expenses of 3% (see Non-GAAP Financial Measures and Reconciliation to GAAP).

The year-over-year increase in compensation and benefits (excluding $0.3 million and $0.8 million of merger-related expenses from the respective periods) primarily reflects the incremental costs from recent acquisitions, as well as the effect of normal merit increases and higher incentive-related expenses. Excluding $0.3 million and $1.0 million of merger-related expenses in the third quarter of 2020 and the second quarter of 2020, respectively, compensation and benefits decreased $0.6 million.

The increase in occupancy and equipment expense in the third quarter of 2020 compared to the year-ago period primarily reflects the incremental costs resulting from recent acquisitions. Professional and outside services fees include merger-related expenses totaling $1.4 million in the third quarter of 2020, $3.6 million in the second quarter of 2020 and $3.7 million in the third quarter of 2019. Excluding such expenses, the fluctuations in professional and outside services fees are primarily related to the timing of certain projects.

Regulatory assessments include Federal Deposit Insurance Corporation (“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 the third quarter of 2020 compared to the third quarter of 2019 primarily reflects an increase in the Bank's total assessment base resulting from recent acquisitions and organic growth.

The increase in amortization of other acquisition-related intangible assets expense in the third quarter of 2020 compared to the third quarter of 2019 reflects the effect of additional intangible assets resulting from recent acquisitions. Scheduled amortization expense attributable to other acquisition-related intangible assets for the full-year of 2020 and each of the next five years is as follows: $40.9 million in 2020; $36.1 million in 2021; $31.7 million in 2022; $24.0 million in 2022; $20.3 million in 2023; and $17.3 million in 2024.

Merger-related expenses included in other non-interest expense totaled $2.0 million, $13.7 million and $0.2 million for the third quarter of 2020, second quarter of 2020 and third quarter of 2019, respectively. Included in other non-interest expense in the third quarter of 2019 are costs associated with certain legal and other one-time operational matters.

Income Taxes

People's United's effective income tax rate was 18.7% for the nine months ended September 30, 2020 compared to 20.2% for the full-year of 2019. People's United's effective income tax rate for the full-year 2020 is expected to be approximately 19% to 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.

FINANCIAL CONDITION

General

Total assets at September 30, 2020 were $60.9 billion, a $2.3 billion increase from December 31, 2019, primarily reflecting increases of $1.6 billion in total loans, $629 million in other assets and $480 million in total securities. The increase in total loans from December 31, 2019 to September 30, 2020 reflects a $3.2 billion increase in commercial loans, partially offset by a $1.5 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 September 30, 2020 are PPP loans totaling $2.6 billion. The increase in total securities primarily reflects net purchases of government sponsored enterprise ("GSE") mortgage-backed securities and a $110 million increase in the unrealized gain on debt securities available-for-sale. The increase in other assets primarily reflects the change in fair value of derivative financial instruments.

Non-performing assets totaled $321.4 million at September 30, 2020, a $73.9 million increase from December 31, 2019, primarily reflecting increases of $47.2 million in non-accrual commercial and industrial loans and $31.5 million in non-accrual commercial real estate loans, partially offset by a $13.7 million decrease in other real estate owned ("REO"). The ACL totaled $423.8 million at September 30, 2020, compared to $246.6 million at December 31, 2019. At September 30, 2020, the ACL as a percentage of total loans was 0.94% and as a percentage of non-accrual loans was 138.4%, compared to 0.57% and 110.0%, respectively, at December 31, 2019.

At September 30, 2020, total liabilities were $53.0 billion, a $2.4 billion increase from December 31, 2019, primarily reflecting a $6.0 billion increase in total deposits, partially offset by a $3.9 billion decrease in total borrowings.

People's United's total stockholders' equity was $7.8 billion at September 30, 2020, a $116 million decrease from December 31, 2019. As a percentage of total assets, stockholders' equity was 12.9% and 13.6% at September 30, 2020 and December 31, 2019, respectively. Tangible common equity equaled 7.5% of tangible assets at September 30, 2020 compared to 8.0% at December 31, 2019 (see Stockholders Equity and Dividends).

People's United's (consolidated) Tier 1 Leverage capital ratio and its Common Equity Tier 1 ("CET 1"), Tier 1 and Total risk-based capital ratios were 8.2%, 9.9%, 10.5% and 11.8%, respectively, at September 30, 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%, 11.0%, 11.0% and 12.3%, respectively, at September 30, 2020, compared to 9.3%, 10.9%, 10.9% and 12.1%, respectively, at December 31, 2019 (see Regulatory Capital Requirements).

Loans

People's United'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 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. Prior period loan balances were not restated to conform to the current period presentation. Included in commercial and industrial loans at September 30, 2020 are PPP loans totaling $2.6 billion (including $819 million in Service, $403 million in Health services, $350 million in Manufacturing, $297 million in Construction and $178 million in Retail trade) and associated deferred loan fees totaling $61.3 million.

The following tables summarize People's United's loan portfolios:

Commercial Real Estate

(in millions)	September 30, 2020	December 31, 2019
Property Type:		
Residential (multifamily)	$ 4,371.7	$ 5,140.2
Retail	3,737.7	3,843.8
Office buildings	2,459.7	2,689.6
Hospitality/entertainment	984.4	948.4
Industrial/manufacturing	802.2	784.2
Health care	518.3	561.3
Mixed/special use	339.8	287.2
Self storage	213.6	209.8
Land	90.0	73.8
Other	195.9	224.0
Total commercial real estate	$ 13,713.3	$ 14,762.3

Commercial and Industrial

(in millions)	September 30, 2020	December 31, 2019
Industry:		
Finance and insurance	$ 4,289.1	$ 2,521.8
Service	2,797.9	1,975.0
Health services	1,534.0	960.1
Manufacturing	1,435.6	1,175.1
Wholesale trade	1,286.9	1,286.6
Real estate, rental and leasing	1,193.0	1,131.0
Retail trade	916.9	694.0
Construction	570.7	314.3
Transportation and utilities	471.0	384.3
Arts, entertainment and recreation	237.7	159.3
Information and media	189.4	141.8
Printing	88.3	91.0
Packaging	74.0	65.5
Public administration	66.9	64.6
Other	143.6	77.2
Total commercial and industrial	$ 15,295.0	$ 11,041.6

Equipment Financing

(in millions)	September 30, 2020	December 31, 2019
Industry:		
Transportation and utilities	$ 1,141.7	$ 1,213.3
Service	699.7	694.2
Construction	679.3	689.9
Rental and leasing	525.2	580.2
Manufacturing	390.2	306.4
Wholesale trade	264.1	256.8
Health services	244.0	219.4
Waste management	200.9	196.8
Printing	181.4	191.8
Retail trade	134.1	121.3
Packaging	110.3	114.3
Mining, oil and gas	67.0	74.7
Other	249.7	251.3
Total equipment financing	$ 4,887.6	$ 4,910.4

Residential Mortgage

(in millions)	September 30, 2020	December 31, 2019
Adjustable-rate	$ 5,970.3	$ 7,064.8
Fixed-rate	3,125.3	3,253.3
Total residential mortgage	$ 9,095.6	$ 10,318.1

Home Equity and Other Consumer

(in millions)	September 30, 2020	December 31, 2019
Home equity lines of credit	$ 1,925.3	$ 2,153.2
Home equity loans	199.5	253.3
Other	114.3	157.2
Total home equity and other consumer	$ 2,239.1	$ 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 creates 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 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 October 30, 2020, People’s United, as a participating PPP lender, had approved, submitted to the SBA and funded PPP loan requests totaling approximately $2.7 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 creates 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. 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's policies and practices with respect to the assessment of loan repayment, non-accrual status and charge-offs remain unchanged. As of October 30, 2020, the Company had granted loan forbearance requests representing approximately $7.4 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 80% 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 mortgage warehouse/asset based lending ("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 credit 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 Office of the Comptroller of the Currency requires that loans subject to a borrower's discharge from personal liability following a Chapter 7 bankruptcy be treated as TDRs, included in non-performing loans and written down to the estimated collateral value, regardless of delinquency status. Included in TDRs at September 30, 2020 are $41.1 million of such loans. Of this amount, $31.7 million, or 77%, 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-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.

During the nine months ended September 30, 2020, we performed 42 loan modifications that were not classified as TDRs. The balances of these loans at the time of the respective modifications totaled $187.6 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 3 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 September 30, 2020, the loan portfolio included $929 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 adjustable-rate mortgage). 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 September 30, 2020, non-performing residential mortgage loans totaling $0.3 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 64% and 767, 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 the nine months ended September 30, 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 13 investor refunds, totaling less than $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 as of September 30, 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 home equity lines of credit ("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 September 30, 2020, the committed amount of HELOCs scheduled to have the draw period end during the years shown:

December 31, (in millions)	Credit Lines
2020	$ 40.2
2021	248.5
2022	413.9
2023	434.8
2024	484.1
2025	488.8
Later years	2,182.8
Total	$ 4,293.1

Approximately 89% 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 September 30, 2020 are as follows:

	Portfolio	Delinquencies	
(dollars in millions)	Balance	Amount	Percent
HELOC status:			
Still in draw period	$ 1,908.9	$ 13.7	0.81 %
Amortizing payment	215.9	14.8	6.84

For the nine months ended September 30, 2020, 52% 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 September 30, 2020, full and complete first lien position data was not readily available for 38% 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 September 30, 2020, the portion of the home equity portfolio more than 90 days past due with a CLTV greater than 80% was $4.8 million.

As of September 30, 2020, full and complete first lien position data was readily available for 62%, or $1.2 billion, of the home equity portfolio. Of that total, 40%, or $492.7 million, are in a junior lien position. We estimate that of those junior liens, 35%, or $172.5 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 September 30, 2020, there were seven loans totaling $0.6 million for which we have received notification that the holder of a superior lien has commenced foreclosure action. Our second lien positions were all non-accrual at the time such foreclosure actions were commenced, however no loss is expected related to these loans as of September 30, 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 50% as of September 30, 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 700 on average. In addition, as of September 30, 2020, 99% 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-performing 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. While the limitations on available first lien data could impact the accuracy of our credit loss estimates, we believe that our methodology results in an ACL that appropriately estimates the expected credit losses within the portfolio, including those loans originated prior to January 2011 for which certain lien position data is not available.

As of September 30, 2020, the weighted average CLTV ratio and FICO score for the home equity portfolio were 57% and 768, 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 $1.3 billion (3% of total loans) at September 30, 2020. The total committed amount at that date, including both the outstanding balance and the unadvanced portion of such loans, was $2.1 billion. In some cases, a portion of the total committed amount includes an accompanying interest reserve. At September 30, 2020, construction loans totaling $696.1 million had remaining available interest reserves of $52.5 million. At that date, the Company had construction loans with interest reserves totaling $0.4 million that were on non-accrual status and included in non-performing 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 $4.4 million of restructured construction loans at September 30, 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 collectability 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

The ACL is established through provisions for credit losses 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 September 30, 2020, the collective ACL totaled $404.3 million and the specific allocation of the ACL for loans evaluated on an individual basis totaled $19.5 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.

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. 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. GDP; (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. Each scenario is assigned a weighting with a majority of the weighting placed on the Baseline scenario and lower weights placed on both the Upside and Downside scenarios. The weighting assigned by management is based on the economic outlook and available information at the reporting date. The resultant weighted estimate of expected credit losses is compared to the result of the Baseline scenario with the difference included as an element of the qualitative component (see below). 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.

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, 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.

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.

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.

Provision and Allowance for Credit Losses

	Three Months Ended			Nine Months Ended	
(dollars in millions)	Sept. 30, 2020	June 30, 2020	Sept. 30, 2019	Sept. 30, 2020	Sept. 30, 2019
ACL:					
Balance at beginning of period	$ 414.0	$ 341.7	$ 244.0	$246.6	$240.4
CECL transition adjustment	—	—	N/A	72.2	NA
Balance at beginning of period, adjusted	414.0	341.7	244.0	318.8	240.4
Charge-offs	(19.3)	(10.3)	(8.2)	(42.2)	(23.0)
Recoveries	2.0	1.8	2.4	5.8	7.6
Net loan charge-offs	(17.3)	(8.5)	(5.8)	(36.4)	(15.4)
Provision for credit losses	27.1	80.8	7.8	141.4	21.0
Balance at end of period	$ 423.8	$ 414.0	$ 246.0	$423.8	$246.0
ACL as a percentage of (1):					
Total loans	0.94 %	0.91 %	0.63 %	0.94 %	0.63 %
Non-accrual loans	138.4	139.8	139.5	138.4	139.5

N/A - not applicable

(1) Ratios for periods prior to January 1, 2020 have been restated to reflect the total loan portfolio (originated and acquired).

The provision for credit losses on loans totaled $27.1 million for the three months ended September 30, 2020, reflecting $17.3 million in net loan charge-offs and an increase in the ACL reflecting the economic uncertainty brought about by COVID-19, portfolio-specific risk factors and loan mix. Charge-offs in the third quarter of 2020 include a commercial and industrial loan (not COVID-19 related) and an acquired commercial real estate loan, both of which were placed on non-accrual during the second quarter of 2020. The provision for credit losses on loans totaled $7.8 million in the year-ago period, reflecting $5.8 million in net loan charge-offs and an increase in the ACL in response to portfolio-specific risk factors and loan mix. Excluding PPP loans, the ACL as a percentage of total loans was 0.99% at September 30, 2020 and 0.96% at June 30, 2020.

Management believes that the level of the ACL at September 30, 2020 represents an appropriate estimate of lifetime expected credit losses.

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 credit 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.

Net Loan Charge-Offs (Recoveries)

	Three Months Ended			Nine Months Ended	
(in millions)	Sept. 30, 2020	June 30, 2020	Sept. 30, 2019	Sept. 30, 2020	Sept. 30, 2019
Commercial:					
Commercial real estate	$ 4.1	$ 1.8	$ (0.2)	$ 9.3	$ 1.0
Commercial and industrial	6.9	—	1.6	7.9	3.5
Equipment financing	6.2	5.2	4.2	15.3	10.3
MW/ABL	—	—	—	—	—
Total	17.2	7.0	5.6	32.5	14.8
Retail:					
Residential mortgage	(0.2)	—	—	0.6	0.2
Home equity	—	0.6	—	0.7	(0.2)
Other consumer	0.3	0.9	0.2	2.6	0.6
Total	0.1	1.5	0.2	3.9	0.6
Total net loan charge-offs	$ 17.3	$ 8.5	$ 5.8	$ 36.4	$ 15.4

Net Loan Charge-Offs (Recoveries) as a Percentage of Average Total Loans (Annualized)

	Three Months Ended			Nine Months Ended	
	Sept. 30, 2020	June 30, 2020	Sept. 30, 2019	Sept. 30, 2020	Sept. 30, 2019
Commercial:					
Commercial real estate	0.12 %	0.05 %	(0.01)%	0.09 %	0.01 %
Commercial and industrial	0.25	—	0.06	0.10	0.05
Equipment financing	0.50	0.42	0.37	0.41	0.31
MW/ABL	—	—	—	(0.01)	—
Retail:					
Residential mortgage	(0.01)	—	—	0.01	—
Home equity	—	0.11	—	0.05	(0.01)
Other consumer	1.03	2.85	1.32	2.65	1.55
Total portfolio	0.15 %	0.08 %	0.06 %	0.11 %	0.06 %

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 September 30, 2020 or December 31, 2019.

Non-Performing Assets

(dollars in millions)	Sept. 30, 2020	June 30, 2020	Mar. 31, 2020	Dec. 31, 2019	Sept. 30, 2019
Non-accrual loans:					
Commercial:					
Commercial real estate	$ 85.3	$ 73.6	$ 53.5	$ 53.8	$ 28.6
Commercial and industrial	85.7	87.8	54.5	38.5	39.0
Equipment financing	49.0	48.6	42.5	47.7	43.2
MW/ABL	1.0	1.0	1.1	—	—
Total Commercial	221.0	211.0	151.6	140.0	110.8
Retail:					
Residential mortgage	62.9	62.6	66.6	63.3	48.8
Home equity	22.1	22.5	22.1	20.8	16.7
Other consumer	0.2	0.1	0.1	—	0.1
Total Retail	85.2	85.2	88.8	84.1	65.6
Total non-accrual loans (1)	306.2	296.2	240.4	224.1	176.4
REO:					
Commercial	3.6	7.3	7.3	7.3	7.7
Residential	1.9	4.9	9.5	11.9	12.3
Total REO	5.5	12.2	16.8	19.2	20.0
Repossessed assets	9.7	6.2	4.6	4.2	6.3
Total non-performing assets	$ 321.4	$ 314.6	$ 261.8	$ 247.5	$ 202.7
Non-accrual loans as a percentage of total loans	0.68 %	0.65 %	0.54 %	0.51 %	0.45 %
Non-performing assets as a percentage of:					
Total loans, REO and repossessed assets	0.71	0.69	0.59	0.57	0.52
Tangible stockholders’ equity and ACL	6.41	6.39	5.45	5.03	4.70

(1) Reported net of government guarantees totaling: $2.4 million at September 30, 2020; $2.9 million at June 30, 2020; $1.2 million at March 31, 2020; $1.3 million at December 31, 2019; and $1.4 million at September 30, 2019. 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 September 30, 2020, all of the government guarantees related to commercial and industrial loans.

Non-performing assets increased $73.9 million from December 31, 2019, reflecting increases of $47.2 million in non-accrual commercial and industrial loans (primarily due to a single loan to a borrower impacted by COVID-19 and two loans that are not COVID-19 related) and $31.5 million in non-accrual commercial real estate loans (primarily due to two previously acquired loans), partially offset by a $13.7 million decrease in REO.

In addition to the non-accrual loans discussed above, People's United has also identified $1.1 billion in potential problem loans at September 30, 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 September 30, 2020, potential problem loans consisted of commercial and industrial loans ($404.4 million), equipment financing loans ($378.7 million), commercial real estate loans ($294.1 million) and MW/ABL loans ($22.5 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 credit 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.

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 September 30, 2020, People's United (parent company) liquid assets included $250 million in cash and $6 million in equity securities, while the Bank's liquid assets included $4.1 billion in debt securities available-for-sale and $805 million in cash and cash equivalents. At September 30, 2020, debt securities available-for-sale with a fair value of $4.1 billion and debt securities held-to-maturity with an amortized cost of $2.0 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 $49.6 billion at September 30, 2020 and represented 83% 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 $1.2 billion and $1.0 billion, respectively, at September 30, 2020, both representing 2%, of total funding at that date.

The Bank's current available sources of borrowings include: federal funds purchased, advances from the Federal Home Loan Bank (the "FHLB") of Boston and the Federal Reserve Bank of New York (the "FRB-NY,"), and repurchase agreements. At September 30, 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).

At September 30, 2020, the Bank had outstanding commitments to originate loans totaling $1.2 billion and approved, but unused, lines of credit extended to customers totaling $9.9 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 $7.83 billion at September 30, 2020, a $115.7 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 three months ended March 31, 2020; and (ii) common and preferred dividends paid totaling $239.0 million in the nine months ended September 30, 2020; partially offset by: (i) net income of $364.9 million for the nine months ended September 30, 2020; and (ii) an $89.0 million decrease in accumulated other comprehensive loss ("AOCL") since December 31, 2019. The decrease in AOCL, net of tax, primarily reflects an $83.6 million increase in the unrealized gain on debt securities available-for-sale. As a percentage of total assets, stockholders' equity was 12.9% and 13.6% at September 30, 2020 and December 31, 2019, respectively. Tangible common equity equaled 7.5% of tangible assets at September 30, 2020 compared to 8.0% at December 31, 2019.

In October 2020, People's United's Board of Directors declared a quarterly dividend on its common stock of $0.18 per common share. The dividend is payable on November 15, 2020 to shareholders of record on November 3, 2020. Also in October 2020, People's United's Board of Directors declared a dividend on its preferred stock, payable on December 15, 2020 to preferred shareholders of record as of December 1, 2020. In August 2020, the Bank paid a cash dividend of $90.0 million to People's United (parent company).

In June 2019, the Company's Board of Directors authorized the repurchase of up to 20.0 million shares of People's United's common stock. Such shares may be repurchased, either directly or through agents, in the open market at prices and terms satisfactory to management. 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.

Regulatory Capital Requirements

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 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 15, 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 as of both September 30, 2020 and December 31, 2019 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. The decline in People's United's capital ratios since December 31, 2019 primarily reflects the repurchase of 19.8 million shares of common stock at a total cost of $304.4 million during the first quarter of 2020. At September 30, 2020, People's United's and the Bank's total risk-weighted assets, as defined, were $45.8 billion and $45.7 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.

	At September 30, 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	$ 4,786.4	8.2 %	$ 2,327.4	4.0 %	N/A	N/A
Bank	5,046.6	8.7	2,326.8	4.0	$ 2,908.4	5.0 %
CET 1 Risk-Based Capital (2):						
People's United	4,542.3	9.9	3,202.9	7.0	N/A	N/A
Bank	5,046.6	11.0	3,198.0	7.0	2,969.6	6.5
Tier 1 Risk-Based Capital (3):						
People's United	4,786.4	10.5	3,889.2	8.5	2,745.3	6.0
Bank	5,046.6	11.0	3,883.3	8.5	3,654.8	8.0
Total Risk-Based Capital (4):						
People's United	5,420.5	11.8	4,804.4	10.5	4,575.6	10.0
Bank	5,620.6	12.3	4,797.0	10.5	4,568.5	10.0

	At 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	4.0	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 allowance for credit losses, up to 1.25% of Total Risk-Weighted Assets, divided by Total Risk-Weighted Assets.

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 September 30, 2020 and December 31, 2019. Given the current spot interest rate curve at September 30, 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	
	September 30, 2020	December 31, 2019
+300	13.4 %	4.8 %
+200	9.6	3.5
+100	4.8	2.0
-25	(1.0)	N/A
-100	N/A	(2.1)

Yield Curve Twist Rate Change (basis points)	Estimated Percent Change in Net Interest Income	
	September 30, 2020	December 31, 2019
Short End -25	(0.4)%	N/A
Short End +100	2.6	0.6 %
Long End -25	(0.7)	N/A
Long End +100	2.5	1.6

The net interest income at risk simulation results indicate that at both September 30, 2020 and December 31, 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 September 30, 2020 primarily reflects: (i) approximately 97% of the Company’s loan portfolio being funded by less rate-sensitive core deposits; (ii) approximately 45% 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 in 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); partially offset by the repurchase of 19.8 million shares of common stock, the addition of $2.6 billion of fixed-rate PPP loans and a larger securities portfolio. Based on the Company’s IRR position at September 30, 2020, an immediate 100 basis point parallel increase in interest rates translates to an approximate $73 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 September 30, 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	
	September 30, 2020	December 31, 2019
+300	10.5 %	(12.6)%
+200	12.8	(6.6)
+100	9.8	(1.6)
-25	(3.8)	N/A
-100	N/A	(3.3)

The Company's economic value of equity at risk profile indicates that at September 30, 2020, the Company's economic value of equity is asset sensitive. The increase in asset 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.

People's United's IRR position at September 30, 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 an asset 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 less price sensitive than its liabilities due to shorter asset duration. Additionally, the optionality embedded in mortgage related assets and non-maturity deposits at various interest rate levels has meaningful impact on the economic value of equity at risk position. Given the uncertainty around 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 September 30, 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 September 30, 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.

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.

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 14 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). There were no derivative instruments with such credit-related contingent features that were in a net liability position at September 30, 2020.

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 September 30, 2020 (dollars in millions)	Cash Flow Hedge	Fair Value Hedge	Cash Flow Hedge	Foreign Exchange Contracts
Notional principal amounts	$ 210.0	$ 375.0	$ 550.0	$ 320.2
Weighted average interest rates:				
Pay floating (receive fixed)	0.16%(1.72%)	Libor + 1.265% (4.00%)	N/A	N/A
Pay fixed (receive floating)	N/A	N/A	0.53% (0.23%)	N/A
Weighted average remaining term to maturity (in months)	1	46	23	4
Fair value:				
Recognized as an asset	$ —	$ —	$ —	$ 9.7
Recognized as a liability	—	—	—	7.9

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 September 30, 2020 (dollars in millions)	Commercial Customers	Institutional Counterparties	Commercial Customers	Institutional Counterparties
Notional principal amounts	$ 9,073.9	$ 9,076.9	$ 224.2	$ 224.2
Weighted average interest rates:				
Pay floating (receive fixed)	0.40% (2.40%)	—	N/A	N/A
Pay fixed (receive floating)	—	2.27% (0.40%)	N/A	N/A
Weighted average strike rate	N/A	N/A	3.24 %	3.24 %
Weighted average remaining term to maturity (in months)	79	79	21	21
Fair value:				
Recognized as an asset	$ 893.0	$ 23.3	$ 3.4	$ —
Recognized as a liability	—	176.0	—	3.4

See Notes 13 and 14 to the Consolidated Financial Statements for further information relating to derivatives.

Item 3 – Quantitative and Qualitative Disclosures About Market Risk

The information required by this item appears on pages 94 through 98 of this report.

Item 4 – 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 September 30, 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 September 30, 2020, there has not been any change in People's United's internal control over financial reporting that has materially affected, or are reasonably likely to materially affect, People's United's internal control over financial reporting.

Part II – Other Information

Item 1 – 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 its financial condition, results of operations or liquidity.

Item 1A – Risk Factors

The following supplements the disclosure of risk factors affecting People's United as set forth in Part I, Item 1A. Risk Factors, on pages 8 through 14 of the Company's 2019 Annual Report on Form 10-K. Such disclosure, as supplemented, provides a description of important risk factors that could affect the Company's actual results and/or cause such results to vary materially from those expressed in public statements or documents. However, additional factors other than those included in the disclosure of risk factors, as supplemented, or disclosed elsewhere in other reports filed with or furnished to the SEC could affect the Company's business or results. As such, such factors should not be considered to be a complete set of all potential risks that the Company may face.

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 continues 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 in early 2020 has been higher lifetime expected credit losses driven by a worsening of the economic scenarios used to calculate the allowance for credit losses. See Note 4, "Allowance for Credit Losses" in the accompanying Consolidated Financial Statements for further discussion. The pandemic has led to a weakening in gross domestic product and employment in the United States, and the probability of a more adverse near-term economic scenario is substantially higher than at December 31, 2019.

Should the COVID-19 pandemic continue to cause disruption to economic activity throughout 2020, 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, other acquisition-related intangible assets and certain other long-lived 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.

Item 2 – Unregistered Sales of Equity Securities and Use of Proceeds

(c) The following table provides information with respect to purchases made by People's United of its common stock during the three months ended September 30, 2020:

Issuer Purchases of Equity Securities

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
July 1 - 31, 2020				
Tendered by employees (1)	—	$ —	—	—
August 1 - 31, 2020				
Tendered by employees (1)	538	$ 10.91	—	—
September 1 - 30, 2020				
Tendered by employees (1)	4,829	$ 10.58	—	—
Total:				
Tendered by employees (1)	5,367	$ 10.61	—	—

(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.

Item 3 – Defaults Upon Senior Securities

None.

Item 4 – Mine Safety Disclosures

None.

Item 5 – Other Information

None.

Item 6 – Exhibits

The following Exhibits are filed herewith:

Designation	Description
31.1	Rule 13a-14(a)/15d-14(a) Certifications
31.2	Rule 13a-14(a)/15d-14(a) Certifications
32	Section 1350 Certifications
101.1	The following financial information from People's United Financial, Inc.'s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2020 formatted in Inline XBRL: (i) Consolidated Statements of Condition as of September 30, 2020 and December 31, 2019; (ii) Consolidated Statements of Income for the three and nine months ended September 30, 2020 and 2019; (iii) Consolidated Statements of Comprehensive Income for the three and nine months ended September 30, 2020 and 2019; (iv) Consolidated Statements of Changes in Stockholders' Equity for the three and nine months ended September 30, 2020 and 2019; (v) Consolidated Statements of Cash Flows for the nine months ended September 30, 2020 and 2019; and (vi) Notes to Consolidated Financial Statements.

INDEX TO EXHIBITS

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31.1	Rule 13a-14(a)/15d-14(a) Certifications
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SIGNATURES

Pursuant to the requirements 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: November 6, 2020	By: /s/ John P. Barnes John P. Barnes Chairman and Chief Executive Officer (Principal Executive Officer)
Date: November 6, 2020	By: /s/ R. David Rosato R. David Rosato Senior Executive Vice President and Chief Financial Officer (Principal Financial Officer)
Date: November 6, 2020	By: /s/ Jeffrey Hoyt Jeffrey Hoyt Senior Vice President and Chief Accounting Officer (Principal Accounting Officer)

Exhibit 31.1
Rule 13a-14(a)/15d-14(a) Certifications

CERTIFICATIONS

I, John P. Barnes, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q 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: November 6, 2020

/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 Quarterly Report on Form 10-Q 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: November 6, 2020

/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"), a Delaware corporation, does hereby certify, to the best of such officer's knowledge, that:

1. The Company's Quarterly Report on Form 10-Q for the period ended September 30, 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 September 30, 2020.

This Certification is made effective as of the date the Report is filed with the Securities and Exchange Commission.

Date: November 6, 2020

/s/ John P. Barnes
John P. Barnes
Principal Executive Officer

Date: November 6, 2020

/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.