People's United Financial, Inc.
Form 10-Q
May 10, 2018
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF

THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2018

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)

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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
Non-accelerated filer (Do not check if a smaller reporting company)	Smaller reporting company
	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 April 30, 2018, there were 347,877,635 shares of the registrant s common stock outstanding.

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People s United Financial Inc.

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Part 1 - Financial Information

Item 1 - Financial Statements
People s United Financial, Inc.

Consolidated Statements of Condition - (Unaudited)

(in millions)	March 31, 2018	December 31, 2017
Assets		
Cash and due from banks	$ 402.2	$ 505.1
Short-term investments	470.3	377.5
Total cash and cash equivalents (note 2)	872.5	882.6
Securities (notes 2 and 13):		
Trading debt securities, at fair value	8.2	8.2
Equity securities, at fair value	9.5	8.7
Debt securities available-for-sale, at fair value	3,153.8	3,125.3
Debt securities held-to-maturity, at amortized cost (fair value of $3.66 billion and $3.63 billion)	3,696.3	3,588.1
Federal Home Loan Bank and Federal Reserve Bank stock, at cost	305.2	312.3
Total securities	7,173.0	7,042.6
Loans held-for-sale	10.4	16.6
Loans (note 3):		
Commercial real estate	10,810.4	11,068.7
Commercial and industrial	8,574.1	8,731.1
Equipment financing	3,887.9	3,905.4
Total Commercial Portfolio	23,272.4	23,705.2
Residential mortgage	6,834.2	6,805.7
Home equity and other consumer	1,997.8	2,064.4
Total Retail Portfolio	8,832.0	8,870.1
Total loans	32,104.4	32,575.3
Less allowance for loan losses	(235.3)	(234.4)

Total loans, net	31,869.1	32,340.9
Goodwill (note 6)	2,411.4	2,411.4
Bank-owned life insurance	406.0	405.0
Premises and equipment, net	250.0	253.0
Other acquisition-related intangible assets (note 6)	143.5	148.6
Other assets (notes 1, 3 and 11)	964.6	952.7
Total assets	$ 44,100.5	$ 44,453.4
Liabilities		
Deposits:		
Non-interest-bearing	$ 7,938.6	$ 8,002.4
Savings	4,442.1	4,410.5
Interest-bearing checking and money market	15,257.6	15,189.1
Time	5,255.5	5,454.3
Total deposits	32,893.8	33,056.3
Borrowings:		
Federal Home Loan Bank advances	2,610.7	2,774.4
Federal funds purchased	805.0	820.0
Customer repurchase agreements	265.8	301.6
Other borrowings	195.4	207.8
Total borrowings	3,876.9	4,103.8
Notes and debentures	891.9	901.6
Other liabilities (notes 1 and 11)	592.4	571.8
Total liabilities	38,255.0	38,633.5
Commitments and contingencies (notes 1 and 8)		
Stockholders Equity (notes 4, 7 and 13)		
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; 436.5 million shares and 435.6 million shares issued)	4.4	4.4
Additional paid-in capital	6,029.0	6,012.3
Retained earnings	1,121.4	1,040.2
Unallocated common stock of Employee Stock Ownership Plan, at cost (6.5 million shares and 6.6 million shares)	(135.5)	(137.3)
Accumulated other comprehensive loss	(255.8)	(181.7)
Treasury stock, at cost (89.0 million shares at both dates)	(1,162.1)	(1,162.1)
Total stockholders equity	5,845.5	5,819.9
Total liabilities and stockholders equity	$ 44,100.5	$ 44,453.4

See accompanying notes to consolidated financial statements.

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People s United Financial, Inc.

Consolidated Statements of Income - (Unaudited)

(in millions, except per common share data)	Three Months Ended March 31, 2018	2017
Interest and dividend income:		
Commercial real estate	$ 107.0	$ 88.6
Commercial and industrial	82.3	64.6
Equipment financing	48.9	31.6
Residential mortgage	54.7	49.3
Home equity and other consumer	20.8	18.4
Total interest on loans	313.7	252.5
Securities	44.0	37.0
Short-term investments	1.2	0.7
Loans held-for-sale	0.2	0.3
Total interest and dividend income	359.1	290.5
Interest expense:		
Deposits	41.3	27.1
Borrowings	14.2	7.3
Notes and debentures	7.8	7.5
Total interest expense	63.3	41.9
Net interest income	295.8	248.6
Provision for loan losses (note 3)	5.4	4.4
Net interest income after provision for loan losses	290.4	244.2
Non-interest income:		
Bank service charges	23.8	23.5
Investment management fees	17.7	16.0
Operating lease income	10.7	10.2
Commercial banking lending fees	10.4	8.2
Insurance revenue	9.8	9.1
Cash management fees	6.6	6.3
Brokerage commissions	3.1	3.0
Net security gains (losses) (note 2)	0.1	(15.7)
Other non-interest income	8.2	24.1

Total non-interest income	90.4	84.7
Non-interest expense:		
Compensation and benefits (note 13)	140.7	127.9
Occupancy and equipment	41.2	38.6
Professional and outside services	18.6	15.5
Regulatory assessments	10.6	9.6
Operating lease expense	9.0	8.8
Amortization of other acquisition-related intangible assets (note 6)	5.1	6.3
Other non-interest expense (note 13)	18.3	19.4
Total non-interest expense	243.5	226.1
Income before income tax expense	137.3	102.8
Income tax expense (note 1)	29.4	32.0
Net income	107.9	70.8
Preferred stock dividend	3.5	3.5
Net income available to common shareholders	$ 104.4	$ 67.3
Earnings per common share (note 5):		
Basic	$ 0.31	$ 0.22
Diluted	0.30	0.22

See accompanying notes to consolidated financial statements.

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People s United Financial, Inc.

Consolidated Statements of Comprehensive Income - (Unaudited)

	Three Months Ended March 31,	
(in millions)	2018	2017
Net income	$ 107.9	$ 70.8
Other comprehensive (loss) income, net of tax:		
Net actuarial loss and prior service credit related to pension and other postretirement plans	1.7	1.0
Net unrealized gains and losses on debt securities available-for-sale	(37.7)	11.3
Amortization of unrealized losses on debt securities transferred to held-to-maturity	0.7	0.5
Net unrealized gains and losses on derivatives accounted for as cash flow hedges	(1.5)	0.3
Total other comprehensive (loss) income, net of tax (note 4)	(36.8)	13.1
Total comprehensive income	$ 71.1	$ 83.9

See accompanying notes to consolidated financial statements.

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People s United Financial, Inc.

Consolidated Statements of Changes in Stockholders Equity - (Unaudited)

Three months ended March 31, 2018 (in millions, except per share common 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, 2017	$ 244.1	$ 4.4	$ 6,012.3	$ 1,040.2	$ (137.3)	$ (181.7)	$ (1,162.1)	$ 5,819.9
Net income				107.9				107.9
Total other comprehensive loss, net of tax (note 4)						(36.8)		(36.8)
Cash dividend on common stock ($0.1725 per share)				(58.8)				(58.8)
Cash dividend on preferred stock				(3.5)				(3.5)
Restricted stock and performance-based share awards			3.8					3.8
Employee Stock Ownership Plan common committed to be released (note 7)				(0.1)	1.8			1.7
Common stock repurchased and retired upon vesting of restricted stock awards				(2.2)				(2.2)
Stock options exercised			12.9					12.9
Transition adjustments related to adoption of new accounting standards (notes 4 and 13)				37.9		(37.3)		0.6
Balance at March 31, 2018	$ 244.1	$ 4.4	$ 6,029.0	$ 1,121.4	$ (135.5)	$ (255.8)	$ (1,162.1)	$ 5,845.5

Three months ended March 31, 2017 (in millions, except per share common 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, 2016	$ 244.1	$ 4.0	$ 5,446.1	$ 949.3	$ (144.6)	$ (195.0)	$ (1,162.0)	$ 5,141.9
Net income				70.8				70.8
Total other comprehensive income, net of tax (note 4)						13.1		13.1
Cash dividend on common stock ($0.17 per share)				(52.7)				(52.7)
Cash dividend on preferred stock				(3.5)				(3.5)
Restricted stock and performance-based share awards			3.4				(0.1)	3.3

Employee Stock Ownership Plan common committed to be released (note 7)				(0.1)	1.8			1.7
Common stock repurchased and retired upon vesting of restricted stock awards				(2.9)				(2.9)
Stock options exercised		0.1	23.2					23.3
Balance at March 31, 2017	$ 244.1	$ 4.1	$ 5,472.7	$ 960.9	$ (142.8)	$ (181.9)	$ (1,162.1)	$ 5,195.0

See accompanying notes to consolidated financial statements.

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People s United Financial, Inc.

Consolidated Statements of Cash Flows - (Unaudited)

(in millions)	Three Months Ended March 31, 2018	2017
Cash Flows from Operating Activities:		
Net income	$ 107.9	$ 70.8
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of premises and equipment	9.1	9.3
Expense related to operating leases	9.0	8.8
Expense related to share-based awards	5.6	5.4
Provision for loan losses	5.4	4.4
Amortization of other acquisition-related intangible assets	5.1	6.3
Employee Stock Ownership Plan common stock committed to be released	1.7	1.7
Net security (gains) losses	(0.1)	15.7
Net gains on sales of residential mortgage loans	(0.3)	(0.9)
Originations of loans held-for-sale	(28.5)	(75.1)
Proceeds from sales of loans held-for-sale	35.0	98.2
Net increase in trading debt securities		(1.0)
Excess income tax benefits from stock option exercises	0.8	1.0
Net changes in other assets and other liabilities	3.7	32.0
Net cash provided by operating activities	154.4	176.6
Cash Flows from Investing Activities:		
Proceeds from principal repayments and maturities of debt securities available-for-sale	106.3	177.9
Proceeds from sales of debt securities available-for-sale		472.3
Proceeds from principal repayments and maturities of debt securities held-to-maturity	30.3	24.9
Purchases of debt securities available-for-sale	(189.3)	(1.0)
Purchases of debt securities held-to-maturity	(133.7)	(345.0)
Net redemptions (purchases) of Federal Reserve Bank stock	7.5	(4.1)
Net (purchases) redemptions of Federal Home Loan Bank stock	(0.4)	0.3
Proceeds from sales of loans	2.2	7.0
Loan disbursements, net of principal collections	465.1	48.6
Purchases of premises and equipment	(6.1)	(4.2)
Purchases of leased equipment	(6.8)	(4.4)
Proceeds from sales of real estate owned	1.9	0.5
Return of premium on bank-owned life insurance, net	0.3	0.7
Net cash provided by investing activities	277.3	373.5
Cash Flows from Financing Activities:		

Net (decrease) increase in deposits	(162.5)	644.9
Net decrease in borrowings with terms of three months or less	(190.4)	(873.1)
Repayments of borrowings with terms of more than three months	(35.5)	(0.1)
Repayment of notes and debentures		(125.0)
Cash dividends paid on common stock	(58.8)	(52.7)
Cash dividends paid on preferred stock	(3.5)	(3.5)
Common stock repurchases	(2.2)	(2.9)
Proceeds from stock options exercised	11.1	21.2
Net cash used in financing activities	(441.8)	(391.2)
Net (decrease) increase in cash, cash equivalents and restricted cash	(10.1)	158.9
Cash, cash equivalents and restricted cash at beginning of period	882.6	614.1
Cash, cash equivalents and restricted cash at end of period	$ 872.5	$ 773.0
Supplemental Information:		
Interest payments	$ 62.2	$ 40.7
Unsettled purchases of securities	10.0	3.4
Income tax payments	6.1	5.8
Real estate properties acquired by foreclosure	2.7	4.1

See accompanying notes to consolidated financial statements.

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People s United Financial, Inc.

Notes to Consolidated Financial Statements (Unaudited)

NOTE 1. GENERAL

In the opinion of management, the accompanying unaudited consolidated financial statements of People s United Financial, Inc. (People s United 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 loan losses 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 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 allowance for loan losses in future periods, and the inability to collect outstanding principal may result in increased loan losses.

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, 2017, as supplemented by this Quarterly Report for the period ended March 31, 2018, 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 ($263.4 million and $250.7 million at March 31, 2018 and December 31, 2017, respectively). Included in other liabilities in the Consolidated Statements of Condition is a liability for all legally binding unfunded commitments to fund future investments ($107.6 million and $99.6 million at those dates). The cost of the Company s investments is amortized on a straight-line basis over the period during which the related federal income tax credits are realized (generally ten years). Amortization expense, which is included as a component of income tax expense, totaled $4.3 million and $4.0 million for the three months ended March 31, 2018 and 2017, respectively.

Certain information and footnote disclosures normally included in consolidated financial statements prepared in conformity with U.S. generally accepted accounting principles (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, 2017. The results of operations for the three months ended March 31, 2018 are not necessarily indicative of the results of operations that may be expected for the entire year or any other interim period.

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Notes to Consolidated Financial Statements (Unaudited)

NOTE 2. CASH AND CASH EQUIVALENTS AND SECURITIES

At March 31, 2018 and December 31, 2017, cash and due from banks included restricted cash totaling $13.1 million and $13.8 million, respectively, relating to one remaining securitization assumed in the acquisition of LEAF Commercial Capital, Inc. Included in short-term investments are interest-bearing deposits at the Federal Reserve Bank of New York (the FRB-NY) totaling $445.5 million at March 31, 2018 and $340.4 million at December 31, 2017. These deposits represent an alternative to overnight federal funds sold and had yields of 1.75% and 1.50% at March 31, 2018 and December 31, 2017, respectively.

The amortized cost, 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 March 31, 2018 (in millions)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Debt securities available-for-sale:				
U.S. Treasury and agency	$ 685.9	$	$ (25.9)	$ 660.0
GSE (1) mortgage-backed securities	2,556.3	4.2	(66.7)	2,493.8
Total debt securities available-for-sale	$ 3,242.2	$ 4.2	$ (92.6)	$ 3,153.8
Debt securities held-to-maturity:				
State and municipal	$ 2,132.6	$ 31.6	$ (21.8)	$ 2,142.4
GSE mortgage-backed securities	1,498.8		(44.2)	1,454.6
Corporate	63.4	0.6	(0.2)	63.8
Other	1.5			1.5
Total debt securities held-to-maturity	$ 3,696.3	$ 32.2	$ (66.2)	$ 3,662.3

(1) Government sponsored enterprise

As of December 31, 2017 (in millions)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Debt securities available-for-sale:				

U.S. Treasury and agency	$ 687.1	$	$ (18.3)	$ 668.8
GSE mortgage-backed securities	2,477.8	7.4	(28.7)	2,456.5
Total debt securities available-for-sale	$ 3,164.9	$ 7.4	$ (47.0)	$ 3,125.3
Debt securities held-to-maturity:				
State and municipal	$ 2,060.4	$ 64.5	$ (4.6)	$ 2,120.3
GSE mortgage-backed securities	1,474.9	0.3	(15.4)	1,459.8
Corporate	51.3	0.8		52.1
Other	1.5			1.5
Total debt securities held-to-maturity	$ 3,588.1	$ 65.6	$ (20.0)	$ 3,633.7

At March 31, 2018 and December 31, 2017, debt securities available-for-sale with fair values of $2.23 billion and $1.94 billion, respectively, and debt securities held-to-maturity with amortized costs of $1.46 billion and $1.37 billion, respectively, were pledged as collateral for public deposits and for other purposes.

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People s United Financial, Inc.

Notes to Consolidated Financial Statements (Unaudited)

The following table is a summary of the amortized cost and fair value of debt securities as of March 31, 2018, based on remaining period to contractual maturity. Information for GSE mortgage-backed 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	$ 1.0	$ 1.0	$	$
After 1 but within 5 years	623.9	601.2		
After 5 but within 10 years	61.0	57.8		
Total	685.9	660.0		
GSE mortgage-backed securities:				
After 1 but within 5 years			189.5	184.7
After 5 but within 10 years	626.0	624.6	904.7	877.1
After 10 years	1,930.3	1,869.2	404.6	392.8
Total	2,556.3	2,493.8	1,498.8	1,454.6
State and municipal:				
Within 1 year			16.4	16.4
After 1 but within 5 years			130.2	132.2
After 5 but within 10 years			352.3	362.4
After 10 years			1,633.7	1,631.4
Total			2,132.6	2,142.4
Corporate:				
After 1 but within 5 years			5.0	5.0
After 5 but within 10 years			51.4	51.8
After 10 years			7.0	7.0
Total			63.4	63.8
Other:				
After 1 but within 5 years			1.5	1.5
Total			1.5	1.5

Total:				
Within 1 year	1.0	1.0	16.4	16.4
After 1 but within 5 years	623.9	601.2	326.2	323.4
After 5 but within 10 years	687.0	682.4	1,308.4	1,291.3
After 10 years	1,930.3	1,869.2	2,045.3	2,031.2
Total	$ 3,242.2	$ 3,153.8	$ 3,696.3	$ 3,662.3

Management conducts a periodic review and evaluation of the securities portfolio to determine if the decline in fair value of any security is deemed to be other-than-temporary. Other-than-temporary impairment losses are recognized on debt securities when: (i) People s United has an intention to sell the security; (ii) it is more likely than not that People s United will be required to sell the security prior to recovery; or (iii) People s United does not expect to recover the entire amortized cost basis of the security.

People s United Financial, Inc.

Notes to Consolidated Financial Statements (Unaudited)

Other-than-temporary impairment losses on debt securities are reflected in earnings as realized losses to the extent the impairment is related to credit losses of the issuer. The amount of the impairment related to other factors is recognized in other comprehensive income. Management has the ability and intent to hold the securities classified as held-to-maturity until they mature, at which time People s United expects to receive full value for the securities.

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

	Continuous Unrealized Loss Position					
	Less Than 12 Months		12 Months Or Longer		Total	
As of March 31, 2018 (in millions)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Debt securities available-for-sale:						
GSE mortgage-backed securities	$ 1,144.7	$ (27.7)	$ 1,046.3	$ (39.0)	$ 2,191.0	$ (66.7)
U.S. Treasury and agency	154.3	(1.1)	500.6	(24.8)	654.9	(25.9)
Debt securities held-to-maturity:						
GSE mortgage-backed securities	1,409.7	(42.8)	42.2	(1.4)	1,451.9	(44.2)
State and municipal	678.1	(11.0)	217.9	(10.8)	896.0	(21.8)
Corporate	24.4	(0.2)			24.4	(0.2)
Total	$ 3,411.2	$ (82.8)	$ 1,807.0	$ (76.0)	$ 5,218.2	$ (158.8)

	Continuous Unrealized Loss Position					
	Less Than 12 Months		12 Months Or Longer		Total	
As of December 31, 2017 (in millions)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Debt securities available-for-sale:						
GSE mortgage-backed securities	$ 1,013.5	$ (8.7)	$ 1,114.8	$ (20.0)	$ 2,128.3	$ (28.7)
U.S. Treasury and agency	156.0		507.7	(18.3)	663.7	(18.3)
Debt securities held-to-maturity:						
GSE mortgage-backed securities	1,289.3	(14.7)	45.0	(0.7)	1,334.3	(15.4)
State and municipal	106.2	(0.5)	224.9	(4.1)	331.1	(4.6)
Total	$ 2,565.0	$ (23.9)	$ 1,892.4	$ (43.1)	$ 4,457.4	$ (67.0)

At March 31, 2018, approximately 41% of the 2,122 securities owned by the Company, consisting of 115 securities classified as available-for-sale and 762 securities classified as held-to-maturity had gross unrealized losses totaling $92.6 million and $66.2 million, respectively. All of the GSE mortgage-backed securities had AAA credit ratings and an average contractual maturity of nine years. The state and municipal securities had an average credit rating of AA and an average maturity of 12 years.

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. As such, management believes that all gross unrealized losses within the securities portfolio at March 31, 2018 represent temporary impairments. No other-than-temporary impairment losses were recognized in the Consolidated Statements of Income for the three month ended March 31, 2018 or 2017.

People s United Financial, Inc.

Notes to Consolidated Financial Statements (Unaudited)

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. During the quarter ended March 31, 2017, People s United sold U.S. Treasury and collateralized mortgage obligation securities with a combined amortized cost of $486.9 million and recorded $15.7 million of gross realized losses.

Effective January 1, 2018, People s United adopted new accounting guidance that requires equity investments (other than equity method investments) be measured at fair value with changes in fair value recognized in net income (see Note 13). At December 31, 2017, the Company s securities portfolio included equity securities with an amortized cost of $9.6 million and a fair value of $8.7 million. Accordingly, upon adoption of this guidance, a cumulative-effect transition adjustment, representing the cumulative unrealized loss (net-of-tax) within accumulated other comprehensive income (loss) (AOCL), was recorded which served to decrease opening retained earnings by $0.6 million. For the three months ended March 31, 2018, People s United recorded an unrealized loss of $0.1 million (included in other non-interest income in the Consolidated Statements of Income) relating to the change in fair value of its equity securities during the period.

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 $123.0 million and $130.0 million at March 31, 2018 and December 31, 2017, respectively) in an amount equal to its membership base investment plus an activity based investment determined according to the Bank s level of outstanding FHLB advances. As a result of prior acquisitions, the Bank acquired shares of capital stock in the FHLB of New York (total cost of $11.5 million and $12.0 million at March 31, 2018 and December 31, 2017, respectively). Based on the current capital adequacy and liquidity position of both the FHLB of Boston and the FHLB of New York, management believes there is no impairment in the Company s investment at March 31, 2018 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 $170.7 million and $170.3 million at March 31, 2018 and December 31, 2017, 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 March 31, 2018 and the cost of the investment approximates fair value.

NOTE 3. LOANS

For purposes of disclosures related to the credit quality of financing receivables and the allowance for loan losses, 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; and equipment financing.

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

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

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

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

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

Recognition of loan charge-offs.

The Company did not change its application of the accounting policies noted above or its methodology for determining the allowance for loan losses during the three months ended March 31, 2018.

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

	March 31, 2018			December 31, 2017		
(in millions)	Originated	Acquired	Total	Originated	Acquired	Total
Commercial:						
Commercial real estate	$ 9,877.3	$ 933.1	$ 10,810.4	$ 10,126.6	$ 942.1	$ 11,068.7
Commercial and industrial	8,026.0	548.1	8,574.1	8,129.9	601.2	8,731.1
Equipment financing	3,358.7	529.2	3,887.9	3,308.5	596.9	3,905.4
Total Commercial Portfolio	21,262.0	2,010.4	23,272.4	21,565.0	2,140.2	23,705.2
Retail:						
Residential mortgage:						
Adjustable-rate	5,785.8	134.9	5,920.7	5,782.6	144.0	5,926.6
Fixed-rate	798.7	114.8	913.5	758.0	121.1	879.1
Total residential mortgage	6,584.5	249.7	6,834.2	6,540.6	265.1	6,805.7
Home equity and other consumer:				.		
Home equity	1,898.3	52.4	1,950.7	1,960.0	55.2	2,015.2
Other consumer	44.0	3.1	47.1	45.6	3.6	49.2
Total home equity and other consumer	1,942.3	55.5	1,997.8	2,005.6	58.8	2,064.4

Total Retail Portfolio	8,526.8	305.2	8,832.0	8,546.2	323.9	8,870.1
Total loans	$ 29,788.8	$ 2,315.6	$ 32,104.4	$ 30,111.2	$ 2,464.1	$ 32,575.3

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 accounted for as interest yield adjustments, totaled $82.6 million at March 31, 2018 and $80.4 million at December 31, 2017.

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Notes to Consolidated Financial Statements (Unaudited)

The following tables present a summary, by loan portfolio segment, of activity in the allowance for loan losses for the three months ended March 31, 2018 and 2017. With respect to the originated portfolio, an allocation of a portion of the allowance to one segment does not preclude its availability to absorb losses in another segment.

Three months ended	Commercial			Retail			
March 31, 2018 (in millions)	Originated	Acquired	Total	Originated	Acquired	Total	Total
Balance at beginning of period	$ 201.1	$ 3.4	$ 204.5	$ 29.7	$ 0.2	$ 29.9	$ 234.4
Charge-offs	(3.4)	(1.8)	(5.2)	(1.0)		(1.0)	(6.2)
Recoveries	1.0	0.3	1.3	0.4		0.4	1.7
Net loan charge-offs	(2.4)	(1.5)	(3.9)	(0.6)		(0.6)	(4.5)
Provision for loan losses	1.5	1.9	3.4	2.0		2.0	5.4
Balance at end of period	$ 200.2	$ 3.8	$ 204.0	$ 31.1	$ 0.2	$ 31.3	$ 235.3

Three months ended	Commercial			Retail			
March 31, 2017 (in millions)	Originated	Acquired	Total	Originated	Acquired	Total	Total
Balance at beginning of period	$ 198.8	$ 6.1	$ 204.9	$ 24.2	$ 0.2	$ 24.4	$ 229.3
Charge-offs	(2.9)		(2.9)	(1.7)		(1.7)	(4.6)
Recoveries	1.6		1.6	0.6		0.6	2.2
Net loan charge-offs	(1.3)		(1.3)	(1.1)		(1.1)	(2.4)
Provision for loan losses	(2.4)		(2.4)	6.8		6.8	4.4
Balance at end of period	$ 195.1	$ 6.1	$ 201.2	$ 29.9	$ 0.2	$ 30.1	$ 231.3

The following tables summarize, by loan portfolio segment and impairment methodology, the allowance for loan losses and related portfolio balances:

	Originated Loans				Acquired Loans					
As of March 31, 2018	Individually Evaluated for Impairment		Collectively Evaluated for Impairment		PCI (1)		Purchased Performing		Total	
(in millions)	Portfolio	Allowance	Portfolio	Allowance	Portfolio	Allowance	Portfolio	Allowance	Portfolio	Allowance

Commercial	$ 138.5	$ 6.0	$ 21,123.5	$ 194.2	$ 351.8	$ 2.2	$ 1,658.6	$ 1.6	$ 23,272.4	$ 204.0
Retail	91.4	2.3	8,435.4	28.8	122.8	0.2	182.4		8,832.0	31.3
Total	$ 229.9	$ 8.3	$ 29,558.9	$ 223.0	$ 474.6	$ 2.4	$ 1,841.0	$ 1.6	$ 32,104.4	$ 235.3

	Originated Loans				Acquired Loans					
As of December 31, 2017	Individually Evaluated for Impairment		Collectively Evaluated for Impairment		PCI (1)		Purchased Performing		Total	
(in millions)	Portfolio	Allowance	Portfolio	Allowance	Portfolio	Allowance	Portfolio	Allowance	Portfolio	Allowance
Commercial	$ 141.2	$ 4.6	$ 21,423.8	$ 196.5	$ 370.4	$ 2.8	$ 1,769.8	$ 0.6	$ 23,705.2	$ 204.5
Retail	94.0	2.4	8,452.2	27.3	128.1	0.2	195.8		8,870.1	29.9
Total	$ 235.2	$ 7.0	$ 29,876.0	$ 223.8	$ 498.5	$ 3.0	$ 1,965.6	$ 0.6	$ 32,575.3	$ 234.4

(1) Purchased credit impaired

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The recorded investments, by class of loan, in originated non-performing loans are summarized as follows:

(in millions)	March 31, 2018	December 31, 2017
Commercial:		
Commercial real estate	$ 21.0	$ 23.7
Commercial and industrial	34.6	32.6
Equipment financing	47.7	44.3
Total (1)	103.3	100.6
Retail:		
Residential mortgage	35.4	32.7
Home equity	16.1	15.4
Other consumer		
Total (2)	51.5	48.1
Total	$ 154.8	$ 148.7

(1) Reported net of government guarantees totaling $3.0 million and $3.1 million at March 31, 2018 and December 31, 2017, respectively. These government guarantees relate, almost entirely, to guarantees provided by the Small Business Administration 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 March 31, 2018, the principal loan classes to which these government guarantees relate are commercial and industrial loans (94%) and commercial real estate loans (6%).

(2) Includes $18.3 million and $15.2 million of loans in the process of foreclosure at March 31, 2018 and December 31, 2017, respectively.

The preceding table excludes acquired loans that are (i) accounted for as PCI loans and/or (ii) covered by a Federal Deposit Insurance Corporation (FDIC) loss-share agreement (LSA), which totaled $23.7 million and $25.1 million at March 31, 2018 and December 31, 2017, respectively. Such loans otherwise meet People s United s definition of a non-performing loan but are excluded because the loans are included in loan pools that are considered performing and/or credit losses are covered by an FDIC LSA. The discounts arising from recording these loans at fair value were due, in part, to credit quality. Accordingly, such loans are generally accounted for on a pool basis and the accretable yield on the pools is being recognized as interest income over the life of the loans based on expected cash flows at the pool level. In addition, the table excludes purchased performing loans totaling $6.4 million and $4.6 million at March 31, 2018 and December 31, 2017, respectively, all of which became non-performing subsequent to acquisition.

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

People s United Financial, Inc.

Notes to Consolidated Financial Statements (Unaudited)

All previously accrued but unpaid interest on non-accrual loans is reversed from interest income in the period in which the accrual of interest is discontinued. Interest payments received on non-accrual loans (including impaired loans) are generally applied as a reduction of principal if future collections are doubtful, although such interest payments may be recognized as income. A loan remains on non-accrual status until the factors that indicated doubtful collectability no longer exist or until a loan is determined to be uncollectible and is charged off against the allowance for loan losses. There were no loans past due 90 days or more and still accruing interest at March 31, 2018 or December 31, 2017.

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

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

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

At March 31, 2018 and December 31, 2017, People s United s recorded investment in loans classified as TDRs totaled $172.4 million and $186.9 million, respectively. The related allowance for loan losses was $3.7 million at March 31, 2018 and $4.4 million at December 31, 2017. Interest income recognized on TDRs totaled $1.2 million and $1.3 million for the three months ended March 31, 2018 and 2017, respectively. Fundings under commitments to lend additional amounts to borrowers with loans classified as TDRs were immaterial for the three months ended March 31, 2018 and 2017. Loans that were modified and classified as TDRs during the three months ended March 31, 2018 and 2017 principally involve reduced payment and/or payment deferral, extension of term (generally no more than two years for commercial loans and five years for retail loans) and/or a temporary reduction of interest rate (generally less than 200 basis points).

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People s United Financial, Inc.

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The following tables summarize, by class of loan, the recorded investments in loans modified as TDRs during the three months ended March 31, 2018 and 2017. For purposes of this disclosure, recorded investments represent amounts immediately prior to and subsequent to the restructuring.

	Three Months Ended March 31, 2018		
(dollars in millions)	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Commercial:			
Commercial real estate (1)	4	$ 3.3	$ 3.3
Commercial and industrial (2)	13	15.1	15.1
Equipment financing (3)	9	7.5	7.5
Total	26	25.9	25.9
Retail:			
Residential mortgage (4)	5	0.8	0.8
Home equity (5)	12	0.9	0.9
Other consumer			
Total	17	1.7	1.7
Total	43	$ 27.6	$ 27.6

(1) Represents the following concessions: extension of term (4 contracts; recorded investment of $3.3 million).
(2) Represents the following concessions: extension of term (9 contracts; recorded investment of $11.6 million); or reduced payment and/or payment deferral (4 contracts; recorded investment of $3.5 million).
(3) Represents the following concessions: reduced payment and/or payment deferral (6 contracts; recorded investment of $7.0 million); or a combination of concessions (3 contracts; recorded investment of $0.5 million).
(4) Represents the following concessions: loans restructured through bankruptcy (2 contracts; recorded investment of $0.1 million); or reduced payment and/or payment deferral (3 contracts; recorded investment of $0.7 million).
(5) Represents the following concessions: loans restructured through bankruptcy (7 contracts; recorded investment of $0.6 million); reduced payment and/or payment deferral (4 contracts; recorded investment of $0.3 million); or a combination of concessions (1 contract; recorded investment of less than $0.1 million).

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People s United Financial, Inc.

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	Three Months Ended March 31, 2017		
(dollars in millions)	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Commercial:			
Commercial real estate (1)	3	$ 3.9	$ 3.9
Commercial and industrial (2)	9	8.3	8.3
Equipment financing (3)	21	5.9	5.9
Total	33	18.1	18.1
Retail:			
Residential mortgage (4)	7	3.8	3.8
Home equity (5)	24	2.2	2.2
Other consumer			
Total	31	6.0	6.0
Total	64	$ 24.1	$ 24.1

(1) Represents the following concessions: reduced payment and/or payment deferral (2 contracts; recorded investment of $2.2 million); or temporary rate reduction (1 contract; recorded investment of $1.7 million).
(2) Represents the following concessions: extension of term (8 contracts; recorded investment of $7.4 million); or reduced payment and/or payment deferral (1 contract; recorded investment of $0.9 million).
(3) Represents the following concessions: reduced payment and/or payment deferral (7 contracts; recorded investment of $2.3 million); or a combination of concessions (14 contracts; recorded investment of $3.6 million).
(4) Represents the following concessions: loans restructured through bankruptcy (1 contract; recorded investment of $0.1 million); reduced payment and/or payment deferral (4 contracts; recorded investment of $1.3 million); or a combination of concessions (2 contracts; recorded investment of $2.4 million).
(5) Represents the following concessions: loans restructured through bankruptcy (14 contracts; recorded investment of $1.1 million); reduced payment and/or payment deferral (4 contracts; recorded investment of $0.3 million); or a combination of concessions (6 contracts; recorded investment of $0.8 million).

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People s United Financial, Inc.

Notes to Consolidated Financial Statements (Unaudited)

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 months ended March 31, 2018 and 2017. For purposes of this disclosure, the previous 12 months is measured from April 1 of the respective prior year and a default represents a previously-modified loan that became past due 30 days or more during the three months ended March 31, 2018 or 2017.

	Three Months Ended March 31, 2018		Three Months Ended March 31, 2017	
(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	$ 1.7
Commercial and industrial	7	4.6	2	1.4
Equipment financing	9	6.4	8	2.6
Total	16	11.0	11	5.7
Retail:				
Residential mortgage	2	0.5	7	2.5
Home equity	1		1	0.1
Other consumer				
Total	3	0.5	8	2.6
Total	19	$ 11.5	19	$ 8.3

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Notes to Consolidated Financial Statements (Unaudited)

People s United s impaired loans consist of certain loans that have been placed on non-accrual status, including all TDRs. The following table summarizes, by class of loan, information related to individually-evaluated impaired loans.

(in millions)	As of March 31, 2018 Unpaid Principal Balance	Recorded Investment	Related Allowance for Loan Losses	As of December 31, 2017 Unpaid Principal Balance	Recorded Investment	Related Allowance for Loan Losses
Without a related allowance for loan losses:						
Commercial:						
Commercial real estate	$ 31.2	$ 29.9	$	$ 37.7	$ 36.3	$
Commercial and industrial	26.3	23.8		27.9	25.5	
Equipment financing	35.2	29.9		36.9	32.8	
Retail:						
Residential mortgage	65.7	58.8		67.6	60.8	
Home equity	23.6	19.8		24.0	20.2	
Other consumer						
Total	$ 182.0	$ 162.2	$	$ 194.1	$ 175.6	$
With a related allowance for loan losses:						
Commercial:						
Commercial real estate	$ 15.6	$ 13.1	$ 0.8	$ 11.7	$ 9.9	$ 0.9
Commercial and industrial	27.3	24.9	2.4	26.9	26.0	2.6
Equipment financing	17.0	16.9	2.8	11.6	10.7	1.1
Retail:						
Residential mortgage	11.1	11.0	1.7	11.4	11.4	1.7
Home equity	1.9	1.8	0.6	1.7	1.6	0.7
Other consumer						
Total	$ 72.9	$ 67.7	$ 8.3	$ 63.3	$ 59.6	$ 7.0
Total impaired loans:						
Commercial:						
Commercial real estate	$ 46.8	$ 43.0	$ 0.8	$ 49.4	$ 46.2	$ 0.9
Commercial and industrial	53.6	48.7	2.4	54.8	51.5	2.6
Equipment financing	52.2	46.8	2.8	48.5	43.5	1.1
Total	152.6	138.5	6.0	152.7	141.2	4.6

Retail:						
Residential mortgage	76.8	69.8	1.7	79.0	72.2	1.7
Home equity	25.5	21.6	0.6	25.7	21.8	0.7
Other consumer						
Total	102.3	91.4	2.3	104.7	94.0	2.4
Total	$ 254.9	$ 229.9	$ 8.3	$ 257.4	$ 235.2	$ 7.0

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The following table summarizes, by class of loan, the average recorded investment and interest income recognized on impaired loans for the periods indicated. The average recorded investment amounts are based on month-end balances.

	Three Months Ended March 31,			
	2018		2017	
(in millions)	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
Commercial:				
Commercial real estate	$ 45.1	$ 0.3	$ 51.9	$ 0.4
Commercial and industrial	48.8	0.4	70.0	0.5
Equipment financing	41.1	0.1	39.8	0.1
Total	135.0	0.8	161.7	1.0
Retail:				
Residential mortgage	70.7	0.5	71.2	0.4
Home equity	21.5	0.1	20.4	0.1
Other consumer				
Total	92.2	0.6	91.6	0.5
Total	$ 227.2	$ 1.4	$ 253.3	$ 1.5

The following tables summarize, by class of loan, aging information for originated loans:

As of March 31, 2018 (in millions)	Current	30-89 Days	Past Due 90 Days or More	Total	Total Originated
Commercial:					
Commercial real estate	$ 9,851.8	$ 13.0	$ 12.5	$ 25.5	$ 9,877.3
Commercial and industrial	7,995.8	11.1	19.1	30.2	8,026.0
Equipment financing	3,270.2	77.2	11.3	88.5	3,358.7
Total	21,117.8	101.3	42.9	144.2	21,262.0

Retail:					
Residential mortgage	6,536.7	23.1	24.7	47.8	6,584.5
Home equity	1,884.3	5.9	8.1	14.0	1,898.3
Other consumer	43.9	0.1		0.1	44.0
Total	8,464.9	29.1	32.8	61.9	8,526.8
Total originated loans	$ 29,582.7	$ 130.4	$ 75.7	$ 206.1	$ 29,788.8

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 $8.7 million, $18.3 million and $36.4 million, respectively, and $18.7 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.

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As of December 31, 2017 (in millions)	Current	30-89 Days	Past Due 90 Days or More	Total	Total Originated
Commercial:					
Commercial real estate	$ 10,102.3	$ 11.0	$ 13.3	$ 24.3	$ 10,126.6
Commercial and industrial	8,099.0	14.9	16.0	30.9	8,129.9
Equipment financing	3,219.7	83.1	5.7	88.8	3,308.5
Total	21,421.0	109.0	35.0	144.0	21,565.0
Retail:					
Residential mortgage	6,487.3	32.8	20.5	53.3	6,540.6
Home equity	1,945.2	7.4	7.4	14.8	1,960.0
Other consumer	45.3	0.3		0.3	45.6
Total	8,477.8	40.5	27.9	68.4	8,546.2
Total originated loans	$ 29,898.8	$ 149.5	$ 62.9	$ 212.4	$ 30,111.2

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 $10.6 million, $19.5 million and $38.6 million, respectively, and $20.2 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.

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.

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Retail Credit Quality Indicators

Pools of smaller-balance, homogeneous loans with similar risk and loss characteristics are also assessed for probable 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-performing 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.

Commercial and Retail loans are also evaluated to determine whether they are impaired loans. Such loans are included in the tabular disclosures of credit quality indicators that follow.

Acquired Loan Credit Quality Indicators

Upon acquiring a loan portfolio, the Company s internal Loan Review function undertakes the process of assigning risk ratings to all commercial loans in accordance with the Company s established policy, which may differ in certain respects from the risk rating policy of the predecessor company. The length of time necessary to complete this process varies based on the size of the acquired portfolio, the quality of the documentation maintained in the underlying loan files and the extent to which the predecessor company followed a risk rating approach comparable to People s United s. As a result, while acquired loans are risk rated, there are occasions when such ratings may be deemed preliminary until the Company s re-rating process has been completed.

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For purchased performing loans, the required allowance for loan losses is determined in a manner similar to that for originated loans with a provision for loan losses only recorded when the required allowance for loan losses exceeds any remaining purchase discount at the loan level. For PCI loans, the difference between contractually required principal and interest payments at the acquisition date and the undiscounted cash flows expected to be collected at the acquisition date is referred to as the nonaccretable difference , which includes an estimate of future credit losses expected to be incurred over the life of the loans in each pool. A decrease in the expected cash flows in subsequent periods requires the establishment of an allowance for loan losses at that time. At March 31, 2018 and December 31, 2017, the allowance for loan losses on acquired loans was $4.0 million and $3.6 million, respectively.

The following is a summary, by class of loan, of credit quality indicators:

As of March 31, 2018 (in millions)	Commercial Real Estate	Commercial and Industrial	Equipment Financing	Total
Commercial:				
Originated loans:				
Pass	$ 9,635.8	$ 7,681.0	$ 2,951.2	$ 20,268.0
Special mention	136.7	108.7	92.3	337.7
Substandard	103.9	235.0	315.2	654.1
Doubtful	0.9	1.3		2.2
Total originated loans	9,877.3	8,026.0	3,358.7	21,262.0
Acquired loans:				
Pass	879.4	473.9	529.2	1,882.5
Special mention	16.2	6.7		22.9
Substandard	37.5	67.5		105.0
Doubtful				
Total acquired loans	933.1	548.1	529.2	2,010.4
Total	$ 10,810.4	$ 8,574.1	$ 3,887.9	$ 23,272.4

As of March 31, 2018 (in millions)	Residential Mortgage	Home Equity	Other Consumer	Total
Retail:				
Originated loans:				
Low risk	$ 3,312.3	$ 893.8	$ 28.3	$ 4,234.4
Moderate risk	2,765.9	606.6	5.9	3,378.4

High risk	506.3	397.9	9.8	914.0
Total originated loans	6,584.5	1,898.3	44.0	8,526.8
Acquired loans:				
Low risk	143.7			143.7
Moderate risk	58.7			58.7
High risk	47.3	52.4	3.1	102.8
Total acquired loans	249.7	52.4	3.1	305.2
Total	$ 6,834.2	$ 1,950.7	$ 47.1	$ 8,832.0

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People s United Financial, Inc.

Notes to Consolidated Financial Statements (Unaudited)

As of December 31, 2017 (in millions)	Commercial Real Estate	Commercial and Industrial	Equipment Financing	Total
Commercial:				
Originated loans:				
Pass	$ 9,859.3	$ 7,760.7	$ 2,899.9	$ 20,519.9
Special mention	159.4	124.0	91.8	375.2
Substandard	107.0	244.2	316.8	668.0
Doubtful	0.9	1.0		1.9
Total originated loans	10,126.6	8,129.9	3,308.5	21,565.0
Acquired loans:				
Pass	892.0	520.0	596.9	2,008.9
Special mention	14.8	15.2		30.0
Substandard	35.3	66.0		101.3
Doubtful				
Total acquired loans	942.1	601.2	596.9	2,140.2
Total	$ 11,068.7	$ 8,731.1	$ 3,905.4	$ 23,705.2

As of December 31, 2017 (in millions)	Residential Mortgage	Home Equity	Other Consumer	Total
Retail:				
Originated loans:				
Low risk	$ 3,292.1	$ 925.6	$ 28.2	$ 4,245.9
Moderate risk	2,738.8	640.0	7.1	3,385.9
High risk	509.7	394.4	10.3	914.4
Total originated loans	6,540.6	1,960.0	45.6	8,546.2
Acquired loans:				
Low risk	148.0			148.0
Moderate risk	65.7			65.7
High risk	51.4	55.2	3.6	110.2
Total acquired loans	265.1	55.2	3.6	323.9
Total	$ 6,805.7	$ 2,015.2	$ 49.2	$ 8,870.1

Acquired Loans

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

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

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

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

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

Changes in the expected principal and interest payments over the estimated life Updates to changes in expected cash flows are driven by the credit outlook and actions taken with borrowers. Changes in expected future cash flows resulting from loan modifications are included in the assessment of expected cash flows;

Changes in prepayment assumptions Prepayments affect the estimated life of the loans which may change the amount of interest income, and possibly principal, expected to be collected; and

Changes in interest rate indices for variable rate loans Expected future cash flows are based, as applicable, on the variable rates in effect at the time of the assessment of expected cash flows.

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

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

At the respective acquisition dates, on an aggregate basis, the PCI loan portfolio had contractually required principal and interest payments receivable of $7.65 billion; expected cash flows of $7.09 billion; and a fair value (initial carrying amount) of $5.42 billion. The difference between the contractually required principal and interest payments receivable and the expected cash flows ($560.1 million) represented the initial nonaccretable difference. The difference between the expected cash flows and fair value ($1.67 billion) represented the initial accretable yield. Both the contractually required principal and interest payments receivable and the expected cash flows reflect anticipated prepayments, determined based on historical portfolio experience. At March 31, 2018, the outstanding principal balance and carrying amount of the PCI loan portfolio were $553.2 million and $474.6 million, respectively ($587.7 million and $498.5 million, respectively, at December 31, 2017).

The following table summarizes activity in the accretable yield for the PCI loan portfolio:

	Three Months Ended March 31,	
(in millions)	2018	2017
Balance at beginning of period	$ 219.7	$ 255.4
Accretion	(6.3)	(7.6)
Reclassification from nonaccretable difference for loans with improved cash flows (1)		
Other changes in expected cash flows (2)	(5.9)	(6.1)
Balance at end of period	$ 207.5	$ 241.7

(1)

Results in increased interest accretion as a prospective yield adjustment over the remaining life of the corresponding pool of loans.

(2) Represents changes in cash flows expected to be collected due to factors other than credit (e.g. changes in prepayment assumptions and/or changes in interest rates on variable rate loans), as well as loan sales, modifications and payoffs.

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People s United Financial, Inc.

Notes to Consolidated Financial Statements (Unaudited)

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

Other real estate owned (REO) was comprised of commercial and residential properties totaling $10.6 million and $6.8 million, respectively, at March 31, 2018, and $9.3 million and $7.6 million, respectively, at December 31, 2017. Repossessed assets totaled $1.8 million and $2.5 million at March 31, 2018 and December 31, 2017, respectively.

NOTE 4. 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 outstanding at both March 31, 2018 and December 31, 2017, and (ii) 1.95 billion shares of common stock, par value of $0.01 per share, of which 436.5 million shares and 435.6 million shares were issued at March 31, 2018 and December 31, 2017, 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 (86.4 million shares at both March 31, 2018 and December 31, 2017) 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 March 31, 2018 and December 31, 2017). 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.

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 months ended March 31, 2018 and 2017 is reported in the Consolidated Statements of Comprehensive Income.

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People s United Financial, Inc.

Notes to Consolidated Financial Statements (Unaudited)

The following is a summary of the changes in the components of AOCL, which are included in People s United s stockholders equity on an after-tax basis:

(in millions)	Pension and Other Postretirement Plans	Net Unrealized Gains (Losses) on Debt Securities Available-for-Sale	Net Unrealized Gains (Losses) on Debt Securities Transferred to Held-to-Maturity	Net Unrealized Gains (Losses) on Derivatives Accounted for as Cash Flow Hedges	Total AOCL
Balance at December 31, 2017	$ (144.1)	$ (21.6)	$ (15.1)	$ (0.9)	$ (181.7)
Other comprehensive income (loss) before reclassifications		(37.7)		(1.5)	(39.2)
Amounts reclassified from AOCL (1)	1.7		0.7		2.4
Current period other comprehensive income (loss)	1.7	(37.7)	0.7	(1.5)	(36.8)
Transition adjustments related to adoption of new accounting standards (2)	(30.0)	(3.9)	(3.2)	(0.2)	(37.3)
Balance at March 31, 2018	$ (172.4)	$ (63.2)	$ (17.6)	$ (2.6)	$ (255.8)

(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, 2016	$	(145.6)	$	(32.3)	$	(17.4)	$	0.3	$ (195.0)
Other comprehensive income before reclassifications				1.4				0.2	1.6
Amounts reclassified from AOCL (1)		1.0		9.9		0.5		0.1	11.5
Current period other comprehensive income		1.0		11.3		0.5		0.3	13.1
Balance at March 31, 2017	$	(144.6)	$	(21.0)	$	(16.9)	$	0.6	$ (181.9)

(1) See the following table for details about these reclassifications.
(2) See Note 13.

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People s United Financial, Inc.

Notes to Consolidated Financial Statements (Unaudited)

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

(in millions)	Amounts Reclassified from AOCL Three Months Ended March 31, 2018	2017	Affected Line Item in the Statement Where Net Income is Presented
Details about components of AOCL:			
Amortization of pension and other postretirement plans items:			
Net actuarial loss	$ (2.1)	$ (1.7)	(1)
Prior service credit	0.1	0.2	(1)
	(2.0)	(1.5)	Income before income tax expense
	0.3	0.5	Income tax expense
	(1.7)	(1.0)	Net income
Reclassification adjustment for net realized gains (losses) on debt securities available-for-sale	0.1	(15.7)	Income before income tax expense (2)
	(0.1)	5.8	Income tax expense
		(9.9)	Net income
Amortization of unrealized losses on debt securities transferred to held-to-maturity	(0.9)	(0.8)	Income before income tax expense (3)
	0.2	0.3	Income tax expense
	(0.7)	(0.5)	Net income
Amortization of unrealized gains and losses on cash flow hedges:			
Interest rate swaps	0.1	(0.1)	(5)
Interest rate locks (4)			(5)
	0.1	(0.1)	Income before income tax expense
	(0.1)		Income tax expense

		(0.1)	Net income
Total reclassifications for the period	$ (2.4)	$ (11.5)	

(1) Included in the computation of net periodic benefit income (expense) reflected in other non-interest expense (see Notes 7 and 13 for additional details).
(2) Included in other non-interest income.
(3) Included in interest and dividend income - securities.
(4) Amount reclassified from AOCL totaled less than $0.1 million for both periods.
(5) Included in interest expense - notes and debentures.

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People s United Financial, Inc.

Notes to Consolidated Financial Statements (Unaudited)

NOTE 5. 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 March 31, 2018	2017
Net income available to common shareholders	$ 104.4	$ 67.3
Dividends paid on and undistributed earnings allocated to participating securities	(0.1)	(0.2)
Earnings attributable to common shareholders	$ 104.3	$ 67.1
Weighted average common shares outstanding for basic EPS	339.8	308.8
Effect of dilutive equity-based awards	4.2	2.3
Weighted average common shares and common-equivalent shares for diluted EPS	344.0	311.1
EPS:		
Basic	$ 0.31	$ 0.22
Diluted	0.30	0.22

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 Employee Stock Ownership Plan (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 7.2 million shares and 9.8 million shares for the three months ended March 31, 2018 and 2017, respectively, have also been excluded from the calculation of diluted EPS.

NOTE 6. GOODWILL AND OTHER ACQUISITION-RELATED INTANGIBLE ASSETS

People s United goodwill totaled $2.41 billion at both March 31, 2018 and December 31, 2017, and was allocated to its operating segments as follows: Commercial Banking ($1.60 billion); Retail Banking ($720.1 million); and Wealth Management ($91.0 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 March 31, 2018 and December 31, 2017, tax deductible goodwill totaled $71.0 million and $72.3 million, respectively.

People s United Financial, Inc.

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People s United s other acquisition-related intangible assets totaled $143.5 million and $148.6 million at March 31, 2018 and December 31, 2017, respectively. At March 31, 2018, the carrying amounts of other acquisition-related intangible assets were as follows: trade name ($64.5 million); core deposit intangible ($21.5 million); client relationship intangible ($21.5 million); trust relationship intangible ($13.5 million); insurance relationship intangible ($5.0 million); favorable lease agreement ($0.5 million); non-compete agreements ($0.5 million); and mutual fund management contracts, which are not amortized ($16.5 million).

Amortization expense of other acquisition-related intangible assets totaled $5.1 million and $6.3 million for the three months ended March 31, 2018 and 2017, respectively. Scheduled amortization expense attributable to other acquisition-related intangible assets for the full-year of 2018 and each of the next five years is as follows: $19.9 million in 2018; $18.4 million in 2019; $16.8 million in 2020; $15.0 million in 2021; $13.5 million in 2022; and $8.5 million in 2023. There were no impairment losses relating to goodwill or other acquisition-related intangible assets recorded during the three months ended March 31, 2018 and 2017.

NOTE 7. 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 a qualified defined benefit pension plan that covers former Chittenden employees who meet certain eligibility requirements (the Chittenden Qualified Plan). Effective December 31, 2005, accrued benefits were frozen based on participants then-current service and pay levels. Interest continues to be credited on undistributed balances at a crediting rate specified by the Chittenden Qualified Plan. During April 2010, participants who were in payment status as of April 1, 2010, or whose accrued benefit as of that date was scheduled to be paid in the form of an annuity commencing May 1, 2010 based upon elections made by April 15, 2010, were transferred into the People s Qualified Plan.

People s United also continues to maintain a qualified defined benefit pension plan that covers former Suffolk employees who meet certain eligibility requirements (the Suffolk Qualified Plan). Effective December 31, 2012, accrued benefits were frozen based on participants then-current service and pay levels. Interest continues to be credited on undistributed balances at a crediting rate specified by the Suffolk Qualified Plan.

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People s United s funding policy is to contribute the amounts required by applicable regulations, although additional amounts may be contributed from time to time. In February 2018, People s United made voluntary employer contributions of $40 million to the People s Qualified Plan and $10 million to the Chittenden Qualified Plan (none to the Suffolk Qualified Plan) in response to tax reform.

People s United also maintains (i) unfunded, nonqualified supplemental plans to provide retirement benefits to certain senior officers (the Supplemental Plans) and (ii) an unfunded plan that provides retirees with optional medical, dental and life insurance benefits (the Other 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.

Components of net periodic benefit (income) expense and other amounts recognized in other comprehensive income (loss) for the People s Qualified Plan, the Chittenden Qualified Plan and the Supplemental Plans (together the Pension Plans) and the Other Postretirement Plan are as follows:

	Pension Plans		Other Postretirement Plan	
Three months ended March 31 (in millions)	2018	2017	2018	2017
Net periodic benefit (income) expense:				
Interest cost	$ 4.8	$ 4.5	$ 0.2	$ 0.2
Expected return on plan assets	(10.9)	(8.9)		
Recognized net actuarial loss	2.0	1.6	0.1	0.1
Recognized prior service credit	(0.1)	(0.2)		
Settlements	0.4	0.4		
Net periodic benefit (income) expense (1)	$ (3.8)	$ (2.6)	$ 0.3	$ 0.3
Other changes in plan assets and benefit obligations recognized in other comprehensive income (loss):				
Net actuarial loss	(2.0)	(1.6)	(0.1)	(0.1)
Prior service credit	0.1	0.2		
Total pre-tax changes recognized in other comprehensive income (loss)	(1.9)	(1.4)	(0.1)	(0.1)
Total recognized in net periodic benefit (income) expense and other comprehensive income (loss)	$ (5.7)	$ (4.0)	$ 0.2	$ 0.2

(1) As discussed in Note 13, amounts are included in other non-interest expense for all periods presented.

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People s United Financial, Inc.

Notes to Consolidated Financial Statements (Unaudited)

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 three months ended March 31, 2018, totaled $1.1 million. At March 31, 2018, the loan balance totaled $180.8 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 3,920,088 shares of People s United common stock have been allocated or committed to be released to participants accounts. At March 31, 2018, 6,533,487 shares of People s United common stock, with a fair value of $121.9 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 $1.7 million for both the three months ended March 31, 2018 and 2017.

NOTE 8. 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 9. SEGMENT INFORMATION

See Segment Results included in Item 2 for segment information for the three months ended March 31, 2018 and 2017.

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People s United Financial, Inc.

Notes to Consolidated Financial Statements (Unaudited)

NOTE 10. 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 mortgage-backed 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, as well as for those financial assets and financial liabilities not measured at fair value but for which fair value is disclosed.

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 securities, all of which are included in Level 2.

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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 March 31, 2018 and December 31, 2017, the entire available-for-sale mortgage-backed securities portfolio was comprised of 10- and 15-year GSE securities. An active market exists for securities that are similar to the Company s GSE mortgage-backed 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 7, 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.

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People s United Financial, Inc.

Notes to Consolidated Financial Statements (Unaudited)

The following tables summarize People s United s financial instruments that are measured at fair value on a recurring basis:

As of March 31, 2018 (in millions)	Fair Value Measurements Using Level 1	Level 2	Level 3	Total
Financial assets:				
Trading debt securities:				
U.S. Treasury	$ 8.2	$	$	$ 8.2
Debt securities available-for-sale:				
U.S. Treasury and agency	660.0			660.0
GSE mortgage-backed securities		2,493.8		2,493.8
Equity securities	9.5			9.5
Other assets:				
Exchange-traded funds	36.1			36.1
Mutual funds	3.8			3.8
Fixed income securities		1.0		1.0
Interest rate swaps		52.4		52.4
Interest rate caps		3.5		3.5
Foreign exchange contracts		0.1		0.1
Forward commitments to sell residential mortgage loans		0.3		0.3
Total	$ 717.6	$ 2,551.1	$	$ 3,268.7
Financial liabilities:				
Interest rate swaps	$	$ 149.6	$	$ 149.6
Interest rate caps		3.5		3.5
Risk participation agreements (1)				
Foreign exchange contracts		0.1		0.1
Interest rate-lock commitments on residential mortgage loans		0.3		0.3
Total	$	$ 153.5	$	$ 153.5

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People s United Financial, Inc.

Notes to Consolidated Financial Statements (Unaudited)

As of December 31, 2017 (in millions)	Fair Value Measurements Using Level 1	Level 2	Level 3	Total
Financial assets:				
Trading debt securities:				
U.S. Treasury	$ 8.2	$	$	$ 8.2
Debt securities available-for-sale:				
U.S. Treasury and agency	668.8			668.8
GSE mortgage-backed securities		2,456.5		2,456.5
Equity securities	8.7			8.7
Other assets:				
Exchange-traded funds	36.5			36.5
Mutual funds	3.5			3.5
Fixed income securities		1.3		1.3
Interest rate swaps		74.8		74.8
Interest rate caps		2.8		2.8
Foreign exchange contracts		0.1		0.1
Forward commitments to sell residential mortgage loans		0.2		0.2
Total	$ 725.7	$ 2,535.7	$	$ 3,261.4
Financial liabilities:				
Interest rate swaps	$	$ 84.9	$	$ 84.9
Interest rate caps		2.8		2.8
Risk participation agreements (1)				
Foreign exchange contracts		0.4		0.4
Interest rate-lock commitments on residential mortgage loans		0.2		0.2
Total	$	$ 88.3	$	$ 88.3

(1) At both March 31, 2018 and December 31, 2017, the fair value of risk participation agreements totaled less than $0.1 million (see Note 11).

There were no transfers into or out of the Level 1 or Level 2 categories during the three months ended March 31, 2018 or 2017.

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People s United Financial, Inc.

Notes to Consolidated Financial Statements (Unaudited)

Non-Recurring Fair Value Measurements

Loans Held-for-Sale

Residential mortgage loans held-for-sale are recorded at the lower of 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.

Impaired Loans

Loan impairment is deemed to exist when full repayment of principal and interest according to the contractual terms of the loan is no longer probable. Impaired loans are 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 be 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.

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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 March 31, 2018 (in millions)	Level 1	Level 2	Level 3	Total
Loans held-for-sale (1)	$	$ 10.4	$	$ 10.4
Impaired loans (2)			67.7	67.7
REO and repossessed assets (3)			19.2	19.2
Total	$	$ 10.4	$ 86.9	$ 97.3

	Fair Value Measurements Using			
As of December 31, 2017 (in millions)	Level 1	Level 2	Level 3	Total
Loans held-for-sale (1)	$	$ 16.6	$	$ 16.6
Impaired loans (2)			59.6	59.6
REO and repossessed assets (3)			19.4	19.4
Total	$	$ 16.6	$ 79.0	$ 95.6

(1) Consists of residential mortgage loans; no fair value adjustments were recorded for the three months ended March 31, 2018 and 2017.

(2) Represents the recorded investment in originated impaired loans with a related allowance for loan losses measured in accordance with applicable accounting guidance. The total consists of $54.9 million of Commercial loans and $12.8 million of Retail loans at March 31, 2018. The provision for loan losses on impaired loans totaled $2.8 million and $3.5 million for the three months ended March 31, 2018 and 2017, respectively.

(3) Represents: (i) $10.6 million of commercial REO; (ii) $6.8 million of residential REO; and (iii) $1.8 million of repossessed assets at March 31, 2018. Charge-offs to the allowance for loan losses related to loans that were transferred to REO or repossessed assets totaled $0.5 million and $0.4 million for the three months ended March 31, 2018 and 2017, respectively. Write downs and net loss on sale of foreclosed/repossessed assets charged to non-interest expense totaled $(0.3) million and $0.9 million for the same periods.

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People s United Financial, Inc.

Notes to Consolidated Financial Statements (Unaudited)

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 March 31, 2018 (in millions)	Carrying Amount	Estimated Fair Value Measurements Using Level 1	Level 2	Level 3	Total
Financial assets:					
Cash and due from banks	$ 402.2	$ 402.2	$	$	$ 402.2
Short-term investments	470.3		470.3		470.3
Debt securities held-to-maturity	3,696.3		3,660.8	1.5	3,662.3
FHLB and FRB stock	305.2		305.2		305.2
Total loans, net (1)	31,801.4		6,559.8	24,854.3	31,414.1
Financial liabilities:					
Time deposits	5,255.5		5,220.6		5,220.6
Other deposits	27,638.3		27,638.3		27,638.3
FHLB advances	2,610.7		2,611.2		2,611.2
Federal funds purchased	805.0		805.0		805.0
Customer repurchase agreements	265.8		265.8		265.8
Other borrowings	195.4		194.9		194.9
Notes and debentures	891.9		895.5		895.5

(1) Excludes impaired loans totaling $67.7 million measured at fair value on a non-recurring basis.

As of December 31, 2017 (in millions)	Carrying Amount	Estimated Fair Value Measurements Using Level 1	Level 2	Level 3	Total
Financial assets:					
Cash and due from banks	$ 505.1	$ 505.1	$	$	$ 505.1
Short-term investments	377.5		377.5		377.5
Debt securities held-to-maturity	3,588.1		3,632.2	1.5	3,633.7
FHLB and FRB stock	312.3		312.3		312.3
Total loans, net (1)	32,281.3		6,632.2	25,495.3	32,127.5
Financial liabilities:					
Time deposits	5,454.3		5,441.1		5,441.1
Other deposits	27,602.0		27,602.0		27,602.0

FHLB advances	2,774.4	2,775.3	2,775.3
Federal funds purchased	820.0	820.0	820.0
Customer repurchase agreements	301.6	301.6	301.6
Other borrowings	207.8	207.2	207.2
Notes and debentures	901.6	910.1	910.1

(1) Excludes impaired loans totaling $59.6 million measured at fair value on a non-recurring basis.

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People s United Financial, Inc.

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NOTE 11. 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.

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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 12), 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 in a net liability position at March 31, 2018.

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.

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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.

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.

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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	March 31, 2018	Dec. 31, 2017	March 31, 2018	Dec. 31, 2017	March 31, 2018	Dec. 31, 2017
Derivatives Not Designated as Hedging Instruments:							
Interest rate swaps:							
Commercial customers	N/A	$ 5,754.3	$ 5,769.1	$ 31.6	$ 64.7	$ 137.5	$ 61.2
Institutional counterparties	N/A	5,760.7	5,775.9	20.8	10.1	12.1	23.7
Interest rate caps:							
Commercial customers	N/A	595.4	649.2			3.5	2.8
Institutional counterparties	N/A	595.4	649.2	3.5	2.8		
Risk participation agreements (2)	N/A	423.7	439.4				
Foreign exchange contracts	N/A	45.9	46.5	0.1	0.1	0.1	0.4
Forward commitments to sell residential mortgage loans	N/A	20.8	16.4	0.3	0.2		
Interest rate-lock commitments on residential mortgage loans	N/A	22.9	18.3			0.3	0.2
Total				56.3	77.9	153.5	88.3
Derivatives Designated as Hedging Instruments:							
Interest rate swaps:							
Subordinated notes	Fair value	375.0	375.0				
Loans	Cash flow	210.0	210.0				
Total							

Total fair value of derivatives	$ 56.3	$ 77.9	$ 153.5	$ 88.3

(1) Assets are recorded in other assets and liabilities are recorded in other liabilities.
(2) Fair value totaled less than $0.1 million at both dates.

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People s United Financial, Inc.

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The following table summarizes the impact of People s United s derivatives on pre-tax income and AOCL:

Three months ended March 31 (in millions)	Type of Hedge	Amount of Pre-Tax Gain (Loss) Recognized in Earnings (1) 2018	Amount of Pre-Tax Gain (Loss) Recognized in Earnings (1) 2017	Amount of Pre-Tax Gain (Loss) Recognized in AOCL 2018	Amount of Pre-Tax Gain (Loss) Recognized in AOCL 2017
Derivatives Not Designated as Hedging Instruments:					
Interest rate swaps:					
Commercial customers	N/A	$ (103.3)	$ 2.0	$	$
Institutional counterparties	N/A	104.5	0.2		
Interest rate caps:					
Commercial customers	N/A	(0.7)	0.6		
Institutional counterparties	N/A	0.7	(0.1)		
Foreign exchange contracts	N/A	0.2	0.1		
Risk participation agreements	N/A	0.1	0.1		
Forward commitments to sell residential mortgage loans	N/A	0.1	0.3		
Interest rate-lock commitments on residential mortgage loans	N/A	(0.1)	(0.3)		
Total		1.5	2.9		
Derivatives Designated as Hedging Instruments:					
Interest rate swaps	Fair value	1.1	1.7		
Interest rate swaps	Cash flow	0.1	(0.1)	(1.8)	0.6
Interest rate locks (2)	Cash flow				
Total		1.2	1.6	(1.8)	0.6
Total		$ 2.7	$ 4.5	$ (1.8)	$ 0.6

(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.

(2) Income totaled less than $0.1 million for both periods.

NOTE 12. 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.

People s United Financial, Inc.

Notes to Consolidated Financial Statements (Unaudited)

The Chicago Mercantile Exchange (CME) 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 March 31, 2018 and December 31, 2017, 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 11. 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.

As of March 31, 2018 (in millions)	Gross Amount Recognized	Gross Amount Offset	Net Amount Presented	Gross Amounts Not Offset Financial Instruments	Collateral	Net Amount
Financial assets:						
Interest rate swaps:						
Counterparty A	$ 4.1	$	$ 4.1	$ (1.6)	$ (2.3)	$ 0.2
Counterparty B	3.6		3.6	(3.6)		
Counterparty C	6.4		6.4	(1.4)	(4.6)	0.4
Counterparty D	5.4		5.4	(2.8)	(2.5)	0.1
Counterparty E						
Other counterparties	4.8		4.8	(0.4)	(4.4)	
Foreign exchange contracts	0.1		0.1			0.1
Total	$ 24.4	$	$ 24.4	$ (9.8)	$ (13.8)	$ 0.8
Financial liabilities:						
Interest rate swaps:						
Counterparty A	$ 1.6	$	$ 1.6	$ (1.6)	$	$
Counterparty B	4.0		4.0	(3.6)	(0.4)	

Counterparty C	1.4		1.4	(1.4)		
Counterparty D	2.8		2.8	(2.8)		
Counterparty E	1.9		1.9			1.9
Other counterparties	0.4		0.4	(0.4)		
Foreign exchange contracts	0.1		0.1			0.1
Total	$ 12.2	$	$ 12.2	$ (9.8)	$ (0.4)	$ 2.0

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People s United Financial, Inc.

Notes to Consolidated Financial Statements (Unaudited)

As of December 31, 2017 (in millions)	Gross Amount Recognized	Gross Amount Offset	Net Amount Presented	Gross Amounts Not Offset Financial Instruments	Gross Amounts Not Offset Collateral	Net Amount
Financial assets:						
Interest rate swaps:						
Counterparty A	$ 2.6	$	$ 2.6	$ (2.5)	$	$ 0.1
Counterparty B	1.6		1.6	(1.6)		
Counterparty C	2.6		2.6	(2.6)		
Counterparty D	3.5		3.5	(3.5)		
Counterparty E						
Other counterparties	2.6		2.6	(0.2)	(2.4)	
Foreign exchange contracts	0.1		0.1			0.1
Total	$ 13.0	$	$ 13.0	$ (10.4)	$ (2.4)	$ 0.2
Financial liabilities:						
Interest rate swaps:						
Counterparty A	$ 2.5	$	$ 2.5	$ (2.5)	$	$
Counterparty B	5.6		5.6	(1.6)	(4.0)	
Counterparty C	2.8		2.8	(2.6)	(0.2)	
Counterparty D	4.7		4.7	(3.5)	(1.2)	
Counterparty E	7.3		7.3			7.3
Other counterparties	0.8		0.8	(0.2)	(0.6)	
Foreign exchange contracts	0.4		0.4			0.4
Total	$ 24.1	$	$ 24.1	$ (10.4)	$ (6.0)	$ 7.7

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.

People s United Financial, Inc.

Notes to Consolidated Financial Statements (Unaudited)

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 March 31, 2018 and December 31, 2017, the Company posted as collateral marketable securities with fair values of $455.4 million and $453.8 million, respectively, and, in turn, accepted as collateral marketable securities with fair values of $461.5 million and $461.9 million, respectively.

As of March 31, 2018 (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)	$

As of December 31, 2017 (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 13. NEW ACCOUNTING STANDARDS

Standards effective in 2018

Revenue Recognition

In May 2014, the Financial Accounting Standards Board (the FASB) amended its standards with respect to revenue recognition. The amended guidance serves to replace all current GAAP guidance on this topic and eliminate all industry-specific guidance, providing a unified model to determine when and how revenue is recognized. The underlying principle is that a company should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The amendments also require enhanced disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity s contracts with customers. As originally issued, this new guidance, which can be applied retrospectively or through the use of the cumulative effect transition method, was to become effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2016 (January 1, 2017 for People s United) and early adoption was not permitted.

In July 2015, the FASB approved a one-year deferral of the effective date (now January 1, 2018 for People s United) with early adoption, as of the original effective date, permitted. The FASB subsequently issued amendments to clarify the implementation guidance and add some practical expedients in certain areas, including: (i) principal versus agent considerations; (ii) the identification of performance obligations; and (iii) certain aspects of the accounting for licensing arrangements. These amendments did not change the core principle of the guidance and are effective for and follow the same transition requirements as the core principle.

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People s United Financial, Inc.

Notes to Consolidated Financial Statements (Unaudited)

The Company s revenue is comprised of net interest income on financial assets and financial liabilities (approximately 75-80%) and non-interest income (approximately 20-25%). The scope of the guidance explicitly excludes net interest income as well as other revenues associated with financial assets and financial liabilities, including loans, leases, securities and derivatives. Accordingly, the majority of the Company s revenues are not affected. Certain other recurring revenue streams included in non-interest income are within the scope of the guidance, including service charges and fees on deposit accounts as well as card-based and other non-deposit fees, (all included within bank service charges) and revenues associated with certain products and services offered by the Company s investment management, insurance and brokerage businesses.

In completing its assessment of those revenue streams within the scope of the guidance, the Company identified one revenue source for which the timing of recognition changes under the new standard. The Company previously recognized revenue for certain insurance brokerage activities, such as installments on agency bill, direct bill and contingent commission revenue, over a period of time either due to the transfer of value to customers or as the remuneration becomes determinable. Under the new guidance, certain of these revenues, as well as certain costs associated with originating such policies, are now substantially recognized on the effective date of the associated policies when control of the policy transfers to the customer.

The guidance was adopted on January 1, 2018 using the modified retrospective method and resulted in a cumulative-effect transition adjustment which served to increase opening retained earnings by $0.6 million (net-of tax). While the adoption of this standard did not have a material impact on the Company s Consolidated Financial Statements, its current accounting policies and practices or the timing or amount of revenue recognized, the Company has, where appropriate, completed the necessary changes to its business processes, systems and internal controls in order to support the recognition, measurement and disclosure requirements of the new standard.

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

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Notes to Consolidated Financial Statements (Unaudited)

The following summarizes the Company s performance obligations for those revenue streams deemed to be within the scope of the guidance:

Service charges and fees on deposit accounts Service charges and fees on deposit accounts consist of monthly account maintenance and other related fees. The Company s performance obligation for monthly service fees is generally satisfied, and the related revenue recognized, over the period in which the service is provided. Other deposit account related fees, including overdraft charges, are largely transactional-based, and therefore, the Company s performance obligation is satisfied, and related revenue recognized, at a point in time. Payment for service charges on deposit accounts is primarily received immediately or in the following month through a direct charge to customers accounts.

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

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

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

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

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

People s United Financial, Inc.

Notes to Consolidated Financial Statements (Unaudited)

Presentation of Deferred Taxes

In November 2015, the FASB amended its standards with respect to the presentation of deferred income taxes to eliminate the requirement to separate deferred income tax liabilities and assets into current and noncurrent amounts in a classified statement of condition, thereby simplifying the presentation of deferred income taxes. This amendment, which is being applied prospectively, became effective for People s United on January 1, 2018 and did not have a significant impact on the Company s Consolidated Financial Statements.

Recognition and Measurement of Financial Instruments

In January 2016, the FASB amended its standards to address certain aspects of recognition, presentation and disclosure of financial instruments. The amended guidance (i) requires that equity investments (other than equity method investments) be measured at fair value with changes in fair value recognized in net income and (ii) simplifies the impairment assessment of equity investments without readily determinable fair values by permitting a qualitative assessment to identify impairment. Both FRB-NY and FHLB stock will continue to be presented at cost. The guidance also contains additional disclosure and presentation requirements associated with financial instruments. Specifically, the standard emphasizes the existing requirement to use exit price when determining fair value for disclosure purposes, clarifying that entities should not make use of a practicability exception in determining the fair value of loans.

This amendment became effective for People s United on January 1, 2018. The cumulative effect transition method was applied to all outstanding instruments as of the date of adoption, while changes to the accounting for equity investments without readily determinable fair values will be applied prospectively. At December 31, 2017, the Company s securities portfolio included equity securities with an amortized cost of $9.6 million and a fair value of $8.7 million. Accordingly, upon adoption of the guidance, a cumulative-effect transition adjustment, representing the cumulative unrealized loss (net-of-tax) within AOCL, was recorded which served to decrease opening retained earnings by $0.6 million. Any further changes in the fair value of equity securities will be recorded in net income. Given the current composition of the Company s securities portfolio, the standard is not expected to have a significant impact on the Company s Consolidated Financial Statements. The additional disclosure and presentation requirements set forth in the standard, including the Company s approach to determining the fair value of its held-for-investment loan portfolio for disclosure purposes, have been reflected in the Consolidated Statements of Condition and Note 11, as applicable.

Statement of Cash Flows: Classification of Certain Cash Receipts and Cash Payments

In August 2016, the FASB amended its standards to address the classification of certain cash receipts and payments within the statement of cash flows. Specifically, the amended guidance addresses the following: (i) debt prepayment or debt extinguishment costs; (ii) settlement of zero-coupon bonds; (iii) contingent payments made after a business combination; (iv) proceeds from the settlement of insurance claims; (v) proceeds from the settlement of corporate-owned life insurance policies, including BOLI policies; (vi) distributions received from equity method investees; (vii) beneficial interests in securitization transactions; and (viii) separately identifiable cash flows and application of the predominance principle. This amendment, which is required to be applied retrospectively, became effective for People s United on January 1, 2018 and did not have a significant impact on the Company s Consolidated Financial Statements. The classification of cash receipts and payments required by the standard, and applicable to the Company, have been reflected in the Consolidated Statements of Cash Flows.

People s United Financial, Inc.

Notes to Consolidated Financial Statements (Unaudited)

Asset Derecognition and Accounting for Partial Sales of Nonfinancial Assets

In February 2017, the FASB amended its standards to clarify the scope of its guidance on derecognition of a nonfinancial asset and provide additional guidance on the definition of in-substance nonfinancial assets and partial sales of nonfinancial assets. Under prior guidance, several different accounting models existed for use in evaluating whether the transfer of certain assets qualified for sale treatment. The amended guidance reduces the number of potential accounting models that might apply and clarifies which model does apply in various circumstances. This amendment, which is being applied prospectively, became effective for People s United on January 1, 2018 and did not have a significant impact on the Company s Consolidated Financial Statements.

Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost

In March 2017, the FASB amended its standards to (i) require that the service cost component of net benefit cost associated with pension and postretirement plans be reported in the same line item in which the related employees compensation cost is reported and (ii) specify that only the service cost component is eligible for capitalization. The other components of net benefit cost, which may not be capitalized, are to be presented separately. This amendment, which is required to be applied retrospectively, became effective for People s United on January 1, 2018. Accordingly, net periodic pension and postretirement benefit income (a result of the expected return on plan assets exceeding the sum of the other components) previously reported within compensation and benefits expense is now reported within other non-interest expense in the Consolidated Statements of Income. For the three months ended March 31, 2017, $2.3 million of net periodic pension and postretirement benefit income has been reclassified in accordance with the requirements of the standard.

Stock Compensation

In July 2017, the FASB amended its standards with respect to share-based payment awards to provide explicit guidance pertaining to the provisions of modification accounting. The amendment clarifies that an entity should not account for the effects of a modification if the award s fair value, vesting conditions and classification (as either debt or equity) are the same immediately before and after the modification. This amendment, which is being applied prospectively to awards modified on or after the adoption date, became effective for People s United on January 1, 2018 and did not have a significant impact on the Company s Consolidated Financial Statements.

Standards effective in 2019

Accounting for Leases

In February 2016, the FASB amended its standards with respect to the accounting for leases. The amended guidance serves to replace all current GAAP guidance on this topic and requires that an operating lease be recognized on the statement of condition as a right-of-use asset along with a corresponding liability representing the rent obligation. Key aspects of current lessor accounting remain unchanged from existing guidance. This standard is expected to result in an increase to assets and liabilities recognized and, therefore, increase risk-weighted assets for regulatory capital purposes. The guidance requires the use of the modified retrospective transition approach for existing leases that have not expired before the date of initial application and will become effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018 (January 1, 2019 for People s United).

People s United Financial, Inc.

Notes to Consolidated Financial Statements (Unaudited)

In January 2018, the FASB proposed further amendments to the standard with the objective of reducing the cost and complexity of implementing the guidance. The first proposal introduces an optional transition method which would allow entities to recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption rather than in the earliest period presented. The second proposal provides a practical expedient whereby lessors could elect, by class of underlying asset, to not separate lease and related non-lease components if certain criteria are met. If approved, the proposed amendments would have the same effective date and transition requirements as the new leases standard.

In preparing for adoption, the Company has formed a cross-functional working group comprised of individuals from various disciplines, including procurement, real estate and finance, to evaluate the amended guidance and its potential impact on its Consolidated Financial Statements. To date, the Company has identified several areas that are within the scope of the guidance, including (i) its contracts with respect to leased real estate and office equipment and (ii) operating lease agreements entered into with customers of the Company s equipment financing businesses. The Company continues to evaluate various service contracts in order to determine whether embedded leases exist that are deemed to be in scope.

At this time, the most significant impact is believed to relate to real estate and office equipment subject to non-cancelable operating lease agreements. The amount of the right-of-use assets and corresponding lease liabilities recorded upon adoption will be 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 of December 31, 2017, the Company reported approximately $353 million in future minimum lease payments due under such agreements. While these leases represent a majority of the leases within the scope of the standard, the lease portfolio is subject to change as a result of the execution of new leases and/or termination of existing leases prior to the effective date. Further, the Company will continue to review contracts up through the effective date and may identify additional leases within the scope of the standard. The Federal banking agencies have indicated that to the extent a right-of-use asset arises due to a lease of a tangible asset (e.g. building or equipment), the asset should be: (i) treated as a tangible asset not subject to deduction from regulatory capital; (ii) risk-weighted at 100%; and (iii) included in total assets for leverage capital purposes.

Premium Amortization Purchased Callable Debt Securities

In April 2017, the FASB amended its standards to shorten the amortization period for certain callable debt securities held at a premium, requiring such premiums to be amortized to the earliest call date unless applicable guidance related to certain pools of securities is applied to consider estimated prepayments. Under prior guidance, entities were generally required to amortize premiums on individual, non-pooled callable debt securities as a yield adjustment over the contractual life of the security. This amendment, which does not change the accounting for callable debt securities held at a discount, is effective for public business entities for fiscal years beginning after December 15, 2018 (January 1, 2019 for People s United) with early adoption permitted. The adoption of this amendment is not expected to have a significant impact on the Company s Consolidated Financial Statements.

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People s United Financial, Inc.

Notes to Consolidated Financial Statements (Unaudited)

Derivatives and Hedging

In August 2017, the FASB amended its standards with respect to the accounting for derivatives and hedging, simplifying existing guidance in order to enable companies to more accurately portray the economic effects of risk management activities in the financial statements and enhancing the transparency and understandability of hedge results through improved disclosures. This new guidance is effective for public business entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018 (January 1, 2019 for People s United) with early adoption permitted. Given the limited number of derivatives currently designated as hedging instruments, the adoption of this amendment is not expected to have a significant impact on the Company s Consolidated Financial Statements.

Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income

In February 2018, as a result of the enactment of the Tax Cuts and Jobs Act (the Act), the FASB issued new accounting guidance providing entities with the option to reclassify, from accumulated other comprehensive income to retained earnings, certain stranded tax effects resulting from application of the Act. An entity that elects to do so must provide the following disclosures in the period of adoption: (i) that an election was made to reclassify the income tax effects of the Act from accumulated other comprehensive income to retained earnings and (ii) a description of other income tax effects related to the application of the Act that were reclassified from accumulated other comprehensive income to retained earnings, if any (e.g. income tax effects other than the effect of the change in the U.S. federal corporate income tax rate on gross deferred tax amounts and related valuation allowances). Regardless of whether an entity elects to adopt the guidance or not it is required to disclose its accounting policy for releasing income tax effects from accumulated other comprehensive income (e.g. the portfolio approach or the security-by-security approach).

The guidance is effective for all organizations for fiscal years beginning after December 15, 2018 (January 1, 2019 for People s United), including interim periods within those fiscal years, and early adoption is permitted. Entities electing to apply the guidance should do so (i) as of the beginning of the period of adoption or (ii) retrospectively to each period in which the effect of the change in the U.S. federal corporate income tax rate is recognized.

The Company elected to early adopt this amendment effective January 1, 2018 (for the reporting period ending on March 31, 2018). Upon adoption, $37.9 million, representing the income tax effects of the Act as well as the indirect impacts from the decreased federal tax effect on future state tax benefits, was reclassified from AOCL to retained earnings. The reclassification adjustment, which related to: (i) the net actuarial loss on defined benefit pension and postretirement plans; (ii) the net unrealized loss on debt securities available-for-sale and debt securities transferred to held-to-maturity; and (iii) the net unrealized loss on derivatives accounted for as cash flow hedges, served to increase regulatory capital by $37.9 million, which resulted in an approximate 11 basis point increase in the risk-based capital ratios of both the Company and the Bank.

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, including available-for-sale debt securities and purchased financial assets with credit deterioration. 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 an other-than-temporary impairment has been recognized before the effective date and purchased financial assets with credit deterioration), a prospective transition approach is required. For public business entities, this new amendment is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019 (January 1, 2020 for People s United) and earlier application is permitted as of the beginning of an interim or annual reporting period beginning after December 15, 2018.

People s United Financial, Inc.

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While early adoption is permitted, the Company does not expect to elect that option. In preparing for adoption, the Company has established a cross-functional working group comprised of individuals from various disciplines, including credit, risk management, information technology and finance. That working group, which is subject to the Company s established corporate governance and oversight structure, is responsible for: (i) identifying key interpretative issues; (ii) determining the appropriate level of portfolio segmentation; (iii) reviewing historical data so as to identify potential data and resource gaps; and (iv) evaluating existing credit loss forecasting models and processes in order to determine what modifications may be required. To date, the working group s efforts have largely been focused on: (i) establishing the Company s portfolio segmentation; (ii) fulfilling the data requirements of the standard according to the established portfolio segmentation; and (iii) purchasing and installing a third-party vendor solution that will aid in the application of the standard. The working group expects to spend a considerable amount of time on model selection and development throughout 2018 which will include an assessment of how existing credit models used to comply with other regulatory requirements may be leveraged.

As a result of the required change in approach toward determining estimated credit losses from the current incurred loss model to one based on estimated cash flows over a loan s contractual life, adjusted for prepayments (a life of loan model), the Company expects the new guidance will result in an increase in the allowance for loan losses, particularly for longer duration portfolios. The Company also expects the new guidance may result in an allowance for debt securities. In both cases, the extent of the change is indeterminable at this time as it will be dependent upon portfolio composition and credit quality at the adoption date, as well as economic conditions and forecasts at that time. To date, no formal guidance has been issued by either the Company s or the Bank s primary regulators with respect to how the impact of the amended standard is to be treated for regulatory capital purposes. However, in April 2018, the federal banking agencies issued a proposal for public comment which would serve to revise the regulatory capital rules to, among other things, provide banks an option to phase-in, over three years, the regulatory capital effects of the standard.

Simplifying the Test for Goodwill Impairment

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

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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 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; and (10) changes in regulation resulting from or relating to financial reform legislation.

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.

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Selected Consolidated Financial Information

(dollars in millions, except per common share data)	Three Months Ended March 31, 2018	Three Months Ended Dec. 31, 2017	Three Months Ended March 31, 2017
Earnings Data:			
Net interest income (fully taxable equivalent)	$ 302.1	$ 304.1	$ 258.1
Net interest income	295.8	292.3	248.6
Provision for loan losses	5.4	7.5	4.4
Non-interest income (1)	90.4	87.3	84.7
Non-interest expense (1)	243.5	239.7	226.1
Income before income tax expense	137.3	132.4	102.8
Net income	107.9	106.2	70.8
Net income available to common shareholders (1)	104.4	102.7	67.3
Selected Statistical Data:			
Net interest margin (2)	3.05%	3.07%	2.82%
Return on average assets (1),(2)	0.98	0.96	0.70
Return on average common equity (2)	7.5	7.4	5.5
Return on average tangible common equity (1),(2)	13.8	13.8	9.6
Efficiency ratio (1)	59.4	56.1	59.4
Common Share Data:			
Earnings per common share:			
Basic	$ 0.31	$ 0.30	$ 0.22
Diluted (1)	0.30	0.30	0.22
Dividends paid per common share	0.1725	0.1725	0.17
Common dividend payout ratio (1)	56.3%	57.1%	78.3%
Book value per common share (end of period)	$ 16.43	$ 16.40	$ 15.94
Tangible book value per common share (end of period) (1)	8.93	8.87	9.07
Stock price:			
High	20.26	19.50	19.85
Low	18.18	17.58	17.47
Close (end of period)	18.66	18.70	18.20

(1) See Non-GAAP Financial Measures and Reconciliation to GAAP.
(2) Annualized.

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	As of and for the Three Months Ended				
(dollars in millions)	March 31, 2018	Dec. 31, 2017	Sept. 30, 2017	June 30, 2017	March 31, 2017
Financial Condition Data:					
Total assets	$ 44,101	$ 44,453	$ 43,998	$ 43,023	$ 40,230
Loans	32,104	32,575	32,384	31,611	29,687
Securities	7,173	7,043	6,914	6,880	6,424
Short-term investments	470	378	303	216	392
Allowance for loan losses	235	234	233	232	231
Goodwill and other acquisition-related intangible assets	2,555	2,560	2,568	2,426	2,136
Deposits	32,894	33,056	32,547	31,815	30,506
Borrowings	3,877	4,104	4,144	4,084	3,183
Notes and debentures	892	902	906	907	904
Stockholders equity	5,845	5,820	5,746	5,704	5,195
Total risk-weighted assets:					
People s United	32,833	33,256	32,029	32,095	30,229
People s United Bank, National Association	32,784	33,202	32,981	32,050	30,202
Non-performing assets (1)	174	168	191	198	183
Net loan charge-offs	4.5	6.5	5.2	6.8	2.4
Average Balances:					
Loans	$ 32,096	$ 32,271	$ 31,994	$ 31,400	$ 29,355
Securities (2)	7,186	7,023	6,559	6,728	6,831
Short-term investments	366	361	347	355	371
Total earning assets	39,648	39,654	38,900	38,483	36,557
Total assets	44,011	44,039	43,256	42,666	40,317
Deposits	32,824	32,879	32,065	32,024	29,923
Borrowings	3,752	3,836	4,010	3,498	3,709
Notes and debentures	895	904	909	907	966
Total funding liabilities	37,471	37,619	36,984	36,429	34,598
Stockholders equity	5,820	5,774	5,722	5,696	5,166
Ratios:					
Net loan charge-offs to average total loans (annualized)	0.06%	0.08%	0.06%	0.09%	0.03%
Non-performing assets to originated loans, real estate owned and repossessed assets (1)	0.58	0.56	0.64	0.67	0.63
Originated allowance for loan losses to:					
Originated loans (1)	0.78	0.77	0.77	0.77	0.77
Originated non-performing loans (1)	149.3	155.2	131.6	128.1	140.9
Average stockholders equity to average total assets	13.2	13.1	13.2	13.4	12.8
Stockholders equity to total assets	13.3	13.1	13.1	13.3	12.9
Tangible common equity to tangible assets (3)	7.3	7.2	7.1	7.5	7.4
Total risk-based capital:					
People s United	12.6	12.2	12.0	12.6	12.7
People s United Bank, National Association	12.9	12.6	12.6	13.3	13.4

(1) Excludes acquired loans.
(2) Average balances for securities are based on amortized cost.
(3) See Non-GAAP Financial Measures and Reconciliation to GAAP.

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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) writedowns 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.

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.

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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 March 31, 2018	Dec. 31, 2017	March 31, 2017
Total non-interest expense	$ 243.5	$ 239.7	$ 226.1
Adjustments to arrive at operating non-interest expense:			
Merger-related expenses		(1.6)	(1.2)
Total		(1.6)	(1.2)
Operating non-interest expense	243.5	238.1	224.9
Operating lease expense	(9.0)	(8.9)	(8.8)
Amortization of other acquisition-related intangible assets	(5.1)	(7.9)	(6.3)
Other (1)	(1.3)	(1.4)	(1.8)
Total non-interest expense for efficiency ratio	$ 228.1	$ 219.9	$ 208.0
Net interest income (FTE basis)	$ 302.1	$ 304.1	$ 258.1
Total non-interest income	90.4	87.3	84.7
Total revenues	392.5	391.4	342.8
Adjustments:			
Operating lease expense	(9.0)	(8.9)	(8.8)
BOLI FTE adjustment	0.4	0.8	0.4
Net security (gains) losses	(0.1)	9.8	15.7
Other (2)		(1.3)	0.2
Total revenues for efficiency ratio	$ 383.8	$ 391.8	$ 350.3
Efficiency ratio	59.4%	56.1%	59.4%

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

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

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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 March 31, 2018	Dec. 31, 2017	March 31, 2017
Net income available to common shareholders	$ 104.4	$ 102.7	$ 67.3
Adjustments to arrive at operating earnings:			
Merger-related expenses		1.6	1.2
Security losses associated with tax reform (1)		10.0	
Total pre-tax adjustments		11.6	1.2
Tax effect (2)		(9.8)	(0.4)
Total adjustments, net of tax		1.8	0.8
Operating earnings	$ 104.4	$ 104.5	$ 68.1
Diluted EPS, as reported	$ 0.30	$ 0.30	$ 0.22
Adjustments to arrive at operating EPS:			
Merger-related expenses		0.01	
Security losses associated with tax reform		0.02	
Tax benefit associated with tax reform		(0.02)	
Total adjustments per common share		0.01	
Operating EPS	$ 0.30	$ 0.31	$ 0.22
Average total assets	$ 44,011	$ 44,039	$ 40,317
Operating return on average assets (annualized)	0.95%	0.95%	0.68%

(1) Security losses incurred as a tax planning strategy in response to tax reform enacted on December 22, 2017 are considered non-operating.
(2) Includes a $6.5 million benefit realized in connection with tax reform enacted on December 22, 2017.

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

	March 31, 2018	Dec. 31, 2017	March 31, 2017
Operating earnings	$ 104.4	$ 104.5	$ 68.1
Average stockholders equity	$ 5,820	$ 5,774	$ 5,166
Less: Average preferred stock	244	244	244
Average common equity	5,576	5,530	4,922
Less: Average goodwill and average other acquisition-related intangible assets	2,558	2,564	2,134
Average tangible common equity	$ 3,018	$ 2,966	$ 2,788
Operating return on average tangible common equity (annualized)	13.8%	14.1%	9.8%

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(dollars in millions)	Three Months Ended March 31, 2018	Dec. 31, 2017	March 31, 2017
Common dividends paid	$ 58.8	$ 58.6	$ 52.7
Operating earnings	$ 104.4	$ 104.5	$ 68.1
Operating common dividend payout ratio	56.3%	56.1%	77.3%

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)	March 31, 2018	Dec. 31, 2017	Sept. 30, 2017	June 30, 2017	March 31, 2017
Total stockholders equity	$ 5,845	$ 5,820	$ 5,746	$ 5,704	$ 5,195
Less: Preferred stock	244	244	244	244	244
Common equity	5,601	5,576	5,502	5,460	4,951
Less: Goodwill and other acquisition-related intangible assets	2,555	2,560	2,568	2,426	2,136
Tangible common equity	$ 3,046	$ 3,016	$ 2,934	$ 3,034	$ 2,815
Total assets	$ 44,101	$ 44,453	$ 43,998	$ 43,023	$ 40,230
Less: Goodwill and other acquisition-related intangible assets	2,555	2,560	2,568	2,426	2,136
Tangible assets	$ 41,546	$ 41,893	$ 41,430	$ 40,597	$ 38,094
Tangible common equity ratio	7.3%	7.2%	7.1%	7.5%	7.4%

(in millions, except per common share data)	March 31, 2018	Dec. 31, 2017	Sept. 30, 2017	June 30, 2017	March 31, 2017
Tangible common equity	$ 3,046	$ 3,016	$ 2,934	$ 3,034	$ 2,815
Common shares issued	436.56	435.64	433.59	433.34	406.43
Less: Common shares classified as treasury shares	89.02	89.04	89.04	89.04	89.04
Unallocated ESOP common shares	6.53	6.62	6.71	6.79	6.88
Common shares	341.01	339.98	337.84	337.51	310.51

Tangible book value per common share	$ 8.93	$ 8.87	$ 8.68	$ 8.99	$ 9.07

Financial Overview

People s United reported net income of $107.9 million, or $0.30 per diluted common share, for the three months ended March 31, 2018, compared to $70.8 million, or $0.22 per diluted common share, for the year-ago period. Compared to the year-ago period, first quarter 2018 earnings reflect the benefits from recent acquisitions, continued loan and deposit growth, and meaningful cost control. People s United s return on average assets was 0.98% for the three months ended March 31, 2018 compared to 0.70% for the year-ago period. Return on average tangible common equity was 13.8% for the three months ended March 31, 2018 compared to 9.6% for the year-ago period. Compared to the first quarter of 2017, FTE net interest income increased $44.0 million to $302.1 million and the net interest margin increased 23 basis points to 3.05% (see Net Interest Income).

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Average total earning assets increased $3.1 billion compared to the first quarter of 2017, reflecting increases of $2.7 billion in average total loans and $355 million in average securities. Average total funding liabilities increased $2.9 billion compared to the year-ago quarter, reflecting a $2.9 billion increase in average total deposits.

Compared to the year-ago quarter, total non-interest income increased $5.7 million and total non-interest expense increased $17.4 million. The efficiency ratio was 59.4% for both the first quarter of 2018 and the year-ago period (see Non-Interest Income and Non-Interest Expense).

The provision for loan losses in the first quarter of 2018 totaled $5.4 million compared to $4.4 million in the year-ago period. Net loan charge-offs as a percentage of average total loans on an annualized basis were 0.06% in the first quarter of 2018 compared to 0.03% in the year-ago quarter. The allowance for loan losses on originated loans was $231.3 million at March 31, 2018, a $0.5 million increase from December 31, 2017. The allowance for loan losses on acquired loans was $4.0 million at March 31, 2018, a $0.4 million increase from December 31, 2017. Non-performing assets (excluding acquired non-performing loans) totaled $174.0 million at March 31, 2018, a $5.9 million increase from December 31, 2017. At March 31, 2018, the originated allowance for loan losses as a percentage of originated loans was 0.78% and as a percentage of originated non-performing loans was 149.3%, compared to 0.77% and 155.2%, respectively, at December 31, 2017 (see Asset Quality).

People s United s total stockholders equity was $5.8 billion at both March 31, 2018 and December 31, 2017. Stockholders equity as a percentage of total assets was 13.3% at March 31, 2018 compared to 13.1% at December 31, 2017. Tangible common equity as a percentage of tangible assets was 7.3% at March 31, 2018 compared to 7.2% at December 31, 2017 (see Stockholders Equity and Dividends). People s United s and People s United Bank, National Association s (the Bank) Total risk-based capital ratios were 12.6% and 12.9%, respectively, at March 31, 2018, compared to 12.2% and 12.6%, respectively, at December 31, 2017 (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.

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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 loan 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 loan 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 more effectively assess the longer-term profitability of an operating segment, it may result in a measure of an operating segment s provision for loan losses that does not reflect actual incurred losses for the periods presented.

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 two-step impairment test. In conducting its 2017 goodwill impairment evaluation (as of the annual October 1st evaluation date), People s United elected to perform this optional qualitative assessment for both the Commercial Banking and Retail Banking reporting units and, upon doing so, concluded that performance of the two-step impairment test was not required. The two-step impairment test was elected for purposes of the 2017 goodwill impairment evaluation for the Wealth Management reporting unit as a result of the acquisition of Gerstein, Fisher & Associates, Inc., which occurred subsequent to performance of the Company s 2016 impairment analysis.

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When performed, the goodwill impairment analysis is a two-step test. The first step (Step 1) 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 indicator of potential impairment is deemed to exist and a second step is performed to measure the amount of such impairment, if any. At this time, none of the Company s identified reporting units are at risk of failing the Step 1 goodwill impairment test. See Note 13 to the Consolidated Financial Statements for a further discussion regarding the assessment of goodwill impairment.

Segment Performance Summary

Three months ended March 31, 2018 (in millions)	Commercial Banking	Retail Banking	Total Reportable Segments	Treasury	Other	Total Consolidated
Net interest income (loss)	$ 168.0	$ 106.8	$ 274.8	$ 25.8	$ (4.8)	$ 295.8
Provision for loan losses	9.2	2.2	11.4		(6.0)	5.4
Total non-interest income	43.2	45.3	88.5	2.2	(0.3)	90.4
Total non-interest expense	95.8	139.3	235.1	4.8	3.6	243.5
Income (loss) before income tax expense (benefit)	106.2	10.6	116.8	23.2	(2.7)	137.3
Income tax expense (benefit)	22.7	2.3	25.0	5.0	(0.6)	29.4
Net income (loss)	$ 83.5	$ 8.3	$ 91.8	$ 18.2	$ (2.1)	$ 107.9
Average total assets	$ 25,462.1	$ 9,766.9	$ 35,229.0	$ 7,897.8	$ 884.5	$ 44,011.3
Average total liabilities	9,321.7	20,126.6	29,448.3	8,370.9	371.6	38,190.8

Three months ended March 31, 2017 (in millions)	Commercial Banking	Retail Banking	Total Reportable Segments	Treasury	Other	Total Consolidated
Net interest income (loss)	$ 140.1	$ 91.2	$ 231.3	$ 26.4	$ (9.1)	$ 248.6
Provision for loan losses	9.6	3.2	12.8		(8.4)	4.4
Total non-interest income	39.7	43.4	83.1	1.5	0.1	84.7
Total non-interest expense	84.5	132.7	217.2	4.2	4.7	226.1
Income (loss) before income tax expense (benefit)	85.7	(1.3)	84.4	23.7	(5.3)	102.8
Income tax expense (benefit)	26.7	(0.4)	26.3	7.4	(1.7)	32.0
Net income (loss)	$ 59.0	$ (0.9)	$ 58.1	$ 16.3	$ (3.6)	$ 70.8
Average total assets	$ 22,581.1	$ 9,420.8	$ 32,001.9	$ 7,522.0	$ 793.4	$ 40,317.3

Average total liabilities	7,159.8	19,095.5	26,255.3	8,499.4	396.7	35,151.4

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Commercial Banking consists principally of commercial real estate lending, commercial and industrial lending, and commercial deposit gathering activities. This segment also includes equipment financing operations, as well as cash management, correspondent banking, municipal banking, institutional trust services, corporate trust, insurance services provided through People s United Insurance Agency, Inc. and private banking.

(in millions)	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017
Net interest income	$ 168.0	$ 140.1
Provision for loan losses	9.2	9.6
Total non-interest income	43.2	39.7
Total non-interest expense	95.8	84.5
Income before income tax expense	106.2	85.7
Income tax expense	22.7	26.7
Net income	$ 83.5	$ 59.0
Average total assets	$ 25,462.1	$ 22,581.1
Average total liabilities	9,321.7	7,159.8

Commercial Banking net income increased $24.5 million for the three months ended March 31, 2018 compared to the year-ago period, reflecting increases in net interest income and non-interest income, partially offset by an increase in non-interest expense. The $27.9 million increase in net interest income primarily reflects the benefits from an increase in average commercial loans and leases as well as new business yields higher than the total portfolio yield, partially offset by the adverse effect of increases in net FTP funding charges and interest expense. Non-interest income for the three months ended March 31, 2018 increased $3.5 million compared to the year-ago period, primarily reflecting increases in commercial banking lending fees and investment management fees, partially offset by a decrease in net customer interest rate swap income. The $11.3 million increase in non-interest expense in the first quarter of 2018 compared to the year-ago period reflects higher levels of both direct and allocated expenses. Compared to the first quarter of 2017, average total assets increased $2.9 billion and average total liabilities increased $2.2 billion, reflecting the Suffolk Bancorp (Suffolk) and LEAF Commercial Capital, Inc. (LEAF) acquisitions, as well as organic loan and deposit growth.

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Retail Banking includes, as its principal business lines, consumer lending (including residential mortgage and home equity lending) and consumer deposit gathering activities. This segment also includes brokerage, financial advisory services, investment management services and life insurance provided by People s Securities, Inc. and non-institutional trust services.

	Three Months Ended March 31,	
(in millions)	2018	2017
Net interest income	$ 106.8	$ 91.2
Provision for loan losses	2.2	3.2
Total non-interest income	45.3	43.4
Total non-interest expense	139.3	132.7
Income (loss) before income tax expense (benefit)	10.6	(1.3)
Income tax expense (benefit)	2.3	(0.4)
Net income (loss)	$ 8.3	$ (0.9)
Average total assets	$ 9,766.9	$ 9,420.8
Average total liabilities	20,126.6	19,095.5

Retail Banking net income in the first quarter of 2018 compared to a net loss in the first quarter of 2017 reflects increases in net interest income and non-interest income, partially offset by an increase in non-interest expense. The $15.6 million increase in net interest income primarily reflects the benefits from higher net FTP funding credits, an increase in average residential mortgage loans as well as new business yields higher than the total portfolio yield, partially offset by an increase in interest expense. Non-interest income increased $1.9 million compared to the year-ago period, primarily reflecting an increase in investment management fees. The $6.6 million increase in non-interest expense in the first quarter of 2018 compared to the year-ago period reflects higher levels of both direct and allocated expenses. Compared to the first quarter of 2017, average total assets increased $346 million and average total liabilities increased $1.0 billion, reflecting the Suffolk acquisition and organic loan and deposit growth.

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 consumer deposits, and sells funds to asset-generating business lines, such as commercial lending. The price at which funds are bought and sold on any given day is set by People s 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 March 31,	
(in millions)	2018	2017
Net interest income	$ 25.8	$ 26.4
Total non-interest income	2.2	1.5
Total non-interest expense	4.8	4.2
Income before income tax expense	23.2	23.7
Income tax expense	5.0	7.4
Net income	$ 18.2	$ 16.3
Average total assets	$ 7,897.8	$ 7,522.0
Average total liabilities	8,370.9	8,499.4

Treasury net income for the three months ended March 31, 2018 increased $1.9 million compared to the year-ago period, reflecting an increase in non-interest income, partially offset by a decrease in net interest income and an increase in non-interest expense. The decrease in net interest income primarily reflects an increase in interest expense and the unfavorable impact of tax reform on the Company s municipal bond holdings, which resulted in a lower FTE adjustment, partially offset by the benefits from an increase in securities income and higher net FTP funding credits. Non-interest income includes BOLI death benefits received of $0.3 million for the three months ended March 31, 2018. The increase in non-interest expense in the first quarter of 2018 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 first quarter of 2017, average total assets increased $376 million, primarily reflecting an increase in average securities, and average total liabilities decreased $129 million, reflecting decreases in borrowings and notes and debentures, partially offset by an increase in deposits.

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Other includes the residual financial impact from the allocation of revenues and expenses (including the provision for loan 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. Included in non-interest expense in the first quarter of 2017 are merger-related expenses totaling $1.2 million.

	Three Months Ended March 31,	
(in millions)	2018	2017
Net interest loss	$ (4.8)	$ (9.1)
Provision for loan losses	(6.0)	(8.4)
Total non-interest income	(0.3)	0.1
Total non-interest expense	3.6	4.7
Loss before income tax benefit	(2.7)	(5.3)
Income tax benefit	(0.6)	(1.7)
Net loss	$ (2.1)	$ (3.6)
Average total assets	$ 884.5	$ 793.4
Average total liabilities	371.6	396.7

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 response to continued signs of a moderately expanding U.S. economy, the Federal Reserve Board raised the target range for the federal funds rate by 25 basis points to between 1.50% and 1.75% in March 2018 after raising the target range three times during 2017 by a total of 75 basis points. For the first quarter of 2018, the average effective federal funds rate was 1.45%.

The net interest margin was 3.05% in the first quarter of 2018, compared to 3.07% in the fourth quarter of 2017 and 2.82% in the first quarter of 2017. The decline in the net interest margin from the fourth quarter of 2017 primarily reflects the unfavorable impact of tax reform on the Company s municipal bond holdings and tax-preferenced items in the commercial banking loan portfolio, as well as two fewer calendar days in the first quarter of 2018. These declines were partially offset by higher yields on new loan originations and the upward repricing of floating-rate loans.

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First Quarter 2018 Compared to First Quarter 2017

FTE net interest income increased $44.0 million compared to the first quarter of 2017, reflecting a $65.4 million increase in total interest and dividend income, partially offset by a $21.4 million increase in total interest expense, and the net interest margin increased 23 basis points to 3.05%.

Average total earning assets were $39.6 billion in the first quarter of 2018, a $3.1 billion increase from the first quarter of 2017, reflecting increases of $2.7 billion in average total loans and $355 million in average securities. The average total commercial and residential mortgage loan portfolios increased $2.3 billion and $462 million, respectively, compared to the year-ago period, reflecting organic growth and loans acquired in the Suffolk and LEAF acquisitions, and the average home equity loan portfolio decreased $69 million. Average total loans, average securities and average short-term investments comprised 81%, 18% and 1%, respectively, of average total earning assets in the first quarter of 2018, compared to 80%, 19% and 1%, respectively, in the first quarter of 2017. In the current quarter, the yield earned on the total loan portfolio was 3.94% and the yield earned on securities and short-term investments was 2.61%, compared to 3.49% and 2.44%, respectively, in the year-ago period. At both March 31, 2018 and December 31, 2017, approximately 43% of the Company s loan portfolio was comprised of Prime Rate and one-month Libor-based loans.

Average total funding liabilities were $37.5 billion in the first quarter of 2018, a $2.9 billion increase from the year-ago period, reflecting a $2.9 billion increase in average total deposits. The increase in average total deposits reflects organic growth, deposits acquired in the Suffolk acquisition and a $167 million increase in average brokered deposits. Excluding brokered deposits, average non-interest-bearing deposits, average savings, interest-bearing checking and money market deposits, and average time deposits increased $1.4 billion, $794 million and $578 million, respectively. Average total deposits comprised 88% and 86% of average total funding liabilities in the first quarters of 2018 and 2017, respectively.

The 20 basis point increase to 0.68% in the rate paid on average total funding liabilities in the first quarter of 2018 compared to 2017 primarily reflects the increases in the target federal funds rate discussed above. The rate paid on average total deposits increased 14 basis points, reflecting increases of 29 basis points in time deposits and 16 basis points in savings, interest-bearing checking and money market deposits, partially offset by the benefit from a $1.4 billion increase in non-interest-bearing deposits. Average savings, interest-bearing checking and money market deposits and average time deposits comprised 60% and 16%, respectively, of average total deposits in the first quarter of 2018 compared to 63% and 15%, respectively, in the comparable 2017 period.

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First Quarter 2018 Compared to Fourth Quarter 2017

FTE net interest income decreased $2.0 million compared to the fourth quarter of 2017, reflecting a $3.0 million increase in total interest and dividend income, which was more than offset by a $5.0 million increase in total interest expense, as the FTE adjustment was $6.3 million in the first quarter of 2018 compared to $11.8 million the fourth quarter of 2017, and the net interest margin decreased two basis points to 3.05%. Excluding the unfavorable impact of tax reform on the Company s municipal bond holdings and tax-preferenced items in the commercial banking loan portfolio, the net interest margin would have increased four basis points from the fourth quarter of 2017. The net interest margin reflects (i) higher yields on the loan portfolio, which benefited the net interest margin by ten basis points and (ii) higher rates on borrowings and deposits, two fewer calendar days in the first quarter of 2018 and lower yields on the securities portfolio, which reduced the net interest margin by six, four and two basis points, respectively.

Average total earning assets decreased $6 million from the fourth quarter of 2017, reflecting a $175 million decrease in average total loans, partially offset by a $163 million increase in average securities. In the first quarter of 2018, the average total commercial loan portfolio decreased $162 million, primarily reflecting a $167 million decrease in average commercial real estate loans.

Average total funding liabilities decreased $148 million from the fourth quarter of 2017, reflecting decreases of $84 million in average total borrowings and $55 million in average total deposits. Organic deposit growth in the first quarter of 2018 was more than offset by a $75 million decrease in average brokered deposits.

The following table presents average balance sheets, FTE-basis interest income, interest expense and the corresponding average yields earned and rates paid for the three months ended March 31, 2018, December 31, 2017 and March 31, 2017. The average balances are principally daily averages and, for loans, include both performing and non-performing balances. Interest income on loans includes the effect of deferred loan fees and costs accounted for as yield adjustments, but does not include interest on loans for which People s United has ceased to accrue interest. Premium amortization and discount accretion (including amounts attributable to purchase accounting adjustments) are also included in the respective interest income and interest expense amounts. The impact of People s United s use of derivative instruments in managing IRR is also reflected in the table, classified according to the instrument hedged and the related risk management objective.

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

Three months ended	March 31, 2018			December 31, 2017			March 31, 2017		
(dollars in millions)	Average Balance	Interest	Yield/ Rate	Average Balance	Interest	Yield/ Rate	Average Balance	Interest	Yield/ Rate
Assets:									
Short-term investments	$ 366.4	$ 1.2	1.35%	$ 360.7	$ 1.0	1.16%	$ 370.5	$ 0.7	0.81%
Securities (2)	7,186.1	48.0	2.67	7,022.6	49.2	2.80	6,831.4	43.2	2.53
Loans:									
Commercial real estate	10,934.2	107.0	3.91	11,101.5	106.2	3.83	10,189.7	88.6	3.48
Commercial and industrial	8,418.6	84.6	4.02	8,533.3	84.3	3.95	7,704.4	67.9	3.53
Equipment financing	3,870.6	48.9	5.06	3,750.4	47.4	5.05	2,980.8	31.6	4.24
Residential mortgage	6,837.1	54.9	3.21	6,806.5	53.6	3.15	6,374.8	49.6	3.11
Home equity and other consumer	2,035.0	20.8	4.09	2,079.0	20.7	3.99	2,105.4	18.4	3.50
Total loans	32,095.5	316.2	3.94	32,270.7	312.2	3.87	29,355.1	256.1	3.49
Total earning assets	39,648.0	$ 365.4	3.69%	39,654.0	$ 362.4	3.66%	36,557.0	$ 300.0	3.28%
Other assets	4,363.3			4,384.6			3,760.3		
Total assets	$ 44,011.3			$ 44,038.6			$ 40,317.3		
Liabilities and stockholders equity:									
Deposits:									
Non-interest-bearing	$ 7,796.7	$	%	$ 7,855.0	$	%	$ 6,435.0	$	%
Savings, interest-bearing checking and money market	19,642.6	24.9	0.51	19,605.7	22.7	0.46	18,907.9	16.4	0.35
Time	5,384.5	16.4	1.22	5,417.8	15.6	1.15	4,580.3	10.7	0.93
Total deposits	32,823.8	41.3	0.50	32,878.5	38.3	0.47	29,923.2	27.1	0.36
Borrowings:									
Federal Home Loan Bank advances	2,677.1	10.9	1.63	2,616.7	9.2	1.40	2,711.9	5.8	0.86
Federal funds purchased	608.3	2.3	1.53	690.5	2.3	1.32	607.5	1.2	0.78
Customer repurchase agreements	262.6	0.1	0.18	309.2	0.1	0.19	309.5	0.1	0.19
Other borrowings	203.7	0.9	1.65	219.4	0.8	1.46	79.9	0.2	0.78
Total borrowings	3,751.7	14.2	1.51	3,835.8	12.4	1.29	3,708.8	7.3	0.79

Notes and debentures	895.2	7.8	3.48	904.4	7.6	3.36	965.8	7.5	3.10
Total funding liabilities	37,470.7	$ 63.3	0.68%	37,618.7	$ 58.3	0.62%	34,597.8	$ 41.9	0.48%
Other liabilities	720.1			645.9			553.6		
Total liabilities	38,190.8			38,264.6			35,151.4		
Stockholders equity	5,820.5			5,774.0			5,165.9		
Total liabilities and stockholders equity	$ 44,011.3			$ 44,038.6			$ 40,317.3		
Net interest income/spread (3)		$ 302.1	3.01%		$ 304.1	3.04%		$ 258.1	2.80%
Net interest margin			3.05%			3.07%			2.82%

(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 $6.3 million, $11.8 million and $9.5 million for the three months ended March 31, 2018, December 31, 2017 and March 31, 2017, respectively.

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Volume and Rate Analysis

The following table shows the extent to which changes in interest rates and changes in the volume of average total earning assets and average interest-bearing liabilities have affected People s United 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 March 31, 2018 Compared To					
	March 31, 2017			December 31, 2017		
	Increase (Decrease)			Increase (Decrease)		
(in millions)	Volume	Rate	Total	Volume	Rate	Total
Interest and dividend income:						
Short-term investments	$	$ 0.5	$ 0.5	$	$ 0.2	$ 0.2
Securities	2.3	2.5	4.8	1.1	(2.3)	(1.2)
Loans:						
Commercial real estate	6.8	11.6	18.4	(1.6)	2.4	0.8
Commercial and industrial	6.7	10.0	16.7	(1.1)	1.4	0.3
Equipment financing	10.5	6.8	17.3	1.5		1.5
Residential mortgage	3.6	1.7	5.3	0.2	1.1	1.3
Home equity and other consumer	(0.6)	3.0	2.4	(0.4)	0.5	0.1
Total loans	27.0	33.1	60.1	(1.4)	5.4	4.0
Total change in interest and dividend income	29.3	36.1	65.4	(0.3)	3.3	3.0
Interest expense:						
Deposits:						
Savings, interest-bearing checking and money market	0.7	7.8	8.5		2.2	2.2
Time	2.1	3.6	5.7	(0.1)	0.9	0.8
Total deposits	2.8	11.4	14.2	(0.1)	3.1	3.0
Borrowings:						
Federal Home Loan Bank advances	(0.1)	5.2	5.1	0.2	1.5	1.7
Federal funds purchased						
Customer repurchase agreements		1.1	1.1	(0.3)	0.3	
Other borrowings	0.4	0.3	0.7		0.1	0.1
Total borrowings	0.3	6.6	6.9	(0.1)	1.9	1.8
Notes and debentures	(0.6)	0.9	0.3	(0.1)	0.3	0.2
Total change in interest expense	2.5	18.9	21.4	(0.3)	5.3	5.0

Change in net interest income	$ 26.8	$ 17.2	$ 44.0	$	$ (2.0)	$ (2.0)

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Non-Interest Income

	Three Months Ended		
(in millions)	March 31, 2018	Dec. 31, 2017	March 31, 2017
Bank service charges	$ 23.8	$ 24.7	$ 23.5
Investment management fees	17.7	17.3	16.0
Operating lease income	10.7	11.7	10.2
Commercial banking lending fees	10.4	8.8	8.2
Insurance revenue	9.8	6.9	9.1
Cash management fees	6.6	6.5	6.3
Brokerage commissions	3.1	2.9	3.0
Net security gains (losses)	0.1	(9.8)	(15.7)
Other non-interest income:			
BOLI	1.6	1.5	0.8
Customer interest rate swap income, net	1.5	5.2	2.8
Net gains on sales of residential mortgage loans	0.3	0.5	0.9
Net gains on sales of acquired loans		2.6	
Other	4.8	8.5	19.6
Total other non-interest income	8.2	18.3	24.1
Total non-interest income	$ 90.4	$ 87.3	$ 84.7

Total non-interest income in the first quarter of 2018 increased $5.7 million compared to the first quarter of 2017 and $3.1 million compared to the fourth quarter of 2017. The increase in non-interest income in the first quarter of 2018 compared to the year-ago period primarily reflects increases in commercial banking lending fees and investment management fees as well as net security losses recorded in the first quarter of 2017, partially offset by a decrease in other non-interest income (discussed below). The increase in non-interest income compared to the fourth quarter of 2017 primarily reflects increases in insurance revenue and commercial banking lending fees as well as net security losses recorded in the fourth quarter of 2017, partially offset by decreases in net customer interest rate swap income and operating lease income.

The improvement in investment management fees compared to both the first and fourth quarters of 2017 primarily reflects the continued benefits from new revenue initiatives, additional personnel in our key markets and a broader suite of product offerings. At March 31, 2018, assets under administration, which are not reported as assets of People s United, totaled $23.6 billion, of which $9.0 billion are under discretionary management, compared to $23.8 billion and $9.1 billion, respectively, at December 31, 2017.

The increase in insurance revenue from the fourth quarter of 2017 primarily reflects the seasonality of commercial insurance renewals. The increase in commercial banking lending fees compared to both the first and fourth quarters of 2017 primarily reflects the higher level of prepayment fees collected in the first quarter of 2018.

The decrease in net customer interest rate swap income in the first quarter of 2018 compared to the fourth quarter of 2017 reflects fewer swap transactions. The decrease in net gains on sales of residential mortgage loans in the first quarter of 2018 compared to the year-ago period reflects a 64% decrease in the volume of residential mortgage loans sold as well as narrower spreads on pricing. Loans held-for-sale at March 31, 2018 consisted of newly-originated residential mortgage loans with a carrying amount of $10.4 million.

On an FTE basis, BOLI income totaled $2.0 million in the first quarter of 2018 compared to $2.3 million in the fourth quarter of 2017 and $1.2 million in the year-ago quarter. BOLI income in the first quarter of 2018 includes death benefits received totaling $0.3 million. The FTE adjustment for BOLI income beginning in 2018 reflects a reduction in the U.S. federal corporate income tax rate from 35% to 21% effective January 1, 2018.

Net security losses in the fourth quarter of 2017 reflect $10.0 million of gross realized losses resulting from the sale of U.S. Treasury and collateralized mortgage obligations ("CMO") securities, with a combined amortized cost of $291.3 million, in response to the tax reform enacted on December 22, 2017. Net security losses in the first quarter of 2017 reflect $15.7 million of gross realized losses resulting from the sale of low-yielding and short-duration U.S. Treasury and CMO securities with a combined amortized cost of $486.9 million.

During the quarter ended March 31, 2017, the Company exchanged its ownership interest in a non-marketable equity security (previously recorded in other assets) for total consideration of $16.3 million, including (i) cash and (ii) common stock in a publicly-traded company with a fair value of approximately $10.8 million at acquisition. Included in other non-interest income is a $16.1 million gain recorded in connection with this transaction.

Non-Interest Expense

	Three Months Ended		
(dollars in millions)	March 31, 2018	Dec. 31, 2017	March 31, 2017
Compensation and benefits	$ 140.7	$ 132.7	$ 127.9
Occupancy and equipment	41.2	41.0	38.6
Professional and outside services	18.6	18.7	15.5
Regulatory assessments	10.6	11.9	9.6
Operating lease expense	9.0	8.9	8.8
Amortization of other acquisition-related intangibles	5.1	7.9	6.3
Other non-interest expense:			
Stationery, printing, postage and telephone	6.0	6.1	5.6
Advertising and promotion	2.6	3.9	2.5
Other	9.7	8.6	11.3
Total other non-interest expense	18.3	18.6	19.4
Total non-interest expense	$ 243.5	$ 239.7	$ 226.1
Efficiency ratio	59.4%	56.1%	59.4%

Total non-interest expense in the first quarter of 2018 increased $17.4 million compared to the first quarter of 2017 and $3.8 million compared to the fourth quarter of 2017. Included in total non-interest expense in both the first and fourth quarters of 2017 are merger-related expenses totaling $1.2 million and $1.6 million, respectively (none in the first quarter of 2018). The higher levels of total non-interest expense in both the first quarter of 2018 and fourth quarter of 2017 compared to the first quarter of 2017 reflects the acquisitions of Suffolk, effective April 1, 2017, and LEAF, effective August 1, 2017.

As compared to the fourth quarter of 2017, the higher efficiency ratio reflects increases in both adjusted total revenues and adjusted total expenses. In addition, the unfavorable impact of tax reform on FTE revenues added approximately

90 basis points to the efficiency ratio in the first quarter of 2018 as a result of a lower FTE adjustment (see Non-GAAP Financial Measures and Reconciliation to GAAP).

In March 2017, the Financial Accounting Standards Board amended its standards to (i) require that the service cost component of net benefit cost associated with pension and postretirement plans be reported in the same line item in which the related employees compensation cost is reported and (ii) specify that only the service cost component is eligible for capitalization. The other components of net benefit cost, which may not be capitalized, are to be presented separately. This amendment, which is being applied retrospectively, became effective for People s United on January 1, 2018. Accordingly, net periodic pension and postretirement benefit expense (income) previously included in compensation and benefits expense are now included in other non-interest expense for all periods presented.

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The year-over-year increase in compensation and benefits primarily reflects Suffolk and LEAF personnel costs in the current period (none in the prior year period), as well as increases in incentive and health care expenses and normal merit increases. Excluding $0.6 million of merger-related expenses included in compensation and benefits in the fourth quarter of 2017, the $8.6 million increase compared to the fourth quarter of 2017 primarily reflects seasonally-higher payroll and benefit-related costs.

The increase in occupancy and equipment expense in the first quarter of 2018 compared to the year-ago period primarily reflects the incremental costs resulting from the acquisitions completed in 2017. Professional and outside services fees include merger-related expenses totaling $0.7 million in the first quarter of 2017 and $1.0 million in the fourth quarter of 2017. Excluding such expenses, the increase in professional and outside services fees in the first quarter of 2018 compared to both periods in 2017 is primarily related to the timing of certain projects.

Regulatory assessments include Federal Deposit Insurance Corporation (FDIC) insurance premiums that are primarily 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 decrease in regulatory assessments compared to the fourth quarter of 2017 primarily reflects a decrease in the Bank s average total assets.

Scheduled amortization expense attributable to other acquisition-related intangible assets for the full-year of 2018 and each of the next five years is as follows: $19.9 million in 2018; $18.4 million in 2019; $16.8 million in 2020; $15.0 million in 2021; $13.5 million in 2022; and $8.5 million in 2023. The decline in amortization of other acquisition-related intangibles expense in the first quarter of 2018 reflects certain core deposit intangible assets that were fully amortized as of December 31, 2017.

Income Taxes

People s United s effective income tax rate was 21.4% for the three months ended March 31, 2018 compared to 27.8% for the full-year of 2017. The Tax Cuts and Jobs Act (the Act) was enacted on December 22, 2017. The most significant provision of the Act applicable to the Company serves to reduce the U.S. federal corporate income tax rate, effective January 1, 2018, from 35% to 21%. People s United s effective income tax rate for the full-year 2018 is expected to be approximately 22%. 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 March 31, 2018 were $44.1 billion, a $353 million decrease from December 31, 2017, primarily reflecting a $471 million decrease in total loans, partially offset by a $130 million increase in total securities. The decrease in total loans from December 31, 2017 to March 31, 2018 reflects decreases of $433 million in commercial loans and $38 million in retail loans. Originated loans decreased $322 million from December 31, 2017 to $29.8 billion (commercial loans decreased $303 million and retail loans decreased $19 million) and acquired loans decreased $149 million. At March 31, 2018, the carrying amount of the acquired loan portfolio was $2.3 billion. The increase in total securities primarily reflects net purchases of government sponsored enterprise mortgage-backed securities and municipal bonds, partially offset by a $49 million increase in the unrealized loss on debt securities available-for-sale.

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Non-performing assets (excluding acquired non-performing loans) totaled $174.0 million at March 31, 2018, a $5.9 million increase from December 31, 2017, primarily reflecting increases in non-performing equipment financing loans of $3.4 million and non-performing residential mortgage loans of $2.7 million, partially offset by a $2.7 million decrease in non-performing commercial real estate loans. At March 31, 2018, acquired non-performing loans totaled $30.1 million compared to $29.7 million at December 31, 2017. The allowance for loan losses totaled $235.3 million ($231.3 million on originated loans and $4.0 million on acquired loans) at March 31, 2018, compared to $234.4 million ($230.8 million on originated loans and $3.6 million on acquired loans) at December 31, 2017. At March 31, 2018, the originated allowance for loan losses as a percentage of originated loans was 0.78% and as a percentage of originated non-performing loans was 149.3%, compared to 0.77% and 155.2%, respectively, at December 31, 2017.

At March 31, 2018, total liabilities were $38.3 billion, a $378 million decrease from December 31, 2017, primarily reflecting decreases of $227 million in total borrowings and $163 million in total deposits.

People s United s total stockholders equity was $5.8 billion at March 31, 2018, a $26 million increase from December 31, 2017. As a percentage of total assets, stockholders equity was 13.3% and 13.1% at March 31, 2018 and December 31, 2017, respectively. Tangible common equity equaled 7.3% of tangible assets at March 31, 2018 compared to 7.2% at December 31, 2017 (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 8.5%, 10.1%, 10.8% and 12.6%, respectively, at March 31, 2018, compared to 8.3%, 9.7%, 10.4% and 12.2%, respectively, at December 31, 2017. The Bank s Tier 1 Leverage capital ratio and its CET 1, Tier 1 and Total risk-based capital ratios were 8.6%, 11.0%, 11.0% and 12.9%, respectively, at March 31, 2018, compared to 8.5%, 10.7%, 10.7% and 12.6%, respectively, at December 31, 2017 (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.

The following tables summarize People s United s loan portfolios:

Commercial Real Estate

(in millions)	March 31, 2018	December 31, 2017
Property Type:		
Residential (multi-family)	$ 3,658.2	$ 3,894.0
Retail	2,934.2	2,901.5
Office buildings	2,090.5	2,142.7
Hospitality/entertainment	644.3	622.6
Industrial/manufacturing	620.0	642.4
Health care	370.1	394.8

Mixed/special use	216.0	205.1
Self storage	176.1	173.0
Land	41.1	44.0
Other	59.9	48.6
Total commercial real estate	$ 10,810.4	$ 11,068.7

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Commercial and Industrial

(in millions)	March 31, 2018	December 31, 2017
Industry:		
Service	$ 1,538.7	$ 1,586.0
Finance and insurance	1,376.9	1,473.1
Manufacturing	1,300.3	1,297.7
Wholesale trade	1,167.7	1,166.9
Real estate, rental and leasing	821.8	819.3
Retail trade	769.2	756.9
Health services	721.7	724.2
Transportation and utility	266.7	296.4
Construction	236.8	248.8
Arts, entertainment and recreation	160.4	146.5
Information and media	104.0	99.2
Public administration	55.0	65.0
Other	54.9	51.1
Total commercial and industrial	$ 8,574.1	$ 8,731.1

Equipment Financing

(in millions)	March 31, 2018	December 31, 2017
Industry:		
Transportation and utilities	$ 1,135.8	$ 1,148.5
Construction	493.3	495.1
Rental and leasing	491.1	505.5
Service	400.5	388.9
Manufacturing	195.5	201.9
Printing	193.2	201.3
Waste management	187.6	191.9
Wholesale trade	187.2	189.1
Health services	167.7	168.0
Packaging	103.4	99.4
Retail trade	83.4	79.6
Mining, oil and gas	52.6	53.4
Other	196.6	182.8
Total equipment financing	$ 3,887.9	$ 3,905.4

Residential Mortgage

(in millions)	March 31, 2018	December 31, 2017
Adjustable-rate	$ 5,920.7	$ 5,926.6
Fixed-rate	913.5	879.1
Total residential mortgage	$ 6,834.2	$ 6,805.7

Home Equity and Other Consumer

(in millions)	March 31 2018	December 31, 2017
Home equity lines of credit	$ 1,728.9	$ 1,796.1
Home equity loans	221.8	219.1
Other	47.1	49.2
Total home equity and other consumer	$ 1,997.8	$ 2,064.4

Asset Quality

Recent Trends

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

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 troubled debt restructurings (TDRs). Purchased credit impaired (PCI) loans (see Note 3 to the Consolidated Financial Statements) that are modified are not considered for TDR classification provided they are evaluated for impairment on a pool basis. 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 March 31, 2018 are $21.0 million of such loans. Of this amount, $15.2 million, or 72%, 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 three months ended March 31, 2018, we performed 16 loan modifications that were not classified as TDRs. The balances of the loans at the time of the respective modifications totaled $14.8 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 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 March 31, 2018, the loan portfolio included $1.2 billion 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 March 31, 2018, non-performing residential mortgage loans totaling $0.4 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 63% and 759, 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 three months ended March 31, 2018, the Company issued seven 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 $0.1 million as of March 31, 2018.

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.

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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 March 31, 2018, the committed amount of HELOCs scheduled to have the draw period end during the years shown:

December 31, (in millions)	Credit Lines
2018	$ 135.1
2019	107.3
2020	172.6
2021	291.5
2022	457.8
2023	492.0
Later years	1,785.1
Total	$ 3,441.4

Approximately 84% 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 March 31, 2018 are as follows:

	Portfolio	Delinquencies	
(dollars in millions)	Balance	Amount	Percent
HELOC status:			
Still in draw period	$ 1,453.0	$ 6.1	0.43%
Amortizing payment	275.9	15.7	5.70

For the three months ended March 31, 2018, 43% 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.

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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 March 31, 2018, full and complete first lien position data was not readily available for 28% 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 March 31, 2018, the portion of the home equity portfolio more than 90 days past due with a CLTV greater than 80% was $5.5 million.

As of March 31, 2018, full and complete first lien position data was readily available for 72%, or $1.4 billion, of the home equity portfolio. Of that total, 39%, or $537.0 million, are in a junior lien position. We estimate that of those junior liens, 35%, or $188.0 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 March 31, 2018, there were 30 loans totaling $2.4 million for which we have received notification that the holder of a superior lien has commenced foreclosure action. For 15 of the loans (totaling $1.3 million), our second lien position was performing at the time such foreclosure action was commenced. The total estimated loss related to those 15 loans was $0.1 million as of March 31, 2018. It is important to note that the percentage of new home equity originations for which we hold the first lien has increased steadily from approximately 40% in 2009 to approximately 60% as of March 31, 2018.

We believe there are several factors that serve to mitigate the potential risk associated with the limitations on available first lien data. Most importantly, our underwriting guidelines for home equity loans, which have been, and continue to be, consistently applied, generally require the following: (i) properties located within our geographic footprint; (ii) lower LTV ratios; and (iii) higher credit scores. Notwithstanding the maximum LTV ratios and minimum FICO scores discussed previously, actual LTV ratios at origination were less than 60% on average and current FICO scores of our borrowers are greater than 750 on average. In addition, as of March 31, 2018, 94% 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 allowance for loan losses for home equity and second mortgage loans as part of the component attributable to historical portfolio loss experience, which considers losses incurred over the most recent 12-month period. While the limitations on available first lien data could impact the accuracy of our loan loss estimates, we believe that our methodology results in an allowance for loan losses that appropriately estimates the inherent probable losses within the portfolio, including those loans originated prior to January 2011 for which certain lien position data is not available.

As of March 31, 2018, the weighted average CLTV ratio and FICO score for the home equity portfolio were 59% and 762, 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 $572.9 million (2% of total loans) at March 31, 2018. The total committed amount at that date, including both the outstanding balance and the unadvanced portion of such loans, was $921.1 million. In some cases, a portion of the total committed amount includes an accompanying interest reserve. At March 31, 2018, construction loans totaling $281.2 million had remaining available interest reserves of $24.9 million. At that date, the Company had no construction loans with interest reserves that were on non-accrual status and included in non-performing loans.

Recent economic conditions have resulted in an increase in the number of extension requests for commercial real estate and construction loans, some of which have 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 $5.1 million of restructured construction loans at March 31, 2018.

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 typically require that the borrower provide additional economic support in the form of partial repayment, additional collateral or guarantees. In cases where the fair value of the collateral or the financial resources of the borrower are deemed insufficient to repay the loan, reliance may be placed on the support of a guarantee, if applicable. However, such guarantees are never considered the sole source of repayment.

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

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

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

Allowance and Provision for Loan Losses

Originated Portfolio

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

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

The Company s allowance for loan losses consists of three elements: (i) an allowance for larger-balance, non-homogeneous loans that are evaluated on an individual (loan-by-loan) basis; (ii) an allowance for smaller-balance, homogeneous loans that are evaluated on a collective basis; and (iii) a specific allowance for loans deemed to be impaired, including loans classified as TDRs.

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

In establishing the allowance for loan losses for larger-balance, non-homogeneous loans, the Company also gives consideration to certain qualitative factors, including the macroeconomic environment and any potential imprecision inherent in its loan loss model that may result from having limited historical loan loss data which, in turn, may result in inaccurate probability of default and loss-given-default estimates. In this manner, historical portfolio experience, as described above, is not adjusted and the allowance for loan losses always includes a component attributable to qualitative factors, the degree of which may change from period to period as such qualitative factors indicate improving or worsening trends. The Company evaluates the qualitative factors on a quarterly basis in order to conclude that they continue to be appropriate. There were no significant changes in our approach to determining the qualitative component of the related allowance for loan losses during the three months ended March 31, 2018.

Smaller-balance, Homogeneous Loans. Pools of smaller-balance, homogeneous loans with similar risk and loss characteristics are also assessed for probable 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, and the establishment of the related allowance for loan losses, is based upon a consideration of (i) historical loss experience over an appropriate look-back period and (ii) certain qualitative factors.

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

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

In establishing the allowance for loan losses for smaller-balance, homogeneous loans, the amount reflecting the Company s consideration of qualitative factors is added to the amount attributable to historical portfolio loss experience. In this manner, historical charge-off data (whether periods or amounts) is not adjusted and the allowance for loan losses always includes a component attributable to qualitative factors, the degree of which may change from period to period as such qualitative factors indicate improving or worsening trends. The Company evaluates the qualitative factors on a quarterly basis in order to conclude that they continue to be appropriate. There were no significant changes in our approach to determining the qualitative component of the related allowance for loan losses during the three months ended March 31, 2018.

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

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

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

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

People s United did not change its methodologies with respect to determining the allowance for loan losses during the first three months of 2018. As part of its ongoing assessment of the allowance for loan losses, People s United regularly makes refinements to certain underlying assumptions used in its methodologies. However, such refinements did not have a material impact on the allowance for loan losses or the provision for loan losses as of or for the three months ended March 31, 2018.

Acquired Portfolio

Loans acquired in a business combination are initially recorded at fair value with no carryover of an acquired entity s previously established allowance for loan losses. Fair value of the loans is determined using market participant assumptions in estimating the amount and timing of both principal and interest cash flows expected to be collected, as adjusted for an estimate of future credit losses and prepayments, and then applying a market-based discount rate to those cash flows. Acquired loans are evaluated upon acquisition and classified as either purchased performing or PCI, which represents those acquired loans with specific evidence of deterioration in credit quality since origination and for which it is probable that, as of the acquisition date, all contractually required principal and interest payments will not be collected. PCI loans are generally accounted for on a pool basis, with pools formed based on the loans common risk characteristics, such as loan collateral type and accrual status. Each pool is accounted for as a single asset with a single composite interest rate and an aggregate expectation of cash flows.

For purchased performing loans, the required allowance for loan losses is determined in a manner similar to that for originated loans with a provision for loan losses only recorded when the required allowance for loan losses exceeds any remaining purchase discount at the loan level. For PCI loans, the difference between contractually required principal and interest payments at the acquisition date and the undiscounted cash flows expected to be collected at the acquisition date is referred to as the nonaccretable difference , which includes an estimate of future credit losses expected to be incurred over the life of the loans in each pool. A decrease in the expected cash flows in subsequent periods requires the establishment of an allowance for loan losses at that time. At March 31, 2018 and December 31, 2017, the allowance for loan losses on acquired loans was \$4.0 million and \$3.6 million, respectively.

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

Selected asset quality metrics presented below distinguish between the originated portfolio and the acquired portfolio. All loans acquired in connection with acquisitions comprise the acquired loan portfolio; all other loans of the Company comprise the originated portfolio, including originations subsequent to the respective acquisition dates.

Provision and Allowance for Loan Losses

	Three Months Ended		
(dollars in millions)	March 31, 2018	Dec. 31, 2017	March 31, 2017
Allowance for loan losses on originated loans:			
Balance at beginning of period	$ 230.8	$ 229.2	$ 223.0
Charge-offs	(4.4)	(6.4)	(4.6)
Recoveries	1.4	1.2	2.2
Net loan charge-offs	(3.0)	(5.2)	(2.4)
Provision for loan losses	3.5	6.8	4.4
Balance at end of period	$ 231.3	$ 230.8	$ 225.0
Allowance for loan losses on acquired loans:			
Balance at beginning of period	$ 3.6	$ 4.2	$ 6.3
Charge-offs	(1.8)	(1.5)	
Recoveries	0.3	0.2	
Net loan charge-offs	(1.5)	(1.3)	
Provision for loan losses	1.9	0.7	
Balance at end of period	$ 4.0	$ 3.6	$ 6.3
Originated commercial allowance for loan losses as a percentage of originated commercial loans	0.94%	0.93%	0.94%
Originated retail allowance for loan losses as a percentage of originated retail loans	0.36	0.35	0.36

Total originated allowance for loan losses as a percentage of:			
Originated loans	0.78	0.77	0.77
Originated non-performing loans	149.3	155.2	140.9

The provision for loan losses on originated loans totaled $3.5 million for the three months ended March 31, 2018, reflecting $3.0 million in net loan charge-offs and a $0.6 million increase in the originated allowance for loan losses in response to portfolio-specific risk factors and loan growth. The provision for loan losses on originated loans totaled $4.4 million in the year-ago period, reflecting $2.4 million in net loan charge-offs and a $3.2 million increase in the originated allowance for loan losses in response to portfolio-specific risk factors and loan growth. The provision for loan losses on acquired loans for the three months ended March 31, 2018 reflects loan impairment.

Management believes that the level of the allowance for loan losses at March 31, 2018 is appropriate to cover probable 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 loan loss provisions may be recorded on the remaining loan balance based on the same criteria.

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

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

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.

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Net Loan Charge-Offs (Recoveries)

(in millions)	Three Months Ended March 31, 2018	Dec. 31, 2017	March 31, 2017
Commercial:			
Commercial real estate	$ 0.5	$ 1.5	$
Commercial and industrial	1.7	2.1	0.8
Equipment financing	1.6	2.0	0.5
Total	3.8	5.6	1.3
Retail:			
Residential mortgage	0.2	0.2	0.1
Home equity	0.4	0.5	1.1
Other consumer	0.1	0.2	(0.1)
Total	0.7	0.9	1.1
Total net loan charge-offs	$ 4.5	$ 6.5	$ 2.4

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

	Three Months Ended March 31, 2018	Dec. 31, 2017	March 31, 2017
Commercial:			
Commercial real estate	0.02%	0.05%	%
Commercial and industrial	0.08	0.10	0.04
Equipment financing	0.17	0.21	0.07
Retail:			
Residential mortgage	0.01	0.01	
Home equity	0.07	0.10	0.21
Other consumer	0.86	1.52	(0.35)
Total portfolio	0.06%	0.08%	0.03%

Non-Performing Assets

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

All previously accrued but unpaid interest on non-accrual loans is reversed from interest income in the period in which the accrual of interest is discontinued. Interest payments received on non-accrual loans (including impaired loans) are generally applied as a reduction of principal if future collections are doubtful, although such interest payments may be recognized as income. A loan remains on non-accrual status until the factors that indicated doubtful collectability no longer exist or until a loan is determined to be uncollectible and is charged off against the allowance for loan losses. There were no loans past due 90 days or more and still accruing interest at March 31, 2018 or December 31, 2017.

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Non-Performing Assets

(dollars in millions)	March 31, 2018	Dec. 31, 2017	Sept. 30, 2017	June 30, 2017	March 31, 2017
Originated non-performing loans:					
Commercial:					
Commercial real estate	$ 21.0	$ 23.7	$ 36.7	$ 42.9	$ 23.4
Commercial and industrial	34.6	32.6	34.9	40.2	47.4
Equipment financing	47.7	44.3	54.1	48.2	47.4
Total	103.3	100.6	125.7	131.3	118.2
Retail:					
Residential mortgage	35.4	32.7	33.8	30.8	26.3
Home equity	16.1	15.4	14.8	15.8	15.2
Other consumer					
Total	51.5	48.1	48.6	46.6	41.5
Total originated non-performing loans (1)	154.8	148.7	174.3	177.9	159.7
REO:					
Commercial	10.6	9.3	6.3	4.3	4.1
Residential	6.8	7.6	4.7	6.7	10.9
Total REO	17.4	16.9	11.0	11.0	15.0
Repossessed assets	1.8	2.5	5.4	9.2	8.2
Total non-performing assets	$ 174.0	$ 168.1	$ 190.7	$ 198.1	$ 182.9
Originated non-performing loans as a percentage of originated loans	0.52%	0.49%	0.59%	0.60%	0.55%
Non-performing assets as a percentage of:					
Originated loans, REO and repossessed assets	0.58	0.56	0.64	0.67	0.63
Tangible stockholders equity and originated allowance for loan losses	4.94	4.81	5.60	5.65	5.57

(1) Reported net of government guarantees totaling: $3.0 million at March 31, 2018; $3.1 million at December 31, 2017; $4.0 million at September 30, 2017; $4.2 million at June 30, 2017; and $4.4 million at March 31, 2017. These government guarantees relate, almost entirely, to guarantees provided by the Small Business Administration 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 March 31, 2018, the principal loan classes to which these government guarantees relate are commercial and industrial loans (94%) and

commercial real estate loans (6%).

The table above excludes acquired loans that are (i) accounted for as PCI loans and/or (ii) covered by a FDIC loss-share agreement (LSA) which totaled $23.7 million at March 31, 2018; $25.1 million at December 31, 2017; $24.5 million at September 30, 2017; $25.1 million at June 30, 2017; and $22.1 million at March 31, 2017. Such loans otherwise meet People s United s definition of a non-performing loan but are excluded because the loans are included in loan pools that are considered performing and/or credit losses are covered by an FDIC LSA. The discounts arising from recording these loans at fair value were due, in part, to credit quality. Accordingly, such loans are generally accounted for on a pool basis and the accretable yield on the pools is being recognized as interest income over the life of the loans based on expected cash flows at the pool level. In addition, the table excludes purchased performing loans totaling $6.4 million, $4.6 million, $2.1 million and $1.3 million at March 31, 2018, December 31, 2017, September 30, 2017 and June 30, 2017, respectively, of which $6.4 million, $4.6 million, $1.7 million and $1.3 million, respectively, became non-performing subsequent to acquisition.

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Total non-performing assets increased $5.9 million from December 31, 2017 and equaled 0.58% of originated loans, real estate owned (REO) and repossessed assets at March 31, 2018. The increase in total non-performing assets from December 31, 2017 reflects increases in non-performing equipment financing loans of $3.4 million, non-performing residential mortgage loans of $2.7 million, non-performing commercial and industrial loans of $2.0 million and non-performing home equity loans of $0.7 million, partially offset by a $2.7 million decrease in non-performing commercial real estate loans.

All loans and REO acquired in the Butler Bank acquisition are subject to an FDIC LSA (expiring in 2020), which provides for coverage by the FDIC, up to certain limits, on all such covered assets . The FDIC is obligated to reimburse the Company for 80% of any future losses on covered assets up to $34 million. The Company will reimburse the FDIC for 80% of recoveries with respect to losses for which the FDIC paid the Company 80% reimbursement under the loss-sharing coverage.

In addition to the non-performing loans discussed above, People s United has also identified $561.9 million in potential problem loans at March 31, 2018 (all of which are included in the originated portfolio). 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 March 31, 2018, potential problem loans consisted of equipment financing loans ($267.8 million), commercial and industrial loans ($209.8 million) and commercial real estate loans ($84.3 million). Such loans are closely monitored by management and have remained in performing status for a variety of reasons including, but not limited to, delinquency status, borrower payment history and fair value of the underlying collateral. Management cannot predict the extent to which economic conditions may worsen or whether other factors may adversely impact the ability of these borrowers to make payments. Accordingly, there can be no assurance that potential problem loans will not become 90 days or more past due, be placed on non-accrual status, be restructured, or require additional provisions for loan losses.

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

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 March 31, 2018, People s United (parent company) liquid assets included $411 million in cash and $9 million in equity securities, while the Bank s liquid assets included $3.1 billion in debt securities available-for-sale and $462 million in cash and cash equivalents. At March 31, 2018, debt securities available-for-sale with a fair value of $2.2 billion and debt securities held-to-maturity with an amortized cost of $1.5 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 $32.9 billion at March 31, 2018 and represented 76% 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 $3.9 billion and $892 million, respectively, at March 31, 2018, representing 9% and 2%, respectively, 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 March 31, 2018, the Bank s total borrowing capacity from (i) the FHLB of Boston and the FRB-NY for advances and (ii) repurchase agreements was $10.3 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 March 31, 2018, other borrowings included one remaining securitization totaling $181.5 million assumed in the acquisition of LEAF, which can be repaid without penalty beginning in June 2018.

At March 31, 2018, the Bank had outstanding commitments to originate loans totaling $1.5 billion and approved, but unused, lines of credit extended to customers totaling $7.1 billion (including $2.1 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 $5.85 billion at March 31, 2018, a $25.6 million increase from December 31, 2017. This increase primarily reflects (i) net income of $107.9 million for the three months ended March 31, 2018 and (ii) net stock option and restricted stock-related transactions during the three months ended March 31, 2018 totaling $14.5 million, partially offset by (i) common dividends paid of $58.8 million in the three months ended March 31, 2018 and (ii) a $36.8 million increase (excluding a $37.3 million transition adjustment related to the adoption of new accounting standards) in accumulated other comprehensive loss (AOCL) since December 31, 2017. As a percentage of total assets, stockholders equity was 13.3% and 13.1% at March 31, 2018 and December 31, 2017, respectively. Tangible common equity equaled 7.3% of tangible assets at March 31, 2018 compared to 7.2% at December 31, 2017.

In April 2018, People s United s Board of Directors voted to increase the dividend on its common stock to an annual rate of $0.70 per common share. The quarterly dividend of $0.1750 per common share is payable on May 15, 2018 to shareholders of record on May 1, 2018. Also in April 2018, People s United s Board of Directors declared a dividend on its preferred stock, payable on June 15, 2018 to preferred shareholders of record as of June 1, 2018. In February 2018, the Bank paid a cash dividend of $82.0 million to People s United (parent company).

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Regulatory Capital Requirements

On January 1, 2015, both People s United and the Bank became subject to new capital rules (the Basel III capital rules) issued by U.S. banking agencies. When fully phased-in on January 1, 2019, the Basel III capital rules will 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 as that buffer is phased-in beginning in 2016, effectively resulting in a minimum CET 1 risk-based capital ratio of 7.0% upon full implementation); (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 as that buffer is phased-in beginning in 2016, effectively resulting in a minimum Tier 1 risk-based capital ratio of 8.5% upon full implementation); (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 as that buffer is phased-in beginning in 2016, effectively resulting in a minimum Total risk-based capital ratio of 10.5% upon full implementation); 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 above its minimum risk-based capital requirements. For 2018, the capital conservation buffer is 1.875% and increases to 2.5% in 2019, the final year of the phase-in period.

U.S. banking agencies have released a proposal for comment intended to simplify certain aspects of the regulatory capital rules. Management does not expect the impact of this proposal to have a material effect on the Company s or the Bank s risk-based capital ratios.

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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 March 31, 2018 and December 31, 2017 are based on the capital conservation buffer phase-in provisions of the Basel III capital rules. In connection with the adoption of the Basel III capital rules, both the Company and the Bank elected to opt-out of the requirement to include most components of AOCL in CET 1 capital. At March 31, 2018, People s United s and the Bank s total risk-weighted assets, as defined, were both $32.8 billion, compared to $33.3 billion and $33.2 billion, respectively, at December 31, 2017. As discussed in Note 13 to the Consolidated Financial Statements, regulatory capital was increased during the period by $37.9 million as a result of the reclassification of certain tax effects from AOCL, which resulted in an approximate 11 basis point increase in the risk-based capital ratios of both the Company and the Bank.

	As of March 31, 2018		Minimum Capital Required Basel III Phase-In (2018)		Classification as Well-Capitalized	
(dollars in millions)	Amount	Ratio	Amount	Ratio	Amount	Ratio
Tier 1 Leverage Capital (1):						
People s United	$ 3,550.8	8.5%	$ 1,667.5	4.0%	N/A	N/A
Bank	3,593.5	8.6	1,666.8	4.0	$ 2,083.5	5.0%
CET 1 Risk-Based Capital (2):						
People s United	3,306.7	10.1	2,093.1	6.375	N/A	N/A
Bank	3,593.5	11.0	2,090.0	6.375	2,131.0	6.5
Tier 1 Risk-Based Capital (3):						
People s United	3,550.8	10.8	2,585.6	7.875	1,970.0	6.0
Bank	3,593.5	11.0	2,581.8	7.875	2,622.8	8.0
Total Risk-Based Capital (4):						
People s United	4,129.1	12.6	3,242.3	9.875	3,283.3	10.0
Bank	4,231.5	12.9	3,237.5	9.875	3,278.4	10.0

	As of December 31, 2017		Minimum Capital Required Basel III Phase-In (2017)		Classification as Well-Capitalized	
(dollars in millions)	Amount	Ratio	Amount	Ratio	Amount	Ratio
Tier 1 Leverage Capital (1):						
People s United	$ 3,474.1	8.3%	$ 1,666.6	4.0%	N/A	N/A
Bank	3,543.0	8.5	1,663.0	4.0	$ 2,078.7	5.0%
CET 1 Risk-Based Capital (2):						
People s United	3,230.0	9.7	1,912.2	5.750	N/A	N/A
Bank	3,543.0	10.7	1,909.1	5.750	2,158.2	6.5
Tier 1 Risk-Based Capital (3):						
People s United	3,474.1	10.4	2,411.1	7.250	1,995.4	6.0
Bank	3,543.0	10.7	2,407.2	7.250	2,656.2	8.0
Total Risk-Based Capital (4):						
People s United	4,057.7	12.2	3,076.2	9.250	3,325.6	10.0
Bank	4,179.7	12.6	3,071.2	9.250	3,320.2	10.0

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

deductions from CET 1 Capital).

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

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

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

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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 re-pricing 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 regression models 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.

The following tables set forth the estimated percent change in the Company s net interest income at risk over one-year simulation periods beginning March 31, 2018 and December 31, 2017. Given the interest rate environment at those dates, simulations for interest rate declines of more than 100 basis points were not modeled.

Parallel Shock Rate Change	Estimated Percent Change in Net Interest Income	
(basis points)	March 31, 2018	December 31, 2017
+300	8.8%	9.3%
+200	6.1	6.5
+100	3.3	3.4
-100	(4.4)	(4.9)

Yield Curve Twist Rate Change (basis points)	Estimated Percent Change in Net Interest Income March 31, 2018	December 31, 2017
Short End -100	(2.7)%	(2.5)%
Short End +100	1.9	1.7
Long End -100	(1.7)	(2.3)
Long End +100	1.5	1.8

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The net interest income at risk simulation results indicate that at both March 31, 2018 and December 31, 2017, the Company is asset sensitive over the twelve-month forecast horizon (i.e. net interest income will increase if market rates rise). This is primarily due to (i) approximately 90% of the Company s loan portfolio being funded by less rate-sensitive core deposits and (ii) approximately 43% of the Company s loan portfolio being comprised of Prime Rate and one-month Libor-based loans.

The decrease in the Company s asset sensitivity since December 31, 2017 primarily reflects slower mortgage-backed security and residential mortgage loan prepayments as a result of higher interest rates. Short end sensitivity increased and long end sensitivity decreased due to modeled securities purchases and slower mortgage-backed security and residential mortgage prepayments. Based on the Company s IRR position at March 31, 2018, an immediate 100 basis point parallel increase in interest rates translates to an approximate $42 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, re-pricing 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 re-calculate 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 interest rate environment at both March 31, 2018 and December 31, 2017, simulations for interest rate declines of more than 100 basis points were not modeled.

Parallel Shock Rate Change (basis points)	Estimated Percent Change in Economic Value of Equity	
	March 31, 2018	December 31, 2017
+300	(11.1)%	(10.5)%
+200	(6.4)	(5.4)
+100	(2.3)	(1.4)
-100	(1.1)	(2.9)

The Company s economic value of equity at risk profile indicates that at March 31, 2018, the Company s economic value of equity is liability sensitive in a rising rate environment. The increase in liability sensitivity since December 31, 2017 primarily reflects (i) an increase in mortgage-backed security and residential mortgage loan duration and (ii) a decrease in the modeled weighted average life of non-maturity deposits resulting from higher interest rates.

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People s United s IRR position at March 31, 2018, as set forth in the net interest income at risk and economic value of equity at risk tables above, reflects an asset sensitive net interest income at risk position and a liability sensitive economic value of equity position. From a net interest income perspective, asset sensitivity over the next 12 months is primarily attributable to the effect of the substantial Prime and Libor-based loan balances that are funded mainly by less rate-sensitive deposits. From an economic value of equity perspective, in a rising rate environment, the Company s assets are more price sensitive than its liabilities due to slightly longer asset duration, which serves to create a liability sensitive risk position. Given the uncertainty of the magnitude, timing and direction of future interest rate movements and the shape of the yield curve, actual results may vary from those predicted by the Company s models.

Management has established procedures to be followed in the event of an anticipated or actual breach in policy limits. As of March 31, 2018, 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 March 31, 2018, People s United used interest rate swaps to manage IRR associated with certain interest-bearing assets and interest-bearing liabilities.

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

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

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

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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 12 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 in a net liability position at March 31, 2018.

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		Foreign
	Cash Flow	Fair Value	Exchange
As of March 31, 2018 (dollars in millions)	Hedge	Hedge	Contracts
Notional principal amounts	$ 210.0	$ 375.0	$ 45.9
Weighted average interest rates:			
Pay floating (receive fixed)	1.66% (1.72%)	Libor + 1.265% (4.00%)	N/A
Weighted average remaining term to maturity (in months)	31	76	1
Fair value:			
Recognized as an asset	$	$	$ 0.1
Recognized as a liability			0.1

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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 March 31, 2018 (dollars in millions)	Commercial Customers	Institutional Counterparties	Commercial Customers	Institutional Counterparties
Notional principal amounts	$ 5,754.3	$ 5,760.7	$ 595.4	$ 595.4
Weighted average interest rates:				
Pay floating (receive fixed)	1.67% (2.21%)		N/A	N/A
Pay fixed (receive floating)		2.08% (1.67%)	N/A	N/A
Weighted average strike rate	N/A	N/A	0.17%	0.17%
Weighted average remaining term to maturity (in months)	85	85	14	14
Fair value:				
Recognized as an asset	$ 31.6	$ 20.8	$	$ 3.5
Recognized as a liability	137.5	12.1	3.5	

See Notes 11 and 12 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 March 31, 2018, to ensure that information relating to People s United, which is required to be disclosed in the reports People s United files with the Securities and Exchange Commission 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 March 31, 2018, there has not been any change in People s United s internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, People s United s internal control over financial reporting.

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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

There have been no material changes in risk factors since December 31, 2017.

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 March 31, 2018:

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
January 1 - 31, 2018				
Tendered by employees (1)	857	$ 18.86		
February 1 - 28, 2018				
Tendered by employees (1)	2,352	$ 19.04		
March 1 - 31, 2018				
Tendered by employees (1)	118,052	$ 19.17		
Total:				
Tendered by employees (1)	121,261	$ 19.16		

(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.

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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 March 31, 2018 formatted in XBRL: (i) Consolidated Statements of Condition as of March 31, 2018 and December 31, 2017; (ii) Consolidated Statements of Income for the three months ended March 31, 2018 and 2017; (iii) Consolidated Statements of Comprehensive Income for the three months ended March 31, 2018 and 2017; (iv) Consolidated Statements of Changes in Stockholders Equity for the three months ended March 31, 2018 and 2017; (v) Consolidated Statements of Cash Flows for the three months ended March 31, 2018 and 2017; and (vi) Notes to Consolidated Financial Statements.

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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: May 10, 2018	By: /s/ John P. Barnes John P. Barnes Chief Executive Officer (Principal Executive Officer)
Date: May 10, 2018	By: /s/ R. David Rosato R. David Rosato Senior Executive Vice President and Chief Financial Officer (Principal Financial Officer)
Date: May 10, 2018	By: /s/ Jeffrey Hoyt Jeffrey Hoyt Senior Vice President and Chief Accounting Officer (Principal Accounting Officer)