People's United Financial, Inc.
Form 10-Q
November 09, 2015
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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 September 30, 2015

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 x 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 x No ¨

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

Large accelerated filer x	Accelerated filer ¨
Non-accelerated filer ¨ (Do not check if a smaller reporting company)	Smaller reporting company ¨

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

As of October 31, 2015, there were 310,233,412 shares of the registrant s common stock outstanding.

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)	September 30, 2015	December 31, 2014
Assets		
Cash and due from banks	$ 300.3	$ 345.1
Short-term investments (note 2)	244.6	668.6
Total cash and cash equivalents	544.9	1,013.7
Securities purchased under agreements to resell (note 2)		100.0
Securities (note 2):		
Trading account securities, at fair value	8.3	8.3
Securities available for sale, at fair value	4,221.2	3,993.7
Securities held to maturity, at amortized cost (fair value of $1.4 billion and $881.6 million)	1,377.1	834.3
Federal Home Loan Bank and Federal Reserve Bank stock, at cost	314.7	175.7
Total securities	5,921.3	5,012.0
Loans held for sale	36.2	34.2
Loans (note 3):		
Commercial	10,313.3	10,055.1
Commercial real estate	9,785.4	9,404.3
Residential mortgage	5,381.4	4,932.0
Consumer	2,192.1	2,200.6
Total loans	27,672.2	26,592.0
Less allowance for loan losses	(207.5)	(198.3)
Total loans, net	27,464.7	26,393.7
Goodwill (note 6)	1,954.5	1,954.5
Bank-owned life insurance	345.6	343.3
Premises and equipment, net	258.7	277.8
Other acquisition-related intangible assets (note 6)	130.2	148.0
Other assets (notes 1, 3 and 11)	821.6	719.9

Total assets	$	37,477.7	$	35,997.1
Liabilities				
Deposits:				
Non-interest-bearing	$	5,877.2	$	5,655.1
Savings, interest-bearing checking and money market		17,236.6		15,252.4
Time		5,165.9		5,230.7
Total deposits		28,279.7		26,138.2
Borrowings:				
Federal Home Loan Bank advances		2,164.5		2,291.7
Customer repurchase agreements		472.3		486.0
Federal funds purchased		360.0		913.0
Other borrowings				1.0
Total borrowings		2,996.8		3,691.7
Notes and debentures		1,044.9		1,033.5
Other liabilities (note 11)		425.5		500.6
Total liabilities		32,746.9		31,364.0
Commitments and contingencies (notes 1 and 8)				
Stockholders Equity				
Common stock ($0.01 par value; 1.95 billion shares authorized; 398.8 million shares and 396.8 million shares issued)		3.9		3.9
Additional paid-in capital		5,327.3		5,291.2
Retained earnings		861.0		826.7
Accumulated other comprehensive loss (note 4)		(146.1)		(168.2)
Unallocated common stock of Employee Stock Ownership Plan, at cost (7.4 million shares and 7.7 million shares) (note 7)		(153.6)		(159.0)
Treasury stock, at cost (89.1 million shares and 89.0 million shares) (note 4)		(1,161.7)		(1,161.5)
Total stockholders equity		4,730.8		4,633.1
Total liabilities and stockholders equity	$	37,477.7	$	35,997.1

See accompanying notes to consolidated financial statements.

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People s United Financial, Inc.

Consolidated Statements of Income - (Unaudited)

(in millions, except per share data)	Three Months Ended September 30, 2015	Three Months Ended September 30, 2014	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014
Interest and dividend income:				
Commercial	$ 92.5	$ 89.1	$ 271.7	$ 261.9
Commercial real estate	85.7	89.2	257.4	266.5
Residential mortgage	41.9	38.1	122.4	113.7
Consumer	18.1	18.5	54.2	55.2
Total interest on loans	238.2	234.9	705.7	697.3
Securities	31.2	23.6	87.7	72.8
Loans held for sale	0.4	0.3	1.0	0.6
Short-term investments	0.1	0.1	0.3	0.3
Total interest and dividend income	269.9	258.9	794.7	771.0
Interest expense:				
Deposits	24.8	20.2	70.9	59.2
Borrowings	2.9	2.8	8.2	8.7
Notes and debentures	7.4	7.4	22.3	19.3
Total interest expense	35.1	30.4	101.4	87.2
Net interest income	234.8	228.5	693.3	683.8
Provision for loan losses (note 3)	6.2	12.4	23.7	30.7
Net interest income after provision for loan losses	228.6	216.1	669.6	653.1
Non-interest income:				
Bank service charges	32.5	33.3	94.1	96.6
Investment management fees	10.8	10.7	32.9	31.1
Operating lease income	10.5	10.2	31.8	31.4
Commercial banking lending fees	9.7	8.6	31.0	24.8
Insurance revenue	9.1	8.8	23.2	23.3
Brokerage commissions	3.1	3.4	9.5	10.2
Net gains on sales of residential mortgage loans	1.5	1.1	4.2	1.9
Gain on merchant services joint venture, net of expenses				20.6
Other non-interest income	9.9	7.9	32.4	24.1
Total non-interest income	87.1	84.0	259.1	264.0

Non-interest expense:				
Compensation and benefits	113.4	108.1	337.5	327.8
Occupancy and equipment	37.0	36.4	112.5	111.0
Professional and outside services	17.0	14.3	50.1	44.5
Regulatory assessments	9.5	8.5	28.0	26.2
Operating lease expense	9.2	8.7	27.7	28.5
Amortization of other acquisition-related intangible assets (note 6)	5.9	6.2	17.8	18.6
Other non-interest expense	22.2	26.6	70.0	77.2
Total non-interest expense	214.2	208.8	643.6	633.8
Income before income tax expense	101.5	91.3	285.1	283.3
Income tax expense (note 1)	33.1	29.7	95.8	96.3
Net income	$ 68.4	$ 61.6	$ 189.3	$ 187.0
Earnings per common share (note 5):				
Basic	$ 0.23	$ 0.21	$ 0.63	$ 0.62
Diluted	0.23	0.21	0.63	0.62

See accompanying notes to consolidated financial statements.

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People s United Financial, Inc.

Consolidated Statements of Comprehensive Income - (Unaudited)

(in millions)	Three Months Ended September 30, 2015	Three Months Ended September 30, 2014	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014
Net income	$ 68.4	$ 61.6	$ 189.3	$ 187.0
Other comprehensive income, net of tax:				
Net actuarial loss and prior service credit related to pension and other postretirement benefit plans	1.1	0.6	3.3	1.9
Net unrealized gains and losses on securities available for sale	16.9	0.1	17.5	27.0
Amortization of unrealized losses on securities transferred to held to maturity	0.5	0.4	1.5	1.3
Net unrealized gains and losses on derivatives accounted for as cash flow hedges	(0.1)	0.6	(0.2)	0.4
Total other comprehensive income, net of tax (note 4)	18.4	1.7	22.1	30.6
Total comprehensive income	$ 86.8	$ 63.3	$ 211.4	$ 217.6

See accompanying notes to consolidated financial statements.

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People s United Financial, Inc.

Consolidated Statements of Changes in Stockholders Equity - (Unaudited)

Nine months ended September 30, 2015 (in millions, except per share data)	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Unallocated ESOP Common Stock	Treasury Stock	Total Stockholders Equity
Balance at December 31, 2014	$ 3.9	$ 5,291.2	$ 826.7	$ (168.2)	$ (159.0)	$ (1,161.5)	$ 4,633.1
Net income			189.3				189.3
Total other comprehensive income, net of tax (note 4)				22.1			22.1
Cash dividends on common stock ($0.50 per share)			(150.6)				(150.6)
Restricted stock awards		8.1	0.1			(0.2)	8.0
Employee Stock Ownership Plan common stock committed to be released (note 7)			(1.4)		5.4		4.0
Common stock repurchased and retired upon vesting of restricted stock awards			(3.1)				(3.1)
Stock options and related tax benefits		28.0					28.0
Balance at September 30, 2015	$ 3.9	$ 5,327.3	$ 861.0	$ (146.1)	$ (153.6)	$ (1,161.7)	$ 4,730.8

Nine months ended September 30, 2014 (in millions, except per share data)	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Unallocated ESOP Common Stock	Treasury Stock	Total Stockholders Equity
Balance at December 31, 2013	$ 3.9	$ 5,277.0	$ 779.0	$ (155.1)	$ (166.2)	$ (1,170.2)	$ 4,568.4
Net income			187.0				187.0
Total other comprehensive income, net of tax (note 4)				30.6			30.6
Cash dividends on common stock ($0.4925 per share)			(147.4)				(147.4)
Restricted stock awards		0.5	(2.0)			8.8	7.3
Employee Stock Ownership Plan common stock committed to be released (note 7)			(1.6)		5.4		3.8
Common stock repurchased and retired upon vesting of restricted stock awards			(2.9)				(2.9)
Stock options and related tax benefits		8.2					8.2
Balance at September 30, 2014	$ 3.9	$ 5,285.7	$ 812.1	$ (124.5)	$ (160.8)	$ (1,161.4)	$ 4,655.0

See accompanying notes to consolidated financial statements.

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People s United Financial, Inc.

Consolidated Statements of Cash Flows - (Unaudited)

(in millions)	Nine Months Ended September 30, 2015	2014
Cash Flows from Operating Activities:		
Net income	$ 189.3	$ 187.0
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	23.7	30.7
Depreciation and amortization of premises and equipment	29.4	29.6
Expense related to operating leases	27.7	28.5
Amortization of other acquisition-related intangible assets	17.8	18.6
Gain on merchant services joint venture, net of expenses		(20.6)
Net security gains		(0.3)
Net gains on sales of residential mortgage loans	(4.2)	(1.9)
Net (gains) losses on sales of acquired loans	(1.7)	0.6
Employee Stock Ownership Plan common stock committed to be released	4.0	3.8
Expense related to share-based awards	13.1	11.2
Originations of loans held-for-sale	(350.7)	(218.9)
Proceeds from sales of loans held-for-sale	353.0	210.7
Net changes in other assets and liabilities	(102.2)	(41.5)
Net cash provided by operating activities	199.2	237.5
Cash Flows from Investing Activities:		
Net decrease (increase) in securities purchased under agreements to resell	100.0	(300.0)
Proceeds from principal repayments and maturities of securities available for sale	623.7	517.0
Proceeds from sales of securities available for sale	201.2	410.0
Proceeds from principal repayments and maturities of securities held to maturity	12.4	63.5
Purchases of securities available for sale	(1,106.4)	(520.0)
Purchases of securities held to maturity	(555.2)	(48.4)
Net purchases of Federal Reserve Bank stock	(139.0)	
Proceeds from sales of loans	30.9	7.2
Loan disbursements, net of principal collections	(1,112.5)	(1,595.1)
Purchases of loans	(9.5)	
Purchases of premises and equipment	(18.3)	(14.2)
Purchases of leased equipment	(28.1)	(16.3)
Proceeds from sales of real estate owned	14.9	9.3
Return of premiums on bank-owned life insurance, net	1.2	0.5
Net cash used in investing activities	(1,984.7)	(1,486.5)

Cash Flows from Financing Activities:		
Net increase in deposits	2,141.5	2,704.0
Net decrease in borrowings with terms of three months or less	(691.6)	(1,638.9)
Repayments of borrowings with terms of more than three months	(1.3)	(0.4)
Repayments of notes and debentures		(19.0)
Net proceeds from issuance of notes and debentures		394.4
Cash dividends paid on common stock	(150.6)	(147.4)
Common stock repurchases	(3.1)	(2.9)
Proceeds from stock options exercised, including excess income tax benefits	21.8	4.4
Net cash provided by financing activities	1,316.7	1,294.2
Net (decrease) increase in cash and cash equivalents	(468.8)	45.2
Cash and cash equivalents at beginning of period	1,013.7	474.4
Cash and cash equivalents at end of period	$ 544.9	$ 519.6
Supplemental Information:		
Interest payments	$ 100.9	$ 77.8
Income tax payments	85.7	95.6
Real estate properties acquired by foreclosure	11.3	15.2
Unsettled purchases of securities	7.4	56.3

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, 2014, as supplemented by the Quarterly Reports for the periods ended March 31, 2015 and June 30, 2015 and this Quarterly Report for the period ended September 30, 2015, 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, N.A. (the Bank) to meet its Community Reinvestment Act requirements while, at the same time, providing federal income tax credits.

The balance of the Company s affordable housing investments reflected in the Consolidated Statement of Condition at September 30, 2015 totaled $78.6 million (included in other assets). Future contingent commitments (capital calls) related to such investments, the timing of which cannot be reasonably estimated, totaled $35.5 million at that date. 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 $2.8 million and $2.6 million for the three months ended September 30, 2015 and 2014, respectively, and $8.3 million and $7.5 million for the nine months ended September 30, 2015 and 2014, 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, 2014. The results of operations for the three and nine months ended September 30, 2015 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. SECURITIES AND SHORT-TERM INVESTMENTS

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

As of September 30, 2015 (in millions)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities available for sale:				
Debt securities:				
U.S. Treasury and agency	$ 374.1	$ 2.1	$	$ 376.2
GSE (1) residential mortgage-backed securities and CMOs (2)	3,823.3	40.5	(19.0)	3,844.8
Total debt securities	4,197.4	42.6	(19.0)	4,221.0
Equity securities	0.2			0.2
Total securities available for sale	$ 4,197.6	$ 42.6	$ (19.0)	$ 4,221.2
Securities held to maturity:				
Debt securities:				
State and municipal	$ 946.3	$ 43.7	$ (1.6)	$ 988.4
GSE residential mortgage-backed securities	429.3	2.4		431.7
Other	1.5			1.5
Total securities held to maturity	$ 1,377.1	$ 46.1	$ (1.6)	$ 1,421.6

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

As of December 31, 2014 (in millions)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities available for sale:				
Debt securities:				

U.S. Treasury and agency	$ 56.5	$ 0.3	$	$ 56.8
GSE residential mortgage-backed securities and CMOs	3,943.4	39.7	(46.4)	3,936.7
Total debt securities	3,999.9	40.0	(46.4)	3,993.5
Equity securities	0.2			0.2
Total securities available for sale	$ 4,000.1	$ 40.0	$ (46.4)	$ 3,993.7
Securities held to maturity:				
Debt securities:				
State and municipal	$ 832.8	$ 47.4	$ (0.1)	$ 880.1
Other	1.5			1.5
Total securities held to maturity	$ 834.3	$ 47.4	$ (0.1)	$ 881.6

Securities available for sale with a fair value of $1.61 billion and $1.43 billion at September 30, 2015 and December 31, 2014, respectively, were pledged as collateral for public deposits and for other purposes.

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Notes to Consolidated Financial Statements (Unaudited)

The following table is a summary of the amortized cost and fair value of debt securities as of September 30, 2015, based on remaining period to contractual maturity. Information for GSE residential mortgage-backed securities and CMOs is based on the final contractual maturity dates without considering repayments and prepayments.

	Available for Sale		Held to Maturity	
(in millions)	Amortized Cost	Fair Value	Amortized Cost	Fair Value
U.S. Treasury and agency:				
Within 1 year	$ 41.1	$ 41.2	$	$
After 1 but within 5 years	333.0	335.0		
Total	374.1	376.2		
GSE residential mortgage-backed securities and CMOs:				
After 5 but within 10 years	742.6	755.3		
After 10 years	3,080.7	3,089.5	429.3	431.7
Total	3,823.3	3,844.8	429.3	431.7
State and municipal:				
Within 1 year			3.8	3.8
After 1 but within 5 years			21.6	21.9
After 5 but within 10 years			323.5	342.7
After 10 years			597.4	620.0
Total			946.3	988.4
Other:				
After 1 but within 5 years			1.5	1.5
Total			1.5	1.5
Total:				
Within 1 year	41.1	41.2	3.8	3.8
After 1 but within 5 years	333.0	335.0	23.1	23.4
After 5 but within 10 years	742.6	755.3	323.5	342.7
After 10 years	3,080.7	3,089.5	1,026.7	1,051.7
Total	$ 4,197.4	$ 4,221.0	$ 1,377.1	$ 1,421.6

People s United Financial, Inc.

Notes to Consolidated Financial Statements (Unaudited)

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. 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. 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 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.

	Continuous Unrealized Loss Position					
	Less Than 12 Months		12 Months Or Longer		Total	
As of September 30, 2015 (in millions)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Securities available for sale:						
GSE residential mortgage-backed securities and CMOs	$ 776.2	$ (2.8)	$ 993.9	$ (16.2)	$ 1,770.1	$ (19.0)
Securities held to maturity:						
State and municipal	129.4	(1.6)			129.4	(1.6)
Total	$ 905.6	$ (4.4)	$ 993.9	$ (16.2)	$ 1,899.5	$ (20.6)

	Continuous Unrealized Loss Position					
	Less Than 12 Months		12 Months Or Longer		Total	
As of December 31, 2014 (in millions)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
Securities available for sale:						
GSE residential mortgage-backed securities and CMOs	$ 111.9	$ (0.1)	$ 1,744.2	$ (46.3)	$ 1,856.1	$ (46.4)
Securities held to maturity:						
State and municipal	31.8	(0.1)			31.8	(0.1)
Total	$ 143.7	$ (0.2)	$ 1,744.2	$ (46.3)	$ 1,887.9	$ (46.5)

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Notes to Consolidated Financial Statements (Unaudited)

At September 30, 2015, approximately 12% of the 1,264 securities owned by the Company, consisting of 48 securities classified as available for sale and 106 securities classified as held to maturity, had gross unrealized losses totaling $19.0 million and $1.6 million, respectively. All of the GSE residential mortgage-backed securities and CMOs had AAA credit ratings and an average maturity of 13 years. The state and municipal securities had an average credit rating of AA and an average maturity of 16 years. The cause of the temporary impairment with respect to all of these securities is directly related to changes in interest rates. Management believes that all gross unrealized losses within the securities portfolio at September 30, 2015 and December 31, 2014 are temporary impairments. Management does not intend to sell such securities nor is it more likely than not that management will be required to sell such securities prior to recovery. No other-than-temporary impairment losses were recognized in the Consolidated Statements of Income for the three or nine months ended September 30, 2015 and 2014.

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.

The Bank, as a member of the Federal Home Loan Bank (FHLB) of Boston, is currently required to purchase and hold shares of FHLB capital stock (total cost of $164.4 million at both September 30, 2015 and December 31, 2014) 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 the Smithtown Bancorp, Inc. (Smithtown) acquisition completed in 2010, People s United acquired shares of capital stock in the FHLB of New York (total cost of $11.3 million at both September 30, 2015 and December 31, 2014). 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 September 30, 2015 and the cost of the investment approximates fair value. The Bank, as a member of the Federal Reserve Bank (FRB) system, is currently required to purchase and hold shares of FRB of New York capital stock in an amount equal to six percent of its capital and surplus. In the first nine months of 2015, the Bank s net purchases of FRB capital stock totaled $139.0 million. Based on the current capital adequacy and liquidity position of the FRB of New York, management believes there is no impairment in the Company s investment at September 30, 2015 and the cost of the investment approximates fair value.

Included in short-term investments are interest-bearing deposits at the FRB of New York totaling $164.1 million at September 30, 2015 and $626.5 million at December 31, 2014. These deposits represent an alternative to overnight federal funds sold and had a yield of 0.25% at both dates.

People s United accounts for securities purchased under agreements to resell as secured lending transactions. In connection with such agreements, People s United takes delivery of collateral from all counterparties. The fair value of the collateral securing the agreements outstanding at December 31, 2014 was $100.4 million (no agreements were outstanding at September 30, 2015).

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People s United Financial, Inc.

Notes to Consolidated Financial Statements (Unaudited)

NOTE 3. LOANS

For purposes of disclosures related to the credit quality of financing receivables and the allowance for loan losses, People s United 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 beginning in 2010 are referred to as acquired loans as a result of the manner in which they are accounted for (see further discussion under Acquired Loans). All other loans are referred to as originated loans. Accordingly, selected credit quality disclosures that follow are presented separately for the originated loan portfolio and the acquired loan portfolio.

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

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

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

Recognition of loan charge-offs.

The Company did not change its policies with respect to loans or its methodology for determining the allowance for loan losses during the nine months ended September 30, 2015.

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

	September 30, 2015			December 31, 2014		
(in millions)	Originated	Acquired	Total	Originated	Acquired	Total
Commercial:						

Commercial real estate	$ 9,436.7	$ 348.7	$ 9,785.4	$ 8,960.3	$ 444.0	$ 9,404.3
Commercial and industrial	7,257.2	235.0	7,492.2	6,891.1	298.5	7,189.6
Equipment financing	2,802.4	18.7	2,821.1	2,839.0	26.5	2,865.5
Total commercial	10,059.6	253.7	10,313.3	9,730.1	325.0	10,055.1
Total Commercial Portfolio	19,496.3	602.4	20,098.7	18,690.4	769.0	19,459.4
Retail:						
Residential mortgage:						
Adjustable-rate	4,655.7	125.4	4,781.1	4,254.7	139.1	4,393.8
Fixed-rate	527.5	72.8	600.3	446.8	91.4	538.2
Total residential mortgage	5,183.2	198.2	5,381.4	4,701.5	230.5	4,932.0
Consumer:						
Home equity	2,101.3	39.9	2,141.2	2,092.9	50.2	2,143.1
Other consumer	49.9	1.0	50.9	56.3	1.2	57.5
Total consumer	2,151.2	40.9	2,192.1	2,149.2	51.4	2,200.6
Total Retail Portfolio	7,334.4	239.1	7,573.5	6,850.7	281.9	7,132.6
Total loans	$ 26,830.7	$ 841.5	$ 27,672.2	$ 25,541.1	$ 1,050.9	$ 26,592.0

Net deferred loan costs, which are included in total loans and accounted for as interest yield adjustments, totaled $58.9 million at September 30, 2015 and $54.8 million at December 31, 2014.

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

Three months ended	Commercial			Retail			
September 30, 2015 (in millions)	Originated	Acquired	Total	Originated	Acquired	Total	Total
Balance at beginning of period	$ 176.4	$ 10.1	$ 186.5	$ 18.7	$ 0.2	$ 18.9	$ 205.4
Charge-offs	(4.1)		(4.1)	(2.0)		(2.0)	(6.1)
Recoveries	1.2		1.2	0.8		0.8	2.0
Net loan charge-offs	(2.9)		(2.9)	(1.2)		(1.2)	(4.1)
Provision for loan losses	3.8	(0.9)	2.9	3.3		3.3	6.2
Balance at end of period	$ 177.3	$ 9.2	$ 186.5	$ 20.8	$ 0.2	$ 21.0	$ 207.5

Nine months ended	Commercial			Retail			
September 30, 2015 (in millions)	Originated	Acquired	Total	Originated	Acquired	Total	Total
Balance at beginning of period	$ 169.6	$ 9.8	$ 179.4	$ 18.5	$ 0.4	$ 18.9	$ 198.3
Charge-offs	(14.4)		(14.4)	(5.8)		(5.8)	(20.2)
Recoveries	4.0		4.0	1.7		1.7	5.7
Net loan charge-offs	(10.4)		(10.4)	(4.1)		(4.1)	(14.5)
Provision for loan losses	18.1	(0.6)	17.5	6.4	(0.2)	6.2	23.7
Balance at end of period	$ 177.3	$ 9.2	$ 186.5	$ 20.8	$ 0.2	$ 21.0	$ 207.5

Three months ended	Commercial			Retail			
September 30, 2014 (in millions)	Originated	Acquired	Total	Originated	Acquired	Total	Total
Balance at beginning of period	$ 163.5	$ 9.6	$ 173.1	$ 19.0	$ 0.5	$ 19.5	$ 192.6
Charge-offs	(6.2)	(0.2)	(6.4)	(2.9)		(2.9)	(9.3)
Recoveries	0.5		0.5	0.7		0.7	1.2
Net loan charge-offs	(5.7)	(0.2)	(5.9)	(2.2)		(2.2)	(8.1)

Provision for loan losses	8.2	2.1	10.3	2.2	(0.1)	2.1	12.4
Balance at end of period	$ 166.0	$ 11.5	$ 177.5	$ 19.0	$ 0.4	$ 19.4	$ 196.9

Nine months ended	Commercial			Retail			
September 30, 2014 (in millions)	Originated	Acquired	Total	Originated	Acquired	Total	Total
Balance at beginning of period	$ 158.5	$ 9.8	$ 168.3	$ 19.0	$ 0.5	$ 19.5	$ 187.8
Charge-offs	(15.3)	(2.6)	(17.9)	(8.3)	(0.1)	(8.4)	(26.3)
Recoveries	3.1		3.1	1.6		1.6	4.7
Net loan charge-offs	(12.2)	(2.6)	(14.8)	(6.7)	(0.1)	(6.8)	(21.6)
Provision for loan losses	19.7	4.3	24.0	6.7		6.7	30.7
Balance at end of period	$ 166.0	$ 11.5	$ 177.5	$ 19.0	$ 0.4	$ 19.4	$ 196.9

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

As of September 30, 2015 (in millions)	Originated Loans Individually Evaluated for Impairment		Originated Loans Collectively Evaluated for Impairment		Acquired Loans (Discounts Related to Credit Quality)		Total	
	Portfolio	Allowance	Portfolio	Allowance	Portfolio	Allowance	Portfolio	Allowance
Commercial	$ 169.0	$ 8.2	$ 19,327.3	$ 169.1	$ 602.4	$ 9.2	$ 20,098.7	$ 186.5
Retail	97.2	3.7	7,237.2	17.1	239.1	0.2	7,573.5	21.0
Total	$ 266.2	$ 11.9	$ 26,564.5	$ 186.2	$ 841.5	$ 9.4	$ 27,672.2	$ 207.5

As of December 31, 2014 (in millions)	Originated Loans Individually Evaluated for Impairment		Originated Loans Collectively Evaluated for Impairment		Acquired Loans (Discounts Related to Credit Quality)		Total	
	Portfolio	Allowance	Portfolio	Allowance	Portfolio	Allowance	Portfolio	Allowance
Commercial	$ 174.5	$ 7.6	$ 18,515.9	$ 162.0	$ 769.0	$ 9.8	$ 19,459.4	$ 179.4
Retail	95.0	3.9	6,755.7	14.6	281.9	0.4	7,132.6	18.9
Total	$ 269.5	$ 11.5	$ 25,271.6	$ 176.6	$ 1,050.9	$ 10.2	$ 26,592.0	$ 198.3

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

(in millions)	September 30, 2015	December 31, 2014
Commercial:		
Commercial and industrial	$ 62.9	$ 55.8
Commercial real estate	31.8	60.2
Equipment financing	29.4	25.4
Total (1)	124.1	141.4
Retail:		
Residential mortgage	38.2	37.6

Home equity		21.0		17.9
Other consumer				0.1
Total (2)		59.2		55.6
Total	$	183.3	$	197.0

(1) Reported net of government guarantees totaling $17.3 million and $17.6 million at September 30, 2015 and December 31, 2014, 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 September 30, 2015, the principal loan classes to which these government guarantees relate are commercial and industrial loans (99%) and commercial real estate loans (1%).

(2) Includes $19.8 million and $18.9 million of loans in the process of foreclosure at September 30, 2015 and December 31, 2014, respectively.

The preceding table excludes acquired loans that are (i) accounted for as purchased credit impaired loans or (ii) covered by a Federal Deposit Insurance Corporation (FDIC) loss-share agreement (LSA) totaling $36.6 million and $1.8 million, respectively, at September 30, 2015 and $100.6 million and $3.0 million, respectively, at December 31, 2014. 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. The acquired 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.

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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. There were no loans past due 90 days or more and still accruing interest at September 30, 2015 or December 31, 2014.

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 originated loans whose terms have been modified in such a way that they are considered troubled debt restructurings (TDRs). Originated 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. Generally, TDRs are placed on non-accrual status (and reported as non-performing loans) 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.

People s United s recorded investment in originated loans classified as TDRs totaled $199.2 million and $181.6 million at September 30, 2015 and December 31, 2014, respectively. The related allowance for loan losses at September 30, 2015 and December 31, 2014 was $6.8 million and $7.1 million, respectively. Interest income recognized on TDRs totaled $1.1 million for both the three months ended September 30, 2015 and 2014, and $3.2 million and $3.1 million for the nine months ended September 30, 2015 and 2014, respectively. Fundings under commitments to lend additional amounts to borrowers with loans classified as TDRs were immaterial for the three and nine months ended September 30, 2015 and 2014. Originated loans that were modified and classified as TDRs during the three and nine months ended September 30, 2015 and 2014 principally involve reduced payment and/or payment deferral, extension of term (generally no more than two years for commercial loans and nine years for retail loans) and/or a temporary reduction of interest rate (generally less than 200 basis points).

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The following tables summarize, by class of loan, the recorded investments in loans modified as TDRs during the three and nine months ended September 30, 2015 and 2014. For purposes of this disclosure, recorded investments represent amounts immediately prior to and subsequent to the restructuring.

	Three Months Ended September 30, 2015		
(dollars in millions)	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Commercial:			
Commercial real estate (1)	10	$ 7.0	$ 7.0
Commercial and industrial (2)	7	24.4	24.4
Equipment financing (3)	8	4.2	4.2
Total	25	35.6	35.6
Retail:			
Residential mortgage (4)	15	5.0	5.0
Home equity (5)	17	1.3	1.3
Other consumer			
Total	32	6.3	6.3
Total	57	$ 41.9	$ 41.9

(1) Represents the following concessions: extension of term (7 contracts; recorded investment of $2.1 million); reduced payment and/or payment deferral (2 contracts; recorded investment of $1.2 million); or a combination of concessions (1 contract; recorded investment of $3.7 million).
(2) Represents the following concessions: extension of term (3 contracts; recorded investment of $9.8 million); reduced payment and/or payment deferral (3 contracts; recorded investment of $13.6 million); or a combination of concessions (1 contract; recorded investment of $1.0 million).
(3) Represents the following concessions: reduced payment and/or payment deferral (3 contracts; recorded investment of $2.0 million); or a combination of concessions (5 contracts; recorded investment of $2.2 million).
(4) Represents the following concessions: loans restructured through bankruptcy (6 contracts; recorded investment of $1.2 million); reduced payment and/or payment deferral (4 contracts; recorded investment of $0.8 million); or a combination of concessions (5 contracts; recorded investment of $3.0 million).
(5) Represents the following concessions: loans restructured through bankruptcy (12 contracts; recorded investment of $0.9 million); reduced payment and/or payment deferral (1 contract; recorded investment of $0.1 million); or a

combination of concessions (4 contracts; recorded investment of $0.3 million).

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	Nine Months Ended September 30, 2015		
(dollars in millions)	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Commercial:			
Commercial real estate (1)	20	$ 12.3	$ 12.3
Commercial and industrial (2)	35	59.2	59.2
Equipment financing (3)	18	19.6	19.6
Total	73	91.1	91.1
Retail:			
Residential mortgage (4)	50	16.9	16.9
Home equity (5)	70	6.2	6.2
Other consumer			
Total	120	23.1	23.1
Total	193	$ 114.2	$ 114.2

(1) Represents the following concessions: extension of term (17 contracts; recorded investment of $7.4 million); reduced payment and/or payment deferral (2 contracts; recorded investment of $1.2 million); or a combination of concessions (1 contract; recorded investment of $3.7 million).

(2) Represents the following concessions: extension of term (19 contracts; recorded investment of $22.9 million); reduced payment and/or payment deferral (11 contracts; recorded investment of $33.0 million); or a combination of concessions (5 contracts; recorded investment of $3.3 million).

(3) Represents the following concessions: reduced payment and/or payment deferral (8 contracts; recorded investment of $12.7 million); or a combination of concessions (10 contracts; recorded investment of $6.9 million).

(4) Represents the following concessions: loans restructured through bankruptcy (16 contracts; recorded investment of $5.1 million); reduced payment and/or payment deferral (11 contracts; recorded investment of $3.6 million); temporary rate reduction (2 contracts; recorded investment of $0.3 million); or a combination of concessions (21 contracts; recorded investment of $7.9 million).

(5) Represents the following concessions: loans restructured through bankruptcy (48 contracts; recorded investment of $3.8 million); reduced payment and/or payment deferral (4 contracts; recorded investment of $0.3 million); temporary rate reduction (1 contract; recorded investment of $0.5 million); or a combination of concessions (17 contracts; recorded investment of $1.6 million).

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	Three Months Ended September 30, 2014		
(dollars in millions)	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Commercial:			
Commercial real estate (1)	9	$ 5.8	$ 5.8
Commercial and industrial (2)	7	2.9	2.9
Equipment financing (3)	6	1.4	1.4
Total	22	10.1	10.1
Retail:			
Residential mortgage (4)	28	6.6	6.6
Home equity (5)	36	3.3	3.3
Other consumer			
Total	64	9.9	9.9
Total	86	$ 20.0	$ 20.0

(1) Represents the following concessions: extension of term (8 contracts; recorded investment of $5.5 million); or reduced payment and/or payment deferral (1 contract; recorded investment of $0.3 million).
(2) Represents the following concessions: extension of term (6 contracts; recorded investment of $2.8 million); or reduced payment and/or payment deferral (1 contract; recorded investment of $0.1 million).
(3) Represents the following concessions: reduced payment and/or payment deferral (1 contract; recorded investment of $0.1 million); or a combination of concessions (5 contracts; recorded investment of $1.3 million).
(4) Represents the following concessions: loans restructured through bankruptcy (11 contracts; recorded investment of $1.0 million); reduced payment and/or payment deferral (4 contracts; recorded investment of $0.7 million); or a combination of concessions (13 contracts; recorded investment of $4.9 million).
(5) Represents the following concessions: loans restructured through bankruptcy (22 contracts; recorded investment of $1.6 million); reduced payment and/or payment deferral (7 contracts; recorded investment of $0.8 million); temporary rate reduction (1 contract; recorded investment of $0.5 million); or a combination of concessions (6 contracts; recorded investment of $0.4 million).

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(dollars in millions)	Number of Contracts	Nine Months Ended September 30, 2014 Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Commercial:			
Commercial real estate (1)	22	$ 32.1	$ 32.1
Commercial and industrial (2)	36	27.2	27.2
Equipment financing (3)	17	5.1	5.1
Total	75	64.4	64.4
Retail:			
Residential mortgage (4)	113	32.0	32.0
Home equity (5)	108	10.2	10.2
Other consumer			
Total	221	42.2	42.2
Total	296	$ 106.6	$ 106.6

(1) Represents the following concessions: extension of term (14 contracts; recorded investment of $10.9 million); reduced payment and/or payment deferral (4 contracts; recorded investment of $1.8 million); temporary rate reduction (1 contract; recorded investment of $18.2 million); or a combination of concessions (3 contracts; recorded investment of $1.2 million).

(2) Represents the following concessions: extension of term (13 contracts; recorded investment of $5.9 million); reduced payment and/or payment deferral (8 contracts; recorded investment of $2.5 million); or a combination of concessions (15 contracts; recorded investment of $18.8 million).

(3) Represents the following concessions: reduced payment and/or payment deferral (2 contracts; recorded investment of $0.3 million); or a combination of concessions (15 contracts; recorded investment of $4.8 million).

(4) Represents the following concessions: loans restructured through bankruptcy (28 contracts; recorded investment of $5.0 million); extension of term (1 contract; recorded investment of $0.5 million); reduced payment and/or payment deferral (26 contracts; recorded investment of $8.6 million); or a combination of concessions (58 contracts; recorded investment of $17.9 million).

(5) Represents the following concessions: loans restructured through bankruptcy (53 contracts; recorded investment of $4.7 million); reduced payment and/or payment deferral (16 contracts; recorded investment of $2.1 million); temporary rate reduction (2 contracts; recorded investment of $0.6 million); or a combination of concessions (37 contracts; recorded investment of $2.8 million).

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The following is a summary, by class of loan, of information related to TDRs of originated loans completed within the previous 12 months that subsequently defaulted during the three and nine months ended September 30, 2015 and 2014. For purposes of this disclosure, the previous 12 months is measured from October 1 of the respective prior year and a default represents a previously-modified loan that became past due 30 days or more during the three or nine months ended September 30, 2015 or 2014.

	Three Months Ended September 30,					
	2015			2014		
(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		$		3	$	3.7
Commercial and industrial	1		0.6	1		0.7
Equipment financing	1		0.3			
Total	2		0.9	4		4.4
Retail:						
Residential mortgage	2		0.2	13		2.1
Home equity	2		0.1	6		0.3
Other consumer						
Total	4		0.3	19		2.4
Total	6	$	1.2	23	$	6.8

	Nine Months Ended September 30,					
	2015			2014		
(dollars in millions)	Number of Contracts	Recorded Investment as of Period End		Number of Contracts	Recorded Investment as of Period End	
Commercial:						
Commercial real estate	2	$	3.4	5	$	4.1
Commercial and industrial	4		1.4	2		0.8
Equipment financing	8		4.1	8		1.0
Total	14		8.9	15		5.9

Retail:					
Residential mortgage	18		6.7	39		12.7
Home equity	16		1.5	23		1.6
Other consumer						
Total	34		8.2	62		14.3
Total	48	$	17.1	77	$	20.2

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People s United s impaired loans consist of certain originated loans, including all TDRs. The following table summarizes, by class of loan, information related to individually-evaluated impaired loans within the originated portfolio.

(in millions)	As of September 30, 2015 Unpaid Principal Balance	Recorded Investment	Related Allowance for Loan Losses	As of December 31, 2014 Unpaid Principal Balance	Recorded Investment	Related Allowance for Loan Losses
Without a related allowance for loan losses:						
Commercial:						
Commercial real estate	$ 48.0	$ 47.4	$	$ 57.1	$ 55.8	$
Commercial and industrial	63.5	59.6		51.7	48.6	
Equipment financing	21.5	17.7		30.2	21.4	
Retail:						
Residential mortgage	67.9	61.1		65.4	58.9	
Home equity	22.3	19.5		21.3	18.3	
Other consumer						
Total	$ 223.2	$ 205.3	$	$ 225.7	$ 203.0	$
With a related allowance for loan losses:						
Commercial:						
Commercial real estate	$ 17.8	$ 13.5	$ 1.9	$ 52.1	$ 27.8	$ 4.0
Commercial and industrial	22.2	21.3	5.6	21.4	17.4	3.5
Equipment financing	12.5	9.5	0.7	3.6	3.5	0.1
Retail:						
Residential mortgage	14.9	14.8	2.9	15.6	15.3	2.6
Home equity	1.9	1.8	0.8	2.6	2.5	1.3
Other consumer						
Total	$ 69.3	$ 60.9	$ 11.9	$ 95.3	$ 66.5	$ 11.5
Total impaired loans:						
Commercial:						
Commercial real estate	$ 65.8	$ 60.9	$ 1.9	$ 109.2	$ 83.6	$ 4.0
Commercial and industrial	85.7	80.9	5.6	73.1	66.0	3.5
Equipment financing	34.0	27.2	0.7	33.8	24.9	0.1

Total	185.5	169.0	8.2	216.1	174.5	7.6
Retail:						
Residential mortgage	82.8	75.9	2.9	81.0	74.2	2.6
Home equity	24.2	21.3	0.8	23.9	20.8	1.3
Other consumer						
Total	107.0	97.2	3.7	104.9	95.0	3.9
Total	$ 292.5	$ 266.2	$ 11.9	$ 321.0	$ 269.5	$ 11.5

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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 September 30,			
	2015		2014	
(in millions)	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
Commercial:				
Commercial real estate	$ 59.2	$ 0.5	$ 81.8	$ 0.3
Commercial and industrial	83.0	0.2	51.0	0.2
Equipment financing	26.7	0.1	30.6	0.2
Total	168.9	0.8	163.4	0.7
Retail:				
Residential mortgage	74.4	0.4	72.3	0.4
Home equity	21.2	0.1	18.4	0.1
Other consumer				
Total	95.6	0.5	90.7	0.5
Total	$ 264.5	$ 1.3	$ 254.1	$ 1.2

	Nine Months Ended September 30,			
	2015		2014	
(in millions)	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
Commercial:				
Commercial real estate	$ 67.8	$ 1.2	$ 75.7	$ 1.2
Commercial and industrial	71.1	1.2	42.9	0.8
Equipment financing	28.9	0.3	29.4	0.6
Total	167.8	2.7	148.0	2.6
Retail:				
Residential mortgage	75.3	1.1	71.4	1.0

Home equity	21.3		0.2	17.3		0.2
Other consumer						
Total	96.6		1.3	88.7		1.2
Total	$ 264.4	$	4.0	$ 236.7	$	3.8

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

As of September 30, 2015 (in millions)	Current	30-89 Days	Past Due 90 Days or More	Total	Total Originated
Commercial:					
Commercial real estate	$ 9,403.2	$ 21.0	$ 12.5	$ 33.5	$ 9,436.7
Commercial and industrial	7,173.6	29.2	54.4	83.6	7,257.2
Equipment financing	2,733.3	59.0	10.1	69.1	2,802.4
Total	19,310.1	109.2	77.0	186.2	19,496.3
Retail:					
Residential mortgage	5,117.5	39.9	25.8	65.7	5,183.2
Home equity	2,084.6	6.3	10.4	16.7	2,101.3
Other consumer	49.6	0.3		0.3	49.9
Total	7,251.7	46.5	36.2	82.7	7,334.4
Total originated loans	$ 26,561.8	$ 155.7	$ 113.2	$ 268.9	$ 26,830.7

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 $19.3 million, $25.8 million and $19.3 million, respectively, and $23.0 million of retail loans in the process of foreclosure or bankruptcy. These loans are less than 90 days past due but have been placed on non-accrual status as a result of having been identified as presenting uncertainty with respect to the collectability of interest and principal.

As of December 31, 2014 (in millions)	Current	30-89 Days	Past Due 90 Days or More	Total	Total Originated
Commercial:					
Commercial real estate	$ 8,908.0	$ 17.6	$ 34.7	$ 52.3	$ 8,960.3
Commercial and industrial	6,814.9	32.4	43.8	76.2	6,891.1
Equipment financing	2,793.3	41.0	4.7	45.7	2,839.0

Total	18,516.2	91.0	83.2	174.2	18,690.4
Retail:					
Residential mortgage	4,647.3	29.1	25.1	54.2	4,701.5
Home equity	2,079.3	5.0	8.6	13.6	2,092.9
Other consumer	55.8	0.4	0.1	0.5	56.3
Total	6,782.4	34.5	33.8	68.3	6,850.7
Total originated loans	$ 25,298.6	$ 125.5	$ 117.0	$ 242.5	$ 25,541.1

Included in the Current and 30-89 Days categories above are early non-performing commercial real estate loans, commercial and industrial loans, and equipment financing loans totaling $25.6 million, $29.5 million and $20.7 million, respectively, and $21.8 million of retail loans in the process of foreclosure or bankruptcy. These loans are less than 90 days past due but have been placed on non-accrual status as a result of having been identified as presenting uncertainty with respect to the collectability of interest and principal.

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People s United Financial, Inc.

Notes to Consolidated Financial Statements (Unaudited)

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.

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 periodically 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, which are included in the tabular disclosures of credit quality indicators that follow.

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People s United Financial, Inc.

Notes to Consolidated Financial Statements (Unaudited)

Acquired Loans 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.

Acquired loans are initially recorded at fair value, determined based upon an estimate of the amount and timing of both principal and interest cash flows expected to be collected and discounted using a market interest rate. 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 portfolio. A decrease in the expected cash flows in subsequent periods requires the establishment of an allowance for loan losses at that time. At September 30, 2015 and December 31, 2014, the allowance for loan losses on acquired loans was $9.4 million and $10.2 million, respectively.

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

As of September 30, 2015 (in millions)	Commercial Real Estate	Commercial and Industrial	Equipment Financing	Total
Commercial:				
Originated loans:				
Pass	$ 9,211.9	$ 6,864.3	$ 2,434.7	$ 18,510.9
Special mention	93.9	106.0	95.3	295.2
Substandard	130.9	283.8	272.4	687.1
Doubtful		3.1		3.1
Total originated loans	9,436.7	7,257.2	2,802.4	19,496.3
Acquired loans:				
Pass	269.6	184.9	5.5	460.0
Special mention	22.3	5.4	0.4	28.1
Substandard	55.0	44.1	12.8	111.9
Doubtful	1.8	0.6		2.4
Total acquired loans	348.7	235.0	18.7	602.4

Total	$ 9,785.4	$ 7,492.2	$ 2,821.1	$ 20,098.7

As of September 30, 2015 (in millions)	Residential Mortgage	Home Equity	Other Consumer	Total
Retail:				
Originated loans:				
Low risk	$ 2,502.4	$ 950.7	$ 25.9	$ 3,479.0
Moderate risk	2,171.3	636.9	8.3	2,816.5
High risk	509.5	513.7	15.7	1,038.9
Total originated loans	5,183.2	2,101.3	49.9	7,334.4
Acquired loans:				
Low risk	99.3			99.3
Moderate risk	40.3			40.3
High risk	58.6	39.9	1.0	99.5
Total acquired loans	198.2	39.9	1.0	239.1
Total	$ 5,381.4	$ 2,141.2	$ 50.9	$ 7,573.5

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People s United Financial, Inc.

Notes to Consolidated Financial Statements (Unaudited)

As of December 31, 2014 (in millions)	Commercial Real Estate	Commercial and Industrial	Equipment Financing	Total
Commercial:				
Originated loans:				
Pass	$ 8,730.9	$ 6,477.4	$ 2,481.2	$ 17,689.5
Special mention	82.4	114.2	110.6	307.2
Substandard	135.3	297.3	247.2	679.8
Doubtful	11.7	2.2		13.9
Total originated loans	8,960.3	6,891.1	2,839.0	18,690.4
Acquired loans:				
Pass	302.5	174.5	7.6	484.6
Special mention	20.9	52.8	0.7	74.4
Substandard	113.5	55.0	18.2	186.7
Doubtful	7.1	16.2		23.3
Total acquired loans	444.0	298.5	26.5	769.0
Total	$ 9,404.3	$ 7,189.6	$ 2,865.5	$ 19,459.4

As of December 31, 2014 (in millions)	Residential Mortgage	Home Equity	Other Consumer	Total
Retail:				
Originated loans:				
Low risk	$ 2,280.6	$ 931.5	$ 29.5	$ 3,241.6
Moderate risk	1,921.6	597.1	8.3	2,527.0
High risk	499.3	564.3	18.5	1,082.1
Total originated loans	4,701.5	2,092.9	56.3	6,850.7
Acquired loans:				
Low risk	107.0			107.0
Moderate risk	50.5			50.5
High risk	73.0	50.2	1.2	124.4
Total acquired loans	230.5	50.2	1.2	281.9
Total	$ 4,932.0	$ 2,143.1	$ 57.5	$ 7,132.6

Acquired Loans

Acquired loans that have evidence of deterioration in credit quality since origination and for which it is probable, at acquisition, that all contractually required payments will not be collected are initially recorded at fair value without recording an 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 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.

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Notes to Consolidated Financial Statements (Unaudited)

Under the accounting model for acquired 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 effective yield method. Accordingly, acquired loans are not subject to classification as non-accrual in the same manner as originated loans. Rather, acquired 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 acquired 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.

An acquired loan 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. Acquired 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.

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Notes to Consolidated Financial Statements (Unaudited)

At the respective acquisition dates in 2011 and 2010, on an aggregate basis, the acquired loan portfolio had contractually required principal and interest payments receivable of $7.57 billion; expected cash flows of $7.02 billion; and a fair value (initial carrying amount) of $5.36 billion. The difference between the contractually required principal and interest payments receivable and the expected cash flows ($550.9 million) represented the initial nonaccretable difference. The difference between the expected cash flows and fair value ($1.66 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 September 30, 2015, the outstanding principal balance and carrying amount of the acquired loan portfolio were $946.1 million and $841.5 million, respectively ($1.18 billion and $1.05 billion, respectively, at December 31, 2014).
At September 30, 2015, the aggregate remaining nonaccretable difference applicable to acquired loans totaled $83.4 million.

The following tables summarize activity in the accretable yield for the acquired loan portfolio:

(in millions)	Three Months Ended September 30, 2015	2014
Balance at beginning of period	$ 316.9	$ 447.7
Accretion	(13.3)	(18.9)
Reclassification from nonaccretable difference for loans with improved cash flows (1)		0.3
Other changes in expected cash flows (2)	5.0	(15.7)
Balance at end of period	$ 308.6	$ 413.4

(in millions)	Nine Months Ended September 30, 2015	2014
Balance at beginning of period	$ 396.3	$ 639.7
Accretion	(42.9)	(63.9)
Reclassification from nonaccretable difference for loans with improved cash flows (1)	1.1	6.7
Other changes in expected cash flows (2)	(45.9)	(169.1)
Balance at end of period	$ 308.6	$ 413.4

(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.

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

Other real estate owned (REO) was comprised of residential and commercial properties totaling $10.8 million and $8.2 million, respectively, at September 30, 2015, and $13.6 million and $11.0 million, respectively, at December 31, 2014. Repossessed assets totaled $7.3 million and $2.5 million at September 30, 2015 and December 31, 2014, respectively.

People s United Financial, Inc.

Notes to Consolidated Financial Statements (Unaudited)

NOTE 4. STOCKHOLDERS EQUITY

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 (88.8 million shares at September 30, 2015) 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) (0.3 million shares at September 30, 2015). Following shareholder approval of the People s United Financial, Inc. 2014 Long-Term Incentive Plan in the second quarter of 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 benefit plans; (ii) net unrealized gains and losses on securities available for sale; (iii) net unrealized gains and losses on securities transferred to held to maturity; and (iv) net unrealized gains and losses on derivatives accounted for as cash flow hedges. People s United s total comprehensive income for the three and nine months ended September 30, 2015 and 2014 is reported in the Consolidated Statements of Comprehensive Income.

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

(in millions)	Pension and Other Postretirement Benefits	Net Unrealized Gains (Losses) on Securities Available for Sale	Net Unrealized Gains (Losses) on Securities Transferred to Held to Maturity	Net Unrealized Gains (Losses) on Derivatives Accounted for as Cash Flow Hedges	Total Accumulated Other Comprehensive Loss
Balance at December 31, 2014	$ (142.9)	$ (3.7)	$ (21.5)	$ (0.1)	$ (168.2)
Other comprehensive income (loss) before reclassifications		17.5		(0.8)	16.7
	3.3		1.5	0.6	5.4

Amounts reclassified from AOCL (1)										
Current period other comprehensive income (loss)		3.3		17.5		1.5		(0.2)		22.1
Balance at September 30, 2015	$	(139.6)	$	13.8	$	(20.0)	$	(0.3)	$	(146.1)

(in millions)		Pension and Other Postretirement Benefits		Net Unrealized Gains (Losses) on Securities Available for Sale		Net Unrealized Gains (Losses) on Securities Transferred to Held to Maturity		Net Unrealized Gains (Losses) on Derivatives Accounted for as Cash Flow Hedges		Total Accumulated Other Comprehensive Loss
Balance at December 31, 2013	$	(85.0)	$	(46.5)	$	(23.3)	$	(0.3)	$	(155.1)
Other comprehensive income (loss) before reclassifications				27.2				(0.2)		27.0
Amounts reclassified from AOCL (1)		1.9		(0.2)		1.3		0.6		3.6
Current period other comprehensive income (loss)		1.9		27.0		1.3		0.4		30.6
Balance at September 30, 2014	$	(83.1)	$	(19.5)	$	(22.0)	$	0.1	$	(124.5)

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

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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:

	Amounts Reclassified from AOCL				Affected Line Item
	Three Months Ended September 30,		Nine Months Ended September 30,		in the Statement Where
(in millions)	2015	2014	2015	2014	Net Income is Presented
Details about components of AOCL:					
Amortization of pension and other postretirement benefits items:					
Net actuarial loss	$ (2.0)	$ (1.2)	$ (6.0)	$ (3.9)	(1)
Prior service credit	0.3	0.2	0.8	0.8	(1)
	(1.7)	(1.0)	(5.2)	(3.1)	Income before income tax expense
	0.6	0.4	1.9	1.2	Income tax expense
	(1.1)	(0.6)	(3.3)	(1.9)	Net income
Reclassification adjustment for net realized gains on securities available for sale		0.2		0.3	Income before income tax expense (2)
		(0.1)		(0.1)	Income tax expense
		0.1		0.2	Net income
Amortization of unrealized losses on securities transferred to held to maturity	(0.8)	(0.7)	(2.3)	(2.2)	Income before income tax expense (3)
	0.2	0.3	0.8	0.9	Income tax expense
	(0.6)	(0.4)	(1.5)	(1.3)	Net income
Amortization of unrealized gains and losses on cash flow hedges:					
Interest rate swaps	(0.3)	(0.3)	(1.0)	(1.0)	(4)
Interest rate locks	0.1	0.1	0.1	0.1	(4)
	(0.2)	(0.2)	(0.9)	(0.9)	Income before income tax expense

	0.1	0.1	0.3	0.3	Income tax expense
	(0.1)	(0.1)	(0.6)	(0.6)	Net income
Total reclassifications for the period	$ (1.8)	$ (1.0)	$ (5.4)	$ (3.6)	

(1) Included in the computation of net periodic pension cost reflected in compensation and benefits expense (see Note 7 for additional details).
(2) Included in other non-interest income.
(3) Included in interest and dividend income - securities.
(4) Included in interest expense - notes and debentures.

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 share (EPS), reflecting the application of the two-class method, as described below:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(in millions, except per share data)	2015	2014	2015	2014
Net income	$ 68.4	$ 61.6	$ 189.3	$ 187.0
Dividends and undistributed earnings allocated to participating securities	(0.3)	(0.3)	(0.9)	(0.9)
Income attributable to common shareholders	$ 68.1	$ 61.3	$ 188.4	$ 186.1
Average common shares outstanding for basic EPS	301.0	298.4	300.1	298.1
Effect of dilutive equity-based awards				
Average common and common-equivalent shares for diluted EPS	301.0	298.4	300.1	298.1
Basic EPS	$ 0.23	$ 0.21	$ 0.63	$ 0.62
Diluted EPS	$ 0.23	$ 0.21	$ 0.63	$ 0.62

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 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 20.3 million shares for both the three and nine months ended September 30, 2015 and 17.9 million shares for both the three and nine months ended September 30, 2014 have been excluded from the calculation of diluted EPS.

NOTE 6. GOODWILL AND OTHER ACQUISITION-RELATED INTANGIBLE ASSETS

People s United s goodwill totaled $1.95 billion at both September 30, 2015 and December 31, 2014. At both dates, goodwill was allocated to People s United s operating segments as follows: Commercial Banking ($1.22 billion); Retail Banking ($681.9 million); and Wealth Management ($49.8 million).

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 generally paid for the acquired entities which, in turn, resulted in the recognition of goodwill, representing the excess of the respective purchase prices over the estimated fair value of the net assets acquired.

All of People s United s tax deductible goodwill was created in transactions in which the Company purchased the assets of the target (as opposed to purchasing the issued and outstanding stock of the target). At September 30, 2015 and December 31, 2014, tax deductible goodwill totaled $12.1 million and $13.0 million, respectively, and related, almost entirely, to the Butler Bank acquisition completed in 2010.

People s United Financial, Inc.

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People s United s other acquisition-related intangible assets totaled $130.2 million and $148.0 million at September 30, 2015 and December 31, 2014, respectively. At September 30, 2015, the carrying amounts of other acquisition-related intangible assets were as follows: trade name intangible ($81.9 million); core deposit intangible ($27.0 million); trust relationship intangible ($20.6 million); and insurance relationship intangible ($0.7 million).

Amortization expense of other acquisition-related intangible assets totaled $5.9 million and $6.2 million for the three months ended September 30, 2015 and 2014, respectively, and $17.8 million and $18.6 million for the nine months ended September 30, 2015 and 2014, respectively. Scheduled amortization expense attributable to other acquisition-related intangible assets for the full-year of 2015 and each of the next five years is as follows: $23.8 million in 2015; $22.7 million in 2016; $21.6 million in 2017; $10.2 million in 2018; $9.4 million in 2019; and $9.0 million in 2020. There were no impairment losses relating to goodwill or other acquisition-related intangible assets recorded during the nine months ended September 30, 2015 and 2014.

NOTE 7. EMPLOYEE BENEFIT PLANS

People s United Employee Pension and Other Postretirement Benefit Plans

People s United maintains a qualified noncontributory defined benefit pension plan (the 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 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 Qualified Plan to freeze , effective December 31, 2011, the accrual of pension benefits for 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.

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 the first quarter of 2015, the Company made a voluntary employer contribution of $40.0 million to the Qualified Plan as a consequence of lower discount rates and the adoption of updated mortality tables.

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

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Components of the net periodic benefit (income) expense and other amounts recognized in other comprehensive income for the plans described above are as follows:

Three months ended September 30 (in millions)	Pension Benefits 2015	Pension Benefits 2014	Other Postretirement Benefits 2015	Other Postretirement Benefits 2014
Net periodic benefit (income) expense:				
Service cost	$	$	$ 0.1	$ 0.1
Interest cost	4.8	4.8	0.1	
Expected return on plan assets	(7.8)	(7.1)		
Recognized net actuarial loss	1.5	1.0		
Settlements	0.1	0.4		
Net periodic benefit (income) expense	$ (1.4)	$ (0.9)	$ 0.2	$ 0.1

Nine months ended September 30 (in millions)	Pension Benefits 2015	Pension Benefits 2014	Other Postretirement Benefits 2015	Other Postretirement Benefits 2014
Net periodic benefit (income) expense:				
Service cost	$	$	$ 0.2	$ 0.2
Interest cost	14.4	14.4	0.4	0.3
Expected return on plan assets	(22.8)	(21.3)		
Recognized net actuarial loss	4.5	3.0	0.2	
Recognized prior service credit			(0.1)	(0.2)
Settlements	0.3	1.4		
Net periodic benefit (income) expense	(3.6)	(2.5)	0.7	0.3
Other changes in plan assets and benefit obligations recognized in other comprehensive income:				
Net actuarial loss	(4.5)	(3.0)	(0.2)	
Prior service credit			0.1	0.2
Total pre-tax changes recognized in other comprehensive income	(4.5)	(3.0)	(0.1)	0.2
Total recognized in net periodic benefit (income) expense and other comprehensive income	$ (8.1)	$ (5.5)	$ 0.6	$ 0.5

Chittenden Pension Plan

In addition to the benefit plans described above, People s United continues to maintain a qualified defined benefit pension plan that covers former Chittenden Corporation employees who meet certain eligibility requirements (the Chittenden Plan). Effective December 31, 2005, accrued benefits were frozen based on participants then-current service and pay levels. 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 Qualified Plan. Net periodic benefit income for the Chittenden Plan totaled $0.1 million and $0.2 million for the nine months ended September 30, 2015 and 2014, respectively. In the first quarter of 2015, the Company made a voluntary employer contribution of $10.0 million to the Chittenden Plan as a consequence of lower discount rates and the adoption of updated mortality tables.

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People s United Financial, Inc.

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Employee Stock Ownership Plan

In April 2007, People s United established an ESOP. At that time, People s United loaned the ESOP $216.8 million to purchase 10,453,575 shares of People s United common stock in the open market. In order for the ESOP to repay the loan, People s United expects to make annual cash contributions of approximately $18.8 million until 2036. Such cash contributions may be reduced by the cash dividends paid on unallocated ESOP shares, which totaled $3.8 million for the nine months ended September 30, 2015. The loan balance totaled $192.1 million at September 30, 2015.

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 3,048,962 shares of People s United common stock have been allocated or committed to be released to participants accounts. At September 30, 2015, 7,404,613 shares of People s United common stock, with a fair value of $116.5 million at that date, have not been allocated or committed to be released.

Compensation expense related to the ESOP is recognized at an amount equal to the number of common shares committed to be released by the ESOP for allocation to participants accounts multiplied by the average fair value of People s United s common stock during the reporting period. The difference between the fair value of the shares of People s United s common stock committed to be released and the cost of those common shares is recorded as a credit to additional paid-in capital (if fair value exceeds cost) or, to the extent that no such credits remain in additional paid-in capital, as a charge to retained earnings (if fair value is less than cost). Expense recognized for the ESOP totaled $4.0 million and $3.8 million for the nine months ended September 30, 2015 and 2014, respectively.

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 the pending actions described below, as well as other legal proceedings. Based on the information currently available, advice of counsel, available insurance coverage and the recorded liability for probable legal settlements and costs, People s United believes that the eventual outcome of these matters will not (individually or in the aggregate) have a material adverse effect on its financial condition, results of operations or liquidity.

Litigation Relating to the Smithtown Transaction

On February 25, 2010 and March 29, 2010, Smithtown and several of its officers and directors were named in lawsuits commenced in United States District Court, Eastern District of New York (*Waterford Township Police & Fire Retirement v. Smithtown Bancorp, Inc., et al.* and *Yourgal v. Smithtown Bancorp, Inc. et al.*, respectively) on behalf of a putative class of all persons and entities who purchased Smithtown s common stock between March 13, 2008 and February 1, 2010, alleging claims under Section 10(b) and Section 20(a) of the Securities Exchange Act of 1934. The plaintiffs allege, among other things, that Smithtown s loan loss reserve, fair value of its assets, recognition of impaired assets and its internal and disclosure controls were materially false, misleading or incomplete. As a result of the merger of Smithtown with and into People s United on November 30, 2010, People s United has become the successor party to Smithtown in this matter.

Following extensive preliminary filings with the Court by both parties, an agreement in principle to settle this matter was reached on October 23, 2014, subject to completion of appropriate documentation and Court approval. On January 12, 2015, the plaintiffs filed a Motion for Preliminary Approval of the settlement with the Court. On April 17, 2015, the U.S. Magistrate Judge recommended that the Court overseeing the case preliminarily approve of the settlement. On September 28, 2015, the Court issued a final order approving the settlement, thus concluding this matter. The amount of the agreed upon settlement did not have a significant impact on the Company s Consolidated Financial Statements.

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People s United Financial, Inc.

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NOTE 9. SEGMENT INFORMATION

See Segment Results included in Item 2 for segment information for the three and nine months ended September 30, 2015 and 2014.

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 issued mortgage-backed securities and CMOs);

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.

People s United Financial, Inc.

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Recurring Fair Value Measurements

Trading Account Securities and 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 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 residential mortgage-backed securities and CMOs, all of which are included in Level 2.

Substantially all of the Company s available-for-sale securities represent GSE residential mortgage-backed securities and CMOs. The fair values of these securities are based on prices obtained from the independent pricing service. The pricing service uses various techniques to determine pricing for the Company s mortgage-backed securities, including option pricing and discounted cash flow analysis. The inputs include benchmark yields, reported trades, broker/dealer quotes, issuer spreads, benchmark securities, bids, offers, reference data, monthly payment information and collateral performance. At both September 30, 2015 and December 31, 2014, the entire available-for-sale residential 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 residential mortgage-backed securities and CMOs, 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 15-year securities. As a further point of validation, the Company generates its own month-end fair value estimate for all mortgage-backed securities, agency-issued CMOs (also backed by 15-year 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 benefit 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, 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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The following tables summarize People s United s financial instruments that are measured at fair value on a recurring basis:

	Fair Value Measurements Using			
As of September 30, 2015 (in millions)	Level 1	Level 2	Level 3	Total
Financial assets:				
Trading account securities:				
U.S. Treasury	$ 8.3	$	$	$ 8.3
Securities available for sale:				
U.S. Treasury and agency	376.2			376.2
GSE residential mortgage-backed securities and CMOs		3,844.8		3,844.8
Equity securities		0.2		0.2
Other assets:				
Exchange-traded funds	28.3			28.3
Fixed income securities		5.4		5.4
Mutual funds	1.6			1.6