

# FINANCIAL STATEMENT – June 30, 2017 (unaudited)

## Statement of Condition

### Assets

Cash and cash equivalents (note 3)	\$20,899,876
Cash segregated under federal regulations (note 3)	2,990,863
Securities segregated under federal regulations, at fair value (note 3)	7,496,625
Securities, at fair value	297,106
Receivables from customers (note 4)	14,321,566
Receivables from clearing organization	1,703,942
Commission and fees receivable	6,679,926
Goodwill & Intangible assets	72,430,672
Other assets	623,273
<b>Total Assets</b>	<b>\$127,443,849</b>

### Liabilities and Stockholder's Equity

Payables to customers (note 4)	\$15,492,735
Due to People's United Bank	6,757,607
Contingent liability	18,260,000
Other liabilities	89,128
<b>Total Liabilities</b>	<b>40,599,470</b>

### Stockholder's equity (notes 1 & 5)

Common stock*	500,000
Additional paid-in capital	77,926,813
Retained earnings	8,417,566
<b>Total Stockholder's Equity</b>	<b>86,844,379</b>

**Total Liabilities and Stockholder's Equity** \$127,443,849

See accompanying notes to financial statement.

\*Without par value; 5,000 shares authorized; 100 shares issued and outstanding.

## Notes to Financial Statement

### 1. Organization and Nature of Business

People's Securities, Inc. (the Company) is a brokerage firm and a wholly owned subsidiary of People's United Bank, National Association (People's United). The Company is registered as a broker-dealer pursuant to Section 15(b) of the Securities Exchange Act of 1934, and is a registered investment advisor with the Securities and Exchange Commission (the SEC). The Company is subject to regulation and oversight by the SEC and the Financial Industry Regulatory Authority, Inc. (FINRA).

The Company is registered in all 50 states, the District of Columbia and Puerto Rico. It offers brokerage and insurance services through the People's United branch network consisting of approximately 400 branches located throughout New England and southeastern New York. Revenues are primarily earned from fees collected from customers. These fees and commissions are primarily associated with buying and selling of securities, including mutual funds, managed asset allocation portfolios, insurance and annuities.

### 2. Summary of Significant Accounting Policies Basis of Financial Statement Presentation

The financial statements have been prepared in conformity with U.S. generally accepted accounting principles. In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Actual results could differ from those estimates.

### Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include highly liquid instruments (such as money market mutual funds), but exclude cash segregated in a special reserve account under federal regulations. Cash equivalents in the form of money market mutual funds are carried at fair value.

*Pursuant to Rule 17a-5 of the Securities and Exchange Commission, a statement of condition for December 31, 2016 and related notes were filed with the Securities and Exchange Commission together with the Company's annual audit report. This report is available for examination and copying at the Company's Bridgeport, Connecticut office and at the Washington D.C. and Boston, Massachusetts offices of the Securities and Exchange Commission.*

**People's Securities, Inc.**

A subsidiary of  People's United Bank

# FINANCIAL STATEMENT – June 30, 2017 (unaudited)

## Notes to Financial Statement (Continued)

### Securities

All of the Company's securities including securities segregated under federal regulations are reported at fair value on trade date. Net unrealized and realized gains and losses on securities are included as revenue in the statement of income.

### Revenue Recognition

The Company recognizes commission revenues and expenses on a trade-date basis.

### Inter-company Expense Allocations

The Company's financial statements reflect allocations of certain occupancy, equipment and personnel-related expenses that are paid on its behalf by People's United and reimbursed by the Company. Personnel-related allocations include salaries and costs attributable to the employees of the Company participating in the pension and other benefit plans sponsored by People's United. In the opinion of management, the expenses allocated to the Company approximate the actual costs incurred.

### Income Taxes

The Company is included in the consolidated federal and state income tax returns filed by People's United Financial, Inc.; the parent company of People's United. Pursuant to a tax sharing arrangement, People's United Financial, Inc. charges or credits the Company for the portion of the consolidated income tax expense or benefit attributable to the Company's stand-alone operations, based on income for financial reporting purposes.

### 3. Cash and Cash Equivalents

Pursuant to Rule 15c3-3 of the SEC, the Company is required to maintain a segregated special reserve bank account for the exclusive benefit of its customers. In accordance with these requirements, the Company maintained an account at Citibank N.A. with a total balance of \$2,990,863 in cash and \$7,496,625 in securities (at fair value) at June 30, 2017.

Additional funds are invested in cash management accounts administered by People's United and others which are reinvested daily in money market mutual funds.

### 4. Customer Transactions

In the normal course of business, the Company's activities involve the execution, settlement and financing of various customer securities transactions. These customer activities are transacted on either a cash or margin basis. In margin transactions, the Company extends credit to its customers, collateralized by cash equivalents and securities in the customers' accounts. The Company seeks to control the risks associated with its customer activities by requiring customers to maintain margin collateral in compliance with various regulatory requirements and internal guidelines. The Company monitors required margin levels daily and, pursuant to such guidelines, require the customer to deposit additional collateral or to reduce positions when necessary.

### 5. Net Capital Requirements

As a registered broker and dealer in securities, the Company is subject to the SEC Uniform Net Capital Rule (Rule 15c3-1), which requires the maintenance of minimum net capital. As permitted by Rule 15c3-1, the Company has elected to compute its net capital requirement at June 30, 2017 using the alternative method. This method requires the maintenance of minimum net capital, as defined, equal to the greater of \$250,000 or 2% of aggregate debit balances arising from customer transactions, as defined. At June 30, 2017, the Company had net capital of \$5,915,337, which was approximately 46% of aggregate debit balances and \$5,655,623 in excess of its required net capital.

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