

Statement of Condition

Assets

Cash and cash equivalents (note 3)	\$11,303,568
Cash segregated under federal regulations (note 3)	5,772,554
Securities segregated under federal regulations, at fair value (note 3)	71,636,555
Securities, at fair value (note 2)	147,887
Receivables from customers (note 4)	13,825,588
Receivables from clearing organization	3,000,932
Other assets	2,563,323
Total Assets	\$108,250,407

Liabilities and Stockholder's Equity

Liabilities

Payables to customers (note 4)	\$89,822,008
Due to People's United Bank	2,811,829
Other liabilities	153,686
Total Liabilities	92,787,523

Stockholder's equity (note 5)

Common stock*	500,000
Additional paid-in capital	7,179,843
Retained earnings	7,783,041
Total Stockholder's Equity	15,462,884
Total Liabilities and Stockholder's Equity	\$108,250,407

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 ("People's United"). The Company is a member of the Financial Industry Regulatory Authority, is registered as a broker-dealer pursuant to Section 15(b) of the Securities Exchange Act of 1934, and is a registered investment adviser with the Securities and Exchange Commission (the "SEC").

The Company is registered in all 50 states and operates through a network of 40 New England-based investment and brokerage offices, with 39 located in People's United's traditional branches or financial centers. Commission revenues are principally fees charged to customers for buying and selling securities, including mutual funds, insurance and annuities. A significant portion of customer transactions are conducted online using the Internet.

During 2011, the Company paid special cash dividends totaling \$15,000,000 to People's United.

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, 2011 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**

Notes to Financial Statement (Continued)

Securities, at Fair Value

All of the Company's securities at December 31, 2011, including securities segregated under federal regulations, were reported at fair value, with unrealized gains and losses included as revenue in the statement of income. The fair values of securities were based principally on market prices and dealer quotes.

Commissions

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 maintains cash at People's United and Citibank N.A. totaling \$5,772,554 and securities at Citibank N.A. totaling \$71,636,555, at December 31, 2011.

Additional funds are invested daily 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 Requirement

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, 2011 using the alternative method. This method requires the maintenance of minimum net capital, as defined, equal to the greater of (i) \$250,000 or (ii) 2% of aggregate debit balances arising from customer transactions, as defined. At December 31, 2011 the Company had net capital of \$12,920,216, which was approximately 81% of aggregate debit balances and \$12,600,411 in excess of its required net capital.

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