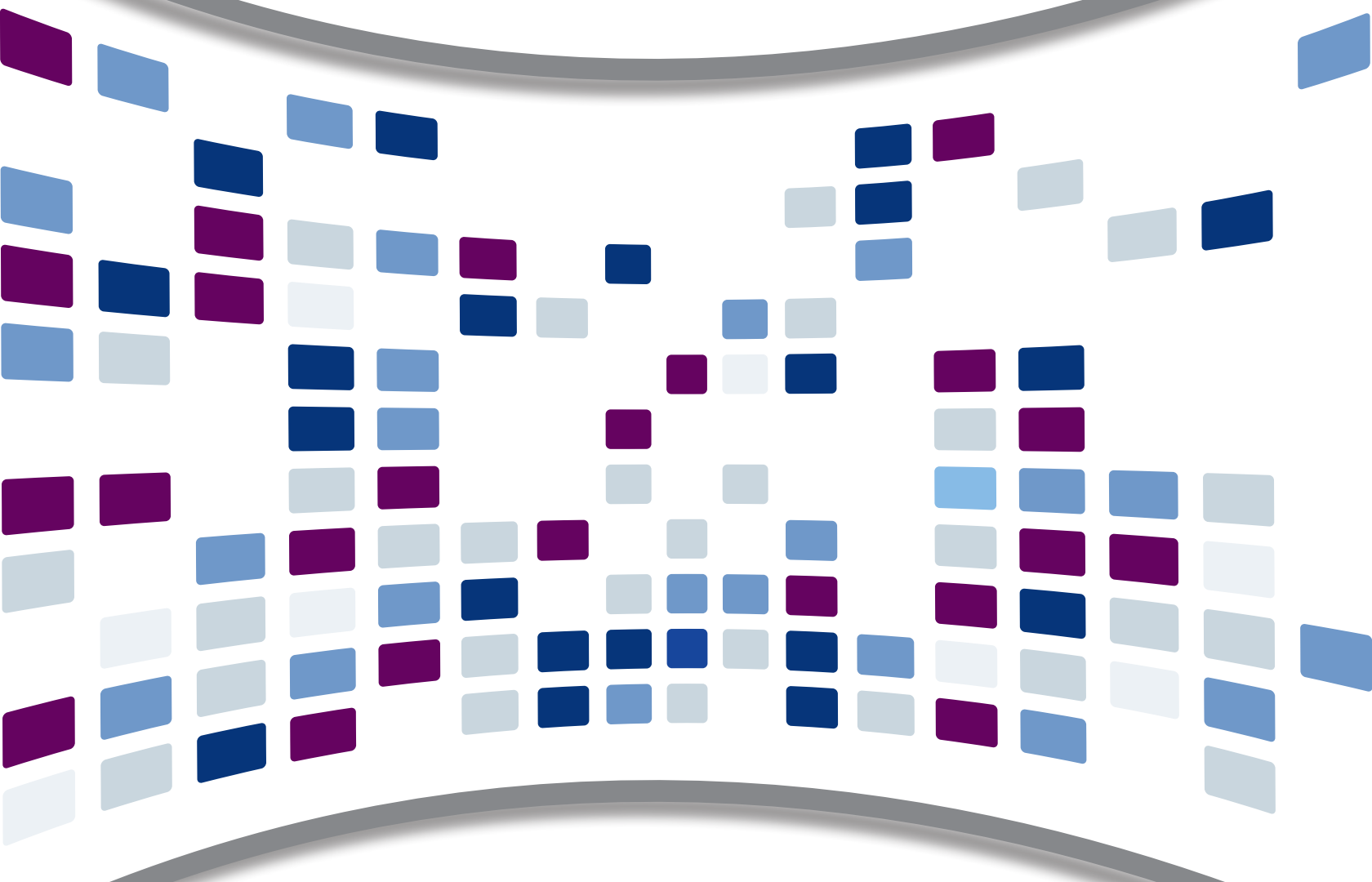


# 2016

Highlights

## Moving Forward Together





## To Our Valued Shareholders,

On behalf of the Board of Directors of PS Bank and Peoples LTD, I am pleased to present you with our financial results for the 2016 year. 2016's net income marked the fifth consecutive year in which we posted record net income. This level of success would not have been possible without our loyal customers and community support, as well as the commitment of our directors, officers, and employees.

Net income for 2016 was \$3,114,000, which represents an increase of 2.8% over 2015 net income of \$3,029,000. Increased income from mortgage sales and increased net interest income helped to offset increased loan loss provisions as well as increased operating expenses related to the bank's new entries into Lackawanna County.

Our 2016 Return on Average Assets was 0.98%, compared to 1.00% in 2015. Our Return on Average Equity was 10.97% in 2016, down from 2015's 11.66%. Despite the decrease, we continue to perform very well in this category and in 2016 were ranked #43 on American Banker's list of the top 200 community banks.

Earnings per share increased to \$5.40, up from 2015's \$5.25, as adjusted for our 5% stock dividend. The 2016 year end book value for our shares was \$48.30.

Asset growth for 2016 was 5.1% with assets ending 2016 at \$322,187,000. Loan growth was 6.8% in 2016, an increase over 2015 growth of 6.1%. Deposit growth was 4.9% in 2016, up from 0.93% in 2015. During 2015 and 2016 growth continued to be challenged by the slowdown in the local markets as a result of the natural gas industry. Our bank continues to be well-capitalized in accordance with regulatory requirements.

In 2016 we increased our dividend payouts for the sixth consecutive year, as we were able to share our success with our shareholders. Cash dividends of \$1.79 per share were an increase of 14.7% over 2015 dividends, as adjusted for the 5% stock dividend. Our dividend payout percentage continued to increase in 2016, and was 33.18% of net income. In December we elected to provide shareholders with a 5% stock dividend, as we have done over the past several years. Capital growth remains a vital component to support future bank growth.

In the first quarter of 2017 we welcomed Andrew S. Ripic, III to the Board of Directors of the bank and the holding company. Andy is currently in the position of Vice President / General Manager of Cargill Wyalusing, and has served with Cargill, and previously Taylor Packing Co., Inc., since 1986. Andy is an active member of the local community and is a welcome addition to our Board.

In May 2017, upon completion of his term, Kenneth H. Taylor, Jr. will step down from his position on the Board of Directors. Ken has served as a member of the Board of Directors since 1983, and also served as the Chairman of the Board from 1998 through 2007. Throughout the years, Ken has been a vital and dedicated member of our Board of Directors, and has been a pillar in the local community. The Board is thankful for his service and commitment, not only to our bank, but to our area in general. I am pleased to inform you that upon completion of his term in May, Ken will assume the role of Director Emeritus.

In early 2016 we opened our branch in Clarks Summit, which marked our entry into the Lackawanna County market. The response to this office has been great and we have continued to successfully grow this branch over the past year. We have a great team in place that is helping us to achieve our expectations for this office.

In 2016 we also opened PS Mortgage, a Division of PS Bank. This division is headed up by Lori Rudalavage, who assumed that role when we hired the former team of LA Mortgage and integrated them into our bank. This has been a great move for our bank, and has allowed us to gain brand recognition in the Lackawanna County market. We have significantly increased our mortgage production as a result, the majority of which is sold off to the secondary market. I am excited as we continue to work to expand the PS Mortgage Division.

In 2016, for the second consecutive year, our bank earned the prestigious 5-star rating from BauerFinancial, the nation's leading independent bank and credit union rating and research firm. The 5-star rating is the highest rating given out by Bauer. Locally, we were voted *Best Bank* and *Best Mortgage* by readers of the Daily Review and *Best Bank* by the Wyoming County Examiner readers.

Our bank has continued to be impacted by the prolonged slowdown in the natural gas industry, just as our communities and customers have. Our movement outside of the Marcellus area has allowed us to diversify and offset some of the risks as a result of the slowdown. Growth outside of our traditional markets will lead to a varied and diverse customer base and will help to build a stronger bank over time. We will continue to look for opportunities for future growth of our bank.

On behalf of the Board of Directors, officers, and employees, we thank you for your continued support and look forward to seeing you soon.



Anthony J. Gabello  
President and CEO



## Peoples LTD and Subsidiaries Selected Financial Data

At or for the Year Ended December 31,

(Amounts in thousands, except per share data)

### Selected Financial Condition Data:

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Total Assets	\$ 322,187	\$ 306,621	\$ 299,258	\$ 271,477	\$ 249,500
Loans, net	205,891	192,819	181,652	172,112	154,156
Investment Securities	90,784	79,769	80,367	65,190	55,752
Deposits	272,567	259,930	257,536	231,621	210,040
Borrowings	19,706	17,715	14,723	14,732	14,739
Shareholders Equity	\$ 27,868	\$ 26,839	\$ 24,796	\$ 21,984	\$ 21,538

### Selected Operating Data:

Interest and dividend income	\$ 12,166	\$ 11,460	\$ 11,248	\$ 10,987	\$ 11,236
Interest expense	1,251	1,099	1,141	1,267	1,556
Net interest income	<u>10,915</u>	<u>10,361</u>	<u>10,107</u>	<u>9,720</u>	<u>9,680</u>
Provision for Loan Losses	<u>165</u>	<u>-</u>	<u>(400)</u>	<u>(200)</u>	<u>(90)</u>
Net interest income after provision for loan losses	10,750	10,361	10,507	9,920	9,770
Non-interest income	2,292	2,094	2,095	2,396	2,528
Other operating expenses	<u>8,737</u>	<u>8,306</u>	<u>8,602</u>	<u>8,797</u>	<u>8,927</u>
Income before income taxes	4,305	4,149	4,000	3,519	3,371
Income Taxes	<u>1,191</u>	<u>1,120</u>	<u>1,056</u>	<u>989</u>	<u>904</u>
Net income	<u>\$ 3,114</u>	<u>\$ 3,029</u>	<u>\$ 2,944</u>	<u>\$ 2,530</u>	<u>\$ 2,467</u>

Earnings per share	\$ 5.40	\$ 5.25	\$ 5.10	\$ 4.39	\$ 4.28
--------------------	---------	---------	---------	---------	---------

### Selected Statistical Data:

Return on Average Assets	0.98%	1.00%	1.03%	0.97%	1.02%
Return on Average Equity	10.97%	11.66%	12.59%	11.58%	11.81%
Equity to total assets, end of period	8.65%	8.75%	8.29%	8.10%	8.63%
Allowance for loan losses to total loans	1.03%	1.11%	1.21%	1.57%	2.26%
Net loan to deposit ratio	75.54%	74.18%	70.53%	74.31%	73.39%
Book Value per share	\$48.30	\$46.52	\$42.98	\$38.10	\$37.33
Cash dividends per share	\$1.79	\$1.56	\$1.44	\$1.22	\$1.04
Stock dividend	5.00%	5.00%	5.00%	5.00%	5.00%
Dividend payout ratio	33.18%	29.73%	28.13%	27.80%	24.48%

Per share amounts have been adjusted to recognize the effect of stock dividends.

## Peoples LTD and Subsidiaries Consolidated Balance Sheet

December 31, 2016 and 2015  
(In thousands, except share amounts)

	2016	2015	
<b>Assets</b>			
Cash and due from banks	\$ 10,634	\$ 19,941	
Available-for-sale securities	90,784	79,769	
Loans, net	205,891	192,819	
Cash surrender value, life insurance	6,209	6,095	
Bank premises and equipment	4,456	4,621	
Accrued interest receivable	833	767	
Restricted equity securities	1,189	1,004	
Deferred income taxes	976	412	
Other assets	1,215	1,193	
	\$ 322,187	\$ 306,621	
<b>Liabilities</b>			
Demand deposits:			
Noninterest-bearing	\$ 57,597	\$ 60,832	
Interest-bearing	80,870	74,750	
Total	138,467	135,582	
Savings deposits	48,731	48,808	
Time deposits	85,369	75,540	
Total deposits	272,567	259,930	
Borrowed funds	19,706	17,715	
Accrued interest payable	63	64	
Other liabilities	1,983	2,073	
Total liabilities	294,319	279,782	
<b>Shareholders' Equity</b>			
Common stock, \$.50 par value, authorized 2,000,000 shares			
2016 - 591,569 shares issued, 576,948 outstanding			
2015 - 564,252 shares issued, 549,644 outstanding	296	282	
Surplus	10,486	8,751	
Retained earnings	18,780	18,458	
Treasury stock, at cost	(510)	(509)	
Accumulated other comprehensive loss	(1,184)	(143)	
	27,868	26,839	
Total shareholders' equity	27,868	26,839	
Total	\$ 322,187	\$ 306,621	

Management's Financial Statements  
Audited Financial Statements can be found on our website - PSBanking.com

## Peoples LTD and Subsidiaries Consolidated Statement of Income


Years Ended December 31, 2016 and 2015 (In thousands, except per share amounts)

	2016	2015
<b>Interest Income</b>		
Interest and fees on loans	\$ 10,401	\$ 9,754
Interest and dividends on investments:		
Taxable interest and dividends	1,283	1,249
Nontaxable interest	482	457
Total interest income	12,166	11,460
<b>Interest Expense</b>		
Interest on deposits	1,097	970
Interest on borrowed funds	154	129
Total interest expense	1,251	1,099
<b>Net Interest Income</b>	10,915	10,361
<b>Provision for Loan Losses</b>	165	0
<b>Net Interest Income After Provision for Loan Losses</b>	10,750	10,361
<b>Noninterest Income</b>		
Service charges	1,158	1,173
Mortgage broker fees	497	185
Commissions	141	100
Increase in cash surrender value, life insurance	102	184
Loss on sale of foreclosed assets	(25)	0
Gain on sale of available-for-sale securities	28	42
Gain on sale of bank premises and equipment	71	105
Other income	320	305
Total noninterest income	2,292	2,094
<b>Noninterest Expenses</b>		
Salaries and employee benefits	4,951	4,605
Occupancy and equipment	1,117	1,101
Data processing	475	443
Pennsylvania shares tax	236	214
Professional fees	197	222
FDIC insurance	151	202
Other expenses	1,610	1,519
Total noninterest expenses	8,737	8,306
<b>Income Before Provision for Income Taxes</b>	4,305	4,149
<b>Provision for Income Taxes</b>	1,191	1,120
<b>Net Income</b>	\$ 3,114	\$ 3,029
<b>Earnings Per Share</b>	\$ 5.40	\$ 5.25

# Peoples LTD and Subsidiaries Shareholders' Equity Statement

Years Ended December 31, 2016 and 2015 (In thousands, except share amounts)

	Common Stock		Treasury Stock		Surplus	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
	Shares	Amount	Shares	Amount				
<b>Balance, January 1, 2015</b>	538,232	\$ 269	14,597	\$ (509)	\$ 7,177	\$ 17,927	\$ (68)	\$ 24,796
Net income						3,029		3,029
Other comprehensive loss							(75)	(75)
Purchase of treasury stock			11	-				-
Cash dividend (\$1.72 per share)						(901)		(901)
5% stock dividend	26,020	13			1,574	(1,597)		(10)
<b>Balance, December 31, 2015</b>	564,252	282	14,608	(509)	8,751	18,458	(143)	26,839
Net income						3,114		3,114
Other comprehensive loss							(1,041)	(1,041)
Purchase of treasury stock			13	(1)				(1)
Cash dividend (\$1.88 per share)						(1,033)		(1,033)
5% stock dividend	27,317	14			1,735	(1,759)		(10)
<b>Balance, December 31, 2016</b>	<u>591,569</u>	<u>\$ 296</u>	<u>14,621</u>	<u>\$ (510)</u>	<u>\$10,486</u>	<u>\$ 18,780</u>	<u>\$ (1,184)</u>	<u>\$ 27,868</u>



**Moving forward together.** The continued success of PS Bank is attributed to the dedication and hard work of our employees, the unwavering commitment of our Board of Directors, the support of the communities that we serve, and the confidence that our shareholders place in us.

Our spring 2016 branch expansion into Lackawanna County and the opening of PS Mortgage exemplifies our commitment to the continued growth of our Bank. The Clarks Summit branch team is comprised of well-known and highly respected lenders, managers, and frontline staff. Through their efforts, branch deposits by year end exceeded \$14 million.

Mortgage lending is highly specialized and PS Mortgage is committed to delivering the right mortgage solution for each and every client. Lori Rudalavage, Vice President and Senior Mortgage Lending Officer, heads the Bank's mortgage division comprised of experienced mortgage originators and their processing team. Our community-based mortgage originators service clients within the Bank's four county footprint and beyond. PS Mortgage originated \$27 million in mortgages within the first eight months of operation and continually strives to make the dream of home ownership a reality for many.

*If everyone is moving forward together, then success takes care of itself.*

*—Henry Ford*



## Season of GIVING

Community partnerships are vital to our success. At PS Bank, the holidays are about giving back to those in our communities that are in need. Our Season of Giving began in November when PS Bank employees partnered with customers and local agencies to collect and deliver

over 1,700 non-perishable food items and over \$3,000 to area food pantries. Our employees can be found throughout the year assisting with meal preparation at a local soup kitchen, or filling backpacks with nutritious meals for area school children.



*PS Bank's Charlie Franko and Credit Analyst, Jeff Buckingham, volunteer at the Wyalusing Helping Hands Food Pantry to unload a tractor trailer delivery of non-perishable food items.*



In 2016, PS Bank initiated 52 for Blue honoring our law enforcement and first responders. Employees recognize local firefighters, emergency responders, and police officers each week by delivering pizza to

their employees and volunteers. We appreciate the men and women who are on duty every hour of every day, keeping us safe.

PS Bank employees, as well as our board members, shareholders, and the communities that we live and work in, are moving forward together.



*Chad Smith, Mortgage Originator, presents pizza and bottled water to Officers Briana Hollenbeck and Nikki Hoffman of the Sayre Police Department.*

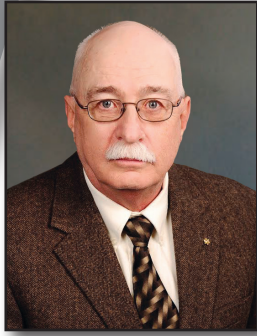
# Board of Directors



**Jay W. Chadwick**  
**Chairman**  
President, Chief Executive Officer, and Chairman of Tuscarora Wayne Group of Companies



**Anthony J. Gabello**  
President and Chief Executive Officer, PS Bank



**John R. Snell**  
**Vice Chairman**  
Retired Accountant, LaBarr & LaBarr



**P. Dean Homer**  
**Secretary**  
Owner, P. Dean Homer Accounting Firm and P. Dean Homer Funeral Home



**Tracy E. Keeney**  
Owner, B&K Equipment Co.



**JoAnne C. Kizer**  
Owner and Real Estate Broker, JoAnne Kizer Real Estate



**Kenneth H. Taylor, Jr.**  
Partner, Century Farms, LLC, Former Owner and President/Chief Executive Officer, Taylor Companies



**Andrew S. Ripic, III**  
Vice President/General Manager, Cargill Wyalusing



**Judd B. Fitze**  
Attorney

## Branch Locations

Wyalusing.....	Route 6
Wysox.....	Bradford Towne Centre
Dushore.....	Turnpike Street
Factoryville.....	College Avenue
Sayre.....	Lockhart Street
Towanda.....	Colonial Drive
Tunkhannock.....	Hunter Highway
Clarks Summit.....	Old Lackawanna Trail



251 E. Grove Street  
Clarks Green, PA 18411

## Corporate Officers

### President and Chief Executive Officer

Anthony J. Gabello

### Senior Vice President

Philip O. Farr.....	Chief Financial Officer
William M. Joseph.....	Senior Loan Officer
Valerie W. Kinney.....	Retail, Sales and Marketing Manager
James L. Souto.....	Chief Administrative and Risk Officer
Timothy T. Tewksbury.....	Chief Information Officer

### Vice President

Jeffery E. Aeppli.....	Commercial Loan Officer
Thomas P. Hendershot.....	Commercial Loan Officer
Bette R. Howell.....	Chief Compliance and Security Officer
Mary A. Lansberry.....	Loan Administration Manager
Kathryn A. Lantz.....	Organization Support
Mark E. Mellas.....	Commercial Loan Officer
Brian R. Peterson.....	Loan Workout Officer
Lori A. Rudalavage.....	Senior Mortgage Lending Officer
Paul J. Walsh.....	Commercial Loan Officer

### Assistant Vice President

Janice M. Bevacqua.....	Branch Manager
Maurice E. Dennis.....	Commercial Loan Officer
Cynthia A. Miller.....	Administrative Services and Human Resources Coordinator
Tammy L. Schaeffer.....	Accounting Supervisor
Chad R. Smith.....	Mortgage Loan Originator
David E. Whetsell.....	Financial Consultant, Invest Financial Corp.

### Mission Statement

The mission of PS Bank is to be the leading community bank in the markets we serve, meeting customer needs while fulfilling our fiduciary responsibility to shareholders.



42621 Route 6  
Wyalusing, PA 18853

## Shareholder Information

The Annual Meeting of Shareholders will be held on Tuesday, May 9, 2017 at 4:30 p.m. in the Tuscarora Wayne Room, Wyalusing Community Corp Building, 121 Main Street, Wyalusing, PA.

### Peoples LTD

Corporate Office  
76 Church Street, Wyalusing, PA 18853  
866-746-1011  
Fax: 570-746-2229  
Email: PLTD@psbanking.com

## Market Makers

The following firms are believed to presently make a market in the Peoples LTD stock on the OTC Markets:

### Boening & Scattergood, Inc.

(610) 832-1212  
4 Tower Bridge  
200 Barr Harbor Drive, Suite 300  
West Conshohocken, PA 19428

### Janney Montgomery Scott LLC

(215) 665-6000  
1717 Arch Street  
Philadelphia, PA 19103

### Morgan Stanley Smith Barney

(212) 761-4000  
1585 Broadway  
New York, NY 10036

Stock of Peoples LTD is listed on the OTC Markets at [OTCMarkets.com](http://OTCMarkets.com) under the symbol of PPLL.

### Rated 5-stars by BauerFinancial, Inc.

To learn more about our rating with BauerFinancial, Inc. located in Coral Gabels, Florida, call them at 1-800-388-6686 or visit them online at [BauerFinancial.com](http://BauerFinancial.com).



*Voted Best Bank and Best Mortgage by the Daily Review readers. Voted Best Bank by the Wyoming County Examiner readers.*