



Dedicated
2018 Highlights



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 2018 year. Our company continued its trend of positive performance. Overall, 2018 was a very successful year for our organization, resulting in a record performance. As always, our success would not have been possible without our loyal customers and community support, as well as the dedication and hard work of our directors, officers, and employees.

Net income for 2018 was \$4,841,000, which represents an increase of 60% from 2017 net income of \$3,027,000. In the first quarter of 2018 there were several one-time events including gains realized from bank owned life insurance policies, partially offset by expenses related to additional provisions for one legacy credit and a deposit account loss. The net effect of these items on income was an increase to income of \$867,000. During the fourth quarter of 2017, the bank recognized an additional \$358,000 of income tax expense. This expense resulted from the revaluation of deferred tax assets on our books due to the passage of the Tax Cuts and Jobs Act on December 22, 2017. Excluding the effects of these items for 2017 and 2018, net income of \$3,974,000 was an increase of \$589,000, or 17.4% over prior year-end.

Our 2018 Return on Average Assets (ROAA) was 1.35%, compared to 0.90% in 2017. Excluding one-time events noted above, ROAA was 1.11%. Our Return of Average Equity (ROAE) was 15.45% in 2018, up from 2017's 10.37%. Excluding one-time events, ROAE was 12.69%. In 2018 we were nationally ranked at number 63 on American Banker's list of the top 200 community banks in the country.

Earnings per share increased to \$7.62, up from 2017's \$4.76, as adjusted for our 5% stock dividend. Earnings per share net of one-time events was \$6.25.

During 2018 we continued to experience solid balance sheet growth. Asset growth in 2018 was 6.7%, with assets ending 2018 at \$371,198,000, which was an increase of \$23,330,000 from year end 2017 total assets of \$347,868,000. Loan growth was 7.8% in 2018, with net loans at year-end of \$231,793,000, up \$16,831,000 from 2017's balance of \$214,962,000. Deposit growth was 8.3% in 2018. Deposits finished the year at \$317,576,000, an increase of \$24,441,000 over 2017 balances of \$293,135,000. Our bank continues to be well capitalized in accordance with regulatory requirements.

In 2018 we increased our dividend payouts for the eighth consecutive year, as we are dedicated to sharing the bank's success with our shareholders. Cash dividends of \$1.94 per share, as adjusted for the 2018 stock dividend, were an increase of 10.38% over 2017 dividends. Our dividend payout percentage was 25.52% of net income, and 31.28% excluding previously noted one-time events. In December we rewarded shareholders with a 5% stock dividend, as we have done annually in recent years. Capital growth remains a vital component to support future bank growth.

In September of 2018, the PS Bank family was saddened by the unexpected passing of John R. Snell. John diligently served as a director of the corporation and the bank since 2001. In 2013 he was appointed to the position of Vice Chairman. John also served as the bank's Audit Committee Chairman and was a member of the bank's ALCO committee. John was a licensed public accountant and was a retired partner of LaBarr & LaBarr. John was an invaluable member of our Board and words cannot express the loss to our bank. We mourned the passing of a great businessman, a devoted family man, a dedicated director, and a valued friend.

In 2018 we continued to experience strong growth in our Lackawanna County market through the diligent efforts of our Clarks Summit office team and our PS Mortgage team. We continue to believe significant opportunities for further growth exist in these newer markets.

We were recognized for our efforts in serving our local communities in 2018. We were recognized by readers of the Towanda Daily Review as Best Mortgage. We were also recognized by the Abington Suburban as Best Bank and PS Mortgage was awarded Best Mortgage. We're proud of our employees' accomplishments in these markets. Our employees are our best advertisements!

In 2018, for the fourth 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. This award reflects the hard work of our bank's directors and employees.

Our bank continues to recognize opportunities in the strengthening local economy in many of our traditional markets, while also recognizing growth opportunities in our newer markets. Growth and diversification continue to be critical to the future of our bank. We are dedicated to our shareholders, our communities, and our customers.

On behalf of the Board of Directors, officers, and employees, thank you for your continued support. We 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)

	2018	2017	2016	2015	2014
Selected Financial Condition Data:					
Total assets	\$ 371,198	\$ 347,868	\$ 322,187	\$ 306,621	\$ 299,258
Loans, net	231,793	214,962	205,891	192,819	181,652
Investment securities	98,131	92,331	90,784	79,769	80,367
Deposits	317,576	293,135	272,567	259,930	257,536
Borrowings	19,000	23,000	19,706	17,715	14,723
Shareholders' equity	\$ 32,907	\$ 29,778	\$ 27,868	\$ 26,839	\$ 24,796
Selected Operating Data:					
Interest and dividend income	\$ 14,215	\$ 12,749	\$ 12,166	\$ 11,460	\$ 11,248
Interest expense	2,182	1,482	1,251	1,099	1,141
Net interest income	12,033	11,267	10,915	10,361	10,107
Provision for loan losses	525	260	165	-	(400)
Net interest income after provision for loan losses	11,508	11,007	10,750	10,361	10,507
Non-interest income	3,550	2,611	2,292	2,094	2,095
Other operating expenses	9,437	8,963	8,737	8,306	8,602
Income before income taxes	5,621	4,655	4,305	4,149	4,000
Income taxes	780	1,628	1,191	1,120	1,056
Net income	<u>\$ 4,841</u>	<u>\$ 3,027</u>	<u>\$ 3,114</u>	<u>\$ 3,029</u>	<u>\$ 2,944</u>
Earnings per share	\$ 7.62	\$ 4.76	\$ 4.90	\$ 4.76	\$ 4.63
Selected Statistical Data:					
Return on average assets	1.35%	0.90%	0.98%	1.00%	1.03%
Return on average equity	15.45%	10.37%	10.97%	11.66%	12.59%
Equity to total assets, end of period	8.87%	8.56%	8.65%	8.75%	8.29%
Allowance for loan losses to total loans	1.07%	1.05%	1.03%	1.11%	1.21%
Net loan to deposit ratio	72.99%	73.33%	75.54%	74.18%	70.53%
Book value per share	\$51.76	\$46.84	\$43.84	\$42.22	\$39.01
Cash dividends per share	\$1.94	\$1.76	\$1.63	\$1.42	\$1.30
Stock dividend	5.00%	5.00%	5.00%	5.00%	5.00%
Dividend payout ratio	25.52%	36.98%	33.18%	29.73%	28.13%

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

Peoples Ltd. and Subsidiaries Consolidated Balance Sheet

December 31, 2018 and 2017
(In thousands, except share amounts)

	<u>2018</u>	<u>2017</u>
Assets		
Cash and due from banks	\$ 29,534	\$ 24,506
Available-for-sale securities	98,131	92,331
Loans, net	231,793	214,962
Cash surrender value, life insurance	2,435	6,322
Bank premises and equipment	4,887	5,195
Accrued interest receivable	929	921
Restricted equity securities	1,541	1,539
Deferred income taxes	845	578
Other assets	1,103	1,514
	<u>371,198</u>	<u>347,868</u>
Total	<u>\$ 371,198</u>	<u>\$ 347,868</u>
Liabilities		
Demand deposits:		
Non-interest-bearing	\$ 67,097	\$ 68,586
Interest-bearing	94,046	80,334
	<u>161,143</u>	<u>148,920</u>
Total	161,143	148,920
Savings deposits	56,511	52,599
Time deposits	99,922	91,616
	<u>317,576</u>	<u>293,135</u>
Total deposits	317,576	293,135
Borrowed funds	19,000	23,000
Accrued interest payable	126	97
Other liabilities	1,589	1,858
	<u>338,291</u>	<u>318,090</u>
Total liabilities	338,291	318,090
Shareholders' Equity		
Common stock, \$.50 par value, authorized 2,000,000 shares		
2018 - 650,356 shares issued, 635,701 outstanding		
2017 - 620,244 shares issued, 605,609 outstanding	325	310
Surplus	14,344	12,334
Retained earnings	20,612	19,043
Treasury stock, at cost	(512)	(511)
Accumulated other comprehensive loss	(1,862)	(1,398)
	<u>32,907</u>	<u>29,778</u>
Total shareholders' equity	32,907	29,778
Total	<u>\$ 371,198</u>	<u>\$ 347,868</u>

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

Peoples Ltd. and Subsidiaries Consolidated Statement of Income

Consolidated Statement of Income
Years Ended December 31, 2018 and 2017
(In thousands, except per share amounts)

	2018	2017
Interest Income		
Interest and fees on loans	\$ 11,500	\$ 10,772
Interest and dividends on investments:		
Taxable interest and dividends	2,229	1,478
Nontaxable interest	486	499
Total interest income	14,215	12,749
Interest Expense		
Interest on deposits	1,843	1,232
Interest on borrowed funds	339	250
Total interest expense	2,182	1,482
Net Interest Income	12,033	11,267
Provision for Loan Losses	525	260
Net Interest Income After Provision for Loan Losses	11,508	11,007
Non-interest Income		
Service charges	1,210	1,225
Gain on sale of loans	652	688
Commissions	121	93
Increase in cash surrender value, life insurance	60	97
Gain on life insurance settlement	1,168	-
Gain (loss) on foreclosed assets	3	(85)
Other income	336	593
Total non-interest income	3,550	2,611
Non-interest Expenses		
Salaries and employee benefits	5,076	4,939
Occupancy and equipment	1,117	1,147
Data processing	586	523
Pennsylvania shares tax	280	236
Professional fees	256	213
FDIC insurance	183	173
Other expenses	1,939	1,732
Total non-interest expenses	9,437	8,963
Income Before Provision for Income Taxes	5,621	4,655
Provision for Income Taxes	780	1,628
Net Income	\$ 4,841	\$ 3,027
Earnings Per Share	\$ 7.62	\$ 4.76

Peoples Ltd. and Subsidiaries Shareholders' Equity Statement

Years Ended December 31, 2018 and 2017 (In thousands, except share amounts)

	Common Stock		Treasury Stock		Surplus	Retained Earnings	Accumulated Other Comprehensive Loss		Total
	Shares	Amount	Shares	Amount			Loss		
Balance, January 1, 2017	591,569	\$ 296	14,621	\$ (510)	\$ 10,486	\$ 18,780	\$ (1,184)	\$ 27,868	
Net income						3,027		3,027	
Other comprehensive loss							16	16	
Reclassification due to adoption of ASU 2018-02						230	(230)	-	
Purchase of treasury stock			14	(1)				(1)	
Cash dividend (\$1.94 per share)						(1,119)		(1,119)	
5% stock dividend	28,675	14			1,848	(1,875)		(13)	
Balance, December 31, 2017	620,244	310	14,635	(511)	12,334	19,043	(1,398)	29,778	
Net income						4,841		4,841	
Other comprehensive loss							(464)	(464)	
Purchase of treasury stock			20	(1)				(1)	
Cash dividend (\$2.04 per share)						(1,236)		(1,236)	
5% stock dividend	30,112	15			2,010	(2,036)		(11)	
Balance, December 31, 2018	650,356	\$ 325	14,655	\$ (512)	\$ 14,344	\$ 20,612	\$ (1,862)	\$ 32,907	

Board of Directors



Jay W. Chadwick
Chairman
Chairman of the Board of
Tuscarora Wayne Mutual Group Inc.



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



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



Judd B. Fitze
Attorney



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



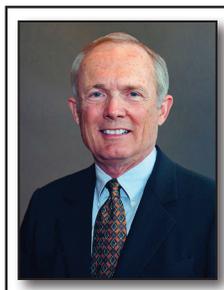
JoAnne C. Kizer
Owner and Real Estate Broker,
JoAnne Kizer Real Estate



Patrick J. Perih
Owner, Perih Group LLC

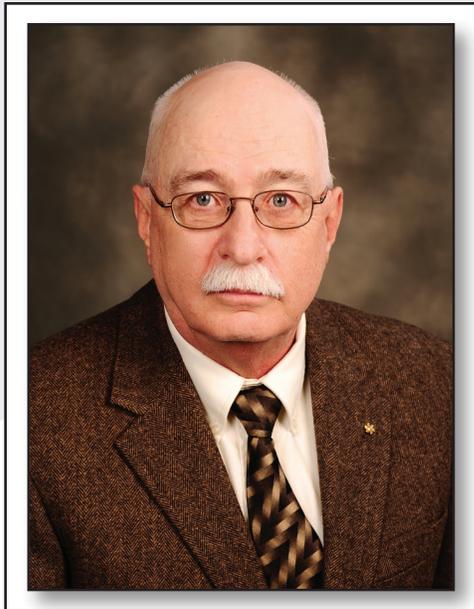


Andrew S. Ripic, III
Vice President/General
Manager, Cargill Wyalusing



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

In Memory of John R. Snell



"In September of 2018, the PS Bank family was saddened by the unexpected passing of John R. Snell. John diligently served as a director of the corporation and the bank since 2001. In 2013 he was appointed to the position of Vice Chairman. John also served as the bank's Audit Committee Chairman and was a member of the bank's ALCO committee. John was a licensed public accountant and was a retired partner of LaBarr & LaBarr. John was an invaluable member of our Board and words cannot express the loss to our bank. We mourned the passing of a great businessman, a devoted family man, a dedicated director, and a valued friend."

—Anthony J. Gabello

Employee of the Year



Tammy Schaeffer

Tammy Schaeffer is dedicated to the success of PS Bank, our customers, and shareholders.

As Accounting Supervisor, Tammy is a valued member of the Bank's Finance Department. In 2018, Tammy was called upon to temporarily perform many of the chief financial functions of the Bank. Tammy's positive attitude and strong work ethic is evident on a daily basis. She is an integral member of our team and our 2018 Employee of the Year.

Thousands of bottles of water are donated each year to local schools and organizations for the purpose of fundraising. Our Water for a Worthy Cause raises much needed funds for school booster clubs and other non-profit agencies.

Dedicated to our Communities



PS Bank has been a dedicated member of our local communities for over 100 years.

As we continue to grow and expand, our dedication to our local communities continues to grow. Last year, PS Bank employees delivered over 9,000 non-perishable food items to local food pantries during the holidays. Our Season of Giving included partnerships with community organizations to provide much needed clothing and holiday gifts for children and families.



Employees and customers work together to provide a brighter holiday for Wyalusing Ram families.



Robyn Keeney Lacy, Wyalusing and Wysox Children's Centers, accepts scholarships for Pre-K students.

PS Bank is dedicated to educational initiatives and our employees embrace any opportunity to share the importance of good financial habits with students of all ages. In 2018, we participated in the Pennsylvania Educational Improvement Tax Credit program providing scholarship assistance to families with students enrolled in Pre-K programs.

You will see our employees serving on the boards of community organizations, coaching little league, volunteering for their churches or for a local food pantry, or collecting donations to make life easier for our friends and neighbors. We look forward to seeing you out in the community.

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

Stacy L. Kaufmann, Branch Manager

Cynthia A. Miller, Administrative Services and Human Resources Coordinator

Tammy L. Schaeffer, Accounting Supervisor

David E. Whetsell, Financial Advisor, LPL Financial

Branch Locations

Wyalusing.....	42621 Route 6
Wysox.....	38 Ennis Lane, Bradford Towne Centre
Dushore.....	202 S. Turnpike Street
Factoryville.....	118 College Avenue
Sayre.....	205 W. Lockhart Street
Towanda.....	90 Colonial Drive
Tunkhannock.....	802 Hunter Highway
Clarks Summit.....	100 Old Lackawanna Trail



251 E. Grove Street
Clarks Green, PA 18411



42621 Route 6
Wyalusing, PA 18853

*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.*

Dedicated
to Performance



Rated 5-stars by BauerFinancial, Inc. To learn more about our rating with BauerFinancial, Inc. located in Coral Gables, Florida, call 1-800-388-6686 or visit online at BauerFinancial.com.

Voted Best Bank in 2018 by readers of the Abington Suburban.

Voted Best Mortgage by readers of the Abington Suburban and The Daily Review.



Shareholder Information

The Annual Meeting of Shareholders will be held on Tuesday, May 14, 2019 at 4:30 p.m. at Wyalusing Community Corporation, Tuscarora Wayne Room, 20 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

FIG Partners, LLC

(732) 741-4174
75 W. Front St, Suite 100
Red Bank, NJ 07701

Janney Montgomery Scott LLC

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

Morgan Stanley

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

Stock of Peoples Ltd. is listed on the OTC Markets at OTCMarkets.com under the symbol of PPLL.

Find us at PSBanking.com

