



We've been building relationships in your community since 1886. We are large enough to meet your banking needs and small enough to know your name, **we are Peoples Trust Company.**

Branch and ATM Locations

MAIN OFFICE

25 Kingman Street
St. Albans, VT

ENOSBURG FALLS

140 Main Street
Enosburg Falls, VT

ESSEX TOWN CENTER

1 Carmichael Street
Essex, VT

FRANKLIN PARK WEST

1 Franklin Park West
St. Albans, VT

GEORGIA

1127 Ethan Allen Highway
Georgia, VT

SWANTON

123 First Street
Swanton, VT

If you would like more information about any of our banking services please call:

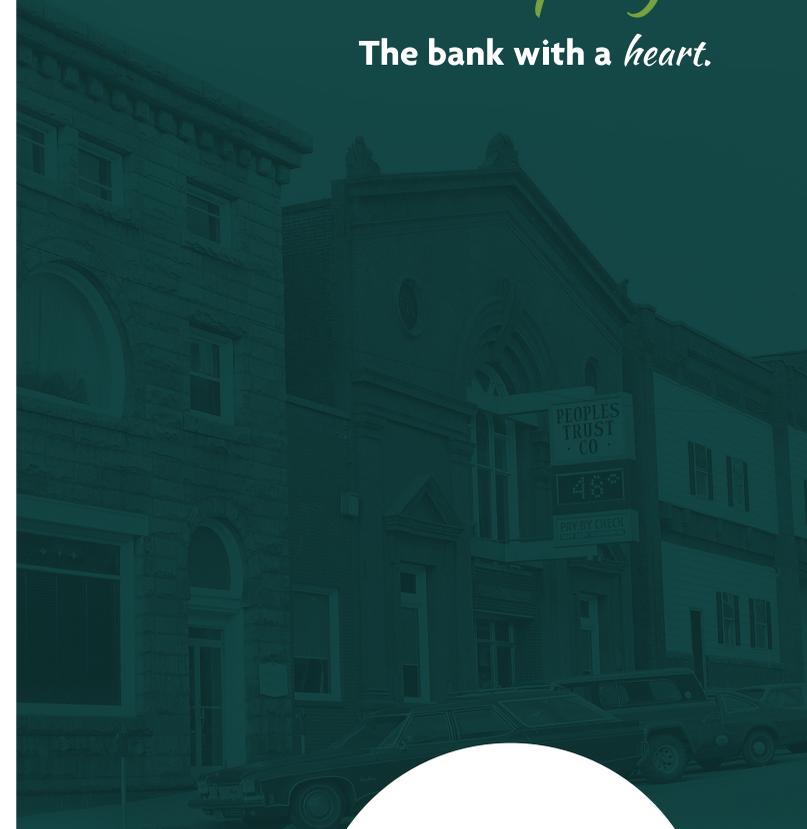
**(802) 524-2196 or
toll free (800) 479-2196**

Or visit our website at
www.ptcvt.com



PEOPLES TRUST *Company*

The bank with a *heart.*



**Semi-Annual
Report
2017**

Peoples Trust Company Shareholder,

I hope you all are surviving a wet and soggy Northwestern Vermont summer. I can tell you it has been challenging for harvesting a hay crop, but my garden looks great! We are pleased to provide you with the Peoples Trust Company's semiannual financial report, which compares our performance in certain areas to the same time period from last year, and year end 2016. As you will find on the accompanying page, the bank saw increases in net income, total assets and the owned loan portfolio compared to both December 31, 2016 and June 30, 2016. We also continue to benefit from no loan loss provision for the first half of 2017. CFO Aaron Reynolds has provided greater financial detail on the adjacent page for your review.

The bank held its 130th annual stockholder meeting on the 18th of April and the Board of Directors reiterated our commitment to enhancing shareholder value. The bank has been able to retire 19,065 shares of PTC stock since the beginning of the year. In addition, we are pleased to have increased dividends to shareholders by \$0.01 per share so far in 2017. Also, participants in the Dividend Reinvestment Plan (DRIP) can expect a revised and amended plan document in the near future. The DRIP has been a useful, well subscribed way for existing shareholders to acquire additional shares, and we want to modernize this document to continue to benefit the bank and its participants.

Finally, the bank will be changing the way our annual dividend payout will be received by shareholders beginning in 2018. We will be transitioning away from the current practice of four quarterly dividends followed by a special or additional dividend in the last quarter, to four equal dividend payouts per quarter. The bank feels this change will align more consistently with most other institutions and alleviate any misinterpretation of substantial increases or decreases in the bank's dividend payout that the special dividend may cause. If you should have any questions on this matter, please do not hesitate to give me a call.

On behalf of the staff, Directors and all of us at Peoples Trust Company, I want to thank you for your investment and support in the Bank with a Heart.

Sincerely,



Thomas J. Gallagher
President/CEO Peoples Trust Company of St. Albans

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Peoples Trust Company of Saint Albans is pleased to report net earnings for the first six months of the year as of June 30, 2017 of \$752,116.07 or \$1.26 per share compared to \$532,378.67 or \$.89 per share as of June 30, 2016. The Bank was able to increase its year over year earnings by \$219,737.40 as a result of an increase in net interest income of 3.2%, an increase in non-interest income of 1.5%, and zero provision for loan loss which was partially offset by an increase in operating expenses of .44%.

The increase in net interest income was the result of an increase in interest earned from loans and interest bearing deposits. The increase in non-interest income is primarily from an increase in loan fees, overdraft protection fees and income earned from the transactions of the bank's VISA debit cards. Management continues to improve the bank's asset quality as we diligently work on reducing the impaired loans which has resulted in no loan loss provision while increasing net loans. Operating expenses remained relatively consistent during the first six months of the year except for salaries and employee health insurance.

As of June 30, 2017 the bank reported total assets of \$264,698,764, an increase of \$10,398,271 or 4.09% from December 31, 2016 and an increase of \$7,358,588 or 2.86% from \$257,340,177 reported as of June 30, 2016. In addition to this solid growth the bank greatly improved its diversified balance sheet during the past year by decreasing its non-performing loans by \$1.1 million or -19% to \$4,612,881. The increase in assets from year end was primarily due to a \$13.6 million increase in net loans which was partially offset by a decrease in securities of \$3.4 million. The increase in loans was driven primarily by an increase in commercial real estate loans, municipal loans, agricultural loans and commercial non real estate loans which was partially offset by a small decrease in residential real estate loans. As of June 30, 2017 net loans totaled \$160,421,416, an increase of \$13.6 million or 9.3% from \$146,824,099 reported as of December 31, 2016 and an increase of \$9.0 million or 5.9% from \$151,429,832 reported as of June 30, 2016. The bank's available for sale securities (AFS) portfolio remains stable. The portfolio still consists of US Government agency bonds, mortgage backed securities, a Treasury bond and municipal bonds. As of June 30, 2017 AFS securities totaled \$71,095,701, a decrease of \$3.4 million or -4.5% from \$74,450,490 reported as of December 31, 2016 and a decrease of \$2.5 million or -3.4% from \$73,630,842 reported as of June 30, 2016. Funding for the increase in loans came from the \$3.4 million decrease in securities and the \$10.0 million increase in core deposits. The deposit increase was primarily in non-interest bearing checking accounts and low yielding non maturing deposit products (savings and NOW) which was partially offset by a small decrease in time deposits. The bank still continues to maintain a strong liquidity position that will provide for future debt-free growth.

The bank's total equity capital decreased \$710,240 to \$31,618,815.02 as of June 30, 2017 with a book value of \$52.53 per share compared to \$32,329,055.27 as of June 30, 2016 with a book value of \$51.94. This decrease of 2.2% was the result of the dividend payout and the retirement of 19,065 shares of PTC stock at \$39.75/share which was mostly offset by positive net earnings. The bank maintains excellent capital ratios as of June 30, 2017, with a tier 1 leverage ratio of 12.14%, a Tier 1 risk-based capital ratio of 18.47% and a total risk-based capital ratio of 19.72%. All ratios exceed the FDIC minimums to be considered a well-capitalized institution, which is 6.5% for tier 1 leverage, 8.50% for tier 1 risk-based and 10.5% for total risk based capital. The bank's capital has increased \$63,889 from December 31, 2016.

A quarterly cash dividend of \$.13 per share was declared on May 15, 2016. It is payable July 3, 2017 to shareholders of record as of June 5, 2017.