Risk Factors Comparison 2024-02-28 to 2023-02-27 Form: 10-K

Legend: **New Text** ~~Removed Text~~ Unchanged Text Moved Text Section

The following are certain risks that management believes are specific to Peoples ~~'~~**’** business. This should not be viewed as an all- inclusive list of risks or presenting the risk factors listed in any particular order. Additional risks that are not presently known or that Peoples presently deems to be immaterial could also have a material adverse impact on Peoples ~~'~~**’** business, financial condition or results of operations. Economic, Political, Environmental and Market Risks • Changes in economic and political conditions could adversely affect Peoples ~~'~~**’** earnings and capital through declines in deposits, quality of investment securities, loan demand, the ability of Peoples ~~'~~**’** borrowers to repay loans and the value of the collateral securing Peoples ~~'~~**’** loans. Peoples’ success depends, in part, on local and national economic and political conditions, as well as governmental fiscal and monetary policies. Conditions such as inflation, recession, unemployment, changes in interest rates, fiscal and monetary policy, an increasing federal government budget deficit, the failure of the federal government to raise the federal debt ceiling, slowing gross domestic product, tariffs, a U. S. withdrawal from or significant renegotiation of trade agreements, trade wars, and other factors beyond Peoples’ control may adversely affect Peoples Bank’ s deposit levels and composition, the quality of investment securities available for purchase, the demand for loans, the ability of Peoples Bank’ s borrowers to repay their loans, and the value of the collateral securing the loans Peoples Bank makes. Disruptions in U. S. and global financial markets and changes in oil production in the Middle East also affect the economy and stock prices in the U. S., which can affect Peoples’ earnings and capital, as well as the ability of Peoples Bank’ s customers to repay loans. The local economies of the majority of Peoples ~~'~~**’** market areas historically have been less robust than the economy of the nation as a whole and typically are not subject to the same extent of fluctuations as the national economy. In general, a favorable business environment and economic conditions are characterized by, among other factors, economic growth, efficient capital markets, low inflation, low unemployment, high business and investor confidence, and strong business earnings. Unfavorable or uncertain economic and market conditions can be caused by declines in economic growth, business activity, or investor or business confidence; limitations on the availability or increases in the cost of credit and capital; increases in inflation or interest rates; high unemployment; volatility in pricing and availability of natural resources; natural disasters; or a combination of these or other factors. The continued impact on economic conditions caused by rising inflation and ~~increases~~ **changes** in market interest rates could have an adverse effect on Peoples ~~'~~**’** asset quality, deposit levels and loan demand, and, therefore, Peoples ~~'~~**’** financial condition and results of operations. Because a significant amount of Peoples Bank ~~'~~**’** s loans are secured by either commercial or residential real estate, decreases in real estate values could adversely affect the value of property used as collateral and Peoples Bank ~~'~~**’** s ability to sell the collateral upon foreclosure. • Changes in interest rates may adversely affect Peoples ~~'~~**’** profitability. Peoples ~~'~~**’** earnings and cash flows are dependent to a significant degree on net interest income, which is the amount by which interest income exceeds interest expense. Interest rates are highly sensitive to many factors that are beyond Peoples ~~'~~**’** control, including general economic conditions and the policies of various governmental and regulatory agencies and, in particular, the Federal Reserve Board. Changes in monetary policy, including changes in interest rates, not only could influence the interest Peoples receives on loans and securities, and the amount of interest Peoples pays on deposits and borrowings, but such changes could also affect (1) Peoples ~~'~~**’** ability to originate loans and obtain deposits, (2) the fair value of Peoples ~~'~~**’** financial assets and liabilities, and (3) the average duration of Peoples ~~'~~**’** mortgage- backed securities portfolio. If the interest rates paid on deposits and borrowings increase at a faster rate than the interest rates received on loans and other investments, Peoples ~~'~~**’** net interest income and, therefore, earnings, could be adversely affected. Earnings could also be adversely affected if the interest rates received on loans and other investments fall more quickly than the interest rates paid on deposits and borrowings. Changes in interest rates may also negatively affect the ability of Peoples ~~'~~**’** borrowers to repay their loans, particularly as interest rates rise and adjustable- rate loans become more expensive. Peoples' management uses various measures to monitor interest rate risk and believes it has implemented effective asset and liability management strategies to reduce the potential effects of changes in interest rates on Peoples ~~'~~**’** results of operations. Peoples ~~'~~**’** management also periodically adjusts the mix of assets and liabilities to manage interest rate risk. However, any substantial, unexpected, prolonged change in market interest rates could have a material adverse effect on Peoples ~~'~~**’** financial condition and results of operations. Peoples’ net interest income, lending activities, deposits and profitability could be negatively affected by continued rising interest rates. A prolonged period of extremely volatile and unstable market conditions has the potential to increase Peoples’ funding costs and negatively affect market risk mitigation strategies. Higher revenue volatility from changes in interest rates and spreads to benchmark indices could cause a loss of future net interest income and a decrease in the fair market values of Peoples’ assets. Fluctuations in interest rates will impact both the level of income and expense recorded on most of Peoples’ assets and liabilities and the market value of all interest- earning assets and interest- bearing liabilities, which in turn could have a material adverse effect on Peoples’ net income, results of operations and financial condition. Peoples cannot predict the nature or timing of future changes in monetary policies or the precise effects that they may have on Peoples **’** activities and financial results. See the sections captioned “ Net Interest Income ” and “ Interest Rate Sensitivity and Liquidity ” in “ ITEM 7 MANAGEMENT’ S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS ” of this Form 10- K for further discussion related to Peoples’ interest rate risk. • Changes in market rates and economic conditions could cause the interest rate swaps Peoples Bank has entered into to become ineffective. The accounting treatment of the interest rate swaps entered into by Peoples as part of Peoples ~~'~~**’** interest rate management strategy may change if the hedging relationship is not as effective as currently anticipated. These interest rate swaps are designated as cash flow hedges and involve the receipt of variable rate amounts from a counterparty in exchange for fixed payments from Peoples. At December 31, ~~2022~~ **2023**, Peoples had ~~thirteen~~ **eleven** effective interest rate swaps, with an aggregate notional value of $ ~~125~~ **105**. 0 million, ~~of~~ which ~~$ 125. 0 million~~ were designated as cash flow hedges of brokered deposits, **and** which are expected to be extended every 90 days through the maturity dates of the swaps. Although Peoples expects that the hedging relationships described above will be highly effective, such relationships could prove ineffective. At December 31, ~~2022~~ **2023**, the termination value of derivative financial instruments in a net liability position was $ ~~28~~ **19**. ~~5~~ **1** million, which included accrued interest but excluded any adjustment for nonperformance risk. At December 31, ~~2022~~ **2023**, Peoples had no collateral posted with ~~our~~ **its** derivative counterparties **and the** ~~. In addition, our~~ derivative financial counterparties had $ ~~20~~ **12**. ~~9~~ **8** million of cash pledged and $ 2. ~~5~~ **2** million of investment securities ~~pledged~~ - **pledge** ~~at December 31, 2022~~. If Peoples had breached any of the provisions of the derivative financial instruments at December 31, ~~2022~~ **2023**, Peoples could have been required to settle ~~our~~ **its** obligations under the derivative financial agreements at the termination value. • Instability in global economic conditions and geopolitical matters, as well as volatility in financial markets, could have a material adverse effect on Peoples ~~'~~ **'** results of operations and financial condition. The macroeconomic environment in the U. S. is susceptible to global events and volatility in financial markets. In addition, trade negotiations between the U. S. and other nations remain uncertain and could adversely impact economic and market conditions for Peoples and ~~our~~ **its** clients and counterparties. Instability in global economic conditions and geopolitical matters, as well as volatility in financial markets, could have a material adverse effect on the Peoples ~~'~~ **'** results of operations and financial condition. For example, on February 24, 2022, Russian military forces invaded Ukraine, and sustained conflict and disruption in the region have occurred and remains likely to continue. **In addition, the October 7, 2023 attack by Hamas in Israel has resulted in prolonged conflict and disruption in the Middle East.** Although the length, impact and outcome of the ongoing war in Ukraine ~~is~~ **and the conflict in the Middle East are** highly unpredictable, ~~this~~ **these** ~~conflict~~ **conflicts** ~~has~~ **have** resulted, and could continue to result, in significant market and other disruptions, including significant volatility in commodity prices and supply of energy resources, instability in financial markets, supply chain interruptions, political and social instability, changes in consumer or purchaser preferences, as well as increases in cyberattacks and espionage. The extent and duration of the military action, sanctions and resulting market disruptions could be significant and could potentially have substantial impact on the global economy and Peoples ~~'~~ **'** business for an unknown period of time **. • Inflation may have an adverse impact on Peoples' business and on its customers. Inflation and rapid increases in interest rates have led to a decline in the trading value of previously issued government securities with interest rates below current market interest rates. The U. S. Treasury Department, FDIC and Federal Reserve Board have announced a program to provide up to $ 25 billion of loans to financial institutions secured by certain of such government securities held by financial institutions to mitigate the risk of potential losses on the sale of such instruments. However, widespread demands for customer withdrawals or other liquidity needs of financial institutions for immediate liquidity may exceed the capacity of such program. There is no guarantee that the U. S. Treasury Department, FDIC and Federal Reserve Board will provide access to uninsured funds in the future in the event of the closure of other banks or financial institutions, or that they would do so in a timely fashion. In addition, inflation generally increases the cost of goods and services Peoples uses in its business operations, such as electricity and other utilities, which increases non- interest expenses. Furthermore, Peoples' customers are also affected by inflation and the rising costs of goods and services used in their households and businesses, which could have a negative impact on their ability to repay their loans**. Any of the above- mentioned factors could affect Peoples ~~'~~ **'** business, financial condition and operating results. Any such disruptions may also magnify the impact of other risks described in this Form 10- K. ~~• A transition away from the London Interbank Offered Rate (" LIBOR") as a reference rate for financial instruments could negatively impact Peoples' income and expenses, and the value of various financial instruments. LIBOR was used extensively in the U. S. and globally as a benchmark for various commercial and financial contracts, including adjustable rate mortgages, corporate debt, interest rate swaps and other derivative financial instruments. LIBOR is set based on interest rate information reported by certain banks, which are set to stop reporting such information after June 30, 2023. In the U. S., the Alternative Reference Rate Committee (" ARRC ") has recommended the use of a Secured Overnight Funding Rate (" SOFR ") as the set of alternative U. S. dollar reference interest rates. SOFR is different from LIBOR in that it is a backward- looking secured rate rather than a forward- looking unsecured rate. These differences could lead to a greater disconnect between Peoples' costs to raise funds for SOFR as compared to LIBOR. For cash products and loans, ARRC has also recommended Term SOFR, which is a forward- looking SOFR based on SOFR futures and may in part reduce differences between SOFR and LIBOR. There are operational issues which may create a delay in the transition to SOFR or other substitute indices, leading to uncertainty across the industry. These consequences cannot be entirely predicted and could have an adverse impact on the market value for or value of LIBOR- linked securities, loans, and other financial obligations or extensions of credit. Peoples has a significant number of loans, derivative financial instruments, borrowings and other financial instruments with attributes that are either directly or indirectly dependent on LIBOR. The transition from LIBOR could create considerable costs and additional risk. Since proposed alternative rates are calculated differently, payments under financial instruments referencing new rates will differ from those referencing LIBOR. The transition will change Peoples' market risk profiles, requiring changes to risk and pricing models, valuation tools, product design and hedging strategies. Furthermore, failure to adequately manage this transition process with Peoples' customers could adversely impact our reputation. Peoples established a working group, consisting of key stakeholders from throughout the company, to monitor developments relating to LIBOR changes and to guide the transition. This team has worked to successfully ensure that technology systems are prepared for the transition, loan documents that reference LIBOR- based rates have been appropriately amended to reference other methods of interest rate determinations and internal and external stakeholders have been apprised of the transition. Based on the transition progress to date, Peoples ceased originating LIBOR- based products and began originating SOFR indexed products. Peoples will continue to transition all remaining LIBOR- based products to SOFR- based products. Peoples will also continue to evaluate the transition process and~~

~~align its trajectory with regulatory guidelines regarding the cessation of LIBOR as well as monitor new developments for transitioning to alternative reference rates, if necessary and as needed. Although Peoples is currently unable to assess what the ultimate impact of the transition from LIBOR will be, failure to adequately manage the transition could have a material adverse effect on Peoples' business, financial condition and results of operations. • The economic impact of COVID- 19 or any other pandemic could adversely affect Peoples' business, financial condition, liquidity, and results of operations. COVID- 19 has negatively impacted global, national and local economies, disrupted global and national supply chains, lowered equity market valuations, and created significant volatility and disruption in financial markets. The extent to which COVID- 19 will continue to impact Peoples' business, results of operations, and financial condition, as well as our regulatory capital and liquidity ratios, will depend on future developments, which are highly uncertain and cannot be predicted. As of December 31, 2022, Peoples held and serviced PPP loans. These PPP loans are subject to the provisions of the CARES Act and to complex and evolving rules and guidance issued by the SBA and other government agencies. Substantially all of Peoples' PPP borrowers have applied for and received full or partial forgiveness. The remaining PPP balance is not considered material to Peoples' financial statements.~~ Business Operations Risks • Peoples is exposed to operational risk. Similar to any large organization, Peoples is exposed to many types of operational risk, including those discussed in more detail elsewhere in this Item, such as reputational risk, cybersecurity risk, legal and compliance risk, the risk of fraud or theft by employees or outsiders, unauthorized transactions by employees or operational errors, including clerical or record- keeping errors or those resulting from faulty or disabled computer or telecommunications systems. Peoples may be subject to disruptions of ~~our~~ **its** operating systems arising from events that are wholly or partially beyond ~~our~~ **its** control, which may include, for example, computer viruses, cyber- attacks, spikes in transaction volume and / or customer activity, electrical or telecommunications outages, or natural disasters. Peoples could be adversely affected by operating systems disruptions if new or upgraded business management systems are defective, not installed properly or not properly integrated into existing operating systems. Although Peoples has programs in place related to business continuity, disaster recovery and information security to maintain the confidentiality, integrity and availability of ~~our~~ **its** operating systems, business applications and customer information, such disruptions may give rise to interruptions in service to customers, loss of data privacy and loss or liability to Peoples. Any failure or interruption in Peoples ~~'~~ **'** operating or information systems, or any security or data breach, could cause reputational damage, jeopardize the confidentiality of customer information, result in a loss of customer business, subject Peoples to regulatory intervention or expose Peoples to civil litigation and financial loss or liability, any of which could have a material adverse effect on Peoples. Negative public opinion can result from Peoples' actual or alleged conduct in any number of activities, including lending practices, corporate governance, acquisitions, social media and other marketing activities, and the implementation of environmental, social, and governance practices, and from actions taken by governmental regulators and community organizations in response to any of the foregoing. Negative public opinion could adversely affect Peoples' ability to attract and keep customers, could expose Peoples to potential litigation or regulatory action, and could have a material adverse effect on the price of Peoples' common shares or result in heightened volatility. Given the volume of transactions Peoples processes, certain errors may be repeated or compounded before they are discovered and successfully rectified. Peoples' necessary dependence upon automated systems to record and process ~~our~~ **its** transaction volume may further increase the risk that technical system flaws or employee tampering or manipulation of those systems will result in losses that are difficult to detect, which may give rise to disruption of service to customers and to financial loss or liability. Peoples is further exposed to the risk that ~~our~~ **its** external vendors may be unable to fulfill their contractual obligations (or will be subject to the same risk of fraud or operational errors by their respective employees as Peoples is) or that Peoples ~~'~~ **'** (or ~~our~~ **its** vendors') consumer compliance business continuity, and data security systems will prove to be inadequate. **Any** ~~Current and~~ future restrictions on the access of Peoples ~~'~~ **'** workforce to ~~our~~ **its** facilities could limit Peoples ~~'~~ **'** ability to meet customer service expectations and have a material adverse effect on operations. Peoples relies on business processes and branch activity that largely depend on people and technology, including access to information technology systems as well as information, applications, payment systems and other services provided by third parties. ~~Moreover, Peoples relies on many third parties in business operations, including appraisers of real property collateral, vendors that supply essential services such as loan servicers, providers of financial information, systems and analytical tools, and providers of electronic payment and settlement systems, as well as local and federal governmental agencies, offices, and courthouses. In light of the measures developed in the response to the pandemic, many of these entities have limited and may continue to limit the availability and access of their services. For example, loan origination could be delayed due to the limited availability of real estate appraisers for the underlying collateral. Loan closings could be delayed due to reductions in available staff in recording offices or the closing of courthouses in certain counties, which slows the process for title work, and mortgage and UCC filings in those counties. If the third- party service providers continue to have limited capacities for a prolonged period, or if additional limitations or potential disruptions in these services materialize, it may negatively affect Peoples' operations.~~ • Failures or material breaches in security of Peoples ~~'~~ **'** systems and telecommunications networks, or those of a third- party service provider, may have a material adverse effect on Peoples ~~'~~ **'** results of operations and financial condition and the price of Peoples ~~'~~ **'** common shares. Peoples collects, processes and stores sensitive consumer data by utilizing computer systems and telecommunications networks operated by both Peoples and third- party service providers. Peoples' dependence upon automated systems to record and process Peoples' transactions poses the risk that technical system flaws, employee errors, tampering or manipulation of those systems, or attacks by third parties will result in losses and may be difficult to detect. Peoples has security and backup and recovery systems in place, as well as a business continuity plan, designed to ensure the computer systems will not become inoperable, to the extent possible. Peoples also routinely reviews documentation of such controls and backups related to third- party service providers. Peoples' inability to use or access these information systems at critical points in time could unfavorably impact the timeliness and efficiency of Peoples' business operations. **Information security risks have increased due to the sophistication and activities of organized crime, hackers, terrorists and other**

external parties and the use of online, telephone, and mobile banking channels by clients. In recent years, several banks have experienced denial of service attacks in which individuals or organizations flood the bank’ s website with extraordinarily high volumes of traffic, with the goal and effect of disrupting the ability of the bank to process transactions. Other businesses have been victims of ransomware attacks in which the business becomes unable to access the business ~~'~~**’** own information and is presented with a demand to pay a ransom in order to once again have access to the business ~~'~~**’** information. Peoples could be adversely affected if one of ~~our~~ **its** employees or a third- party service provider causes a significant operational break- down or failure, either as a result of human error or where an individual purposefully sabotages or fraudulently manipulates Peoples’ operations or systems. Peoples may not be able to prevent employee or third- party errors or misconduct, and the precautions Peoples takes to detect this type of activity might prove ineffective. Peoples is further exposed to the risk that the third- party service providers may be unable to fulfill their contractual obligations (or will be subject to the same risks as Peoples is). These disruptions may interfere with service to Peoples’ customers, cause additional regulatory scrutiny and result in a financial loss or liability. **Any compromise to** Peoples ~~is~~ **’ information security could impair Peoples’ reputation and deter Peoples’ clients from using Peoples’ banking services. Information security breaches can** also ~~at~~ **disrupt the operation of information systems on which Peoples and its customers depend, adversely affecting business operations. Such events can result in costly remediation measures and litigation or governmental investigation and responding to security breaches can place unanticipated demands on the time and attention of management. Peoples relies on security systems to provide the protection and authentication necessary to secure transmission of data against damage by theft, fire, power loss, telecommunications failure or similar catastrophic event, as well as from security breaches, ransomware, denial of service attacks, viruses, worms, and other disruptive problems caused by hackers. Computer break- ins, phishing and other disruptions of customer or vendor systems could also jeopardize the security of information stored in and transmitted through Peoples’ computer systems and network infrastructure. Peoples’ associates also confront the** risk of **being compromised by emails sent by perpetrators posing as company executives or vendors in order to dupe Peoples’ personnel into sending large sums of money to accounts controlled by the perpetrators. Peoples requires all employees to complete annual information security awareness training to increase their awareness of these risks and to engage** ~~the~~ **them** ~~impact of natural disasters, terrorism and international hostilities on~~ **in Peoples’ mitigation efforts. If these precautions are not sufficient to protect** Peoples’ systems ~~or~~ from **data breaches** ~~the effects of outages~~ or ~~other failures involving power or communications systems operated by others~~ **compromises, Peoples’ reputation and business could be adversely affected** . In addition, there have been instances where financial institutions have been victims of fraudulent activity in which criminals pose as customers to initiate wire and automated clearinghouse transactions out of customer accounts. Although Peoples has policies and procedures in place to verify the authenticity of ~~our~~ **its** customers, Peoples cannot ensure that such policies and procedures will prevent all fraudulent transfers. Peoples **depends on the services of a variety of third- party vendors to meet data processing and communication needs, and Peoples has contracted with third parties to run their proprietary software on Peoples’ behalf. While Peoples performs reviews of security controls instituted by the vendor in accordance with industry standards and institutes Peoples’ own internal security controls, Peoples relies on continued maintenance of the controls by the outside party to safeguard customer data. Additionally, Peoples issues debit cards which are susceptible to compromise at the point of sale via the physical terminal through which transactions are processed and by other means of hacking. The security and integrity of these transactions are dependent upon the retailers’ vigilance and willingness to invest in technology and upgrades. Issuing debit cards to Peoples’ clients exposes Peoples to potential losses which, in the event of a data breach at one or more major retailers may adversely affect Peoples’ business, financial condition, and results of operations. Peoples is also at risk of the impact of natural disasters, terrorism and international hostilities on Peoples’ systems or from the effects of outages or other failures involving power or communications systems operated by others. Peoples** has implemented security controls to prevent unauthorized access to ~~our~~ **its** computer systems, and Peoples requires that ~~our~~ **its** third- party service providers maintain similar controls. However, Peoples’ management cannot be certain that these measures will be successful. A security breach of the computer systems and loss of confidential information, such as customer account numbers and related information, could result in a loss of customers’ confidence and, thus, loss of business. Peoples could also lose revenue if competitors gain access to confidential information about Peoples’ business operations and use such confidential information to compete with Peoples. While Peoples maintains specific “ cyber ” insurance coverage, which would apply in the event of various breach scenarios, the amount of coverage may not be adequate in any particular case. Furthermore, because cyber threat scenarios are inherently difficult to predict and can take many forms, some breaches may not be covered under Peoples’ cyber insurance coverage. Further, Peoples may be affected by data breaches at retailers and other third parties who participate in data interchanges with Peoples and ~~our~~ **its** customers that involve the theft of customer credit and debit card data, which may include the theft of Peoples’ consumer and business debit card PIN numbers and commercial card information used to make purchases at such retailers and other third parties. Such data breaches could result in Peoples incurring significant expenses to reissue debit cards and cover losses, which could result in a material adverse effect on Peoples’ operations. All of the types of cybersecurity incidents discussed above could result in damage to Peoples’ reputation, loss of customer business, increased costs of incentives to customers or business partners in order to maintain their relationships, litigation, increased regulatory scrutiny and potential enforcement actions, repairs of system damage, increased investments in cybersecurity (such as obtaining additional technology, making organizational changes, deploying additional personnel, training personnel and engaging consultants), increased insurance premiums, and loss of investor confidence and a reduction in the price of Peoples’ common shares, all of which could result in financial loss and material adverse effects on Peoples’ results of operations and financial condition. • Noncompliance with the BSA and other anti- money laundering statutes and regulations could cause Peoples to incur a material financial loss. The BSA and the USA Patriot Act contain anti- money laundering and financial transparency provisions intended to detect and prevent the use of the U. S. financial system for money laundering and terrorist financing activities. The BSA, as amended by the USA Patriot Act and the AMLA, requires depository institutions and their holding companies to undertake activities including maintaining an anti- money laundering program, verifying the identity of clients, monitoring for and reporting suspicious transactions, reporting on cash transactions exceeding specified thresholds, and responding to requests for information by regulatory authorities and law enforcement agencies. **The** Financial Crimes Enforcement Network (also known as FinCEN), a unit of the U. S. **Department of the** Treasury ~~Department~~ that administers the BSA, is authorized to impose significant civil money penalties for violations of those requirements and has recently engaged in coordinated enforcement efforts with the federal bank regulatory agencies, as well as the U. S. Department of Justice, the U. S. Drug Enforcement Administration, and the U. S. Internal Revenue Service. The AMLA is intended to be a comprehensive reform and modernization to U. S. bank secrecy and anti- money laundering laws, which includes a codified risk- based approach to anti- money laundering compliance for financial institutions; requires the development of standards for evaluating technology and internal processes for BSA compliance; and expands enforcement- related and investigation- related authority, including increasing available sanctions for certain BSA violations and instituting BSA whistleblower incentives and protections. There is also increased scrutiny of compliance with the rules enforced by OFAC. If Peoples ~~'~~**’** policies, procedures, and systems are deemed deficient, or if the policies, procedures, and systems of the financial institutions that Peoples has already acquired or may acquire in the future are deficient, Peoples may be subject to liability, including fines and regulatory actions such as restrictions on Peoples ~~'~~**’** ability to pay dividends and the necessity to obtain regulatory approvals to proceed with certain planned business activities, including acquisition plans, which could negatively impact Peoples ~~'~~**’** business, financial condition, and results of operations. Failure to maintain and implement adequate programs to combat money laundering and terrorist financing could also have serious reputational consequences for Peoples. For a more complete discussion of the BSA, the USA Patriot Act and the AMLA as well as OFAC, see the section captioned ~~"~~**“** Supervision and Regulation ~~"~~**”** in ~~"~~**“** ITEM 1 BUSINESS ~~"~~**”** of this Form 10- K. • Peoples ~~'~~**’** business could be adversely affected through events impacting third parties who perform significant operational services on behalf of Peoples. The third parties performing operational services for Peoples are subject to risks similar to those faced by Peoples relating to cybersecurity, breakdowns or failures of their own systems, or misconduct of their employees. Like many other community bank organizations, Peoples relies, in significant part, on a single vendor for the systems which allow Peoples to provide banking services to Peoples’ customers, with the systems being maintained on Peoples ~~'~~**’** behalf by this single vendor. One or more of the third parties utilized by Peoples may experience a cybersecurity event or operational disruption and, if any such event or disruption does occur, it may not be adequately addressed, either operationally or financially, by such third party. Certain of these third parties may have limited indemnification obligations to Peoples in the event of a cybersecurity event or operational disruption, or may not have the financial capacity to satisfy their indemnification obligations. Financial or operational difficulties of a third- party provider could also impair Peoples ~~'~~**’** operations if those difficulties interfere with such third party’ s ability to serve Peoples. If a critical third- party provider is unable to meet the needs of Peoples in a timely manner, or if the services or products provided by such third party are terminated or otherwise delayed, and if Peoples is not able to develop alternative sources for these services and products quickly and in a cost- effective manner, Peoples’ business could be materially adversely affected. Additionally, regulatory guidance adopted by federal and state bank regulators addressing how banks select, engage and manage their third- party relationships, could affect the circumstances and conditions under which Peoples works with third parties and the cost of managing such relationships. • Peoples ~~'~~**’** failure to be in compliance with any material provision or covenant of its debt instruments could have a material adverse effect on Peoples ~~'~~**’** liquidity and operations. Peoples has a Loan Agreement (the ~~"~~**“** U. S. Bank Loan Agreement ~~"~~**”**) with ~~the~~ U. S. Bank National Association that provides Peoples with a revolving line of credit. **A Fifth Amendment to the U. S. Bank Loan Agreement, entered into on March 31, 2023, extended the maturity from April 1, 2023 to March 31, 2024.** The U. S. Bank Loan Agreement imposes operating and financial covenants on Peoples. These restrictions may affect Peoples ~~'~~**’** operations and may limit the ability to take advantage of potential business opportunities as they arise. Peoples ~~'~~**’** ability to comply with the covenants contained in the U. S. Bank Loan Agreement may be affected by events beyond Peoples ~~'~~**’** control, including deteriorating economic conditions, and these events could require Peoples to seek waivers or amendments of such covenants, or alternative sources of financing. Peoples ~~'~~**’** ability to obtain such waivers, amendments or alternative financing, may be on terms unfavorable to Peoples. A breach of any of the covenants or restrictions contained in any of the existing or future financing agreements, including financial covenants, could result in an event of default under the agreements. Such a default could allow the lenders under the financing agreements, if the agreements so provide, to discontinue lending, to accelerate the related debt, and / or to declare all borrowings outstanding thereunder to be due and payable. In addition, the lenders could terminate any commitments they have to provide Peoples with further funds. If any of these events occur, Peoples may not have sufficient funds available to pay in full the total amount of obligations that become due as a result of any such acceleration, or Peoples may not be able to find additional or alternative financing to refinance any such accelerated obligations. Even if additional or alternative financing is obtained, it may be on terms that are unfavorable to Peoples. • Peoples ~~'~~**’** exposure to credit risk could adversely affect Peoples ~~'~~**’** earnings and financial condition. There are certain risks inherent in making loans. These risks include interest rate changes over the time period in which loans are to be repaid, risks resulting from changes in the economy, risks that Peoples will have inaccurate or incomplete information about borrowers, risks that borrowers will become unable to repay loans, and, in the case of loans secured by collateral, risks resulting from uncertainties about the future value of the collateral. Commercial loans comprise a significant portion of Peoples ~~'~~**’** loan portfolio. Commercial loans generally are viewed as having a higher degree of credit risk than residential real estate or consumer loans because commercial loans usually involve larger loan balances to a single borrower and are more susceptible to a risk of default during an economic downturn. Since Peoples ~~'~~**’** loan portfolio contains a significant number of commercial loans, the deterioration of one or a few of these loans could cause a significant increase in nonperforming loans, and ultimately could have a material adverse effect on Peoples ~~'~~**’** earnings and financial condition. Peoples may also have credit exposures concentrated in a particular industry, resulting in a risk of a material adverse effect on earnings or financial condition, if there is an event adversely affecting such industry. Peoples ~~'~~**’** risks of timely loan repayment and the value of collateral supporting the loans are affected by the strength of the business of Peoples ~~'~~**’** commercial borrowers and the financial circumstances of Peoples ~~'~~**’** consumer borrowers. ~~The current economic~~ **Economic** conditions, **including high** inflation **and elevated** ~~, increases in~~ interest rates, and political climate could cause business shutdowns and slowdowns, limitations on commercial activity and financial transactions, labor shortages, supply chain interruptions, increased unemployment and commercial property vacancy rates, reduced profitability and ability for property owners to make mortgage, auto and other consumer loan payments, ~~and~~ overall economic and financial market instability, which may affect individuals, households and business differently, and decreased consumer confidence generally, all of which may cause Peoples ~~'~~**’** customers to be unable to make scheduled loan payments. Additional information regarding Peoples ~~'~~**’** credit exposure concentration at December 31, ~~2022~~ **2023** can be found in the section captioned ~~"~~**“** Loan Concentration ~~"~~**”** in ~~"~~**“** ITEM 7 MANAGEMENT ~~'~~**’** S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS ~~"~~**”** of this Form 10- K. • Peoples ~~'~~**’** allowance for credit losses may be insufficient to absorb the expected, lifetime losses in ~~our~~ **its** loan portfolio. Peoples maintains an allowance for credit losses that is believed to be a reasonable estimate of the expected losses ~~within the CECL model,~~ based on management ~~'~~**’** s quarterly analysis of ~~our~~ **its** loan portfolio. The determination of the allowance for credit losses requires management to make various assumptions and judgments about the collectability of Peoples ~~'~~**’** loans, including the creditworthiness of ~~our~~ **its** borrowers and the value of the real estate and other assets serving as collateral for the repayment of loans. Additional information regarding Peoples ~~'~~**’** allowance for credit losses methodology and the sensitivity of the estimates can be found in the discussion of ~~"~~**“** Critical Accounting Policies ~~"~~**”** included in ~~"~~**“** ITEM 7 MANAGEMENT ~~'~~**’** S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS ~~"~~**”** of this Form 10- K. Peoples ~~'~~**’** estimation of future credit losses is susceptible to changes in economic, operating and other conditions, including changes in regulations and interest rates, which may be beyond Peoples ~~'~~**’** control, and the losses may exceed current estimates. Peoples cannot be assured of the amount or timing of losses, nor whether the allowance for credit losses will be adequate in the future. If Peoples ~~'~~**’** assumptions prove to be incorrect, Peoples ~~'~~**’** allowance for credit losses may not be sufficient to cover the expected losses from ~~our~~ **its** loan portfolio, resulting in the need for additions to the allowance for credit losses which could have a material adverse impact on Peoples ~~'~~**’** financial condition and results of operations. In addition, bank regulators periodically review Peoples ~~'~~**’** allowance for credit losses as part of their examination process and may require management to increase the allowance or recognize further loan charge- offs based on judgments different than those of management. On June 16, 2016, the Financial Accounting Standards Board (~~"~~**“** FASB ~~"~~**”**) issued Accounting Standard Update (~~"~~**“** ASU ~~"~~**”**) 2016- 13 ~~"~~**“** Financial Instruments – Credit Losses ~~"~~**”** , which replaced the incurred loss model with the CECL model, an expected loss model, and Peoples adopted this guidance in 2020. Under the CECL model, Peoples is required to use historical information, current conditions and reasonable and supportable forecasts to estimate the expected credit losses. If the methodologies and assumptions used by Peoples in the CECL model prove to be incorrect, or inadequate, the allowance for credit losses may not be sufficient, resulting in the need for additional allowance for credit losses to be established, which could have a material adverse impact on Peoples ~~'~~**’** financial condition and results of operations. Additionally, the time horizon over which Peoples is required to estimate future credit losses expanded under CECL, which could result in increased volatility in future provisions for credit losses. Peoples may also experience a higher or more volatile provision for credit losses due to higher levels of nonperforming loans and net charge- offs if commercial and consumer customers are unable to make scheduled loan payments. • Peoples ~~'~~**’** accounting estimates and risk management processes rely on analytical and forecasting models. The processes Peoples uses to estimate ~~our~~ **its** expected credit losses and to measure the fair value of financial instruments, as well as the processes used to estimate the effects of changing interest rates and other market measures on Peoples ~~'~~**’** financial condition and results of operations, depend upon the use of analytical and, in some cases, forecasting models. These models reflect assumptions that may not be accurate, particularly in times of market stress or other unforeseen circumstances. Even if these assumptions are accurate, the model may prove to be inadequate or inaccurate because of other flaws in their design or their implementation. If the model Peoples uses for interest rate risk and asset- liability management is inadequate, Peoples may incur increased or unexpected losses upon changes in market interest rates or other market measures. If the model used by Peoples for determining ~~our~~ **its** expected credit losses is inadequate, the allowance for credit losses may not be sufficient to support future charge- offs. If the model used by Peoples to measure the fair value of financial instruments is inadequate, the fair value of such financial instruments may fluctuate unexpectedly or may not accurately reflect what Peoples could realize upon sale or settlement of such financial instruments. Any such failure in Peoples ~~'~~**’** analytical or forecasting models could have a material adverse effect on Peoples ~~'~~**’** business, financial condition and results of operations. • Peoples and Peoples Bank may elect or be compelled to seek additional capital in the future, but such capital may not be available when needed. Peoples and Peoples Bank are required by federal and state regulatory authorities to maintain adequate levels of capital to support their operations. Federal bank regulators have adopted extensive changes to their capital requirements, including raising required amounts and eliminating the inclusion of certain instruments from the calculation of capital. If Peoples Bank experiences significant losses, additional capital may be needed. In addition, Peoples and Peoples Bank may elect to raise additional capital to support the businesses or to finance acquisitions, if any, or for other unanticipated reasons. The ability to raise additional capital, if needed, will depend on financial performance, conditions in the capital markets, economic conditions and a number of other factors, many of which are outside of Peoples ~~'~~**’** control. Therefore, there can be no assurance that additional capital will be available or that additional capital will be available on acceptable terms. The inability to raise additional capital may have a material adverse effect on Peoples ~~'~~**’** financial condition, results of operations or potential acquisitions. • Peoples and Peoples Bank operate in a highly regulated industry, and the laws and regulations that govern Peoples’ operations, corporate governance, executive compensation ~~and~~ **,** financial accounting **and** ~~, or~~ financial reporting, including changes in, or failure to comply with, such laws and regulations may adversely affect Peoples. The banking industry is highly regulated. Peoples is subject to supervision, regulation and examination by various federal and state regulators, including the Federal Reserve Board, the SEC, the CFPB, the FDIC, Financial Industry Regulatory Authority, Inc. (also known as FINRA), and various state regulatory agencies. The statutory and regulatory framework that governs Peoples is generally designed to protect depositors and customers, the DIF, the U. S. banking and financial system, and financial markets as a whole and not to protect Peoples ~~'~~’ shareholders. These laws and regulations, among other matters, prescribe minimum capital requirements, restrict the ability of Peoples Bank to guarantee Peoples ~~'~~’ debt, and impose limitations on Peoples Bank ~~'~~’ s business activities (including foreclosure and collection practices), limit the dividends or distributions that Peoples Bank can pay, and impose certain specific accounting requirements that may be more restrictive and may result in greater or earlier charges to earnings or reductions in capital than would otherwise be required under U. S. generally accepted accounting principles (~~"~~“US GAAP ~~"~~”). Compliance with laws and regulations can be difficult and costly, and changes to laws and regulations often impose additional compliance costs. Both the scope of the laws and regulations, and the intensity of the supervision to which Peoples is subject, have increased in recent years in response to the perceived state of the financial services industry, as well as other factors such as technological and market changes. Such regulation and supervision may increase Peoples’ costs and limit ~~our~~ **its** ability to pursue business opportunities. Further, Peoples’ failure to comply with these laws and regulations, even if the failure was inadvertent or reflects a difference in interpretation, could subject Peoples to restrictions on business activities, fines, and other penalties, any of which could adversely affect the results of operations, the capital base, and the price of Peoples’ common shares. Further, any new laws, rules, or regulations could make compliance more difficult or expensive or otherwise adversely affect Peoples’ business and financial condition. • Peoples may not be able to adapt to technological change. The financial services industry is continually undergoing rapid technological change with frequent introductions of new technology- driven products and services. The effective use of technology increases efficiency and enables financial institutions to better serve customers while reducing costs. Peoples’ future success depends, in part, upon ~~our~~ **its** ability to address customer needs by using technology to provide products and services that will satisfy customer demands, as well as to create additional efficiencies in ~~our~~ **its** operations. This could include the development, implementation, and adaptation of digital or cryptocurrency, blockchain, and other “ fintech ” technology. Peoples may not be able to effectively implement new technology- driven products and services or be successful in marketing these products and services to Peoples ~~'~~’ customers. Failure to successfully keep pace with technological changes affecting the financial services industry could negatively affect Peoples’ growth, revenue and net income. • Peoples may not be able to attract and retain key employees. Peoples ~~'~~’ success depends, in large part, on ~~our~~ **its** ability to attract, retain, motivate and develop key employees. Competition for key employees is ongoing and Peoples may not be able to attract, retain or hire the key employees who are wanted or needed, which may also negatively impact Peoples ~~'~~’ ability to execute identified business strategies. Many of Peoples’ offices are located in rural areas, resulting in the possible need for Peoples to offer higher compensation equal to or greater than what is offered in metropolitan areas to attract or retain key employees, which may adversely affect salaries and employee benefit costs. Various restrictions on the compensation which may be paid to certain executive officers were imposed under the Dodd- Frank Act and other legislation and regulations. In addition, Peoples ~~'~~’ incentive compensation structure is subject to review by regulators, who may identify deficiencies in the structure or issue additional guidance on Peoples ~~'~~’ compensation practices, causing Peoples to make changes that may affect ~~our~~ **its** ability to offer competitive compensation to these individuals or that place Peoples at a disadvantage to non- financial service competitors. Peoples ~~'~~’ ability to attract and retain talented employees may be affected by these restrictions, or any new executive compensation limits or regulations. • Peoples ~~'~~’ ability to pay dividends is limited, and Peoples may not be in the position to pay dividends in the future. Although Peoples has paid dividends on ~~our~~ **its** common shares in the past, Peoples may, at the discretion of Peoples ~~'~~’ Board of Directors, reduce or eliminate dividends in the future, for any reason, including a determination to use funds for other purposes, or due to regulatory constraints. Peoples is a separate and distinct legal entity from Peoples ~~'~~’ subsidiaries. Peoples receives nearly all of ~~our~~ **its** liquidity from dividends from Peoples Bank, which are limited by federal and state banking laws and regulations. These dividends also serve as the primary source of funds to pay dividends on Peoples ~~'~~’ common shares. The inability of Peoples Bank to pay sufficient dividends to Peoples could have a material, adverse effect on ~~our~~ **its** business. Further discussion of Peoples ~~'~~’ ability to pay dividends can be found under the caption ~~"~~“ Supervision and Regulation – Dividend Restrictions ~~"~~” in ~~"~~“ ITEM 1 BUSINESS ~~"~~” of this Form 10- K and ~~"~~“ Note 17 Regulatory Matters. ~~"~~” • Peoples depends upon the accuracy and completeness of information about customers and counterparties. In deciding whether to extend credit or enter into other transactions with customers and counterparties, Peoples may rely on information provided by customers and counterparties, including financial statements and other financial information. Peoples may also rely on representations of customers and counterparties as to the accuracy and completeness of that information and, with respect to financial statements, on reports of independent auditors. For example, in deciding whether to extend credit to a business, Peoples Bank may assume that the customer’ s audited financial statements conform with US GAAP and present fairly, in all material respects, the financial condition, results of operations and cash flows of the customer. Peoples Bank may also rely on the audit report covering those financial statements. Peoples’ financial condition, results of operations and cash flows could be negatively impacted to the extent that Peoples Bank relies on financial statements that do not comply with US GAAP or on financial statements and other financial information that are materially misleading. • Peoples Bank may be required to repurchase loans it has sold or to indemnify loan purchasers under the terms of the sale agreements, which could adversely affect Peoples’ liquidity, results of operations and financial condition. When Peoples Bank sells a mortgage loan, it may agree to repurchase or substitute a mortgage loan if Peoples Bank is later found to have breached any representation or warranty Peoples Bank made about the loan or if the borrower is later found to have committed fraud in connection with the origination of the loan. While Peoples Bank has underwriting policies and procedures designed to avoid breaches of representations and warranties and borrower fraud, there can be no assurance that a breach or fraud will not occur.

Required repurchases, substitutions or indemnifications could have an adverse effect on Peoples’ liquidity, results of operations and financial condition. • Peoples and ~~our~~ **its** subsidiaries are subject to examinations and challenges by tax authorities. In the normal course of business, Peoples and ~~our~~ **its** subsidiaries are routinely subject to examinations and challenges from federal and state tax authorities regarding positions taken regarding their respective tax returns. State tax authorities have become increasingly aggressive in challenging tax positions taken by financial institutions, especially those positions relating to tax compliance and calculation of taxes subject to apportionment. Any challenge or examination by a tax authority may result in adjustments to the timing or amount of taxable net worth or taxable income, or deductions or the allocation of income among tax jurisdictions. Management believes it has taken appropriate positions with respect to all tax returns and does not anticipate that any examination would have a material impact on Peoples ~~'~~ **’** Consolidated Financial Statements. However, the outcome of any such examination and the ultimate resolution of any resulting assessments are inherently difficult to predict. Thus, no assurance can be given that Peoples ~~'~~ **’** tax liability for any tax year open to examination will be as reflected in Peoples ~~'~~ **’** current and historical Consolidated Financial Statements. • Peoples **could experience an unexpected inability to obtain needed liquidity** ~~had identified a material weakness in our internal control over financial reporting as of December 31, 2021,~~ which ~~was remediated as of December 31, 2022. If Peoples fails to maintain an effective system of internal control over financial reporting, the accuracy and timing of our financial reporting may be adversely affected. The effectiveness of any controls or procedures is subject to certain inherent limitations, and as a result, there can be no assurance that our controls and procedures will prevent or detect misstatements. Even an effective system of internal control over financial reporting will provide only reasonable, not absolute, assurance with respect to financial statement preparation. Also, projections of any evaluations of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. With the participation of Peoples’ President and Chief Executive Officer and Peoples’ Executive Vice President, Chief Financial Officer and Treasurer, management identified control deficiencies during the fiscal year ended December 31, 2021, that constituted a material weakness as described within “ ITEM 9A. CONTROLS & PROCEDURES ” of the Annual Report on Form 10- K for the fiscal year ended December 31, 2021. Peoples has taken measures to remediate the material weakness described herein and believes that it has been remediated. However if management identifies additional material weaknesses or significant deficiencies in Peoples' internal controls or disclosure controls, Peoples may be unable to provide required financial information in a timely and reliable manner and Peoples may incorrectly report financial information. If the financial statements are not filed on a timely basis, Peoples could be subject to adverse action by shareholders, Nasdaq, the SEC or other regulatory authorities. The existence of material weaknesses or significant deficiencies in internal control over financial reporting~~ could adversely affect **its business** ~~Peoples' reputation or investor perceptions~~ , ~~which~~ **profitability, and viability as a going concern. Liquidity measures the ability to meet current and future cash flow needs as they become due. The liquidity of a financial institution reflects its ability to meet loan requests, to accommodate possible outflows in deposits, and to take advantage of interest rate market opportunities and is essential to a financial institution’ s business. The ability of a financial institution to meet its current financial obligations is a function of its balance sheet structure, its ability to liquidate assets, and its access to alternative sources of funds. The bank failures in 2023 exemplify the potential serious results of the unexpected inability of insured depository institutions to obtain needed liquidity to satisfy deposit withdrawal requests, including how quickly such requests can accelerate once uninsured depositors lose confidence in an institution’ s ability to satisfy its obligations to depositors. Peoples seeks to ensure its funding needs are met by maintaining a level of liquidity through asset and liability management. If Peoples becomes unable to obtain funds when needed, it** could have a ~~negative~~ **material adverse** effect on ~~the trading price of Peoples' common shares. In addition, Peoples may incur additional costs to remediate material weaknesses or significant deficiencies in Peoples' internal control over financial reporting. People~~ **Peoples ’ business,** ~~'s management cannot make assurances that any additional material weaknesses or restatements of~~ financial **condition, and** results ~~will not arise in the future due to a failure to implement and maintain adequate internal control over financial reporting. In the future, current controls and procedures may not be adequate to prevent or identify irregularities or errors or to facilitate the fair presentation~~ of **operations** ~~the financial statements~~ . Legislative, Regulatory and Tax Change Risks • Legislative or regulatory changes or actions could adversely impact Peoples or the businesses in which it is engaged. The financial services industry is heavily regulated under both federal and state law. Peoples is subject to regulation and supervision by the Federal Reserve Board, and Peoples Bank is subject to regulation and supervision by the ODFI, the Federal Reserve Board, **and** the FDIC **,** and **the regulations of** the CFPB. These regulations are primarily intended to protect depositors and the DIF, not Peoples ~~'~~ **’** shareholders. Peoples ~~'~~ **’** non- bank subsidiaries are also subject to the supervision of the Federal Reserve Board, in addition to other regulatory and self- regulatory agencies, including the SEC, and state securities and insurance regulators. Regulations affecting banks and financial services businesses are undergoing continuous change, and Peoples ~~'~~ **’** management cannot predict the effect of those changes. While such changes are generally intended to lessen the regulatory burden on financial institutions, the impact of any changes to laws and regulations or other actions by regulatory agencies could adversely affect Peoples ~~'~~ **’** business. Regulatory authorities have extensive discretion in connection with their supervisory and enforcement activities, including the imposition of restrictions on the operation of an institution, the classification of assets held by an institution, the appropriateness of an institution ~~'~~ **’** s allowance for credit losses and the ability to complete acquisitions. Additionally, actions by regulatory agencies or significant litigation against Peoples could cause Peoples to devote significant time and resources to defending ~~our~~ **its** business and may lead to penalties that materially affect Peoples and ~~our~~ **its** shareholders. Even the reduction of regulatory restrictions could have an adverse effect on Peoples and ~~our~~ **its** shareholders if such lessening of restrictions increases competition within the financial services industry or Peoples ~~'~~ **’** market area. Further information about government regulation of Peoples ~~'~~ **’** business can be found under the caption ~~"~~ **“** Supervision and Regulation ~~"~~ **”** in ~~"~~ **“** ITEM 1 BUSINESS ~~"~~ **”** of this Form 10- K. • Changes in accounting standards, policies, estimates or procedures may impact Peoples ~~'~~ **’** reported financial condition or results of operations. The entities responsible for setting accounting standards, including the FASB, the SEC and other regulatory bodies, periodically change the financial accounting and reporting standards that govern the preparation of Peoples ~~'~~**’** Consolidated Financial Statements. The pace of change continues to accelerate and changes in accounting standards can be difficult to predict and can materially impact how Peoples records and reports ~~our~~ **its** financial condition and results of operations. In some cases, Peoples could be required to apply a new or revised guidance retroactively, resulting in the restatement of prior period financial statements. The preparation of consolidated financial statements in conformity with US GAAP requires management to make significant estimates that affect the financial statements. Due to the inherent nature of these estimates, actual results may vary materially from management ~~'~~**’** s estimates. Additional information regarding Peoples ~~'~~**’** critical accounting policies and the sensitivity of estimates can be found in the section captioned ~~"~~**“** Critical Accounting Policies ~~"~~**”** in ~~"~~**“** ITEM 7 MANAGEMENT ~~'~~**’** S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS ~~"~~**” and “ Note 1 Summary of Significant Accounting Policies ”** of this Form 10- K. • Regulatory capital standards may have an adverse effect on ~~our~~ **its** profitability, lending, and ability to pay dividends. Peoples is subject to capital adequacy guidelines and other regulatory requirements specifying minimum amounts and types of capital that ~~we~~ **Peoples** must maintain. From time to time, regulators implement changes to these regulatory capital adequacy guidelines. If ~~we~~ **Peoples** fail to meet these minimum capital guidelines and / or other regulatory requirements, ~~our~~ **its** financial condition would be materially and adversely affected. The Basel III capital framework requires ~~us~~ **Peoples** to maintain significantly more capital as a result of higher required capital levels and more demanding regulatory capital risk weightings and calculations. Satisfying capital requirements may require ~~us~~ **Peoples** to limit ~~our~~ **its** banking operations, retain net income or reduce dividends to improve regulatory capital levels, which could negatively affect ~~our~~ **its** business, financial condition and results of operations. • Increases in FDIC insurance premiums may have a material adverse effect on Peoples ~~'~~**’** earnings. Peoples Bank has limited ability to control the amount of premiums it is required to pay for FDIC insurance. The DIF is funded by fees assessed on insured depository institutions, such as Peoples Bank. If the costs of future bank failures increase, deposit insurance premiums may also increase. Increases in FDIC insurance premiums may have a material adverse effect on Peoples ~~'~~**’** results of operations and ability to continue to pay dividends on ~~our~~ **its** common shares at the current rate or at all. ~~In October~~ **On November 16,** ~~2022~~ **2023** , **the** FDIC Board adopted ~~as~~ **a** final ~~,~~ **rule implementing a special assessment to recover the loss to the DIF arising from the protection of uninsured depositors following the failures of Silicon Valley Bank** and ~~without change,~~ **Signature Bank. The assessment base for the special assessment is equal to** an ~~increase in initial base~~ **insured depository institution’ s estimated uninsured** ~~deposit~~ **deposits** ~~insurance~~ **reported for the quarter ended December 31, 2022, adjusted to exclude the first $ 5 billion in estimated uninsured deposits. The FDIC will collect the special** assessment **at an annual** rate ~~schedules uniformly by 2~~ **of approximately 13. 4** basis points, **over eight** ~~beginning in the first~~ quarterly assessment ~~period~~ **periods , beginning with the first quarter** of ~~2023~~ **2024** . **Because Peoples Bank’ s uninsured deposits were less than $ 5 billion for the quarter ended December 31, 2022, Peoples Bank will not be subject to this special assessment. However,** ~~There~~ **there** can be no assurance that assessments may not be changed ~~again~~ in the future **and / or that additional special assessments may not be imposed in the future by the FDIC, either in response to additional bank failures or otherwise, that could increase the amount of premiums required to be paid to the FDIC by Peoples Bank** . Federal deposit insurance is described in more detail in the section captioned ~~"~~**“** Supervision and Regulation ~~"~~**”** in ~~"~~**“** ITEM 1 BUSINESS ~~"~~**”** of this Form 10- K. Strategic Risks • Peoples ~~'~~**’** ability to complete acquisitions and integrate completed acquisitions may be unsuccessful or more difficult, time- consuming or costly than expected, which could have an adverse effect on Peoples ~~'~~**’** business, earnings and financial condition. Peoples actively evaluates opportunities to acquire other businesses. However, Peoples may not have the opportunity to make suitable acquisitions on favorable terms in the future, which could negatively impact the growth of ~~our~~ **its** business. Peoples expects that other banking and financial companies, many of which have significantly greater resources, will compete to acquire compatible businesses. This competition could increase prices for acquisitions that Peoples would likely pursue, and ~~our~~ **its** competitors may have greater resources to pay such acquisition prices. In addition, acquisitions of regulated businesses, such as banks, are subject to various regulatory approvals. If Peoples fails to receive the appropriate regulatory approvals, ~~we~~ **it** will not be able to consummate an acquisition that ~~we~~ **it** ~~believe~~ **believes** is in ~~our~~ **its** best interest. Peoples may not be able to integrate new acquisitions without encountering difficulties, including the loss of key employees and customers, the disruption of ongoing businesses or possible inconsistencies in standards, controls, procedures and policies. Peoples may not be able to fully achieve the strategic objectives and operating efficiencies anticipated in the acquisitions ~~we~~ **it** ~~complete~~ **completes** . Future acquisitions may also result in other unforeseen difficulties, including in the integration of the combined companies. Further, benefits such as enhanced earnings anticipated from the acquisitions may not develop and future results of the combined companies may be materially below those estimated. In addition, Peoples may issue equity securities in connection with acquisitions, which could dilute the economic and voting interests of Peoples ~~'~~**’** shareholders. Recent changes in the stock price of financial institutions could impact the valuation of potential target companies and, therefore, Peoples ~~'~~**’** ability to compete for acquisitions. • Changes in retail distribution strategies and consumer behavior may adversely impact Peoples’ investments in ~~our~~ **its** financial service office premises and equipment and other assets, and may lead to increased expenditures to change ~~our~~ **its** retail distribution channel. Peoples has significant investments in financial service office premises and equipment for ~~our~~ **its** financial service office network, including ~~13~~ **20** financial service offices, ~~which consist~~ **consisting** of ~~loan production offices (" LPO~~ **LPOs** ~~")~~ and limited service locations, as well as ~~our~~ **its** retail work force and other financial service office banking assets. Advances in technology such as e- commerce, telephone, internet and mobile banking, and in- branch self- service technologies including ATMs **, ITMs,** and other equipment, as well as changing customer preferences for these other methods of accessing Peoples’ products and services, could affect the value of Peoples’ financial service office network or other retail distribution assets and may cause Peoples to change ~~our~~ **its** retail distribution strategy, close and / or sell certain financial service offices and restructure or reduce ~~our~~ **its** remaining financial service offices and work force. Further advances in technology and / or changes in customer preferences including those related to social media, digital or cryptocurrency, blockchain and other “fintech” technologies could result in additional changes in Peoples’ retail distribution strategy and / or financial service office network. These actions could lead to losses on these assets or could adversely impact the carrying value of other long- lived assets and may lead to increased expenditures to renovate and reconfigure remaining financial service offices or to otherwise reform Peoples’ retail distribution channel. • Anti- takeover provisions may delay or prevent an acquisition or change in control by a third party. Provisions in the Ohio General Corporation Law, Peoples’ Amended Articles of Incorporation and Peoples’ Code of Regulations, including a supermajority vote requirement for significant corporate changes, could discourage potential takeover attempts and make attempts by shareholders to remove Peoples’ Board of Directors and management more difficult. These provisions may also have the effect of delaying or preventing a transaction or change in control that might be in the best interests of Peoples’ shareholders. General Risks • Adverse changes in the financial markets may adversely impact Peoples’ results of operations. While Peoples generally invests in securities issued by U. S. government agencies and sponsored entities and domestic state and local governments with limited credit risk, certain investment securities held by Peoples possess higher credit risk since they represent beneficial interests in structured investments collateralized by residential mortgages, debt obligations and other similar asset- backed assets. Even securities issued by governmental agencies and sponsored entities may entail risk depending on political and economic changes. Regardless of the level of credit risk, all investment securities are subject to changes in market value due to changing interest rates, implied credit spreads and credit ratings. • Peoples is subject to environmental liability risk associated with lending activities. A significant portion of Peoples’ loan portfolio is secured by real property. During the ordinary course of business, Peoples forecloses on and takes title to properties securing certain loans. In doing so, there is a risk that hazardous or toxic substances could be found on these properties. If hazardous or toxic substances are found, Peoples may be liable for remediation costs, as well as for personal injury and property damage. Environmental laws and evolving regulation may require Peoples to incur substantial expenses and may materially reduce the affected property’ s value or limit Peoples’ ability to use or sell the affected property. In addition, future laws and regulations or more stringent interpretations or enforcement policies with respect to existing laws or regulations may increase Peoples’ exposure to environmental liability. Environmental reviews of real property before initiating foreclosure actions may not be sufficient to detect all potential environmental hazards. The remediation costs and any other financial liabilities associated with an environmental hazard could have a material adverse effect on Peoples’ business, financial condition and results of operations. • The value of Peoples’ goodwill and other intangible assets may decline in the future. A significant decline in expected future cash flows, a significant adverse change in the business climate, slower growth rates or a significant and sustained decline in the price of Peoples’ common shares may necessitate taking charges in the future related to the impairment of goodwill and other intangible assets. If Peoples were to conclude that a future write- down of goodwill and other intangible assets is necessary, the appropriate charge will be recorded, which could have a material adverse effect on Peoples’ business, financial condition and results of operations. • Peoples is at risk of increased losses from fraud. Criminals are committing fraud at an increasing rate and are using more sophisticated techniques. In some cases, these individuals are part of larger criminal rings, which allow them to be more effective. Such fraudulent activity has taken many forms, ranging from wire fraud, debit card fraud, check fraud, mechanical devices attached to ATM machines, social engineering and phishing attacks to obtain personal information, or impersonation of clients through the use of falsified or stolen credentials. Additionally, an individual or business entity may properly identify itself, yet seek to establish a business relationship for the purpose of perpetrating fraud. An emerging type of fraud even involves the creation of synthetic identification in which fraudsters “create” individuals for the purpose of perpetrating fraud. In addition to fraud committed directly against Peoples, Peoples may suffer losses as a result of fraudulent activity committed against third parties. Increased deployment of technologies, such as chip card technology, defray and reduce certain aspects of fraud; however, criminals are turning to other sources to steal personally identifiable information, such as unaffiliated healthcare providers and government entities, in order to impersonate consumers and thereby commit fraud. • Peoples may not be able to remain competitive. Peoples experiences significant competition in originating loans, obtaining deposits, and maintaining and growing insurance and trust customers, principally from other commercial banks, savings associations, credit unions, trust and brokerage companies, insurance agencies, fintechs and online service providers. Several of Peoples’ competitors have greater resources, larger branch systems and wider arrays of banking and non- banking services. This competition could reduce Peoples’ net income by decreasing the number and size of loans that Peoples originates and the interest rates ~~we~~ it can charge on these loans. Moreover, technology and other changes are allowing businesses and individuals to utilize alternative methods to complete financial transactions that historically have involved banks. For example, consumers can now maintain funds that have historically been held as bank deposits in brokerage accounts, mutual funds, or high yield savings accounts with online banks. Consumers can also complete transactions such as paying bills and / or transferring funds directly without the assistance of banks. Digital or cryptocurrencies, blockchain, and other “ fintech ” technologies are designed to enhance transactional security and have the potential to disrupt the financial industry, change the way banks do business, and reduce the need for banks as financial deposit- keepers and intermediaries. The process of eliminating the use of banks to complete financial transactions could result in the loss of fee income, as well as the loss of customer deposits and the related income generated from those deposits. The loss of these revenue streams and lower cost deposits as a source of funding could have a material adverse effect on Peoples’ financial condition and results of operations. If Peoples is unable to compete effectively, Peoples will lose market share, which could reduce income generated from deposits, loans and other products. For a more complete discussion of Peoples’ competitive environment, see the section captioned “Competition” in “ITEM 1 BUSINESS” of this Form 10- K. • Increasing scrutiny and evolving expectations from customers, regulators, investors, and other stakeholders with respect to Peoples’ environmental, social and governance practices may impose additional costs on Peoples or expose Peoples to new or additional risks. Financial institutions are facing increasing scrutiny from customers, regulators, investors, and other stakeholders related to their environmental, social, and governance (“ ESG ”) practices and disclosure. Investor advocacy groups, investment funds, and influential investors are also increasingly focused on these practices, especially as they relate to the environment, health and safety, diversity, labor conditions, and human rights. Increased ESG- related compliance costs for Peoples as well as among ~~our~~ **its** suppliers, vendors and various other parties within ~~our~~ **its** supply chain could result in increases to ~~our~~ **its** overall operational costs. Failure to adapt to or comply with regulatory requirements or investor or stakeholder expectations and standards could negatively impact ~~our~~ **its** reputation, ability to do business with certain partners, access to capital, and the price of ~~our~~ **its** common shares. New government regulations could also result in new or more stringent forms of ESG oversight and expanding mandatory and voluntary reporting, diligence, and disclosure. • Climate change, severe weather, natural disasters, acts of war or terrorism, the emergence of a pandemic and other adverse external events could significantly impact Peoples ~~'~~ **’** business. Natural disasters, including severe weather events of increasing strength and frequency due to climate change, acts of war or terrorism, pandemics or concern about a possible pandemic, and other adverse external events could have a significant impact on Peoples ~~'~~ **’** ability to conduct business or upon third parties who perform operational services for Peoples or ~~our~~ **its** customers. Such events could affect the stability of Peoples ~~'~~ **’** deposit base, impair the ability of borrowers to repay outstanding loans, impair the value of collateral securing loans, cause significant property damage, disrupt the infrastructure that supports Peoples ~~'~~ **’** business and the communities Peoples is located in, negatively impact financial markets and interest rates, result in lost revenue or cause Peoples to incur additional expenses. • Peoples or one of ~~our~~ **its** subsidiaries may be a defendant from time to time in a variety of litigation and other actions, which could have a material adverse effect on Peoples ~~'~~ **’** financial condition, results of operations and cash flows. Peoples and ~~our~~ **its** subsidiaries may be involved from time to time in a variety of litigation arising out of each entity ~~'~~ **’** s respective business. The risk of litigation increases in times of increased troubled loan collection activity. Peoples ~~'~~ **’** insurance may not cover all claims that may be asserted against Peoples and ~~our~~ **its** subsidiaries, and any claims asserted against them, regardless of merit or eventual outcome, may harm their respective reputations. Should the ultimate judgments or settlements in any litigation exceed the applicable insurance coverage, they could have a material adverse effect on Peoples ~~'~~ **’** financial condition, results of operations and cash flows. In addition, Peoples or one of ~~our~~ **its** subsidiaries may not be able to obtain appropriate types or levels of insurance in the future or to obtain adequate replacement policies with acceptable terms. • ~~Defaults by~~ **The impact of** larger **or similar- sized** financial institutions ~~could~~ **encountering problems may** adversely affect Peoples ~~'~~ **’** business, earnings and financial condition. Many financial institutions and their related operations are closely intertwined, and the soundness of such financial institutions may, to some degree, be interdependent. As a result, concerns about, or a default or threatened default by, one financial institution could lead to significant market- wide liquidity and credit problems and / or losses or defaults by other financial institutions. This ~~"~~ **“** systemic risk ~~"~~ **”** may adversely affect Peoples ~~'~~ **’** business. **Peoples is exposed to the risk that when a peer financial institution experiences financial difficulties, there could be an adverse impact on the regional banking industry and the business environment in which Peoples operates. The bank failures of Silicon Valley Bank in California, Signature Bank in New York, First Republic Bank in California, and Heartland Tri- State Bank in Kansas during 2023 caused a degree of panic and uncertainty in the investor community and among bank customers generally. While Peoples does not believe that the circumstances of these four banks’ failures are indicators of broader issues with the banking system, the failures may reduce customer confidence, affect sources of funding and liquidity, increase regulatory requirements and costs, adversely affect financial markets and / or have a negative reputational ramification for the banking industry, including Peoples. Peoples will continue to monitor the ongoing events concerning these four banks as well as any future potential bank failures and volatility within the banking industry generally, together with any responsive measures taken by the banking regulators to mitigate or manage potential turmoil in the banking industry.** Additionally, Peoples ~~'~~ **’** investment portfolio continues to include a limited amount of investments in individual bank- issued trust preferred securities. Under current market conditions, the fair value of these security types is based predominately on the present value of cash flows expected to be received in the future. Significant defaults by other financial institutions could adversely affect conditions within the financial services industry, thereby causing investors to require higher rates of return for these investments. These factors could cause Peoples to recognize impairment losses on ~~our~~ **its** investment in bank- issued trust preferred securities in future periods. • Economic and other conditions may cause volatility in the price of Peoples’ common shares. The price of Peoples’ common shares can fluctuate widely in response to a variety of factors, including: actual or anticipated variations in the Peoples’ quarterly operating results; recommendations by securities analysts; significant acquisitions or business combinations; strategic partnerships, joint ventures or capital commitments; operating and stock price performance of other companies that investors deem comparable to Peoples; new technology used or services offered by Peoples’ competitors; news reports relating to trends, concerns and other issues in the banking and financial services industry ~~,~~ **;** and changes in government regulations. General market fluctuations, industry factors and general economic and political conditions and external events, including terrorist attacks, increased inflation, economic slowdowns or recessions, interest rate changes, credit loss trends or currency fluctuations, could also cause the price of Peoples’ common shares to decrease, regardless of Peoples’ operating results. • Changes in tax laws could adversely affect Peoples ~~'~~ **’** performance. Peoples is subject to extensive federal, state and local taxes, including income, excise, sales / use, payroll, franchise, withholding and ad valorem taxes. Changes to tax laws could have a material adverse effect on Peoples ~~'~~ **’** results of operations, fair values of net deferred tax assets and obligations of states and political subdivisions held in Peoples ~~'~~ **’** investment securities portfolio. In addition, Peoples ~~'~~ **’** customers are subject to a wide variety of federal, state and local taxes. Changes in taxes paid by Peoples ~~'~~ **’** customers may adversely affect their ability to purchase homes or consumer products, which could adversely affect their demand for loans and deposit products. In addition, such negative effects on Peoples ~~'~~ **’** customers could result in defaults on the loans made by Peoples Bank and decrease the value of mortgage- backed securities in which Peoples has invested.