**Risk Factors Comparison 2024-03-15 to 2023-03-15 Form: 10-K**

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

In addition to the other information set forth in this report, one should carefully consider the factors discussed below, which could materially affect our business, financial condition or future results. The risks described below are not the only risks that we face. Additional risks and uncertainties not currently known to us or that we currently deem to be insignificant also may materially adversely affect our business, financial condition and / or operating results. Risks Relating to ~~capacity,net interest margin,capital and results of operations.While the Department of the Treasury,the Federal Reserve,and the FDIC have made statements ensuring that depositors of these recently failed banks would have access to their deposits,including uninsured deposit accounts,there is no guarantee that such actions will be successful in restoring customer confidence in regional banks and the banking system more broadly~~ .Changes in U.S.or regional economic conditions could have an adverse effect on the Company' s business,financial condition and results of operations.The Company' s business activities and earnings are affected by general business conditions in the United States and in the market areas the Company operates.These conditions include short- term and long- term interest rates,inflation,unemployment levels,consumer confidence and spending,fluctuations in both debt and equity capital markets,and the strength of the economy in the United States generally and,in particular,the Company' s market area.A favorable business environment is generally 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;global pandemics,natural disasters or acts of terrorism or outbreak of domestic or international hostilities;or a combination of these or other factors.In particular,prolonged periods of inflation may impact our profitability by negatively impacting our fixed costs and expenses,including increasing funding costs and expense related to talent acquisition and retention,and negatively impacting the demand for our products and services.Additionally,inflation may lead to a decrease in consumer purchasing power and increase default rates on loans.Economic pressure on consumers and uncertainty regarding continuing economic improvement may result in changes in consumer and business spending,borrowing and savings habits.Elevated levels of unemployment,declines in the values of real estate,extended federal government shutdowns,or other events that affect household and / or corporate incomes could impair the ability of the Company' s borrowers to repay their loans in accordance with their terms and reduce demand for banking products and services. **- 23-** Strong competition within our market area may limit our growth and profitability.Competition in the banking and financial services industry is intense.We compete actively with other Pennsylvania,New Jersey and New York financial institutions,many larger than us,as well as with financial and non- financial institutions headquartered elsewhere.Commercial banks,savings banks,savings and loan associations,credit unions,and money market funds actively compete for deposits and loans.Such institutions,as well as consumer finance,insurance companies and brokerage firms,may be considered competitors with respect to one or more services they render.Many of the institutions with which we compete have substantially greater resources and lending limits and may ~~- 26-~~ offer certain services that we do not or cannot provide.Our profitability depends upon our ability to successfully compete in our market area. ~~The soundness~~ **Increased needs for disbursement** of **funds on loans and deposits can affect our liquidity.We manage our liquidity with an objective of maintaining a balance between sources and uses of funds in such a way that** ~~other~~ -- **the cash requirements of customers for loans and deposit withdrawals are met in the most economical manner.If we do not properly manage our liquidity,our business,** financial ~~services institutions~~ **condition,results of operations and cash flows** may **be materially and** adversely ~~affect~~ **affected** Peoples **' Pending Merger with FNCBBecause the market price of Peoples common stock will fluctuate, the value of the merger consideration to be issued by Peoples may change. On September 27, 2023, Peoples announced the Merger Agreement with FNCB, pursuant to which FNCB will merge with** and ~~Its~~ **into Peoples, with Peoples as the surviving entity. Under the terms of the Merger Agreement, each share of FNCB common stock (other than certain shares held by FNCB or Peoples), will be converted into the right to receive 0. 1460 shares of common stock of Peoples. The closing price of Peoples common stock on the date that the merger is completed may vary from the closing price of Peoples common stock on the date Peoples and FNCB announced the signing of the Merger Agreement and the date of the special meetings of Peoples and FNCB' s shareholders regarding the merger. Because the merger consideration is determined by a fixed exchange ratio, Peoples will not know or be able to calculate the value of the shares of common stock it will issue to FNCB shareholders upon completion of the merger. Any change in the market price of Peoples common stock prior to completion of the merger may affect the value of the merger consideration. Stock price changes may result from a variety of factors, including general market and economic conditions, changes in the companies' respective businesses, operations and prospects, and regulatory considerations, among other things. Many of these factors are beyond the control of Peoples and FNCB. Regulatory approvals may not be received, may take longer than expected or may impose conditions that are not presently anticipated or cannot be met. Before the transactions contemplated by the Merger Agreement may be completed, various approvals must be obtained from bank regulatory authorities. In determining whether to grant these approvals, the applicable regulatory authorities consider a variety of factors, including the competitive impact of the proposal in the relevant geographic markets ; financial, managerial and other supervisory considerations of each party ; convenience and needs of the communities to be served and the record of the insured depository institution subsidiaries under the Community Reinvestment Act of 1977 and the regulations promulgated thereunder ; effectiveness of the**

**parties in combating money laundering activities ; any significant outstanding supervisory matters ; and the extent to which the proposal would result in greater or more concentrated risks to the stability of the United States banking or financial system. These regulatory authorities may impose conditions on the granting of such approvals. Such conditions or changes and the process of obtaining regulatory approvals could have the effect of delaying completion of the merger or of imposing additional costs or limitations on the combined company following the merger. The regulatory approvals may not be received at all, may not be received in a timely fashion, or may contain conditions on the completion of the mergers that are not anticipated or cannot be met. Furthermore, such conditions or changes may constitute a burdensome condition that may allow Peoples or FNCB to terminate the Merger Agreement and Peoples or FNCB may exercise such right to terminate the Merger Agreement. If the consummation of the merger is delayed, including by a delay in receipt of necessary regulatory approvals, the** ~~Business~~ **business , financial condition and results of operations of Peoples may also be materially and adversely affected. Failure of the merger to be completed, the termination of the Merger Agreement or a significant delay in the consummation of the merger could negatively impact Peoples. The Merger Agreement is subject to a number of conditions which must be fulfilled in order to complete the merger. These conditions to the consummation of the merger may not be fulfilled and, accordingly, the merger may not be completed. In addition, if the merger is not completed by September 27, 2024, either Peoples or FNCB may choose to- 27- terminate the Merger Agreement at any time after that date if the failure of the effective time to occur on or before that date is not caused by any breach of the Merger Agreement by the party electing to terminate the Merger Agreement. If the merger is not consummated, the ongoing business, financial condition and results of operations of Peoples may be materially adversely affected and the market price of Peoples common stock may decline significantly, particularly to the extent that the current market price reflects a market assumption that the merger will be consummated. If the merger is not completed for any reason, including as a result of Peoples shareholders failing to approve the Peoples merger proposal or FNCB shareholders failing to approve the FNCB merger proposal, there may be various adverse consequences and Peoples and / or FNCB may experience negative reactions from the financial markets and from their respective customers and employees. In addition, Peoples has incurred and will incur substantial expenses in connection with the negotiation and completion of the transactions contemplated by the Merger Agreement. If the merger is not completed, Peoples would have to recognize these expenses without realizing the expected benefits of the merger. Any of the foregoing, or other risks arising in connection with the failure of or delay in consummating the merger, including the diversion of management attention from pursuing other opportunities and the constraints in the Merger Agreement on the ability to make significant** ~~Changes~~ **changes to Peoples' ongoing business during the pendency of the merger, could have a material adverse effect on Peoples' business, financial condition and results of operations. If the Merger Agreement is terminated and Peoples' Board of Directors seeks another merger or business combination, Peoples shareholders cannot be certain that it will be able to find a party willing to engage in a transaction on more attractive terms than the merger with FNCB. Peoples will be subject to business uncertainties and contractual restrictions while the merger is pending. Uncertainty about the effect of the merger on employees, customers (including depositors and borrowers), suppliers and vendors may have an adverse effect on the business, financial condition and results of operations of Peoples. These uncertainties may impair Peoples' ability to attract, retain and motivate key personnel and customers (including depositors and borrowers) pending the consummation of the merger, as such personnel and customers may experience uncertainty about their future roles and relationships following the consummation of the merger. Additionally, these uncertainties could cause customers (including depositors and borrowers), suppliers, vendors and others who deal with Peoples to seek to change existing business relationships with Peoples or fail to extend an existing relationship with Peoples. In addition, competitors may target Peoples' existing customers by highlighting potential uncertainties and integration difficulties that may result from the merger. The pursuit of the merger and the preparation for the integration may place a burden on Peoples' management and internal resources. Until the completion of the merger, Peoples must continue to operate independently. Any significant diversion of management attention away from ongoing business concerns and any difficulties encountered in the transition and integration process could have a material adverse effect on Peoples' business, financial condition and results of operations. In addition, the Merger Agreement restricts each party from taking certain actions without the other party' s consent while the merger is pending. These restrictions could have a material adverse effect on Peoples' business, financial condition and results of operations. The Merger Agreement contains provisions that may discourage other companies from pursuing, announcing or submitting a business combination proposal to Peoples that might result in greater value to Peoples' shareholders. The Merger Agreement contains provisions that may discourage a third party from pursuing, announcing or submitting a business combination proposal to Peoples that might result in greater value to Peoples' shareholders than the merger with FNCB. These provisions include a general prohibition on Peoples from soliciting, or, subject to certain exceptions, entering into discussions with any third party regarding any acquisition proposal or offers for competing transactions. Furthermore, if the merger agreement is terminated, under certain circumstances, Peoples may be required to pay FNCB a termination fee equal to $ 4. 8 million. Peoples also has an obligation to submit its merger-related proposals to a vote by its shareholders, including if Peoples receives an unsolicited proposal that Peoples' Board of Directors believes is superior to the merger, unless the Merger Agreement is terminated by Peoples under certain conditions described in the Merger Agreement.- 28- Combining Peoples and FNCB may be more difficult, costly or time-consuming than expected, and Peoples and FNCB may fail to realize the anticipated benefits of the mergers. The success of the mergers will depend, in part, on the ability to realize the anticipated cost savings from combining the businesses of Peoples and FNCB. To realize the anticipated benefits and cost savings from the mergers, Peoples and FNCB must successfully integrate and combine their businesses in a manner that permits those cost savings to be realized, without**

**adversely affecting current revenues and future growth. If Peoples and FNCB are not able to successfully achieve these objectives, the anticipated benefits of the mergers may not be realized fully, or at all, or may take longer to realize than expected. In addition, the actual cost savings of the mergers could be less than anticipated, and integration may result in additional and unforeseen expenses. An inability to realize the full extent of the anticipated benefits of the mergers and the other transactions contemplated by the merger agreement, as well as any delays encountered in the integration process, could have an adverse effect upon the revenues, levels of expenses and operating results of the surviving corporation following the completion of the mergers, which may adversely affect the value of the common stock of the surviving corporation following the completion of the mergers. It is possible that the integration process could result in the loss of key employees, the disruption of each company' s ongoing businesses or inconsistencies in standards, controls, procedures and policies that adversely affect the companies' ability to maintain relationships with clients, customers, depositors and employees or to achieve the anticipated benefits and cost savings of the mergers. Following the mergers, the size of the business of the surviving corporation will increase beyond the current size of either Peoples' or FNCB' s business. The surviving corporation' s future success will depend, in part, upon its ability to manage this expanded business, which may pose challenges for management, including challenges related to the management and monitoring of new operations and associated increased costs and complexity. In connection with the merger, Peoples will assume FNCB' s outstanding indebtedness. Peoples' existing debt, together with any future incurrence of additional indebtedness, and the assumption of FNCB' s outstanding indebtedness, could have important consequences for the surviving corporation' s creditors and the surviving corporation' s shareholders, potentially restricting or limiting Peoples capital and liquidity, There can be no assurances that the surviving corporation will be successful or that it will realize the expected operating efficiencies, revenue enhancement or other benefits currently anticipated from the mergers. Litigation against Peoples or FNCB, or the members of Peoples' or FNCB' s Board of Directors, could prevent or delay the completion of the merger. Purported shareholder plaintiffs have asserted legal claims related to the merger. The results of any such potential legal proceeding is difficult to predict and such legal proceedings could delay or prevent the merger from being completed in a timely manner. Moreover, any litigation could be time consuming and expensive, and could divert attention of Peoples' and FNCB' s respective management teams away from their companies' regular business. Any lawsuit adversely resolved against Peoples, FNCB, or members of their respective boards of directors, could have a material adverse effect on each party' s business, financial condition and results of operations. One of the conditions to the consummation of the merger is the absence of any law, order, decree or injunction (whether temporary, preliminary or permanent) or other action taken by the governmental authority of competent jurisdiction that restricts, enjoins or prohibits or makes illegal the consummation of the transactions contemplated by the Merger Agreement, including the merger. Consequently, if a settlement or other resolution is not reached in any lawsuit that is filed or any regulatory proceeding and a claimant secures injunctive or other relief or a governmental authority issues an order or other directive restricting, prohibiting or making illegal the completion of the transactions contemplated by the Merger Agreement, including the merger, then such injunctive or other relief may prevent the merger from being completed in a timely manner or at all.- 29- Risks related to interest ratesChanges** in interest rates could adversely impact our financial condition and results of operations. The Company' s profitability is dependent to a large extent on its net interest income, which is the difference between the interest income paid on its loans and investments and the interest the Company pays to third parties such as its depositors, lenders and debtholders. Changes in interest rates can impact profits and the fair values of certain assets and liabilities. Models that the Company uses to forecast and plan for the impact of rising and falling interest rates may ~~be incorrect or~~ fail to consider the impact of competition and other conditions affecting loans and ~~deposits~~ - **deposit cash flow assumptions** . Periods of unusually low or volatile interest rates have a material effect on the Company' s earnings. **For example,** ~~During~~ **during** the first quarter of 2020, in response to the COVID- 19 pandemic, the Federal Reserve reduced the target Federal Funds rate to between zero and 0. 25 %. During 2022, the Federal Reserve began to increase this rate **. Rate increases continued throughout 2022,** and **into 2023. In July of 2023, rates were increased to and remain currently** at ~~the most recent meeting in February, the Federal Reserve voted to increase rates 25 basis points to~~ a range between ~~4~~ **5. 25 % and 5** . 50 % **. Interest rate increases often result in larger payment requirements for our borrowers, which increase the potential for default. At the same time, the marketability of the property securing a loan may be adversely affected by any reduced demand resulting from higher interest rates. In a declining interest rate environment, there may be** ~~and~~ - **an** ~~4~~ **increase in prepayments on loans as borrowers refinance their loans at lower rates** . ~~75 %~~ **In an interest rate environment such as the one we are currently experiencing, loan origination and refinancing activity may decline and the rate of interest we pay on our interest- bearing deposits, borrowings, and other liabilities may increase more quickly than the rate of interest we receive on loans, securities, and other earning assets** . Increases in interest rates and economic conditions affecting consumer demand for housing can have a material impact on the volume of mortgage originations and ~~refinancings~~ - **refinancing** , adversely affecting the profitability of the mortgage banking ~~- 19-~~ business. Interest rate risk can also result from mismatches between the dollar amounts of repricing or maturing assets and liabilities and from mismatches in the timing and rates at which the assets and liabilities reprice. The Company actively monitors and manages the balances of maturing and repricing assets and liabilities to reduce the adverse impact of changes in interest rates, but there can be no assurance that the Company will be able to avoid material adverse effects on net interest margin in all market conditions. Rising interest rates in prior periods have increased interest expense, with a commensurate negative effect on net interest income, but may not be expected to do so in future periods. In a rising rate environment, competition for cost- effective deposits increases, making it more costly for the Company to fund loan growth. Rapid and unexpected volatility in interest rates creates additional uncertainty and potential for adverse financial effects. There can be no assurance that the Company will not be materially adversely affected by future changes in interest rates. ~~We~~ **the prospects for a near term** ~~security and it is not more likely than~~

~~not required to sell an impaired security before~~ recovery of ~~its amortized cost basis (except~~ **value are not necessarily favorable,** ~~for~~ - **or that there is a lack of evidence to support** fair ~~value~~ **values equal to,or greater than** ~~hedge accounting adjustments from active portfolio layer method hedges)~~ ,the **carrying value** ~~Company will record the portion~~ of the ~~impairment related~~ **investment.Once a decline in value is determined** to ~~credit losses (if any) in~~ **be other than temporary,the value of the security is reduced** ~~an~~ **and a corresponding charge** ~~ACL with an offsetting entry~~ to ~~net income~~ **earnings is recognized** .If an impairment charge is significant enough,it could affect our ability to pay dividends,which could materially adversely affect us and our ability to pay dividends to shareholders.Significant impairment charges could also negatively impact our regulatory capital ratios and result in us not being classified as " well- capitalized " for regulatory purposes ~~. Risks related~~ are subject to credit risk in connection with our lending activities, and our financial condition and results of operations may be negatively impacted by economic conditions and other factors that adversely affect our borrowers. Lending money is a significant part of the banking business and interest income on our loan portfolio is the principal component of our revenue. Our financial condition and results of operations are affected by the ability of our borrowers to repay their loans, and in a timely manner. Borrowers, however, do not always repay their loans. The risk of non- payment is assessed through our underwriting and loan review procedures based on several factors including credit risks of a particular borrower, changes in economic conditions, the duration of the loan and in the case of a collateralized loan, uncertainties as to the future value of the collateral and other factors. Despite our efforts, we do and will experience loan and lease losses, and our financial condition and results of operations will be adversely affected. Our loans which were between 30 and 89 days delinquent on December 31, ~~2022~~ **2023** totaled $ **3.** 2 ~~. 5~~ million. Our ~~non- performing~~ **nonperforming** assets were approximately $ ~~4~~ **5** . ~~1~~ **0** million on December 31, ~~2022~~ **2023** . Our **ACL** ~~allowance for loan and lease losses~~ was approximately $ ~~27~~ **21** . ~~5~~ **9** million on December 31, ~~2022~~ **2023** . Our Company' s business is primarily concentrated in the Eastern Pennsylvania market area which exposes us to a risk of loss associated with the region. At December 31, ~~2022~~ **2023** , $ ~~330~~ **360. 8 million or 12** . 7 ~~million or 12. 1~~ percent, of our loan portfolio consisted of residential mortgage loans and $ 1. ~~7~~ **9** billion or ~~62~~ **65** . ~~6~~ **4** percent, of our loan portfolio consisted of commercial real estate loans. In addition, $ ~~599~~ **543** . ~~0~~ **7** million or ~~22~~ **19** . ~~0~~ **1** percent of our loan portfolio consisted of taxable and non- taxable commercial loans. A majority of these loans are made to borrowers or secured by properties located in Eastern Pennsylvania. Deterioration in economic conditions in this market area, particularly in the industries on which this geographic area depend, or a general decline in economic conditions may adversely affect the quality of our loan portfolio (including the level of ~~non- performing~~ **nonperforming** assets, charge offs **- 31-** and provision for loan losses) and demand for our products and services, and, accordingly, our results of operations. Future declines in real estate values in the region could also cause some of our mortgage and commercial real estate loans to be inadequately collateralized, which would expose us to a greater risk of loss if we seek to recover on defaulted loans by selling the real estate collateral. We make commercial and industrial, construction, and commercial real estate loans, which present greater risks than other types of loans. As of December 31, ~~2022~~ **2023** , approximately 84. ~~6~~ **5** percent of our loan portfolio consisted of commercial and industrial, construction, and commercial real estate loans. These types of loans are generally viewed as having more risk of default than residential real estate loans or consumer loans. These types of loans are also typically larger than residential real estate loans and consumer loans. Because our loan portfolio contains a significant number of commercial and industrial, construction, and commercial real estate loans some of which have large balances, the deterioration of one or a few of these loans could cause a significant increase in ~~non- performing~~ **nonperforming** loans. An increase in ~~non- performing~~ **nonperforming** loans could result in a net loss of earnings from these loans, an increase in the provision for loan losses, and an increase in loan charge- offs, all of which could have a material adverse effect on our financial condition and results of operations **. Commercial real estate loans totaled $ 1. 87 billion at December 31, 2023 or 65. 4 percent of our loan portfolio** . The commercial real estate market poses risks of loss to us because of the concentration of commercial real estate loans in our loan portfolio, and the lack of diversity in risk associated with such a concentration. Banking regulators have been ~~- 20-~~ giving and continue to give commercial real estate lending greater scrutiny, and banks with larger commercial real estate loan portfolios are expected by their regulators to implement improved underwriting, internal controls, risk management policies and portfolio stress- testing practices to manage risks associated with commercial real estate lending. **If our banking regulators determine that our commercial real estate lending activities are particularly risky and are subject to heightened scrutiny, we may incur significant additional costs or be required to restrict certain of our commercial real estate lending activities.** Additional losses or regulatory requirements related to our commercial real estate loan concentration could materially adversely affect our business, financial condition and results of operations. Our **ACL** ~~allowance for loan losses~~ may not be adequate to absorb actual loan losses, and we may be required to make further provisions for ~~loan~~ **credit** losses and charge off additional loans in the future, which could materially and adversely affect our business. We attempt to maintain an **ACL** ~~allowance for loan losses~~ , established through a provision for ~~loan~~ **credit** losses accounted for as an expense, which is adequate to absorb losses inherent in our loan portfolio. If our **ACL** ~~allowance for loan losses~~ is inadequate, it may have a material adverse effect on our financial condition and results of operations. The determination of the **ACL** ~~allowance for loan losses~~ involves a high degree of subjectivity and judgment and requires us to make significant estimates of current credit risks and future trends, all of which may undergo material changes. Changes in economic conditions affecting borrowers, new information regarding existing loans, identification of additional problem loans and other factors, both within and outside of our control, may require us to increase our **ACL** ~~allowance for loan losses~~ . Increases in ~~non- performing~~ **nonperforming** loans have a significant impact on our **ACL** ~~allowance for loan losses~~ . Our **ACL** ~~allowance for loan losses~~ may not be adequate to absorb actual loan losses. If conditions in our regional real estate markets decline, we could experience increased delinquencies and credit losses, particularly with respect to real estate construction and land acquisition and development loans and one- to- four family residential mortgage loans. Moreover, if the economy slows, the negative impact to our market areas could result in higher delinquencies and credit losses. As a result, we will continue to make provisions for ~~loan~~ **credit** losses and to charge off additional loans in the future, which could materially adversely affect our financial conditions and results of operations. In addition to our internal processes for determining loss allowances, bank regulatory agencies periodically review our **ACL** ~~allowance for loan losses~~ and may require us to increase the provision for ~~loan~~ **credit** losses, to recognize further loan charge- offs, or to take other actions, based on judgments that differ from those of our management. If loan charge- offs in future periods exceed the **ACL** ~~allowance for loan losses~~, we will need to increase our **ACL** ~~allowance for loan losses~~. Furthermore, growth in our loan portfolio would generally lead to an increase in the provision for ~~loan~~ **credit** losses. Provisions for ~~loan~~ **credit** losses will result in a decrease in net income and capital, and may have a material adverse effect on our financial condition, and results of operations and cash flows. ~~The Company has adopted ASU 2016 - 13~~ **32- Risks related to liquidityLiquidity is essential to our business. An inability to raise funds through deposits, borrowings, the sale of securities or loans and other sources could have a substantial negative** ~~effective~~ --- **effect** ~~January 1~~ **on our liquidity. Our access to funding sources in amounts adequate to finance our activities or the terms of which are acceptable to us could be impaired by factors that affect us specifically or the financial services industry or economy in general. Although we have historically been able to replace maturing deposits and borrowings as necessary** , **we might not be able to replace such funds in the future if, among other things, our results of operations or financial condition or the results of operations or financial condition of our lenders or market conditions were to change. Additionally, negative news about us or the banking industry in general could negatively impact market and / or customer perceptions of the Bank, which could lead to a loss of depositor confidence and an increase in deposit withdrawals, particularly among those with uninsured deposits. Furthermore, as we and other banks experienced in** 2023 ~~. The Company~~ **, the failure of other financial institutions may cause deposit outflows** ~~has~~ - **as customers** ~~largely completed its assessment of related processes, internal controls, and data sources and has developed, documented, and validated an advanced probability of default / loss given default model utilizing a third- party software provider. Our allowance for credit losses~~ ( **i) spread deposits among several different banks so as to maximize their amount of FDIC insurance, (ii) move deposits to larger banks (who may be considered** " ~~ACL~~ **too big to fail** ") ~~estimate uses this model and estimation techniques based on historical loss experience~~ , ~~current borrower characteristics, current conditions, forecasts of future economic conditions and other relevant factors. The Company will use models and other loss estimation techniques that are responsive to changes in forecasted economic conditions to interpret borrower and economic factors in order to estimate the ACL. The Company also applies qualitative factors to account for~~ - **or (iii) remove deposits from** ~~information that may not be reflected in quantitatively derived results. Qualitative factors include: changes in lending policies and procedures; changes in the nature and volume of the loan portfolio; changes in management; changes in the quality of the Bank' s loan review process; the existence of any concentrations of credit and other~~ -- **the banking system entirely** ~~external factors to ensure the ACL reflects our expected credit losses~~ . **As** ~~The Company expects its ACL estimate to be sensitive to various factors such as current economic conditions. The ACL includes off~~ - **of December 31** ~~- balance sheet components such as unfunded loan commitments and loss estimates for held to maturity debt securities. While the Company continues to analyze and evaluate the impact of the adoption of this guidance on the Company' s financial statements~~ , **2023** ~~based upon the Company' s fourth quarter parallel run~~ , ~~assessment of the composition,- 21- characteristics and credit quality of the Company' s loan and investment securities portfolio, as well as the economic conditions in effect as of the adoption date, management estimates the adoption of ASU 2016- 13 will result in a decreaseof~~ approximately **14** ~~$ 2. 5- $ 3~~ . 0 **%** ~~million to the Company' s ACL. The Company estimates that the impact~~ of ~~adoption to retained earnings, net of tax, will be an increase of approximately $ 2. 1 to $ 2. 5 million. The Company will be required to transition from the use of the LIBOR interest rate index in the future. The Company has certain loans and derivative instruments whose interest rate is indexed to the London Interbank Offered Rate (" LIBOR "). The LIBOR index will be discontinued for U. S. Dollar settings effective June 30, 2023. At this time, no consensus exists as to what reference rate or~~ **our deposits were uninsured** ~~rates or benchmarks may become acceptable alternatives to LIBOR, although the Alternative Reference Rates Committee (a group of private- market participants convened by the Federal Reserve Board~~ and **uncollateralized** ~~the Federal Reserve Bank of New York) has identified the Secured Overnight Financing Rate, or SOFR, as the recommend alternative to LIBOR~~ . ~~Uncertainty as~~ **A failure** to **maintain adequate liquidity** ~~the adoption, market acceptance or availability of SOFR or other alternative reference rates may adversely affect the value of LIBOR- based loans in the Company' s portfolio and may impact the availability and cost of hedging instruments and borrowings. The language in the Company' s LIBOR- based contracts and financial instruments has developed over time and may have various events that trigger when a successor index to LIBOR would be selected. If a trigger is satisfied, contracts and financial instruments may give the Company or the calculation agent, as applicable, discretion over the selection of the substitute index for the calculation of interest rates. The implementation of a substitute index for the calculation of interest rates under the Company' s loan agreements may result in the Company incurring significant expenses in effecting the transition and may result in disputes or litigation with customers over the appropriateness or comparability to LIBOR of the substitute index, any of which~~ could have ~~an~~ **a material** adverse effect on ~~the~~ **our business, financial condition and results of operations. Our holding** ~~Company~~ **company is dependent** for liquidity on payments from Peoples Bank,which payments are subject to restrictions.We depend on dividends,distributions and other payments from Peoples Bank to fund dividend payments to our shareholders,if any,and to fund all payments on obligations of our holding company.Peoples Bank is subject to laws that restrict dividend payments or authorize regulatory bodies to block or reduce the flow of funds from Peoples Bank to us.Restrictions or regulatory actions of that kind could impede our access to funds that we may need to make payments on our obligations or dividend payments,if any.In addition,our right to participate in a distribution of assets upon a subsidiary ~~' s~~ ' s **liquidation** ~~results of operations. Changes in interest rates could affect our~~ - **or reorganization** investment values and impact comprehensive income and...... our available- for- sale securities is subject to **the prior claims of the subsidiary** ~~interest rate change, which would not affect recorded earnings, but would increase or decrease comprehensive income and stockholders~~ ' ~~equity~~ **s creditors** . **Holders** ~~Our results~~ of ~~operations may be materially~~ **our common stock are entitled to receive dividends if** and ~~adversely affected~~ **when declared from time to time** by ~~other- than-~~

~~temporary impairment charges relating to~~ our **Board** ~~investment portfolio. Numerous factors, including the lack~~ of ~~liquidity~~ **Directors in its sole discretion out of funds legally available** for re- sales of certain investment securities...... term " other than temporary " indicates that the prospects for a near term recovery...... well- capitalized " for regulatory purposes - **purpose** . **Business RisksThe** ~~- 22- The~~ requirement to record certain assets and liabilities at fair value may adversely affect our financial results. We report certain assets, including available ~~-~~for ~~-~~sale investment securities, at fair value. Generally, for assets that are reported at fair value we use quoted market prices or valuation models that utilize market data inputs to estimate fair value. Because we record these assets at their estimated fair value, we may incur losses even if the asset in question presents minimal credit risk. The level of interest rates can impact the estimated fair value of investment securities. Disruptions in the capital markets may require us to recognize ~~other- than- temporary~~ impairments in future periods with respect to investment securities in our portfolio. The amount and timing of any impairment recognized will depend on the severity and duration of the decline in fair value of our investment securities and our estimation of the anticipated recovery period. Changes in the value of goodwill and intangible assets could reduce our earnings. We account for goodwill and other intangible assets in accordance with accounting principles generally accepted in the United States of America (" GAAP "), which, in general, requires that goodwill not be amortized, but rather that it be tested for impairment at least annually at the reporting unit level using the two step approach. Testing for impairment of goodwill and intangible assets is performed annually, or more frequently if market factors change, and involves the identification of reporting units and the estimation of fair values. The estimation of fair values involves a high degree of judgment and subjectivity in the assumptions used. At December 31, ~~2022~~ **2023** , we completed a qualitative goodwill impairment test to determine if it is more likely than not (that is, a likelihood of more than 50 percent) that the fair value of the Company is less than its carrying value, including goodwill, as described by the GAAP methodology. Based on **- 33-** this analysis, we concluded it is more likely than not that the fair value of the Company, as of December 31, ~~2022~~ **2023** , is higher than its carrying value, and, therefore, goodwill is not considered impaired and no further testing is required. Changes in the local and national economy, the federal and state legislative and regulatory environments for financial institutions, the stock market, interest rates and other external factors (such as global pandemics or natural disasters) may occur from time to time, often with great unpredictability, and may materially impact the fair value of publicly traded financial institutions and could result in an impairment charge at a future date . Changes in U. S....... flows may be materially and adversely affected . Our future pension plan costs and contributions could be unfavorably impacted by the factors that are used in the actuarial calculations. We maintain a non- contributory defined benefit pension plan, which was frozen in 2008. The costs for this legacy pension plan are dependent upon a number of factors, such as the rates of return on plan assets, discount rates, the level of interest rates used to measure the required minimum funding levels of the plans, future government regulation and required or voluntary contributions made to the plans. Without sustained growth in the pension investments over time to increase the value of our plan assets and depending upon the other factors impacting net income as listed above, we could be required to fund the plan with higher amounts of cash than are anticipated by our actuaries. Such increased funding obligations could have a material impact on our liquidity by reducing our cash flows. Our holding company is dependent for liquidity...... funds legally available for that purpose. We need to continually attract and retain qualified personnel for our operations. Our ability to provide high- quality customer service and to operate efficiently and profitably is dependent on our ability to attract and retain qualified individuals for key positions within the organization. We rely heavily on our executive officers and employees. The loss of certain executive officers or employees could have an adverse effect on us because, as a community bank, the executive officers and employees typically have more responsibility than would be typical at a larger financial institution with more employees. In addition, due to our size as a community bank, we have fewer management- level and other personnel who are in position to succeed to and assume the responsibilities of certain existing executive officers and employees. If we expand geographically or expand to provide non- banking services, current management may not have the necessary experience for successful operation in these new areas. There is no guarantee that management would be able to meet these new challenges or that we would be able to retain new officers or personnel with the appropriate background and expertise. - 24- Our financial performance may...... the value of our common stock. Our disclosure controls and procedures and our internal control over financial reporting may not achieve their intended objectives. We maintain disclosure controls and procedures designed to ensure that we timely report information as specified in the rules and forms of the ~~Securities and Exchange Commission ("~~ SEC ~~")~~ . We also maintain a system of internal control over financial reporting. These controls may not achieve their intended objectives. Control processes that involve human diligence and compliance, such as our disclosure controls and procedures and internal control over financial reporting, are subject to lapses in judgment and breakdowns resulting from human failures. Controls can also be circumvented by collusion or improper management override. Because of such limitations, there are risks that material misstatements due to error or fraud may not be prevented or detected and that information may not be reported on a timely basis. If our controls are not effective, it could have a material adverse effect on our financial condition, results of operations, and market for our common stock, and could subject us to regulatory scrutiny. We are exposed to environmental liabilities with respect to real estate. We currently operate 28 branch offices, and own additional real estate. In addition, a significant portion of our loan portfolio is secured by real property. In the course of our business, we may foreclose, accept deeds in lieu of foreclosure, or otherwise acquire real estate, and in doing so could become subject to environmental liabilities with respect to these properties. We may become responsible to a governmental agency or third parties for property damage, personal injury, investigation and clean- up costs incurred by those parties in connection with environmental contamination, or may be required to investigate or clean- up hazardous or toxic substances, or chemical releases at a property. The costs associated with environmental investigation or remediation activities could be substantial. In addition, as the owner or former owner of a contaminated site, we may be subject to common law claims by third parties based on damages and costs resulting **- 34-** from environmental contamination emanating from the property. Although we have policies and procedures to perform an environmental review before acquiring title to any real property, these may not be sufficient to detect all potential environmental hazards. If we were to become subject to significant environmental liabilities, it could materially and adversely affect us ~~. The soundness of other financial services institutions may adversely affect our credit risk. We rely on other financial services institutions through trading, clearing, counterparty, and other relationships. We maintain limits and monitor concentration levels of our counterparties as specified in our internal policies. Our reliance on other financial services institutions exposes us to credit risk in the event of default by these institutions or counterparties. These losses could adversely affect our results of operations and financial condition~~ . Our operations could be interrupted if certain external vendors on which we rely experience difficulty, terminate their services or fail to comply with applicable laws and regulations. We depend to a significant extent on relationships with third party service providers. Specifically, we utilize third party core banking services and receive credit card and debit card services, branch capture services, Internet banking services and services complementary to our banking products from various third party service providers. If these third party service providers experience difficulties or terminate their services and we are unable to replace them with other service providers, our operations could be interrupted. It may be difficult for us to replace some of our third party vendors, particularly vendors providing our core banking, credit card and debit card services, in a timely manner if they were unwilling or unable to provide us with these services in the future for any reason. If an interruption were to continue for a significant period of time, it could have a material adverse effect on our business, financial condition or results of operations. Even if we are able to replace them, it may be at higher cost to us or on terms that are less favorable to us ~~- 26-~~ than those currently provided by our existing third party service providers, which could have a material adverse effect on our business, financial condition or results of operations. In addition, if a third party provider fails to provide the services we require, fails to meet contractual requirements, such as compliance with applicable laws and regulations, or suffers a cyber- attack or other security breach, our business could suffer economic and reputational harm that could have a material adverse effect on our business, financial condition or results of operations. Our use of third party vendors and our other ongoing third party business relationships are subject to regulatory requirements and attention. We regularly use third party vendors as part of our business. We also have substantial ongoing business relationships with other third parties. These types of third party relationships are subject to demanding regulatory requirements and attention by our bank regulators. Banking regulations requires us to perform due diligence, ongoing monitoring and maintain control over our third party vendors and other ongoing third party business relationships. We expect that our regulators will hold us responsible for deficiencies in our oversight and control of our third party relationships and in the performance of the parties with which we have these relationships. As a result, if our regulators conclude that we have not exercised adequate oversight and control over our third party vendors or other ongoing third party business relationships or that such third parties have not performed appropriately, we could be subject to enforcement actions, including civil money penalties or other administrative or judicial penalties or fines as well as requirements for customer remediation, any of which could have a material adverse effect on our business, financial condition or results of operations. ~~The continuing coronavirus ("~~ **Demand for the Company' s services is influenced by general economic and consumer trends beyond the Company' s control, including events such as global pandemics and geopolitical conflictsThere can be no assurance that our business and corresponding financial performance will not be adversely affected by general economic or consumer trends or events, including pandemics, public health crises, weather catastrophes, acts of terrorism, war, and political instability. In particular, global economic markets have seen extensive volatility since the outbreak of the** COVID- 19 ~~")~~ pandemic, ~~or an~~ **and** ~~outbreak of another highly infectious~~ **the war between Russia and Ukraine, the war between Israel and Hamas, and the possibility** ~~or~~ **for** ~~contagious disease~~ **further conflict in the Middle East** , ~~has~~ **the closing of certain financial institutions by regulators in March 2023, and political instability within the United States. These events have created, and may continue to create, significant disruption of the global economy, supply chains and financial and labor markets. If such conditions continue, recur or worsen, this may have a material** ~~adversely~~ -- **adverse** ~~affected our~~ **effect on the Company' s** business **,financial condition and results of operations.Furthermore,such economic conditions have produced downward pressure on share prices and on the availability of credit for financial institutions and corporations while also driving up interest rates,further complicating borrowing and lending activities.If current levels of market disruption and volatility continue or increase,the Company might experience reductions in business activity,increases in funding costs,decreases in asset values,additional write** - ~~24~~ **downs and impairment charges and lower profitability.** - ~~Our~~ **35- Information Security RisksOur** financial performance may suffer if our information technology is unable to keep pace with growth or industry developments.Effective and competitive delivery of our products and services is increasingly dependent upon information technology resources and processes,both those provided internally as well as those provided through third party vendors.In addition to better serving customers,the effective use of technology increases efficiency and enables us to reduce costs.Our future success will depend,in part,upon our ability to address the needs of our customers by using technology to provide products and services to enhance customer convenience,as well as to create additional efficiencies in our operations.Many of our competitors have greater resources to invest in technological improvements.Additionally,as technology in the financial services industry changes and evolves,keeping pace becomes increasingly complex and expensive for us.There can be no assurance that we will be able to effectively implement new technology- driven products and services,which could reduce our ability to compete effectively.A failure in or a breach of our information systems or infrastructure,including as a result of cyber- attacks,could disrupt our business,damage our reputation, ~~and could have a material adverse effect on our business,financial condition and results of operations.In the ordinary course of our business activities,including the ongoing maintenance of deposits,loan and other account relationships for our customers,receiving instructions and effecting transactions for those customers and other users of our products and services,we regularly collect,process,transmit and store significant amounts of confidential information regarding our customers,employees and others.In addition to confidential information regarding our~~ and could have a ~~more~~ material adverse ~~impact~~ **effect** on **our business, financial condition and results of operations. In the ordinary course of** our business activities, ~~financial condition and results~~ **including the ongoing maintenance** of **deposits, loan and other account relationships for our customers, receiving instructions and effecting**

**transactions for those customers and other users of our products and services, we regularly collect, process, transmit and store significant amounts of confidential information regarding our customers, employees and others. In addition to confidential information regarding our customers, employees and others, we, and in some cases a third party, compile, process, transmit and store proprietary, non- public information concerning our business,** operations **, plans** ~~. Our business is dependent upon the willingness~~ and ~~ability~~ **strategies. Information security risks have significantly increased in recent years in part because** of ~~our customers~~ **the proliferation of new technologies, the use of the Internet and telecommunications technologies** to conduct ~~banking and other~~ financial transactions ~~. Since~~ **, and the increased sophistication and activities of organized crime, hackers, terrorists and** ~~the~~ **other** ~~beginning of January 2020~~ **external parties. We rely on digital technologies** , **computer and email systems, software, and networks to conduct secure processing, transmission and storage of confidential information. In addition, to access our products and services, our customers may use personal smart phones, tablet PCs and** ~~the~~ **other** ~~COVID~~ **mobile devices that are beyond our control systems. Our technologies, systems, and networks (including such third** - ~~19 outbreak has caused significant~~ **party information technology platforms on which our business depends) and our customers' devices have been subject to, and are likely to continue to be the target of, cyber- attacks, computer viruses, malicious code, phishing attacks or information security breaches that could result in the unauthorized use, loss or destruction of our or our customers' or third parties' confidential information, or otherwise** ~~disruption~~ --- **disrupt** ~~in~~ **our or our customers' or** ~~the~~ **other third parties' business operations. In addition to cyber- attacks or other security breaches involving the theft of sensitive and confidential information, hackers have engaged in attacks against large** financial **institutions, particularly denial** ~~markets both globally and in the United States. The continuing spread~~ of ~~COVID~~ **service attacks, that are designed to disrupt key business services, such as customer** - ~~19 and~~ **facing web** ~~its~~ **sites . We** ~~variants, or an outbreak of another highly infectious or contagious disease, may result in a significant decrease in business and / or cause our customers to be unable to meet existing payment or other obligations to us, particularly in the event of a targeted spread of COVID- 19 or an outbreak of an infectious disease in our market area~~ - **are not able to anticipate or implement effective preventive measures against all security breaches of these types, especially because the techniques used change frequently and because attacks can originate from a wide variety of sources** . Although we **use a variety** ~~maintain contingency plans for pandemic outbreaks, the continuing spread~~ of **physical** ~~COVID- 19~~ , ~~or~~ **procedural** ~~an~~ **and technological safeguards** ~~outbreak of another contagious disease, could also negatively impact the availability of key personnel necessary~~ to ~~conduct~~ **protect confidential information from mishandling, misuse** ~~our~~ - **or** ~~business activities~~ **loss, these safeguards cannot provide assurance that mishandling, misuse or loss of the information will not occur, and that if mishandling, misuse or loss of the information did occur, those events will be promptly detected and addressed** . ~~Such a spread~~ **A failure in or breach of** ~~or~~ **our** ~~outbreak could also negatively impact the business and operations~~ **operational or information security systems, or those** of **a** third- party service ~~providers~~ - **provider, as a result of cyber** ~~who perform critical services for us. If COVID~~ - **attacks** ~~19,~~ or ~~another highly infectious~~ **information security breaches** or **otherwise** ~~contagious disease, spreads or the response to contain COVID- 19 is unsuccessful, we~~ could ~~experience~~ **have** a material adverse effect ~~to~~ **on** our business, ~~,~~ damage our reputation,increase our costs and / or cause significant losses.Furthermore,because some of our employees are working remotely from their homes,there is an increased risk of disruption to our operations because our employees' residential networks and infrastructure may not be as secure as our office environment.As information security risks and cyber threats continue to evolve,we may be required to expend **- 36-** substantial resources to further enhance our information security measures and / or to investigate and remediate any information security vulnerabilities. ~~- 25-~~ If information security is breached,despite the controls we and our third- party vendors have instituted,information can be lost or misappropriated,resulting **in** financial **loss or costs** ~~condition, and results of operations. Although the aforementioned risks have much dissipated compared~~ to ~~historic periods,~~ **us or damages to others. These costs or losses could materially exceed** ~~they~~ - **the amount** ~~have not been completely eliminated. The risk~~ of ~~new variants and new outbreaks overseas and at home~~ **insurance coverage, if any, which would adversely affect our earnings. In addition, our reputation could be damaged** which could **result in loss** ~~impact supply chains continue to exist. Given the ongoing and dynamic nature~~ of **customers** ~~the circumstances~~ , **greater difficulty in attracting new customers** ~~it is not possible to accurately predict the extent~~ , ~~severity or duration of these conditions or when normal economic and operating conditions will resume. For~~ - **or** ~~this reason, the extent to which the COVID- 19 pandemic or other highly infectious or contagious disease affects the Company' s business, operations and~~ - **an adverse effect** ~~financial condition, as well as its regulatory capital and liquidity ratios and credit ratings, is highly uncertain and unpredictable and depends~~ on ~~, among other~~ -- **the value** ~~things, new information that may emerge concerning the scope, duration and severity~~ of ~~the COVID- 19 pandemic or~~ **our common stock** ~~infectious disease, actions taken by governmental authorities and other parties in response, the scale of distribution and public acceptance of the vaccines for COVID- 19 and other diseases, and the effectiveness of such vaccines in stemming or stopping the spread~~ . ~~- 27-~~ Risks Related to Our Common Stock Our ability to pay dividends or repurchase shares is subject to limitations. Our ability to pay dividends on or repurchase shares of our stock depends upon our receipt of dividends from Peoples Bank. Additionally, our ability to pay dividends is limited by Pennsylvania corporate law and by federal banking regulations. Under Pennsylvania law, we may not pay a dividend if, after payment, we could not pay our debts as they become due in the usual course of business or our total assets would be less than our total liabilities. The Federal Reserve Board has issued a policy statement on the payment of cash dividends by bank holding companies, which expresses the Federal Reserve Board' s view that a bank holding company should pay cash dividends only to the extent that the company' s net income for the past year is sufficient to cover both the cash dividends and a rate of earnings retention that is consistent with the company' s capital needs, asset quality and overall financial condition. As a state- chartered bank, Peoples Bank is subject to regulatory restrictions on the payment and amounts of dividends under the Pennsylvania Banking Code. Further, Peoples Bank' s ability to pay dividends is also subject to its profitability, financial condition, capital expenditures and other cash flow requirements. There is no assurance that Peoples Bank will be able to pay dividends. Our failure to pay dividends could have a material adverse effect on the market price of our common stock. ~~Proxy contests and shareholder litigation may adversely affect our results of operations. Proxy contests or shareholder litigation could cause us to use resources, both in expense and in the time and attention of our management, which could otherwise be used in operating our business. Accordingly, our results of operations may be adversely effected.~~ Risks Related to Potential Future Transactions ~~Future acquisitions~~ **Acquisitions** by us **, including the proposed merger with FNCB, or any future proposal, would or** could dilute existing shareholders' ownership of Peoples and may cause us to become more susceptible to adverse economic events. ~~We~~ **In connection with the pending merger with FNCB, we will issue approximately 2, 927, 122 shares of Common Stock to FNCB shareholders. Additionally, we** may issue shares of our common stock in connection with future acquisitions and other investments, which would dilute existing shareholders' ownership interests in Peoples. While there is no assurance that these transactions will occur, or that they will occur on terms favorable to us, future business acquisitions could be material to us, and the degree of success achieved in acquiring and integrating these businesses could have a material effect on the value of our common stock. In addition, these acquisitions could require us to expend substantial cash or other liquid assets or to incur debt, which could cause us to become more susceptible to economic downturns and competitive pressures. Our governing documents, Pennsylvania law, and current policies of our ~~board~~ **Board** of ~~directors~~ **Directors** contain provisions which may reduce the likelihood of a change in control transaction that may otherwise be available and attractive to shareholders. Our articles of incorporation and bylaws contain certain anti- takeover provisions that may make it more difficult or expensive or may discourage a tender offer, change in control or takeover attempt that is opposed by our ~~board~~ **Board** of ~~directors~~ **Directors** . In particular, the articles of incorporation and bylaws: classify our ~~board~~ **Board** of ~~directors~~ **Directors** into three groups, so that shareholders elect only approximately one- third of the board each year; require our shareholders to give us advance notice to nominate candidates for election to the ~~board~~ **Board** of ~~directors~~ **Directors** or to make shareholder proposals at a shareholders' meeting; and require the affirmative vote of the holders of at least 75 percent of our common stock to approve amendments to our bylaws or to approve certain business combinations that have not received the support of two- thirds of our ~~board~~ **Board** of ~~directors~~ **Directors** . These provisions of our articles of incorporation and bylaws could discourage potential **- 37-** acquisition proposals and could delay or prevent a change in control, even though a majority of our shareholders may consider such proposals desirable. Such provisions could also make it more difficult for third parties to remove and replace the members of our ~~board~~ **Board** of ~~directors~~ **Directors** . Moreover, these provisions could diminish the opportunities for shareholders to participate in certain tender offers, including tender offers at prices above the then- current market value ~~- 28-~~ of our common stock, and may also inhibit increases in the trading price of our common stock that could result from takeover attempts or speculation. In addition, anti- takeover provisions in Pennsylvania law could make it more difficult for a third party to acquire control of us. These provisions could adversely affect the market price of our common stock and could reduce the amount that shareholders might receive if we are sold. For example, Pennsylvania law may restrict a third party' s ability to obtain control of Peoples and may prevent shareholders from receiving a premium for their shares of our common stock. Pennsylvania law also provides that our shareholders are not entitled by statute to propose amendments to our articles of incorporation. Our ability to make opportunistic acquisitions is subject to significant risks, including the risk that regulators will not provide the requisite approvals. We may make opportunistic whole or partial acquisitions of other banks, branches, financial institutions, or related businesses from time to time that we expect may further our business strategy. Any possible acquisition will be subject to regulatory approval, and there can be no assurance that we will be able to obtain such approval in a timely manner or at all. Even if we obtain regulatory approval, these acquisitions could involve numerous risks, including lower than expected performance or higher than expected costs, difficulties related to integration, diversion of management' s attention from other business activities, changes in relationships with customers, and the potential loss of key employees. In addition, we may not be successful in identifying acquisition candidates, integrating acquired institutions, or preventing deposit erosion or loan quality deterioration at acquired institutions. Competition for acquisitions can be highly competitive, and we may not be able to acquire other institutions on attractive terms. There can be no assurance that we will be successful in completing or will even pursue future acquisitions, or if such transactions are completed, that we will be successful in integrating acquired businesses into operations. Our ability to grow may be limited if we choose not to pursue or are unable to successfully make acquisitions in the future. Risks Related to Government Regulation We operate in a highly regulated environment and may be adversely affected by changes in laws and regulations. We are subject to extensive regulation, supervision and examination by certain state and federal agencies including the FDIC, the Federal Reserve Board and the Pennsylvania Department of Banking. Such regulation and supervision govern the activities in which we may engage and are intended primarily to ensure the safety and soundness of financial institutions. Regulatory authorities have extensive discretion in their supervisory and enforcement activities, including the imposition of restrictions on operations, the classification of assets and determination of the level of the **ACL** ~~allowance for loan losses~~ . Any change in such regulation and oversight, whether in the form of regulatory policy, regulations, legislation or supervisory action, may have a material impact on us and our operations. There also are several federal and state statutes which regulate the obligation and liabilities of financial institutions pertaining to environmental issues. In addition to the potential for attachment of liability resulting from our own actions, we may be held liable under certain circumstances for the actions of our borrowers, or third parties, **for** ~~when such actions result in~~ environmental problems on properties that collateralize loans held by us. Further, the liability has the potential to far exceed the original amount of a loan. **Any regulatory examination scrutiny or new regulatory requirements arising from the recent events in the banking industry could increase the Company' s expenses and affect the Company' s operations. The Company anticipates increased regulatory scrutiny – in the course of routine examinations and otherwise – and new regulations directed towards banks of similar size to Peoples Bank, designed to address the recent negative developments in the banking industry, all of which may increase the Company' s costs of doing business and reduce its profitability. Among other things, there may be an increased focus by both regulators and investors on deposit composition, the level**

**of uninsured deposits and liquidity. As primarily a commercial bank, Peoples Bank has a high degree of uninsured- 38- deposits compared to larger national banks or smaller community banks with a stronger focus on retail deposits. As a result, Peoples Bank could face increased scrutiny or be viewed as higher risk by regulators and the investor community. Also, as a result of the recent bank failures, future FDIC deposit assessments are expected to increase and may have a material impact of the Company' s profitability.** We are subject to changes in accounting policies or accounting standards. From time to time, the **Financial Accounting Standards Board ("** FASB **")** and the SEC change their guidance governing the form and content of our external financial statements. In addition, accounting standard setters and those who interpret ~~U. S. generally accepted accounting principles (" U. S.~~ GAAP ~~")~~ , such as the FASB, SEC, banking regulators and our outside auditors, may change or even reverse their previous interpretations or positions on how these standards should be applied ~~. Changes in U. S~~ . GAAP and changes in current interpretations are beyond our control, can be hard to predict and could materially impact how we report our financial results and condition. In certain cases, we could be required to apply a new or revised guidance retroactively or apply existing guidance differently (also retroactively) which may result in our restating prior period financial statements for material amounts. ~~- 29- The Company may be adversely affected by changes in U. S. tax laws. Our business may be adversely affected by changes in tax laws if there are any increases in our federal income tax rates or an increase in the tax rates in states in which we operate.~~ We may be subject to more stringent capital ~~and liquidity~~ requirements in the future, which may adversely affect our net income and future growth. Future increases, if any, in minimum capital requirements could adversely affect our net income. Furthermore, our failure to comply with the minimum capital requirements could result in our regulators taking formal or informal actions against us which could restrict our future growth or operations. The regulations issued by the CFPB have increased and may continue to increase our costs of operations. The CFPB has broad powers to supervise and enforce consumer protection laws and broad rule- making authority for a wide range of consumer protection laws that apply to all banks and savings institutions, including the authority to prohibit " unfair, deceptive or abusive " acts and practices. The CFPB considers whether additional rules are needed and has direct examination and enforcement authority over all banks and savings institutions with more than $ 10 billion in assets. Banks with $ 10 billion or less in assets, like us, are examined for compliance with these consumer laws by their primary bank regulators. Dodd- Frank permits states to adopt consumer protection laws and standards that are more stringent than those adopted at the federal level and, in certain circumstances, permits state attorneys general to enforce compliance with both the state and federal laws and regulations. Increases in FDIC insurance premiums may adversely affect our earnings. Our deposits are insured by the FDIC up to legal limits and, accordingly, we are subject to FDIC deposit insurance assessments. Should our supervisory rating be lowered or our unsecured debt increase, we may be required to pay an increased assessment. More generally, should the designated reserve ratio of the FDIC Deposit Insurance Fund be raised or the fund suffer losses, we may be required to pay an increased assessment **, which** ~~. An increase in the assessment we pay~~ may adversely impact our earnings. Regulations relating to privacy, information security and data protection could increase our costs, affect or limit how we collect and use personal information and adversely affect our business opportunities. We are subject to various privacy, information security and data protection laws, including requirements concerning security breach notification, and we could be negatively impacted by these laws. For example, our business is subject to the Gramm- Leach- Bliley Act which, among other things: (i) imposes certain limitations on our ability to share nonpublic personal information about our customers with nonaffiliated third parties; (ii) requires that we provide certain disclosures to customers about our information collection, sharing and security practices and afford customers the right to " opt out " of any information sharing by us with nonaffiliated third parties (with certain exceptions) and (iii) requires that we develop, implement and maintain a written comprehensive information security program containing safeguards appropriate based on our size and complexity, the nature and scope of our activities, and the sensitivity of customer information we process, as well as plans for responding to data security breaches. Various state and federal banking regulators and states have also enacted data security breach notification requirements with varying levels of individual, consumer, regulatory or law enforcement notification in certain circumstances in the event of a security breach. ~~Moreover, legislators and regulators in the United States are increasingly adopting or revising privacy, information security and data protection laws that potentially could have a significant impact on our current and planned privacy, data protection and information security -~~ **39** ~~related practices, our collection, use, sharing, retention and safeguarding of consumer or employee information, and some of our current or planned business activities. This could also increase our costs of compliance and business operations and could reduce income from certain business initiatives. This includes - 30-~~