UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

Form 10-Q

☒ **Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

for the quarterly period ended June 30, 2026

or

☐ **Transition report pursuant to Section 13 or 15 (d) of the Securities Exchange Act of 1934**

for the transition period from

001-36388
(Commission File Number)

PEOPLES FINANCIAL SERVICES CORP.
(Exact name of registrant as specified in its charter)

Pennsylvania **(State of incorporation)**	**23-2391852** **(IRS Employer ID Number)**
30 E D Preate Drive, Moosic PA **(Address of principal executive offices)**	**18507** **(Zip code)**

(570) 346-7741
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class:	Trading Symbol	Name of each exchange on which registered:
Common stock, $2.00 par value	PFIS	The Nasdaq Stock Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐	Smaller reporting company	☐
Emerging growth company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company as defined in Rule 12b-2 of the Exchange Act. Yes ☐ No ☒

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of the registrant's common stock, as of the latest practicable date: 10,010,367 at August 1, 2026.

PEOPLES FINANCIAL SERVICES CORP.
FORM 10-Q

For the Quarter Ended June 30, 2026

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements

Peoples Financial Services Corp.
CONSOLIDATED BALANCE SHEETS
(Dollars in thousands, except share data)

	June 30, 2026 (Unaudited)	December 31, 2025 (Audited)
Assets:		
Cash and cash equivalents		
Cash and due from banks	$ 74,930	$ 58,420
Interest-bearing deposits in other banks	181,320	210,564
Total cash and cash equivalents	256,250	268,984
Investment securities:		
Available for sale: Amortized cost of $488,750 and $541,707, respectively, net of allowance for credit losses of $0 at June 30, 2026, and December 31, 2025	458,144	512,563
Held to maturity: Fair value of $59,311 and $62,798, respectively, net of allowance for credit losses of $0 at June 30, 2026, and December 31, 2025	68,723	72,047
Equity investments carried at fair value	2,748	2,598
Total investment securities	529,615	587,208
Loans	4,302,821	4,066,896
Less: allowance for credit losses	42,311	39,007
Net loans	4,260,510	4,027,889
Loans held for sale	718	805
Goodwill	75,986	75,986
Premises and equipment, net	79,523	78,496
Bank owned life insurance	83,124	88,645
Deferred tax assets	25,905	26,555
Accrued interest receivable	17,770	17,633
Intangible assets, net	24,622	27,700
Other assets	86,523	70,677
Total assets	$ 5,440,546	$ 5,270,578
Liabilities:		
Deposits:		
Noninterest-bearing	$ 946,528	$ 954,485
Interest-bearing	3,562,324	3,479,584
Total deposits	4,508,852	4,434,069
Short-term borrowings	85,331	32,721
Long-term debt	154,472	134,352
Subordinated debt	83,392	83,187
Junior subordinated debt	8,194	8,140
Accrued interest payable	4,727	6,792
Other liabilities	59,393	51,470
Total liabilities	4,904,361	4,750,731
Stockholders' equity:		
Common stock, par value $2.00, authorized 25,000,000 shares, issued and outstanding 10,010,367, shares at June 30, 2026, and 9,994,595 shares at December 31, 2025	20,053	20,015
Capital surplus	251,224	251,023
Retained earnings	290,556	273,500
Accumulated other comprehensive loss	(25,648)	(24,691)
Total stockholders' equity	536,185	519,847
Total liabilities and stockholders' equity	$ 5,440,546	$ 5,270,578

See notes to unaudited consolidated financial statements.

Peoples Financial Services Corp.
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME (UNAUDITED)
(Dollars in thousands, except per share data)

	Three Months Ended		Six Months Ended	
June 30,	**2026**	**2025**	**2026**	**2025**
Interest income:				
Interest and fees on loans:				
Taxable	$ 59,483	$ 57,459	$ 115,799	$ 112,671
Tax-exempt	2,155	2,302	4,223	4,547
Interest and dividends on investment securities:				
Taxable	3,926	4,604	7,961	8,738
Tax-exempt	1,261	399	2,394	795
Dividends	305	40	564	81
Interest on interest-bearing deposits in other banks	622	531	1,515	929
Total interest income	67,752	65,335	132,456	127,761
Interest expense:				
Interest on deposits	18,188	20,303	36,327	41,150
Interest on short-term borrowings	536	410	908	635
Interest on long-term debt	1,500	1,211	2,904	2,388
Interest on subordinated debt	1,750	1,026	3,499	1,469
Interest on junior subordinated debt	174	188	347	374
Total interest expense	22,148	23,138	43,985	46,016
Net interest income	45,604	42,197	88,471	81,745
Provision (benefit) for credit losses	3,105	(239)	4,492	(39)
Net interest income after provision (benefit) for credit losses	42,499	42,436	83,979	81,784
Noninterest income:				
Service charges, fees, commissions and other	3,411	3,664	6,568	7,068
Merchant services income	489	584	669	815
Commission and fees on fiduciary activities	588	563	1,139	1,100
Wealth management income	753	619	1,399	1,269
Mortgage banking income	302	125	543	239
Increase in cash surrender value of life insurance	500	535	997	1,061
Interest rate swap gain	187	164	847	207
Net gains (losses) on equity investment securities	33	(7)	489	64
Net gains on sale of investment securities available for sale			510	
Net gains on sale of fixed assets	271		271	680
Total noninterest income	6,534	6,247	13,432	12,503
Noninterest expense:				
Salaries and employee benefits expense	15,087	13,761	29,604	27,242
Net occupancy and equipment expense	7,338	6,284	15,013	12,894
Acquisition related expenses		66		220
Amortization of intangible assets	1,518	1,684	3,035	3,367
Professional fees and outside services	1,068	1,168	2,154	2,179
FDIC insurance and assessments	709	976	1,465	1,998
Advertising and corporate business development	1,449	1,074	2,753	1,933
Other expenses	3,441	3,249	6,449	5,782
Total noninterest expense	30,610	28,262	60,473	55,615
Income before income taxes	18,423	20,421	36,938	38,672
Income tax expense	3,618	3,465	7,386	6,707
Net income	14,805	16,956	29,552	31,965
Other comprehensive income (loss):				
Unrealized gains (losses) on investment securities available for sale	2,431	1,859	(952)	7,431
Reclassification adjustment for net gains on available for sale securities included in net income			(510)	
Change in derivative fair value	80	16	236	(132)
Other comprehensive income (loss) before income tax expense (benefit)	2,511	1,875	(1,226)	7,299
Income tax expense (benefit) related to other comprehensive income (loss)	551	409	(269)	1,592
Other comprehensive income (loss), net of income tax expense (benefit)	1,960	1,466	(957)	5,707
Comprehensive income	$ 16,765	$ 18,422	$ 28,595	$ 37,672
Per share data:				
Net income:				
Basic	$ 1.48	$ 1.70	$ 2.95	$ 3.20
Diluted	$ 1.48	$ 1.68	$ 2.95	$ 3.18
Dividends declared	$ 0.6250	$ 0.6175	$ 1.2500	$ 1.2350
Weighted average common shares outstanding:				
Basic	10,010,529	9,994,955	10,006,737	9,993,944
Diluted	10,036,037	10,082,260	10,033,374	10,062,831

See notes to unaudited consolidated financial statements.

Peoples Financial Services Corp.
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (UNAUDITED)
(Dollars in thousands, except per share data)

	Number of Shares	Common Stock	Capital Surplus	Retained Earnings	Accumulated Other Comprehensive Loss	Total
Balance, January 1, 2026	9,994,595	$ 20,015	$ 251,023	$ 273,500	$ (24,691)	$ 519,847
Net income				14,747		14,747
Other comprehensive loss, net of tax					(2,917)	(2,917)
Cash dividends declared: $0.6250 per common share				(6,246)		(6,246)
Stock compensation			219			219
Restricted stock issued	22,454	45	180			225
Shares withheld to satisfy taxes on restricted stock	(6,561)	(13)	(357)			(370)
Balance, March 31, 2026	10,010,488	$ 20,047	$ 251,065	$ 282,001	$ (27,608)	$ 525,505
Net income				14,805		14,805
Other comprehensive income, net of tax					1,960	1,960
Cash dividends declared: $0.6250 per common share				(6,250)		(6,250)
Stock compensation			211			211
Restricted stock issued	465	8	(8)			
Shares withheld to satisfy taxes on restricted stock	(586)	(2)	(44)			(46)
Balance, June 30, 2026	10,010,367	$ 20,053	$ 251,224	$ 290,556	$ (25,648)	$ 536,185

	Number of Shares	Common Stock	Capital Surplus	Retained Earnings	Accumulated Other Comprehensive Loss	Total
Balance, January 1, 2025	9,990,724	$ 19,995	$ 250,695	$ 238,955	$ (40,695)	$ 468,950
Net income				15,009		15,009
Other comprehensive income, net of tax					4,241	4,241
Cash dividends declared: $0.6175 per share				(6,158)		(6,158)
Stock compensation		10	(211)			(201)
Restricted stock issued	8,212	16	169			185
Shares withheld to satisfy taxes on restricted stock	(3,453)	(7)	(165)			(172)
Balance, March 31, 2025	9,995,483	$ 20,014	$ 250,488	$ 247,806	$ (36,454)	$ 481,854
Net income				16,956		16,956
Other comprehensive income, net of tax					1,466	1,466
Cash dividends declared: $0.6175 per share				(6,161)		(6,161)
Stock compensation, including tax effects and expenses		2	(4)			(2)
Restricted stock issued		1	22			23
Shares withheld to satisfy taxes on restricted stock	(787)	(2)	(38)			(40)
Balance, June 30, 2025	9,994,696	$ 20,015	$ 250,468	$ 258,601	$ (34,988)	$ 494,096

See notes to unaudited consolidated financial statements.

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Peoples Financial Services Corp.
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(Dollars in thousands, except per share data)

For the Six Months Ended June 30,	2026	2025
Cash flows from operating activities:		
Net income	$ 29,552	$ 31,965
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation of premises and equipment	1,838	1,610
Amortization of right-of-use lease asset	373	437
Amortization of net deferred loan fees	(251)	(307)
Amortization of debt issuance costs	204	31
Amortization of CDI and other intangibles	3,078	3,419
Amortization expense related to acquired borrowings	110	230
Accretion income related to acquired loans	(6,463)	(8,463)
Amortization expense related to acquired deposits	111	528
Amortization of low-income housing partnerships	1,855	868
Provision for credit losses	4,492	(39)
Net unrealized gain on equity investments	(385)	(64)
Net (gain) loss on sale of other real estate owned	(14)	5
Net gain on sale of equity securities	(104)	
Valuation allowance on other real estate	120	
Loans originated for sale	(9,061)	(2,050)
Proceeds from sale of loans originated for sale	9,330	1,504
Net gain on sale of loans originated for sale	(182)	(1)
Net accretion of investment securities	(1,662)	(1,936)
Net gain on sale of investment securities available for sale	(510)	
Net gain on sale of premises and equipment	(271)	(680)
Increase in cash surrender value of life insurance	(997)	(1,061)
Gain from bank owned life insurance settlement	(280)	(118)
Deferred income tax expense	919	2,449
Stock compensation, including tax effects and expenses	655	(207)
Net change in:		
Accrued interest receivable	(137)	(222)
Other assets	(16,069)	2,170
Accrued interest payable	(2,065)	(863)
Other liabilities	7,976	(6,241)
Net cash provided by operating activities	22,162	22,964
Cash flows from investing activities:		
Proceeds from sales of investment securities available for sale	32,404	
Proceeds from sales of equity investments	340	
Proceeds from repayments of investment securities:		
Available for sale	45,724	58,794
Held to maturity	3,277	2,997
Purchases of investment securities:		
Available for sale	(22,952)	(28,229)
Net purchase of restricted equity securities	(1,874)	(1,491)
(Purchase) redemption of equity securities without readily determinable fair value	(92)	22
Net (increase) decrease in loans	(230,398)	3,903
Purchases of premises and equipment	(3,517)	(5,890)
Proceeds from the sale of premises and equipment	733	3,696
Proceeds from bank owned life insurance	6,790	968
Proceeds from sale of other real estate owned	235	
Net cash (used in) provided by investing activities	(169,330)	34,770
Cash flows from financing activities:		
Net increase (decrease) in deposits	74,672	(120,731)
Proceeds from long-term debt	45,045	15,284
Repayment of long-term debt	(24,981)	(10,653)
Net proceeds from short-term borrowings	52,610	60,440
Proceeds from the issuance of subordinated debt, net of issuance costs		83,133
Repayment of subordinated debt		(33,000)
Cash paid for shares withheld for taxes on compensation	(416)	
Cash dividends paid	(12,496)	(12,319)
Net cash provided by (used in) financing activities	134,434	(17,846)
Net (decrease) increase in cash and cash equivalents	(12,734)	39,888
Cash and cash equivalents at beginning of period	268,984	135,851
Cash and cash equivalents at end of period	$ 256,250	$ 175,739

For the Six Months Ended June 30,	2026	2025
Supplemental disclosures:		
Cash paid during the period for:		
Interest	$ 46,050	$ 46,879
Income taxes	4,178	3,683
Noncash items:		
Origination of mortgage servicing rights	135	19
Initial recognition of right-of-use assets	183	2,786
Initial recognition of lease liability	183	2,786

See notes to unaudited consolidated financial statements.

Peoples Financial Services Corp.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(Dollars in thousands, except per share data)

1. Summary of significant accounting policies:

Nature of operations

Peoples Financial Services Corp., a bank holding company incorporated under the laws of Pennsylvania, provides a full range of financial services through its wholly owned direct and indirect subsidiaries, including Peoples Security Bank and Trust Company (the “Bank”) and 1st Equipment Finance, Inc., collectively, the “Company” or “Peoples”. The Company services its retail and commercial customers through forty full-service community banking offices located within Allegheny, Bucks, Lackawanna, Lancaster, Lebanon, Lehigh, Luzerne, Monroe, Montgomery, Northampton, Susquehanna, and Wyoming Counties of Pennsylvania, Middlesex County of New Jersey, and Broome County of New York.

Basis of presentation

The accompanying unaudited interim consolidated financial statements of the Company have been prepared in accordance with the instructions to Form 10-Q and Article 10-01 of Regulation S-X and accounting principles generally accepted in the United States of America (“GAAP”) for interim financial information. Accordingly, the unaudited consolidated financial statements do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all normal recurring adjustments necessary for a fair presentation of the consolidated financial position and results of operations for the periods presented have been included. All significant intercompany balances and transactions have been eliminated in consolidation. Prior period amounts are reclassified when necessary to conform to the current year’s presentation. These reclassifications did not have any effect on the consolidated operating results or financial position of the Company.

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates that are particularly susceptible to material change in the near term relate to the determination of the allowance for credit losses and impairment of goodwill. Actual results could differ from those estimates.

These interim consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2025.

Subsequent events

The Company has evaluated events and transactions occurring subsequent to the balance sheet date of June 30, 2026, for items that should potentially be recognized or disclosed in these consolidated financial statements. The evaluation was conducted through the issuance date of these consolidated financial statements.

On July 31, 2026, the Company’s board of directors declared a dividend of $0.6250 per share for the third quarter of 2026. The dividend is payable on September 15, 2026 to shareholders of record as of August 31, 2026. The per share dividend is equal to the per share dividend declared for the second quarter of 2026.

Recent accounting standards

From time to time, new accounting pronouncements are issued by the Financial Accounting Standards Board (“FASB”) or other standard setting bodies that are adopted by the Company as of the required effective dates. The following should be read in conjunction with Note 1 entitled “Summary of significant accounting policies” of the Notes to the

Peoples Financial Services Corp.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(Dollars in thousands, except per share data)

Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2025.

ASU 2026-02, "Environmental Credit and Environmental Credit Obligations (Topic 818)" is intended to address the lack of specific U.S. GAAP guidance on environmental credits and environmental credit obligations. ASU 2026-02 aims to improve recognition, measurement, presentation and disclosure of these items and enhance comparability and decision-useful information for investors. The ASU requires entities to clearly present environmental credits and credit obligations in financial statements, distinguishing between compliance and noncompliance credits, providing disclosures that improve understandability and comparability. ASU 2026-02 is effective for public business entities for annual periods beginning after December 15, 2027, including interim periods, and permits early adoption at the start of any annual period. ASU 2026-02 will be effective on January 1, 2028, for the Company's quarterly financial statements on Form 10-Q and is not expected to have a material impact on the Company's consolidated financial statements.

ASU 2025-11, "Interim Reporting (Topic 270): Narrow-Scope Improvements" is intended to improve the navigability and clarity of interim reporting requirements under Topic 270. ASU 2025-11 clarifies when Topic 270 applies, adds a comprehensive list of required interim disclosures, and introduces a disclosure principle requiring entities to disclose events occurring after the most recent annual period that have a material impact on the entity. The ASU does not expand or reduce overall interim disclosure requirements but instead compiles and organizes them to improve consistency and comparability. The guidance also clarifies form-and-content expectations for interim financial statements, including the use of condensed statements, and aligns GAAP with prior SEC requirements regarding material events. The amendments are effective for interim reporting periods beginning after December 15, 2027, for public business entities and one year later for all other entities. Early adoption is permitted, with prospective or retrospective application available. ASU 2025-11 will be effective for the interim period beginning January 1, 2028, for the Company's quarterly financial statements on Form 10-Q and is not expected to have a material impact on the Company's consolidated financial statements.

ASU 2025-08 "Financial Instruments – Credit Losses (Topic 326): Purchased Loans" ("ASU 2025-08") expands the use of the gross up-approach in ASC 326, Credit Losses, to "purchased seasoned loans," which the guidance defines as loans, excluding purchased financial assets with credit deterioration, credit card receivables, debt securities, and trade receivables, that are (1) acquired in a business combination or (2) obtained through a transfer that is not a business combination or initially recognized through the consolidation of a variable interest entity, if certain seasoning criteria are met. This approach was previously only applied to purchased financial assets with credit deterioration. The guidance is effective for fiscal years beginning after December 15, 2026, including interim periods within those fiscal years. Entities are required to apply the guidance prospectively. Early adoption is permitted. The Company is currently in the process of evaluating this guidance.

ASU 2025-01 "Income Statement Reporting Comprehensive Income - Expense Disaggregation Disclosures (Subtopic 220-40): Clarifying the Effective Date" ("ASU 2025-01") clarifies the effective date of Accounting Standards Update 2024-03 "Income Statement Reporting Comprehensive Income - Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses" ("ASU 2024-03") to stipulate that ASU 2024-03 is effective for public business entities for annual reporting periods beginning after December 15, 2026 and interim reporting periods beginning after December 15, 2027, with early adoption permitted. ASU 2024-03 will be effective for the Company beginning January 1, 2027, for the Company's annual financial statements on Form 10-K and January 1, 2028, for the Company's quarterly financial statements on Form 10-Q and is not expected to have a material impact on the Company's consolidated financial statements but is expected to result in additional disclosures and potential changes to line items on the consolidated statements of income and comprehensive income.

Peoples Financial Services Corp.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(Dollars in thousands, except per share data)

2. Accumulated other comprehensive loss:

The components of other comprehensive income (loss) and their related tax effects are reported in the consolidated statements of income and comprehensive income. The accumulated other comprehensive loss ("AOCL") included in the consolidated balance sheets relates to net unrealized gains and losses on investment securities available for sale, benefit plan adjustments and adjustments to derivative fair values.

The components of AOCL included in stockholders' equity at June 30, 2026 and December 31, 2025 are as follows:

(Dollars in thousands)	June 30, 2026	December 31, 2025
Net unrealized loss on investment securities available for sale	$ (30,606)	$ (29,144)
Income tax benefit	(6,711)	(6,390)
Net of income taxes	(23,895)	(22,754)
Benefit plan adjustments	(2,178)	(2,178)
Income tax benefit	(478)	(478)
Net of income taxes	(1,700)	(1,700)
Derivative adjustments	(67)	(303)
Income tax benefit	(14)	(66)
Net of income taxes	(53)	(237)
Accumulated other comprehensive loss	$ (25,648)	$ (24,691)

Other comprehensive income (loss) and related tax effects for the three and six months ended June 30, 2026 and June 30, 2025 are as follows:

	Three Months Ended		Six Months Ended	
(Dollars in thousands)	June 30, 2026	June 30, 2025	June 30, 2026	June 30, 2025
Unrealized gain (loss) on investment securities available for sale	$ 2,431	$ 1,859	$ (952)	$ 7,431
Net (gain) on the sale of investment securities available for sale (1)			(510)	
Other comprehensive income (loss) on available-for-sale debt securities	2,431	1,859	(1,462)	7,431
Net change in derivatives	80	16	236	(132)
Other comprehensive income (loss) before taxes	2,511	1,875	(1,226)	7,299
Income tax expense (benefit)	551	409	(269)	1,592
Other comprehensive income (loss)	$ 1,960	$ 1,466	$ (957)	$ 5,707

(1) Represents amounts reclassified out of accumulated other comprehensive loss and included in gains on the sale of investment securities on the consolidated statements of income and comprehensive income.

3. Earnings per share:

Basic earnings per share represents income available to common stockholders divided by the weighted-average number of common shares outstanding during the period. Diluted earnings per share reflect additional common shares that would have been outstanding if dilutive potential common shares had been issued, as well as any adjustment to income that would result from the assumed issuance.

Peoples Financial Services Corp.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(Dollars in thousands, except per share data)

The following table presents the calculation of both basic and diluted earnings per share of common stock for the three and six months ended June 30, 2026 and 2025:

	For the Three Months Ended June 30,			
	2026		2025	
(Dollars in thousands, except per share data)	Basic	Diluted	Basic	Diluted
Net income	$ 14,805	$ 14,805	$ 16,956	$ 16,956
Average common shares outstanding	10,010,529	10,036,037	9,994,955	10,082,260
Earnings per share	$ 1.48	$ 1.48	$ 1.70	$ 1.68

	For the Six Months Ended June 30,			
	2026		2025	
(Dollars in thousands, except per share data)	Basic	Diluted	Basic	Diluted
Net income	$ 29,552	$ 29,552	$ 31,965	$ 31,965
Average common shares outstanding	10,006,737	10,033,374	9,993,944	10,062,831
Earnings per share	$ 2.95	$ 2.95	$ 3.20	$ 3.18

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Peoples Financial Services Corp.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(Dollars in thousands, except per share data)

4. Investment securities:

The amortized cost and fair value of investment securities aggregated by investment category at June 30, 2026 and December 31, 2025 are summarized below. There was no allowance for credit losses ("ACL") recorded for available for sale or held to maturity debt securities at June 30, 2026 and December 31, 2025.

	June 30, 2026			
(Dollars in thousands)	**Amortized Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
Available for sale:				
U.S. Treasury securities	$ 19,123	$	$ 1,120	$ 18,003
State and municipals:				
Taxable	64,588	13	7,348	57,253
Tax-exempt	149,271	1,038	7,480	142,829
Residential mortgage-backed securities:				
U.S. government agencies	20,476		456	20,020
U.S. government-sponsored enterprises	153,258	149	15,460	137,947
Commercial mortgage-backed securities:				
U.S. government-sponsored enterprises	1,679		21	1,658
Private collateralized mortgage obligations	48,018	512	484	48,046
Asset backed securities	14,862	34	306	14,590
Corporate debt securities	16,734	475	153	17,056
Negotiable certificates of deposit	741	1		742
Total available for sale	$ 488,750	$ 2,222	$ 32,828	$ 458,144
Held to maturity:				
Tax-exempt state and municipals	$ 10,794	$ 1	$ 587	$ 10,208
Residential mortgage-backed securities:				
U.S. government agencies	11,593		2,011	9,582
U.S. government-sponsored enterprises	46,336		6,815	39,521
Total held to maturity	$ 68,723	$ 1	$ 9,413	$ 59,311

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	December 31, 2025			
(Dollars in thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available for sale:				
U.S. Treasury securities	$ 32,125	$	$ 1,127	$ 30,998
State and municipals:				
Taxable	68,618	22	7,018	61,622
Tax-exempt	132,586	429	7,898	125,117
Residential mortgage-backed securities:				
U.S. government agencies	42,801	145	247	42,699
U.S. government-sponsored enterprises	174,223	962	15,105	160,080
Commercial mortgage-backed securities:				
U.S. government-sponsored enterprises	1,789		19	1,770
Private collateralized mortgage obligations	48,007	766	289	48,484
Asset backed securities	16,544	23	300	16,267
Corporate debt securities	24,287	829	322	24,794
Negotiable certificates of deposit	727	5		732
Total available for sale	$ 541,707	$ 3,181	$ 32,325	$ 512,563
Held to maturity:				
Tax-exempt state and municipals	$ 10,812	$ 4	$ 620	$ 10,196
Residential mortgage-backed securities:				
U.S. government agencies	12,291		1,977	10,314
U.S. government-sponsored enterprises	48,944		6,656	42,288
Total held to maturity	$ 72,047	$ 4	$ 9,253	$ 62,798

The Company did not sell any investments from its securities portfolio during the quarter ended June 30, 2026. During the first quarter of 2026, the Company completed a partial repositioning of its investment security portfolio. The Company sold a portion of its available-for-sale residential mortgage-backed securities with an amortized cost of $31.9 million. Proceeds received on the securities sold totaled $32.4 million. The Company realized gross gains of $510 thousand, which is included in noninterest income in the consolidated statements of income and comprehensive income for the six months ended June 30, 2026. There were no gross losses realized upon the sales.

There were no available-for-sale securities sold during the three months and six months ended June 30, 2025.

The following table summarizes the maturity distribution of the amortized cost and fair value, which is the net carrying amount, of the debt securities classified as available for sale at June 30, 2026. Expected maturities will differ from contractual maturities because borrowers have the right to call or prepay obligations with or without call or prepayment penalties.

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(Dollars in thousands)	Amortized Cost	Fair Value
Within one year	$ 3,135	$ 3,131
After one but within five years	63,816	60,773
After five but within ten years	61,730	54,916
After ten years	121,776	117,063
	250,457	235,883
Mortgage-backed and other amortizing securities	238,293	222,261
Total	$ 488,750	$ 458,144

The maturity distribution of the amortized cost and fair value of debt securities classified as held to maturity at June 30, 2026, is summarized as follows:

(Dollars in thousands)	Amortized Cost	Fair Value
After one but within five years	$ 6,186	$ 5,852
After five but within ten years	4,608	4,356
	10,794	10,208
Mortgage-backed securities	57,929	49,103
Total	$ 68,723	$ 59,311

Securities with a carrying value of $372.3 million and $381.8 million at June 30, 2026 and December 31, 2025, respectively, were pledged to secure public deposits and certain other deposits as required or permitted by law and pledged to the Discount Window at the Federal Reserve.

Securities and short-term investment activities are conducted with a diverse group of government entities, corporations and state and local municipalities. The counterparty's creditworthiness and type of collateral is evaluated on a case-by-case basis. At June 30, 2026, there were no significant concentrations of credit risk from any one issuer, with the exception of U.S. government agencies and sponsored enterprises, which exceeded 10.0 percent of stockholders' equity.

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The fair value and gross unrealized losses of investment securities with unrealized losses at June 30, 2026 and December 31, 2025, aggregated by investment category and length of time that the individual securities have been in a continuous unrealized loss position, are summarized as follows:

	June 30, 2026								
	Less than Twelve Months			Twelve Months or Longer			Total		
(Dollars in thousands)	Total # in a Loss Position	Fair Value	Unrealized Losses	Total # in a Loss Position	Fair Value	Unrealized Losses	Total # in a Loss Position	Fair Value	Unrealized Losses
Securities available for sale									
U.S. Treasury securities				5	$ 18,003	$ 1,120	5	$ 18,003	$ 1,120
State and municipals:									
Taxable				61	55,979	7,348	61	55,979	7,348
Tax-exempt	30	$ 26,044	$ 352	82	59,346	7,128	112	85,390	7,480
Residential mortgage-backed securities:									
U.S. government agencies	5	20,020	456				5	20,020	456
U.S. government-sponsored enterprises	28	57,863	528	28	60,672	14,932	56	118,535	15,460
Commercial mortgage-backed securities:									
U.S. government-sponsored enterprises				1	1,658	21	1	1,658	21
Private collateralized mortgage obligations	20	23,581	167	9	8,966	317	29	32,547	484
Asset-backed securities	3	4,704	18	2	1,813	288	5	6,517	306
Corporate debt securities	2	1,738	13	2	2,190	140	4	3,928	153
Total	88	$ 133,950	$ 1,534	190	$ 208,627	$ 31,294	278	$ 342,577	$ 32,828
Securities Held to Maturity									
Tax-exempt state and municipals	2	$ 1,467	$ 9	10	$ 6,166	$ 578	12	$ 7,633	$ 587
Residential mortgage-backed securities:									
U.S. government agencies				3	9,582	2,011	3	9,582	2,011
U.S. government-sponsored enterprises				8	39,521	6,815	8	39,521	6,815
Total	2	$ 1,467	$ 9	21	$ 55,269	$ 9,404	23	$ 56,736	$ 9,413

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	December 31, 2025								
	Less than Twelve Months			Twelve Months or Longer			Total		
(Dollars in thousands)	Total # in a Loss Position	Fair Value	Unrealized Losses	Total # in a Loss Position	Fair Value	Unrealized Losses	Total # in a Loss Position	Fair Value	Unrealized Losses
Securities available for sale									
U.S. Treasury securities				8	$ 30,998	$ 1,127	8	$ 30,998	$ 1,127
State and municipals:									
Taxable				64	59,002	7,018	64	59,002	7,018
Tax-exempt	37	$ 35,137	$ 519	87	63,245	7,379	124	98,382	7,898
Residential mortgage-backed securities:									
U.S. government agencies	6	28,689	247				6	28,689	247
U.S. government-sponsored enterprises	3	8,989	60	34	71,288	15,045	37	80,277	15,105
Commercial mortgage-backed securities:									
U.S. government-sponsored enterprises				1	1,770	19	1	1,770	19
Private collateralized mortgage obligations	8	14,534	96	11	8,000	193	19	22,534	289
Asset-backed securities	3	4,884	12	2	1,888	288	5	6,772	300
Corporate debt securities	2	1,491	9	8	7,451	313	10	8,942	322
Total	59	$ 93,724	$ 943	215	$ 243,642	$ 31,382	274	$ 337,366	$ 32,325
Securities held to maturity									
Tax-exempt state and municipals				11	$ 6,641	$ 620	11	$ 6,641	$ 620
Residential mortgage-backed securities:									
U.S. government agencies				3	10,314	1,977	3	10,314	1,977
U.S. government-sponsored enterprises				8	42,288	6,656	8	42,288	6,656
Total				22	$ 59,243	$ 9,253	22	$ 59,243	$ 9,253

Management considered whether a credit loss existed related to the investments in an unrealized loss position by determining (i) whether the decline in fair value is attributable to adverse conditions specifically related to the financial condition of the security issuer or specific conditions in an industry or geographic area; (ii) whether the credit rating of the issuer of the security has been downgraded; (iii) whether dividend or interest payments have been reduced or have not been made and (iv) an adverse change in the remaining expected cash flows from the security such that the Company will not recover the amortized cost of the security. If the decline is judged to be due to factors related to credit, the credit loss should be recorded as an ACL with an offsetting entry to net income. The portion of the loss related to non-credit factors are recorded in AOCL.

Based on an assessment of the factors identified above, management determined the fair value of all the identified investments being less than the amortized costs is primarily caused by the changes in market rates and not credit quality. All interest payments have been received as scheduled, substantially all debt securities are rated above investment grade, and no material downgrades have been announced. Because the Company does not intend to sell the investments, and it is not more likely than not that the Company will be required to sell the investments before recovery of their amortized cost bases, which may be at maturity, the Company does not consider the unrealized loss to be credit related, thus no allowance for credit loss expense was recorded at June 30, 2026 or December 31, 2025.

Equity Securities

Included in equity securities with readily determinable fair values at June 30, 2026, were investments in the common stock of publicly traded bank holding companies and an investment in a mutual fund comprised of 1-4 family residential mortgage-backed securities collateralized by properties within the Company’s market area. Equity securities with readily determinable fair values are reported at fair value with net unrealized gains and losses recognized in the consolidated statements of income and comprehensive income.

The following table presents unrealized and realized gains and losses recognized in net income on equity securities for the three and six months ended June 30, 2026, and 2025:

(Dollars in thousands)	For the three months ended June 30, 2026	For the three months ended June 30, 2025	For the six months ended June 30, 2026	For the six months ended June 30, 2025
Net gains (losses) recognized on equity securities	$ 33	$ (7)	$ 489	$ 64
Less: net gains realized on equity securities sold	104		104	
Unrealized (losses) gains on equity securities	$ (71)	$ (7)	$ 385	$ 64

Equity Securities without Readily Determinable Fair Values

At June 30, 2026 and December 31, 2025, equity securities without readily determinable fair values consisted primarily of Federal Home Loan Bank (“FHLB”) of Pittsburgh stock totaling $14.3 million and $12.4 million, respectively. Equity securities without readily determinable fair values also included an equity interest in a FinTech company, an investment in a FinTech fund and an equity interest in an insurance agency. Equity securities without readily determinable fair values are included in other assets in the consolidated balance sheets. The Company evaluates equity securities without readily determinable fair values for impairment quarterly, or more frequently should events or circumstances indicate that their respective carrying values may not be recoverable. Based on the evaluations, management concluded that the equity securities without readily determinable fair values were not impaired at June 30, 2026 and December 31, 2025. There were no adjustments for impairment related to these securities during the three and six months ended June 30, 2026.

5. Loans, net and allowance for credit losses:

The major classifications of loans outstanding, net of deferred loan origination fees and costs, unearned income and net unaccreted discounts on acquired loans, at June 30, 2026, and December 31, 2025 are summarized as follows. The Company had net deferred loan origination costs of $2.1 million and $1.9 million at June 30, 2026 and December 31, 2025, respectively. Unearned income was $1.4 million at June 30, 2026, and $1.5 million at December 31, 2025. The balance of net unaccreted discounts on acquired loans was $36.2 million and $42.7 million at June 30, 2026 and December 31, 2025, respectively.

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(Dollars in thousands)	June 30, 2026	December 31, 2025
Commercial and industrial	$ 712,705	$ 667,948
Municipal	200,552	202,303
Real estate		
Commercial	2,490,510	2,314,110
Residential	640,000	602,309
Total	3,130,510	2,916,419
Consumer		
Indirect auto	82,721	93,742
Consumer other	16,775	17,496
Total	99,496	111,238
Equipment financing	159,558	168,988
Total	$ 4,302,821	$ 4,066,896

Allowance for Credit Losses

The ACL represents the estimated amount considered necessary to cover lifetime expected credit losses inherent in financial assets at the balance sheet date. The measurement of expected credit losses is applicable to loans receivable and held to maturity securities measured at amortized cost. It also applies to off-balance sheet credit exposures such as loan commitments and unused lines of credit. The allowance is established through a provision for credit losses that is charged against income. The methodology for determining the ACL for loans is considered a critical accounting estimate by management because of the high degree of judgment involved, the subjectivity of the assumptions used, and the potential for changes in the forecasted economic environment that could result in changes to the amount of the recorded ACL. The ACL related to loans receivable and held to maturity debt securities is reported separately as a contra-asset on the consolidated balance sheets. The expected credit loss for off balance sheet commitments, including commitments to extend credit, unused portions of lines of credit and standby letters of credit, is reported on the consolidated balance sheets in other liabilities. The provision for credit losses related to unfunded commitments is reported in other noninterest expense in the consolidated statements of income and comprehensive income.

The Company excludes accrued interest receivable from the amortized cost basis of loans, available for sale securities, and held to maturity securities. Accrued interest receivable on loans, which is reported as a component of accrued interest receivable on the consolidated balance sheets, totaled $15.0 million and $14.7 million at June 30, 2026, and December 31, 2025, respectively. Accrued interest receivable is excluded from the estimate of credit losses as the Company has a policy to reverse accrued interest when a loan is placed on nonaccrual status. Accrued interest receivable on available for sale securities and held to maturity securities, also a component of accrued interest receivable on the consolidated balance sheets, totaled $2.8 million and $3.0 million, respectively, at June 30, 2026, and December 31, 2025 and is excluded from the estimate of credit losses, as the Company has a policy to charge off accrued interest deemed uncollectible in a timely manner.

For a further discussion of our methodology related to the ACL, refer to Note 1 entitled, “Summary of significant accounting policies,” in the Notes to Consolidated Financial Statements included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2025.

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The following tables present the changes in and period end balance of the allowance for credit losses at and for the three and six months ended June 30, 2026 and 2025.

	June 30, 2026						
			Real Estate			Equipment	
(Dollars in thousands)	Commercial	Municipal	Commercial	Residential	Consumer	Financing	Total
Allowance for credit losses:							
Beginning balance April 1, 2026	$ 5,985	$ 1,490	$ 22,171	$ 5,071	$ 1,710	$ 3,159	$ 39,586
Charge-offs	(156)		(166)		(311)	(64)	(697)
Recoveries	6			1	156	154	317
Provisions (credits)	1,164	(287)	3,356	(470)	28	(686)	3,105
Ending balance	$ 6,999	$ 1,203	$ 25,361	$ 4,602	$ 1,583	$ 2,563	$ 42,311

	June 30, 2025						
			Real Estate			Equipment	
(Dollars in thousands)	Commercial	Municipal	Commercial	Residential	Consumer	Financing	Total
Allowance for credit losses:							
Beginning balance April 1, 2025	$ 6,422	$ 1,249	$ 20,861	$ 5,069	$ 2,281	$ 5,172	$ 41,054
Charge-offs	(415)		(62)		(259)	(415)	(1,151)
Recoveries	292		566	64	145	159	1,226
(Credits) provisions	(76)	197	(745)	(127)	14	498	(239)
Ending balance	$ 6,223	$ 1,446	$ 20,620	$ 5,006	$ 2,181	$ 5,414	$ 40,890

	June 30, 2026						
			Real Estate			Equipment	
(Dollars in thousands)	Commercial	Municipal	Commercial	Residential	Consumer	Financing	Total
Allowance for credit losses:							
Beginning balance January 1, 2026	$ 6,036	$ 1,413	$ 19,998	$ 4,963	$ 1,759	$ 4,838	$ 39,007
Charge-offs	(156)		(166)		(905)	(446)	(1,673)
Recoveries	27		3	10	257	188	485
Provisions (credits)	1,092	(210)	5,526	(371)	472	(2,017)	4,492
Ending balance	$ 6,999	$ 1,203	$ 25,361	$ 4,602	$ 1,583	$ 2,563	$ 42,311

	June 30, 2025						
			Real Estate			Equipment	
(Dollars in thousands)	Commercial	Municipal	Commercial	Residential	Consumer	Financing	Total
Allowance for credit losses:							
Beginning balance January 1, 2025	$ 6,004	$ 1,072	$ 21,804	$ 4,924	$ 2,540	$ 5,432	$ 41,776
Charge-offs	(572)		(62)	(92)	(646)	(1,012)	(2,384)
Recoveries	305		566	65	318	283	1,537
Provisions (credits)	486	374	(1,688)	109	(31)	711	(39)
Ending balance	$ 6,223	$ 1,446	$ 20,620	$ 5,006	$ 2,181	$ 5,414	$ 40,890

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The following table represents the allowance for credit losses by major classification of loans and whether the loans were individually or collectively evaluated and collateral dependent by class of loans at June 30, 2026 and December 31, 2025.

	June 30, 2026						
			Real Estate			Equipment	
(Dollars in thousands)	Commercial	Municipal	Commercial	Residential	Consumer	Financing	Total
Allowance for credit losses:							
Ending balance	$ 6,999	$ 1,203	$ 25,361	$ 4,602	$ 1,583	$ 2,563	$ 42,311
Ending balance: individually evaluated for impairment	440		419	69		164	1,092
Ending balance: collectively evaluated for impairment	$ 6,559	$ 1,203	$ 24,942	$ 4,533	$ 1,583	$ 2,399	$ 41,219
Loans receivable:							
Ending balance	$ 712,705	$ 200,552	$ 2,490,510	$ 640,000	$ 99,496	$ 159,558	$ 4,302,821
Individually evaluated - collateral dependent - real estate			7,023	1,890			8,913
Individually evaluated - collateral dependent - non-real estate	2,600					841	3,441
Collectively evaluated	$ 710,105	$ 200,552	$ 2,483,487	$ 638,110	$ 99,496	$ 158,717	$ 4,290,467

	December 31, 2025						
			Real Estate			Equipment	
(Dollars in thousands)	Commercial	Municipal	Commercial	Residential	Consumer	Financing	Total
Allowance for credit losses:							
Ending balance	$ 6,036	$ 1,413	$ 19,998	$ 4,963	$ 1,759	$ 4,838	$ 39,007
Ending balance: individually evaluated for impairment	404		451	78		399	1,332
Ending balance: collectively evaluated for impairment	$ 5,632	$ 1,413	$ 19,547	$ 4,885	$ 1,759	$ 4,439	$ 37,675
Loans receivable:							
Ending balance	$ 667,948	$ 202,303	$ 2,314,110	$ 602,309	$ 111,238	$ 168,988	$ 4,066,896
Individually evaluated - collateral dependent - real estate	1,470		4,056	3,039			8,565
Individually evaluated - collateral dependent - non-real estate	485					1,153	1,638
Collectively evaluated	$ 665,993	$ 202,303	$ 2,310,054	$ 599,270	$ 111,238	$ 167,835	$ 4,056,693

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Nonaccrual Loans

The following table presents the Company's nonaccrual loans, including non-purchased credit deteriorated ("PCD") nonaccrual loans, at June 30, 2026 and December 31, 2025.

	June 30, 2026		
(Dollars in thousands)	Total Nonaccrual Loans	Nonaccrual with an Allowance for Credit Losses	Nonaccrual with no Allowance for Credit Losses
Commercial and industrial	$ 2,699	$ 2,600	$ 99
Municipal			
Real estate:			
Commercial	7,415	7,023	392
Residential	2,326	1,890	436
Consumer	371		371
Equipment financing	856	841	15
Total	$ 13,667	$ 12,354	$ 1,313

	December 31, 2025		
(Dollars in thousands)	Total Nonaccrual Loans	Nonaccrual with an Allowance for Credit Losses	Nonaccrual with no Allowance for Credit Losses
Commercial and industrial	$ 1,955	$ 1,016	$ 939
Municipal			
Real estate:			
Commercial	4,152	1,178	2,974
Residential	2,511	67	2,444
Consumer	1,048		1,048
Equipment financing	1,130	828	302
Total	$ 10,796	$ 3,089	$ 7,707

Interest income recorded on nonaccrual loans was $368 thousand and $417 thousand for the three and six-month period ending June 30, 2026, and $91 thousand and $143 thousand for the three and six months ended June 30, 2025.

The Company segments loans into risk categories based on relevant information about the ability of borrowers to service their debt such as current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. Loans are individually analyzed for credit risk by classifying them within the Company's internal risk rating system. The Company's risk rating classifications are defined as follows:

- Pass - A loan to a borrower with acceptable credit quality and risk that is not adversely classified as Substandard, Doubtful, Loss nor designated as Special Mention.
- Special Mention - A loan that has potential weaknesses that deserves management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or in the institution's credit position at some future date. Special Mention loans are not adversely classified since they do not expose the Company to sufficient risk to warrant adverse classification.
- Substandard - A loan that is inadequately protected by the current sound worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified must have a well-defined weakness or

weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the Bank will sustain some loss if the deficiencies are not corrected.

- Doubtful – A loan classified as Doubtful has all the weaknesses inherent in one classified Substandard with the added characteristic that the weaknesses make the collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.
- Loss - A loan classified as Loss is considered uncollectible and of such little value that its continuance as bankable loan is not warranted. This classification does not mean that the loan has absolutely no recovery or salvage value, but rather it is not practical or desirable to defer writing off this basically worthless asset even though partial recovery may be realized in the future.

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The following table presents the amortized cost of loans and gross charge-offs by year of origination and by major classification of loans summarized by the aggregate pass rating and the classified ratings of special mention, substandard and doubtful within the Company's internal risk rating system at June 30, 2026 and December 31, 2025:

	As of June 30, 2026								
(Dollars in thousands)	**2026**	**2025**	**2024**	**2023**	**2022**	**Prior**	**Revolving Loans Amortized Cost Basis**	**Revolving Loans Converted to Term**	**Total**
Commercial and industrial									
Pass	$ 79,012	$ 79,091	$ 69,493	$ 37,572	$ 47,570	$ 121,229	$ 260,449	$ 10	$ 694,426
Special mention	36				300	15	1,873		2,224
Substandard	46	373	530	148	1,958	792	12,208		16,055
Total commercial	79,094	79,464	70,023	37,720	49,828	122,036	274,530	10	712,705
Municipal									
Pass	18,410	12,249	4,266	1,181	44,955	117,647	1,844		200,552
Special mention									
Substandard									
Total municipal	18,410	12,249	4,266	1,181	44,955	117,647	1,844		200,552
Commercial real estate									
Pass	262,447	400,923	141,666	158,685	526,125	947,847		1,396	2,439,089
Special mention		562		5,760	629	10,001			16,952
Substandard	97	1,144	1,146	1,547	12,023	18,297		215	34,469
Total commercial real estate	262,544	402,629	142,812	165,992	538,777	976,145		1,611	2,490,510
Residential real estate									
Pass	31,623	55,146	36,952	38,658	64,674	239,711	172,104		638,868
Special mention									
Substandard						959	173		1,132
Total residential real estate	31,623	55,146	36,952	38,658	64,674	240,670	172,277		640,000
Consumer									
Pass	12,556	21,434	15,801	18,214	15,170	8,263	7,717		99,155
Special mention									
Substandard	2	8	78	83	117	47	6		341
Total consumer	12,558	21,442	15,879	18,297	15,287	8,310	7,723		99,496
Equipment financing									
Pass	26,334	43,913	40,926	31,671	12,722	1,803			157,369
Special mention									
Substandard		388	648	795	358				2,189
Total equipment financing	26,334	44,301	41,574	32,466	13,080	1,803			159,558
Total Loans	$ 430,563	$ 615,231	$ 311,506	$ 294,314	$ 726,601	$ 1,466,611	$ 456,374	$ 1,621	$ 4,302,821
Gross charge-offs									
Commercial and industrial	$	$	$ 98	$	$	$ 58	$	$	$ 156
Municipal									
Commercial real estate						166			166
Residential real estate									
Consumer		191	265	179	163	107			905
Equipment financing		10	179	76	181				446
Total gross charge-offs	$	$ 201	$ 542	$ 255	$ 344	$ 331	$	$	$ 1,673

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	As of December 31, 2025								
(Dollars in thousands)	**2025**	**2024**	**2023**	**2022**	**2021**	**Prior**	**Revolving Loans Amortized Cost Basis**	**Revolving Loans Converted to Term**	**Total**
Commercial and industrial									
Pass	$ 81,246	$ 69,710	$ 57,789	$ 53,915	$ 38,907	$ 94,729	$ 251,834	$ 100	$ 648,230
Special mention	300	572		2,725	36	9	8,718		12,360
Substandard		111	400	579	664	30	5,574		7,358
Total commercial	81,546	70,393	58,189	57,219	39,607	94,768	266,126	100	667,948
Municipal									
Pass	23,125	4,324	1,354	45,369	88,165	38,331	1,635		202,303
Special mention									
Substandard									
Total municipal	23,125	4,324	1,354	45,369	88,165	38,331	1,635		202,303
Commercial real estate									
Pass	359,323	146,483	175,145	566,480	441,660	586,189		71	2,275,351
Special mention	573			1,508	2,174	9,149			13,404
Substandard	542	508	1,217	7,841	6,870	8,377			25,355
Total commercial real estate	360,438	146,991	176,362	575,829	450,704	603,715		71	2,314,110
Residential real estate									
Pass	56,021	38,109	40,913	66,927	104,534	148,121	146,380		601,005
Special mention									
Substandard					258	869	177		1,304
Total residential real estate	56,021	38,109	40,913	66,927	104,792	148,990	146,557		602,309
Consumer									
Pass	25,443	19,746	24,017	21,716	9,574	3,153	6,493		110,142
Special mention									
Substandard	158	161	137	338	177	113	12		1,096
Total consumer	25,601	19,907	24,154	22,054	9,751	3,266	6,505		111,238
Equipment financing									
Pass	50,357	51,024	43,364	21,050	724				166,519
Special mention			129	12					141
Substandard	287	664	691	686					2,328
Total equipment financing	50,644	51,688	44,184	21,748	724				168,988
Total Loans	$ 597,375	$ 331,412	$ 345,156	$ 789,146	$ 693,743	$ 889,070	$ 420,823	$ 171	$ 4,066,896
Gross charge-offs									
Commercial and industrial	$	$ 300	$	$ 24	$ 57	$ 493	$	$	$ 874
Municipal									
Commercial real estate				853		95			948
Residential real estate				92					92
Consumer		195	361	342	116	55			1,069
Equipment Financing	210	201	778	661					1,850
Total gross charge-offs	$ 210	$ 696	$ 1,139	$ 1,972	$ 173	$ 643	$	$	$ 4,833

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The major classifications of loans by past due status are summarized as follows at June 30, 2026 and December 31, 2025:

	June 30, 2026						
(Dollars in thousands)	30-59 Days Past Due	60-89 Days Past Due	Greater than 90 Days	Total Past Due	Current	Total Loans	Loans > 90 Days and Accruing
Commercial and industrial	$ 422	$ 403	$ 927	$ 1,752	$ 710,953	$ 712,705	$
Municipal					200,552	200,552	
Real estate:							
Commercial	1,641	3,028	4,758	9,427	2,481,083	2,490,510	
Residential	2,954	426	1,498	4,878	635,122	640,000	451
Consumer	1,701	359	182	2,242	97,254	99,496	
Equipment financing	972	191	318	1,481	158,077	159,558	
Total	$ 7,690	$ 4,407	$ 7,683	$ 19,780	$ 4,283,041	$ 4,302,821	$ 451

	December 31, 2025						
(Dollars in thousands)	30-59 Days Past Due	60-89 Days Past Due	Greater than 90 Days	Total Past Due	Current	Total Loans	Loans > 90 Days and Accruing
Commercial and industrial	$ 1,090	$ 147	$ 1,827	$ 3,064	$ 664,884	$ 667,948	$
Municipal					202,303	202,303	
Real estate:							
Commercial	3,943	1,459	3,550	8,952	2,305,158	2,314,110	
Residential	2,948	1,413	1,748	6,109	596,200	602,309	524
Consumer	2,527	500	776	3,803	107,435	111,238	
Equipment financing	733	747	495	1,975	167,013	168,988	
Total	$ 11,241	$ 4,266	$ 8,396	$ 23,903	$ 4,042,993	$ 4,066,896	$ 524

There were no residential real estate loans in the formal process of foreclosure at June 30, 2026. Residential real estate loans in the formal process of foreclosure were $0.6 million at December 31, 2025.

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Allowance for Credit Losses on Off Balance Sheet Commitments

Off balance sheet commitments include commitments to extend credit, unused portions of lines of credit and standby letters of credit. The Company establishes an ACL for off-balance sheet commitments, which is included in other liabilities on the consolidated balance sheets, to provide for expected credit losses that may be incurred related to these instruments. The following table presents the activity in the ACL related to off balance sheet commitments, for the three and six months ended June 30, 2026 and 2025:

	For the Three Months Ended	
(Dollars in thousands)	**June 30, 2026**	**June 30, 2025**
Beginning balance	$ 1,081	$ 677
Charge-off	(3)	
Provision for credit losses recorded in noninterest expense	219	172
Total allowance for credit losses on off balance sheet commitments	$ 1,297	$ 849

	For the Six Months Ended	
(Dollars in thousands)	**June 30, 2026**	**June 30, 2025**
Beginning balance	$ 1,305	$ 880
Charge-off	(3)	(1)
Credit to provision for credit losses recorded in noninterest expense	(5)	(30)
Total allowance for credit losses on off balance sheet commitments	$ 1,297	$ 849

The contractual amounts of off-balance sheet commitments at June 30, 2026 and December 31, 2025 are as follows:

(Dollars in thousands)	**June 30, 2026**	**December 31, 2025**
Commitments to extend credit	$ 678,794	$ 660,353
Unused portions of lines of credit	197,179	178,689
Standby letters of credit	72,570	54,970
	$ 948,543	$ 894,012

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Modifications to Borrowers Experiencing Financial Difficulty

There were no modifications made to loans to borrowers experiencing financial difficulty during the three months and six months ended June 30, 2026. There were no modifications made to borrowers experiencing financial difficulty during the three months ended June 30, 2025.

The following table presents, by class of loans, information regarding modified loans to borrowers experiencing financial difficulty during the six months ended June 30, 2026 and 2025.

	Other-Than-Insignificant Payment Delay For the six months ended June 30,							
	2026				2025			
(Dollars in thousands)	**Number of Loans**	**Amortized Cost Basis**	**% of Total Class of Financing Receivable**	**Related Reserve**	**Number of Loans**	**Amortized Cost Basis**	**% of Total Class of Financing Receivable**	**Related Reserve**
Modified Loans to Borrowers Experiencing Financial Difficulty:								
Commercial and industrial		$	0.00%	$	1	$ 242	0.036%	$
Total		$		$	1	$ 242		$

The following table presents, by class of loans, information regarding the financial effect on modified loans to borrowers experiencing financial difficulty during the six months ended June 30, 2025.

	Other-Than-Insignificant Payment Delay		
(Dollars in thousands)	**No. of Loans**	**Balance**	**Financial Effect**
For the Six Months Ended June 30, 2025			
Nonaccrual modified loans to borrowers experiencing financial difficulty:			
Commercial and industrial	1	$ 242	Modified principal and interest payment to interest only for 4 months
Total	**1**	$ 242	

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6. Other assets:

The components of other assets at June 30, 2026 and December 31, 2025 are summarized as follows:

(Dollars in thousands)	June 30, 2026	December 31, 2025
Other real estate owned	$ 1,341	$ 1,682
Mortgage servicing rights (1)	1,267	1,211
Prepaid shares tax	1,294	253
Equity investments without readily determinable fair value	5,000	4,908
Prepaid pension	7,259	7,096
Prepaid expenses	8,887	7,813
Restricted equity securities (FHLB and ACBB)	14,331	12,457
Investment in low-income housing limited partnerships	24,486	15,454
Interest rate swaps(2)	14,333	15,583
Other assets	8,325	4,220
Total	$ 86,523	$ 70,677

(1) The Company originates one-to-four family residential mortgage loans for sale in the secondary market with servicing rights retained. Mortgage loans serviced for others are not included in the accompanying consolidated balance sheets. The unpaid principal balances of mortgage loans serviced for others were $174.8 million at June 30, 2026, and $174.3 million at December 31, 2025.

(2) Interest rate swaps balance represents the fair value of the commercial loan back-to-back swaps.

Investments in limited partnerships

The Company is a limited partner in several tax-advantaged limited partnerships whose purpose is to invest in approved low-income housing investment tax credit projects. These investments are accounted for using the proportional amortization method of accounting and are included in other assets in the consolidated balance sheets. The limited partnerships are considered to be variable interest entities ("VIEs") as they generally do not have equity investors with voting rights or have equity investors that do not provide sufficient financial resources to support their activities. The VIEs have not been consolidated because the Company is not considered the primary beneficiary. All of the Company's investments in limited partnerships are privately held, and their market values are not readily available. As of June 30, 2026, and December 31, 2025, the Company had $24.5 million and $15.5 million, respectively, invested in these partnerships. At June 30, 2026, the Company had unconditional unfunded equity commitments of $10.7 million included in other liabilities on the consolidated balance sheets. There were no unfunded equity commitments recognized at December 31, 2025. The Company classifies the amortization of the investment as a component of income tax expense and proportionally amortizes the investment over the tax credit period. Amortization expense related to these investments for the three and six months ended June 30, 2026 was $1.0 million and $1.8 million, respectively. Amortization expense was $0.5 million and $0.9 million for the three and six months ended June 30, 2025, respectively. The tax benefits attributed to these partnerships include low-income housing tax credits, which are included in income tax expense, and are projected to total $2.5 million for 2026. For 2025, tax benefits totaled $2.2 million.

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The following table presents the scheduled equity commitments to be paid to the limited partnerships over the next five years and in the aggregate thereafter as of June 30, 2026.

(Dollars in thousands)	2026
2026	$ 10,227
2027	212
2028	23
2029	24
2030	22
2031 and thereafter	225
Total	$ 10,733

7. Fair value estimates:

The Company uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosure under GAAP. Fair value estimates are calculated without attempting to estimate the value of anticipated future business and the value of certain assets and liabilities that are not considered financial. Accordingly, such assets and liabilities are excluded from disclosure requirements.

In accordance with FASB ASC 820, “Fair Value Measurements and Disclosures,” fair value is the price that would be received to sell an asset or transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. In that regard, the derived fair value estimates cannot be substantiated by comparison to independent markets. In many cases, these values cannot be realized in immediate settlement of the instrument.

Current fair value guidance provides a consistent definition of fair value, which focuses on exit price in an orderly transaction that is not a forced liquidation or distressed sale between participants at the measurement date under current market conditions. If there has been a significant decrease in the volume and level of activity for the asset or liability, a change in valuation technique or the use of multiple valuation techniques may be appropriate. In such instances, determining the price at which willing market participants would transact at the measurement date under current market conditions depends on the facts and circumstances and requires the use of significant judgment. The fair value is a reasonable point within the range that is most representative of fair value under current market conditions.

In accordance with GAAP, the Company groups its assets and liabilities generally measured at fair value into three levels based on market information or other fair value estimates in which the assets and liabilities are traded or valued and the reliability of the assumptions used to determine fair value. These levels include:

- Level 1: Unadjusted quoted prices of identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.
- Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- Level 3: Significant unobservable inputs that reflect a reporting entity’s own assumptions about the assumptions that market participants would use in pricing an asset or liability.

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An asset's or liability's placement in the fair value hierarchy is based on the lowest level of input that is significant to the fair value estimate.

The following methods and assumptions were used by the Company to calculate fair values and related carrying amounts of financial instruments:

Investment securities: The fair values of U.S. Treasury securities and marketable equity securities are based on quoted market prices from active exchange markets and are considered to be Level 1 inputs. The fair values of debt securities are calculated on market prices of similar instruments using a matrix pricing model, which are considered to be Level 2 inputs.

Interest rate swaps and floors: The Company's interest rate swaps and options are reported at fair value utilizing Level 2 inputs. Values of these instruments are obtained through an independent pricing source utilizing information which may include market observed quotations for interest rate, forward rates, rate volatility, and volatility surface. Derivative contracts create exposure to interest rate movements as well as risks from the potential of non-performance of the counterparty.

Individually evaluated loans: Fair values for individually evaluated loans are estimated using underlying collateral values, where applicable.

Other real estate owned: Other real estate owned ("OREO") represents properties that the Company has acquired through foreclosure by either accepting a deed in lieu of foreclosure, or by taking possession of assets that collateralized a loan, and former bank premises that are no longer used for operations or for future expansion. The Company reports OREO at the lower of cost or fair value less estimated cost to sell, adjusted periodically based on a current appraisal. Write-downs and any gain or loss upon the sale of OREO is recorded in other non-interest income. OREO is reported in other assets on the consolidated balance sheets. The carrying value of OREO was $1.3 million at June 30, 2026, and $1.7 million at December 31, 2025. Other real estate owned is classified within Level 3 in the fair value hierarchy based on appraisals, letters of intent or agreements of sale received from third parties.

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Assets and liabilities measured at fair value on a recurring basis at June 30, 2026 and December 31, 2025 are summarized as follows:

	At June 30, 2026			
	Fair Value Measurement Using			
(Dollars in thousands)	**Amount**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
U.S. Treasury securities	$ 18,003	$ 18,003	$	$
State and municipals:				
Taxable	57,253		57,253	
Tax-exempt	142,829		142,829	
Residential mortgage-backed securities:				
U.S. government agencies	20,020		20,020	
U.S. government-sponsored enterprises	137,947		137,947	
Commercial mortgage-backed securities:				
U.S. government-sponsored enterprises	1,658		1,658	
Private collateralized mortgage obligations	48,046		48,046	
Asset backed securities	14,590		14,590	
Corporate debt securities	17,056		17,056	
Negotiable certificates of deposit	742		742	
Equity securities	2,748	2,748		
Total investment securities	$ 460,892	$ 20,751	$ 440,141	$
Interest rate swap-other assets	$ 14,333		$ 14,333	
Interest rate swap-other liabilities	$ (14,074)		$ (14,074)	

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	At December 31, 2025			
	Fair Value Measurement Using			
(Dollars in thousands)	Amount	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
U.S. Treasury securities	$ 30,998	$ 30,998	$	$
State and municipals:				
Taxable	61,622		61,622	
Tax-exempt	125,117		125,117	
Residential mortgage-backed securities:				
U.S. government agencies	42,699		42,699	
U.S. government-sponsored enterprises	160,080		160,080	
Commercial mortgage-backed securities:				
U.S. government-sponsored enterprises	1,770		1,770	
Private collateralized mortgage obligations	48,484		48,484	
Asset backed securities	16,267		16,267	
Corporate debt securities	24,794		23,806	988
Negotiable certificates of deposit	732		732	
Equity securities	2,598	2,598		
Total investment securities	$ 515,161	$ 33,596	$ 480,577	$ 988
Interest rate swap-other assets	$ 15,583		$ 15,583	
Interest rate swap-other liabilities	$ (15,345)		$ (15,345)	

Assets and liabilities measured at fair value on a nonrecurring basis at June 30, 2026, and December 31, 2025, are summarized as follows:

	June 30, 2026					
	Fair Value Measurement					
(Dollars in thousands)	Recorded Investments	Valuation Allowance	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Loans individually evaluated for impairment	$ 12,354	$ 1,092	$ 11,262	$	$	$ 11,262
Other real estate owned	$ 1,341	$	$ 1,341	$	$	$ 1,341

	December 31, 2025					
	Fair Value Measurement					
(Dollars in thousands)	Recorded Investment	Valuation Allowance	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Loans individually evaluated for impairment	$ 10,203	$ 1,332	$ 8,871	$	$	$ 8,871
Other real estate owned	$ 1,682	$	$ 1,682	$	$	$ 1,682

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The following table presents additional quantitative information about assets measured at fair value on a nonrecurring basis at June 30, 2026, and December 31, 2025, and for which the Company has utilized Level 3 inputs to determine fair value:

(Dollars in thousands, except percents) June 30, 2026	Quantitative Information about Level 3 Fair Value Measurements Fair Value Estimate	Valuation Techniques	Unobservable Input	Range (Weighted Average)
Loans individually evaluated for credit loss	$ 11,262	Appraisal of collateral	Appraisal adjustments	0.0% to 85.0% (66.6)%
			Liquidation expenses	0.0% to 0.0% (0.0)%
Other real estate owned	$ 1,341	Appraisal of collateral	Appraisal adjustments	0.0% to 10.0% (5.6)%
			Liquidation expenses	0.0% to 10.0% (4.9)%

(Dollars in thousands, except percents) December 31, 2025	Quantitative Information about Level 3 Fair Value Measurements Fair Value Estimate	Valuation Techniques	Unobservable Input	Range (Weighted Average)
Loans individually evaluated for credit loss	$ 8,871	Appraisal of collateral	Appraisal adjustments	0.0% to 100.0% (52.4)%
			Liquidation expenses	0.0% to 12.2% (0.26)%
Other real estate owned	$ 1,682	Appraisal of collateral	Appraisal adjustments	10.0% to 25.0% (16.9)%
			Liquidation expenses	0.0% to 0.0% (0.0)%

Fair value is generally determined through independent appraisals of the underlying collateral, which generally include various Level 3 inputs which are not identifiable.

Appraisals may be adjusted by management for qualitative factors such as economic conditions and estimated liquidation expenses. The range and weighted average of liquidation expenses and other appraisal adjustments are presented as a percentage of the appraisal.

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The carrying and fair values of the Company's financial instruments at June 30, 2026, and December 31, 2025, and their placement within the fair value hierarchy are as follows:

(Dollars in thousands)			Fair Value Hierarchy		
June 30, 2026	Carrying Value	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial assets:					
Cash and due from banks	$ 256,250	$ 256,250	$ 256,250	$	$
Investment securities:					
Available for sale	458,144	458,144	18,003	440,141	-
Held to maturity	68,723	59,311		59,311	
Equity securities	2,748	2,748	2,748		
Loans held for sale	718	718		718	
Net loans	4,260,510	4,211,861			4,211,861
Accrued interest receivable	17,770	17,770		17,770	
Mortgage servicing rights	1,267	2,196		2,196	
Restricted equity securities (FHLB and other)	14,331	14,331		14,331	
Other assets - interest rate swaps	14,333	14,333		14,333	
Total	$ 5,094,794	$ 5,037,662			
Financial liabilities:					
Deposits	$ 4,508,852	$ 4,505,086	$	$ 4,505,086	$
Short-term borrowings	85,331	85,250		85,250	
Long-term debt	154,472	154,379		154,379	
Subordinated debt	83,392	90,382		90,382	
Junior subordinated debt	8,194	11,667		11,667	
Accrued interest payable	4,727	4,727		4,727	
Other liabilities - interest rate swaps	14,074	14,074		14,074	
Total	$ 4,859,042	$ 4,865,565			

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(Dollars in thousands) December 31, 2025	Carrying Value	Fair Value	Fair Value Hierarchy: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial assets:					
Cash and due from banks	$ 268,984	$ 268,984	$ 268,984	$	$
Investment securities:					
Available for sale	512,563	512,563	30,998	480,577	988
Held to maturity	72,047	62,798		62,798	
Equity securities	2,598	2,598	2,598		
Loans held for sale	805	805		805	
Net loans	4,027,889	3,953,431			3,953,431
Accrued interest receivable	17,633	17,633		17,633	
Mortgage servicing rights	1,211	2,099		2,099	
Restricted equity securities (FHLB and other)	12,457	12,457		12,457	
Other assets - interest rate swaps	15,583	15,583		15,583	
Total	$ 4,931,770	$ 4,848,951			
Financial liabilities:					
Deposits	$ 4,434,069	$ 4,431,901	$	$ 4,431,901	$
Short-term borrowings	32,721	32,904		32,904	
Long-term debt	134,352	134,982		134,982	
Subordinated debt	83,187	86,456		86,456	
Junior subordinated debt	8,140	7,293		7,293	
Accrued interest payable	6,792	6,792		6,792	
Other liabilities - interest rate swaps	15,345	15,345		15,345	
Total	$ 4,714,606	$ 4,715,673			

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8. Employee benefit and stock plans:

Employee benefit plans

The Company sponsors a Retirement Profit Sharing 401(k) Plan and previously sponsored an Employee Stock Ownership Plan ("ESOP"). On June 25, 2025, the board of directors adopted a resolution to merge the ESOP into the Retirement Profit Sharing 401(k) Plan, which became effective on October 15, 2025. The Company maintains Supplemental Executive Retirement Plans ("SERPs") for certain of its executive officers, and an Employees' Pension Plan, which is currently frozen. Expenses related to these plans, which is included in salaries and employee benefits expense, totaled $0.6 million and $1.3 million for the three and six months ended June 30, 2026, and $0.5 million and $1.2 million for the three and six months ended June 30, 2025.

The components of net periodic pension benefit for the three and six months ended June 30, 2026 and 2025 are summarized in the following tables:

	Three Months Ended June 30, Pension Benefits	
(Dollars in thousands)	**2026**	**2025**
Net periodic pension benefit:		
Interest cost	$ 158	$ 165
Expected return on plan assets	(242)	(337)
Amortization of unrecognized net loss	2	35
Net periodic pension benefit	$ (82)	$ (137)

	Six Months Ended June 30, Pension Benefits	
(Dollars in thousands)	**2026**	**2025**
Net periodic pension benefit:		
Interest cost	$ 316	$ 330
Expected return on plan assets	(484)	(674)
Amortization of unrecognized net loss	4	70
Net periodic pension benefit:	$ (164)	$ (274)

Stock plans

In May 2017, the Company's stockholders approved the 2017 equity incentive plan ("2017 Plan"). In May 2023, the Company's stockholders approved the 2023 equity incentive plan ("2023 Plan"). The 2017 Plan and 2023 Plan authorize grants of stock options, stock appreciation rights, cash awards, performance awards, restricted stock, and restricted stock units. Under the 2017 Plan and 2023 Plan the compensation committee of the Company's board of directors has the authority to, among other things:

- Select the persons to be granted awards under the Plan.
- Determine the type, size, and term of awards.
- Determine whether such performance objectives and conditions have been met.
- Accelerate the vesting or exercisability of an award.

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Persons eligible to receive awards under the 2017 Plan and 2023 Plan include directors, officers, employees, consultants and other service providers of the Company and its subsidiaries.

While the 2017 Plan will remain in effect in accordance with its terms to govern outstanding awards under that plan, the Company intends to make future grants under the 2023 Plan. If any awards outstanding under the 2023 Plan are forfeited by the holder or canceled by the Company, the underlying shares would be available for regrant to others under the 2023 Plan. On May 22, 2026, the Company's shareholders approved an amendment to the 2023 Plan to increase the number of shares that may be issued under the 2023 Plan. As of June 30, 2026, 135,259 shares of the Company's common stock were available for grants as awards pursuant to the 2023 Plan.

On January 30, 2026, a total of 4,455 shares of restricted stock awards with a fair value of $50.61 per share were granted under the 2023 Plan to the Bank's non-employee directors with each director receiving 297 shares. On January 31, 2025, a total of 3,080 shares of restricted stock awards with a fair value of $53.64 per share were granted under the 2023 Plan to the Bank's non-employee directors. The restricted stock awards granted in January 2026 and 2025 vested immediately upon grant. Director compensation expense related to these grants was $56 thousand and $113 thousand for the three and six months ended June 30, 2026 and also for the three and six months ended June 30, 2025 and is included in other expenses in the consolidated statements of income and comprehensive income.

For the six months ended June 30, 2026, the Company granted 15,660 performance-vested restricted stock units and 12,678 time-vested restricted stock units to employees under the 2023 Plan. For the six months ended June 30, 2025, the Company granted 39,249 performance-vested restricted stock units and 17,107 time-vested restricted stock units to employees under the 2023 Plan. The time-vested restricted stock awards and restricted stock units granted to employees in 2026, 2025, 2024 and 2023 vest equally over three, five or seven years, as applicable. The performance-vested restricted stock units vest over two or three fiscal years and include conditions based on the Company's two- and three-year cumulative diluted earnings per share and two and three-year average return on tangible common equity which determines the number of restricted stock units that may vest.

The Company expenses the fair value of all employee share-based compensation over the requisite service period commencing at grant date. The fair value of restricted stock is expensed on a straight-line basis. Compensation is recognized over the vesting period and adjusted based on the performance criteria. The Company classifies share-based compensation for employees within "salaries and employee benefits expense" on the consolidated statements of income and comprehensive income. The Company recognized compensation costs of $218 thousand and $430 thousand for the three and six months ended June 30, 2026, for awards granted under the 2023 Plan. The Company recognized net compensation costs of $204 thousand and $512 thousand for the three and six months ended June 30, 2025, for the awards granted under the 2023 Plan. In addition, during the six months ended June 30, 2025, the Company reversed $491 thousand in accrued expenses related to the vesting of performance stock units awarded in 2022 and $213 thousand related to performance stock units awarded in 2024.

As of June 30, 2026, the Company had $3.6 million of unrecognized compensation expense associated with restricted stock and restricted stock unit awards. The remaining cost is expected to be recognized over a weighted average vesting period of under 3.3 years.

9. Derivatives and hedging activities

Risk Management Objective of Using Derivatives

The Company is exposed to certain risk arising from both its business operations and economic conditions. The Company principally manages its exposures to a wide variety of business and operational risks through management of its core business activities. The Company manages economic risks, including interest rate, liquidity, and credit risk primarily by managing the amount, sources, and duration of its assets and liabilities and the use of derivative financial instruments. Specifically, the Company enters into derivative financial instruments to manage exposures that arise from business activities that result in the receipt or payment of future known and uncertain cash amounts, the value of which are determined by interest rates. The Company's derivative financial instruments are used to manage differences in the amount, timing, and duration of the Company's known or expected cash receipts principally related to the Company's assets and borrowings.

Cash Flow Hedges of Interest Rate Risk

The Company's objectives in using interest rate derivatives are to add stability to interest income/expense and to manage its exposure to interest rate movements. To accomplish this objective, the Company primarily uses interest rate swaps and floors as part of its interest rate risk management strategy. Interest rate swaps designated as cash flow hedges involve the receipt of variable amounts from a counterparty in exchange for the Company making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount. Interest rate floors designated as cash flow hedges involve the receipt of variable-rate amounts from a counterparty if interest rates fall below the strike rate on the contract in exchange for an up-front premium. Such derivatives have been used to hedge the variable cash flows associated with existing variable-rate assets and issuances of debt.

For derivatives designated and that qualify as cash flow hedges of interest rate risk, the gain or loss on the derivative is recorded in AOCL and subsequently reclassified into interest expense/income in the same period(s) during which the hedged transaction affects earnings. Amounts reported in AOCL related to derivatives will be reclassified to interest expense/income as interest payments are made/received on the Company's variable-rate debt/assets. During the next twelve months, the Company estimates that no amount will be reclassified as a reduction to interest income.

Fair Value Hedges of Interest Rate Risk

The Company is exposed to changes in the fair value of certain of its fixed-rate pools of assets due to changes in benchmark interest rates. The Company uses interest rate swaps to manage its exposure to changes in fair value on these instruments attributable to changes in the designated benchmark interest rate, the Secured Overnight Financing Rate ("SOFR"). Interest rate swaps designated as fair value hedges involve the payment of fixed-rate amounts to a counterparty in exchange for the Company receiving variable-rate payments over the life of the agreements without the exchange of the underlying notional amount.

For derivatives designated and that qualify as fair value hedges, the gain or loss on the derivative as well as the offsetting loss or gain on the hedged item attributable to the hedged risk are recognized in interest income.

As of June 30, 2026 and December 31, 2025, the following amounts were recorded on the consolidated balance sheet related to cumulative basis adjustment for fair value hedges:

Line Item in the Consolidated Balance Sheets in Which the Hedged Item is Included	Amortized Amount of the Hedged Assets/(Liabilities)		Cumulative Amount of Fair Value Hedging Adjustment Included in the Carrying Amount of the Hedged Assets/(Liabilities)	
(Dollars in thousands)	June 30, 2026	December 31, 2025	June 30, 2026	December 31, 2025
AFS Securities (1)	$ 131,845	$ 139,219	$ 67	$ 303
Total	$ 131,845	$ 139,219	$ 67	$ 303

(1) Fixed Rate AFS Securities. These amounts include the amortized cost basis of closed portfolios of fixed rate assets used to designate hedging relationships in which the hedged item is the stated amount of assets in the closed portfolio anticipated to be outstanding for the designated hedged period. At June 30, 2026, the amortized cost basis of the closed portfolios used in these hedging relationships was $131.8 million. The amounts of the designated hedged items were $25.0 million. At December 31, 2025, the amortized cost basis of the closed portfolios used in these hedging relationships was $139.2 million. The amounts of the designated hedged items were $75.0 million.

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Non-designated Hedges

Certain credit-related derivatives not designated as hedges, which include interest rate swaps and risk participation agreements, are not speculative and result from a service the Company provides to certain customers and lenders that participate in loans.

The Company executes interest rate swaps with commercial banking customers to facilitate their respective risk management strategies. Those interest rate swaps are simultaneously hedged by offsetting derivatives that the Company executes with a third party, such that the Company minimizes its net risk exposure resulting from such transactions. As the interest rate derivatives associated with this program do not meet the strict hedge accounting requirements, changes in the fair value of both the customer derivatives and the offsetting derivatives are recognized directly in earnings. As of June 30, 2026, the Company had 183 interest rate swaps with an asset notional amount of $454.4 million and a liability notional amount of $424.2 million related to this program. As of December 31, 2025, the Company had 164 interest rate swaps with an asset notional amount of $405.2 million and a liability notional amount of $374.3 million related to this program.

The Company's existing risk-participation agreements result from participations in or out of interest rate swaps provided by or to external lenders as part of loan participation arrangements, therefore, are not used to manage interest rate risk in the Company's assets or liabilities.

Fair Values of Derivative Instruments on the Balance Sheet

The table below presents the fair value of the Company's derivative financial instruments as well as their classification on the consolidated balance sheets as of June 30, 2026 and December 31, 2025.

Fair Values of Derivative Instruments

	Derivative Assets					Derivative Liabilities				
	As of June 30, 2026 (1)			As of December 31, 2025 (1)		As of June 30, 2026 (1)			As of December 31, 2025 (1)	
(Dollars in thousands)	Notional Amount	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Notional Amount	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives designated as hedging instruments										
Interest rate products	$	Other assets	$	Other assets	$	$ 25,000	Other liabilities	$ 79	Other liabilities	$ 329
Total derivatives designated as hedging instruments			$		$			$ 79		$ 329
Derivatives not designated as hedging instruments										
Interest rate products	$ 417,337	Other assets	$ 14,642	Other assets	$ 15,896	$ 417,337	Other liabilities	$ 14,382	Other liabilities	$ 15,659
Other contracts	37,109	Other assets	1	Other assets	2	6,862	Other liabilities		Other liabilities	
Total derivatives not designated as hedging instruments			$ 14,643		$ 15,898			$ 14,382		$ 15,659

(1) The notional asset amount of interest rate swaps and risk participation agreements were $417.3 million and $37.1 million, respectively, at June 30, 2026, and $368.5 million and $34.0 million, respectively, at December 31, 2025.

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Effect of Fair Value and Cash Flow Hedge Accounting on the Consolidated Statements of Income and Comprehensive Income

The tables below present the effect of fair value and cash flow hedge accounting on the consolidated statements of income and comprehensive income for the three and six months ended June 30, 2026 and 2025.

(Dollars in thousands)	Location and Amount of Gain or (Loss) Recognized in Income on Fair Value and Cash Flow Hedging Relationships For the Three Months Ended June 30, 2026 Interest Income	2025 Interest Income
Total amounts of income and expense line items presented in the consolidated statements of income and comprehensive income in which the effects of fair value or cash flow hedges are recorded.	$ (118)	$ (13)
The effects of fair value and cash flow hedging:		
Gain or (loss) on fair value hedging relationships		
Interest contracts		
Hedged items	(80)	(106)
Derivatives designated as hedging instruments	37	93
Gain or (loss) on cash flow hedging relationships		
Interest contracts		
Amount of (loss) reclassified from AOCI into income		
Amount of gain reclassified from AOCI into income - Included Component		
Amount of (loss) reclassified from AOCI into income - Excluded Component		

(Dollars in thousands)	Location and Amount of Gain or (Loss) Recognized in Income on Fair Value and Cash Flow Hedging Relationships For the six months ended June 30, 2026 Interest Income	2025 Interest Income
Total amounts of income and expense line items presented in the consolidated statements of income and comprehensive income in which the effects of fair value or cash flow hedges are recorded	$ (186)	$ (53)
The effects of fair value and cash flow hedging:		
Gain or (loss) on fair value hedging relationships		
Interest contracts		
Hedged items	(236)	1
Derivatives designated as hedging instruments	127	(54)
in earnings based on an amortization approach		
Gain or (loss) on cash flow hedging relationships		
Interest contracts		
Amount of (loss) reclassified from AOCI into income		
Amount of gain reclassified from AOCI into income - Included Component		
Amount of (loss) reclassified from AOCI into income - Excluded Component		

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Effect of Derivative Instruments Not Designated as Hedging Instruments on the Consolidated Statements of Income and Comprehensive Income

The table below presents the effect of the Company’s derivative financial instruments on the consolidated statements of income and comprehensive income for the three and six months ended June 30, 2026 and 2025.

(Dollars in thousands)	Location of Gain or (Loss) Recognized in Income on Derivatives	Amount of Gain or (Loss) Recognized in Income on Derivative Three Months Ended June 30, 2026	Amount of Gain or (Loss) Recognized in Income on Derivative Three Months Ended June 30, 2025	Amount of Gain or (Loss) Recognized in Income on Derivative Six Months Ended June 30, 2026	Amount of Gain or (Loss) Recognized in Income on Derivative Six Months Ended June 30, 2025
Derivatives not designated as hedging instruments:					
Interest rate products	Noninterest income (expense)	$ (17)	$ (48)	$ 22	$ (111)
Other contracts	Noninterest income (expense)	(1)	(4)	(54)	(4)
Total		$ (18)	$ (52)	$ (32)	$ (115)
Fee income	Noninterest income	$ 205	$ 212	$ 824	$ 318

Peoples Financial Services Corp.
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Offsetting Derivatives

The table below presents a gross presentation, the effects of offsetting and a net presentation of the Company's derivatives as of June 30, 2026 and December 31, 2025. The net amounts of derivative assets or liabilities can be reconciled to the tabular disclosure of fair value. The tabular disclosure of fair value provides the location that derivative assets and liabilities are presented on the Consolidated balance sheets.

Offsetting of Derivative Assets
as of June 30, 2026

				Gross Amounts Not Offset in the Balance Sheet		
(Dollars in thousands)	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Balance Sheet	Net Amounts of Assets presented in the Balance Sheet	Financial Instruments	Cash Collateral Posted	Net Amount
Derivatives	$ 14,642	$	$ 14,642	$	$ 11,570	$ 3,072

Offsetting of Derivative Liabilities
as of June 30, 2026

				Gross Amounts Not Offset in the Balance Sheet		
(Dollars in thousands)	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Balance Sheet	Net Amounts of Liabilities presented in the Balance Sheet	Financial Instruments	Cash Collateral Posted(1)	Net Amount
Derivatives	$ 14,462	$	$ 14,462	$ 14,462	$	$

Offsetting of Derivative Assets
as of December 31, 2025

				Gross Amounts Not Offset in the Balance Sheet		
(Dollars in thousands)	Gross Amounts of Recognized Assets	Gross Amounts Offset in the Balance Sheet	Net Amounts of Assets presented in the Balance Sheet	Financial Instruments	Cash Collateral Posted	Net Amount
Derivatives	$ 15,896	$	$ 15,896	$	$ 8,960	$ 6,936

Offsetting of Derivative Liabilities
as of December 31, 2025

				Gross Amounts Not Offset in the Balance Sheet		
(Dollars in thousands)	Gross Amounts of Recognized Liabilities	Gross Amounts Offset in the Balance Sheet	Net Amounts of Liabilities presented in the Balance Sheet	Financial Instruments	Cash Collateral Posted(1)	Net Amount
Derivatives	$ 15,988	$	$ 15,988	$ 15,988	$	$

(1) Cash collateral of $0.3 million and $2.2 million was paid as of June 30, 2026 and December 31, 2025, respectively, but not presented as an offset above.

Credit-risk-related Contingent Features

The Company has agreements with certain of its derivative counterparties that contain a provision where if the Company defaults on any of its indebtedness, including default where repayment of the indebtedness has not been accelerated by the lender, then the Company could also be declared in default on its derivative obligations.

The Company also has agreements with certain of its derivative counterparties that contain a provision where if the Company fails to maintain its status as a well-capitalized institution, then the counterparty could terminate the derivative positions, and the Company would be required to settle its obligations under the agreements.

As of June 30, 2026, the termination value of derivatives in a net liability position, which includes accrued interest but excludes any adjustment for nonperformance risk, related to these agreements, was $0.1 million. As of December 31, 2025, the termination value of derivatives in a net liability position, which includes accrued interest but excludes any adjustment for nonperformance risk, related to these agreements was $2.3 million.

The Company has minimum collateral posting thresholds with certain of its derivative counterparties and has posted collateral of $0.3 million and $2.2 million against its obligations under these agreements at June 30, 2026 and December 31, 2025, respectively. Cash collateral represents the amount that cannot be used to offset our derivative assets and liabilities from a gross basis to a net basis in accordance with the agreement. The cash collateral is exchanged under bilateral collateral and master netting agreements that allow us to offset the net derivative position with the related collateral. The application of the cash collateral cannot reduce the net derivative position below zero. Therefore, excess other collateral, if any, is not reflected above. If the Company had breached any of these provisions, it could have been required to settle its obligations under the agreements at the termination value.

10. Deposits

The major components of interest-bearing and noninterest-bearing deposits at June 30, 2026 and December 31, 2025 are summarized as follows:

(Dollars in thousands)	June 30, 2026	December 31, 2025
Interest-bearing deposits:		
Money market accounts	$ 1,020,360	$ 989,230
Interest-bearing demand and NOW accounts	1,196,967	1,285,767
Savings accounts	508,732	497,523
Time deposits less than $250	651,027	477,115
Time deposits $250 or more	185,238	229,949
Total interest-bearing deposits	3,562,324	3,479,584
Noninterest-bearing deposits	946,528	954,485
Total deposits	$ 4,508,852	$ 4,434,069

Included in total interest-bearing deposits at June 30, 2026 were brokered deposits of $347.7 million, which were comprised of $337.0 million of brokered time deposits less than $250, $7.5 million in interest-bearing demand accounts and $3.2 million in money market accounts.

The scheduled maturities of all time deposits through June 30 of each year are summarized as follows:

(Dollars in thousands)	
2027	$ 732,563
2028	59,832
2029	31,591
2030	6,863
2031	5,183
Thereafter	233
	$ 836,265

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11. Borrowings

Short-term borrowings, which included FHLB overnight borrowings or advances with stated original terms of less than twelve months and other borrowings related to collateral held from derivative counterparties, totaled $85.3 million at June 30, 2026, and $32.7 million at December 31, 2025.

The table below presents short-term borrowings at and for the six months ended June 30, 2026, and at and for the year ended December 31, 2025:

	At and for the six months ended June 30, 2026				
(Dollars in thousands, except percents)	**Ending Balance**	**Average Balance**	**Maximum Month-End Balance**	**Weighted Average Rate for the Period**	**Weighted Average Rate at End of the Period**
FHLB advances	$ 73,761	$ 37,415	$ 169,261	3.88 %	3.87 %
Other borrowings	11,570	10,305	12,090	3.68	3.63
Total short-term borrowings	$ 85,331	$ 47,720	$ 181,351	3.84 %	3.84 %

	At and for the year ended December 31, 2025				
(Dollars in thousands, except percents)	**Ending Balance**	**Average Balance**	**Maximum Month-End Balance**	**Weighted Average Rate for the Year**	**Weighted Average Rate at End of the Year**
FHLB advances	$ 23,761	$ 16,452	$ 65,350	4.44 %	3.76 %
Other borrowings	8,960	12,789	18,160	4.35	3.67
Total short-term borrowings	$ 32,721	$ 29,241	$ 83,510	4.40 %	3.74 %

The Company has an agreement with the FHLB which allows for borrowings up to its maximum borrowing capacity based on a percentage of qualifying collateral assets. Advances with the FHLB are secured under terms of a blanket collateral agreement by a pledge of FHLB stock and certain other qualifying collateral, such as investments and mortgage-backed securities and mortgage loans. Interest accrues daily on the FHLB advances based on rates of the FHLB discount notes. The overnight borrowing rate resets each day.

At June 30, 2026, $2.6 billion in loans were pledged to the FHLB providing a maximum borrowing capacity of $1.8 billion of which $228.3 million was outstanding in short-term and long-term advances and $377.1 million was used to issue standby letters of credit to primarily collateralize public fund deposits.

In addition to borrowings from FHLB and correspondent bank lines of credit, the Company has availability through the Federal Reserve Bank's Discount Window borrower-in-custody program which allows depository institutions to pledge loans as collateral for Discount Window advances while retaining possession of the loan documentation. At June 30, 2026, $723.4 million in loans were pledged as collateral for the borrower-in-custody program and provided $568.8 million in borrowing capacity. There were no borrowings outstanding under this program at June 30, 2026 and December 31, 2025.

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Long-term debt consists of fixed-rate and floating-rate advances from the FHLB. The Company's holdings of long-term debt at June 30, 2026 and December 31, 2025 is presented in the following table:

(Dollars in thousands, except percents)	Interest Rate	June 30, 2026	December 31, 2025
Fixed-rate advances:			
March 2026	4.78 %	$	$ 4,292
March 2026	4.20		15,000
May 2026	4.08		5,000
August 2026	3.98	12,047	12,047
October 2026	3.95	15,284	15,284
March 2027	3.89	10,000	
March 2027	3.51	12,198	12,198
June 2027	4.16	5,224	5,224
July 2027	4.01	21,773	21,773
August 2027	4.40	6,461	6,461
October 2027	5.29	1,929	2,617
October 2027	5.18	5,475	5,475
November 2027	3.61	14,937	14,937
January 2028	3.95	10,000	
March 2028	4.45	14,188	14,188
Total fixed-rate advances		129,516	134,496
Floating-rate advances:			
May 2028	3.80	12,500	
May 2029	3.85	12,545	
Total floating-rate advances		25,045	
Total FHLB long-term debt		154,561	134,496
Less net fair value discount		(89)	(144)
Total long-term debt		$ 154,472	$ 134,352

Maturities of long-term debt, by contractual maturity, for the remainder of 2026 and subsequent years are as follows:

(Dollars in thousands)	
2026	$ 27,331
2027	77,997
2028	36,688
2029	12,545
Total FHLB long-term debt	154,561
Less net fair value discount	(89)
Total long-term debt	$ 154,472

12. Subordinated debt

On June 6, 2025, the Company entered into Subordinated Note Purchase Agreements (collectively, the "Subordinated Note Purchase Agreements") with certain qualified institutional buyers and institutional accredited investors (collectively, the "Subordinated Note Purchasers") pursuant to which the Company issued and sold $85.0 million in aggregate principal amount of its 7.75% Fixed-to-Floating Rate Subordinated Notes due 2035 (the "Subordinated Notes") at a price equal to 100 percent of the principal amount. The Subordinated Note Purchase Agreements include customary representations, warranties, and covenants. The Subordinated Notes mature on June 15, 2035, and bear interest at an initial fixed annual rate of 7.75%, payable semi-annually in arrears, to but excluding June 15, 2030. From and including June 15, 2030, to but excluding the maturity date or early redemption date, the interest rate will reset quarterly to an interest rate per annum initially equal to the then-current three-month SOFR plus 411 basis points, payable quarterly in arrears. The Company is entitled to redeem the Subordinated Notes, in whole or in part, any time on or after June 15, 2030, on any interest payment date, and to redeem the Subordinated Notes at any time in whole upon certain other events. Any redemption of the Subordinated Notes will be subject to prior regulatory approval to the extent required. The Subordinated Notes were issued under an Indenture, dated June 6, 2025 (the "Indenture"), by and between the Company and U.S. Bank Trust Company, National Association, as trustee. The Subordinated Notes are not subject to any sinking fund and are not convertible into or, other than with respect to the Exchange Notes, exchangeable for any other securities or assets of the Company or any of its subsidiaries. The Subordinated Notes are not subject to redemption at the option of the holders. The Subordinated Notes are unsecured, subordinated obligations of the Company only and are not obligations of, and are not guaranteed by, any subsidiary of the Company. The Subordinated Notes rank junior in right to payment to the Company's current and future senior indebtedness. The Subordinated Notes are intended to qualify as Tier 2 capital for regulatory capital purposes. In connection with the issuance and sales of the Subordinated Notes, the Company entered into registration rights agreements with the Subordinated Notes Purchasers, pursuant to which the Company exchanged most of the Subordinated Notes for subordinated notes that are registered under the Securities Act and have substantially the same terms as the Subordinated Notes. The Subordinated Notes are presented net of unamortized debt issuance costs and included in borrowed funds in the consolidated balance sheets under the caption "Subordinated Debentures." Subordinated debentures were $83.4 million, net of unamortized debt issuance costs of $1.6 million at June 30, 2026, and $83.2 million, net of unamortized debt issuance costs of $1.8 million at December 31, 2025. Interest expense on the Subordinated Notes was $1.8 million and $3.5 million for the three and six months ended June 30, 2026, and $1.0 million and $1.5 million for the three and six months ended June 30, 2025.

On June 30, 2025, the Company redeemed $33.0 million aggregate principal amount of its 5.375% Fixed-to-Floating Rate Subordinated Notes due 2030 (the "2020 Notes") which were sold to accredited investors on June 1, 2020. The 2020 Notes qualified as Tier 2 capital for regulatory capital purposes. The 2020 Notes bore interest at a rate of 5.375% per year for the first five years and then repriced to 9.08% based on a benchmark rate.

The Company assumed $10.3 million of floating rate junior subordinated deferrable interest debentures due December 15, 2036 ("Debentures") in its 2024 merger with FNCB Bancorp, Inc (the "FNCB merger") at a fair market value of $8.0 million. The Debentures are held by First National Community Statutory Trust I, a Delaware statutory trust (the "Trust"). The Debentures and corresponding trust preferred securities (the "Trust Securities") have a variable interest rate which resets quarterly to 3-month CME Term SOFR plus a spread adjustment of 0.26161% and a margin of 1.67%. The Debentures are unsecured and rank subordinate and junior in right to all indebtedness, liabilities and obligations of the Company. The Debentures represent the sole assets of the Trust. The Trust Securities may be prepaid at the election of the Company. The Company's investment in the Trust is reflected on a deconsolidated basis. At June 30, 2026 and December 31, 2025, the Debentures were $8.2 million and $8.1 million, respectively, and are included in borrowed funds in the consolidated balance sheets under the caption "Junior Subordinated Debentures." Interest expense on the Debentures was $174 thousand and $347 thousand for the three and six months ended June 30, 2026, and $188 thousand and $374 thousand for the three and six months ended June 30, 2025.

13. Related party transactions

In conducting its business, Peoples has engaged in and intends to continue to engage in banking and financial transactions with directors, executive officers and their related parties.

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The Bank has granted loans, letters of credit and lines of credit to directors, executive officers and their related parties. The following table summarizes the changes in the total amounts of such outstanding loans, advances under lines of credit, net of any participations sold, as well as repayments for the six months ended June 30, 2026 and 2025.

	Six Months Ended June 30,	
(Dollars in thousands)	**2026**	**2025**
Balance, beginning of period	$ 139,374	$ 130,563
Additions, new loans and advances	30,584	23,081
Repayments and other reductions	(11,295)	(15,299)
Balance, end of period	$ 158,663	$ 138,345

At June 30, 2026 and December 31, 2025, there were no loans to directors, executive officers and their related parties that were not performing in accordance with the original terms of the loan agreements.

Deposits from directors, executive officers and their related parties held by the Bank at June 30, 2026, and December 31, 2025, were $164.6 million and $161.5 million, respectively.

In the course of its operations, the Bank acquires goods and services from, and transacts business with various companies of related parties, which include, but are not limited to legal services, rent, vehicle repair and dealer reserve payments. The Bank recorded payments to related parties for goods and services of $147 thousand and $225 thousand for the three and six months ended June 30, 2026, and $50 thousand and $136 thousand for the three and six months ended June 30, 2025.

On June 29, 2026, the Company entered into a sale and leaseback agreement with a related party whereby the Company sold its branch office located at 141 North Main Street, Moscow, Lackawanna County, Pennsylvania to a related party for a net sales price of $643 thousand. Management evaluated the June 29, 2026 transaction under the sale and leaseback provisions of ASC 842, "Leases," and the transaction satisfies the criteria for sale accounting under ASC 606, "Revenue from Contracts with Customers." The net book value of the property sold was $376 thousand, and the Company recognized a gain on sale of $267 thousand which is included in net gains on sale of fixed assets in the consolidated statements of income and comprehensive income for the three and six months ended June 30, 2026.

The Company immediately leased back a portion of the property to operate as a drive-through-only branch under a five-year noncancelable lease with the first monthly rental payment of $3 thousand due on July 1, 2026. On June 29, 2026, the commencement date, the Company recorded a right of use asset and corresponding lease liability of $183 thousand.

14. Regulatory matters

The Company's ability to pay dividends to its shareholders is largely dependent on the Bank's ability to pay dividends to the Company. Regulations with respect to the banking industry limit the amount of dividends that may be paid without prior approval of the Bank's regulatory agency.

The Company and the Bank are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material adverse effect on the Company's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company and the Bank must meet specific capital guidelines that involve quantitative measures of the Company's and the Bank's assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. The Company's and the Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors. Management believes, as of June 30, 2026 and December 31, 2025, that the Company and the Bank met all applicable capital adequacy requirements.

Peoples Financial Services Corp.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(Dollars in thousands, except per share data)

Current quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (set forth in the tables below) of Total capital, Tier 1 capital, and Tier 1 common equity (as defined in the regulations) to risk-weighted assets (as defined), and of Tier 1 capital (as defined) to average assets (as defined). The following tables present summary information regarding the Company's and the Bank's risk-based capital and related ratios at June 30, 2026 and December 31, 2025:

	June 30, 2026					
	Actual		Minimum For Capital Adequacy Purposes		Minimum to be Well Capitalized under Prompt Corrective Action Provisions	
(Dollars in thousands, except percents)	Amount	Ratio	Amount	Ratio	Amount	Ratio
Common equity Tier 1 capital to risk-weighted assets:						
Company	$ 461,224	10.87 %	$ 190,871	4.50 %	NA	NA
Bank	540,099	12.75	190,569	4.50	$ 275,266	6.50 %
Tier 1 capital to risk-weighted assets:						
Company	471,224	11.10	254,495	6.00	NA	NA
Bank	540,099	12.75	254,092	6.00	338,790	8.00
Total capital to risk-weighted assets:						
Company	596,721	14.06	339,327	8.00	NA	NA
Bank	582,204	13.74	338,790	8.00	423,487	10.00
Tier 1 capital to average assets:						
Company	471,224	9.11	206,912	4.00	NA	NA
Bank	540,099	10.46	206,593	4.00	258,241	5.00
NA = not applicable						

	December 31, 2025					
	Actual		Minimum For Capital Adequacy Purposes		Minimum to be Well Capitalized under Prompt Corrective Action Provisions	
(Dollars in thousands, except percents)	Amount	Ratio	Amount	Ratio	Amount	Ratio
Common equity Tier 1 capital to risk-weighted assets:						
Company	$ 440,852	11.03 %	$ 179,784	4.50 %	NA	NA
Bank	520,587	13.06	179,427	4.50	$ 259,172	6.50 %
Tier 1 capital to risk-weighted assets:						
Company	450,852	11.28	239,712	6.00	NA	NA
Bank	520,587	13.06	239,236	6.00	318,981	8.00
Total capital to risk-weighted assets:						
Company	571,887	14.31	319,617	8.00	NA	NA
Bank	558,435	14.01	318,981	8.00	398,726	10.00
Tier 1 capital to average assets:						
Company	450,852	8.84	204,039	4.00	NA	NA
Bank	520,587	10.22	203,726	4.00	254,658	5.00
NA = not applicable						

Peoples Financial Services Corp.
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Dollars in thousands, except per share data)

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis should be read in conjunction with the unaudited consolidated interim financial statements contained in Part I, Item 1 of this report, and with our audited consolidated financial statements and "Management's Discussion and Analysis of Financial Condition and Results of Operations" presented in our Annual Report on Form 10-K for the year ended December 31, 2025.

Cautionary Note Regarding Forward-Looking Statements:

This quarterly report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, (the "Securities Act") and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), which are subject to risks and uncertainties. These statements are based on assumptions and may describe future plans, strategies and expectations of the Company that are subject to significant risks and uncertainties and are subject to change based on various factors (some of which are beyond the Company's control). These forward-looking statements are generally identified by use of the words "believe," "expect," "intend," "anticipate," "estimate," "project" or similar expressions. All statements in this report, other than statements of historical facts, are forward-looking statements.

The Company's ability to predict results or the actual effect of future plans or strategies is inherently uncertain. Important factors that could cause the Company's actual results to differ materially from those in the forward-looking statements include, but are not limited to: changes in interest rates, including their effect on the Company's investment values; impairment charges relating to the Company's investment portfolio; credit risks in connection with the Company's lending activities; the Company's exposure to commercial and industrial, construction, commercial real estate, and equipment finance loans; the Company's ability to maintain an adequate allowance for credit losses; access to liquidity; the strength of the Company's customer deposit levels; unrealized losses; reliance on the Company's subsidiaries; accounting procedures, policies and requirements; changes in the value of goodwill; the Company's ability to attract and retain key personnel; the strength of the Company's disclosure controls and procedures and internal controls over financial reporting; potential for errors, omissions or fraud; environmental liabilities; reliance on third-party vendors and service providers; the Company's ability to compete effectively in the Company's industry and within the Company's market area, including with respect to competition from financial technology companies and non-bank entities; the development and use of artificial intelligence ("AI") in business processes, services, and products; including emerging focus among regulators and other officials related to risk in connection with the development and use of AI; the Company's ability to prevent, detect and respond to cybersecurity threats and incidents; a failure of information technology, whether due to a breach, cybersecurity incident, or ability to keep pace with growth and developments; the Company's ability to comply with privacy and data protection requirements; changes in U.S. or regional economic conditions; the soundness of other financial institutions; changes in laws and regulations; geopolitical instability, including wars and other conflicts; fiscal and monetary policies of the federal government and its agencies; a failure to meet minimum capital requirements; the Company's ability to realize the anticipated benefits of future acquisitions or a change in control; and the Company's ability to pay dividends. Additional factors that may affect the Company's results are discussed in Part I, Item 1A of the Company's Annual Report on Form 10-K for the year ended December 31, 2025, and in Part II, Item 1A of this Quarterly Report on Form 10-Q.

These risks and uncertainties should be considered in evaluating forward-looking statements and undue reliance should not be placed on such statements. Except as required by applicable law or regulation, the Company does not undertake, and specifically disclaims any obligation, to release publicly the result of any revisions that may be made to any forward-looking statements to reflect events or circumstances after the date of the statements or to reflect the occurrence of anticipated or unanticipated events.

Peoples Financial Services Corp.
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Dollars in thousands, except per share data)

Critical Accounting Policies:

The Company's consolidated financial statements are prepared in accordance with GAAP. The preparation of consolidated financial statements in conformity with GAAP requires management to establish critical accounting policies and make accounting estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements, as well as the reported amounts of revenues and expenses during the reporting periods.

An accounting estimate requires assumptions about uncertain matters that could have a material effect on the consolidated financial statements if a different amount within a range of estimates were used or if estimates changed from period to period. Readers of this report should understand that estimates are made considering facts and circumstances at a point in time, and changes in those facts and circumstances could produce results that differ from estimates. Management is required to make subjective and/or complex judgments about matters that are inherently uncertain and could be subject to revision as new information becomes available. Management has identified that the determination of ACL and impairment of goodwill are critical estimates that are particularly susceptible to material change within future periods. Actual amounts could differ from those estimates.

For a further discussion of our critical accounting estimates, refer to Note 1 entitled, "Summary of significant accounting policies," in the Notes to Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the year ended December 31, 2025.

Goodwill and Other Intangible Assets:

The Company has goodwill with a net carrying value of $76.0 million at both June 30, 2026, and December 31, 2025. The Company's policy is to test goodwill for impairment annually on December 31 or on an interim basis if an event triggering impairment may have occurred. If the Company's carrying amount exceeds the fair value of the goodwill, the Company would record an impairment charge based on that difference. At June 30, 2026, we performed a qualitative evaluation, which involves determining whether any events occurred or circumstances changed that would more likely than not reduce the fair value of the Company's goodwill below its carrying value. We noted no such matters. There is no assurance that changes in events or circumstances in the future will not result in impairment.

Core deposit intangibles are amortized on an accelerated basis using an estimated life of ten years. The core deposit intangibles are evaluated annually for impairment in accordance with GAAP. An impairment loss will be recognized if the carrying amount of the intangible asset is not fully recoverable and exceeds fair value. The carrying amount of the intangible asset is not considered fully recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use of the asset.

We believe that the fair values of our intangible assets were in excess of their carrying amounts and therefore there was no impairment of intangible assets at June 30, 2026.

Review of Financial Position:

Total assets increased $170.0 million, or 6.5 percent annualized to $5.4 billion at June 30, 2026, from $5.3 billion at December 31, 2025. The balance sheet expansion primarily reflected strong loan growth, partially offset by decreases in investment securities and cash and cash equivalents. Loans, net increased $235.9 million, or 11.7 percent annualized to $4.3 billion, at June 30, 2026, from $4.1 billion at December 31, 2025. Total investment securities decreased $57.6 million to $529.6 million at June 30, 2026, from $587.2 million at December 31, 2025. Cash and cash equivalents decreased $12.7 million to $256.3 million at June 30, 2026, from $269.0 million at December 31, 2025. Also contributing to the increase in total assets was a $15.8 million increase in other assets to $86.5 million from $70.7

Peoples Financial Services Corp.
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Dollars in thousands, except per share data)

million at December 31, 2025, which was primarily caused by an additional investment in a limited partnership low income housing tax credit project.

Total liabilities increased $153.6 million, or 6.5 percent annualized to $4.9 billion at June 30, 2026, from $4.8 billion at December 31, 2025, which was primarily due to increases in interest bearing deposits and borrowings. Total deposits increased $74.8 million to $4.5 billion at June 30, 2026, from $4.4 billion at December 31, 2025. Interest-bearing deposits increased $82.7 million to $3.6 billion at June 30, 2026, compared to $3.5 billion at December 31, 2025, while noninterest-bearing deposits decreased $8.0 million to $946.5 million at June 30, 2026, from $954.5 million as of December 31, 2025.

Total short-term borrowings at June 30, 2026, were $85.3 million, an increase of $52.6 million from $32.7 million at December 31, 2025. Long term debt increased $20.1 million to $154.5 million at June 30, 2026, from $134.4 million at December 31, 2025.

Total stockholders' equity increased $16.4 million from $519.8 million at year-end 2025 to $536.2 million at June 30, 2026, due largely to net income, partially offset by dividends paid to shareholders. Book value per share increased $1.55 to $53.56 at June 30, 2026, from $52.01 at December 31, 2025. The Bank and the Company were considered well capitalized at June 30, 2026 and December 31, 2025, with regulatory capital ratios that exceeded minimum regulatory capital ratios required to be well capitalized under applicable regulations.

Investment Portfolio:

The majority of the investment portfolio is classified as available for sale, which provides greater flexibility in using the investment portfolio for liquidity purposes by allowing securities to be sold when market opportunities occur. Investment securities available for sale totaled $458.1 million at June 30, 2026, a decrease of $54.4 million, or 21.4 percent annualized, from $512.6 million at December 31, 2025. The decrease was primarily due to additional sales associated with a partial portfolio repositioning strategy, coupled with the redirection of cash flows from principal payments into the loan portfolio.

Investment securities held to maturity, which consisted of 84.3 percent mortgage-backed securities issued or guaranteed by U.S. Government agencies and U.S. Government-sponsored entities and 15.7 percent tax-exempt municipal securities, totaled $68.7 million at June 30, 2026, a decrease of $3.3 million, or 9.3 percent annualized from $72.0 million at December 31, 2025. The decrease was primarily due to principal payments on mortgage-backed securities. Held to maturity securities had a market value of $59.3 million at June 30, 2026, compared to $62.8 million at December 31, 2025.

The Company also holds a portfolio of equity investments, consisting primarily of publicly traded bank holding companies, which are carried at fair value. Equity investments totaled $2.7 million at June 30, 2026, compared to $2.6 million at December 31, 2025. In the second quarter of 2026, the Company sold a portion of its equity portfolio, recognizing a gain of $104 thousand on the sale.

For the six months ended June 30, 2026, investments averaged $596.8 million, a decrease of $38.3 million or 6.0 percent compared to $635.1 million for the same six months of 2025. Average taxable investments decreased $106.3 million, or 19.4 percent to $441.9 million from $548.1 million for the six months ended June 30, 2025. Partially offsetting this decrease was an increase in average tax-exempt municipal bonds of $67.9 million to $154.9 million for the six months ended June 30, 2026, from $87.0 million for the comparable period of 2025. Despite the reduction and due to portfolio repositioning strategies and the redirection of principal cash flows to the loan portfolio, the fully tax-equivalent ("FTE") yield on the investment portfolio, a non-GAAP measure, increased 78 basis points to 3.90 percent for the six months ended June 30, 2026, from 3.12 percent for the comparable period of 2025.

Peoples Financial Services Corp.
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Dollars in thousands, except per share data)

Securities available for sale are carried at fair value, with unrealized gains or losses, net of deferred income taxes, reported in the accumulated other comprehensive loss component of stockholders' equity. We reported net unrealized losses, included as a separate component of stockholders' equity of $23.9 million net of a deferred income tax benefit of $6.7 million at June 30, 2026, and net unrealized losses of $22.8 million, net of deferred income tax benefit of $6.4 million, at December 31, 2025.

Our Asset/Liability Committee ("ALCO") reviews the performance and risk elements of the investment portfolio quarterly. Through active balance sheet management and analysis of the securities portfolio, we endeavor to maintain sufficient liquidity to satisfy depositor requirements and meet the credit needs of our customers.

Loan Portfolio:

Total loans increased $235.9 million or 11.7 percent annualized from $4.1 billion at December 31, 2025, to $4.3 billion at June 30, 2026. The increase was due primarily to strong demand for commercial and residential real estate loans and commercial loans, partially offset by reductions in indirect automobile loans, commercial equipment financing, municipal loans and other consumer loans during the first half of 2026.

As a result of the strong demand within the business sector, commercial real estate loans, which were $2.5 billion at June 30, 2026, increased $176.4 million from $2.3 billion at December 31, 2025. Additionally, commercial and industrial loans increased $44.7 million to $712.7 million at June 30, 2026, compared to $668.0 million at December 31, 2025.

Residential real estate loans increased $37.7 million to $640.0 million at June 30, 2026, compared to $602.3 million at December 31, 2025. The increase in residential real estate loans was largely concentrated in home equity lines of credit which was driven by a low introductory 6-month fixed-rate offering. As a result, the balance of home equity lines of credit increased $27.2 million to $172.8 million at June 30, 2026 from $145.6 million at December 31, 2025.

Consumer loans, which consist primarily of indirect auto loans, decreased $11.7 million to $99.5 million at June 30, 2026, compared to $111.2 million at December 31, 2025.

Equipment financing loans decreased $9.5 million to $159.5 million at June 30, 2026, compared to $169.0 million at December 31, 2025

The Company did not aggressively compete for indirect automobile loans and equipment financing during the first half of 2026.

Municipal loans decreased $1.7 million to $200.6 million compared to $202.3 million at December 31, 2025.

For the six months ended June 30, 2026, total loans averaged $4.2 billion, an increase of $193.8 million or 4.9 percent compared from $4.0 billion for the same period of 2025. The FTE yield on the loan portfolio was 5.85 percent for the six months ended June 30, 2026, a 14-basis point decrease from 5.99 percent for the comparable period last year. The reduction in yield largely reflected the 75-basis point decrease in the prime rate, resulting from the FOMC actions to lower the federal funds target rate during the second half of 2025.

In addition to the risks inherent in our loan portfolio, in the normal course of business, we are also a party to financial instruments with off-balance sheet risk to meet certain financing needs of our customers. These instruments include legally binding commitments to extend credit, unused portions of lines of credit and commercial letters of credit made under the same underwriting standards as on-balance sheet instruments, and may involve, to varying degrees, elements of credit risk and interest rate risk ("IRR") in excess of the amount recognized in the consolidated financial statements.

Unused commitments at June 30, 2026 totaled $948.5 million, and consisted of $876.0 million in unfunded commitments of existing loan facilities and $72.5 million in standby letters of credit. Due to fixed maturity dates, specified conditions within these instruments, and the ultimate needs of our customers, many will expire without being drawn upon. We believe that amounts actually drawn upon can be funded in the normal course of operations and, therefore, do not represent a significant liquidity risk to us. In comparison, unused commitments at December 31, 2025 totaled $894.0 million, which were comprised of $839.0 million in unfunded commitments of existing loans and $55.0 million in standby letters of credit. In order to provide for credit losses associated with these instruments, the Company recorded an allowance for credit losses, included in other liabilities on the consolidated balance sheets of $1.3 million at both June 30, 2026, and December 31, 2025.

Asset Quality:

Distribution of nonperforming assets

(Dollars in thousands, except percents)	June 30, 2026	December 31, 2025
Nonaccrual loans	$ 13,667	$ 10,796
Accruing loans past due 90 days or more:	451	524
Total nonperforming loans	14,118	11,320
Foreclosed assets	630	750
Total nonperforming assets	$ 14,748	$ 12,070
Total loans held for investment	$ 4,302,821	$ 4,066,896
Allowance for credit losses	42,311	39,007
Allowance for credit losses as a percentage of loans held for investment	0.98 %	0.96 %
Allowance for credit losses as a percentage of nonaccrual loans	309.59 %	361.31 %
Allowance for credit losses as a percentage of nonperforming loans	299.70 %	344.58 %
Nonaccrual loans as a percentage of loans held for investment	0.32 %	0.27 %
Nonperforming loans as a percentage of loans, net	0.33 %	0.28 %
Nonperforming assets as a percentage of total assets	0.27 %	0.23 %

Nonperforming assets increased $2.6 million to $14.7 million, or 0.27 percent of total assets, at June 30, 2026, from $12.1 million, or 0.23 percent of total assets, at December 31, 2025. The increase was primarily caused by an increase in nonaccrual loans, partially offset by a decrease in accruing loans past due 90 days or more, and an adjustment to a foreclosed property.

Loans on nonaccrual status increased $2.9 million to $13.7 million at June 30, 2026, from $10.8 million at December 31, 2025. The increase was primarily due to one commercial relationship involving two loans placed on nonaccrual status at the end of the second quarter of 2026. The Company had one foreclosed commercial property with a carrying value of $630 thousand at June 30, 2026, and $750 thousand at December 31, 2025. The property went under a sales agreement during the second quarter of 2026, and it was written down $120 thousand to the sales price less estimated selling costs.

While we pursue a goal of maintaining a high loan-to-deposit ratio in order to drive profitability, this objective is superseded by our goal of maintaining strong asset quality. We continued our efforts to maintain sound underwriting standards for both commercial and consumer credit.

The allowance for credit losses equaled $42.3 million or 0.98 percent of loans, net, at June 30, 2026, compared to $39.0 million, or 0.96 percent of loans, net, at December 31, 2025. For the three and six months ended June 30, 2026, the Company recorded net charge offs of $0.4 million and $1.2 million respectively, compared to net recoveries of $0.1 million for the three months ended June 30, 2025 and net charge offs of $0.8 million for the six months ended June 30, 2025. The provision for credit losses for the quarter ending June 30, was $3.1 million in 2026 compared to a release of reserves of $0.2 million in 2025. For the six months ended June 30, the provision for credit losses totaled $4.5 million in

2026 compared to a release of reserves of $39 thousand in 2025. The increase in the provision for the quarter and year-to-date periods of 2026 was primarily attributable to significant loan growth, while the prior-year periods benefited from lower specific reserves associated with reductions in nonperforming loans.

Deposits:

We attract the majority of our deposits from within our market areas through the offering of various deposit instruments including demand deposit accounts, money market deposit accounts, savings accounts, and time deposits, including certificates of deposit and IRAs.

Total deposits increased $74.8 million, or 3.4 percent annualized, to $4.5 billion at June 30, 2026, from $4.4 billion at December 31, 2025. Interest-bearing deposits increased $82.8 million or 4.8 percent annualized, to $3.6 billion, at June 30, 2026, from $3.5 billion at December 31, 2025. Partially offsetting the increase in interest-bearing deposits was a decrease in noninterest-bearing deposits of $8.0 million, or 1.7 percent annualized, to $946.5 million at June 30, 2026, from $954.5 million at December 31, 2025. The increase in interest-bearing deposits was primarily due to an increase in time deposits less than $250 thousand, coupled with increases in money market and savings accounts. These increases were partially offset by decreases in interest-bearing demand deposits and time deposits $250 thousand or more.

Interest-bearing demand deposits decreased $88.8 million, and were $1.2 billion at June 30, 2026, and $1.3 billion at December 31, 2025. The decrease was primarily caused by cyclical outflows of municipal deposits. Money market accounts increased $31.2 million and were $1.0 billion both at June 30, 2026 and at December 31, 2025. Savings accounts increased $11.2 million to $508.7 million as of June 30, 2026, from $497.5 million at December 31, 2025. Time deposits less than $250 thousand increased $173.9 million to $651.0 million at June 30, 2026, from $477.1 million at December 31, 2025. Time deposits less than $250 include brokered time deposits. The Company increased its utilization of brokered time deposits, including short-term and longer-term callable instruments, during the second quarter of 2026 to offset cyclical outflows of municipal deposits. As a result, brokered time deposits increased $184.8 million to $337.0 million at June 30, 2026 from $152.2 million at December 31, 2025. Time deposits of $250 thousand or more decreased $44.7 million to $185.2 million at June 30, 2026, from $229.9 million at year end 2025. The decrease in large denomination time deposits was largely caused by a planned outflow of two certificates of deposit to one municipal customer at their maturity.

Our deposit base is diversified and consisted of 39.9 percent retail accounts, 34.9 percent commercial accounts, 17.5 percent are non-brokered municipal relationships and 7.7 percent brokered deposits at June 30, 2026. At June 30, 2026, total estimated uninsured deposits were approximately $1.4 billion, or 31.0 percent of total deposits; as compared to approximately $1.5 billion, or 34.3 percent of total deposits at December 31, 2025.

Interest-bearing deposits averaged $3.4 billion for the six months ended June 30, 2026, an increase of $3.1 million compared to $3.4 billion for the same six months of 2025. Average noninterest-bearing deposits increased $48.9 million to $935.1 million from $886.2 million comparing the six months ended June 30, 2026, and 2025. The cost of interest-bearing deposits was 2.15 percent for the six months ended June 30, 2026, a decrease of 29 basis points compared to 2.44 percent for the same period of 2025, which reflected overall lower market interest rates. The cost of total deposits, which includes the impact of noninterest-bearing deposits, decreased 24 basis points to 1.69 percent for the six months ended June 30, 2026, from 1.93 percent for the same six months of 2025.

Borrowings:

The Bank utilizes borrowings as a secondary source of liquidity for its asset/liability management. Advances are available from the FHLB provided certain standards related to credit worthiness have been met. Repurchase and term agreements are also available from the FHLB. In addition, the Bank may borrow from the Federal Reserve Bank utilizing the Discount Window.

Overall, total borrowings were $331.4 million at June 30, 2026, which included short-term borrowings, long-term debt, and subordinated debt, compared to $258.4 million at December 31, 2025, an increase of $73.0 million. At June 30, 2026, short-term borrowings, which were comprised of both overnight borrowings from the FHLB and cash collateral pledged by derivative counterparties to offset interest rate exposure, totaled $85.3 million compared to $32.7 million at December 31, 2025, an increase of $52.6 million. The increase in short-term borrowings was used to support on balance sheet liquidity at June 30, 2026. Long-term debt was $154.5 million at June 30, 2026, compared with $134.4 million at year end 2025, and was comprised exclusively of advances from the FHLB. Junior subordinated debt, which was acquired as part of the 2024 FNCB merger and reported net of discount, totaled $8.2 million and $8.1 million at June 30, 2026, and December 31, 2025, respectively. Subordinated debt, net of unamortized debt issuance costs, was $83.4 million at June 30, 2026, and $83.2 million at December 31, 2025.

Liquidity:

Liquidity management is essential to our continuing operations and enables us to meet financial obligations as they come due, as well as to take advantage of new business opportunities as they arise. Financial obligations include, but are not limited to, the following:

- Funding new and existing loan commitments;
- Payment of deposits on demand or at their contractual maturity;
- Repayment of borrowings as they mature;
- Payment of lease obligations; and
- Payment of operating expenses.

These obligations are managed daily, thus enabling us to effectively monitor fluctuations in our liquidity position and to adapt that position according to market influences and balance sheet trends. Future liquidity needs are forecasted, and strategies are developed to maintain adequate liquidity.

Historically, core deposits have been the primary source of liquidity because of their stability and lower cost, in general, than other types of funding. Providing additional sources of funds are loan and investment payments and prepayments, the ability to sell both available for sale securities and mortgage loans held for sale, and borrowing capacity.

Management actively monitors the Company's liquidity position, sources of available liquidity in relation to funding and cash flow needs. Additionally, the Company's ALCO generally meets quarterly, and most recently met in May 2026 to review our IRR profile, capital adequacy and liquidity. On June 30, 2026, the Company's cash and cash equivalents were $256.3 million. In addition to cash and cash equivalents, the Company had ample sources of additional liquidity including available borrowing capacity with the FHLB and Federal Reserve Bank Discount Window and federal fund lines of credit with correspondent banks. Our maximum borrowing capacity with the FHLB as of June 30, 2026, was $1.8 billion, of which $606.8 million was outstanding in the form of borrowings and irrevocable standby letters of credit, with remaining availability of $1.2 billion. Additionally, the Company had $568.8 million in availability at the Federal Reserve Bank Discount Window, through a borrower-in-custody of collateral arrangement, which enables us to pledge certain loans not being used as collateral elsewhere. Additional sources of credit with corresponding banks total $27.0 million, none of which are currently utilized. The Company also maintains an available for sale investment securities portfolio, comprised primarily of highly liquid U.S. Treasury securities, highly rated municipal securities and U.S. agency-backed mortgage-backed securities. This portfolio serves as an additional source of liquidity and capital. At June 30, 2026, the Company's available for sale investment portfolio totaled $458.1 million, of which $151.0 million was unencumbered. We believe our liquidity position is sufficient to meet our current and anticipated financial obligations and commitments in a timely manner.

We employ several analytical techniques in assessing the adequacy of our liquidity position. One such technique is the use of ratio analysis to determine the extent of our reliance on noncore funds to fund our investments and loans maturing after June 30, 2026. Our noncore funds at June 30, 2026 were comprised of time deposits in denominations of $100 thousand or more, brokered deposits and other borrowings. These funds are not considered to be a strong source of liquidity because they are interest rate sensitive and could be highly volatile. On June 30, 2026, our net noncore funding dependence ratio, the difference between noncore funds and short-term investments to long-term assets, was 16.8 percent, while our net short-term noncore funding dependence ratio, noncore funds maturing within one-year, less short-term investments, to long-term assets equaled 11.1 percent. Our reliance on non-core funding at June 30, 2026 increased as compared to our reliance at December 31, 2025, which primarily reflected an increase in non-core funds outstanding, specifically short-term borrowings and brokered deposits. Our overall noncore dependence ratio at December 31, 2025, was 11.2 percent and our net short-term noncore funding dependence ratio was 6.4 percent.

The Consolidated Statements of Cash Flows present the changes in cash and cash equivalents from operating, investing and financing activities. Cash and cash equivalents, consisting of cash on hand, cash items in the process of collection, deposit balances with other banks and federal funds sold, decreased $12.7 million during the six months ended June 30, 2026. Comparatively, cash and cash equivalents increased $39.9 million for the same period last year. For the six months ending June 30, 2026, net cash inflows of $22.2 million from operating activities and $134.4 million from financing activities were more than entirely offset by $169.3 million used in investing activities. For the same period of 2025, net cash outflows of $17.8 million from financing activities were more than offset by $34.8 million in net cash provided by investing activities and $23.0 million provided by operating activities.

Operating activities provided net cash of $22.2 million for the six months ended June 30, 2026, and provided $23.0 million for the corresponding six months of 2025. Net income, adjusted for the effects of gains and losses along with non-cash transactions such as depreciation, amortization and accretion and the provision for credit losses, is the primary source of funds from operations.

Investing activities primarily include lending activities, and investment portfolio transactions. Investing activities used net cash of $169.3 million for the six months ended June 30, 2026, compared to providing net cash of $34.8 million for the same period of 2025. Cash used to fund loan originations totaled $230.4 million for the six months ended June 30, 2026, and was the primary factor causing the net cash outflow from investing activities. Also contributing to the outflow was $23.0 million in cash used to purchase available for sale investment securities and $3.5 million in purchases of premises and equipment. Partially offsetting these outflows was $49.0 million in principal payments from investment securities, $32.7 million in proceeds from sales of available for sale investment securities and equity investments and $6.8 million received from bank owned life insurance.

Financing activities provided net cash of $134.4 million for the six months ended June 30, 2026, and used net cash of $17.8 million for the corresponding six months of 2025. For the six months ended June 30, 2026, the net increase was primarily driven by increases in deposits, coupled with net proceeds received from short term borrowings and long-term debt, partially offset by dividends paid to shareholders. The net outflow of cash for the comparative period of 2025 was primarily caused by decreases in deposits and payment of dividends to shareholders.

We believe that our future liquidity needs will be satisfied through maintaining an adequate level of cash and cash equivalents, by maintaining readily available access to traditional funding sources, and through proceeds received from the investment and loan portfolios. We believe that our current sources of funds will enable us to meet all cash obligations as they come due.

Capital:

Stockholders' equity totaled $536.2 million or $53.56 per share at June 30, 2026, an increase of $16.3 million compared to $519.8 million or $52.01 per share at December 31, 2025. The increase in stockholders' equity was primarily due to net income, partially offset by cash dividends paid to shareholders.

Dividends declared equaled $1.25 per share for the six months ended June 30, 2026, and $1.24 per share for the same period of 2025. The Company has paid cash dividends since its formation as a bank holding company in 1986. On July 31, 2026, the Company's board of directors declared a third quarter dividend of $0.625 per share payable on September 15, 2026, to shareholders of record as of August 31, 2026. It is the present intention of the Company's board of directors to continue to pay comparable quarterly dividends. Future dividends, however, must necessarily depend upon earnings, financial condition, legal restrictions and other factors relevant at the time the board of directors considers payment of dividends.

Current rules, which implemented the Basel III regulatory capital reforms and changes required by the Dodd-Frank Act, call for the following capital requirements: (i) a minimum ratio of common equity tier 1 capital to risk-weighted assets of 4.5 percent; (ii) a minimum ratio of tier 1 capital to risk-weighted assets of 6 percent; (iii) a minimum ratio of total capital to risk-weighted assets of 8 percent; and (iv) a minimum leverage ratio of 4 percent. In addition, the final rules establish a common equity tier 1 capital conservation buffer of 2.5 percent of risk-weighted assets applicable to all banking organizations. If a banking organization fails to hold capital above the minimum capital ratios and the capital conservation buffer, it will be subject to certain restrictions on capital distributions and discretionary bonus payments.

The adequacy of capital is reviewed on an ongoing basis with reference to the size, composition and quality of resources and regulatory guidelines. We seek to maintain a level of capital sufficient to support existing assets and anticipated asset growth, maintain favorable access to capital markets, and preserve high quality credit ratings. At June 30, 2026, the Bank's Tier 1 capital to total average assets was 10.46 percent as compared to 10.22 percent at December 31, 2025. The Bank's Tier 1 capital to risk weighted asset ratio was 12.75 percent and the Bank's total capital to risk weighted asset ratio was 13.74 percent at June 30, 2026. The respective ratios were 13.06 percent and 14.01 percent at December 31, 2025. The Bank's common equity Tier 1 to risk weighted asset ratio was 12.75 percent at June 30, 2026, compared to 13.06 percent at December 31, 2025. The Bank met all capital adequacy requirements and was deemed to be well-capitalized under regulatory standards at June 30, 2026.

At June 30, 2026, the Company's Tier 1 capital to total average assets was 9.11 percent as compared to 8.84 percent at December 31, 2025. The Company's Tier 1 capital to risk weighted asset ratio was 11.10 percent and the total capital to risk weighted asset ratio was 14.06 percent at June 30, 2026. These ratios were 11.28 percent and 14.31 percent at December 31, 2025. The Company's common equity Tier 1 to risk weighted asset ratio was 10.87 percent at June 30, 2026, compared to 11.03 percent at December 31, 2025.

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Review of Financial Performance:

The Company reported net income of $14.8 million or $1.48 per diluted share for the three months ended June 30, 2026, a decrease of $2.2 million when compared to a net income of $17.0 million or $1.68 per diluted share for the comparable period of 2025. The reduction in net income comparing the three months ended June 30, 2026, and 2025 was primarily due to an increase in the provision for credit losses due to strong loan growth, coupled with an increase in non-interest expense and income tax expense, partially offset by increases in net interest income and non-interest income. The Company recorded a $3.1 million provision for credit losses during the second quarter of 2026 compared to a $0.2 million provision credit for the comparable quarter of 2025. Noninterest expenses increased by $2.3 million, primarily due to increases in salaries and benefits expense, net occupancy and equipment expense, advertising and corporate business development expense. For the three months ended June 30, 2026, net interest income increased $3.4 million to $45.6 million from $42.2 million for the three months ended June 30, 2025. Noninterest income was $6.5 million for the three months ended June 30, 2026, an increase of $0.3 million from $6.2 million in the year ago period. The current period includes a gain of $0.3 million from the sale of a branch property, coupled with increases in wealth management and mortgage banking income, which includes gains, fees and commissions and merchant services income.

Net income for the six months ended June 30, 2026, totaled $29.6 million, or $2.95 per diluted shares, a decrease of $2.4 million, compared to $32.0 million, or $3.18 per diluted share for the same six months of 2025. Similar to the quarterly period, the decrease in year-to-date net income was primarily attributable to a higher provision for credit losses, reflecting strong loan growth, along with increases in noninterest expense and income tax expense, partially offset by higher net interest income and noninterest income,

Return on average assets ("ROAA") measures our net income in relation to total assets. Our annualized ROAA was 1.13 percent for the second quarter of 2026 compared to 1.36 percent for the same period of 2025. Return on average equity ("ROAE") indicates how effectively we can generate net income on the capital invested by stockholders. Our annualized ROAE was 11.10 percent for the second quarter of 2026 compared to 13.87 percent for the comparable period in 2025. For the six months ended June 30, 2026 ROAA and ROAE were 1.14 percent and 11.18 percent, respectively, compared to 1.29 percent and 13.30 percent for the respective periods of 2025.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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Non-GAAP Financial Measures:

In addition to evaluating its results of operations in accordance with U.S. generally accepted accounting principles ("GAAP"), the Company routinely supplements its evaluation with an analysis of certain non-GAAP financial measures, such as interest income adjusted to FTE, net interest income adjusted to FTE, efficiency ratio, adjusted noninterest expense, and FTE net interest income plus noninterest income. The Company believes the reported non-GAAP financial measures provide information useful to investors in understanding its operating performance and trends. For the non-GAAP disclosures used in this report, a reconciliation to the comparable GAAP measure is provided in the accompanying tables. The non-GAAP financial measures the Company uses may differ from the non-GAAP financial measures of other financial institutions.

The following are non-GAAP financial measures which management believes provide useful insight to the reader of the consolidated financial statements but should be supplemental to GAAP used to prepare the Company's consolidated financial statements and should not be read in isolation or relied upon as a substitute for GAAP measures. In addition, the Company's non-GAAP measures may not be comparable to non-GAAP measures of other companies. The tax rate used to calculate the fully taxable equivalent (FTE) adjustment was 21.0 percent for 2026 and 2025.

The following table reconciles the non-GAAP financial measures of net interest income adjusted to FTE for the three and six months ended June 30, 2026 and 2025:

	Three Months Ended June 30,	
(Dollars in thousands)	**2026**	**2025**
Interest income (GAAP)	$ 67,752	$ 65,335
Adjustment to FTE	908	718
Interest income adjusted to FTE (non-GAAP)	68,660	66,053
Interest expense	22,148	23,138
Net interest income adjusted to FTE (non-GAAP)	$ 46,512	$ 42,915

	Six Months Ended June 30,	
(Dollars in thousands)	**2026**	**2025**
Interest income (GAAP)	$ 132,456	$ 127,761
Adjustment to FTE	1,759	1,420
Interest income adjusted to FTE (non-GAAP)	134,215	129,181
Interest expense	43,985	46,016
Net interest income adjusted to FTE (non-GAAP)	$ 90,230	$ 83,165

The efficiency ratio is a non-GAAP measure which we calculated as noninterest expenses, less amortization of intangible assets and acquisition related expenses, as a percentage of FTE net interest income plus noninterest income less gains on equity securities and gains on sale of assets. Management monitors the efficiency ratio to determine how well it is managing its operating expenses; a lower efficiency ratio is generally preferable as it indicates the Company is spending less to generate income. The Company regularly pursues opportunities to enhance net interest income and reduce expenses as a percentage of operating revenues.

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The following table reconciles the non-GAAP financial measures of the efficiency ratio to GAAP for the three and six months ended June 30, 2026 and 2025:

(Dollars in thousands, except percents)	Three Months Ended June 30, 2026	Three Months Ended June 30, 2025
Efficiency ratio (non-GAAP):		
Noninterest expense (GAAP)	$ 30,610	$ 28,262
Less: amortization of intangible assets expense	1,518	1,684
Less: acquisition related expenses		66
Noninterest expense adjusted (non-GAAP)	29,092	26,512
Net interest income (GAAP)	45,604	42,197
Plus: taxable equivalent adjustment	908	718
Noninterest income (GAAP)	6,534	6,247
Less: net gains (losses) on equity securities	33	(7)
Less: net gains on sale of fixed assets	271	
Net interest income (FTE) plus noninterest income (non-GAAP)	$ 52,742	$ 49,169
Efficiency ratio (non-GAAP)	55.16 %	53.92 %

(Dollars in thousands, except percents)	Six Months Ended June 30, 2026	Six Months Ended June 30, 2025
Efficiency ratio (non-GAAP):		
Noninterest expense (GAAP)	$ 60,473	$ 55,615
Less: amortization of intangible assets expense	3,035	3,367
Less: acquisition related expenses		220
Noninterest expense adjusted (non-GAAP)	57,438	52,028
Net interest income (GAAP)	88,471	81,745
Plus: taxable equivalent adjustment	1,759	1,420
Noninterest income (GAAP)	13,432	12,503
Less: net gains on equity securities	489	64
Less: net gains on sale of available for sale securities	510	
Less: net gains on sale of fixed assets	271	680
Net interest income (FTE) plus noninterest income (non-GAAP)	$ 102,392	$ 94,924
Efficiency ratio (non-GAAP)	56.10 %	54.81 %

Net Interest Income:

Net interest income is the fundamental source of earnings for commercial banks. Fluctuations in the level of net interest income tend to have the greatest impact on net profits. Net interest income is defined as the difference between interest income, interest and fees earned on interest-earning assets, and interest expense, the cost of interest-bearing liabilities supporting those assets. The primary sources of earning assets are loans and investment securities, while interest-bearing deposits, short-term and long-term borrowings, and subordinated debt comprise interest-bearing liabilities. Net interest income is impacted by:

- Variations in the volume, rate and composition of earning assets and interest-bearing liabilities;

- Changes in general market rates; and
- The level of nonperforming assets.

On September 17, 2025, the Federal Open Market Committee (FOMC) reduced the target federal funds rate by 25 basis points to 4.25 percent, after maintaining the rate at 4.50 percent since December 18, 2024. The Committee—whose mandate is to promote maximum employment and maintain inflation at 2 percent over the longer run—cited rising economic uncertainty and increasing risks to the labor market as key reasons for the rate cut. Following this action, the national prime rate declined by 25 basis points, from 7.50 percent to 7.25 percent. The FOMC implemented two additional 25 basis point cuts on October 29 and December 10, 2025, bringing the federal funds target rate to 3.75 percent by year end. In response, the national prime rate also fell, ending 2025 at 6.75 percent. During the first quarter of 2026, the FOMC signaled that the existing rate level was sufficiently restrictive to guide inflation lower while avoiding undue pressure on employment. At its meeting on July 1, 2026, the FOMC voted to keep the benchmark overnight borrowing rate unchanged, marking the first meeting with a new chairman. Due to the ongoing conflict in the Middle East, we expect uncertainty with respect to economic conditions to remain elevated, which may result in future FOMC actions. Any additional rate actions by the FOMC could have a negative impact on Peoples' net interest margin and net interest income.

Changes in net interest income are measured by net interest spread and net interest margin. Net interest spread, the difference between the average yield earned on earning assets and the average rate incurred on interest-bearing liabilities, illustrates the effects changing interest rates have on profitability. Net interest margin, net interest income as a percentage of earning assets, is a more comprehensive ratio, as it reflects not only the spread, but also the change in the composition of interest-earning assets and interest-bearing liabilities. Tax-exempt loans and investments carry pre-tax yields lower than their taxable counterparts. Therefore, in order to make the net interest margin analysis more comparable, tax-exempt income and yields are reported in this analysis on a tax-equivalent basis, using the prevailing federal statutory tax rate of 21.0 percent in 2026 and 2025. Tax-exempt loan and investment income is not reported on an FTE basis on the consolidated statements of income and comprehensive income.

For the three months ended June 30, 2026, the average balances included $4.2 billion in loans, $582.8 million in investments, $3.4 billion in interest bearing deposits, and $293.0 million in borrowings, which included $83.3 million in subordinated debt and $8.2 million in junior subordinated debt. For the three months ended June 30, FTE net interest income, a non-GAAP measure, increased $3.6 million to $46.5 million in 2026 from $42.9 million in 2025. The FTE net interest spread increased to 3.24 percent for the three months ended June 30, 2026, from 3.08 percent for the three months ended June 30, 2025, which was caused by a 20-basis point decrease in the average rate paid on interest-bearing liabilities, partially offset by a 4-basis point decrease in the FTE earning asset yield. The FTE net interest margin increased 13 basis points to 3.82 percent for the second quarter of 2026 from 3.69 percent for the comparable period of 2025. The increase in tax-equivalent net interest margin from the year ago same period was primarily due to decreases in average deposit rates, specifically money market demand accounts and time deposits, coupled with higher volumes of earning assets, partially offset by decreases in average loan yields.

For the three months ended June 30, the $3.6 million increase in FTE net interest income, a non-GAAP measure, was primarily due to an increase in FTE interest income, a non-GAAP measure, coupled with a decrease in interest expense. FTE interest income increased $2.6 million to $68.7 million in 2026 as compared to $66.1 million in 2025. The increase in FTE interest income was predominantly due to increases in the volume of earning assets, primarily loans, partially offset by a 4-basis point decrease in the FTE earning asset yield. Average earnings assets increased $221.5 million to $4.9 billion for the three months ended June 30, 2026 from $4.7 billion for the same three months of 2025. Strong loan demand resulted in a $247.3 million increase in average loans to $4.2 billion from $4.0 billion comparing the second quarters of 2026 and 2025. Additionally, average interest-bearing deposits increased $18.8 million to $67.0 million for the three months ended June 30, 2026, from $48.3 million for the same three months of 2025. These increases were partially offset by a $44.6 million reduction in average investment securities to $582.8 million for the second quarter of 2026 from $627.3 million for the same quarter of 2025. The overall yield on earning assets, on an FTE basis, decreased 4 basis points for the three months ended June 30, 2026, to 5.64 percent as compared to 5.68 percent for the three months ended June 30, 2025. The yield on loans decreased 18 basis points in the second quarter of 2026 to 5.89 percent from 6.07 percent for the second quarter of 2025, while the yield on interest bearing deposits decreased 69 basis points to 3.72 percent from 4.41 percent when comparing the second quarters of 2026 and 2025, respectively. FOMC rate actions in the second half of 2025 contributed to the decreases in yields. Partially offsetting the reductions in loan and interest-bearing deposit yields was a 72 basis point increase in the yield earned on investments to 4.01% for the second quarter of 2026, compared to 3.29% for the second quarter of 2025. This improvement was primarily driven by repositioning transactions executed in the fourth quarter of 2025 and first quarter of 2026, whereby a portion of the cash flows from investment sales was reinvested into higher-yielding securities.

Total interest expense decreased $1.0 million to $22.1 million for the three months ended June 30, 2026, from $23.1 million for the three months ended June 30, 2025. The decrease in interest expense was primarily due to lower funding costs for deposits and borrowings partially offset by an increase in the volume of average interest-bearing liabilities. The cost of funds decreased 20 basis points for the three months ended June 30, 2026, to 2.40 percent as compared to 2.60 percent in the year ago period. Specifically, the cost of interest-bearing deposits decreased 27 basis points to 2.14 percent for the second quarter of 2026 from 2.41 percent for the same quarter of 2025, reflecting reductions in the average rate paid for money market accounts and time deposits due to lower market rates. Additionally, total borrowing costs decreased 26 basis points to 5.42 percent from 5.68 percent comparing the three months ended June 2026 and 2025. Specifically, the average rate paid for short-term and long-term borrowings decreased 79 basis points and 67 basis points comparing the second quarters of 2026 and 2025, reflecting the FOMC rate actions in the second half of 2025. Conversely, the average rate paid for subordinated debt increased 102 basis points to 8.42 percent for the three months ended June 30, 2026 from 7.40 percent for the same period of 2025. In June 2025, the Company called and redeemed $33.0 million of its subordinated notes due in June 2030, which had repriced to 9.08 percent and issued $85.0 million in fixed-to-floating rated subordinated notes due June 2035 at an initial fixed rate through June 2030 of 7.75 percent

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Net interest income changes due to rate and volume for the six months ended June 30

	2026 vs 2025 Increase (decrease) attributable to		
(Dollars in thousands)	**Total**	**Rate**	**Volume**
Interest income:			
Loans:			
Taxable	$ 3,128	$ (7,620)	$ 10,748
Tax-exempt	(410)	12	(422)
Investments:			
Taxable	(294)	3,345	(3,639)
Tax-exempt	2,024	950	1,074
Interest-bearing deposits	586	(408)	994
Total interest income	5,034	(3,721)	8,755
Interest expense:			
Money market accounts	(418)	(11,017)	10,599
Interest-bearing demand and NOW accounts	(535)	3,183	(3,718)
Savings accounts	151	140	11
Time deposits less than $100	(3,813)	(1,491)	(2,322)
Time deposits $100 or more	(208)	(902)	694
Short-term borrowings	273	(289)	562
Long-term debt	516	(844)	1,360
Subordinated debt	2,030	477	1,553
Junior subordinated debt	(27)	(39)	12
Total interest expense	(2,031)	(10,782)	8,751
FTE net interest income changes (non-GAAP)	$ 7,065	$ 7,061	$ 4

FTE net interest income, a non-GAAP measure, was $90.2 million for the six months ended June 30, 2026, and $83.2 million in the comparable period of 2025. Contributing to the $7.0 million increase in FTE net interest income was a positive rate variance and a negligible positive volume variance. The positive rate variance resulted in an increase in net interest income of $7.0 million when comparing the first six months of 2026 and 2025.

For the six months ended June 30, 2026, the favorable rate variance resulted primarily from a 29-basis point decrease in the average rates paid for interest-bearing deposits, which outweighed a 14-basis point reduction in average loan yields. The average rate paid on interest-bearing deposits decreased to 2.15 percent from 2.44 percent in the prior year's six-month period resulting in a decrease in interest expense of $10.1 million. The reduction in interest-bearing deposits costs was largely influenced by decreases in the average rate paid for money market deposits and time deposits. Comparing the first six months of 2026 and 2025, the average cost of money market deposits decreased 134 basis points to 2.58 percent from 3.92 percent, respectively, which resulted in a decrease in interest expense of $11.0 million. Specifically, comparing the six months ended June 30, 2026, and 2025, the rate paid for small denomination time deposits decreased 83 basis points, while the average rate paid for time deposits $100 or more decreased 28 basis points and resulted in a combined decrease in interest expense of $2.4 million. Partially offsetting the reductions in money market and time deposit costs was an increase in the average rate paid for interest-bearing demand deposit accounts of 22 basis points, which caused an increase to interest expense of $3.2 million.

Comparing the six months ended June 30, the FTE yield on earning assets was 5.57 percent for 2026, a decrease of 2 basis points from 5.59 percent for 2025. A 14-basis point decrease in the FTE yield on average loans overshadowed the positive impact of a 78-basis point increase in the average FTE yield on investments. The average rate paid on loans decreased to 5.85 percent from 5.99 percent and resulted in a decrease to interest income of $7.6 million. The yield on the investment portfolio increased to 3.90 percent during the six months ended June 30, 2026, from 3.12 percent in the year ago period, resulting in an increase of $4.3 million in interest income.

Average earning assets increased $195.0 million to $4.8 billion for the six months ended June 30, 2026, from $4.7 billion for the same six months of 2025 and accounted for an $8.8 million increase in interest income. The impact of the increase in average earning assets was offset by a $102.2 million increase in average interest-bearing liabilities, which resulted in an $8.8 million increase in interest expense.

Average taxable loans, the primary volume driver for interest income, increased $214.0 million, which caused interest income to increase by $10.7 million, while a secondary driver, average tax-exempt investments, increased $68.0 million and contributed a $1.1 million increase in interest income. Offsetting these volume driven increases, average taxable investments decreased $106.3 million, causing a $3.6 million decrease in interest income.

Average interest-bearing liabilities increased $102.2 million to $3.7 billion for the six months ended June 30, 2026, from $3.6 billion for the six months ended June 30, 2025, resulting in a net increase in interest expense of $8.8 million. Multiple drivers included money market accounts, which increased $329.6 million and resulted in a $10.6 million increase in interest expense, followed by both long term and subordinated debt. Subordinated debt increased by $38.9 million, which resulted in a $1.6 million increase to interest expense, and long-term debt increased by $40.3 million and contributed a $1.4 million increase to interest expense. The increases were offset primarily by decreases in interest bearing demand deposits, followed by decreases in small denomination time deposits. Average interest-bearing demand deposits decreased $217.4 million due in part to the cyclical nature of municipal deposits and resulted in a $3.7 million decrease in interest expense. Average small denomination time deposits decreased $134.0 million resulting in a $2.3 million decrease in interest expense.

The average balances of assets and liabilities, corresponding interest income and expense and resulting average yields or rates paid are summarized as follows. Averages for earning assets include nonaccrual loans. Investment averages include available for sale securities at amortized cost. Income on investment securities and loans is adjusted to an FTE basis using the prevailing federal statutory tax rate of 21 percent.

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(Dollars in thousands, except per share data)

	Three months ended					
	June 30, 2026			June 30, 2025		
(Dollars in thousands, except percents)	Average Balance	Interest Income/ Expense	Yield/ Rate	Average Balance	Interest Income/ Expense	Yield/ Rate
Assets:						
Earning assets:						
Loans:						
Taxable	$ 3,973,583	$ 59,483	6.00 %	$ 3,707,650	$ 57,459	6.22 %
Tax-exempt	263,731	2,728	4.15	282,406	2,914	4.14
Total loans	4,237,314	62,211	5.89	3,990,056	60,373	6.07
Investments:						
Taxable	422,646	4,231	4.02	540,424	4,644	3.45
Tax-exempt	160,117	1,596	4.00	86,899	505	2.33
Total investments	582,763	5,827	4.01	627,323	5,149	3.29
Interest-bearing deposits	67,064	622	3.72	48,270	531	4.41
Total interest-earning assets	4,887,141	$ 68,660	5.64 %	4,665,649	$ 66,053	5.68 %
Less: allowance for credit losses	40,521			41,837		
Other assets	401,762			390,522		
Total assets	$ 5,248,382			$ 5,014,334		
Liabilities and stockholders' equity:						
Interest-bearing liabilities:						
Money market accounts	$ 1,034,838	$ 6,673	2.59 %	$ 708,585	$ 6,992	3.96 %
Interest-bearing demand and NOW accounts	1,213,141	5,825	1.93	1,406,998	5,882	1.68
Savings accounts	511,202	466	0.37	501,975	376	0.30
Time deposits less than $100	290,045	2,297	3.18	404,142	3,991	3.96
Time deposits $100 or more	365,167	2,927	3.22	352,216	3,062	3.49
Total interest-bearing deposits	3,414,393	18,188	2.14	3,373,916	20,303	2.41
Short-term borrowings	56,166	536	3.83	35,587	410	4.62
Long-term debt	145,346	1,500	4.14	101,066	1,211	4.81
Subordinated debt	83,334	1,750	8.42	55,622	1,026	7.40
Junior subordinated debt	8,177	174	8.54	8,075	188	9.34
Total borrowings	293,023	3,960	5.42	200,350	2,835	5.68
Total interest-bearing liabilities	3,707,416	22,148	2.40	3,574,266	23,138	2.60
Noninterest-bearing deposits	940,512			897,212		
Other liabilities	65,432			52,608		
Stockholders' equity	535,022			490,248		
Total liabilities and stockholders' equity	$ 5,248,382			$ 5,014,334		
Net interest income/spread		$ 46,512	3.24 %		$ 42,915	3.08 %
Net interest margin (non-GAAP)			3.82 %			3.69 %
Tax-equivalent adjustments:						
Loans		$ 573			$ 612	
Investments		335			106	
Total adjustments		$ 908			$ 718	

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(Dollars in thousands, except per share data)

	Six months ended					
	June 30, 2026			June 30, 2025		
(Dollars in thousands, except percents)	Average Balance	Interest Income/ Expense	Yield/ Rate	Average Balance	Interest Income/ Expense	Yield/ Rate
Assets:						
Earning assets:						
Loans:						
Taxable	$ 3,916,900	$ 115,799	5.96 %	$ 3,702,911	$ 112,671	6.14 %
Tax-exempt	261,252	5,346	4.13	281,486	5,756	4.12
Total loans	4,178,152	121,145	5.85	3,984,397	118,427	5.99
Investments:						
Taxable	441,862	8,525	3.89	548,124	8,819	3.24
Tax-exempt	154,937	3,030	3.94	86,985	1,006	2.33
Total investments	596,799	11,555	3.90	635,109	9,825	3.12
Interest-bearing deposits	82,275	1,515	3.71	42,754	929	4.38
Total interest-earning assets	4,857,226	$ 134,215	5.57 %	4,662,260	$ 129,181	5.59 %
Less: allowance for credit losses	39,998			41,960		
Other assets	400,794			391,221		
Total assets	$ 5,218,022			$ 5,011,521		
Liabilities and stockholders' equity:						
Interest-bearing liabilities:						
Money market accounts	$ 1,027,706	$ 13,144	2.58 %	$ 698,111	$ 13,562	3.92 %
Interest-bearing demand and NOW accounts	1,218,560	11,763	1.95	1,435,943	12,298	1.73
Savings accounts	507,704	888	0.35	500,392	737	0.30
Time deposits less than $100	280,219	4,406	3.17	414,197	8,219	4.00
Time deposits $100 or more	374,444	6,126	3.30	356,817	6,334	3.58
Total interest-bearing deposits	3,408,633	36,327	2.15	3,405,460	41,150	2.44
Short-term borrowings	47,720	908	3.84	27,925	635	4.59
Long-term debt	139,700	2,904	4.19	99,426	2,388	4.84
Subordinated debt	83,278	3,499	8.47	44,373	1,469	6.68
Junior subordinated debt	8,163	347	8.57	8,063	374	9.35
Total borrowings	278,861	7,658	5.54	179,787	4,866	5.46
Total interest-bearing liabilities	3,687,494	43,985	2.41 %	3,585,247	46,016	2.59 %
Noninterest-bearing deposits	935,129			886,193		
Other liabilities	62,206			55,298		
Stockholders' equity	533,193			484,783		
Total liabilities and stockholders' equity	$ 5,218,022			$ 5,011,521		
Net interest income/spread		$ 90,230	3.16 %		$ 83,165	3.00 %
Net interest margin (non-GAAP)			3.75 %			3.60 %
Tax-equivalent adjustments:						
Loans		$ 1,123			$ 1,209	
Investments		636			211	
Total adjustments		$ 1,759			$ 1,420	

Provision for Credit Losses:

For the three months ended June 30, 2026, the Company recorded a $3.1 million provision for credit losses compared to a $0.2 million benefit to the provision for the same three months of 2025. The increase was primarily due to the impact of significant loan growth during the quarter ended June 30, 2026, while the prior-year same period benefited from lower specific reserves associated with reduction in non-performing loans. For the six months ended June 30, 2026, the provision for credit losses was $4.5 million, an increase of $4.5 million from a negligible benefit of $39 thousand recorded for the same six months of 2025. The increase in loan provisioning for the year-to-date period of 2026 was primarily impacted by significant loan growth. Based on our most current evaluation, we believe that the ACL is adequate to absorb any known and inherent losses in the loan portfolio as of June 30, 2026.

Noninterest Income:

Noninterest income was $6.5 million and $6.2 million for the three months ended June 30, 2026, and 2025, respectively. The $0.3 million increase in non-interest income was primarily due to a gain of $0.3 million on the sale of a branch property that was part of a sale/leaseback transaction, coupled with increases in wealth management and mortgage banking income, which includes gains on the sale of residential mortgage loans, partially offset by decreases in service charges, fees and commissions and merchant services income.

Noninterest income was $13.4 million and $12.5 million for the six months ended June 30, 2026, and 2025, respectively. The $0.9 million increase in non-interest income was primarily due to increases in interest rate swap income of $0.6 million, along with combined gains of $1.0 million on the sale of investment securities available for sale and on the sale and market value appreciation of equity securities and a $0.3 million increase in mortgage banking income, partially offset by a decrease in service charge, fee, and commission income of $0.5 million. The current six-month period ended June 30, 2026, includes a gain on the sale of a branch property of $0.3 million. The comparable prior-year period included a gain of $0.7 million on the sale of the Company's former corporate headquarters in Scranton, PA.

Noninterest Expenses:

In general, noninterest expense is categorized into three main groups: employee-related expenses, occupancy and equipment expenses, and other expenses. Employee-related expenses are costs associated with providing salaries, including payroll taxes and benefits, to our employees. Occupancy and equipment expenses, the costs related to the maintenance of facilities and equipment, include depreciation, general maintenance and repairs, real estate taxes, rental expense offset by any rental income, and utility costs. Other expenses include general operating expenses such as advertising, contractual services, insurance, including FDIC assessment, provision for unfunded commitments, other taxes and supplies. Several of these costs and expenses are variable while the remainder are fixed. We utilize budgets and other related strategies to control the variable expenses.

Noninterest expense was $30.6 million for the second quarter of 2026, an increase of $2.3 million from $28.3 million for the three months ended June 30, 2025, which primarily reflected increases in salaries and employee benefits, due to annual merit increases and higher benefit costs, coupled with an increase in occupancy and equipment expense resulting from higher leasing costs and data processing expenses. Salaries and employee benefits expense was $15.1 million for the three months ended June 30, 2026, compared to $13.8 million for the same three months in 2025. Net occupancy and equipment expenses were $7.3 million for the second quarter of 2026, an increase of $1.0 million from $6.3 million for the same quarter of 2025.

Noninterest expense increased $4.9 million to $60.5 million for the six months ended June 30, 2026, from $55.6 million for the six months ended June 30, 2025, which primarily reflected increases in salaries and employee benefits expenses, and occupancy and equipment expenses. Salaries and employee benefits expense was $29.6 million for the six months ended June 30, 2026, compared to $27.2 million for the same six months in 2025. The $2.4 million increase resulted primarily from annual merit increases, staff additions and higher health insurance costs. Net occupancy and equipment expenses were $15.0 million for the first six months of 2026, an increase of $2.1 million from $12.9 million for the same six-month period in 2025. The increase was largely caused by higher rent expenses associated with the new corporate headquarters and increases in data processing expenses related to the implementation of an on-line account opening platform.

Income Taxes:

We recorded an income tax expense of $3.6 million or 19.6% of pre-tax income for the three-month period ending June 30, 2026, and $3.5 million or 17.0% of pre-tax income for the three-month period ending June 30, 2025. Income tax expense was $7.4 million for the six months ended June 30, 2026, compared to $6.7 million for the six months ended

June 30, 2025. The effective tax rate was 20.0% for the six months ended June 30, 2026, and 17.3% in the prior year’s same six-month period. Increases in the effective tax rate in both the three-month and six-month periods were largely due to an increase in amortization related to the Company’s low-income housing tax credit investments, coupled with an increase in the provision for state income taxes.

Peoples Financial Services Corp.

Item 3. Quantitative and Qualitative Disclosures about Market Risk.

Market risk is the risk to our earnings and/or financial position resulting from adverse changes in market rates or prices, such as interest rates, foreign exchange rates or equity prices. Our exposure to market risk is primarily interest rate risk ("IRR"), which arises from our lending, investing and deposit gathering activities. Our market risk sensitive instruments consist of derivative and non-derivative financial instruments, none of which are entered into for trading purposes. During the normal course of business, we are not exposed to foreign exchange risk or commodity price risk. Our exposure to IRR can be explained as the potential for change in reported earnings and/or the market value of net worth. Variations in interest rates affect the underlying economic value of assets, liabilities, and off-balance sheet items. These changes arise because the present value of future cash flows, and often the cash flows themselves, change with interest rates. The effects of the changes in these present values reflect the change in our underlying economic value and provide a basis for the expected change in future earnings related to interest rates. Interest rate changes affect earnings by changing net interest income and the level of other interest-sensitive income and operating expenses. IRR is inherent in the role of banks as financial intermediaries.

A bank with a high degree of IRR may experience lower earnings, impaired liquidity and capital positions, and most likely, a greater risk of insolvency. Therefore, banks must carefully evaluate IRR to promote safety and soundness in their activities. Interest rate risk is the risk of loss to future earnings due to changes in interest rates. The ALCO is responsible for establishing policy guidelines on liquidity and acceptable exposure to interest rate risk. Generally quarterly, ALCO reports on the status of liquidity and interest rate risk matters to the Company's board of directors. The objective of the ALCO is to manage assets and funding sources to produce results that are consistent with the Company's liquidity, capital adequacy, growth, risk and profitability goals and are within policy limits.

The Company utilizes the pricing and structure of loans and deposits, the size and duration of the investment securities portfolio, the size and duration of the wholesale funding portfolio, and off-balance sheet interest rate contracts to manage interest rate risk. The off-balance sheet interest rate contracts may include interest rate swaps, caps and floors. These interest rate contracts involve, to varying degrees, credit risk and IRR. Credit risk is the possibility that a loss may occur if a counterparty to a transaction fails to perform according to the terms of the contract. The notional amount of the interest rate contracts is the amount upon which interest and other payments are based. The notional amount is not exchanged and therefore should not be taken as a measure of credit risk. See Note 16, "Derivatives and hedging activities," to the Audited Consolidated Financial Statements contained in Part II, Item 8 of our Annual Report on Form 10-K for the period ended December 31, 2025 and Note 9, "Derivatives and hedging activities," to the Unaudited Consolidated Interim Financial Statements contained in Part I, Item 1 of this Quarterly Report on Form 10-Q for additional information.

The ALCO uses income simulation to measure IRR inherent in the Company's on-balance sheet and off-balance sheet financial instruments at a given point in time by showing the effect of interest rate shifts on net interest income over a 24-month horizon and a 60-month horizon. The simulations assume that the size and general composition of the Company's balance sheet remain static over the simulation horizons, with the exception of certain deposit mix shifts from low-cost time deposits to higher cost time deposits in selected interest rate scenarios. Additionally, the simulations take into account the specific repricing, maturity, call options, and prepayment characteristics of differing financial instruments that may vary under different interest rate scenarios. The characteristics of financial instrument classes are typically reviewed by the ALCO on a quarterly basis to ensure their accuracy and consistency.

The ALCO reviews simulation results to determine whether the Company's exposure to a decline in net interest income remains within established tolerance levels over the simulation horizons and to develop appropriate strategies to manage this exposure. As of June 30, 2026 and December 31, 2025, net interest income simulations indicated that exposure to changing interest rates over the simulation horizons remained within tolerance levels established by the Company. All changes are measured in comparison to the projected net interest income that would result from an "unchanged" rate scenario where both interest rates and the general composition of the Company's balance sheet remain stable for a 24-month and 60-month period. In addition to measuring the change in net interest income as compared to an unchanged interest rate scenario, the ALCO also measures the trend of both net interest income and net interest margin over a 24-month and 60-month horizon to ensure the stability and adequacy of net interest income in different interest rate scenarios.

Peoples Financial Services Corp.

Model results at June 30, 2026 indicated a higher starting level of net interest income (“NII”) compared to the December 31, 2025 model due to the impact of a larger earning asset base, higher earning asset yields coupled with lower deposit costs. During the three months ended June 30, 2026, asset cashflows repriced into higher yielding instruments, management implemented a strategy to reduce deposit costs and reduced the Company’s higher rate brokered CD portfolio and replaced the funding with FHLB term borrowings with lower rates.

Our interest rate risk position at June 30, 2026 exhibits an asset-sensitive profile. Rising interest rates present the greatest benefit to net interest income, as asset yields reprice higher more quickly while increases in deposit costs lag. Conversely, a sustained falling rate environment—particularly a parallel downward shift in the yield curve—presents the greatest potential risk to NII over the long-term horizon; a steeper yield curve mitigates a portion of the exposure to falling rates. Compared to the December 31, 2025 position, the June 30, 2026 position is more asset-sensitive due to changes to deposit assumptions.

The ALCO regularly reviews a wide variety of interest rate shift scenario results to evaluate IRR exposure, including scenarios showing the effect of steepening or flattening changes in the yield curve as well as parallel changes in interest rates of up to 400 basis points. Because income simulations assume that the Company’s balance sheet will remain static over the simulation horizon, the results do not reflect adjustments in strategy that the ALCO could implement in response to rate shifts.

During the first half of 2026, the FOMC has kept the federal funds target rate unchanged following a series of reductions implemented during the latter half of 2025. During the six months ended June 30, 2026, the Company actively managed its mix of brokered deposits and borrowings to achieve lower funding costs and improve funding flexibility. While the future path of monetary policy remains uncertain, sustained elevated interest rates or any future increases in market interest rates could negatively impact net interest income ("NII") if funding costs, including deposit and wholesale funding rates, increase at a faster pace than yields earned on the Company's interest-earning assets. In addition, continued competition for deposits in a higher-rate environment may require the Company to retain and attract deposits through higher pricing or increased reliance on alternative funding sources, which could further pressure NII.

	June 30, 2026 % Change in			
	Net Interest Income		Economic Value of Equity	
Changes in Interest Rates (basis points)	**Metric**	**Policy**	**Metric**	**Policy**
+400	12.8	(20.0)	(12.2)	(40.0)
+300	9.9	(20.0)	(8.1)	(30.0)
+200	6.8	(10.0)	(4.4)	(20.0)
+100	3.9	(10.0)	(1.1)	(10.0)
Static				
-100	(3.5)	(10.0)	(0.3)	(10.0)
-200	(6.5)	(10.0)	(3.0)	(20.0)
-300	(6.8)	(20.0)	(8.7)	(30.0)
-400	N/A	(20.0)	N/A	(40.0)

Our simulation model creates pro forma net interest income scenarios under various interest rate shocks. Given instantaneous and parallel shifts in general market rates of plus 100 basis points, our projected net interest income for the 12 months ending June 30, 2026, would increase 3.9 percent from model results using current interest rates. Conversely, parallel shifts in general markets rates of minus 100 basis points indicated projected net interest income for the same time period would decrease 3.5 percent.

Additional disclosures about market risk are included in Part II, Item 7A., “Quantitative and Qualitative Disclosures About Market Risk,” of our Annual Report on Form 10-K for the year ended December 31, 2025, and are incorporated into this Item 3 by reference.

Peoples Financial Services Corp.

Item 4. Controls and Procedures.

(a) Evaluation of disclosure controls and procedures.

At June 30, 2026, the end of the period covered by this Quarterly Report on Form 10-Q, the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") evaluated the effectiveness of the Company's disclosure controls and procedures as defined in Rule 13a-15(e) under the Exchange Act. Based upon that evaluation, the CEO and CFO concluded that the disclosure controls and procedures, at June 30, 2026, were effective to provide reasonable assurance that information required to be disclosed in the Company's reports filed under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and to provide reasonable assurance that information required to be disclosed in such reports is accumulated and communicated to the CEO and CFO to allow timely decisions regarding required disclosure.

(b) Changes in internal control over financial reporting.

There were no changes in the Company's internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Rule 13a-15 or Rule 15d-15 under the Exchange Act that occurred during the fiscal quarter ended June 30, 2026 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

The nature of the Company's business generates a certain amount of litigation involving matters arising out of the ordinary course of business. In the opinion of management, there were no legal proceedings that had or might have a material effect on the consolidated results of operations, liquidity, or the financial position of the Company during the six months ended June 30, 2026 and through the date of this quarterly report on Form 10-Q.

Item 1A. Risk Factors.

Our Annual Report on Form 10-K for the year ended December 31, 2025 (2025 Form 10-K) describes market, credit, and business operations risk factors that could affect our business, results of operations or financial condition. There have been no material changes from the risk factors as previously disclosed in our 2025 Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

The following purchases were made by or on behalf of the Company or any "affiliated purchaser," as defined in the Exchange Act Rule 10b-18(a)(3), of the Company's common stock during each of the months in the quarter ended June 30, 2026.

Period	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs	Maximum number (or approximate dollar value) of shares that may yet be purchased under the plans or programs
April 1- April 30	71	$ 54.62		
May 1 - May 31	515	56.35		
June 1 - June 30				
Total	586	$ 56.14		

Peoples Financial Services Corp.

During the three months ended June 30, 2026 and through the date of this report, the Company did not have any publicly announced share repurchase plans or programs. All of the purchases noted in the table above reflect shares delivered by participants in the Company's equity incentive plans to pay withholding tax liabilities incident to the vesting of restricted stock awards.

Item 3. Defaults upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

During the fiscal quarter ended June 30, 2026, none of the Company's directors or officers informed management of the adoption or termination of a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as those terms are defined in Regulation S-K, Item 408.

Item 6. Exhibits.

Item Number	Description
3.1	Peoples Financial Services Corp. Articles of Incorporation, as amended (incorporated by reference to Exhibit 3.1 to the Registrant's Form 10-K filed with the Commission on March 17, 2014)
3.2	Articles of Amendment to the Articles of Incorporation of Peoples Financial Services Corp., effective as of May 19, 2020 (incorporated by reference to Exhibit 3.2 to the Registrant's quarterly report on Form 10-Q filed with the Commission on August 10, 2020)
3.3	Third Amended and Restated Bylaws of Peoples Financial Services Corp., effective May 30, 2025 (incorporated by reference to Exhibit 3.1 to the Registrant's current report on Form 8-K filed June 3, 2025)
10.1	Peoples Financial Services Corp. 2023 Equity Incentive Plan, as amended May 22, 2026 (incorporated by reference to Exhibit 10.1 to the Registrant's current report on Form 8-K filed with the Commission on May 27, 2026)
10.2*	First Amendment to Deferred Compensation Plan, dated June 26, 2026, by and between Peoples Security Bank and Trust Company and Susan L. Hubble
31.1*	CEO Certification Pursuant to Rule 13a-14 (a) /15d-14 (a)
31.2*	CFO Certification Pursuant to Rule 13a-14 (a) /15d-14 (a)
32*	CEO and CFO Certifications Pursuant to Section 1350
101*	The following materials from Peoples Financial Services Corp. Quarterly Report on Form 10-Q for the period ended June 30, 2026, formatted in inline XBRL: (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Income and Comprehensive Income, (iii) the Consolidated Statements of Changes in Stockholders' Equity, (iv) the Consolidated Statements of Cash Flows and (v) the Notes to the Consolidated Financial Statements
104*	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)

*Filed herewith

Peoples Financial Services Corp.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto, duly authorized.

	Peoples Financial Services Corp. (Registrant)
Date: August 7, 2026	/s/ Gerard A. Champi
	Gerard A. Champi President and Chief Executive Officer Principal Executive Officer
Date: August 7, 2026	/s/ James M. Bone, Jr., CPA
	James M. Bone, Jr., CPA Executive Vice President and Chief Financial Officer Principal Financial Officer
Date: August 7, 2026	/s/ Stephanie A. Westington, CPA
	Stephanie A. Westington, CPA Executive Vice President and Chief Accounting Officer Principal Accounting Officer

Exhibit 10.2

FIRST AMENDMENT
TO
DEFERRED COMPENSATION PLAN

This **FIRST AMENDMENT TO DEFERRED COMPENSATION PLAN (**the "First Amendment"), adopted this 26th day of June, 2026 (this "First Amendment"), to that certain Deferred Compensation Plan, adopted April 1, 2022, (the "Agreement"), by and between Peoples Security Bank and Trust Company (the "Employer"), and Susan L. Hubble (the "Executive"). Capitalized terms used but not defined herein have the meanings ascribed to such terms in the Agreement.

WHEREAS, Employer and Executive are parties to the Agreement, pursuant to which the Employer established a deferred compensation arrangement for the benefit of the Executive; and

WHEREAS, the Agreement provides in Article 2 Section 2.1 that Employer shall contribute Twenty-Five Thousand and 00/100 Dollars ($25,0000) to the Contribution Account (defined therein) at the times listed therein and conditioned on Executive's continued employment through such date; and

WHEREAS, Employer desires to amend Section 2.1 to conditionally add an additional contribution to the Contribution Account for the benefit of the Executive.

NOW, THEREFORE, in consideration of the foregoing mutual covenants contained in this Agreement, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Parties hereby agree as follows:

1. Amendment to Section 2.1 of the Agreement. Section 2.1 of the Agreement is hereby amended to add the following Employer contribution to the Contribution Account, which shall be credited as of the following date and conditioned on the Executive's continuous employment through such date:

Date	Contribution
December 31, 2026	$25,000

2. General.

(a) Except as expressly amended hereby, the Agreement shall remain in full force and effect in accordance with the terms thereof.

(b) For the convenience of parties hereto, this First Amendment may be executed in any number of separate counterparts, each of which shall constitute an original, but all of which, when taken together, shall constitute but one instrument, and shall become effective when one or more counterparts have been signed by each party hereto and delivered to the other party. Executed signature pages to this First Amendment may be delivered by facsimile or electronically and such facsimiles or electronic email shall be deemed as sufficient as if actual signature pages had been delivered.

IN WITNESS WHEREOF, the Executive and a representative of the Employer have caused this First Amendment to be executed as indicated below as of the date first above written.

PEOPLES SECURITY BANK AND TRUST COMPANY

By: /s/ Gerard A. Champi
Name: Gerard A. Champi
Title: President and Chief Executive Officer

/s/ Susan L. Hubble
Name: Susan L. Hubble
Title: Executive Vice President and Chief Information Officer

Peoples Financial Services Corp.

EXHIBIT 31.1

CERTIFICATION

I, Gerard A. Champi, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the period ended June 30, 2026, of Peoples Financial Services Corp.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13A-15(f) and 15d-15(f)) for the registrant and have:

    a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

    b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) disclosed in the quarterly report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's Board of Directors (or persons performing the equivalent functions):

    a) all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Gerard A. Champi
President and Chief Executive Officer
(Principal Executive Officer)

Date: August 7, 2026

Peoples Financial Services Corp.

EXHIBIT 31.2

CERTIFICATION

I, James M. Bone, Jr., certify that:

1. I have reviewed this quarterly report on Form 10-Q for the period ended June 30, 2026, of Peoples Financial Services Corp.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13A-15(f) and 15d-15(f)) for the registrant and have:

    a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

    b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) disclosed in the quarterly report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting.

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of registrant’s Board of Directors (or persons performing the equivalent functions):

    a) all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

    b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

/s/ James M Bone, Jr.
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

Date: August 7, 2026

EXHIBIT 32

SECTION 1350 CERTIFICATIONS

In connection with the Quarterly Report on Form 10-Q of Peoples Financial Services Corp. (the "Company") for the period ended June 30, 2026, as filed with the Securities and Exchange Commission (the "Report"), we, Gerard A. Champi, President and Chief Executive Officer, of the Company, and James M. Bone, Jr., Executive Vice President and Chief Financial Officer, of the Company, certify, pursuant to 18 U.S.C. Section 1350, as added by Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. To my knowledge, the information contained in the Report fairly represents, in all material respects, the financial condition and results of operations of the Company as of and for the period covered by the Report.

/s/ Gerard A. Champi
President and Chief Executive Officer
(Principal Executive Officer)
Date: August 7, 2026

/s/ James M. Bone, Jr.
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)
Date: August 7, 2026

A signed copy of this written statement required by Section 906 of the Sarbanes-Oxley Act of 2002 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.