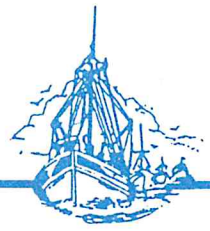


Peoples Financial Corporation

Post Office Box 529 • Biloxi, Mississippi 39533-0529 • 228-435-5511



April 23, 2020

Re: Shareholder Address, Annual Meeting April 22, 2020

Dear Shareholder:

We would like to welcome everyone to our 124th Annual Shareholder Meeting. On April 13, 2020, our Bank celebrated its 124th birthday.

Before we get started, I would like to take this time to remember our dear friend and longtime board member Eustace Andrew “Drew” Allen, II who passed away March 19, 2020.

Drew graduated from Gulfport East High School class of 1970. He graduated from Mississippi State University with a BS in Business/Marketing. He was a member of Sigma Chi Fraternity.

After graduation, Drew returned to Gulfport to begin his career with the family business, Allen Beverages. In 1991, he became CEO/President finding great service in helping to meet the needs of his community. He joined many organizations and his involvement left lasting impressions. He was a board member of Mississippi Gulf Coast Business Council, The Peoples Bank, Biloxi, Peoples Financial Corporation, Salvation Army, Great Southern Golf Club, People Against litter and the Word at Work.

He has been awarded the Others Award with the Salvation Army, the Silver Beaver, and the Pine Belt Distinguished Citizen Award, with the Boy Scouts of America. He was named Bottler of the Year by the Mississippi Beverage Association. Under his leadership, in 2014, Allen Beverages was named North American Pepsi Bottler of the Year as well as Beverage World magazine’s Bottler of the Year. Gulfport Rotary named him a Paul Harris Fellow. He was honored by Mississippi State University as the Top 100 for 100 years award from the College of Business.

Drew was a friend, and he will be greatly missed.

The two newly elected directors elected to the Peoples Financial Corporation Board are Ron Barnes and Padrick Dennis.

Ron Barnes joined The Peoples Bank Board in December 2017. Mr. Barnes has served Coast Electric Power Association in key management positions over the past 22 years encompassing marketing, member services, public relations and legislative affairs and President and Chief Executive Officer in April of 2017. Coast Electric is headquartered in Hancock County, Mississippi and provides power to approximately 80,000 homes and businesses along the Mississippi Gulf Coast.

Mr. Barnes holds a B.S.B.A. in Marketing Management from the University of Southern Mississippi and is a board member of Cooperative Energy Electric Cooperatives of Mississippi. Mr. Barnes is also actively engaged in his community serving as a present or past board member of various civic organizations including Mississippi Gulf Coast Chamber of Commerce, Gulf Coast Community Foundation, United Way of South Mississippi, Public Relations Association of Mississippi and the Heritage United Methodist Church.

Padrick Dennis joined The Peoples Bank board in mid-2018. He has been with Specialty Contractors and Associates since 2010 where he currently serves as Vice President of construction and operations. Mr. Dennis earned a Juris Doctor from the University of Mississippi School of Law, graduating Summa Cum Laude and also holds a Bachelor of Arts degree (Politics) and Bachelor of Science degree (Accounting and Business Administration) from Washington & Lee University, graduating Summa Cum Laude. Mr. Dennis is involved in several community organizations including Trinity United Methodist Church, the Mississippi Economic Council's Board of Governors, Coast Young Professionals, Gulf Coast Carnival Association, Gulfport Gridiron Club, and the Mississippi Gulf Resort Classic's Ambassador Club. We are extremely fortunate to add Ron and Padrick to our Holding Company Board of Directors. Their leadership, extensive experience and active community involvement will enhance the insight of our Board.

During the first quarter of this year, Rex Kelly and Dan Magruder resigned from our bank board and subsequently the holding company board. We are very grateful to these highly regarded gentlemen for their wise counsel, commitment and loyalty to The Peoples Bank and Peoples Financial Corporation. We will miss them yet understand their desire to fully enjoy retirement. The decision to resign was considered more than a year ago and the previous appointment of new directors in 2018 was part of the bank's board succession plan.

For the year 2019 Peoples Financial Corporation earned \$1,679,000 net income compared to \$629,000 for the year end 2018, this is an increase of 248%.

During the 1st quarter 2020 Peoples Financial Corporation earned \$1,123,000 net income compared to \$405,000 net income in the first quarter 2019 (Enclosure 1). As in years past we continue to focus on our bank's biggest issue-asset quality-mainly non-performing assets. Favorably impacting first quarter of 2020 results was the sale of \$630,000 in other real estate and the sale of our old money center location at US 49 and US Hwy 90.

NON-PERFORMING ASSETS

Non-Accrual Loans

The bank's non-accrual loans have decreased significantly since their highest peak on December 31, 2011 as follows (in thousands):

December 31, 2011	\$57,593		
December 31, 2012	\$53,891		
December 31, 2013	\$26,131		
December 31, 2014	\$33,297		
December 31, 2015	\$15,186		
December 31, 2016	\$11,853		
December 31, 2017	\$13,810		
December 31, 2018	\$ 8,250		
December 31, 2019	\$ 9,266		
March 31, 2020	\$ 8,833		
		Non-Accruals in Bankruptcy	
		<u>Amount</u>	<u>Number of Relationships</u>
		\$4,528,461	6
		* \$5,354,128	10
		\$1,492,225	16
		\$6,081,369	6
		\$6,023,306	4

* One bankruptcy relationship added 64 loans in the 3rd quarter

Of our non-accrual loans as of December 31, 2019 thirteen (13) loans totaling \$3,377,244 were performing as agreed. This was 46.4% by number and 36.5% by dollar amount. Beginning in the second quarter 2020, we anticipate non-accrual principle reductions of approximately \$125,000 per month.

Again, the good news about the loans in bankruptcy is that they are one step closer to resolution.

Other Real Estate (ORE)

The Bank is constantly reviewing our ORE property values due to fluctuating real estate prices. The increase in ORE over the last several years has been due to management's aggressive program of identifying and resolving problem credit issues. Foreclosure or bankruptcy is the final step. The following is the ORE on our books since 2012:

	2012 \$	2013 \$	2014 \$	2015 \$	2016 \$	2017 \$	2018 \$	2019 \$	2020 \$
Mar	7,725,111	6,657,000	9,083,788	12,297,000	9,840,000	8,246,488	8,844,506	8,872,615	6,572,551
June	7,523,111	6,824,000	8,981,057	11,762,427	8,737,443	7,357,928	9,887,737	9,172,905	
Sept	7,368,534	9,426,361	9,709,976	10,900,144	9,437,373	8,081,238	9,891,566	7,605,640	
Dec	7,008,184	9,630,247	7,646,226	9,916,252	8,513,075	8,231,568	8,943,422	7,452,955	

In 2019 we estimated that the Bank would dispose of \$2,000,000 in other real estate. We were able to sell thirty-three (33) parcels for \$3,141,948; 157% of our estimate. This was our second-best year ever. The bad news is other real estate grows as fast as we can dispose of it. We anticipate that we will dispose of another \$3,000,000 of other real estate in 2020.

Schedule of Gain or Loss on ORE Sold as of December 31

Year	Carrying Value	Net Sale Price	Gain (Loss) on ORE Sold	# Properties Disposed of	ORE Book Value at Dec. 31
2009	\$2,897,673	\$3,047,731	\$ 150,058	11	\$ 1,521,313
2010	1,414,850	1,328,000	(86,850)	14	5,744,150
2011	2,101,416	1,921,026	(180,390)	25	6,153,238
2012	1,567,274	1,546,005	(21,269)	16	7,008,184
2013	1,186,509	1,123,936	(62,573)	12	9,630,247
2014	2,067,589	2,115,000	47,411	14	7,646,226
2015	4,294,943	3,505,545	(789,398)	35	9,916,252
2016	2,524,391	2,775,379	250,988	16	8,513,075
2017	1,767,083	1,666,186	(100,897)	37	8,231,568
2018	3,230,737	3,209,342	(21,395)	30	8,943,422
2019	2,755,497	3,141,948	386,451	33	7,452,955
3/31/2020	<u>704,905</u>	<u>746,501</u>	<u>41,595</u>	<u>7</u>	<u>6,572,551</u>
TOTAL	<u>\$26,512,867</u>	<u>\$26,126,599</u>	<u>\$386,268</u>	<u>250</u>	

The < loss > does not include write downs or adjustments to contract prices that were expensed during the holding period.

LOAN LOSS RESERVE

We were encouraged by the zero provision for 2019 losses compared to \$122,000 for 2018. Please note our zero loan loss provision in 2019 was the lowest since 1998 and the provision continues the major downward trend it has followed for the last seven (7) years.

Allowance for Loan Loss Reserve

Year Ended December 31

	2012	2013	2014	2015	2016	2017	2018	2019	3/31/2020
Allowance for loan losses beginning of period	\$8,136	\$ 8,857	\$8,934	\$9,206	\$8,070	\$5,466	\$6,153	\$5,340	\$4,207
Recoveries	133	538	598	390	350	842	475	195	62
Charge-Offs	(3,676)	(10,122)	(7,730)	(4,108)	(3,522)	(271)	(1,410)	(1,328)	(142)
Provision for loan losses	<u>4,264</u>	<u>9,661</u>	<u>7,404</u>	<u>2,582</u>	<u>568</u>	<u>116</u>	<u>122</u>	<u>0</u>	<u>64</u>
Allowance for loan losses end of period	<u>\$8,857</u>	<u>\$ 8,934</u>	<u>\$9,206</u>	<u>\$8,070</u>	<u>\$5,466</u>	<u>\$6,153</u>	<u>\$5,340</u>	<u>\$4,207</u>	<u>\$4,191</u>

Our aggressive program of identifying and managing problem loans has continued since 2013. The older problem credits are much lower and closer to resolution.

ASSET QUALITY

We are taking the liberty of including our past due loan status showing the number and dollar amount of loans in each category at the end of each year and the current quarter. Collateral values are stabilizing, and we are confident of our continuing financial progress.

AGING OF PAST DUE LOANS

	30-59 Days		60 - 89 Days		90 Days Accruing		Non-Accruals		Total		% of Total Loans	Total Loans
	#	Amt	#	Amt	#	Amt	#	Amt	#	Amt		
12/31/11	136	\$17,373,673	27	\$3,924,249	13	\$1,832,431	64	\$57,592,714	240	\$80,723,067	18.7%	\$432,407,000
12/31/12	137	\$17,680,602	31	\$2,808,965	11	\$1,538,895	54	\$53,890,511	233	\$75,918,973	17.7%	\$429,738,335
12/31/13	124	\$12,859,783	12	\$2,590,023	8	\$ 749,559	42	\$26,171,386	188	\$42,370,751	11.3%	\$374,578,330
12/31/14	99	\$ 8,002,829	17	\$2,185,595	10	\$ 763,469	60	\$33,297,556	186	\$44,249,449	12.2%	\$361,687,083
12/31/15	81	\$ 8,589,882	19	\$3,316,737	3	\$ 145,524	37	\$15,185,797	140	\$27,237,940	8.1%	\$337,131,946
12/31/16	76	\$ 6,276,143	14	\$1,985,920	0	\$ -0-	41	\$11,852,702	131	\$20,114,765	6.0%	\$315,355,000
12/31/17	58	\$11,528,995	13	\$ 305,237	0	\$ -0-	114	\$13,810,278	185	\$25,645,510	9.2%	\$279,987,899
12/31/18	54	\$4,445,783	20	\$7,405,918	2	\$ 54,312	89	\$8,250,480	165	\$20,156,493	7.4%	\$272,305,470
12/31/19	50	\$4,568,460	16	\$ 432,394	0	\$ -0-	28	\$9,265,904	94	\$14,266,758	5.3%	\$268,532,582
03/31/20	38	\$3,707,369	11	\$ 595,723	1	\$ 39,000	24	\$8,833,140	74	\$13,175,076	4.9%	\$270,753,077

CAPITAL

Capital has always been a hallmark of this institution. Historically, since the Great Depression, our bank maintained a much higher capital level than all its peers. The next table reflects the book value per share, the total company capital, and our primary capital-to-average assets since 2004.

	Date	Book Value per Share	Total Capital	Primary Capital to Avg. Assets	
	12/31/04	\$15.44	\$ 85,801,000	15.87%	
	* 12/31/05	\$15.77	87,503,000	13.67%	*Hurricane Katrina
	12/31/06	\$17.71	98,233,000	11.91%	
	12/31/07	\$19.56	106,542,000	12.13%	
Market Value	12/31/08	\$20.27	107,000,000	12.81%	
\$20.32	12/31/09	\$20.11	103,588,000	12.49%	
\$15.16	12/31/10	\$19.68	101,357,000	12.96%	
\$10.31	12/31/11	\$21.31	109,452,000	14.65%	
\$ 9.44	12/31/12	\$21.61	111,021,000	14.71%	
\$13.05	12/31/13	\$19.25	99,147,000	13.64%	
\$12.45	12/31/14	\$18.53	94,951,000	14.38%	
\$ 9.10	12/31/15	\$17.93	91,839,000	15.06%	
\$16.15	12/31/16	\$17.27	88,461,000	13.99%	
\$13.00	12/31/17	\$17.84	90,659,000	14.34%	
\$11.50	12/31/18	\$17.49	86,450,000	14.36%	
\$10.95	12/31/19	\$19.24	95,123,000	16.27%	
\$10.05	03/31/20	\$20.34	99,543,000	16.61%	

LIQUIDITY

The Bank has a liquidity plan that has been tested. Our cash flows are monitored and measured. In our recent stress tests of cash flows, management had satisfactory results. Our contingency funding plan addresses liquidity during crisis scenarios. Our greatest source of liquidity is from our large commercial checking accounts and the FHLB of Dallas. Our emergency source of liquidity is from the Federal Reserve Discount Window.

Bank management feels that we are a leader in public deposits in our market and we consider all large accounts stable. While essentially a large portion of the securities are pledged, management routinely pledges securities in excess of the secured liability to the state of Mississippi to facilitate the release of called and sold securities. We have \$105,000,000 in

securities maturing in the next three (3) years. It is our intention to reinvest our Treasury portfolio, as it gets called, sold, or matures into loans and mortgage backed securities in order to increase earnings.

EARNINGS

Even though earnings have improved, these earnings need to continue to improve. Our reduced provision for loan loss has had a major positive impact on earnings. In 2018 each federal fund rate hike generated another increase of \$9,000.00 per month in net income as New York Prime also increased 25 basis points. In 2019 the Federal Reserve lowered interest rates three times. In 2020 the Federal Reserve's new Quantitative Easing Policy starting in March has placed tremendous pressure on our net interest margin. Our net interest margin increased to 3.23% for the period ended 12/31/19 from 3.04% for the period ended 12/31/18. Our net interest margin decreased to 3.10% for the period ended 3/31/20 from 3.30% for the period ended 3/31/19.

The earnings, although disappointing, are headed in the right direction as follows:

		Income / <Loss>	Valuation Allowance
2014	Net Loss	(\$10,004,000)	\$ 8,140,000
2015	Net Loss	(\$ 4,592,000)	\$10,106,000
2016	Net Income	\$ 167,000	\$11,560,000
2017	Net Income	\$ 2,758,000	\$ 7,934,000
2018	Net Income	\$ 604,000	\$ 8,642,000
2019	Net Income	\$ 1,529,000	\$ 7,099,000
3/2020	Net Income	\$ 1,123,000	\$ 7,099,000

During 2019, the Company recorded no income tax benefit or expense. The Tax Cuts and Jobs Act, which was enacted on December 22, 2017, positively impacted earnings for 2017. Under this legislation, the Company was able to remove the existing valuation allowance on its AMT credit carryforwards which resulted in a deferred tax benefit of \$742,000 in 2017 and \$36,000 income tax benefit in 2018.

The company has historically carried a considerable amount of deferred tax assets resulting from non-deductible provisions for loan losses, deferred compensation expenses and tax credits. In consideration of the company's losses in 2014, management evaluated deferred tax assets and established a valuation allowance of \$8,140,000, a non-cash charge to earnings, for the year December 31, 2014. The valuation allowance as of December 31, 2019 was \$7,099,000. The Accounting Standards Codification (ASC) 740, Accounting for Income Taxes, requires a valuation allowance if, based on the weight of available evidence, it is more likely than not that all or some portion of a deferred tax asset will not be realized. More detailed information on this is found on page 26 of the 2019 annual report under Note I – Income Taxes.

We are continuing to use the tax-planning strategies that helped us to return to positive earnings as follows:

- 1) The bank continues to work through the credit quality issues as the provision expense continues to decline and in 2019 it was zero a number that has not been matched since 1998.
- 2) Accelerate taxable income amounts to utilize tax carryforwards.
- 3) Continue the switch from the purchase of tax-exempt securities to taxable investment securities. The bank's mortgage back securities had the largest gain in our portfolio and most of the securities are classified as "available for sale".
- 4) The proceeds of the security sales and called securities will be reinvested in loans and taxable SCM securities, such as school district bonds and water and sewer issues to increase taxable income.
- 5) The Federal Reserve's new Quantitative Easing Policy has generated substantial gains in our Treasury portfolio that we are now taking advantage of by liquidation of that portfolio and taking the gains as ordinary income.
- 6) Making more loans is our highest priority especially since we are a community bank.

FUTURE PLANS

What has The Peoples Bank doing to insure its future profitability?

Short Term

1. Continue working to reduce non-accrual loans, past due loans, and other real estate. We are making great progress. We only had a \$122,000 loan loss provision for 2018, and in 2019 our loan loss provision was zero, the lowest since 1998.
2. We expect the non-interest expense reduction program that started over three years ago will continue to lower these expense categories mainly on insurance, maintenance contracts, salaries, legal fees, and ORE expenses.
3. We upgraded our bank ATM network in late 2016 to accept electronic deposits and we saw increased deposit activity in 2017, 2018, and 2019. By year end 2020, we will complete our ATM upgrade to the Windows 10 platform at a cost of \$135,000.
4. Like last year, the enhanced debit card fraud protection capability through "Card Guardian" text message alert service has substantially reduced fraud loss in our debit card area.
5. We have upgraded our mobile check deposit service. You can deposit your checks conveniently and securely to checking or savings accounts with our mobile app PeoplesGreen2Go.
6. We were able to upgrade our Peoples Choice phone service in late 2019, and we are still adding features.
7. In the later half of 2020 the Bank will convert its debit card program from Visa to Master Card.

Long Term Goals Reached

1. The company re-established its semi-annual dividend in October 2017. We plan to continue our semi-annual dividend in May 2020 and then gradually increase the amount going forward.
2. The first two phases of the stock re-purchase plan are complete. We have already repurchased and retired our initial 140,000-share allocation. This program was a huge success. We reopened another phase of this plan in November 2019 and have retired 59,525 shares of our 65,000-share allocation. This leaves 5,475 shares still to be acquired.

Economic Development

1. The City of Biloxi is looking to wrap up its Katrina funding. The city has \$65 million left to spend which should be wrapped up in early 2022.
2. The MS Gulf Coast communities should receive \$750 million in Gulf Coast Restoration funds as part of the BP economic damage settlement funds over the next twenty years. Most of the coast was underwhelmed by the projects that were funded in 2019.
3. Hunnington Ingalls has received two major ship contracts from the Navy which is causing them to reopen the East bank in Pascagoula. They also picked up 2 contracts for the construction of ice breakers from the US Coast Guard. The economic activity is picking up in Jackson County.
4. The City of Gulfport is moving forward with the Centennial Plaza and the aquarium. The centennial plaza has opened, and the Aquarium is looking at a mid-year opening.
5. The ambitious project to revitalize downtown Biloxi by opening Howard Avenue is looking very good. The City has okayed \$54 million for Downtown development. This will include the Saenger Theater, Barq's Building, Woolworth Building, Kress Building, Gryder Building, old Upstairs Downstairs lot, and the Spanish Trail Books lot. All this will encompass 230,000 square feet of development, but most important there will be 330 residential housing units to be created. I noticed scaffolding going up as I came to work this morning around the Saenger Theater.
6. The City of Biloxi request for proposal (RFP) on the feasibility for a satellite convention center/theater on the East end of Biloxi, has been completed. A decision on how to proceed is expected shortly.

7. I am enclosing our Bank's analysis of the Biloxi Casino gaming revenues for 2018, 2019, and 2020 (enclosure 2). The sports book was legalized in August 2018. Prior to August 2018 the gaming revenues were basically flat. Starting in August of 2018 you can see the increase in gaming revenues. In 2019 the total revenue was up \$55,290,446 or 6.52% over 2018. In 2020 the total revenue was looking even better until the virus outbreak.

The real benefit of sports gaming on the MS Gulf Coast was that it allowed the casinos to reconnect with their players card base and market their customer base. Every casino saw an increase in slot play, table games, restaurant visits, and hotel stays which drove overall gaming income.

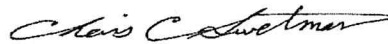
We were looking for a record setting year in 2020 with gaming revenues. However, in late January a nationwide public health emergency for the COVID – 19 virus was declared that was followed up as a worldwide pandemic. On April 3, 2020 Governor Reeves issued a "Shelter in Place" Executive order. This order included social distancing, frequent hand washing, prohibited gatherings of ten or more people, limiting bars and restaurants to take out and delivery or curbside service. Travel restrictions and delegation of quarantine and isolation orders to local authorities. This order remains in effect until April 27, 2020.

Because of the shelter in place order, we sent out another press release on April 10, 2020 which added a teleconference feature to our board meeting in case you would like to listen to the meeting, but did not want to violate the spirit of the gatherings of ten (10) or more people in the governor's order.

Today we are living in difficult times. Our community is a retail and tourist economy. A huge portion of our jobs are service sector jobs that effect us. I am hoping that the Paycheck Protection Program being funded by the local banks through the Small Business Administration (SBA) guaranty will allow our workers in the community to maintain their standard of living while this country confronts this virus threat and allows the economy to get back on its feet again. At this point in the program our bank funded 156 loans totaling \$14,586,698, before the program stopped taking new applications. We currently have 92 more applications approved but not yet disbursed totaling \$8,602,376 along with 23 applications waiting for the program to be expanded. This has been a tremendous benefit to our community and our residents.

As our Mississippi Gulf Coast economy gains traction, you will see why we are very optimistic about our Coast's recovery and the future of The Peoples Bank.

Sincerely yours,



Chevis C. Swetman
President and CEO

CCS/kmg

Enclosures: 1) Peoples Financial Corporation First Quarter 2020 Press Release
2) Analysis of Biloxi Casino Gaming Revenues
3) Fair value holdings report



PEOPLES FINANCIAL CORPORATION

FOR IMMEDIATE RELEASE

For more information, contact:
Paul D. Guichet, Vice President
228-435-8761
pguichet@thepeoples.com

PEOPLES FINANCIAL CORPORATION REPORTS RESULTS FOR FIRST QUARTER OF 2020 AND ANNOUNCES DIVIDEND

BILOXI, MS (April 22, 2020)—Peoples Financial Corporation (OTCQX Best Market: PFBX), parent of The Peoples Bank, announced earnings for the first quarter ending March 31, 2020. Additionally, the company declared a cash dividend of \$0.02 per common share, payable May 8, 2020 to shareholders of record as of May 4, 2020.

Net income for the first quarter of 2020 was \$1,123,000 compared to \$405,000 for the first quarter of 2019. Earnings per weighted average common share for the first quarter of 2020 were \$0.23 compared to earnings of \$0.08 for the first quarter of 2019. Per share figures are based on weighted average common shares outstanding of 4,927,616 and 4,943,186 for the quarters ended March 31, 2020 and 2019, respectively.

Favorably impacting the company's financial performance in first quarter of 2020 was a \$822,000 increase in non-interest income, including a gain on the sale of securities and a gain on the sale of bank-owned real estate. Additionally, the company's non-interest expense decreased \$131,000 as strategies to improve efficiency continue to be implemented.

"We are pleased with our continued financial progress in the first quarter," said Chevis C. Swetman, chairman and chief executive officer of the holding company and the bank. He added, "The safety, health and well-being of customers and employees is of the utmost importance. Given the unique challenges resulting from COVID-19, we have modified our banking operations to meet our customer's needs."

We are actively participating in the Small Business Administration's Paycheck Protection Program and assisting our small business customers with their applications. At this point in the program, we have funded 227 loans totaling \$17,800,000. This has been a tremendous benefit for our small business customers."

As we celebrate the 124th anniversary of the founding of The Peoples Bank this month, we continue to represent strength, security and stability in our community. The company's primary capital ratio was 16.61% at March 31, 2020, one of the highest ratios in the Southeast United States, compared to 15.24% at March 31, 2019. The company's book value per share was \$20.34 and \$18.35 at March 31, 2020 and 2019, respectively.

Founded in 1896, with \$646 million in assets as of March 31, 2020, The Peoples Bank operates 18 branches along the Mississippi Gulf Coast in Hancock, Harrison, Jackson and Stone counties. In addition to offering a comprehensive range of retail and commercial banking services, the bank also operates a trust and investment services department that has provided customers with financial, estate and retirement planning services since 1936.

The Peoples Bank is a wholly-owned subsidiary of Peoples Financial Corporation, listed on the OTCQX Best Market under the symbol PFBX. Additional information is available on the Internet at www.thepeoples.com.

This news release contains forward-looking statements and reflects industry conditions, company performance and financial results. These forward-looking statements are subject to a number of risk factors and uncertainties which could cause the Company's actual results and experience to differ from the anticipated results and expectation expressed in such forward-looking statements.

PEOPLES FINANCIAL CORPORATION
(In thousands, except per share figures) (Unaudited)

EARNINGS SUMMARY

Three Months Ended March 31,	2020	2019
Net interest income	\$ 4,396	\$ 4,620
Provision for loan losses	64	54
Non-interest income	2,266	1,466
Non-interest expense	5,475	5,627
Net income	1,123	405
Earnings per share	.23	.08

TRANSACTIONS IN THE ALLOWANCE FOR LOAN LOSSES

Three Months Ended March 31,	2020	2019
Allowance for loan losses, beginning of period	\$ 4,207	\$ 5,340
Recoveries	62	58
Charge-offs	(142)	(76)
Provision for loan losses	64	54
Allowance for loan losses, end of period	<u>\$ 4,191</u>	<u>\$ 5,376</u>

PERFORMANCE RATIOS

March 31,	2020	2019
Return on average assets	0.72%	0.26%
Return on average equity	4.62%	1.82%
Net interest margin	3.10%	3.30%
Efficiency ratio	83%	93%

BALANCE SHEET SUMMARY

March 31,	2020	2019
Total assets	\$ 646,149	\$ 632,961
Loans	270,928	267,492
Securities	293,111	281,579
Other real estate (ORE)	6,573	8,873
Total deposits	525,825	521,337
Shareholders' equity	99,543	90,685
Book value per share	20.34	18.35
Weighted average shares	4,927,616	4,943,186

PERIOD END DATA

March 31,	2020	2019
Allowance for loan losses as a percentage of loans	1.55%	2.01%
Loans past due 90 days and still accruing	39	
Nonaccrual loans	8,833	6,102
Primary capital	16.61%	15.24%

2018	AGY Weighted Maturity (YRS)	Weighted Yield	AGY Fair Value	AGY Unrealized P/L	MBS Weighted Maturity (YRS)	Weighted Yield	MBS Fair Value	MBS Unrealized P/L	TEY Munis	SCM Weighted Maturity (YRS)	Weighted Yield	SCM Fair Value	SCM Unrealized P/L	UST Weighted Maturity (YRS)	Weighted Yield	UST Fair Value	UST Unrealized P/L	Total Fair Value	Total Unrealized P/L
JAN	3.370	1.797	\$27,603,361	(\$570,637)	5.970	2.593	\$86,566,885	(\$1,537,161)	4.760	3.790	3.304	\$57,050,737	(\$241,330)	2.470	1.249	\$122,215,750	(\$2,608,487)	\$293,436,732	(\$4,957,614)
FEB	4.000	1.969	\$22,409,063	(\$765,139)	6.640	2.705	\$94,968,540	(\$2,818,281)	3.793	4.680	3.039	\$56,490,023	(\$784,371)	2.490	1.257	\$116,637,950	(\$3,189,700)	\$290,505,575	(\$7,557,490)
MAR	3.910	1.967	\$22,443,379	(\$731,091)	6.710	2.717	\$94,470,383	(\$2,481,753)	3.790	4.680	3.040	\$55,898,782	(\$699,103)	2.410	1.257	\$116,837,800	(\$2,993,590)	\$289,650,344	(\$6,905,536)
APR	3.830	1.969	\$22,326,107	(\$848,631)	6.820	2.733	\$92,801,641	(\$3,103,641)	3.782	4.610	3.031	\$55,256,963	(\$905,464)	2.330	1.257	\$116,511,701	(\$3,323,357)	\$286,896,412	(\$8,181,094)
May	3.750	1.969	\$22,318,403	(\$856,609)	7.060	2.796	\$96,492,587	(\$3,210,826)	3.783	4.520	3.031	\$57,277,482	(\$1,018,474)	2.440	1.282	\$106,577,501	(\$3,261,314)	\$282,665,772	(\$8,347,223)
June	3.670	1.969	\$22,375,243	(\$800,006)	6.930	2.805	\$95,763,733	(\$2,829,484)	3.779	4.490	3.029	\$57,117,902	(\$807,055)	2.360	1.129	\$106,769,401	(\$7,072,602)	\$282,026,278	(\$7,509,146)
July	3.580	1.969	\$22,342,481	(\$833,037)	6.880	2.824	\$94,629,316	(\$2,852,639)	3.760	4.440	3.013	\$56,780,163	(\$847,568)	2.390	1.189	\$101,757,252	(\$3,088,013)	\$275,509,212	(\$7,621,256)
Aug	3.500	1.969	\$22,429,000	(\$746,717)	6.970	2.874	\$98,873,477	(\$2,365,360)	3.758	4.410	3.011	\$56,560,740	(\$685,647)	2.420	1.316	\$97,030,001	(\$2,819,601)	\$274,893,218	(\$6,617,325)
Sept	3.410	1.969	\$22,317,823	(\$838,123)	7.260	2.930	\$101,644,455	(\$3,543,865)	3.745	4.370	3.002	\$55,085,213	(\$1,130,835)	2.450	1.359	\$92,670,060	(\$3,183,191)	\$271,717,551	(\$8,716,014)
Oct	3.330	1.969	\$22,314,025	(\$862,196)	7.290	2.983	\$110,186,610	(\$4,038,221)	3.744	4.310	3.000	\$54,713,833	(\$1,279,868)	2.340	1.359	\$92,741,790	(\$3,115,876)	\$279,956,239	(\$9,316,161)
Nov	3.250	1.969	\$22,387,951	(\$788,544)	7.390	3.033	\$109,501,638	(\$3,832,927)	3.744	4.230	3.000	\$54,821,565	(\$1,151,284)	2.410	1.374	\$87,947,731	(\$2,914,177)	\$274,658,685	(\$8,686,932)
Dec	4.020	2.176	\$25,060,341	(\$616,415)	7.160	3.043	\$110,344,206	(\$2,046,971)	3.778	4.250	3.028	\$56,885,292	(\$665,229)	2.460	1.381	\$83,423,061	(\$2,442,804)	\$275,712,899	(\$5,771,455)

***US TREASURY																			
MUNICIPALS (Taxable, Non-Taxable, & FTN MVB)																			
2019	AGY Weighted Maturity (YRS)	Weighted Yield	AGY Fair Value	AGY Unrealized P/L	MBS Weighted Maturity (YRS)	Weighted Yield	MBS Fair Value	MBS Unrealized P/L	TEY Munis	SCM Weighted Maturity (YRS)	Weighted Yield	SCM Fair Value	SCM Unrealized P/L	UST Weighted Maturity (YRS)	Weighted Yield	UST Fair Value	UST Unrealized P/L	Total Fair Value	Total Unrealized P/L
JAN	4.880	2.272	\$20,179,163	(\$497,888)	6.960	3.053	\$109,932,953	(\$1,518,482)	3.872	4.260	3.174	\$56,695,276	(\$539,299)	2.380	1.381	\$83,730,809	(\$2,139,039)	\$270,538,202	(\$4,694,708)
FEB	4.810	2.270	\$20,227,852	(\$449,315)	6.620	3.056	\$114,034,295	(\$1,120,355)	3.796	4.130	3.014	\$57,457,283	(\$378,229)	2.300	1.381	\$83,865,131	(\$2,008,341)	\$275,584,561	(\$3,956,240)
MAR	4.720	2.272	\$20,440,325	(\$236,998)	6.500	3.059	\$114,291,395	\$252,522	3.798	4.070	3.043	\$57,714,992	\$127,518	2.220	1.381	\$84,327,640	(\$1,549,883)	\$276,774,353	(\$1,406,842)
APR	4.640	2.271	\$20,412,350	(\$265,124)	6.840	3.101	\$112,368,486	(\$551,981)	3.572	6.365	3.174	\$56,410,448	(\$73,504)	2.130	1.381	\$84,294,771	(\$1,586,695)	\$273,486,055	(\$2,477,305)
May	4.550	2.272	\$20,579,545	(\$98,075)	6.870	3.058	\$112,167,468	\$686,647	3.542	6.300	3.542	\$55,557,039	\$391,775	2.050	1.381	\$84,761,640	(\$1,123,840)	\$273,065,693	(\$143,493)
June	4.470	2.272	\$20,704,800	\$27,082)	5.260	3.056	\$111,749,277	\$1,756,366	3.520	6.215	3.136	\$55,356,279	\$782,436	2.090	1.383	\$80,307,780	(\$581,597)	\$268,118,137	\$1,984,286
July	4.390	2.272	\$20,683,049	\$5,212	5.270	3.080	\$113,526,236	\$1,895,742	3.506	6.155	3.198	\$54,958,039	\$832,090	2.000	1.409	\$85,306,460	(\$579,172)	\$274,473,785	\$2,153,872
Aug	4.300	2.272	\$20,796,667	\$118,700	3.610	3.116	\$117,356,040	\$2,793,571	3.501	6.100	3.219	\$55,380,581	\$1,646,582	2.040	1.443	\$80,891,380	\$2,062	\$274,424,668	\$4,560,914
Sept	4.220	2.272	\$20,771,572	\$93,466	5.500	3.000	\$128,893,581	\$2,356,758	3.478	6.005	3.099	\$56,022,948	\$1,235,077	1.950	1.464	\$70,645,729	(\$252,379)	\$276,333,830	\$3,432,921
Oct	4.130	2.272	\$20,740,400	\$62,130	5.680	2.940	\$126,331,069	\$2,092,690	3.477	5.935	3.097	\$55,728,733	\$1,138,162	1.970	1.437	\$55,710,750	(\$206,996)	\$238,510,952	\$3,085,985
Nov	4.050	2.272	\$20,779,740	\$101,331	5.400	2.930	\$124,232,458	\$2,238,997	3.450	6.280	3.120	\$55,990,177	\$1,135,295	1.890	1.437	\$55,709,180	(\$210,756)	\$236,711,556	\$3,264,867
Dec	4.330	2.321	\$17,550,450	\$56,935	5.190	2.920	\$121,620,043	\$1,787,091	3.440	6.240	3.120	\$54,596,613	\$953,331	1.810	1.437	\$55,653,420	(\$268,718)	\$249,420,526	\$2,528,640

***AGENCY																			
MUNICIPALS (Taxable, Non-Taxable, & FTN MVB)																			
2020	AGY Weighted Maturity (YRS)	Weighted Yield	AGY Fair Value	AGY Unrealized P/L	MBS Weighted Maturity (YRS)	Weighted Yield	MBS Fair Value	MBS Unrealized P/L	TEY Munis	SCM Weighted Maturity (YRS)	Weighted Yield	SCM Fair Value	SCM Unrealized P/L	UST Weighted Maturity (YRS)	Weighted Yield	UST Fair Value	UST Unrealized P/L	Total Fair Value	Total Unrealized P/L
JAN	4.240	2.321	\$17,602,775	\$109,143	4.880	2.900	\$120,781,988	\$2,846,372	3.460	6.200	3.120	\$54,232,862	\$1,354,354	1.720	1.437	\$55,836,830	(\$87,562)	\$248,454,454	\$4,203,386
FEB	4.330	2.436	\$12,606,475	\$106,475	4.810	2.810	\$127,288,238	\$3,243,658	3.450	6.180	3.130	\$54,529,973	\$1,651,914	0.970	1.488	\$100,877,607	\$41,757	\$295,302,293	\$5,043,804
MAR	3.840	2.700	\$7,660,825	\$160,825	4.140	2.810	\$131,937,068	\$4,842,173	3.500	6.150	3.030	\$53,871,569	\$1,531,823	0.470	1.367	\$96,419,140	\$517,445	\$289,888,602	\$7,052,265