Consolidated Statements of Income and Comprehensive Income

(Dollars in thousands, except per share data)

March 31	Three Months Ended 2019	2018
Interest income:		
Interest and fees on loans:		
Taxable	$ 20,103	$ 17,509
Tax-exempt	1,099	870
Interest and dividends on investment securities:		
Taxable	1,010	858
Tax-exempt	562	701
Dividends	19	16
Interest on interest-bearing deposits in other banks	8	40
Total interest income	22,801	19,994
Interest expense:		
Interest on deposits	3,411	1,834
Interest on short-term borrowings	813	667
Interest on long-term debt	280	306
Total interest expense	4,504	2,807
Net interest income	18,297	17,187
Provision for loan losses	1,050	1,050
Net interest income after provision for loan losses	17,247	16,137
Noninterest income:		
Service charges, fees and commissions	1,999	2,088
Merchant services income	198	250
Commissions and fees on fiduciary activities	507	497
Wealth management income	377	411
Mortgage banking income	148	147
Life insurance investment income	186	187
Net gains (losses) on investment securities	1	(8)
Total noninterest income	3,416	3,572
Noninterest expense:		
Salaries and employee benefits expense	7,595	6,955
Net occupancy and equipment expense	2,961	2,814
Amortization of intagible assets	192	230
Professional fees and outside services	331	623
FDIC insurance and assessments	259	286
Donations	332	313
Other expenses	1,820	1,860
Total noninterest expense	13,490	13,081
Income before income taxes	7,173	6,628
Income tax expense	761	774
Net income	6,412	5,854
Other comprehensive income (loss):		
Unrealized gain (loss) on investment securities available-for-sale	2,439	(2,376)
Change in derivative fair value	63	
Income tax expense (benefit) related to other comprehensive income	526	(501)
Other comprehensive income (loss), net of income taxes	1,976	(1,875)
Comprehensive income	$ 8,388	$ 3,979
Per share data:		
Net income	$ 0.87	$ 0.79
Cash dividends declared	$ 0.34	$ 0.32
Average common shares outstanding	7,399,054	7,396,505

See notes to consolidated financial statements.

Consolidated Balance Sheets

(Dollars in thousands, except per share data)

	March 31, 2019	December 31, 2018
Assets:		
Cash and due from banks	$ 24,364	$ 32,569
Interest-bearing deposits in other banks	1,688	47
Investment securities:		
Available-for-sale	270,384	269,682
Equity investments carried at fair value	292	291
Held-to-maturity: Fair value March 31, 2019, $8,310; December 31, 2018, $8,380	8,162	8,361
Total investment securities	278,838	278,334
Loans, net	1,849,602	1,823,266
Less: allowance for loan losses	22,105	21,379
Net loans	1,827,497	1,801,887
Loans held for sale		749
Premises and equipment, net	44,728	38,889
Accrued interest receivable	7,211	7,115
Goodwill	63,370	63,370
Intangible assets	2,104	2,296
Other assets	68,144	63,737
Total assets	$ 2,317,944	$ 2,288,993
Liabilities:		
Deposits:		
Noninterest-bearing	$ 432,830	$ 410,260
Interest-bearing	1,435,400	1,464,762
Total deposits	1,868,230	1,875,022
Short-term borrowings	109,000	86,500
Long-term debt	37,446	37,906
Accrued interest payable	878	1,195
Other liabilities	17,821	9,756
Total liabilities	2,033,375	2,010,379
Stockholders' equity:		
Common stock: par value $2.00, authorized 25,000,000 shares, issued and outstanding 7,399,054 shares at March 31, 2019 and December 31, 2018	14,798	14,798
Capital surplus	135,393	135,310
Retained earnings	140,478	136,582
Accumulated other comprehensive loss	(6,100)	(8,076)
Total stockholders' equity	284,569	278,614
Total liabilities and stockholders' equity	$ 2,317,944	$ 2,288,993

See notes to consolidated financial statements.

Notes To Consolidated Financial Statements

1. Basis Of Presentation

The accompanying unaudited consolidated financial statements of Peoples Financial Services Corp. and subsidiaries (collectively, the "Company") have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"), Regulation S-X and reporting practices applied in the banking industry. In the opinion of management, all normal recurring adjustments necessary for a fair presentation of the 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 with the current year's presentation. These reclassifications did not have any effect on the operating results or financial position of the Company. The operating results and financial position of the Company at and for the quarter ended March 31, 2019, are not necessarily indicative of the results of operations and financial position that may be expected in the future.

The preparation of 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 financial statements and the reported amounts of revenues and expenses during the reported periods. Actual results could differ from those estimates. For additional information and disclosures required under GAAP, reference is made to the Company's Annual Report on Form 10-K.

Consolidated Financial Highlights

(Dollars in thousands, except per share data)

Three Months Ended March 31		2019		2018	Change $	Change %	
Financial Position:							
Assets	$	2,317,944	$	2,190,388	$ 127,556	5.82	%
Investment securities		278,838		280,595	(1,757)	(0.63)	
Loans, net		1,849,602		1,725,781	123,821	7.17	
Deposits		1,868,230		1,720,018	148,212	8.62	
Stockholders' equity		284,569		266,624	17,945	6.73	
Earning assets		2,130,128		2,006,452	123,676	6.16	
Interest-bearing liabilities	$	1,581,846	$	1,517,054	$ 64,792	4.27	%
Financial Performance:							
Net interest income	$	18,297	$	17,187	$ 1,110	6.46	%
Provision for loan losses		1,050		1,050			
Noninterest income		3,416		3,572	(156)	(4.37)	
Noninterest expense		13,490		13,081	409	3.13	
Income tax expense		761		774	(13)	(1.68)	
Net income		6,412		5,854	558	9.53	
Comprehensive income	$	8,388	$	3,979	$ 4,409	110.81	%
Financial Ratios:							
Net income as a percentage of average total assets		1.13	%	1.08	%		
Net income as a percentage of average stockholders' equity		9.26		8.89			
Stockholders' equity as a percentage of total assets		12.28		12.17			
Net interest income as a percentage of average earning assets		3.58		3.57			
Loans, net as a percentage of deposits		99.00		100.33			
Net loans charged-off as a percentage of average loans, net		0.07	%	0.07	%		
Per Share Data:							
Net income	$	0.87	$	0.79			
Cash dividends declared		0.34		0.32			
Stockholders' equity	$	38.46	$	36.05			

Note: Tax-equivalent adjustment was calculated using the prevailing statutory rate.

Dear Fellow Shareholder:

I am pleased to report that your Company recorded net income of $6.4 million, or $0.87 per share for the three months ended March 31, 2019, compared to $5.9 million, or $0.79 per share for the comparable period in 2018. Net interest income increased $1.1 million or 6.5% for the three months ended March 31, 2019 versus the year ago period while noninterest income decreased $156 thousand, or 4.4%, and noninterest expense increased $409 thousand, or 3.1% when comparing the same period last year.

Total assets increased $29.0 million or 5.1% annualized in 2019. For the quarter ended March 31, 2019, loans, net have increased $26.3 million or 5.9% annualized while total deposits decreased $6.8 million or 1.5% annualized. Stockholders' equity equaled $284.6 million or $38.46 per share at March 31, 2019 compared to $278.6 million or $37.72 per share at year-end 2018. Dividends declared amounted to $0.34 per share representing a dividend payout ratio of 39.1%.

On behalf of the Board of Directors, I would like to thank you for your continued interest and support and would encourage you to visit our website http://www.psbt.com which contains updated, pertinent information about your Company. In addition, please remember that management is always available and willing to discuss any questions you may have regarding your investment in Peoples Financial Services Corp.

Best Regards,

Craig W. Best
President and
Chief Executive Officer

Board of Directors

Offices

Abington	(570) 587-4898	King of Prussia	(610) 265-0503
Airport Road	(610) 691-1202	Kingston	(570) 288-0128
Binghamton West Side	(607) 729-3832	Meshoppen	(570) 833-5171
Blue Mountain	(570) 968-4720	Minooka	(570) 955-1883
Business Lending		Montrose	(570) 278-4100
Central City Scranton	(570) 346-7741	Moscow	(570) 842-7626
Conklin	(607) 722-2114	Mount Pocono	(570) 839-8732
Duryea	(570) 457-1120	Nicholson	(570) 942-2265
East Scranton	(570) 342-9101	Old Forge	(570) 457-8345
Emrick Blvd	(610) 317-4690	Peckville	(570) 383-2154
Glenburn	(570) 585-5130	South Scranton	(570) 343-1151
Gouldsboro	(570) 842-6473	Susquehanna	(570) 853-4901
Green Ridge	(570) 346-4695	Tilghman Street	(610) 398-9680
Hallstead	(570) 879-2195	Tunkhannock	(570) 836-2135
Hop Bottom	(570) 289-4124	Wealth Management	(866) 334-6979

Common Stock Information

	High	Low	Dividends Declared
First Quarter, 2019	$46.74	$40.34	$0.34
Fourth Quarter, 2018	44.06	40.00	0.33
Third Quarter, 2018	48.10	42.40	0.33
Second Quarter, 2018	$51.68	$43.72	$0.33

Market Makers

Boenning & Scattergood, Inc.	(610) 862-5368
Griffin Financial Group, LLC	(757) 955-8444
Keefe, Bruyette & Woods	(212) 887-8996
Sandler O'Neill & Partners, LP	(800) 635-6851

The common stock of Peoples Financial Services Corp. is quoted on the NASDAQ under the symbol PFIS. Stockholders, analysts, portfolio managers and others seeking financial information should contact John R. Anderson III, Executive Vice President, Chief Financial Officer at (570) 346-7741 extension 2317.

Dividend Reinvestment

American Stock Transfer and Trust Company administers a Dividend Reinvestment Plan whereby stockholders may increase their investment in additional shares of common stock. Contact American Stock Transfer and Trust Company, Dividend Reinvestment Department, 6201 15th Avenue, Brooklyn, NY 11219 at (800) 937-5449, for additional information.

Dividend Direct Deposit

Peoples Financial Services Corp. stockholders not participating in full Dividend Reinvestment Plan may opt to have their dividends deposited directly into their bank account by contacting American Stock Transfer and Trust Company at (800) 937-5449.

World Wide Web Information

The Company files reports, proxy and information statements and other information electronically with the Securities and Exchange Commission ("SEC") through the Electronic Data Gathering Analysis and Retrieval filing system. Stockholders and other interested parties may read and copy any materials that the Company files with the SEC at the SEC's Public Reference Room at 100 F Street, N.E., Washington, DC 20549 on official business days between the hours of 10:00 am and 3:00 pm EST. Information on the Public Reference Room can be obtained by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet site that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC. The SEC's website address is http://www.sec.gov. Copies of the Company's Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to those reports filed with the SEC may be obtained without charge by writing to Peoples Financial Services Corp., 150 North Washington Avenue, Scranton, PA 18503 Attn: Marie L. Luciani, Investor Relations Officer at (570) 346-7741 x2352 or through our website at http://www.psbt.com.

Peoples Financial SERVICES CORP.

QUARTERLY REPORT

March 31, 2019