Consolidated Statements of Income and Comprehensive Income

(Dollars in thousands, except per share data)

March 31	Three Months Ended 2022	2021
Interest income:		
Interest and fees on loans:		
Taxable	$ 20,853	$ 20,900
Tax-exempt	1,161	870
Interest and dividends on investment securities:		
Taxable	1,972	1,243
Tax-exempt	510	390
Dividends		23
Interest on interest-bearing deposits in other banks	2	2
Interest on federal funds sold	73	49
Total interest income	24,571	23,477
Interest expense:		
Interest on deposits	1,468	2,092
Interest on short-term borrowings		71
Interest on long-term debt	28	103
Interest on subordinated debt	444	443
Total interest expense	1,940	2,709
Net interest income	22,631	20,768
Provision (credit) for loan losses	300	(500)
Net interest income after provision (credit) for loan losses	22,331	21,268
Noninterest income:		
Service charges, fees and commissions	2,035	1,981
Merchant services income	114	93
Commissions and fees on fiduciary activities	555	533
Wealth management income	351	358
Mortgage banking income	144	312
Increase in cash surrender value of life insurance	218	219
Net gain on equity investment securities	4	21
Total noninterest income	3,421	3,517
Noninterest expense:		
Salaries and employee benefits expense	8,040	6,570
Net occupancy and equipment expense	3,825	3,267
Amortization of intangible assets	96	125
Professional fees and outside services	470	439
FDIC insurance and assessments	326	260
Donations	334	339
Other expenses	1,198	1,629
Total noninterest expense	14,289	12,629
Income before income taxes	11,463	12,156
Income tax expense	1,833	2,678
Net income	9,630	9,478
Other comprehensive loss:		
Unrealized (loss) on investment securities available-for-sale	(32,612)	(7,750)
Change in derivative fair value	(493)	242
Income tax expense (benefit) related to other comprehensive loss	(6,952)	(1,576)
Other comprehensive income (loss), net of income taxes	(26,153)	(5,931)
Comprehensive income (loss)	$ (16,523)	$ 3,547
Per share data:		
Net Income - basic	$ 1.34	$ 1.31
Net Income - diluted	1.33	1.31
Cash dividends declared	$ 0.39	$ 0.37
Average common shares outstanding - basic	7,172,455	7,210,952
Average common shares outstanding - diluted	7,216,421	7,246,016

See notes to consolidated financial statements.

Consolidated Balance Sheets

(Dollars in thousands, except share data)

	March 31, 2022	December 31, 2021
Assets:		
Cash and due from banks	$ 35,863	$ 30,415
Interest-bearing deposits in other banks	4,440	7,093
Federal funds sold	101,200	242,425
Investment securities:		
Available-for-sale	535,482	517,321
Equity investments carried at fair value	144	140
Held-to-maturity: Fair value March 31, 2022, $89,280; December 31, 2021, $70,446	95,829	71,213
Total investments	631,455	588,674
Loans held for sale	161	408
Loans, net	2,397,681	2,329,173
Less: allowance for loan losses	28,407	28,383
Net loans	2,369,274	2,300,790
Premises and equipment, net	51,977	51,502
Accrued interest receivable	9,221	8,528
Goodwill	63,370	63,370
Intangible assets	372	468
Bank owned life insurance	43,828	42,754
Other assets	41,640	33,056
Total assets	$ 3,352,801	$ 3,369,483
Liabilities:		
Deposits:		
Noninterest-bearing	$ 759,986	$ 737,756
Interest-bearing	2,204,878	2,225,641
Total deposits	2,964,864	2,963,397
Short-term borrowings		
Long-term debt	2,182	2,711
Subordinated debt	33,000	33,000
Accrued interest payable	844	408
Other liabilities	31,450	29,841
Total liabilities	3,032,340	3,029,357
Stockholders' equity:		
Common stock: par value $2.00, authorized 25,000,000 shares, issued and outstanding 7,179,037 shares at March 31, 2022 and 7,169,372 shares at December 31, 2021	14,352	14,341
Capital surplus	127,192	127,549
Retained earnings	210,584	203,750
Accumulated other comprehensive loss	(31,667)	(5,514)
Total stockholders' equity	320,461	340,126
Total liabilities and stockholders' equity	$ 3,352,801	$ 3,369,483

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 three and twelve months ended December 31, 2021, 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,	2022	2021	Change $	Change %
Financial Position:				
Assets	$ 3,352,801	$ 2,995,469	$ 357,332	11.93 %
Investment securities	631,455	341,078	290,377	85.14
Loans, net	2,397,681	2,179,534	218,147	10.01
Deposits	2,964,864	2,550,416	414,448	16.25
Stockholders' equity	320,461	317,331	3,130	0.99
Earning assets	3,134,776	2,793,144	341,632	12.23
Interest-bearing liabilities	$ 2,240,060	$ 1,988,398	$ 251,662	12.66 %
Financial Performance:				
Net interest income	$ 22,631	$ 20,768	$ 1,863	8.97 %
Provision (credit) for loan losses	300	(500)	800	160.00
Noninterest income	3,421	3,517	(96)	(2.73)
Noninterest expense	14,289	12,629	1,660	13.14
Income tax expense	1,833	2,678	(845)	(31.55)
Net income	9,630	9,478	152	1.60
Comprehensive (loss) income	$ (16,523)	$ 3,547	$ (20,070)	(565.83) %
Financial Ratios:				
Net income as a percentage of average total assets	1.17 %	1.32 %		
Net income as a percentage of average stockholders' equity	11.82	12.00		
Stockholders' equity as a percentage of total assets	9.56	10.59		
Net interest income as a percentage of average earning assets	2.97	3.15		
Loans, net as a percentage of deposits	80.87	85.46		
Net loans charged-off as a percentage of average loans, net	0.05 %	0.01 %		
Per Share Data:				
Net income - basic	$ 1.34	$ 1.31		
Net income - diluted	1.33	1.31		
Cash dividends declared	0.39	0.37		
Book value	$ 44.64	$ 44.00		

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

Dear Fellow Shareholder:

For the first three months of 2022, your Company reported record core earnings of $9.6 million, or $1.33 per diluted share for the period ended March 31, 2022, a 2.0% increase when compared to $9.5 million, or $1.31 per share for the comparable period of 2021. The increase in earnings over the year ago period is a result of a $1.9 million increase to net interest income due to a $1.1 million increase in interest income coupled with a $0.8 million decrease to interest expense and a decrease to income tax expense of $0.8 million, due in part to a $0.6 million deferred tax adjustment recorded in the prior period. Partially offsetting the increases were a higher provision for loan losses of $0.8 million, higher noninterest expenses of $1.7 million and slightly lower noninterest income of $0.1 million. Strong loan growth resulted in a provision for loan losses of $0.3 million in the current period, as compared to a credit to the loan loss provision of $0.5 million in the year ago period. Higher noninterest expenses were mainly the result of higher salaries and benefits of $1.5 million and higher occupancy and equipment costs of $0.6 million related in part to our market expansion and information technology upgrades.

Total assets decreased $16.7 million or -0.5% annualized during the first three months of 2022 and ended at $3.4 billion. Loan growth for the three months ended March 31, 2022, excluding Small Business Administration ("SBA") Paycheck Protection Program ("PPP") loans, was $98.7 million or 17.7% annualized, mainly attributable to strong loan growth in commercial real estate. Total deposits increased $1.5 million since December 31, 2021, as seasonal outflows of public deposits were replaced with consumer and commercial growth across all markets. Stockholders' equity equaled $320.5 million or $44.64 per share at March 31, 2022 compared to $317.3 million or $44.00 per share at March 31, 2021. Dividends declared totaled $0.39 per share, a 5.4% increase when compared to the same period a year ago.

Peoples Security Bank and Trust Company was ranked by S&P Global Market Intelligence as the 29th best performing community bank in 2021 with assets between $3 and $10 billion. The rankings were released during the three months ended March 31, 2022, and reflect the outstanding efforts of our employees in exceeding the Company's performance goals and executing its strategic growth initiatives.

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. We are here to provide the financial services you depend on.

Best Regards,

Craig W. Best
Chief Executive Officer

Offices

Abington	(570) 587-4898
Airport Road	(610) 691-1202
Binghamton	(607) 729-3832
Central City Scranton	(570) 346-7741
Central PA Business Center	(717) 279-2200
Conklin	(607) 722-2114
Doylestown	(215) 348-8207
East Scranton	(570) 342-9101
Emrick	(610) 317-4690
Glenburn	(570) 585-5130
Green Ridge	(570) 346-4695
Hallstead	(570) 879-2195
Hop Bottom	(570) 289-4124
King of Prussia	(610) 265-0503
Kingston	(570) 288-0128
Meshoppen	(570) 833-5171
Minooka	(570) 955-1883
Montrose	(570) 278-4100
Moscow	(570) 842-7626
Mount Pocono	(570) 839-8732
Nicholson	(570) 942-2265
North Allegheny	(724) 719-2399
Old Forge	(570) 457-8345
Peckville	(570) 383-2154
Piscataway	(732) 699-2143
Susquehanna	(570) 853-4901
Tilghman Street	(610) 398-9680
Tunkhannock	(570) 836-2135

Common Stock Information

	High	Low	Dividends Declared
First Quarter, 2022	$ 52.99	$ 46.35	$ 0.39
Fourth Quarter, 2021	53.06	45.64	0.38
Third Quarter, 2021	46.92	41.91	0.38
Second Quarter, 2021	45.38	41.10	0.37
First Quarter, 2021	47.34	36.02	0.37

Market Makers

Boenning & Scattergood, Inc.	(610) 862-5368
Griffin Financial Group, LLC	(757) 955-8444
Keefe, Bruyette & Woods	(212) 887-8996
Piper Sandler	(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 can 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 the 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 dwebsite 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 extension 2352 or through our website at http://www.psbt.com.

Peoples Financial SERVICES CORP.

QUARTERLY REPORT

March 31, 2022