Consolidated Statements of Income and Comprehensive Income

(Dollars in thousands, except per share data)

June 30,	Three Months Ended 2022	2021	Six Months Ended 2022	2021
Interest income:				
Interest and fees on loans:				
Taxable	$ 22,009	$ 20,029	$ 42,862	$ 40,929
Tax-exempt	1,218	965	2,379	1,835
Interest and dividends on investment securities:				
Taxable	2,108	1,276	4,080	2,519
Tax-exempt	515	411	1,025	801
Dividends	2	25	2	48
Interest on interest-bearing deposits in other banks	18	2	20	4
Interest on federal funds sold	22	55	95	104
Total interest income	25,892	22,763	50,463	46,240
Interest expense:				
Interest on deposits	1,597	1,941	3,065	4,033
Interest on short-term borrowings	122	6	122	77
Interest on long-term debt	23	82	51	185
Interest on subordinated debt	443	444	887	887
Total interest expense	2,185	2,473	4,125	5,182
Net interest income	23,707	20,290	46,338	41,058
Provision (credit) for loan losses	950	100	1,250	(400)
Net interest income after provision (credit) for loan losses	22,757	20,190	45,088	41,458
Noninterest income:				
Service charges fees, commissions and other	1,761	1,625	3,453	2,809
Merchant services income	562	508	676	601
Commissions and fees on fiduciary activities	551	553	1,106	1,086
Wealth management income	374	417	725	775
Mortgage banking income	128	208	272	520
Increase in cash surrender value of life insurance	244	225	462	444
Interest rate swap (expense) revenue	284	(132)	627	665
Net (losses) gains on equity investment securities	(23)	(17)	(19)	4
Total noninterest income	3,881	3,387	7,302	6,904
Noninterest expense:				
Salaries and employee benefits expense	7,851	7,250	15,981	13,820
Net occupancy and equipment expense	3,950	3,047	7,775	6,314
Amortization of intangible assets	97	125	193	250
Net gain on sale of other real estate owned	(20)	(29)	(478)	(75)
Professional fees and outside services	766	569)	1,236	1,016
FDIC insurance and assessments	319	271	645	531
Donations	331	379	665	718
Other expenses	2,199	1,879	3,855	3,513
Total noninterest expense	15,493	13,458	29,782	26,087
Income before income taxes	11,145	10,119	22,608	22,275
Income tax expense	1,792	1,588	3,625	4,266
Net income	9,353	8,531	18,983	18,009
Other comprehensive income (loss):				
Unrealized (loss) gain on investment securities available-for-sale	(18,669)	2,470	(51,281)	(5,279)
Change in derivative fair value	(201)	(135)	694	106
Other comprehensive (loss) income	(18,870)	2,335	(51,975)	(5,173)
Income tax (benefit) expense	(3,963)	490	(10,915)	(1,087)
Other comprehensive (loss) income, net of income taxes	(14,907)	1,845	(41,060)	(4,086)
Comprehensive (loss) income	$ (5,554)	$ 10,376	$ (22,077)	$ 13,923
Per share data:				
Net Income:				
Basic	$ 1.30	$ 1.18	$ 2.65	$ 2.50
Diluted	$ 1.30	$ 1.18	$ 2.63	$ 2.49
Average common shares outstanding:				
Basic	7,171,909	7,204,261	7,172,181	7,207,588
Diluted	7,215,365	7,239,325	7,215,890	7,242,652
Dividends declared	$ 0.39	$ 0.37	$ 0.78	$ 0.74

See notes to consolidated financial statements.

Consolidated Balance Sheets

(Dollars in thousands, except share data)

	June 30, 2022	December 31, 2021
Assets:		
Cash and due from banks	$ 39,693	$ 30,415
Interest-bearing deposits in other banks	8,040	7,093
Federal funds sold		242,425
Total cash and cash equivalents	47,733	279,933
Investment securities:		
Available-for-sale	513,911	517,321
Equity investments carried at fair value	121	140
Held-to-maturity: Fair value June 30, 2022, $84,076; December 31, 2021, $70,446	94,446	71,213
Total investments securities	608,478	588,674
Loans	2,565,579	2,329,173
Less: allowance for loan losses	29,374	28,383
Net loans	2,536,205	2,300,790
Loans held for sale	681	408
Premises and equipment, net	53,094	51,502
Accrued interest receivable	9,303	8,528
Goodwill	63,370	63,370
Intangible assets, net	276	468
Bank owned life insurance	47,968	42,754
Other assets	54,431	33,056
Total assets	$ 3,421,539	$ 3,369,483
Liabilities:		
Deposits:		
Noninterest-bearing	$ 747,558	$ 737,756
Interest-bearing	2,163,725	2,225,641
Total deposits	2,911,283	2,963,397
Short-term borrowings	129,170	
Long-term debt	1,646	2,711
Subordinated debt	33,000	33,000
Accrued interest payable	1,269	408
Other liabilities	33,274	29,841
Total liabilities	3,109,642	3,029,357
Stockholders' equity:		
Common stock, par value $2.00, authorized 25,000,000 shares, issued and outstanding 7,179,037 shares at June 30, 2022 and 7,169,372 shares at December 31, 2021	14,346	14,341
Capital surplus	126,986	127,549
Retained earnings	217,139	203,750
Accumulated other comprehensive loss	(46,574)	(5,514)
Total stockholders' equity	311,897	340,126
Total liabilities and stockholders' equity	$ 3,421,539	$ 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 six months ended June 30, 2022, 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)

Six months ended June 30,	2022	2021	Change $	Change %
Financial Position:				
Assets	$ 3,421,539	$ 2,997,736	$ 423,803	14.14 %
Investment securities	608,478	343,695	264,783	77.04
Loans	2,565,579	2,236,826	328,753	14.70
Deposits	2,911,283	2,611,766	299,517	11.47
Stockholders' equity	311,897	324,891	(12,994)	-4.00
Earning assets	3,182,097	2,786,783	395,314	14.19
Interest-bearing liabilities	$ 2,327,541	$ 1,976,244	$ 351,297	17.78 %
Financial Performance:				
Net interest income	$ 46,338	$ 41,058	$ 5,280	12.86 %
Provision for loan losses	1,250	(400)	1,650	412.50
Noninterest income	7,302	6,904	398	5.76
Noninterest expense	29,782	26,087	3,695	14.16
Income tax expense	3,625	4,266	(641)	-15.03
Net income	18,983	18,009	974	5.41
Comprehensive (loss) income	$ (22,077)	$ 13,923	$ (36,000)	-258.56 %
Financial Ratios:				
Net income as a percentage of average total assets	1.14 %	1.23 %		
Net income as a percentage of average stockholders' equity	11.81	11.35		
Stockholders' equity as a percentage of total assets	9.12	10.84		
Net interest income as a percentage of average earning assets	3.01	3.05		
Loans, net as a percentage of deposits	88.13	85.64		
Net loans charged-off as a percentage of average loans, net	0.02 %	0.02 %		
Per Share Data:				
Net income, basic	$ 2.65	$ 2.50		
Net income, diluted	2.63	2.49		
Cash dividends declared	0.78	0.74		
Stockholders' equity	$ 43.50	$ 45.11		

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

Dear Fellow Shareholder:

I am pleased to announce your Company reported record net income of $19.0 million, or $2.63 per diluted share for the six months ended June 30, 2022, a 5.6% increase when compared to $18.0 million, or $2.49 per diluted share for the comparable period in 2021. The increase in earnings in the 2022 six-month period is the result of increased net interest income of $5.3 million and an increase of $0.4 million in noninterest income. Strong loan growth resulted in a provision for loan losses of $1.3 million in the current six-month period, as compared to a credit to the loan loss provision of $0.4 million in the year ago period. Higher noninterest expenses were mainly due to higher salaries and benefits of $2.1 million and higher occupancy and equipment costs of $1.5 million in part due to our continued investment in our market expansion strategy and our recent digital technology upgrade which commenced during the final six months of 2021.

Total assets increased $52.1 million or 3.1% annualized during the first six months of 2022 and ended at $3.4 billion. Net loan growth for the six months ended June 30, 2022, excluding Small Business Administration ("SBA") Paycheck Protection Program ("PPP") loans, was $278.3 million or 24.8% annualized. Total deposits decreased $52.1 million or 3.5% annualized, due to an outflow of public fund deposits. Stockholders' equity equaled $311.9 million or $43.50 per share at June 30, 2022 compared to $340.1 million or $47.44 per share at year-end 2021. Dividends declared totaled $0.78 per share, a 5.4% increase when compared to the year ago period, and represents a dividend payout ratio of 29.5%

During the remaining six months of 2022, we will continue to face economic uncertainty and challenges resulting from inflation, labor force and supply chain issues. Managements' focus will be on maintaining strong asset quality, continuing to build out our expansion markets, growing our balance sheet, and creating value for the customers we serve, communities we live and operate in, and our shareholders.

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

Board of Directors

William E. Aubrey II
Chairman
Craig W. Best
CEO
Sandra L. Bodnyk
Ronald G. Kukuchka
Richard S. Lochen, Jr.
James B. Nicholas
Elisa Zúñiga Ramirez
Joseph T. Wright, Jr., Esq.

Offices

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Doylestown	(215) 348-8207
East Scranton	(570) 342-9101
Emerick	(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
Second Quarter, 2022	$ 56.99	$ 47.41	$ 0.39
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

Market Makers

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 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 extension 2352 or through our website at http://www.psbt.com.

Peoples Financial SERVICES CORP.

QUARTERLY REPORT

June 30, 2022

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