Consolidated Statements of Income and Comprehensive Income

(Dollars in thousands, except per share data)

September 30,	Three Months Ended 2022	Three Months Ended 2021	Nine Months Ended 2022	Nine Months Ended 2021
Interest income:				
Interest and fees on loans:				
Taxable	$ 25,128	$ 21,276	$ 67,990	$ 62,205
Tax-exempt	1,338	1,024	3,717	2,859
Interest and dividends on investment securities:				
Taxable	2,096	1,285	6,176	3,804
Tax-exempt	521	432	1,546	1,233
Dividends		24	2	72
Interest on interest-bearing deposits in other banks	41	2	61	6
Interest on federal funds sold	106	124	201	228
Total interest income	29,230	24,167	79,693	70,407
Interest expense:				
Interest on deposits	3,316	1,698	6,381	5,731
Interest on short-term borrowings	457		579	78
Interest on long-term debt	16	41	67	225
Interest on subordinated debt	443	443	1,330	1,330
Total interest expense	4,232	2,182	8,357	7,364
Net interest income	24,998	21,985	71,336	63,043
Provision for loan losses	450	400	1,700	
Net interest income after provision for loan losses	24,548	21,585	69,636	63,043
Noninterest income:				
Service charges fees, commissions and other	1,714	1,667	5,167	4,476
Merchant services income	157	158	833	759
Commissions and fees on fiduciary activities	591	639	1,697	1,725
Wealth management income	339	432	1,064	1,207
Mortgage banking income	135	244	407	764
Increase in cash surrender value of life insurance	269	225	731	669
Interest rate swap revenue	130	79	757	744
Net (losses) gains on equity investment securities	(18)	5	(37)	9
Total noninterest income	3,317	3,449	10,619	10,353
Noninterest expense:				
Salaries and employee benefits expense	8,474	7,829	24,365	21,649
Net occupancy and equipment expense	3,898	3,150	11,673	9,464
Amortization of intangible assets	96	125	289	375
Net gains on sale of other real estate		(97)	(478)	(195)
Professional fees and outside services	664	629	1,900	1,645
FDIC insurance and assessments	324	305	969	836
Donations	373	366	1,038	1,084
Other expenses	2,106	1,840	5,961	5,376
Total noninterest expense	15,935	14,147	45,717	40,234
Income before income taxes	11,930	10,887	34,538	33,162
Income tax expense	1,962	1,791	5,587	6,057
Net income	9,968	9,096	28,951	27,105
Other comprehensive (loss) income:				
Unrealized loss on investment securities available-for-sale	(21,510)	(3,130)	(72,791)	(8,409)
Change in derivative fair value	(46)	(128)	(740)	(22)
Other comprehensive loss	(21,556)	(3,258)	(73,531)	(8,431)
Income tax benefit related to other comprehensive loss	(4,527)	(684)	(15,442)	(1,771)
Other comprehensive loss, net of income tax benefit	(17,029)	(2,574)	(58,089)	(6,660)
Comprehensive (loss) income	$ (7,061)	$ 6,522	$ (29,138)	$ 20,445
Per share data:				
Net Income:				
Basic	$ 1.39	$ 1.26	$ 4.04	$ 3.76
Diluted	$ 1.38	$ 1.26	$ 4.01	$ 3.74
Average common shares outstanding:				
Basic	7,169,809	7,198,125	7,171,382	7,204,399
Diluted	7,213,147	7,233,189	7,214,966	7,239,463
Dividends declared	$ 0.40	$ 0.38	$ 1.18	$ 1.12

See notes to consolidated financial statements.

Consolidated Balance Sheets

(Dollars in thousands, except share data)

	September 30, 2022	December 31, 2021
Assets:		
Cash and cash equivalents		
Cash and due from banks	$ 35,000	$ 30,415
Interest-bearing deposits in other banks	8,410	7,093
Federal funds sold	69,600	242,425
Total cash and cash equivalents	113,010	279,933
Investment securities:		
Available-for-sale	477,590	517,321
Equity investments carried at fair value	103	140
Held-to-maturity: Fair value September 30, 2022, $78,512; December 31, 2021, $70,446	92,771	71,213
Total investments securities	570,464	588,674
Loans	2,623,706	2,329,173
Less: allowance for loan losses	29,822	28,383
Net loans	2,593,884	2,300,790
Loans held for sale	653	408
Premises and equipment, net	54,394	51,502
Accrued interest receivable	10,082	8,528
Goodwill	63,370	63,370
Intangible assets, net	179	468
Bank owned life insurance	48,235	42,754
Other assets	62,535	33,056
Total assets	$ 3,516,806	$ 3,369,483
Liabilities:		
Deposits:		
Noninterest-bearing	$ 769,935	$ 737,756
Interest-bearing	2,354,205	2,225,641
Total deposits	3,124,140	2,963,397
Short-term borrowings	14,700	
Long-term debt	1,104	2,711
Subordinated debentures	33,000	33,000
Accrued interest payable	1,129	408
Other liabilities	40,923	29,841
Total liabilities	3,214,996	3,029,357
Stockholders' equity:		
Common stock, par value $2.00, authorized 25,000,000 shares, issued and outstanding 7,162,750 shares at September 30, 2022 and 7,169,372 shares at December 31, 2021	14,330	14,341
Capital surplus	126,845	127,549
Retained earnings	224,238	203,750
Accumulated other comprehensive loss	(63,603)	(5,514)
Total stockholders' equity	301,810	340,126
Total liabilities and stockholders' equity	$ 3,516,806	$ 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 nine months ended September 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)

Nine months ended September 30,	2022	2021	Change $	Change %
Financial Position:				
Assets	$ 3,516,806	$ 3,233,525	$ 283,281	8.76 %
Investment securities	570,464	494,367	76,097	15.39
Loans	2,623,706	2,205,661	418,045	18.95
Deposits	3,124,140	2,840,919	283,221	9.97
Stockholders' equity	301,810	327,732	(25,922)	-7.91
Earning assets	3,272,180	3,026,953	245,227	8.10
Interest-bearing liabilities	$ 2,403,009	$ 2,164,553	$ 238,456	11.02 %
Financial Performance:				
Net interest income	$ 71,336	$ 63,043	$ 8,293	13.15 %
Provision for loan losses	1,700		1,700	
Noninterest income	10,619	10,353	266	2.57
Noninterest expense	45,717	40,234	5,483	13.63
Income tax expense	5,587	6,057	(470)	-7.76
Net income	28,951	27,105	1,846	6.81
Comprehensive (loss) income	$ (29,138)	$ 20,445	$ (49,583)	-242.52 %
Financial Ratios:				
Net income as a percentage of average total assets	1.14 %	1.21 %		
Net income as a percentage of average stockholders' equity	11.93	11.24		
Stockholders' equity as a percentage of total assets	8.58	10.14		
Net interest income as a percentage of average earning assets	3.04	3.06		
Loans, net as a percentage of deposits	83.98	77.64		
Net loans charged-off as a percentage of average loans, net	0.01 %	0.04 %		
Per Share Data:				
Net income, basic	$ 4.04	$ 3.76		
Net income, diluted	4.01	3.74		
Cash dividends declared	1.18	1.12		
Stockholders' equity	$ 42.14	$ 45.66		

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 $29.0 million, or $4.01 per diluted share for the nine months ended September 30, 2022, a 6.8% increase when compared to $27.1 million, or $3.74 per diluted share for the comparable period in 2021. The increase in earnings in the nine months ended September 30, 2022 is a result of increased net interest income of $8.3 million and an increase of $0.3 million in noninterest income. Partially offsetting the increases were a $1.7 million increase in provision for loan losses and an increase of $5.5 million in noninterest expense. Strong loan growth resulted in a provision for loan losses of $1.7 million in the current nine month period, as compared to no loan loss provision in the year ago period. Higher noninterest expenses were mainly due to higher salaries and benefits of $2.7 million and higher occupancy and equipment costs of $2.2 million in part due to our continued investment in the market expansion strategy and our recent digital technology upgrade implemented during the second half of 2021.

Total assets increased $147.3 million or 5.9% annualized during the first nine months of 2022 and ended at $3.5 billion. Net loan growth for the nine months ended September 30, 2022, excluding Small Business Administration ("SBA") Paycheck Protection Program ("PPP") loans, was $340.7 million or 20.2% annualized due to improved loan demand and organic growth in our newest markets. Total deposits increased $160.7 million or 7.3% annualized. Stockholders' equity equaled $301.8 million or $42.14 per share at September 30, 2022 compared to $340.1 million or $47.44 per share at year-end 2021. Dividends declared for the nine months ended September 30, 2022 amounted to $1.18 per share, a 5.4% increase from the 2021 period, representing a dividend payout ratio of 29.4%.

During the remaining three 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 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 (Pennsylvania, unless noted)

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

Common Stock Information

	High	Low	Dividends Declared
Third Quarter, 2022	$ 56.09	$ 46.84	$ 0.40
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

Market Makers

Griffin Financial Group, LLC	(757) 955-8444
Janney Montgomery Scott	(215) 665-6000
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.

Online 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

September 30, 2022

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