Consolidated Statements of Income and Comprehensive Income (Unaudited)

(Dollars in thousands, except per share data)

June 30,	Three Months Ended 2023	Three Months Ended 2022	Six Months Ended 2023	Six Months Ended 2022
Interest income:				
Interest and fees on loans:				
Taxable	$ 32,139	$ 22,009	$ 62,188	$ 42,862
Tax-exempt	1,405	1,218	2,794	2,379
Interest and dividends on investment securities:				
Taxable	1,929	2,108	4,053	4,080
Tax-exempt	378	515	835	1,025
Dividends	2	2	4	2
Interest on interest-bearing deposits in other banks	85	18	99	20
Interest on federal funds sold	798	22	1,041	95
Total interest income	36,736	25,892	71,014	50,463
Interest expense:				
Interest on deposits	13,714	1,597	23,324	3,065
Interest on short-term borrowings	213	122	1,299	122
Interest on long-term debt	269	23	296	51
Interest on subordinated debt	444	443	887	887
Total interest expense	14,640	2,185	25,806	4,125
Net interest income	22,096	23,707	45,208	46,338
(Credit to) provision for credit losses	(2,201)	950	(937)	1,250
Net interest income after (credit to) provision for credit losses	24,297	22,757	46,145	45,088
Noninterest income:				
Service charges fees, commissions and other	1,982	1,761	3,947	3,453
Merchant services income	254	562	372	676
Commissions and fees on fiduciary activities	528	551	1,085	1,106
Wealth management income	386	374	784	725
Mortgage banking income	105	128	208	272
Increase in cash surrender value of life insurance	262	244	520	462
Interest rate swap revenue	23	284	246	627
Net gains (losses) on equity investment securities	12	(23)	(17)	(19)
Net gains on sale of investment securities available for sale			81	
Total noninterest income	3,552	3,881	7,226	7,302
Noninterest expense:				
Salaries and employee benefits expense	8,482	7,851	17,562	15,891
Net occupancy and equipment expense	4,277	4,083	8,380	8,036
Amortization of intangible assets	28	97	57	193
Net gain on sale of other real estate owned		(20)		(478)
Professional fees and outside services	628	766	1,391	1,236
FDIC insurance and assessments	556	319	1,057	645
Donations	467	331	865	665
Other expenses	2,176	2,066	3,856	3,594
Total noninterest expense	16,614	15,493	33,168	29,782
Income before income taxes	11,235	11,145	20,203	22,608
Provision for income tax expense	1,810	1,792	3,199	3,625
Net income	9,425	9,353	17,004	18,983
Other comprehensive (loss) income:				
Unrealized (loss) gain on investment securities available for sale	(5,148)	(18,669)	5,688	(51,281)
Reclassification adjustment for net gain on sales included in net income			(81)	
Change in derivative fair value	2,049	(201)	79	(694)
Other comprehensive (loss) income	(3,099)	(18,870)	5,686	(51,975))
Income tax (benefit) expense related to other comprehensive (loss) income	(668)	(3,963)	1,223	(10,915)
Other comprehensive (loss) income, net of income tax (benefit) expense	(2,431)	(14,907)	4,463	(41,060)
Comprehensive income (loss)	$ 6,994	$ (5,554)	$ 21,467	$ (22,077)
Per share data:				
Basic	$ 1.32	$ 1.30	$ 2.38	$ 2.65
Diluted	$ 1.31	$ 1.30	$ 2.37	$ 2.63
Dividends declared	0.41	0.39	0.82	0.78
Average common shares outstanding:				
Basic	7,145,975	7,171,909	7,151,732	7,172,181
Diluted	7,177,915	7,215,365	7,188,384	7,215,890

See notes to consolidated financial statements.

Consolidated Balance Sheets (Unaudited)

(Dollars in thousands, except share data)

	June 30, 2023	December 31, 2022
Assets:		
Cash and due from banks	$ 37,774	$ 37,675
Interest-bearing deposits in other banks	5,814	193
Federal funds sold	93,100	
Total cash and cash equivalents	136,688	37,868
Investment securities:		
Available-for-sale	395,826	477,703
Equity investments carried at fair value	92	110
Held-to-maturity: Fair value June 30, 2023, $74,013; December 31, 2022, $76,563	88,211	91,179
Total investment securities	484,129	568,992
Loans,	2,843,238	2,730,116
Less: allowance for credit losses	23,218	27,472
Net loans	2,820,020	2,702,644
Goodwill	63,370	63,370
Premises and equipment, net	57,712	55,667
Bank owned life insurance	48,857	48,344
Deferred tax assets	16,258	18,739
Accrued interest receivable	11,406	11,715
Intangible assets, net	48	105
Other assets	43,287	46,071
Total assets	$ 3,681,775	$ 3,553,515
Liabilities:		
Deposits:		
Noninterest-bearing	$ 713,375	$ 772,765
Interest-bearing	2,516,106	2,273,833
Total deposits	3,229,481	3,046,598
Short-term borrowings	19,530	114,930
Long-term debt	25,000	555
Subordinated debt	33,000	33,000
Accrued interest payable	4,701	903
Other liabilities	38,276	42,179
Total liabilities	3,349,988	3,238,165
Stockholders' equity:		
Common stock, par value $2.00, authorized 25,000,000 shares, issued and outstanding 7,130,409 shares at June 30, 2023 and 7,158,017 shares at December 31, 2022	14,272	14,321
Capital surplus	125,371	126,850
Retained earnings	244,017	230,515
Accumulated other comprehensive loss	(51,873)	(56,336)
Total stockholders' equity	331,787	315,350
Total liabilities and stockholders' equity	$ 3,681,775	$ 3,553,515

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, 2023, 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 (Unaudited)

(Dollars in thousands, except per share data)

Six months ended June 30,		2023		2022	Change $		Change %	
Financial Position:								
Assets	$	3,681,775	$	3,421,539	$	260,236	7.61	%
Investment securities		484,129		608,478		(124,349)	-20.44	
Loans,		2,843,238		2,565,579		277,659	10.82	
Deposits		3,229,481		2,911,283		318,198	10.93	
Stockholders' equity		331,787		311,897		19,890	6.38	
Earning assets		3,426,281		3,182,097		244,184	7.67	
Interest-bearing liabilities	$	2,593,636	$	2,327,541	$	266,095	11.43	%
Financial Performance:								
Net interest income	$	45,208	$	46,338	$	(1,130)	-2.44	%
(Credit to) provision for credit losses		(937)		1,250		(2,187)	-174.96	
Noninterest income		7,226		7,302		(76)	-1.04	
Noninterest expense		33,168		29,782		3,386	11.37	
Income tax expense		3,199		3,625		(426)	-11.75	
Net income		17,004		18,983		(1,979)	-10.43	
Comprehensive income (loss)	$	21,467	$	(22,077)	$	43,544	197.24	%
Financial Ratios:								
Net income as a percentage of average total assets		0.95 %		1.14 %				
Net income as a percentage of average stockholders' equity		10.44		11.81				
Stockholders' equity as a percentage of total assets		9.01		9.12				
Net interest income as a percentage of average earning assets		2.72		3.01				
Loans, net as a percentage of deposits		88.04		88.13				
Net loans charged-off as a percentage of average loans, net		0.00 %		0.02 %				
Per Share Data:								
Net income, basic	$	2.38	$	2.65				
Net income, diluted		2.37		2.63				
Cash dividends declared		0.82		0.78				
Stockholders' equity	$	46.53	$	43.50				

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

Dear Fellow Shareholder:

For the six months ended June 30, 2023, your Company reported net income of $17.0 million, or $2.37 per diluted share, a 10.4% decrease when compared to $19.0 million, or $2.63 per diluted share for the comparable period of 2022. The decrease in earnings is due to lower net interest income for the current period as higher interest income due to increased rates, primarily on our loan portfolio, was more than offset by increased funding costs. Lower net interest income combined with higher operating expenses of $3.4 million were partially counterbalanced by a $2.2 million decrease to the provision for credit losses.

Total assets increased $128.3 million or 7.3% annualized during the first half of 2023 and ended at $3.7 billion. Loans and deposits were $2.8 billion and $3.2 billion, respectively. During the six month period, investment sales, deposit growth and FHLB term borrowings were utilized to fund loan growth and repay short-term borrowings. Total deposits increased $182.9 million during the six months ending June 30, 2023. The increase in deposits was due to a $248.0 million net increase in brokered deposits and a $25.0 million increase in retail and commercial accounts partially offset by a $90.2 million seasonal decrease in municipal deposits.

The company maintained its well capitalized position at June 30, 2023. Stockholders' equity equaled $331.8 million or $46.53 per share at June 30, 2023 compared to $315.4 million or $44.06 per share at year-end 2022. Dividends declared totaled $0.82 per share, a 5.1% increase when compared to the year ago period, and represents a dividend payout ratio of 34.5%.

The remainder of 2023 will be challenging as our Company will continue to face earnings challenges from higher interest rates and economic uncertainty. Management's focus will be to maintain strong liquidity and capital while continuing to create value for our customers, communities and 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

Offices (Pennsylvania, unless noted)

Abington	(570) 587-4898	King of Prussia	(610) 205-1880
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) 457-7317
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
Second Quarter, 2023	$ 44.60	$ 30.60	$ 0.41
First Quarter, 2023	53.48	42.52	0.41
Fourth Quarter, 2022	57.60	47.00	0.40
Third Quarter, 2022	56.09	46.84	0.40
Second Quarter, 2022	56.99	47.41	0.39

Market Makers

Janney Montgomery Scott	(215) 665-6000
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.

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

2023

JUNE 30, 2023

psbt.com | 888 868 3858