Consolidated Statements of Income and Comprehensive Income (Unaudited)

(Dollars in thousands, except per share data) September 30,	Three Months Ended 2023	2022	Nine Months Ended 2023	2022
Interest income:				
Interest and fees on loans:				
Taxable	$ 33,095	$ 25,128	$ 95,283	$ 67,990
Tax-exempt	1,411	1,338	4,205	3,717
Interest and dividends on investment securities:				
Taxable	1,920	2,096	5,973	6,176
Tax-exempt	375	521	1,210	1,546
Dividends			4	2
Interest on interest-bearing deposits in other banks	91	41	190	61
Interest on federal funds sold	1,873	106	2,914	201
Total interest income	38,765	29,230	109,779	79,693
Interest expense:				
Interest on deposits	16,481	3,316	39,805	6,381
Interest on short-term borrowings	291	457	1,590	579
Interest on long-term debt	273	16	569	67
Interest on subordinated debt	443	443	1,330	1,330
Total interest expense	17,488	4,232	43,294	8,357
Net interest income	21,277	24,998	66,485	71,336
(Credit to) provision for credit losses	(166)	450	(1,103)	1,700
Net interest income after (credit to) provision for credit losses	21,443	24,548	67,588	69,636
Noninterest income:				
Service charges fees, commissions and other	1,900	1,714	5,847	5,167
Merchant services income	170	157	542	833
Commissions and fees on fiduciary activities	606	591	1,691	1,697
Wealth management income	393	339	1,177	1,064
Mortgage banking income	87	135	295	407
Increase in cash surrender value of life insurance	270	269	790	731
Interest rate swap revenue	266	130	512	757
Net losses on equity investment securities		(18)	(17)	(37)
Net gains on sale of investment securities available for sale			81	
Total noninterest income	3,692	3,317	10,918	10,619
Noninterest expense:				
Salaries and employee benefits expense	8,784	8,474	26,346	24,365
Net occupancy and equipment expense	4,298	4,025	12,678	12,061
Acquisition related expenses	869		990	
Amortization of intangible assets	29	96	86	289
Net gain on sale of other real estate owned	(18)		(18)	(478)
Professional fees and outside services	687	733	1,960	1,969
FDIC insurance and assessments	508	324	1,565	969
Donations	389	373	1,254	1,038
Other expenses	1,508	1,910	5,361	5,504
Total noninterest expense	17,054	15,935	50,222	45,717
Income before income taxes	8,081	11,930	28,284	34,538
Provision for income tax expense	1,335	1,962	4,534	5,587
Net income	6,746	9,968	23,750	28,951
Other comprehensive (loss) income:				
Unrealized loss on investment securities available for sale	(10,378)	(21,510)	(4,690)	(72,791)
Reclassification adjustment for net gain on sales included in net income			(81)	
Change in derivative fair value	747	(46)	826	(740)
Other comprehensive loss	(9,631)	(21,556)	(3,945)	(73,531)
Income tax benefit expense related to other comprehensive loss	(2,074)	(4,527)	(851)	(15,442)
Other comprehensive (loss), net of income tax benefit	(7,557)	(17,029)	(3,094)	(58,089)
Comprehensive (loss) income	$ (811)	$ (7,061)	$ 20,656	$ (29,138)
Share and per share amounts:				
Net income:				
Basic	$ 0.95	$ 1.39	$ 3.33	$ 4.04
Diluted	$ 0.95	$ 1.38	$ 3.31	$ 4.01
Dividends declared	$ 0.41	$ 0.40	$ 1.23	$ 1.18
Average common shares outstanding:				
Basic	7,088,745	7,169,809	7,130,506	7,171,382
Diluted	7,120,685	7,213,147	7,165,570	7,214,966

See notes to consolidated financial statements.

Consolidated Balance Sheets (Unaudited)

(Dollars in thousands, except share data)	September 30, 2023	December 31, 2022
Assets:		
Cash and cash equivalents:		
Cash and due from banks	$ 39,285	$ 37,675
Interest-bearing deposits in other banks	9,550	193
Federal funds sold	205,700	
Total cash and cash equivalents	254,535	37,868
Investment securities:		
Available-for-sale	382,227	477,703
Equity investments carried at fair value	92	110
Held-to-maturity: Fair value September 30, 2023, $68,808; December 31, 2022, $76,563	86,246	91,179
Total investment securities	468,565	568,992
Loans,	2,870,969	2,730,116
Less: allowance for credit losses	23,010	27,472
Net loans	2,847,959	2,702,644
Goodwill	63,370	63,370
Premises and equipment, net	61,936	55,667
Bank owned life insurance	49,123	48,344
Deferred tax assets	17,956	18,739
Accrued interest receivable	12,769	11,715
Intangible assets, net	19	105
Other assets	49,567	46,071
Total assets	$ 3,825,799	$ 3,553,515
Liabilities:		
Deposits:		
Noninterest-bearing	$ 691,071	$ 772,765
Interest-bearing	2,674,012	2,273,833
Total deposits	3,365,083	3,046,598
Short-term borrowings	27,020	114,930
Long-term debt	25,000	555
Subordinated debentures	33,000	33,000
Accrued interest payable	4,777	903
Other liabilities	46,529	42,179
Total liabilities	3,501,409	3,238,165
Stockholders' equity:		
Common stock, par value $2.00, authorized 25,000,000 shares, issued and outstanding 7,040,852 shares at September 30, 2023 and 7,158,017 shares at December 31, 2022	14,093	14,321
Capital surplus	121,870	126,850
Retained earnings	247,857	230,515
Accumulated other comprehensive loss	(59,430)	(56,336)
Total stockholders' equity	324,390	315,350
Total liabilities and stockholders' equity	$ 3,825,799	$ 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 nine months ended September 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)

Nine months ended September 30,	2023	2022	Change $	Change %
Financial Position:				
Assets	$ 3,825,799	$ 3,516,806	$ 308,993	8.79 %
Investment securities	468,565	570,464	(101,899)	-17.86
Loans	2,870,969	2,623,706	247,263	9.42
Deposits	3,365,083	3,124,140	240,943	7.71
Stockholders' equity	324,390	301,810	22,580	7.48
Earning assets	3,554,784	3,272,180	282,604	8.64
Interest-bearing liabilities	$ 2,759,032	$ 2,403,009	$ 356,023	14.82 %
Financial Performance:				
Net interest income	$ 66,485	$ 71,336	$ (4,851)	-6.80 %
(Credit to) provision for credit losses	(1,103)	1,700	(2,803)	-164.88
Noninterest income	10,918	10,619	299	2.82
Noninterest expense	50,222	45,717	4,505	9.85
Provision for income tax expense	4,534	5,587	(1,053)	-18.85
Net income	23,750	28,951	(5,201)	-17.96
Comprehensive income (loss)	$ 20,656	$ (29,138)	$ 49,794	170.89 %
Financial Ratios:				
Net income as a percentage of average total assets	0.87 %	1.14 %		
Net income as a percentage of average stockholders' equity	9.63	11.93		
Stockholders' equity as a percentage of total assets	8.48	8.58		
Net interest income as a percentage of average earning assets	2.62	3.04		
Loans, net as a percentage of deposits	85.32	83.98		
Net loans charged-off as a percentage of average loans, net	0.01 %	0.01 %		
Per Share Data:				
Net income, basic	$ 3.33	$ 4.04		
Net income, diluted	3.31	4.01		
Cash dividends declared	1.23	1.18		
Stockholders' equity	$ 46.07	$ 42.14		

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

Dear Fellow Shareholder:

For the nine months ended September 30, 2023, your Company reported net income of $23.8 million, or $3.31 per diluted share, a 17.5% decrease when compared to $29.0 million, or $4.01 per diluted share for the comparable period of 2022. Core net income, which excludes merger related costs, was $24.5 million and $3.42 per diluted share, compared to $29.0 million and $4.01 per diluted share in the year ago period. Net interest income for the current period decreased $4.9 million when compared to the nine months ended September 30, 2022 as higher interest income due to increased rates on earning assets was more than offset by increased funding costs. Higher operating expenses of $4.5 million, which includes $1.0 milion of acquisition related expenses were partially offset by a $2.8 million decrease to the provision for credit losses and a $0.3 million increase in noninterest income.

At September 30, 2023, total assets, loans and deposits were $3.8 billion, $2.9 billion and $3.4 billion, respectively. During the nine month period, investment sales, deposit growth and FHLB term borrowings were utilized to fund loan growth and repay short-term borrowings. Total deposits increased $318.5 million during the nine months ending September 30, 2023. The increase in deposits was due to a $248.0 million net increase in brokered deposits, $135.3 million in commercial deposits and a $53.7 million increase in municipal deposits, partially offset by $118.4 million in reduced retail deposits.

The company maintained its well capitalized position at September 30, 2023. Stockholders' equity equaled $324.4 million or $46.07 per share at September 30, 2023 compared to $315.4 million or $44.06 per share at year-end 2022. Dividends declared totaled $1.23 per share, a 4.2% increase when compared to the 2022 period, and represents a dividend payout ratio of 37.2%.

On September 27, 2023, our Company announced it had entered into a definitive agreement to strategically combine with FNCB Bancorp, Inc., the parent company of FNCB Bank ("FNCB"). The transaction is expected to close in the first half of 2024, subject to satisfaction of customary closing conditions, including regulatory approvals and shareholder approval from both Peoples and FNCB shareholders. Highlights of the proposed transaction include a strategic merger that creates a bank holding company with nearly $5.5 billion in assets, #2 ranked deposit market share in the Scranton - Wilkes Barre metropolitan statistical area and #5 ranked Pennsylvania headquartered community bank under $20 billion in total assets. The proposed transaction is expected to deliver an estimated 59% EPS accretion to our Company in 2025, inclusive of all merger synergies, and a 51% dividend increase to you, 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. and the proposed merger. 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
Airport Road	(610) 691-1202
Binghamton, NY	(607) 729-3832
Central City Scranton	(570) 346-7741
Central PA Business Center	(717) 279-2200
Conklin, NY	(607) 722-2114
Doylestown	(215) 348-8207
East Scranton	(570) 342-9101
Emrick Blvd, Bethlehem	(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) 205-1880
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) 451-7200
Peckville	(570) 383-2154
Piscataway, NJ	(732) 699-2143
Susquehanna	(570) 853-4901
Tilghman Street	(610) 398-9680
Tunkhannock	(570) 836-2135

Common Stock Information

	High	Low	Dividends Declared
Third Quarter, 2023	$ 48.19	$ 40.04	$ 0.41
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

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

Equiniti Trust Company LLC administers a Dividend Reinvestment Plan whereby stockholders can increase their investment in additional shares of common stock. Contact Equiniti Trust Company LLC, 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 Equiniti Trust Company LLC 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

SEPTEMBER 30, 2023

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