Consolidated Statements of Income and Comprehensive Income (Unaudited)

(Dollars in thousands, except per share data) March 31,	Three Months Ended 2024	2023
Interest income:		
Interest and fees on loans:		
Taxable	$ 34,041	$ 30,049
Tax-exempt	1,418	1,389
Interest and dividends on investment securities:		
Taxable	1,918	2,124
Tax-exempt	371	457
Dividends	2	2
Interest on interest-bearing deposits in other banks	120	14
Interest on federal funds sold	1,127	243
Total interest income	38,997	34,278
Interest expense:		
Interest on deposits	18,704	9,678
Interest on short-term borrowings	262	1,086
Interest on long-term debt	270	27
Interest on subordinated debt	443	443
Total interest expense	19,679	11,234
Net interest income	19,318	23,044
Provision for credit losses	708	1,264
Net interest income after provision for credit losses	18,610	21,780
Noninterest income:		
Service charges, fees, commissions and other	2,036	1,965
Merchant services income	115	118
Commission and fees on fiduciary activities	551	557
Wealth management income	361	398
Mortgage banking income	92	103
Increase in cash surrender value of life insurance	279	258
Interest rate swap revenue	(24)	223
Net losses on equity investment securities	(8)	(29)
Net gains on sale of investment securities available for sale		81
Total noninterest income	3,402	3,674
Noninterest Expense:		
Salaries and employee benefits expense	8,839	9,080
Net occupancy and equipment expense	4,725	4,103
Acquisition related expenses	486	
Amortization of intangible assets		29
Professional fees and outside services	688	619
FDIC insurance and assessments	594	501
Donations	409	397
Other expenses	2,327	1,757
Total noninterest expense	18,068	16,486
Income before income taxes	3,944	8,968
Provision for income tax expense	478	1,389
Net income	3,466	7,579
Other comprehensive income (loss):		
Unrealized (losses) gains on investment securities available for sale	(2,441)	10,836
Reclassification adjustment for net gains on available for sale securities included in net income		(81)
Change in derivative fair value	1,079	(1,970)
Other comprehensive (loss) income	(1,362)	8,785
Income tax (benefit) expense related to other comprehensive (loss) income	(298)	1,891
Other comprehensive (loss) income, net of income tax (benefit) expense	(1,064)	6,894
Comprehensive income	$ 2,402	14,473
Share and per share amounts:		
Net income:		
Basic	$ 0.49	$ 1.06
Diluted	$ 0.49	$ 1.05
Dividends declared	$ 0.41	$ 0.41
Average common shares outstanding:		
Basic	7,052,912	7,157,553
Diluted	7,102,112	7,198,970

See notes to consolidated financial statements.

Consolidated Balance Sheets (Unaudited)

(Dollars in thousands, except share data)

For the Period Ending	March 31, 2024	March 31, 2023
Assets:		
Cash and cash equivalents:		
Cash and due from banks	$ 32,009	$ 31,354
Interest-bearing deposits in other banks	8,259	7,129
Federal funds sold	69,700	102,100
Total cash and cash equivalents	109,968	140,583
Investment securities:		
Available for sale Amortized cost of $448,381 and $473,620, respectively, net of allowance for credit losses of $0 at March 31, 2024 and March 31, 2023	394,413	418,125
Equity investments carried at fair value	91	81
Held to maturity: Fair value of $69,989 and $77,073, respectively, net of allowance for credit losses of $0 at March 31, 2024 and March 31, 2023	83,306	89,705
Total investment securities	477,810	507,911
Loans,	2,858,412	2,818,043
Less: allowance for credit losses	22,597	25,444
Net loans	2,835,815	2,792,599
Loans held for sale	300	
Goodwill	63,370	63,370
Premises and equipment, net	59,097	56,561
Bank owned life insurance	49,673	48,598
Deferred tax assets	14,241	16,015
Accrued interest receivable	13,565	11,678
Intangible assets, net		77
Other assets	45,299	41,079
Total assets	$ 3,669,138	$ 3,678,471
Liabilities:		
Deposits:		
Noninterest-bearing	$ 623,408	$ 746,089
Interest-bearing	2,580,530	2,489,878
Total deposits	3,203,938	3,235,967
Short-term borrowings	20,260	17,280
Long-term debt	25,000	25,000
Subordinated debentures	33,000	33,000
Accrued interest payable	5,327	2,304
Other liabilities	41,621	36,286
Total liabilities	3,329,146	3,349,837
Stockholders' equity:		
Common stock, par value $2.00, authorized 25,000,000 shares, issued and outstanding 7,057,258 shares at March 31, 2024 and 7,150,757 shares at March 31, 2023	14,122	14,323
Capital surplus	122,162	126,231
Retained earnings	249,123	237,522
Accumulated other comprehensive loss	(45,415)	(49,442)
Total stockholders' equity	339,992	328,634
Total liabilities and stockholders' equity	$ 3,669,138	$ 3,678,471

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 months ended March 31, 2024, 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	2024	2023	Change $	Change %
Financial Position:				
Assets	$ 3,669,138	$ 3,678,471	$ (9,333)	-0.25 %
Investment securities	477,810	507,911	(30,101)	-5.93
Loans	2,858,412	2,818,043	40,369	1.43
Deposits	3,203,938	3,235,967	(32,029)	-0.99
Stockholders' equity	339,992	328,634	11,358	3.46
Average earning assets	3,481,687	3,390,251	91,436	2.70
Average interest-bearing liabilities	$ 2,671,500	$ 2,464,963	$ 206,537	8.38 %
Financial Performance:				
Net interest income	$ 19,318	$ 23,044	$ (3,726)	-16.17 %
Provision for credit losses	708	1,264	(556)	-43.99
Noninterest income	3,402	3,674	(272)	-7.40
Noninterest expense	18,068	16,486	1,582	9.60
Provision for income tax expense	478	1,389	(911)	-65.59
Net income	3,466	7,579	(4,113)	-54.27
Comprehensive income	$ 2,402	$ 14,473	$ (12,071)	-83.40 %
Financial Ratios:				
Net income as a percentage of average total assets	0.38 %	0.86 %		
Net income as a percentage of average stockholders' equity	4.09	9.43		
Stockholders' equity as a percentage of total assets	9.27	8.93		
Net interest income as a percentage of average earning assets	2.29	2.81		
Loans, net as a percentage of deposits	89.22	87.09		
Net loans charged-off as a percentage of average loans, net	0.00 %	0.00 %		
Per Share Data:				
Net income, basic	$ 0.49	$ 1.06		
Net income, diluted	0.49	1.05		
Cash dividends declared	0.41	0.41		
Stockholders' equity	$ 48.18	$ 45.96		

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

Dear Fellow Shareholder:

For the three months ended March 31, 2024, your Company reported net income of $3.5 million, or $0.49 per diluted share, a 54.3% decrease when compared to $7.6 million, or $1.05 per diluted share for the comparable period of 2023. Quarterly net income included lower net interest income of $3.7 million due primarily to higher deposit costs, higher operating expenses of $1.6 million, which includes $0.5 million of merger expenses related to our previously announced merger with FNCB Bank, and lower noninterest income of $0.3 million, partially offset by a lower provision for credit losses of $0.6 million.

At March 31, 2024, total assets, loans and deposits were $3.7 billion, $2.9 billion and $3.2 billion, respectively. During the three month period, federal funds sold were utilized to fund loan growth and seasonal deposit outflows. Total deposits decreased $75.1 million to $3.2 billion during 2024 due in part to seasonal outflows of municipal deposits.

The Company maintained its well capitalized position at March 31, 2024. Stockholders' equity equaled $340.0 million or $48.18 per share at March 31, 2024, and $340.4 million or $48.35 per share at December 31, 2023. Dividends declared for the three months ended March 31, 2024 amounted to $0.41 per share.

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 proposed strategic combination is expected to close in the second half of 2024, subject to satisfaction of customary closing conditions, including regulatory approvals. Shareholders of both companies approved the strategic combination at their respective special shareholders' meetings held on March 22, 2024. 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, ir.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

Craig W. Best
Chief Executive Officer

Board of Directors

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

Offices (Pennsylvania, unless noted)

Abington	(570) 587-4898	Kingston	(570) 288-0128
Airport Road	(610) 691-1202	Meshoppen	(570) 833-5171
Binghamton, NY	(607) 729-3832	Minooka	(570) 955-1883
Central City Scranton	((570) 955-1700	Montrose	(570) 278-4100
Central PA Business Center	(717) 279-2200	Moscow	(570) 842-7626
Conklin, NY	(607) 722-2114	Mount Pocono	(570) 839-8732
Doylestown	(215) 348-8207	Nicholson	(570) 942-2265
East Scranton	(570) 342-9101	North Allegheny	(724) 719-2399
Emrick Blvd	(610) 317-4690	Old Forge	(570) 451-7200
Glenburn	(570) 585-5130	Peckville	(570) 383-2154
Green Ridge	(570) 346-4695	Piscataway, NJ	(732) 699-2143
Hallstead	(570) 879-2195	Susquehanna	(570) 853-4901
Hop Bottom	(570) 289-4124	Tilghman Street	(610) 398-9680
King of Prussia	(610) 205-1880	Tunkhannock	(570) 836-2135

Common Stock Information

	High	Low	Dividends Declared
First Quarter, 2024	$48.84	$38.09	$0.41
Fourth Quarter, 2023	49.99	38.58	0.41
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

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, 55 Challenger Road, Suite 200, Ridgefield Park, NJ 076600 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 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 or through our website, ir.psbt.com.

Peoples Financial
SERVICES CORP.

QUARTERLY REPORT

2024

MARCH 31, 2024

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