Peoples Financial SERVICES CORP.



New Regional Headquarters at 2151 Emrick Blvd., Bethlehem, Northampton County, PA

Investor Presentation
Boenning & Scattergood
The Hotel Hershey
August 9, 2017

FORWARD-LOOKING STATEMENTS:

We make statements in this presentation, and we may from time to time make other statements, regarding our outlook or expectations for future financial or operating results and/or other matters regarding or affecting Peoples Financial Services Corporation, Peoples Security Bank and Trust Company or its subsidiaries (collectively, the "Company" or "we") that are considered "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995 (the "PSLRA"). Such forward-looking statements may be identified by the use of such words as "believe," "expect," "anticipate," "should," "planned," "estimated," "intend" and "potential". For these statements, the Company claims the protection of the safe harbor for forward-looking statements contained in the PSLRA.

The Company cautions you that a number of important risk factors could cause actual results to differ materially from those currently anticipated in any forward-looking statement. Such risk factors include, but are not limited to: prevailing economic and political conditions, particularly in our market area; credit risk associated with our lending activities; changes in interest rates, loan demand, real estate values and competition; changes in accounting principles, policies, and guidelines; changes in any applicable law, rule, regulation or practice with respect to tax or legal issues; and other economic, competitive, governmental, regulatory and technological factors affecting the Company's operations, pricing, products and services and other factors that may be described in the Company's Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q as filed with the Securities and Exchange Commission ("SEC") from time to time.

In light of risks, uncertainties and assumptions, you should not place undue reliance on any forward-looking statements in this presentation. The forward-looking statements are made as of the date of this presentation, and, except as may be required by applicable law or regulation, the Company assumes no obligation to update the forward-looking statements or to update the reasons why actual results could differ from those projected in the forward-looking statements.

USE OF NON-GAAP FINANCIAL MEASURES:

In addition to evaluating our results of operations in accordance with accounting principles generally accepted in the United States of America ("GAAP"), we routinely supplement our evaluation with an analysis of certain non-GAAP financial measures, such as tangible stockholders' equity and core net income ratios. The financial results in this presentation contain items which we consider non-core, namely net gains on sales of investment securities available-for-sale and one-time merger related expenses. We believe the reported non-GAAP financial measures provide information useful to investors in understanding our operating performance and trends. Where non-GAAP disclosures are used in this presentation, a reconciliation to the comparable GAAP measure is provided in the quarterly earnings press releases filed as current reports on Form 8-K with the SEC. The non-GAAP financial measures we use may differ from the non-GAAP financial measures of other financial institutions.

AGENDA

- Corporate Overview
- Recent Accomplishments
- Strategic Initiatives
- Financial Performance

CORPORATE OVERVIEW

Corporate Overview

- Formed in November 2013 Merger of Peoples and Penn Security
- Headquartered in Scranton, PA
- 15th largest bank headquartered in PA / Largest bank headquartered in NEPA
- 27 community offices
- Ranked 1st in deposit market share in Susquehanna and Wyoming Counties (Marcellus Shale); Ranked 2nd in Lackawanna County
- Stock Listed on NASDAQ April 2014 under ticker symbol PFIS
- Included in Russell 3000 Index June 2014

Corporate Overview

SELECTED FINANCIALS AS OF 06/30/2017

Assets:	$2.1 Billion
Loans, Net:	$1.6 Billion
Deposits:	$1.6 Billion
1st Half 2017 Earnings:	$10.5 Million or $1.41 Per Share
Net Interest Margin (FTE)	3.71%
Price to Tangible Book	164.6%
Price to Last 12 Months Earnings	16.0 x
Last 12 Months EPS	$2.74
Market Capitalization	$323.4 Million
Market Price	$43.73
Dividend Yield	2.84%

RECENT ACCOMPLISHMENTS

Recent Accomplishments

Peoples Financial SERVICES CORP.

- **Expansion Plan**
  - Two Additional Branches in Lehigh Valley
  - Total Loans $319.8MM; Total Deposits $103.2MM
- **Solid Growth**
  - Loan Growth $64.4MM or 8.5% annually
  - Deposit Growth $50.7MM or 6.4% annually
- **Merchant Business Sale**
  - Net Gain $2.3MM
  - Revenue Share/Marketing Agreement in place
- **Margin Stabilization**
  - Increase NII of $1.6MM
  - Tax Equivalent NIM 3.71%
- **Increased Dividend in Third Quarter 2017**

STRATEGIC INITIATIVES

STRATEGIC INITIATIVES

Peoples Financial SERVICES CORP.

1. Sale of Merchant Services

- Reasons for Sale
  - Margin Compression
  - Technology & Innovation challenges
  - Resources limited to grow organically
  - Reduce risk
  - Concentration – 3 merchants represent 25% of net revenue
- Process & Financial Impact
  - Engaged a consultant who generated proposals from four (4) leading merchant processors
  - Enter into an agreement to partner with an industry leader
    - Lump sum payment of $2.3 million
    - 35% revenue share
    - Marketing payments $12k/branch/year
    - Opportunity to replicate net operating revenue
  - Completed sale of Merchant Services on June 30, 2017
  - 2Q2017 impact - $0.18 after-tax EPS
  - Financial Impact remaining 6 months – ($0.04) after-tax EPS

STRATEGIC INITIATIVES

MERCHANT SERVICES SALE

- Pre-Sale Revenue

Net Merchant Revenue	$1,200,000
Operating Expenses	300,000
Net Operating Income	$900,000

- Post-Sale Revenue

Net Merchant Revenue *(35%)*	$420,000
Marketing Incentives	320,000
Expense Reduction	150,000
Net Operating Income	$890,000

Strategic Initiatives

Peoples Financial SERVICES CORP.

2. Market Expansion

i. October 2014 – Entered the Lehigh Valley Market – Recruited an experienced team of lenders with successful track records in the Market

ii. December 2015 – Entered Bucks and Montgomery County Markets via a Loan Production Office in King of Prussia, PA

iii. July 2016 – Opened branch office in Kingston, Luzerne County, PA

iv. December 2016 – Opened branch office in King of Prussia replacing the Loan Production Office

v. 2Q2017– Hired two (2) additional lending teams comprised of three (3) lenders focused on commercial lending

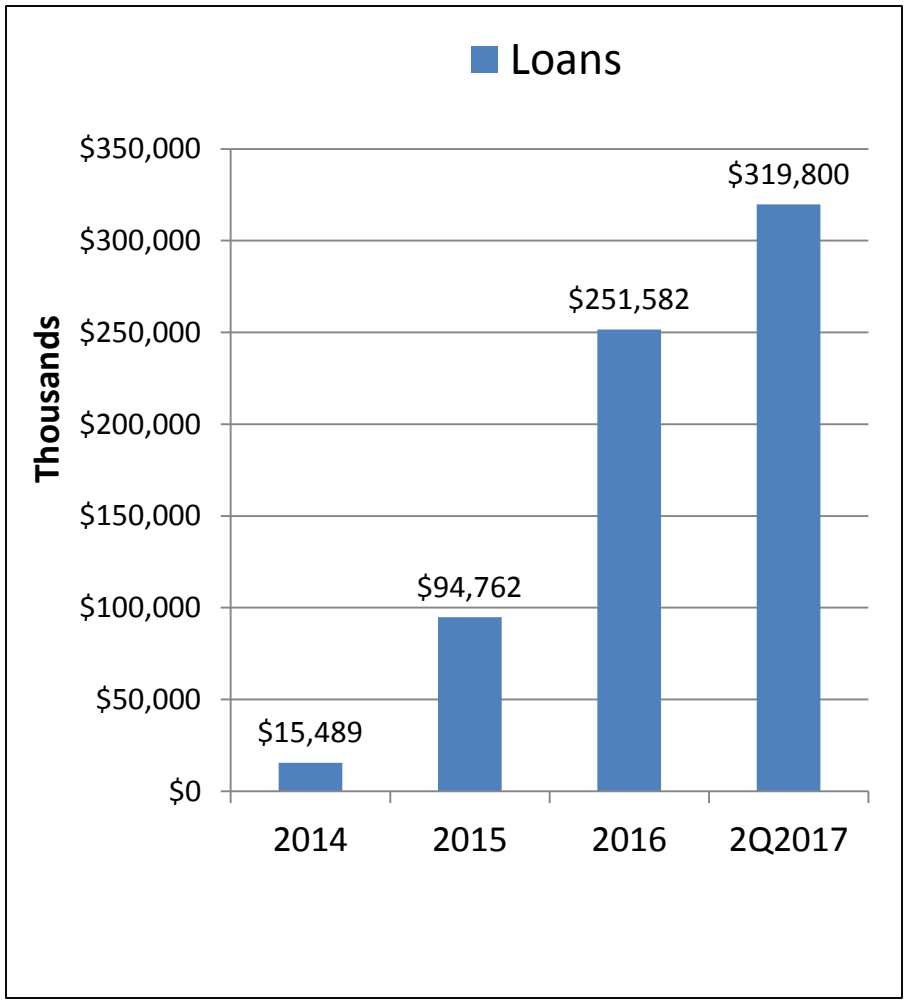
vi. April 2017 – Opened second Lehigh Valley branch in Bethlehem at our Regional Headquarters on Emrick Boulevard

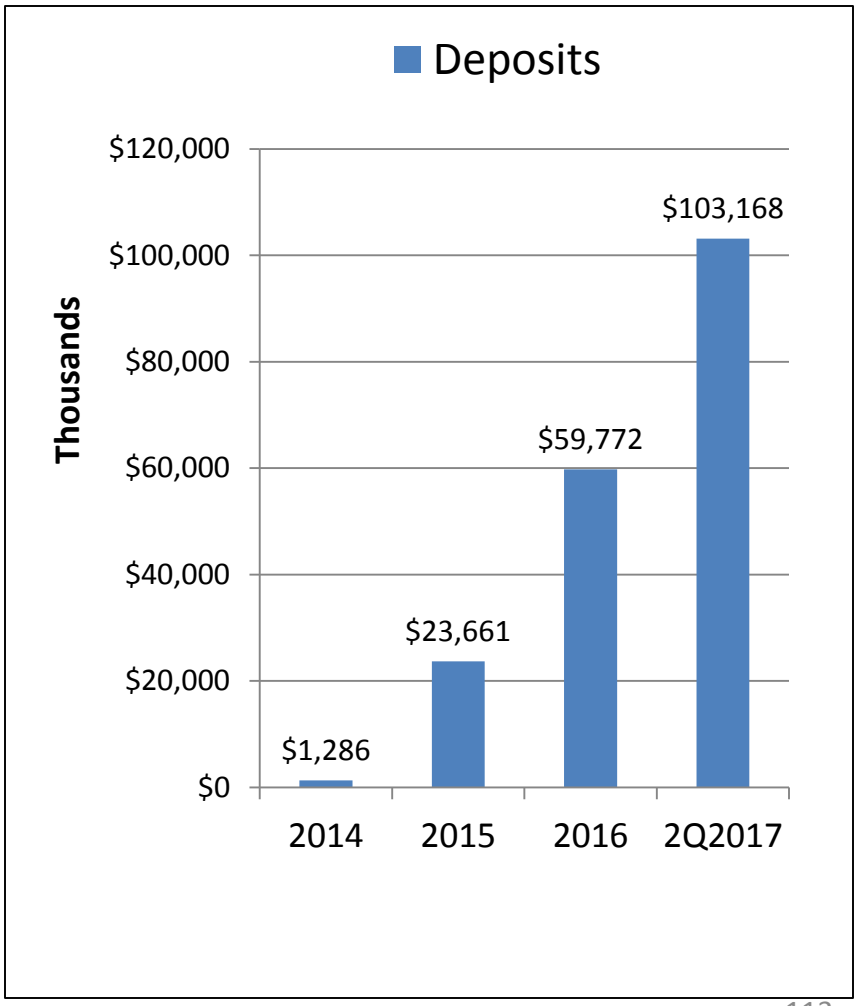
vii. July 2017 – Opened third Lehigh Valley branch in West Allentown at Tilghman Street

viii. Currently – Seeking additional locations in the Bucks/Montgomery County Market

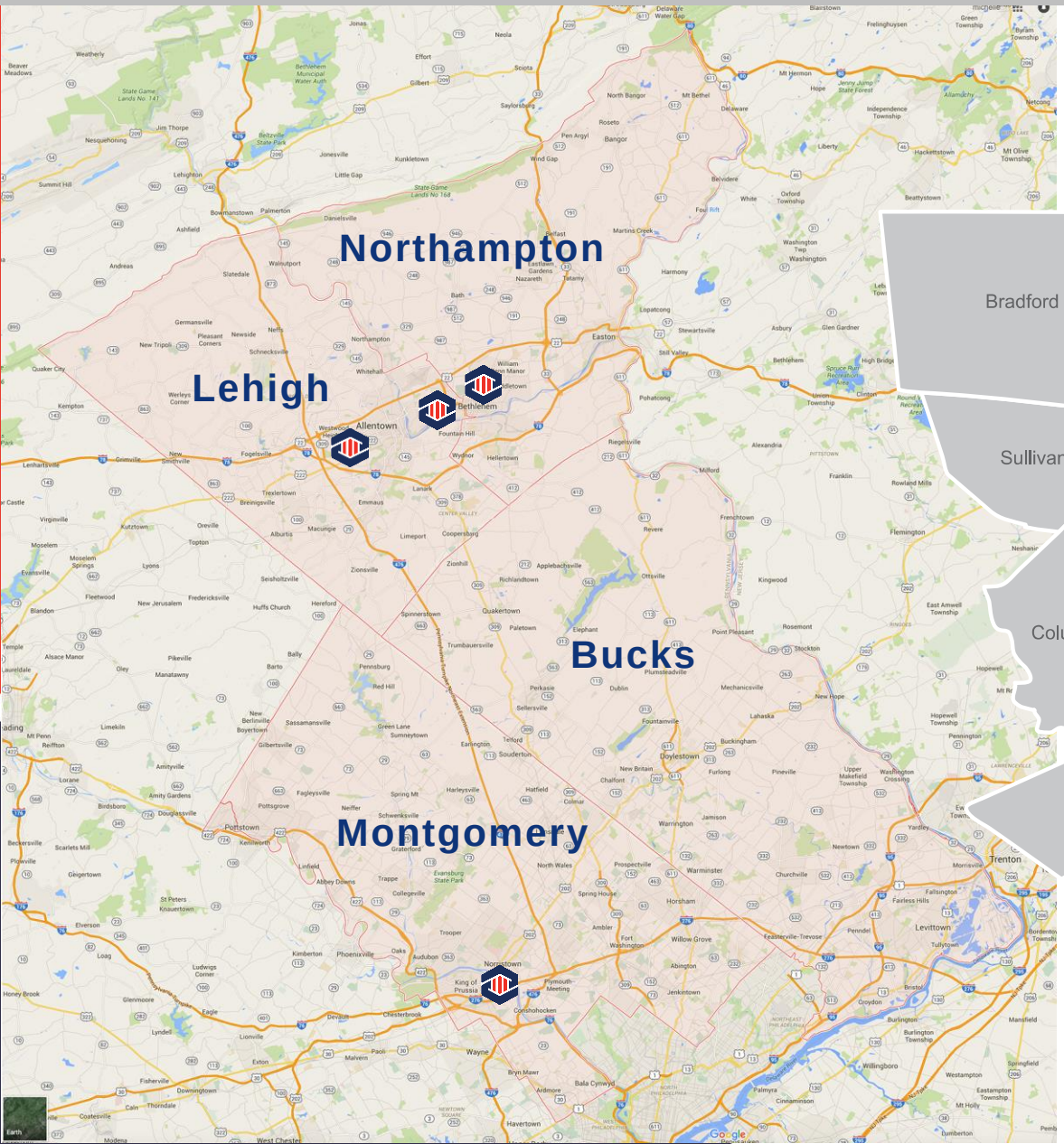
STRATEGIC INITIATIVES

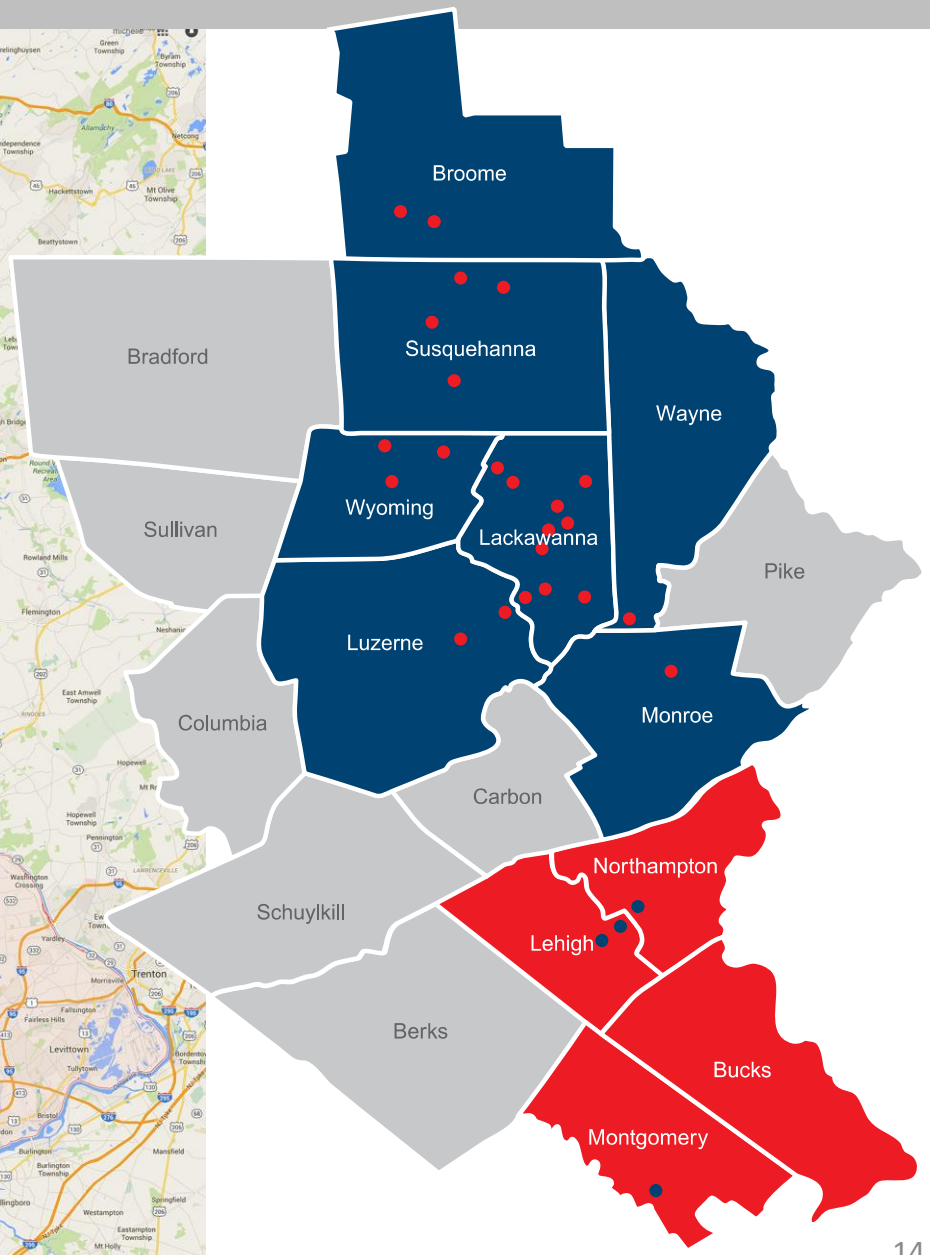
LEHIGH VALLEY & GREATER DELAWARE VALLEY



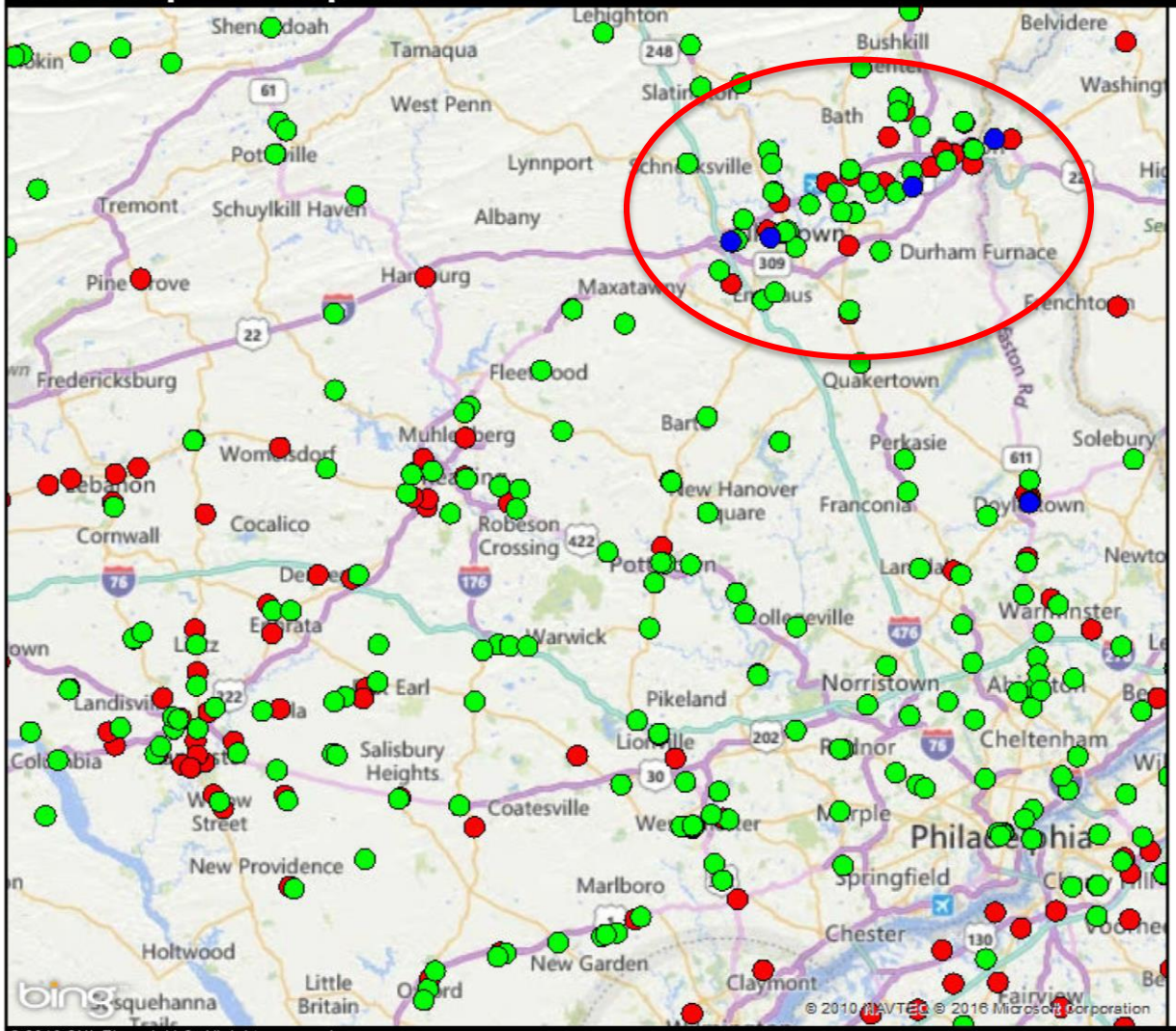


LEHIGH, NORTHAMPTON, MONTGOMERY & BUCKS COUNTY MAP





SNL Maps disruption



Strategic Initiatives

Peoples Financial SERVICES CORP.

3. Build Out Wealth Management

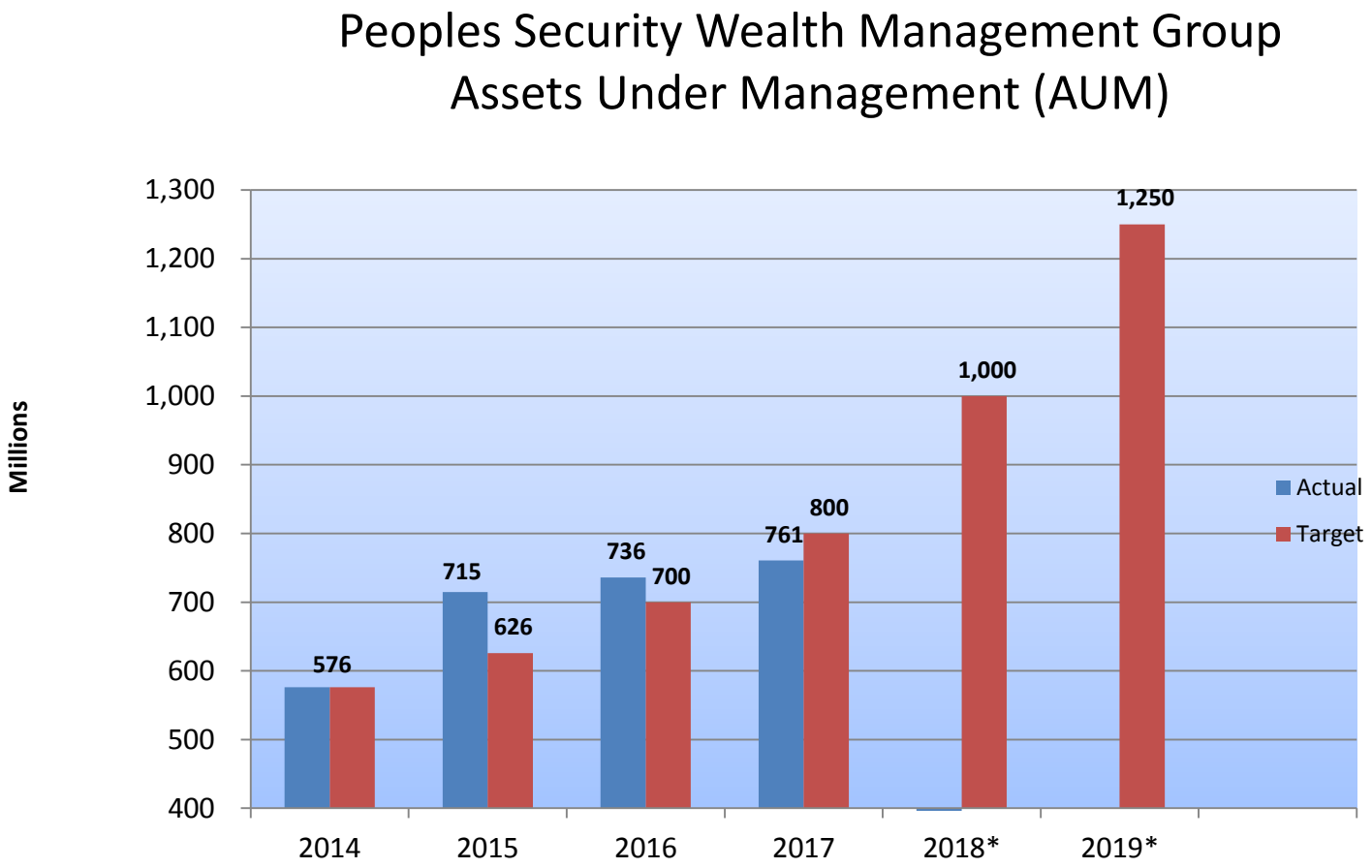
1. Re-Branded “Peoples Security Wealth Management Group”
    1. Wealth Advisors
    2. Trust & Investment Management
    3. Retirement Plan Services

4. Inorganic Opportunities

1. M & A candidates are modeled quarterly
2. Branch acquisitions

Strategic Initiatives

Peoples Financial SERVICES CORP.

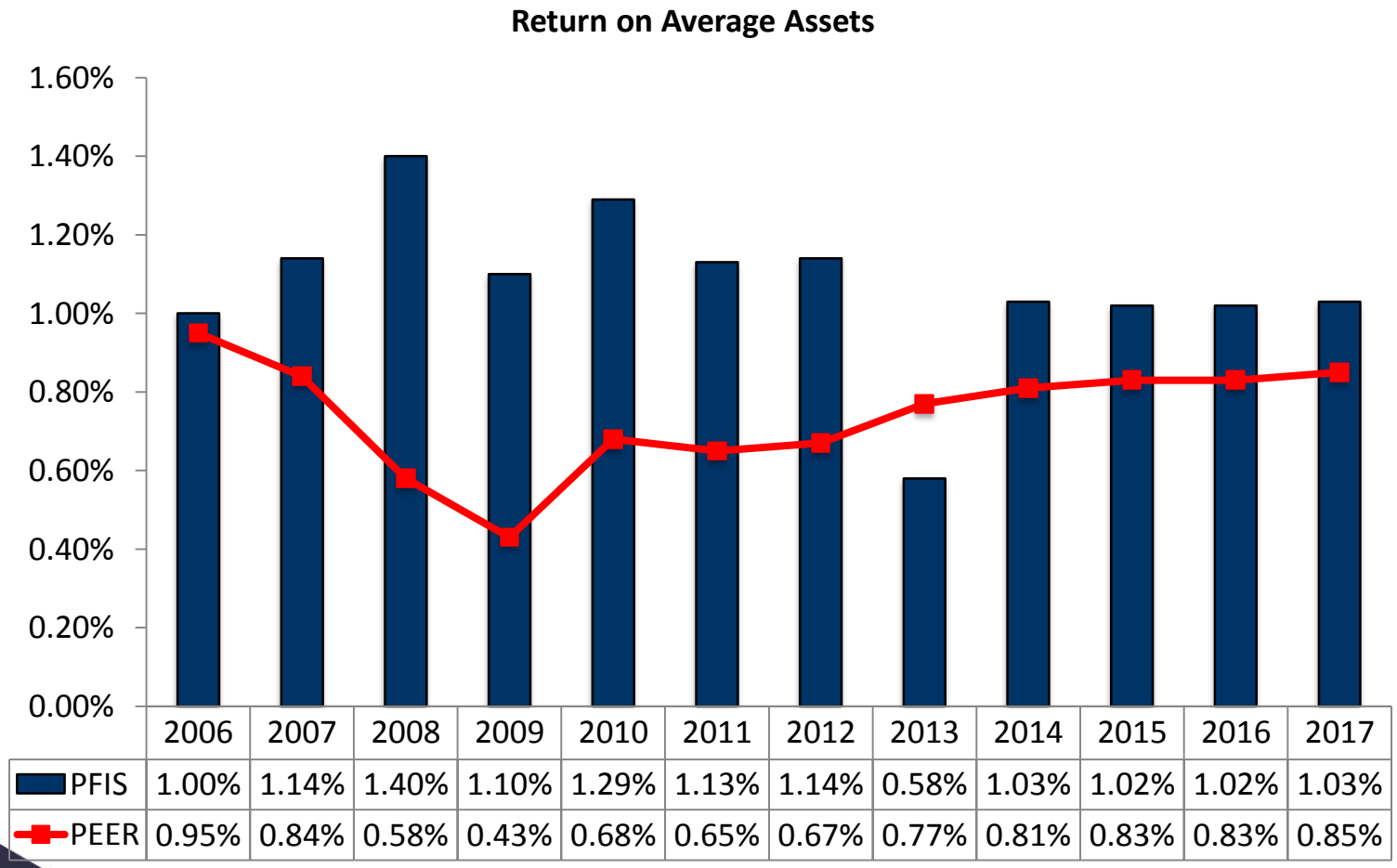


* Strategic Targets/Budget

FINANCIAL PERFORMANCE

Consistently Strong Financial Performance

Peoples Financial SERVICES CORP.

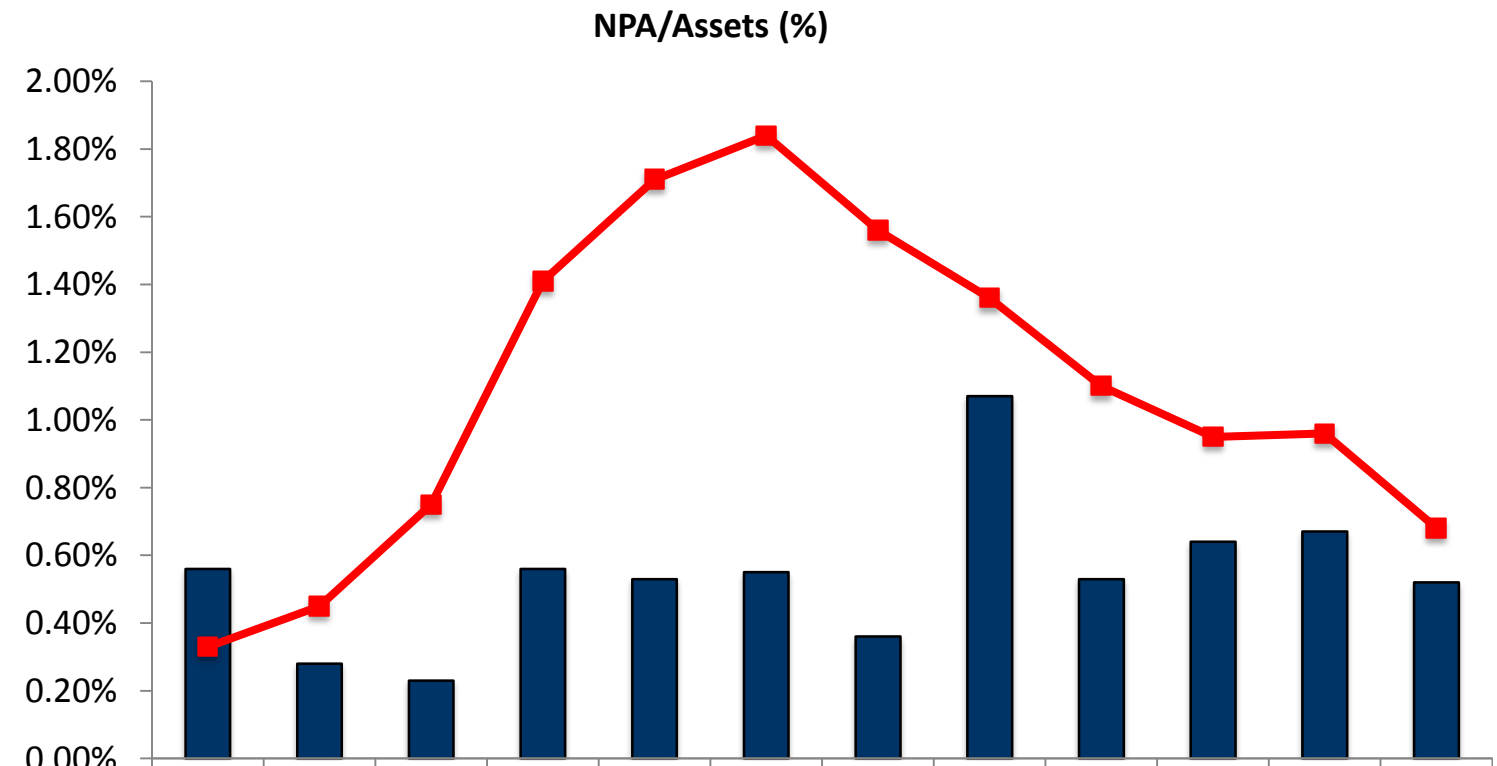


	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
PFIS	1.00%	1.14%	1.40%	1.10%	1.29%	1.13%	1.14%	0.58%	1.03%	1.02%	1.02%	1.03%
PEER	0.95%	0.84%	0.58%	0.43%	0.68%	0.65%	0.67%	0.77%	0.81%	0.83%	0.83%	0.85%

Source: SNL Financial
Northeast: CT, ME, MA, NH, RI, VT and NJ, NY, PA public banks
$1bn-$5bn in Assets

Consistently Strong Asset Quality

Peoples Financial SERVICES CORP.



	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
PFIS	0.56%	0.28%	0.23%	0.56%	0.53%	0.55%	0.36%	1.07%	0.53%	0.64%	0.67%	0.52%
PEER	0.33%	0.45%	0.75%	1.41%	1.71%	1.84%	1.56%	1.36%	1.10%	0.95%	0.96%	0.68%

Source: SNL Financial
Northeast: CT, ME, MA, NH, RI, VT and NJ, NY, PA public banks
$1bn-$5bn in Assets

Financial Performance

Recent Performance

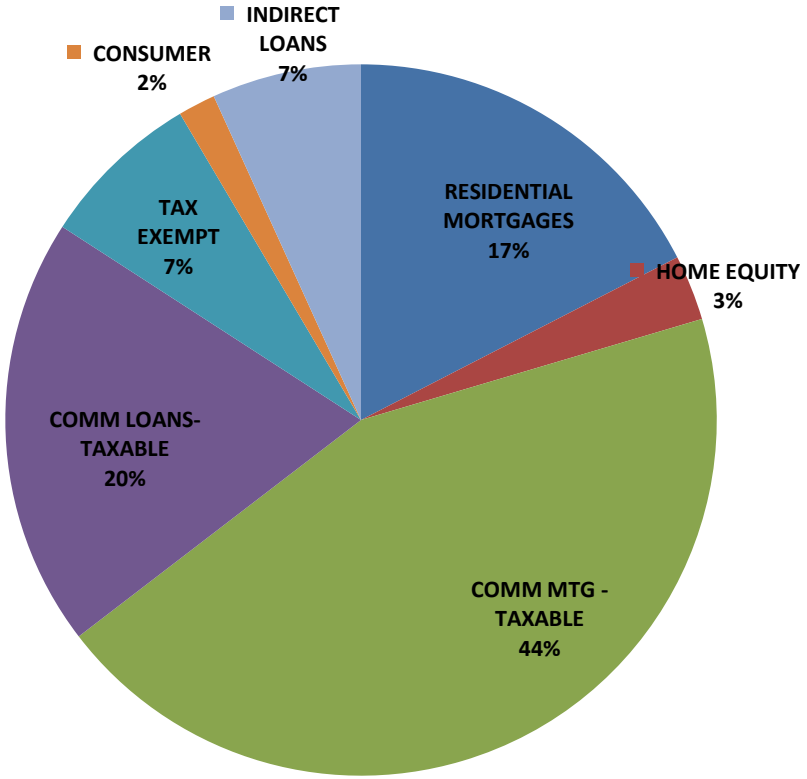
Peoples Financial SERVICES CORP.

	2Q2017	1Q2017	4Q2016	3Q2016	2Q2016	1Q2016	4Q2015	3Q2015	2Q2015
Earnings									
Reported EPS	$ 0.76	$ 0.65	$ 0.64	$ 0.69	$ 0.66	$ 0.66	$ 0.52	$ 0.58	$ 0.59
Operating EPS	$ 0.59	$ 0.65	$ 0.64	$ 0.69	$ 0.62	$ 0.64	$ 0.50	$ 0.57	$ 0.59
Asset Quality									
NCOs as a % of Average Loans	0.09%	0.05%	0.30%	0.08%	0.16%	0.01%	0.11%	0.09%	0.04%
NPAs to loans, net & foreclosed assets	0.73%	0.78%	0.93%	0.93%	0.90%	0.88%	0.93%	0.92%	0.86%
Profitability									
Net Interest Margin	3.68%	3.73%	3.67%	3.76%	3.81%	3.81%	3.79%	3.74%	3.84%
Efficiency Ratio	63.95%	59.13%	58.59%	56.89%	59.33%	58.05%	64.16%	60.82%	60.39%
Core Return on Average Tangible Stockholders' Equity	9.03%	10.15%	9.88%	10.82%	10.05%	10.52%	8.14%	9.41%	9.84%
Core Return on Average Stockholders' Equity	6.70%	7.51%	7.29%	7.95%	7.33%	7.62%	5.90%	6.85%	7.14%
Core Return on Average Assets	0.85%	0.97%	0.94%	1.05%	0.98%	1.03%	0.82%	0.98%	1.03%
Balance Sheet									
Loan Growth (quarterly)	2.40%	1.75%	0.69%	3.93%	3.91%	5.13%	5.53%	3.17%	-0.45%
Deposit Growth (quarterly)	1.48%	1.69%	1.47%	4.61%	1.45%	1.35%	0.77%	1.40%	0.60%
Loan to Deposit Ratio	97.4%	96.5%	96.5%	97.2%	97.8%	95.5%	92.1%	87.9%	86.4%

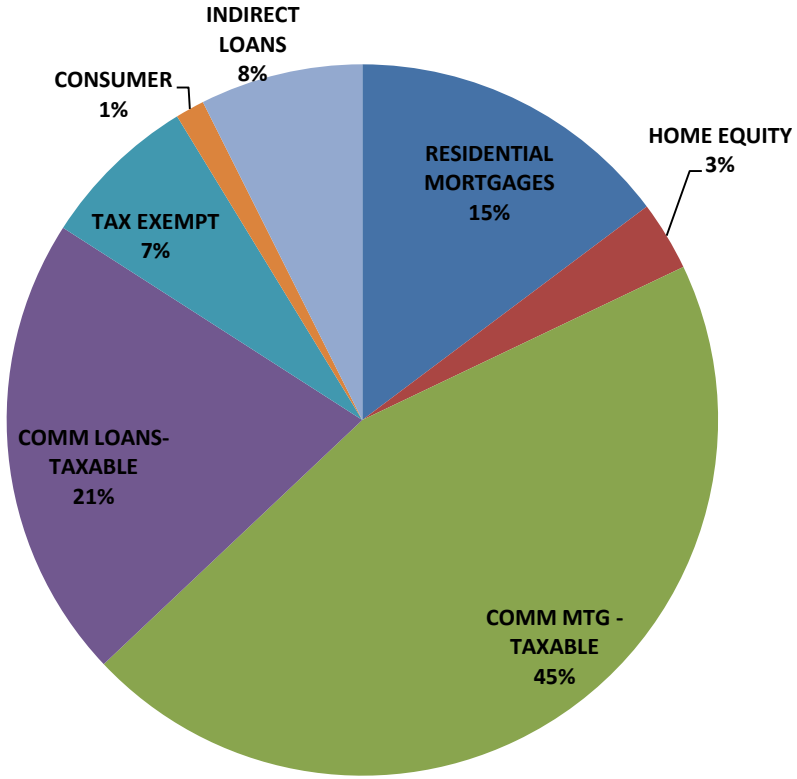
Peoples Financial SERVICES CORP.

LOAN COMPOSITION

June 30, 2016
Balances $1.46 Billion



June 30, 2017
Balances $1.60 Billion

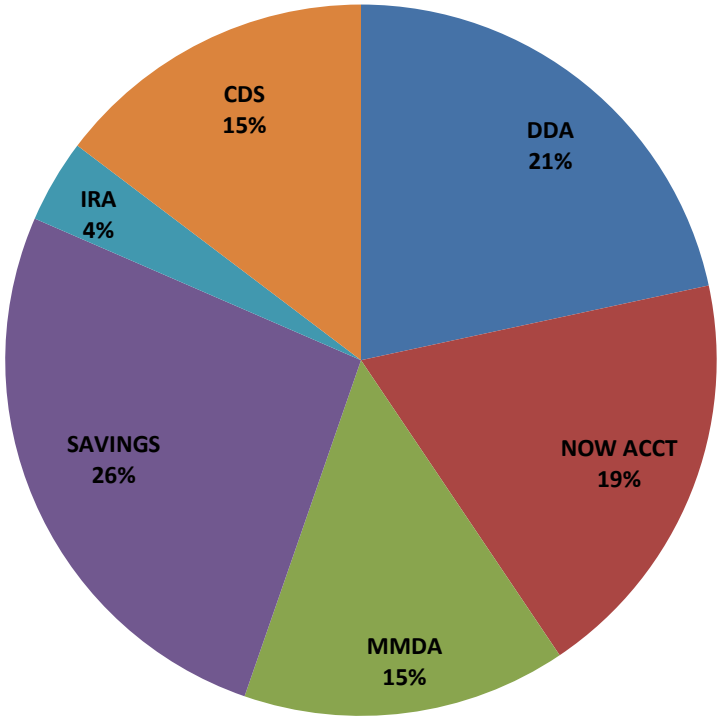


- Year-to-Date growth of $64.4 million or 8.5% annualized
- Portfolio displays superior asset quality

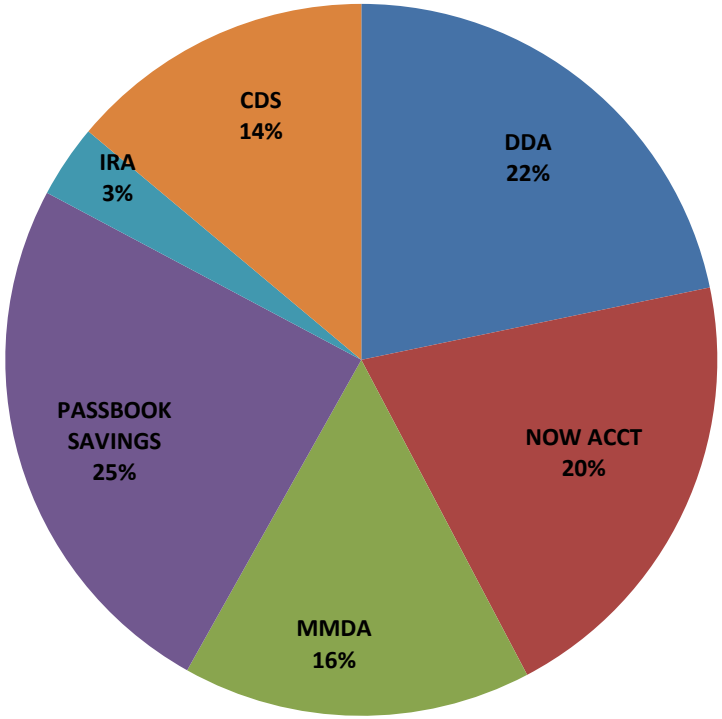
Peoples Financial SERVICES CORP.

DEPOSIT COMPOSITION

June 30, 2016
Balances $1.49 billion



June 30, 2017
Balances $1.64 billion



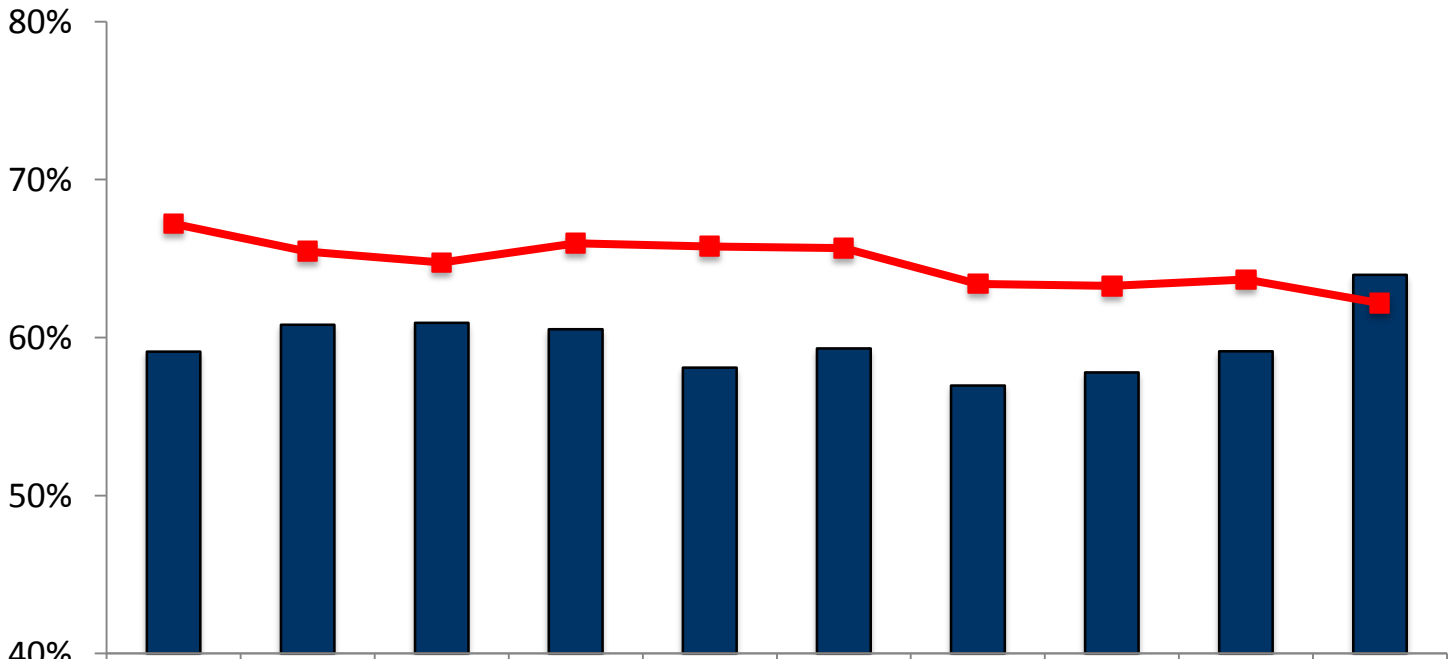
- Year-to-date growth of $50.7 million or 6.4% annualized

Financial Performance

Profitability

Peoples Financial SERVICES CORP.

Operating Efficiency



	1st Qtr 2015	2nd Qtr 2015	3rd Qtr 2015	4th Qtr 2015	1st Qtr 2016	2nd Qtr 2016	3rd Qtr 2016	4th Qtr 2016	1st Qtr 2017	2nd Qtr 2017
PFIS	59.11%	60.82%	60.94%	60.52%	58.10%	59.32%	56.96%	57.80%	59.13%	63.97%
PEER	67.21%	65.45%	64.75%	65.96%	65.77%	65.66%	63.40%	63.27%	63.67%	62.18%

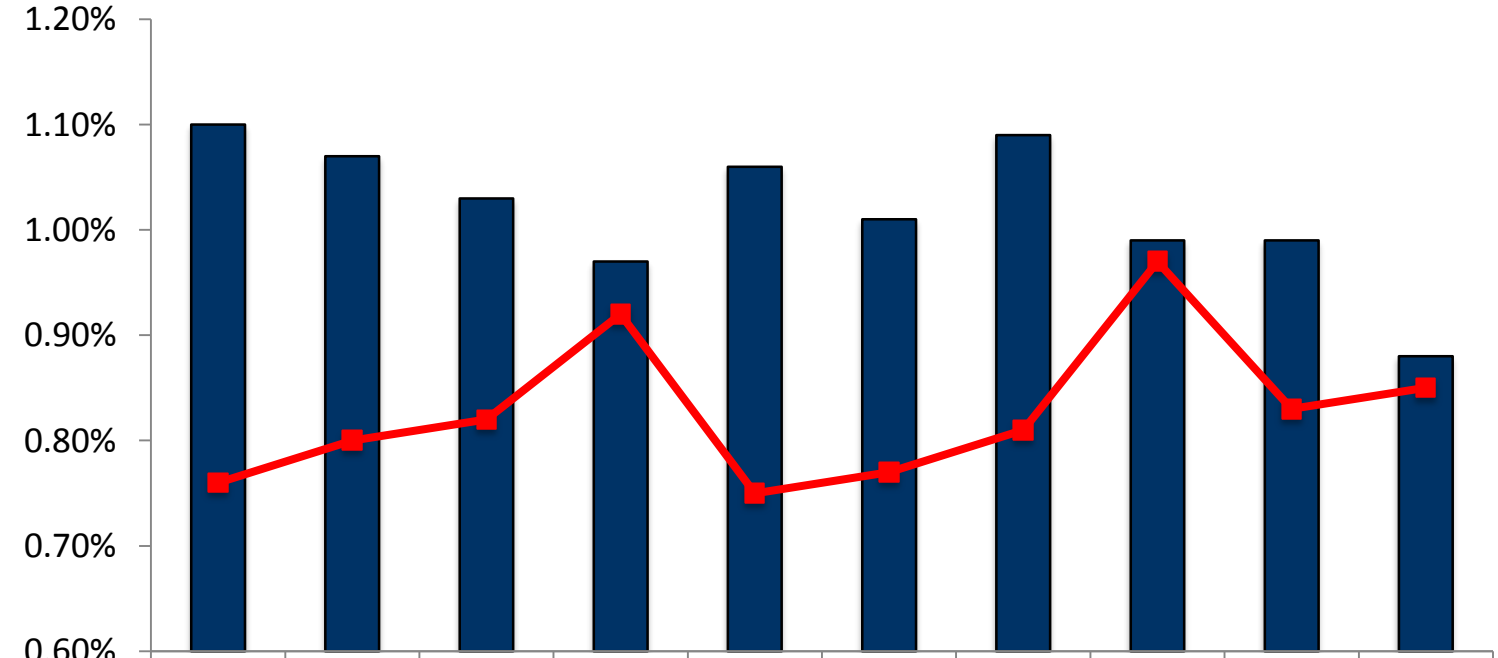
Source: SNL Financial
Northeast: CT, ME, MA, NH, RI, VT and NJ, NY, PA public banks
$1bn-$5bn in Assets

Financial Performance

Profitability

Peoples Financial SERVICES CORP.

Core Return on Average Assets



	1st Qtr 2015	2nd Qtr 2015	3rd Qtr 2015	4th Qtr 2015	1st Qtr 2016	2nd Qtr 2016	3rd Qtr 2016	4th Qtr 2016	1st Qtr 2017	2nd Qtr 2017
PFIS	1.10%	1.07%	1.03%	0.97%	1.06%	1.01%	1.09%	0.99%	0.99%	0.88%
PEER	0.76%	0.80%	0.82%	0.92%	0.75%	0.77%	0.81%	0.97%	0.83%	0.85%

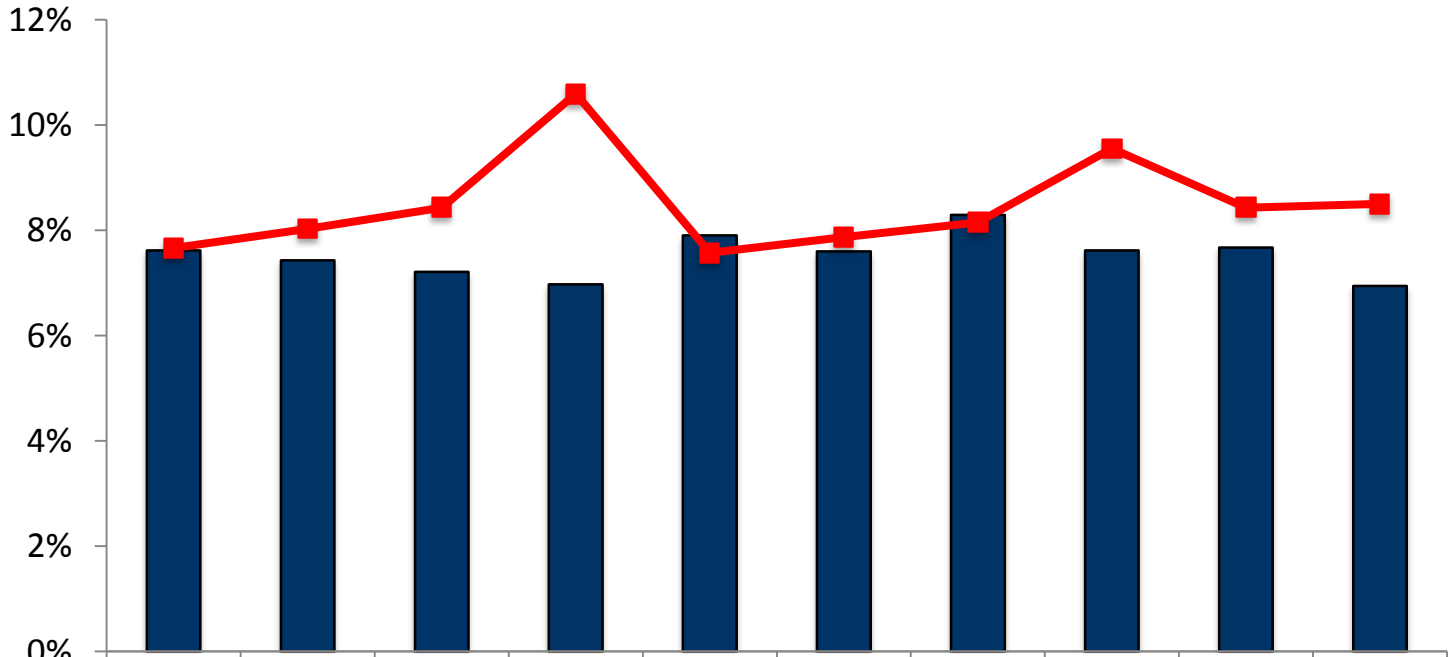
Source: SNL Financial
Northeast: CT, ME, MA, NH, RI, VT and NJ, NY, PA public banks
$1bn-$5bn in Assets

Financial Performance

Profitability

Peoples Financial SERVICES CORP.

Core Return on Average Equity



	1st Qtr 2015	2nd Qtr 2015	3rd Qtr 2015	4th Qtr 2015	1st Qtr 2016	2nd Qtr 2016	3rd Qtr 2016	4th Qtr 2016	1st Qtr 2017	2nd Qtr 2017
PFIS	7.62%	7.43%	7.21%	6.97%	7.90%	7.60%	8.29%	7.62%	7.67%	6.94%
PEER	7.66%	8.03%	8.43%	10.59%	7.57%	7.87%	8.15%	9.55%	8.43%	8.50%

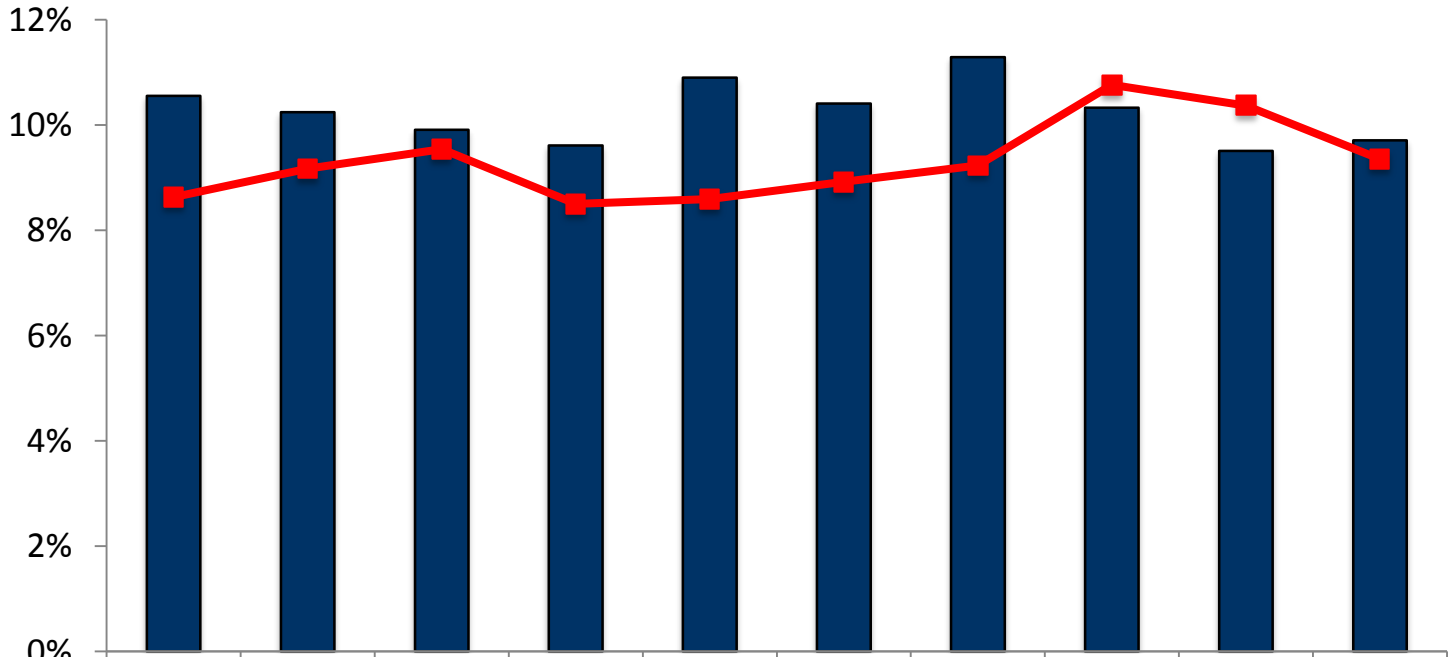
Source: SNL Financial
Northeast: CT, ME, MA, NH, RI, VT and NJ, NY, PA public banks
$1bn-$5bn in Assets

Financial Performance

Profitability

Peoples Financial SERVICES CORP.

Core Return on Average Tangible Common Equity



	1st Qtr 2015	2nd Qtr 2015	3rd Qtr 2015	4th Qtr 2015	1st Qtr 2016	2nd Qtr 2016	3rd Qtr 2016	4th Qtr 2016	1st Qtr 2017	2nd Qtr 2017
PFIS	10.55%	10.24%	9.91%	9.61%	10.90%	10.41%	11.29%	10.33%	9.51%	9.71%
PEER	8.63%	9.17%	9.54%	8.50%	8.59%	8.92%	9.23%	10.76%	10.37%	9.35%

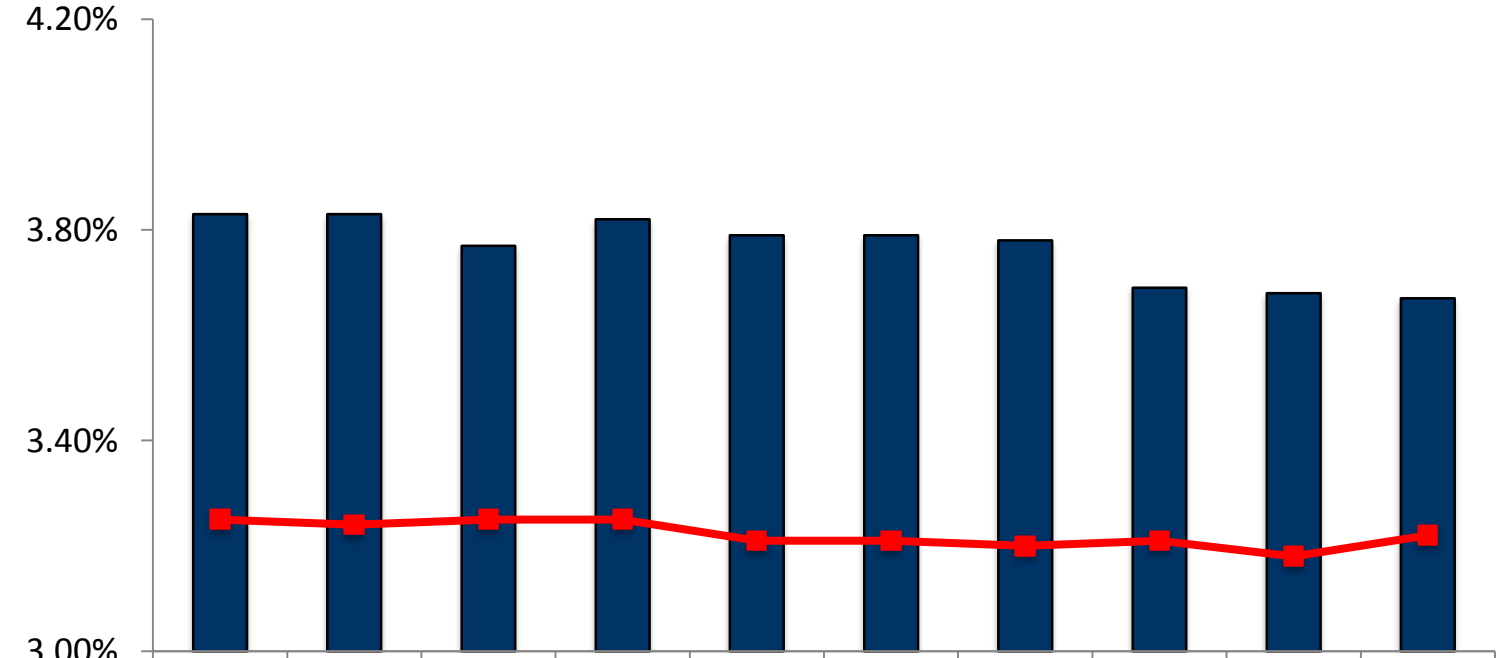
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$1bn-$5bn in Assets

Financial Performance

Profitability

Peoples Financial SERVICES CORP.

Tax-Equivalent Net Interest Margin



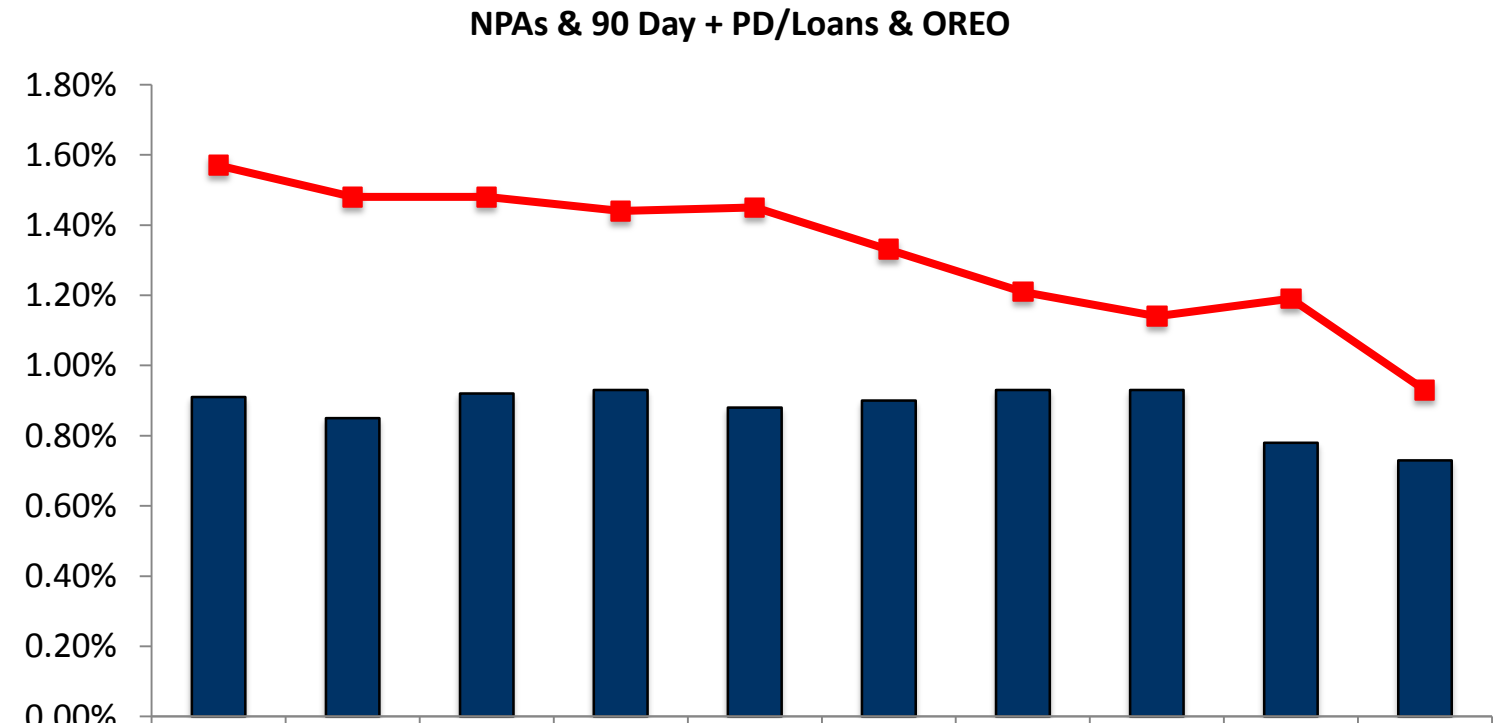
	1st Qtr 2015	2nd Qtr 2015	3rd Qtr 2015	4th Qtr 2015	1st Qtr 2016	2nd Qtr 2016	3rd Qtr 2016	4th Qtr 2016	1st Qtr 2017	2nd Qtr 2017
PFIS	3.83%	3.83%	3.77%	3.82%	3.79%	3.79%	3.78%	3.69%	3.68%	3.67%
PEER	3.25%	3.24%	3.25%	3.25%	3.21%	3.21%	3.20%	3.21%	3.18%	3.22%

Source: SNL Financial
Northeast: CT, ME, MA, NH, RI, VT and NJ, NY, PA public banks
$1bn-$5bn in Assets

Financial Performance

Asset Quality

Peoples Financial SERVICES CORP.



	1st Qtr 2015	2nd Qtr 2015	3rd Qtr 2015	4th Qtr 2015	1st Qtr 2016	2nd Qtr 2016	3rd Qtr 2016	4th Qtr 2016	1st Qtr 2017	2nd Qtr 2017
PFIS	0.91%	0.85%	0.92%	0.93%	0.88%	0.90%	0.93%	0.93%	0.78%	0.73%
PEER	1.57%	1.48%	1.48%	1.44%	1.45%	1.33%	1.21%	1.14%	1.19%	0.93%

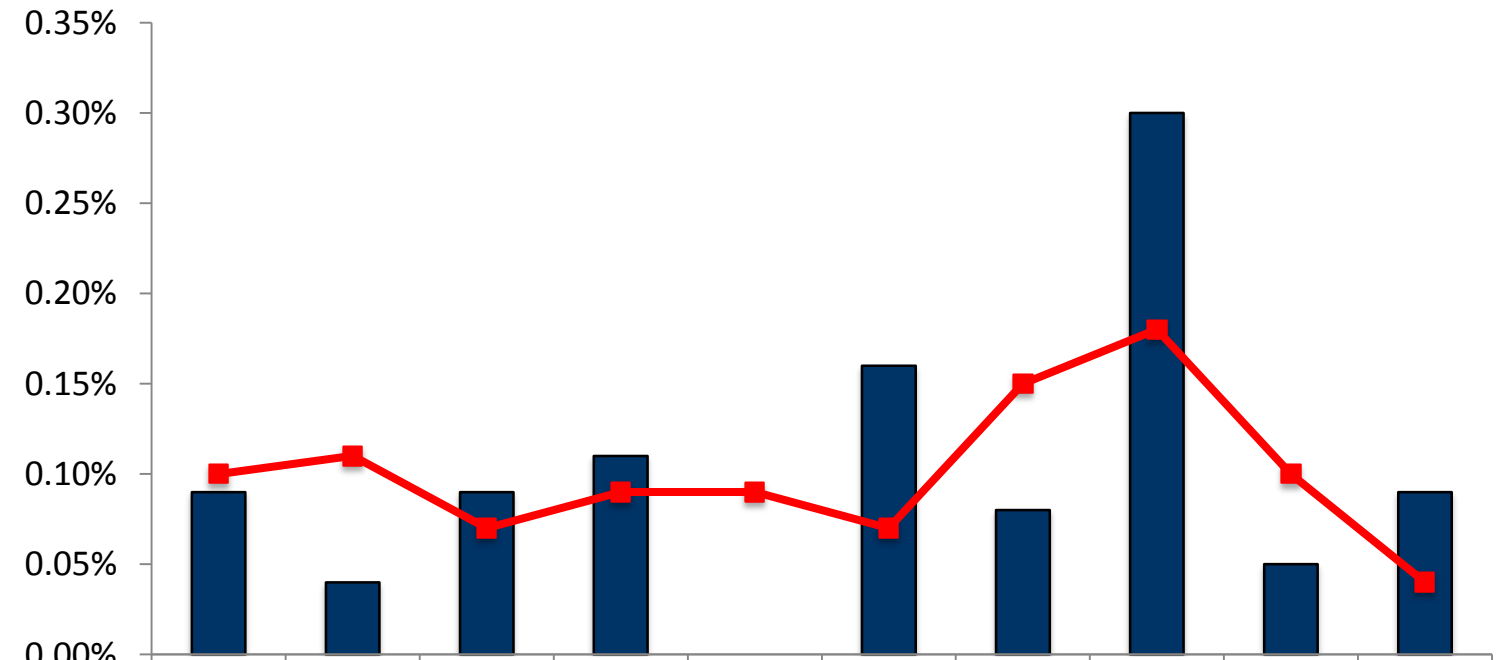
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$1bn-$5bn in Assets

Financial Performance

Asset Quality

Peoples Financial SERVICES CORP.

Net Charge-offs as a % of Average Loans



	1st Qtr 2015	2nd Qtr 2015	3rd Qtr 2015	4th Qtr 2015	1st Qtr 2016	2nd Qtr 2016	3rd Qtr 2016	4th Qtr 2016	1st Qtr 2017	2nd Qtr 2017
PFIS	0.09%	0.04%	0.09%	0.11%	0.00%	0.16%	0.08%	0.30%	0.05%	0.09%
PEER	0.10%	0.11%	0.07%	0.09%	0.09%	0.07%	0.15%	0.18%	0.10%	0.04%

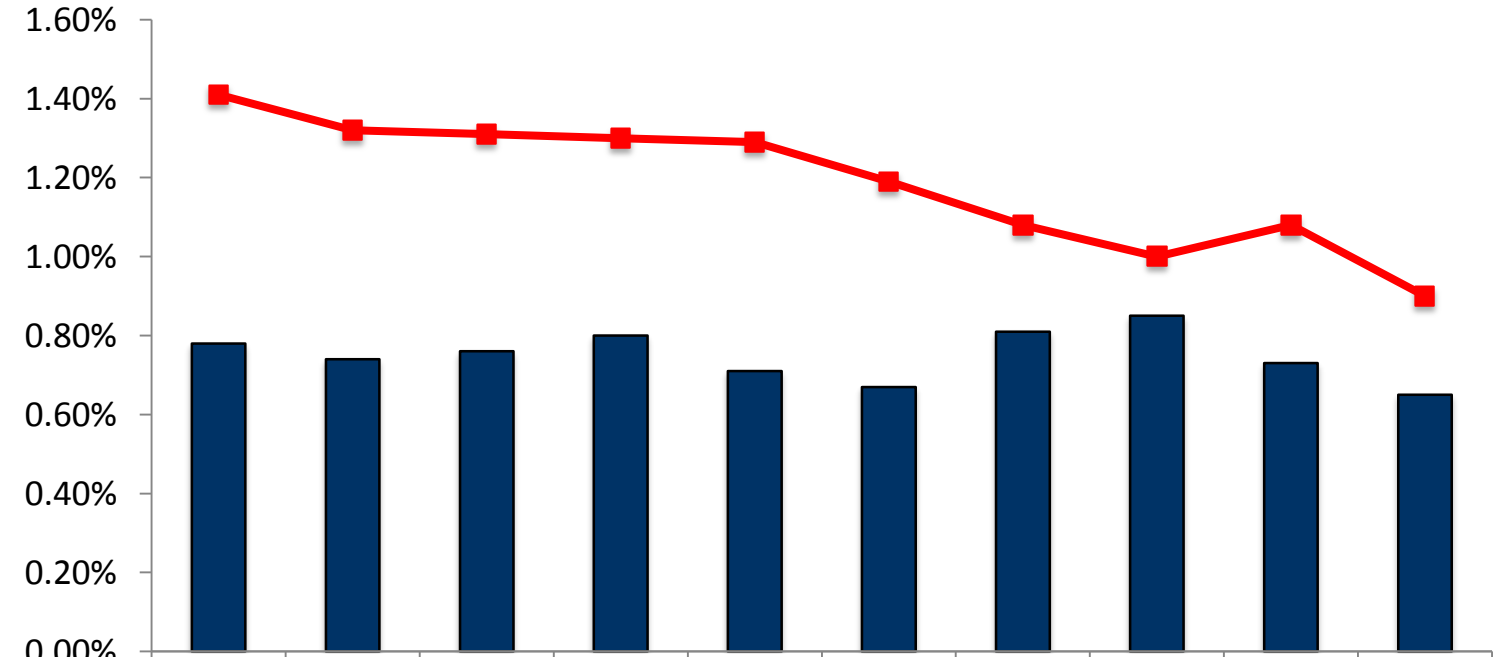
Source: SNL Financial
Northeast: CT, ME, MA, NH, RI, VT and NJ, NY, PA public banks
$1bn-$5bn in Assets

Financial Performance

Asset Quality

Peoples Financial SERVICES CORP.

Nonperforming Loans as a % of Total Loans



	1st Qtr 2015	2nd Qtr 2015	3rd Qtr 2015	4th Qtr 2015	1st Qtr 2016	2nd Qtr 2016	3rd Qtr 2016	4th Qtr 2016	1st Qtr 2017	2nd Qtr 2017
PFIS	0.78%	0.74%	0.76%	0.80%	0.71%	0.67%	0.81%	0.85%	0.73%	0.65%
PEER	1.41%	1.32%	1.31%	1.30%	1.29%	1.19%	1.08%	1.00%	1.08%	0.90%

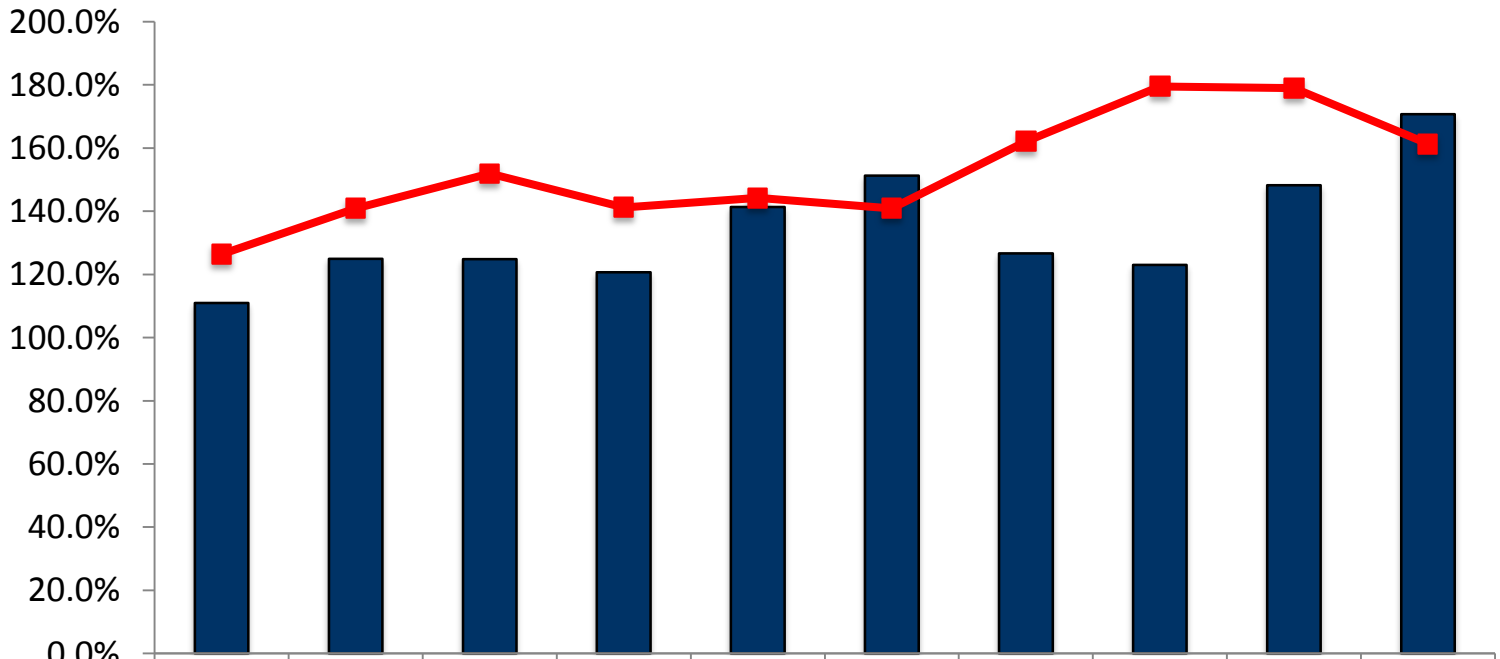
Source: SNL Financial
Northeast: CT, ME, MA, NH, RI, VT and NJ, NY, PA public banks
$1bn-$5bn in Assets

Financial Performance

Asset Quality

Peoples Financial SERVICES CORP.

Total Allowance as a % of Nonperforming Loans

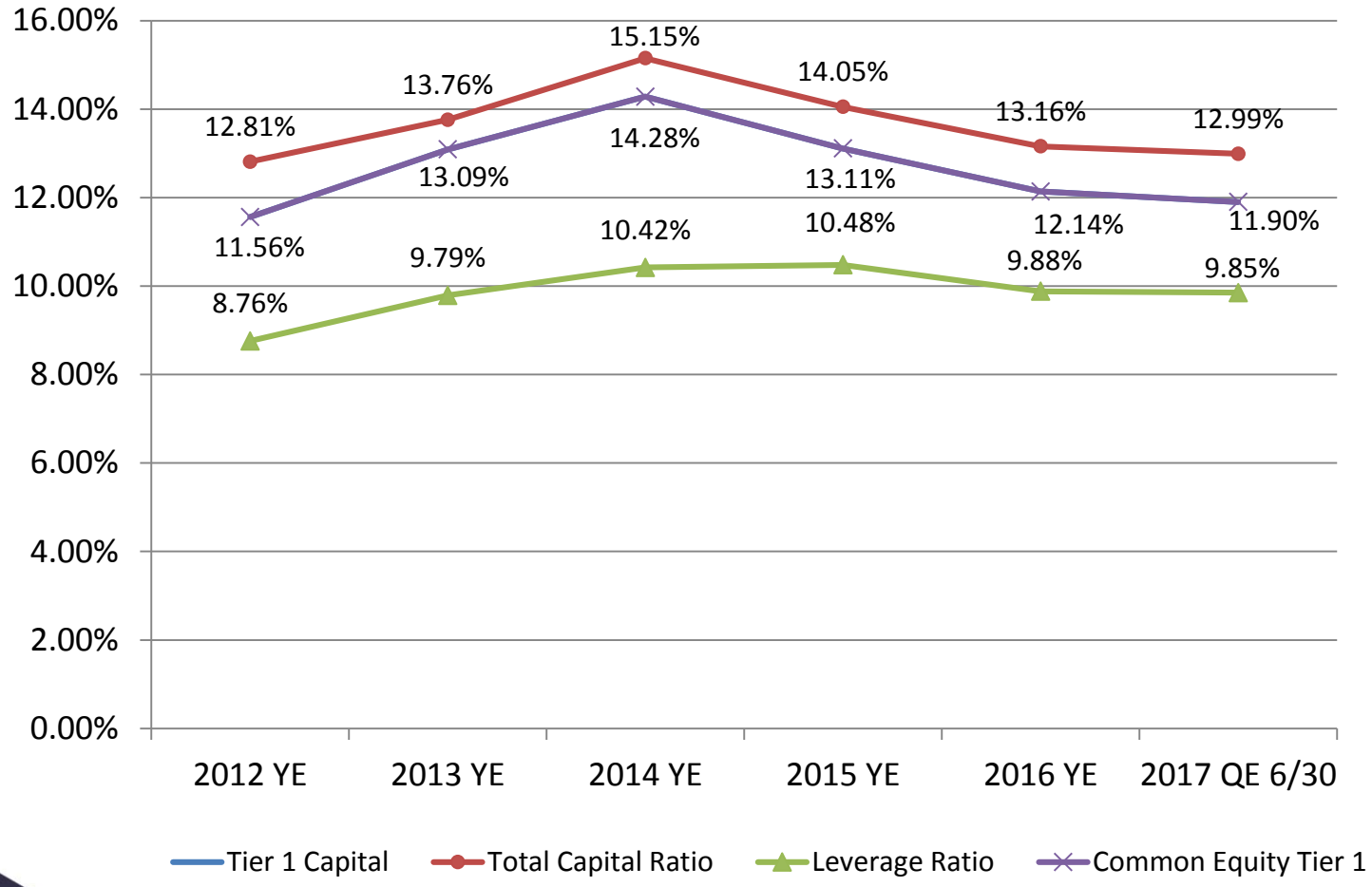


	1st Qtr 2015	2nd Qtr 2015	3rd Qtr 2015	4th Qtr 2015	1st Qtr 2016	2nd Qtr 2016	3rd Qtr 2016	4th Qtr 2016	1st Qtr 2017	2nd Qtr 2017
PFIS	110.9%	124.9%	124.8%	120.7%	141.3%	151.3%	126.6%	123.0%	148.2%	170.7%
PEER	126.4%	140.9%	151.9%	141.2%	144.2%	140.9%	162.1%	179.5%	179.0%	161.3%

Source: SNL Financial
Northeast: CT, ME, MA, NH, RI, VT and NJ, NY, PA public banks
$1bn-$5bn in Assets

Financial Performance

Capital Adequacy



Regulatory Capital Ratios	Tier 1 RBC	Total RBC	Leverage Ratio	Common Equity Tier 1
Well-Capitalized thresholds	≥ 8%	≥ 10%	≥ 5%	≥ 6.5%

WHY INVEST IN PEOPLES?

- Consistently strong financial performance
- Consistently strong asset quality
- Improving operating efficiencies and scale
- Excellent deposit market share in core markets
- Positive initial results from expansion strategy with significant growth potential
- Strong capital base to support growth
- Attractive common dividend

INVESTOR RELATIONS CONTACTS AND INFORMATION SOURCES

INVESTOR SERVICES:

- Transfer Agent:
  American Stock Transfer
  and Trust, LLC
  (800) 937-5449
  - Dividend Reinvestment
  - Direct Deposit
- Market Makers
  Boenning & Scattergood (610) 862-5368
  Griffin Financial Group (757) 955-8444
  Keefe, Bruyette & Woods (212) 887-8996

INFORMATION SOURCES:

- Peoples website www.psbt.com under "Investor Relations"
- Sec.gov - Current filings with the Securities and Exchange Commission
- Fdic.gov - Call Reports, Uniform Bank Performance Reports, Summary of Branch Deposits

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