# Peoples Financial SERVICES CORP.




Investor Presentation
Boenning & Scattergood
The Hotel Hershey
August 7, 2019

## 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
- Expansion Initiatives
- Why Invest in PFIS
- Appendix
  - Quarterly Financial Information

# CORPORATE OVERVIEW

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Peoples Financial SERVICES CORP.

- Founded in 1905
- Started Expansion Initiative in 2014
- Headquartered in Scranton, Pennsylvania
- 12th largest bank headquartered in Pennsylvania / Largest bank headquartered in Northeastern Pennsylvania
- 28 community branch offices
- Ranked 1st in deposit market share in Susquehanna and Wyoming Counties (Marcellus Shale); Ranked 2nd in Lackawanna County
- Stock Listed on NASDAQ under ticker symbol PFIS

# ABOUT OUR CORPORATION

Peoples Financial SERVICES CORP.

## Financial Snapshot at June 30, 2019

- Total Assets: $2.3 billion
- Loans: $1.9 billion
- Deposits: $1.9 billion
- 2018 Earnings: $24.9 million
- YTD 2019 Earnings: $13.6 million
- YTD 2019 EPS $1.83
- Net Interest Margin (FTE) 3.60%

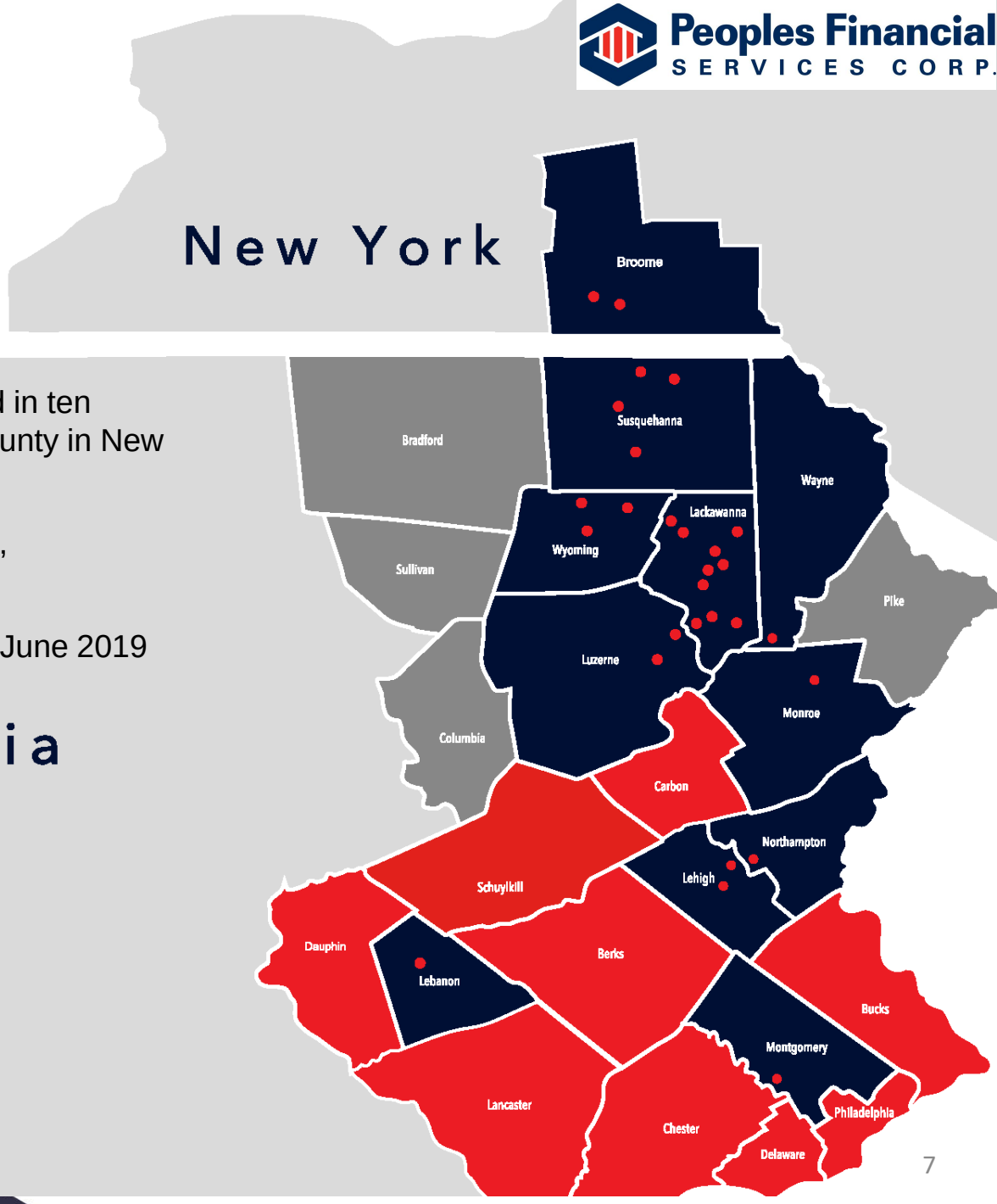
## Market Data at August 1, 2019

- Listed on NASDAQ under ticker: PFIS
- Shares Outstanding: 7,399,078
- Average Daily Trading Volume: 6,006[1]
- Market Price: $46.12 [2]
- Price to TBV: 158.0%
- Price to LTM Earnings: 13.4 x
- Market Cap: $357.6 million
- Current Quarterly Dividend & Yield: $0.34 / 2.81%

[1] 3-month average daily trading volume

[2] 10 trading days average stock price

- 28 Community branch offices located in ten counties in Pennsylvania and one county in New York
- Regional headquarters in Bethlehem, Northampton County, Pennsylvania
- Opened Lebanon Business Office in June 2019



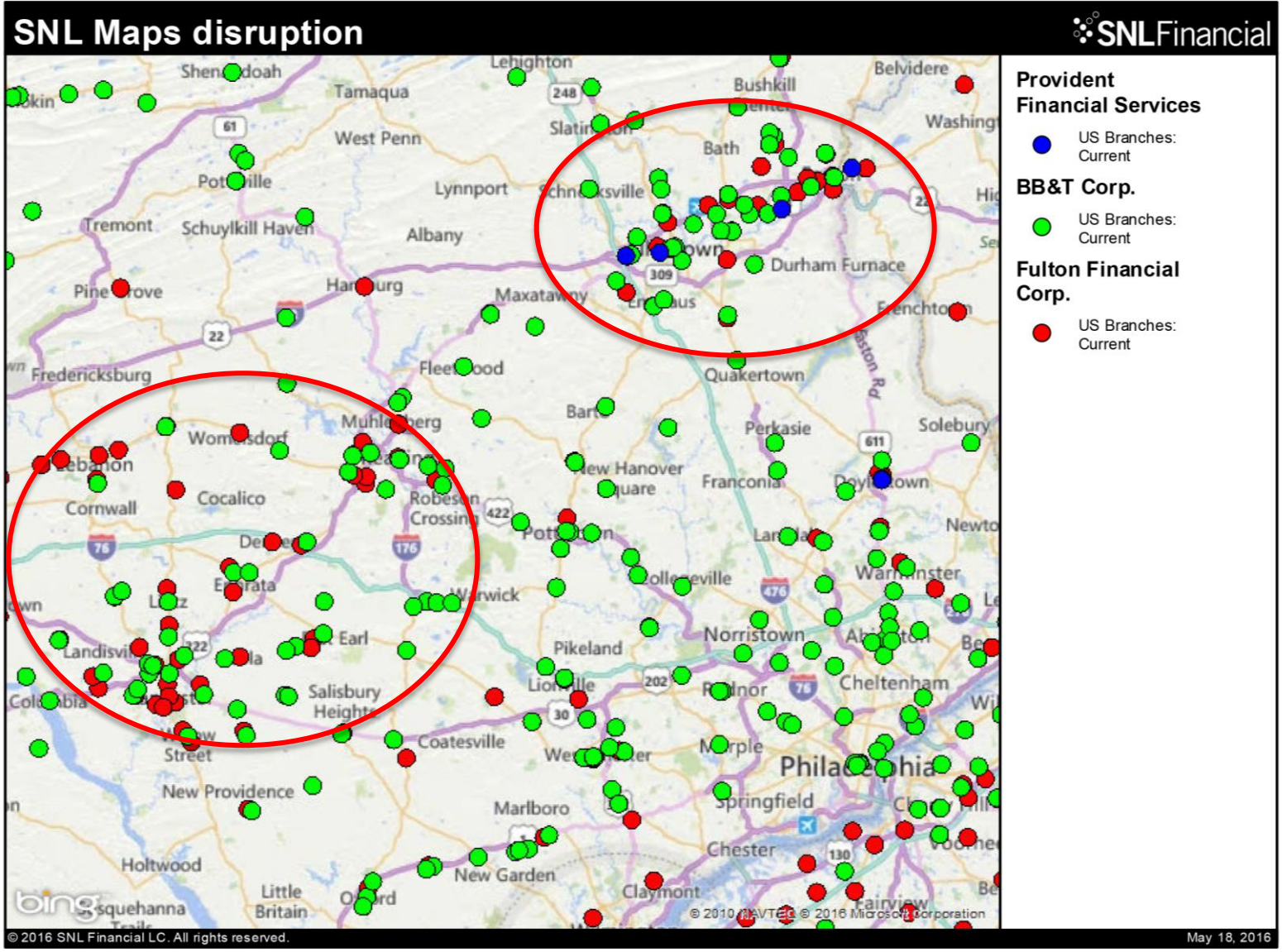
# EXPANSION INITIATIVES

# EXPANSION INITIATIVES

Peoples Financial SERVICES CORP.

## Why Lehigh Valley?

1. Able to Recruit Top Talent
2. Third Largest SMSA in  Pennsylvania
3. Fastest Growing SMSA in Pennsylvania
4. New Jersey and New York taxes (RE & Income) have created exodus to Lehigh Valley
5. Less than 90 minutes to New York City and Philadelphia, the largest and 5$^{th}$ largest SMSA's in United States
6. BB&T Disruption




- Market disruption with BB&T acquisitions of National Penn Bancshares and Susquehanna Bancshares created opportunity.

# EXPANSION INITIATIVES

Peoples Financial SERVICES CORP.

**Lehigh Valley, PA**
LPO opens in Bethlehem, PA
October 2014

**Lehigh Valley, PA**
Branch opens in Bethlehem, PA
December 2014

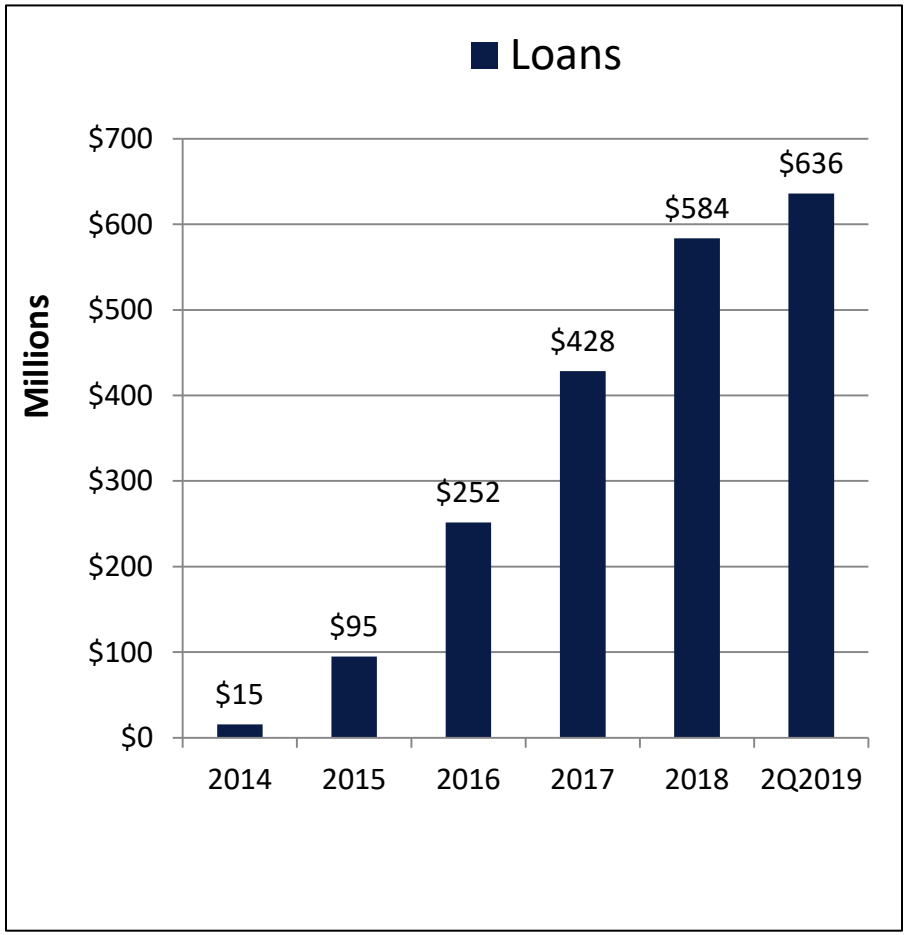
**Montgomery County, PA**
LPO opens in King of Prussia, PA
December 2015

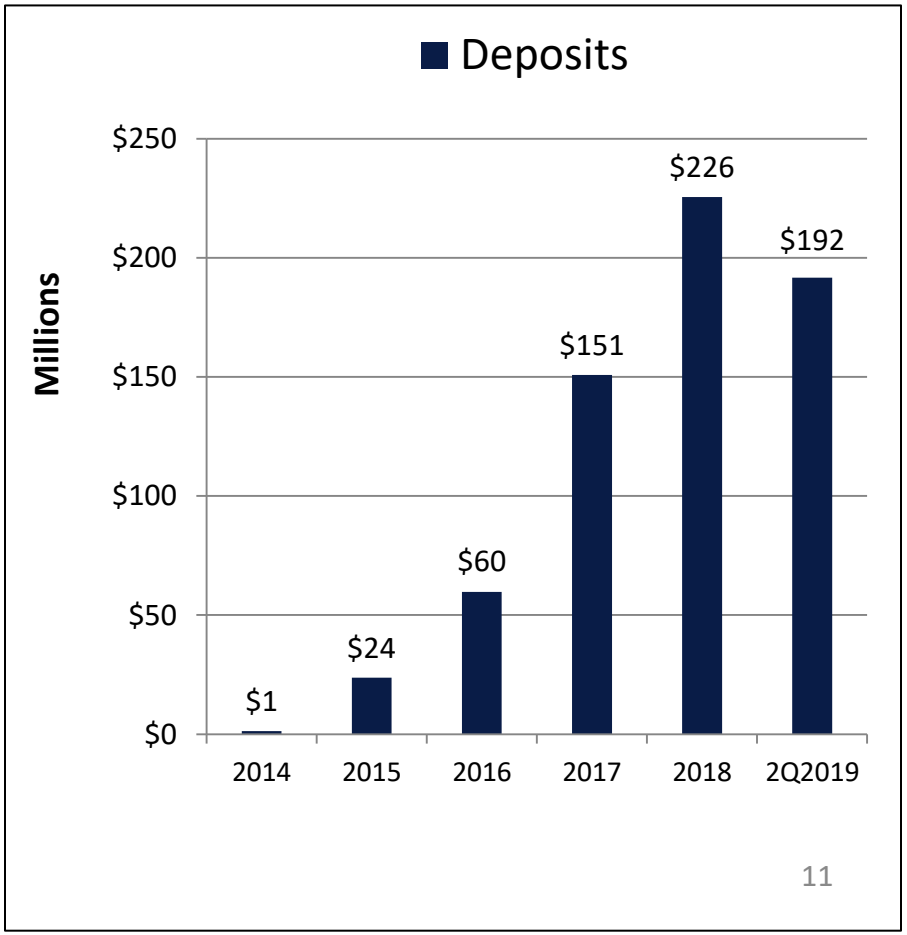
**Montgomery County, PA**
Branch opens in King of Prussia, PA Replacing LPO
December 2016

**Lehigh Valley, PA**
Regional Headquarters and Branch opens in Bethlehem, PA
April 2017

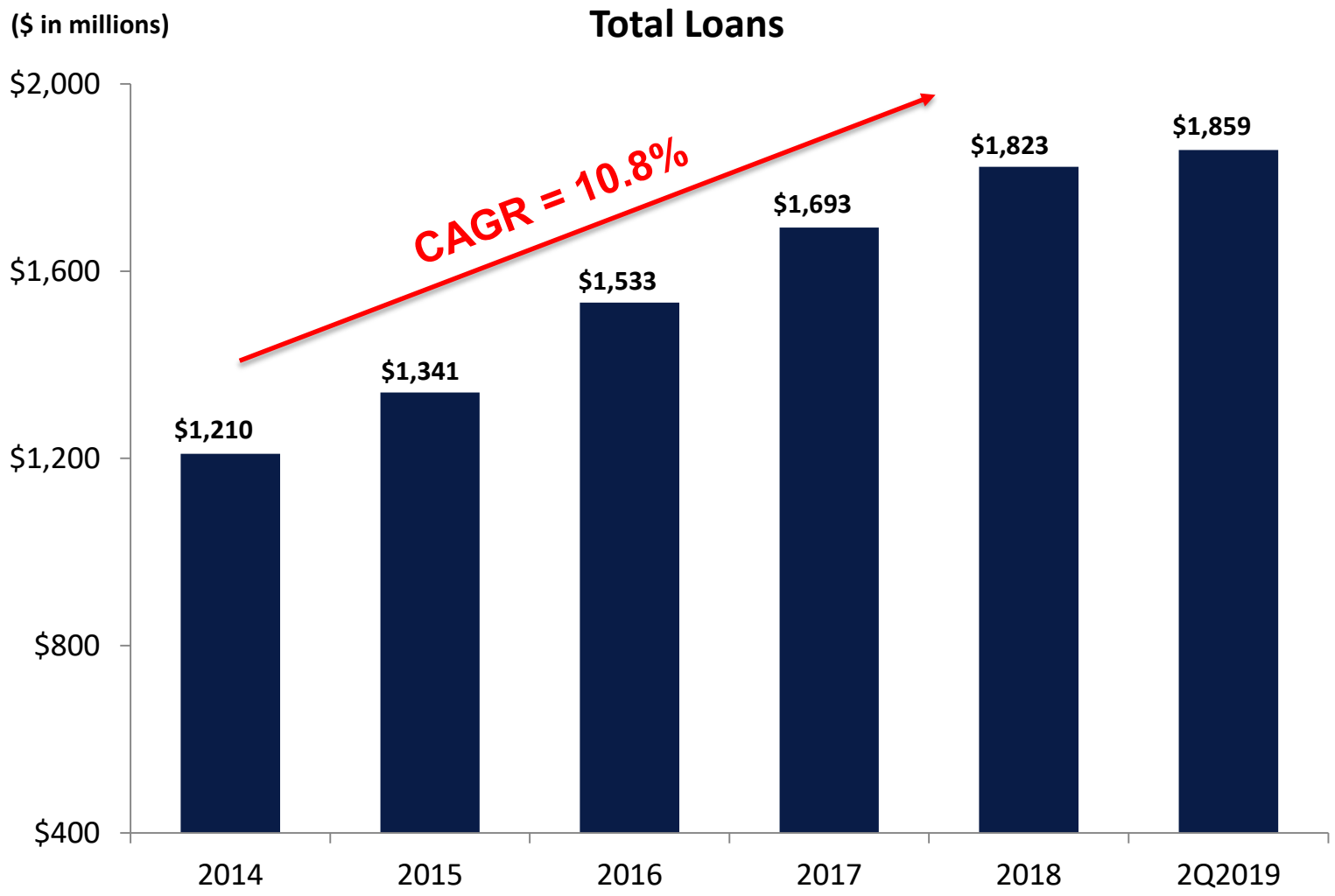
**Lehigh Valley, PA**
Two Additional Lending Teams Hired & Third Branch opens in Allentown, PA
July 2017

**Central PA**
Branch opens in Lebanon, PA
June 2019



# EXPANSION INITIATIVES



# EXPANSION INITIATIVES

## Market Expansion Initiatives 2018

- Added three (3) seasoned commercial lenders; two (2) in King of Prussia and one (1) in Bethlehem
- Added three (3) additional credit professionals to our credit team in our Regional Headquarters in Bethlehem to support additional growth

## Market Expansion Initiatives 2019

- Added a commercial lending team to our new Lebanon County Market
- Opened our newest full services business office in Lebanon, PA servicing Harrisburg, Lancaster and Reading markets

# WHY INVEST IN PFIS

# WHY INVEST IN PFIS?

Peoples Financial SERVICES CORP.

- Consistently strong financial performance

  Since 2006, ROA greater than 1.00% except for Reverse Merger Year 2013 and Deferred Tax Asset charge of 2017
- Consistently strong asset quality

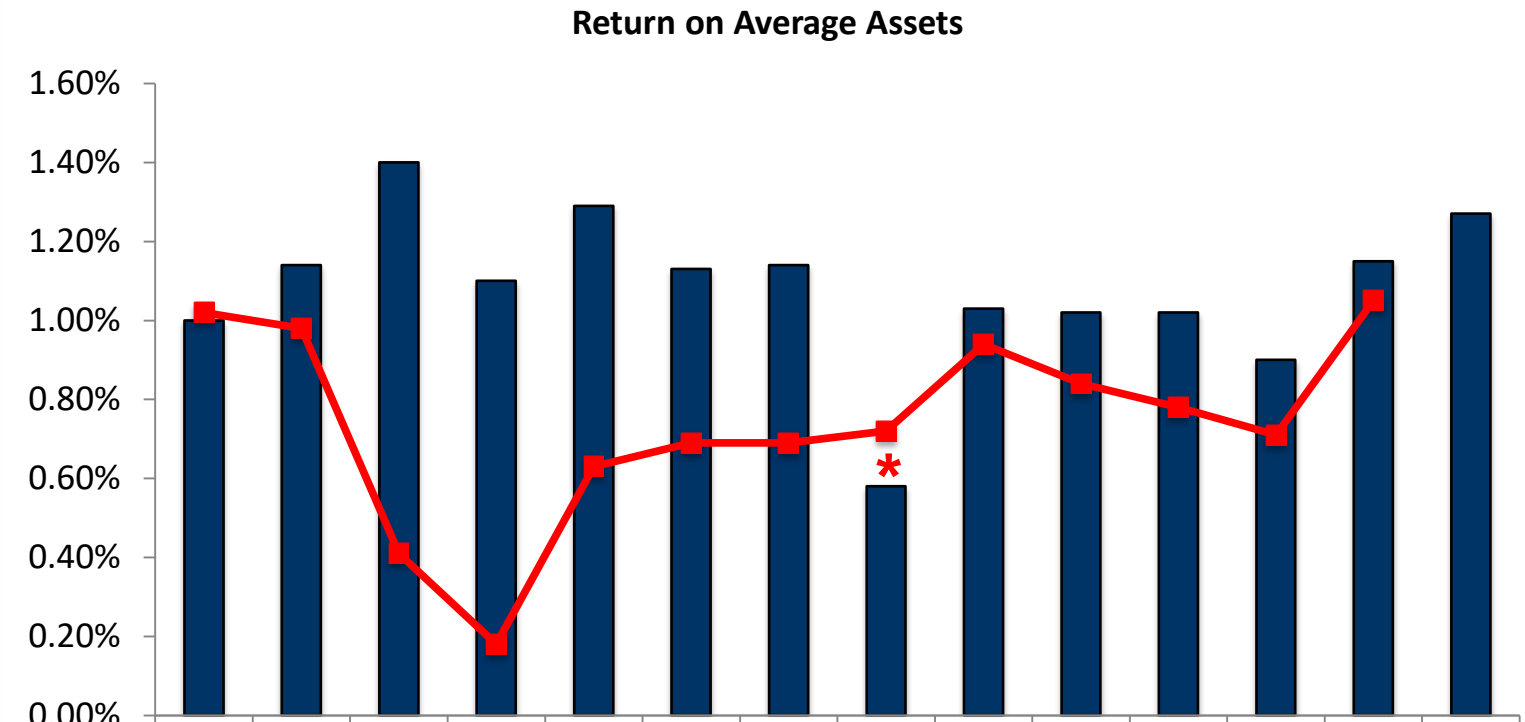
  Since 2006, NPA's to Loans never greater than .70% except for Reverse Merger Year 2013 (1.07%)
- Number 1 or 2 in deposit market share in core markets and Marcellus Shale counties
- Success of expansion initiatives are repositioning company in growth markets
- Strong capital base to support growth or weather a downturn
- Attractive dividend

# APPENDIX

## Quarterly Financial Information

# Quarterly Financial Information

Peoples Financial SERVICES CORP.



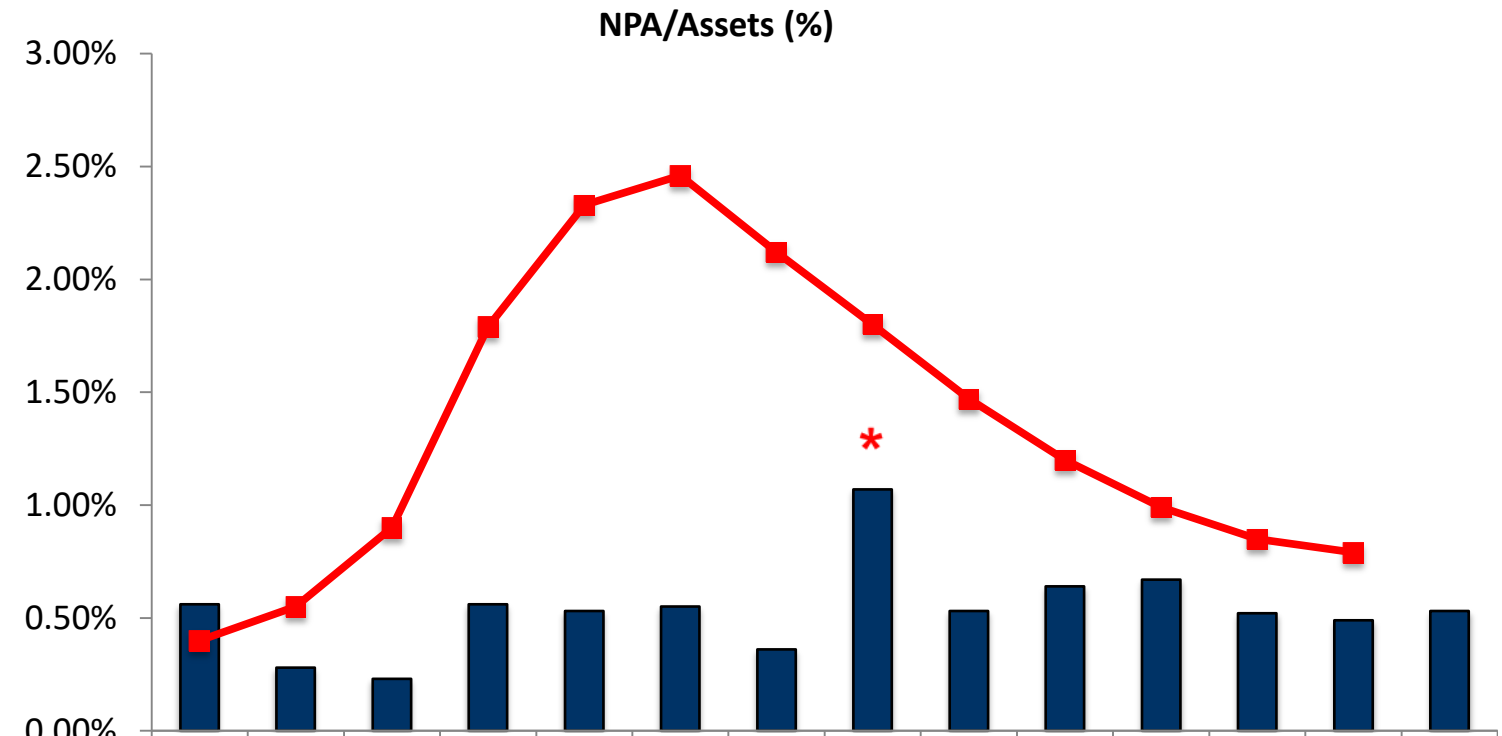

| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2Q 2019 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| PFIS | 1.00% | 1.14% | 1.40% | 1.10% | 1.29% | 1.13% | 1.14% | 0.58% | 1.03% | 1.02% | 1.02% | 0.90% | 1.15% | 1.27% |
| PEER | 1.02% | 0.98% | 0.41% | 0.18% | 0.63% | 0.69% | 0.69% | 0.72% | 0.94% | 0.84% | 0.78% | 0.71% | 1.05% | |

*Source: S&P Global*
*Mid-Atlantic: DE, NJ, NY, MD and PA publicly traded banks*
*$1bn-$5bn in Assets*

* Reverse Merger Between PFNS/PFIS

# Quarterly Financial Information

Peoples Financial SERVICES CORP.




| | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2Q 2019 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 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% | 0.49% | 0.53% |
| PEER | 0.40% | 0.55% | 0.90% | 1.79% | 2.33% | 2.46% | 2.12% | 1.80% | 1.47% | 1.20% | 0.99% | 0.85% | 0.79% | |

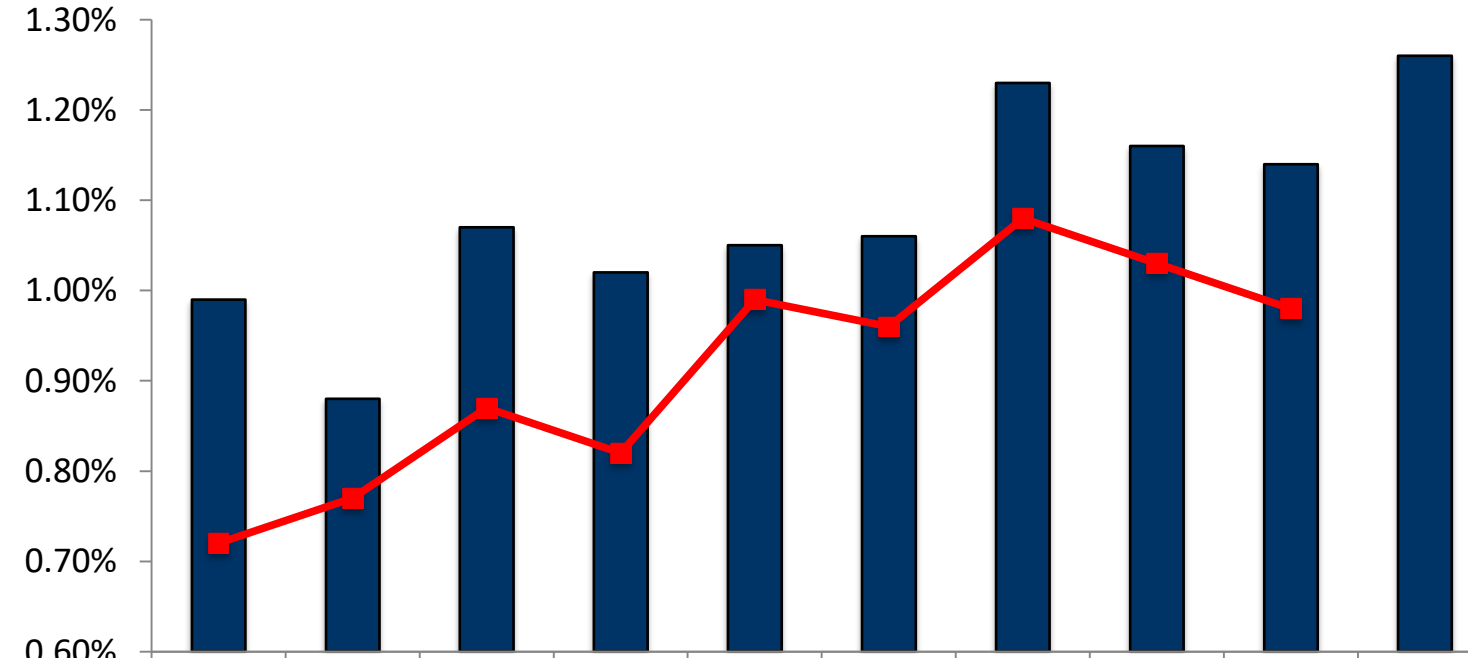
*Source: S&P Global*
*Mid-Atlantic: DE, NJ, NY, MD, and PA publicly traded banks $1bn-$5bn in Assets*

* Reverse Merger Between PFNS/PFIS

# Quarterly Financial Information

Peoples Financial SERVICES CORP.

**Core Return on Average Assets**



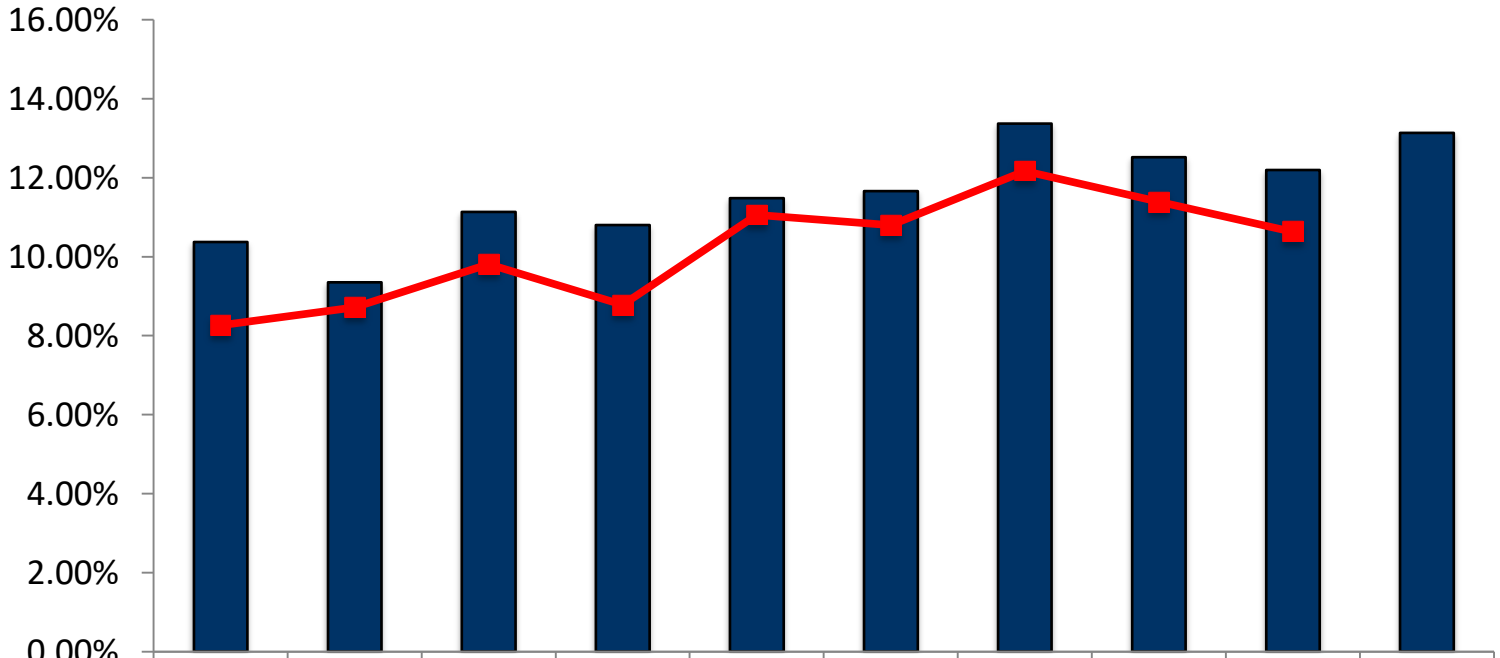

| | 1st Qtr 2017 | 2nd Qtr 2017 | 3rd Qtr 2017 | 4th Qtr 2017 | 1st Qtr 2018 | 2nd Qtr 2018 | 3rd Qtr 2018 | 4th Qtr 2018 | 1st Qtr 2019 | 2nd Qtr 2019 |
|---|---|---|---|---|---|---|---|---|---|---|
| PFIS | 0.99% | 0.88% | 1.07% | 1.02% | 1.05% | 1.06% | 1.23% | 1.16% | 1.14% | 1.26% |
| PEER | 0.72% | 0.77% | 0.87% | 0.82% | 0.99% | 0.96% | 1.08% | 1.03% | 0.98% | |

*Source: S&P Global*
*Mid-Atlantic: DE, NJ, NY, MD and PA publicly traded banks*
*$1bn-$5bn in Assets*

# Quarterly Financial Information

Peoples Financial SERVICES CORP.

**Core Return on Average Tangible Common Equity**



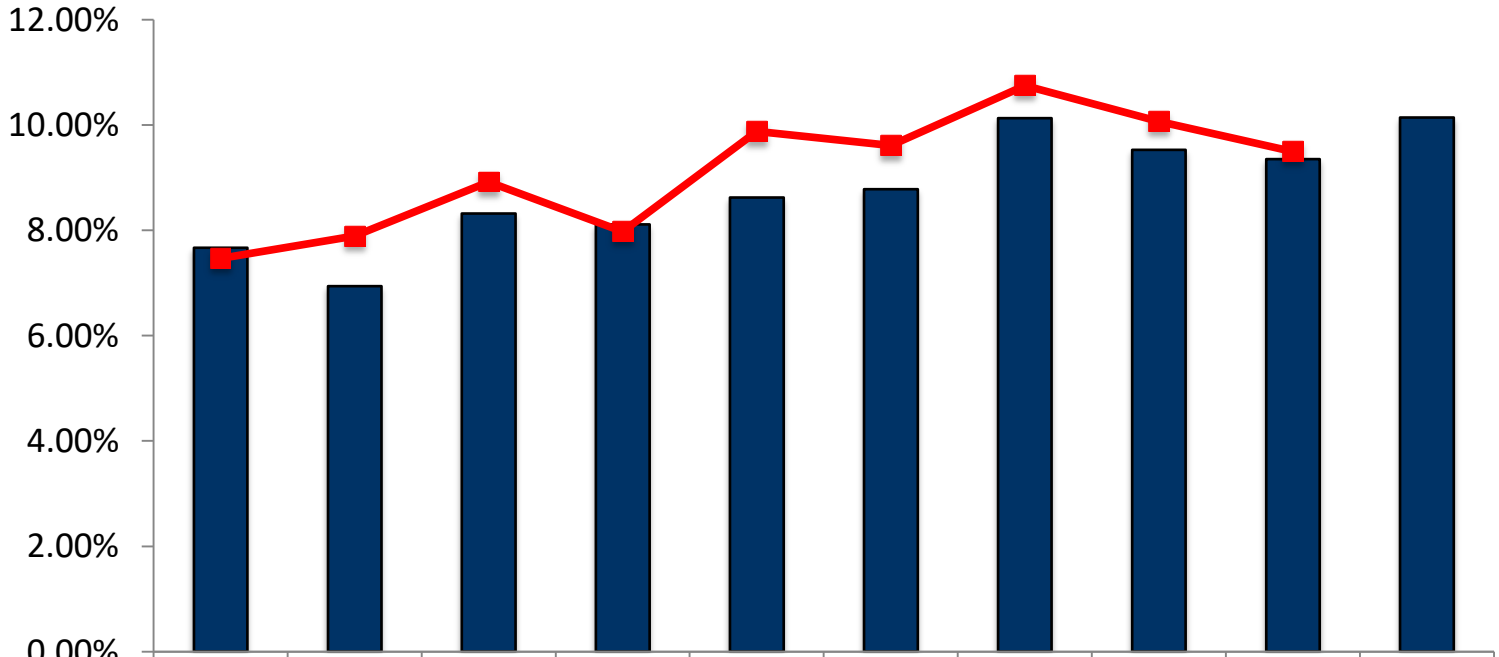

| | 1st Qtr 2017 | 2nd Qtr 2017 | 3rd Qtr 2017 | 4th Qtr 2017 | 1st Qtr 2018 | 2nd Qtr 2018 | 3rd Qtr 2018 | 4th Qtr 2018 | 1st Qtr 2019 | 2nd Qtr 2019 |
|---|---|---|---|---|---|---|---|---|---|---|
| PFIS | 10.37% | 9.35% | 11.13% | 10.80% | 11.48% | 11.66% | 13.37% | 12.52% | 12.19% | 13.13% |
| PEER | 8.26% | 8.72% | 9.81% | 8.78% | 11.06% | 10.80% | 12.17% | 11.39% | 10.63% | |

*Source: S&P Global*
*Mid-Atlantic: DE, NJ, NY, MD and PA publicly traded banks*
*$1bn-$5bn in Assets*

# Quarterly Financial Information

Peoples Financial SERVICES CORP.

**Core Return on Average Equity**



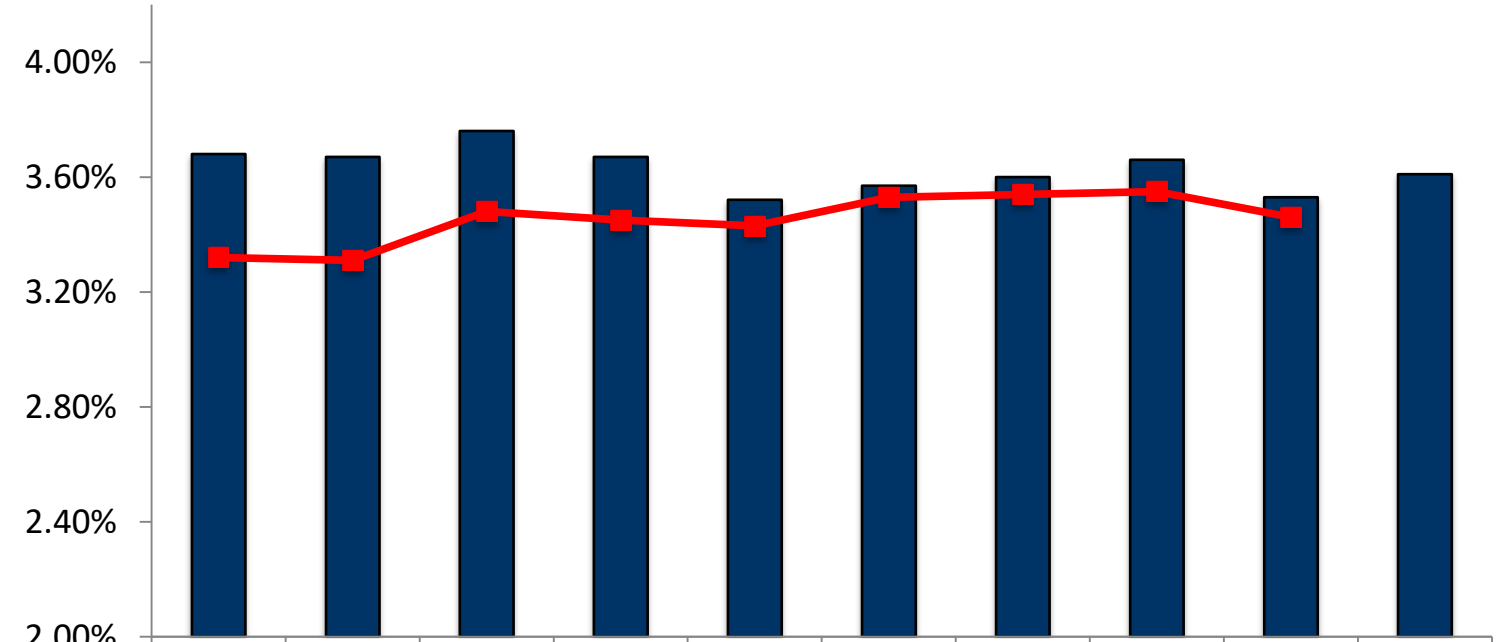

| | 1st Qtr 2017 | 2nd Qtr 2017 | 3rd Qtr 2017 | 4th Qtr 2017 | 1st Qtr 2018 | 2nd Qtr 2018 | 3rd Qtr 2018 | 4th Qtr 2018 | 1st Qtr 2019 | 2nd Qtr 2019 |
|---|---|---|---|---|---|---|---|---|---|---|
| PFIS | 7.67% | 6.94% | 8.32% | 8.11% | 8.62% | 8.78% | 10.13% | 9.53% | 9.35% | 10.14% |
| PEER | 7.47% | 7.89% | 8.92% | 7.98% | 9.88% | 9.61% | 10.75% | 10.07% | 9.50% | |

*Source: S&P Global*
*Mid-Atlantic: DE, NJ, NY, MD and PA publicly traded banks*
*$1bn-$5bn in Assets*

# Quarterly Financial Information

Peoples Financial SERVICES CORP.

**Tax-Equivalent Net Interest Margin**



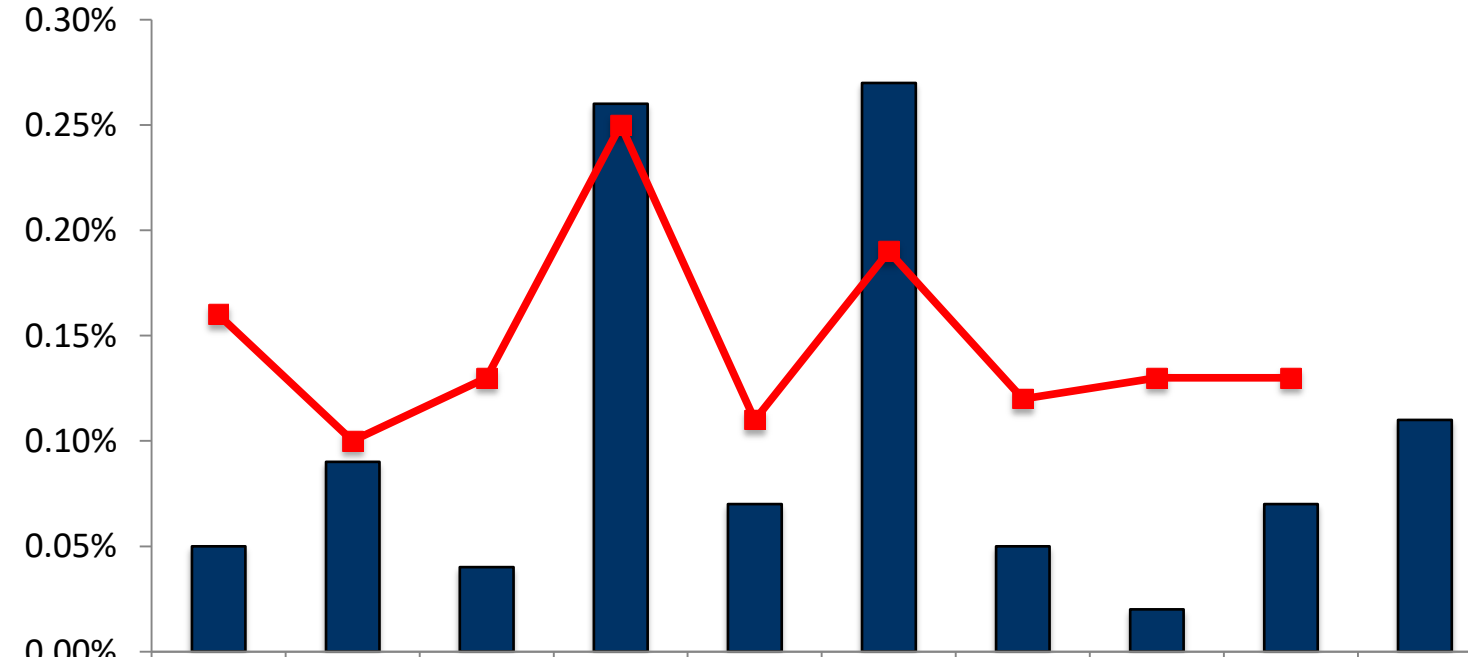

| | 1st Qtr 2017 | 2nd Qtr 2017 | 3rd Qtr 2017 | 4th Qtr 2017 | 1st Qtr 2018 | 2nd Qtr 2018 | 3rd Qtr 2018 | 4th Qtr 2018 | 1st Qtr 2019 | 2nd Qtr 2019 |
|---|---|---|---|---|---|---|---|---|---|---|
| PFIS | 3.68% | 3.67% | 3.76% | 3.67% | 3.52% | 3.57% | 3.60% | 3.66% | 3.53% | 3.61% |
| PEER | 3.32% | 3.31% | 3.48% | 3.45% | 3.43% | 3.53% | 3.54% | 3.55% | 3.46% | |

*Source: S&P Global*
*Mid-Atlantic: DE, NJ, NY, MD and PA publicly traded banks*
*$1bn-$5bn in Assets*

# Quarterly Financial Information

Peoples Financial SERVICES CORP.

**Net Charge-offs as a % of Average Loans**



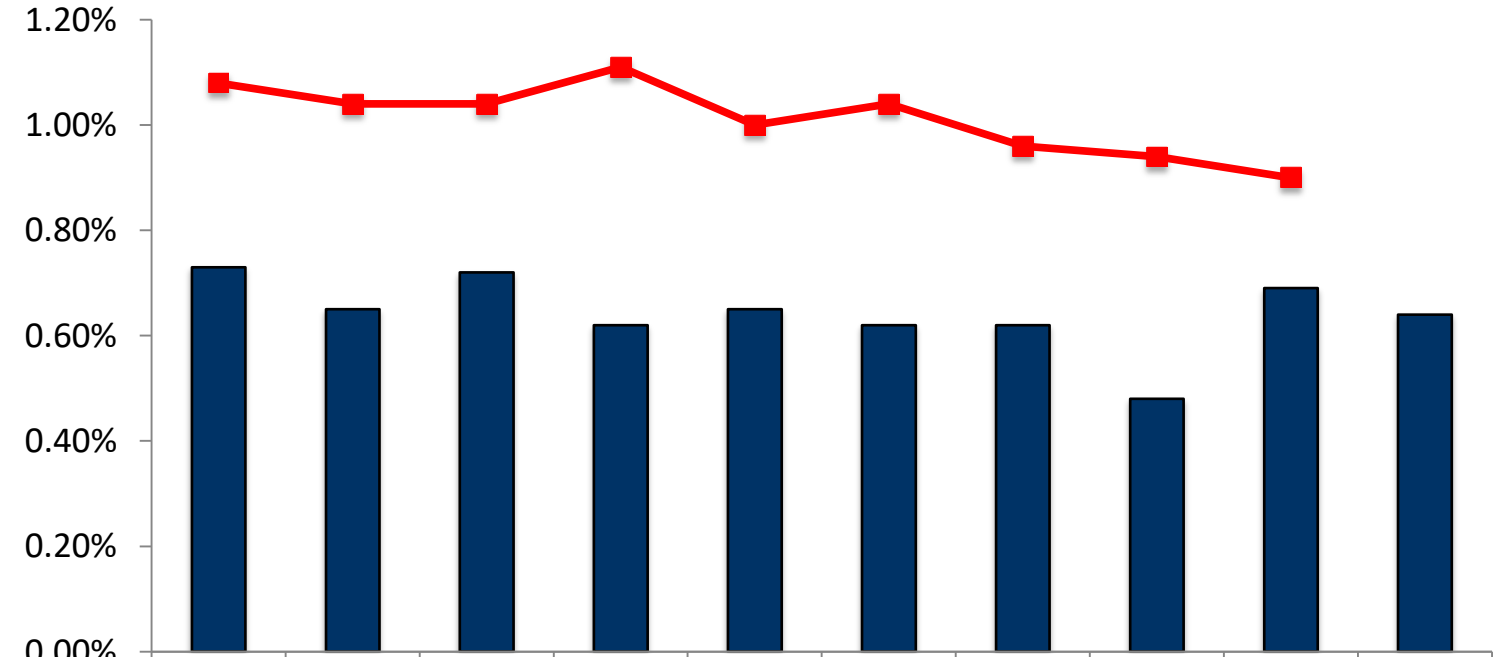

| | 1st Qtr 2017 | 2nd Qtr 2017 | 3rd Qtr 2017 | 4th Qtr 2017 | 1st Qtr 2018 | 2nd Qtr 2018 | 3rd Qtr 2018 | 4th Qtr 2018 | 1st Qtr 2019 | 2nd Qtr 2019 |
|---|---|---|---|---|---|---|---|---|---|---|
| PFIS | 0.05% | 0.09% | 0.04% | 0.26% | 0.07% | 0.27% | 0.05% | 0.02% | 0.07% | 0.11% |
| PEER | 0.16% | 0.10% | 0.13% | 0.25% | 0.11% | 0.19% | 0.12% | 0.13% | 0.13% | |

*Source: S&P Global*
*Mid-Atlantic: DE, NJ, NY, MD and PA publicly traded banks*
*$1bn-$5bn in Assets*

# Quarterly Financial Information

Peoples Financial SERVICES CORP.

**Nonperforming Loans as a % of Total Loans**



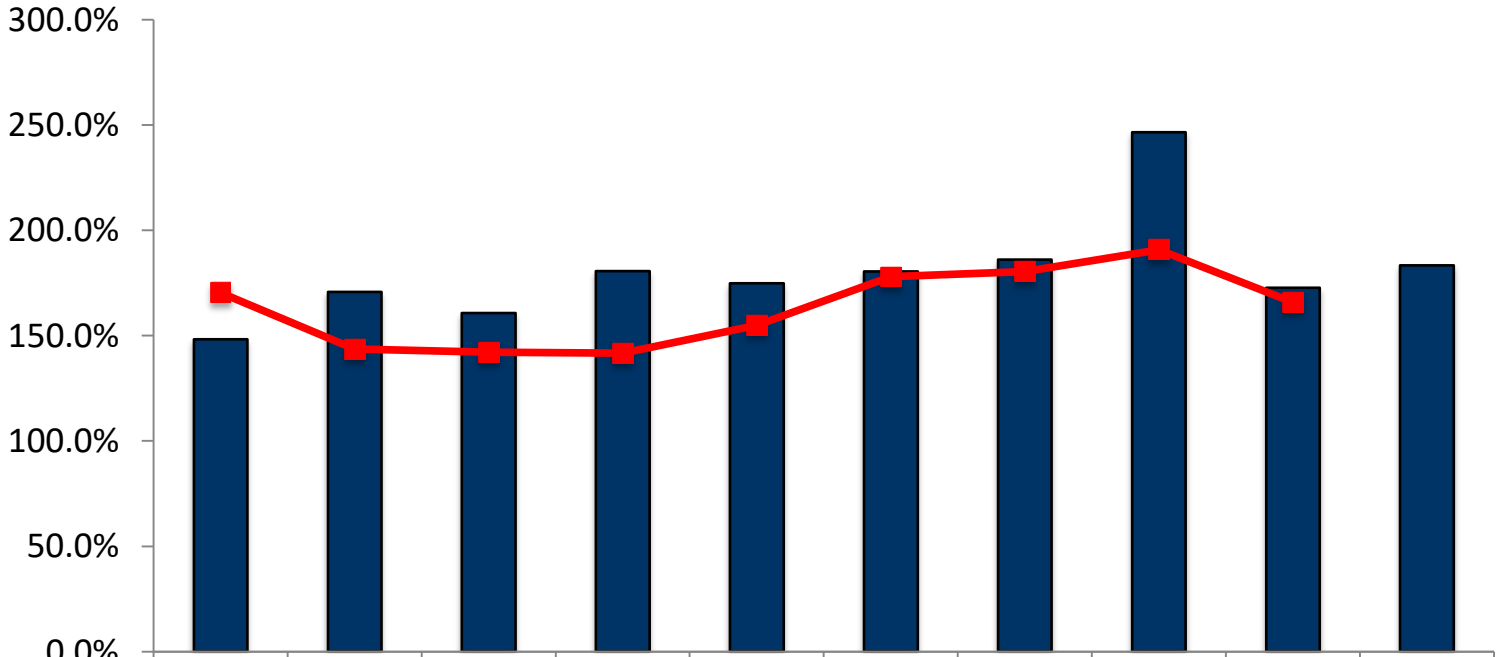

| | 1st Qtr 2017 | 2nd Qtr 2017 | 3rd Qtr 2017 | 4th Qtr 2017 | 1st Qtr 2018 | 2nd Qtr 2018 | 3rd Qtr 2018 | 4th Qtr 2018 | 1st Qtr 2019 | 2nd Qtr 2019 |
|---|---|---|---|---|---|---|---|---|---|---|
| PFIS | 0.73% | 0.65% | 0.72% | 0.62% | 0.65% | 0.62% | 0.62% | 0.48% | 0.69% | 0.64% |
| PEER | 1.08% | 1.04% | 1.04% | 1.11% | 1.00% | 1.04% | 0.96% | 0.94% | 0.90% | |

*Source: S&P Global*
*Mid-Atlantic: DE, NJ, NY, MD and PA publicly traded banks*
*$1bn-$5bn in Assets*

# Quarterly Financial Information

Peoples Financial SERVICES CORP.

**Total Allowance as a % of Nonperforming Loans**




| | 1st Qtr 2017 | 2nd Qtr 2017 | 3rd Qtr 2017 | 4th Qtr 2017 | 1st Qtr 2018 | 2nd Qtr 2018 | 3rd Qtr 2018 | 4th Qtr 2018 | 1st Qtr 2019 | 2nd Qtr 2019 |
|---|---|---|---|---|---|---|---|---|---|---|
| PFIS | 148.3% | 170.7% | 160.8% | 180.7% | 174.8% | 180.5% | 186.0% | 246.6% | 172.7% | 183.3% |
| PEER | 170.5% | 143.7% | 142.2% | 141.7% | 155.0% | 178.0% | 180.4% | 190.9% | 165.9% | |

*Source: S&P Global*
*Mid-Atlantic: DE, NJ, NY, MD and PA publicly traded banks*
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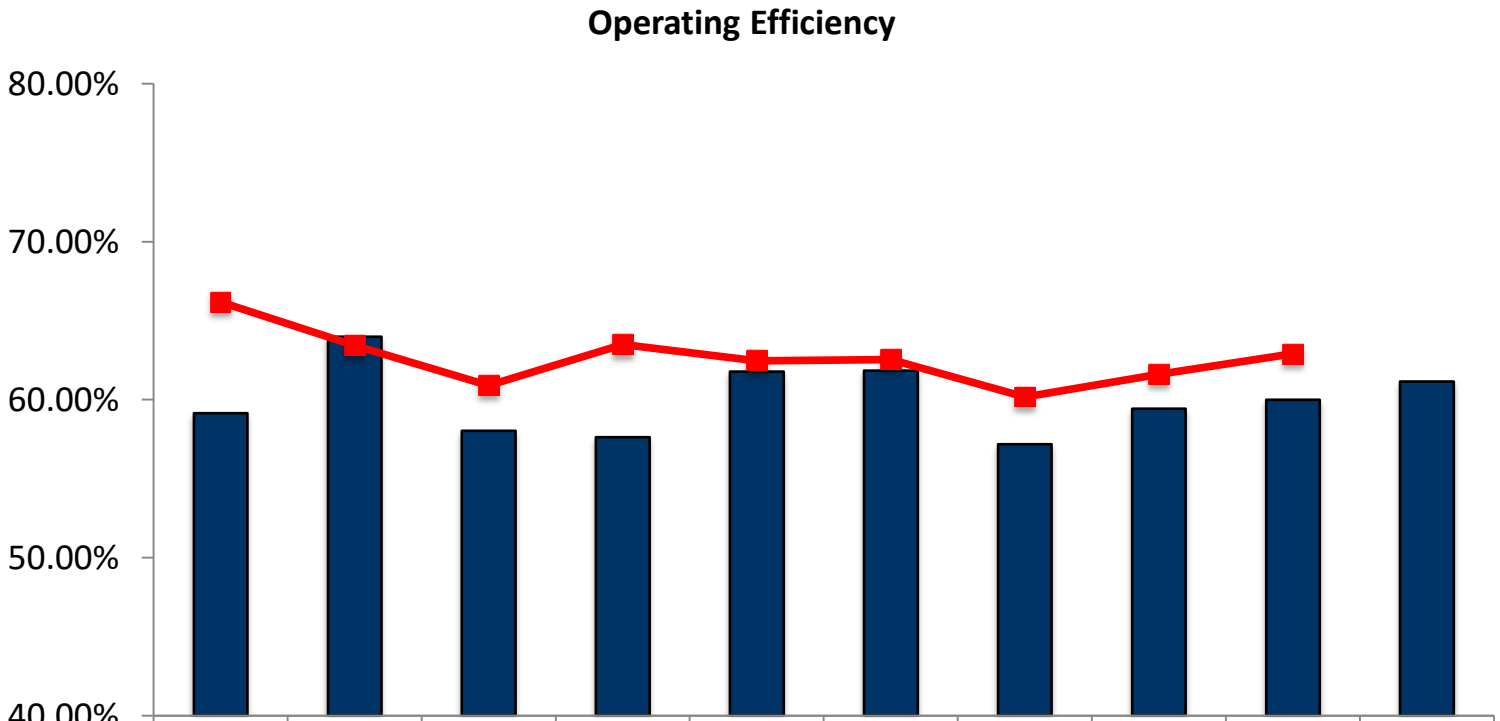
# Quarterly Financial Information

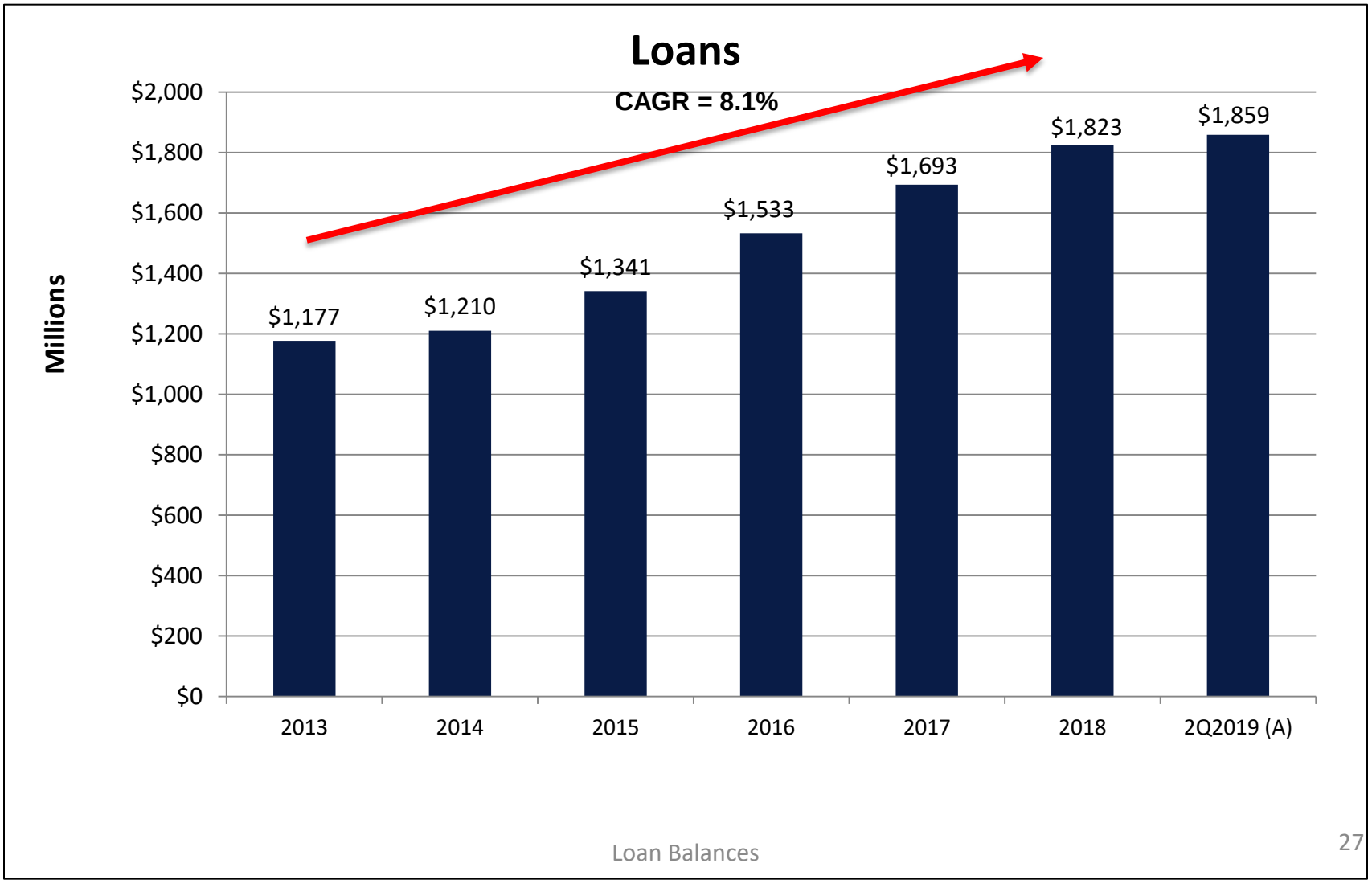
Peoples Financial SERVICES CORP.




| | 1st Qtr 2017 | 2nd Qtr 2017 | 3rd Qtr 2017 | 4th Qtr 2017 | 1st Qtr 2018 | 2nd Qtr 2018 | 3rd Qtr 2018 | 4th Qtr 2018 | 1st Qtr 2019 | 2nd Qtr 2019 |
|---|---|---|---|---|---|---|---|---|---|---|
| PFIS | 59.13% | 63.97% | 58.02% | 57.62% | 61.78% | 61.84% | 57.17% | 59.43% | 59.99% | 61.15% |
| PEER | 66.18% | 63.43% | 60.90% | 63.49% | 62.46% | 62.55% | 60.18% | 61.60% | 62.90% | |

*Source: S&P Global*
*Mid-Atlantic: DE, NJ, NY, MD and PA publicly traded banks*
*$1bn-$5bn in Assets*

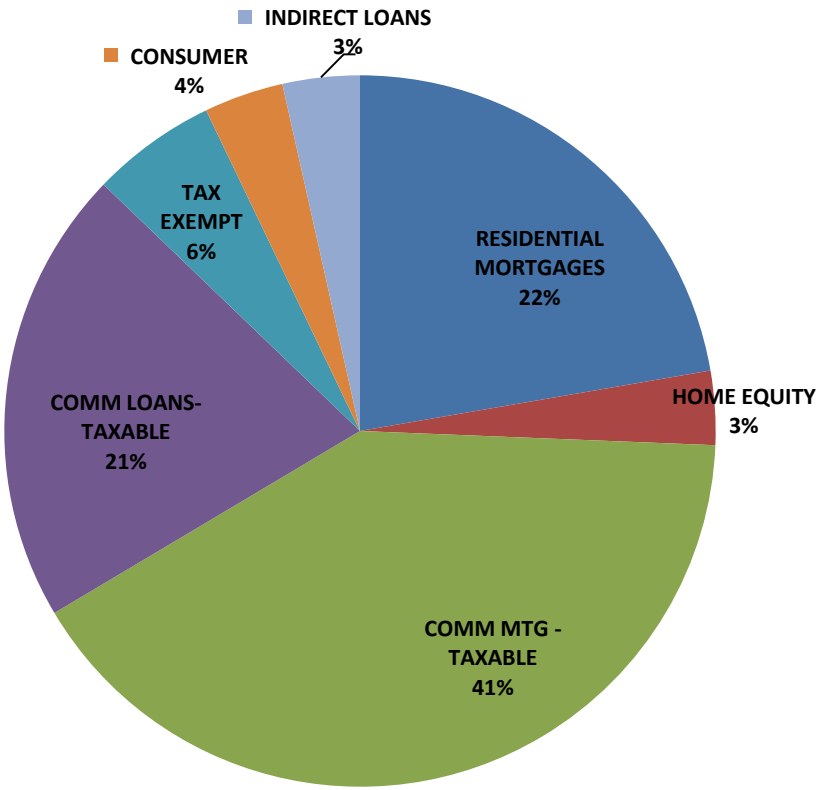
# BALANCE SHEET PERFORMANCE
# LOAN GROWTH



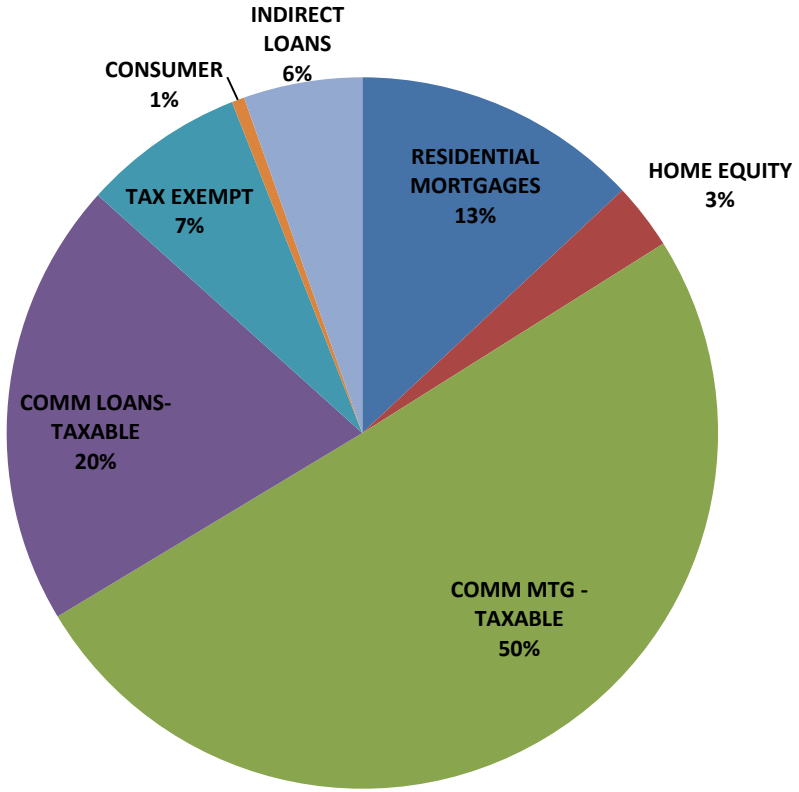

Loan Balances

# LOAN COMPOSITION

December 31, 2014
**Balances $1.21 Billion**



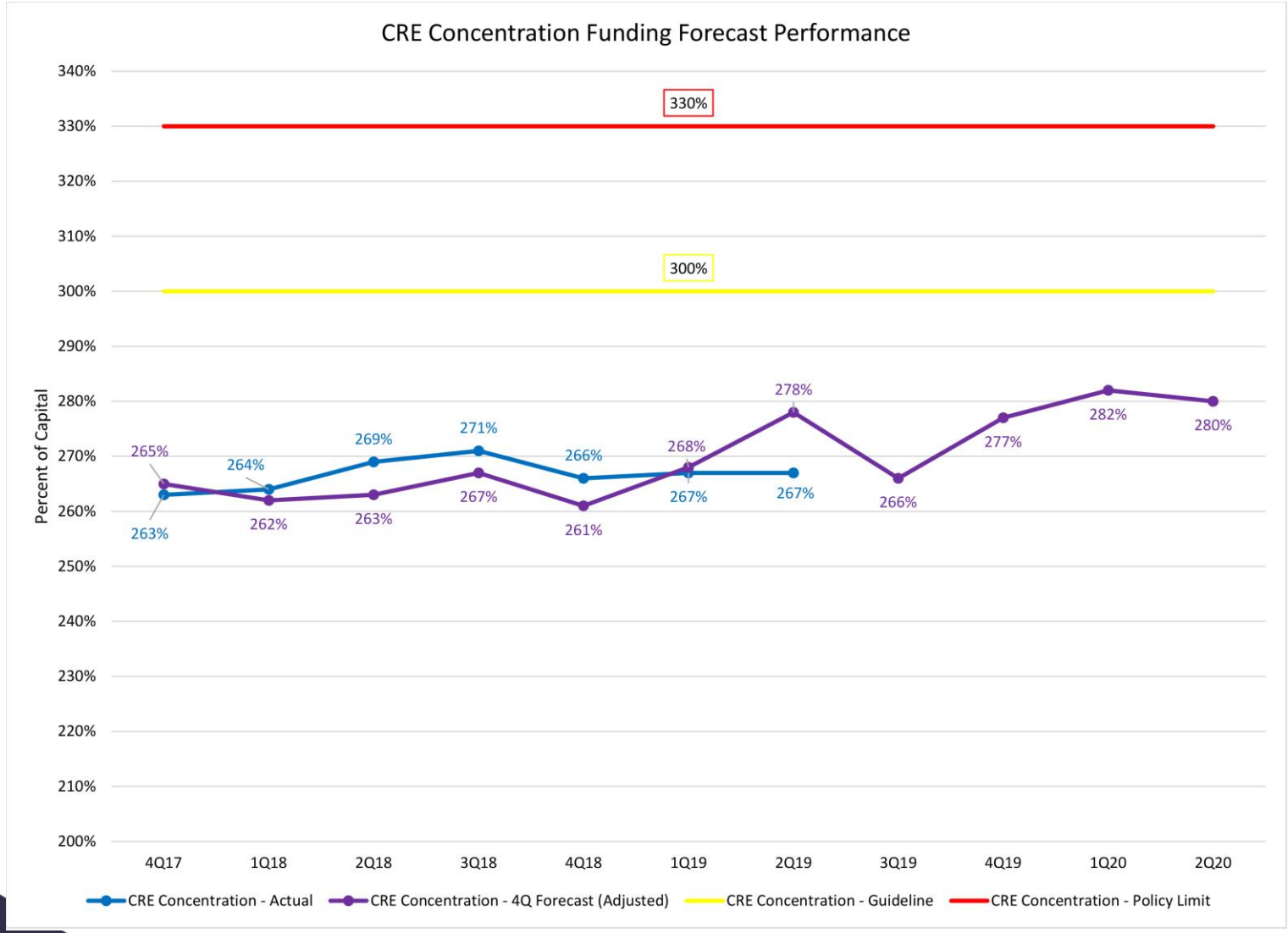

June 30, 2019
**Balances $1.86 Billion**



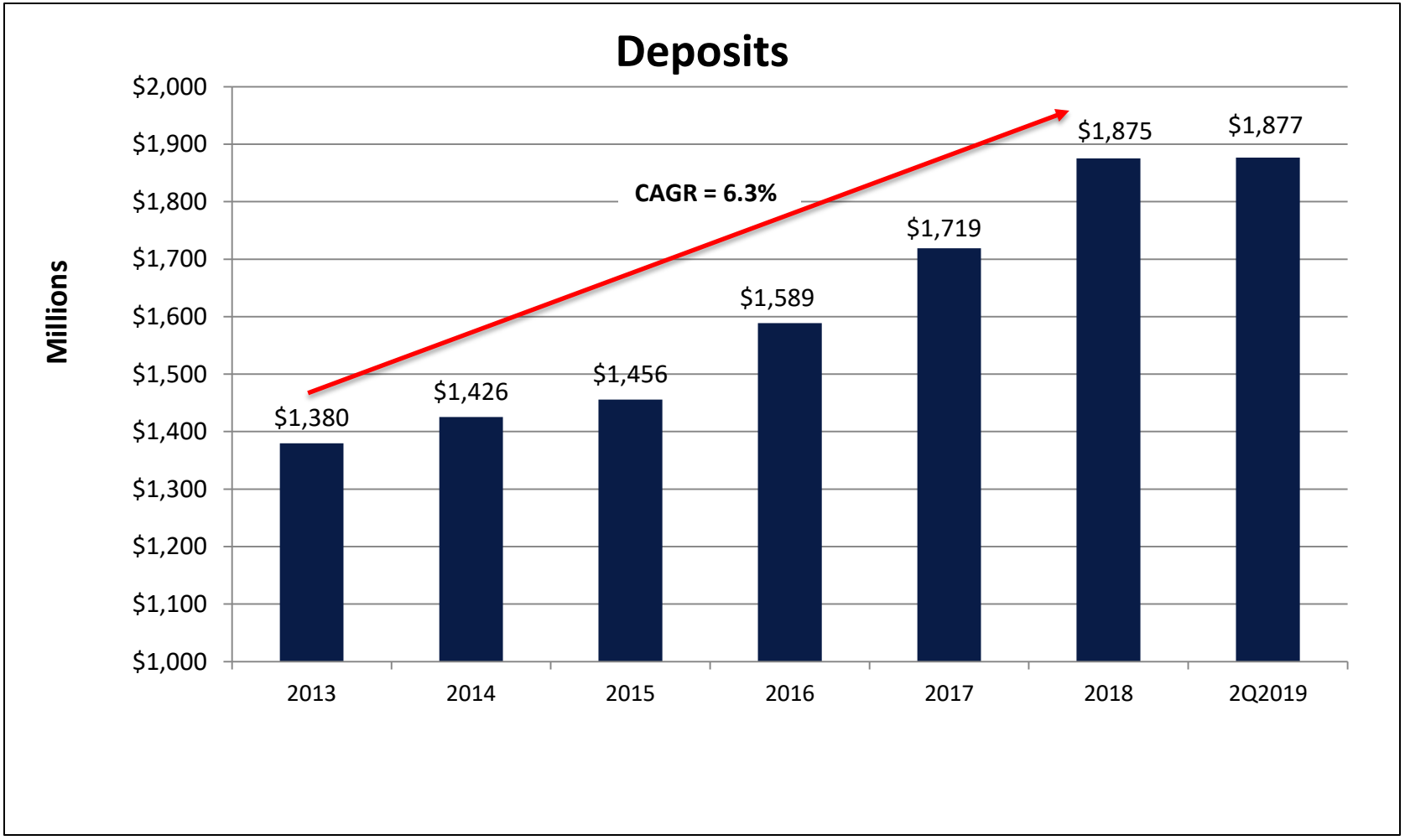

- Growth of $650 million or 53.7%
- Portfolio displays superior asset quality

# Quarterly Financial Information

Peoples Financial SERVICES CORP.

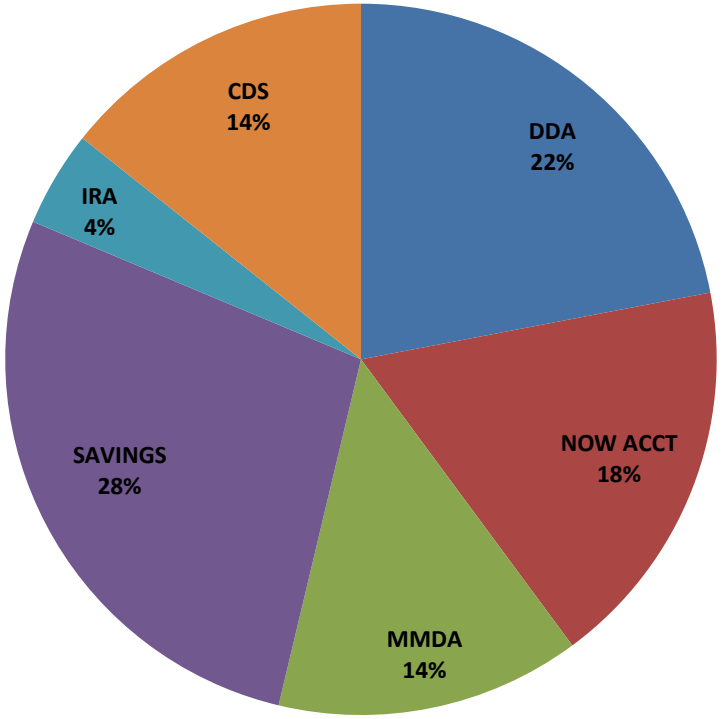


# BALANCE SHEET PERFORMANCE
# DEPOSIT GROWTH

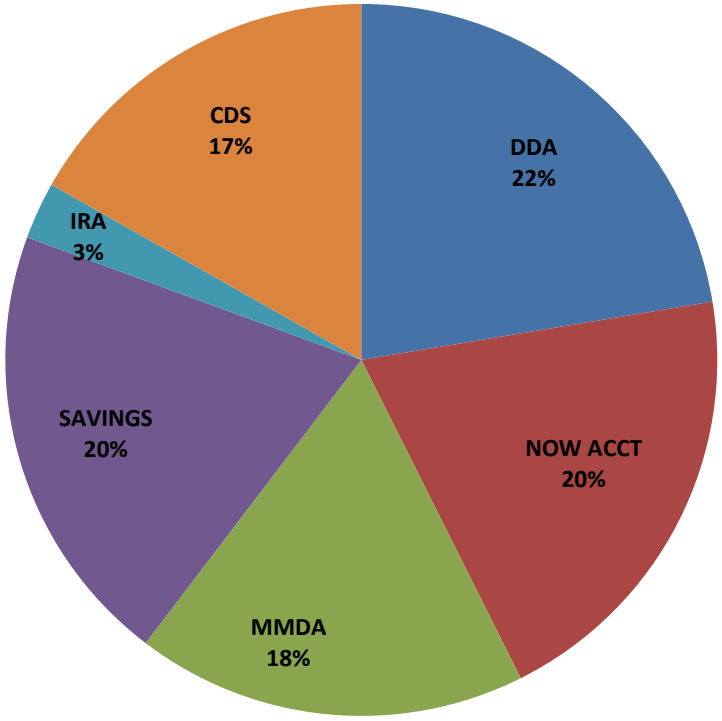


# DEPOSIT COMPOSITION

**December 31, 2014**
**Balances $1.43 billion**

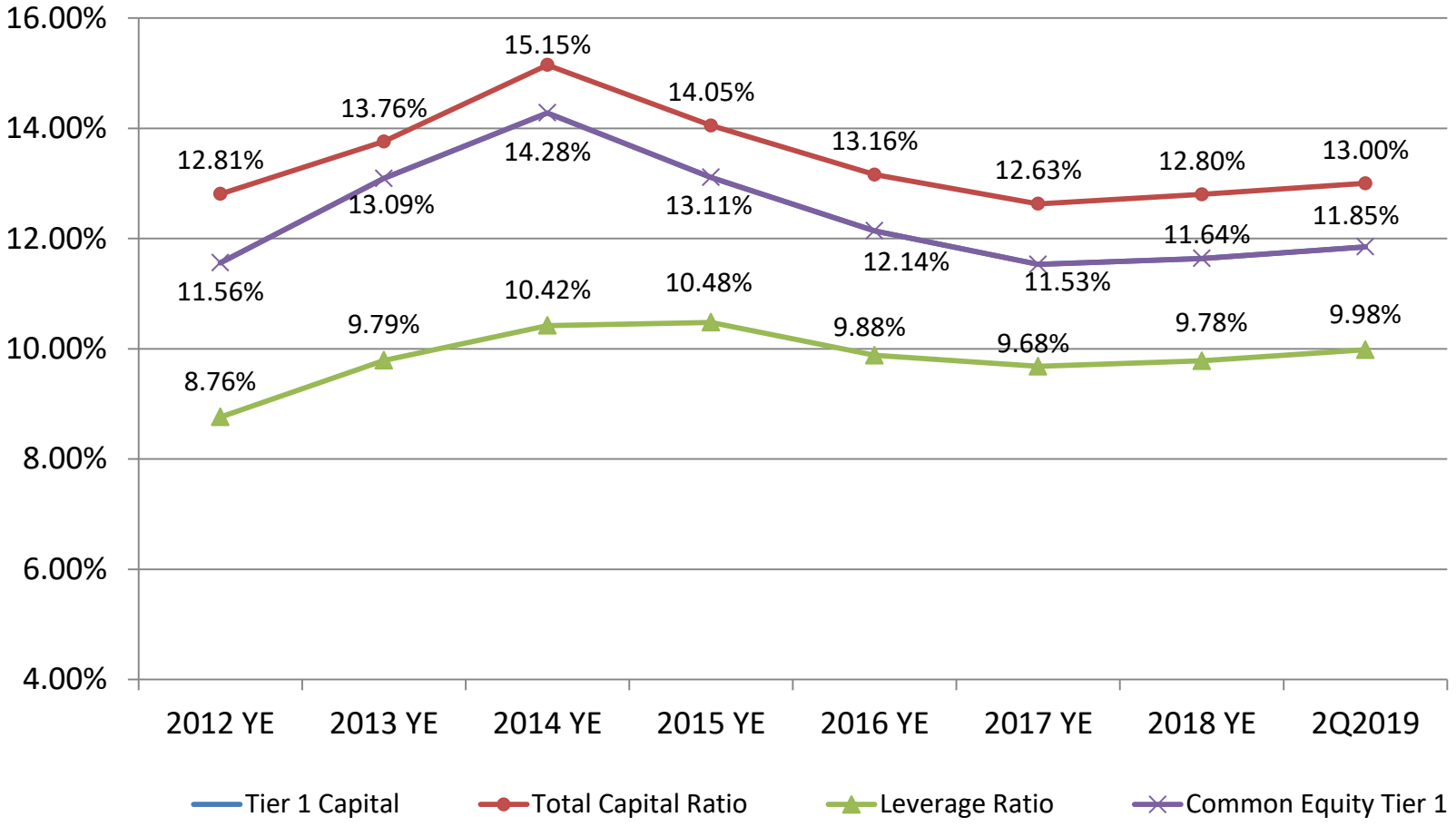



**June 30, 2019**
**Balances $1.87 billion**




- Growth of $440 million or 31.0%
- Includes $50 million of Brokered Deposits

# CAPITAL ADEQUACY




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

# 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 |
| Sandler O'Neill & Partners, L.P. | (800) 635-6851 |

## 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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