Peoples Financial SERVICES CORP.



Renovated Susquehanna Office
215 Erie Boulevard, Susquehanna, PA 18847 | Susquehanna County

INVESTOR PRESENTATION

MAY 16, 2020

FORWARD-LOOKING STATEMENTS:

We make statements in this press release, 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 Corp., Peoples Security Bank and Trust Company, and its subsidiaries (collectively, “Peoples”) that are considered “forward-looking statements” as defined in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. 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, Peoples claims the protection of the statutory safe harbors for forward-looking statements.

Peoples cautions you that a number of important factors could cause actual results to differ materially from those currently anticipated in any forward-looking statement. Such factors include, but are not limited to: prevailing economic and political conditions, particularly in our market area; the unfolding COVID-19 crisis and the governmental responses to the crisis: 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; our ability to identify and address cyber-security risks and other economic, competitive, governmental, regulatory and technological factors affecting Peoples’ operations, pricing, products and services and other factors that may be described in Peoples’ Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q as filed with the Securities and Exchange Commission from time to time.

In addition to these risks, acquisitions and business combinations, present risks other than those presented by the nature of the business acquired. Acquisitions and business combinations may be substantially more expensive to complete than originally anticipated, and the anticipated benefits may be significantly harder-or take longer-to achieve than expected. As regulated financial institutions, our pursuit of attractive acquisition and business combination opportunities could be negatively impacted by regulatory delays or other regulatory issues. Regulatory and/or legal issues related to the pre-acquisition operations of an acquired or combined business may cause reputational harm to Peoples following the acquisition or combination, and integration of the acquired or combined business with ours may result in additional future costs arising as a result of those issues.

The forward-looking statements are made as of the date of this release, and, except as may be required by applicable law or regulation, Peoples 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.

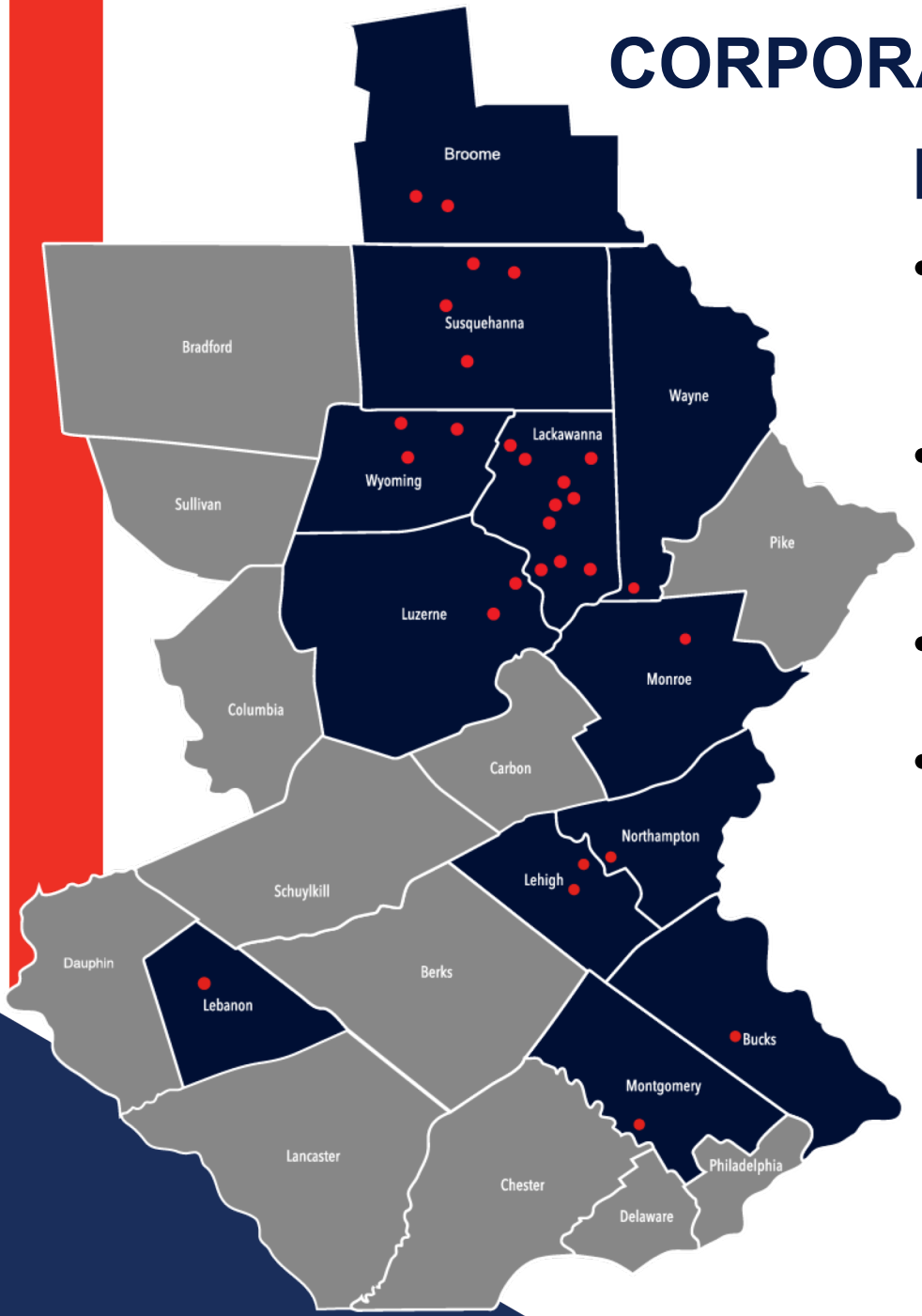
USE OF NON-GAAP FINANCIAL MEASURES:

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 tangible assets and core net income ratios. 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, and available on our website, www.psbt.com, under “Investor Relations.” The non-GAAP financial measures we use may differ from the non-GAAP financial measures of other financial institutions.

Presentation Agenda

I. Corporate Information
II. Financial Performance
III. Market Expansion Initiatives
IV. COVID-19 Pandemic Response
V. Investor Relations

CORPORATE INFORMATION



Market Area

- Headquartered in Scranton, PA
- 29 Community Banking Offices
- 414 Employees
- 12th Largest Bank Headquartered in PA

ABOUT YOUR CORPORATION

Financial Snapshot at March 31, 2020

- Total Assets: $2.5 billion
- Loans: $2.0 billion
- Deposits: $2.0 billion
- 1st Quarter 2020 Earnings: $5.3 million
- 1st Quarter 2020 EPS $0.72

Market Data at May 8, 2020

- Listed on NASDAQ under ticker: PFIS
- Shares Outstanding: 7,343,240
- Average Daily Trading Volume: 8,502[1]
- Market Price: $35.34[2]
- Price to TBV: 109.0%
- Price to LTM Earnings: 10.8x
- Market Cap: $262.9 million
- Current Quarterly Dividend & Yield: $0.36 / 4.02%

[1] 52-week average daily trading volume

[2] 10 trading days average stock price

PEOPLES FINANCIAL SERVICES CORPORATION
2019 ANNUAL FINANCIAL RESULTS
INCOME STATEMENT COMPARISON

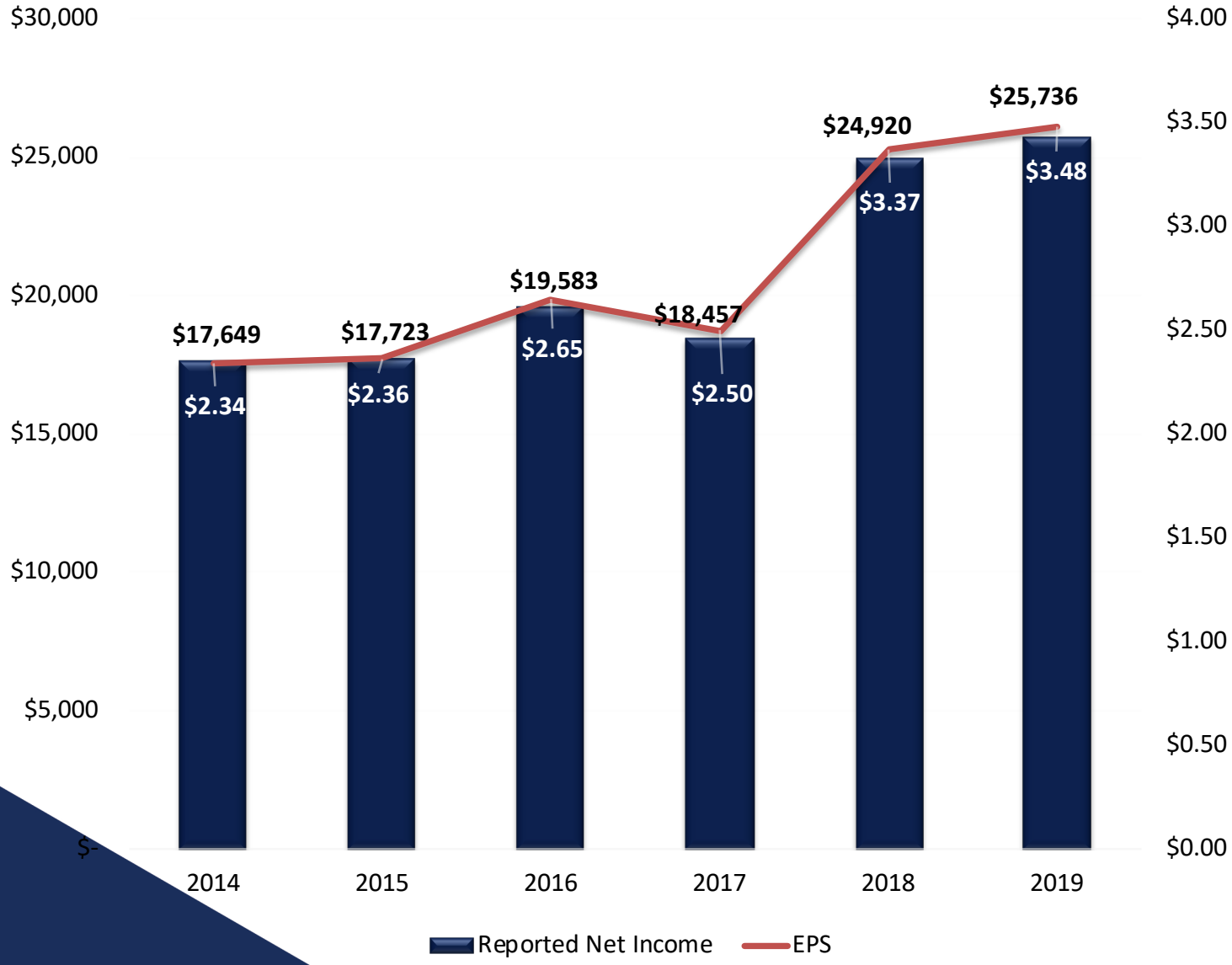
		Actual		VARIANCE '19A v. '18A	
		12/31/2019	12/31/2018	($)	(%)
(1)	Net interest income	$ 75,513	$ 71,339	$ 4,174	5.9%
(2)	Provision for loan losses	6,100	4,200	1,900	45.2%
(3)	Net interest income after provision	69,413	67,139	2,274	3.4%
(4)	**Noninterest income:**				
(5)	Other noninterest income	11,509	10,176	1,333	13.1%
(6)	Wealth management income	3,611	3,483	128	3.7%
(7)	Total noninterest income	15,120	13,659	1,461	10.7%
(8)	Total Revenue	90,633	84,998	5,635	6.6%
(9)	**Noninterest expense:**				
(10)	Salaries and employee benefits expense	31,374	28,407	2,967	10.4%
(11)	Net occupancy and equipment	11,911	10,897	1,014	9.3%
(12)	Other expenses	12,357	13,183	(826)	-6.3%
(13)	Total Noninterest expense	55,642	52,487	3,155	6.0%
(14)	Pre-tax Net Income	28,891	28,311	580	2.0%
(15)	Provision for income tax expense	3,155	3,391	(236)	-7.0%
(16)	Net income	$ 25,736	$ 24,920	$ 816	3.3%
(17)	EPS	$ 3.48	$ 3.37		
(18)					

- Average loan growth of $112.4 million
- Commercial loan charge-offs $3.3 million in 2019

- Interest rate swap revenue increased

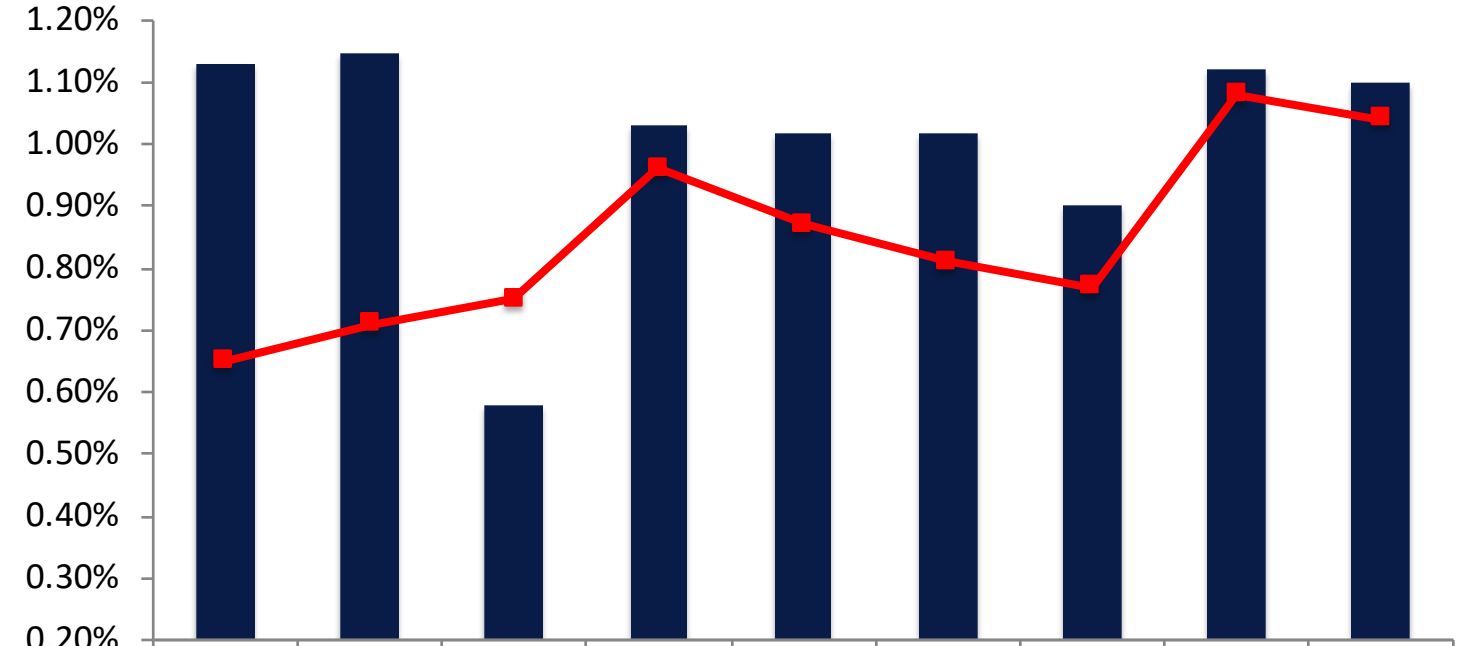
- Continued investment in support of market expansion

FINANCIAL PERFORMANCE
NET INCOME (REPORTED)



COMPANY PERFORMANCE
PROFITABILITY

Return on Average Assets

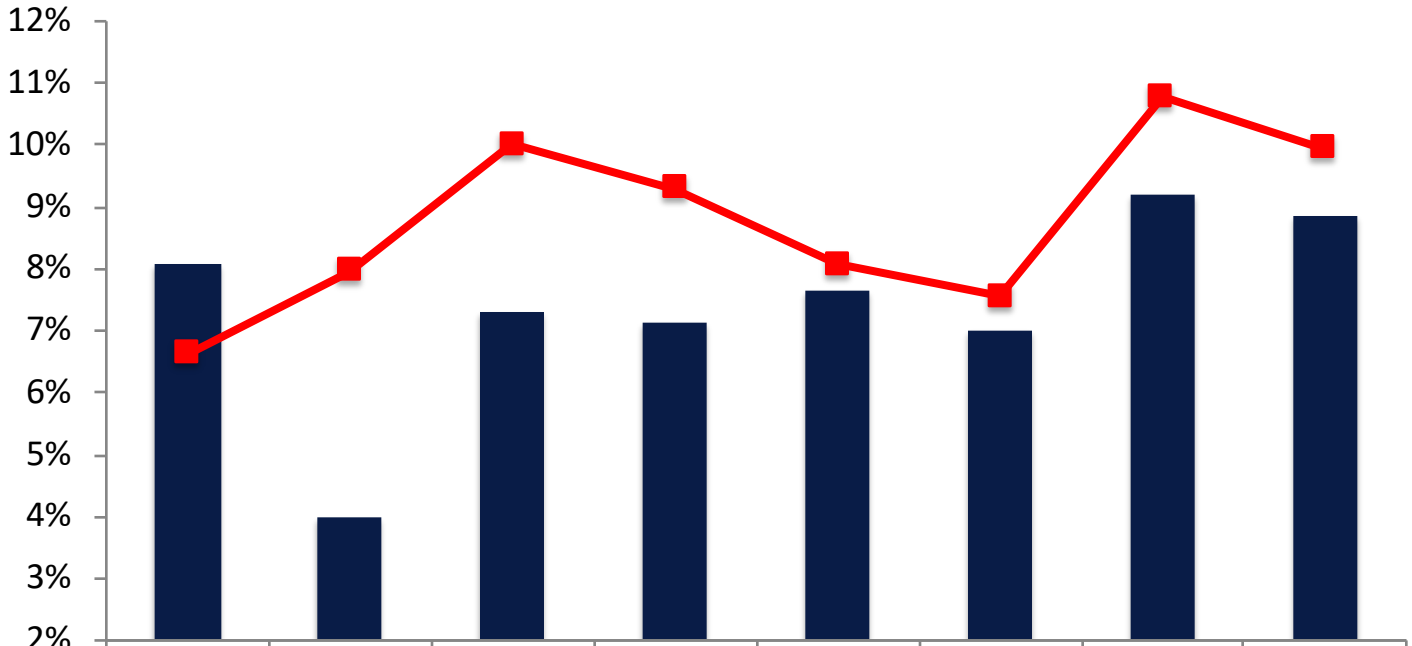


	2011	2012	2013	2014	2015	2016	2017	2018	2019
PFIS	1.13%	1.14%	0.58%	1.03%	1.02%	1.02%	0.90%	1.12%	1.10%
PEER	0.65%	0.71%	0.75%	0.96%	0.87%	0.81%	0.77%	1.08%	1.04%

PFIS Source: Earnings Release / 10K
Peer Source: S&P Global
Mid-Atlantic: DE, NJ, NY, MD, PA banks
$1 - 5 Billion in Assets

COMPANY PERFORMANCE
PROFITABILITY

Return on Average Equity

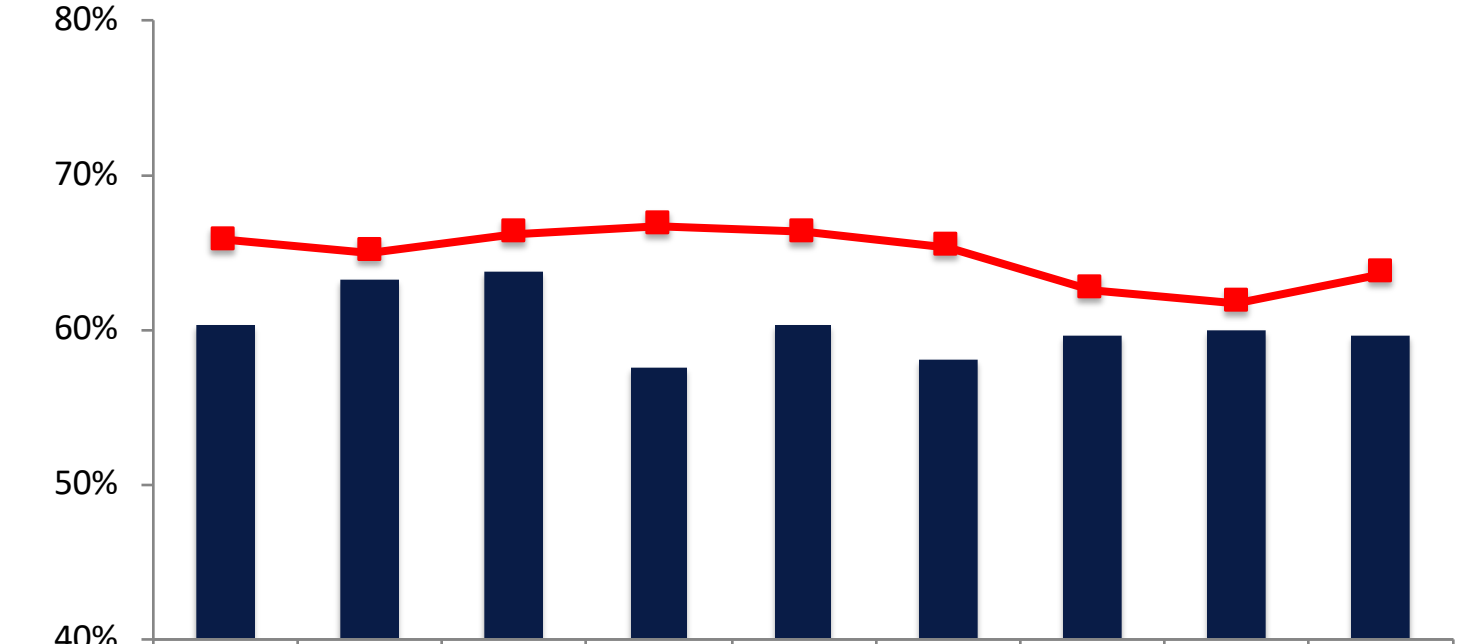


	2012	2013	2014	2015	2016	2017	2018	2019
PFIS	8.07%	4.01%	7.29%	7.13%	7.64%	7.02%	9.21%	8.87%
PEER	6.62%	7.96%	10.01%	9.30%	8.06%	7.56%	10.78%	9.94%

PFIS Source: Earnings Release, 10K
Peer Source: S&P Global
Mid-Atlantic: DE, NJ, NY, MD, PA banks
$1 - 5 Billion in Assets

COMPANY PERFORMANCE
PROFITABILITY

Operating Efficiency

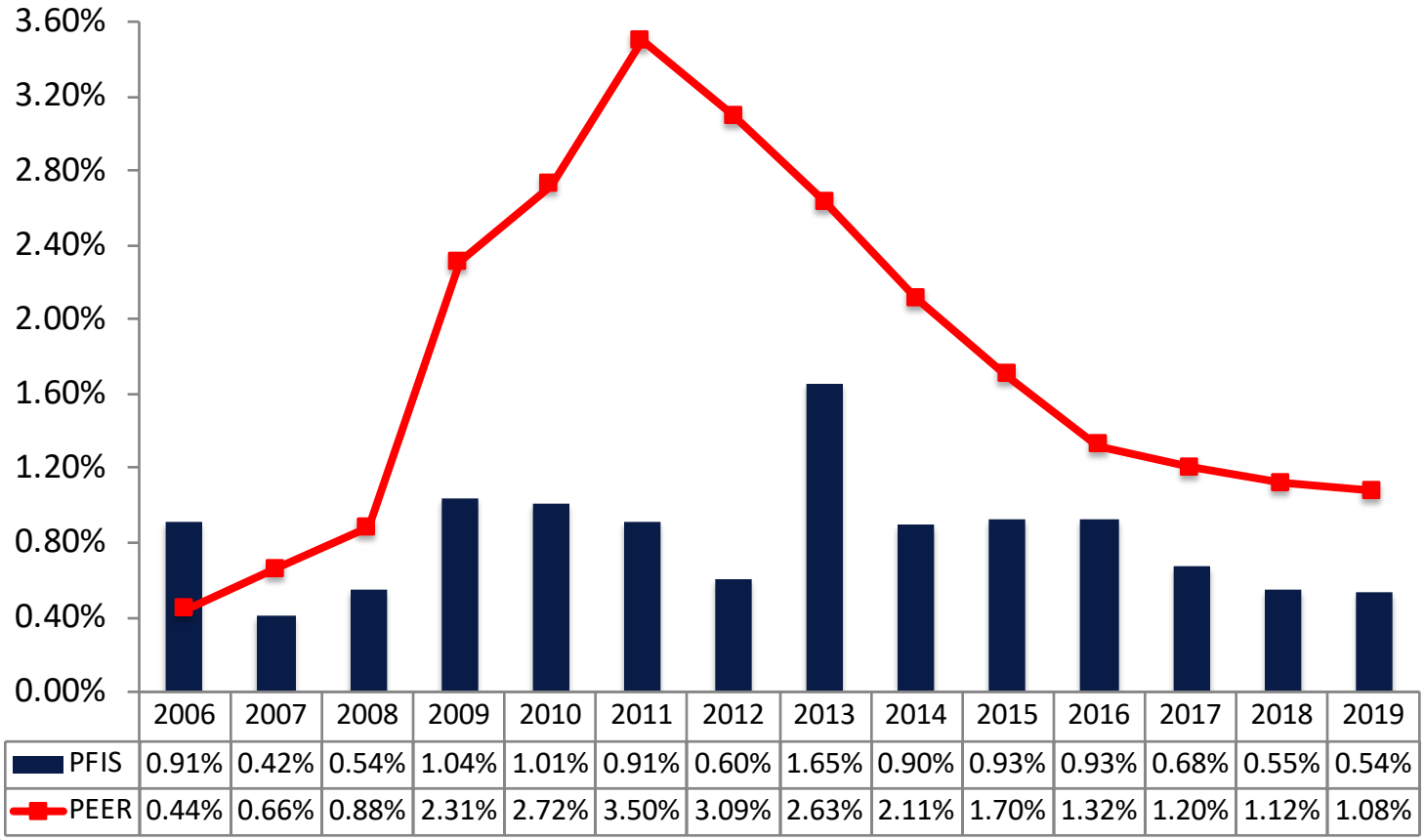


	2011	2012	2013	2014	2015	2016	2017	2018	2019
PFIS	60.33%	63.23%	63.75%	57.50%	60.35%	58.03%	59.67%	60.03%	59.60%
PEER	65.80%	64.99%	66.23%	66.69%	66.28%	65.37%	62.63%	61.71%	63.62%

PFIS Source: Earnings Release, 10K
Peer Source: S&P Global
Mid-Atlantic: DE, NJ, NY, MD, PA banks
$1 - 5 Billion in Assets

COMPANY PERFORMANCE
ASSET QUALITY

NPAs as a % of Loans & OREO

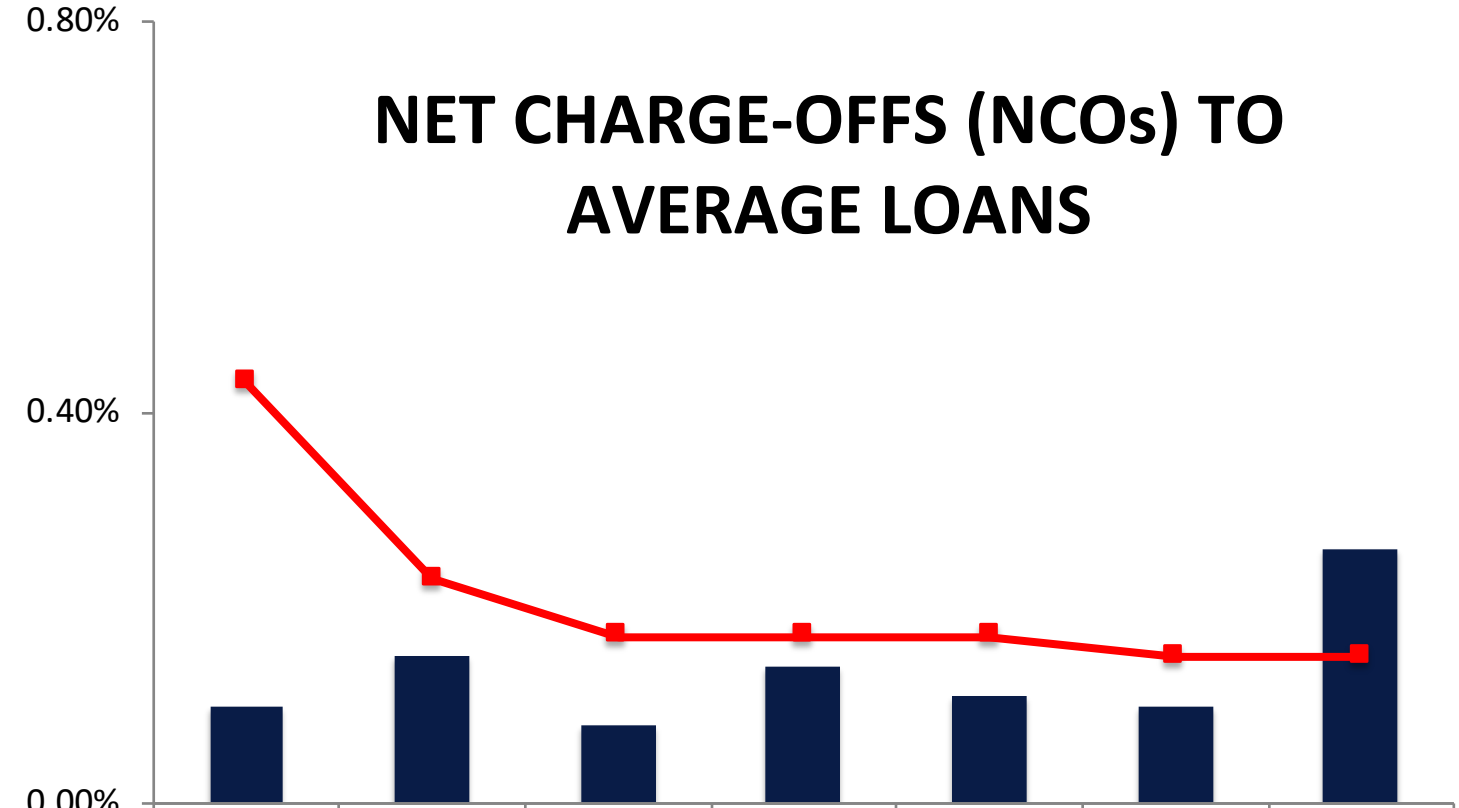


	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
PFIS	0.91%	0.42%	0.54%	1.04%	1.01%	0.91%	0.60%	1.65%	0.90%	0.93%	0.93%	0.68%	0.55%	0.54%
PEER	0.44%	0.66%	0.88%	2.31%	2.72%	3.50%	3.09%	2.63%	2.11%	1.70%	1.32%	1.20%	1.12%	1.08%

PFIS Source: Earnings Release, 10K
Peer Source: S&P Global
Mid-Atlantic: DE, NJ, NY, MD, PA banks
$1 - 5 Billion in Assets

COMPANY PERFORMANCE

ASSET QUALITY



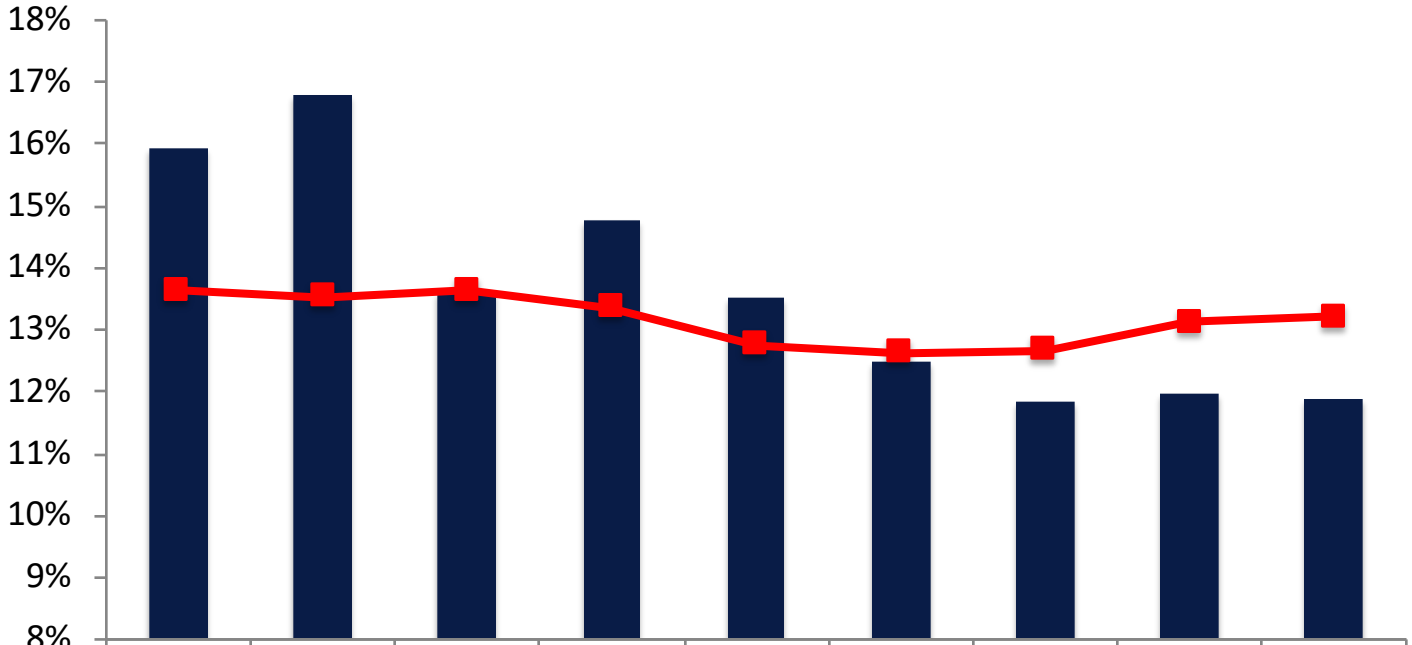
NET CHARGE-OFFS (NCOs) TO AVERAGE LOANS

	2013	2014	2015	2016	2017	2018	2019
PFIS	0.10%	0.15%	0.08%	0.14%	0.11%	0.10%	0.26%
PEER	0.43%	0.23%	0.17%	0.17%	0.17%	0.15%	0.15%

PFIS Source: Earnings Release, 10K
Peer Source: S&P Global
Mid-Atlantic: DE, NJ, NY, MD, PA banks
$1 - 5 Billion in Assets

COMPANY PERFORMANCE
PROFITABILITY

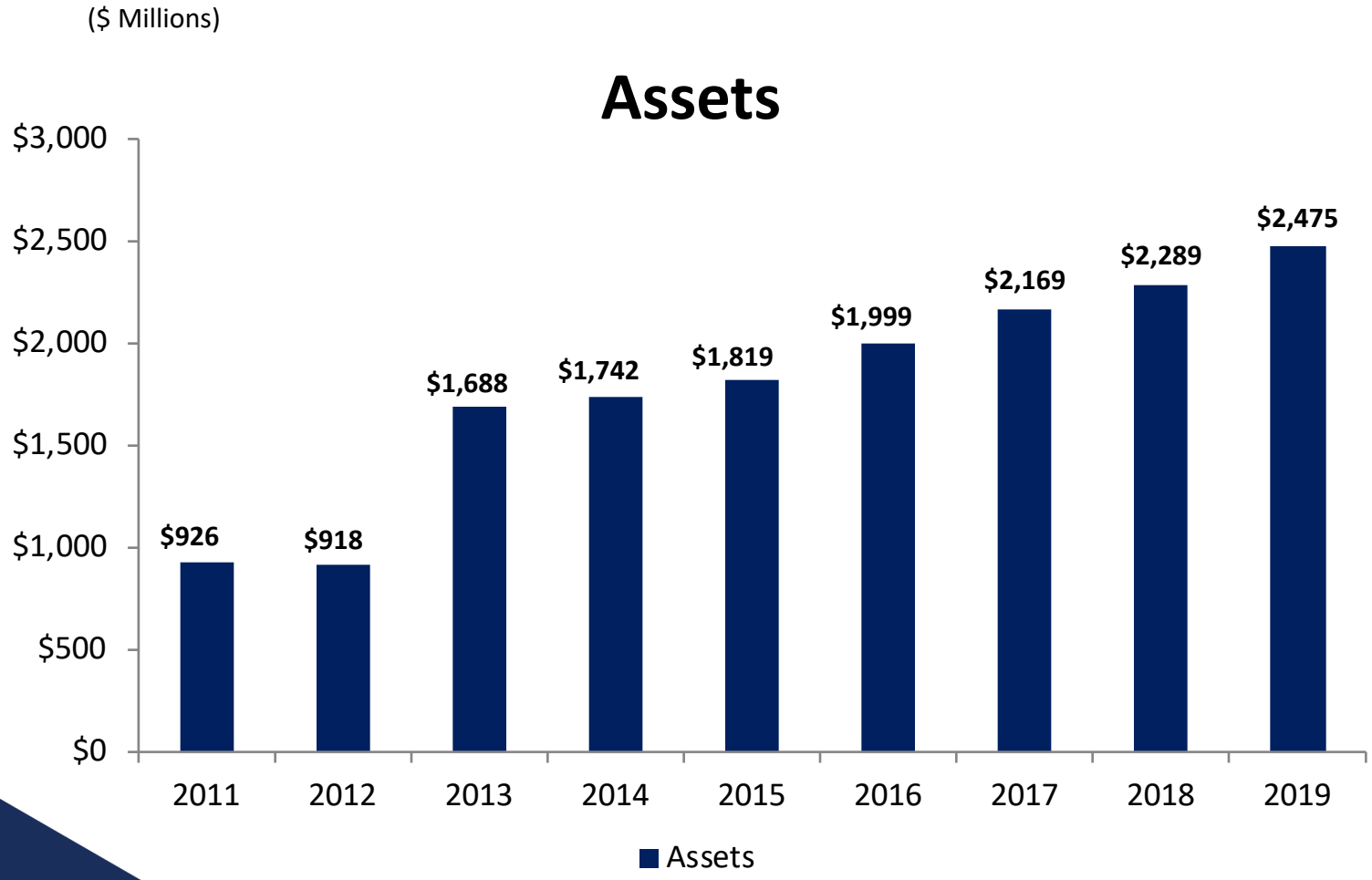
Tier One Risk Based Capital Ratio



	2011	2012	2013	2014	2015	2016	2017	2018	2019
PFIS	15.93%	16.80%	13.62%	14.75%	13.52%	12.49%	11.85%	11.95%	11.90%
PEER	13.64%	13.53%	13.64%	13.36%	12.75%	12.62%	12.66%	13.12%	13.21%

PFIS Source: Earnings Release, 10K
Peer Source: S&P Global
Mid-Atlantic: DE, NJ, NY, MD, PA banks
$1 - 5 Billion in Assets

COMPANY PERFORMANCE
ASSET GROWTH

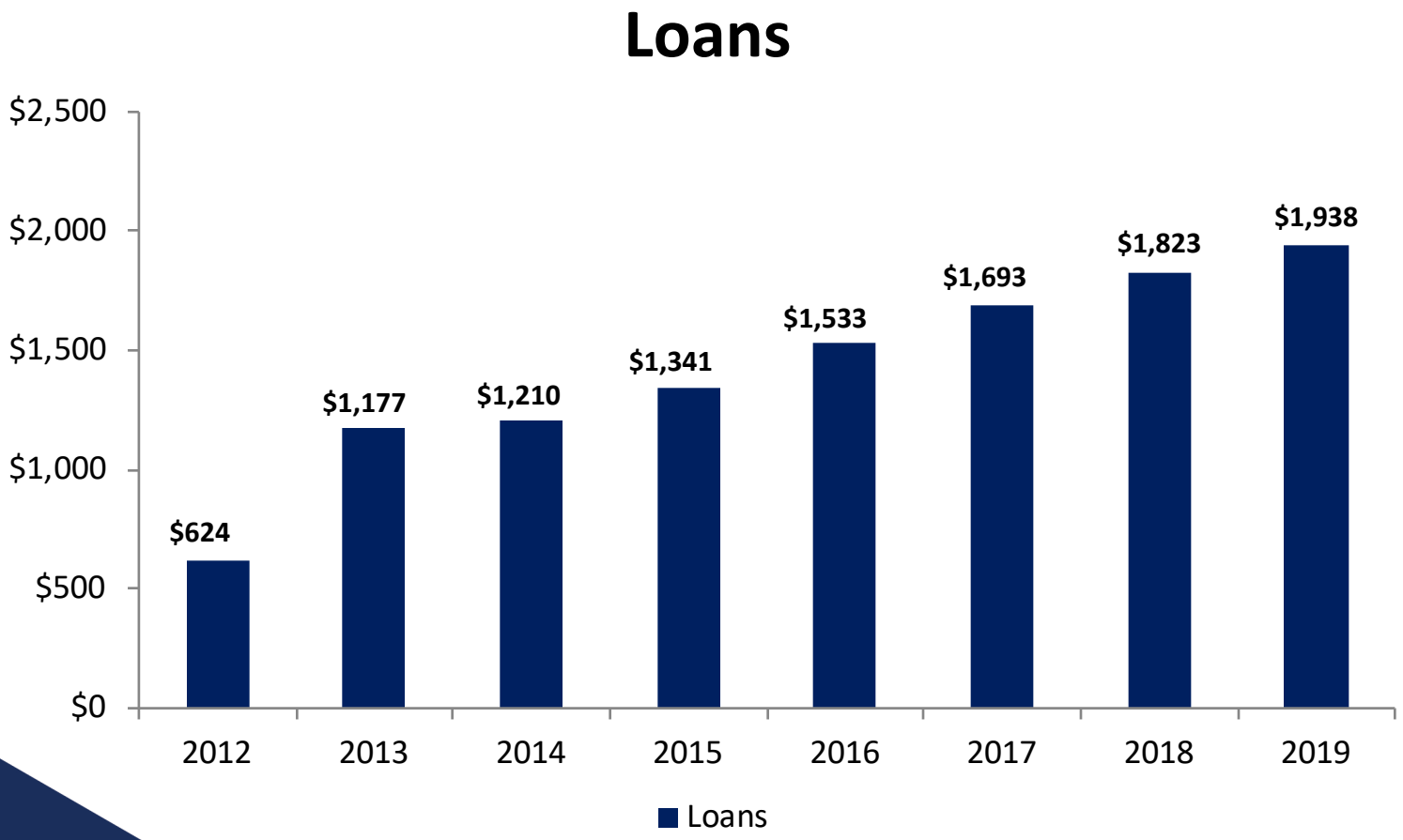


Compound Annual Growth Rate Since Merger = 6.6%

Source: Earnings Release, 10K

COMPANY PERFORMANCE
LOAN GROWTH

($ Millions)

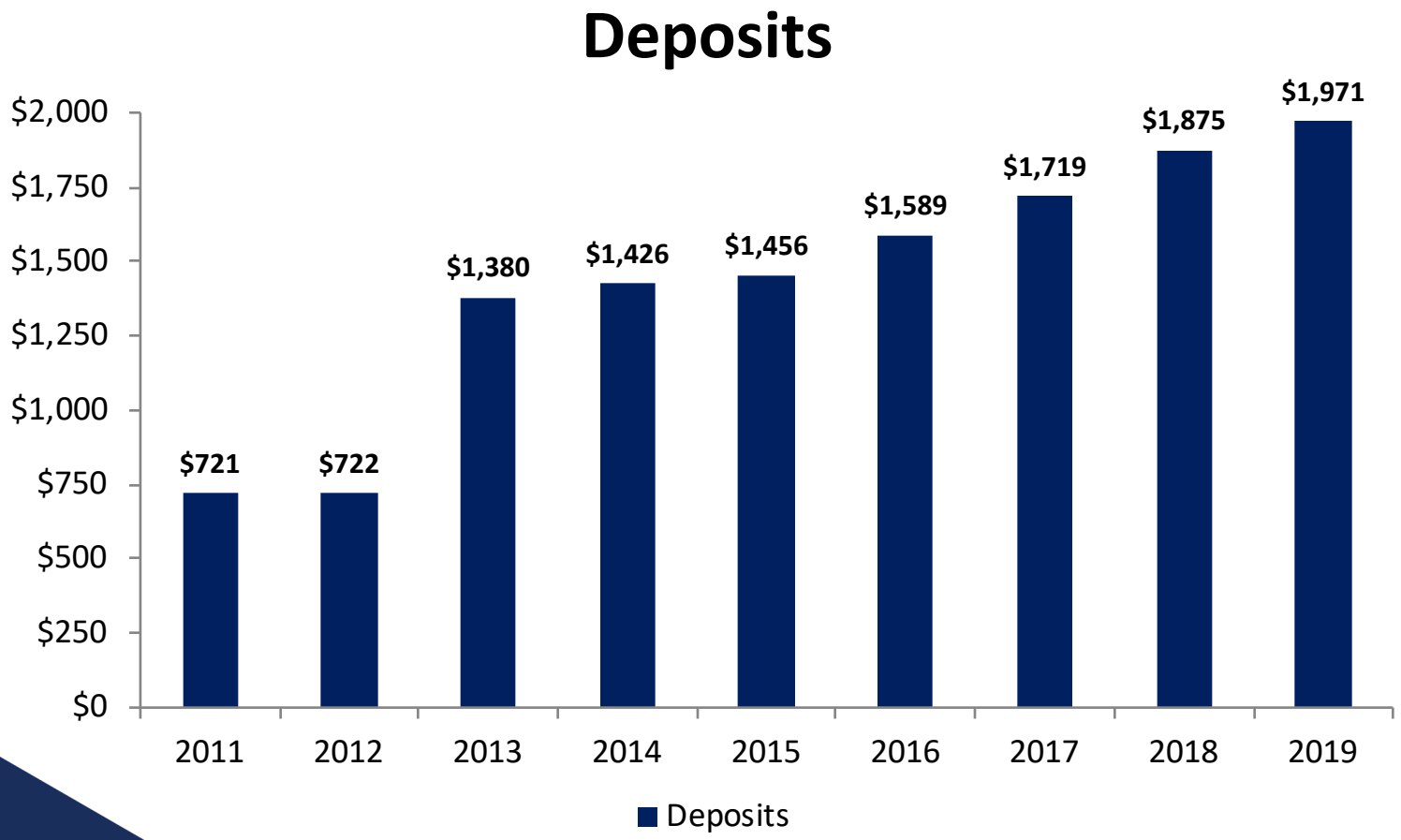


Compound Annual Growth Rate Since Merger = 8.7%

Source: Earnings Release, 10K

COMPANY PERFORMANCE
DEPOSIT GROWTH

($ Millions)



Compound Annual Growth Rate Since Merger = 6.1%

Source: Earnings Release, 10K

PEOPLES FINANCIAL SERVICES CORPORATION
Q1 2020 FINANCIAL RESULTS
INCOME STATEMENT COMPARISON

		Actual		VARIANCE '20A v. '19A	
		3/31/2020	3/31/2019	($)	(%)
(1)	Net interest income	$ 19,561	$ 18,297	$ 1,264	6.9%
(2)	Provision for loan losses	3,500	1,050	2,450	233.3%
(3)	Net interest income after provision	16,061	17,247	(1,186)	-6.9%
(4)	Noninterest income:				
(5)	Other noninterest income	2,657	2,532	125	4.9%
(6)	Wealth management income	893	884	9	1.0%
(7)	Total noninterest income	3,550	3,416	134	3.9%
(8)	Total Revenue	23,111	21,713	1,398	6.4%
(9)	Noninterest expense:				
(10)	Salaries and employee benefits expense	7,856	7,595	261	3.4%
(11)	Net occupancy and equipment	3,079	2,961	118	4.0%
(12)	Other expenses	2,716	2,934	(218)	-7.4%
(13)	Total Noninterest expense	13,651	13,490	161	1.2%
(14)	Pre-tax Net Income	5,960	7,173	(1,213)	-16.9%
(15)	Provision for income tax expense	679	761	(82)	-10.8%
(16)	Net income	$ 5,281	$ 6,412	$ (1,131)	-17.6%
(17)	EPS	$ 0.72	$ 0.87		

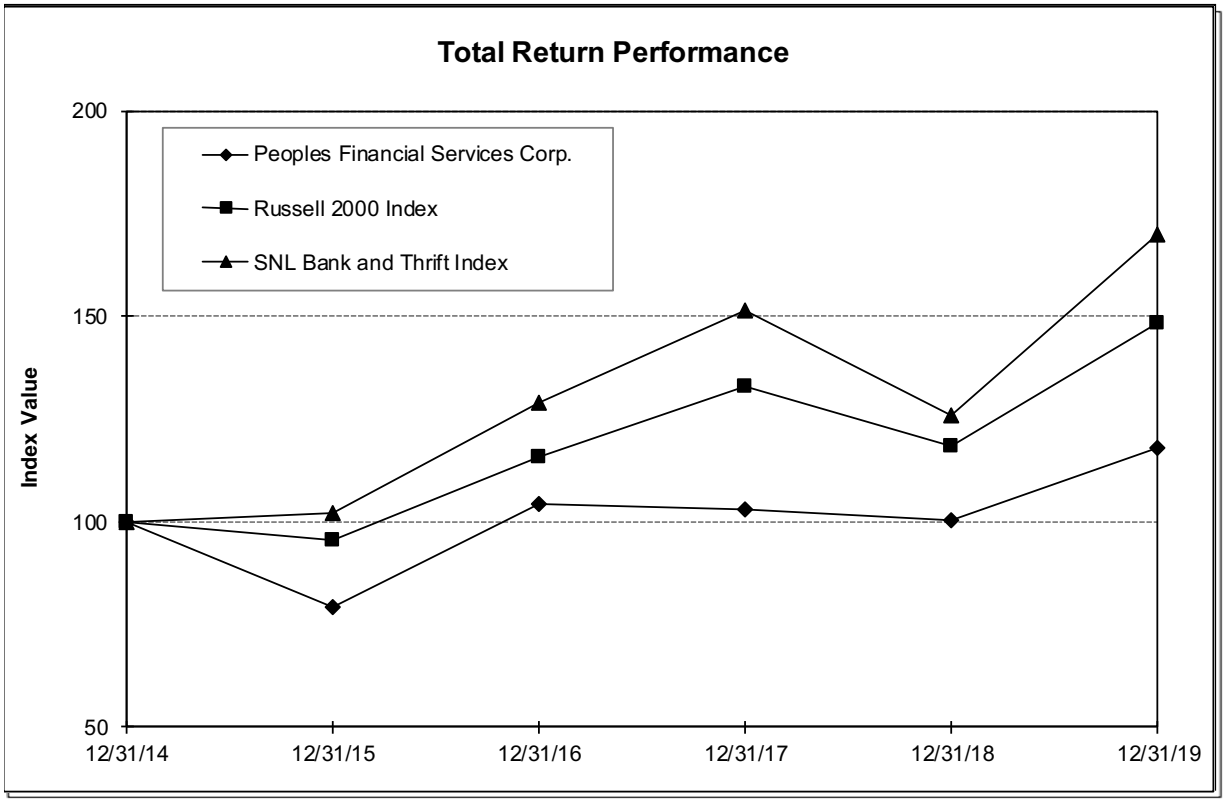
- Average loan growth of $119.9 million
- Increase ALLL for adverse impact of COVID-19

- Net gains on securities transactions
- Higher interest rate swap revenue '20

- Annual merit increases
- Added the Lebanon and Doylestown branches since the year ago period

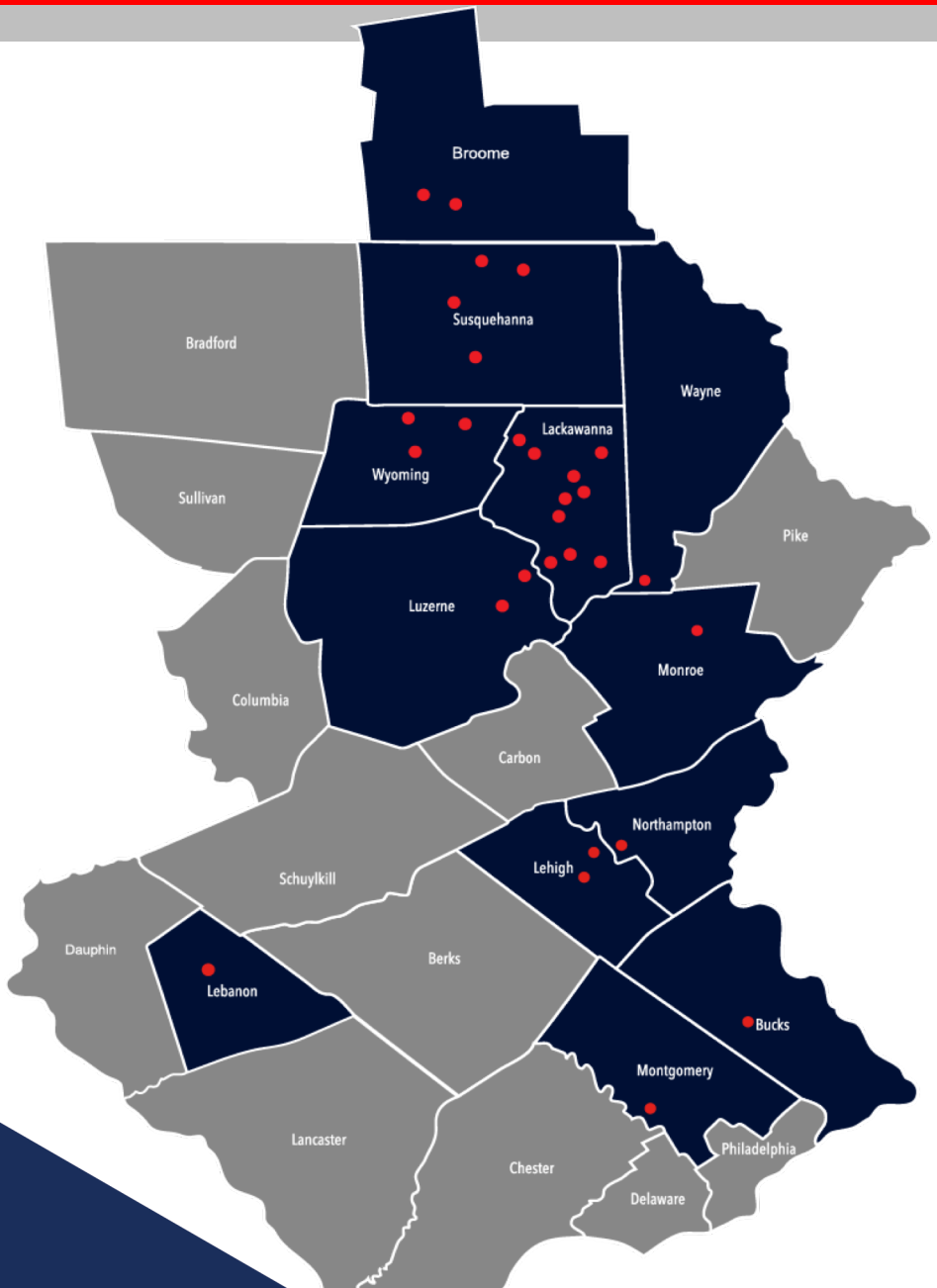
Peoples Financial Services Corp.

Peoples Financial Services Corp.



	Period Ending					
Index	**12/31/14**	**12/31/15**	**12/31/16**	**12/31/17**	**12/31/18**	**12/31/19**
Peoples Financial Services Corp.	100.00	79.12	104.47	102.87	100.20	118.04
Russell 2000 Index	100.00	95.59	115.95	132.94	118.30	148.49
SNL Bank and Thrift Index	100.00	102.02	128.80	151.45	125.81	170.04

MARKET AREA


Broome
Bradford
Susquehanna
Wayne
Lackawanna
Wyoming
Sullivan
Pike
Luzerne
Monroe
Columbia
Carbon
Northampton
Lehigh
Schuylkill
Dauphin
Berks
Lebanon
Bucks
Montgomery
Lancaster
Chester
Philadelphia
Delaware

STRATEGIC INITIATIVE

I. Market Expansion Initiatives 2019

- Added an experienced commercial team in Central Pennsylvania located in Lebanon
- Added administrative support and branch staff in Lebanon to support commercial team
- Opened Lebanon Business Center/Bank Branch in June

Market Expansion Initiatives 1Q2020

- Added a commercial lending team to our Greater Delaware Valley Region in Doylestown Bucks County
- Filed application to establish a full service business office in Doylestown
- Opened Doylestown Business office in early March

Peoples Response to COVID-19 Pandemic

February 2020

Actions
Pandemic Tabletop Exercise held. Forty-five (45) employees have capability to work remotely.
Educated employees on COVID-19 CDC best practices.
Identified additional staff to work remotely.

Peoples Response to COVID-19 Pandemic
March 2020

Actions
Human Resource Department implemented pandemic plan.
Reviewed Contingency Liquidity Fund Plan; no triggers are breached.
Senior Management updates held twice daily. Received 100 laptops to allow a greater number of employees to work remotely. Initial mass customer communication sent describing operational changes in response to COVID-19.
Halted Stock Buyback Plan.
Tested our line of credit at the Federal Reserve Bank.
Retail and Commercial Loans Modification Plan approved by Credit Committee.
Increase brokered deposit capacity from $124MM to $248MM.

Peoples Response to COVID-19 Pandemic
April 2020

Actions
Implemented drive-thru only, and by appointment operating procedures for branch network.
Participated in Paycheck Protection Program (PPP) to support our small-business customers.
Provided meals to 1,200 healthcare professionals at 10 hospitals through out our region.
Donated $14,000 to local area food banks.
Masks are made mandatory.
Temperature testing began at our facilities.

INVESTOR RELATIONS CONTACTS AND INFORMATION SOURCES

INVESTOR SERVICES:

•Transfer Agent:

American Stock Transfer
and Trust, LLC
(800) 937-5449
–Dividend Reinvestment
–Direct Deposit
–Stock Purchase Plan

•Market Makers

Boenning & Scattergood	(610) 862-5368
Griffin Financial Group	(757) 955-8444
Keefe, Bruyette & Woods	(212) 887-8996
Piper Sandler	(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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