Consolidated Statements of Income and Comprehensive Income
(Dollars in thousands, except per share data)

March 31	Three Months Ended 2014	2013
Interest income:		
Interest and fees on loans:		
Taxable	$ 14,000	$ 7,377
Tax-exempt	635	410
Interest and dividends on investment securities available-for-sale:		
Taxable	928	439
Tax-exempt	829	623
Dividends	16	19
Interest on interest-bearing deposits in other banks	10	22
Interest on federal funds sold	14	
Total interest income	16,432	8,890
Interest expense:		
Interest on deposits	1,357	671
Interest on short-term borrowings	34	5
Interest on long-term debt	296	357
Total interest expense	1,687	1,033
Net interest income	14,745	7,857
Provision for loan losses	857	300
Net interest income after provision for loan losses	13,888	7,557
Noninterest income:		
Service charges, fees and commissions	1,624	961
Merchant services income	894	1,031
Commissions and fees on fiduciary activities	567	391
Wealth management income	187	90
Mortgage banking income	99	133
Life insurance investment income	189	119
Net gains on sale of investment securities available-for-sale		101
Total noninterest income	3,560	2,826
Noninterest expense:		
Salaries and employee benefits expense	5,168	3,583
Net occupancy and equipment expense	1,733	801
Merchant services expense	565	625
Amortization of intangible assets	343	64
Acquisition related expense	608	
Other expenses	2,870	2,052
Total noninterest expense	11,287	7,125
Income before income taxes	6,161	3,258
Income tax expense	1,463	737
Net income	4,698	2,521
Other comprehensive income (loss):		
Unrealized gains (loss) on investment securities available-for-sale	2,394	(476)
Reclassification adjustment for gains included in net income		(101)
Change in pension liability		
Income tax expense (benefit) related to other comprehensive income	838	(196)
Other comprehensive income (loss), net of income taxes	1,556	(381)
Comprehensive income	$ 6,254	$ 2,140
Per share data:		
Net income	$ 0.62	$ 0.56
Cash dividends declared	$ 0.31	$ 0.31
Average common shares outstanding	$ 7,550,253	$ 4,467,261

See notes to consolidated financial statements.

Consolidated Balance Sheets
(Dollars in thousands, except per share data)

	March 31, 2014	December 31, 2013
Assets:		
Cash and due from banks	$ 26,204	$ 30,004
Interest-bearing deposits in other banks	7,168	11,846
Federal funds sold	45,840	9,460
Investment securities:		
Available-for-sale	302,226	299,715
Held-to-maturity	16,607	17,295
Total investments	318,833	317,010
Loans held for sale	1,816	1,757
Loans, net	1,177,122	1,176,617
Less: allowance for loan losses	8,859	8,651
Net loans	1,168,263	1,167,966
Premises and equipment, net	25,579	26,119
Accrued interest receivable	5,366	5,866
Goodwill	63,370	63,370
Intangible assets	6,492	6,835
Other assets	49,330	47,988
Total assets	$ 1,718,261	$ 1,688,221
Liabilities:		
Deposits:		
Noninterest-bearing	$ 282,060	$ 279,942
Interest-bearing	1,122,006	1,099,565
Total deposits	1,404,066	1,379,507
Short-term borrowings	22,539	22,052
Long-term debt	35,838	36,743
Accrued interest payable	610	723
Other liabilities	12,643	10,404
Total liabilities	1,475,696	1,449,429
Stockholders' equity:		
Common stock: par value $2.00, authorized 25,000,000 shares, March 31, 2014, issued 7,803,403 shares; December 31, 2013, 7,806,789 shares	15,607	15,614
Capital surplus	146,035	146,109
Retained earnings	86,365	84,008
Accumulated other comprehensive loss	858	(698)
Less: treasury stock, at cost: March 31, 2014, 255,044 shares; December 31, 2013, 253,845 shares	6,300	6,241
Total stockholders' equity	242,565	238,792
Total liabilities and stockholders' equity	$ 1,718,261	$ 1,688,221

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 for the quarter ended March 31, 2014, 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 for the period ended December 31, 2013.

Consolidated Financial Highlights

(Dollars in thousands, except per share data)

Quarter ended March 31,	2014	2013	Change $	Change %
Financial Position:				
Assets	$ 1,718,261	$ 929,788	$ 788,473	84.80 %
Investment securities	318,833	172,248	146,585	85.10
Loans, net	1,177,122	636,283	540,839	85.00
Deposits	1,404,066	741,337	662,729	89.40
Stockholders' equity	242,565	133,225	109,340	82.07
Earning assets	1,550,779	851,476	699,303	82.13
Interest-bearing liabilities	$ 1,180,383	$ 641,507	$ 538,876	84.00 %
Financial Performance:				
Net interest income	$ 14,745	$ 7,857	$ 6,888	87.67 %
Provision for loan losses	857	300	557	185.67
Noninterest income	3,560	2,826	734	25.97
Noninterest expense	11,287	7,125	4,162	58.41
Provision for income tax expense	1,463	737	726	98.51
Net income	4,698	2,521	2,177	86.35
Comprehensive income	$ 6,254	$ 2,140	$ 4,114	192.24 %
Financial Ratios:				
Net income as a percentage of average total assets	1.13 %	1.11 %		
Net income as a percentage of average stockholders' equity	8.03	7.65		
Stockholders' equity as a percentage of total assets	14.12	14.33		
Net interest income as a percentage of average earning assets	4.09	4.05		
Loans, net as a percentage of deposits	83.84	85.83		
Net loans charged-off as a percentage of average loans, net	0.22 %	0.09 %		
Per Share Data:				
Net income	$ 0.62	$ 0.56		
Cash dividends declared	0.31	0.31		
Stockholders' equity	$ 32.13	$ 29.82		

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

Dear Fellow Shareholder:

I am pleased to report that your Company, which completed the merger with Penseco Financial Services Corporation ("Penseco") on November 30, 2013, recorded net income of $4.7 million, or $0.62 per share for the quarter ended March 31, 2014, compared to $2.5 million, or $0.56 per share, for the comparable quarter of 2013. The merger between Peoples and Penseco was accounted for as a reverse acquisition of Peoples by Penseco. As a result of the reverse merger, Peoples is the legal acquirer and Penseco is the accounting acquirer. In a reverse merger the historical financial statements are those of the accounting acquirer. The results for the quarter ended March 31, 2014, include pre-tax merger related expenses of approximately $608.0 thousand.

Total assets totaled $1.7 billion at the end of the first quarter of 2014. Loans, net increased to $1.2 billion at March 31, 2014, including loans acquired from the merger having an acquisition date fair value of $504.0 million, from $636.3 million at March 31, 2013. Deposits improved to $1.4 billion at the end of the first quarter 2014, including deposits assumed from the merger having an acquisition date fair value of $628.3 million, from $741.3 at the end of the first quarter 2013. Stockholders' equity equaled $242.6 million or $32.13 per share at March 31, 2014, and $238.8 million or $31.62 per share at December 31, 2013.

Dividends declared for the first three months of 2014 amounted to $0.31 per share representing a dividend payout ratio of 50.0%.

I would also like to report on two non-financial accomplishments which occurred shortly after the end of the first quarter, namely our listing on the NASDAQ Global Select Market and the successful conversion of our core processing system. We anticipate being able to realize certain cost savings associated with this conversion beginning in the third quarter of 2014.

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.

Best Regards,

Craig W. Best
President & CEO

Board of Directors

William E. Aubrey II
Chairman

Craig W. Best
President | CEO

Joseph G. Cesare, M.D.
James G. Keisling
P. Frank Kozik
Ronald G. Kukuchka
Richard S. Lochen, Jr.
Robert W. Naismith, Ph.D.
James B. Nicholas
Emily S. Perry
George H. Stover, Jr.
Steven L. Weinberger
Earle A. Wootton
Joseph T. Wright, Jr.

Offices

Abington	(570) 587-4898	Hallstead	(570) 879-2195
Binghamton		Hop Bottom	(570) 289-4124
Front St	(607) 721-8830	Meshoppen	(570) 833-5171
Binghamton		Minooka	(570) 955-1883
West Side	(607) 729-3832	Montrose	(570) 278-4100
Central City Scranton	(570) 346-7741	Moscow	(570) 842-7626
Conklin	(607) 722-2114	Mount Pocono	(570) 839-8732
Deposit	(607) 467-2571	Nicholson	(570) 942-2265
Duryea	(570) 457-1120	Old Forge	(570) 457-8345
East Scranton	(570) 342-9101	Peckville	(570) 383-2154
East Stroudsburg	(570) 420-0432	South Scranton	(570) 343-1151
Glenburn	(570) 585-5130	Susquehanna	(570) 853-4901
Gouldsboro	(570) 842-6473	Tunkhannock	(570) 836-2135
Green Ridge	(570) 346-4695	Wealth Management	(866) 334-6979

Common Stock Information

	High	Low	Dividends Declared
First Quarter, 2014	$42.26	$37.85	$0.31
Fourth Quarter, 2013	39.50	31.53	0.31
Third Quarter, 2013	33.37	29.70	0.31
Second Quarter, 2013	30.43	27.21	0.31

The per share information listed above is that of Penseco Financial Services Corporation, the accounting acquirer, adjusted for the exchange ratio of 1.3636, up to the merger closing date of November 30, 2013. Per share information post closing is that of Peoples Financial Services Corp.

Market Makers

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

The common stock of Peoples Financial Services Corp. trades on the NASDAQ Global Select Market under the symbol PFIS. Stockholders, analysts, portfolio managers and others seeking financial information should contact Scott A. Seasock, CFO at (570) 879-6122.

Dividend Reinvestment

American Stock Transfer and Trust Company administers a Dividend Reinvestment Plan whereby stockholders may increase their investment in additional shares of common stock. Contact American Stock Transfer and Trust Company, 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 American Stock Transfer and Trust Company at (800) 937-5449.

World Wide Web 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 Street, Scranton, PA 18503 Attn: Marie L. Luciani, Investor Relations Officer at (570) 346-7741 x2352 or through our website at http://www.psbt.com.

Peoples Financial SERVICES CORP.

QUARTERLY REPORT

March 31, 2014