Consolidated Statements of Income and Comprehensive Income

(Dollars in thousands, except per share data)

June 30	Three Months Ended 2015	Three Months Ended 2014	Six Months Ended 2015	Six Months Ended 2014
Interest income:				
Interest and fees on loans:				
Taxable	$ 13,391	$ 13,159	$ 26,731	$ 27,159
Tax-exempt	570	507	1,129	1,142
Interest and dividends on investment securities:				
Taxable	816	942	1,716	1,870
Tax-exempt	835	817	1,640	1,646
Dividends	6	14	15	30
Interest on interest-bearing deposits in other banks	15	9	26	19
Interest on federal funds sold	5	34	9	48
Total interest income	15,638	15,482	31,266	31,914
Interest expense:				
Interest on deposits	1,192	1,414	2,460	2,771
Interest on short-term borrowings	4	24	12	58
Interest on long-term debt	252	289	511	585
Total interest expense	1,448	1,727	2,983	3,414
Net interest income	14,190	13,755	28,283	28,500
Provision for loan losses	750	1,201	1,500	2,058
Net interest income after provision for loan losses	13,440	12,554	26,783	26,442
Noninterest income:				
Service charges, fees and commissions	1,542	1,557	3,154	3,181
Merchant services income	963	888	1,753	1,782
Commissions and fees on fiduciary activities	487	548	946	1,115
Wealth management income	198	165	403	352
Mortgage banking income	248	193	470	292
Life insurance investment income	188	267	377	456
Net gains on sale of investment securities available-for-sale		160	832	160
Total noninterest income	3,626	3,778	7,935	7,338
Noninterest expense:				
Salaries and employee benefits expense	5,613	4,961	10,846	10,129
Net occupancy and equipment expense	2,149	2,327	4,617	4,060
Merchant services expense	650	495	1,183	1,060
Amortization of intangible assets	295	333	600	676
Acquisition related expense		1,008		1,616
Other expenses	2,804	3,115	5,359	5,985
Total noninterest expense	11,511	12,239	22,605	23,526
Income before income taxes	5,555	4,093	12,113	10,254
Income tax expense	1,124	762	2,638	2,225
Net income	4,431	3,331	9,475	8,029
Other comprehensive income (loss):				
Unrealized gains (loss) on investment securities available-for-sale	(1,459)	1,242	(692)	3,636
Reclassification adjustment for gains included in net income		(160)	(832)	(160)
Other comprehensive income (loss)	(1,459)	1,082	(1,524)	3,476
Income tax expense (benefit) related to other comprehensive income (loss)	(510)	378	(533)	1,216
Other comprehensive income (loss), net of income taxes	(949)	704	(991)	2,260
Comprehensive income	$ 3,482	$ 4,035	$ 8,484	$ 10,289
Per share data:				
Net income	$ 0.59	$ 0.44	$ 1.26	$ 1.06
Cash dividends declared	$ 0.31	$ 0.31	$ 0.62	$ 0.62
Average common shares outstanding	7,546,198	7,548,358	7,547,272	7,549,300

See notes to consolidated financial statements.

Consolidated Balance Sheets

(Dollars in thousands, except per share data)

	June 30, 2015	December 31, 2014
Assets:		
Cash and due from banks	$ 28,847	$ 24,656
Interest-bearing deposits in other banks	6,710	6,770
Federal funds sold		
Investment securities:		
Available-for-sale	318,790	339,586
Held-to-maturity	13,626	14,665
Total investments	332,416	354,251
Loans held for sale	2,879	3,486
Loans, net	1,231,541	1,209,894
Less: allowance for loan losses	11,428	10,338
Net loans	1,220,113	1,199,556
Premises and equipment, net	26,552	25,433
Accrued interest receivable	5,507	5,580
Goodwill	63,370	63,370
Intangible assets	4,901	5,501
Other assets	56,460	53,066
Total assets	$ 1,747,755	$ 1,741,669
Liabilities:		
Deposits:		
Noninterest-bearing	$ 296,823	$ 313,498
Interest-bearing	1,127,944	1,112,060
Total deposits	1,424,767	1,425,558
Short-term borrowings	25,860	19,557
Long-term debt	31,663	33,140
Accrued interest payable	443	574
Other liabilities	14,618	16,061
Total liabilities	1,497,351	1,494,890
Stockholders' equity:		
Common stock	15,086	15,097
Capital surplus	140,045	140,214
Retained earnings	97,093	92,297
Accumulated other comprehensive loss	(1,820)	(829)
Total stockholders' equity	250,404	246,779
Total liabilities and stockholders' equity	$ 1,747,755	$ 1,741,669

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 quarter ended June 30, 2015, 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)

Six months ended June 30,	2015	2014	Change $	Change %
Financial Position:				
Assets	$ 1,747,755	$ 1,731,106	$ 16,649	0.96 %
Investment securities	332,416	328,238	4,178	1.27
Loans, net	1,231,541	1,179,847	51,694	4.38
Deposits	1,424,767	1,422,802	1,965	0.14
Stockholders' equity	250,404	244,165	6,239	2.56
Earning assets	1,573,546	1,536,834	36,712	2.39
Interest-bearing liabilities	$ 1,185,467	$ 1,175,893	$ 9,574	0.81 %
Financial Performance:				
Net interest income	$ 28,283	$ 28,500	$ (217)	(0.76) %
Provision for loan losses	1,500	2,058	(558)	(27.11)
Noninterest income	7,935	7,338	597	8.14
Noninterest expense	22,605	23,526	(921)	(3.91)
Provision for income tax expense	2,638	2,225	413	18.56
Net income	9,475	8,029	1,446	18.01
Comprehensive income	$ 8,484	$ 10,289	$ (1,805)	(17.54) %
Financial Ratios:				
Net income as a percentage of average total assets	1.11 %	0.95 %		
Net income as a percentage of average stockholders' equity	7.71	6.79		
Stockholders' equity as a percentage of total assets	14.33	14.10		
Net interest income as a percentage of average earning assets	3.86	3.90		
Loans, net as a percentage of deposits	86.44	82.92		
Net loans charged-off as a percentage of average loans, net	0.07 %	0.18 %		
Per Share Data:				
Net income	$ 1.26	$ 1.06		
Cash dividends declared	0.62	0.62		
Stockholders' equity	$ 33.20	$ 32.35		

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

Dear Fellow Shareholder:

I am pleased to report that your Company recorded net income of $9.5 million, or $1.26 per share in the first six months of 2015, compared to $8.0 million, or $1.06 per share for the comparable period in 2014. Net interest income decreased $217 thousand, or 0.8 percent for the first half of 2015 versus 2014 while total noninterest income increased $597 thousand, or 8.1 percent and total noninterest expense decreased $921 thousand, or 3.9 percent when comparing the same period last year. As a result, the efficiency ratio decreased to 59.67% for the first six months of 2015 compared to 61.46% for the first six months of 2014.

Total assets increased $6.1 million in 2015. For the six months ended June 30, 2015, loans increased $21.6 million or 3.6 percent annualized while total deposits decreased $791 thousand or 0.1 percent annualized. Stockholders' equity equaled $250.4 million or $33.20 per share at June 30, 2015 compared to $246.8 million or $32.69 per share at year end 2014. Dividends declared amounted to $0.62 per share representing a dividend payout ratio of 49.2%.

With respect to other notable accomplishments, nonperforming assets continue to decrease as the result of the efforts of our asset quality group. Nonperforming assets decreased to $10.5 million or 0.86% of loans, net and foreclosed assets at June 30, 2015 compared to $11.3 million or 0.91% at the end of the first quarter of 2015 and $10.9 million or 0.90% at December 31, 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 and
Chief Executive Officer

Board of Directors

Offices

Abington	(570) 587-4898	Hallstead	(570) 879-2195
Bethlehem	(610) 691-1202	Hop Bottom	(570) 289-4124
Binghamton Front St	(607) 721-8830	Meshoppen	(570) 833-5171
Binghamton West Side	(607) 729-3832	Minooka	(570) 955-1883
Central City Scranton	(570) 346-7741	Montrose	(570) 278-4100
Conklin	(607) 722-2114	Moscow	(570) 842-7626
Duryea	(570) 457-1120	Mount Pocono	(570) 839-8732
East Scranton	(570) 342-9101	Nicholson	(570) 942-2265
Glenburn	(570) 585-5130	Old Forge	(570) 457-8345
Gouldsboro	(570) 842-6473	Peckville	(570) 383-2154
Green Ridge	(570) 346-4695	South Scranton	(570) 343-1151
		Susquehanna	(570) 853-4901
		Tunkhannock	(570) 836-2135
		Wealth Management	(866) 334-6979

Common Stock Information

	High	Low	Dividends Declared
Second Quarter, 2015	$43.76	$36.89	$0.31
First Quarter, 2015	49.26	39.35	0.31
Fourth Quarter, 2014	52.52	44.17	0.31
Third Quarter, 2014	$52.52	$45.99	$0.31

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 under the symbol PFIS. Stockholders, analysts, portfolio managers and others seeking financial information should contact Scott A. Seasock, CFO at (570) 346-7741 x2324.

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

June 30, 2015