Consolidated Statements of Income and Comprehensive Income

(Dollars in thousands, except per share data)

September 30	Three Months Ended 2015	Three Months Ended 2014	Nine Months Ended 2015	Nine Months Ended 2014
Interest income:				
Interest and fees on loans:				
Taxable	$ 13,341	$ 13,876	$ 40,072	$ 41,035
Tax-exempt	585	465	1,714	1,607
Interest and dividends on investment securities:				
Taxable	792	1,007	2,508	2,877
Tax-exempt	858	816	2,498	2,462
Dividends	9	2	24	32
Interest on interest-bearing deposits in other banks	13	10	39	29
Interest on federal funds sold		16	9	64
Total interest income	15,598	16,192	46,864	48,106
Interest expense:				
Interest on deposits	1,229	1,354	3,689	4,125
Interest on short-term borrowings	11	9	23	67
Interest on long-term debt	245	279	756	864
Total interest expense	1,485	1,642	4,468	5,056
Net interest income	14,113	14,550	42,396	43,050
Provision for loan losses	900	666	2,400	2,724
Net interest income after provision for loan losses	13,213	13,884	39,996	40,326
Noninterest income:				
Service charges, fees and commissions	1,531	1,634	4,685	4,815
Merchant services income	1,183	1,002	2,936	2,784
Commissions and fees on fiduciary activities	541	575	1,487	1,690
Wealth management income	224	217	627	569
Mortgage banking income	197	142	667	434
Life insurance investment income	192	109	569	565
Net gains on sale of investment securities available-for-sale	147	701	979	861
Total noninterest income	4,015	4,380	11,950	11,718
Noninterest expense:				
Salaries and employee benefits expense	5,397	4,754	16,243	14,883
Net occupancy and equipment expense	2,246	2,020	6,863	6,080
Merchant services expense	823	662	2,006	1,722
Amortization of intangible assets	296	334	896	1,010
Acquisition related expense		109		1,725
Other expenses	2,944	3,205	8,303	9,190
Total noninterest expense	11,706	11,084	34,311	34,610
Income before income taxes	5,522	7,180	17,635	17,434
Income tax expense	1,113	1,944	3,751	4,169
Net income	4,409	5,236	13,884	13,265
Other comprehensive income (loss):				
Unrealized gains (loss) on investment securities available-for-sale	826	(825)	134	2,811
Reclassification adjustment for gains included in net income	(147)	(701)	(979)	(861)
Other comprehensive income (loss)	679	(1,526)	(845)	1,950
Income tax expense (benefit) related to other comprehensive income (loss)	237	(534)	(296)	682
Other comprehensive income (loss), net of income taxes	442	(992)	(549)	1,268
Comprehensive income	$ 4,851	$ 4,244	$ 13,335	$ 14,533
Per share data:				
Net income	$ 0.58	$ 0.70	$ 1.84	$ 1.76
Cash dividends declared	$ 0.31	$ 0.31	$ 0.93	$ 0.93
Average common shares outstanding	7,536,824	7,548,358	7,543,751	7,548,983

See notes to consolidated financial statements.

Consolidated Balance Sheets

(Dollars in thousands, except per share data)

	September 30, 2015	December 31, 2014
Assets:		
Cash and due from banks	$ 36,015	$ 24,656
Interest-bearing deposits in other banks	4,970	6,770
Federal funds sold		
Investment securities:		
Available-for-sale	299,832	339,586
Held-to-maturity: Fair value September 30, 2015, $13,582; December 31, 2014, $15,215	13,107	14,665
Total investments	312,939	354,251
Loans held for sale	3,439	3,486
Loans, net	1,270,545	1,209,894
Less: allowance for loan losses	12,043	10,338
Net loans	1,258,502	1,199,556
Premises and equipment, net	27,002	25,433
Accrued interest receivable	5,327	5,580
Goodwill	63,370	63,370
Intangible assets	4,606	5,501
Other assets	56,600	53,066
Total assets	$ 1,772,770	$ 1,741,669
Liabilities:		
Deposits:		
Noninterest-bearing	$ 303,741	$ 313,498
Interest-bearing	1,140,909	1,112,060
Total deposits	1,444,650	1,425,558
Short-term borrowings	30,250	19,557
Long-term debt	31,000	33,140
Accrued interest payable	496	574
Other liabilities	14,286	16,061
Total liabilities	1,520,682	1,494,890
Stockholders' equity:		
Common stock: par value $2.00, authorized 25,000,000 shares, issued and outstanding:		
September 30, 2015, 7,519,109 shares; December 31, 2014, 7,548,358 shares	15,038	15,097
Capital surplus	139,263	140,214
Retained earnings	99,165	92,297
Accumulated other comprehensive loss	(1,378)	(829)
Total stockholders' equity	252,088	246,779
Total liabilities and stockholders' equity	$ 1,772,770	$ 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 September 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)

Nine months ended September 30,		2015		2014		Change $	Change %	
Financial Position:								
Assets	$	1,772,770	$	1,724,778	$	47,992	2.78	%
Investment securities		312,939		366,089		(53,150)	(14.52)	
Loans, net		1,270,545		1,179,942		90,603	7.68	
Deposits		1,444,650		1,425,628		19,022	1.33	
Stockholders' equity		252,088		246,069		6,019	2.45	
Earning assets		1,591,893		1,562,024		29,869	1.91	
Interest-bearing liabilities	$	1,202,159	$	1,163,883	$	38,276	3.29	%
Financial Performance:								
Net interest income	$	42,396	$	43,050	$	(654)	(1.52)	%
Provision for loan losses		2,400		2,724		(324)	(11.89)	
Noninterest income		11,950		11,718		232	1.98	
Noninterest expense		34,311		34,610		(299)	(0.86)	
Provision for income tax expense		3,751		4,169		(418)	(10.03)	
Net income		13,884		13,265		619	4.67	
Comprehensive income	$	13,335	$	14,533	$	(1,198)	(8.24)	%
Financial Ratios:								
Net income as a percentage of average total assets		1.07	%	1.04	%			
Net income as a percentage of average stockholders' equity		7.47		7.37				
Stockholders' equity as a percentage of total assets		14.22		14.27				
Net interest income as a percentage of average earning assets		3.82		3.88				
Loans, net as a percentage of deposits		87.95		82.77				
Net loans charged-off as a percentage of average loans, net		0.08	%	0.14	%			
Per Share Data:								
Net income	$	1.84	$	1.76				
Cash dividends declared		0.93		0.93				
Stockholders' equity	$	33.53	$	32.60				

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 $13.9 million, or $1.84 per share for the nine months ended September 30, 2015, compared to $13.3 million, or $1.76 per share for the comparable period in 2014. Net interest income decreased $654 thousand, or 1.5 percent through nine months in 2015 versus the same period in 2014 while total noninterest income increased $232 thousand, or 2.0 percent and total noninterest expense decreased $299 thousand, or 0.9 percent. For the nine months ended September 30, return on average assets was 1.07% in 2015 and 1.04% in 2014.

Total assets increased $31.1 million or 2.4 percent annualized in 2015. For the nine months ended September 30, 2015, loans increased $60.7 million or 6.7 percent annualized. Total deposits increased $19.1 million or 1.8 percent annualized through the third quarter of 2015. Stockholders' equity equaled $252.1 million or $33.53 per share at September 30, 2015 compared to $246.8 million or $32.69 per share at year end 2014. Dividends declared amounted to $0.93 per share representing a dividend payout ratio of 50.5%.

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
Bethlehem	(610) 691-1905
Binghamton Front St	(607) 721-8830
Binghamton West Side	(607) 729-3832
Central City Scranton	(570) 955-1700
Conklin	(607) 722-2114
Duryea	(570) 457-1120
East Scranton	(570) 342-9101
Glenburn	(570) 585-5130
Gouldsboro	(570) 842-6473
Green Ridge	(570) 346-4695
Hallstead	(570) 879-2195
Hop Bottom	(570) 289-4124
Meshoppen	(570) 833-5171
Minooka	(570) 955-1883
Montrose	(570) 278-4100
Moscow	(570) 842-7626
Mount Pocono	(570) 839-8732
Nicholson	(570) 942-2265
Old Forge	(570) 451-7200
Peckville	(570) 383-2154
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
Third Quarter, 2015	$41.60	$34.56	$0.31
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

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 Avenue, 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

September 30, 2015