Consolidated Statements of Income and Comprehensive Income

(Dollars in thousands, except per share data)

March 31	Three Months Ended 2016	2015
Interest income:		
Interest and fees on loans:		
Taxable	$ 14,346	$ 13,340
Tax-exempt	751	559
Interest and dividends on investment securities:		
Taxable	687	900
Tax-exempt	875	805
Dividends	10	9
Interest on interest-bearing deposits in other banks	17	8
Interest on federal funds sold		7
Total interest income	16,686	15,628
Interest expense:		
Interest on deposits	1,283	1,268
Interest on short-term borrowings	77	8
Interest on long-term debt	360	259
Total interest expense	1,720	1,535
Net interest income	14,966	14,093
Provision for loan losses	1,200	750
Net interest income after provision for loan losses	13,766	13,343
Noninterest income:		
Service charges, fees and commissions	1,444	1,612
Merchant services income	914	790
Commissions and fees on fiduciary activities	482	459
Wealth management income	412	205
Mortgage banking income	204	222
Life insurance investment income	193	189
Net gains on sale of investment securities available-for-sale	242	832
Total noninterest income	3,891	4,309
Noninterest expense:		
Salaries and employee benefits expense	5,332	5,233
Net occupancy and equipment expense	2,437	2,468
Merchant services expense	632	533
Amortization of intangible assets	305	305
Other expenses	2,912	2,555
Total noninterest expense	11,618	11,094
Income before income taxes	6,039	6,558
Income tax expense	1,157	1,514
Net income	4,882	5,044
Other comprehensive income (loss):		
Unrealized gains on investment securities available-for-sale	995	767
Reclassification adjustment for gains included in net income	(242)	(832)
Income tax expense (benefit) related to other comprehensive income	264	(23)
Other comprehensive income (loss), net of income taxes	489	(42)
Comprehensive income	$ 5,371	$ 5,002
Per share data:		
Net income	$ 0.66	$ 0.67
Cash dividends declared	$ 0.31	$ 0.31
Average common shares outstanding	7,403,510	7,548,358

See notes to consolidated financial statements.

Consolidated Balance Sheets

(Dollars in thousands, except per share data)

	March 31, 2016	December 31, 2015
Assets:		
Cash and due from banks	$ 23,699	$ 28,218
Interest-bearing deposits in other banks	299	4,699
Federal funds sold		
Investment securities:		
Available-for-sale	264,175	284,935
Held-to-maturity: Fair value March 31, 2016, $12,322; December 31, 2015, $12,606	11,681	12,109
Total investment securities	275,856	297,044
Loans held for sale	78	
Loans, net	1,409,691	1,340,865
Less: allowance for loan losses	14,158	12,975
Net loans	1,395,533	1,327,890
Premises and equipment, net	29,386	28,157
Accrued interest receivable	5,455	5,796
Goodwill	63,370	63,370
Intangible assets	5,091	5,397
Other assets	63,603	58,487
Total assets	$ 1,862,370	$ 1,819,058
Liabilities:		
Deposits:		
Noninterest-bearing	$ 323,456	$ 320,978
Interest-bearing	1,152,003	1,134,832
Total deposits	1,475,459	1,455,810
Short-term borrowings	60,350	38,325
Long-term debt	59,773	60,354
Accrued interest payable	506	560
Other liabilities	14,837	15,241
Total liabilities	$ 1,610,925	1,570,290
Stockholders' equity:		
Common stock: par value $2.00, authorized 25,000,000 shares, issued and outstanding: March 31, 2016, 7,399,298 shares; December 31, 2015, 7,410,606 shares	14,799	14,821
Capital surplus	134,994	135,371
Retained earnings	103,288	100,701
Accumulated other comprehensive loss	(1,636)	(2,125)
Total stockholders' equity	251,445	248,768
Total liabilities and stockholders' equity	$ 1,862,370	$ 1,819,058

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 March 31, 2016, 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)

Quarter ended March 31,		2016		2015		Change $	Change %	
Financial Position:								
Assets	$	1,862,370	$	1,713,961	$	148,409	8.66	%
Investment securities		275,856		294,472		(18,616)	(6.32)	
Loans, net		1,409,691		1,237,168		172,523	13.94	
Deposits		1,475,459		1,416,278		59,181	4.18	
Stockholders' equity		251,445		249,458		1,987	0.80	
Earning assets		1,685,846		1,550,179		135,667	8.75	
Interest-bearing liabilities	$	1,272,126	$	1,143,559	$	128,567	11.24	%
Financial Performance:								
Net interest income	$	14,966	$	14,093	$	873	6.19	%
Provision for loan losses		1,200		750		450	60.00	
Noninterest income		3,891		4,309		(418)	(9.70)	
Noninterest expense		11,618		11,094		524	4.72	
Provision for income tax expense		1,157		1,514		(357)	(23.58)	
Net income		4,882		5,044		(162)	(3.21)	
Comprehensive income	$	5,371	$	5,002	$	369	7.38	%
Financial Ratios:								
Net income as a percentage of average total assets		1.06	%	1.20	%			
Net income as a percentage of average stockholders' equity		7.85		8.28				
Stockholders' equity as a percentage of total assets		13.50		14.55				
Net interest income as a percentage of average earning assets		3.81		3.88				
Loans, net as a percentage of deposits		95.54		87.35				
Net loans charged-off as a percentage of average loans, net		0.01	%	0.09	%			
Per Share Data:								
Net income	$	0.66	$	0.67				
Cash dividends declared		0.31		0.31				
Stockholders' equity	$	33.98	$	33.05				

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

Dear Fellow Shareholder:

I am pleased to report that your Company recorded earnings for the quarter ended March 31, of $4.9 million, or $0.66 per share in 2016, compared to $5.0 million, or $0.67 per share for 2015. Net interest income increased $873 thousand, or 6.2 percent in 2016 versus 2015 while total noninterest income decreased $418 thousand, or 9.7 percent and total noninterest expense increased $524 thousand, or 4.7 percent. For the quarter ended March 31, return on average assets was 1.06% in 2016 and 1.20% in 2015.

Total assets increased $43.3 million or 9.6 percent annualized in 2016. For the first three months of 2016, loans increased $68.8 million or 20.6 percent annualized. Total deposits increased $19.6 million or 5.4 percent annualized for the quarter ended March 31, 2016. Stockholders' equity equaled $251.4 million or $33.98 per share at quarter end March 31, 2016 compared to $248.8 million or $33.57 per share at year end 2015 and $249.5 million or $33.05 per share at March 31, 2015. Dividends declared amounted to $0.31 per share representing a dividend payout ratio of 47.0%.

With respect to our nonfinancial accomplishments, we consolidated our Front Street, Binghamton office into the West Side, Binghamton office which will improve our efficiency while maintaining a high level of service to our customers in the Binghamton market. With respect to technological enhancements, we began issuing the new chip enabled debit card to our customers. The chip enabled cards provide additional safety when completing point-of-sale ("POS") transactions using debit cards.

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	King of Prussia	(610) 265-0503
Bethlehem	(610) 691-1905	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
Hallstead	(570) 879-2195	Susquehanna	(570) 853-4901
Hop Bottom	(570) 289-4124	Tunkhannock	(570) 836-2135
		Wealth Management	(866) 334-6979

Common Stock Information

	High	Low	Dividends Declared
First Quarter, 2016	$38.77	$33.22	$0.31
Fourth Quarter, 2015	41.96	34.43	0.31
Third Quarter, 2015	41.60	34.56	0.31
Second Quarter, 2015	$43.76	$36.89	$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. is quoted on the NASDAQ under the symbol PFIS. Stockholders, analysts, portfolio managers and others seeking financial information should contact John R. Anderson III, Interim CFO at (570) 346-7741 extension 2317.

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

March 31, 2016