

PEOPLES FINANCIAL SERVICES CORP.
PEOPLES SECURITY BANK AND TRUST COMPANY
150 N. Washington Avenue, Scranton, PA 18503

COMPENSATION COMMITTEE CHARTER

Amended and Restated as of January 31, 2014

I. ORGANIZATION

A. Membership

The Compensation Committee (the "Committee") of the Board of Directors ("Board") of Peoples Financial Services Corp. (together with its subsidiaries, the "Company") shall consist of at least three members each of whom, in the opinion of the Board, is: (i) a "non-Employee Director" as defined in Rule 16b-3 ("Rule 16b-3") under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), (ii) an "outside director" for purposes of Section 162(m) of the Internal Revenue Code ("Section 162(m)"), (iii) independent, as required by any applicable regulations of the Securities and Exchange Commission ("SEC") and the requirements set forth in the listing rules and regulations of any national securities exchange or inter-dealer quotations system on which the Company's securities are listed or, in the event the Company's securities are not listed on any such exchange, chosen by the Board for disclosure purposes in accordance with SEC regulations; and (iv) "independent" in accordance with any additional independence criteria established by the Board from time to time.

Membership on the Committee shall be determined annually by the Board with the assistance of its Nominating and Governance Committee and in accordance with the By-laws of the Company. Unless a Chairman of the Committee is elected by the full Board, the members of the Committee may designate a Chairman of the Committee by majority vote of the full Committee membership. Should any member of the Committee cease to be independent, such member shall immediately resign his or her membership on the Committee. The Board may remove a member of the Committee at any time with or without cause. In the case of a vacancy on the Committee, the Board may appoint an independent director to fill the vacancy for the remainder of the term.

B. Meetings

The Committee shall meet at such times and from time to time as it deems to be appropriate, but not less than once annually. Members of the Committee may attend a meeting by telephone conference, but not be compensated, unless determined by the Board. The Committee may request any officer or employee of the Company or the Company's outside counsel or independent registered public accounting firm to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee.

Except as otherwise provided by statute or this Charter, the act of a majority of the Committee members present and voting at any meeting at which a quorum is present shall be the act of the Committee. Minutes of each meeting of the Committee shall be reduced to writing. The Committee shall report to the Board at the first regular Board meeting following each such

Committee meeting. The Committee may also act by unanimous written consent without a meeting.

In addition, compensation matters may be discussed in executive session or with the full Board during the course of the year.

II. COMPENSATION PHILOSOPHY

The Committee's compensation policies with respect to the Company's employees are based on the principles that the compensation should, to a significant extent, be reflective of the financial performance of the Company and that a portion of the executive officers' compensation should provide long term incentives. The Committee seeks to have compensation set at levels that are sufficiently competitive so that the Company may attract, retain and motivate high quality employees to contribute to the Company's success. In assessing overall compensation, the Committee considers, among other things, the Company's performance and industry position and reviews compensation levels at its peer group companies, which include companies selected on the basis of several factors, including geographic location, size, operating characteristics, and financial performance.

III. RESPONSIBILITIES

The following functions are the common recurring activities of the Committee in carrying out its responsibilities.

1. Review and approve the annual base salaries and annual incentive opportunities of the Company's Chief Executive Officer and other executive officers (collectively, the "Executive Officers"). The Chief Executive Officer shall not be present during any Committee deliberations or voting with respect to his or her compensation.
2. The Committee shall, periodically and as and when appropriate, review and approve the following as they affect the Executive Officers: (a) all other incentive awards and opportunities, including both cash-based and equity-based awards and opportunities; (b) any employment agreements and severance arrangements; (c) any change-in-control agreements and change-in-control provisions affecting any elements of compensation and benefits; and (d) any special or supplemental compensation and benefits for the Executive Officers and individuals who formerly served as the Executive Officers and individuals who formerly served as Executive Officers, including supplemental retirement benefits and the perquisites provided to them during and after employment.
3. Review and recommend to the Board new compensation programs; review periodically the operation of the Company's compensation programs to determine whether they are properly coordinated and achieving their intended purpose(s); establish and periodically review policies for the administration of compensation programs; and take steps to ensure that the Company's compensation programs comport with the compensation philosophy stated above.
4. Review and recommend to the Board policies in the area of senior management perquisites.

5. Review and recommend to the Board the terms of any employment agreement between the Company and any current or prospective Executive Officer.
6. Review and recommend to the Board the appropriate structure and amount of compensation for the Company's directors.
7. Review and approve recommend to the Board changes in the Company's employee benefit plans.
8. Administer the Company's compensation programs, including equity incentive programs, for all employees.
9. Review and provide guidance on the Company's human resource programs, which may include talent review and leadership development and "best place to work" initiatives.
10. Review and discuss with management the "Compensation Discussion and Analysis" portion of the Company's proxy statement.
11. Produce the Compensation Committee Report for the Company's proxy statement (and as incorporated by reference into the Company's Form 10-K), in compliance with applicable rules and regulations.
12. Oversee all matters relating to the outcome of shareholder advisory votes regarding executive compensation ("say-on-pay" votes), including recommending the frequency of such votes ("say-when-on-pay") to the Board.
13. Oversee the appropriate Committee response to a say-on-pay vote that does not achieve the required vote and, based on such result, determine if any compensation arrangement subject to such advisory voting should be modified.
14. Oversee risks and exposures associated with leadership assessment, and compensation programs and arrangements, including incentive plans, and reviewing and evaluating the Company's compensation policies and practices of compensating its employees, including non-executive officers, as they relate to risk management practices and risk-taking incentives.
15. Review and reassess the adequacy of this Committee and its Charter no less frequently than annually and recommend any proposed changes to the Board for consideration and approval.

The specificity of the above duties and responsibilities is set forth as a guide with the understanding that the Committee may diverge from this guide as appropriate, given the circumstances, provided that the Committee fulfills its duties and responsibilities under applicable laws, regulations and listing standards, and such other duties and responsibilities as may be specifically designated by the Board.

The Committee, in its discretion, may refer any matter that it has the authority to approve to the Board or other committee designated by the Board, together with its report and recommendation, unless such matter is required to be approved by a compensation committee comprised solely of independent directors under applicable law, regulation, or listing standards.

The Committee may form and delegate authority to a subcommittee consisting of one or more members to perform specified functions of the Committee, provided that only the full Committee or a subcommittee of two or more members may approve grants under the Company's equity incentive compensation plans that are intended to be exempt from the short-swing profit recovery rules of Section 16(b) of the Exchange Act by operation of Rule 16b-3, and any compensation intended to qualify as "performance-based compensation" within the meaning of Section 162(m) of the Code by virtue of being approved by a committee of "outside directors."

IV. AUTHORITY

The Committee will have the resources budgeted for it and authority necessary to discharge its duties and responsibilities. The Committee is directly responsible for the appointment, compensation and oversight of the work of any compensation consultant, legal counsel and other adviser retained by the compensation committee, but only after taking into consideration factors relevant to the adviser's independence from management as specified in NASDAQ Listing Rule 5605(d)(3), or an equivalent listing rule of any other national exchange. The Committee will be provided with appropriate funding by the Company, as determined by the Committee, for payment of reasonable compensation to a compensation consultant, legal counsel or any other adviser retained by the Committee, and ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties. In discharging its oversight role, the Committee is empowered to investigate any matter brought to its attention related to compensation matters. Any communications between the Committee and legal counsel in the course of obtaining legal advice will be considered privileged communications of the Company and the Committee will take all necessary steps to preserve the privileged nature of those communications.

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