PEOPLES FINANCIAL SERVICES CORP.
Form DEF 14A
April 03, 2015
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the

Securities Exchange Act of 1934

Filed by the Registrant x Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement

¨ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

x Definitive Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material Pursuant to §240.14a-12

PEOPLES FINANCIAL SERVICES CORP.

(Name of Registrant as Specified in its Charter)

NOT APPLICABLE

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

x No fee required.

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

1) Title of each class of securities to which transaction applies:

2) Aggregate number of securities to which transaction applies:

3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

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1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

3) Filing Party:

4) Date Filed:

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PEOPLES FINANCIAL SERVICES CORP.

150 North Washington Avenue

Scranton, Pennsylvania 18503

April 3, 2015

To Our Shareholders:

You are cordially invited to attend the 2015 Annual Meeting of Shareholders of Peoples Financial Services Corp. to be held on Saturday, May 9, 2015 at 9:00 a.m. local time at Shadowbrook Inn and Resort, 201 Resort Lane, Tunkhannock, Pennsylvania.

At the annual meeting, shareholders will be asked to consider and vote upon: the election of five directors to the Company s board of directors, each to serve until the 2018 annual meeting of shareholders and until his or her successor has been selected and qualified; a proposal to approve, on an advisory basis, the compensation of our named executive officers; the ratification of BDO USA, LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2015, and any other business as may properly be brought before the meeting.

On behalf of the board of directors, we urge you to submit your proxy by mail, telephone or internet as soon as possible, even if you currently plan to attend the annual meeting. This will not prevent you from voting in person at the meeting, but will assure that your vote is counted if you are unable to attend the annual meeting.

Your cooperation is appreciated, as shareholders entitled to cast at least a majority of the votes which all shareholders are entitled to cast must be represented at the annual meeting, either in person or by proxy, to constitute a quorum for the conduct of business.

Very truly yours,

William E. Aubrey II	Craig W. Best
Chairman of the Board	President and Chief Executive Officer

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PEOPLES FINANCIAL SERVICES CORP.

150 North Washington Avenue

Scranton, Pennsylvania 18503

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

TO BE HELD MAY 9, 2015

Notice is hereby given that the 2015 Annual Meeting of Shareholders of Peoples Financial Services Corp., referred to as we or the Company, will be held at Shadowbrook Inn and Resort, 201 Resort Lane, Tunkhannock, Pennsylvania on Saturday, May 9, 2015, at 9:00 a.m. local time, for the purpose of considering and voting upon the following matters:

Election of five directors to our board of directors, each to serve until the 2018 annual meeting of shareholders and until his or her successor has been elected and qualified;

A proposal to approve, on an advisory basis, the compensation of our named executive officers;

Ratification of BDO USA, LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2015; and

Such other business as may properly come before the meeting.

Shareholders of record at the close of business on February 27, 2015 are entitled to notice of and to vote at the annual meeting. Whether or not you contemplate attending the annual meeting, the board of directors of the Company recommends that you execute and return the enclosed proxy by mail or submit your proxy by telephone or the internet. You may revoke your proxy at any time prior to the exercise of the proxy by delivering to the Company a later dated proxy, by delivering a later dated written notice of revocation to the Company, or by voting your shares in person at the annual meeting.

Important Notice Regarding Availability of Proxy Materials for the Annual Meeting of Shareholders to Be Held on May 9, 2015:

Our proxy statement, annual report to shareholders, proxy card, and directions to attend the annual meeting are available at http://www.astproxyportal.com/ast/08838/.

BY ORDER OF THE BOARD OF DIRECTORS

DEBRA E. DISSINGER
Secretary

April 3, 2015

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PEOPLES FINANCIAL SERVICES CORP.

150 North Washington Avenue

Scranton, Pennsylvania 18503

PROXY STATEMENT FOR ANNUAL MEETING

OF SHAREHOLDERS TO BE HELD ON MAY 9, 2015

This proxy statement is being furnished to shareholders of Peoples Financial Services Corp., referred to as we or the Company, in connection with the solicitation by the board of directors of the Company of proxies to be voted at the annual meeting of shareholders to be held at Shadowbrook Inn and Resort, 201 Resort Lane, Tunkhannock, Pennsylvania at 9:00 a.m. local time on Saturday, May 9, 2015, or such later date to which the annual meeting may be adjourned or postponed.

At the annual meeting, you will be asked to consider and vote upon the following matters:

- Election of five directors to the Company s board of directors each to serve until the 2018 annual meeting of shareholders and until his or her successor has been elected and qualified;
- A proposal to approve, on an advisory basis, the compensation of our named executive officers;
- Ratification of BDO USA, LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2015; and
- Such other business as may properly come before the meeting.

Information regarding the election of directors and the other proposals is included in this proxy statement. Shareholders should carefully read this proxy statement.

The first date on which this proxy statement and the enclosed form of proxy are being sent to the shareholders of the Company is on or about April 3, 2015.

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A WARNING ABOUT FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements, in addition to historical information. Forward looking statements are typically identified by words or phrases such as believe, expect, anticipate, intend, estimate, project, and v of such words and similar expressions, or future or conditional verbs such as will, would, should, could, may, or similar expressions. Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, provide a safe harbor in regard to the inclusion of forward-looking statements in this document and any documents incorporated by reference.

You should note that many factors, some of which are discussed elsewhere in this document and in documents that are incorporated by reference, could affect the future financial results of Peoples Financial Services Corp. and its subsidiaries and could cause those results to differ materially from those expressed in the forward-looking statements contained or incorporated by reference in this document. These factors include, but are not limited, to the following:

- prevailing economic and political conditions, particularly in our market area;
- credit risk associated with our lending activities;
- changes in interest rates, loan demand, real estate values and competition;
- changes in accounting principles, policies, and guidelines;
- changes in any applicable law, rule, regulation or practice with respect to tax or legal issues;
- anticipated benefits of our merger with Penseco Financial Services Corporation, or other future acquisitions or business combinations, may be significantly harder or take longer to achieve than expected; and
- other economic, competitive, governmental, regulatory and technological factors affecting our operations, pricing, products and services and other factors that may be described in our Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q as filed with the Securities and Exchange Commission from time to time.

We caution that these forward-looking statements are subject to numerous assumptions, risks and uncertainties, all of which change over time, and we assume no duty to update forward-looking statements, except as may be required by applicable law or regulation, and except as required by applicable law or regulation, we do not undertake, and specifically disclaim any obligation, to publicly release any revisions to any forward-looking statements to reflect the occurrence of anticipated or unanticipated events or circumstances after the date of such statements. We caution readers not to place undue reliance on any forward-looking statements. These statements speak only as of the date made, and we advise readers that various factors, including those described above, could affect our financial performance and could cause actual results or circumstances for future periods to differ materially from those anticipated or projected.

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INFORMATION ABOUT VOTING

How are proxies being solicited?

This proxy solicitation is being made by and at the direction of the board of directors of the Company, and we will pay all expenses relating to the solicitation. In addition to the use of the mails, proxies may be solicited personally, by telephone or by other electronic means by officers, directors and employees of the Company and its subsidiary, Peoples Security Bank and Trust Company, or the Bank, who will not be compensated for such solicitation activities. Arrangements may be made with brokerage houses and other custodians, nominees and fiduciaries for forwarding solicitation materials to the beneficial owners of shares held of record by such persons, and the Company will reimburse those persons for their reasonable expenses.

What is on the agenda for the annual meeting?

The agenda for the annual meeting includes the election of five directors to the Company s board of directors, each to serve until the 2018 annual meeting of shareholders and until his or her successor has been elected and qualified, a proposal to approve, on an advisory basis, the compensation of our named executive officers, ratification of BDO USA, LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2015, and such other business as may properly come before the annual meeting. We are not aware of any such other business that may properly come before the annual meeting at the present time.

Who can vote?

You can vote at the annual meeting if you were a holder of our common stock at the close of business on the record date. The record date for the annual meeting is February 27, 2015. Each share of common stock you own as of the record date entitles you to one vote for each director to be elected in the election of directors and one vote on any other business as may properly come before the annual meeting. As of the record date, there were 7,548,358 shares of common stock outstanding and entitled to vote.

How do I vote if shares are held directly in my name?

If you hold your shares in certificate form and not through a bank, brokerage firm or other nominee, you may vote your shares in one of the following ways:

By Mail. If you choose to vote by mail, complete the enclosed proxy, date and sign it, and return it in the postage-paid envelope provided.

In Person. If you choose to vote in person, come to the annual meeting and cast your vote. If you attend the meeting, you may vote your shares in person even if you have previously submitted a proxy.

Telephonic voting. If you choose to vote by telephone, call toll-free 1-800-PROXIES (1-800-776-9437) in the United States or 1-718-921-8500 from foreign countries from any touch-tone telephone and follow the instructions. Have your proxy card available when you call, and use the company number and account number shown on your proxy card.

Internet Voting. If you choose internet voting, access www.voteproxy.com and follow the on-screen instructions. Have your proxy card available when you access the web page, and use the company number and account number shown on your proxy card.

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You may submit your proxy by telephone or via internet until 11:59 PM EDT the day before the meeting.

How do I vote if shares are held in street name or through a bank, brokerage firm or other nominee?

If you hold your shares in street name or through a bank, brokerage firm or other nominee, you will need to vote your shares by providing voting instructions to your bank, brokerage firm or other nominee, in accordance with the voting instruction form provided to you by your bank, brokerage firm or other nominee, or by obtaining a legal proxy from your bank, brokerage firm or other nominee authorizing you to vote those shares at the annual meeting. Only with a legal proxy from your bank, brokerage firm or other nominee can you cast your vote in person at the annual meeting.

How will my proxy be voted?

If you hold your shares directly in your name, unless you indicate differently on your proxy, we plan to vote signed and returned proxies **FOR** the election of the board s director nominees named in this proxy statement, **FOR** the proposal to approve, on an advisory basis, the compensation of our named executive officers, and **FOR** the ratification of BDO USA, LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2015.

If you hold your shares of the Company s common stock in street name (that is, through a broker or other nominee), under applicable rules, brokers have the discretion to vote on routine matters, such as the ratification of the selection of accounting firms, but do not have discretion to vote on non-routine matters. Over the past few years, changes in rules applicable to brokers have caused uncontested elections of directors, matters related to executive compensation, and matters related to corporate governance to be considered non-routine. If you hold your shares in street name, but do not give your broker or other nominee instructions on how to vote your shares, votes may not be cast on your behalf. If your broker or other nominee submits a proxy but does not vote your shares on a particular proposal because it has not received voting instructions from you, your shares will be considered to be broker non-votes with regard to that matter.

At or after the annual meeting, a judge of elections will tabulate ballots cast by shareholders present and voting in person and votes cast by proxy.

What is a broker non-vote?

A broker non-vote occurs when a bank or brokerage firm holding shares on behalf of a shareholder does not receive voting instructions from the shareholder by a specified date before the annual meeting and the bank or brokerage firm is not permitted to vote, or otherwise does not vote, those undirected shares on specified matters. Thus, if you do not give your broker specific instructions, your shares may not be voted on those matters (so-called broker non-votes) and will not be counted in determining the number of shares necessary for approval. Broker non-votes are not considered to be votes cast and, therefore, generally have no effect on the outcome of elections of directors or other business which are determined based on votes cast. Shares represented by broker non-votes will be counted, however, in determining the number of shares of common stock represented in person or by proxy and entitled to vote.

Can I revoke my proxy or change my vote after submitting my proxy?

Yes. Any shareholder giving a proxy has the right to attend the annual meeting and vote in person. A proxy may be revoked prior to the annual meeting if a later-dated proxy or a written revocation

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is sent to the Company at Peoples Financial Services Corp., 150 North Washington Avenue, Scranton, Pennsylvania 18503, Attn.: Secretary, and received prior to the annual meeting. In addition, a proxy may be revoked at the annual meeting by filing a later-dated proxy or by filing a written notice of such revocation with the Secretary of the Company at the annual meeting prior to the voting of such proxy.

What constitutes a quorum at the annual meeting and how are votes counted?

We need a quorum of shareholders to hold a valid annual meeting. A quorum will be present if shareholders entitled to cast at least a majority of the votes which all shareholders are entitled to cast are represented in person or by proxy at the annual meeting. Abstentions and broker non-votes are counted as present for the purpose of establishing a quorum.

How many votes are required for the election of directors?

Directors are elected by a plurality vote of shares of common stock cast in person or by proxy at the annual meeting, provided that a quorum is present. A plurality means that the candidates for election as directors receiving the highest number of votes, up to the number of directors to be elected, shall be elected. Because the election of directors is based on a plurality of the votes cast, abstentions and broker non-votes have no effect on the outcome of the vote. Shareholders are not entitled to cumulative voting in the election of directors.

How many votes are required to approve, on an advisory basis, the compensation of our named executive officers?

As long as a quorum is present, the affirmative vote of the holders, present in person or by proxy, of shares entitled to cast at least a majority of the votes which all shareholders are entitled to cast, is required to approve, on an advisory basis, the compensation of our named executive officers. Abstentions and broker non-votes will have the same effect as votes against this proposal.

How many votes are required for the ratification of the appointment of BDO USA, LLP?

As long as a quorum is present, the affirmative vote of the holders, present in person or by proxy, of shares entitled to cast at least a majority of the votes which all shareholders are entitled to cast, is required to ratify the appointment of BDO USA, LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2015. Abstentions and broker non-votes will have the same effect as votes against this proposal.

How many votes are required for any other proposals that may properly come before the annual meeting?

Any other proposals that may properly come before the annual meeting will be approved if the holders, present in person or by proxy, of shares entitled to cast at least a majority of the votes which all shareholders are entitled to cast are voted in favor of the action, unless the question is one upon which a different vote is required by express provision of law or by our articles of incorporation or our bylaws. Abstentions and broker non-votes will have the same effect as votes against any proposal that requires approval by a majority of the votes which all shareholders are entitled to cast. Abstentions and broker non-votes are not considered votes cast, however, and, as such, have no effect on the outcome of any proposals which would be approved based on votes cast. We are not aware of any such other proposals that may properly come before the annual meeting at the present time.

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ELECTION OF DIRECTORS

Our bylaws provide that the number of directors constituting the entire board will be not less than five nor more than twenty-five, with the exact number to be fixed from time to time by our board of directors.

Our bylaws also provide that our board of directors will be classified into three classes, each class to be as nearly equal in number, in respect to the time for which they severally hold office. At each annual meeting of shareholders, one class of directors is to be elected and each class of directors so elected will serve for a term of approximately three years.

It is intended that the proxies solicited by the board of directors will be voted **FOR** the five director nominees named below (unless the shareholder otherwise directs). If, for any reason, any nominee becomes unavailable for election or service on the board, the proxy solicited by the board of directors will be voted for such substituted nominee as is selected by the board of directors. The board has no reason to believe that any of the named nominees are not available or will not serve if elected.

Nominees for Director - Term Expiring In 2018

The board has nominated incumbent directors Richard S. Lochen, Jr., James B. Nicholas, Emily S. Perry, Steven L. Weinberger and Earle A. Wootton for election to the board of directors at the 2015- annual meeting of shareholders, each to serve until the 2018 annual meeting of shareholders and until his or her successor has been elected and qualified. The names of the director nominees and certain information about them are set forth below:

Richard S. Lochen, Jr., age 51, has been a director of Peoples Financial Services Corp. and Peoples Security Bank and Trust Company since 2003. He has been a Certified Public Accountant with the firm of Lochen & Chase PC since 1995. He was the former President/Chief Executive Officer of Peoples and Peoples Security Bank and Trust Company and Former Chief Administrative Officer of Peoples and Peoples Security Bank and Trust Company. The board has determined that Mr. Lochen is qualified to be on the board due to his knowledge of auditing publicly-traded financial institutions that he gained during his career as a CPA, which included assisting in preparation of annual and quarterly filings with the SEC. He also brings executive leadership experience and understanding of the operations of Peoples gained from his serving as Chief Executive Officer of Peoples and Peoples Security Bank and Trust Company for four years.

James B. Nicholas, age 63, was appointed as a director of Peoples Financial Services Corp. and Peoples Security Bank and Trust Company in connection with the consummation of the Penseco merger in November 2013. Prior to that, he served as a director of Penseco Financial Services Corporation and Penn Security Bank and Trust Company since 1981. The Company has concluded that Mr. Nicholas is qualified to serve as a director of the Company as a result of his substantial small company management experience, particularly within the region in which the Bank conducts its business, and his familiarity with the operations of the former Peoples Security Bank and Trust Company. Mr. Nicholas has served as the President of D.G. Nicholas Co., a wholesale auto parts company located in Scranton, Pennsylvania, since 1990. Through his oversight of D.G. Nicholas Co., Mr. Nicholas is able to obtain insight regarding the local business and consumer environment that is valuable to the Board of Directors in its oversight of the Company s and Bank s operations. His service as a director of Penseco and Penn Security has enabled him to develop a knowledge of their former operations, which is beneficial to the Company s Board.

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Emily S. Perry, age 75, was appointed as a director of Peoples Financial Services Corp. and Peoples Security Bank and Trust Company in connection with the consummation of the Penseco merger in November 2013. Prior to that, she served as a director of Penseco Financial Services Corporation and Penn Security Bank and Trust Company since 1983. The Company has concluded that Ms. Perry is qualified to serve as a director of the Company as a result of her insurance background, extensive community activities and familiarly with the operations of Penn Security Bank and Trust Company. Ms. Perry is a former insurance account executive which provided her with relevant experience, such as customer service and consideration of client financial needs, in an industry that complements the financial services provided by the Bank. In addition, through her participation in various community activities such as the Scranton Public Library and Arc of Northeastern Pennsylvania, Ms. Perry serves as a liaison between the Bank and the local community and provides the Board of Directors with additional opportunities to further the Company s charitable efforts. Her service as a director of Penseco and Penn Security has enabled her to develop a knowledge of their former operations, which is beneficial to the Company s Board.

Steven L. Weinberger, age 67, was appointed as a director of Peoples Financial Services Corp. and Peoples Security Bank and Trust Company in connection with the consummation of the Penseco merger in November 2013. Prior to that, he served as a director of Penseco Financial Services Corporation and Penn Security Bank and Trust Company since 1999. The Company has concluded that Mr. Weinberger is qualified to serve as a director of the Company as a result of his substantial small company management experience, particularly within the region in which the Bank conducts its business, and his familiarity with the operations of Penn Security Bank and Trust Company. Mr. Weinberger has served as the President of G. Weinberger Company, a mechanical contracting company located in Old Forge, Pennsylvania, since 1981. Through his oversight of G. Weinberger Company, Mr. Weinberger is able to obtain insight regarding the local business and consumer environment that is valuable to the Board of Directors in its oversight of the Company s and Bank s operations. His service as a director of Penseco and Penn Security has enabled him to develop a knowledge of their former operations, which is beneficial to the Company s Board.

Earle A. Wootton, age 69, has been a director of Peoples Financial Services Corp. and Peoples Security Bank and Trust Company since 2010. He is Chairman and Chief Executive Officer of Community Foundation of the Endless Mountains (formerly known as Community Foundation of Susquehanna and Wyoming Counties), a position he has held since 2005, and has served as President and Chief Executive Officer of Mountain Resource Partners, Inc. (formerly Montrose Publishing Company, Inc.) for approximately 30 years. The board has determined that Mr. Wootton is qualified to be on the board due to his executive management skills acquired through being chief executive officer of a printing company for 30 years. He also brings experience gained through being a previous director of a national bank for 18 years, and being the founder and chairman of a community foundation.

Continuing Directors

The names of our directors, whose current terms will continue after the 2015 annual meeting of shareholders, and certain information about them, are set forth below:

Term Expiring In 2016

William E. Aubrey II, age 51, has been a director of Peoples Financial Services Corp. and Peoples Security Bank and Trust Company since 2006 and Chairman of the board since 2008. He has been President and Chief Executive Officer of Gertrude Hawk Chocolates since 2003. The board has determined that Mr. Aubrey is qualified to be on the board due to his executive management experience gained by being President of two companies. He also brings knowledge gained by serving on several community boards, holds an MBA and is licensed as a CPA.

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Craig W. Best, age 54, was appointed as a director of Peoples Financial Services Corp. and Peoples Security Bank and Trust Company in connection with the consummation of the Penseco merger in November 2013. Prior to that, he served as a director of Penseco Financial Services Corporation and Penn Security Bank and Trust Company since 2006. The Company has concluded that Mr. Best is qualified to serve as a director of the Company as a result of his leadership and prior experience in the banking industry. Mr. Best served as President and Chief Executive Officer of Penseco Financial Services Corporation and Penn Security Bank and Trust Company from 2006 until the Penseco merger, at which time he was appointed as President and Chief Executive Officer of Peoples Financial Services Corp. and Peoples Security Bank and Trust Company. Prior to joining Penseco, Mr. Best served as Chief Operating Officer of First Commonwealth Bank, a $6.2 billion financial services institution headquartered in Indiana, Pennsylvania, from July 2000 to December 2005. During his employment with First Commonwealth Bank, Mr. Best was responsible for overseeing the day to day operations of all lines of business and administrative functions for First Commonwealth Bank. Before serving as Chief Operating Officer of First Commonwealth Bank, Mr. Best was President of NBOC, a $1.0 billion division of First Commonwealth Bank. This collective experience, along with his. knowledge of all aspects of the Company s and the Bank s business through his position as President and Chief Executive Officer, uniquely qualify Mr. Best for service on the Company s Board of Directors.

Joseph G. Cesare, M.D., age 77, was appointed as a director of Peoples Financial Services Corp. and Peoples Security Bank and Trust Company in connection with the consummation of the Penseco merger in November 2013. Prior to that, he served as a director of Penseco Financial Services Corporation and Penn Security Bank and Trust Company since 2009. The Company has concluded that Dr. Cesare is qualified to serve as a director of the Company as a result of his prior experience serving on the Board of Directors of Old Forge Bank. Dr. Cesare served as a director of Old Forge Bank from 2005 until April 1, 2009, when Old Forge Bank was acquired by Penn Security Bank and Trust Company. During this time, Dr. Cesare developed a detailed understanding of financial institutions which contributed to the successful integration of the Old Forge Bank and Penn Security Bank and Trust Company and which enables him to successfully serve the Company in this position. Additionally, Dr. Cesare is President of Scranton Orthopedic Specialists and has been practicing in the community as an orthopedic surgeon since 1974. Dr. Cesare s strong ties to the community will provide the Board of Directors with valuable insight into the local businesses and the current consumer environment.

Joseph T. Wright, Jr., age 58, has been a director of Peoples Financial Services Corp. and Peoples Security Bank and Trust Company since 2009. He has been an attorney at law with Wright Reihner PC since 1980. The board has determined that Mr. Wright is qualified to be on the board due to his experience and knowledge gained while being a practicing attorney for over thirty years with involvement in numerous financially complex matters related to disputes involving shareholders, employment matters, contracts, valuation issues, real estate matters, and general business issues related to risk assessment.

Term Expiring In 2017

James G. Keisling, age 67, was appointed as a director of Peoples Financial Services Corp. and Peoples Security Bank and Trust Company in connection with the consummation of the Penseco merger in November 2013. Prior to that, he served as a director of Penseco Financial Services Corporation and Penn Security Bank and Trust Company since 1984. Our board of directors determined that Mr. Keisling is qualified to serve as a director of the Company as a result of his substantial small company management experience, specifically in the region in which the Bank conducts its business, and previous service as a director of Penseco and other public companies. Mr. Keisling is the Treasurer of Northeast Architectural Products, Inc., a manufacturer of hardscape masonry products located in Archbald, Pennsylvania. Through his employment with Northeast Architectural Products, Inc., Mr. Keisling is able

to obtain insight regarding the local business and consumer environment that is valuable to the Board of Directors in its oversight of the Company s and Bank s operations. His service as a director of Penseco and Penn Security has enabled him to develop a knowledge of their former operations, which is beneficial to the Company s Board. In addition, Mr. Keisling served as a director of CPG International, Inc., a public company that manufactures plastic sheets products, from 2006 to 2008, and Vycom Corp., a public company that manufactures plastic sheets products, from 2006 to 2008.

P. Frank Kozik, age 75, was appointed as a director of Peoples Financial Services Corp. and Peoples Security Bank and Trust Company in connection with the consummation of the Penseco merger in November 2013. Prior to that, he served as a director of Penseco Financial Services Corporation and Penn Security Bank and Trust Company since 1981. Our board of directors concluded that Mr. Kozik is qualified to serve as a director of the Company as a result of his substantial small company management experience, specifically within the region in which the Bank conducts its business, and his familiarity with the operations of Penn Security Bank and Trust Company. Mr. Kozik is the Chief Executive Officer of Scranton Craftsmen, Inc., a corporation dealing in miscellaneous iron, redi-mix concrete and pre-cast concrete products located in Throop, Pennsylvania. Through his position with Scranton Craftsmen, Inc., Mr. Kozik is able to obtain insight regarding the local business and consumer environment that is valuable to the Board of Directors in its oversight of the Company s and Bank s operations. His service as a director of Penseco and Penn Security has enabled him to develop a knowledge of their former operations, which is beneficial to the Company s Board.

Ronald G. Kukuchka, age 60, has been a director of Peoples Financial Services Corp. and Peoples Security Bank and Trust Company since 2007. He has been President of Ace Robbins, Inc. since 1982. The board has determined that Mr. Kukuchka is qualified to be on the board due to his leadership skills gained from owning a successful petroleum company in our market area for over 25 years. He also brings experience gained by serving as director for the Pennsylvania Marketers & Convenience Store Association, director of the Tunkhannock Fireman s Relief Association, and from being trustee of the Roy Piper Charitable Trust.

Robert W. Naismith, Ph.D., age 70, was appointed as a director of Peoples Financial Services Corp. and Peoples Security Bank and Trust Company in connection with the consummation of the Penseco merger in November 2013. Prior to that, he served as a director of Penseco Financial Services Corporation and Penn Security Bank and Trust Company since 1988. The Company has concluded that Dr. Naismith is qualified to serve as a director of the Company as a result of his substantial company management experience, particularly within the region in which the Bank conducts its business, including his previous experience in the financial and securities industry. Dr. Naismith is Chairman of JuJaMa, Inc., a web-based software company which provides networking software to the conference industry. The company is located in Scranton, Pennsylvania. He also serves as Chairman and Chief Executive Officer of Roosevelt Capital Partners, LLC, an investment company also located in Scranton, Pennsylvania. Through his oversight of these companies, Dr. Naismith is able to obtain insight regarding business to business trends and the local and national business environment that is valuable to the Board of Directors in its oversight of the Bank s operations.

George H. Stover, Jr., age 67, has been a director of Peoples Financial Services Corp. and Peoples Security Bank and Trust Company since 1992. He is and has been a real estate appraiser since 1972. The board has determined that Mr. Stover is qualified to be on the board due to his leadership skills obtained from successfully operating his own insurance and real estate business for 40 years. In addition, Mr. Stover has expertise of real estate values due to being an experienced real estate appraiser.

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Recommendation

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR THE ELECTION OF EACH OF ITS NOMINEES TO THE BOARD OF DIRECTORS OF THE COMPANY TO SERVE UNTIL THE 2018 ANNUAL MEETING OF SHAREHOLDERS AND UNTIL HIS OR HER SUCCESSOR HAS BEEN ELECTED AND QUALIFIED.

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PROPOSAL TO APPROVE, ON AN ADVISORY BASIS,

THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS

As required pursuant to Section 14A of the Securities Exchange Act of 1934, as amended (commonly referred to as the Exchange Act), we are providing our shareholders with the opportunity to vote, on an advisory basis, on the compensation of our named executive officers as described in this proxy statement. This proposal, commonly known as a say-on-pay proposal, gives our shareholders the opportunity to express their views on the compensation of our named executive officers.

Even though this say-on-pay vote is advisory and therefore will not be binding on us, the members of our compensation committee and board of directors value the opinions of our shareholders. Accordingly, to the extent there is a significant vote against the compensation of our named executive officers, we will consider our shareholders concerns and the compensation committee will evaluate what actions may be appropriate to address those concerns.

Our executive compensation program is designed to attract, reward, and retain key employees, including our named executive officers, who are critical to our success. Under this program, our named executive officers are rewarded for the achievement of specific short-term and long-term goals that enhance shareholder value. Shareholders are urged to read the Compensation Discussion and Analysis and Executive Compensation sections of this proxy statement for greater detail about our executive compensation programs, including information about the fiscal year 2014 compensation of our named executive officers.

We are asking our shareholders to indicate their support for the compensation of our named executive officers as described in this proxy statement by voting in favor of the following resolution:

RESOLVED, that the compensation paid to the Company s named executive officers, as disclosed in this proxy statement pursuant to Item 402 of Regulation S-K, including the Compensation Discussion and Analysis, compensation tables and narrative discussion, is hereby APPROVED.

Recommendation

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR THE PROPOSAL TO APPROVE, ON AN ADVISORY BASIS, THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS BY THE ADOPTION OF THE FOREGOING RESOLUTION.

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RATIFICATION OF THE APPOINTMENT OF BDO USA, LLP

AS THE COMPANY S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

FOR THE FISCAL YEAR ENDING DECEMBER 31, 2015

The audit committee of our board of directors appointed BDO USA, LLP as the independent registered public accounting firm for the Company for the fiscal year ended December 31, 2015. BDO USA, LLP served as our independent registered public accounting firm for the Company for the fiscal year ended December 31, 2014. Representatives of the firm are expected to be present at the Annual Meeting and will have an opportunity to make a statement if they so desire and will be available to respond to appropriate questions.

On June 28, 2013, the audit committee of our board of directors approved the dismissal of ParenteBeard LLC and the engagement of BDO USA, LLP as the independent registered public accounting firm for the Company for the fiscal year ended December 31, 2013. The reports of ParenteBeard LLC on the Company s financial statements as of and for the years ended December 31, 2012 and December 31, 2011 did not contain an adverse opinion or a disclaimer of opinion, and were not qualified or modified as to uncertainty, audit scope, or accounting principles. During the Company s two most recent fiscal years and subsequent interim period preceding ParenteBeard LLC s dismissal, there were: (i) no disagreements with ParenteBeard LLC on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure, which disagreement, if not resolved to the satisfaction of ParenteBeard LLC would have caused ParenteBeard LLC to make reference to the subject matter of the disagreements in its reports on the consolidated financial statements of the Company; and (ii) no reportable events (as such term is defined in Item 304(a)(1)(v) of Regulation S-K).

The following table presents the aggregate fees, billed or expected to be billed, by BDO USA, LLP and ParenteBeard LLC, the Company s principal accountants, for the fiscal years ended December 31, 2014 and 2013, respectively.

	2014	**2013**	
Fee Category	**BDO USA**	**BDO USA**	**ParenteBeard**
Audit Fees (1)	273,133	656,881	31,700
Audit-Related Fees (2)			7,032
Tax Fees (3)	1,100	73,810	8,222
All Other Fees (4)			17,855
Total Fees	274,233	730,691	64,839

1. Audit Fees consist of the aggregate fees billed for professional services rendered by the independent registered public accounting firm for the audit of the Company s annual financial statements and review of financial statements included in the Company s quarterly reports on Form 10-Q, or services that are normally provided by the independent registered public accounting firm in connection with statutory and regulatory filings or engagements.
2. Audit-Related Fees consist of the aggregate fees billed for assurance and related services by the independent registered public accounting firm that are reasonably related to the performance of the audit or review of the Company s financial statements and are not reported under Audit Fees.
3. Tax Fees consist of the aggregate fees billed for professional services rendered by the independent registered public accounting firm for tax compliance, tax advice, and tax planning. The services

comprising the fees disclosed under this category include the preparation of state and federal tax returns as well as assisting with calculating estimated tax payments.

4. All Other Fees consist of the aggregate fees billed for products and services provided by the independent registered public accounting firm, other than the services reported under Audit Fees, Audit-Related Fees, and Tax Fees.

The audit committee s charter includes a formal policy concerning the pre-approval of audit and non-audit services (including the fees and terms thereof) to be provided by the independent registered public accounting firm of the Company, subject to the de minimis exception for non-audit services

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described in Section 10A(i)(1)(B) of the Exchange Act, which are approved by the audit committee prior to the completion of the audit. The policy requires that all services to be performed by BDO USA, LLP, including audit services, audit-related services and permitted non-audit services, be either pursuant to detailed pre-approval policies and procedures established by the committee as to the services to be performed, or presented to and pre-approved by the committee (subject to the de minimis exception). All services rendered by BDO USA, LLP are permissible under applicable laws and regulations, and the audit committee pre-approved all audit, audit-related and non-audit services performed by BDO USA, LLP and ParenteBeard LLC during 2014 and 2013. The audit committee has considered whether the provision of services after the audit services (as specified above) is compatible with maintaining BDO USA, LLP s independence and has determined that provision of such services has not adversely affected BDO USA, LLP s independence.

Recommendation

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR THE RATIFICATION OF THE APPOINTMENT OF BDO USA, LLP AS THE COMPANY S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE FISCAL YEAR ENDING DECEMBER 31, 2015.

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BOARD OF DIRECTORS AND COMMITTEES

Director Independence

Our common stock is listed on The Nasdaq Stock Market, LLC. Accordingly, our board evaluated the independence of each director and director nominee under the listing standards of The Nasdaq Stock Market, LLC. During this review, the board considered transactions and relationships between each director or any member of his immediate family and the Company and its subsidiaries and affiliates. The board also considered whether there were any transactions or relationships between directors or any member of their immediate family (or any entity of which a director or an immediate family member is an executive officer, general partner or significant equity holder) and members of our senior management or their affiliates.

As a result of this review, the board affirmatively determined that William E. Aubrey II, 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 and Joseph T. Wright, Jr. are independent under the listing standards of The Nasdaq Stock Market, LLC. In addition, the board determined that each member of our audit committee and compensation committee is independent in accordance with the additional independence criteria applicable to such committee members under the listing standards of The Nasdaq Stock Market, LLC, including the recently adopted listing standards regarding the independence of compensation committee members as determined after taking into account any relationship between such committee members and any compensation consultants engaged by the compensation committee. Only Craig W. Best, our Chief Executive Officer and President, was determined to be not independent.

In determining the independence of each director, the board considered that we, our subsidiaries, and our predecessor companies, in the ordinary course of business have purchased products and services from companies at which some of our directors or their immediate family members were officers or employees during 2014. The board determined that none of these relationships impaired the independence of the directors.

Board Meetings

During 2014, the board of directors held twelve meetings. There were no meetings of the independent directors. All of our directors attended at least 75% of board meetings and meetings of committees of the board on which such directors served.

We have no formal policy with respect to director attendance at our annual meeting of shareholders. All of our then-serving directors attended our 2014 annual meeting of shareholders, except for Steven Weinberger.

Board Leadership Structure and Role in Risk Oversight

The board of directors of the Company has determined that the separation of the offices of chairman of the board and chief executive officer enhances board independence and oversight. Moreover, the separation of the chairman of the board and chief executive officer allows the chief executive officer to better focus on his responsibilities relating to day-to-day management of the Company, enhancing shareholder value and expanding and strengthening the Company s franchise while allowing the chairman to lead the board in its fundamental role of providing advice to and independent oversight of management. Consistent with this determination, William E. Aubrey II serves as Chairman of the Board of the Company and Craig W. Best serves as Chief Executive Officer and President of the Company.

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Risk is inherent with every business, and how well a business manages risk can ultimately determine its success. We face a number of risks, including credit risk, interest rate risk, liquidity risk, operational risk, strategic risk, legal risk and reputational risk. Management, including our chief risk officer, is responsible for the day-to-day management of risks we face, while our board of directors, as a whole and through its committees, has responsibility for the oversight of risk management. In its risk management oversight role, the board of directors has the responsibility to satisfy itself that the risk management processes designed and implemented by management are adequate and functioning as designed. To do this, the Chairman of the Board meets regularly with management to discuss strategy and risks facing the Company. Senior management attends board meetings and is available to address any questions or concerns raised by the board on risk management. The Chairman of the Board and independent members of the board of directors work together to provide strong, independent oversight of the Company s management and affairs through its standing committees and, when necessary, special meetings of independent directors.

Primary responsibility for areas of risk oversight is allocated among our standing committees as follows:

Committee	**Primary Areas of Risk Oversight**
Audit Committee	Risks and exposures associated with financial matters, particularly financial reporting, tax, accounting, disclosure, internal control over financial reporting, financial policies, investment guidelines and credit and liquidity matters.
Nominating and Governance Committee	Risks and exposures associated with leadership, succession planning and corporate governance.
Compensation Committee	Risks and exposures associated with executive compensation programs and arrangements, including incentive plans.

Compensation Risk Management

Our compensation committee has reviewed the compensation policies and practices of the Company and has determined that the policies and practices do not motivate imprudent risk taking and are not reasonably likely to have a material adverse effect on the Company. The compensation committee is aware that compensation arrangements, if not properly structured, may encourage inappropriate risk-taking. An example of how the Peoples compensation programs protect against imprudent risk taking is the clawback agreement that executives are required to execute in connection with their participation in the Peoples Cash Incentive Program (as further described below).

Board Committees

As noted above, the board of directors of the Company conducts much of its business through committees of the board. During 2014, the board maintained standing audit, compensation and nominating committees. The Penseco merger agreement and our amended and restated bylaws provide that for a period of three years following the Penseco merger (which became effective on November 30, 2013), unless eighty percent of the directors determine otherwise, former Penseco directors are to have pro rata representation on all committees of the board of directors. Our Board committees composition during 2014 complied with this requirement, as more particularly described below.

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Audit Committee

During the fiscal year ended December 31, 2014, directors Lochen, Keisling, Kukuchka, Naismith, Weinberger and Wootton comprised the audit committee.

Each member of the audit committee was independent under the requirements of The Nasdaq Stock Market, LLC relating to audit committee members. The board of directors has determined that director Richard S. Lochen, Jr. qualifies as an audit committee financial expert, as defined under the rules of the Securities and Exchange Commission, or SEC. The audit committee met five times in 2014.

The audit committee is governed by a formal charter approved by the board of directors, a current copy of which is available at the Company s website, psbt.com, at the Governance Documents page under Investor Relations. The primary purposes, duties and responsibilities of the audit committee include:

- oversee our accounting and financial reporting processes, including management s preparation of financial reports and other financial information;
- oversee our management s maintenance of internal controls and procedures for financial reporting, accounting and financial reporting processes generally;
- assist our board of directors Board in its oversight of our compliance with legal and regulatory requirements;
- evaluate the independence and oversee the performance of our independent registered public accounting firm and oversee the audits of the financial statements of the Company;
- assist our board of directors in risk assessment and risk management;
- pre-approve all auditing services and permitted non-audit services (including the fees for such services and terms thereof) to be performed by our independent registered public accounting firm;
- establish and periodically review and, as appropriate, revise, procedures for the receipt, retention, and treatment of complaints regarding accounting, internal accounting controls, or auditing matters, and the confidential, anonymous submission by our employees of concerns regarding questionable accounting or auditing matters;
- oversee our internal audit function; and
- oversee any related party transactions.

Audit Committee Report

In accordance with SEC regulations, the audit committee has prepared the following report. As part of its ongoing activities, the audit committee has:

- reviewed and discussed the audited consolidated financial statements of the Company at and for the year ended December 31, 2014, with management;

- discussed with BDO USA, LLP, the Company s independent registered public accounting firm, the matters required to be discussed by Public Company Accounting Oversight Board Auditing Standard No. 16, Communications with Audit Committees; and

- received the written disclosures and letter from BDO USA, LLP required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent registered public accounting firm s communications with the audit committee concerning independence, and has discussed with BDO USA, LLP such firm s independence.

Based upon its review and the considerations and discussions referenced above, the audit committee recommended to the board of directors that our audited consolidated financial statements be included in the Company s annual report on Form 10-K, as filed with the SEC on March 16, 2015.

Submitted by the Audit Committee:

Richard S. Lochen, Jr., Chairman

James G. Keisling

Ronald G. Kukuchka

Robert W. Naismith, Ph.D.

Steven L. Weinberger

Earle A. Wootton

The foregoing Audit Committee Report shall not be deemed to be incorporated by reference into any filing made by the Company under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, notwithstanding any general statement contained in any such filing incorporating this proxy statement by reference, except to the extent the Company incorporates such report by specific reference.

Compensation Committee

During the fiscal year ended December 31, 2014, the compensation committee of the board of directors consisted of directors Aubrey, Keisling, Kozik, Lochen, Naismith, Perry and Wright to comprise the compensation committee. During 2014, the compensation committee of the board of directors met seven times.

The compensation committee is governed by a formal charter approved by the board of directors, a current copy of which is available at the Company s website, psbt.com, at the Governance Documents page under Investor Relations. The primary purposes, duties and responsibilities of the compensation committee include:

- review and approve the annual base salaries and annual incentive opportunities of our chief executive officer and other executive officers;
- review and approve incentive awards and opportunities, including both cash-based and equity-based awards and opportunities, any employment agreements and severance arrangements, any change-in-control agreements and change-in-control provisions affecting any elements of compensation and benefits, and any special or supplemental compensation and benefits, in each case for our executive officers;
- review and make recommendations to our board of directors with respect to new compensation programs;

review periodically the operation of our compensation programs;

establish and periodically review policies for the administration of compensation programs;

ensure that our compensation programs comport with our compensation philosophy;

review and make recommendations to our board of directors with respect to director compensation;

review and make recommendations to our board of directors with respect to our employee benefit plans;

administer our compensation programs, including equity incentive programs, for all employees;

review and provide guidance on our human resource programs, which may include talent review and leadership development and best place to work initiatives;

oversee all matters relating to the outcome of shareholder advisory votes regarding executive compensation; and

oversee risks and exposures associated with leadership assessment, and compensation programs and arrangements, including incentive plans, and reviewing and evaluating our compensation policies and practices of compensating our employees, including non-executive officers, as they relate to risk management practices and risk-taking incentives.

Compensation Committee Report

The compensation committee has reviewed and discussed with management the Compensation Discussion and Analysis that is required by the rules established by the SEC. Based on such review and discussions, the compensation committee has recommended to the board of directors that the Compensation Discussion and Analysis be included in this proxy statement. See Compensation Discussion and Analysis.

Submitted by the compensation committee:

Robert W. Naismith, Ph.D., Chairman

William E. Aubrey II

James G. Keisling

P. Frank Kozik

Richard S. Lochen, Jr.

Emily S. Perry

Joseph T. Wright, Jr.

The foregoing Compensation Committee Report shall not be deemed to be incorporated by reference into any filing made by the Company under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, notwithstanding any general statement contained in any such filing incorporating this proxy statement by reference, except to the extent the Company incorporates such report by specific reference.

Nominations and Shareholder Communications

During the fiscal year ended December 31, 2014, Aubrey, Cesare, Kukuchka, Nicholas, Perry, Stover and Weinberger to comprise the nominating and corporate governance committee. During 2014, the nominating and corporate governance committee of the board of directors met five times.

The nominating and corporate governance committee is governed by a formal charter approved by the board of directors, a current copy of which is available at the Company s website, psbt.com, at the Governance Documents page under Investor Relations. The primary purposes, duties and responsibilities of the nominating and corporate governance committee include:

recommend director nominees for selection by our board of directors;

solicit recommendations from directors, management, and other appropriate third parties for potential director candidates and collect and analyze information regarding their suitability;

assist our board of directors in determining the size and composition of the board and its committees, and of the board of directors and committees of our subsidiaries;

develop and make recommendations to our board of directors with respect to corporate governance guidelines and other governance policies;

develop and recommend to the Board a policy with regard to the consideration of diversity in identifying director candidates, implement any approved diversity policy, evaluate candidates in accordance with such policy, and periodically assess the effectiveness of such policy;

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- identify and prioritize with management significant risks that we face and recommend to our board of directors whether the full board or a particular board committee should have primary responsibility for oversight of each such identified risk;

- keep apprised of requirements, trends and best practices in corporate governance;

- review and make recommendations to our board of directors with respect to any proposed changes to our articles of incorporation, bylaws, or committee charters; and

- develop and make recommendations to our board of directors with respect to key executive succession plans.

Nomination Process

In accordance with the Penseco merger agreement and our bylaws, for our 2014 annual meeting of shareholders, and for the 2015 and 2016 annual meetings, our director nominees have been or will be recommended for the board of directors approval by two subcommittees of our nominating and corporate governance committee. One subcommittee is comprised of directors who were directors of Peoples prior to the Penseco merger, referred to as the Peoples subcommittee, and the other is comprised of directors who were directors of Penseco Financial Services Corporation prior to the Penseco merger, referred to as the Penseco subcommittee. The Peoples subcommittee is responsible for recommending director nominees with respect to each directorship held by an incumbent director who was a director of Peoples immediately prior to the Penseco merger, or any other incumbent director who was nominated by the Peoples subcommittee. The Penseco subcommittee is responsible for recommending director nominees with respect to each directorship held by an incumbent director who was a director of Penseco immediately prior to the Penseco merger, or any other incumbent director who was nominated by the Penseco subcommittee.

The board of directors will consider director candidates recommended by shareholders. Any shareholder who wishes to recommend a director candidate for consideration may send notice to Peoples Financial Services Corp., 150 North Washington Avenue, Scranton, Pennsylvania 18503, Attention: Investor Relations Officer. The notice should contain the information described in the section titled Shareholder Proposals, on page 42.

Process for Identifying and Evaluating Nominees

In selecting director candidates to be nominated for election at an annual meeting, the nominating and corporate governance committee begins by determining whether the incumbent directors whose terms expire at the meeting desire, and are qualified, to continue their service on the board. We are of the view that the repeated service of qualified incumbents promotes stability and continuity in the boardroom, giving us the benefit of the familiarity and insight into our affairs that our directors have accumulated during their tenure. Accordingly, it is the policy of the nominating and corporate governance committee, absent special circumstances, to nominate qualified incumbent directors who continue to satisfy the committee s criteria for membership on the Board; who the committee believes will continue to make important contributions to the Board; and who consent to stand for re-election and, if re-elected, to continue their service on the Board.

If there are Board positions for which the committee will identify and evaluate non-incumbent directors, it will proceed as follows:

Identification. For purposes of identifying nominees for the board of directors, the nominating and corporate governance committee relies on personal contacts of the committee and other members of

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the board of directors as well as its knowledge of members of the Company s market area. The nominating and corporate governance committee will also consider director candidates recommended by shareholders in accordance with the policy and procedures set forth above. The nominating and corporate governance committee may use an independent search firm in identifying nominees. However, the committee did not engage an independent search firm for this purpose during the year ended December 31, 2014 or in connection with the nominees for election at the 2015 annual meeting.

Evaluation. In evaluating potential nominees, the nominating and corporate governance committee determines whether the candidate is eligible and qualified for service on the board of directors by evaluating the candidate under the selection criteria set forth below under the heading Minimum Qualifications below. In addition, the nominating and corporate governance committee may conduct a background check and may interview the candidate. Candidates proposed by shareholders are considered under the same criteria, except that the Committee may also consider the size and duration of the equity interest of the recommending shareholder in the Company and the extent to which the recommending shareholder intends to continue holding this interest.

Minimum Qualifications

Our bylaws include a mandatory retirement policy applicable to our directors. Any director, upon reaching the mandatory retirement age of 73 years, will be permitted to serve as a director for the remainder of his or her term, after which he or she shall no longer be eligible to serve as a director. Notwithstanding the foregoing, each director appointed to the board of directors in connection with the Penseco merger is eligible to stand for election for one additional three-year term, regardless of age.

The nominating and corporate governance committee has not adopted a specific set of minimum qualifications that must be met by nominees. Nominees are selected on the basis of their integrity, experience, achievements, judgment, intelligence, personal character and capacity to make independent analytical inquiries, ability and willingness to devote adequate time to Board duties, and the likelihood of being able to serve on the Board for a sustained period. In evaluating potential director nominees, our nominating and corporate governance committee (and its subcommittees) will evaluate an individual s specific qualities or skills including, but not limited to an individual s: contributions to the range of talent, skill and expertise of the Board; financial, regulatory and business experience, knowledge of the banking and financial services industries, familiarity with the operations of public companies and ability to read and understand financial statements; familiarity with our market area and participation in and ties to local businesses and local civic, charitable and religious organizations; personal and professional integrity, honesty and reputation; ability to represent the best interests of the Company s shareholders and the best interests of the Company and Bank; ability to devote sufficient time and energy to the performance of his or her duties; independence; and current equity holdings in the Company.

The nominating and corporate governance committee (and its subcommittees) will also consider any other factors it deems relevant, including competition, size of the board of directors, and regulatory disclosure obligations. The nominating and corporate governance committee will also consider the extent to which a candidate helps the board of directors reflect the diversity of the Company s shareholders, employees, customers, and communities. The committee also considers factors such as global experience, experience as a director of a public company, and knowledge of relevant industries.

In addition, prior to nominating an existing director for re-election to the board of directors, the committee will consider and review an existing director s Board and committee performance and his or her satisfaction of any minimum qualifications established by the committee.

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Shareholder Communications

Any shareholder who desires to send communications to our board of directors or to individual directors may do so by directing his or her communication to the following address: Peoples Financial Services Corp., 150 North Washington Avenue, Scranton, Pennsylvania 18503, Attention: Investor Relations Officer. All shareholder communications, other than any communications we believe may pose a security risk, will be sent directly to board members.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth, as of February 27, 2015, certain information concerning the ownership of shares of the common stock by any person who is known by us to own beneficially more than five percent of the issued and outstanding common stock, each director of the Company, each named executive officer identified below under the heading Executive Compensation on page 27, and all directors and executive officers as a group.

Name	Number of Shares Beneficially Owned+	Percentage of Ownership++
William E. Aubrey II	20,000.000	*
Craig W. Best	12,150.149(1)	*
Joseph G. Cesare, M.D.	170,218.000(2)	2.3%
James G. Keisling	53,549.000(3)	*
P. Frank Kozik	33,622.000(4)	*
Ronald G. Kukuchka	24,322.752(5)	*
Richard S. Lochen, Jr.	9,661.656(6)	*
Robert W. Naismith, Ph.D.	40,951.000(7)	*
James B. Nicholas	24,000.000(8)	*
Emily S. Perry	8,190.000(9)	*
George H. Stover, Jr.	75,149.000(10)	1.0%
Steven L. Weinberger	38,363.000(11)	*
Earle A. Wootton	21,000.000(12)	*
Joseph T. Wright, Jr.	27,294.618(13)	*
Scott A. Seasock	6,189.717(14)	*
Joseph M. Ferretti	3,090.467(15)	*
Gregory D. Misterman	1,327.591(16)	*
Thomas P. Tulaney	17,450.879(17)	*
All directors and executive officers as a group (23 persons).	604,589.419	8.0%

+ Any person who, directly or indirectly, through any contract, arrangement, understanding, relationship, or otherwise has or shares: voting power, which includes the power to vote, or to direct the voting of, our common stock; and/or, investment power, which includes the power to dispose, or to direct the disposition of, our common stock, is determined to be a beneficial owner of our common stock. All shares are subject to the named person s sole voting and investment power unless otherwise indicated.

++ Shares beneficially owned include options to purchase shares which are currently exercisable or which will be exercisable within 60 days of February 27, 2015. Percentage calculations are based on 7,548,358 shares outstanding at February 27, 2015, and presume that the identified individual or group exercises all of his, her or their respective warrants and options and that no other holders of warrants or options exercise their warrants or options.

* Less than 1.0 percent.

(1) Includes 765.734 shares under Peoples Employee Stock Ownership Plan (ESOP) which have been allocated to Mr. Best s account.

(2) Includes 21,944 shares owned jointly by Dr. Cesare and his wife, 61,156 shares owned by Dr. Cesare s wife, and 103,874 shares owned by Tedesco Corp., over which Dr. Cesare s wife has investment control.

(3) Includes 43,424 shares owned in a self-directed IRA and 21,262 shares in custodial accounts.
(4) Includes 12,272 shares owned by Mr. Kozik s wife.
(5) Includes 18,144 shares held jointly with spouse and option grants of 200 shares.
(6) Includes 1,076.466 shares under Peoples Employee Stock Ownership Plan (ESOP) which have been allocated to Mr. Lochen s account, 500 shares subject to vested options, 228.614 shares held by minor children and 4,868.586 shares held jointly with spouse.
(7) Includes 29,404 shares owned jointly by Dr. Naismith and his wife, 409 shares owned by Dr. Naismith s wife, and 25,338 shares in a self-directed IRA.
(8) Includes 7,795 shares in a self-directed IRA, 2,590 shares owned by Mr. Nicholas s wife, and 7,752 shares held in trust accounts.
(9) Includes 4,754 shares owned jointly by Mrs. Perry, her husband and her children, and 1,459 shares in a self-directed IRA.
(10) Includes 500 shares subject to vested options, and 76,999 shares owned jointly by Mr. Stover s wife.
(11) Includes 1,295 shares held in a trust account, 1,022 shares in a self-directed IRA, and 37,669 shares held in the following companies of which Mr. Weinberger has an interest: Harold Weinberger, Inc., J. Weinberger Partners and G. Weinberger Co.
(12) Includes 10,000 shares owned by Mr. Wootton s wife.
(13) Includes 1,445.974 shares owned by Mr. Wright s minor child.
(14) Includes 3,978 shares owned jointly by Mr. Seasock and his wife, 1,565 shares in a self-directed IRA, 573.973 shares in a 401(k) plan, and 72.784 shares under the ESOP which have been allocated to Mr. Seasock s account.
(15) Includes 2,990.218 shares in a 401(k) plan and 100.250 shares under the ESOP which have been allocated to Mr. Ferretti s account.
(16) Includes 852 shares in a self-directed IRA and 475.591 shares under the ESOP which have been allocated to Mr. Misterman s account.
(17) Includes 4,242.430 shares in a self-directed IRA, 345.454 shares under the ESOP which have been allocated to Mr. Tulaney s account, and 177 shares owned jointly by Mr. Tulaney and his wife.

EXECUTIVE OFFICERS AND COMPENSATION

Executive Officers

Following is information regarding our executive officers other than Craig W. Best, President and Chief Executive Officer. Information regarding Mr. Best is included under the heading Election of Directors Continuing Directors Term Expiring In 2016, beginning on page 5, and additional information regarding the compensation of our named executive officers is included under the heading Executive Compensation, beginning on page 27.

Debra E. Dissinger, Executive Vice President and Chief Operations Officer (Principal Operating Officer), Secretary of Peoples Security Bank and Trust Company, age 60. Ms. Dissinger has served in various roles, most recently as Executive Vice President, Chief Operations Officer, and Chief Risk Officer, of Peoples Neighborhood Bank and Trust Company since 1990.

Joseph M. Ferretti, Executive Vice President and Co-Chief Lending Officer-North, age 45. Mr. Ferretti was appointed to his current position in December 2013. Prior to that, he served as Executive Vice President/Chief Lending Officer of Peoples Neighborhood Bank and Trust Company and Senior Vice President/Chief Credit Officer of Peoples Neighborhood Bank and Trust Company since 1997.

Michael L. Jake, Executive Vice President and Chief Risk Officer, age 62. Mr. Jake was appointed to his current position in connection with the Penseco merger in November 2013. Prior to that, he was Senior Vice President, Chief Risk Officer, of Penn Security Bank and Trust Company since April 2009. Prior to that, he was Chief Financial

Officer at Old Forge Bank since 1994.

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Neal D. Koplin, Executive Vice President and Lehigh Valley Division Head, age 54. Mr. Koplin was appointed to his current position in August 2014. He served as Senior Vice President and Northern Region Manager of National Penn Bank s Commercial Real Estate Lending Group from 2004 until joining Peoples Security Bank. He was with National Penn Bank in various executive positions from 1982 until 2004.

Greg D. Misterman, Executive Vice President and Chief Credit Officer, age 56. Mr. Misterman was appointed to his current position in connection with the Penseco merger in November 2013. Prior to that, he was Executive Vice President, Chief Credit Officer, and Head of the Credit Division, of Penn Security Bank and Trust Company since March 2012. Prior to that, he served as Executive Vice President, Chief Lending Officer, Corporate Lending Division Head of Penn Security Bank and Trust Company since 2007.

Scott A. Seasock, Executive Vice President and Chief Financial Officer, age 57. Mr. Seasock was appointed to his current position in January 2014. Prior to that, he served as Senior Vice President/Chief Financial Officer of Peoples Neighborhood Bank and Trust Company since 2011. Prior to joining Peoples Neighborhood Bank and Trust Company, Mr. Seasock served as the Chief Financial Officer of Community Bank and Trust from 1987 until January 2010.

Lynn M. Thiel, Executive Vice President and Chief Retail Officer-South, age 54. Ms. Thiel was appointed to her current position in connection with the Penseco merger in November 2013. Prior to that she was Executive Vice President, Retail Banking Division Head, of Penn Security Bank and Trust Company since June 2012. Prior to that, she served as Senior Vice President, Planning & Development Division Head between 2006 and 2012; and as Vice President & Compliance Officer between 2000 and 2006.

Thomas P. Tulaney, Executive Vice President and Chief Lending Officer, age 54. Mr. Tulaney was appointed to his current position in connection with the Penseco merger in November 2013, and held the same position with Penseco since March 20, 2012. He joined Penn Security Bank and Trust Company in April 2011 as Executive Vice President and Deputy Chief Lending Officer. Before that, Mr. Tulaney was a Senior Executive Vice President and the Corporate Sales Division Manager of First National Community Bank, a position he held since 2008, when he was promoted from Executive Vice President. He was an employee of First National Community Bank from 1994 to 2011.

Bradley S. Grubb, Executive Vice President and Wealth Management Division Head, age 53. Mr. Grubb was appointed to his current position in February 2015. He served as Managing Director of Manarin Investment Counsel, Ltd., Omaha NE from March 2014 until joining Peoples Security Bank. Before that he was President of Carson Wealth Management Group, Omaha, NE from 2010 to 2014. Prior to that, he was President/CEO of BancWest Investment Services from 2003 to 2010. Prior to that, he was with CitiGroup (Citbank/Travelers Life & Annuity Company) as Group Financial Executive Vice President and National Sales Manager, respectively, from 1998 to 2003.

Compensation Discussion and Analysis

Overview of Objectives

The executive compensation program of Peoples is designed to provide a competitive base salary as well as to provide certain incentives to our named executive officers to effectively lead and manage the Company and its growth strategy. Decisions regarding executive compensation are determined by the compensation committee with the approval of the board of directors.

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The program is designed to support annual and long-term Company goals that create sustainable profitable growth while providing long-term value to our shareholders. The objectives of our executive compensation programs are to:

- attract, motivate and retain highly qualified executives;
- link total compensation to both individual performance and the performance of the bank and holding company; and
- appropriately balance short-term and long-term financial objectives, build shareholder value and reward individual, team and company performances.

We seek to pay for superior performance, both in achieving short-term goals and continuing to build a growing and sustainable financial institution on a long-term basis.

During the year ended December 31, 2014, we compensated our named executive officers, identified below, with a combination of base salary, performance-based cash incentive awards, discretionary bonus payments, equity compensation through the Employee Stock Ownership Plan, or ESOP, and benefit plans and perquisites which the compensation committee believed were comparable to other financial institutions of similar size in our region. While our compensation program is comprised of all of the aforementioned primary elements, the performance-based cash incentive awards are intended to constitute a meaningful portion of the total potential compensation for our named executive officers.

Benchmarking

Periodically, the compensation committee compares our senior management compensation levels with comparable levels in industry benchmark studies and peer group data to gain a general knowledge of compensation programs in the industry. To do so, we participate in a survey provided by L.R. Webber Associates that benchmarks salary and benefits from Pennsylvania financial institutions who participate in the survey. The survey includes general compensation information and ranges for executives. The results are reported by bank asset size and geographic region. We use the survey data to compare the base salaries of our named executive positions to the range reported for those positions at other banking institutions with total asset size and geography similar to ours to determine whether we are compensating our named executive officers within the industry standard range.

The compensation committee did not perform a benchmarking survey of peer banks during 2014, but has done so in the past and plans to do so in the future. As further described below under the heading Components of the Compensation Program, the compensation committee has referred to data from the peer group of banks to formulate decisions regarding Peoples executive compensation practices.

The compensation committee also considers salary levels for comparable positions in industries other than the financial services industry.

Components of the Compensation Program

Our executive compensation includes three key elements: base salary, annual cash incentives and benefit plans.

Base Salary

Base salary is the basic element of our executive compensation program and the foundation for setting incentive compensation target awards. The compensation committee determines the range of base salary to offer to a new executive by evaluating the duties, complexities and responsibilities of the

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respective position; the level of experience required, and the compensation payable for positions having similar scope and accountability as our peer group of banks. In years prior to 2014, the compensation committee has referred to a peer group of banks and set base salary compensation between 83 and 106 percent of the median salary for comparable positions within the peer group.

For 2014, our compensation committee reviewed each named executive officer s individual performance, length and nature of experience and competency, and the potential for advancement in determining the amount of pay adjustments to recommend to the board of directors. In connection with such review, the base compensation for Greg D. Misterman was increased from $170,000 to $175,000 for 2014. The base compensation for Scott A. Seasock was increased from $159,962 to $166,257 in accordance with his employment agreement. The base compensation of the other named executive officers was maintained at the level in place at the end of 2013.

Annual Cash Incentives

We adopted an annual cash incentive plan (the Cash Incentive Plan) pursuant to which our named executive officers have the opportunity to earn performance-based incentive payments. Incentive compensation under the Cash Incentive Plan represents the at risk portion of an executive s pay subject to the achievement of performance goals. The compensation committee sets individual and corporate goals for the named executive officers to achieve in order to qualify for a cash incentive payment under the Cash Incentive Plan.

2014 Cash Incentive Plan

The following table provides information concerning the Cash Incentive Plan payments to our named executive officers during the year ended December 31, 2014:

Named Executive Officer	Target/ Maximum Peoples Cash Incentive Plan Payment (% of base salary)	Target/ Maximum Peoples Cash Incentive Plan Payment ($)
Craig W. Best	35%	86,550
Thomas P. Tulaney	30%	63,000
Joseph M. Ferretti	25%	43,750
Greg D. Misterman	20%	35,000
Scott A. Seasock	20%	33,251

The Cash Incentive Plan rewards the attainment of annual company-wide financial objectives at specified levels in the areas of core earnings, revenue, efficiency, growth and asset quality and individual performance relative to the specific tasks we expect an employee to accomplish during the year. Our objective is to drive superior annual performance at both the company and individual levels to the highest attainable levels by establishing performance thresholds that must be met to earn annual incentive awards. Targets for the Chief Executive Officer are set by the compensation committee, and targets for our other named executive officers are typically set by the compensation committee upon the recommendation of our Chief Executive Officer. Targets are typically communicated to officers during the first quarter of the year, and achievement of targets is evaluated by the compensation committee after year end. In 2014, the target payouts for Messrs. Best, Tulaney, and Ferretti were set at 35%, 30% and 25% of base salary, respectively, with achievement based upon corporate performance objectives, and target payouts for Messrs. Misterman and Seasock were set at 20% of base salary, based on corporate performance objectives. The compensation committee did not set individual performance objectives for 2014.

Performance Measure	2014 Target Performance	2014 Actual Performance	Maximum Payment (% of Total Cash Incentive Plan Payment)
Core earnings per share	2.91	2.41	20%
Core revenue	74,771	71,704	20%
Core efficiency ratio	2.49%	2.54%	10%
Loans, net	1,237,579	1,209,894	10%
Total deposits	1,437,876	1,425,558	10%
Total assets	1,760,780	1,741,673	20%
Asset quality			10%
Net charge-offs / average loans	.20	.06	
Non-performing loans / total loans	.50	.41	
Total			100%

Based on the 2014 actual performance of the Company no incentive payments were earned under the Cash Incentive Plan. Mr. Best was awarded a bonus of $75,000 and Mr. Misterman and Mr. Seasock were awarded a bonus equal to 20% of their base salary for 2014, in each case for efforts related to the successful integration of certain bank operating systems. Also, Mr. Ferretti was paid a cash bonus of $25,000 and a retention bonus of $59,729 while Mr. Tulaney was paid a cash bonus of $63,000 as required by their respective employment agreements.

All payments for 2014 under the Cash Incentive Plan were approved and expensed in 2014. Additional details regarding the threshold, target and maximum payouts are set forth in the 2014 Grants of Plan-Based Awards on page 28, and actual payouts are included in the 2014 Summary Compensation Table on page 28.

Clawback Agreements

In order to participate in the Cash Incentive Plan, all executives are required to sign a clawback agreement. The clawback agreement allows us to recover any overpayment under the Cash Incentive Plan in the event that we are required to restate our financial statements because of a material financial reporting violation or an executive s misconduct or fraudulent activity. The policy applies to any current or former executive officer who received a payout under the Cash Incentive Plan during the three-year period preceding the date on which the restatement is required. Mr. Best has a substantially similar provision included in his employment agreement.

Long-Term Incentive Compensation

The compensation committee may grant equity awards under our 2008 Long-Term Incentive Plan. Under appropriate circumstances, we believe that incentives and stock-based awards help to focus employees on the long-term objectives of building additional shareholder value and promoting our success, will align employees interest with stockholders interests and that the 2008 Long-Term Incentive Plan will help to attract, reward, and retain valued employees and directors. No awards were made under the 2008 Long-Term Incentive Plan to any named executive officer in 2014.

Benefits

ESOPs. We designed an ESOP as a long-term incentive to focus executives on long-term value creation and to provide balance to the annual Cash Incentive Plan. The ESOP covers substantially all employees who meet the eligibility requirements and is intended to incentivize and reward all employees, including the named executive officers, based upon our long-term success as measured by shareholder return.

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401(k) Plans. We maintain a profit sharing plan, the Peoples Security 401(k) Plan, under the provisions of Section 401(k) of the Internal Revenue Code in an effort to provide employees with a means by which they can save for retirement and also to provide tax-deferred compensation, not to exceed the amount allowed under the Internal Revenue Code, as amended, referred to as the Code, as a reward for saving for retirement. All named executive officers participate in the Peoples Security 401(k) Plan on the same basis as other employees participating in the plan.

Pension Plan. The Company also maintains the Employees Pension Plan, a legacy defined benefit pension plan assumed in connection with the Penseco merger, which was amended in June 2008 to cease benefit accruals.

Health and Welfare Benefits. Named executive officers participate in the Company s other benefit plans on the same terms as other employees. These plans include medical, dental, vision, disability, life insurance and flex spending account benefits and are standard in the industry.

Supplemental Employee Retirement Plan. Peoples maintains a supplemental employee retirement plan (SERP) for Mr. Tulaney and Mr. Ferretti intended to retain their services. Under the SERP, Messrs. Tulaney and Ferretti are eligible to receive certain retirement benefits that accrue based on their service to the Company and are payable at retirement, or earlier under a qualifying termination of employment. See additional discussion below under the heading Pension Benefits.

Deferred Compensation Plans. We also maintain the Deferred Compensation Plan No. 2 under which we make certain contributions for Mr. Best in accordance with his employment agreement. See additional discussion below under the heading Non-Qualified Deferred Compensation.

Chief Executive Officer Retirement Benefits. We provide our Chief Executive Officer with certain retirement benefits under an Excess Benefit Plan formerly maintained by Penseco which was assumed in connection with the Penseco merger. This plan provides Mr. Best with additional benefits in excess of those accrued under the Peoples Security 401(k) Plan due to the limit on compensation contained in Section 401(a)(17) of the Code. See additional discussion below under the heading Non-Qualified Deferred Compensation.

Split Dollar Insurance Agreements. We provide split-dollar life insurance to Mr. Best and Mr. Ferretti. See additional discussion below under the headings Craig W. Best Employment Agreement .

Perquisites

The compensation committee regularly reviews our executive perquisites and believes they are appropriate and modest when compared to peers and are necessary to attract and retain high-caliber talent. We provide a vehicle allowance to our Chief Executive Officer, Chief Financial Officer, Chief Lending Officer and Co-Chief Lending Officer as they are required to entertain business clients. The compensation committee also believes that country clubs can serve as appropriate forums for building client relationships and for community interaction. We reimburse monthly membership expenses for Mr. Ferretti, Mr. Tulaney and Mr. Misterman based on demonstrable business requirements, which are approved monthly and reviewed annually. Additionally, we reimburse Messrs. Best, Ferretti, Tulaney and Misterman for the cost of country and dining club memberships.

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The Role of Management in Determining Compensation

For 2014, our compensation committee set performance goals, including economic profit targets under the 2014 Cash Incentive Plan and individual strategic goals, after consultation with our Chief Executive Officer for the other named executive officers. The compensation committee set performance goals, including economic profit targets under the 2014 Cash Incentive Plan, and individual strategic goals, for the Chief Executive Officer. The Chief Executive Officer reviewed each of the other named executive officer s annual performance and discussed the performance review with and makes a recommendation on base salary to the compensation committee. The compensation committee then presented its recommendations for increases in base salary to the board of directors for all named executive officers.

The Role of the Compensation Committee

The compensation committee is responsible for recommending compensation policies to the board for approval, as well as developing and implementing the compensation programs for the named executive officers and other key members of management. Key items pertaining to executive compensation such as base salary increases, the size and performance targets associated with awards under the Cash Incentive Plans, and the offering of special retirement agreements are submitted to the board of directors for approval following the review and recommendation of the compensation committee. In 2014, our Chief Executive Officer consulted with the compensation committee in determining the specific individual strategic targets outlined in the Cash Incentive Plan, but did not participate in discussions on his own compensation.

Operating within the framework of duties and responsibilities established by the board, the compensation committee s role is to assure our (1) compensation strategy is aligned with the long-term interests of the shareholders and members; (2) compensation structure is fair and reasonable; and (3) compensation reflects both corporate and individual performance.

Compensation Committee Consultants

The compensation committee s charter provides that the compensation committee shall be 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. The Company must provide for appropriate funding, as determined by the compensation committee, for payment of reasonable compensation to a compensation consultant, legal counsel or any other adviser retained by the compensation committee. Prior to engaging any compensation consultant, legal counsel or other adviser (other than in-house legal counsel), the compensation committee must conduct an independence assessment with respect to such adviser.

For 2014, the compensation committee did engage a compensation consultant to review director compensation. Innovation Compensation and Benefits Concepts was retained and provided a review and analysis of directors compensation.

Accounting and Tax Treatments

All elements of compensation generate charges to earnings under generally accepted accounting principles (GAAP). Generally, no adjustment is made to compensation based on accounting factors, but the tax effects of various types of compensation are considered.

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Company Stock Ownership

While we believe that it is important that our named executive officers and directors own shares of our common stock, we do not have formal equity or security ownership requirements for our executive officers or directors.

Severance and Change in Control Benefits

We recognize that an important consideration in our ability to attract, retain and motivate key personnel is our ability to minimize the impact on our management team of the possible disruption associated with our exploration of strategic opportunities. Accordingly, we believe that it is in our best interest and the best interest of our shareholders to provide our key personnel with reasonable financial arrangements in the event of termination of employment following a change in control or involuntary termination of employment for reasons other than cause so that they are able to focus fully on the merits of any potential change in control situation without undue concern for the loss of their jobs. All of our named executive officers have provisions in their respective employment agreements that provide for certain benefits in the event of voluntary or involuntary termination following a change in control transaction. These provisions are described under the heading Other Potential Post-Termination Benefits below. These provisions are also described under the headings Craig W. Best Employment Agreement, Thomas P. Tulaney Employment Agreement , Scott A. Seasock Employment Agreement, and Joseph M. Ferretti Employment Agreement below, along with estimates of the severance and change in control benefits provided to each of them.

Many of the plans that we maintain and in which our named executive officers participate (including the Excess Benefit Plan) include provisions which accelerate vesting or payment of benefits upon a change in control and are described under the heading Other Potential Post-Termination Benefits below.

Executive Compensation

Our principal executive officer is Craig W. Best, Chief Executive Officer and President, and our principal financial officer is Scott A. Seasock, Executive Vice President and Chief Financial Officer. Messrs. Best and Seasock, together with Joseph M. Ferretti, Thomas P. Tulaney and Greg D. Misterman, are referred to as the named executive officers. The following tables and narratives set forth certain information regarding the compensation of our named executive officers.

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2014 Summary Compensation Table

Name and Principal Position	Year	Salary ($)	Bonus ($)	Non-equity Incentive Plan Compensation ($)	Change in Pension Value and Nonqualified Deferred Compensation Earnings ($)	All Other Compensation ($)	Total ($)
Craig W. Best	2014	247,286	75,000		76,699	29,479[(1)]	428,464
Chief Executive Officer and President	2013	19,021	60,000	51,930	715	14,608	146,274
Thomas P. Tulaney	2014	210,000	63,000		103,725	45,502[(2)]	422,227
Executive Vice President and Chief Lending Officer and Corporate Lending Division Head	2013	17,500		44,100	13,356	2,198	77,154
Joseph M. Ferretti	2014	175,000	84,729		5,888	40,503[(3)]	306,120
Executive Vice President	2013	149,422	59,729	22,094	5,458	240,406	477,109
and Co-Chief Lending Officer - North	2012	133,900		20,085	3,499	25,574	183,058
Greg D. Misterman	2014	175,000	35,000			27,923[(4)]	237,923
Executive Vice President and Chief Credit Officer and Credit Division Head	2013	14,166		12,000		500	26,666
Scott A. Seasock	2014	166,256	33,600			23,875[(5)]	223,731
Executive Vice President and	2013	159,962		23,979	9,703	180,651	374,295
Chief Financial Officer	2012	152,250		22,838	5,782	22,275	203,145

(1) For 2014, includes 401(k) plan safe harbor contribution of $7,800; 401(k) match $6,562; ESOP $5,200; country club $4,775; automobile allowance $3,000; deferred compensation match and interest $2,142; and life insurance $534.

(2) For 2014, includes country club membership $19,176; automobile allowance $7,200; 401(k) Safe Harbor $7,172; 401(k) match $7,172; ESOP $4,782.

(3) For 2014, includes country club membership $12,816; automobile allowance $7,200; 401(k) safe harbor $7,683; 401(k) match $7,667; ESOP $5,122; and life insurance $15.

(4) For 2014, includes country club membership $12,000; 401(k) safe harbor $5,971; 401(k) match $5,971; and ESOP $3,981.

(5) For 2014, includes automobile allowance $9,000; 401(k) safe harbor $5,578; 401(k) match $5,578; and ESOP $3,719.

2014 Grants of Plan-Based Awards

The following table provides information concerning grants of plan-based awards made to our named executive officers during the year ended December 31, 2014.

		Estimated Future Payouts Under Non-Equity Incentive Plan Awards		
Name	**Grant Date**	**Threshold ($)**	**Target ($)**	**Maximum ($)**
Craig W. Best	April 3, 2014		86,500	86,500
Scott A. Seasock	May 28, 2014		33,251	33,251
Joseph M. Ferretti	May 28, 2014		43,750	43,750
Thomas P. Tulaney	May 28, 2014		63,000	63,000
Greg D. Misterman	May 28, 2014		35,000	35,000

The table above includes the fiscal 2014 threshold, target and maximum payouts designated under our Cash Incentive Plan. Based on the 2014 actual performance of the company, no incentive payments were earned under the Cash Incentive Plan. Mr. Best was awarded a bonus of $75,000 and Mr. Misterman and Mr. Seasock were awarded a bonus equal to 10% of their base salary for 2014, in each case for efforts related to the successful integration of certain bank operating systems. Also, Mr. Ferretti was paid a cash bonus of $25,000 and a retention bonus of $59,729, while Mr. Tulaney was paid a cash bonus of $44,100 as required by their respective employment agreements.

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Narrative Disclosure to Summary Compensation Table and Grants of Plan-Based Awards Table

We have entered into employment agreements with Mr. Best and Mr. Tulaney, which were assumed in the Penseco merger, as well as employment agreements with Messrs. Seasock and Ferretti. These agreements are described below under the headings, Craig W. Best Employment Agreement, Thomas P. Tulaney Employment Agreement , Scott A. Seasock Employment Agreement and Joseph M. Ferretti Employment Agreement. The employment agreements control many aspects of the compensation of Messrs. Best, Tulaney, Seasock and Ferretti. Mr. Misterman is not currently party to an employment agreement with the Company.

Craig W. Best Employment Agreement

We are party to an amended and restated employment agreement with our President and Chief Executive Officer, Craig W. Best dated January 3, 2011 (the Best Employment Agreement).

The Best Employment Agreement provides for an initial annual base salary of $247,286, which is subject to annual review by the compensation committee; in the event of an across-the-board salary reduction affecting all of the Company s management employees, we may decrease Mr. Best s base salary.

The Best Employment Agreement also provides that Mr. Best will be eligible to:

- receive an annual cash bonus equal to a percentage of his base salary, which percentage will be determined by the compensation committee from time to time;
- participate in certain deferred compensation plans maintained by the Company; and
- participate in our long-term incentive equity-based compensation plans.

Under the Best Employment Agreement, the Company agreed to purchase and maintain a term life insurance policy with a death benefit of $500,000 payable upon Mr. Best s death. The Company also agrees to provide Mr. Best with the use of an automobile, along with reasonable insurance and maintenance costs, as well as reimbursement for country and dining club memberships and reasonable business expenses.

The Best Employment Agreement provides that any excess annual incentive cash payments and excess long-term incentive awards (each as defined in the Best Employment Agreement) paid to Mr. Best are subject to clawback provisions in the incentive plans pursuant to which the board of directors may request reimbursement for such payments from Mr. Best in the event that the Bank s financial statements are the subject of a restatement that is required by applicable law.

Mr. Best s employment is on an at will basis, and each of the Company, the Bank and Mr. Best may terminate the Employment Agreement at any time and for any reason (subject to Mr. Best s right to any severance payments). Under the Best Employment Agreement, and in the event that Mr. Best s employment is terminated involuntarily without Cause (as defined in the Best Employment Agreement) or voluntarily for Good Reason (as defined in the Best Employment Agreement), the Company and the Bank are obligated to, among other things, make monthly payments to Mr. Best for two (2) years following the termination equal to the sum of 1/12th of Mr. Best s base salary at the time of termination and 1/12th of the bonus payment that Mr. Best was then eligible to receive, make monthly payments equal to the amount of the COBRA continuation premium for a period of two (2) years following termination and pay up to $30,000 to an outplacement firm of Mr. Best s choice for outplacement services. In the event that Mr. Best is terminated without Cause or resigns for Good Reason in connection with a Change of Control (as defined in the Best Employment Agreement), he will be entitled to the salary and bonus payments described above for a period of three (3) years following termination (in lieu of two (2) years) and monthly payments equal to the amount of the COBRA applicable premium for a period of three (3) years following termination (in lieu of two (2) years). Payment of severance under the Best Employment Agreement is in each case contingent upon Mr. Best s execution and delivery of a release agreement to the Company and the Bank.

The Best Employment Agreement contains customary confidentiality and restrictive covenant provisions. For a period of 12 months following termination of employment for any reason, Mr. Best has agreed that he will not: (1) solicit customers, potential customers or suppliers for or on behalf of a competing business (as defined under the Best Employment Agreement); (2) recruit employees of the Bank or Company for a competing business; or (3) serve as a director, officer, employee or investor in a competing business.

Scott A. Seasock Employment Agreement

On January 18, 2011, we entered into an employment agreement with our Executive Vice President and Chief Financial Officer, Scott A. Seasock (the Seasock Employment Agreement). Mr. Seasock s employment agreement is automatically renewed, on an annual basis, for a period of three years.

The Seasock Employment Agreement provides for an initial annual base salary of $145,000. The base salary rate automatically increased by a minimum of 4% effective January 1, 2012 and January 1, 2013 with further increases determined by the Company from time to time to the extent that the Company deems such increases appropriate. Under its current terms, the Seasock Employment Agreement also provides that Mr. Seasock will be eligible to receive an annual cash bonus equal to a maximum percentage of 15% of his base salary and receive an automobile allowance in an amount of $750.00 per month.

In the event that Mr. Seasock s employment is involuntarily terminated by the Company without Cause (as defined in the Seasock Employment Agreement), or the executive resigns from employment for Good Reason (as defined in the Seasock Employment Agreement), the Company shall pay (or cause to be paid) to Mr. Seasock in cash within twenty days following termination or resignation, an amount equal to 2.0 times his annual base salary. In addition, Mr. Seasock will be entitled to continuation of group insurance benefits, at the same level enjoyed by him immediately preceding the termination for the earlier of two (2) years following termination of employment or until he secures benefits from another employer. If Mr. Seasock is terminated without Cause or resigns for Good Reason within 120 days of a Change in Control, he will be entitled to 2.0 times his annual base salary. In addition, he shall be entitled to continuation of group health insurance benefits, at the same level enjoyed by him immediately preceding the event, for two years following termination of the executive s employment.

Notwithstanding the preceding provisions, in the event the lump sum payment described above, when added to all other amounts or benefits would result in the imposition of an excise tax under Code Section 4999, such lump sum shall be reduced to the extent necessary to avoid such imposition.

Thomas P. Tulaney Employment Agreement

We are party to an employment agreement with our Executive Vice President, Chief Lending Officer and Head of the Corporate Lending Division, Thomas P. Tulaney, dated May 30, 2012 (the Tulaney Employment Agreement). The initial term of the Tulaney Employment Agreement will end on May 29, 2016. Such term will renew automatically for subsequent one-year terms unless either party terminates the agreement earlier in accordance with the provisions of the Tulaney Employment Agreement.

The Tulaney Employment Agreement provides for an initial annual base salary of $210,000.00, which is subject to annual review by the compensation committee; in the event of an across-the-board salary reduction affecting all of the Company s management employees, we may decrease Mr. Tulaney s base salary. The Tulaney Employment Agreement also provides that Mr. Tulaney will be eligible to:

- receive an annual cash bonus equal to a percentage of his salary, which percentage will be determined by the compensation committee from time to time;
- participate in his SERP arrangement; and
- participate in our long-term incentive equity-based compensation plans.

Under the Tulaney Employment Agreement, in the event that Mr. Tulaney s employment is terminated without Cause (as defined in the Tulaney Employment Agreement), we are obligated to, among other things, make monthly payments to Mr. Tulaney for one (1) year following the termination equal to sum of 1/12th of Mr. Tulaney s base salary at the time of termination and 1/12th of the average bonus payment that Mr. Tulaney had received in the immediately preceding three (3) years (or such shorter timer period as Mr. Tulaney has been eligible to receive such bonus payments), and make monthly COBRA continuation premium payments for eighteen (18) months. In the event that Mr. Tulaney is terminated within two (2) years following a Change of Control (as defined in the Tulaney Employment Agreement), he will be entitled to the salary and bonus payments described above for a period of two (2) years following termination (in lieu of one (1) year) and COBRA continuation premium payments for two (2) years (in lieu of eighteen (18) months). The Tulaney Employment Agreement provides for adjustments to the timing of severance payments due to Mr. Tulaney to com