



PEOPLES FINANCIAL SERVICES CORP.

82 FRANKLIN AVENUE . HALLSTEAD, PA 18822

COMPENSATION COMMITTEE CHARTER

I. Purpose

The purpose of the Compensation Committee (the "Committee") of the Board of Directors (the "Board") of Peoples National Bank ("PNB") is to discharge the responsibilities of the Board relating to compensation of PNB's executives and directors, to produce an annual report on executive compensation for inclusion in PNB's proxy statement (in accordance with applicable rules and regulations), to provide general oversight of PNB's compensation structure including equity compensation plans and benefits programs, to review and provide guidance on PNB's Human Resource programs such as its talent review and leadership development and best place to work initiatives, and to perform specific duties and responsibilities set forth herein.

II. Membership

The Committee shall consist of at least three members, consisting entirely of independent directors, and shall designate one member as chairperson. For purposes hereof, an "independent" director is a director who is independent, as determined by the Board, within the meaning of applicable stock exchange listing standards. Additionally, members of the Committee must qualify as "non-employee directors" for purposes of Rule 16b-3 under the Securities and Exchange Act of 1934, as amended, and as "outside directors" for purposes of Section 162(m) of the Internal Revenue Code.

III. Meetings and Procedures

The Committee will meet as often as may be deemed necessary or appropriate in its judgment. The majority of the members of the Committee shall be present to constitute a quorum for the transaction of PNB's business. The Committee shall report regularly to the full Board with respect to its activities.

IV. Outside Advisors

The Committee will have the authority to retain at the expense of PNB such outside compensation consultants, counsel, and other experts and advisors as it determines is appropriate to assist it in the full performance of its functions, including sole authority to retain and terminate any compensation consultant used to assist the Committee in the evaluation of director, CEO or senior executive compensation, and to approve the consultant's fees and other retention terms.

V. Duties and Responsibilities

1. **Evaluate Human Resources and Compensation Strategies.** The Committee will oversee and evaluate PNB's overall human resources and compensation structure, policies and programs, and assess whether these establish appropriate incentives and leadership development for management and other employees. The Committee will oversee the Company's total rewards program in order to attract and retain key talent and promote PNB's best place to work initiative.
2. **Monitor Leadership Development.** The Committee will review the leadership development process for senior management positions and ensure that appropriate compensation, incentive and other programs are in place in order to promote such development.
3. **Set Executive Compensation.** The Committee will review and approve corporate goals and objectives relevant to the compensation of the Chief Executive Officer (the "CEO") and other executive officers of PNB, evaluate the performance of the CEO and other executive officers in light of those goals and objectives and approve their annual compensation levels including salaries, bonuses, stock options, other stock incentive awards and long-term cash incentive awards based on this evaluation. In addition, the Committee may, in its discretion, review and act upon management proposals to designate key employees to receive stock options and stock or other bonuses.

4. **Approve Employment Agreements.** The Committee will review and approve employment agreements and severance arrangements for the CEO and other executive officers, including change-in-control provision plans or agreements.
5. **External Reporting of Compensation Matters.** The Committee will make an annual report on executive compensation in PNB's proxy statement as required by the rules of the U.S. Securities and Exchange Commission ("SEC").
6. **Oversight of Equity-Based and Incentive Compensation Plans.** The committee will supervise and administer PNB's incentive compensation, stock option, stock appreciation rights, and service award programs and may approve, amend, modify, interpret or ratify the terms of, or terminate, any such plan to the extent that such action does not require stockholder approval; make recommendations to the Board with respect to incentive-compensation plans and equity-based plans as appropriate; provide for accelerated vesting of options, SARs and restricted stock, and determine the post-termination exercise periods for options and SARs, in connection with divestitures or otherwise; and delegate certain of such functions to the extent set forth in section VI below.
7. **Oversight of Employee Benefit Plans.** The Committee will monitor the effectiveness of non-equity based benefit plan offerings, in particular benefit plan offerings and perquisites pertaining to executives, and will review and approve any new material employee benefit plan or change to an existing plan that creates a material financial commitment by PNB. In its discretion, the Committee may otherwise approve, amend, modify, ratify or interpret the terms of, or terminate, any non-equity based benefit plan or delegate such authority to the extent set forth in section VI below.
8. **Set Director Compensation.** The Committee will review the compensation of directors for service on the Board and its committees and recommend to the Board the annual retainer and Chair fees and Board and Committee meeting fees.
9. **Perform Annual Evaluation.** The Committee will annually evaluate the performance of the Committee and the adequacy of the Committee's charter.
10. **General.** The Committee will perform such other duties and responsibilities as are consistent with the purpose of the Committee and as the Board or the Committee deems appropriate.

VI. Delegations

The Committee may delegate any of the foregoing duties and responsibilities to a subcommittee of the Committee consisting of not less than two members of the Committee. In addition, the Committee may delegate to one or more individuals the administration of equity incentive or employee benefit plans, unless otherwise prohibited by law or applicable stock exchange rules. Any such delegation may be revoked by the Committee at any time.