

PEOPLES FINANCIAL SERVICES CORP.
Form DEF 14A
April 03, 2018
[Table of Contents](#)

**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 (Amendment No.)**

Filed by the Registrant X

Filed by a Party other than the Registrant O

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material under §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):

- 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):
 - (4) Proposed maximum aggregate value of transaction:
 - (5) Total fee paid:
- Fee paid previously with preliminary materials.
-

Edgar Filing: PEOPLES FINANCIAL SERVICES CORP. - Form DEF 14A

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

- (1) Amount Previously Paid:
 - (2) Form, Schedule or Registration Statement No.:
 - (3) Filing Party:
 - (4) Date Filed:
-

Table of Contents

PEOPLES FINANCIAL SERVICES CORP.
150 North Washington Avenue
Scranton, Pennsylvania 18503

April 2, 2018

To Our Shareholders:

You are cordially invited to attend the 2018 Annual Meeting of Shareholders of Peoples Financial Services Corp. to be held on Saturday, May 12, 2018 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 three directors to the Company's board of directors, each to serve until the 2021 annual meeting of shareholders and until his successor has been selected and qualified; a proposal to approve, on an advisory basis, the compensation of our named executive officers; the ratification of Baker Tilly Virchow Krause, LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2018; 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
Chairman of the Board

Craig W. Best
President and Chief Executive Officer

Table of Contents

**PEOPLES FINANCIAL SERVICES CORP.
150 North Washington Avenue
Scranton, Pennsylvania 18503**

**NOTICE OF ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD MAY 12, 2018**

Notice is hereby given that the 2018 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 12, 2018, at 9:00 a.m. local time, for the purpose of considering and voting upon the following matters:

- Election of three directors to our board of directors, each to serve until the 2021 annual meeting of shareholders and until his successor has been elected and qualified;
- A proposal to approve, on an advisory basis, the compensation of our named executive officers;
- Ratification of Baker Tilly Virchow Krause, LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2018; and
- Such other business as may properly come before the meeting.

Shareholders of record at the close of business on February 28, 2018 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 12, 2018:

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 2, 2018

Table of Contents

PEOPLES FINANCIAL SERVICES CORP.
150 North Washington Avenue
Scranton, Pennsylvania 18503

**PROXY STATEMENT FOR ANNUAL MEETING
OF SHAREHOLDERS TO BE HELD ON MAY 12, 2018**

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 12, 2018, 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 three directors to the Company's board of directors each to serve until the 2021 annual meeting of shareholders and until his successor has been elected and qualified;
- A proposal to approve, on an advisory basis, the compensation of our named executive officers;
- Ratification of Baker Tilly Virchow Krause, LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2018; 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 6, 2018.

Table of Contents

TABLE OF CONTENTS

<u>A Warning About Forward-Looking Statements</u>	iii
<u>Information About Voting</u>	1
<u>Proposal 1 Election of Directors</u>	4
<u>Proposal 2 To Approve, on an Advisory Basis, the Compensation of our Named Executive Officers</u>	8
<u>Proposal 3 Ratification of the Appointment of Baker Tilly Virchow Krause, LLP as the Company's Independent Registered Public Accounting Firm for the Fiscal Year Ending December 31, 2017</u>	9
<u>Board of Directors and Committees</u>	11
<u>Security Ownership of Certain Beneficial Owners and Management</u>	18
<u>Executive Officers and Compensation</u>	19
<u>Certain Relationships and Related Transactions</u>	41
<u>Code of Ethics</u>	42
<u>Section 16(a) Beneficial Ownership Reporting Compliance</u>	42
<u>Equity Compensation Plan Information</u>	42
<u>Shareholder Proposals</u>	43
<u>Reports and Other Documents</u>	44

Table of Contents

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 variations of such words and similar expressions, or future 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:

- changes in interest rates;
- economic conditions, particularly in the Peoples Financial Services Corp. market area;
- legislative and regulatory changes and the ability to comply with the significant laws and regulations governing the banking and financial services business;
- monetary and fiscal policies of the U.S. government, including policies of the U.S. Department of Treasury and the Federal Reserve System;
- credit risk associated with lending activities and changes in the quality and composition of our loan and investment portfolios;
- demand for loan and other products;
- deposit flows;
- competition;
- changes in the values of real estate and other collateral securing the loan portfolio, particularly in the Peoples Financial Services Corp. market area;
- the ability to achieve the intended benefits of, or other risks associated with, business combinations;
- changes in relevant accounting principles and guidelines;
- inability of third party service providers to perform;

- the ability to prevent, detect and respond to cyberattacks; 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.

Table of Contents

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. Proxies may be solicited by mail, 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. In addition, we have engaged Regan & Associates, Inc. (New York, NY) to assist us with the solicitation. We will pay Regan & Associates a fee of \$9,500 and reimburse them for their reasonable out-of-pocket expenses. 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 three directors to the Company's board of directors, each to serve until the 2021 annual meeting of shareholders and until his successor has been elected and qualified, a proposal to approve, on an advisory basis, the compensation of our named executive officers, the ratification of Baker Tilly Virchow Krause, LLP as our independent registered public account firm for the fiscal year ending December 31, 2018, 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 28, 2018. 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 7,396,505 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 or direct registration system 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.

Edgar Filing: PEOPLES FINANCIAL SERVICES CORP. - Form DEF 14A

- 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.
-

Table of Contents

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 Baker Tilly Virchow Krause, LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2018.

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

Table of Contents

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 Baker Tilly Virchow Krause, 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 Baker Tilly Virchow Krause, LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2018. 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?

Edgar Filing: PEOPLES FINANCIAL SERVICES CORP. - Form DEF 14A

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.

Table of Contents

PROPOSAL 1 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. The number of directors currently comprising the entire board is thirteen. In accordance with our mandatory retirement bylaw, Emily S. Perry and Earle A. Wootton will retire at the expiration of their current term at the annual meeting. Based on the recommendation of our nominating and governance committee, our board of directors resolved to decrease the number of directors comprising the entire board from thirteen to eleven upon the expiration of Mrs. Perry's and Mr. Wootton's term. Accordingly, three nominees will be elected to the 2021 class of directors.

It is intended that the proxies solicited by the board of directors will be voted **FOR** the three 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 2021

The board has nominated incumbent directors Richard S. Lochen, Jr., James B. Nicholas, and Steven L. Weinberger for election to the board of directors at the 2018 annual meeting of shareholders, each to serve until the 2021 annual meeting of shareholders and until his 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 54, 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 Financial Services Corp. and Peoples Neighborhood Bank and Former Chief Administrative Officer of Peoples Financial Services Corp. and Peoples Neighborhood Bank. 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 Financial Services Corp. and Peoples Neighborhood Bank for four years.

James B. Nicholas, age 66, was appointed as a director of Peoples Financial Services Corp. and Peoples Security Bank and Trust Company in connection with the consummation of the Pensco merger in November 2013. Prior to that, he served as a director of Pensco 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 Penn 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

Table of Contents

Company's and Bank's operations. His service as a director of Pensco and Penn Security has enabled him to develop a knowledge of their former operations, which is beneficial to the Company's Board.

Steven L. Weinberger, 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 Pensco merger in November 2013. Prior to that, he served as a director of Pensco 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 Pensco and Penn Security has enabled him to develop a knowledge of their former operations, which is beneficial to the Company's Board.

Continuing Directors

The names of our directors, whose current terms will continue after the 2018 annual meeting of shareholders, and certain information about them, are set forth below:

Term Expiring In 2019

William E. Aubrey II, age 55, 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 based in Dunmore, PA since 2003 and Chief Executive Officer of Drew's Organics based in Chester, VT since 2010. The board has determined that Mr. Aubrey is qualified to be on the board due to his executive management experience gained by serving as CEO for two companies. He also brings knowledge gained by serving on the Board of Directors of United Gilsonite Laboratories in Scranton, PA and Rustic Crust in Pittsfield, NH. In addition, he has served on many community boards including past Chairman of Geisinger CMC Hospital, Keystone College, Holy Cross School System and the Everhart Museum. He holds an MBA and CPA.

Craig W. Best, age 57, was appointed as a director of Peoples Financial Services Corp. and Peoples Security Bank and Trust Company in connection with the consummation of the Pensco merger in November 2013. Prior to that, he served as a director of Pensco 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.

Table of Contents

Joseph G. Cesare, M.D., age 80, was appointed as a director of Peoples Financial Services Corp. and Peoples Security Bank and Trust Company in connection with the consummation of the Pensco merger in November 2013. Prior to that, he served as a director of Pensco 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 was President of Scranton Orthopedic Specialists and had practiced in the community as an orthopedic surgeon from 1974 until 2014. 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 62, 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 2020

James G. Keisling, 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 Pensco merger in November 2013. Prior to that, he served as a director of Pensco 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 Pensco 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 Pensco 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.

Ronald G. Kukuchka, age 64, 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 34 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 73, 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

Table of Contents

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. 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 71, has been a director of Peoples Financial Services Corp. and Peoples Security Bank and Trust Company since 1992. He was a real estate appraiser from 1972 until he retired December 31, 2014. 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.

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 2021 ANNUAL MEETING OF SHAREHOLDERS AND UNTIL HIS SUCCESSOR HAS BEEN ELECTED AND QUALIFIED.

Table of Contents

**PROPOSAL 2 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. We are currently soliciting this advisory vote on an annual basis.

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 2017 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.

Table of Contents**PROPOSAL 3 RATIFICATION OF THE APPOINTMENT OF BAKER TILLY VIRCHOW KRAUSE, LLP AS THE COMPANY'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE FISCAL YEAR ENDING DECEMBER 31, 2018**

On March 28, 2017, the audit committee of our board of directors engaged Baker Tilly Virchow Krause, LLP, or Baker Tilly, to serve as our independent registered public accounting firm for the year ending December 31, 2017. On March 28, 2017, we notified BDO USA, LLP, or BDO, of the audit committee's decision to dismiss BDO as our independent registered public accounting firm.

Prior to engaging Baker Tilly, we did not consult with Baker Tilly regarding the application of accounting principles to a specific completed or contemplated transaction or regarding the type of audit opinions that might be rendered by Baker Tilly on our financial statements, and Baker Tilly did not provide any written or oral advice that was an important factor considered by us in reaching a decision as to any such accounting, auditing or financial reporting issue.

The report of independent registered public accounting firm of BDO regarding our financial statements for the fiscal years ended December 31, 2016 and 2015 did not contain any adverse opinion or disclaimer of opinion and were not qualified or modified as to uncertainty, audit scope or accounting principles.

During the years ended December 31, 2016 and 2015, and during the interim period from December 31, 2016 through March 28, 2017, the date of termination, there were no disagreements with BDO on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedures, which disagreements, if not resolved to the satisfaction of BDO would have caused it to make reference to such disagreement in its reports.

The audit committee of our board of directors appointed has Baker Tilly as our independent registered public accounting firm for the fiscal year ending December 31, 2018. 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.

The following table presents the aggregate fees billed or expected to be billed to us by Baker Tilly and BDO for the fiscal years ended December 31, 2017 and 2016.

Fee Category	2017		2016	
	Baker Tilly	BDO USA	BDO USA	
Audit Fees	\$ 231,000	\$	\$	296,063
Audit-Related Fees	5,487	100,000		61,175
Tax Fees				
All Other Fees		19,120		6,250
Total Fees	\$ 236,487	\$ 119,120	\$	363,488

Audit-related fees consist of fees for assurance and related services that are reasonably related to the performance of the audit or review of our financial statements and are not reported under Audit Fees. The audit related fees billed by BDO for the 2017 fiscal year were for the reissuance

Edgar Filing: PEOPLES FINANCIAL SERVICES CORP. - Form DEF 14A

of its audit report on our 2016 financial statements for inclusion, along with the related consent, in our annual report on Form 10-K. The audit related fees billed for the 2016 fiscal year were for additional billings for over budget costs received after the completion of the audit of our 2015 financial statements. All other fees were billed for certain of out-of-scope work performed and various filings.

Our 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 our independent registered

Table of Contents

public accounting firm, subject to the de minimis exception for non-audit services 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 Baker Tilly, including audit services, audit-related services and permitted non-audit services, be performed either pursuant to detailed pre-approval policies and procedures established by the committee as to the services to be performed, or upon presentation to and pre-approval by the committee (subject to the de minimis exception). All services rendered by Baker Tilly are permissible under applicable laws and regulations, and the audit committee pre-approved all audit, audit-related and non-audit services performed by Baker Tilly during 2017. The audit committee has considered whether the provision of services after the audit services (as specified above) is compatible with maintaining Baker Tilly's independence and has determined that provision of such services has not adversely affected Baker Tilly's independence.

Recommendation

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR THE RATIFICATION OF THE APPOINTMENT OF BAKER TILLY VIRCHOW KRAUSE, LLP AS THE COMPANY'S INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE FISCAL YEAR ENDING DECEMBER 31, 2018.

Table of Contents

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 or her 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, Ronald G. Kukuchka, Richard S. Lochen, Jr., Robert W. Naismith, Ph.D., James B. Nicholas, Emily S. Perry, George H. Stover, Jr., 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 nominating and governance, audit and compensation committees 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 additional independence standards applicable to members of the audit and compensation committees. Craig W. Best, our Chief Executive Officer and President, and Steven L. Weinberger were determined to be not independent.

In determining the independence of our independent directors, we considered loan transactions, as more particularly described in Certain Relationships and Related Transactions, deposits with Peoples Security Bank and Trust Company, a lease agreement, pursuant to which we lease space in one of our branches, and certain arm's-length purchases of products from companies at which some of our directors or their immediate family members were officers or employees during 2017. We also considered payments to a community foundation that administers our donations to various recipients under the Pennsylvania Educational Improvement Tax Credit (EITC) program. The board determined that none of these relationships impaired the independence of the independent directors.

Board Meetings

During 2017, the board of directors held twelve meetings. Each of our directors attended at least 75 percent of the aggregate number of meetings held by the board of directors and the committees on which he or she served.

We have no formal policy with respect to director attendance at our annual meeting of shareholders. Thirteen of our directors attended our 2017 annual meeting of shareholders.

Board Leadership Structure and Role in Risk Oversight

Edgar Filing: PEOPLES FINANCIAL SERVICES CORP. - Form DEF 14A

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

Table of Contents

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.

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. A long-standing example of how our compensation programs protect against imprudent risk taking is the clawback provision included in the Peoples Cash Incentive Program. In addition, in December 2016, we adopted a new compensation recoupment policy effective January 1, 2017, which applies to all executive officers who receive cash or equity incentive awards.

Board Committees

As noted above, the board of directors of the Company conducts much of its business through committees of the board. During 2017, the board maintained standing audit, compensation and nominating committees.

Table of Contents

Audit Committee

During the fiscal year ended December 31, 2017, directors Lochen, Keisling, Kukuchka, Naismith, 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 2017.

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 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, 2017, with management;
- discussed with Baker Tilly Virchow Krause, 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 Baker Tilly Virchow Krause, 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 Baker Tilly Virchow Krause, LLP such firm's independence.

Table of Contents

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 14, 2018.

Submitted by the Audit Committee:

Richard S. Lochen, Jr., Chairman
James G. Keisling
Ronald G. Kukuchka
Robert W. Naismith, Ph.D.
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, 2017, the compensation committee of the board of directors consisted of directors Aubrey, Cesare, Keisling, Lochen, Naismith, Perry and Wright to comprise the compensation committee. During 2017, the compensation committee of the board of directors met two 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;

Table of Contents

- 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
Joseph G. Cesare, M.D.
James G. Keisling
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, 2017, Aubrey, Cesare, Kukuchka, Nicholas, Perry, Stover and Wright comprised the nominating and corporate governance committee. During 2017, the nominating and corporate governance committee of the board of directors met two 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;
- review recommendations from directors, shareholders, 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,

Table of Contents

evaluate candidates in accordance with such policy, and periodically assess the effectiveness of such policy;

- 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

Our nominating and corporate governance committee is responsible for recommending director nominees to our board of directors. 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 43.

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 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, 2017 or in connection with the nominees for election at the 2018 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

Table of Contents

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.

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.

In December 2016, we adopted a share ownership policy, which applies to our directors, as well as our senior executive officers. This policy will require our directors to beneficially own our common stock in an amount equal to four times their annual retainer for board service, and allows five years for our directors to reach compliance.

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,

Edgar Filing: PEOPLES FINANCIAL SERVICES CORP. - Form DEF 14A

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.

Table of Contents**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following table sets forth, as of February 28, 2018, 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 beginning on page 28, and all directors and executive officers as a group.

Name	Number of Shares Beneficially Owned ⁺	Percentage of Ownership ⁺⁺
William E. Aubrey II	22,000.000	*
Craig W. Best	19,526.968(1)	*
Joseph G. Cesare, M.D.	155,218.000(2)	2.1%
James G. Keisling	61,234.000(3)	*
Ronald G. Kukuchka	25,462.061(4)	*
Richard S. Lochen, Jr.	10,619.624(5)	*
Robert W. Naismith, Ph.D.	40,951.000(6)	*
James B. Nicholas	25,605.147(7)	*
Emily S. Perry	7,944.000(8)	*
George H. Stover, Jr.	74,312.000(9)	1.0%
Steven L. Weinberger	38,090.000(10)	*
Earle A. Wootton	21,000.000(11)	*
Joseph T. Wright, Jr.	29,738.508(12)	*
John R. Anderson III	1,325.523(13)	*
Michael L. Jake	2,506.620(14)	*
Neal D. Koplín	1,018.744(15)	*
Thomas P. Tulaney	15,904.027(16)	*
All directors and executive officers as a group (21 persons).	570,861.683	7.7%

⁺ 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 28, 2018. Percentage calculations are based on 7,396,505 shares outstanding at February 28, 2018, 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 1,166.3797 shares under the Company's employee stock ownership plan (ESOP) which have been allocated to Mr. Best's account, and 17,226 shares in a self-directed IRA.

(2) Includes 21,944 shares owned jointly by Dr. Cesare and his wife, 61,156 shares owned by Dr. Cesare's wife, and

68,874 shares owned by Tedesco Corp., over which Dr. Cesare's wife has investment control.

- (3) Includes 37,109 shares owned in a self-directed IRA and 24,125 shares in custodial accounts.
- (4) Includes 18,485.522 shares owned jointly by Mr. Kukuchka and his wife.
- (5) Includes 254.870 shares held by minor children, 5,577.754 shares owned jointly by Mr. Lochen and his wife, and 2,672 shares in a self-directed IRA.
- (6) Includes 25,204 shares owned jointly by Dr. Naismith and his wife, 409 shares owned by Dr. Naismith's wife, and 15,338 shares in a self-directed IRA.
- (7) Includes 2,071.865 shares in a self-directed IRA, 2,708.048 shares owned by Mr. Nicholas's wife, and 10,729 shares held in trust accounts.
- (8) Includes 1,772 shares owned jointly by Mrs. Perry and her husband, and 841 shares in a self-directed IRA, and 3,354 held in a trust account.

Table of Contents

- (9) Includes 74,312 shares owned jointly by Mr. Stover and his wife.
- (10) Includes 1,295 shares held in a trust account, 1,022 shares in a self-directed IRA, and 17,975 shares held in the following companies of which Mr. Weinberger has an interest: Harold Weinberger, Inc., J. Weinberger Partners and G. Weinberger Co.
- (11) Includes 10,000 shares owned by Mr. Wootton's wife. 386 shares are pledged to Peoples Security Bank and Trust Company as security for a line of credit.
- (12) Includes 743,889 shares owned by Mr. Wright's minor child. 18,245 shares are pledged to Peoples Security Bank and Trust Company as security for certain credit facilities.
- (13) Includes 40 shares owned jointly by Mr. Anderson and his wife, and 1,285.5227 shares under the ESOP which have been allocated to Mr. Anderson's account.
- (14) Includes 1,683.951 shares owned jointly by Mr. Jake and his wife, and 480.6691 shares under the ESOP which have been allocated to Mr. Jake's account.
- (15) Includes 400 shares in a self-directed IRA and 170.744 shares under the ESOP which have been allocated to Mr. Koplins account.
- (16) Includes 5,193.385 shares in a self-directed IRA, 571.2302 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 2019, 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 28.

John R. Anderson III, Executive Vice President and Chief Financial Officer, of Peoples Security Bank and Trust Company, age 51. Mr. Anderson was appointed to his current position in March 2018, after serving as the Senior Vice President and Interim Principal Financial and Accounting Officer since April 2016. Prior to that, he served as Senior Vice President/Planning and Statistical Analyst of Peoples Security Bank and Trust Company. Prior to that he was Vice President/Planning and Statistical Analyst, of Penn Security Bank and Trust Company since 2008. Prior to that he was Assistant Vice President/Financial Reporting Officer at Penn Security Bank since 2002.

Debra E. Dissinger, Executive Vice President, Chief Operations Officer and Secretary of Peoples Security Bank and Trust Company, age 63. In her current role, Ms. Dissinger is our principal operating officer. 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 Senior Lending Officer, age 48. 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 65. Mr. Jake was appointed to his current position in connection with the Pensco 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. Prior to 1994 Mr. Jake was the Northeastern Pennsylvania Region Audit Manager for Mellon Bank and PNC Bank.

Table of Contents

Timothy H. Kirtley, Executive Vice President and Chief Credit Officer, age 47. Mr. Kirtley was appointed to his current position in July, 2016. Prior to joining Peoples Security Bank and Trust Company, he served as Executive Vice President and Chief Credit Officer of Peoples Bank, Marietta, Ohio from 2011 to 2016. From 2009 to 2011, Mr. Kirtley served as Executive Vice President, Chief Credit Officer of Delaware County Bank & Trust Co., in Lewis Center, Ohio. From 2007 to 2009, he served as Vice President, Regional Credit Officer, Commercial Real Estate for Fifth Third Bank in Columbus, Ohio. From 1992 to 2007, Mr. Kirtley served in various commercial banking and credit risk management capacities, the most recent of which was Vice President, Regional Credit Officer, Community Banking from 2002 to 2007 for U.S. Bank, N.A. in Columbus, Ohio.

Neal D. Koplin, Executive Vice President and Lehigh Valley Division Head, age 57. 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.

Lynn M. Thiel, Executive Vice President and Chief Retail Officer, age 57. Ms. Thiel was appointed to her current position in connection with the Pensco 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, Senior Executive Vice President and Chief Operating Officer, age 58. Mr. Tulaney was appointed to his current position in May 2017. Prior to that, and since the Pensco merger in November 2013, he served as our Executive Vice President and Chief Lending Officer, the same position he held with Pensco from March 2012. He joined Penn Security