



## PEOPLES FINANCIAL SERVICES CORP.

82 FRANKLIN AVENUE . HALLSTEAD, PA 18822

### AUDIT COMMITTEE CHARTER

#### I. Purpose

The responsibilities of the Board of Directors of Peoples Financial Services Corp. include oversight of the Company's systems of internal control, preparation and presentation of financial reports and compliance with applicable laws, regulations and Company policies. Through this Charter, the Board delegates certain responsibilities to the Audit Committee to assist the Board in fulfilling their duties to the Company and the shareholders. The purpose of the Committee is to assist the Board in its oversight of:

- the integrity of the Company's financial statements
- the adequacy of the Company's system of internal controls
- the Company's compliance with legal and regulatory requirements
- the performance of the Company's independent auditors and of the Company's internal audit function
- the qualifications and independence of the Company's independent auditors

#### II. Authority

The Committee shall be given the resources and assistance necessary to carry out its responsibilities, including unrestricted access to Company personnel and documents and the Company's independent auditors. The Committee shall also have authority, with notice to the Chairman of the Board, to engage outside legal, accounting and other advisors as it deems necessary.

#### III. Membership

The Committee shall consist of three or more Directors, who will be appointed annually and will be subject to removal at any time by the Board of Directors. All members shall meet the independence requirements as defined in the NASDAQ listing standards. All members shall be financially literate, having a basic understanding of financial controls and reporting. Russell D. Shurtleff qualifies as an audit committee financial expert because he has an understanding of internal controls over financial reporting and an understanding of Audit Committee functions. Designating Mr. Shurtleff as Audit Committee financial expert pursuant to Item 401 does not impose any duties, obligations, or liabilities that are greater than the duties, obligations and liability imposed on other members of the Audit Committee or members of the Board of Directors. No member of the Audit Committee shall receive any compensation from the Company other than his or her Directors' fees and benefits.

#### IV. Procedures

The Committee shall meet at least four times a year and may call special meetings as required. The Chair of the Committee or the Chairman of the Board may call meetings. The presence in person or by telephone of three members shall constitute a quorum. The results of the meetings will be reported regularly to the full board.

#### V. Responsibilities

The Committee shall monitor the actions of management as follows:

- the Committee shall monitor the preparation of the Company's quarterly and annual financial reports;
- the Committee shall bear primary responsibility for overseeing the Company's relationship with its independent auditors; and
- the Committee shall have the responsibility for determining that the Management Audit and Compliance Department is effectively discharging its responsibilities.