Consolidated Balance Sheets (Unaudited)

as of December 31

(in thousands except per share amounts)

	2012	2011
ASSETS		
Cash and due from banks	$ 5,586	$ 5,574
Interest-bearing deposits with banks	3,281	20,931
Government money market funds	2,799	2,259
Federal funds sold	500	103
Cash and cash equivalents	12,166	28,867
Available-for-sale securities	82,001	74,684
Held-to-maturity securities	147	119
Loans and leases	216,140	201,328
Less: Allowance for loan and lease losses	2,280	3,912
Loans, net	213,860	197,416
Bank premises and equipment, net	4,301	4,405
Accrued interest receivable	981	960
Deferred tax assets, net	230	739
Restricted stock	1,374	1,765
Other assets	6,505	5,955
TOTAL ASSETS	$321,565	$314,910
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Non-interest bearing	$ 52,893	$ 49,153
Interest-bearing	219,153	216,836
Total deposits	272,046	265,989
Repurchase agreements	7,361	9,593
Long-term debt	10,623	10,632
Accrued interest payable	154	179
Other liabilities	1,933	1,741
Total liabilities	292,117	288,134
STOCKHOLDERS' EQUITY		
Common stock, $5.00 par value, 10,000,000 shares authorized; 754,731 and 745,692 shares issued and outstanding in 2012 and 2011, respectively.	3,774	3,728
Preferred stock, $5.00 par value, 4,000,000 shares authorized; no shares issued or outstanding	–	–
Additional paid-in capital	7,654	7,408
Retained earnings	16,458	14,278
Accumulated other comprehensive income	1,562	1,362
Total stockholders' equity	29,448	26,776
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	$321,565	$314,910

DIVIDEND DIRECT DEPOSIT

Shareholders may opt to have their dividends deposited directly into their checking or savings account at any financial institution participating in the Automated Clearing House (ACH) system. To register, contact Woodlands Financial Services Co. Shareholder Services at 570-327-5263.

BANK OFFICERS

Andrew W. Baker, Jr., VP
Alfred F. Barraco, VP & Secretary
David L. Bartges, VP
C. Victor Beach, VP
Thomas B. Burkholder, VP
Jon P. Conklin, VP & COO
John J. Engel, Jr., VP
Joseph F. Farley, VP & CFO
Robert E. Forse, President & CEO
David L. Fortin, Jr., Assistant VP
Andrew J. Gallagher, VP
Matthew A. Gaugler, VP
Shelly A. Hepler, VP
Carlene J. Keyte, Assistant VP
Stacy L. Neill, VP
Carol J. Welliver, VP

BOARD OF DIRECTORS

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Richard H. Baker, Vice Chairman
William C. Brown
Catharine K. Ertel
Robert E. Forse, Chairman
Marc D. Lewis
Melvin W. Lewis
George E. Logue, Jr.
David L. Shollenberger
Thomas G. Stubler
Peter Went

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Jay B. Alexander
Roger T. Bogert, III
William R. Camerer
James F. Campbell
Gerard F. Fischer
Daniel D. Forrestal
Michael Gaetano
Nathan E. Grenoble
Darin L. Hamm
Margaret A. Harbaugh
Darwin M. Higley
Robert A. Maguire
Dawn M. Myers
Clyde R. Peeling
Eugene A. Schurer
Thomas M. Springman
Marvin H. Staiman
Betty L. Steinbacher
David J. Steinbacher
Robin J. Tebbs
Theodore J. Weiss
Jessica A. Wheeland

BOARD OF DIRECTORS EMERITI

Donald E. Alsted
John E. Hoffman
Harold L. Hurwitz

WOODLANDS FINANCIAL SERVICES COMPANY COMMON STOCK

is traded over-the-counter under the symbol of WDFN
The following brokers make a market in the Common Stock:

Janney Montgomery Scott, Inc.
1801 Market Street
Philadelphia, PA 19103-1675
(800) 526-6397

Boenning & Scattergood, Inc.
4 Tower Bridge
200 Barr Harbor Dr., Suite 300
West Conshohocken, PA 19428
(800) 883-1212

Stifel, Nicolaus & Co. Inc.
2000 Oxford Dr. Suite 605
Bethel Park, PA 15102
(866) 253-0500

Monroe Securities, Inc.
100 North Riverside Plaza, Suite 1620
Chicago, IL 60606
(800) 766-5560

Registrar and Transfer Agent:
Registrar and Transfer Company
10 Commerce Drive
Cranford, NJ 07016
1-800-368-5948
info@rtco.com

Woodlands Bank is a Pennsylvania State Chartered Bank and a member of the Federal Reserve System and the Federal Deposit Insurance Corporation.
Deposits are insured up to $250,000.
Member FDIC – Equal Housing Lender

Visit our website at www.woodlandsbank.com

HALLS STATION
973 Lycoming Mall Drive
Pennsdale, PA 17756
570-546-5001

JERSEY SHORE
1146 Allegheny Street
Jersey Shore, PA 17740
570-398-2850

WILLIAMSPORT
213 West Fourth Street
Williamsport, PA 17701
570-321-1600

LOYALSOCK
2450 East Third Street
Williamsport, PA 17701
570-327-5263

NEWBERRY
1980 West Fourth Street
Williamsport, PA 17701
570-327-1550

SOUTH WILLIAMSPORT
618 West Southern Ave.
So. Williamsport, PA 17702
570-323-5263

DECEMBER 31, 2012
Quarterly Report



WOODLANDS
FINANCIAL SERVICES COMPANY

I am pleased to announce the results of the fourth quarter of 2012. Total assets decreased over $3 million for the quarter due to normal seasonal fluctuations of deposits during the fourth quarter, but have increased over $6 million for the year. Loans and Leases increased slightly for the quarter while increasing approximately $14.8 million for the year.

Deposits decreased slightly during the fourth quarter, but have increased over $6 million for the year.

We charged off portions of a few problem loans prior to closing the books for 2012. This resulted in the need for additional Provision for Loan Loss which decreased Net Income for the quarter to $746 thousand, which is lower than the Net Income for the fourth quarter of 2011. Net Income for the year was $3.2 million, slightly above the record Net Income of 2011.

Our Return on Average Assets (ROAA) in 2012 was 1.0% with an 11.20% Return on Average Equity. This is the third straight year that ROAA was 1.0% or greater.

I am pleased to announce that Jon P. Conklin was promoted to President and CEO of both Woodlands Financial Services Company and Woodlands Bank, effective January 1. Jon was the bank's Chief Operating Officer (COO) preceding his promotion and was the Chief Financial Officer prior to being COO. Jon has a unique combination of operational and leadership skills that will enable him to be very successful in his new position. He is truly a great asset to our organization.

As of December 31, 2012, Andrew W. Baker retired as Vice President of Woodlands Bank. Andy worked for us as a Commercial Lender and as the Commercial Lending Department Manager for the last 18 years. He was instrumental in growing this important department of the bank, during that time. He will be missed as a key management person and we wish him well in his retirement. We are delighted to announce that John Engel replaced Andy as the Manager of the Commercial Loan Department. John is an excellent choice to replace Andy and we are pleased that we could fill this position from within.

Our continued success as a growing community bank and as a bank with a successful financial standing is possible because of our outstanding group of officers and employees. We thank them for their dedication and hard work and for making Woodlands Bank what it is today.

Sincerely,

Robert E. Forse
Chairman

Consolidated Statements of Income (Unaudited)

(in thousands except per share amounts)	For the three months ended December 31		For the year ended December 31	
	2012	2011	2012	2011
INTEREST INCOME				
Interest & fees on loans and leases	$2,711	$2,766	$10,828	$11,320
Interest & dividends on cash & cash equivalents	4	14	25	39
Interest & dividends on investment securities:				
Taxable	235	303	1,121	1,181
Tax-exempt	184	173	682	715
Dividends	16	14	63	56
Total interest income	3,150	3,270	12,719	13,311
INTEREST EXPENSE				
Interest on deposits	406	517	1,763	2,293
Interest on borrowed funds	131	166	525	760
Total interest expense	537	683	2,288	3,053
NET INTEREST INCOME	2,613	2,587	10,431	10,258
PROVISION FOR LOAN LOSSES	316	(250)	582	(184)
NET INTEREST INCOME, AFTER PROVISION FOR LOAN LOSSES	2,297	2,837	9,849	10,442
OTHER INCOME				
Service charges and other fees	259	237	1,032	885
Other operating income	213	208	850	784
Trust department income	299	238	968	818
Gain on sale of loans and other assets, net	88	43	331	121
Gain on investment securities, net	35	17	114	41
Total other income	894	743	3,295	2,649
OTHER EXPENSES				
Salaries & employee benefits	1,242	1,538	5,103	5,163
Occupancy expense	174	185	718	759
Furniture & equipment expense	109	88	390	394
FDIC insurance premiums	54	37	216	243
Data processing expense	127	135	491	535
Professional fees	64	107	264	310
Other operating expenses	453	319	1,745	1,498
Total other expenses	2,223	2,409	8,927	8,902
INCOME BEFORE INCOME TAXES	968	1,171	4,217	4,189
PROVISION FOR INCOME TAXES	222	314	1,054	1,062
NET INCOME	$ 746	$ 857	$3,163	$3,127
NET INCOME PER COMMON SHARE	$ 0.99	$ 1.15	$ 4.21	$ 4.22
RETURN ON AVERAGE ASSETS	0.92%	1.08%	1.00%	1.04%
RETURN ON AVERAGE EQUITY	10.13%	13.04%	11.20%	12.58%



WOODLANDS
FINANCIAL SERVICES COMPANY