Consolidated Balance Sheets (Unaudited)

as of June 30

(in thousands except per share amounts)

	2015	2014
ASSETS		
Cash and due from banks	$ 5,480	$ 7,322
Interest-bearing deposits with banks	76	6,646
Government money market funds	1,200	2,167
Federal funds sold	332	500
Cash and cash equivalents	7,088	16,635
Available-for-sale securities	77,087	77,871
Held-to-maturity securities	125	125
Loans and leases	259,792	237,473
Less: Allowance for loan and lease losses	3,103	2,622
Loans, net	256,689	234,851
Bank premises and equipment, net	9,642	8,915
Other real estate owned	–	369
Accrued interest receivable	1,020	969
Deferred tax assets, net	983	692
Restricted stock	1,345	1,371
Other assets	8,064	7,609
TOTAL ASSETS	$362,043	$349,407
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Non-interest bearing	$ 62,727	$ 58,919
Interest bearing	243,179	241,442
Total deposits	305,906	300,361
Fed funds purchased & other short-term debt	5,000	–
Repurchase agreements	–	4,814
Long-term debt	15,596	10,607
Accrued interest payable	132	137
Other liabilities	1,875	1,789
Total liabilities	328,509	317,708
STOCKHOLDERS' EQUITY		
Common stock, $5.00 par value, 10,000,000 shares authorized; 767,875 and 764,249 shares issued and outstanding in 2015 and 2014, respectively.	3,839	3,821
Preferred stock, $5.00 par value, 4,000,000 shares authorized; no shares issued or outstanding	–	–
Additional paid-in capital	8,093	7,973
Retained earnings	20,646	18,794
Accumulated other comprehensive income	956	1,111
Total stockholders' equity	33,534	31,699
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	$362,043	$349,407

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, visit https://shareholder.broadridge.com/wdfn (select account maintenance under need a form?)

BANK OFFICERS

David L. Bartges, VP
C. Victor Beach, VP
Brian S. Brooking, Assistant VP
Thomas B. Burkholder, VP & Secretary
Jon P. Conklin, President & CEO
John J. Engel, Jr., VP
Joseph F. Farley, VP & CFO
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

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William C. Brown
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Melvin W. Lewis
George E. Logue, Jr.
David L. Shollenberger
Thomas G. Stubler
Peter Went

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Clyde R. Peeling
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Thomas M. Springman
Marvin H. Staiman
Betty L. Steinbacher
David J. Steinbacher
Theodore J. Weiss
Jessica A. Wheeland

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Donald E. Alsted
Catherine K. Ertel
John E. Hoffman
Harold L. Hurwitz

WOODLANDS FINANCIAL SERVICES COMPANY COMMON STOCK

is traded on the OTCQX market under the symbol of WDFN
The broker listed below is the designated corporate broker for Woodlands Financial Serivces Company:

Boenning & Scattergood, Inc.
9922 Brewster Lane
Powell, OH 43065
(800) 326-8113

Registrar and Transfer Agent:
Broadridge Corporate Issuer Solutions
P.O. Box 1342
Brentwood, NY 11717
855-449-0975
or
720-378-5970
shareholder@broadridge.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

OFFICES LOCATED AT:

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

HUGHESVILLE
2 South Main Street
Hughesville, PA 17737
570-584-2385

LOCK HAVEN
202 North Jay Street
Lock Haven, PA 17745
570-748-5166



2015 June 30 QUARTERLY REPORT

Dear Shareholders,

I am pleased to present the financial results of Woodlands Financial Services Company (the Company) for the second quarter 2015. The second quarter results continue to reflect the impact of the earning asset growth of the past couple years and builds upon the strong results reported in the previous quarter. While total assets basically remained flat from the previous quarter, net loans grew $10.6 million (4.3%) during the quarter. Year over year, total assets grew $12.6 million (3.6%) while net loans increased $21.8 million (9.3%). Total deposits were down $4.7 million (1.5%) for the quarter, mostly attributable to seasonal fluctuations and the call of another large brokered deposit. Total deposits are $5.5 million (1.8%) more than a year ago, however. Also, the Company's core capital increased 1.7% for the quarter and 6.5% for the year. The deployment of excess liquidity into earning assets during the quarter will continue to enhance overall asset yields and ultimately net income as well. Prospects for continued growth remain positive as the collective efforts to grow the Woodlands brand and market share pay dividends. The Company remains well positioned from a balance sheet perspective to benefit from the eventual rates-up environment. Also, the strong credit underwriting and monitoring culture at the Company continues to be reflected in the credit quality indicators of the earning asset portfolio.

Net income for the second quarter 2015 was $811 thousand, an increase of 5.9% from the prior quarter and 8.0% from the second quarter 2014. These increases in earnings reflect a continued strong performance from the trust department as well as an expansion of net interest income due to both earning asset growth and reductions in funding expense. The contribution to the bottom line from net interest income is reflected in a 6.0% increase over the second quarter of 2014. Year-to-date net income through the second quarter increased $164 thousand (11.6%) from 2015 to 2014. Also, year-to-date Return on Average Assets (ROAA) was 0.91% and Return on Average Equity (ROAE) was 9.79%, both increases over the previous year earnings metrics.

Through the halfway point of 2015, the strength of the financial results of Woodlands Financial Services Company has been achieved in spite of the many pressures facing the industry and community banks specifically. The fact that the Company remains successful and well positioned for future growth and robust earnings is a testament to the strength of the Woodlands brand in particular and to the strength of the community banking model in general. Despite the doom and gloom predictions from some for community banks, we believe that the desire to "bank local" is stronger than ever, and our ongoing efforts to promote the "Woodlands Way" will showcase those things that set us apart as a true local, community bank in the markets we serve, the most important of which are the relationships with our customers, shareholders, and community organizations. Without these relationships, our success would not be possible. Thank you for your continued support.

Sincerely,

Jon P. Conklin
President and CEO

Consolidated Statements of Income (Unaudited)

(in thousands except per share amounts)	For the three months ended June 30		For the six months ended June 30	
	2015	2014	2015	2014
INTEREST INCOME				
Interest & fees on loans and leases	$2,822	$2,703	$5,608	$5,341
Interest & dividends on cash & cash equivalents	2	5	6	6
Interest & dividends on investment securities:				
Taxable	261	244	510	487
Tax-exempt	175	181	357	370
Dividends	22	25	68	46
Total interest income	3,282	3,158	6,549	6,250
INTEREST EXPENSE				
Interest on deposits	303	345	624	685
Interest on borrowed funds	98	96	193	191
Total interest expense	401	441	817	876
NET INTEREST INCOME	2,881	2,717	5,732	5,374
PROVISION FOR LOAN LOSSES	81	75	162	150
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	2,800	2,642	5,570	5,224
OTHER INCOME				
Service charges and other fees	212	200	375	398
Other operating income	267	245	522	452
Trust department income	291	225	539	517
Gain on sale of loans and other assets, net	32	13	59	23
Gain on investment securities, net	38	28	117	59
Total other income	840	711	1,612	1,449
OTHER EXPENSES				
Salaries & employee benefits	1,449	1,332	2,897	2,691
Occupancy expense	175	150	369	366
Furniture & equipment expense	104	115	219	211
FDIC insurance premiums	60	60	120	120
Data processing expense	162	134	312	271
Professional fees	74	75	142	148
Other operating expenses	542	508	1,047	1,030
Total other expenses	2,566	2,374	5,106	4,837
INCOME BEFORE INCOME TAXES	1,074	979	2,076	1,836
PROVISION FOR INCOME TAXES	263	228	499	423
NET INCOME	$ 811	$ 751	$ 1,577	$ 1,413
NET INCOME PER COMMON SHARE	$ 1.06	$ 0.98	$ 2.06	$ 1.85
RETURN ON AVERAGE ASSETS	0.91%	0.88%	0.91%	0.86%
RETURN ON AVERAGE EQUITY	9.77%	9.76%	9.79%	9.51%



WOODLANDS
FINANCIAL SERVICES COMPANY