Consolidated Balance Sheets (Unaudited)

as of September 30

(in thousands except per share amounts)

ASSETS	2015	2014
Cash and due from banks	$ 5,477	$ 4,967
Interest-bearing deposits with banks	251	8,694
Government money market funds	876	2,098
Federal funds sold	–	500
Cash and cash equivalents	6,604	16,259
Available-for-sale securities	79,350	78,026
Held-to-maturity securities	125	125
Loans and leases	267,820	246,487
Less: Allowance for loan and lease losses	3,076	2,725
Loans, net	264,744	243,762
Bank premises and equipment, net	9,582	9,636
Other real estate owned	–	369
Accrued interest receivable	1,094	1,009
Deferred tax assets, net	803	784
Restricted stock	1,345	1,416
Other assets	8,039	7,795
TOTAL ASSETS	$371,686	$359,181

LIABILITIES AND STOCKHOLDERS' EQUITY

LIABILITIES		
Non-interest bearing	$ 63,388	$ 59,961
Interest bearing	248,982	248,382
Total deposits	312,370	308,343
Fed funds purchased & other short-term debt	2,423	–
Repurchase agreements	–	6,214
Long-term debt	20,593	10,605
Accrued interest payable	129	138
Other liabilities	1,750	1,672
Total liabilities	337,265	326,972
STOCKHOLDERS' EQUITY		
Common stock, $5.00 par value, 10,000,000 shares authorized; 768,505 and 765,645 shares issued and outstanding in 2015 and 2014, respectively.	3,843	3,828
Preferred stock, $5.00 par value, 4,000,000 shares authorized; no shares issued or outstanding	–	–
Additional paid-in capital	8,113	8,019
Retained earnings	21,193	19,316
Accumulated other comprehensive income	1,273	1,046
Total	34,422	32,209
Less: Treasury stock, 29 shares as of Septemer 2015 and 0 shares as of September 2014, at cost	1	–
Total stockholders' equity, net	34,421	32,209
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	$371,686	$359,181

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
Jon P. Conklin
Robert E. Forse, Chairman
Marc D. Lewis
Melvin W. Lewis
George E. Logue, Jr.
David L. Shollenberger
Thomas G. Stubler
Peter Went

COMMUNITY BOARD MEMBERS

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Nathan E. Grenoble
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Thomas M. Springman
Marvin H. Staiman
Betty L. Steinbacher
David J. Steinbacher
Theodore J. Weiss
Jessica A. Wheeland

BOARD OF DIRECTORS EMERITI

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 September 30 QUARTERLY REPORT

Dear Shareholders,

I am pleased to present the financial results of Woodlands Financial Services Company (the Company) for the third quarter 2015. It was another strong quarter for both earnings and growth as the Company continues to build toward a solid 2015 performance overall. Total assets grew $9.6 million (2.7%) for the quarter with net loans making up $8.1 million (3.2%) of that growth. Year over year, total assets grew $12.5 million (3.5%) while net loans increased $21.0 million (8.6%). Total deposits grew $6.5 million (2.1%) for the quarter and $4.0 million (1.3%) over the last twelve months. The Company's core capital increased 1.7% for the quarter and 6.4% for the year. The continued robust growth in quality earning assets will only serve to increase the prospects for strong earnings performance in the coming quarters ahead. This continued growth is the result of the collective efforts of all those throughout the Woodlands family to promote and grow the Woodlands brand and increase the overall market share in the communities in which we operate. The Company still remains well positioned from a balance sheet perspective to benefit from the eventual rates-up environment, which is still expected to begin late this year or early next year. Also, the credit quality of the loan and investment portfolios continues to be reflected in strong credit quality metrics and be reflective of the strong credit underwriting and monitoring culture at the Company.

Net income for the third quarter 2015 was $839 thousand, an increase of 3.5% from the prior quarter and 3.1% from the third quarter 2014. These increases in earnings reflect the impact of the expanding earning asset base as well as the continued strong performance from the trust department and other non-interest income sources such as secondary market loan sales. The contribution to the bottom line from net interest income is reflected in an 8.0% increase over the third quarter of 2014 and 7.1% year-to-date in 2015 compared to the same period in 2014. Year-to-date net income through the third quarter increased $189 thousand (8.5%) from 2015 to 2014. Also, year-to-date Return on Average Assets (ROAA) was 0.90% and Return on Average Equity (ROAE) was 9.74%, both increases over the previous year earnings metrics.

As the Company continues to face the economic and industry headwinds through the first three quarters of 2015, the challenges have been faced head on and with a focus on achieving all our strategic objectives in spite of them. This organizational tenacity is reflected in the results that have been achieved to date and is attributable to the loyal nature of our employees and our customers alike. It is my continuing steadfast belief that despite the stifling pressures being placed upon the community banking industry, the laser focused community banking institutions that possess an indelible bond with the customers and the communities they serve will continue to thrive for many years to come. For this reason, it is imperative that we all share our story and let people know how the Woodlands Way of banking is heads and shoulders above the ever-increasing mega bank approach of hidden fees, complex products and services, and aggressive sales tactics. 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 September 30		For the nine months ended September 30	
	2015	2014	2015	2014
INTEREST INCOME				
Interest & fees on loans and leases	$2,954	$2,754	$8,562	$8,095
Interest & dividends on cash & cash equivalents	–	7	6	13
Interest & dividends on investment securities:				
Taxable	274	246	784	733
Tax-exempt	163	177	520	547
Dividends	24	26	92	72
Total interest income	3,415	3,210	9,964	9,460
INTEREST EXPENSE				
Interest on deposits	289	340	913	1,025
Interest on borrowed funds	130	96	323	287
Total interest expense	419	436	1,236	1,312
NET INTEREST INCOME	2,996	2,774	8,728	8,148
PROVISION FOR LOAN LOSSES	54	75	216	225
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	2,942	2,699	8,512	7,923
OTHER INCOME				
Service charges and other fees	213	277	588	625
Other operating income	269	253	791	705
Trust department income	212	325	751	842
Gain on sale of loans and other assets, net	35	21	94	44
Gain on investment securities, net	–	27	117	86
Total other income	729	853	2,341	2,302
OTHER EXPENSES				
Salaries & employee benefits	1,464	1,398	4,361	4,089
Occupancy expense	162	155	531	521
Furniture & equipment expense	123	117	342	328
FDIC insurance premiums	60	60	180	180
Data processing expense	162	140	474	411
Professional fees	57	74	199	222
Other operating expenses	521	531	1,568	1,561
Total other expenses	2,549	2,475	7,655	7,312
INCOME BEFORE INCOME TAXES	1,122	1,077	3,198	2,913
PROVISION FOR INCOME TAXES	283	263	782	686
NET INCOME	$ 839	$ 814	$ 2,416	$ 2,227
NET INCOME PER COMMON SHARE	$ 1.09	$ 1.06	$ 3.15	$ 2.91
RETURN ON AVERAGE ASSETS	0.89%	0.89%	0.90%	0.87%
RETURN ON AVERAGE EQUITY	9.64%	9.91%	9.74%	9.65%

