Consolidated Balance Sheets (Unaudited)

as of December 31

(in thousands except per share amounts)

ASSETS	2015	2014
Cash and due from banks	$ 6,067	$ 6,042
Interest-bearing deposits with banks	117	8,700
Government money market funds	474	2,432
Federal funds sold	80	500
Cash and cash equivalents	6,738	17,674
Available-for-sale securities	77,179	78,306
Held-to-maturity securities	125	125
Loans and leases	272,844	250,520
Less: Allowance for loan and lease losses	2,905	2,823
Loans, net	269,939	247,697
Bank premises and equipment, net	9,481	9,666
Other real estate owned	239	–
Accrued interest receivable	1,092	1,003
Deferred tax assets, net	809	673
Restricted stock	1,345	968
Other assets	8,285	8,090
TOTAL ASSETS	$375,232	$364,202

LIABILITIES AND STOCKHOLDERS' EQUITY

LIABILITIES		
Non-interest bearing	$ 73,186	$ 64,416
Interest bearing	244,445	247,459
Total deposits	317,631	311,875
Repurchase agreements	–	6,837
Long-term debt	20,591	10,602
Accrued interest payable	126	136
Other liabilities	2,108	1,973
Total liabilities	340,456	331,423
STOCKHOLDERS' EQUITY		
Common stock, $5.00 par value, 10,000,000 shares authorized; 1,537,010 issued in 2015 and 766,389 shares issued and outstanding in 2014.	7,685	3,832
Preferred stock, $5.00 par value, 4,000,000 shares authorized; no shares issued or outstanding	–	–
Additional paid-in capital	8,113	8,044
Retained earnings	17,913	19,651
Accumulated other comprehensive income	1,066	1,252
Total	34,777	32,779
Less: Treasury stock, 58 shares as of December 2015 and 0 shares as of December 2014, at cost	1	–
Total stockholders' equity, net	34,776	32,779
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	$375,232	$364,202

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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Thomas M. Springman
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Betty L. Steinbacher
David J. Steinbacher
Theodore J. Weiss
Jessica A. Wheeland

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Catharine 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 December 31 QUARTERLY REPORT

Dear Shareholders,

I am pleased to present the financial results of Woodlands Financial Services Company (the Company) for the fourth quarter 2015. The performance of the Company for the quarter mirrored that of the rest of the year and rounded out a successful 2015 overall. Total assets grew $3.5 million for the quarter with net loans increasing by $5.2 million. For the year, total assets grew $11.0 million or 3.0% while net loans increased $22.2 million or 9.0%. Total deposits grew $5.3 million for the quarter and $5.8 million or 1.8% for the year. The Company's core capital increased 1.7% for the quarter and 6.9% for the year. The Company continues to enjoy a steady growth in quality earning assets which has served to build a base for earnings growth going forward. The strategic initiatives employed by all those throughout the organization have been responsible for this growth and efforts to grow the core deposit base have started to bear fruit during the quarter as evidenced by the growth in deposits. The Company remains well positioned from a balance sheet perspective to benefit from the recent rate increase by the Fed and will continue to be such given the expectations for a slow but steady increase in rates as we move into 2016 and beyond. The overall credit quality of the balance sheet remains strong and is reflective of the robust credit underwriting and monitoring culture that is a core strength of the Company overall.

Net income for the fourth quarter 2015 was $862 thousand, an increase of 2.7% from the prior quarter and a 37.9% increase when compared to the fourth quarter 2015. The earnings increases reflect the continued growth of the quality earning asset base already referenced as well as some continued strong results from various non-interest income sources. For the year 2015, net income increased $426 thousand or 14.9%. Net interest income as a contribution to the overall net income increased 7.2% year to year. For the year, the Return on Average Assets (ROAA) was 0.90% and Return on Average Equity (ROAE) was 9.72%, both increases over the previous year's earnings metrics.

Given the results of the year, I could not be more pleased with where we are and where we're headed going into 2016 and beyond. As a reward to our shareholders for their steadfast support of the Company as we continue to achieve growth and profitability, the Board of Directors of the Company elected to increase the fourth quarter cash dividend as well as to issue a 100% stock dividend on December 21. These actions could not have been possible without the collective efforts of the amazing group of employees throughout the organization whose hard work and dedication to the success of the Company is second to none. We understand that in the current environment that it is not easy to be successful as a smaller community bank; however, we also understand that we have something special at Woodlands which sets us apart from the others. We like to refer to that "something special" as The Woodlands Way, and our efforts starting in 2016 will be to let everyone know exactly what that means in terms of our commitment to our shareholders, our customers, our employees, and also to the communities in which we operate. We feel that our commitment to being a true community bank is not one to be taken lightly, and we plan on making that obvious. 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 December 31		For the year ended December 31	
	2015	2014	2015	2014
INTEREST INCOME				
Interest & fees on loans and leases	$3,024	$2,836	$11,586	$10,391
Interest & dividends on cash & cash equivalents	2	6	8	19
Interest & dividends on investment securities:				
Taxable	260	251	1,044	984
Tax-exempt	196	183	716	730
Dividends	28	25	120	97
Total interest income	3,510	3,301	13,474	12,761
INTEREST EXPENSE				
Interest on deposits	286	336	1,199	1,361
Interest on borrowed funds	146	98	469	385
Total interest expense	432	434	1,668	1,746
NET INTEREST INCOME	3,078	2,867	11,806	11,015
PROVISION FOR LOAN LOSSES	–	75	216	300
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	3,078	2,792	11,590	10,715
OTHER INCOME				
Service charges and other fees	210	197	798	822
Other operating income	280	263	1,071	968
Trust department income	247	206	998	1,048
Gain on sale of loans and other assets, net	20	(31)	114	13
Gain on investment securities, net	55	–	172	86
Total other income	812	635	3,153	2,937
OTHER EXPENSES				
Salaries & employee benefits	1,628	1,565	5,989	5,654
Occupancy expense	165	163	696	684
Furniture & equipment expense	122	116	464	444
FDIC insurance premiums	60	60	240	240
Data processing expense	158	145	632	556
Professional fees	70	53	269	275
Other operating expenses	546	537	2,114	2,098
Total other expenses	2,749	2,639	10,404	9,951
INCOME BEFORE INCOME TAXES	1,141	788	4,339	3,701
PROVISION FOR INCOME TAXES	279	163	1,061	849
NET INCOME	$ 862	$ 625	$ 3,278	$ 2,852
NET INCOME PER COMMON SHARE	$ 0.56	$ 0.41	$ 2.14	$ 1.87
RETURN ON AVERAGE ASSETS	0.89%	0.66%	0.90%	0.81%
RETURN ON AVERAGE EQUITY	9.69%	7.42%	9.72%	9.07%

