Consolidated Balance Sheets (Unaudited)

as of March 31

(in thousands except per share amounts)

ASSETS	2016	2015
Cash and due from banks	$ 5,853	$ 4,830
Interest-bearing deposits with banks	4,963	8,841
Government money market funds	810	2,501
Federal funds sold	500	500
Cash and cash equivalents	12,126	16,672
Available-for-sale securities	80,577	79,013
Held-to-maturity securities	125	125
Loans and leases	268,129	249,176
Less: Allowance for loan and lease losses	3,049	3,051
Loans, net	265,080	246,125
Bank premises and equipment, net	10,452	9,690
Other real estate owned	741	–
Accrued interest receivable	1,168	1,038
Deferred tax assets, net	640	687
Restricted stock	1,345	968
Other assets	7,996	7,812
TOTAL ASSETS	$380,250	$362,130

LIABILITIES AND STOCKHOLDERS' EQUITY

LIABILITIES

Non-interest bearing	$ 69,862	$ 64,121
Interest bearing	252,127	246,441
Total deposits	321,989	310,562
Repurchase agreements	–	5,585
Long-term debt	20,588	10,599
Accrued interest payable	124	128
Other liabilities	1,853	1,787
Total liabilities	344,554	328,661

STOCKHOLDERS' EQUITY

Common stock, $5.00 par value, 10,000,000 shares authorized; 1,537,010 issued in 2016 and 767,132 shares issued and outstanding in 2015.	7,685	3,836
Preferred stock, $5.00 par value, 4,000,000 shares authorized; no shares issued or outstanding	–	–
Additional paid-in capital	8,113	8,068
Retained earnings	18,385	20,127
Accumulated other comprehensive income	1,514	1,438
Total	35,697	33,469
Less: Treasury stock, 58 shares as of March 2016 and 0 shares as of March 2015, at cost	1	–
Total stockholders' equity, net	35,696	33,469
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	$380,250	$362,130

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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Robert E. Forse, Chairman
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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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Darwin M. Higley
Dawn M. Myers
Clyde R. Peeling
Eugene A. Schurer
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
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



2016

March 31 Quarterly Report

Dear Shareholders,

I am pleased to present the financial results of Woodlands Financial Services Company (the Company) for the first quarter 2016. The Company started out the year with a solid first quarter, building on a strong 2015 performance. Total assets grew $5.0 million for the quarter which was driven primarily by a $4.4 million increase in total deposits. Loans actually decreased by $4.9 million for the quarter but are up $19.0 million, or 7.7%, year-over-year. Total assets are up $18.1 million, 5.0%, since the end of the first quarter 2015, and deposits are $11.4 million, 3.7%, more than they were a year ago. The Company's core capital increased 1.4% for the quarter and 6.7% for the year. Despite the decrease in loans during the quarter, we remain confident about the prospects for continued loan growth throughout the rest of the year. In addition, concerted efforts to grow core deposits and new core relationships have resulted in nearly 1,100 new checking account customers since the beginning of October with balances at the end of the first quarter in excess of $9.2 million in these new accounts. The Company's balance sheet position remains strong and well positioned, balancing credit risk and interest rate risk with achieving appropriate yields to support acceptable shareholder returns. With so many uncertainties existing in terms of the interest rate picture and the future path of rates as well as with the larger economy, the task of balance sheet management has never been as challenging as it is today. That's why we are fortunate to have such a talented team in place at the bank that will deftly navigate the bank through these challenges.

Net income for the first quarter 2016 was $779 thousand, a decrease of 9.6% from the prior quarter but a 1.7% increase when compared to the first quarter 2015. The quarterly earnings were impacted by some one-time charges related to other real estate owned; however, the Company's net interest income continued to be strong, having achieved increases over both the previous quarter and the first quarter 2015. The Company's non-interest income also continues to be a solid contributor to the bottom line with the bank's trust department turning in another strong quarter and the bank being able to generate additional revenues through other operating income sources. For the quarter, the Return on Average Assets (ROAA) was 0.87% and Return on Average Equity (ROAE) was 9.37%.

As we head into the warmer months, we at Woodlands are excited about some of the prospects for the future. We are especially excited to continue to emphasize the Woodlands Way of banking and to promote the bank through our Go Local campaign, which will include our Facebook launch and our Get Local and Give Local appeals. These appeals will feature not only our own employees and all that they do for the bank but also our customers' businesses, from which prizes can be won, and local non-profits, to whom donations can be directed, as part of the campaign. These businesses and non-profits serve as the life blood of our communities, and we feel that it's only fitting that we help to give them the exposure they deserve. As always, each and every one of you is critical to the past and future success of the Company, and I thank the entire Woodlands family for their 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 March 31 2016	2015
INTEREST INCOME		
Interest & fees on loans and leases	$3,028	$2,786
Interest & dividends on cash & cash equivalents	6	4
Interest & dividends on investment securities:		
Taxable	259	249
Tax-exempt	197	182
Dividends	29	46
Total interest income	3,519	3,267
INTEREST EXPENSE		
Interest on deposits	280	321
Interest on borrowed funds	143	95
Total interest expense	423	416
NET INTEREST INCOME	3,096	2,851
PROVISION FOR LOAN LOSSES	81	81
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	3,015	2,770
OTHER INCOME		
Service charges and other fees	180	163
Other operating income	287	255
Trust department income	298	248
Gain on sale of loans and other assets, net	14	27
Gain on investment securities, net	20	79
Total other income	799	772
OTHER EXPENSES		
Salaries & employee benefits	1,517	1,448
Occupancy expense	176	194
Furniture & equipment expense	115	115
FDIC insurance premiums	60	60
Data processing expense	168	150
Professional fees	75	68
Other operating expenses	649	505
Total other expenses	2,760	2,540
INCOME BEFORE INCOME TAXES	1,054	1,002
PROVISION FOR INCOME TAXES	275	236
NET INCOME	$ 779	$ 766
NET INCOME PER COMMON SHARE	$ 0.51	$ 0.50
RETURN ON AVERAGE ASSETS	0.87%	0.90%
RETURN ON AVERAGE EQUITY	9.37%	9.81%



WOODLANDS
FINANCIAL SERVICES
COMPANY