

Consolidated Balance Sheets (Unaudited)

as of September 30

(in thousands except per share amounts)

ASSETS

	2016	2015
Cash and due from banks	\$ 6,878	\$ 5,477
Interest-bearing deposits with banks	8,636	251
Government money market funds	3,418	876
Federal funds sold	500	—
Cash and cash equivalents	19,432	6,604
Available-for-sale securities	70,916	79,350
Held-to-maturity securities	275	125
Loans and leases	280,381	267,820
Less: Allowance for loan and lease losses	3,136	3,076
Loans, net	277,245	264,744
Bank premises and equipment, net	10,319	9,582
Other real estate owned	447	—
Accrued interest receivable	1,099	1,094
Deferred tax assets, net	665	803
Restricted stock	1,349	1,345
Other assets	8,274	8,039
TOTAL ASSETS	\$390,021	\$371,686

LIABILITIES AND STOCKHOLDERS' EQUITY

LIABILITIES

Non-interest bearing	\$ 71,728	\$ 63,388
Interest bearing	258,644	248,982
Total deposits	330,372	312,370
Fed funds purchased & other short term debt	—	2,423
Long-term debt	20,582	20,593
Accrued interest payable	116	129
Other liabilities	1,981	1,750
Total liabilities	353,051	337,265

STOCKHOLDERS' EQUITY

Common stock, \$5.00 par value, 10,000,000 shares authorized; 1,538,810 issued in 2016 and 768,505 shares issued and outstanding in 2015.	7,694	3,843
Preferred stock, \$5.00 par value, 4,000,000 shares authorized; no shares issued or outstanding	—	—
Additional paid-in capital	8,138	8,113
Retained earnings	19,525	21,193
Accumulated other comprehensive income	1,613	1,273
Total	36,970	34,422
Less: Treasury stock, 0 shares as of September 2016 and 58 shares as of September 2015, at cost	—	1
Total stockholders' equity, net	36,970	34,421

TOTAL LIABILITIES & STOCKHOLDERS' EQUITY

\$390,021 \$371,686

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

BOARD OF DIRECTORS

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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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Daniel D. Forrester
Michael Gaetano
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

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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 Services Company:

Boenning & Scattergood, Inc.

9922 Brewster Lane
Powell, OH 43065
(866) 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

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

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

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

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

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

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

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

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?)

2016

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 2016. The Company turned in another strong quarterly performance and is poised for a successful 2016 heading into the fourth quarter. Total assets increased \$11.9 million for the quarter and are up \$18.3 million, or 4.9%, since the end of the third quarter 2015. These increases were primarily driven by increases in deposits which went up \$11.6 million for the quarter and \$18.0 million, or 5.8%, year-over-year. Net loans for the quarter increased \$7.2 million and are up \$12.5 million, 4.7%, since the end of the third quarter 2015. Additionally, the Company's core capital increased 1.7% for the quarter and 6.7% for the year. As reflected in the quarterly balance sheet growth, efforts to attract new customer relationships continue to find success and are critical to the continued growth and sustained profitability of the Company, especially in such a challenging environment as the one in which we currently operate. The effective management of the balance sheet during unprecedented monetary and fiscal policy uncertainty is one of the toughest challenges faced by management. It is only through careful and diligent means, relying on the collective competencies of management as well as on the output of our modeling software that we are able to confidently face that challenge and ultimately achieve the ideal mix of risk and reward in appropriately deploying the Company's assets with the ultimate goal in mind of maximizing long-term shareholder value.

Net income for the third quarter 2016 was \$847 thousand, which is 6.7% decrease over the previous quarter but a 1.0% increase over the third quarter of 2015. Year-to-date net income is up 4.9% over the same period 2015. The income statement in general continues to show some improvement in the net interest income, mainly driven by increases in the volume of earning assets. It also continues to show a solid contribution to the bottom line from non-interest income sources, namely the trust department income, as well as a stabilization of non-interest expenses. For the quarter, the Return on Average Assets (ROAA) was 0.86% and Return on Average Equity (ROAE) was 8.98% while year-to-date ROAA and ROAE stand at 0.90% and 9.52%, respectively.

In last quarter's letter, I highlighted the successes of the #GoLocal campaign that had just wrapped up at that time. I am happy to share this quarter that the campaign was not only a success locally but was also recognized as such on a much larger scale, having been responsible for Woodlands Bank being named a 2016 National Award Recipient by the Independent Community Bankers of America (ICBA) and also a winner of the 2016 President's Award for Community Service by the Pennsylvania Association of Community Bankers (PACB). I think this campaign's success not only speaks to the core values of Woodlands Bank, which have existed since the bank's founding, but also to the systemic need and importance of preserving the viability of community banking in order to ensure the continued economic successes of this country. As always, thank you all for your continued support of Woodlands Financial Services Company.

Sincerely,

Jon P. Conklin
President and CEO

Consolidated Statements of Income (Unaudited)

	For the three months ended September 30		For the nine months ended September 30	
	2016	2015	2016	2015
(in thousands except per share amounts)				
INTEREST INCOME				
Interest & fees on loans and leases	\$3,078	\$2,954	\$9,131	\$8,562
Interest & dividends on cash & cash equivalents	9	—	22	6
Interest & dividends on investment securities:				
Taxable	220	274	741	784
Tax-exempt	196	163	587	520
Dividends	29	24	86	92
Total interest income	3,532	3,415	10,567	9,964
INTEREST EXPENSE				
Interest on deposits	285	289	844	913
Interest on borrowed funds	145	130	431	323
Total interest expense	430	419	1,275	1,236
NET INTEREST INCOME	3,102	2,996	9,292	8,728
PROVISION FOR LOAN LOSSES	81	54	243	216
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	3,021	2,942	9,049	8,512
OTHER INCOME				
Service charges and other fees	225	213	619	588
Other operating income	296	269	902	791
Trust department income	245	212	833	751
Gain on sale of loans and other assets, net	70	35	136	94
Gain on investment securities, net	32	—	66	117
Total other income	868	729	2,556	2,341
OTHER EXPENSES				
Salaries & employee benefits	1,573	1,464	4,584	4,361
Occupancy expense	165	162	504	531
Furniture & equipment expense	127	123	348	342
FDIC insurance premiums	60	60	180	180
Data processing expense	168	162	489	474
Professional fees	59	57	192	199
Other operating expenses	562	521	1,810	1,568
Total other expenses	2,714	2,549	8,107	7,655
INCOME BEFORE INCOME TAXES	1,175	1,122	3,498	3,198
PROVISION FOR INCOME TAXES	328	283	964	782
NET INCOME	\$ 847	\$ 839	\$ 2,534	\$ 2,416
NET INCOME PER COMMON SHARE	\$ 0.55	\$ 0.55	\$ 1.65	\$ 1.58
RETURN ON AVERAGE ASSETS	0.86%	0.89%	0.90%	0.90%
RETURN ON AVERAGE EQUITY	8.98%	9.64%	9.52%	9.74%

