

Consolidated Balance Sheets (Unaudited)

as of June 30

(in thousands except per share amounts)

ASSETS

	2016	2015
Cash and due from banks	\$ 6,016	\$ 5,480
Interest-bearing deposits with banks	1,085	76
Government money market funds	1,206	1,200
Federal funds sold	500	332
Cash and cash equivalents	8,807	7,088
Available-for-sale securities	77,109	77,087
Held-to-maturity securities	275	125
Loans and leases	273,119	259,792
Less: Allowance for loan and lease losses	3,054	3,103
Loans, net	270,065	256,689
Bank premises and equipment, net	10,393	9,642
Other real estate owned	448	—
Accrued interest receivable	1,082	1,020
Deferred tax assets, net	477	983
Restricted stock	1,349	1,345
Other assets	8,144	8,064
TOTAL ASSETS	\$378,149	\$362,043

LIABILITIES AND STOCKHOLDERS' EQUITY

LIABILITIES

Non-interest bearing	\$ 68,359	\$ 62,727
Interest bearing	250,421	243,179
Total deposits	318,780	305,906
Fed funds purchased & other short term debt	—	5,000
Long-term debt	20,585	15,596
Accrued interest payable	125	132
Other liabilities	1,995	1,875
Total liabilities	341,485	328,509

STOCKHOLDERS' EQUITY

Common stock, \$5.00 par value, 10,000,000 shares authorized; 1,537,010 issued in 2016 and 767,875 shares issued and outstanding in 2015.	7,685	3,839
Preferred stock, \$5.00 par value, 4,000,000 shares authorized; no shares issued or outstanding	—	—
Additional paid-in capital	8,113	8,093
Retained earnings	18,985	20,646
Accumulated other comprehensive income	1,882	956
Total	36,665	33,534
Less: Treasury stock, 58 shares as of June 2016 and 0 shares as of June 2015, at cost	1	—
Total stockholders' equity, net	36,664	33,534

TOTAL LIABILITIES & STOCKHOLDERS' EQUITY

\$378,149 \$362,043

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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Peter Went

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EMERITI

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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:

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973 Lycoming Mall Drive
Pennsdale, PA 17756
570-546-5001

LOYALSOCK
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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

2016

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 2016. The Company built upon a solid first quarter performance and was able to continue the momentum with an even better second quarter. While total assets actually decreased \$2.1 million driven primarily by seasonal decreases in certain deposit accounts, total loans increased \$5.0 million for the quarter and \$13.3 million, or 5.1%, year-over-year. Total assets are up \$16.1 million, 4.4%, since the end of the second quarter 2015 while deposits are \$12.9 million, 4.2%, more than they were a year ago. The Company's core capital increased 1.8% for the quarter and 6.8% for the year. The balance sheet growth in the second quarter reflects the ongoing efforts of the Company to gain core customers across the communities in which we operate and to continue to grow and remain profitable despite the challenging environment. And given the volatility and uncertainty that exists in the national and global economies producing about as hazy of an interest rate picture as there can be, the Company's balance sheet remains positioned such to balance credit risk and interest rate risk with achieving appropriate yields to support acceptable shareholder returns. Through the utilization of complex modeling software, various scenarios are always being tested and considered in order to determine the most appropriate deployment of assets in order to achieve that ideal risk and reward trade-off.

Net income for the second quarter 2016 was \$908 thousand, a 16.6% increase over the prior quarter and a 12.0% increase over the second quarter of 2015. Year-to-date net income is up 7.0% over the same period 2015. These increases are driven mainly by an improved net interest income, which is the result of the growth in earning assets that has been achieved over the past few years. Also, non-interest income sources, such as trust department revenue and certain fee income, continue to be significant contributors to the bottom line. For the quarter, the Return on Average Assets (ROAA) was 0.96% and Return on Average Equity (ROAE) was 10.21%, both solid improvements over the prior quarter and the second quarter of 2015. Year-to-date, the Return on Average Assets (ROAA) is 0.91% and the Return on Average Equity (ROAE) is 9.79%.

As the financial results show only part of the picture of what is going on at the Company, it is important to also highlight the results of the #GoLocal campaign which took place during the entire second quarter. This campaign was highly successful in both telling our story and in engaging our customers and the communities at-large with regards to the Woodlands Way of community banking. During this three-month campaign, we were able to not only showcase and highlight some of our customers' businesses but also give back to local community non-profit organizations resulting in 9,560 meals for people in need, 102 nights of care, food, and shelter for a displaced family of four, 91 interview-ready business outfits for people in need, and 1,005 hours of funding for youth extracurricular activities. Thanks again for all 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 June 30		For the six months ended June 30	
	2016	2015	2016	2015
(in thousands except per share amounts)				
INTEREST INCOME				
Interest & fees on loans and leases	\$3,025	\$2,822	\$6,053	\$5,608
Interest & dividends on cash & cash equivalents	7	2	13	6
Interest & dividends on investment securities:				
Taxable	262	261	521	510
Tax-exempt	194	175	391	357
Dividends	28	22	57	68
Total interest income	3,516	3,282	7,035	6,549
INTEREST EXPENSE				
Interest on deposits	279	303	559	624
Interest on borrowed funds	143	98	286	193
Total interest expense	422	401	845	817
NET INTEREST INCOME	3,094	2,881	6,190	5,732
PROVISION FOR LOAN LOSSES	81	81	162	162
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	3,013	2,800	6,028	5,570
OTHER INCOME				
Service charges and other fees	214	212	394	375
Other operating income	319	267	606	522
Trust department income	290	291	588	539
Gain on sale of loans and other assets, net	52	32	66	59
Gain on investment securities, net	14	38	34	117
Total other income	889	840	1,688	1,612
OTHER EXPENSES				
Salaries & employee benefits	1,494	1,449	3,011	2,897
Occupancy expense	163	175	339	369
Furniture & equipment expense	106	104	221	219
FDIC insurance premiums	60	60	120	120
Data processing expense	153	162	321	312
Professional fees	58	74	133	142
Other operating expenses	599	542	1,248	1,047
Total other expenses	2,633	2,566	5,393	5,106
INCOME BEFORE INCOME TAXES	1,269	1,074	2,323	2,076
PROVISION FOR INCOME TAXES	361	263	636	499
NET INCOME	\$ 908	\$ 811	\$ 1,687	\$ 1,577
NET INCOME PER COMMON SHARE	\$ 0.59	\$ 0.53	\$ 1.10	\$ 1.03
RETURN ON AVERAGE ASSETS	0.96%	0.91%	0.91%	0.91%
RETURN ON AVERAGE EQUITY	10.21%	9.77%	9.79%	9.79%

