

Consolidated Balance Sheets (Unaudited)

as of September 30

(in thousands except per share amounts)

ASSETS	2011	2010
Cash and due from banks	\$ 5,036	\$ 3,658
Interest-bearing deposits with banks	19,546	15,102
Government money market funds	686	349
Federal funds sold	415	1,194
Cash and cash equivalents	<u>25,683</u>	<u>20,303</u>
Certificates of Deposit	-	499
Available-for-sale securities	71,393	53,121
Held-to-maturity securities	118	91
Loans and leases	205,729	210,815
Less: Allowance for loan and lease losses	<u>4,224</u>	<u>4,326</u>
Loans, net	<u>201,505</u>	<u>206,489</u>
Bank premises and equipment, net	4,429	4,765
Other real estate owned	-	417
Accrued interest receivable	998	952
Deferred tax assets, net	1,210	1,297
Restricted stock	1,840	2,183
Other assets	<u>5,658</u>	<u>5,318</u>
TOTAL ASSETS	\$312,834	\$295,435

LIABILITIES AND STOCKHOLDERS' EQUITY

LIABILITIES

Non-interest bearing	\$ 43,420	\$ 35,390
Interest-bearing	215,570	210,705
Total deposits	<u>258,990</u>	<u>246,095</u>
Repurchase agreements	10,196	9,083
Long-term debt	15,634	15,643
Accrued interest payable	253	299
Other liabilities	1,864	1,211
Total liabilities	<u>286,937</u>	<u>272,331</u>

STOCKHOLDERS' EQUITY

Common stock, \$5.00 par value, 10,000,000 shares authorized; 743,448 and 733,037 shares issued and outstanding in 2011 and 2010, respectively.	3,717	3,665
Preferred stock, \$5.00 par value, 4,000,000 shares authorized; no shares issued or outstanding	-	-
Additional paid-in capital	7,346	7,121
Retained earnings	13,644	11,370
Accumulated other comprehensive income	1,190	948
Stockholders' equity, net	<u>25,897</u>	<u>23,104</u>

TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	\$312,834	\$295,435
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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, contact Woodlands Financial Services Co. Shareholder Services at 570-327-5263.

BANK OFFICERS

Andrew W. Baker, Jr., VP
Alfred F. Barraco, VP & Secretary
David L. Bartges, VP
C. Victor Beach, VP
Thomas B. Burkholder, VP
Jon P. Conklin, VP & CFO
John J. Engel, Jr., VP
Robert E. Forse, President & CEO
Andrew J. Gallagher, VP
Matthew A. Gaugler, VP
Janet H. Harris, VP
Shelly A. Hepler, VP
Carlene J. Keyte, Assistant VP
Stacy L. Neill, VP
Carol J. Welliver, VP

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Harold L. Hurwitz

WOODLANDS FINANCIAL SERVICES COMPANY COMMON STOCK

is traded over-the-counter under the symbol of WDFN

The following brokers make a market in the Common Stock:

Janney Montgomery Scott, Inc.

1801 Market Street
Philadelphia, PA 19103-1675
(800) 526-6397

Stifel, Nicolaus & Co. Inc.

2000 Oxford Dr. Suite 605
Bethel Park, PA 15102
(866) 253-0500

Boening & Scattergood, Inc.

4 Tower Bridge
200 Barr Harbor Dr., Suite 300
West Conshohocken, PA 19428
(800) 883-1212

Monroe Securities, Inc.

100 North Riverside Plaza, Suite 1620
Chicago, IL 60606
(800) 766-5560

Registrar and Transfer Agent:

Registrar and Transfer Company
10 Commerce Drive
Cranford, NJ 07016
1-800-368-5948
info@rtco.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

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

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

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

September 30, 2011
Quarterly Report

WOODLANDS
FINANCIAL SERVICES COMPANY



Consolidated Statements of Income (Unaudited)

Dear Friends,

Woodlands Financial Services Company surpassed the \$300 million asset mark during the third quarter, with over \$312 million in assets as of September 30, 2011.

During the quarter, net loans increased over \$4.3 million, securities increased more than \$5.6 million, and cash and cash equivalents increased over \$10.4 million. Funding this growth was an increase in deposits of more than \$20 million.

Income for the third quarter of 2011 was \$817 thousand which was lower than the third quarter of 2010. This change was primarily due to an increase in Other Expenses. The net income for the first three quarters, however, remains above that of the first three quarters of 2010.

The Return on Average Assets (ROAA) for the quarter was 1.08%, raising the year-to-date ROAA to 1.03%. The Return on Average Equity (ROAE) was 12.79% for the quarter, raising the ROAE to 12.41% for the year. The year-to-date ROAE is lower than it was during the same period of 2010 due to the fact that capital increased \$2.8 million between September 30, 2010 and September 30, 2011. This increase in capital was due to record earnings, as well as, strong participation in our dividend reinvestment plan.

The strong performance of Woodlands Financial Services Company for the third quarter was a continuation of the strong performance during the first two quarters of 2011.

The dedication of the management team, the support of the directors, the loyalty of our customers and shareholders, and the hard work of our staff makes our strong performance possible. Thanks to all of these groups for their continued contribution.

Sincerely,

Robert E. Forse
President & CEO

	For the three months ended September 30		For the nine months ended September 30	
	2011	2010	2011	2010
(in thousands except per share amounts)				
INTEREST INCOME				
Interest & fees on loans and leases	\$2,844	\$3,089	\$8,554	\$9,209
Interest & dividends on cash & cash equivalents	9	8	25	20
Interest & dividends on investment securities:				
Taxable	299	218	878	657
Tax-exempt	191	147	542	461
Dividends	15	11	42	33
Total interest income	3,358	3,473	10,041	10,380
INTEREST EXPENSE				
Interest on deposits	547	711	1,776	2,184
Interest on borrowed funds	201	237	594	762
Total interest expense	748	948	2,370	2,946
NET INTEREST INCOME	2,610	2,525	7,671	7,434
PROVISION FOR LOAN LOSSES	-	-	66	141
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	2,610	2,525	7,605	7,293
OTHER INCOME				
Service charges and other fees	241	226	648	596
Other operating income	198	174	576	501
Trust department income	182	256	580	663
Gain on sale of loans and other assets, net	22	52	78	113
Gain on investment securities, net	6	-	24	46
Total other income	649	708	1,906	1,919
OTHER EXPENSES				
Salaries & employee benefits	1,248	1,022	3,625	3,124
Occupancy expense	180	184	574	550
Furniture & equipment expense	106	100	306	278
FDIC insurance premiums	41	91	206	270
Data processing expense	131	133	400	399
Professional fees	58	123	203	358
Other operating expenses	402	407	1,179	1,251
Total other expenses	2,166	2,060	6,493	6,230
INCOME BEFORE PROVISION FOR INCOME TAXES	1,093	1,173	3,018	2,982
PROVISION FOR INCOME TAXES	276	315	748	783
NET INCOME	\$ 817	\$ 858	\$2,270	\$2,199
NET INCOME PER COMMON SHARE	\$ 1.10	\$ 1.18	\$ 3.07	\$ 3.02
RETURN ON AVERAGE ASSETS	1.08%	1.17%	1.03%	1.02%
RETURN ON AVERAGE EQUITY	12.79%	15.06%	12.41%	13.51%

