Woodlands
FINANCIAL SERVICES
COMPANY

Annual Report 2023

OUR MISSION

*Woodlands Bank recognizes
that our customers are the
reason for our existence.
Through our staff of
professional employees,
we will consistently strive
to deliver the best possible
personalized service
to individuals and
local businesses
while, at the same time,
creating economic value
for our shareholders.
As an independent,
locally owned community bank,
we will endeavor to be
an active partner in the
communities we serve.*

*In all that we do, Woodlands Bank
will always remain
Rooted in our Communities.*

CONTENTS

Dear Friends:

Presented in this Annual Report are the financial results of Woodlands Financial Services Company (Company) for the year 2023. The annual results were negatively impacted by two distinct factors, the first being the Federal Reserve's (Fed's) aggressive efforts at combatting inflation and the second being the necessary charge-off of a significant credit in December. The credit charge-off necessitated the recording of a $10 million charge to Expense for Credit Losses in order to replenish the Allowance for Credit Losses to a level necessary to cover expected credit losses in the remaining portfolio based on the Current Expected Credit Losses (CECL) methodology. Aggressive recovery efforts commenced immediately once circumstances dictated the need for the charge-off, and these efforts will continue with diligence until such time that all available recoveries have been made. Management is confident that the circumstances that necessitated this significant credit charge-off were unique to this borrowing relationship and not indicative of any broader portfolio trends that would portend future credit deterioration. Additionally, the Company was challenged throughout the year by the Fed's aggressive monetary policy actions taken to tamp down the rampant inflationary pressures experienced across the wider economy. The measures taken by the Fed set the scene for financial institutions across the industry finding themselves in an environment defined by greater volatility and uncertainty as well as one which required aggressive deposit pricing as the cost of funding skyrocketed. This caused margins across the industry to shrink as the asset side of the balance sheet simply could not reprice fast enough to offset the rapid and severe spike in the costs necessary to retain core deposits and other liquidity necessary to fund the asset side of the balance sheet. Despite the challenges faced, the Company was able to achieve respectable loan growth and continue to make progress on several strategic initiatives critical to the continued growth and profitability necessary for ensuring the long-term success of the Company.

Net loss for the year was $3.98 million, driven largely by the significant Expense for Credit Losses previously discussed. Despite the loss incurred for the year, the Company remains in a well-capitalized position but will nonetheless focus efforts on rebuilding the capital reserves necessary to support future growth. While the Company experienced a continued weakness in consumer and residential mortgage lending due to the interest-rate environment, non-interest income remained strong, particularly that generated by the Trust and Asset Management Department. In addition, the Company's non-interest expenses only increased 3.9% for the year despite the labor and inflationary pressures being faced.

Total assets ended the year at $612.6 million. Despite the modest growth of the overall assets, the Company experienced an increase in net loans of $23.6 million, 5.8%, for the year. Total deposits decreased $53.9 million, 9.5%, year-over-year with alternate sources of liquidity being tapped to supplement the Company's core funding. This decrease in deposits is not attributable to a loss of core relationships but rather to the competitive nature of deposit pricing, the alternatives for yield across financial markets, and the continued reduction of the stimulus funding that had inflated certain account balances over the past few years. Outside of the obvious impact of the credit loss incurred during the year, the credit metrics for the remaining portfolio remain in a strong position. Additionally, management continued its efforts to reduce the investment portfolio to a more appropriate percentage of the overall balance sheet through paydowns and maturities of individual investments in the portfolio with the objective of mitigating the need for higher-cost, non-core funding.

While the financial results of 2023 have been marred by the unfortunate events involving one of our large credit relationships, a steadfast confidence remains in the Woodlands brand of community banking and in the collective strength of the workforce who dedicate themselves on a daily basis to delivering that brand of community banking by always keeping the core mission and values upon which the Company was founded top of mind. The challenges faced in 2023, as with any in life, will only serve to ensure that the Company is on a stronger footing in preparing to face the challenges that lie ahead. The sharpest edges are forged through extreme heat and pressure, and mettle is only strengthened when tested. For these reasons, it is understood that it is important to only look backwards to incorporate those lessons learned from the past into the strategies being utilized to achieve the goals and priorities of the present. Of course, there will always remain a steady eye on the horizon ensuring that those achievements of the present are laying the groundwork that will be essential in attaining the strategic objectives for success in the future. Your continued confidence as shareholders, customers, and advocates of our efforts toward achieving that success could not be more critical, or appreciated, as the Company continues along that charted course toward prosperity.

Sincerely,

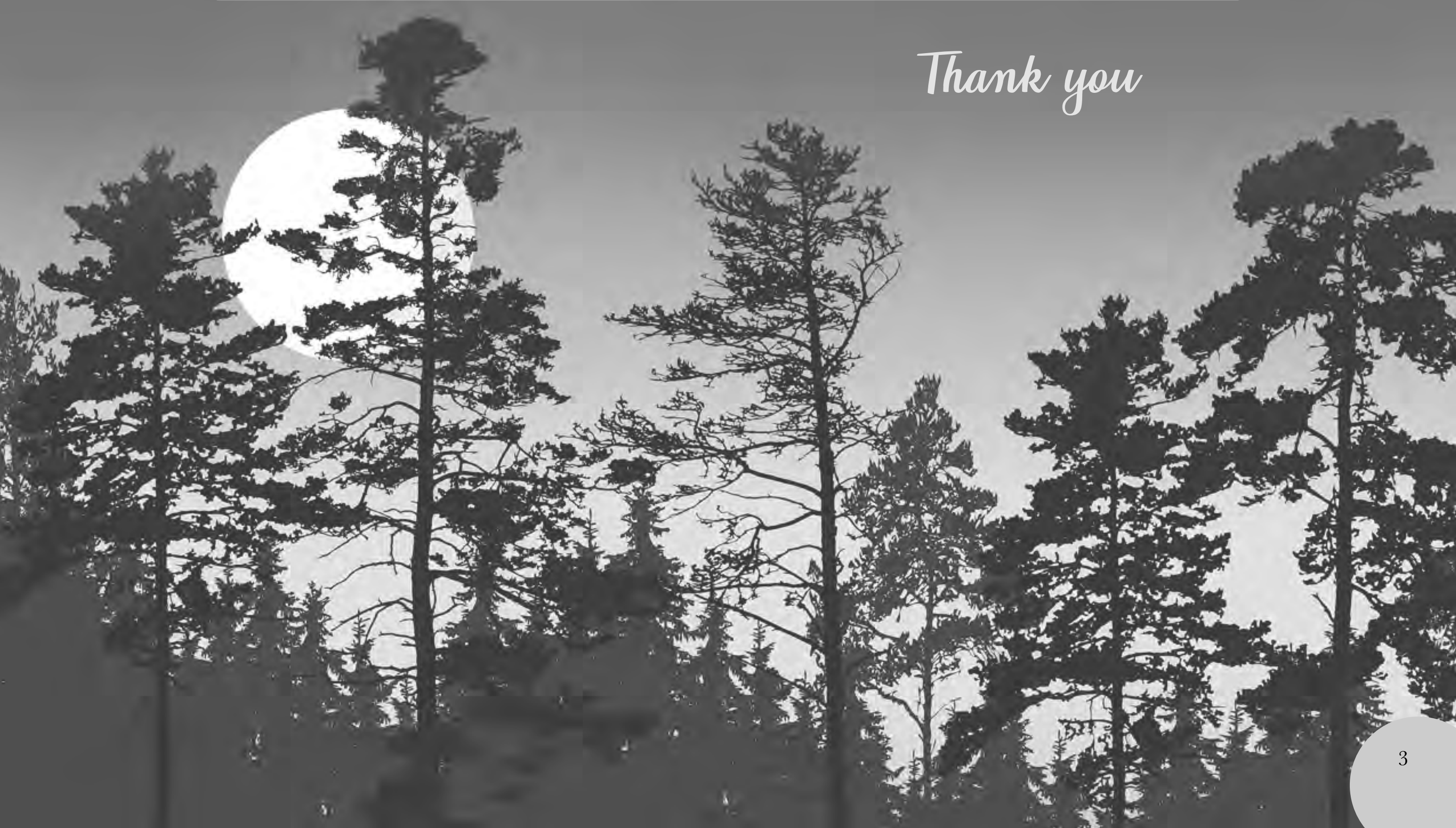
Jon P. Conklin
President and CEO

RETIREMENT OF

Thomas B. Burkholder

Thomas B. Burkholder (Tom) played an instrumental role in the growth and success of Woodlands Bank (Bank). He, along with David L. Bartges, was hired in 1996 to establish the Trust and Asset Management Department (Department) of the Bank. Under Tom's steady leadership, the newly established Department quickly gained a reputation, both within the Bank's immediate markets and beyond, of one that combined the legal and financial knowledge necessary to navigate the vast complexities of the accounts for which they were entrusted along with a calm and compassionate approach that is critical to forging the relationships necessary when handling the sensitive situations often faced by the Department. The competent yet compassionate approach of the Department is a direct reflection of Tom's overall demeanor and approach to life. The Bank, which had only existed for five years prior to the establishment of the Department, benefitted greatly from the reputation earned by the Department which undoubtedly played a role in its growth and success over the years. Throughout his time at the Bank, Tom's advice and counsel was always held in the highest regard by everyone across the organization.

While Tom's presence at the Bank and within the Department will be deeply missed, we are all grateful for the monumental impact that he has had during his tenure and wish him nothing but the best in retirement.



MMQ
McGrail Merkel Quinn & Associates, P.C.
CERTIFIED PUBLIC ACCOUNTANTS & CONSULTANTS

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To the Board of Directors and Stockholders
Woodlands Financial Services Company and Subsidiaries
Williamsport, Pennsylvania

Opinion

We have audited the consolidated financial statements of Woodlands Financial Services Company and Subsidiaries (the Company), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, the related consolidated statements of income, comprehensive income, changes in stockholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

To the Board of Directors and Stockholders
Woodlands Financial Services Company and Subsidiaries

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

McGrail Merkel Quinn
+ Associates, P.C.

Scranton, Pennsylvania
February 28, 2024

WOODLANDS FINANCIAL SERVICES COMPANY AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2023 AND 2022

(in thousands except per share amounts)

	2023	2022
ASSETS		
Cash and due from banks	$ 11,253	$ 22,866
Interest-bearing deposits with banks	1,426	5,276
Government money market funds	178	84
Federal funds sold	586	4,500
Cash and cash equivalents	13,443	32,726
Available-for-sale securities	124,098	131,366
Held-to-maturity securities	100	300
Loans and leases, net	433,819	410,200
Bank premises and equipment, net	11,229	11,408
Accrued interest receivable	2,024	1,834
Deferred tax assets, net	6,079	5,136
Cash surrender value of life insurance	12,448	12,133
Restricted stock	2,668	645
Other assets	6,699	5,152
Total assets	$ 612,607	$ 610,900
LIABILITIES AND STOCKHOLDERS' EQUITY		
Liabilities		
Non-interest bearing	$ 146,173	$ 174,383
Interest bearing	366,939	392,669
Total deposits	513,112	567,052
Federal funds purchased	38,000	-
Long-term debt	23,941	3,932
Accrued interest payable	776	57
Other liabilities	3,609	3,552
Total liabilities	579,438	574,593
Stockholders' equity		
Common stock, $5.00 par value, 10,000,000 shares authorized; 1,548,908 and 1,547,268 shares issued and 1,394,608 and 1,392,968 outstanding	7,744	7,736
Preferred stock, $5.00 par value, 4,000,000 shares authorized; no shares issued or outstanding	-	-
Additional paid-in capital	8,320	8,299
Retained earnings	34,070	39,643
Accumulated other comprehensive income	(12,396)	(14,802)
Total	37,738	40,876
Less: Treasury stock at cost, 154,300 shares	(4,569)	(4,569)
Total stockholders' equity	33,169	36,307
Total liabilities and stockholders' equity	$ 612,607	$ 610,900

The accompanying Notes are an integral part of these Consolidated Financial Statements.

WOODLANDS FINANCIAL SERVICES COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2023 AND 2022

(in thousands except per share amounts)

	2023	2022
Interest income		
Interest and fees on loans and leases	$ 20,920	$ 16,107
Interest on cash and cash equivalents	133	457
Interest and dividends on investments:		
Taxable	3,199	2,639
Tax-exempt	559	655
Dividends	78	30
Interest on Federal funds sold	83	74
Total interest income	24,972	19,962
Interest expense		
Interest on deposits	7,479	2,499
Interest on borrowed funds	1,614	230
Total interest expense	9,093	2,729
Net interest income	15,879	17,233
Expense for credit loss	10,265	390
Net interest income, after expense for credit loss	5,614	16,843
Other income		
Service charges and other fees	974	893
Other operating income	1,956	1,817
Trust department income	1,654	1,356
Gain on sale of loans and other assets, net	33	82
Loss on investment securities, net	(43)	-
Total other income	4,574	4,148
Other expenses		
Salaries and employee benefits	8,402	8,111
Occupancy expense	783	744
Furniture and equipment expense	750	686
FDIC insurance premiums	276	208
Data processing expense	1,291	1,247
Professional fees	375	333
Other operating expenses	3,867	3,825
Total other expenses	15,744	15,154
(Loss) income before income taxes	(5,556)	5,837
(Credit) provision for income taxes	(1,573)	774
Net (loss) income	$ (3,983)	$ 5,063
Net (loss) income per common share	$ (2.86)	$ 3.64

The accompanying Notes are an integral part of these Consolidated Financial Statements.

WOODLANDS FINANCIAL SERVICES COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2023 AND 2022

(in thousands except per share amounts)

	2023	2022
Net (loss) income	$ (3,983)	$ 5,063
Other comprehensive income (loss), net of tax:		
Unrealized holding gains (losses) arising during the year	2,372	(14,954)
Less: Reclassification adjustment for losses included in net income	(34)	-
Other comprehensive income (loss)	2,406	(14,954)
Comprehensive loss	$ (1,577)	$ (9,891)

The accompanying Notes are an integral part of these Consolidated Financial Statements.

WOODLANDS FINANCIAL SERVICES COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2023 AND 2022

(in thousands except per share amounts)

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock	Total Stockholders' Equity
Balance, December 31, 2021	$ 7,728	$ 8,263	$ 36,111	$ 152	$ (4,569)	$ 47,685
Net income			5,063			5,063
Other Comprehensive Income				(14,954)		(14,954)
Issuance of 1,622 shares under employee stock purchase plan	8	36				44
Cash dividends declared ($1.10 per share)			(1,531)			(1,531)
Balance, December 31, 2022	7,736	8,299	39,643	(14,802)	(4,569)	36,307
Net loss			(3,983)			(3,983)
Other Comprehensive Income				2,406		2,406
Issuance of 1,640 shares under employee stock purchase plan	8	21				29
Cash dividends declared ($1.14 per share)			(1,590)			(1,590)
Balance, December 31, 2023	$ 7,744	$ 8,320	$ 34,070	$ (12,396)	$ (4,569)	$ 33,169

The accompanying Notes are an integral part of these Consolidated Financial Statements.

WOODLANDS FINANCIAL SERVICES COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2023 AND 2022

(in thousands except per share amounts)

	2023	2022
Operating activities		
Net (loss) income	$ (3,983)	$ 5,063
Adjustments to reconcile net income to net cash provided by operating activities:		
Expense for credit loss	10,265	390
Depreciation	496	484
Amortization of securities (net of accretion)	548	630
Loss (gain) on sale of investment securities, loans and other assets, net	10	(82)
Increase in cash surrender value of life insurance	(315)	(240)
Sale of mortgage loans originated for sale	553	3,866
Mortgage loans originated for sale	(546)	(3,148)
Deferred taxes	(1,583)	(137)
Debt issuance costs	9	9
Increase in accrued interest receivable	(190)	(260)
Increase in other assets	(1,546)	(1,853)
Increase (decrease) in accrued interest payable	719	(8)
Increase in other liabilities	58	211
Net cash provided by operating activities	4,495	4,925
Investing activities		
Purchase of available-for-sale securities	(1,998)	(28,935)
Proceeds from sales and repayments of available-for-sale securities	11,720	16,723
Proceeds from maturities of held-to-maturity securities	200	50
Net increase in loans and leases	(33,956)	(56,038)
Proceeds from sale of other real estate	97	-
Purchase of bank-owned life insurance	-	(3,000)
Purchase of restricted stock	(2,023)	(30)
Purchase of bank premises and equipment	(317)	(216)
Net cash used by investing activities	(26,277)	(71,446)
Financing activities		
Net (decrease) increase in deposits	(53,940)	48,826
Increase in short-term borrowings	38,000	-
Proceeds from long-term borrowings	20,000	-
Dividends paid to stockholders of common stock	(1,590)	(1,531)
Proceeds from issuance of common stock	29	44
Net cash provided by financing activities	2,499	47,339
Net decrease in cash and cash equivalents	(19,283)	(19,182)
Cash and cash equivalents at January 1	32,726	51,908
Cash and cash equivalents at December 31	$ 13,443	$ 32,726

Note 1 – Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Woodlands Financial Services Company (Company) is a Pennsylvania corporation organized as a financial services holding company of Woodlands Bank (Bank) and Woodlands Stock Corporation. The Bank is a state chartered commercial bank located in Williamsport, Pennsylvania and operates as a traditional community bank, providing commercial and consumer banking and trust services in Lycoming and Clinton Counties and the surrounding market area.

Basis of Presentation

The Financial Statements of the Company have been consolidated with those of its wholly-owned subsidiaries, Woodlands Bank and Woodlands Stock Corporation, eliminating all intercompany items and transactions.

All information is presented in thousands of dollars, except per share amounts.

The Company has evaluated subsequent events through February 28, 2024, the date that these financial statements were available to be issued, and concluded no events or transactions occurred during that period requiring recognition or disclosure.

Segment Reporting

Public business enterprises are required to report financial and descriptive information about their reportable operating segments. The Company has determined that its only reportable segment is community banking.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for losses on loans and the valuation of investment securities.

Per Share Data

Earnings per share of common stock have been computed on the basis of the weighted-average number of shares of common stock outstanding during the period. The number of common shares used in computing basic and diluted earnings per share and dividends per share was 1,393,795 in 2023 and 1,392,164 in 2022.

Investment Securities

Management determines the appropriate classification of debt securities at the time of purchase and re-evaluates such designation as of each balance sheet date. Investments in securities are classified in two categories and accounted for as follows:

Note 1 – Nature of Operations and Summary of Significant Accounting Policies – (Continued)

Securities Held-to-Maturity - Bonds, notes and other debt securities for which the Company has the positive intent and ability to hold to maturity are reported at cost, adjusted for amortization of premiums and accretion of discounts, computed by a method that approximates the effective interest method, over the remaining period to maturity.

Securities Available-for-Sale - Bonds, notes, other debt securities, mortgage-backed securities not classified as securities to be held-to-maturity and equity securities are carried at fair value with unrealized holding gains and losses, net of tax, reported as a net amount in a separate component of stockholders' equity until realized.

The amortization of premiums on mortgage-backed securities is based on the Espiel prepayment model which mirrors the dynamic nature of prepay speeds over the life of the securities. The model incorporates underlying factors such as changes in interest rates, details of origination, ages of loan, loan types, loan balances and credit ratings to more accurately project future prepayment activity. The four sources of prepayment incorporated into the model include U.S. home sales and activity, borrower refinancing activity, principal curtailment, and loan default.

Gains and losses on the sale of securities available-for-sale are determined using the specific identification method and are reported as a separate component of other income in the Consolidated Statements of Income.

The Company evaluates securities for other-than-temporary impairment at least on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. The Company employs a systematic methodology that considers available evidence in evaluating potential impairment of its investments. In the event that the cost of an investment exceeds its fair value, the Company evaluates, among other factors, the magnitude and duration of the decline in fair value; the expected cash flows of the securities; the financial health of and business outlook for the issuer; the performance of the underlying assets for interests in securitized assets; and the Company's intent and ability to hold the investment. Once a decline in fair value is determined to be other-than-temporary, an impairment charge is recorded in investment income and a new cost basis in the investment is established.

Loans and Leases

Loans are stated at unpaid principal balance, net of unamortized deferred loan fees and costs and an allowance for credit losses. Interest income is accrued on the unpaid principal balance of the loans. The Company recognizes nonrefundable loan origination fees and certain direct loan origination costs over the life of the related loans as an adjustment of the loan yield using the interest method.

Loans are placed on nonaccrual status when principal or interest is past due 90 days or more and the collection of interest is doubtful. Interest accrued but not collected as of the date of placement on nonaccrual status is reversed and charged against current income. Interest income on the nonaccrual loans is recognized only to the extent of interest payments received. Loans are returned to the accrual status when factors indicating doubtful collectability cease to exist.

Note 1 – Nature of Operations and Summary of Significant Accounting Policies – (Continued)

Allowance for Credit Losses

The Company's allowance for credit losses is determined using a current expected credit loss (CECL) model. The CECL methodology recognizes lifetime expected credit losses immediately when a financial asset is originated or purchased. The allowance for credit losses on loans is a valuation account that is deducted from the amortized cost basis of loans to present the net amount expected to be collected on loans. The allowance for credit losses is established through expense for credit losses charged against income. Loans or leases deemed to be uncollectible are charged against the allowance for credit losses, and subsequent recoveries, if any, are credited to the allowance for credit losses.

The Company's methodologies for estimating the allowance for credit losses consider available relevant information about the collectability of cash flows, including information about past events, current economic conditions, and reasonable and supportable forecasts. The methodologies apply historical loss information, adjusted for asset-specific characteristics, economic conditions at the measurement date, and forecasts about future economic conditions expected to exist through the contractual lives of the loans and leases that are reasonable and supportable, to the identified pools of loans and leases with similar risk characteristics for which the historical loss experience was observed. The allowance for credit losses is maintained at a level considered adequate to provide for losses that can be reasonably anticipated. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

The allowance consists of specific, general, and unallocated components. The specific component relates to loans and leases that are classified as special mention, substandard, or doubtful. Each special mention, substandard, and doubtful loan is analyzed under ASC 326-20 to determine the risk characteristics of each asset. If an analyzed loan does not have materially different risk characteristics than other loans within the pool, the loan balance is included in the appropriate homogeneous pool for the reserve calculation. When an individually analyzed loan is determined to have different risk characteristics than the remainder of the pool, the bank chooses one of the following to measure expected credit losses:

- The present value of expected future cash flows discounted at the loan's effective interest rate
- The fair value of collateral less costs to sell, if the loan is collateral dependent. A loan is collateral dependent if repayment of the loan is expected to be provided soley by the underlying collateral and there are no other available and reliable sources of repayment.

Mortgage Banking Activity

Loans held for sale consist of residential mortgage loans originated by the Company. They are recorded at the lower of cost or estimated fair value on an aggregate basis. Gains and losses are included in the Consolidated Statements of Income.

Bank Premises and Equipment

Bank premises and equipment are stated at cost, less accumulated depreciation. Depreciation expense is computed using the straight-line method over the estimated useful lives of the assets. Repairs and maintenance are expensed as incurred. When premises or equipment are retired or sold, the remaining cost and accumulated depreciation are removed from the accounts and any gain or loss is credited or charged to income.

Note 1 – Nature of Operations and Summary of Significant Accounting Policies – (Continued)

Other Real Estate

Other real estate acquired through foreclosure or other means is recorded at the lower of its carrying value or fair value of the property at the transfer date, less estimated selling costs. Costs to maintain other real estate are expensed as incurred. Other real estate is included with other assets in the balance sheets. The Company had no other real estate owned as of December 31, 2023 or 2022.

Revenue Recognition

The Company recognizes revenue from various activities. Certain revenues are generated from contracts where they are recognized when, or as services are provided to customers for amounts the Company expects to be entitled. Revenue generating activities related to financial assets and liabilities are also recognized, including interest on loans, fees on depository accounts, and gains and losses on securities. Certain specific policies include the following:

- Trust services recognized over the period in which services are performed and are based on a percentage of the fair value of the assets under management.

- Service fees include service charges on deposit accounts received under depository agreements with customers. Checking or savings accounts may contain fees for various services used on a day-to-day basis by a customer. Fees are recognized as services are delivered to and consumed by the customer, or as penalty fees are charged.

- Credit and debit card revenue includes interchange from credit and debit cards processed through card association networks, annual fees, and other transaction and account management fees. Interchange rates are generally set by the credit card associations and based on purchase volumes and other factors. The Company records interchange as services are provided. Transaction and account management fees are recognized as services are provided.

Advertising Expenses

Advertising costs are expensed as incurred. Advertising expenses for the years ended December 31, 2023 and 2022, amounted to $300 and $245, respectively.

Income Taxes

Provisions for income taxes are based on taxes payable or refundable for the current year (after exclusion of non-taxable income such as interest on state and municipal securities) as well as deferred taxes on temporary differences. Deferred income tax assets and liabilities are determined using the liability (or balance sheet) method. Under this method, the net deferred tax asset or liability is determined based on the tax effects of temporary differences between book and tax bases of the various balance sheet assets and liabilities and gives current recognition to changes in tax rates and laws.

Management evaluated the Company’s tax positions and concluded that the Company had taken no uncertain tax positions that require adjustment to the financial statements. With few exceptions, the Company is no longer subject to income tax examinations by the U.S. Federal, state or local tax authorities for years before 2020.

Note 1 – Nature of Operations and Summary of Significant Accounting Policies – (Continued)

Cash Flows

For purposes of the Consolidated Statements of Cash Flows, cash and cash equivalents include cash on hand, due from banks, interest bearing balances with banks, government money market funds and Federal funds sold for a one-day period.

The Company paid interest and income taxes of $8,374 and $700 during the year ended December 31, 2023 and $2,737 and $700 during the year ended December 31, 2022, respectively.

Non-cash transactions during the years ended December 31, 2023 and 2022 included the change in unrealized gains (losses) on available-for-sale securities of $3,002 and ($18,929), respectively, and the net acquisition of real estate in the settlement of loans of $71 and $0, respectively.

Long-Lived Assets

The Company reviews the carrying value of long-lived assets for impairment whenever events or changes in circumstances indicate that carrying amounts of the assets might not be recoverable.

Trust Assets and Income

Assets held by the Company in a fiduciary or agency capacity for its customers are not included in the financial statements since such items are not assets of the Company. Trust income is reported on a cash basis, which is not materially different from the accrual basis.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

Recent Accounting Pronouncements

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments,* which created a new credit impairment standard for financial assets measured at amortized cost and available-for-sale debt securities. The ASU required financial assets measured at amortized cost (including loans, trade receivables and held-to-maturity debt securities) to be presented at the net amount expected to be collected, through an allowance for credit losses that are expected to occur over the remaining life of the asset, rather than incurred losses. The ASU required that credit losses on available-for-sale debt securities be presented as an allowance rather than as a direct write-down. The measurement of credit losses for newly recognized financial assets (other than certain purchased assets) and subsequent changes in the allowance for credit losses are recorded in the statement of income as the amounts expected to be collected change. ASU 2016-13 was effective for the Company on January 1, 2023. The adoption of ASU 2016-13 did not have a significant impact on the Company's consolidated financial statements.

Note 1 – Nature of Operations and Summary of Significant Accounting Policies – (Continued)

In April 2019, the FASB issued ASU 2019-04, *Codification Improvements to Topic 326, Financial Instruments—Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments.* ASU No. 2019-04 was issued as part of the FASB's ongoing project to improve upon its Accounting Standards Codification (ASC), and to clarify and improve areas of guidance related to recently issued standards on credit losses, hedging, and recognition and measurement. This guidance contains several effective dates. The amendments related to ASC 326 were effective for the Company as of January 1, 2023, the amendments related to ASC 815 and ASC 825 were effective for the Company as of January 1, 2020. Neither amendment had a significant impact on the Company's consolidated financial statements.

In August 2020, the FASB issued ASU 2020-06, *Debt – Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity,* which addresses the complexity of its guidance for certain financial instruments with characteristics of liabilities and equity. ASU 2020-06 removes the accounting models that require beneficial conversion features or cash conversion features associated with convertible instruments to be recognized as a separate component of equity, adds certain disclosure requirements for convertible instruments, amends the guidance for the derivatives scope exception for contracts in an entity's own equity and simplifies the diluted earnings per share calculation for certain situations. This ASU is effective for the Company beginning on January 1, 2024. The adoption of ASU 2020-06 is not expected to have a significant impact on the Company's consolidated financial statements.

In March 2022, the FASB issued ASU 2022-02, *Financial instruments – Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures.* This ASU eliminated the accounting guidance for troubled debt restructurings by creditors in ASC 310-40, Receivables—Troubled Debt Restructurings by Creditors, while enhancing disclosure requirements for certain loan refinancings and restructurings by creditors when a borrower is experiencing financial difficulty. In addition, for public business entities, ASU 2022-02 required that an entity disclose current-period gross write-offs by year of origination for financing receivables and net investments in leases within the scope of ASC 326-20, Financial Instruments—Credit Losses—Measured at Amortized Cost. This guidance was effective for the Company as of January 1, 2023. The adoption of this standard primarily impacted the Company's disclosures but did not have a material impact on its consolidated financial position and consolidated results of operations.

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures,* which provides for improvements to income tax disclosures primarily related to the rate reconciliation and income taxes paid information. This guidance is effective for the Company beginning on January 1, 2025. The adoption of ASU 2023-09 is not expected to have a significant impact on the Company's consolidated financial statements.

Note 2 – Restrictions on Cash and Due from Banks

Banks are required to maintain reserves, in the form of cash balances with the Federal Reserve Bank, against their deposit liabilities. The Company may, from time to time, maintain balances with financial institutions in excess of federally insured limits.

Note 3 – Investment Securities

The amortized cost and fair value of investment securities are as follows:

	December 31, 2023			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale:				
U.S. Government securities	$ 22,252	$ -	$ 1,822	$ 20,430
State and political subdivisions	45,730	-	6,472	39,258
Corporate securities	19,883	-	2,659	17,224
Mortgage-backed securities	51,925	43	4,782	47,186
Total available-for-sale	$ 139,790	$ 43	$ 15,735	$ 124,098
Held-to-maturity:				
Other securities	$ 100	$ -	$ 1	$ 99

	December 31, 2022			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale:				
U.S. Government securities	$ 22,317	$ -	$ 2,340	$ 19,977
State and political subdivisions	50,436	3	8,337	42,102
Corporate securities	20,898	-	2,327	18,571
Mortgage-backed securities	56,452	13	5,749	50,716
Total available-for-sale	$ 150,103	$ 16	$ 18,753	$ 131,366
Held-to-maturity:				
Other securities	$ 300	$ -	$ 2	$ 298

The amortized cost and estimated fair value of debt securities at December 31, 2023, by contractual maturity, are presented in the following table. Expected maturities will differ from contractual maturities because borrowers may have the right to call or repay obligations with or without call or repayment penalties.

Note 3 – Investment Securities – (Continued)

	Available-for-Sale		Held-to-Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Due in one year or less	$ 3,751	$ 3,725	$ 100	$ 99
Due after one year through five years	27,791	25,427	-	-
Due after five years through ten years	20,880	18,176	-	-
Due after ten years	35,444	29,585	-	-
Subtotal	87,866	76,913	100	99
Mortgage-backed securities	51,924	47,185	-	-
Total debt securities	$ 139,790	$ 124,098	$ 100	$ 99

Proceeds from sales of available-for-sale debt securities during 2023 were $4,156. Gross gains and gross losses realized on these sales were $1 and $44, respectively.

There were no sales of available-for-sale debt securities during 2022.

Investment securities with a carrying value of $107,864 at December 31, 2023 and $96,295 at December 31, 2022, were pledged as collateral for public deposits and other items as provided by law.

Gross unrealized losses and fair values, aggregated by investment category and length of time individual securities have been in a continuous unrealized loss position are shown below.

	December 31, 2023					
	Less than 12 Months		12 Months or Greater		Total	
	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses
U.S. Government securities	$ -	$ -	$ 20,430	$ 1,822	$ 20,430	$ 1,822
State and political subdivisions	3,036	60	36,222	6,412	39,258	6,472
Corporate securities	-	-	15,735	2,659	15,735	2,659
Mortgage-backed securities	49	1	42,858	4,781	42,907	4,782
Other securities	-	-	99	1	99	1
Total	$ 3,085	$ 61	$ 115,344	$ 15,675	$ 118,429	$ 15,736

	December 31, 2022					
	Less than 12 Months		12 Months or Greater		Total	
	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses
U.S. Government securities	$ 3,874	$ 119	$ 16,103	$ 2,221	$ 19,977	$ 2,340
State and political subdivisions	28,345	3,887	12,894	4,450	41,239	8,337
Corporate securities	5,342	702	11,489	1,625	16,831	2,327
Mortgage-backed securities	23,994	1,404	24,090	4,345	48,084	5,749
Other securities	199	1	99	1	298	2
Total	$ 61,754	$ 6,113	$ 64,675	$ 12,642	$ 126,429	$ 18,755

Note 3 – Investment Securities – (Continued)

The table at December 31, 2023 includes nine (9) securities that have unrealized losses for less than twelve months and one hundred eighty four (184) securities that have been in an unrealized loss position for twelve or more months. The table at December 31, 2022 includes one hundred fifteen (115) securities that have unrealized losses for less than twelve months and ninety-five (95) securities that have been in an unrealized loss position for twelve or more months.

Investment securities, other than mortgage-backed securities - The unrealized losses on the Company's investments in investment securities, other than mortgage-backed securities, were caused by interest rate increases. The contractual terms of those investments do not permit the issuer to settle the securities at a price less than the amortized cost bases of the investments. Because the Company does not intend to sell the investments and it is not more likely than not that the Company will be required to sell the investments before recovery of their amortized cost bases which may be maturity, the Company does not consider those investments to be other-than-temporarily impaired at December 31, 2023.

Mortgage-backed securities - The unrealized losses on the Company's investments in mortgage-backed securities were caused by interest rate increases. The contractual cash flows of those investments are guaranteed by an agency of the U.S. government. Accordingly, it is expected that the securities would not be settled at a price less than the amortized cost bases of the Company's investments. Because the decline in market value is attributable to changes in interest rates and not credit quality, and because the Company does not intend to sell the investments and it is not more likely than not that the Company will be required to sell the investments before recovery of their amortized cost bases, which may be maturity, the Company does not consider those investments to be other-than-temporarily impaired at December 31, 2023.

Note 4 – Loans and Leases

Major classifications of loans and leases are as follows:

	December 31, 2023	December 31, 2022
Commercial	$ 79,105	$ 73,123
Consumer	1,107	976
Real estate:		
Construction	8,039	8,173
Farmland	9,649	7,652
Residential	133,152	132,022
Home equity lines of credit	50,981	49,482
Multi-family	16,457	13,193
Commercial	140,514	130,333
Gross loans and leases	439,004	414,954
Less: Allowance for credit losses	5,185	4,754
Loans and leases, net	$ 433,819	$ 410,200

Net unamortized loan and lease costs of $2 at December 31, 2023 and $3 at December 31, 2022 are included in the carrying value of loans and leases shown above.

Note 4 – Loans and Leases – (Continued)

Age Analysis of Past Due Loans
As of December 31

	30-59 Days Past Due	60-89 Days Past Due	90 Days and Greater	Total Past Due	Current	Total Loans	Recorded Investment 90+ Days and Accruing
2023							
Commercial	$ 12	$ 101	$ 309	$ 422	$ 78,683	$ 79,105	$ 249
Commercial real estate	66	381	627	1,074	173,585	174,659	-
Consumer	1	-	-	1	1,106	1,107	-
Residential	954	301	502	1,757	182,376	184,133	-
Total	$ 1,033	$ 783	$ 1,438	$ 3,254	$ 435,750	$ 439,004	$ 249
2022							
Commercial	$ 3	$ -	$ -	$ 3	$ 73,120	$ 73,123	$ -
Commercial real estate	32	-	-	32	159,319	159,351	-
Consumer	-	1	-	1	975	976	-
Residential	166	308	619	1,093	180,411	181,504	-
Total	$ 201	$ 309	$ 619	$ 1,129	$ 413,825	$ 414,954	$ -

Credit Quality Indicators. As part of the on-going monitoring of the credit quality of the Company's loan portfolio, management tracks certain credit quality indicators including trends related to (i) loan delinquency, (ii) the level of classified commercial loans, (iii) net charge-offs, (iv) non-performing loans (see details above) and (v) the general economic conditions in the State of Pennsylvania.

The Company utilizes a risk grading matrix to assign a risk grade to each of its commercial and residential loans. Loans are graded on a scale of 1 to 10. A description of the general characteristics of the 10 risk grades is as follows:

Pass Credits (Rating 1 through 5): Loans that are adequately protected by the current sound worth and debt service capacity of the borrower, guarantor, or the underlying collateral generally are considered pass credits. Similarly, loans to sound borrowers that are renewed or restructured in accordance with prudent underwriting standards are considered pass credits.

Watch (Rating 6): Watch credits are current and performing, but certain credit characteristics may have become impaired. Watch credits are those that require additional monitoring but do not fall into the problem asset grade.

Special Mention (Rating 7): A special mention asset has potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the asset or in the institution's credit position at some future date. Special Mention assets are not adversely classified and do not expose an institution to sufficient risk to warrant adverse classification.

Note 4 – Loans and Leases – (Continued)

Substandard Assets (Rating 8): A substandard asset is inadequately protected by the current sound worth and paying capacity of the obligor or of the collateral pledged, if any. Assets so classified must have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the institution will sustain some loss if the deficiencies are not corrected.

Doubtful Assets (Rating 9): An asset classified doubtful has all the weaknesses inherent in one classified substandard with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

Loss Assets (Rating 10): Assets classified loss are considered uncollectible and of such little value that their continuance as bankable assets is not warranted. This classification does not mean that the asset has absolutely no recovery or salvage value, but rather it is not practical or desirable to defer writing off this basically worthless asset even though partial recovery may be affected in the future.

Credit Risk Profile by Payment Activity

	Consumer	
	2023	2022
Performing	$ 1,106	$ 976
Nonperforming	1	-
Total	$ 1,107	$ 976

Credit Quality Indicators as of December 31, 2023 and 2022

Commercial Credit Exposure Credit Risk Profile by Credit Worthiness Category

	Commercial		Commercial Real Estate	
	2023	2022	2023	2022
Pass	$ 69,569	$ 61,952	$ 158,675	$ 146,894
Watch	5,860	6,241	4,364	279
Special mention	185	1,357	3,268	3,585
Substandard	3,491	3,573	8,352	8,593
Total	$ 79,105	$ 73,123	$ 174,659	$ 159,351

Residential Credit Exposure Credit Risk Profile by Credit Worthiness Category

	Residential	
	2023	2022
Pass	$ 179,354	$ 180,004
Watch	1,413	-
Special mention	69	81
Substandard	3,297	1,419
Total	$ 184,133	$ 181,504

Note 4 – Loans and Leases – (Continued)

The Company separately determines any specific allocation of loss for individually analyzed loans in accordance with ASC 326-20 and adds that amount to the required reserve. If a loan is analyzed individually but the amount of expected credit loss is determined as zero, no reserve is required. If a loan is analyzed individually and a loss is expected a reserve for that loss shall be added to the allowance for credit loss.

Loans in excess of 180 days past due have been individually analyzed under ASC 326-20. Generally, the bank does not allocate a specific reserve for shortfalls where accounts exceed 180 days past due, rather the loss is recognized.

When a loan is collateral dependent, the recorded investment in excess of the fair value of the collateral that has been identified as uncollectible shall be promptly reserved or charged off against the allowance. A reserve for the shortfall may be deemed appropriate in the cases where the borrower is still making payments. Fair value of collateral is generally determined with a current appraisal.

Segmentation of the homogeneous portfolio includes the following categories identified: 1-4 family (owner occupied), 1-4 family junior lien loans, 1-4 family revolving lines of credit, 1-4 family (non-owner occupied), commercial real estate (owner occupied), commercial real estate (non-owner occupied), land development, student housing, C & I, unsecured (commercial), tax exempts and non-profits, and consumer & other.

The Company has calculated the average life of each segment in the portfolio adjusting for anomalies as appropriate. The changes in the average life are adjusted annually as necessary.

Additional risk factors are considered by management based on its judgment of selected environmental factors, specifically economic conditions, delinquency trends, concentrations and underwriting standards, changes in the value[s] of underlying collateral supporting loans in the Company's homogeneous pools, changes in lending policy, changes in lending staff, changes in the Company's loan review system, effect of external legal, regulatory and competitive factors and other qualitative adjustments as necessary. The Company evaluated suggested alternatives for calculating the qualitative factors related to economic and business conditions and implemented a matrix to measure these conditions.

Specifically Analyzed Loans
For the Year Ended December 31, 2023

	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded:					
Commercial Real Estate	$ 652	$ 652	$ -	$ 657	$ 48
Commercial	145	145	-	172	13
Consumer	-	-	-	-	-
Residential Real Estate	810	810	-	817	31
With an allowance recorded:					
Commercial Real Estate	-	-	-	-	-
Commercial	121	121	65	124	7
Consumer	1	1	1	1	1
Residential Real Estate	232	232	19	239	23
Total:	$ 1,961	$ 1,961	$ 85	$ 2,010	$ 123
Commercial Real Estate	$ 652	$ 652	$ -	$ 657	$ 48
Commercial	$ 266	$ 266	$ 65	$ 296	$ 20
Consumer	$ 1	$ 1	$ 1	$ 1	$ 1
Residential Real Estate	$ 1,042	$ 1,042	$ 19	$ 1,056	$ 54

Note 4 – Loans and Leases – (Continued)

Specifically Analyzed Loans
For the Year Ended December 31, 2022

	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With no related allowance recorded:					
Commercial Real Estate	$ 5,748	$ 5,727	$ -	$ 6,003	$ 309
Commercial	2,636	2,628	-	2,594	114
Consumer	-	-	-	-	-
Residential Real Estate	1,166	1,165	-	1,179	47
With an allowance recorded:					
Commercial Real Estate	-	-	-	-	-
Commercial	132	131	14	139	8
Consumer	1	1	1	2	1
Residential Real Estate	373	373	53	385	23
Total:	$ 10,056	$ 10,025	$ 68	$ 10,302	$ 502
Commercial Real Estate	$ 5,748	$ 5,727	$ -	$ 6,003	$ 309
Commercial	$ 2,768	$ 2,759	$ 14	$ 2,733	$ 122
Consumer	$ 1	$ 1	$ 1	$ 2	$ 1
Residential Real Estate	$ 1,539	$ 1,538	$ 53	$ 1,564	$ 70

Non-Accrual and Past Due Loans. Loans are considered past due if the required principal and interest payments have not been received as of the date such payments were due. Loans are placed on non-accrual status when, in management's opinion, the borrower may be unable to meet payment obligations as they become due, as well as when required by regulatory provisions. Loans may be placed on non-accrual status regardless of whether or not such loans are considered past due. When interest accrual is discontinued, all unpaid accrued interest is reversed. Interest income is subsequently recognized only to the extent cash payments are received in excess of principal due. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured with the minimum of a six month positive payment history.

Non-accrual loans at December 31, 2023 and 2022, segregated by class of loans, were as follows:

	2023	2022
Commercial	$ 266	$ 196
Commercial real estate	652	1,338
Consumer	1	1
Residential real estate	1,110	1,346
Total	$ 2,029	$ 2,881

Note 4 – Loans and Leases – (Continued)

Allowance for Credit Losses and Recorded Investment in Loans For The Year Ended December 31, 2023

	Commercial	Commercial Real Estate	Consumer	Residential	Unallocated	Total
Allowance for credit losses:						
Beginning balance	$ 770	$ 2,126	$ 14	$ 1,776	$ 68	$ 4,754
Expense for credit loss	10,168	196	18	(139)	22	10,265
Loans charged off	(9,811)	-	(2)	(21)	-	(9,834)
Recoveries	-	-	-	-	-	-
Ending balance	$ 1,127	$ 2,322	$ 30	$ 1,616	$ 90	$ 5,185
Ending balance: Individually evaluated for impairment	65	-	1	19	-	85
Ending balance: Collectively evaluated for impairment	$ 1,062	$ 2,322	$ 29	$ 1,597	$ 90	$ 5,100
Loans:						
Ending balance	$ 79,105	$ 174,659	$ 1,107	$ 184,133		$ 439,004
Ending balance: Individually evaluated for impairment	266	652	1	1,042		1,961
Ending balance: Collectively evaluated for impairment	$ 78,839	$ 174,007	$ 1,106	$ 183,091		$ 437,043

Note 4 – Loans and Leases – (Continued)

Allowance for Credit Losses and Recorded Investment in Loans For The
Year Ended December 31, 2022

	Commercial	Commercial Real Estate	Consumer	Residential	Unallocated	Total
Allowance for credit losses:						
Beginning balance	$ 807	$ 1,863	$ 11	$ 1,547	$ 149	$ 4,377
Expense for credit loss	(44)	263	4	248	(81)	390
Loans charged off	-	-	(1)	(27)	-	(28)
Recoveries	7	-	-	8	-	15
Ending balance	$ 770	$ 2,126	$ 14	$ 1,776	$ 68	$ 4,754
Ending balance: Individually evaluated for impairment	14	-	1	53	-	68
Ending balance: Collectively evaluated for impairment	$ 756	$ 2,126	$ 13	$ 1,723	$ 68	$ 4,686
Loans:						
Ending balance	$ 73,123	$ 159,351	$ 976	$ 181,504		$ 414,954
Ending balance: Individually evaluated for impairment	2,768	5,748	1	1,539		10,056
Ending balance: Collectively evaluated for impairment	$ 70,355	$ 153,603	$ 975	$ 179,965		$ 404,898

The Company's allowance for credit losses is determined using a current expected credit loss (CECL) model. The CECL methodology recognizes lifetime expected credit losses immediately when a financial asset is originated or purchased. The allowance, in the judgment of management, is necessary to reserve for estimated credit losses and risks inherent in the underlying financial assets. The Company's allowance for credit loss methodology includes allowance allocations calculated in accordance with ASC 326-20, Financial instruments - Credit Losses - Measured at Amortized Cost. Accordingly, the methodology is based on historical loss experience by type of credit and internal risk grade, specific homogeneous risk pools and specific loss allocations, with adjustments for current events and conditions. The expense for credit losses reflects loan quality trends, including the levels of and trends related to non-accrual loans, past due loans, potential problem loans, criticized loans and net charge-offs or recoveries, among other factors. The expense for credit losses also reflects the totality of actions taken on all financial assets for a particular period. In other words, the amount of the expense reflects not only the necessary increases in the allowance for credit losses related to newly originated or acquired financial assets, but it also reflects actions taken to increase or decrease the necessary allowance related to any specifically analyzed credits and pools of financial assets with similar risk characteristics.

Note 4 – Loans and Leases – (Continued)

The Company has no commitments to loan additional funds to borrowers whose loans have been modified.

The Company grants commercial and consumer loans to customers primarily in Lycoming and Clinton Counties, Pennsylvania. The Company has a concentration of loans secured by real estate. Although the Company has a diversified loan portfolio, a substantial portion of its debtors' ability to honor their contracts is dependent on, among other things, the economic conditions within Lycoming and Clinton Counties.

Transactions in the allowance for credit losses are summarized as follows:

	Years Ended December 31,	
	2023	2022
Beginning balance	$ 4,754	$ 4,377
Expense for credit loss	10,265	390
Loans charged off	(9,834)	(28)
Recoveries of loans previously charged off	-	15
Ending balance	$ 5,185	$ 4,754

The Company considers a loan to be a troubled debt restructuring when for economic or legal reasons related to a borrower's financial difficulties, the Company grants a concession to the borrower that it would not otherwise consider. The Company may consider granting a concession in an attempt to protect as much of its investment as possible.

The restructuring of a loan may include, but is not necessarily limited to (1) the transfer from the borrower to the Bank of real estate, receivables from third parties, other assets, or an equity interest in the borrower in full or partial satisfaction of the loan (2) the issuance or other granting of an equity interest to the Company by the borrower to satisfy fully or partially a debt unless the equity interest is granted pursuant to existing terms for converting the debt in to an equity interest (3) a modification of the loan terms, such as a reduction of the stated interest rate, principal, or accrued interest or an extension of the maturity date at a stated interest rate lower than the current market rate for new debt with similar risk, or (4) a reduction of the face amount or maturity amount of the debt as stated in the instrument or other agreement and (5) a reduction of accrued interest.

Note 4 – Loans and Leases – (Continued)

Gross loans as of December 31, 2023 made to borrowers experiencing financial difficulty that were modified during the year ended December 31, 2023 are as follows:

	Interest Rate Reduction	Payment Deferral	Term Extension	Total	Percentage of Total Loans
Commercial	$ 145	$ -	$ -	$ 145	0.03%
Total	$ 145	$ -	$ -	$ 145	0.03%

The financial impact of the loan modifications made to borrowers experiencing financial difficulty during the year-ended December 31, 2023 was a 2.50% interest rate reduction.

There were no modifications that subsequently defaulted during the 12 months ended December 31, 2023. The Bank did not forgive debt with the modification of any loans.

Age Analysis of Modified Loans
As of December 31, 2023

	30-89 Days Past Due	90+ Days Past Due	Non-Accrual	Current	Total
Commercial	$ -	$ -	$ -	$ 145	$ 145
Total	$ -	$ -	$ -	$ 145	$ 145

Troubled Debt Restructing Disclosures Prior to the Adoption of ASU 2022-02

Troubled Debt Restructurings during the year ending December 31, 2022 are as follows:

Troubled Debt Restructurings	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Outstanding Recorded Investment at December 31
Commercial Real Estate	1	$ 10	10
Total	1	$ 10	$ 10

The outstanding balance of troubled debt restructurings at December 31, 2022 was $1,317 ($0 of loans in accrual status and $1,317 of loans classified as non-accrual). There were no troubled debt restructurings that subsequently defaulted during the 12 months ended December 31, 2022.

Note 5 – Bank Premises and Equipment

Bank premises and equipment are summarized as follows:

	December 31, 2023	December 31, 2022
Land	$ 3,108	$ 3,108
Bank premises	11,717	11,521
Furniture and equipment	2,317	2,242
Capitalized software	560	515
Total	17,702	17,386
Less: accumulated depreciation	6,473	5,978
Bank premises and equipment, net	$ 11,229	$ 11,408

Depreciation of bank premises and equipment charged to operations amounted to $496 and $484 for the years ended December 31, 2023 and 2022, respectively.

Note 6 – Cash Surrender Value of Life Insurance

The Company has purchased Bank Owned Life Insurance (BOLI) policies on certain officers. The policies are split-dollar life insurance policies which provide for the Company to receive the cash value of the policy and to split the residual proceeds with the officer's designated beneficiary upon the death of the insured, while the officer is employed at the Company. The majority of the residual proceeds are retained by the Company per the individual agreements with the insured officers.

Note 7 – Restricted Stock

Restricted stock at December 31, 2023 and 2022 consisted of Federal Home Loan Bank (FHLB), Federal Reserve Bank (FRB) and Atlantic Community Bankers Bank (ACBB) stock, which are required investments in order to participate in various programs including an available line of credit program. All restricted stock is stated at par value as they are restricted to purchases and sales with the various institutions.

Note 8 – Deposits

The composition of deposits is as follows:

	December 31, 2023	December 31, 2022
Demand - non-interest bearing	$ 146,173	$ 174,383
Demand - interest bearing	157,478	182,265
Savings	124,577	170,744
Money markets	-	1,103
Time - over $250,000	9,818	2,681
Time - other	75,066	35,876
Total	$ 513,112	$ 567,052

Note 8 – Deposits – (Continued)

The scheduled maturities of time deposits at December 31, 2023 are as follows:

2024	$ 68,138
2025	9,951
2026	2,506
2027	2,094
2028	1,431
Thereafter	764
Total	$ 84,884

Time deposits of $250,000 or more totaled $9,818 and $2,681 at December 31, 2023 and 2022, respectively. Interest expense related to these deposits was $224 and $39 in 2023 and 2022, respectively.

Note 9 – Short-Term Borrowings

Securities sold under agreements to repurchase and Federal funds purchased generally mature within 1 to 30 days. Federal Home Loan Bank advances mature within one year of issuance date.

A summary of short-term borrowings is as follows:

	Years Ended December 31,	
	2023	2022
Amount outstanding at year-end	$ 38,000	$ -
Average interest rate at year-end	5.33%	0.00%
Maximum amount outstanding at any month-end	$ 38,000	$ -
Average amount outstanding	$ 22,159	$ -
Average interest rate	5.35%	0.00%

There were no investment securities pledged to secure repurchase agreements at December 31, 2023 or 2022.

The Bank has the availability of Federal funds credit lines of $5,500. There was no outstanding balance on the lines at December 31, 2023 or 2022.

The Bank participated in the Federal Reserve's Bank Term Funding Program (BTFP) established in March 2023. There was one loan with an outstanding balance of $10,000 at December 31, 2023. That loan bears an interest rate of 4.66% per annum and matures on April 4, 2024.

The Bank has available three types of borrowings with the Federal Home Loan Bank (FHLB). Advances under the FHLB “Open RepoPlus” are short-term borrowings maturing within one year and bear interest at a variable rate based on a requested interest payment frequency. Advances under the FHLB “RepoPlus” and “Mid-Term Repo” are borrowings maturing from 1 day to 3 years and bear interest at a fixed rate or an adjustable rate set at the time of funding. The Bank has a borrowing limit under this arrangement of approximately $216,327, exclusive of any outstanding advances. All advances are collateralized by the Bank’s FHLB stock and certain permitted bank loans and securities under a floating-lien agreement.

Note 10 – Long-Term Debt

Long-term debt consists of four loans with FHLB and two issuances of subordinated debt, net of related fees. These loans bear interest at rates which range from 4.75% to 5.75% per annum and mature at various dates through the year 2030.

The following table summarizes the maturities of borrowed funds at December 31, 2023:

2025	10,000
2026	10,000
After 2028	3,941
Total	23,941

Note 11 – Income Taxes

The components of applicable income taxes are as following:

	Years Ended December 31,	
	2023	2022
Current payable	$ 10	$ 911
Deferred benefit	(1,583)	(137)
(Credit) provision for income taxes	$ (1,573)	$ 774

The tax effects of deductible and taxable temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are as follows:

	December 31,	
	2023	2022
Deferred tax assets:		
Allowance for loan losses	$ 1,111	$ 1,020
Deferred expenses	537	478
Investment in limited partnership	23	13
Net operating loss	1,415	-
Unrealized holding loss on available-for-sale securities	3,295	3,935
Total	6,381	5,446
Deferred tax liabilities:		
Premises and equipment	281	293
Securities discount accretion	21	17
Total	302	310
Deferred tax asset, net	$ 6,079	$ 5,136

The reconciliation between the expected statutory income tax rate and the effective income tax rate is as follows:

	Years Ended December 31,			
	2023		2022	
	Amount	%	Amount	%
(Credit) provision at statutory rate	$ (1,167)	(21.0)	$ 1,226	21.0
Tax-exempt income	(242)	(4.4)	(254)	(4.4)
Nondeductible interest expense	17	0.3	5	0.1
Other items	(181)	(3.3)	(203)	(3.3)
Total	$ (1,573)	(28.4)	$ 774	13.4

Note 12 – Commitments and Contingencies

The Bank leases facilities and office equipment under noncancellable operating leases which expire in various years through 2044. The minimum annual rental commitments under these leases at December 31, 2023 are as follows:

2024	$	6
2025		4
2026		4
2027		5
2028		5
Thereafter		80
Total	$	104

The total rental expense for these operating leases in 2023 and 2022 amounted to $10 and $10, respectively.

Note 13 – Employee Benefit Plans

The Company maintains a defined contribution benefit plan under Section 401(k) of the Internal Revenue Code, which covers substantially all eligible employees. This plan permits employees to make contributions, which are matched by the Company based on a percentage of the employee's compensation, subject to certain restrictions. The cost of this plan is charged to operating expense annually as benefit costs are incurred. The Company's contribution to the plan was $234 and $222 for the years ended December 31, 2023 and 2022, respectively.

The Company has a supplemental non-qualified, non-funded retirement plan, for which the Company has purchased cost recovery life insurance on the lives of the participants. The Company is the owner and beneficiary of such policies. The amount of the coverage is designed to provide sufficient revenues to cover all costs of the plan if assumptions made as to mortality experience, policy earnings and other factors are realized. As of December 31, 2023 and 2022, the cash surrender value of these policies was $9,973 and $9,713, respectively.

Note 14 – Employee Stock Purchase Plan

The Company has an employee stock purchase plan that allows participating employees to purchase, through payroll deductions, shares of the Company's common stock at 90% of the fair market value at specified dates. Under the plan, employees purchased 1,640 shares in 2023 and 1,622 shares in 2022. There were 5,376 common shares available for issuance under this plan at December 31, 2023.

Note 15 – Related Party Transactions

In the normal course of business, loans are extended to directors, executive officers and their associates. In management's opinion, all of these loans are on substantially the same terms and conditions as loans to other individuals and businesses of comparable creditworthiness.

A summary of loan activity for those directors, executive officers, and their associates is as follows:

Years Ended December	Beginning Balance	Additions	Reductions	Ending Balance
2023	$ 8,084	$ 4,590	$ 3,696	$ 8,978
2022	$ 10,284	$ 4,835	$ 7,035	$ 8,084

The Company held related party deposits of $6,092 and $10,160 at December 31, 2023 and 2022, respectively.

Note 16 – Other Comprehensive Income

Accounting principles generally require that recognized revenue, expenses, gains and losses be included in net income. Although certain changes in assets and liabilities, such as unrealized gains and losses on available-for-sale securities, are reported as a separate component of the equity section of the balance sheets, such items, along with net income, are components of comprehensive income. A summary of other comprehensive income for the years ended December 31, 2023 and 2022 is as follows:

	2023	2022
Components of other comprehensive income:		
Unrealized holding gains (losses) arising during the year	$ 3,002	$ (18,929)
Reclassification adjustment for investment securities:		
Losses included in net income during the year	43	-
Net unrealized gains (losses)	3,045	(18,929)
Tax effect	(639)	3,975
Other comprehensive income (loss)	$ 2,406	$ (14,954)

Note 17 – Off-Balance Sheet Risk

In the normal course of business, there are outstanding commitments and contingent liabilities, created under prevailing terms and collateral requirements such as commitments to extend credit, financial guarantees and letters of credit, which are not reflected in the accompanying Financial Statements. The Company does not anticipate any losses as a result of these transactions. These instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the Consolidated Balance Sheets.

The contract or notional amounts of those instruments reflect the extent of involvement the Company has in particular classes of financial instruments.

Financial instruments whose contract amounts represent credit risk at December 31, 2023 and 2022 are as follows:

	2023	2022
Commitments to extend credit	$ 13,222	$ 15,417
Unfunded commitments under lines of credit	$ 114,999	$ 103,787
Standby letters of credit	$ 2,371	$ 2,355

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have expiration dates of one year or less or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements.

Standby letters of credit are conditional commitments issued to guarantee the performance of a customer to a third party. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers.

Various actions and proceedings are presently pending to which the Company is a party. Management is of the opinion that the aggregate liabilities, if any, arising from such actions would not have a material adverse effect on the financial position of the Company.

Note 18 – Regulatory Matters

The Company and the Bank are subject to various regulatory capital requirements administered by its primary federal regulator, the Federal Reserve Bank (FRB) and the Commonwealth of Pennsylvania Department of Banking and Securities. Failure to meet the minimum regulatory capital requirements can initiate certain mandatory, and possible additional discretionary, actions by regulators that, if undertaken, could have a direct material effect on the Company's financial statements. Under the capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company and the Bank must meet specific capital guidelines that involve quantitative measures of their assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. The Company's and the Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Company and the Bank to maintain minimum amounts and ratios (set forth in the following Capital Adequacy table) of Tier I, Common Equity Tier I and Total Capital to risk-weighted assets and of Tier I Capital to average assets (Leverage ratio). The table also presents the Company's actual capital amounts and ratios. Management believes, as of December 31, 2023 and 2022, that the Company and the Bank meet all capital adequacy requirements to which they are subject.

As of December 31, 2023 and 2022, the Bank was categorized as well capitalized under the regulatory framework for prompt corrective action. To be categorized as "well capitalized", the Bank must maintain minimum ratios as set forth in the table. There are no conditions or events since December 31, 2023 that management believes have changed the Bank's categorization.

The following table reflects the Company's and Bank's actual regulatory capital and ratios as well as the ratios required for the Company and Bank to be considered adequately capitalized under the regulatory framework for prompt corrective action.

	Actual		For Capital Adequacy Purposes		To Be "Well Capitalized"	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2023						
Total Capital (to Risk-Weighted Assets)						
Company	$ 54,855	11.5%	$ 38,095	8.0%	N/A	N/A
Bank	$ 54,548	11.5%	$ 38,087	8.0%	$ 47,609	10.0%
Tier 1 Capital (to Risk-Assets)						
Company	$ 45,566	9.6%	$ 28,572	6.0%	N/A	N/A
Bank	$ 49,259	10.3%	$ 28,565	6.0%	$ 38,087	8.0%
Common Equity Tier 1(to Risk-Weighted Assets)						
Company	$ 45,566	9.6%	$ 21,429	4.5%	N/A	N/A
Bank	$ 49,259	10.3%	$ 21,424	4.5%	$ 30,946	6.5%
Tier 1 Capital (to Average Assets)						
Company	$ 45,566	7.3%	$ 25,011	4.0%	N/A	N/A
Bank	$ 49,259	7.9%	$ 25,011	4.0%	$ 31,264	5.0%

Note 18 – Regulatory Matters - (Continued)

	Actual		For Capital Adequacy Purposes		To Be "Well Capitalized"	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2022						
Total Capital (to Risk-Weighted Assets)						
Company	$ 59,967	13.0%	$ 36,825	8.0%	N/A	N/A
Bank	$ 59,669	12.5%	$ 38,337	8.0%	$ 47,921	10.0%
Tier 1 Capital (to Risk-Assets)						
Company	$ 51,109	11.1%	$ 27,618	6.0%	N/A	N/A
Bank	$ 54,810	11.4%	$ 28,752	6.0%	$ 38,337	8.0%
Common Equity Tier 1(to Risk-Weighted Assets)						
Company	$ 51,109	11.1%	$ 20,714	4.5%	N/A	N/A
Bank	$ 54,810	11.4%	$ 21,564	4.5%	$ 31,149	6.5%
Tier 1 Capital (to Average Assets)						
Company	$ 51,109	8.2%	$ 24,966	4.0%	N/A	N/A
Bank	$ 54,810	8.8%	$ 24,976	4.0%	$ 31,221	5.0%

Restrictions imposed by Federal Reserve Regulation H limit dividend payments in any year to the current year's net income plus the retained net income of the prior two years without the prior regulatory approval of the Federal Reserve Bank. Accordingly, Bank dividends in 2024 may not exceed Bank net income for 2024 less $1,791. Additionally, banking regulations limit the amount of dividends that may be paid to the Company by the Bank without prior approval of the Bank's regulatory agency.

The Bank is subject to regulatory restrictions that limit its ability to loan or advance funds to the Company. At December 31, 2023, the regulatory lending limit amounted to approximately $8,182.

Note 19 – Fair Value of Financial Instruments

The following table presents information about the Company's assets and liabilities measured at fair value on a recurring and nonrecurring basis as of December 31, 2023 and 2022, and indicates the fair value hierarchy of the valuation techniques utilized by the Company to determine such fair value. In general, fair values determined by Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company has the ability to access. Fair values determined by Level 2 inputs utilize information other than the quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets and liabilities in active markets, and inputs other than quoted prices that are observable for the asset or liability, such as interest rates and yield curves that are observable at commonly quoted intervals. Level 3 inputs are unobservable inputs for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement, in its entirety, falls has been determined based on the lowest level input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset or liability.

	Fair Value Measurements at December 31, 2023 Using			
	Quoted Prices in Active Markets for Identical Instrument (Level 1)	Significant Other Observable Input (Level 2)	Significant Unobservable Input (Level 3)	Total
Assets Measured at Fair Value on a Recurring Basis:				
Available-for-sale securities:				
U.S. Government securities	$ 20,430	$ -	$ -	$ 20,430
States and political subdivisions	-	39,258	-	39,258
Corporate securities	-	17,224	-	17,224
Mortgage-backed securities	-	47,186	-	47,186
Assets Measured at Fair Value on a Nonrecurring Basis:				
Specifically analyzed loans	$ -	$ -	$ 1,876	$ 1,876
Restricted stock	-	-	2,668	2,668

Note 19 – Fair Value of Financial Instruments – (Continued)

	Fair Value Measurements at December 31, 2022 Using			
	Quoted Prices in Active Markets for Identical Instrument (Level 1)	Significant Other Observable Input (Level 2)	Significant Unobservable Input (Level 3)	Total
Assets Measured at Fair Value on a Recurring Basis:				
Available-for-sale securities:				
U.S. Government securities	$ 19,977	$ -	$ -	$ 19,977
States and political subdivisions	-	42,101	-	42,101
Corporate securities	-	18,571	-	18,571
Mortgage-backed securities	-	50,717	-	50,717
Assets Measured at Fair Value on a Nonrecurring Basis:				
Specifically analyzed loans	$ -	$ -	$ 9,988	$ 9,988
Restricted stock	-	-	645	645

Impaired loans, which are measured for impairment primarily using the fair value of the collateral for collateral dependent loans, were approximately $1,961, with an allowance for loan and lease losses of approximately $85 for the year ended December 31, 2023 and approximately $10,056, with an allowance for loan and lease losses of approximately $68 for the year ended December 31, 2022.

The carrying values and estimated fair values of financial instruments of the Company are as follows:

	December 31, 2023				
	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
FINANCIAL ASSETS					
Cash and cash equivalents	$ 13,443	$ 13,443	$ -	$ -	$ 13,443
Investment securities	124,198	20,430	103,767	-	124,197
Loans and leases, net	433,819	-	-	399,013	399,013
Accrued interest receivable	2,024	-	2,024	-	2,024
Cash surrender value of life insurance	12,448	-	12,448	-	12,448
Restricted stock	2,668	-	-	2,668	2,668
FINANCIAL LIABILITIES					
Deposits	$ 513,112	$ -	$ 512,707	$ -	$ 512,707
Borrowed funds	61,941	-	61,474	-	61,474
Accrued interest payable	776	-	776	-	776

Note 19 – Fair Value of Financial Instruments – (Continued)

	December 31, 2022				
	Carrying Value	Level 1	Level 2	Level 3	Total Fair Value
FINANCIAL ASSETS					
Cash and cash equivalents	$ 32,726	$ 32,726	$ -	$ -	$ 32,726
Investment securities	131,666	19,977	111,687	-	131,664
Loans and leases, net	410,200	-	-	379,830	379,830
Accrued interest receivable	1,834	-	1,834	-	1,834
Cash surrender value of life insurance	12,133	-	12,133	-	12,133
Restricted stock	645	-	-	645	645
FINANCIAL LIABILITIES					
Deposits	$ 567,052	$ -	$ 566,477	$ -	$ 566,477
Borrowed funds	3,932	-	3,614	-	3,614
Accrued interest payable	57	-	57	-	57

Generally Accepted Accounting Principles (GAAP) require disclosure of the estimated fair value of an entity's assets and liabilities considered to be financial instruments. For the Company, as for most financial institutions, the majority of its assets and liabilities are considered financial instruments. However, many such instruments lack an available trading market, as characterized by a willing buyer and seller engaging in an exchange transaction. Also, it is the Company's general practice and intent to hold its financial instruments to maturity and not to engage in trading or sales activities, except for certain loans and investments. Therefore, the Company had to use significant estimates and present value calculations to prepare this disclosure.

Changes in the assumptions or methodologies used to estimate fair values may materially affect the estimated amounts. Also, management is concerned that there may not be reasonable comparability between institutions due to the wide range of permitted assumptions and methodologies in the absence of active markets. This lack of uniformity gives rise to a high degree of subjectivity in estimating financial instrument fair values.

Estimated fair values have been determined by the Company using the best available data and an estimation methodology suitable for each category of financial instruments. The estimation methodologies used at December 31, 2023 and December 31, 2022 are outlined below. The methodologies for estimating the fair value of financial assets and financial liabilities that are measured at fair value on a recurring or non-recurring basis are discussed in the fair value measurements section above. The estimated fair value approximates carrying value for cash and cash equivalents, accrued interest and the cash surrender value of life insurance policies. The methodologies for other financial assets and financial liabilities are discussed below:

Investment securities - The fair value of investment securities is based on quoted market prices, where available. If quoted market prices are not available, external pricing services that approximate fair value are used.

Note 19 – Fair Value of Financial Instruments – (Continued)

Loans - Fair values are estimated for portfolios of loans with similar financial characteristics. For variable-rate loans that reprice frequently and with no significant change in credit risk, fair values are based on carrying amounts. The fair values for other loans are estimated using discounted cash flow analysis, based on interest rates currently being offered for loans with similar terms to borrowers of similar credit quality.

Restricted stock - All restricted stock is stated at par value as they are restricted to purchases and sales with the various institutions.

Deposits - The fair value of deposits with no stated maturity is the amount payable on demand as of December 31, 2023 and 2022. For time deposits, fair value is estimated by discounting the contractual cash flows using a discount rate equal to the rate currently offered for similar deposits of similar maturities.

Borrowed Funds - Rates available to the Company for borrowed funds with similar terms and remaining maturities are used to estimate the fair value of borrowed funds.

Note 20 – Condensed Financial Statements of Parent Company

The condensed financial statements for Woodlands Financial Services Company are as follows:

	December 31,	
BALANCE SHEETS	2023	2022
ASSETS		
Cash and cash equivalents	$ 182	$ 170
Investment in subsidiaries	36,862	40,008
Other assets	67	61
Total Assets	$ 37,111	$ 40,239
LIABILITIES AND STOCKHOLDERS' EQUITY		
Borrowed funds	$ 3,942	$ 3,932
Stockholders' equity	33,169	36,307
Total Liabilities and Stockholders' Equity	$ 37,111	$ 40,239

	Years Ended December 31,	
STATEMENTS OF INCOME	2023	2022
Dividends from subsidiaries	$ 1,822	$ 1,531
Equity in undistributed (losses) earnings of subsidiaries	(5,551)	3,761
Expenses	(254)	(229)
Net (loss) income	$ (3,983)	$ 5,063

Note 20 – Condensed Financial Statements of Parent Company – (Continued)

STATEMENTS OF CASH FLOWS	Years Ended December 31,	
Operating Activities:	2023	2022
Net (loss) income	$ (3,983)	$ 5,063
Adjustments to reconcile net (loss) income to net cash provided by operating activities		
Equity in undistributed losses (earnings) of subsidiaries	5,551	(3,761)
Increase in other assets	(5)	-
Net cash provided by operating activities	1,563	1,302
Investing Activities:		
Investment in subsidiaries	-	-
Net cash provided by investing activities	-	-
Financing Activities:		
Increase in subordinated debt	10	9
Issuance of common stock	29	44
Purchase of treasury stock	-	-
Dividends paid	(1,590)	(1,531)
Net cash used by financing activities	(1,551)	(1,478)
Increase (decrease) in cash and cash equivalents	12	(176)
Cash and cash equivalents at January 1	170	346
Cash and cash equivalents at December 31	$ 182	$ 170

WOODLANDS BANK

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Melvin W. Lewis, Vice Chairman
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Woodlands
FINANCIAL SERVICES
COMPANY

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

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:

D.A. Davidson & Co.
Troy N. Carlson, SVP, Financial Advisor
75 West Front Street Suite 5
Red Bank, NJ 07701
(856) 994-6056

REGISTRAR & TRANSFER AGENT:

Broadridge Corporate Issuer Solutions
P.O. Box 1342
Brentwood, NY 11717
844-318-0132
or
https://shareholder.broadridge.com/wdfn/
or
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
woodlandsbank.com