

Consolidated Balance Sheets (Unaudited)

	March 31, 2024	December 31, 2023
(in thousands except per share amounts)		
ASSETS		
Cash and due from banks	\$ 8,115	\$ 10,732
Interest-bearing deposits with banks	1,942	1,947
Government money market funds	176	178
Federal funds sold	882	586
Cash and cash equivalents	11,115	13,443
Available-for-sale securities	120,856	124,098
Held-to-maturity securities	100	100
Loans and leases	441,701	439,004
Less: Allowance for loan and lease losses	5,264	5,185
Loans, net	436,437	433,819
Bank premises and equipment, net	11,179	11,229
Accrued interest receivable	2,115	2,024
Deferred tax assets, net	6,225	4,664
Restricted stock	2,053	2,668
Other assets	19,373	20,562
TOTAL ASSETS	\$609,453	\$612,607
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Non-interest bearing	\$146,473	\$146,173
Interest bearing	377,149	366,939
Total deposits	523,622	513,112
Fed funds purchased & other short-term debt	24,500	38,000
Long-term debt	23,944	23,941
Accrued interest payable	996	776
Other liabilities	3,486	3,609
Total liabilities	576,548	579,438
STOCKHOLDERS' EQUITY		
Common stock, \$5.00 par value, 10,000,000 shares authorized; 1,548,908 and 1,548,908 issued; 1,394,608 and 1,394,608 outstanding.	7,744	7,744
Preferred stock, \$5.00 par value, 4,000,000 shares authorized; no shares issued or outstanding	—	—
Additional paid-in capital	8,320	8,320
Retained earnings	34,155	34,070
Accumulated other comprehensive income	(12,745)	(12,396)
Treasury stock at cost, 154,300 and 154,300 shares	(4,569)	(4,569)
Total stockholders' equity, net	32,905	33,169
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	\$609,453	\$612,607

DIVIDEND DIRECT DEPOSIT

Shareholders may opt to have their dividends deposited directly into their checking or savings account at any financial institution participating in the Automated Clearing House (ACH) system.

To register, visit <https://shareholder.broadridge.com/wdfn> (click on Account Updates, Statements, and Checks)

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David L. Bartges, VP
 Brian S. Brooking, VP & Secretary
 Timothy J. Bennett, VP
 Jon P. Conklin, President & CEO
 John J. Engel, Jr., VP
 Joseph F. Farley, CFO/COO
 David L. Fortin, Jr., VP
 Andrew J. Gallagher, VP
 Matthew A. Gaugler, VP
 Kelly M. Gillis, VP
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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 and 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 www.woodlandsbank.com

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 Williamsport, PA 17701
 570-321-1600

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 Williamsport, PA 17701
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 So. Williamsport, PA 17702
 570-323-5263

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

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

Broadridge Mail Code
MAY1976



Quarterly Report
 March 31, 2024

Consolidated Statements of Income (Unaudited)

Dear Shareholders,

The financial results of Woodlands Financial Services Company (the Company) are presented herein for the first quarter 2024. Following a year in which banks across the industry were impacted negatively by the compression of margins due to the high cost of funding caused by a historically lengthy inverted yield curve environment, the Company also was impacted by the necessary charge-off of a large credit near the end of the year. During the first quarter of 2024, the Company continued to be impacted by the elevated cost of funding and has been involved in multi-pronged litigation seeking recovery of the charged-off credit. This has resulted in the Company expensing the associated legal fees incurred as part of these efforts. Woodlands Bank, a subsidiary of the Company, also completed a regularly scheduled examination during the first quarter which concluded with largely positive results in spite of the challenges being faced. While banks across the industry anxiously await a reduction in interest rates on the short end of the yield curve, stubborn inflationary pressures have caused the prospects of the timing of these reductions to be pushed to later in the year than previously anticipated. On the Company's balance sheet, assets continue to slowly reprice upward as anticipated and the reliance on borrowings has reduced due to an increase in core deposits during the quarter. Both balance sheet trends have led to some widening of the Company's margins even in the absence of action by the Federal Open Market Committee (Fed). Loan activity has remained steady, and the Company has begun to employ a highly selective approach to new loans given the current rate environment and capital situation of the Company which remains "well-capitalized" under the regulatory framework. The credit-quality metrics continue to indicate that elevated risk does not exist within the remainder of the loan portfolio. Also, the Company was able to pay a dividend to its shareholders during the first quarter as it remains focused on prudent capital management.

During the first quarter 2024, the Company experienced net loan growth of \$2.6 million, 0.6%, and deposit growth of \$10.5 million, 2.0%. Year-over-year, net loans grew \$11.2 million, 2.6%, while deposits decreased \$27.7 million, 5.0%. Management continues to reduce its securities portfolio via maturities and pay-downs while strategically reallocating these funds in order to reduce the need for higher-cost wholesale funding. The Company's overall liquidity position remains strong.

Following the loss sustained in the previous quarter, net income for the first quarter was \$489 thousand. While obviously an increase over the previous quarter, this illustrates the impact of elevated funding costs on the bottom line of the Company. Non-interest income remains a solid and steady source of income for the Company, and non-interest expenses were stable outside of the elevated legal fees mentioned above.

Management is acutely aware of the challenges currently being faced by the Company but are highly confident that these challenges will be overcome in time, returning the Company to its traditional steady growth and consistent earnings trajectory. As we navigate through these challenges, your continued support of our unique brand of community banking is very much appreciated.

Sincerely,



Jon P. Conklin
President and CEO

	For the three months ended March 31	
	2024	2023
(in thousands except per share amounts)		
INTEREST INCOME		
Interest & fees on loans and leases	\$5,596	\$4,884
Interest & dividends on cash & cash equivalents	56	73
Interest & dividends on investment securities:		
Taxable	780	805
Tax-exempt	130	162
Dividends	40	9
Total interest income	6,602	5,933
INTEREST EXPENSE		
Interest on deposits	2,288	1,390
Interest on borrowed funds	735	140
Total interest expense	3,023	1,530
NET INTEREST INCOME	3,579	4,403
EXPENSE FOR CREDIT LOSS	75	60
NET INTEREST INCOME AFTER EXPENSE FOR CREDIT LOSS	3,504	4,343
OTHER INCOME		
Service charges and other fees	228	232
Other operating income	463	473
Trust department income	427	332
Gain on sale of loans and other assets, net	-	-
Gain on investment securities, net	-	(29)
Total other income	1,118	1,008
OTHER EXPENSES		
Salaries & employee benefits	2,093	2,196
Occupancy expense	221	203
Furniture & equipment expense	196	184
FDIC insurance premiums	105	48
Data processing expense	332	307
Professional fees	211	80
Other operating expenses	973	927
Total other expenses	4,131	3,945
INCOME BEFORE INCOME TAXES	491	1,406
PROVISION FOR INCOME TAXES	2	185
NET INCOME	\$ 489	\$1,221
NET INCOME PER COMMON SHARE	\$ 0.35	\$ 0.88
RETURN ON AVERAGE ASSETS	0.32%	0.82%
RETURN ON AVERAGE EQUITY	6.02%	13.24%

