

## Consolidated Balance Sheets (Unaudited)

as of December 31

(in thousands except per share amounts)

	2020	2019
<b>ASSETS</b>		
Cash and due from banks	\$ 7,445	\$ 7,677
Interest-bearing deposits with banks	40,471	249
Government money market funds	2,235	2,108
Federal funds sold	500	—
Cash and cash equivalents	50,652	10,034
Available-for-sale securities	87,936	67,940
Held-to-maturity securities	500	450
Loans and leases	342,046	318,260
Less: Allowance for loan and lease losses	4,090	3,831
Loans, net	337,956	314,429
Bank premises and equipment, net	11,021	9,625
Other real estate owned	—	282
Accrued interest receivable	1,478	1,193
Deferred tax assets, net	742	945
Restricted stock	640	1,081
Other assets	11,538	9,939
<b>TOTAL ASSETS</b>	<b>\$502,463</b>	<b>\$415,918</b>

### LIABILITIES AND STOCKHOLDERS' EQUITY

#### LIABILITIES

Non-interest bearing	\$137,587	\$ 93,485
Interest bearing	308,252	258,515
Total deposits	445,839	352,000
Federal funds purchased & other short-term debt	—	2,832
Long-term debt	5,000	12,088
Accrued interest payable	147	183
Other liabilities	3,008	3,011
Total liabilities	453,994	370,114

#### STOCKHOLDERS' EQUITY

Common stock, \$5.00 par value, 10,000,000 shares authorized; 1,544,079 and 1,542,963 issued; 1,486,631 and 1,542,963 outstanding.	7,720	7,715
Preferred stock, \$5.00 par value, 4,000,000 shares authorized; no shares issued or outstanding	—	—
Additional paid-in capital	8,236	8,216
Retained earnings	32,356	29,168
Accumulated other comprehensive income	1,661	705
Treasury stock at cost, 57,448 and 0 shares	(1,504)	—
Total stockholders' equity	48,469	45,804
<b>TOTAL LIABILITIES &amp; STOCKHOLDERS' EQUITY</b>	<b>\$502,463</b>	<b>\$415,918</b>

#### DIVIDEND DIRECT DEPOSIT

Shareholders may opt to have their dividends deposited directly into their checking or savings account at any financial institution participating in the Automated Clearing House (ACH) system. To register, visit <https://shareholder.broadridge.com/wdfn> (select account maintenance under need a form?)

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Jon P. Conklin, President & CEO  
John J. Engel, Jr., VP  
Joseph F. Farley, VP & CFO  
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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:

#### Boenning & Scattergood, Inc.

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200 Barr Harbor Drive, Suite 200  
West Conshohocken, PA 19428  
(800) 842-8928

#### 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.  
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**WILLIAMSPORT**  
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Williamsport, PA 17701  
570-321-1600

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

Broadridge Mail Code  
FEB1976



Quarterly Report  
December 31, 2020



Dear Shareholders,

I am pleased to present the financial results of Woodlands Financial Services Company (the Company) for the fourth quarter 2020. In providing a capstone on what was an exceptionally challenging year, the Company is pleased to present solid results for the quarter and for the year. Total assets increased \$4.1 million, 0.8%, for the quarter and \$86.5 million, 20.8%, since the end of calendar year 2019. These increases on the asset side of the balance sheet were driven primarily by increases in total deposits of \$4.2 million, 1.0%, for the quarter and \$93.8 million, 26.7%, since the end of the previous year. The increase in deposits were deployed into both the loan and investment portfolios increasing \$1.0 million, 0.3%, and \$7.4 million, 8.3%, respectively, for the quarter and \$23.5 million, 7.5%, and \$20.0 million, 29.3%, respectively, for the year. The large increase in deposits represents successful efforts to expand customer relationships which has been an important strategic initiative in order to build a solid base for future growth and success. Given the uncertainty that exists in economic conditions and the interest rate environment, management has been focused heavily on risk monitoring and management which primarily involves credit risk and interest rate risk processes. As capital is an important part of that risk management process, management is also focused on maintaining sufficient capital levels to allow for future growth as well as buffers against future losses, if necessary.

Net income for the fourth quarter 2020 was \$1.1 million which is a 21% decrease over the net income of the previous quarter but represents a 13.4% increase over the net income of the 4th quarter 2019. The quarter-over-quarter decrease is primarily attributable to certain year-end accruals related to incentive-based and discretionary compensation programs. All other line items are comparable to prior quarters. Given the challenges that have been faced, management is pleased with the achievement of a net income of \$4.8 million for the year; however, the recognition of the significant challenges that lie ahead is front and center. These challenges include the economic uncertainty that relates to the country's recovery from the pandemic and the pandemic-related restrictions that have hampered economic growth. Also, uncertainty exists related to a changing power dynamic in Washington as well as civil unrest that has caused disruption over the past several months. The prospects of a long-term low interest rate environment seem to get more certain every day, and in this type of environment, community banks which rely more heavily on the core margin business face greater challenges than our larger competitors. Due to this reality, it will be extremely important that our strategic focus be on the development of more non-interest income sources as well as the efficiencies in operations and continued growth. Return on Average Assets (ROAA) and Return on Average Equity (ROAE) were 0.86% and 8.98%, respectively, for the quarter and 1.01% and 10.10%, respectively, year-to-date.

I'm certain that we can all share the same sentiment in our happiness that the year 2020 is in our rear-view mirror. And even though the road ahead may be bumpy at times, there is solace that a distinct light at the end of the tunnel can be seen from where we currently sit. Thank you all for your continued support of all that we do.

Sincerely,

Jon P. Conklin  
President and CEO

## Consolidated Statements of Income (Unaudited)

	For the three months ended December 31		For the year ended December 31	
	2020	2019	2020	2019
(in thousands except per share amounts)				
<b>INTEREST INCOME</b>				
Interest & fees on loans and leases	\$3,738	\$3,895	\$15,113	\$15,644
Interest & dividends on cash & cash equivalents	20	52	78	264
Interest & dividends on investment securities:				
Taxable	282	328	1,136	1,330
Tax-exempt	154	141	555	645
Dividends	12	36	68	189
<b>Total interest income</b>	<b>4,206</b>	<b>4,452</b>	<b>16,950</b>	<b>18,072</b>
<b>INTEREST EXPENSE</b>				
Interest on deposits	402	616	1,802	2,742
Interest on borrowed funds	63	60	347	243
<b>Total interest expense</b>	<b>465</b>	<b>676</b>	<b>2,149</b>	<b>2,985</b>
<b>NET INTEREST INCOME</b>	<b>3,741</b>	<b>3,776</b>	<b>14,801</b>	<b>15,087</b>
<b>PROVISION FOR LOAN LOSSES</b>				
	75	50	240	(400)
<b>NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES</b>	<b>3,666</b>	<b>3,726</b>	<b>14,561</b>	<b>15,487</b>
<b>OTHER INCOME</b>				
Service charges and other fees	258	219	828	859
Other operating income	390	389	1,557	1,542
Trust department income	326	253	1,179	1,073
Gain on sale of loans and other assets, net	188	74	654	334
Gain on investment securities, net	2	(14)	8	73
<b>Total other income</b>	<b>1,164</b>	<b>921</b>	<b>4,226</b>	<b>3,881</b>
<b>OTHER EXPENSES</b>				
Salaries & employee benefits	2,064	2,072	7,286	7,375
Occupancy expense	163	156	630	643
Furniture & equipment expense	148	134	556	539
FDIC insurance premiums	26	—	106	104
Data processing expense	277	253	1,064	962
Professional fees	84	77	330	263
Other operating expenses	735	795	2,941	3,052
<b>Total other expenses</b>	<b>3,497</b>	<b>3,487</b>	<b>12,913</b>	<b>12,938</b>
<b>INCOME BEFORE INCOME TAXES</b>	<b>1,333</b>	<b>1,160</b>	<b>5,874</b>	<b>6,430</b>
<b>PROVISION FOR INCOME TAXES</b>	<b>248</b>	<b>203</b>	<b>1,110</b>	<b>1,132</b>
<b>NET INCOME</b>	<b>\$ 1,085</b>	<b>\$ 957</b>	<b>\$ 4,764</b>	<b>\$ 5,298</b>
<b>NET INCOME PER COMMON SHARE</b>	<b>\$ 0.73</b>	<b>\$ 0.62</b>	<b>\$ 3.15</b>	<b>\$ 3.44</b>
<b>RETURN ON AVERAGE ASSETS</b>	<b>0.86%</b>	<b>0.89%</b>	<b>1.01%</b>	<b>1.26%</b>
<b>RETURN ON AVERAGE EQUITY</b>	<b>8.98%</b>	<b>8.34%</b>	<b>10.10%</b>	<b>12.08%</b>

