## *Consolidated Balance Sheets (Unaudited)*

| (in thousands except per share amounts) | March 31, 2023 | December 31, 2022 |
|---|---|---|
| ***ASSETS*** | | |
| Cash and due from banks | $ 11,571 | $ 22,866 |
| Interest-bearing deposits with banks | 1,872 | 5,276 |
| Government money market funds | 85 | 84 |
| Federal funds sold | 919 | 4,500 |
| Cash and cash equivalents | 14,447 | 32,726 |
| Available-for-sale securities | 131,527 | 131,366 |
| Held-to-maturity securities | 200 | 300 |
| Loans and leases | 430,059 | 414,954 |
| Less: Allowance for loan and lease losses | 4,814 | 4,754 |
| Loans, net | 425,245 | 410,200 |
| Bank premises and equipment, net | 11,351 | 11,408 |
| Accrued interest receivable | 1,847 | 1,834 |
| Deferred tax assets, net | 4,629 | 5,136 |
| Restricted stock | 1,045 | 645 |
| Other assets | 17,310 | 17,285 |
| ***TOTAL ASSETS*** | $607,601 | $610,900 |
| ***LIABILITIES AND STOCKHOLDERS' EQUITY*** | | |
| ***LIABILITIES*** | | |
| Non-interest bearing | $169,524 | $174,383 |
| Interest bearing | 381,751 | 392,669 |
| Total deposits | 551,275 | 567,052 |
| Fed funds purchased & other short-term debt | 10,000 | – |
| Long-term debt | 3,934 | 3,932 |
| Accrued interest payable | 105 | 57 |
| Other liabilities | 3,094 | 3,552 |
| Total liabilities | 568,408 | 574,593 |
| ***STOCKHOLDERS' EQUITY*** | | |
| Common stock, $5.00 par value, 10,000,000 shares authorized; 1,547,268 and 1,547,268 issued; 1,392,968 and 1,392,968 outstanding. | 7,736 | 7,736 |
| Preferred stock, $5.00 par value, 4,000,000 shares authorized; no shares issued or outstanding | – | – |
| Additional paid-in capital | 8,299 | 8,299 |
| Retained earnings | 40,474 | 39,643 |
| Accumulated other comprehensive income | (12,747) | (14,802) |
| Treasury stock at cost, 154,300 and 154,300 shares | (4,569) | (4,569) |
| Total stockholders' equity, net | 39,193 | 36,307 |
| ***TOTAL LIABILITIES & STOCKHOLDERS' EQUITY*** | $607,601 | $610,900 |

### DIVIDEND DIRECT DEPOSIT

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

### BANK OFFICERS

David L. Bartges, VP
Brian S. Brooking, VP & Secretary
Timothy J. Bennett, VP
Thomas B. Burkholder, VP
Jon P. Conklin, President & CEO
John J. Engel, Jr., VP
Joseph F. Farley, EVP & CFO/COO
David L. Fortin, Jr., VP
Andrew J. Gallagher, VP
Matthew A. Gaugler, VP
Kelly M. Gillis, VP
Sheri A. Grozier, VP
Shelly A. Hepler, VP
Jeanette L. Kitchen, VP
Renee D. Laychur, VP
Stacy L. Neill, VP
Mark Rice, VP

### BOARD OF DIRECTORS

Jay B. Alexander
William C. Brown
Jon P. Conklin, Chairman
Marc D. Lewis
Melvin W. Lewis, Vice Chairman
George E. Logue, Jr.
Trisha Gibbons Marty
Thomas G. Stubler
Theodore J. Weiss

### COMMUNITY BOARD MEMBERS

Seth Alberts
Gregory Anthony
Daniel Forrestal
William Forse
Michael Gaetano
Nathan Grenoble
Darin Hamm
Charles Imbro
William Kieser
Adam Kordes
Arthur Nonemaker
Clyde Peeling
Michael Philbin
Eugene Schurer
Betty Steinbacher

### BOARD OF DIRECTORS EMERITI

R. Edward Alberts
Donald E. Alsted
Richard H. Baker
Robert E. Forse
John E. Hoffman
David L. Shollenberger

### 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

### 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

Broadridge Mail Code
MAY1976

Woodlands
FINANCIAL SERVICES
COMPANY



# Quarterly Report
March 31, 2023

Dear Shareholders,

I am pleased to present the financial results of Woodlands Financial Services Company (the Company) for the first quarter 2023. The first quarter ended showing solid results in what is an unusual and highly uncertain economic environment. Also, toward the end of the quarter, a few highly visible bank failures created an extra layer of challenges for the industry, mostly attributable to the broad unease that these failures brought to investors and customers of all banks across the spectrum. Given that the underlying reasons for the failures that took place were largely unique to the business models and customer bases of these financial institutions, the larger banking sector took the opportunity to educate the public about what sets apart those financial institutions that employ a traditional approach to banking from those who have taken novel and, arguably, a much riskier approach to the business. Certainly, the public discontent is understandable, but the actions of the Federal Reserve and the overall strong capital and liquidity positions of the vast majority of the financial sector should serve to allay some of those concerns over time. Despite the barrage of challenges faced, the Company saw continued loan growth and credit quality metrics during the quarter. While total assets decreased slightly by $3.3 million, 0.5%, total loans increased $15.0 million, 3.7%, for the quarter. The overall decrease in total assets is attributable to a decrease in deposits of $15.8 million, 2.8%, since the end of the year. The decrease in deposits was comprised of some normal seasonal fluctuations as well as some movement of funds related to the monetary tightening measures being taken by the central bank in its fight against inflation. Despite this reduction, the Company's sources of liquidity remain both robust and diverse, which will allow for continued growth and profitability through this uncertain period until interest rates and economic indicators should normalize.

Net income for the first quarter 2023 was $1.2 million which is nearly identical to the net income of the prior year's first quarter. During the quarter, the Company's results once again reflected the positive impact of higher rates on the asset side of the balance sheet through growth and repricing; however, the increase in funding costs attributable to Fed and market interest-rate increases coupled with a reduction in the Fed Reserve's balance sheet more than offset the gains on the asset side of the ledger. This resulted in a slightly lower net interest income when compared to the previous quarter but an increase of 9.5% over the first quarter of 2022. An expected levelling of the Fed Funds rate in the next quarter would provide the Company with the ability to increase overall margins and profitability going forward. Respectively, Return on Average Assets (ROAA) and Return on Average Equity (ROAE) were 0.82% and 13.24% for the first quarter 2023.

Management remains diligent in its achievement of the overall objectives as laid out in the Company's strategic plan which are aimed at creating the foundation for future success by being positioned to offer the products and banking channels in alignment with customer expectations and which will be delivered in a manner consistent with the core philosophies upon which our success to date has been achieved. Remaining rooted in our communities is core to our unique brand of community banking, and your continued support of all that we do is vital to our continued success. Thank you.

Sincerely,

Jon P. Conklin
President and CEO

## *Consolidated Statements of Income (Unaudited)*

| (in thousands except per share amounts) | For the three months ended March 31 2023 | 2022 |
|---|---|---|
| ***INTEREST INCOME*** | | |
| Interest & fees on loans and leases | $4,884 | $3,583 |
| Interest & dividends on cash & cash equivalents | 73 | 23 |
| Interest & dividends on investment securities: | | |
| Taxable | 805 | 536 |
| Tax-exempt | 162 | 167 |
| Dividends | 9 | 7 |
| Total interest income | 5,933 | 4,316 |
| ***INTEREST EXPENSE*** | | |
| Interest on deposits | 1,390 | 238 |
| Interest on borrowed funds | 140 | 57 |
| Total interest expense | 1,530 | 295 |
| ***NET INTEREST INCOME*** | 4,403 | 4,021 |
| ***PROVISION FOR LOAN LOSSES*** | 60 | 60 |
| ***NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES*** | 4,343 | 3,961 |
| ***OTHER INCOME*** | | |
| Service charges and other fees | 232 | 231 |
| Other operating income | 473 | 412 |
| Trust department income | 332 | 324 |
| Gain on sale of loans and other assets, net | – | 34 |
| Gain on investment securities, net | (29) | – |
| Total other income | 1,008 | 1,001 |
| ***OTHER EXPENSES*** | | |
| Salaries & employee benefits | 2,196 | 1,941 |
| Occupancy expense | 203 | 198 |
| Furniture & equipment expense | 184 | 155 |
| FDIC insurance premiums | 48 | 52 |
| Data processing expense | 307 | 310 |
| Professional fees | 80 | 61 |
| Other operating expenses | 927 | 836 |
| Total other expenses | 3,945 | 3,553 |
| ***INCOME BEFORE INCOME TAXES*** | 1,406 | 1,409 |
| ***PROVISION FOR INCOME TAXES*** | 185 | 186 |
| ***NET INCOME*** | $1,221 | $1,223 |
| ***NET INCOME PER COMMON SHARE*** | $ 0.88 | $ 0.88 |
| ***RETURN ON AVERAGE ASSETS*** | 0.82% | 0.87% |
| ***RETURN ON AVERAGE EQUITY*** | 13.24% | 10.69% |

Woodlands
FINANCIAL SERVICES
COMPANY