

Consolidated Balance Sheets (Unaudited)

	December 31, 2024	September 30, 2024
(in thousands except per share amounts)		
ASSETS		
Cash and due from banks	\$ 9,483	\$ 12,271
Interest-bearing deposits with banks	767	1,527
Government money market funds	5	73
Federal funds sold	—	4,500
Cash and cash equivalents	10,255	18,371
Available-for-sale securities	110,287	116,205
Loans and leases	446,820	450,835
Less: Allowance for loan and lease losses	5,383	5,358
Loans, net	441,437	445,476
Bank premises and equipment, net	10,906	10,950
Accrued interest receivable	1,963	2,169
Deferred tax assets, net	5,331	5,222
Restricted stock	1,656	2,121
Other assets	19,082	19,852
TOTAL ASSETS	\$600,917	\$620,366

LIABILITIES AND STOCKHOLDERS' EQUITY

LIABILITIES

Non-interest bearing	\$146,794	\$152,397
Interest bearing	389,150	386,589
Total deposits	535,944	538,986
Fed funds purchased & other short-term debt	155	16,000
Long-term debt	23,951	23,949
Accrued interest payable	649	638
Other liabilities	4,566	4,053
Total liabilities	565,265	583,626

STOCKHOLDERS' EQUITY

Common stock, \$5.00 par value, 10,000,000 shares authorized; 1,551,057 and 1,551,057 issued; 1,396,757 and 1,396,757 outstanding.	7,755	7,755
Preferred stock, \$5.00 par value, 4,000,000 shares authorized; no shares issued or outstanding	—	—
Additional paid-in capital	8,344	8,344
Retained earnings	35,562	34,921
Accumulated other comprehensive income	(11,440)	(9,711)
Treasury stock at cost, 154,300 and 154,300 shares	(4,569)	(4,569)
Total stockholders' equity, net	35,652	36,740

TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	\$600,917	\$620,366
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DIVIDEND DIRECT DEPOSIT

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

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

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 Timothy J. Bennett, VP
 Jon P. Conklin, President & CEO
 John J. Engel, Jr., VP
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 David L. Fortin, Jr., VP
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 Matthew A. Gaugler, 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.

Tom Dooley, SVP, Community Bank Professional
 3773 Attucks Drive
 Powell, OH 43065
 800-394-9230

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:

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 973 Lycoming Mall Drive
 Pennsdale, PA 17756
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 Jersey Shore, PA 17740
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 Williamsport, PA 17701
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 2 South Main Street
 Hughesville, PA 17737
 570-584-2385

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

Broadridge Mail Code
FEB1976



Quarterly Report
 December 31, 2024

Dear Shareholders,

We are pleased to announce the financial results of Woodlands Financial Services Company (the Company) for the fourth quarter 2024. This quarter's results close out what was a challenging yet critical year for the Company. The larger economic and interest-rate environment coupled with a Presidential election and a general feeling of uncertainty across industries created some headwinds for banking. Specific to the Company, significant resources were devoted to the testing and training efforts necessary to prepare for the core conversion that took place in early October while also taking legal actions on multiple fronts to recover on the credit that was required to be charged off at the end of 2023. Management employed a strategically necessary approach to growth, focusing on a highly prudent use of capital while the recovery efforts progressed and the asset side of the balance sheet repriced and matured from the prolonged low-interest rate environment which preceded the Federal Reserve Open Market Committee's (Fed's) austere measures taken to tame inflation during the previous two years. During the third quarter of 2024, the Fed finally began to lower the overnight borrowing rate which provided some relief to the margin pressures experienced by banks across the industry. Another significant event was the commencement of a safety and soundness examination of Woodlands Bank (Bank) in early January of 2024. As usual, this examination required the dedication of substantial internal resources; however, it provided management and the Board of Directors with an assurance that the Company remained in a strong position despite the multiple challenges being faced. During the fourth quarter, additional interest rate cuts by the Fed providing further margin pressure relief coupled with a largely successful core systems conversion provided some optimism as the Company moved into 2025. The legal process related to credit recovery efforts has moved at a frustratingly slow pace; however, some positive developments near the end of the year indicate the imminent potential for some tangible results and a clearer view of the Company's overall prospects for success.

During the fourth quarter 2024, the Company's net loans declined by \$4.0 million, 0.9%, while total deposits decreased \$3.0 million, 0.6%. Due to maturities and run off, the Company's securities portfolio decreased \$5.9 million, 5.1%, during the quarter as well. This reduction in the balance sheet reflected the strategic approach by management to enhance margins as well as to protect capital and improve capital ratios as part of its overall balance sheet management strategy in the current environment. Liquidity remains strong, and management is confident that these efforts to level set its earnings and funding base will provide for the type of growth and earnings that have been experienced in previous years.

Net income for the fourth quarter was \$1.05 million, a 13.2% increase from the previous quarter, while annual net income ended at \$3.11 million. The trends of the last two quarters of the year reflect the impact of widening margins due to the factors previously noted. Non-interest income remains strong and stable, and non-interest expenses continue to be managed prudently with the only unusual fluctuation being elevated legal fees incurred with credit recovery efforts.

As we move into 2025, there are many reasons for optimism as the economic and interest-rate environment continues to normalize, a better sense of certainty is being felt by many, and significant opportunities for growth exist in the Bank's markets. There is no doubt that the highly capable management and employees of the Bank will effectively seize on the opportunities being presented and that 2025 will serve as an inflexion point for achieving the type of traction necessary for continued growth, income, and shareholder value. Thank you all for your continued support of our efforts.

Sincerely,



Jon P. Conklin
Chairman, President and CEO

Consolidated Statements of Income (Unaudited)

	For the three months ended December 31		For the year ended December 31	
	2024	2023	2024	2023
(in thousands except per share amounts)				
INTEREST INCOME				
Interest & fees on loans and leases	\$5,969	\$ 5,494	\$23,468	\$ 20,920
Interest & dividends on cash & cash equivalents	118	32	266	216
Interest & dividends on investment securities:				
Taxable	657	796	2,895	3,199
Tax-exempt	129	130	520	559
Dividends	55	33	197	78
Total interest income	6,928	6,485	27,346	24,972
INTEREST EXPENSE				
Interest on deposits	2,438	2,256	9,571	7,479
Interest on borrowed funds	321	614	2,432	1,614
Total interest expense	2,759	2,870	12,003	9,093
NET INTEREST INCOME	4,169	3,615	15,343	15,879
EXPENSE FOR CREDIT LOSS				
	75	10,005	300	10,265
NET INTEREST INCOME AFTER EXPENSE FOR CREDIT LOSS	4,094	(6,390)	15,043	5,614
OTHER INCOME				
Service charges and other fees	282	259	963	974
Other operating income	463	494	1,924	1,956
Trust department income	377	477	1,720	1,654
Gain on sale of loans and other assets, net	20	-	56	33
Gain on investment securities, net	-	-	-	(43)
Total other income	1,142	1,230	4,663	4,574
OTHER EXPENSES				
Salaries & employee benefits	2,208	2,148	8,489	8,402
Occupancy expense	179	186	776	783
Furniture & equipment expense	227	188	827	750
FDIC insurance premiums	135	90	480	276
Data processing expense	281	333	1,283	1,291
Professional fees	205	143	729	375
Other operating expenses	843	957	3,756	3,867
Total other expenses	4,078	4,045	16,340	15,744
INCOME BEFORE INCOME TAXES	1,158	(9,205)	3,366	(5,556)
PROVISION FOR INCOME TAXES	112	(2,034)	255	(1,573)
NET INCOME	\$1,046	\$(7,171)	\$ 3,111	\$(3,983)
NET INCOME PER COMMON SHARE	\$ 0.75	\$(5.14)	\$ 2.23	\$(2.86)
RETURN ON AVERAGE ASSETS	0.68%	(4.67%)	0.51%	(0.66%)
RETURN ON AVERAGE EQUITY	12.31%	(77.71%)	9.50%	(10.51%)

