

Consolidated Balance Sheets (Unaudited)

	December 31, 2023	September 30, 2023
(in thousands except per share amounts)		
ASSETS		
Cash and due from banks	\$ 10,732	\$ 7,538
Interest-bearing deposits with banks	1,947	1,734
Government money market funds	178	36
Federal funds sold	586	3,918
Cash and cash equivalents	13,443	13,226
Available-for-sale securities	124,098	120,160
Held-to-maturity securities	100	100
Loans and leases	439,004	440,818
Less: Allowance for credit losses	5,185	4,991
Loans, net	433,819	435,827
Bank premises and equipment, net	11,229	11,241
Accrued interest receivable	2,024	1,938
Deferred tax assets, net	4,664	5,860
Restricted stock	2,668	1,748
Other assets	20,562	18,387
TOTAL ASSETS	\$612,607	\$608,487

LIABILITIES AND STOCKHOLDERS' EQUITY

LIABILITIES

Non-interest bearing	\$146,173	\$152,400
Interest bearing	366,939	377,303
Total deposits	513,112	529,703
Fed funds purchased & other short-term debt	38,000	25,000
Long-term debt	23,941	13,939
Accrued interest payable	776	507
Other liabilities	3,609	3,148
Total liabilities	579,438	572,297

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	34,070	41,646
Accumulated other comprehensive income	(12,396)	(16,951)
Treasury stock at cost, 154,300 and 154,300 shares	(4,569)	(4,569)
Total stockholders' equity, net	33,169	36,190

TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	\$612,607	\$608,487
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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> (select account maintenance under need a form?)

BANK OFFICERS

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, 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
 Richard A. Kuczawa, VP
 Stacy L. Neill, VP
 Mark Rice, VP

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 Adam Kordes
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 Michael Philbin
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R. Edward Alberts
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 John E. Hoffman
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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

OFFICES LOCATED AT:

HALLS STATION
 973 Locoming Mall Drive
 Pennsdale, PA 17756
 570-546-5001

JERSEY SHORE
 1146 Allegheny Street
 Jersey Shore, PA 17750
 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

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 1980 West Fourth Street
 Williamsport, PA 17701
 570-327-1550

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 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
FEB1976



Quarterly Report
 December 31, 2023

Dear Shareholders,

The financial results of Woodlands Financial Services Company (the Company) are presented herein for the fourth quarter 2023. The quarterly results were impacted negatively by a significant loan which required a full charge-off at year end. The charge-off made it necessary to replenish the Allowance for Credit Losses through a charge to the Expense for Credit Losses in the fourth quarter of \$10.0 million. The circumstances that triggered the need to charge off this loan are unique to this particular credit and are not indicative of any broader, negative portfolio trends that would portend future deterioration of the Company's loan portfolio. The Company is aggressively pursuing all avenues available in its efforts to collect on this loan over future periods. Obviously, this unfortunate situation on top of what has been an already challenging banking environment in which to operate has led to annual results that are disappointing to say the least. There are some glimmers of light on the horizon in terms of expected easing by the Federal Reserve (the Fed) of its hawkish monetary policy actions taken during 2023 in an attempt to tame inflation and normalize its balance sheet over time. These aggressive measures have caused margins to compress across the industry and have impacted community banks to a greater degree given their more traditional business models and the limited number of non-interest income sources at their disposal to offset the negative impact of the margin compression. The Company's balance sheet has continued to reprice slowly upward on the asset side of the balance sheet as anticipated, and loan growth has been surprisingly strong given the expectations at the beginning of the year and especially once the Fed commenced its aggressive actions to tamp down the economy.

During the fourth quarter 2023, the Company experienced net loan decline of \$2.0 million, 0.5%, which includes the charge-off previously referenced, while total assets increased \$4.1 million, 0.7%. Year-over-year, net loans have increased \$23.6 million, 5.8%, despite the loan charge-off, while total assets increased \$1.7MM, 0.3%. Total deposits decreased \$16.6 million, 3.1%, for the quarter and \$53.9 million, 9.5%, for the year. This reduction in deposits has been experienced across the industry following the increase in interest rates and balance-sheet reduction efforts by the Fed. Management has continued its ongoing effort to slowly reduce its securities portfolio via maturity and pay-downs and has experienced a reduction in the unrealized losses being carried in the portfolio due to the reduction in market interest rates across the interest-rate curve. The Company's liquidity position remains strong and despite the large loan charge-off, it remains in a well-capitalized position. There remains no anticipation by management of the need to sell off any of its securities which would require the realization of these losses currently remaining in a loss position.

Net losses for the fourth quarter and for the year 2023 were \$7.2 million and \$4.0 million, respectively. Obviously, the driver of these losses was the significant charge-off incurred in the fourth quarter. Non-interest income was solid for the quarter and the year, and non-interest expenses were able to be managed with only slight increases for the quarter and the year despite the inflationary pressures faced.

As with any significant stumble faced in life, management is not only intently focused on the issue at hand to mitigate the longer-term impact as much as possible but also on using it as an opportunity to bolster any policies and procedures it can to ensure that the Company is in a stronger position going forward and to minimize the possibility of experiencing any similar situations in the future. It is through extreme heat and pressure that the sharpest edges are forged, and that is how we plan to emerge from these challenges being faced. Thank you.

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	
	2023	2022	2023	2022
(in thousands except per share amounts)				
INTEREST INCOME				
Interest & fees on loans and leases	\$ 5,494	\$ 4,628	\$ 20,920	\$ 16,107
Interest & dividends on cash & cash equivalents	32	275	216	531
Interest & dividends on investment securities:				
Taxable	796	788	3,199	2,639
Tax-exempt	130	164	559	655
Dividends	33	9	78	30
Total interest income	6,485	5,864	24,972	19,962
INTEREST EXPENSE				
Interest on deposits	2,256	1,187	7,479	2,499
Interest on borrowed funds	614	57	1,614	230
Total interest expense	2,870	1,244	9,093	2,729
NET INTEREST INCOME	3,615	4,620	15,879	17,233
EXPENSE FOR CREDIT LOSS				
	10,005	60	10,265	390
NET INTEREST INCOME AFTER EXPENSE FOR CREDIT LOSS	(6,390)	4,560	5,614	16,843
OTHER INCOME				
Service charges and other fees	259	218	974	893
Other operating income	494	477	1,956	1,817
Trust department income	477	275	1,654	1,356
Gain on sale of loans and other assets, net	–	–	33	82
Gain on investment securities, net	–	–	(43)	–
Total other income	1,230	970	4,574	4,148
OTHER EXPENSES				
Salaries & employee benefits	2,148	2,175	8,402	8,111
Occupancy expense	186	193	783	744
Furniture & equipment expense	188	178	750	686
FDIC insurance premiums	90	52	276	208
Data processing expense	333	310	1,291	1,247
Professional fees	143	102	375	333
Other operating expenses	957	927	3,867	3,825
Total other expenses	4,045	3,937	15,744	15,154
INCOME BEFORE INCOME TAXES	(9,205)	1,593	(5,556)	5,837
PROVISION FOR INCOME TAXES	(2,034)	222	(1,573)	774
NET INCOME	\$ (7,171)	\$ 1,371	\$ (3,983)	\$ 5,063
NET INCOME PER COMMON SHARE	\$ (5.14)	\$ 0.99	\$ (2.86)	\$ 3.64
RETURN ON AVERAGE ASSETS	(4.67%)	0.89%	(0.66%)	.86%
RETURN ON AVERAGE EQUITY	(77.71%)	15.73%	(10.51%)	12.63%

