

Consolidated Balance Sheets (Unaudited)

as of June 30

(in thousands except per share amounts)

	2018	2017
ASSETS		
Cash and due from banks	\$ 7,329	\$ 5,774
Interest-bearing deposits with banks	4,693	18,599
Government money market funds	3,994	2,376
Federal funds sold	500	500
Cash and cash equivalents	16,516	27,249
Available-for-sale securities	71,711	77,407
Held-to-maturity securities	425	375
Loans and leases	295,480	283,589
Less: Allowance for loan and lease losses	3,789	3,459
Loans, net	291,691	280,130
Bank premises and equipment, net	9,861	10,103
Other real estate owned	—	239
Accrued interest receivable	1,174	1,165
Deferred tax assets, net	1,270	1,134
Restricted stock	1,084	1,127
Other assets	9,946	8,493
TOTAL ASSETS	\$403,678	\$407,422

LIABILITIES AND STOCKHOLDERS' EQUITY

LIABILITIES

Non-interest bearing	\$ 79,740	\$ 85,712
Interest bearing	267,972	266,490
Total deposits	347,712	352,202
Fed funds purchased & other short term debt	—	1,000
Long-term debt	14,000	14,042
Accrued interest payable	145	123
Other liabilities	2,367	1,962
Total liabilities	364,224	369,329

STOCKHOLDERS' EQUITY

Common stock, \$5.00 par value, 10,000,000 shares authorized; 1,540,380 issued in 2018 and 1,538,810 shares issued and outstanding in 2017.	7,702	7,694
Preferred stock, \$5.00 par value, 4,000,000 shares authorized; no shares issued or outstanding	—	—
Additional paid-in capital	8,161	8,138
Retained earnings	24,144	21,244
Accumulated other comprehensive income	(553)	1,017
Total stockholders' equity	39,454	38,093

TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	\$403,678	\$407,422
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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

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Brian S. Brooking, VP
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Jon P. Conklin, President & CEO
John J. Engel, Jr., 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:

Boenning & Scattergood, Inc.

9922 Brewster Lane
Powell, OH 43065
(866) 326-8113

D. A. Davidson & Co.

111 S. Calvert street, Suite 2830
Baltimore, MD 21202
(410) 369-1172

Registrar and Transfer Agent:
Broadridge Corporate Issuer Solutions
P.O. Box 1342
Brentwood, NY 11717
855-449-0975
or
720-378-5970
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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570-321-1600

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570-327-5263

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So. Williamsport, PA 17702
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Hughesville, PA 17737
570-584-2385

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

Broadridge Mail Code
AUG1976

June 30, 2018
Quarterly Report

WOODLANDS
FINANCIAL SERVICES COMPANY

2018



Dear Shareholders,

I am pleased to present the financial results of Woodlands Financial Services Company (the Company) for the second quarter 2018. The quarterly results not only reflect the continued positive impact of the balance sheet management strategies that have been employed in order to take advantage of the interest rates-up environment but also of the growth, while modest for the quarter; which continues to build a strong base for earnings going forward. Total assets have decreased \$3.7 million, 0.9%, for both the quarter and since the end of the first quarter 2017; however, net loans have increased \$352 thousand, 0.1%, for the quarter and \$11.6 million, 4.1%, year-over-year. Deposits are down \$4.6 million, 1.3%, from the end of the prior quarter mostly due to the anticipated seasonal outflows of certain funds in a few larger accounts. The Company's core capital increased 4.5% for the quarter and 7.9% year-over-year. Despite the modest loan growth and reduction in deposits, the Company enjoyed a solid second quarter and is highly optimistic for the prospects of achieving quality earning asset growth and an expansion of our customer base over the remainder of the year; which would result an increase in both core deposits and market share if achieved.

Net income for the second quarter 2018 was \$2.067 million, which is over twice as much as it was in the previous quarter and the second quarter 2017. A significant portion of this increase is attributable to some large investment gains that were taken during the quarter as part of a strategic restructuring of the investment portfolio that will result in a more advantageous investment mix for the Company going forward. However even if one ignores the impact of this one-time item, it is still notable that positive trends exist in net interest income, other income, and other expenses when compared to the prior quarter as well as t

Consolidated Statements of Income (Unaudited)

	For the three months ended June 30	
	2018	2017
INTEREST INCOME		
Interest & fees on loans and leases	\$3,507	\$3,217
Interest & dividends on cash & cash equivalents	44	37
Interest & dividends on investment securities:		
Taxable	283	260
Tax-exempt	202	207
Dividends	36	26
Total interest income	4,072	3,747
INTEREST EXPENSE		
Interest on deposits	497	328
Interest on borrowed funds	64	67
Total interest expense	561	395
NET INTEREST INCOME	3,511	3,352
PROVISION FOR LOAN LOSSES	60	90
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	3,451	3,262
OTHER INCOME		
Service charges and other fees	206	193
Other operating income	354	315
Trust department income	310	298
Gain on sale of loans and other assets, net	22	96
Gain on investment securities, net	1,061	4
Total other income	1,953	906
OTHER EXPENSES		
Salaries & employee benefits	1,639	1,606
Occupancy expense	154	164
Furniture & equipment expense	108	105
FDIC insurance premiums	39	45
Data processing expense	200	170
Professional fees	64	64
Other operating expenses	658	651
Total other expenses	2,862	2,805
INCOME BEFORE INCOME TAXES	2,542	1,363
PROVISION FOR INCOME TAXES	475	368
NET INCOME	\$2,067	\$ 995
NET INCOME PER COMMON SHARE	\$ 1.34	\$ 0.65
RETURN ON AVERAGE ASSETS	2.05%	1.00%
RETURN ON AVERAGE EQUITY	21.36%	10.65%

