

Consolidated Balance Sheets (Unaudited)

as of June 30

(in thousands except per share amounts)

ASSETS

	2020	2019
Cash and due from banks	\$ 5,398	\$ 8,058
Interest-bearing deposits with banks	38,078	106
Government money market funds	944	6,657
Federal funds sold	500	19,905
Cash and cash equivalents	44,920	34,726
Available-for-sale securities	71,328	72,367
Held-to-maturity securities	500	450
Loans and leases	338,711	307,040
Less: Allowance for loan and lease losses	3,929	4,041
Loans, net	334,782	302,999
Bank premises and equipment, net	9,689	9,772
Accrued interest receivable	1,660	1,323
Deferred tax assets, net	755	968
Restricted stock	1,080	1,121
Other assets	10,697	9,516
TOTAL ASSETS	\$475,411	\$433,242

LIABILITIES AND STOCKHOLDERS' EQUITY

LIABILITIES

Non-interest bearing	\$ 124,796	\$ 90,411
Interest bearing	289,139	282,737
Total deposits	413,935	373,148
Long-term debt	11,000	13,092
Accrued interest payable	164	197
Other liabilities	2,625	2,450
Total liabilities	427,724	388,887

STOCKHOLDERS' EQUITY

Common stock, \$5.00 par value, 10,000,000 shares authorized; 1,542,963 and 1,541,725 issued; 1,525,708 and 1,541,725 outstanding.	7,715	7,709
Preferred stock, \$5.00 par value, 4,000,000 shares authorized; no shares issued or outstanding	—	—
Additional paid-in capital	8,216	8,189
Retained earnings	30,683	27,722
Accumulated other comprehensive income	1,570	735
Treasury stock at cost, 17,255 and 0 shares	(497)	—
Total stockholders' equity	47,687	44,355
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	\$475,411	\$433,242

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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C. Victor Beach, VP
Brian S. Brooking, VP
Thomas B. Burkholder, VP & Secretary
Jon P. Conklin, President & CEO
John J. Engel, Jr., VP
Joseph F. Farley, VP & CFO
David L. Fortin, Jr., VP
Andrew J. Gallagher, VP
Matthew A. Gaugler, VP
Shelly A. Hepler, VP
Jane L. Karney, 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.

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

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
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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Williamsport, PA 17701
570-327-5263

HUGHESVILLE
2 South Main Street
Hughesville, PA 17737
570-584-2385

JERSEY SHORE
1146 Allegheny Street
Jersey Shore, PA 17740
570-398-2850

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1980 West Fourth Street
Williamsport, PA 17701
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202 North Jay Street
Lock Haven, PA 17745
570-748-5166

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213 West Fourth Street
Williamsport, PA 17701
570-321-1600

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

Broadridge Mail Code
AUG1976



Quarterly Report
June 30, 2020



Dear Shareholders,

I am pleased to present the financial results of Woodlands Financial Services Company (the Company) for the second quarter 2020. Given the COVID-19 pandemic and the economic, fiscal, and social measures taken to combat the spread of the virus, there were significant unforeseen impacts on operations and financial results during the quarter. For the quarter, total assets increased \$46.6 million, 10.9%, and 42.2 million, 9.7%, since the end of the second quarter 2019. An increase in total deposits of \$50.6 million, 13.9%, for the quarter and \$40.8 million, 10.9%, year-over-year was the driver of the overall growth in the balance sheet for those periods. A large portion of the funding increase was deployed into the loan portfolio as net loans increased \$27.0 million, 8.8%, for the quarter and \$31.8 million, 10.5%, since the end of the second quarter 2019. Despite the operational limitations put into place with the business shutdown and stay-at-home orders, the Company was able to open new accounts, expand relationships, and ultimately remain as a steady financial resource for our customers and our communities during the time of crisis. Management's balance sheet strategies have put the Company in a position to effectively manage the impact of margin compression that has resulted from the sudden and drastic drop in interest rates as part of the monetary response to the pandemic. Also, management has been proactive in analyzing and identifying potential sources of credit risk exposure in both the loan and investment portfolios and will continue to incorporate the impact of those exposures into the financial statements as they become knowable and measurable.

Net income for the second quarter 2020 was \$1.2 million which is a 14% increase over the net income of the previous quarter. Compared to the second quarter of the previous year, net income is down slightly by about 3.5%. Overall, net interest income has been able to be maintained in the rates down environment, and non-interest expenses have been able to be either reduced or held steady even as the Company continues to make investments in the technology necessary for a broader range of customer options in accessing and transacting their funds. The new interest rate environment has created a significant demand in the consumer and residential mortgage areas, and the Company has been able to adjust operations accordingly to meet that demand. Return on Average Assets (ROAA) and Return on Average Equity (ROAE) for the quarter were 1.06% and 10.55%, respectively, which are both solid metrics of profitability despite the economic turmoil and uncertainty.

While the second quarter of 2020 will be remembered as one that challenged us in ways that we have not seen in quite some time, it should also be remembered for the resiliency and strength that was demonstrated by individuals, businesses, and communities in the face of this unprecedented crisis. While a lot of focus has been placed on that which continues to divide us, there should be more attention paid to those unifying efforts that have been and will continue to be critical to our ability to weather this storm and to come out on the other side in a position to thrive. Our Company's strength has always been derived from the people throughout its ranks, and your continued support of all that we do will be crucial to our continued success. Thank you, as always, for that support.

Sincerely,

Jon P. Conklin
President and CEO

Consolidated Statements of Income (Unaudited)

	For the three months ended June 30		For the six months ended June 30	
	2020	2019	2020	2019
(in thousands except per share amounts)				
INTEREST INCOME				
Interest & fees on loans and leases	\$3,796	\$3,801	\$7,564	\$7,871
Interest & dividends on cash & cash equivalents	16	96	39	154
Interest & dividends on investment securities:				
Taxable	279	347	591	691
Tax-exempt	134	170	257	336
Dividends	16	60	40	118
Total interest income	4,241	4,474	8,491	9,170
INTEREST EXPENSE				
Interest on deposits	436	770	965	1,442
Interest on borrowed funds	114	61	199	122
Total interest expense	550	831	1,164	1,564
NET INTEREST INCOME	3,691	3,643	7,327	7,606
PROVISION FOR LOAN LOSSES	45	—	90	(450)
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	3,646	3,643	7,237	8,056
OTHER INCOME				
Service charges and other fees	157	220	354	411
Other operating income	377	378	740	725
Trust department income	316	262	597	533
Gain on sale of loans and other assets, net	78	196	124	223
Gain on investment securities, net	6	25	6	25
Total other income	934	1,081	1,821	1,917
OTHER EXPENSES				
Salaries & employee benefits	1,684	1,730	3,421	3,491
Occupancy expense	146	152	309	324
Furniture & equipment expense	134	136	268	265
FDIC insurance premiums	26	39	53	78
Data processing expense	257	251	509	473
Professional fees	77	64	175	124
Other operating expenses	731	841	1,473	1,536
Total other expenses	3,055	3,213	6,208	6,291
INCOME BEFORE INCOME TAXES	1,525	1,511	2,850	3,682
PROVISION FOR INCOME TAXES	292	233	536	641
NET INCOME	\$1,233	\$1,278	\$2,314	\$3,041
NET INCOME PER COMMON SHARE	\$ 0.81	\$ 0.83	\$ 1.51	\$ 1.97
RETURN ON AVERAGE ASSETS	1.06%	1.21%	1.06%	1.46%
RETURN ON AVERAGE EQUITY	10.55%	11.82%	10.01%	14.41%

