

Consolidated Balance Sheets (Unaudited)

	June 30, 2024	March 31, 2024
(in thousands except per share amounts)		
ASSETS		
Cash and due from banks	\$ 7,314	\$ 8,115
Interest-bearing deposits with banks	972	1,942
Government money market funds	107	176
Federal funds sold	–	882
Cash and cash equivalents	8,393	11,115
Available-for-sale securities	118,163	120,856
Held-to-maturity securities	–	100
Loans and leases	452,916	441,701
Less: Allowance for loan and lease losses	5,288	5,264
Loans, net	447,628	436,437
Bank premises and equipment, net	11,061	11,179
Accrued interest receivable	2,236	2,115
Deferred tax assets, net	6,125	6,225
Restricted stock	2,641	2,053
Other assets	18,294	19,373
TOTAL ASSETS	\$614,541	\$609,453
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Non-interest bearing	\$144,338	\$146,473
Interest bearing	379,299	377,149
Total deposits	523,637	523,622
Fed funds purchased & other short-term debt	29,393	24,500
Long-term debt	23,946	23,944
Accrued interest payable	648	996
Other liabilities	3,736	3,486
Total liabilities	581,360	576,548
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	34,402	34,155
Accumulated other comprehensive income	(12,716)	(12,745)
Treasury stock at cost, 154,300 and 154,300 shares	(4,569)	(4,569)
Total stockholders' equity, net	33,181	32,905
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	\$614,541	\$609,453

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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David L. Bartges, VP
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 Timothy J. Bennett, VP
 Jon P. Conklin, President & CEO
 John J. Engel, Jr., VP
 Joseph F. Farley, CFO/COO
 David L. Fortin, 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:

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

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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



Quarterly Report
 June 30, 2024

Consolidated Statements of Income (Unaudited)

Dear Shareholders,

The financial results of Woodlands Financial Services Company (the Company) are presented herein for the second quarter 2024. The quarter was defined by the continuing pressures on interest rate margins due to the high cost of both core and wholesale funding. Yields on the asset side of the balance continue to slowly move upward driven by the repricing of variable-rate loans in the portfolio as well as new loans being recorded at higher rates. While some margin relief has been experienced during the quarter as anticipated, margins are still at levels below the normal range targeted for long-term, sustained earnings and capital growth. Projections for the second half of 2024, however, show a continued widening of those margins even in the absence of any reduction in the Fed Funds rate should the Federal Open Market Committee (Fed) defer action until 2025. Internally, a major focus during the quarter has been the work being done across nearly all departments of Woodlands Bank (Bank) in preparation for the upcoming conversion of the Bank's core operating system and many of the integrated peripheral platforms utilized to serve the needs of customers and employees alike. This conversion is scheduled to take place at the very beginning of the fourth quarter 2024 and will provide a much-improved experience for both customers and employees once it goes live. The significant amount of resources being dedicated to this project currently will ensure as smooth of a conversion as possible, and the entire team involved in this project has done a tremendous job in their diligence and dedication to ensuring its ultimate success. Also worth noting, the legal process continues with respect to the credit charge-off taken in the fourth quarter 2023, and full recovery continues to be the goal of those efforts. Obviously, any recovery of charged-off loan proceeds that can be obtained over the remainder of the year as well as any action by the Fed to reduce interest rates will have a positive impact on earnings should either or both occur.

During the second quarter 2024, the Company experienced net loan growth of \$11.2 million, 2.6%, while total deposits remained flat. Year-over-year, net loans grew \$12.8 million, 2.9%, while deposits decreased \$8.6 million, 1.6%. The strategic reduction of the Company's securities portfolio via maturities and pay-downs continues in order to reduce the need for higher-cost wholesale funding and to limit balance sheet growth with conservation of capital as the objective. The Company's overall liquidity position remains strong.

Net income for the second quarter was \$652 thousand, a 33.3% increase from the previous quarter while year-to-date net income stands at \$1.14 million, a 108.0% decrease when compared to the first six months of 2023. These changes illustrate the slow improvement in margins occurring but just how far we have to go to get back to our targeted range. Non-interest income remains solid, and non-interest expenses were stable outside of the elevated legal fees being incurred seeking recovery of the charged-off loan.

The year continues to be a challenging one on a few different fronts, but management is confident that the Company will weather the storm and return to its previous path of steady earnings and growth. We value your support as we prudently manage the Company toward the achievement of that objective.

Sincerely,



Jon P. Conklin
Chairman, President and CEO

	For the three months ended June 30		For the six months ended June 30	
	2024	2023	2024	2023
(in thousands except per share amounts)				
INTEREST INCOME				
Interest & fees on loans and leases	\$5,825	\$5,223	\$11,421	\$10,107
Interest & dividends on cash & cash equivalents	45	58	101	131
Interest & dividends on investment securities:				
Taxable	741	803	1,521	1,608
Tax-exempt	131	136	261	298
Dividends	50	16	90	25
Total interest income	6,792	6,236	13,394	12,169
INTEREST EXPENSE				
Interest on deposits	2,424	1,815	4,712	3,205
Interest on borrowed funds	681	315	1,416	455
Total interest expense	3,105	2,130	6,128	3,660
NET INTEREST INCOME	3,687	4,106	7,266	8,509
EXPENSE FOR CREDIT LOSS	75	60	150	120
NET INTEREST INCOME AFTER EXPENSE FOR CREDIT LOSS	3,612	4,046	7,116	8,309
OTHER INCOME				
Service charges and other fees	225	243	453	475
Other operating income	485	473	949	946
Trust department income	416	498	843	830
Gain on sale of loans and other assets, net	18	7	18	7
Gain on investment securities, net	-	(14)	-	(43)
Total other income	1,144	1,207	2,262	2,215
OTHER EXPENSES				
Salaries & employee benefits	2,051	2,044	4,144	4,240
Occupancy expense	197	208	418	411
Furniture & equipment expense	213	190	409	374
FDIC insurance premiums	105	48	210	96
Data processing expense	322	332	654	639
Professional fees	182	74	393	154
Other operating expenses	997	1,027	1,970	1,954
Total other expenses	4,067	3,923	8,198	7,868
INCOME BEFORE INCOME TAXES	689	1,330	1,180	2,736
PROVISION FOR INCOME TAXES	37	178	39	363
NET INCOME	\$ 652	\$1,152	\$ 1,141	\$ 2,373
NET INCOME PER COMMON SHARE	\$ 0.47	\$ 0.83	\$ 0.82	\$ 1.70
RETURN ON AVERAGE ASSETS	0.43%	0.76%	0.38%	0.79%
RETURN ON AVERAGE EQUITY	8.12%	11.79%	7.06%	12.49%

