

## Consolidated Balance Sheets (Unaudited)

as of September 30

(in thousands except per share amounts)

	2018	2017
<b>ASSETS</b>		
Cash and due from banks	\$ 6,384	\$ 6,198
Interest-bearing deposits with banks	11,598	12,148
Government money market funds	5,262	1,561
Federal funds sold	500	500
Cash and cash equivalents	23,744	20,407
Available-for-sale securities	70,500	78,706
Held-to-maturity securities	425	375
Loans and leases	292,887	285,544
Less: Allowance for loan and lease losses	3,860	3,554
Loans, net	289,027	281,990
Bank premises and equipment, net	9,827	10,113
Accrued interest receivable	1,221	1,212
Deferred tax assets, net	1,405	1,118
Restricted stock	1,085	1,125
Other assets	9,862	9,383
<b>TOTAL ASSETS</b>	<b>\$407,096</b>	<b>\$404,429</b>

### LIABILITIES AND STOCKHOLDERS' EQUITY

#### LIABILITIES

Non-interest bearing	\$ 75,876	\$ 78,464
Interest bearing	274,550	269,859
Total deposits	350,426	348,323
Fed funds purchased & other short term debt	—	1,000
Long-term debt	14,000	14,007
Accrued interest payable	155	127
Other liabilities	2,496	2,089
Total liabilities	367,077	365,546

#### STOCKHOLDERS' EQUITY

Common stock, \$5.00 par value, 10,000,000 shares authorized; 1,541,725 issued in 2018 and 1,540,380 shares issued and outstanding in 2017.	7,709	7,702
Preferred stock, \$5.00 par value, 4,000,000 shares authorized; no shares issued or outstanding	—	—
Additional paid-in capital	8,189	8,161
Retained earnings	25,076	21,980
Accumulated other comprehensive income	(955)	1,040
Total stockholders' equity	40,019	38,883

<b>TOTAL LIABILITIES &amp; STOCKHOLDERS' EQUITY</b>	<b>\$407,096</b>	<b>\$404,429</b>
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#### BANK OFFICERS

David L. Bartges, VP  
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Thomas B. Burkholder, VP & Secretary  
Jon P. Conklin, President & CEO  
John J. Engel, Jr., VP  
Joseph F. Farley, VP & CFO  
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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.

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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](http://www.woodlandsbank.com)

#### OFFICES LOCATED AT:

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So. Williamsport, PA 17702  
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570-584-2385

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

Broadridge Mail Code  
NOV1796

September 30, 2018  
Quarterly Report



2018

#### 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?)



Dear Shareholders,

I am pleased to present the financial results of Woodlands Financial Services Company (the Company) for the third quarter 2018. The results build upon those of the prior two quarters in working toward a successful and profitable year for the Company. Management continues to be diligent in the execution of its strategic initiatives in an environment that continues to present challenges on many different fronts while maintaining a focus on serving the needs of our customers and on being the community presence that defines the Woodlands Way. Total assets increased \$3.4 million, 0.8%, for the quarter and \$2.7 million, 0.7%, since the end of the third quarter 2017. Net loans showed a decrease for the quarter of \$2.6 million, 0.9%, however, the driving force behind that decrease consisted mainly of the payoffs of some classified credits which will improve the overall credit quality of the portfolio. Year-over-year net loans have increased \$7.0 million, 2.5%. Deposits have increased \$2.7 million, 0.8%, since the end of the prior quarter and \$2.1 million, 0.6%, since the end of the third quarter 2017. Despite the modest increases in deposits, the customer base continues to expand, and core deposits continue to replace other more volatile and costly sources of funding which is critical for the solid base necessary for future growth and profitability.

Net income for the third quarter 2018 was \$1.3 million. While this is a significant decrease from the prior quarter which included a large, one-time gain, it is an increase over the prior year's third quarter of 22.6%. Year-to-date net income sits at \$4.4 million which is a 51.9% increase over the first three quarters of 2017. Net interest income showed an increase quarter-over-quarter of 2.9%, and on a year-to-date basis for the first three quarters of

## Consolidated Statements of Income (Unaudited)

	For the three months ended September 30	
	2018	2017
<b>INTEREST INCOME</b>		
Interest & fees on loans and leases	\$3,647	\$3,432
Interest & dividends on cash & cash equivalents	56	59
Interest & dividends on investment securities:		
Taxable	302	266
Tax-exempt	184	212
Dividends	42	29
<b>Total interest income</b>	<b>4,231</b>	<b>3,998</b>
<b>INTEREST EXPENSE</b>		
Interest on deposits	553	391
Interest on borrowed funds	65	68
<b>Total interest expense</b>	<b>618</b>	<b>459</b>
<b>NET INTEREST INCOME</b>	<b>3,613</b>	<b>3,539</b>
<b>PROVISION FOR LOAN LOSSES</b>		
	60	90
<b>NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES</b>	<b>3,553</b>	<b>3,449</b>
<b>OTHER INCOME</b>		
Service charges and other fees	212	208
Other operating income	354	315
Trust department income	243	283
Gain on sale of loans and other assets, net	30	12
Gain on investment securities, net	94	—
<b>Total other income</b>	<b>933</b>	<b>818</b>
<b>OTHER EXPENSES</b>		
Salaries & employee benefits	1,648	1,612
Occupancy expense	171	153
Furniture & equipment expense	109	115
FDIC insurance premiums	39	45
Data processing expense	206	175
Professional fees	54	60
Other operating expenses	680	649
<b>Total other expenses</b>	<b>2,907</b>	<b>2,809</b>
<b>INCOME BEFORE INCOME TAXES</b>	<b>1,579</b>	<b>1,458</b>
<b>PROVISION FOR INCOME TAXES</b>	<b>278</b>	<b>397</b>
<b>NET INCOME</b>	<b>\$1,301</b>	<b>\$1,061</b>
<b>NET INCOME PER COMMON SHARE</b>	<b>\$ 0.84</b>	<b>\$ 0.69</b>
<b>RETURN ON AVERAGE ASSETS</b>	<b>1.26%</b>	<b>1.01%</b>
<b>RETURN ON AVERAGE EQUITY</b>	<b>12.80%</b>	<b>10.70%</b>

