

Consolidated Balance Sheets (Unaudited)

	September 30, 2024	June 30, 2024
(in thousands except per share amounts)		
ASSETS		
Cash and due from banks	\$ 12,271	\$ 7,314
Interest-bearing deposits with banks	1,527	972
Government money market funds	73	107
Federal funds sold	4,500	—
Cash and cash equivalents	18,371	8,393
Available-for-sale securities	116,205	118,163
Loans and leases	450,834	452,916
Less: Allowance for loan and lease losses	5,358	5,288
Loans, net	445,476	447,628
Bank premises and equipment, net	10,950	11,061
Accrued interest receivable	2,169	2,236
Deferred tax assets, net	5,222	6,125
Restricted stock	2,121	2,641
Other assets	19,852	18,294
TOTAL ASSETS	\$620,366	\$614,541

LIABILITIES AND STOCKHOLDERS' EQUITY

LIABILITIES

Non-interest bearing	\$152,397	\$144,338
Interest bearing	386,589	379,299
Total deposits	538,986	523,637
Fed funds purchased & other short-term debt	16,000	29,393
Long-term debt	23,949	23,946
Accrued interest payable	638	648
Other liabilities	4,053	3,736
Total liabilities	583,626	581,360

STOCKHOLDERS' EQUITY

Common stock, \$5.00 par value, 10,000,000 shares authorized; 1,551,057 and 1,548,908 issued; 1,396,757 and 1,394,608 outstanding.	7,755	7,744
Preferred stock, \$5.00 par value, 4,000,000 shares authorized; no shares issued or outstanding	—	—
Additional paid-in capital	8,344	8,320
Retained earnings	34,921	34,402
Accumulated other comprehensive income	(9,711)	(12,716)
Treasury stock at cost, 154,300 and 154,300 shares	(4,569)	(4,569)
Total stockholders' equity, net	36,740	33,181

TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	\$620,366	\$614,541
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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> (click on Account Updates, Statements, and Checks)

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, CFO/COO
 David L. Fortin, Jr., VP
 Andrew J. Gallagher, 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 –
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Visit our website at www.woodlandsbank.com

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 570-748-5166

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

Broadridge Mail Code
NOV176



Quarterly Report
September 30, 2024

Dear Shareholders,

The financial results of Woodlands Financial Services Company (the Company) are presented herein for the third quarter 2024. The seminal event of the quarter had to be the Federal Open Market Committee's (Fed's) decision to lower the Federal Funds Target Rate by 50 basis points on September 18. This was the first interest rate reduction by the Fed since the emergency cuts that took place in 2020 as a response to the economic issues created by the onset of the COVID pandemic. This decision to cut rates indicates that the monetary policy tightening measures employed by the Fed in 2022 and 2023 had finally had the intended effect on inflation, albeit later than anticipated. The market expectations for an economic "soft landing" have increased substantially since even a few months ago as labor markets appear to still be strong despite the measures taken to combat inflation. The easing of rates on the short end of the yield curve marks the beginning of a normalization of the interest rate curve as the 10-year treasury rate exceeded the 2-year treasury rate for the first time since July 2022. This normalization provides relief to financial institutions across the industry who have seen deposit and borrowing costs skyrocket with the Fed's monetary tightening measures with most bank's balance sheets seeing a lagging of the repricing of loans and investments on the asset side of the balance sheet compared to the immediate or near-immediate repricing of certain sources of funding. This caused an industry-wide margin compression from which this Fed action signals the beginning of relief and the movement toward a normalization of those margins. Both Fed and market expectations indicate more rate cuts by the Fed by the end of 2024 as well as throughout 2025. As mentioned in the previous quarter's letter, a major focus of nearly all departments of Woodlands Bank (Bank) during the quarter was the work necessary to prepare for a 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 took place during the first weekend of the fourth quarter and has been successful. Post-conversion issues largely centered around changes in security protocols of the new internet banking platform and not due to errors in the conversion of data or the proper integration of systems. Additionally, the legal process continues with respect to the credit charge-off taken in the fourth quarter 2023, and while moving slower than desired, full recovery continues to be the goal of those efforts.

During the third quarter 2024, the Company's net loans declined by \$2.2 million, 0.5%, while total deposits increased \$15.3 million, 2.9%. The reduction in loans reflects a concerted effort to be highly selective in the utilization of capital toward growth until such time capital ratios can return to levels prior to the 2023 credit charge-off. The Company's securities portfolio continues to run off with maturities and pay-downs. These proceeds, along with the growth in core deposits, have contributed significantly to the reduction in the overall cost of funding. The Company's overall liquidity position remains strong.

Net income for the second quarter was \$924 thousand, a 41.7% increase from the previous quarter; while year-to-date net income stands at \$2,065. While net income remains below that of the first nine months of 2023, the increase in the quarterly net income reflects the widening of margins due to the factors noted above. Non-interest income remains a solid, and non-interest expenses were stable outside of the elevated legal fees being incurred seeking recovery of the charged-off loan.

A return to normal is underway on many fronts. Your support is very much appreciated as we have worked diligently to navigate the challenges of the current environment while also investing in the technologies that will provide us with the foundation for future growth and profitability. These investments will ensure our ability to meet the needs of our current and future customers as the banking landscape continues to rapidly evolve. May you all enjoy the final months of 2024.

Sincerely,



Jon P. Conklin
Chairman, President and CEO

Consolidated Statements of Income (Unaudited)

	For the three months ended September 30		For the nine months ended September 30	
	2024	2023	2024	2023
(in thousands except per share amounts)				
INTEREST INCOME				
Interest & fees on loans and leases	\$6,078	\$5,319	\$17,499	\$15,426
Interest & dividends on cash & cash equivalents	47	53	148	184
Interest & dividends on investment securities:				
Taxable	717	795	2,238	2,403
Tax-exempt	130	131	391	429
Dividends	52	20	142	45
Total interest income	7,024	6,318	20,418	18,487
INTEREST EXPENSE				
Interest on deposits	2,421	2,018	7,133	5,223
Interest on borrowed funds	695	545	2,111	1,000
Total interest expense	3,116	2,563	9,244	6,223
NET INTEREST INCOME	3,908	3,755	11,174	12,264
EXPENSE FOR CREDIT LOSS	75	140	225	260
NET INTEREST INCOME AFTER EXPENSE FOR CREDIT LOSS	3,833	3,615	10,949	12,004
OTHER INCOME				
Service charges and other fees	228	240	681	715
Other operating income	512	516	1,461	1,462
Trust department income	500	347	1,343	1,177
Gain on sale of loans and other assets, net	18	26	36	33
Gain on investment securities, net	—	—	—	(43)
Total other income	1,259	1,129	3,521	3,344
OTHER EXPENSES				
Salaries & employee benefits	2,137	2,014	6,281	6,254
Occupancy expense	179	186	597	597
Furniture & equipment expense	191	188	600	562
FDIC insurance premiums	135	90	345	186
Data processing expense	348	319	1,002	958
Professional fees	131	78	524	232
Other operating expenses	943	956	2,913	2,910
Total other expenses	4,064	3,831	12,262	11,699
INCOME BEFORE INCOME TAXES	1,028	913	2,208	3,649
PROVISION FOR INCOME TAXES	104	98	143	461
NET INCOME	\$ 924	\$ 815	\$ 2,065	\$ 3,188
NET INCOME PER COMMON SHARE	\$ 0.66	\$ 0.58	\$ 1.48	\$ 2.29
RETURN ON AVERAGE ASSETS	0.59%	0.53%	0.45%	0.70%
RETURN ON AVERAGE EQUITY	10.61%	8.44%	8.31%	11.13%

