

FOR IMMEDIATE RELEASE

NORWOOD FINANCIAL CORP. ANNOUNCES FIRST QUARTER EARNINGS

Honesdale, Pennsylvania - April 23, 2020

Lewis J. Critelli, President and Chief Executive Officer of Norwood Financial Corp. (Nasdaq Global Market – NWFL) and its subsidiary, Wayne Bank, announced earnings of \$3,079,000 for the three months ended March 31, 2020, decreasing from the \$3,190,000 recorded during the same three-month period of last year. The decrease was due to an increased provision for loan losses related to the current period of economic uncertainty. Earnings per share on a fully diluted basis were \$0.49 in the first quarter of this year compared to \$0.51 in the first quarter of 2019. The annualized return on average assets was 1.01% in the first quarter of 2020 and the annualized return on average equity was 8.79%, compared to 1.09% and 10.37%, respectively, in the first quarter of 2019.

Total assets were \$1.242 billion as of March 31, 2020, an increase of \$38.7 million compared to March 31, 2019. Total loans increased \$64.4 million compared to March 31, 2019, total deposits increased \$15.7 million compared to March 31, 2019, and stockholders' equity increased \$15.4 million compared to March 31, 2019.

Non-performing assets totaled \$3.8 million or 0.31% of total assets at March 31, 2020 comprised of \$2.7 million of non-performing loans and \$1.1 million of foreclosed real estate owned, compared to non-performing assets of \$2.9 million, or 0.24% of total assets as of March 31, 2019. The increase reflects the transfer of one loan relationship with an outstanding balance of \$1.9 million as of March 31, 2020, to nonaccrual status. Net charge-offs for the three-month period ended March 31, 2020, were \$121,000, compared to \$553,000 of net charge-offs in the first quarter of last year. The allowance

for loan losses totaled \$9,088,000 as of March 31, 2020 compared to \$8,349,000 as of March 31, 2019. As of March 31, 2020, the allowance for loan losses was 331% of nonperforming loans, compared to 761% as of March 31, 2019.

Net interest income (fully taxable equivalent, or fte) was \$9,903,000 during the first quarter of 2020, which is \$367,000 higher than the comparable three-month period of last year. A \$69.7 million increase in average loans outstanding contributed to the increased interest income. The fte yield on interest-earning assets improved four basis points compared to the three months ended March 31, 2019, while the cost of funds increased one basis point. As a result, the annualized net interest margin (fte) improved to 3.48% from 3.43% in the quarter ended March 31, 2020 compared to the prior year period.

Other income totaled \$1,654,000 in the first quarter of 2020 compared to \$1,560,000 during the same period of last year. The increase is due primarily to a \$32,000 increase in service charges and a \$38,000 increase net gains on sales of securities. All other categories of other income increased \$24,000, net.

Operating expenses totaled \$7,059,000 in the first quarter and were \$411,000 higher than the \$6,648,000 recorded in the same period of last year. Salaries and benefits costs rose \$128,000 while all other operating expenses increased \$283,000, net.

Mr. Critelli stated, "Our first quarter results were on track for a solid start to the year prior to the impact from the Covid-19 pandemic. We have since focused our efforts on providing the products and services that will assist our customers through the crisis. In addition, we are providing the resources to allow our employees the ability to perform their functions in a safe work environment. We feel we have been successful on both fronts and remain committed to providing the financial resources that will help

our customers emerge from the current situation financially sound. We are doing everything we can to keep current of developments during this period of rapid change, and encourage our customers to contact us for assistance. We look forward to serving our stockholders and customers during these trying times. ”

Norwood Financial Corp. is the parent company of Wayne Bank, which operates from fifteen offices throughout Northeastern Pennsylvania and twelve offices in the Southern Tier of New York. The Company’s stock trades on the Nasdaq Global Market under the symbol “NWFL”.

Forward-Looking Statements.

The Private Securities Litigation Reform Act of 1995 contains safe harbor provisions regarding forward-looking statements. When used in this discussion, the words “believes”, “anticipates”, “contemplates”, “expects”, and similar expressions are intended to identify forward-looking statements. Such statements are subject to certain risks and uncertainties, which could cause actual results to differ materially from those projected. Those risks and uncertainties include changes in federal and state laws, changes in interest rates, the risks and uncertainty posed by, and the effect and impact of, the COVID-19 pandemic on the economy and the Company’s results of operation and financial condition, the ability to control costs and expenses, demand for real estate, government fiscal and trade policies, cybersecurity and general economic conditions. The Company undertakes no obligation to publicly release the results of any revisions to those forward-looking statements which may be made to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

Non-GAAP Financial Measures

This release references tax-equivalent net interest income, which is a non-GAAP (Generally Accepted Accounting Principles) financial measure. Tax-equivalent net interest income is derived from GAAP interest income and net interest income using an assumed tax rate of 21%. We believe the presentation of net interest income on a tax-equivalent basis ensures comparability of net interest income arising from both taxable and tax-exempt sources and is consistent with industry practice. The following reconciles net interest income to net interest income on a fully taxable-equivalent basis:

(dollars in thousands)	<u>Three months ended March 31,</u>	
	<u>2020</u>	<u>2019</u>
Net interest income	\$9,665	\$9,271
Tax equivalent basis adjustment using 21% marginal tax rate	<u>238</u>	<u>265</u>
Net interest income on a fully taxable equivalent basis	<u>\$9,903</u>	<u>\$9,536</u>

This release also references average tangible equity, which is also a non-GAAP financial measure. Average tangible equity is calculated by deducting average goodwill and other intangible assets from average stockholders' equity. The Company believes that disclosure of tangible equity ratios enhances investor understanding of our financial position and improves the comparability of our financial data. The following reconciles average equity to average tangible equity:

(dollars in thousands)	<u>Three months ended March 31,</u>	
	<u>2020</u>	<u>2019</u>
Average equity	\$140,962	\$124,746
Average goodwill and other intangibles	<u>(11,552)</u>	<u>(11,650)</u>
Average tangible equity	<u>\$129,410</u>	<u>\$113,096</u>

Contact: William S. Lance
Executive Vice President &
Chief Financial Officer
Norwood Financial Corp
570-253-8505
www.waynebank.com