FOR IMMEDIATE RELEASE

NORWOOD FINANCIAL CORP ANNOUNCES FIRST QUARTER EARNINGS

Honesdale, Pennsylvania - April 23, 2021

Lewis J. Critelli, President and Chief Executive Officer of Norwood Financial Corp (Nasdaq Global Market – NWFL) and its subsidiary, Wayne Bank, announced record earnings of $5,542,000 for the three months ended March 31, 2021, increasing 80% from the $3,079,000 recorded during the corresponding period of 2020. The increase reflects the benefits derived from the Company's acquisition of UpState New York Bancorp, Inc. ("UpState"), which closed on July 7, 2020. Earnings per share on a fully diluted basis were $0.67 in the first quarter of 2021 compared to $0.49 in the first quarter of 2020. The annualized return on average assets was 1.18% in the first quarter of 2021 and the annualized return on average equity was 11.39%, compared to 1.01% and 8.79%, respectively, in the first quarter of 2020.

Total assets were $2.010 billion as of March 31, 2021, an increase of $767.5 million compared to March 31, 2020. As of March 31, 2021, total loans increased $493.0 million compared to March 31, 2020, total deposits increased $695.0 million compared to March 31, 2020, and stockholders' equity increased $52.9 million compared to March 31, 2020. The increases reflect the balances acquired from UpState and the impact from economic stimulus, including loans originated through the Payroll Protection Program ("PPP"). During the three months ended March 31, 2021, we originated 633 new PPP loans totaling $54.3 million, and had $30.0 million of loans forgiven that were originated in previous periods. As of March 31, 2021, the total of all PPP loans outstanding was $119.3 million.

Net interest income (fully taxable equivalent, or fte) was $15,981,000 during the three months ended March 31, 2021, which is $6,078,000 higher than the comparable three-month period of 2020. A $491.3 million increase in average loans outstanding over the corresponding period in 2020 contributed to the increased interest income. During the three-months ended March 31, 2021, the fte yield on interest-earning assets decreased thirty-two basis points compared to the three months ended March 31, 2020, while the cost of funds decreased fifty-five basis points. As a result, the annualized net interest spread (fte) improved to 3.46% from 3.23% in the quarter ended March 31, 2021 compared to the corresponding three-month period in 2020.

Other income totaled $1,989,000 for the three months ended March 31, 2021 compared to $1,654,000 during the corresponding period of last year. The increase is due primarily to an $184,000 increase in service charges due primarily to service charges and fees related to the acquisition of UpState. Earnings and proceeds on bank-owned life insurance policies also increased $166,000 over the first quarter of last year. All other categories of other income decreased $15,000, net.

Operating expenses totaled $9,452,000 in the three months ended March 31, 2021 and were $2,393,000 higher than the $7,059,000 recorded in the same period of last year. The increase reflects the costs of operations acquired from UpState, including four new Community Offices.

Mr. Critelli stated, “Our first quarter results reflect the revenue generated and the costs associated with our acquisition of UpState, as well as the continued impact of economic stimulus on our balance sheet. We remain committed to providing the financial resources that will help our customers emerge from the restrictions related to the COVID-19 pandemic, and continue to provide the resources to allow our employees the ability to perform their functions in a safe work environment. We look forward to continuing to serve our expanded base of stockholders and customers."

Norwood Financial Corp. is the parent company of Wayne Bank, which operates from fourteen offices throughout Northeastern Pennsylvania and sixteen offices in Delaware, Sullivan, Ontario, Otsego and Yates Counties, 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)	Three months ended March 31,	
	2021	2020
Net interest income	$15,776	$9,665
Tax equivalent basis adjustment using 21% marginal tax rate	205	238
Net interest income on a fully taxable equivalent basis	$15,981	$9,903

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)	Three months ended March 31,	
	2021	2020
Average equity	$197,243	$140,962
Average goodwill and other intangibles	(29,798)	(11,552)
Average tangible equity	$167,445	$129,410

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