FOR IMMEDIATE RELEASE

NORWOOD FINANCIAL CORP
ANNOUNCES SECOND QUARTER EARNINGS

Honesdale, Pennsylvania - July 22, 2020

Lewis J. Critelli, President and Chief Executive Officer of Norwood Financial Corp (Nasdaq Global Market-NWFL) and its subsidiary, Wayne Bank, announced earnings for the three months ended June 30, 2020 of $1,488,000, which was $2,034,000 lower than the similar period of last year due to increased loan loss provisions and $1,597,000 of expenses related to the acquisition of UpState New York Bancorp, Inc. ("UpState") which closed on July 7, 2020. Earnings per share (fully diluted) were $0.24 in the 2020 compared to $0.56 in the same period of last year. Annualized return on average assets for the three months ended June 30, 2020 was 0.45% with an annualized return on average equity of 4.17%. Net income for the six months ended June 30, 2020 totaled $4,567,000, which is $2,145,000 lower than the same six-month period of last year due primarily to increased loan loss provisions and merger related expenses. Earnings per share (fully diluted) for the six months ended June 30, 2020 were $0.73 compared to $1.06 in the 2019 period.

Total assets as of June 30, 2020 were $1.355 billion, with loans receivable of $988.7 million, deposits of $1.086 billion and stockholders' equity of $142.7 million. Loans receivable increased $101.0 million since June 30, 2019, while total deposits increased $105.0 million. The increase in loans includes $67.3 million of Paycheck Protection Program ("PPP") loans, while the increase in deposits also includes significant stimulus funds resulting from the PPP and CARES Act.

Non-performing assets, which include non-performing loans and foreclosed assets, totaled $3.9 million and represented 0.29% of total assets as of June 30, 2020 compared to $3.0 million, or 0.25% of total assets, as of June 30, 2019. The allowance for loan losses totaled $10,312,000 as of June 30, 2020 and represented 1.04% of total loans outstanding, compared to $8,228,000 and 0.93%, respectively, on June 30, 2019.

For the three months ended June 30, 2020, net interest income, on a fully-taxable equivalent basis (fte), totaled $10,088,000, an increase of $210,000 compared to the similar period in 2019. A $101.2 million increase in average loans outstanding contributed to the increased income. Net interest margin (fte) for the 2020 period was 3.25%, compared to 3.49% in 2019 period. The tax-equivalent yield on interest-earning assets decreased 38 basis points to 3.89% compared to the prior year while the cost of interest-bearing liabilities decreased 16 basis points to 0.86%. Net interest income (fte) for the six months ended June 30, 2020 totaled $19,991,000, which was $578,000 higher than the similar period in 2019 due to the higher volume of earning assets. The net interest margin (fte) was 3.36% in the 2020 period and 3.46% during the first six months of 2019. The decrease in the net interest margin (fte) reflects the growth in PPP loans and the reduced net interest spread earned due to the 1.00% interest rate on these loans.

Other income for the three months ended June 30, 2020 totaled $1,392,000 compared to $1,641,000 for the similar period in 2019. The decrease can be attributed to a lower level of service charges and fees due to accommodations made to customers as a result of the COVID-19 pandemic. For the six months ended June 30, 2020, other income totaled $3,047,000 compared to $3,201,000 in the 2019 period. Service charges on deposits and fees on loans decreased $182,000, net, due to accommodations made to customers as a result of the COVID-19 pandemic.

Other expenses totaled $8,092,000 for the three months ended June 30, 2020, an increase of $1,307,000 compared to the $6,785,000 reported in the similar period of 2019 due primarily to merger related expenses of $1,597,000. For the six months ended June 30, 2020, other expenses totaled $15,152,000 compared to $13,433,000 for the similar period in 2019. The increase includes the $1,597,000 of merger related expenses.

Mr. Critelli commented, "Our results for the first half of 2020 have been significantly impacted by our efforts to assist our customers during the COVID-19 pandemic, restrictions on business activity and the costs associated with our acquisition of UpState New York Bancorp, Inc. Our balance sheet reflects our success providing small business customers with PPP loans and other economic stimulus that has been provided". Mr. Critelli further commented, "We are pleased to announce the completion of the merger on July 7th and to welcome Upstate's shareholders to Norwood and the employees to Wayne Bank. We also look forward to serving the customers of Bank of the Finger Lakes and Bank of Cooperstown. We continue to search out opportunities available to us as we service our growing base of stockholders and customers."

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 is traded 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 was 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:

	Three months ended June 30		Six months ended June 30	
(dollars in thousands)	2020	2019	2020	2019
Net Interest Income	$9,867	$9,612	$19,532	$18,882
Taxable equivalent basis adjustment using 21% marginal tax rate	221	266	459	531
Net interest income on a fully taxable equivalent basis	$10,088	$9,878	$19,991	$19,413

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:

	Three months ended June 30		Six months ended June 30	
(dollars in thousands)	2020	2019	2020	2019
Average equity	$143,472	$129,215	$142,217	$126,993
Average goodwill and other intangibles	(11,530)	(11,621)	(11,541)	(11,635)
Average tangible equity	$131,942	$117,594	$130,676	$115,358

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