FOR IMMEDIATE RELEASE

NORWOOD FINANCIAL CORP ANNOUNCES SECOND QUARTER EARNINGS

Honesdale, Pennsylvania - July 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 for the three months ended June 30, 2021 of $5,755,000, which was $4,267,000, or 287%, higher than the similar period of last year. The increase reflects the benefits derived from the Company's acquisition of UpState New York Bancorp, Inc. ("UpState"), which closed on July 7, 2020, and fee income related to Paycheck Protection Program ("PPP") loans. Earnings per share (fully diluted) were $0.70 in the 2021 period compared to $0.24 in the same period of last year. The annualized return on average assets for the three months ended June 30, 2021 was 1.15%, while the annualized return on average tangible equity was 13.63%. Net income for the six months ended June 30, 2021 totaled $11,296,000, which is $6,729,000 higher than the same six-month period of 2020 due to the benefits derived from the acquisition of UpState and PPP fees earned. Earnings per share (fully diluted) for the six months ended June 30, 2021 were $1.38 compared to $0.73 for the six months ended June 30, 2021. The annualized return on average assets for the six months ended June 30, 2021 was 1.16%. The annualized return on average tangible equity for the six months ended June 30, 2021 was 13.53%.

Total assets as of June 30, 2021 were $2.026 billion, with loans receivable of $1.387 billion, deposits of $1.689 billion and stockholders' equity of $200.5 million. Loans receivable increased $398.0 million since June 30, 2020, while total deposits increased $602.7 million. The increases reflect the balances acquired from UpState and the impact from economic stimulus, including loans originated through the PPP. During the six months ended June 30, 2021, the Company originated 755 new PPP loans totaling $56.8 million, and had a total of $77.6 million of PPP loans forgiven. As of June 30, 2021, the total of all PPP loans outstanding was $74.2 million.

For the three months ended June 30, 2021, net interest income, on a fully-taxable equivalent basis (fte), totaled $16,263,000, an increase of $6,175,000 compared to the same period in 2020. A $424.5 million increase in average loans outstanding contributed to the increased income. Net interest margin (fte) for the three months ended June 30, 2021 was 3.44%, compared to 3.25% in the same period of 2020. The tax-equivalent yield on interest-earning assets decreased 14 basis points to 3.75% during the three months ended June 30, 2021, compared to the same prior year period, while the cost of interest-bearing liabilities decreased 43 basis points to 0.43%. Net interest income (fte) for the six months ended June 30, 2021 totaled $32,244,000, which was $12,253,000 higher than the same period in 2020, due to the higher volume of interest-earning assets. The net interest margin (fte) was 3.51% in the six months ended June 30, 2021, as compared to 3.36% during the six months ended June 30, 2020. The increase in the net interest margin (fte) reflects the growth in average loans outstanding resulting from the acquisition of UpState.

Other income for the three months ended June 30, 2021, totaled $2,187,000, compared to $1,392,000 for the same period in 2020. The increase is due primarily to a $695,000 increase in service charges and fees related to the acquisition of UpState. For the six months ended June 30, 2021, other income totaled $4,176,000, compared to $3,047,000 in the 2020 period. Service charges on deposits and fees on loans increased $881,000, net, while earnings and proceeds on bank-owned life insurance policies also increased $148,000.

Other expenses totaled $9,492,000 for the three months ended June 30, 2021, an increase of $1,400,000, compared to the $8,092,000 for the same period of 2020. For the six months ended June 30, 2021, other expenses totaled $18,944,000, compared to $15,152,000 for the same period in 2020. The increases reflect the costs of operations acquired from UpState, including four new Community Offices.

Mr. Critelli commented, “Our results for the first half of 2021 reflect the positive impact of, and earnings accretion resulting from, our acquisition of UpState, as well as the continued impact of economic stimulus on our earnings and balance sheet. 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 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)	2021	2020	2021	2020
Net Interest Income	$16,053	$9,867	$31,829	$19,532
Taxable equivalent basis adjustment using 21% marginal tax rate	210	221	415	459
Net interest income on a fully taxable equivalent basis	$16,263	$10,088	$32,244	$19,991

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 June 30		Six months ended June 30	
	2021	2020	2021	2020
Average equity	$199,777	$143,472	$198,689	$142,217
Average goodwill and other intangibles	(29,762)	(11,530)	(29,780)	(11,541)
Average tangible equity	$170,015	$131,942	$168,909	$130,676

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