FOR IMMEDIATE RELEASE

NORWOOD FINANCIAL CORP
ANNOUNCES THIRD QUARTER EARNINGS

October 23, 2020 - Honesdale, Pennsylvania

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 September 30, 2020 of $4,999,000 which represents an increase of $1,092,000, or 28.0%, over the $3,907,000 earned in the same three-month period of 2019. The increase in earnings 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 (fully diluted) were $0.62 in the three-months ended September 30, 2020, which equals the $0.62 earned in the same period of 2019. The annualized returns on average assets and average equity for the current three-month period were 1.11% and 10.64%, respectively, compared to 1.27% and 11.56% for the three-month period ended September 30, 2019.

Net income for the nine months ended September 30, 2020 totaled $9,567,000, which is $1,052,000 lower than the same period of 2019 primarily due to a $2,800,000 increase in the provision for loan losses and approximately $1,983,000 of merger related expenses. Earnings per share (fully diluted) for the nine months ended September 30, 2020 totaled $1.39 per share compared to $1.68 per share in the 2019 period.

Total assets as of September 30, 2020 were $1.842 billion with loans receivable of $1.415 billion, deposits of $1.516 billion and stockholders' equity of $190.5 million. Total assets have increased $626.3 million during the past twelve months while loans and deposits have increased $509.1 million and $541.5 million, respectively. All increases reflect growth due to the UpState acquisition and significant stimulus funds resulting from the Paycheck protection Program ("PPP") and CARES Act.

Non-performing assets, which include non-performing loans and foreclosed real estate owned, totaled $13.6 million or 0.74% of total assets as of September 30, 2020 compared to $3.0 million or 0.24% of total assets as of September 30, 2019. The increase in nonperforming assets includes $9.5 million of purchased credit impaired loans resulting from the acquisition of UpState.

For the three months ended September 30, 2020, net interest income, on a fully taxable equivalent basis (fte), totaled $15,547,000, which represents an increase of $5,414,000 compared to the same period in 2019. A $493.2 million increase in average loans outstanding contributed to the increased income. Net interest margin (fte) for the 2020 period was 3.73% compared to 3.60% for the similar period in 2019. Net interest income (fte) for the nine months ended September 30, 2020 totaled $35,538,000, an increase of $5,992,000, compared to the similar period in 2019 due primarily to a higher volume of earning assets. The net interest margin (fte) year-to-date for the 2020 period was 3.51%, which equaled the 3.51% recorded in the same period of 2019. All increases reflect the benefits derived from the acquisition of UpState.

Other income for the three months ended September 30, 2020 totaled $2,072,000 compared to $1,882,000 for the similar period in 2019. The increase can be attributed to a higher level of service charges and a $149,000 increase in gains recognized on the sale of loans. For the nine months ended September 30, 2020, other income totaled $5,119,000 compared to $5,083,000 in the 2019 period.

Other expenses totaled $9,380,000 for the three months ended September 30, 2020, compared to $6,791,000 in the similar period of 2019. The higher level of expense during the 2020 period includes costs related to the acquisition of UpState and the operations of four additional community offices acquired in the UpState acquisition. For the nine months ended September 30, 2020, other expenses totaled $24,531,000 compared to $20,224,000 for the similar period in 2019. The increase includes $1,983,000 of merger related expenses and increases related to the operation of four additional community offices.

Mr. Critelli commented, “Our results for the first nine months 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. During the third quarter, we have begun to realize the anticipated benefits of the acquisition through increased net interest income. Our balance sheet reflects the full impact of the UpState acquisition, resulting in a Company with over $1.8 billion of total assets, $1.4 billion of loans and $1.5 billion of deposits. We appreciate the opportunity to serve our Wayne Bank customers and our new customers at the Bank of the Finger Lakes and Bank of Cooperstown locations. 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 sixteen offices in Delaware, Sullivan, Ontario, Otsego and Yates Counties, 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 interest income and net interest income, which are non-GAAP (Generally Accepted Accounting Principles) financial measures. Tax-equivalent interest income and net interest income are derived from GAAP interest income and net interest income using an assumed tax rate of 21%. We believe the presentation of interest income and net interest income on a tax-equivalent basis ensures comparability of interest income and 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 taxable equivalent basis:

(dollars in thousands)	Three months ended September 30		Nine months ended September 30	
	2020	2019	2020	2019
Net interest income	$15,330	$9,891	$34,862	$28,773
Tax equivalent basis adjustment using 21% marginal tax rate	217	242	676	773
Net interest income on a fully taxable equivalent basis	$15,547	$10,133	$35,538	$29,546

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 September 30		Nine months ended September 30	
	2020	2019	2020	2019
Average equity	$187,478	$134,037	$157,695	$129,367
Average goodwill and other intangibles	(17,800)	(11,597)	(13,643)	(11,623)
Average tangible equity	$169,678	$122,440	$144,052	$117,744

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