FOR IMMEDIATE RELEASE

NORWOOD FINANCIAL CORP ANNOUNCES EARNINGS FOR THE FOURTH QUARTER AND YEAR

January 27, 2021 – 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 December 31, 2020 of $5,513,000 compared to $3,596,000 earned in the corresponding 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. For the year ended December 31, 2020 net income totaled $15,080,000, an increase of $865,000 from the $14,215,000 earned in the prior year. The increase reflects the benefits derived from the acquisition of UpState, which offset a $4,200,000 increase in the provision for loan losses and $2,049,000 of merger related expenses.

Earnings per share (fully diluted) were $0.67 and $0.57 for the three-month period ended December 31, 2020 and 2019, respectively. For the year ended December 31, 2020, earnings per share on a fully diluted basis were $2.09, compared to $2.25 for the year ended December 31, 2019. For the year ended December 31, 2020, the return on average assets was 0.97%, and the return on average equity was 9.06%, compared to 1.18% and 10.83%, respectively, for the year ended December 31, 2019.

Total assets were $1.852 billion as of December 31, 2020. Loans receivable totaled $1.411 billion as of December 31, 2020, with total deposits of $1.535 billion and stockholders' equity of $194.8 million as of December 31, 2020.

Loans receivable increased $486.2 million from the prior year-end due primarily to the $420 million of loan balances acquired from UpState and $66 million of Paycheck Protection Program ("PPP") loans originated during the year ended December 31, 2020. For the three months and year ended December 31, 2020, net charge-offs totaled $125,000 and $809,000, respectively, compared to $96,000 and $1,194,000, respectively, for the corresponding periods in 2019.

Net interest income, on a fully taxable equivalent basis (fte), totaled $15,821,000 for the three months ended December 31, 2020, an increase of $5,755,000 compared to the same period in 2019. For the year ended December 31, 2020, net interest income (fte) totaled $51,359,000, an increase of $11,747,000 compared to 2019 due primarily to the higher volume of earning assets, including a $292.0 million increase in average loans outstanding.

Other income for the three months ended December 31, 2020 totaled $2,661,000 compared to $1,696,000 for the similar period in 2019. Gains on the sale of loans and securities increased $176,000, while all other items of other income increased $789,000 in the aggregate due primarily to service charges and fees related to the acquisition of UpState. Other income for the year ended December 31, 2020 totaled $7,780,000 compared to $6,778,000 in 2019, an increase of $1,002,000 due primarily to a $665,000 increase in service charges and fees. Gains on the sale of loans and investment

securities increased $175,000 in the aggregate, while all other items of other income increased $165,000, net.

Other expenses totaled $9,909,000 for the three months ended December 31, 2020, compared to $7,088,000 in the similar period of 2019. The $2,821,000 increase reflects the costs of the operations acquired from UpState. For the year ended December 31, 2020, other expenses totaled $34,440,000 compared to $27,311,000 for 2019, an increase of $7,129,000. The increase reflects the costs of operations acquired from UpState, including four new Community Offices, and $2,049,000 of merger related expenses.

Mr. Critelli commented, “Our results for the 2020 year 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 and the revenue generated by our acquisition of UpState New York Bancorp, Inc. 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. Our cash dividend of $0.26 per share declared in the fourth quarter of 2020 represents a 4.0% increase over the same period of last year. 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 fourteen 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 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 interest income on a tax–equivalent basis ensures comparability of interest income

arising from both taxable and tax-exempt sources and is consistent with industry practice.

The following table reconciles net interest income to net interest income on a fully tax-equivalent basis:

(dollars in thousands)	Three months ended December 31		Year ended December 31	
	2020	2019	2020	2019
Net interest income	$15,614	$9,833	$50,476	$38,606
Tax equivalent basis adjustment using 21% marginal tax rate	207	233	883	1,006
Net interest income on a fully taxable equivalent basis	$15,821	$10,066	$51,359	$39,612

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 December 31,		Year ended December 31,	
	2020	2019	2020	2019
Average equity	$193,740	$136,920	$166,427	$131,271
Average goodwill and other Intangibles	(30,747)	(11,575)	(17,942)	(11,611)

Average tangible equity	$162,993	$125,345	$148,485	$119,660

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