FOR IMMEDIATE RELEASE

NORWOOD FINANCIAL CORP
ANNOUNCES THIRD QUARTER EARNINGS

October 26, 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 September 30, 2021 of $6,981,000 which represents an increase of $1,982,000, or 39.6%, over the $4,999,000 earned in the same three-month period of 2020. The increase in earnings was due to a $1.7 million increase in net interest income, including fee income recognized on Paycheck Protection Program ("PPP") loans forgiven, and a $1.1 million reduction in the provision for loan losses. Earnings per share (fully diluted) were $0.85 in the three-months ended September 30, 2021, which represents an increase from the $0.62 earned in the same period of 2020. The annualized returns on average assets and average tangible equity for the current three-month period were 1.36% and 15.72%, respectively, compared to 1.11% and 11.72% for the three-month period ended September 30, 2020. Net income for the nine months ended September 30, 2021, totaled $18,277,000, which is $8,710,000, or 91.1%, higher than the same period of 2020, primarily due to 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) for the nine months ended September 30, 2021, totaled $2.23 per share compared to $1.39 per share in the 2020 period.

Total assets as of September 30, 2021 were $2.054 billion, with loans receivable of $1.371 billion, deposits of $1.723 billion and stockholders' equity of $202.6 million. Total assets have increased $211.6 million during the past twelve months while loans have decreased $43.7 million and deposits have increased $206.6 million. The increases in assets and deposits reflect growth due to significant stimulus funds received as a result of PPP loans that have been forgiven and the Coronavirus Aid, Relief, and Economic Security Act, ("CARES Act"), while the decrease in loans includes a $59.2 million reduction in PPP loans due to forgiveness.

For the three months ended September 30, 2021, net interest income, on a fully taxable equivalent basis (fte), totaled $17,186,000, which represents an increase of $1,639,000, compared to the same period in 2020. A $150.5 million increase in average securities contributed to the increased income. Net interest margin (fte) for the 2021 period was 3.61%, compared to 3.73% for the similar period in 2020. Net interest income (fte) for the nine months ended September 30, 2021 totaled $49,429,000, an increase of $13,891,000, compared to the similar period in 2020 due primarily to a higher volume of earning assets. The net interest margin (fte) year-to-date for the 2021 period was 3.54%, which exceeded the 3.51% recorded in the same period of 2020. All increases include the benefits derived from the acquisition of UpState.

Total other income for the three months ended September 30, 2021 was $2,128,000, compared to $2,072,000 for the same period in 2020. The increase in total other income is primarily due to a higher level of service charges and fees. For the nine months ended September 30, 2021, total other income was $6,304,000, compared to $5,119,000 in the same period of 2020.

Total other expenses were $9,592,000 for the three months ended September 30, 2021, compared to $9,380,000 in the same period of 2020. The higher level of expense during the three months ended September 30, 2021, was due primarily to a $679,000 increase in salaries and benefits costs. For the nine months ended September 30, 2021, other expenses totaled $28,536,000, compared to $24,531,000 for the same period in 2020. The increase includes costs related to the operation of four additional community offices acquired from UpState in 2020.

Mr. Critelli commented, “Our results for the first nine months 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 recently broke ground on our new facility in Penn Yan, New York, and we look forward to serving the community from our new location. We appreciate the opportunity 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 fully taxable equivalent net interest income, which is a non-GAAP (Generally Accepted Accounting Principles) financial measure. Fully taxable 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 fully taxable 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 taxable equivalent basis:

(dollars in thousands)	Three months ended September 30		Nine months ended September 30	
	2021	2020	2021	2020
Net interest income	$16,989	$15,330	$48,817	$34,862
Tax equivalent basis adjustment using 21% marginal tax rate	197	217	612	676
Net interest income on a fully taxable equivalent basis	$17,186	$15,547	$49,429	$35,538

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 2021	Three months ended September 30 2020	Nine months ended September 30 2021	Nine months ended September 30 2020
Average equity	$205,848	$187,478	$201,102	$157,695
Average goodwill and other intangibles	(29,712)	(17,800)	(29,757)	(13,643)
Average tangible equity	$176,136	$169,678	$171,345	$144,052

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