FOR IMMEDIATE RELEASE

NORWOOD FINANCIAL CORP ANNOUNCES EARNINGS FOR THE FOURTH QUARTER AND YEAR

January 28, 2022 – 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, 2021 of $6,638,000 compared to $5,513,000 earned in the corresponding period of 2020. The increase in earnings includes a $1,150,000 reduction in the provision for loan losses, and an $882,000 increase in net interest income. For the year ended December 31, 2021, net income totaled $24,915,000, an increase of $9,835,000 from net income of $15,080,000 earned in the prior year. The increase includes the benefits derived from the Company's acquisition of UpState New York Bancorp, Inc. ("UpState"), which closed on July 7, 2020, and over $4.5 million of earnings recognized from Paycheck Protection Program ("PPP") loans.

Earnings per share (fully diluted) were $0.81 and $0.67 for the three-month periods ended December 31, 2021 and 2020, respectively. For the year ended December 31, 2021, earnings per share on a fully diluted basis were $3.04, compared to $2.09 for the year ended December 31, 2020. For the year ended December 31, 2021, the return on average assets was 1.24%, and the return on average equity was 12.35%, compared to 0.97% and 9.06%, respectively, for the year ended December 31, 2020.

Total assets were $2.069 billion as of December 31, 2021. Loans receivable totaled $1.355 billion as of December 31, 2021, with total deposits of $1.757 billion and stockholders' equity of $205.3 million as of December 31, 2021.

Loans receivable decreased $55.8 million from the year-ended December 31, 2020, due primarily to the $78.8 million decrease in PPP loans resulting from loan forgiveness. For the three months and year ended December 31, 2021, net charge-offs totaled $111,000 and $907,000, respectively, compared to $125,000 and $809,000, respectively, for the corresponding periods in 2020.

Net interest income, on a fully taxable equivalent basis (fte), totaled $16,671,000 for the three months ended December 31, 2021, an increase of $850,000 compared to the same period in 2020. For the year ended December 31, 2021, net interest income (fte) totaled $66,100,000, an increase of $14,741,000 compared to 2020, due primarily to the higher volume of earning assets, including a $209.1 million increase in average loans outstanding. Loan origination fees related to PPP loans increased $3,072,000 compared to the 2020 total.

Other income for the three months ended December 31, 2021 totaled $2,021,000 compared to $2,661,000 for the similar period in 2020. Gains on the sale of loans and securities decreased $205,000, while service charges and fees decreased $488,000. All other items of other income increased $53,000, net. Other income for the year ended December 31, 2021 totaled $8,325,000 compared to $7,780,000 in 2020, an increase of $545,000 due primarily to a $578,000 increase in service charges and fees. Gains on the sale of loans and investment securities decreased $329,000 in the aggregate, while all other items of other income increased $296,000, net.

Other expenses totaled $10,042,000 for the three months ended December 31, 2021, compared to $9,909,000 in the similar period of 2020. For the year ended December 31, 2021, other expenses totaled $38,578,000 compared to $34,440,000 for 2020, an increase of $4,138,000. The increase reflects the costs of operations acquired from UpState, including four new Community Offices.

Mr. Critelli commented, “In 2021, our earnings increased $9.8 million over our previous record year of 2020. Our Return on Average Assets was 1.24%, and our Return on Average Equity was 12.35%. Earnings per share (fully diluted) also improved to $3.04 per share in 2021 from $2.09 per share in 2020. While a portion of this increase reflects earnings and fees collected on PPP loans, we have continued to grow our core business lines, which bodes well for future success. Our results also reflect a full year accretion to earnings from our acquisition of UpState. During the year, we also made significant progress improving our credit quality metrics, which will benefit future results. Our cash dividend of $0.28 per share declared in the fourth quarter of 2021 represents a 7.7% increase over the same period of last year. We appreciate the opportunity to serve our Wayne Bank customers and our customers at the Bank of the Finger Lakes and Bank of Cooperstown locations. We continue to look for 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 operations and financial condition, the ability to continue to grow our core business, the ability to have success in the future, the ability to improve our credit quality metrics and benefit future results, 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 interest income and net interest income on a fully taxable equivalent basis (fte), which are non-GAAP (Generally Accepted Accounting Principles) financial measures. Fully 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 and net interest income on a fully 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	
	2021	2020	2021	2020
Net interest income	$16,496	$15,614	$65,313	$50,476
Tax equivalent basis adjustment using 21% marginal tax rate	175	207	787	883
Net interest income on a fully taxable equivalent basis	$16,671	$15,821	$66,100	$51,359

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,	
	2021	2020	2021	2020
Average equity	$205,053	$193,740	$201,681	$166,427
Average goodwill and other Intangibles	(29,683)	(30,747)	(29,738)	(17,942)
Average tangible equity	$175,370	$162,993	$171,943	$148,485

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