FOR IMMEDIATE RELEASE

NORWOOD FINANCIAL CORP ANNOUNCES FIRST QUARTER EARNINGS

Honesdale, Pennsylvania - April 18, 2022

Lewis J. Critelli, President and Chief Executive Officer of Norwood Financial Corp (Nasdaq Global Market – NWFL) and its subsidiary, Wayne Bank, announced record earnings of $7,128,000 for the three months ended March 31, 2022, an increase of 28.6% from the $5,542,000 earned during the corresponding period of 2021. The increase includes a $1,200,000 decrease in the provision for loan losses and a $1,349,000 increase in other income. Earnings per share on a fully diluted basis were $0.87 for the three-month period ended March 31, 2022, compared to $0.67 in the three-month period ended March 31, 2021. The annualized return on average assets was 1.39% in the first quarter of 2022 and the annualized return on average equity was 14.22%, compared to 1.18% and 11.39%, respectively, in the first quarter of 2021.

Total assets were $2.078 billion as of March 31, 2022, an increase of $67.9 million compared to March 31, 2021. As of March 31, 2022, loans totaled $1.372 billion, with deposits of $1.782 billion and stockholders' equity of $186.8 million.

Net interest income on a fully taxable equivalent basis (fte), was $16,283,000 during the three months ended March 31, 2022, which is $302,000 higher than the comparable three-month period of 2021. A $193.4 million increase in average securities available for sale over the corresponding period in 2021 contributed to the increased interest income. During the three-months ended March 31, 2022, the fte yield on interest-earning assets decreased thirty-six basis points compared to the three months ended March 31, 2021, while the cost of funds decreased twelve basis points. As a result, the annualized net interest spread (fte) decreased to 3.22% from 3.46% in the quarter ended March 31, 2022 compared to the corresponding three-month period in 2021. A $378,000 reduction in loan origination fees recognized on Paycheck Protection Program ("PPP") loans compared to the three months ended March 31, 2021, contributed to the reduced net interest spread (fte).

Other income totaled $3,338,000 for the three months ended March 31, 2022, compared to $1,992,000 during the corresponding period of last year. The increase is due primarily to $875,000 of income recognized on previously acquired purchased impaired loans that were carried at a discount, and a $427,000 gain on the sale of a property carried in Foreclosed Real Estate Owned. All other categories of other income increased $44,000, net.

Operating expenses totaled $10,157,000 in the three months ended March 31, 2022, and were $705,000, or 7.5%, higher than the $9,452,000 recorded in the same period of last year.

Mr. Critelli stated, "Our first quarter results provide a good start for 2022 and exceed our budget level. Total loans increased 7.7% annually during the quarter after excluding the impact of loan forgiveness related to PPP loans. Our total deposits increased 5.7% annually during the quarter, our core operating expenses remain well-controlled, and our capital base remains above "Well-Capitalized" targets. Additionally, our credit quality metrics continued to improve during the first quarter, which we believe should benefit future results. 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 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 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 taxable 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 taxable equivalent basis:

(dollars in thousands)	Three months ended March 31,	
	2022	2021
Net interest income	$16,101	$15,776
Tax equivalent basis adjustment using 21% marginal tax rate	182	205
Net interest income on a fully taxable equivalent basis	$16,283	$15,981

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 March 31,	
	2022	2021
Average equity	$203,260	$197,243
Average goodwill and other intangibles	(29,656)	(29,798)
Average tangible equity	$173,604	$167,445

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