FOR IMMEDIATE RELEASE

NORWOOD FINANCIAL CORP
ANNOUNCES SECOND QUARTER EARNINGS

Honesdale, Pennsylvania - July 22, 2022

James O. Donnelly, 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 June 30, 2022 of $6,855,000, which was $1,100,000, or 19.1%, higher than the same three-month period of last year. The increase includes an $841,000 increase in net interest income, a $1,200,000 decrease in the provision for loan losses, and a $302,000 increase in total other income. Earnings per share (fully diluted) were $0.84 in the three months ended June 30, 2022, compared to $0.70 in the same period of last year. The annualized return on average assets for the three months ended June 30, 2022, was 1.35%, while the annualized return on average tangible equity was 18.16%. Net income for the six months ended June 30, 2022, was $13,983,000, which is $2,687,000 higher than the same six-month period of 2021, due to increases in net interest income and total other income, and a decrease in the provision for loan losses of $2,400,000. Earnings per share (fully diluted) for the six months ended June 30, 2022 were $1.71, compared to $1.38 for the six months ended June 30, 2021. The annualized return on average assets for the six months ended June 30, 2022 was 1.37%. The annualized return on average tangible equity for the six months ended June 30, 2022 was 17.36%.

Total assets as of June 30, 2022 were $2.066 billion, with loans receivable of $1.404 billion, deposits of $1.800 billion and stockholders' equity of $173.8 million.

For the three months ended June 30, 2022, net interest income, on a fully-taxable equivalent basis (fte), totaled $17,082,000, an increase of $819,000 compared to the same period in 2021. A $173.1 million increase in average securities available for sale contributed to the increased net interest income. Net interest margin (fte) for the three months ended June 30, 2022 was 3.49%, compared to 3.44% in the same period of 2021. The tax-equivalent yield on interest-earning assets decreased one basis point to 3.74% during the three months ended June 30, 2022, compared to the same prior year period, while the cost of interest-bearing liabilities decreased nine basis points to 0.34%. Net interest income (fte) for the six months ended June 30, 2022 totaled $33,365,000, which was $1,121,000 higher than the same period in 2021, due to a $183.2 million increase in average securities available for sale. The net interest margin (fte) was 3.41% in the six months ended June 30, 2022, as compared to 3.51% during the six months ended June 30, 2021. The decrease in the net interest margin (fte) was due to a $39.6 million decrease in average loans outstanding related to Paycheck Protection Program ("PPP") loans forgiven during the period.

Other income for the three months ended June 30, 2022, totaled $2,489,000, compared to $2,187,000 for the same period in 2021. The increase is due primarily to a $255,000 increase in earnings and proceeds on bank-owned life insurance policies. For the six months ended June 30, 2022, other income totaled $5,828,000, compared to $4,176,000 for the six months ended June 30, 2021. The increase was due primarily to income recognized on previously acquired purchased impaired loans that were carried at a discount.

Other expenses totaled $10,472,000 for the three months ended June 30, 2022, an increase of $980,000, compared to the $9,492,000 for the same period of 2021. For the six months ended June 30, 2022, other expenses totaled $20,630,000, compared to $18,944,000 for the same period in 2021, due primarily to a $1,146,000 increase in salaries and employee benefits costs.

Mr. Donnelly commented, "Our results for the first half of 2022 reflect the higher level of interest earning assets, and reduced loan loss provisions related to our improved credit quality metrics. Our return on average assets for the six months ended June 30, 2022 was 1.37%, our earnings per share improved 23.9% compared to the same six-month period of last year, and our credit quality metrics remain strong which should bode well for future performance. We look forward to continuing 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 fifteen 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 tax-equivalent net interest income, which is a non-GAAP (Generally Accepted Accounting Principles) financial measure. Tax-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 tax-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 fully taxable-equivalent basis:

	Three months ended June 30		Six months ended June 30	
(dollars in thousands)	2022	2021	2022	2021
Net Interest Income	$16,894	$16,053	$32,995	$31,829
Taxable equivalent basis adjustment using 21% marginal tax rate	188	210	370	415
Net interest income on a fully taxable equivalent basis	$17,082	$16,263	$33,365	$32,244

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:

	Three months ended June 30		Six months ended June 30	
(dollars in thousands)	2022	2021	2022	2021
Average equity	$181,044	$199,777	$192,090	$198,689
Average goodwill and other intangibles	(29,629)	(29,762)	(29,643)	(29,780)
Average tangible equity	$151,415	$170,015	$162,447	$168,909

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