

FOR IMMEDIATE RELEASE

NORWOOD FINANCIAL CORP
ANNOUNCES THIRD QUARTER EARNINGS

October 26, 2022 - Honesdale, Pennsylvania

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 September 30, 2022 of \$8,109,000, which represents an increase of \$1,128,000, or 16.2%, over the \$6,981,000 earned in the same three-month period of 2021. The increase in earnings was due to a \$1.2 million increase in net interest income, and a \$750,000 reduction in the provision for loan losses during the three-months ended September 30, 2022. Earnings per share (fully diluted) were \$1.00 in the three-months ended September 30, 2022, which represents an increase from the \$0.85 earned in the same period of 2021. The annualized returns on average assets and average tangible equity for the current three-month period were 1.57% and 21.48%, respectively, compared to 1.36% and 15.78% for the three-month period ended September 30, 2021. Net income for the nine months ended September 30, 2022, totaled \$22,093,000, which is \$3,816,000, or 20.9%, higher than the same period of 2021. The increase in net income includes a \$2,347,000 increase in net interest income, a \$3,150,000 reduction in the provision for loan losses, and a \$1,671,000 increase in total other income during the nine months ended September 30, 2022. Earnings per share (fully diluted) for the nine months ended September 30, 2022, totaled \$2.71 per share compared to \$2.23 per share in the same 2021 period.

Total assets as of September 30, 2022 were \$2.019 billion, with loans receivable of \$1.432 billion, deposits of \$1.769 billion and stockholders' equity of \$158.8 million.

For the three months ended September 30, 2022, net interest income, on a fully taxable equivalent basis (fte), totaled \$18,369,000, which represents an increase of \$1,183,000, compared to the same period in 2021. A \$157.7 million increase in average securities contributed to the increased income. Net interest margin (fte) for the 2022 period was 3.74%, compared to 3.61% for the similar period in 2021. Net interest income (fte) for the nine months ended September 30, 2022 totaled \$51,734,000, an increase of \$2,305,000, compared to the same period in 2021, due primarily to a \$174.6 million increase in average securities. The net interest margin (fte) for the nine months ended September 30, 2022 was 3.52%, compared to 3.54% for the same period of 2021.

Total other income for the three months ended September 30, 2022 was \$2,178,000, compared to \$2,159,000 for the same period in 2021. For the nine months ended September 30, 2022, total other income was \$8,006,000, compared to \$6,335,000 in the same period of 2021. The increase was due primarily to income recognized on previously acquired purchased impaired loans that were carried at a discount.

Total other expenses were \$10,139,000 for the three months ended September 30, 2022, compared to \$9,623,000 in the same period of 2021. For the nine months ended September 30, 2022, total other expenses were \$30,768,000, compared to \$28,567,000 for the same period in 2021. The increase was due primarily to a \$1,208,000 increase in salaries and employee benefit costs during the nine months ended September 30, 2022.

Mr. Donnelly commented, “Our results for the first nine months of 2022 reflect increasing net interest spreads due to rising interest rates, 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 nine months ended September 30, 2022 was 1.44%, our fully-diluted earnings per share improved 21.5% compared to the same

nine-month period of last year, and our credit quality metrics remain strong, which should bode well for future performance. 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 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:

(dollars in thousands)	<u>Three months ended</u>		<u>Nine months ended</u>	
	<u>September 30</u>		<u>September 30</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Net interest income	\$18,170	\$16,989	\$51,164	\$48,817
Tax equivalent basis adjustment using 21% marginal tax rate	<u>199</u>	<u>197</u>	<u>570</u>	<u>612</u>
Net interest income on a fully taxable equivalent basis	<u>\$18,369</u>	<u>\$17,186</u>	<u>\$51,734</u>	<u>\$49,429</u>

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)	<u>Three months ended</u>		<u>Nine months ended</u>	
	<u>September 30</u>		<u>September 30</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Average equity	\$179,398	\$205,848	\$187,183	\$201,102
Average goodwill and other intangibles	<u>(29,605)</u>	<u>(29,712)</u>	<u>(29,630)</u>	<u>(29,757)</u>
Average tangible equity	<u>\$149,793</u>	<u>\$176,136</u>	<u>\$157,553</u>	<u>\$171,345</u>

Contact: William S. Lance
Executive Vice President &
Chief Financial Officer
NORWOOD FINANCIAL CORP
570-253-8505
www.waynebank.com