

**FOR IMMEDIATE RELEASE**

**NORWOOD FINANCIAL CORP ANNOUNCES EARNINGS FOR THE FOURTH  
QUARTER AND 2022 FISCAL YEAR**

**January 27, 2023 – Honesdale, Pennsylvania**

James O. Donnelly, President and Chief Executive Officer of Norwood Financial Corp (Nasdaq Global Market – NWFL), and its subsidiary Wayne Bank, announced net income for the three months ended December 31, 2022 of \$7,140,000 compared to the net income of \$6,638,000 earned in the three months ended December 31, 2021. The increase in net income was due primarily to a \$736,000 increase in net interest income. For the year ended December 31, 2022, net income totaled \$29,233,000, an increase of \$4,318,000 from net income of \$24,915,000 earned in year ended December 31, 2021. The increase includes a \$3,084,000 increase in net interest income and a \$3,300,000 reduction in the provision for loan losses.

Earnings per share (fully diluted) were \$0.88 and \$0.81 for the three-month periods ended December 31, 2022 and 2021, respectively. For the year ended December 31, 2022, earnings per share on a fully diluted basis were \$3.58, compared to \$3.05 for the year ended December 31, 2021. For the year ended December 31, 2022, the return on average assets was 1.43%, and the return on average equity was 16.11%, compared to 1.24% and 12.35%, respectively, for the year ended December 31, 2021.

Total assets were \$2.047 billion as of December 31, 2022. As of December 31, 2022, loans receivable were \$1.474 billion, total deposits were \$1.728 billion and stockholders' equity was \$167.1 million. The \$38.2 million decrease in stockholders' equity compared to December 31, 2021, includes a \$57.1 million decrease in accumulated other comprehensive income due to a decrease in the market value of

available for sale securities related to the significant increase in interest rates during 2022.

Loans receivable increased \$119.0 million from the year-ended December 31, 2021, including a \$90.0 million increase in retail loans and a \$28.4 million increase in commercial loans. For the three months and year ended December 31, 2022, net charge-offs totaled \$232,000 and \$344,000, respectively, compared to \$111,000 and \$907,000, respectively, for the corresponding periods in 2021.

Net interest income, on a fully taxable equivalent basis (fte), totaled \$17,429,000 for the three months ended December 31, 2022, an increase of \$758,000 compared to the same period in 2021. For the year ended December 31, 2022, net interest income (fte) totaled \$69,164,000, an increase of \$3,064,000 compared to 2021, due primarily to the higher volume of earning assets, including a \$160.1 million increase in average securities available for sale.

Other income for the three months ended December 31, 2022, totaled \$1,926,000 compared to \$2,021,000 for the similar period in 2021. Gains on the sale of loans and securities decreased \$32,000, while service charges and fees decreased \$55,000. All other items of other income decreased \$8,000, net. Other income for the year ended December 31, 2022, totaled \$9,932,000 compared to \$8,361,000 in 2021, an increase of \$1,571,000 due primarily to income recognized on previously acquired purchased impaired loans that were carried at a discount. Gains on the sale of loans and investment securities decreased \$263,000 in the aggregate, while gains on sales of foreclosed real estate owned increased \$391,000.

Other expenses totaled \$10,275,000 for the three months ended December 31, 2022, compared to \$10,042,000 in the similar period of 2021. For the year ended

December 31, 2022, other expenses totaled \$41,044,000 compared to \$38,614,000 for 2021, an increase of \$2,430,000, or 6.3%.

Mr. Donnelly commented, “In 2022, our earnings increased \$4.3 million over our previous record year of 2021. Our Return on Average Assets was 1.43%, and our Return on Average Equity was 16.11%. Earnings per share (fully diluted) also improved to \$3.58 per share in 2022 from \$3.04 per share in 2021. We have continued to grow our core business lines, including an 8.8% increase in loans outstanding, and maintain our strong credit quality metrics, which should bode well for future performance. Our cash dividend of \$0.29 per share declared in the fourth quarter of 2022, represents a 3.6% 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 fifteen 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”, “bode”, “future performance” 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 continued effect and impact of, the COVID-19 pandemic on the economy and the Company's results of operation and financial condition, our ability to maintain strong credit quality metrics, our ability to have future performance, our 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 net interest income on a fully taxable-equivalent basis (fte), 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 table reconciles net interest income to net interest income on a fully taxable-equivalent basis:

(dollars in thousands)	<u>Three months ended</u>		<u>Year ended</u>	
	<u>December 31</u>		<u>December 31</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Net interest income	\$17,232	\$16,496	\$68,397	\$65,313
Tax equivalent basis adjustment using 21% marginal tax rate	<u>197</u>	<u>175</u>	<u>767</u>	<u>787</u>
Net interest income on a fully taxable equivalent basis	<u>\$17,429</u>	<u>\$16,671</u>	<u>\$69,164</u>	<u>\$66,100</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 table reconciles average equity to average tangible equity:

(dollars in thousands)	Three months ended		Year ended	
	<u>2022</u>	<u>December 31,</u> <u>2021</u>	<u>2022</u>	<u>December 31,</u> <u>2021</u>
Average equity	\$162,762	\$205,053	\$181,499	\$201,681
Average goodwill and other Intangibles	<u>(29,582)</u>	<u>(29,683)</u>	<u>(29,618)</u>	<u>(29,738)</u>
Average tangible equity	<u>\$133,180</u>	<u>\$175,370</u>	<u>\$151,881</u>	<u>\$171,943</u>

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