FOR IMMEDIATE RELEASE

NORWOOD FINANCIAL CORP ANNOUNCES FIRST QUARTER 2023 EARNINGS

Honesdale, Pennsylvania - April 21, 2023

James O. Donnelly, President and Chief Executive Officer of Norwood Financial Corp (Nasdaq Global Market – NWFL) and its subsidiary, Wayne Bank, announced net income of $5,782,000 for the three months ended March 31, 2023, a decrease of $1,346,000, from net income of $7,128,000 for the three months ended March 31, 2022. The decrease was due primarily to a $1,426,000 decrease in other income. Earnings per share on a fully diluted basis were $0.71 for the three-month period ended March 31, 2023, compared to $0.87 in the three-month period ended March 31, 2022. The annualized return on average assets was 1.13% in the first quarter of 2023 and the annualized return on average equity was 13.61%, compared to 1.39% and 14.22%, respectively, in the first quarter of 2022.

Total assets were $2.104 billion as of March 31, 2023, an increase of $26.7 million, compared to March 31, 2022. As of March 31, 2023, loans totaled $1.536 billion, with deposits of $1.756 billion and stockholders' equity of $176.4 million.

Net interest income on a fully taxable equivalent basis (fte), was $16,275,000 during the three months ended March 31, 2023, compared to $16,283,000 in the comparable three-month period of 2022. During the three-months ended March 31, 2023, the fte yield on interest-earning assets increased 80 basis points compared to the three months ended March 31, 2022, while the cost of funds increased 119 basis points. As a result, the annualized net interest spread (fte) decreased to 2.83% from 3.22% in the quarter ended March 31, 2023 compared to the corresponding three-month period in 2022.

Total other income was $1,912,000 for the three months ended March 31, 2023, compared to $3,338,000 during the corresponding period of last year. The decrease in other income includes $875,000 of income recognized in 2022 on previously acquired purchased impaired loans that were carried at a discount, and a $427,000 gain recorded in 2022 on the sale of a property carried in foreclosed real estate owned. All other categories of other income decreased $124,000, net.

Operating expenses totaled $10,436,000 in the three months ended March 31, 2023, and were $279,000, or 2.7%, higher than the $10,157,000 recorded in the same three-month period of last year.

Additionally, effective January 1, 2023, the Company adopted Accounting Standards Update 2016-13, "Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments", referred to as the current expected credit loss model ("CECL"). This accounting standard requires that credit losses for financial assets and off-balance sheet credit exposures be measured based on expected credit losses, rather than on incurred credit losses as in prior periods. As a result of the adoption of CECL, the allowance for credit losses was increased by $2,216,000, and retained earnings was decreased by $1,751,000, net of tax. The Company also recorded an off-balance sheet reserve for unfunded commitments of $329,000, with a corresponding decrease to retained earnings of $260,000, net of tax.

Mr. Donnelly stated, "Our first quarter income decreased from the 2022 level due to one-time gains recognized in 2022 and the rising cost of deposits and borrowed funds. Loan growth was 16.7% annually during the quarter, while total deposits increased 6.6% annually during the first quarter of 2023. Our core operating expenses remain well-controlled, and our capital base remains above "Well-Capitalized" targets. Additionally, our credit quality metrics remained strong during the first quarter, which we believe should benefit future performance. 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 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”, “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 core operating expenses and costs, 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)	Three months ended March 31,	
	2023	2022
Net interest income	$16,093	$16,101
Tax equivalent basis adjustment using 21% marginal tax rate	182	182
Net interest income on a fully taxable equivalent basis	$16,275	$16,283

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 March 31,	
	2023	2022
Average equity	$172,334	$203,260
Average goodwill and other intangibles	(29,559)	(29,656)
Average tangible equity	$142,775	$173,604

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