FOR IMMEDIATE RELEASE

NORWOOD FINANCIAL CORP ANNOUNCES THIRD QUARTER EARNINGS

October 24, 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 earnings for the three months ended September 30, 2023 of $4,119,000, which represents a decrease of $3,990,000, from the $8,109,000 earned in the same three-month period of 2022. The decrease in earnings was due to a $3.1 million decrease in net interest income, an $882,000 increase in the provision for credit losses, and a $1.1 million increase in total other expenses during the three-months ended September 30, 2023. For the three months ended September 30, 2023, earnings per share (fully diluted) were $0.51, which represents a decrease from the $1.00 earned in the three months ended September 30, 2022. The annualized returns on average assets and average tangible equity for the three-month period ended September 30, 2023, were 0.76% and 11.22%, respectively, compared to 1.57% and 21.48% for the three-month period ended September 30, 2022. Net income for the nine months ended September 30, 2023, totaled $16,405,000, which is $5,688,000 lower than the same period of 2022. The decrease in net income includes a $4,390,000 decrease in net interest income, a $2.0 million decrease in total other income, and a $1.9 million increase in total other expenses during the nine months ended September 30, 2023. Earnings per share (fully diluted) for the nine months ended September 30, 2023, totaled $2.03 per share compared to $2.71 per share for the nine months ended September 30, 2022.

As of September 30, 2023, total assets were $2.179 billion, loans receivable were $1.611 billion, total deposits were $1.747 billion and stockholders' equity was $164.7 million.

For the three months ended September 30, 2023, net interest income, on a fully taxable equivalent basis (fte), totaled $15,224,000, which represents a decrease of $3,145,000, compared to the three months ended September 30, 2022. Net interest margin (fte) for the three months ended September 30, 2023 was 2.94%, compared to 3.74% for the three months ended September 30, 2022. Net interest income (fte) for the nine months ended September 30, 2023 totaled $47,328,000, a decrease of $4,406,000, compared to the nine months ended September 30,2022, due primarily to the increased cost of interest-bearing liabilities in excess of the increase in the yield earned on interest-earning assets. The net interest margin (fte) for the nine months ended September 30, 2023 was 3.09%, compared to 3.52% for the nine months ended September 30, 2022.

For the three months ended September 30, 2023, the Company recorded a provision for credit losses in the amount of $882,000 compared to $0 in the three-month period ended September 30, 2022. The increase in the provision for credit losses was required to replenish the allowance for credit losses to a level deemed appropriate after recognizing $2.3 million of credit losses during the current period. The current period losses include a $2.0 million charge-off resulting from deterioration in one large commercial relationship. The remaining balance of the relationship was transferred to nonperforming status, resulting in an increase in nonperforming loans and nonperforming assets. For the nine-month period ended September 30, 2023, the Company recorded a release of provision for credit losses in the amount of $568,000, compared to a provision of $600,000 in the nine-month period ended September 30, 2022.

Total other income for the three months ended September 30, 2023 was $2,306,000, compared to $2,178,000 for the three months ended September 30, 2022. For the nine months ended September 30, 2023, total other income was $6,001,000, compared to $8,006,000 in the same period of 2022. The decrease was due primarily to income recognized in 2022 on previously acquired purchased impaired loans that were carried at a discount.

Total other expenses were $11,276,000 for the three months ended September 30, 2023, compared to $10,139,000 for the three months ended September 30, 2022. For the nine months ended September 30, 2023, total other expenses were $32,649,000, compared to $30,768,000 for the nine months ended September 30, 2022. The increase was due primarily to a $1,069,000 increase in salaries and employee benefit costs during the nine months ended September 30, 2023.

Mr. Donnelly commented, “Our results for the first nine months of 2023 reflect decreasing net interest spreads due to rising interest rates, which have impacted our cost of interest-bearing liabilities more than the increase in yield earned on interest-earning assets. We continue to compare favorably to peer banks who have also reported a reduction in their financial performance. We will continue to search out opportunities to maintain our position as a premier community bank, and to serve our local communities with their financial needs. 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", "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 September 30		Nine months ended September 30	
	2023	2022	2023	2022
Net interest income	$15,039	$18,170	$46,774	$51,164
Tax equivalent basis adjustment using 21% marginal tax rate	185	199	554	570
Net interest income on a fully taxable equivalent basis	$15,224	$18,369	$47,328	$51,734

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 September 30		Nine months ended September 30	
	2023	2022	2023	2022
Average equity	$175,224	$179,398	$174,944	$187,183
Average goodwill and other intangibles	(29,514)	(29,605)	(29,536)	(29,630)
Average tangible equity	$145,710	$149,793	$145,408	$157,553

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