FOR IMMEDIATE RELEASE

NORWOOD FINANCIAL CORP ANNOUNCES EARNINGS FOR THE FOURTH QUARTER AND 2023 FISCAL YEAR

January 29, 2024 – 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, 2023 of $355,000 compared to the net income of $7,140,000 earned in the three months ended December 31, 2022. The decrease in net income was due primarily to a $1,939,000 decrease in net interest income, and a $5,816,000 increase in the provision for credit losses. For the year ended December 31, 2023, net income totaled $16,759,000, a decrease of $12,474,000 from net income of $29,233,000 earned in year ended December 31, 2022. The decrease includes a $6,330,000 decrease in net interest income and a $4,648,000 increase in the provision for credit losses.

Earnings per share (fully diluted) were $0.04 and $0.88 for the three-month periods ended December 31, 2023 and 2022, respectively. For the year ended December 31, 2023, earnings per share on a fully diluted basis were $2.07, compared to $3.58 for the year ended December 31, 2022. For the year ended December 31, 2023, the return on average assets was 0.79%, and the return on average equity was 9.67%, compared to 1.43% and 16.11%, respectively, for the year ended December 31, 2022.

Total assets were $2.201 billion as of December 31, 2023. As of December 31, 2023, loans receivable were $1.604 billion, total deposits were $1.795 billion and stockholders' equity was $181.1 million.

Loans receivable increased $129.7 million to $1.604 billion at December 31, 2023, from $1.474 billion at December 31, 2022. The increase in loans receivable in 2023 included an $83.9 million increase in retail loans and a $45.8 million increase in commercial loans. For the three months and year ended December 31, 2023, net charge-offs totaled $3,181,000 and $6,078,000, respectively, compared to $232,000 and $344,000, respectively, for the corresponding periods in 2022. The increase in net charge-offs for the three months and year ended December 31, 2023 was due primarily to losses on one credit relationship in the amount of $2,806,000 and $4,806,000, respectively.

Net interest income, on a fully taxable equivalent basis (fte), totaled $15,488,000 for the three months ended December 31, 2023, a decrease of $1,941,000 compared to the same period in 2022. For the year ended December 31, 2023, net interest income (fte) totaled $62,816,000, a decrease of $6,348,000 compared to 2022, due primarily to the increase in funding costs on interest-bearing liabilities in excess of the increase in the yield earned on interest earning assets.

The provision for credit losses totaled $6,116,000 for the three months ended December 31, 2023, compared to $300,000 for the three months ended December 31, 2022. The increase was required to maintain the allowance for credit losses at an adequate level based on the quarterly analysis and was due primarily to replenish the allowance for credit losses for charge-offs recorded during the period. For the year ended December 31, 2023, the provision for credit losses totaled $5,548,000 compared to $900,000 for the year ended December 31, 2022. The $4,648,000 increase in the provision for credit losses was required to replenish the allowance for credit losses for charge-offs incurred during the year ended December 31, 2023.

Other income for the three months ended December 31, 2023, totaled $2,123,000 compared to $1,926,000 for the similar period in 2022. Gains on the sale of loans, securities and foreclosed real estate increased $98,000, while service charges and fees increased $51,000. All other items of other income increased $48,000, net. Other income for the year ended December 31, 2023, totaled $8,124,000 compared to $9,932,000 in 2022, a decrease of $1,808,000 due primarily to income recognized in 2022 on previously acquired purchased impaired loans that were carried at a discount. For the year ended December 31, 2023, gains on the sale of loans and investment securities decreased $152,000 in the aggregate, compared to the year ended December 31, 2022. Gains on sales of foreclosed real estate owned decreased $347,000 during the year ended December 31, 2023, compared to the year ended December 31, 2022.

Other expenses totaled $10,849,000 for the three months ended December 31, 2023, compared to $10,275,000 in the similar period of 2022. For the year ended December 31, 2023, other expenses totaled $43,497,000 compared to $41,044,000 for 2022, an increase of $2,453,000, or 6.0%.

Mr. Donnelly commented, “Our results in 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. Our Return on Average Assets was 0.79%, and our Return on Average Equity was 9.67%. We have continued to grow our core business lines, including an 8.8% increase in loans outstanding and a 3.90% increase in total deposits. Our cash dividend of $0.30 per share declared in the fourth quarter of 2023, represents a 3.5% 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 customers and enhance shareholder value in our Company."

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, 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 December 31		Year ended December 31	
	2023	2022	2023	2022
Net interest income	$15,293	$17,232	$62,067	$68,397
Tax equivalent basis adjustment using 21% marginal tax rate	195	197	749	767
Net interest income on a fully taxable equivalent basis	$15,488	$17,429	$62,816	$69,164

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 December 31, 2023	2022	Year ended December 31, 2023	2022
Average equity	$168,320	$162,762	$173,274	$181,499
Average goodwill and other Intangibles	(29,495)	(29,582)	(29,526)	(29,618)
Average tangible equity	$138,825	$133,180	$143,748	$151,881

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