



For Immediate Release  
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**NORWOOD FINANCIAL CORP**

**ANNOUNCES SECOND QUARTER EARNINGS**

**Honesdale, Pennsylvania – July 26, 2024**

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 June 30, 2024 of \$4,213,000, which was \$2,290,000 lower than the same three-month period of last year. The decrease includes a \$717,000 decrease in net interest income, a \$424,000 increase in total other income, a \$506,000 increase in total other expense, and a \$2,097,000 increase in the provision for credit losses. Earnings per share (fully diluted) were \$0.52 in the three months ended June 30, 2024, compared to \$0.81 in the same period of last year. The annualized return on average assets for the three months ended June 30, 2024, was 0.75%, while the annualized return on average tangible equity was 11.26%.

Net income for the six months ended June 30, 2024, was \$8,646,000, which is \$3,639,000 lower than the same six-month period of 2023, due to a decrease in net interest income an increase in the provision for credit losses and an increase in operating expenses, partially offset by an increase in total other income. Earnings per share (fully diluted) for the six months ended June 30, 2024, were \$1.07, compared to \$1.51 for the six months ended June 30, 2023. The annualized return on average assets for the six months ended June 30, 2024 was 0.78%. The

annualized return on average tangible equity for the six months ended June 30, 2024 was 11.46%.

Total assets as of June 30, 2024 were \$2.235 billion, compared to \$2.142 billion at June 30, 2023. At June 30, 2024, loans receivable were \$1.623 billion, total deposits were \$1.811 billion and stockholders' equity was \$182.2 million.

For the three months ended June 30, 2024, net interest income, on a fully-taxable equivalent basis (fte), totaled \$15,124,000, a decrease of \$705,000 compared to the same period in 2023. A \$150.8 million increase in average time deposits, combined with a 126 basis points increase in the cost of time deposits, contributed to the decreased net interest income. Borrowing costs also increased, offsetting a \$4,447,000 increase in total interest income. Net interest margin (fte) for the three months ended June 30, 2024 was 2.79%, compared to 3.09% in the same period of 2023. The tax-equivalent yield on interest-earning assets increased 57 basis points to 5.14% during the three months ended June 30, 2024, compared to the same prior year period, while the cost of interest-bearing liabilities increased 108 basis points to 3.09%.

Net interest income (fte) for the six months ended June 30, 2024 totaled \$30,029,000, which was \$2,075,000 lower than the same period in 2023, due primarily to a \$11,762,000 increase in the cost of interest-bearing liabilities. The net interest margin (fte) was 2.79% for the six months ended June 30, 2024, as compared to 3.17% for the six months ended June 30, 2023. The decrease in the net interest margin (fte) was due to a 127 basis points increase in the cost of interest-bearing liabilities, which offset the 64 basis points increase in the yield on interest-earning assets.

Other income for the three months ended June 30, 2024, totaled \$2,207,000, compared to \$1,783,000 for the same period in 2023. The increase is due primarily to a \$151,000 increase in service charges on deposit accounts, and a \$212,000 loss on the sale of investment securities in 2023. For the six months ended June 30, 2024, other income totaled \$4,213,000, compared to \$3,695,000 for the six months ended June 30, 2023.

Other expenses totaled \$11,444,000 for the three months ended June 30, 2024, an increase of \$506,000, compared to the \$10,938,000 for the same period of 2023. For the six months ended June 30, 2024, other expenses totaled \$23,175,000, compared to \$21,374,000 for the same period in 2023, due primarily to an increase in professional fees, data processing costs and FDIC insurance.

Mr. Donnelly stated, “Our second quarter income decreased from the 2023 level due to a release of provision for credit losses in the three months ended June 30, 2023 and the rising cost of deposits and borrowed funds. These decreases were partially offset by a \$424,000 increase in non-interest income. On a linked-quarter basis loan growth was an annualized 4.9%. Total deposits decreased \$28 million compared to the first quarter of 2024. This was due to a seasonal outflow of municipal deposits of \$53 million offset by inflows of \$25 million of other customer funds, a 7.3% annualized increase. The net interest margin was stable at 2.79% for the first and second quarter. Our core operating expenses remain well-controlled at 2% of average assets during the quarter. Our capital base remains above “Well-Capitalized” targets. Additionally, our credit quality metrics remained strong during the second 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 4 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, among other things, 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)	<u>Three months ended</u>		<u>Six months ended</u>	
	<u>June 30</u>		<u>June 30</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Net Interest Income	\$ 14,925	\$ 15,642	\$ 29,635	\$ 31,735
Taxable equivalent basis adjustment using 21% marginal tax rate	199	187	394	369
Net interest income on a fully taxable equivalent basis	<u>\$ 15,124</u>	<u>\$ 15,829</u>	<u>\$ 30,029</u>	<u>\$ 32,104</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)	<u>Three months ended</u>		<u>Six months ended</u>	
	<u>June 30</u>		<u>June 30</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
Average equity	\$ 179,494	\$ 186,111	\$ 180,791	\$ 180,952
Average goodwill and other intangibles	(29,457)	(29,536)	(29,466)	(29,547)
Average tangible equity	<u>\$ 150,037</u>	<u>\$ 156,575</u>	<u>\$ 151,325</u>	<u>\$ 151,405</u>

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