FOR IMMEDIATE RELEASE

NORWOOD FINANCIAL CORP. ANNOUNCES FIRST QUARTER EARNINGS

Honesdale, Pennsylvania - April 19, 2019

Lewis J. Critelli, President and Chief Executive Officer of Norwood Financial Corp. (Nasdaq Global Market – NWFL) and its subsidiary, Wayne Bank, announced earnings of $3,190,000 for the three months ended March 31, 2019, increasing from the $3,129,000 recorded during the same three-month period of last year. The increase was principally due to a higher level of net interest income, which was partially offset by increased operating expenses. Earnings per share on a fully diluted basis were $0.51 in the first quarter of this year compared to $0.50 in the first quarter of 2018. The annualized return on average assets was 1.09% in the first quarter of 2019 and the annualized return on average equity was 10.37%, compared to 1.13% and 11.00%, respectively, in the first quarter of 2018.

Total assets were $1.204 billion as of March 31, 2019, an increase of $76.6 million compared to the prior year total. Total loans increased $88.5 million compared to March 31, 2018, total deposits increased $34.3 million over the past twelve months, and stockholders' equity increased $12.9 million during the past year.

Non-performing assets totaled $2.9 million or 0.24% of total assets at March 31, 2019 comprised of $1.1 million of non-performing loans and $1.8 million of foreclosed real estate owned, compared to non-performing assets of $3.1 million, or 0.28% of total assets as of March 31, 2018. Net charge-offs for the three-month period ending March 31, 2019 were $553,000 compared to $84,000 of net charge-offs in the first quarter of last year. The increase in net charge-offs was due to one credit, which was transferred to foreclosed real estate during the first quarter of 2019. The allowance for loan losses totaled $8,349,000 as of March 31, 2019 compared to $8,099,000 as of March 31, 2018. As of March 31, 2019, the allowance for loan losses was 761% of nonperforming loans, compared to 482% on March 31, 2018.

Net interest income (fully taxable equivalent, or fte) was $9,536,000 during the first quarter of 2019, which is $453,000 higher than the comparable three-month period of last year. A $90.0 million increase in average loans outstanding contributed to the increased interest income. The fte yield on interest-earning assets improved 29 basis points compared to the prior year while the cost of funds increased 40 basis points due primarily to a 64 basis point increase in the average rate paid on certificates of deposit. As a result, the annualized net interest margin (fte) decreased to 3.43% from 3.46% in the quarter ended March 31, 2018.

Other income totaled $1,560,000 in the first quarter of 2019 compared to $1,694,000 during the same period of last year. The decrease is attributable to a $142,000 reduction in net gains on sales of securities due to the absence of sales in 2019. All other categories of other income increased $8,000, net.

Operating expenses totaled $6,648,000 in the first quarter and were $400,000 higher than the $6,248,000 recorded in the same period of last year. Salaries and benefits costs rose $187,000 and data processing costs increased $129,000. All other operating expenses increased $84,000, or 3.4%, net.

Mr. Critelli stated, “Our first quarter results provide a good start for 2019 and are in-line with our budget. Our loans have increased 11.4% over the past twelve months, our core operating expenses remain well controlled, and our capital base remains above regulatory “Well Capitalized” targets. We are looking forward to expanding our markets into Luzerne County, Pennsylvania with the upcoming opening of our Hanover

Township Office. We will continue to search out opportunities available to us, and we look forward to serving our growing base of stockholders and customers."

Norwood Financial Corp. is the parent company of Wayne Bank, which operates from thirteen offices throughout Northeastern Pennsylvania and twelve offices in the Southern Tier of 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", 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 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 tax-equivalent net interest income, which is a non-GAAP (Generally Accepted Accounting Principles) financial measure. Tax-equivalent net interest income is derived from GAAP using an assumed tax rate of 21%. We believe the presentation of net interest income on a tax–equivalent basis ensures comparability of net interest income arising from both taxable and tax-exempt sources and is consistent with industry practice. The following reconciles net interest income to net interest income on a fully taxable-equivalent basis:

(dollars in thousands)	Three months ended March 31,	
	2019	2018
Net interest income	$9,271	$8,807
Tax equivalent basis adjustment	265	276
Net interest income on a fully taxable equivalent basis	$9,536	$9,083

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 reconciles average equity to average tangible equity:

(dollars in thousands)	Three months ended March 31,	
	2019	2018
Average equity	$124,746	$115,320
Goodwill and other intangibles	(11,650)	(11,772)
Average tangible equity	$113,096	$103,548

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