FOR IMMEDIATE RELEASE

NORWOOD FINANCIAL CORP
ANNOUNCES SECOND QUARTER EARNINGS

Honesdale, Pennsylvania - July 26, 2019

Lewis J. Critelli, 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, 2019 of $3,522,000, which represents an increase from the $3,513,000 earned in the similar period of 2018. Earnings per share (fully diluted) were $0.56 in both the 2019 and 2018 periods. Annualized return on average assets for the three months ended June 30, 2019 was 1.16% with an annualized return on average equity of 10.93%. Net income for the six months ended June 30, 2019 totaled $6,712,000, which is $70,000 higher than the same six-month period of last year due primarily to improved net interest income. Earnings per share (fully diluted) for the six months ended June 30, 2019 and 2018, each totaled $1.06.

Total assets as of June 30, 2019 were $1.223 billion with loans receivable of $887.7 million, deposits of $981.2 million and stockholders' equity of $131.5 million. Loans receivable increased $83.9 million since June 30, 2018 while total deposits increased $30.3 million.

Non-performing assets, which include non-performing loans and foreclosed assets, totaled $3.0 million and represented 0.25% of total assets as of June 30, 2019 compared to $2.7 million, or 0.23% of total assets, as of June 30, 2018. The increase was due primarily to a $291,000 increase in foreclosed real estate owned. The allowance for loan losses totaled $8,228,000 as of June 30, 2019 and represented 0.93% of total loans outstanding, compared to $8,326,000 and 1.04%, respectively, on June 30, 2018. As of

June 30, 2019, the reserve for loan losses was 607% of nonperforming loans compared to 655% on June 30, 2018.

For the three months ended June 30, 2019, net interest income, on a fully taxable equivalent basis (fte), totaled $9,878,000, an increase of $394,000 compared to the similar period in 2018. An $88.1 million increase in average loans outstanding contributed to the increased income. Net interest margin (fte) for the 2019 period was 3.49%, compared to 3.54% in 2018 period. The tax-equivalent yield on interest-earning assets increased 27 basis points to 4.27% compared to the prior year while the cost of interest-bearing liabilities increased 42 basis points to 1.02%. Net interest income (fte) for the six months ended June 30, 2019 totaled $19,413,000, which was $846,000 higher than the similar period in 2018 due to the higher volume of earning assets. The net interest margin (fte) was 3.46% in the 2019 period and 3.50% during the first six months of 2018. The decrease in the net interest margin (fte) reflects the increase in the rate paid on time deposits due to the renewal of maturing certificates of deposit at market rates.

Other income for the three months ended June 30, 2019 totaled $1,641,000 compared to $1,774,000 for the similar period in 2018. The decrease can be attributed to a lower level of service charges and fees and a reduction in earnings and proceeds on bank-owned life insurance policies. Net gains from the sale of loans and securities increased $73,000. For the six months ended June 30, 2019, other income totaled $3,201,000 compared to $3,468,000 in the 2018 period. Net gains from the sale of loans and securities decreased $26,000, while earnings and proceeds on bank-owned life insurance policies decreased $144,000.

Other expenses totaled $6,785,000 for the three months ended June 30, 2019, an increase of $432,000, or 6.8%, compared to the $6,353,000 reported in the similar period of 2018. Salaries and employee benefits rose $193,000 over the same period of last year while all other expenses increased $239,000, net. For the six months ended June 30, 2019, other expenses totaled $13,433,000 compared to $12,600,000 for the similar period in 2018. The increase includes a $380,000 increase in salaries and employee benefits, while all other expenses increased $453,000, or 7.9%, net.

Mr. Critelli commented, “Our earnings for the first half of 2019 have increased over the first six months of last year. Our annualized loan growth exceeded 8.0%, operating expenses remain well controlled and our capital base remains above regulatory “well capitalized” targets. The Bank also expanded its market area into Luzerne County, Pennsylvania with the recent opening of our Hanover Township Office. We 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 fourteen offices throughout Northeastern Pennsylvania and twelve offices in the Southern Tier of 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”, 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 was derived from GAAP net interest income 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 taxable equivalent basis:

	Three months ended June 30		Six months ended June 30	
(dollars in thousands)	2019	2018	2019	2018
Net Interest Income	$9,612	$9,215	$18,882	$18,022
Taxable equivalent basis adjustment using 21% marginal tax rate	266	269	531	545
Net interest income on a fully taxable equivalent basis	$9,878	$9,484	$19,413	$18,567

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 June 30 2019	Three months ended June 30 2018	Six months ended June 30 2019	Six months ended June 30 2018
Average equity	$129,215	$115,042	$126,993	$115,180
Average goodwill and other intangibles	(11,621)	(11,738)	(11,635)	(11,755)
Average tangible equity	$117,594	$103,384	$115,358	$103,425

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