



## Norwood Financial Corp Announces Earnings for the Fourth Quarter And 2022 Fiscal Year

January 27, 2023

HONESDALE, Pa., Jan. 27, 2023 (GLOBE NEWSWIRE) -- 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, 2022 of \$7,140,000 compared to the net income of \$6,638,000 earned in the three months ended December 31, 2021. The increase in net income was due primarily to a \$736,000 increase in net interest income. For the year ended December 31, 2022, net income totaled \$29,233,000, an increase of \$4,318,000 from net income of \$24,915,000 earned in year ended December 31, 2021. The increase includes a \$3,084,000 increase in net interest income and a \$3,300,000 reduction in the provision for loan losses.

Earnings per share (fully diluted) were \$0.88 and \$0.81 for the three-month periods ended December 31, 2022 and 2021, respectively. For the year ended December 31, 2022, earnings per share on a fully diluted basis were \$3.58, compared to \$3.05 for the year ended December 31, 2021. For the year ended December 31, 2022, the return on average assets was 1.43%, and the return on average equity was 16.11%, compared to 1.24% and 12.35%, respectively, for the year ended December 31, 2021.

Total assets were \$2.047 billion as of December 31, 2022. As of December 31, 2022, loans receivable were \$1.474 billion, total deposits were \$1.728 billion and stockholders' equity was \$167.1 million. The \$38.2 million decrease in stockholders' equity compared to December 31, 2021, includes a \$57.1 million decrease in accumulated other comprehensive income due to a decrease in the market value of available for sale securities related to the significant increase in interest rates during 2022.

Loans receivable increased \$119.0 million from the year-ended December 31, 2021, including a \$90.0 million increase in retail loans and a \$28.4 million increase in commercial loans. For the three months and year ended December 31, 2022, net charge-offs totaled \$232,000 and \$344,000, respectively, compared to \$111,000 and \$907,000, respectively, for the corresponding periods in 2021.

Net interest income, on a fully taxable equivalent basis (fte), totaled \$17,429,000 for the three months ended December 31, 2022, an increase of \$758,000 compared to the same period in 2021. For the year ended December 31, 2022, net interest income (fte) totaled \$69,164,000, an increase of \$3,064,000 compared to 2021, due primarily to the higher volume of earning assets, including a \$160.1 million increase in average securities available for sale.

Other income for the three months ended December 31, 2022, totaled \$1,926,000 compared to \$2,021,000 for the similar period in 2021. Gains on the sale of loans and securities decreased \$32,000, while service charges and fees decreased \$55,000. All other items of other income decreased \$8,000, net. Other income for the year ended December 31, 2022, totaled \$9,932,000 compared to \$8,361,000 in 2021, an increase of \$1,571,000 due primarily to income recognized on previously acquired purchased impaired loans that were carried at a discount. Gains on the sale of loans and investment securities decreased \$263,000 in the aggregate, while gains on sales of foreclosed real estate owned increased \$391,000.

Other expenses totaled \$10,275,000 for the three months ended December 31, 2022, compared to \$10,042,000 in the similar period of 2021. For the year ended December 31, 2022, other expenses totaled \$41,044,000 compared to \$38,614,000 for 2021, an increase of \$2,430,000, or 6.3%.

Mr. Donnelly commented, "In 2022, our earnings increased \$4.3 million over our previous record year of 2021. Our Return on Average Assets was 1.43%, and our Return on Average Equity was 16.11%. Earnings per share (fully diluted) also improved to \$3.58 per share in 2022 from \$3.04 per share in 2021. We have continued to grow our core business lines, including an 8.8% increase in loans outstanding, and maintain our strong credit quality metrics, which should bode well for future performance. Our cash dividend of \$0.29 per share declared in the fourth quarter of 2022, represents a 3.6% 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 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 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, 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 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 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		Year ended	
	December 31		December 31	
	2022	2021	2022	2021
Net interest income	\$ 17,232	\$ 16,496	\$ 68,397	\$ 65,313
Tax equivalent basis adjustment using 21% marginal tax rate	197	175	767	787
Net interest income on a fully taxable equivalent basis	<u>\$ 17,429</u>	<u>\$ 16,671</u>	<u>\$ 69,164</u>	<u>\$ 66,100</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)	Three months ended		Year ended	
	December 31,		December 31,	
	2022	2021	2022	2021
Average equity	\$ 162,762	\$ 205,053	\$ 181,499	\$ 201,681
Average goodwill and other Intangibles	(29,582)	(29,683)	(29,618)	(29,738)
Average tangible equity	<u>\$ 133,180</u>	<u>\$ 175,370</u>	<u>\$ 151,881</u>	<u>\$ 171,943</u>

### NORWOOD FINANCIAL CORP.

#### Consolidated Balance Sheets

(dollars in thousands, except share and per share data)

(unaudited)

	December 31	
	2022	2021
<b>ASSETS</b>		
Cash and due from banks	\$ 28,847	\$ 21,073
Interest-bearing deposits with banks	3,019	185,608
Cash and cash equivalents	<u>31,866</u>	206,681
Securities available for sale	418,927	406,782
Loans receivable	1,473,945	1,354,931
Less: Allowance for loan losses	<u>16,999</u>	16,442

Net loans receivable	<b>1,456,946</b>	1,338,489
Regulatory stock, at cost	<b>5,418</b>	3,927
Bank premises and equipment, net	<b>17,924</b>	17,289
Bank owned life insurance	<b>43,364</b>	40,038
Foreclosed real estate owned	<b>346</b>	1,742
Accrued interest receivable	<b>6,917</b>	5,889
Deferred tax assets, net	<b>23,549</b>	8,791
Goodwill	<b>29,266</b>	29,266
Other intangible assets	<b>306</b>	407
Other assets	<b>12,241</b>	9,203
<b>TOTAL ASSETS</b>	<b>\$ 2,047,070</b>	<b>\$ 2,068,504</b>

#### LIABILITIES

Deposits:		
Non-interest bearing demand	<b>\$ 434,529</b>	\$ 440,652
Interest-bearing	<b>1,293,198</b>	1,316,141
Total deposits	<b>1,727,727</b>	1,756,793
Short-term borrowings	<b>93,215</b>	60,822
Other borrowings	<b>40,000</b>	29,998
Accrued interest payable	<b>2,653</b>	1,203
Other liabilities	<b>16,390</b>	14,426
<b>TOTAL LIABILITIES</b>	<b>1,879,985</b>	1,863,242

#### STOCKHOLDERS' EQUITY

Preferred Stock, no par value per share, authorized 5,000,000 shares	-	-
Common Stock, \$.10 par value per share, authorized: 20,000,000 shares, issued: 2022: 8,291,401 shares, 2021: 8,266,751 shares	<b>829</b>	827
Surplus	<b>96,897</b>	96,443
Retained earnings	<b>130,020</b>	110,015
Treasury stock, at cost: 2022: 124,650 shares, 2021: 65,328 shares	<b>(3,308)</b>	(1,767)
Accumulated other comprehensive (loss) income	<b>(57,353)</b>	(256)
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>167,085</b>	205,262

#### TOTAL LIABILITIES AND

STOCKHOLDERS' EQUITY	<b>\$ 2,047,070</b>	<b>\$ 2,068,504</b>
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#### NORWOOD FINANCIAL CORP.

##### Consolidated Statements of Income

(dollars in thousands, except per share data)

(unaudited)

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	<b>2022</b>	2021	<b>2022</b>	2021
<b>INTEREST INCOME</b>				
Loans receivable, including fees	<b>\$ 17,810</b>	\$ 16,149	<b>\$ 66,013</b>	\$ 65,257
Securities	<b>2,487</b>	1,612	<b>9,051</b>	5,547
Other	<b>98</b>	92	<b>602</b>	266

Total Interest income	<b>20,395</b>	17,853	<b>75,666</b>	71,070
<b>INTEREST EXPENSE</b>				
Deposits	<b>2,772</b>	1,130	<b>6,471</b>	4,757
Short-term borrowings	<b>329</b>	71	<b>524</b>	284
Other borrowings	<b>62</b>	156	<b>274</b>	716
Total Interest expense	<b>3,163</b>	1,357	<b>7,269</b>	5,757
NET INTEREST INCOME	<b>17,232</b>	16,496	<b>68,397</b>	65,313
PROVISION FOR LOAN LOSSES	<b>\$ 300</b>	450	<b>900</b>	4,200
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	<b>16,932</b>	16,046	<b>67,497</b>	61,113
<b>OTHER INCOME</b>				
Service charges and fees	<b>1,370</b>	1,425	<b>5,661</b>	5,693
Income from fiduciary activities	<b>210</b>	198	<b>845</b>	748
Net realized gains on sales of securities	<b>3</b>	36	<b>3</b>	92
Gains on sales of loans, net	<b>1</b>	-	<b>3</b>	177
Gains on sales of foreclosed real estate owned	<b>-</b>	-	<b>427</b>	36
Earnings and proceeds on life insurance policies	<b>195</b>	174	<b>1,087</b>	941
Other	<b>147</b>	188	<b>1,906</b>	674
Total other income	<b>1,926</b>	2,021	<b>9,932</b>	8,361
<b>OTHER EXPENSES</b>				
Salaries and employee benefits	<b>5,246</b>	4,992	<b>22,071</b>	20,608
Occupancy, furniture and equipment	<b>1,263</b>	1,254	<b>4,967</b>	4,822
Data processing and related operations	<b>917</b>	655	<b>2,948</b>	2,415
Taxes, other than income	<b>239</b>	358	<b>1,013</b>	1,122
Professional fees	<b>383</b>	510	<b>1,719</b>	1,582
FDIC Insurance assessment	<b>144</b>	169	<b>612</b>	681
Foreclosed real estate	<b>7</b>	88	<b>73</b>	151
Amortization of intangibles	<b>23</b>	27	<b>101</b>	123
Other	<b>2,053</b>	1,989	<b>7,540</b>	7,110
Total other expenses	<b>10,275</b>	10,042	<b>41,044</b>	38,614
INCOME BEFORE TAX	<b>8,583</b>	8,025	<b>36,385</b>	30,860
INCOME TAX EXPENSE	<b>1,443</b>	1,387	<b>7,152</b>	5,945
NET INCOME	<b>\$ 7,140</b>	\$ 6,638	<b>\$ 29,233</b>	\$ 24,915
Basic earnings per share	<b>\$ 0.88</b>	\$ 0.81	<b>\$ 3.59</b>	\$ 3.05
Diluted earnings per share	<b>\$ 0.88</b>	\$ 0.81	<b>\$ 3.58</b>	\$ 3.05

**NORWOOD FINANCIAL CORP.**  
**Financial Highlights (Unaudited)**  
(dollars in thousands, except per share data)

**For the Three Months Ended  
December 31**

	<b>2022</b>	<b>2021</b>
Net interest income	\$ <b>17,232</b>	\$ 16,496
Net income	<b>7,140</b>	6,638

Net interest spread (fully taxable equivalent)	<b>3.30%</b>	3.29%
Net interest margin (fully taxable equivalent)	<b>3.55%</b>	3.39%
Return on average assets	<b>1.40%</b>	1.26%
Return on average equity	<b>17.40%</b>	12.84%
Return on average tangible equity	<b>21.27%</b>	15.02%
Basic earnings per share	\$ <b>0.88</b>	\$ 0.81
Diluted earnings per share	\$ <b>0.88</b>	\$ 0.81

**For the Twelve Months Ended December 31**

	<b>2022</b>	2021
Net interest income	\$ <b>68,397</b>	\$ 65,313
Net income	<b>29,233</b>	24,915
Net interest spread (fully taxable equivalent)	<b>3.38%</b>	3.39%
Net interest margin (fully taxable equivalent)	<b>3.53%</b>	3.50%
Return on average assets	<b>1.43%</b>	1.24%
Return on average equity	<b>16.11%</b>	12.35%
Return on average tangible equity	<b>19.25%</b>	14.49%
Basic earnings per share	\$ <b>3.59</b>	\$ 3.05
Diluted earnings per share	\$ <b>3.58</b>	\$ 3.04

**As of December 31**

	<b>2022</b>	2021
Total assets	\$ <b>2,047,070</b>	\$ 2,068,504
Total loans receivable	<b>1,473,945</b>	1,354,931
Allowance for loan losses	<b>16,999</b>	16,442
Total deposits	<b>1,727,727</b>	1,756,793
Stockholders' equity	<b>167,085</b>	205,262
Trust assets under management	<b>184,855</b>	195,958
Book value per share	\$ <b>20.86</b>	\$ 25.24
Tangible book value per share	\$ <b>17.24</b>	\$ 21.63
Equity to total assets	<b>8.16%</b>	9.92%
Allowance to total loans receivable	<b>1.15%</b>	1.21%
Nonperforming loans to total loans	<b>0.08%</b>	0.05%
Nonperforming assets to total assets	<b>0.07%</b>	0.12%

**NORWOOD FINANCIAL CORP.  
Consolidated Balance Sheets  
(unaudited)  
(dollars in thousands)**

	December 31	September 30	June 30	March 31	December 31
	2022	2022	2022	2022	2021
<b>ASSETS</b>					
Cash and due from banks	\$ 28,847	\$ 23,092	\$ 29,931	\$ 22,394	\$ 21,073
Interest-bearing deposits with banks	3,019	17,785	79,735	143,632	185,608
Cash and cash equivalents	31,866	40,877	109,666	166,026	206,681
Securities available for sale	418,927	427,287	440,877	434,924	406,782
Loans receivable	1,473,945	1,432,288	1,404,317	1,371,645	1,354,931

Less: Allowance for loan losses	16,999	16,931	17,017	16,660	16,442
Net loans receivable	1,456,946	1,415,357	1,387,300	1,354,985	1,338,489
Regulatory stock, at cost	5,418	2,220	2,396	3,423	3,927
Bank owned life insurance	43,364	43,169	43,167	40,215	40,038
Bank premises and equipment, net	17,924	17,427	17,032	17,022	17,289
Foreclosed real estate owned	346	346	346	590	1,742
Goodwill and other intangibles	29,572	29,595	29,619	29,646	29,673
Other assets	42,707	42,592	35,981	30,867	23,883
<b>TOTAL ASSETS</b>	<b>\$ 2,047,070</b>	<b>\$ 2,018,870</b>	<b>\$ 2,066,384</b>	<b>\$ 2,077,698</b>	<b>\$ 2,068,504</b>
<b>LIABILITIES</b>					
Deposits:					
Non-interest bearing demand	\$ 434,529	\$ 453,560	\$ 442,991	\$ 438,979	\$ 440,652
Interest-bearing deposits	1,293,198	1,315,236	1,356,839	1,342,798	1,316,141
Total deposits	1,727,727	1,768,796	1,799,830	1,781,777	1,756,793
Borrowings	133,215	71,754	74,839	90,466	90,820
Other liabilities	19,043	19,471	17,884	18,649	15,629
<b>TOTAL LIABILITIES</b>	<b>1,879,985</b>	<b>1,860,021</b>	<b>1,892,553</b>	<b>1,890,892</b>	<b>1,863,242</b>
<b>STOCKHOLDERS' EQUITY</b>	<b>167,085</b>	<b>158,849</b>	<b>173,831</b>	<b>186,806</b>	<b>205,262</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 2,047,070</b>	<b>\$ 2,018,870</b>	<b>\$ 2,066,384</b>	<b>\$ 2,077,698</b>	<b>\$ 2,068,504</b>

**NORWOOD FINANCIAL CORP.**  
**Consolidated Statements of Income**  
**(unaudited)**  
**(dollars in thousands, except per share**  
**data)**

	December 31	September 30	June 30	March 31	December 31
Three months ended	2022	2022	2022	2022	2021
<b>INTEREST INCOME</b>					
Loans receivable, including fees	\$ 17,810	\$ 17,114	\$ 15,714	\$ 15,375	\$ 16,149
Securities	2,487	2,473	2,197	1,894	1,612
Other	98	245	182	78	92
Total interest income	20,395	19,832	18,093	17,347	17,853
<b>INTEREST EXPENSE</b>					
Deposits	2,772	1,557	1,083	1,059	1,130
Borrowings	391	105	116	187	227
Total interest expense	3,163	1,662	1,199	1,246	1,357
<b>NET INTEREST INCOME</b>	<b>17,232</b>	<b>18,170</b>	<b>16,894</b>	<b>16,101</b>	<b>16,496</b>
<b>PROVISION FOR LOAN LOSSES</b>	<b>300</b>	<b>-</b>	<b>300</b>	<b>300</b>	<b>450</b>
<b>NET INTEREST INCOME AFTER PROVISION</b>					
FOR LOAN LOSSES	16,932	18,170	16,594	15,801	16,046
<b>OTHER INCOME</b>					
Service charges and fees	1,370	1,346	1,475	1,470	1,425
Income from fiduciary activities	210	219	214	202	198
Net realized gains on sales of securities	3	-	-	-	36
Gains on sales of loans, net	1	1	-	-	-
Gains on sales of foreclosed real estate owned	-	-	-	427	-

Earnings and proceeds on life insurance policies	195	267	449	176	174
Other	147	345	351	1,063	188
Total other income	1,926	2,178	2,489	3,338	2,021
OTHER EXPENSES					
Salaries and employee benefits	5,246	5,553	5,840	5,431	4,992
Occupancy, furniture and equipment, net	1,263	1,191	1,206	1,307	1,254
Foreclosed real estate	7	4	10	53	88
FDIC insurance assessment	144	143	142	183	169
Other	3,615	3,248	3,274	3,183	3,539
Total other expenses	10,275	10,139	10,472	10,157	10,042
INCOME BEFORE TAX	8,583	10,209	8,611	8,982	8,025
INCOME TAX EXPENSE	1,443	2,100	1,756	1,854	1,387
NET INCOME	\$ 7,140	\$ 8,109	\$ 6,855	\$ 7,128	\$ 6,638
Basic earnings per share	\$ 0.88	\$ 1.00	\$ 0.84	\$ 0.87	\$ 0.81
Diluted earnings per share	\$ 0.88	\$ 1.00	\$ 0.84	\$ 0.87	\$ 0.81
Book Value per share	\$ 20.86	\$ 19.92	\$ 21.65	\$ 22.99	\$ 25.24
Tangible Book Value per share	17.24	16.29	18.02	19.37	21.63
Return on average assets (annualized)	1.40%	1.57%	1.35%	1.39%	1.26%
Return on average equity (annualized)	17.40%	17.93%	15.19%	14.22%	12.84%
Return on average tangible equity (annualized)	21.27%	21.48%	18.16%	16.65%	15.02%
Net interest spread (fte)	3.30%	3.61%	3.40%	3.22%	3.29%
Net interest margin (fte)	3.55%	3.74%	3.49%	3.32%	3.39%
Allowance for loan losses to total loans	1.15%	1.18%	1.21%	1.21%	1.21%
Net charge-offs to average loans (annualized)	0.06%	0.02%	-0.02%	0.02%	0.03%
Nonperforming loans to total loans	0.08%	0.04%	0.04%	0.05%	0.05%
Nonperforming assets to total assets	0.07%	0.05%	0.05%	0.06%	0.12%

Contact:

William S. Lance  
Executive Vice President & Chief Financial Officer  
NORWOOD FINANCIAL CORP  
570-253-8505  
[www.waynebank.com](http://www.waynebank.com)