

Norwood Financial Corp. (Q4 2025 Earnings)
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Corporate Speakers:

- Kristen Lancia; Norwood Financial Corp.; Vice President and Marketing Manager
- James Donnelly; Norwood Financial Corp.; Chief Executive Officer
- John McCaffery; Norwood Financial Corp.; Chief Financial Officer

PRESENTATION

Operator^ (technical difficulty)

Kristen Lancia^ Thank you, [Michelle]. Good morning, everyone. Welcome to our Q4 2025 Earnings Conference Call. With me today are Jim Donnelly, CEO, and John McCaffery, CFO. The press release we issued earlier this morning, together with the presentation materials that accompanies our remarks, are available on the Investor Relations section of our web page.

Comments made by any participant on today's call may include forward-looking statements. These statements are subject to various risks and uncertainties and other factors that are difficult to predict. Actual results may differ materially from those expressed or implied and we assume no obligation to update any forward-looking information. Please refer to our most recent Form 10-K and other subsequent reports filed with the SEC for more information about risks related to forward-looking statements.

During our discussion, we may refer to certain non-GAAP financial measures. These measures are used for analysts, investors and management to evaluate ongoing performance. A reconciliation of these measures to GAAP financial results is provided in our presentation materials.

I will now turn the call over to Jim.

James Donnelly^ Thank you, Kristen. Good morning, to everyone. We ended 2025 on a positive note and with good momentum, as the team achieved strong results by continuing to serve our customers and communities. We maintain focus on our mission to make every day better even while we closed on the Presence Bank acquisition. We expanded our net interest spread by 62 basis points, increasing net interest income, 62% compared with the fourth quarter of 2024. Net income and earnings per share more than doubled on an adjusted basis, and we improved returns on both average assets and tangible equity.

By nearly any measure, 2025 was a great year. The improvement in our results and financial position are a result of our portfolio repositioning we completed in 2024 -- December of 2024 as well as strong loan and deposit growth. That activity combined, result in a more robust balance sheet and higher quality earnings. That was the right thing

to do for our bank, our customers and our shareholders. It served us well in 2025 and should continue to benefit us in 2026.

Our biggest achievement in 2025 was announcing and preparing for the acquisition of Presence Bank that closed on January 5. Presence Bank is a nearly 106-year-old institution that shared our values, culture and commitment to high-quality customer service. With this acquisition, we have grown our asset base by 20%, increased our size by adding four branches in the coveted Southeast and South Central Pennsylvania region and has enhanced our talent base with additional excellent employees.

These additions better position us to serve our communities and bring value to our customers, whether they be small business owners looking to invest and expand their enterprises, homeowners looking to utilize the equity in their residents to fund college education for their children, or consumers online tools to help manage their finances. I am pleased with our performance in 2025 and proud of what we were able to accomplish. We have had great momentum, achieving strong results, and we're able to do the additional work to close the Presence Bank acquisition at the beginning of this year.

Looking forward, we have established four strategic priorities as we enter 2026 to continue to build on that momentum. The first is successfully integrate all activity with Presence Bank and the acquisition. With the acquisition now closed, we are moving forward with a sense of urgency to integrate the two organizations, driving uniform systems, and operating practices across the new combined entity. We will be bringing the acquired businesses and branches under our new brand and unifying all the branches.

This alignment enhances the brand recognition and makes it easier for customers to connect to us online -- connect with us online in a branch or in a community and we will also engage in open conversations across locations, functions, evaluating current practices of each company and adopting the best-in-class policies that will allow us to serve our communities in the best way possible.

One example is our use of AI, which is foundational in the second objective of exploring ways to increase operational efficiency and elevate customer experience. Presence Bank has implemented advanced AI tools in their commercial systems which we are adopting as part of our integration. We are using AI to supplement and enhance the work of our talented credit officers in drafting credit narratives, summarizing financials, and confirm required documentation. This will allow us to underwrite deals more quickly and to do more deals with our existing team.

As we move with our integration, we will evaluate these tools and deploy those that increase operating efficiency across our organization. This will empower our employees to focus on high-value activities that improve customer experience, which is critical to the success of our company. Although we are moving forward with a sense of urgency, we are not rushed, and we will be thoughtful and measured in our progress to limit and eliminate disruptions for our customers and our employees.

Third, we are focused on strengthening our talent pool and deepening our leadership bench. As a regional bank with a prominent presence within communities we serve, it is much more than a cliché to say that our people are our greatest asset. Whether teller customer service representative, branch manager, regional manager or executive leadership, our entire organization is committed to the proposition of delivering financial solutions along with an outstanding experience for all of our customer engagements.

Beyond that, as members of our community, our team members act in ways that make our communities better. With the Presence Bank acquisition, I am pleased to welcome Janak Amin as our new Chief Operating Officer. We have also recently added Larry Witt as the Chief Information Officer, and Doug Byers as the Market Executive and Head of Treasury Management. Finally, I am pleased to welcome Joseph Carroll and Spencer Andress to the Norwood Board of Directors. All of these additions plus the entire Presence Bank team make us a stronger bank and I am excited to see what we are able to accomplish together. Our results in 2025 were strong before adding these growth areas served by Presence Bank. I think they will only make us better and stronger.

Finally, everything we do as an executive leadership team is designed to increase shareholder value. John McCaffery will cover a nice accretion that we have added to shareholder value in 2025 as we have grown the balance sheet and profitably later this -- in this call will let me say an impressive testament to our shareholder focus. We will manage our deposits and assets to maintain our strong financial position, ensuring that we are positioned to continue serving our communities for years to come. We will actively grow our assets through increased deposits and investment decisions as well as strategic M&A when attractive and fairly valued target is available. Finally, we will combine these activities with capital allocation framework that includes returning cash to shareholders through a reliable and growing dividend.

I firmly believe that these priorities will allow us to continue to create value and building momentum in 2026 and beyond.

I will now turn the call over to John to walk us through the results.

John McCaffery^ Thank you, Jim. Good morning, everybody. I'm going to just walk through the fourth quarter results. And for the fourth quarter, we once again demonstrated our ability to improve financial results, continuing the trend that began with our balance sheet repositioning back in December 2024. Our net interest income increased by \$0.5 million on a linked-quarter basis, while the margin itself did drop 3 basis points, this was due to loan growth in the quarter as well as some outflow -- seasonal outflow of municipal deposits on a temporary basis.

Below the margin line, our quarterly results do continue to include merger charges. We had about \$520,000 in merger charges in the quarter. We've adjusted our returns in the press release to be able to show you performance ratios without the impact of these expenses. We also reported last year's numbers net of the loss on these securities as well.

We're also, again, trying to look at a pre-provision net revenue number across the entire span of the press release.

Our unadjusted preprovision net revenue decreased by 2% on a linked quarter basis and an invested basis, mostly due to higher expenses during the quarter, and we'll get to that in a minute. Excluding losses from sales of securities related to our portfolio repositioning in 2024, noninterest income for the year increased in the same period, most of the growth coming from fees on our loans and deposit products. Quarterly expenses year-over-year were up 1.5% from the fourth quarter of '24.

On a linked quarter basis, expenses were up 5% and due to several factors in the quarter including lower loan volumes resulting in lower expense deferrals, and we had some vesting of restricted stock for long-term retiring employees in the quarter. In addition, we had some elevated incentive accruals based upon the improved performance in the second half of 2025.

Credit metrics continue to improve year-over-year as nonperforming loans as a percentage of total loans decreased and our reserves to nonperforming assets increased. The overall theme of the quarter were continued profitable growth, sound balance sheet management and benign credit. These themes have aligned to deliver a solid quarter and leave our company well positioned for the future.

Jim and I will now be happy to answer any questions you may have. Operator, please provide instructions for asking a question.

QUESTIONS AND ANSWERS

Operator^ (Operator Instructions) Okay. I am not showing any questions at this time. So I will now turn it back over to Jim.

James Donnelly^ Thank you. And thank you once again for joining us this morning. We are pleased with our accomplishments in 2025 and optimistic for what we will achieve in 2026. With a larger asset base, expanded geographic coverage and a stronger team to serve our customers and our communities, I believe that our best days are ahead, and I look forward to updating you as we continue to make progress. Have a great day.

Operator^ This concludes today's conference call. Thank you for participating. And you may now disconnect.