

To Our Stockholders...

We are pleased to enclose your quarterly dividend payment of \$0.31 per share which is payable on May 1, 2025, to stockholders of record on April 15, 2025. This payment represents a dividend yield of 5.13% based on the closing price of our stock as of March 31, 2025, and reflects a 3.3% increase over the cash dividend declared in the same period of last year. If you are participating in the Dividend Reinvestment Plan, your dividends will purchase additional shares of stock.

Net income for the three months ended March 31, 2025, was \$5.773 million. This result is reflective of the repositioning of our underperforming bond portfolio which was completed in December 2024, as well as continued strong balance sheet growth and prudent expense control.

Total assets as of March 31, 2025 were \$2.376 billion, compared to \$2.260 billion at March 31, 2024. At March 31, 2025, loans receivable were \$1.771 billion, total deposits were \$2.004 billion, and stockholders' equity was \$220.7 million.

For the three months ended March 31, 2025, net interest income, on a fully taxable equivalent basis (fte), totaled \$18.1 million, an increase of \$3.15 million compared to the same period in 2024. A \$79 million increase in average interest-earning assets, generated an increase in interest income of \$3.4 million. Net interest margin (fte) for the three months ended March 31, 2025, was 3.30%, compared to 2.80% in the same period of 2024. The tax-equivalent yield on interest-earning assets increased 44 basis points to 5.54% during the three months ended March 31, 2025, compared to the same prior year period, while the cost of interest-bearing liabilities decreased 10 basis points to 3.92%.

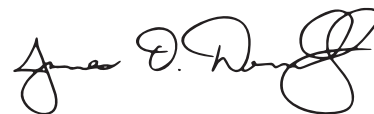
Other income for the three months ended March 31, 2025, totaled \$2.4 million, compared to \$2.0 million for the same period in 2024.

Other expenses totaled \$12.1 million for the three months ended March 31, 2025, an increase of \$0.4 million, compared to the \$11.7 million for the same period of 2024.

Our capital base remains above "Well-Capitalized" targets. Additionally, our credit quality metrics remained strong during the first 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 shareholders and customers.

Norwood Financial Corp is the parent company of Wayne Bank, which operates from sixteen offices throughout Northeastern Pennsylvania and fourteen offices in Delaware, Sullivan, Ontario, Otsego and Yates Counties, New York. The Company's stock trades on the Nasdaq Global Market under the symbol "NWFL". For over 150 years, Wayne Bank has been a symbol of strength, safety and security for the communities, customers and stockholders we serve. We are very proud to carry on that tradition and truly appreciate the confidence you have placed in us. We value your investment in Norwood and look forward to serving all your financial needs.



James O. Donnelly
President and Chief Executive Officer

Beginning with the second quarter of 2025, we will provide this letter and accompanying financial highlights on our website at wayne.bank/shareholder-services.

Please visit this site for additional information and to help you stay informed on our progress.



Financial Highlights

(unaudited)

(dollars in thousands, except per share data)

For the Three Months Ended March 31

	2025	2024
Net interest income	\$ 17,857	\$ 14,710
Net income	5,773	4,433
Net interest spread (fte)	2.61%	2.08%
Net interest margin (fte)	3.30%	2.80%
Return on average assets	1.01%	.80%
Return on average equity	10.73%	9.79%
Return on average tangible equity	12.40%	11.68%
Basic earnings per share	\$ 0.63	\$ 0.55
Diluted earnings per share	\$ 0.63	\$ 0.55

As of March 31

Total assets	\$2,376,044	\$2,260,423
Total loans receivable	1,771,269	1,621,448
Allowance for credit losses	20,442	18,020
Total deposits	2,004,448	1,838,998
Stockholders' equity	220,707	181,213
Trust assets under management	198,761	202,020
Book value per share	\$ 23.84	\$ 22.34
Tangible book value per share	20.66	18.71
Equity to total assets	9.29%	8.02%
Allowance to total loans receivable	1.15%	1.11%
Nonperforming loans to total loans	0.45%	0.23%
Nonperforming assets to total assets	0.33%	0.17%



BANK WITH CONFIDENCE.

Quarterly
Report
for Quarter
Ended
March 31,

2025

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www.waynebank.com • Nasdaq symbol: NWFL

Consolidated Balance Sheets (unaudited)

(dollars in thousands, except share data)

	March 31	
	2025	2024
ASSETS		
Cash and due from banks	\$ 31,729	\$ 19,519
Interest-bearing deposits with banks	43,678	92,444
Cash and cash equivalents	75,407	111,963
Securities available for sale	408,742	398,374
Loans receivable	1,771,269	1,621,448
Less: Allowance for credit losses	20,442	18,020
Net loans receivable	1,750,827	1,603,428
Regulatory stock, at cost	7,616	6,545
Bank premises and equipment, net	20,273	18,057
Bank owned life insurance	46,914	45,869
Foreclosed real estate owned	0	97
Accrued interest receivable	8,587	8,135
Deferred tax assets, net	17,859	21,642
Goodwill	29,266	29,266
Other intangible assets	136	202
Other assets	10,417	16,845
TOTAL ASSETS	\$ 2,376,044	\$ 2,260,423
LIABILITIES		
Deposits:		
Non-interest bearing demand	\$ 391,377	\$ 383,362
Interest-bearing	1,613,071	1,455,636
Total deposits	2,004,448	1,838,998
Short-term borrowings	0	60,055
Other borrowings	118,590	151,179
Accrued interest payable	13,864	11,737
Other liabilities	18,435	17,241
TOTAL LIABILITIES	\$ 2,155,337	\$ 2,079,210
STOCKHOLDERS' EQUITY		
Preferred Stock, no par value per share, authorized 5,000,000 shares	0	0
Common stock, \$.10 par value per share, authorized: 20,000,000 shares issued: 2024: 9,487,068 shares, 2023: 8,310,847 shares	\$ 949	\$ 831
Surplus	126,785	97,893
Retained earnings	127,865	137,285
Treasury stock, at cost: 2024: 214,161 shares, 2023: 200,690 shares	(6,208)	(5,397)
Accumulated other comprehensive loss	(28,684)	(49,399)
TOTAL STOCKHOLDERS' EQUITY	220,707	181,213
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 2,376,044	\$ 2,260,423

Consolidated Statements of Income (unaudited)

(dollars in thousands, except per share data)

	Three Months Ended March 31	
	2025	2024
INTEREST INCOME		
Loans receivable, including fees	\$ 25,988	\$ 23,681
Securities	3,870	2,526
Other	226	731
Total interest income	30,084	26,938
INTEREST EXPENSE		
Deposits	10,748	10,110
Short-term borrowings	458	336
Other borrowings	1,021	1,782
Total interest expense	12,227	12,228
NET INTEREST INCOME	17,857	14,710
(RELEASE OF) PROVISION FOR CREDIT LOSSES	857	(624)
NET INTEREST INCOME AFTER (RELEASE OF) PROVISION FOR CREDIT LOSSES	17,000	15,334
OTHER INCOME		
Service charges and fees	1,513	1,343
Income from fiduciary activities	325	238
Gain on sales of loans, net	47	6
Earnings and proceeds on life insurance policies	286	268
Other	180	151
Total other income	2,351	2,006
OTHER EXPENSES		
Salaries and employee benefits	6,472	6,135
Occupancy, furniture and equipment	1,378	1,261
Data processing and related operations	1,085	1,022
Taxes, other than income	192	93
Professional fees	659	585
FDIC Insurance assessment	406	361
Foreclosed real estate	4	21
Amortization of intangibles	15	19
Other	1,853	2,235
Total other expenses	12,064	11,732
INCOME BEFORE TAX	7,287	5,608
INCOME TAX EXPENSE	1,514	1,175
NET INCOME	5,773	4,433
Basic earnings per share	\$ 0.63	\$ 0.55
Diluted earnings per share	\$ 0.63	\$ 0.55