UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2026

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission file number 0-28364

Norwood Financial Corp

(Exact name of registrant as specified in its charter)

Pennsylvania **(State or other jurisdiction of incorporation or organization)**	**23-2828306** **(I.R.S. employer identification no.)**
717 Main Street, Honesdale, Pennsylvania **(Address of principal executive offices)**	**18431** **(Zip Code)**

Registrant's telephone number, including area code (570) 253-1455

N/A

Former name, former address and former fiscal year, if changed since last report.

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.10 per share	**NWFL**	**The Nasdaq Stock Market LLC**

Indicate by check (x) whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer", "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐	Smaller reporting company	☒
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act): ☐ Yes ☒ No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding as of November 1, 2026
Common stock, par value $0.10 per share	10,915,280

NORWOOD FINANCIAL CORP
FORM 10-Q
FOR THE QUARTER ENDED SEPTEMBER 30, 2026

		Page Number
PART I -	CONSOLIDATED FINANCIAL INFORMATION OF NORWOOD FINANCIAL CORP	3
Item 1.	Financial Statements (unaudited)	3
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	39
Item 3.	Quantitative and Qualitative Disclosures about Market Risk	53
Item 4.	Controls and Procedures	55
PART II -	OTHER INFORMATION	56
Item 1.	Legal Proceedings	56
Item 1A.	Risk Factors	56
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	56
Item 3.	Defaults Upon Senior Securities	57
Item 4.	Mine Safety Disclosures	57
Item 5.	Other Information	57
Item 6.	Exhibits	57
Signatures		58

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

NORWOOD FINANCIAL CORP
Consolidated Balance Sheets (unaudited)
(dollars in thousands, except share and per share data)

	September 30, 2026	December 31, 2025
ASSETS		
Cash and due from banks	$ 19,857	$ 32,118
Interest-bearing deposits with banks	52,667	12,318
Cash and cash equivalents	72,524	44,436
Securities available for sale, at fair value (net of allowance for credit losses of $0)	429,492	408,782
Loans receivable (net of allowance for credit losses of $25,146 and $19,882)	2,269,321	1,833,540
Regulatory stock, at cost	8,460	6,623
Bank premises and equipment, net	25,140	22,971
Bank owned life insurance	62,738	46,089
Accrued interest receivable	10,609	9,250
Foreclosed real estate owned	771	771
Deferred tax assets, net	22,982	14,654
Goodwill	36,375	29,266
Other intangibles	2,992	98
Other assets	10,153	8,362
TOTAL ASSETS	$ 2,951,557	$ 2,424,842
LIABILITIES		
Deposits:		
Non-interest bearing demand	$ 487,753	$ 419,597
Interest-bearing	2,021,227	1,659,048
Total deposits	2,508,980	2,078,645
Short-term borrowings	56,124	14,714
Other borrowings	62,728	59,419
Accrued interest payable	10,467	12,138
Other liabilities	29,897	17,769
TOTAL LIABILITIES	2,668,196	2,182,685
STOCKHOLDERS' EQUITY		
Preferred stock, no par value per share, authorized: 5,000,000 shares; issued: none	—	—
Common stock, $0.10 par value per share, authorized: 20,000,000 shares, issued: 2026: 11,184,631 shares, 2025: 9,516,503 shares	1,118	952
Surplus	174,650	127,426
Retained earnings	154,956	141,130
Treasury stock at cost: 2026: 269,841 shares; 2025: 222,645 shares	(7,390)	(6,008)
Accumulated other comprehensive loss	(39,973)	(21,343)
TOTAL STOCKHOLDERS' EQUITY	283,361	242,157
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 2,951,557	$ 2,424,842

See accompanying notes to the unaudited consolidated financial statements.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2026	2025	2026	2025
INTEREST INCOME				
Loans receivable, including fees	$ 36,635	$ 28,141	$ 106,093	$ 81,244
Securities	4,472	3,907	13,076	11,648
Interest bearing deposits with other banks	354	144	1,132	590
Total interest income	41,461	32,192	120,301	93,482
INTEREST EXPENSE				
Deposits	12,775	10,730	38,462	32,347
Short-term borrowings	37	105	128	774
Other borrowings	640	899	2,309	2,981
Total interest expense	13,452	11,734	40,899	36,102
NET INTEREST INCOME	28,009	20,458	79,402	57,380
PROVISION FOR CREDIT LOSSES				
Provision for credit losses	233	(392)	3,589	1,372
Provision for off balance sheet commitments	(133)	(110)	(86)	(67)
Total provision for credit losses	100	(502)	3,503	1,305
NET INTEREST INCOME AFTER PROVISION FOR CREDIT LOSSES	27,909	20,960	75,899	56,075
OTHER INCOME				
Service charges and fees	2,004	1,660	5,425	4,687
Income from fiduciary activities	265	254	751	805
Gains on sales of loans, net	58	130	188	242
Earnings and proceeds on bank owned life insurance	334	268	974	820
Other	259	193	824	551
Total other income	2,920	2,505	8,162	7,105
OTHER EXPENSES				
Salaries and employee benefits	8,274	6,696	25,497	19,773
Occupancy, furniture & equipment, net	1,521	1,361	4,815	4,088
Data processing and related operations	1,650	1,087	4,660	3,361
Taxes, other than income	145	192	521	577
Professional fees	530	400	1,952	1,532
Federal Deposit Insurance Corporation insurance	639	368	1,574	1,129
Foreclosed real estate	58	1	125	143
Amortization of intangibles	162	12	493	42
Merger-related expenses	—	568	4,994	718
Other	2,573	2,249	7,704	6,166
Total other expenses	15,552	12,934	52,335	37,529
INCOME BEFORE INCOME TAXES	15,277	10,531	31,726	25,651
INCOME TAX EXPENSE	3,514	2,197	6,905	5,338
NET INCOME	$ 11,763	$ 8,334	$ 24,821	$ 20,313
BASIC EARNINGS PER SHARE	$ 1.08	$ 0.89	$ 2.29	$ 2.22
DILUTED EARNINGS PER SHARE	$ 1.08	$ 0.89	$ 2.29	$ 2.22

See accompanying notes to the unaudited consolidated financial statements.

NORWOOD FINANCIAL CORP
Consolidated Statements of Comprehensive Income (unaudited)
(dollars in thousands)

	Three Months Ended September 30,	
	2026	2025
Net income	$ 11,763	$ 8,334
Other comprehensive (loss) income		
Investment securities available for sale:		
Unrealized holding (losses) gains	(19,531)	4,806
Tax effect	4,101	(1,009)
Other comprehensive (loss) income	(15,430)	3,797
Comprehensive (Loss) Income	$ (3,667)	$ 12,131

	Nine Months Ended September 30,	
	2026	2025
Net income	$ 24,821	$ 20,313
Other comprehensive (loss) income		
Investment securities available for sale:		
Unrealized holding (losses) gains	(23,582)	11,913
Tax effect	4,952	(2,500)
Other comprehensive (loss) income	(18,630)	9,413
Comprehensive Income	$ 6,191	$ 29,726

See accompanying notes to the unaudited consolidated financial statements.

NORWOOD FINANCIAL CORP
Consolidated Statements of Changes in Stockholders' Equity (unaudited)
Nine Months Ended September 30, 2026 and 2025
(dollars in thousands, except share and per share data)

	Common Stock			Retained	Treasury Stock		Accumulated Other Comprehensive	
	Shares	Amount	Surplus	Earnings	Shares	Amount	Loss	Total
Balance, December 31, 2025	9,516,503	$ 952	$ 127,426	$ 141,130	222,645	$ (6,008)	$ (21,343)	$ 242,157
Net income	-	-	-	24,821	-	-	-	24,821
Other comprehensive loss	-	-	-	-	-	-	(18,630)	(18,630)
PB Bankshares, Inc Acquisition	1,662,935	166	46,396	-	81,201	(2,296)	-	44,266
Cash dividends declared ($0.96 per share)	-	-	-	(10,995)	-	-	-	(10,995)
Acquisition of treasury stock	-	-	-	-	16	(1)	-	(1)
Compensation expense related to restricted stock	-	-	405	-	-	-	-	405
Director retainer stock	5,193	-	160	-	-	-	-	160
Stock options exercised	-	-	41	-	(34,021)	915	-	956
Compensation expense related to stock options	-	-	222	-	-	-	-	222
Balance, September 30, 2026	11,184,631	$ 1,118	$ 174,650	$ 154,956	269,841	$ (7,390)	$ (39,973)	$ 283,361

	Common Stock			Retained	Treasury Stock		Accumulated Other Comprehensive	
	Shares	Amount	Surplus	Earnings	Shares	Amount	Loss	Total
Balance, December 31, 2024	9,487,068	$ 949	$ 126,514	$ 124,963	214,161	$ (5,797)	$ (33,121)	$ 213,508
Net income	-	-	-	20,313	-	-	-	20,313
Other comprehensive income	-	-	-	-	-	-	9,413	9,413
Cash dividends declared ($0.93 per share)	-	-	-	(8,614)	-	-	-	(8,614)
Acquisition of treasury stock	-	-	-	-	15,822	(349)	-	(349)
Compensation expense related to restricted stock	1,220	-	412	-	-	(62)	-	350
Director retainer stock	3,270	-	84	-	-	-	-	84
Stock options exercised	-	-	(6)	-	(750)	20	-	14
Compensation expense related to stock options	-	-	186	-	-	-	-	186
Balance, September 30, 2025	9,491,558	$ 949	$ 127,190	$ 136,662	229,233	$ (6,188)	$ (23,708)	$ 234,905

NORWOOD FINANCIAL CORP
Consolidated Statements of Changes in Stockholders' Equity (unaudited)
Three Months Ended September 30, 2026 and 2025
(dollars in thousands, except share and per share data)

	Common Stock			Retained	Treasury Stock		Accumulated Other Comprehensive	
	Shares	Amount	Surplus	Earnings	Shares	Amount	Loss	Total
Balance, June 30, 2026	11,183,140	$ 1,118	$ 174,337	$ 146,685	290,841	$ (7,957)	$ (24,543)	$ 289,640
Net income	-	-	-	11,763	-	-	-	11,763
Other comprehensive loss	-	-	-	-	-	-	(15,430)	(15,430)
Cash dividends declared ($0.32 per share)	-	-	-	(3,492)	-	-	-	(3,492)
Compensation expense related to restricted stock	-	-	134	-	-	-	-	134
Director retainer stock	1,491	-	50	-	-	-	-	50
Stock options exercised	-	-	55	-	(21,000)	567	-	622
Compensation expense related to stock options	-	-	74	-	-	-	-	74
Balance, September 30, 2026	11,184,631	$ 1,118	$ 174,650	$ 154,956	269,841	$ (7,390)	$ (39,973)	$ 283,361

	Common Stock			Retained	Treasury Stock		Accumulated Other Comprehensive	
	Shares	Amount	Surplus	Earnings	Shares	Amount	Loss	Total
Balance, June 30, 2025	9,490,505	$ 949	$ 126,990	$ 131,199	229,983	$ (6,208)	$ (27,505)	$ 225,425
Net income	-	-	-	8,334	-	-	-	8,334
Other comprehensive income	-	-	-	-	-	-	3,797	3,797
Cash dividends declared ($0.31 per share)	-	-	-	(2,871)	-	-	-	(2,871)
Compensation expense related to restricted stock	-	-	117	-	-	-	-	117
Director retainer stock	1,053	-	27		-	-		27
Stock options exercised	-	-	(6)	-	(750)	20	-	14
Compensation expense related to stock options	-	-	62	-	-	-	-	62
Balance, September 30, 2025	9,491,558	$ 949	$ 127,190	$ 136,662	229,233	$ (6,188)	$ (23,708)	$ 234,905

See accompanying notes to the unaudited consolidated financial statements.

NORWOOD FINANCIAL CORP
Consolidated Statements of Cash Flows (Unaudited)

(dollars in thousands)

	Nine Months Ended September 30,	
	2026	2025
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 24,821	$ 20,313
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for credit losses	3,503	1,305
Depreciation	1,309	1,020
Amortization of intangible assets	493	42
Deferred income taxes	(40)	(1,334)
Net accretion of securities premiums and discounts	(906)	(470)
Earnings and proceeds on life insurance policies	(974)	(820)
Loss (gains) on sales and write-downs of fixed assets and foreclosed real estate owned, net	71	(9)
Net amortization of loan fees	487	577
Net gain on sale of loans	(188)	(242)
Mortgage loans originated for sale	(7,810)	(9,823)
Proceeds from sale of loans originated for sale	7,998	10,065
Compensation expense related to stock options	222	186
Compensation expense related to restricted stock	405	350
Increase (decrease) in accrued interest receivable	121	(220)
Decrease in accrued interest payable	(2,643)	(2,792)
Other, net	6,518	7,044
Net cash provided by operating activities	33,387	25,192
CASH FLOWS FROM INVESTING ACTIVITIES		
Securities available for sale:		
Proceeds from maturities and principal reductions on mortgage-backed securities	49,316	41,714
Purchases	(73,974)	(35,473)
Purchase of regulatory stock	(7,606)	(14,245)
Redemption of regulatory stock	7,812	21,448
Net increase in loans	(97,020)	(97,316)
Proceeds from bank-owned life insurance	—	1,656
Purchase of bank owned life insurance	(7,000)	—
Purchase of premises and equipment	(1,268)	(3,646)
Acquisition, net of cash and cash equivalents acquired	57,020	—
Net cash used in investing activities	(72,720)	(85,862)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net increase in deposits	73,739	214,805
Net increase (decrease) in short-term borrowings	41,410	(113,069)
Repayments of other borrowings	(38,528)	(69,722)
Proceeds from other borrowings	155	40,000
Stock options exercised	956	14
Purchase of treasury stock	(1)	(349)
Proceeds from capital issuance	166	—
Cash dividends paid	(10,476)	(8,618)
Net cash provided by financing activities	67,421	63,061
Increase in cash and cash equivalents	28,088	2,391
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	44,436	72,339
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 72,524	$ 74,730

(dollars in thousands)

	Nine Months Ended September 30,	
	2026	2025
Supplemental Disclosures of Cash Flow Information		
Cash payments for:		
Interest on deposits and borrowings	$ 42,570	$ 38,894
Income taxes paid, net of refunds	$ 4,795	$ 1,371
Supplemental Schedule of Noncash Investing Activities:		
Transfers of loans to foreclosed real estate and repossession of other assets	$ 2,038	$ 2,448
Dividends payable	$ 3,493	$ 2,871
Right of use for operating leases	$ 1,596	$ —
Lease liability for operating leases	$ 1,596	$ —

Merger with PB Bankshares

Fair Value of assets acquired in business combination, excluding cash (1)	$ 415,124
Goodwill recorded (1)	$ 7,109
Fair Value of liabilities assumed in business combination (1)	$ 407,217
Fair Value of shares issued in business combination (1)	$ 44,266

(1) Includes impact of PB Bankshares acquisition on January 5, 2026. See Note 13 to the Consolidated Financial Statements for more information.

See accompanying notes to the unaudited consolidated financial statements.

Notes to the Unaudited Consolidated Financial Statements

1. Basis of Presentation

The unaudited consolidated financial statements include the accounts of Norwood Financial Corp (the "Company") and its wholly-owned subsidiary, Wayne Bank (the "Bank"), and the Bank's wholly-owned subsidiaries, WCB Realty Corp., Norwood Investment Corp., and WTRO Properties, Inc. All significant intercompany accounts and transactions have been eliminated in consolidation.

The accompanying unaudited consolidated financial statements have been prepared in conformity with generally accepted accounting principles for interim financial statements and with instructions to Form 10-Q. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and revenues and expenses for the period. Actual results could differ from those estimates. The financial statements reflect, in the opinion of management, all normal, recurring adjustments necessary to present fairly the consolidated financial position and results of operations of the Company. The operating results for the three-month and nine-month periods ended September 30, 2026, are not necessarily indicative of the results that may be expected for the year ending December 31, 2026 or any other future interim period.

2. Revenue Recognition

Under ASC Topic 606, management determined that the primary sources of revenue emanating from interest and dividend income on loans and investments along with noninterest revenue resulting from investment security gains, loan servicing, gains on the sale of loans sold and earnings on bank-owned life insurance are not within the scope of this Topic.

The following presents noninterest income, segregated by revenue streams in-scope and out-of-scope of Topic 606, for the three-month and nine-month periods ended September 30:

(dollars in thousands)	Three months ended September 30,	
Noninterest Income	2026	2025
In-scope of Topic 606:		
Service charges on deposit accounts	$ 133	$ 121
ATM fees	49	50
Overdraft fees	472	399
Safe deposit box rental	16	22
Loan related service fees	277	181
Debit card fees	745	634
Fiduciary activities	265	254
Commissions on mutual funds and annuities	265	188
Other income	259	193
Noninterest Income (*in-scope of Topic 606*)	2,481	2,042
Out-of-scope of Topic 606:		
Loan servicing fees	47	65
Gains on sales of loans	58	130
Earnings on and proceeds from bank-owned life insurance	334	268
Noninterest Income (*out-of-scope of Topic 606*)	439	463
Total Noninterest Income	$ 2,920	$ 2,505

(dollars in thousands)	Nine months ended September 30,	
Noninterest Income	2026	2025
In-scope of Topic 606:		
Service charges on deposit accounts	$ 427	$ 348
ATM fees	131	205
Overdraft fees	1,349	1,146
Safe deposit box rental	70	68
Loan related service fees	635	462
Debit card fees	2,126	1,777
Fiduciary activities	751	805
Commissions on mutual funds and annuities	547	528
Other income	824	551
Noninterest Income (*in-scope of Topic 606*)	6,860	5,890
Out-of-scope of Topic 606:		
Loan servicing fees	140	153
Gains on sales of loans	188	242
Earnings on and proceeds from bank-owned life insurance	974	820
Noninterest Income (*out-of-scope of Topic 606*)	1,302	1,215
Total Noninterest Income	$ 8,162	$ 7,105

3. Earnings Per Share

Basic earnings per share represents income available to common stockholders divided by the weighted average number of common shares outstanding during the period. Diluted earnings per share reflect additional common shares that would have been outstanding if dilutive potential common shares had been issued, as well as any adjustment to income that would result from the assumed issuance. Potential common shares that may be issued by the Company relate solely to outstanding stock options and restricted stock, and are determined using the treasury stock method.

The following table sets forth the weighted average shares outstanding used in the computations of basic and diluted earnings per share.

(in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2026	2025	2026	2025
Weighted average shares outstanding	10,904	9,364	10,874	9,263
Less: Unvested restricted shares	(58)	(48)	(57)	(102)
Basic EPS weighted average shares outstanding	10,846	9,316	10,817	9,161
Basic EPS weighted average shares outstanding	10,846	9,316	10,817	9,161
Add: Dilutive effect of stock options and restricted shares	24	1	24	3
Diluted EPS weighted average shares outstanding	10,870	9,317	10,841	9,164

For the three and nine-month periods ended September 30, 2026, there were 15,000 stock options that were anti-dilutive and thereby excluded from the earnings per share calculations based upon the closing price of the Company's common stock of $33.04 per share as of September 30, 2026.

For the three and nine-month periods ended September 30, 2025, there were 188,850 stock options that were anti-dilutive and thereby excluded from the earnings per share calculations based upon the closing price of the Company's common stock of $25.42 per share as of September 30, 2025.

4. Stock-Based Compensation

During the nine-month period ended September 30, 2026, no stock options were granted. As of September 30, 2026, there was $74,000 of total unrecognized compensation cost related to non-vested stock options granted in 2025 under the 2024 Equity Incentive Plan, which will be fully realized by December 31, 2026. Compensation costs related to stock options amounted to $222,000 and $186,000 during the nine-month periods ended September 30, 2026 and 2025, respectively. For the three-month periods ended September 30, 2026 and 2025, the compensation costs related to stock options amounted to $74,000 and $62,000, respectively.

A summary of the Company's stock option activity for the nine-month period ended September 30, 2026 is as follows:

	Options	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value ($000)
Outstanding at January 1, 2026	234,871	$ 29.98	6.37 Yrs.	$ 134
Granted	—	—	—	
Exercised	(34,021)	27.91	4.20	
Forfeited	(9,500)	32.31	4.98	
Outstanding at September 30, 2026	191,350	$ 30.23	5.97 Yrs.	$ 929
Exercisable at September 30, 2026	152,850	$ 30.34	5.16 Yrs.	$ 729

Intrinsic value represents the amount by which the market price of the stock on the measurement date exceeded the exercise price of the option. The market price was $33.04 per share as of September 30, 2026 and $28.05 per share as of December 31, 2025.

A summary of the Company's restricted stock activity for the nine-month periods ended September 30, 2026 and 2025 is as follows:

	2026		2025	
	Number of Restricted Stock	Weighted-Average Grant Date Fair Value	Number of Restricted Stock	Weighted-Average Grant Date Fair Value
Non-vested, January 1,	58,127	$ 29.12	54,484	$ 28.55
Granted	—	—	1,220	26.44
Vested	(501)	25.39	(5,627)	27.01
Forfeited	—	—	(2,147)	28.99
Non-vested, September 30,	57,626	$ 29.15	47,930	$ 28.66

The expected future compensation expense relating to the 57,626 shares of non-vested restricted stock outstanding as of September 30, 2026 is $1,284,000. This cost will be recognized over the remaining vesting period of 4.25 years. Compensation costs related to restricted stock amounted to $405,000 and $350,000 during the nine-month periods ended September 30, 2026 and 2025, respectively. For the three-month periods ended September 30, 2026 and 2025, the compensation costs related to restricted stock amounted to $134,000 and $117,000, respectively.

5. Accumulated Other Comprehensive Loss

The following table presents the changes in accumulated other comprehensive loss (in thousands) by component net of tax for the three and nine months ended September 30, 2026 and 2025:

	Unrealized losses on available for sale securities and pension liability (a)
Balance as of December 31, 2025	$ (21,343)
Other comprehensive loss before reclassification	(18,630)
Total other comprehensive loss	(18,630)
Balance as of September 30, 2026	$ (39,973)

	Unrealized losses on available for sale securities and pension liability (a)
Balance as of December 31, 2024	$ (33,121)
Other comprehensive income before reclassification	9,413
Total other comprehensive income	9,413
Balance as of September 30, 2025	$ (23,708)

	Unrealized losses on available for sale securities and pension liability (a)
Balance as of June 30, 2026	$ (24,543)
Other comprehensive loss before reclassification	(15,430)
Total other comprehensive loss	(15,430)
Balance as of September 30, 2026	$ (39,973)

	Unrealized gains (losses) on available for sale securities and pension liability (a)
Balance as of June 30, 2025	$ (27,505)
Other comprehensive income before reclassification	3,797
Total other comprehensive income	3,797
Balance as of September 30, 2025	$ (23,708)

(a) All amounts are net of tax. Amounts in parentheses indicate debits.

There were no amounts reclassified out of accumulated other comprehensive loss for the three and nine months ended September 30, 2026 and 2025.

6. Off-Balance Sheet Financial Instruments and Guarantees

The Bank is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and letters of credit. Those instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the balance sheets.

The Bank's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and letters of credit is represented by the contractual amount of those instruments. The Bank uses the same credit policies in making commitments and conditional obligations as it does for on-balance sheet instruments.

A summary of the Bank's financial instrument commitments is as follows:

(in thousands)	September 30, 2026	2025
Commitments to grant loans	$ 89,931	$ 84,905
Unfunded commitments under lines of credit	197,904	156,585
Standby letters of credit	16,927	5,835
	$ 304,762	$ 247,325

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since some of the commitments are expected to expire without being drawn upon, the total commitment amount does not necessarily represent future cash requirements. The Bank evaluates each customer's credit worthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Bank upon extension of credit, is based on management's credit evaluation of the customer and generally consists of real estate.

The Bank does not issue any guarantees that would require liability recognition or disclosure, other than its standby letters of credit. Standby letters of credit written are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. Generally, all letters of credit, when issued, have expiration dates within one year. The credit risk involved in issuing letters of credit is essentially the same as those that are involved in extending loan facilities to customers. The Bank, generally, holds collateral and/or personal guarantees supporting these commitments. Management believes that the proceeds obtained through a liquidation of collateral and the enforcement of guarantees would be sufficient to cover the potential amount of future payments required under the corresponding guarantees.

The allowance for credit loss on off-balance sheet commitments were $296,000 and $267,000, respectively, at September 30, 2026 and December 31, 2025.

7. Securities

The amortized cost, gross unrealized gains and losses, approximate fair value, and allowance for credit losses of securities available for sale were as follows:

	September 30, 2026				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Fair Value
	(In Thousands)				
Available for Sale:					
U.S. Treasury securities	$ 24,881	$ -	$ (516)	$ -	$ 24,365
U.S. Government agencies	8,000	-	(443)	-	7,557
States and political subdivisions	105,916	-	(22,180)	-	83,736
Corporate obligations	23,774	226	(108)	-	23,892
Mortgage-backed securities- government sponsored entities	318,213	24	(28,295)	-	289,942
Total debt securities	$ 480,784	$ 250	$ (51,542)	$ -	$ 429,492

	December 31, 2025				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Fair Value
			(In Thousands)		
Available for Sale:					
U.S. Treasury securities	$ 20,834	$ 32	$ (9)	$ -	$ 20,857
U.S. Government agencies	8,000	26	(351)	-	7,675
States and political subdivisions	107,164	1	(14,665)	-	92,500
Corporate obligations	13,545	96	(90)		13,551
Mortgage-backed securities-government sponsored entities	286,950	2,820	(15,571)	-	274,199
Total debt securities	$ 436,493	$ 2,975	$ (30,686)	$ -	$ 408,782

The following tables summarize debt securities available for sale in a loss position for which an allowance for credit losses has not been recorded, aggregated by security type and length of time that individual securities have been in a continuous unrealized loss position (in thousands):

	September 30, 2026					
	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Treasury securities	$ 24,365	$ (516)	$ -	$ -	$ 24,365	$ (516)
U.S. Government agencies	3,000	-	4,557	(443)	7,557	(443)
States and political subdivisions	3,968	(337)	79,768	(21,843)	83,736	(22,180)
Corporate obligations	8,610	(108)	-	-	8,610	(108)
Mortgage-backed securities-government sponsored entities	193,977	(9,148)	82,477	(19,147)	276,454	(28,295)
	$ 233,920	$ (10,109)	$ 166,802	$ (41,433)	$ 400,722	$ (51,542)

	December 31, 2025					
	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Treasury securities	$ 14,837	$ (9)	$ -	$ -	$ 14,837	$ (9)
U.S. Government agencies	-	-	4,649	(351)	4,649	(351)
States and political subdivisions	-	-	89,462	(14,665)	89,462	(14,665)
Corporate obligations	5,556	(90)	-	-	5,556	(90)
Mortgage-backed securities-government sponsored entities	11,979	(62)	103,744	(15,509)	115,723	(15,571)
	$ 32,372	$ (161)	$ 197,855	$ (30,525)	$ 230,227	$ (30,686)

At September 30, 2026, the Company had 102 debt securities in an unrealized loss position in the less than twelve months category and 172 debt securities in the twelve months or more category. In Management's opinion the unrealized losses reflect changes in interest rates subsequent to the acquisition of specific securities. The Company concluded that the decline in the value of these securities was not indicative of a credit loss. The Company did not recognize any credit losses on these available for sale debt securities for the nine months ended September 30, 2026 and 2025. The Company does not have the intent to sell the securities, and it is more likely than not that it will not have to sell the securities before recovery of its cost basis.

The amortized cost and fair value of debt securities as of September 30, 2026 by contractual maturity are shown below. Expected maturities may differ from contractual maturities because borrowers may have the right to prepay obligations with or without call or prepayment penalties.

	Available for Sale	
	Amortized Cost	Fair Value
	(In Thousands)	
Due in one year or less	$ 9,908	$ 9,833
Due after one year through five years	26,775	25,981
Due after five years through ten years	87,874	74,973
Due after ten years	38,014	28,763
	162,571	139,550
Mortgage-backed securities-government sponsored entities	318,213	289,942
	$ 480,784	$ 429,492

There were no sales of securities available for sale for the three and nine months ended September 30, 2026 and 2025.

Securities with a carrying value of $285,321,000 and $264,698,000 at September 30, 2026 and December 31, 2025, respectively, were pledged to secure public deposits, securities sold under agreements to repurchase and for other purposes as required or permitted by law.

8. Loans Receivable and Allowance for Credit Losses

Set forth below is selected data relating to the composition of the loan portfolio at the dates indicated (dollars in thousands):

	September 30, 2026		December 31, 2025	
Real Estate Loans:				
Residential	$ 415,215	18.1 %	$ 352,342	19.0 %
Commercial	1,061,486	46.3	750,249	40.5
Agricultural	63,772	2.8	59,202	3.2
Construction	122,651	5.3	85,393	4.6
Commercial loans	224,619	9.8	229,849	12.4
Other agricultural loans	21,787	0.9	26,430	1.4
Consumer loans to individuals	385,571	16.8	350,410	18.9
Total loans	2,295,101	100.0 %	1,853,875	100.0 %
Deferred fees, net	(634)		(453)	
Total loans receivable	2,294,467		1,853,422	
Allowance for credit losses	(25,146)		(19,882)	
Net loans receivable	$ 2,269,321		$ 1,833,540	

Foreclosed assets acquired in settlement of loans are carried at fair value less estimated costs to sell and are included in foreclosed real estate owned on the Consolidated Balance Sheets. As of September 30, 2026 and December 31, 2025, foreclosed real estate owned totaled $771,000. During the nine months ended September 30, 2026, there were no additions to the foreclosed real estate category. As of September 30, 2026, the Company has initiated formal foreclosure proceedings on four properties classified as consumer residential mortgages with an aggregate carrying value of $120,000.

Management uses an eight point internal risk rating system to monitor the credit quality of the overall loan portfolio. The first four categories are considered not criticized, and are aggregated as “Pass” rated. The criticized rating categories utilized by management generally follow bank regulatory definitions. The Special Mention category includes assets that are currently protected but are potentially weak, resulting in an undue credit risk, but not to the point of justifying a Substandard classification. Loans in the Substandard category have well-defined weaknesses that jeopardize the liquidation of the debt, and have a distinct possibility that some loss will be sustained if the weaknesses are not corrected. All loans greater than 90 days past due are considered Substandard. Any portion of a loan that has been charged off is placed in the Loss category.

To help ensure that risk ratings are accurate and reflect the present and future capacity of borrowers to repay a loan as agreed, the Bank has a structured loan rating process with several layers of internal and external oversight. Generally, consumer and residential mortgage loans are included in the Pass categories unless a specific action, such as nonperformance, repossession, or death occurs to

raise awareness of a possible credit event. The Company's Loan Review Department is responsible for the timely and accurate risk rating of the loans on an ongoing basis. Every credit which must be approved by Loan Committee or the Board of Directors is assigned a risk rating at time of consideration. Loan Review, in conjunction with a third-party consultant, also annually reviews all criticized credits and relationships of $1,500,000 and over to re-affirm risk ratings.

Management further monitors the performance and credit quality of the loan portfolio by analyzing the age of the portfolio as determined by the length of time a recorded payment is past due. The following table presents the classes of the loan portfolio summarized by the aging categories of performing loans and nonaccrual loans as of September 30, 2026 and December 31, 2025 (in thousands):

	Current	31-60 Days Past Due	61-90 Days Past Due	Greater than 90 Days Past Due and still accruing	Non-accrual	Total Past Due and Non-Accrual	Total Loans
September 30, 2026							
Real Estate loans							
Residential	$ 413,131	$ 233	$ 241	$ -	$ 1,610	$ 2,084	$ 415,215
Commercial	1,048,093	1,432	945	-	11,016	13,393	1,061,486
Agricultural	61,628	-	-	-	2,144	2,144	63,772
Construction	122,636	-	-	-	15	15	122,651
Commercial loans	223,968	185	46	-	420	651	224,619
Other agricultural loans	21,474	125	-	-	188	313	21,787
Consumer loans	382,851	1,263	76	-	1,381	2,720	385,571
Total	$ 2,273,781	$ 3,238	$ 1,308	$ -	$ 16,774	$ 21,320	$ 2,295,101

	Current	31-60 Days Past Due	61-90 Days Past Due	Greater than 90 Days Past Due and still accruing	Non-accrual	Total Past Due and Non-Accrual	Total Loans
December 31, 2025							
Real Estate loans							
Residential	$ 350,711	$ 438	$ 274	$ -	$ 919	$ 1,631	$ 352,342
Commercial	740,901	4,850	434	-	4,064	9,348	750,249
Agricultural	59,073	-	83	46	-	129	59,202
Construction	85,359	-	-	-	34	34	85,393
Commercial loans	228,074	1,618	33	56	68	1,775	229,849
Other agricultural loans	25,589	772	69	-	-	841	26,430
Consumer loans	348,115	862	281	21	1,131	2,295	350,410
Total	$ 1,837,822	$ 8,540	$ 1,174	$ 123	$ 6,216	$ 16,053	$ 1,853,875

Management reviews the loan portfolio on a quarterly basis using a defined, consistently applied process in order to make appropriate and timely adjustments to the allowance for credit losses. When information confirms all or part of specific loans to be uncollectible, these amounts are promptly charged off against the allowance.

The following table presents the allowance for credit losses by the classes of the loan portfolio:

(In thousands)	Residential Real Estate	Commercial Real Estate	Agricultural Real Estate	Construction	Commercial	Other Agricultural	Consumer	Total
Beginning balance, December 31, 2025	$ 2,271	$ 7,534	$ 395	$ 1,471	$ 3,011	$ 282	$ 4,918	$ 19,882
Acquisition adjustment	124	3,425	62	188	457	16	(9)	4,263
Charge offs	-	(765)	-	-	(51)	-	(1,979)	(2,795)
Recoveries	24	17	-	-	60	-	106	207
(Release of) Provision for credit losses	535	1,344	59	26	(108)	(86)	1,819	3,589
Ending balance, September 30, 2026	$ 2,954	$ 11,555	$ 516	$ 1,685	$ 3,369	$ 212	$ 4,855	$ 25,146

(In thousands)	Residential Real Estate	Commercial Real Estate	Agricultural Real Estate	Construction	Commercial	Other Agricultural	Consumer	Total
Beginning balance, June 30, 2026	$ 3,112	$ 11,038	$ 544	$ 2,240	$ 3,589	$ 224	$ 4,885	$ 25,632
Acquisition adjustment	-	-	-	-	-	-	-	-
Charge offs	-	(25)	-	-	(26)	-	(716)	(767)
Recoveries	-	1	-	-	6	-	41	48
(Release of) Provision for credit losses	(158)	541	(28)	(555)	(200)	(12)	645	233
Ending balance, September 30, 2026	$ 2,954	$ 11,555	$ 516	$ 1,685	$ 3,369	$ 212	$ 4,855	$ 25,146

(In thousands)	Residential Real Estate	Commercial Real Estate	Agricultural Real Estate	Construction	Commercial	Other Agricultural	Consumer	Total
Beginning balance, December 31, 2024	$ 1,146	$ 11,406	$ 48	$ 884	$ 1,732	$ 162	$ 4,465	$ 19,843
Charge offs	(63)	(62)	-	-	(83)	(48)	(1,273)	(1,529)
Recoveries	3	8	-	-	99	-	115	225
(Release of) Provision for credit losses	31	(1,952)	(25)	432	339	64	2,483	1,372
Ending balance, September 30, 2025	$ 1,117	$ 9,400	$ 23	$ 1,316	$ 2,087	$ 178	$ 5,790	$ 19,911

(In thousands)	Residential Real Estate	Commercial Real Estate	Agricultural Real Estate	Construction	Commercial	Other Agricultural	Consumer	Total
Beginning balance, June 30, 2025	$ 1,011	$ 11,039	$ 39	$ 1,163	$ 1,933	$ 164	$ 5,559	$ 20,908
Charge offs	(63)	(13)	-	-	(83)	-	(490)	(649)
Recoveries	3	8	-	-	3	-	30	44
(Release of) Provision for credit losses	166	(1,634)	(16)	153	234	14	691	(392)
Ending balance, September 30, 2025	$ 1,117	$ 9,400	$ 23	$ 1,316	$ 2,087	$ 178	$ 5,790	$ 19,911

During the nine months ended September 30, 2026, the Company recorded a provision for credit losses related to loans totaling $3,589,000. The increase in provision was due primarily to an increase in the consumer portfolio provision of $1,819,000, an increase in the commercial real estate portfolio provision of $1,344,000, an increase in the residential real estate portfolio provision of $535,000, and a decrease of $109,000 in all other portfolios, net. Factors impacting the provision include changes in the cumulative loss rates applied to the respective loan pools due to loss activity being added or subtracted with the passage of time, charge-offs and recoveries, and variances in Qualitative Factors and Economic Factors. In addition, the Company recorded a one-time adjustment of $4,263,000 as a result of the PB Bankshares acquisition.

The cumulative loss rate used as the basis for the estimate of credit losses is comprised of the Company's historical loss experience. The Company chose to apply qualitative factors based on "quantitative metrics" which link the quantifiable metrics to historical changes in the qualitative factor categories. The Company also chose to apply economic projections to the model. A select group of economic indicators was utilized which was then correlated to the historical loss experience of the Company and its peers. Based on the correlation results, the economic adjustments are then weighted for relevancy and applied to the individual loan pools.

The following table presents the carrying value of loans on nonaccrual status and loans past due over 90 days still accruing interest (in thousands):

	Nonaccrual with no ACL	Nonaccrual with ACL	Total Nonaccrual	Loans Past Due Over 90 Days Still Accruing	Total Nonperforming
September 30, 2026					
Real Estate loans					
Residential	$ 1,610	$ -	$ 1,610	$ -	$ 1,610
Commercial	10,997	19	11,016	-	11,016
Agricultural	2,144	-	2,144	-	2,144
Construction	15	-	15	-	15
Commercial loans	420	-	420	-	420
Other agricultural loans	188	-	188	-	188
Consumer loans	321	1,060	1,381	-	1,381
Total	$ 15,695	$ 1,079	$ 16,774	$ -	$ 16,774

	Nonaccrual with no ACL	Nonaccrual with ACL	Total Nonaccrual	Loans Past Due Over 90 Days Still Accruing	Total Nonperforming
December 31, 2025					
Real Estate loans					
Residential	$ 919	$ -	$ 919	$ -	$ 919
Commercial	4,045	19	4,064	-	4,064
Agricultural	-	-	-	46	46
Construction	34	-	34	-	34
Commercial loans	68	-	68	56	124
Other agricultural loans	-	-	-	-	-
Consumer loans	323	808	1,131	21	1,152
Total	$ 5,389	$ 827	$ 6,216	$ 123	$ 6,339

Based on the most recent analysis performed, the following table presents the recorded investment in non-homogenous pools by internal risk rating systems (in thousands):

	Term Loans Amortized Costs Basis by Origination Year						Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	
September 30, 2026	2026	2025	2024	2023	2022	Prior			Total
Commercial real estate									
Risk Rating									
Pass	$ 144,308	$ 158,216	$ 105,283	$ 123,834	$ 137,186	$ 343,305	$ 25,711	$ -	$ 1,037,843
Special Mention	89	48	341	624	166	5,962	274	-	7,504
Substandard	-	-	5,173	-	562	10,404	-	-	16,139
Doubtful	-	-	-	-	-	-	-	-	-
Total	$ 144,397	$ 158,264	$ 110,797	$ 124,458	$ 137,914	$ 359,671	$ 25,985	$ -	$ 1,061,486
Commercial real estate									
Current period gross charge-offs	$ -	$ -	$ -	$ 25	$ -	$ 740	$ -	$ -	$ 765
Real Estate - Agriculture									
Risk Rating									
Pass	$ 2,303	$ 3,149	$ 3,644	$ 3,218	$ 7,813	$ 29,662	$ 832	$ -	$ 50,621
Special Mention	1,120	150	-	-	2,498	2,060	1,000	-	6,828
Substandard	3,512	-	1,275	-	-	1,536	-	-	6,323
Doubtful	-	-	-	-	-	-	-	-	-
Total	$ 6,935	$ 3,299	$ 4,919	$ 3,218	$ 10,311	$ 33,258	$ 1,832	$ -	$ 63,772
Real Estate - Agriculture									
Current period gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Commercial loans									
Risk Rating									
Pass	$ 24,079	$ 44,568	$ 31,832	$ 17,901	$ 23,783	$ 26,153	$ 51,191	$ -	$ 219,507
Special Mention	-	18	218	346	328	626	-	-	1,536
Substandard	-	-	-	778	263	1,162	1,373	-	3,576
Doubtful	-	-	-	-	-	-	-	-	-
Total	$ 24,079	$ 44,586	$ 32,050	$ 19,025	$ 24,374	$ 27,941	$ 52,564	$ -	$ 224,619
Commercial loans									
Current period gross charge-offs	$ -	$ -	$ 6	$ 20	$ -	$ 25	$ -	$ -	$ 51
Other agricultural loans									
Risk Rating									
Pass	$ 1,265	$ 2,233	$ 1,620	$ 836	$ 1,388	$ 2,871	$ 6,787	$ -	$ 17,000
Special Mention	-	131	357	-	456	55	-	-	999

Substandard	2,095	-	193	-	-	-	1,500	-	3,788
Doubtful	-	-	-	-	-	-	-	-	-
Total	$ 3,360	$ 2,364	$ 2,170	$ 836	$ 1,844	$ 2,926	$ 8,287	$ -	$ 21,787
Other agricultural loans									
Current period gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total									
Risk Rating									
Pass	$ 171,955	$ 208,166	$ 142,379	$ 145,789	$ 170,170	$ 401,991	$ 84,521	$ -	$ 1,324,971
Special Mention	1,209	347	916	970	3,448	8,703	1,274	-	16,867
Substandard	5,607	-	6,641	778	825	13,102	2,873	-	29,826
Doubtful	-	-	-	-	-	-	-	-	-
Total	$ 178,771	$ 208,513	$ 149,936	$ 147,537	$ 174,443	$ 423,796	$ 88,668	$ -	$ 1,371,664

December 31, 2025	Term Loans Amortized Costs Basis by Origination Year						Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	Total
	2025	2024	2023	2022	2021	Prior			
Commercial real estate									
Risk Rating									
Pass	$ 114,399	$ 98,460	$ 67,351	$ 114,785	$ 84,564	$ 231,547	$ 20,653	$ -	$ 731,759
Special Mention	50	-	630	204	2,493	4,335	198	-	7,910
Substandard	-	135	-	-	2,413	7,632	400	-	10,580
Doubtful	-	-	-	-	-	-	-	-	-
Total	$ 114,449	$ 98,595	$ 67,981	$ 114,989	$ 89,470	$ 243,514	$ 21,251	$ -	$ 750,249
Commercial real estate									
Current period gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ 63	$ -	$ -	$ 63
Real Estate - Agriculture									
Risk Rating									
Pass	$ 3,016	$ 4,027	$ 3,287	$ 10,789	$ 3,536	$ 30,851	$ 361	$ -	$ 55,867
Special Mention	152	1,479	-	-	-	1,684	-	-	3,315
Substandard	-	-	-	-	-	-	20	-	20
Doubtful	-	-	-	-	-	-	-	-	-
Total	$ 3,168	$ 5,506	$ 3,287	$ 10,789	$ 3,536	$ 32,535	$ 381	$ -	$ 59,202
Real Estate - Agriculture									
Current period gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Commercial loans									
Risk Rating									
Pass	$ 58,956	$ 40,670	$ 23,869	$ 24,385	$ 13,051	$ 18,356	$ 46,495	$ -	$ 225,782
Special Mention	35	-	578	22	109	259	88	-	1,091
Substandard	-	6	309	317	550	794	1,000	-	2,976
Doubtful	-	-	-	-	-	-	-	-	-
Total	$ 58,991	$ 40,676	$ 24,756	$ 24,724	$ 13,710	$ 19,409	$ 47,583	$ -	$ 229,849
Commercial loans									
Current period gross charge-offs	$ -	$ -	$ -	$ 100	$ -	$ -	$ -	$ -	$ 100
Other agricultural loans									
Risk Rating									
Pass	$ 3,291	$ 2,706	$ 1,320	$ 2,330	$ 1,995	$ 3,423	$ 7,453	$ -	$ 22,518
Special Mention	-	367	-	-	-	1,281	789	-	2,437
Substandard	-	-	-	-	-	-	1,475	-	1,475
Doubtful	-	-	-	-	-	-	-	-	-
Total	$ 3,291	$ 3,073	$ 1,320	$ 2,330	$ 1,995	$ 4,704	$ 9,717	$ -	$ 26,430

Other agricultural loans									
Current period gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ 48	$ -	$ -	$ 48
Total									
Risk Rating									
Pass	$ 179,662	$ 145,863	$ 95,827	$ 152,289	$ 103,146	$ 284,177	$ 74,962	$ -	$ 1,035,926
Special Mention	237	1,846	1,208	226	2,602	7,559	1,075	-	14,753
Substandard	-	141	309	317	2,963	8,426	2,895	-	15,051
Doubtful	-	-	-	-	-	-	-	-	-
Total	$ 179,899	$ 147,850	$ 97,344	$ 152,832	$ 108,711	$ 300,162	$ 78,932	$ -	$ 1,065,730

The Company monitors the credit risk profile by payment activity for residential and consumer loan classes. Loans past due over 90 days and loans on nonaccrual status are considered nonperforming. Nonperforming loans are reviewed monthly. The following table presents the carrying value of residential and consumer loans based on payment activity (in thousands):

	Term Loans Amortized Costs Basis by Origination Year						Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	Total
September 30, 2026	2026	2025	2024	2023	2022	Prior			
Residential real estate									
Payment Performance									
Performing	$ 24,192	$ 37,399	$ 40,553	$ 38,098	$ 55,918	$ 168,512	$ 48,933	$ -	$ 413,605
Nonperforming	-	-	-	125	281	1,067	137	-	1,610
Total	$ 24,192	$ 37,399	$ 40,553	$ 38,223	$ 56,199	$ 169,579	$ 49,070	$ -	$ 415,215
Residential real estate									
Current period gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Construction									
Payment Performance									
Performing	$ 47,882	$ 45,683	$ 21,603	$ 2,662	$ 1,474	$ 376	$ 2,956	$ -	$ 122,636
Nonperforming	-	-	-	-	15	-	-	-	15
Total	$ 47,882	$ 45,683	$ 21,603	$ 2,662	$ 1,489	$ 376	$ 2,956	$ -	$ 122,651
Construction									
Current period gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Consumer loans to individuals									
Payment Performance									
Performing	$ 128,317	$ 108,333	$ 69,779	$ 42,010	$ 21,284	$ 13,278	$ 1,189	$ -	$ 384,190
Nonperforming	40	206	346	294	358	137	-	-	1,381
Total	$ 128,357	$ 108,539	$ 70,125	$ 42,304	$ 21,642	$ 13,415	$ 1,189	$ -	$ 385,571
Consumer loans to individuals									
Current period gross charge-offs	$ 222	$ 375	$ 567	$ 347	$ 348	$ 120	$ -	$ -	$ 1,979
Total									
Payment Performance									
Performing	$ 200,391	$ 191,415	$ 131,935	$ 82,770	$ 78,676	$ 182,166	$ 53,078	$ -	$ 920,431
Nonperforming	40	206	346	419	654	1,204	137	-	3,006
Total	$ 200,431	$ 191,621	$ 132,281	$ 83,189	$ 79,330	$ 183,370	$ 53,215	$ -	$ 923,437

December 31, 2025	Term Loans Amortized Costs Basis by Origination Year						Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	Total
	2025	2024	2023	2022	2021	Prior			
Residential real estate									
Payment Performance									
Performing	$ 28,385	$ 41,869	$ 38,305	$ 54,474	$ 47,475	$ 105,711	$ 35,204	$ -	$ 351,423
Nonperforming	-	-	125	147	170	420	57	-	919
Total	$ 28,385	$ 41,869	$ 38,430	$ 54,621	$ 47,645	$ 106,131	$ 35,261	$ -	$ 352,342
Residential real estate									
Current period gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ 63	$ -	$ -	$ 63
Construction									
Payment Performance									
Performing	$ 37,511	$ 26,381	$ 17,070	$ 656	$ 289	$ 91	$ 3,361	$ -	$ 85,359
Nonperforming	-	-	-	34	-	-	-	-	34
Total	$ 37,511	$ 26,381	$ 17,070	$ 690	$ 289	$ 91	$ 3,361	$ -	$ 85,393
Construction									
Current period gross charge-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Consumer loans to individuals									
Payment Performance									
Performing	$ 137,403	$ 94,951	$ 61,651	$ 33,145	$ 9,385	$ 11,363	$ 1,360	$ -	$ 349,258
Nonperforming	54	285	311	344	61	97	-	-	1,152
Total	$ 137,457	$ 95,236	$ 61,962	$ 33,489	$ 9,446	$ 11,460	$ 1,360	$ -	$ 350,410
Consumer loans to individuals									
Current period gross charge-offs	$ 26	$ 458	$ 685	$ 419	$ 151	$ 94	$ -	$ -	$ 1,833
Total									
Payment Performance									
Performing	$ 203,299	$ 163,201	$ 117,026	$ 88,275	$ 57,149	$ 117,165	$ 39,925	$ -	$ 786,040
Nonperforming	54	285	436	525	231	517	57	-	2,105
Total	$ 203,353	$ 163,486	$ 117,462	$ 88,800	$ 57,380	$ 117,682	$ 39,982	$ -	$ 788,145

Occasionally, the Bank modifies loans to borrowers in financial distress by providing principal forgiveness, term extension, and other-than-insignificant payment delay or interest rate reduction. When principal forgiveness is provided, the amount of forgiveness is charged-off against the allowance for credit losses.

In some cases, the Bank provides multiple types of concessions on one loan. Typically, one type of concession, such as a term extension, is granted initially. If the borrower continues to experience financial difficulty, another concession, such as principal forgiveness, may be granted. During the nine months ended September 30, 2026, there were modifications made to borrowers experiencing financial difficulty consisting of 18 loan relationships. The following table presents modifications made to borrowers experiencing financial difficulty:

Significant Payment Delay

	Amortized Cost Basis at September 30, 2026	% of Total Class of Financing Receivable	Financial Effect
	(in thousands)		
Commercial real estate loans	$ 683	0.06 %	Deferred principal for 4-8 months
Agricultural real estate loans	562	0.88	Deferred principal for 9 months
Commercial loans	402	0.18	Deferred principal for 7-15 months
Total	$ 1,647		

Term Extension

	Amortized Cost Basis at September 30, 2026	% of Total Class of Financing Receivable	Financial Effect
	(in thousands)		
Commercial real estate loans	$ 732	0.07 %	Added a weighted-average 5.6 years to the life of loans
Agricultural real estate loans	3,558	5.58	Added a weighted-average 19.8 years to the life of loans
Commercial loans	936	0.42	Added a weighted-average 1.1 years to the life of loans
Other agricultural loans	2,095	9.62	Added a weighted-average 10.0 years to the life of loans
Total	$ 7,321		

Combination - Significant Payment Delay and Term Extension

	Amortized Cost Basis at September 30, 2026	% of Total Class of Financing Receivable	Financial Effect
Commercial real estate loans	$ 633	0.06 %	Deferred principal for 6-14 months and added a weighted-average 9.8 months to the life of the loans
Agricultural real estate loans	615	0.96	Deferred principal for 8-10 months and added a weighted-average 9.9 months to the life of the loans
Commercial loans	625	0.28	Deferred principal for 6-9 months and added a weighted-average 8.4 months to the life of the loans
Total	$ 1,873		

The following table provides the amortized cost basis of financing receivables that had a payment default during the period and were modified (in thousands):

Amortized Cost Basis of Modified Loans That Subsequently Defaulted

	Significant Payment Delay	Combination - Significant Payment Delay and Term Extension
Agricultural real estate loans	$ -	$ 615
Commercial loans	142	-
	$ 142	$ 615

The following table depicts the performance of loans that have been modified during the period for which a payment default has occurred (in thousands):

Payment Status (Amortized Cost Basis)

	30-59 Days Past Due	60-89 Days Past Due	90 + Days Past Due	Total Past Due
Agricultural real estate loans	$ -	$ 615	$ -	$ 615
Commercial loans	142	-	-	142
	$ 142	$ 615	$ -	$ 757

The Company's primary business activity as of September 30, 2026 was with customers located in northeastern and southeastern Pennsylvania, and the New York counties of Delaware, Sullivan, Ontario, Otsego and Yates. Accordingly, the Company has extended credit primarily to commercial entities and individuals in this area whose ability to repay their loans is influenced by the region's economy.

As of September 30, 2026, the Company considered its concentration of credit risk to be acceptable. The highest concentrations are in commercial rentals with $302.3 million of loans outstanding, or 13.2% of total loans outstanding, and hotels/motels with loans outstanding of $194.5 million, or 8.5% of loans outstanding. For the nine months ended September 30, 2026, the Company recognized charge offs of $10,000 on commercial rentals and $0 on hotels/motels. The following table presents additional details regarding the Company's largest loan concentrations by industry as of September 30, 2026 (in thousands):

Account Type	Outstanding as of September 30, 2026	Percent of Loans as of September 30, 2026
Commercial Rentals	$ 302,253	13.17 %
Hotels/Motels	194,470	8.48
Residential Rentals	175,615	7.65
Fuel/Gas Stations	64,465	2.81
Builders/Contractors	57,164	2.49
Resorts	47,708	2.08
Dairy Cattle/Milk Product	39,539	1.72
Camps	32,191	1.40
Government Support	22,422	0.98
Mobile Home Park	19,353	0.84
Wineries	19,204	0.84

Account Type	Outstanding as of December 31, 2025	Percent of Loans as of December 31, 2025
Commercial Rentals	$ 178,684	9.68 %
Hotels/Motels	125,089	6.78
Residential Rentals	116,639	6.32
Fuel/Gas Stations	50,337	2.73
Dairy Cattle/Milk Product	42,777	2.32
Resorts	39,435	2.14
Builders/Contractors	36,650	1.99
Government Support	29,919	1.62
Camps	22,998	1.25
Mobile Home Park	19,967	1.08
Wineries	19,935	1.08

9. Fair Value of Assets and Liabilities

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. In accordance with fair value accounting guidance, the Company measures, records, and reports various types of assets and liabilities at fair value on either a recurring or non-recurring basis in the Consolidated Financial Statements. Those assets and liabilities are presented in the sections entitled "Assets and Liabilities Required to be Measured and Reported at Fair Value on a Recurring Basis" and "Assets and Liabilities Required to be Measured and Reported at Fair Value on a Non-Recurring Basis". There are three levels of inputs that may be used to measure fair values:

Level 1 – Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2 – Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 – Significant unobservable inputs that reflect a company's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The methods of determining the fair value of assets and liabilities presented in this note are consistent with our methodologies disclosed in Note 16 of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2025.

Assets and Liabilities Required to be Measured and Reported at Fair Value on a Recurring Basis

For financial assets measured at fair value on a recurring basis, the fair value measurements by level within the fair value hierarchy used at September 30, 2026 and December 31, 2025 are as follows:

		Fair Value Measurement Using Reporting Date		
Description	Total	Level 1	Level 2	Level 3
September 30, 2026		(In thousands)		
ASSETS				
Available for Sale:				
U.S. Treasury securities	$ 24,365	$ 24,365	$ -	$ -
U.S. Government agencies	7,557	-	7,557	-
States and political subdivisions	83,736	-	83,736	-
Corporate obligations	23,892	-	23,892	-
Mortgage-backed securities-government sponsored entities	289,942	-	289,942	-
Interest rate swaps	959	-	959	-
LIABILITIES				
Interest rate swaps	959	-	959	-

Description	Total	Level 1	Level 2	Level 3
December 31, 2025		(In thousands)		
ASSETS				
Available for Sale:				
U.S. Treasury securities	$ 20,857	$ 20,857	$ -	$ -
U.S. Government agencies	7,675	-	7,675	-
States and political subdivisions	92,500	-	92,500	-
Corporate obligations	13,551	-	13,551	-
Mortgage-backed securities-government sponsored entities	274,199	-	274,199	-
Interest rate swaps	771	-	771	-
LIABILITIES				
Interest rate swaps	771	-	771	-

Securities:

The fair value of securities available for sale (carried at fair value) and held to maturity (carried at amortized cost) are determined by obtaining quoted market prices on nationally recognized securities exchanges (Level 1), or matrix pricing (Level 2), which is a mathematical technique used widely in the industry to value debt securities without relying exclusively on quoted market prices for the specific securities but rather by relying on the securities' relationship to other benchmark quoted prices. For certain securities which are not traded in active markets or are subject to transfer restrictions, valuations are adjusted to reflect illiquidity and/or non-transferability, and such adjustments are generally based on available market evidence (Level 3). In the absence of such evidence, management's best estimate is used. Management's best estimate consists of both internal and external support on certain Level 3 investments. Internal cash flow models using a present value formula that includes assumptions market participants would use along

with indicative exit pricing obtained from broker/dealers (where available) are used to support fair values of certain Level 3 investments, if applicable.

Interest Rate Swaps:

The fair value of interest rate swaps is based upon the present value of the expected future cash flows using the Secured Overnight Financing Rate ("SOFR") swap curve, the basis for the underlying interest rate. To price interest rate swaps, cash flows are first projected for each payment date using the fixed rate for the fixed side of the swap and the forward rates for the floating side of the swap. These swap cash flows are then discounted to time zero using SOFR zero-coupon interest rates. The sum of the present value of both legs is the fair market value of the interest rate swap. These valuations have been derived from our third party vendor's proprietary models rather than actual market quotations. The proprietary models are based upon financial principles and assumptions that we believe to be reasonable.

Assets and Liabilities Required to be Measured and Reported at Fair Value on a Non-Recurring Basis

For financial assets measured at fair value on a nonrecurring basis, the fair value measurements by level within the fair value hierarchy used at September 30, 2026 and December 31, 2025 are as follows:

		Fair Value Measurement Using Reporting Date		
(In thousands)				
Description	Total	Level 1	Level 2	Level 3
September 30, 2026				
Individually analyzed loans held for investment	$ 18,635	$ -	$ -	$ 18,635
Foreclosed Real Estate Owned	771	-	-	771
December 31, 2025				
Individually analyzed loans held for investment	$ 7,923	$ -	$ -	$ 7,923
Foreclosed Real Estate Owned	771	-	-	771

Individually analyzed loans held for investment:

The Company measures impairment generally based on the fair value of the loan's collateral. Fair value is generally determined based upon independent third-party appraisals of the properties, or discounted cash flows based upon the lowest level of input that is significant to the fair value measurements.

As of September 30, 2026, the fair value investment in individually analyzed loans totaled $18,635,000, which included 57 loan relationships with a carrying value of $16,025,000 that did not require a specific allowance for credit loss since either the estimated realizable value of the collateral or the discounted cash flows exceeded the recorded investment in the loan. The increase is due primarily to the addition of one large commercial real estate relationship being placed on non-accrual, following the borrower's filing for chapter 11 bankruptcy in June 2026. As of September 30, 2026, the Company has recognized charge-offs against the allowance for credit losses on these individually analyzed loans in the amount of $40,000. As of September 30, 2026, the fair value investment in individually analyzed loans included 46 loan relationships with a carrying value of $3,201,000 that required a valuation allowance of $594,000 since the estimated realizable value of the collateral did not support the recorded investment in the loan. As of September 30, 2026, the Company has recognized charge-offs against the allowance for credit losses on these individually analyzed loans in the amount of $0 over the life of the loan.

As of December 31, 2025, the fair value investment in individually analyzed loans totaled $7,923,000, which included 51 loan relationships with a carrying value of $5,492,000 that did not require a specific allowance for credit loss since either the estimated realizable value of the collateral or the discounted cash flows exceeded the recorded investment in the loan. As of December 31, 2025, the Company has recognized charge-offs against the allowance for credit losses on these individually analyzed loans in the amount of $0 over the life of the loans. As of December 31, 2025, the fair value investment in individually analyzed loans included 40 loan relationships with a carrying value of $2,976,000 that required a valuation allowance of $293,000 since the estimated realizable value of the collateral did not support the recorded investment in the loan. As of December 31, 2025, the Company has recognized charge-offs against the allowance for credit losses on these individually analyzed loans in the amount of $0 over the life of the loan.

The following table presents additional quantitative information about assets measured at fair value on a non-recurring basis and for which the Company has utilized Level 3 inputs to determine fair value:

		Quantitative Information about Level 3 Fair Value Measurements		
(dollars in thousands)	Fair Value Estimate	Valuation Techniques	Unobservable Input	Range (Weighted Average)
September 30, 2026				
Individually analyzed loans held for investment	$ 18,635	Appraisal of collateral(1)	Appraisal adjustments(2)	0%-57.50% (9.26%)
Foreclosed real estate owned	$ 771	Appraisal of collateral(1)	Liquidation Expenses(2)	1.1% (1.1%)

		Quantitative Information about Level 3 Fair Value Measurements		
(dollars in thousands)	Fair Value Estimate	Valuation Techniques	Unobservable Input	Range (Weighted Average)
December 31, 2025				
Individually analyzed loans held for investment	$ 7,923	Appraisal of collateral(1)	Appraisal adjustments(2)	0%-20.0% (7.51%)
Foreclosed real estate owned	$ 771	Appraisal of collateral(1)	Liquidation Expenses(2)	1.1% (1.1%)

(1) Fair value is generally determined through independent appraisals of the underlying collateral, which generally include various Level 3 inputs which are not identifiable, less any associated allowance.
(2) Appraisals may be adjusted by management for qualitative factors such as economic conditions and estimated liquidation expenses. The range and weighted average of liquidation expenses and other appraisal adjustments are presented as a percent of the appraisal.

Assets and Liabilities Not Required to be Measured or Reported at Fair Value

The following information should not be interpreted as an estimate of the fair value of the entire Company since a fair value calculation is only provided for a limited portion of the Company's assets and liabilities. Due to a wide range of valuation techniques and the degree of subjectivity used in making the estimates, comparisons between the Company's disclosures and those of other companies may not be meaningful. The following methods and assumptions were used to estimate the fair values of the Company's financial instruments at September 30, 2026 and December 31, 2025.

Loans receivable (carried at cost):

The fair values of loans are estimated using discounted cash flow analyses, using market rates at the balance sheet date that reflect the credit and interest rate-risk inherent in the loans. Projected future cash flows are calculated based upon contractual maturity or call dates, projected repayments and prepayments of principal. Generally, for variable rate loans that reprice frequently and with no significant change in credit risk, fair values are based on carrying values.

Mortgage servicing rights (carried at lower of cost or fair value)

The Company utilizes a third party provider to estimate the fair value of certain loan servicing rights. Fair value for the purpose of this measurement is defined as the amount at which the asset could be exchanged in a current transaction between willing parties, other than in a forced liquidation.

Deposit liabilities (carried at cost):

The fair values disclosed for demand deposits (e.g., interest and noninterest checking, passbook savings and money market accounts) are, by definition, equal to the amount payable on demand at the reporting date (i.e., their carrying amounts). Fair values for fixed-rate certificates of deposit are estimated using a discounted cash flow calculation that applies interest rates currently being offered in the market on certificates to a schedule of aggregated expected monthly maturities on time deposits.

Other borrowings (carried at cost):

Fair values of FHLB advances are estimated using discounted cash flow analysis, based on quoted prices for new FHLB advances with similar credit risk characteristics, terms and remaining maturity. These prices obtained from this active market represent a fair value that is deemed to represent the transfer price if the liability were assumed by a third party.

The estimated fair values of the Bank's financial instruments not required to be measured or reported at fair value were as follows at September 30, 2026 and December 31, 2025. ($ in thousands)

	Fair Value Measurements at September 30, 2026				
	Carrying Amount	Fair Value	Quoted Prices in Active Markets for Identical Assets Level 1	Significant Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Financial assets:					
Cash and cash equivalents (1)	$ 72,524	$ 72,524	$ 72,524	$ -	$ -
Loans receivable, net	2,269,321	2,273,088	-	-	2,273,088
Mortgage servicing rights	241	703	-	-	703
Regulatory stock (1)	8,460	8,460	8,460	-	-
Bank owned life insurance (1)	62,738	62,738	62,738	-	-
Accrued interest receivable (1)	10,609	10,609	10,609	-	-
Financial liabilities:					
Deposits	2,508,980	2,500,681	1,481,905	-	1,018,776
Short-term borrowings (1)	56,124	56,124	56,124	-	-
Other borrowings	62,728	59,244	-	-	59,244
Accrued interest payable (1)	10,467	10,467	10,467	-	-

	Fair Value Measurements at December 31, 2025				
	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
Financial assets:					
Cash and cash equivalents (1)	$ 44,436	$ 44,436	$ 44,436	$ -	$ -
Loans receivable, net	1,833,540	1,841,753	-	-	1,841,753
Mortgage servicing rights	238	673	-	-	673
Regulatory stock (1)	6,623	6,623	6,623	-	-
Bank owned life insurance (1)	46,089	46,089	46,089	-	-
Accrued interest receivable (1)	9,250	9,250	9,250	-	-
Financial liabilities:					
Deposits	2,078,645	2,076,705	1,213,279	-	863,426
Short-term borrowings (1)	14,714	14,714	14,714	-	-
Other borrowings	59,419	59,635	-	-	59,635
Accrued interest payable (1)	12,138	12,138	12,138	-	-

(1) This financial instrument is carried at cost, which approximates the fair value of the instrument.

10. Interest Rate Swaps

The Company enters into interest rate swaps that allow our commercial loan customers to effectively convert a variable-rate commercial loan agreement to a fixed-rate commercial loan agreement. Under these agreements, the Company enters into a variable-rate loan agreement with a customer in addition to an interest rate swap agreement, which serves to effectively swap the customer's

variable-rate into a fixed-rate. The Company then enters into a corresponding swap agreement with a third party in order to economically hedge its exposure through the customer agreement. The interest rate swaps with both the customers and third parties are not designated as hedges under FASB ASC 815 and are not marked to market through earnings. As the interest rate swaps are structured to offset each other, changes to the underlying benchmark interest rates considered in the valuation of these instruments do not result in an impact to earnings; however, there may be fair value adjustments related to credit quality variations between counterparties, which may impact earnings as required by FASB ASC 820. There was no effect on earnings in any periods presented. At September 30, 2026 and December 31, 2025, based upon the swap contract values, the Company pledged cash in the amount of $350,000 as collateral for its interest rate swaps with a third-party financial institution. The fair value of the swaps as of September 30, 2026 and December 31, 2025 was $959,000 and $771,000, respectively.

Summary information regarding these derivatives is presented below

(Amounts in thousands)

	Notional Amount				Fair Value	
	September 30, 2026	December 31, 2025	Interest Rate Paid	Interest Rate Received	September 30, 2026	December 31, 2025
Customer interest rate swap						
Maturing November, 2030	$ **5,063**	$ **5,366**	Term SOFR + Margin	Fixed	$ **587**	$ **471**
Maturing December, 2030	**3,254**	**3,474**	Term SOFR + Margin	Fixed	**372**	**300**
Total	$ **8,317**	$ **8,840**			$ **959**	$ **771**
Third party interest rate swap						
Maturing November, 2030	$ **5,063**	$ **5,366**	Fixed	Term SOFR + Margin	$ **587**	$ **471**
Maturing December, 2030	**3,254**	**3,474**	Fixed	Term SOFR + Margin	**372**	**300**
Total	$ **8,317**	$ **8,840**			$ **959**	$ **771**

The following table presents the fair values of derivative instruments in the Consolidated Balance Sheet.

(Amounts in thousands)

	Assets		Liabilities	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
September 30, 2026				
Interest rate derivatives	Other assets	$ **959**	Other liabilities	$ **959**
December 31, 2025				
Interest rate derivatives	Other assets	**771**	Other liabilities	**771**

11. New and Recently Adopted Accounting Pronouncements

New

In November 2024, the FASB issued ASU 2024-03, *Income Statement – Reporting Comprehensive Income – Expense Disaggregation Disclosures.* This ASU requires disclosure in the notes to financial statements of specified information about certain costs and expenses. Specific disclosures are required for (a) purchases of inventory, (b) employee compensation, (c) depreciation, (d) intangible asset amortization, and (e) depreciation, depletion, and amortization recognized as part of oil and gas producing activities. The amendments in this update do not change or remove current expense disclosure requirements. However, the amendments affect where this information appears in the notes to financial statements because entities are required to include certain current disclosures in

the same tabular format disclosure as the other disaggregation requirements in the amendments. The amendments in ASU 2024-03 apply only to public business entities and are effective for fiscal years beginning after December 15, 2026, and interim reporting periods beginning after December 15, 2027, with early adoption permitted. The Company is currently evaluating the impact of this new guidance on its financial statements.

In January 2025, the FASB issued ASU 2025-01, *Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40)*, which revises the effective date of ASU 2024-03 (on disclosures about disaggregation of income statement expenses) "to clarify that all public business entities are required to adopt the guidance in annual reporting periods beginning after December 15, 2026, and interim periods within annual reporting periods beginning after December 15, 2027." Entities within the ASU's scope are permitted to early adopt the ASU. The Company is currently evaluating the impact of this new guidance on its financial statements.

In September 2025, the FASB issued ASU 2025-06, *Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Targeted Improvements to the Accounting for Internal-Use Software*, which modernizes the accounting for internal-use software that is developed using an incremental and iterative method (e.g., agile method). The guidance removes all references to project stages in ASC 350-40 and clarifies the threshold entities apply to begin capitalizing costs. The guidance specifies that the property, plant, and equipment disclosure requirements under ASC 360-10 apply to capitalized software costs accounted for under ASC 350-40, regardless of how those costs are presented in the financial statements. The guidance, which applies to all entities, is effective for fiscal years beginning after December 15, 2027, and interim periods within those fiscal years. Entities may apply the guidance using a prospective, retrospective, or modified transition approach. Early adoption is permitted. The Company is currently evaluating the impact of this new guidance on its financial statements.

In 2025, the FASB issued ASU 2025-07, *Derivatives and Hedging (Topic 815) and Revenue from Contracts with Customers (Topic 606): Derivatives Scope Refinements and Scope Clarification for Share-Based Noncash Consideration from a Customer in a Revenue Contract*, which (1) refines the scope of the guidance on derivatives in ASC 815 (Issue 1) and (2) clarifies the guidance on share-based payments from a customer in ASC 606 (Issue 2). The ASU is intended to address concerns about the application of derivative accounting to contracts that have features based on the operations or activities of one of the parties to the contract and to reduce diversity in the accounting for share-based payments in revenue contracts. The ASU adds a new scope exception for certain contracts that are not traded on an exchange and have an underlying that is based on operations or activities specific to one of the parties to the contract. This ASU clarifies that when an entity has a right to receive a share-based payment from its customer in exchange for the transfer of goods or services, the share-based payment should be accounted for as noncash consideration within the scope of ASC 606. ASU 2025-07 is effective for annual reporting periods beginning after December 15, 2026, including interim reporting periods within those annual reporting periods. Early adoption is permitted. The Company is currently evaluating the impact of this new guidance on its financial statements.

In November 2025, the FASB issued ASU 2025-09, *Derivatives and Hedging (Topic 815)*, which amends certain aspects of the hedge accounting guidance in ASC 815 to more closely align hedge accounting with the economics of an entity's risk management activities. The amendments, among other things, provide more flexibility for cash flow hedges and hedging of raw materials and other nonfinancial assets, as well as simplify hedge accounting for flexible debt and foreign currency debt. ASU 2025-09 should be applied prospectively for public business entities for annual reporting periods beginning after December 15, 2026, including interim reporting periods within those annual reporting periods. For all other entities, the ASU is to be applied prospectively and is effective for fiscal years beginning after December 15, 2027, including interim reporting periods within those annual reporting periods. Early adoption is permitted. The Company is currently evaluating the impact of this new guidance on its financial statements.

In December 2025, the FASB issued ASU 2025-11, *Interim Reporting (Topic 270): Narrow-Scope Improvements*, to clarify interim disclosure requirements, the form and content of interim financial statements, and when ASC Topic 270 applies. The amendments in the ASU provide a list of specific interim disclosures that are required by generally accepted accounting principles (GAAP), which, together with the disclosure principle, represent the complete population of required disclosures in interim reporting periods. The intent of the disclosure principle is to help entities determine whether any disclosures not specified in Topic 270 should be provided in interim reporting periods. ASU 2025-11 may be applied either prospectively or retrospectively to any or all prior periods presented in the financial statements for public business entities for interim periods in fiscal years beginning after December 15, 2027, and all other entities in interim periods in fiscal years beginning after December 15, 2028. The Company is currently evaluating the impact of this new guidance on its financial statements.

In December 2025, the FASB issued ASU 2025-12, *Codification Improvements*, to address 33 issues that amend the Codification to (1) clarify, (2) correct errors, or (3) make minor improvements that affect a wide variety of Topics in the Codification and apply to all reporting entities within the scope of the affected accounting guidance. The amendments make the Codification easier to understand and apply. The amendments in this Update are effective for all entities for annual reporting periods beginning after

December 15, 2026, and interim reporting periods within those annual reporting periods. The Company is currently evaluating the impact of this new guidance on its financial statements.

Recently Adopted

In November 2025, the FASB issued ASU 2025-08, *Financial Instruments – Credit Losses (Topic 326)*, which amends the guidance in Topic 326 to expand the population of acquired financial assets subject to the gross-up approach to include loans (excluding credit cards) that are acquired without credit deterioration and deemed "seasoned." All non-purchased credit deteriorated loans (excluding credit cards) that are acquired in a business combination are deemed seasoned. Other non-purchased credit deteriorated loans (excluding credit cards) are considered to be seasoned if they were purchased at least 90 days after origination and the acquirer was not involved in the origination of the loans. ASU 2025-08 should be applied prospectively and is effective for annual reporting periods beginning after December 15, 2026, including interim reporting periods within those annual reporting periods. Early adoption is permitted. The Company early adopted ASU 2025-08.

12. Segment Reporting

ASC Topic 280 – Segment Reporting identifies operating segments as components of an enterprise which are evaluated regularly by the Company's Chief Operating Decision Maker, our Chief Executive Officer, in deciding how to develop strategy, allocate resources and assess performance.

The Company acts as an independent community financial services provider and offers traditional banking related financial services to individual, business and government customers. Through its Community Office and automated teller machine network, the Company offers a full array of commercial and retail financial services, including the taking of time, savings and demand deposits; the making of commercial, consumer and mortgage loans; and the providing of safe deposit services. The Company also performs personal, corporate, pension and fiduciary services through its Trust Department.

Operating segments are aggregated into one segment, as operating results for all segments are similar. Accordingly, all the financial service operations are considered by management to be aggregated in one reportable operating segment, Community Banking.

The Chief Operating Decision Maker assesses performance and decides how to allocate resources based on net income that also is reported on the income statement as consolidated net income. Net income is used to monitor budget versus actual results.

The Chief Operating Decision Maker uses revenue streams and significant expenses to assess performance and evaluate return on assets and return on equity. The chief operating decision maker uses consolidated net income to benchmark the Company against its competitors. The benchmarking analysis and budget to actual results are used in assessing performance and in establishing compensation.

The accounting policies for the Community Banking segment are the same as those of our consolidated entity, which are described in Note 2 in the Annual Report filed on Form 10-K. Information utilized in the performance assessment by the Chief Operating Decision Maker is consistent with the level of aggregation disclosed in the Consolidated Statement of Income. The measure of segment assets is reported on the balance sheet as total consolidated assets.

13. Acquisition of PB Bankshares, Inc. and Presence Bank

On January 5, 2026, the Company and the Bank completed its previously announced acquisition of PB Bankshares, Inc. ("PB Bankshares") and its subsidiary bank, Presence Bank, pursuant to the terms of the Agreement and Plan of Merger (the "Merger Agreement") dated as of July 7, 2025. Under the terms of the Merger Agreement, PB Bankshares merged with and into the Company, with the Company as the surviving entity ("Merger"), and immediately following the Merger, Presence Bank merged with and into the Bank, with the Bank as the surviving bank.

Presence Bank conducted its business from offices and two loan production offices in Chester, Lancaster and Dauphin Counties, Pennsylvania. Presence Bank's primary market area for deposits includes the communities in which it maintains banking offices, while its primary lending market area is broader and includes customers in Lebanon and Cumberland Counties in Pennsylvania.

Pursuant to the Merger Agreement, 80% of PB Bankshares' common stock were converted into Company common stock while the remaining 20% were exchanged for cash. PB Bankshares' stockholders had the option to elect to receive either 0.7850 shares of

Company common stock or $19.75 in cash for each common share of PB Bankshares they own. The election was subject to proration to ensure that, in the aggregate, 80% of the transaction consideration was paid in the form of Company common stock. In accordance with the Merger Agreement, the Presence Bank ESOP was terminated shortly after the closing date and of the transaction (the "ESOP Termination Date") and the Company paid off the ESOP loan via the return of common stock issued and recorded as treasury shares.

In addition, per the Merger Agreement, each option to acquire shares of PB Common Stock that was outstanding and unexercised became vested and was converted into the right to receive from Norwood Financial a cash payment equal to the product of (i) the number of shares of PB Bankshares Common Stock subject to the PB Bankshares Stock Option, multiplied by (ii) the amount by which the Cash Consideration (the "Option Payment Amount") exceeds the exercise price of such PB Bankshares Stock Option. To follow is a summary of the purchase price for the merger which totaled $56.0 million.

The following table summarizes the purchase of PB Bankshares, Inc. as of January 5, 2026:

(Dollars in Thousands, Except Per Share Data)

Purchase Price Consideration - Common Stock (excluding ESOP Loan Settlement)			
PB Bankshares, Inc. common shares settled for common stock		2,648,186	
PB Bankshares, Inc. common shares to be exchanged for stock consideration - 80% of adjusted shares outstanding		2,118,549	
Exchange Ratio		0.7850	
Norwood Financial Corp. shares to be issued in the merger and excludes fractional shares		1,662,933	
Fair Value price per share of Norwood Financial Corp. common stock	$	28.00	
Fair value of Purchase Price Consideration for Common Stock Issued			$ 46,562
Shares used to terminate ESOP Loan - recorded as Norwood Treasury Shares			
ESOP Loan Balance		2,296	
Norwood Financial Corp. closing stock price	$	28.28	
Shares of Norwood Financial Corp., Common Stock to pay off ESOP Loan		(81,201)	
Impact of ESOP Loan Settlement			(2,296)
Total Fair Value of Purchase Price Consideration for Common Stock			44,266
Fair Value of Purchase Price Cash Consideration			
PB Bankshares, Inc. common shares settled for cash		529,637	
Purchase price assigned to cash consideration	$	19.75	
Cash consideration for Common Stock			10,460
Cash in lieu of fractional shares			4
Purchase Price Consideration in Cash for PB Bankshares, Inc.'s Outstanding Stock Options			
PB Bankshares, Inc. stock options outstanding		169,144	
Cash price to pay out options	$	19.75	
Weighted average strike price for options	$	12.28	
In-the-money value for PB Bankshares, Inc. stock	$	7.47	
Purchase price assigned to PB Bankshares, Inc. stock			1,264
Total Purchase Price Assigned to Cash Consideration			11,728
Total Purchase Price for Accounting Purposes			55,994

Pursuant to accounting standards, the Company assigned a fair value to the assets acquired and liabilities assumed of PB Bankshares. ASC 820 defines fair value as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date." The assets acquired and liabilities assumed in the acquisition of PB Bankshares were recorded at their estimated fair values based on management's best estimates using information available at the date of the acquisition and are subject to adjustment for up to one year after the closing date of the acquisition. While the fair values are not expected to be materially different from the estimates, any material adjustments to the estimates will be reflected, retroactively, as of the date of the acquisition. The items most susceptible to adjustment are the fair value adjustments on loans, core deposit intangible and

the deferred income tax assets resulting from the acquisition. The Company is continuing to finalize the fair values of all aspects of the acquisition.

Goodwill represents consideration transferred in excess of the fair value of the net assets acquired. The goodwill resulting from the acquisition represents the value expected from the expansion of the Company's market and enhancement of operations and efficiencies. Goodwill acquired in the acquisition is not deductible for tax purposes.

The following tables provides a summary of the consideration transferred and the fair value of the assets acquired, and liabilities assumed as of the date of the Merger, and as a result of the Merger, the Company recorded goodwill totaling $7.1 million at January 5, 2026.

(Dollars in Thousands)

Total Purchase Price For Accounting Purposes		$ 55,994
Recognized amounts of identifiable assets acquired and liabilities assumed, at fair value		
Cash and cash equivalents	$ 40,979	
Federal funds	27,769	
Securities, available for sale	18,787	
Loans Gross	346,569	
Allowance for credit losses	(4,264)	
Loans, net of allowance	342,305	
Bank owned life insurance	8,676	
Premises	1,828	
Furniture, fixtures and equipment	554	
Accrued interest receivable	1,480	
Restricted investment in bank stock	2,009	
Deferred tax asset	3,337	
Core deposit intangible	3,386	
Operating lease right of use asset	1,246	
Other asset	3,747	
Total identifiable assets acquired at fair value	456,103	
Deposits	356,596	
Borrowings	41,644	
Accrued interest payable	972	
Operating lease liability	1,240	
Reserve for unfunded commitments	115	
Other liabilities	6,650	
Total liabilities assumed	407,217	
Total identifiable net assets, at fair value		48,886
Goodwill		$ 7,109

Investment securities available-for-sale

All acquired investments were classified as available for sale. The estimated fair value of available for sale securities we calculated using Level 2 inputs, The securities acquired are bought and sold in active markets.

Loans

The acquired loan portfolio was valued utilizing Level 3 inputs and included the use of a discounted cash flow methodology applied on a pooled basis for accruing loan and on individual basis for non-accruing loans and incorporated assumption that a market participant

would employ. In the fair value process the Company developed assumptions as to credit risk, expected lifetime losses, qualitative credit factors, collateral values, discount rates, expected payments and expected prepayments.

Acquired loans are classified into two categories: Purchased Seasoned Loans (PSLs) and Purchased Credit Deteriorated loans (PCDs). PCD loans are defined as a loan or group of loans that have experienced more than insignificant credit deterioration since origination, and the remaining loans were considered PSLs. Effective January 1, 2026, the Company early adopted ASU 2025-08 (Topic 326) on a prospective basis. In accordance with ASU 2025-08 an allowance for credit loss was determined using the same methodology as other loans held for investment and an initial allowance for credit losses for all acquired loans totaled $4.3 million. There was no provision for credit losses expense recognized because the initial allowance is established by grossing-up the amortized cost of the acquired loans. The remaining difference between the net of the amortized cost basis and the allowance for credit losses and the fair value allocated to the loans on the date of acquisition is recognized as a non-credit-related discount that will be accreted into interest income of the life of the loans.

At the date of the Merger, 91.4 % of the acquired loans from Presence Bank were PSL loans and 8.6% were PCD loans. The following table provides details related to the fair value of PCD loans.

	PCD Accruing 1/5/2026	PCD Non-Accruing 1/5/2026	Total PCD Loans 1/5/2026
Par Value of acquired PCD Loans	$ 29,246	$ 1,415	$ 30,661
Allowance for credit losses at acquisition	411	-	411
Non-Credit discount (premium) at acquisition	(1,247)	(1,047)	(2,294)
Purchase price PCD Loans	$ 28,410	$ 368	$ 28,778

Leased Facilities

The fair value adjustment for leased facilities contracts was based on a discounted cash flow methodology of the contract lease obligations versus observed comparable market rents and discounted based upon interest rates for similar term borrowings rates. The facilities fair value adjustment will be amortized into expense over the contractual life of the leased facility.

Premises

The fair value estimate is based upon appraised values. The owned facilities fair value adjustment will be amortized into expense over the estimated life of the owned facility.

Core Deposit Intangible

The fair value of the core deposit intangible was determined based on a discounted cash flow analysis using a discount rate commensurate with market participants. To calculate cash flows, deposit account servicing costs (net of deposit fee income) and interest expense on deposits were compared to the higher cost of alternative funding sources available through national brokered CD offering rates and FHLB advance rates. The projected cash flows were developed using expected deposit attrition. The core deposit intangible will be amortized over ten years using the sum-of-years digits method.

Time Deposits

The fair value adjustment for time deposits was based on a discounted cash flow methodology of the contract rates and contractual repayments of fixed maturity deposits using prevailing market interest rates for similar-term time deposits. The time deposit fair value adjustment will be amortized into income on a level yield amortization method over the contractual life of the deposits.

Borrowings

The fair value adjustment for borrowings was based on a discounted cash flow methodology of the contract rates and contractual repayments of borrowings using prevailing market interest rates for similar-term borrowings. The borrowings fair value adjustment will be amortized into income on a level yield amortization method over the contractual life of the borrowings.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward-Looking Statements

This Quarterly Report on Form 10-Q may include certain forward-looking statements based on current management expectations. Such forward-looking statements may be identified by reference to a future period or periods or by the use of forward-looking terminology, such as "may", "will", "believe", "expect", "estimate", "anticipate", "continue", or similar terms or variations on those terms, or the negative of those terms. The actual results of the Company could differ materially from those management expectations. This includes statements regarding general economic conditions, legislative and regulatory changes, monetary, trade, tariff and fiscal policies of the federal government, changes in tax policies, rates and regulations of federal, state and local tax authorities and failure to integrate or profitably operate acquired businesses. Additional potential factors include changes in interest rates, the rate of inflation, deposit flows, cost of funds, demand for loan products and financial services, competition and changes in the quality or composition of loan and investment portfolios of the Company. Other factors that could cause future results to vary from current management expectations include changes in accounting principles, policies or guidelines, and other economic, competitive, governmental and technological factors affecting the Company's operations, markets, products, services and prices, instability in the banking system, and the potential for a recessionary economy. Further description of the risks and uncertainties to the business are included in the Company's other filings with the Securities and Exchange Commission.

The majority of the assets and liabilities of a financial institution are monetary in nature, and therefore, differ greatly from most commercial and industrial companies that have significant investments in fixed assets or inventories. However, inflation does have an impact on the Company, particularly with respect to the growth of total assets and noninterest expenses, which tend to rise during periods of general inflation. Risks also exist due to supply and demand imbalances, employment shortages, the interest rate environment, and geopolitical tensions. It is reasonably foreseeable that estimates made in the financial statements could be materially and adversely impacted in the near term as a result of these conditions, including expected credit losses on loans and the fair value of financial instruments that are carried at fair value.

Our operations are subject to risks and uncertainties surrounding our exposure to changes in the interest rate environment. Earnings and liquidity depend to a great extent on our interest rates. Interest rates are highly sensitive to many factors beyond our control, including competition, general economic conditions, geopolitical tensions and conflicts and monetary and fiscal policies of various governmental and regulatory authorities, including the Federal Reserve. Conditions such as inflation, deflation, recession, unemployment and other factors beyond our control may also affect interest rates. The nature and timing of any changes in interest rates or general economic conditions and their effect on us cannot be controlled and are difficult to predict. If the rate of interest we pay on our interest-bearing liabilities increases more than the rate of interest we receive on our interest-earning assets, our net interest income, and therefore our earnings, could contract and be materially adversely affected. Our earnings could also be materially adversely affected if the rates on interest-earning assets fall more quickly than those on our interest-bearing liabilities. Changes in interest rates could also create competitive pressures, which could impact our liquidity position. See "Item 3. Quantitative and Qualitative Disclosures about Market Risk – Asset/Liability Management."

Except as required by applicable law or regulation, the Company does not undertake, and specifically disclaims any obligation, to release publicly the result of any revisions that may be made to any forward-looking statements to reflect events or circumstances after the date of the statements or to reflect the occurrence of anticipated or unanticipated events.

Critical Accounting Policies

Note 2 to the Company's consolidated financial statements for the fiscal year ended December 31, 2025 (included in Item 8 of the Annual Report on Form 10-K for the fiscal year ended December 31, 2025) lists significant accounting policies used in the development and presentation of its financial statements. This discussion and analysis, the significant accounting policies, and other financial statement disclosures identify and address key variables and other qualitative and quantitative factors that are necessary for an understanding and evaluation of the Company and its results of operations.

Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for credit losses, the determination of goodwill impairment, and business combination accounting. Please refer to the discussion of the allowance for credit losses calculation under "Changes in Financial Condition - Loans" below.

In connection with the acquisition of North Penn in 2011, we recorded goodwill in the amount of $9.7 million, representing the excess of amounts paid over the fair value of the net assets of the institution acquired at the date of acquisition. In connection with the acquisition of Delaware in 2016, we recorded goodwill in the amount of $1.6 million, representing the excess of amounts paid over the fair value of the net assets of the institution acquired at the date of acquisition. In connection with the acquisition of UpState New York

Bancorp, Inc. in July 2020, we recorded goodwill in the amount of $17.9 million, representing the excess of amounts paid over the fair value of the net assets of the institution acquired at the date of acquisition. In connection with the acquisition of PB Bankshares, we recorded goodwill in the amount of $7.1 million, representing the excess of amounts paid over the fair value of the net assets of the institution acquired at the date of acquisition. Goodwill is tested annually and deemed impaired when the carrying value of goodwill exceeds its implied fair value.

Changes in Financial Condition

General

Total assets as of September 30, 2026 were $2.952 billion compared to $2.425 billion as of December 31, 2025. The increase was due primarily to a $435.8 million increase in outstanding net loans receivable, which was primarily a result of the PB Bankshares acquisition.

Other Assets

Other assets as of September 30, 2026 were $10.2 million compared to $8.4 million as of December 31, 2025. The increase was due primarily to a $1.3 million increase in right of use asset, due to the acquisition of PB Bankshares.

Securities

The fair value of securities available for sale as of September 30, 2026 was $429.5 million compared to $408.8 million as of December 31, 2025. The increase of $20.7 million was due primarily to the acquired portfolio, as well as investment purchases during 2026.

The Company has securities in an unrealized loss position. In Management's opinion the unrealized losses reflect changes in interest rates subsequent to the acquisition of specific securities. The increase in the unrealized loss is due to the overall increase in interest rates. The Company did not recognize any credit losses on these available for sale debt securities for the nine months ended September 30, 2026. The Company does not intend to sell the securities and it is more likely than not that it will not have to sell the securities before recovery of its cost basis.

Loans

Loans receivable totaled $2.295 billion at September 30, 2026 compared to $1.854 billion as of December 31, 2025, due primarily to the acquired portfolio from Presence Bank. The $441.2 million increase in loans receivable during the nine months ended September 30, 2026, was due primarily to a $311.2 million increase in commercial real estate loans, a $62.9 million increase in residential real estate loans, a $37.3 million increase in construction loans, and an increase of $29.8 million in all other portfolios, net.

The allowance for credit losses totaled $25.1 million as of September 30, 2026, and represented 1.10% of total loans outstanding, compared to $19.9 million, or 1.07% of total loans outstanding, at December 31, 2025. The Company had net charge-offs for the nine months ended September 30, 2026 of $2.6 million, compared to $1.3 million in the corresponding period in 2025. The Company's management assesses the adequacy of the allowance for credit losses on a quarterly basis. Based on management's best judgement, the qualitative factors are applied to the final adjusted loss rate each quarter. Management considers the allowance for credit losses adequate at September 30, 2026 based on the Company's criteria. However, there can be no assurance that the allowance for credit losses will be adequate to cover significant losses, if any, which might be incurred in the future.

As of September 30, 2026, non-performing loans totaled $16.8 million, or 0.73% of total loans compared to $6.3 million, or 0.34% of total loans, at December 31, 2025. At September 30, 2026, non-performing assets totaled $17.5 million, or 0.59% of total assets, compared to $7.1 million, or 0.29% of total assets at December 31, 2025. The increase is due primarily to the addition of one large commercial real estate relationship being placed on non-accrual, following the borrower's filing for chapter 11 bankruptcy in June 2026.

The following table sets forth information regarding non-performing loans and foreclosed real estate at the dates indicated:

(dollars in thousands)	September 30, 2026	December 31, 2025
Loans accounted for on a non-accrual basis:		
Real Estate		
Residential	$ 1,610	$ 919
Commercial	11,016	4,064
Agricultural	2,144	—
Construction	15	34
Commercial loans	420	68
Other agricultural loans	188	—
Consumer loans to individuals	1,381	1,131
Total non-accrual loans	16,774	6,216
Accruing loans which are contractually past due 90 days or more	—	123
Total non-performing loans	16,774	6,339
Foreclosed real estate	771	771
Total non-performing assets	$ 17,545	$ 7,110
Allowance for credit losses	$ 25,146	$ 19,882
Coverage of non-performing loans	150 %	314 %
Non-performing loans to total loans	0.73 %	0.34 %
Non-performing loans to total assets	0.57 %	0.27 %
Non-performing assets to total assets	0.59 %	0.29 %

Deposits

During the nine-months ended September 30, 2026, total deposits increased $430.3 million due primarily to a $162.2 million increase in certificates of deposit, a $105.9 million increase in interest-bearing demand deposits, and a $162.2 million increase in all other deposit categories. All increases were primarily due to the PB Bankshares acquisition.

The following table sets forth deposit balances as of the dates indicated:

(dollars in thousands)	September 30, 2026	December 31, 2025
Non interest-bearing demand	$ 487,753	$ 419,597
Interest-bearing demand	510,016	404,079
Money market deposit accounts	259,784	188,215
Savings	223,904	201,388
Time deposits <$250,000	735,662	575,515
Time deposits >$250,000	291,861	289,851
Total	$ 2,508,980	$ 2,078,645

Borrowings

The Company had $56.1 million in short-term borrowings at September 30, 2026, compared to $14.7 million at December 31, 2025. The increase in short-term borrowings is due primarily to an increase in loan volumes along with a decrease of $37.5 million in long term borrowings.

Other borrowings as of September 30, 2026 were $62.7 million compared to $59.4 million as of December 31, 2025. There were no Federal Reserve Bank borrowings during the nine-months ended September 30, 2026, while Federal Home Loan Bank borrowings increased $3.3 million during the nine-months ended September 30, 2026.

Other borrowings consisted of the following:

(dollars in thousands)	September 30, 2026	December 31, 2025
Notes with the FHLB:		
Fixed rate borrowing due March 2026 at 4.31%	$ —	$ 10,000
Fixed rate borrowing due April 2026 at 4.04%	—	20,000
Fixed rate borrowing due October 2026 at 4.98%	1,500	—
Fixed rate borrowing due January 2027 at 1.39%	5,000	—
Fixed rate borrowing due January 2027 at 1.74%	3,400	—
Amortizing fixed rate borrowing due May 2027 at 4.37%	5,371	11,231
Fixed rate borrowing due June 2027 at 2.96%	5,000	—
Fixed rate borrowing due November 2027 at 4.15%	3,000	—
Fixed rate borrowing due December 2027 at 3.96%	3,100	—
Fixed rate borrowing due January 2028 at 3.85%	5,400	—
Fixed rate borrowing due March 2028 at 3.86%	1,500	—
Fixed rate borrowing due April 2028 at 3.59%	3,000	—
Amortizing fixed rate borrowing due July 2028 at 4.70%	5,912	8,188
Fixed rate borrowing due July 2028 at 4.49%	10,000	10,000
Fixed rate borrowing due September 2028 at 4.59%	3,750	—
Fixed rate borrowing due March 2030 at 4.11%	2,000	—
Fixed rate borrowing due April 2030 at 3.84%	3,000	—
Amortizing fixed rate borrowing due January 2032 at 1.83%	1,835	—
	62,768	59,419
Fair value adjustment of borrowings	(40)	—
	$ 62,728	$ 59,419

Stockholders' Equity and Capital Ratios

As of September 30, 2026, total stockholders' equity was $283.4 million, compared to $242.2 million as of December 31, 2025, an increase of $41.2 million. The increase consisted of $44.3 million due to the PB Bankshares acquisition and net income of $24.8 million, offset, in part by an $18.6 million decrease in the fair value of securities in the available-for-sale portfolio and a decrease of $11.0 million of dividends declared, net of tax. Because of interest rate volatility, the Company's accumulated other comprehensive income could materially fluctuate for each interim and year-end period.

Regulatory Capital Requirements. The Federal Reserve has adopted regulatory capital rules pursuant to which it assesses the adequacy of capital in examining and supervising a bank holding company and in analyzing applications to it under the Bank Holding Company Act ("BHCA"). The Federal Reserve's capital rules are similar to those imposed on the Bank by the FDIC. The Federal Reserve's Small Bank Holding Company Policy Statement, however, exempts from the regulatory capital requirements bank holding companies with less than $3.0 billion in consolidated assets that are not engaged in significant non-banking or off-balance sheet activities and that do not have a material amount of debt or equity securities registered with the SEC. As long as their bank subsidiaries are well capitalized, such bank holding companies need only maintain a pro forma debt to equity ratio of less than 1.0 in order to pay dividends and repurchase stock and to be eligible for expedited treatment on applications.

A comparison of the Company's consolidated regulatory capital ratios is as follows:

	September 30, 2026	December 31, 2025
Tier 1 Capital		
(To average assets)	9.75%	9.65%
Tier 1 Capital		
(To risk-weighted assets)	12.07%	12.37%
Common Equity Tier 1 Capital		
(To risk-weighted assets)	12.07%	12.37%
Total Capital		
(To risk-weighted assets)	13.16%	13.41%

The Bank is required to comply with applicable capital adequacy rules adopted by the FDIC and other federal bank regulatory agencies (the "Basel III Capital Rules"). The Basel III Capital Rules apply to all depository institutions as well as to all top-tier bank and savings and loan holding companies that are not subject to the Federal Reserve Small Bank Holding Company Policy Statement.

Under the Basel III Capital Rules, banks are required to meet four minimum capital standards: (1) a "Tier 1" or "core" capital leverage ratio equal to at least 4% of total adjusted assets; (2) a common equity Tier 1 capital ratio equal to 4.5% of risk-weighted assets; (3) a Tier 1 risk-based ratio equal to 6% of risk-weighted assets; and (4) a total capital ratio equal to 8% of total risk-weighted assets. Common equity Tier 1 capital is defined as common stock instruments, retained earnings, any common equity Tier 1 minority interest and, unless the bank has made an "opt-out" election, accumulated other comprehensive income, net of goodwill and certain other intangible assets. Tier 1 or core capital is defined as common equity Tier 1 capital plus certain qualifying subordinated interests and grandfathered capital instruments. Total capital consists of Tier 1 capital plus Tier 2 or supplementary capital items, which include allowances for loan losses in an amount of up to 1.25% of risk-weighted assets, qualifying subordinated instruments and certain grandfathered capital instruments. An institution's risk-based capital requirements are measured against risk-weighted assets, which equal the sum of each on-balance-sheet asset and the credit-equivalent amount of each off-balance-sheet item after being multiplied by an assigned risk weight. Risk weightings range from 0% for cash to 100% for property acquired through foreclosure, commercial loans, and certain other assets to 150% for exposures that are more than 90 days past due or are on nonaccrual status and certain commercial real estate facilities that finance the acquisition, development or construction of real property.

In addition to the above minimum requirements, the Basel III Capital Rules require banks and covered financial institution holding companies to maintain a capital conservation buffer of at least 2.5% of risk-weighted assets over and above the minimum risk-based capital requirements. Institutions that do not maintain the required capital buffer will become subject to progressively more stringent limitations on the percentage of earnings that can be paid out in dividends or used for stock repurchases and on the payment of discretionary bonuses to senior executive management. The capital buffer requirement effectively raises the minimum required risk-based capital ratios to 7% for Common Equity Tier 1 Capital, 8.5% for Tier 1 Capital and 10.5% for Total Capital on a fully phased-in basis. The Company and the Bank were in compliance with all applicable regulatory capital requirements as of September 30, 2026.

Liquidity

As of September 30, 2026, the Company had cash and cash equivalents of $72.5 million in the form of cash, due from banks, and short-term deposits with other institutions. In addition, the Company had total non-pledged securities available for sale of $144.2 million which could be used for liquidity needs. Total liquidity of $221.8 million as of September 30, 2026 represents 7.52% of total assets, compared to $190.8 million and 7.9% of total assets as of December 31, 2025. The Company also monitors other liquidity measures, all of which were within the Company's policy guidelines as of September 30, 2026 and December 31, 2025. Based upon these measures, the Company believes its liquidity is adequate.

Capital Resources

The Company has a line of credit commitment from Atlantic Community Bankers Bank for $7.0 million which expires June 30, 2027. There were no borrowings under this line as of September 30, 2026 and December 31, 2025.

The Company has a line of credit commitment available which has no stated expiration date from PNC Bank for $10.0 million. There were no borrowings under this line as of September 30, 2026 and December 31, 2025.

The Bank's maximum borrowing capacity with the Federal Home Loan Bank was estimated to be $911.4 million as of September 30, 2026, of which $94.8 million was outstanding in the form of borrowings as of September 30, 2026. As of December 31, 2025, the maximum borrowing capacity was $677.6 million, of which $74.1 million of borrowings was outstanding as of December 31, 2025. Additionally, as of September 30, 2026, the Bank had secured Letters of Credit from the Federal Home Loan Bank in the amount of $169.2 million as collateral for specific municipal deposits. These Letters of Credit reduce the availability under the maximum borrowing capacity. As of December 31, 2025, there was $155.5 million outstanding in the form of Letters of Credit. Advances and Letters of Credit from the Federal Home Loan Bank are secured by qualifying assets of the Bank.

Non-GAAP Financial Measures

This report contains or references fully taxable-equivalent (fte) interest income and net interest income, which are non-GAAP financial measures. Interest income (fte) and net interest income (fte) are derived from GAAP interest income and net interest income using an assumed tax rate of 21%. We believe the presentation of interest income (fte) and net interest income (fte) ensures comparability of interest income and net interest income arising from both taxable and tax-exempt sources and is consistent with industry practice. Interest income (fte) and Net interest income (fte) is reconciled to GAAP interest income and net interest income on page 45 and 49.

Fully taxable equivalent interest income and net interest income is also reflected in the table on page 46 and 50. Although the Company believes that these non-GAAP financial measures enhance investors' understanding of our business and performance, these non-GAAP financial measures should not be considered as an alternative to GAAP measures.

Results of Operations
NORWOOD FINANCIAL CORP
Consolidated Average Balance Sheets with Resultant Interest and Rates

(Tax-Equivalent Basis, dollars in thousands)	Three Months Ended September 30,					
	2026			2025		
	Average Balance (2)	Interest (1)	Average Rate (3)	Average Balance (2)	Interest (1)	Average Rate (3)
Assets						
Interest-earning assets:						
Fed funds sold	$ 15	$ —	—%	$ —	$ —	—%
Interest-bearing deposits with banks	39,717	354	3.54	12,485	144	4.58
Securities available for sale:						
Taxable	439,064	4,224	3.82	399,090	3,661	3.64
Tax-exempt (1)	43,956	322	2.91	44,074	312	2.81
Total securities available for sale (1)	483,020	4,546	3.73	443,164	3,973	3.56
Loans receivable (1) (4) (5)	2,267,664	36,760	6.43	1,802,046	28,267	6.22
Total interest-earning assets	2,790,416	41,660	5.92	2,257,695	32,384	5.69
Non-interest earning assets:						
Cash and due from banks	19,466			31,050		
Allowance for credit losses	(26,101)			(21,128)		
Other assets	125,818			96,142		
Total non-interest earning assets	119,183			106,064		
Total Assets	$ 2,909,599			$ 2,363,759		
Liabilities and Stockholders' Equity						
Interest-bearing liabilities:						
Interest-bearing demand and money market	$ 741,251	$ 3,519	1.88	$ 579,145	$ 2,900	1.99
Savings	230,456	268	0.46	200,559	113	0.22
Time	1,045,893	8,989	3.41	822,491	7,717	3.72
Total interest-bearing deposits	2,017,600	12,776	2.51	1,602,195	10,730	2.66
Short-term borrowings	3,540	36	4.03	8,740	105	4.77
Other borrowings	63,901	640	3.97	81,125	899	4.40
Total interest-bearing liabilities	2,085,041	13,452	2.56	1,692,060	11,734	2.75
Non-interest bearing liabilities:						
Demand deposits	494,690			416,150		
Other liabilities	38,244			28,816		
Total non-interest bearing liabilities	532,934			444,966		
Stockholders' equity	291,624			226,733		
Total Liabilities and Stockholders' Equity	$ 2,909,599			$ 2,363,759		
Net interest income/spread (tax equivalent basis)		28,208	3.36%		20,650	2.94%
Tax-equivalent basis adjustment		(199)			(192)	
Net interest income		$ 28,009			$ 20,458	
Net interest margin (tax equivalent basis)			4.01%			3.63%

(1) Interest and yields are presented on a tax-equivalent basis.
(2) Average balances have been calculated based on daily balances.
(3) Annualized
(4) Loan balances include non-accrual loans and are net of unearned income.
(5) Loan yields include the effect of amortization of deferred fees, net of costs.

Rate/Volume Analysis. The following table shows the fully taxable equivalent effect of changes in volumes and rates on interest income and interest expense. Changes in net interest income that could not be specifically identified as either a rate or volume change were allocated proportionately to changes in volume and changes in rate.

	Increase/(Decrease) Three months ended September 30, 2026 Compared to Three months ended September 30, 2025 Variance due to		
	Volume	Rate	Net
	(dollars in thousands)		
Interest-earning assets:			
Fed funds sold	$ —	$ —	$ —
Interest-bearing deposits with banks	293	(83)	210
Securities available for sale:			
Taxable	373	190	563
Tax-exempt securities	(1)	11	10
Total securities	372	201	573
Loans receivable	7,337	1,156	8,493
Total interest-earning assets	7,709	1,357	9,276
Interest-bearing liabilities:			
Interest-bearing demand and money market	804	(185)	619
Savings	31	124	155
Time	2,043	(771)	1,272
Total interest-bearing deposits	2,878	(832)	2,046
Short-term borrowings	(61)	(8)	(69)
Other borrowings	(186)	(73)	(259)
Total interest-bearing liabilities	2,631	(913)	1,718
Net interest income (tax-equivalent basis)	$ 5,078	$ 2,270	$ 7,558

Comparison of Operating Results for the Three Months Ended September 30, 2026 to September 30, 2025

General

For the three months ended September 30, 2026, net income totaled $11.8 million compared to net income of $8.3 million for the three months ended September 30, 2025. The increase in net income for the three months ended September 30, 2026 was due primarily to a $7.6 million increase in net interest income and a net increase of $415,000 in all other income, offset, in part by a $1.6 million increase in salaries and employee benefits, a $602,000 increase in provision for credit losses, and a net increase of $2.4 million in all other expenses. Earnings for the three-months ended September 30, 2026 were $1.08 per basic and fully diluted share, compared to $0.89 per basic and fully diluted share for the three months ended September 30, 2025. The resulting annualized return on average assets and annualized return on average equity for the three months ended September 30, 2026 were 1.60% and 16.00%, respectively, compared to 1.40% and 14.58%, respectively, for the same period in 2025.

The following table sets forth changes in net income:

(dollars in thousands)	Three months ended September 30, 2026 compared to September 30, 2025
Net income three months ended September 30, 2025	$ **8,334**
Change due to:	
Net interest income	7,551
Provision for credit losses	(602)
Net gains on sales of securities and loans	(72)
Service charges and fees	344
Earnings and proceeds on bank-owned life insurance	66
Other income	77
Salaries and employee benefits	(1,578)
Occupancy, furniture and equipment	(160)
Data processing related	(563)
Professional fees	(130)
Merger-related	568
All other expenses	(755)
Income tax expense	(1,317)
Net income three months ended September 30, 2026	$ **11,763**

Net Interest Income

Net interest income on a fully taxable equivalent basis (fte) for the three months ended September 30, 2026 totaled $28.2 million which was $7.6 million higher than the comparable period in 2025. The increase in net interest income was due primarily to a $9.3 million increase in total interest income, offset by a $1.7 million increase in total interest expense. The (fte) net interest spread and net interest margin were 3.36% and 4.01%, respectively, for the three months ended September 30, 2026 compared to 2.94% and 3.63%, respectively, for the same period in 2025. See “Non-GAAP Financial Measures” described above beginning on page 43.

For the three-months ended September 30, 2026, interest income (fte) totaled $41.7 million, with a yield on average earning assets of 5.92% compared to $32.4 million and 5.69% for the three months ended September 30, 2025. Average loans increased $465.6 million during the three months ended September 30, 2026, over the comparable period of 2025, while average securities increased $39.9 million compared to the three months ended September 30, 2025. Average earning assets totaled $2.790 billion for the three months ended September 30, 2026, an increase of $532.7 million, over average earning assets for the same period in 2025. See “Non-GAAP Financial Measures” described above beginning on page 43.

Interest expense for the three months ended September 30, 2026 totaled $13.5 million, at an average cost of 2.56%, compared to $11.7 million, at an average cost of 2.75% for the same period in 2025. Average interest-bearing deposits increased $415.4 million during the three months ended September 30, 2026, over the comparable period in 2025, while average borrowings decreased $22.4 million during the three months ended September 30, 2026. During the three months ended September 30, 2026, the average cost of time deposits, which is the most significant component of funding costs, decreased 31 basis points compared to the same three-month period of last year. The average cost of interest-bearing demand and money market decreased 11 basis points during the three months ended September 30, 2026, while savings deposit costs increased 24 basis points. Average short-term borrowing costs decreased 74 basis points, while average other borrowings cost decreased 43 basis points, compared to the same three-month period of 2025.

Provision for Credit Losses

The Company had a provision for credit losses of $100,000 during the three months ended September 30, 2026, compared to a release of provision for credit losses of $502,000 for the three months ended September 30, 2025. The Company makes provisions for, or releases of, credit loss expense in an amount necessary to maintain the allowance for credit losses at an acceptable level under the current expected credit loss (CECL) methodology analysis. The Company recorded a net charge-off of $719,000 for the quarter ended September 30, 2026, compared to a net charge-off of $605,000 for the year earlier quarter. At September 30, 2026, the allowance for credit losses related to loans receivable was 1.10% of loans receivable, the same as at September 30, 2025. Additionally, at September 30, 2026, the allowance for credit losses related to loans receivable represented 150% of non-performing loans, compared to 302% at September 30, 2025.

Other Income

Other income totaled $2.9 million for the three months ended September 30, 2026, compared to $2.5 million for the same period in 2025. The increase was due primarily to an increase in service charges and fees of $344,000. All other categories of other income increased $71,000 net, during the three months ended September 30, 2026.

Other Expense

Other expense for the three months ended September 30, 2026 totaled $15.6 million, an increase of $2.6 million compared to the same period of 2025, due primarily to a $1.6 million increase in salaries and employee benefits, resulting primarily from the PB Bankshares acquisition which closed in January 2026. All other categories of other expense increased $1.6 million during the three months ended September 30, 2026 as compared to the year earlier quarter.

Income Tax Expense

Income tax expense totaled $3.5 million for an effective tax rate of 23.0% for the three months ended September 30, 2026 compared to $2.2 million for an effective tax rate of 20.9% for the three months ended September 30, 2025.

Results of Operations
NORWOOD FINANCIAL CORP
Consolidated Average Balance Sheets with Resultant Interest and Rates

(Tax-Equivalent Basis, dollars in thousands)	Nine Months Ended September 30,					
	2026			2025		
	Average Balance (2)	Interest (1)	Average Rate (3)	Average Balance (2)	Interest (1)	Average Rate (3)
Assets						
Interest-earning assets:						
Fed funds sold	$ 818	$ 25	4.09%	$ —	$ —	—%
Interest bearing deposits with banks	51,908	1,107	2.85	17,427	590	4.53
Securities available for sale:						
Taxable	429,970	12,328	3.83	403,947	10,907	3.61
Tax-exempt (1)	44,285	955	2.88	44,157	938	2.84
Total securities available for sale (1)	474,255	13,283	3.74	448,104	11,845	3.53
Loans receivable (1) (4) (5)	2,239,147	106,460	6.36	1,776,629	81,636	6.14
Total interest-earning assets	2,766,128	120,875	5.84	2,242,160	94,071	5.61
Non-interest earning assets:						
Cash and due from banks	26,719			30,035		
Allowance for loan losses	(24,691)			(20,675)		
Other assets	128,943			94,389		
Total non-interest earning assets	130,971			103,749		
Total Assets	$ 2,897,099			$ 2,345,909		
Liabilities and Stockholders' Equity						
Interest-bearing liabilities:						
Interest-bearing demand and money market	$ 730,956	$ 10,441	1.91	$ 566,762	$ 8,588	2.03
Savings	227,101	605	0.36	205,552	374	0.24
Time	1,052,670	27,416	3.48	812,778	23,385	3.85
Total interest-bearing deposits	2,010,727	38,462	2.56	1,585,092	32,347	2.73
Short-term borrowings	4,337	128	3.95	23,468	774	4.41
Other borrowings	75,503	2,309	4.09	90,110	2,981	4.42
Total interest-bearing liabilities	2,090,567	40,899	2.62	1,698,670	36,102	2.84
Non-interest bearing liabilities:						
Demand deposits	479,931			395,470		
Other liabilities	36,680			28,978		
Total non-interest bearing liabilities	516,611			424,448		
Stockholders' equity	289,921			222,791		
Total Liabilities and Stockholders' Equity	$ 2,897,099			$ 2,345,909		
Net interest income/spread (tax equivalent basis)		79,976	3.23%		57,969	2.77%
Tax-equivalent basis adjustment		(574)			(589)	
Net interest income		$ 79,402			$ 57,380	
Net interest margin (tax equivalent basis)			3.87%			3.46%

(1) Interest and yields are presented on a tax-equivalent basis.
(2) Average balances have been calculated based on daily balances.
(3) Annualized
(4) Loan balances include non-accrual loans and are net of unearned income.
(5) Loan yields include the effect of amortization of deferred fees, net of costs.

Rate/Volume Analysis. The following table shows the fully taxable equivalent effect of changes in volumes and rates on interest income and interest expense.

	Increase/(Decrease) Nine months ended September 30, 2026 Compared to Nine months ended September 30, 2025 Variance due to		
	Volume	Rate	Net
	(dollars in thousands)		
Interest-earning assets:			
Fed funds sold	$ 25	—	$ 25
Interest-bearing deposits with banks	964	$ (447)	517
Securities available for sale:			
Taxable	724	697	1,421
Tax-exempt securities	3	14	17
Total securities	727	711	1,438
Loans receivable	21,356	3,468	24,824
Total interest-earning assets	23,072	3,732	26,804
Interest-bearing liabilities:			
Interest-bearing demand and money market	2,458	(605)	1,853
Savings	53	178	231
Time	6,696	(2,665)	4,031
Total interest-bearing deposits	9,207	(3,092)	6,115
Short-term borrowings	(629)	(17)	(646)
Other borrowings	(473)	(199)	(672)
Total interest-bearing liabilities	8,105	(3,308)	4,797
Net interest income (tax-equivalent basis)	$ 14,967	$ 7,040	$ 22,007

Comparison of Operating Results for the Nine Months Ended September 30, 2026 to September 30, 2025

General

For the nine months ended September 30, 2026, net income totaled $24.8 million compared to net income of $20.3 million for the nine months ended September 30, 2025. The increase in net income for the nine months ended September 30, 2026 was due primarily to an increase in net interest income of $22.0 million and an increase of $1.1 million in other income, offset in part by a $4.3 million increase in merger-related expenses, a $5.7 million increase in salaries and employee benefits, a $2.2 million increase in provision for credit losses, a net increase of $4.8 million in all other expenses, and an increase of $1.6 million in income tax expense. Earnings for the nine months ended September 30, 2026 were $2.29 per basic and fully diluted share, compared to $2.22 per basic and fully diluted share for the nine months ended September 30, 2025. The resulting annualized return on average assets and annualized return on average equity for the nine months ended September 30, 2026 were 1.15% and 11.45%, respectively, compared to 1.16% and 12.19%, respectively, for the same period in 2025.

(dollars in thousands)	Nine months ended September 30, 2026 compared to September 30, 2025
Net income nine months ended September 30, 2025	$ 20,313
Change due to:	
Net interest income	22,022
Provision for credit losses	(2,198)
Service charges and fees	738
Net gains on sales of securities and loans	(54)
Earnings and proceeds on bank-owned life insurance	154
Other income	219
Salaries and employee benefits	(5,724)
Occupancy, furniture and equipment	(727)
Data processing related	(1,299)
Professional fees	(420)
Merger-related	(4,276)
All other expenses	(2,360)
Income tax expense	(1,567)
Net income nine months ended September 30, 2026	$ 24,821

Net Interest Income

Net interest income on a fully taxable equivalent basis (fte) for the nine months ended September 30, 2026 totaled $80.0 million, an increase of $22.0 million compared to the same period in 2025. The increase in net interest income was due primarily to a $26.8 million increase in total interest income, offset by a $4.8 million increase in total interest expense. The (fte) net interest spread and net interest margin were 3.23% and 3.87%, respectively, for the nine months ended September 30, 2026 compared to 2.77% and 3.46%, respectively, for the same period in 2025. See "Non-GAAP Financial Measures" described above beginning on page 43.

For the nine months ended September 30, 2026, interest income (fte) totaled $120.9 million, with a yield on average earning assets of 5.84% compared to $94.1 million and 5.61% for the nine months ended September 30, 2025. Average loans increased $462.5 million to $2.239 billion during the nine months ended September 30, 2026, compared to $1.777 billion during the comparable period of 2025, while average securities increased $26.2 million compared to the nine months ended September 30, 2025. Average earning assets totaled $2.766 billion for the nine months ended September 30, 2026, an increase of $524.0 million, over average earning assets for the same period in 2025. See "Non-GAAP Financial Measures" described above beginning on page 43.

Interest expense for the nine months ended September 30, 2026 totaled $40.9 million, at an average cost of 2.62%, compared to $36.1 million, at an average cost of 2.84% for the same period in 2025. Average interest-bearing deposits increased $425.6 million during the nine months ended September 30, 2026, over the comparable period in 2025, while average borrowings decreased $33.7 million compared to the nine months ended September 30, 2025. During the nine months ended September 30, 2026, the average cost of time deposits, which is the most significant component of funding costs, decreased 37 basis points compared to the nine months ended September 30, 2025. The average cost of interest-bearing demand and money market decreased 12 basis points during the nine months ended September 30, 2026, while savings deposit costs increased 12 basis points, compared to the year earlier period. Average short-term borrowing costs decreased 46 basis points, while average other borrowings cost decreased 33 basis points, compared to the same nine-month period of 2025.

Provision for Credit Losses

The Company had a provision for credit losses of $3.5 million during the nine months ended September 30, 2026, compared to $1.3 million for the nine months ended September 30, 2025. The Company makes provisions for, or releases of, credit loss expense in an amount necessary to maintain the allowance for credit losses at an acceptable level under the CECL methodology analysis. The Company recorded a net charge-off of $2.6 million for the nine months ended September 30, 2026, compared to a net charge-off of $1.3 million for the similar period in 2025. At September 30, 2026, the allowance for credit losses related to loans receivable was 1.10% of loans receivable, the same as at September 30, 2025. Additionally, at September 30, 2026, the allowance for credit losses related to loans receivable represented 150% of non-performing loans, compared to 302% at September 30, 2025. The increase in net charge-offs and the decrease in allowance for credit losses as it relates to non-performing loans, were both due to one large commercial real estate relationship filing for chapter 11 bankruptcy in June 2026.

Other Income

Other income totaled $8.2 million for the nine months ended September 30, 2026, compared to $7.1 million for the same period in 2025. The increase was due primarily to an increase in service charges and fees of $738,000. All other categories of other income increased $319,000, net, during the nine months ended September 30, 2026.

Other Expense

Other expense for the nine months ended September 30, 2026 totaled $52.3 million, an increase of $14.8 million compared to the same period of 2025, due primarily to a $4.3 million increase in non-recurring merger-related expenses and a $5.7 million increase in salaries and employee benefits, resulting primarily from the PB Bankshares merger which closed in January 2026. All other categories of other expense increased $4.8 million during the nine months ended September 30, 2026 as compared to the year earlier quarter.

Income Tax Expense

Income tax expense totaled $6.9 million for an effective tax rate of 21.8% for the nine months ended September 30, 2026, compared to $5.3 million for an effective tax rate of 20.8% for the nine months ended September 30, 2025.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Asset/Liability Management

Management considers interest rate risk to be our most significant market risk. Market risk is the risk of loss from adverse changes in market prices and rates. Interest rate risk is the exposure to adverse changes in our net income as a result of changes in interest rates.

Our primary earnings source is net interest income, which is affected by changes in the level of interest rates, the relationship between rates, the impact of interest rate fluctuations on asset prepayments, the level and composition of deposits and liabilities, and the credit quality of earning assets. Our asset and liability management objectives are to maintain a strong, stable net interest margin, to utilize our capital effectively without taking undue risks, to maintain adequate liquidity, and to reduce vulnerability of our operations to changes in interest rates.

Our Asset and Liability Committee evaluates periodically, but at least four times a year, the impact of changes in market interest rates on assets and liabilities, net interest margin, capital and liquidity. Risk assessments are governed by policies and limits established by senior management, which are reviewed and approved by the full Board of Directors at least annually. The economic environment continually presents uncertainties as to future interest rate trends. The Asset and Liability Committee regularly utilizes a model that projects net interest income based on increasing or decreasing interest rates, in order to be better able to respond to changes in interest rates.

Changes in interest rates affect the value of our interest-earning assets and, in particular, our securities portfolio. Generally, the value of securities fluctuates inversely with changes in interest rates. Increases in interest rates could result in decreases in the market value of interest-earning assets, which could adversely affect our stockholders' equity and results of operations if sold. We are also subject to reinvestment risk associated with changes in interest rates. Changes in market interest rates also could affect the type (fixed-rate or adjustable-rate) and amount of loans we originate and the average life of loans and securities, which can impact the yields earned on our loans and securities. In periods of decreasing interest rates, the average life of loans and securities we hold may be shortened to the extent increased prepayment activity occurs during such periods which, in turn, may result in the investment of funds from such prepayments in lower yielding assets. Under these circumstances, we are subject to reinvestment risk to the extent that we are unable to reinvest the cash received from such prepayments at rates that are comparable to the rates on existing loans and securities. Additionally, increases in interest rates may result in decreasing loan prepayments with respect to fixed rate loans (and therefore an increase in the average life of such loans), may result in a decrease in loan demand, and may make it more difficult for borrowers to repay adjustable rate loans.

We utilize the results of a detailed and dynamic simulation model to quantify the estimated exposure of net interest income to sustained interest rate changes. Management routinely monitors simulated net interest income sensitivity over a rolling two-year horizon. The simulation model captures the impact of changing interest rates on the interest income received and the interest expense paid on all assets and liabilities reflected on our consolidated balance sheet. This sensitivity analysis is compared to the asset and liability policy limits that specify a maximum tolerance level for net interest income exposure over a one-year horizon given 100 through 300-basis point upward and 100 through 200 downward shifts in interest rates. A parallel and pro-rata shift in rates over a twelve-month period is assumed.

In addition to the above scenarios, we consider other non-parallel rate shifts that would also exert pressure on earnings. During the nine months ended September 30, 2026, the U.S. Treasury yield curve has steepened. During the nine months ended September 30, 2026, the yield on U.S. Treasury 5-year notes increased 136 basis points from 3.73% to 5.09%, while the yield on 3-month Treasury bills increased 53 basis points from 3.67% to 4.20%. The 3-month/5-year Treasury spread increased from a positive seven basis points at December 31, 2025 to a positive 89 basis points at September 30, 2026. A continued steepening in the yield curve may positively affect net interest income as shorter term deposits reprice at lower rates while longer term assets reprice at higher rates. However, there is no certainty on the direction of interest rates. The Federal Reserve Open Market Committee has indicated that it will take a measured stance toward further changes in short-term rates.

The following reflects our net interest income sensitivity analysis at September 30, 2026 and December 31, 2025:

Changes in Interest Rates in Basis Points (Dollars in thousands)	September 30, 2026 Potential Change in Future Net Interest Income			
	Year 1		Year 2	
	$ Change	% Change	$ Change	% Change
+300	(1,298)	-1.1%	2,358	1.8%
+200	(757)	-0.9%	1,896	1.4%
+100	(309)	-0.3%	1,142	0.9%
Static	-	0.0%	-	0.0%
-100	(265)	-0.2%	(2,660)	-6.7%
-200	(2,349)	-1.9%	(6,219)	-11.3%

Changes in Interest Rates in Basis Points (Dollars in thousands)	December 31, 2025 Potential Change in Future Net Interest Income			
	Year 1		Year 2	
	$ Change	% Change	$ Change	% Change
+300	(6,467)	-6.9%	(194)	-0.2%
+200	(4,159)	-4.4%	319	0.3%
+100	(1,993)	-2.0%	448	0.4%
Static	-	0.0%	-	0.0%
-100	1,415	1.5%	(1,987)	-2.0%
-200	1,125	1.2%	(7,003)	-6.9%

As noted in the table above, a 200-basis point increase in interest rates is projected to decrease net interest income by 0.9% in year 1 and increase net interest income by 1.4% in year 2. Our balance sheet sensitivity to such a move in interest rates at September 30, 2026 decreased slightly as compared to December 31, 2025 (which was a decrease of 4.4% in net interest income over a twelve-month period). This decrease in sensitivity is the result of an increase in the earning assets over the nine-month period. Over the intervening year, the effective duration (a measure of price sensitivity to interest rates) of the bond portfolio increased to 4.8 years at September 30, 2026, from 4.6 at December 31, 2025.

The preceding sensitivity analysis does not represent a Company forecast and should not be relied on as being indicative of expected operating results. These hypothetical estimates are based on numerous assumptions including, but not limited to, the nature and timing of interest rate levels and yield curve shapes, prepayments on loans and securities, deposit decay rates, pricing decisions on loans and deposits, and reinvestment and replacement of asset and liability cash flows. While assumptions are developed based on perceived current economic and local market conditions, we cannot make any assurances as to the predictive nature of these assumptions including how customer preferences or competitor influences may change. Also, as market conditions vary from those assumed in the sensitivity analysis, actual results will also differ due to prepayment and refinancing levels likely deviating from those assumed, the varying impact of interest rate change caps or floors on adjustable rate assets, the potential effect of changing debt service levels on customers with adjustable rate loans, depositor early withdrawals, prepayment penalties and product preference changes and other internal and external variables. Furthermore, the sensitivity analysis does not reflect actions that management might take in responding to, or anticipating, changes in interest rates and market conditions.

Item 4. Controls and Procedures

The Company's management evaluated, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, the effectiveness of the Company's disclosure controls and procedures, as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's (the "Commission") rules and forms.

There were no changes in the Company's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act that occurred during the quarter ended September 30, 2026 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Because of its inherent limitations, management does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent or detect all error and fraud. Any control system is based upon assumptions and can provide only reasonable, not absolute, assurance that its objective will be met. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. No evaluation of control can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, with the Company have been detected.

Part II. OTHER INFORMATION

Item 1. Legal Proceedings

On February 20, 2024, the Company was notified of a Complaint (the "Complaint") entitled Ian Werkmeister vs. Wayne Bank, filed on February 12, 2024 in the United States District Court for the Middle District of Pennsylvania seeking class action status. The Plaintiff is seeking monetary recovery and other relief on behalf of themselves and one or more putative classes of other individuals similarly situated. The Complaint arises out of a widely reported data security incident involving MOVEit, a file sharing software used globally by government agencies, enterprise corporations, and financial institutions. In October of 2023, Wayne Bank was notified by its third-party information service provider of a cyber-incident that involved unauthorized access to Wayne Bank customer information in one of the vendor's file transfer applications. The incident involved vulnerabilities discovered in MOVEit Transfer, a file transfer software used by the Bank's vendor to support services provided by the vendor to Wayne Bank and its related institutions. MOVEit is a commonly used secure Managed File Transfer software, which supports file transfer activities used by thousands of organizations around the world, including government agencies and major financial firms. The vulnerability discovered in MOVEit did not involve any of Wayne Bank's internal systems and did not impact the Bank's ability to service its customers.

The MOVEit cases have since been transferred and consolidated in the United States District Court for the District of Massachusetts (the "Court") and are now entitled *MOVEit Customer Data Security Breach Litigation.* On July 23, 2024, on behalf of all of the Defendants (including the Company) in this case, an omnibus Motion to Dismiss the cases for lack of Article III standing pursuant to Rule 12(b)(1) of the Federal Rules of Civil Procedure was filed with the Court. A hearing on this motion was held on October 9, 2024. On December 12, 2024, Judge Burroughs denied the defendants' Rule 12(b)(1) motion in large part. The Court has ordered that a bellwether process be used to test claims and defenses. Because Wayne Bank is not a bellwether defendant, its obligations will be much lessened but will include, among other things, modest discovery.

The Company believes it has meritorious defenses to the claims asserted in the Complaint and intends to vigorously defend itself against such Complaint. While we continue to measure the impact of this cyber-incident, including certain remediation expenses and other potential liabilities, we do not currently believe this incident will have a material adverse effect on our business, operations, or financial results.

Other than the foregoing, neither the Company nor its subsidiaries are involved in any other pending legal proceedings, other than routine legal matters occurring in the ordinary course of business, which in the aggregate involve amounts which are believed by management to be immaterial to the consolidated financial condition or results of operations of the Company.

Item 1A. Risk Factors

Not applicable.

Item 2. Unregistered Sales of Equity Sales and Use of Proceeds

(a) Unregistered Sales of Equity Securities. Not Applicable.

(b) Use of Proceeds. Not Applicable

(c) Issuer Purchases of Equity Securities. Set forth below is information regarding the Company's stock repurchases during the quarter ended September 30, 2026.

	Issuer Purchases of Equity Securities			
	Total Number of Shares (or Units) Purchased	Average Price Paid Per Share (or Unit)	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs *	Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
July 1 – 31, 2026	-	$ -	-	244,234
August 1 – 31, 2026	-	-	-	550,000
September 1 – 30, 2026	-	-	-	550,000
Total	-	$ -	-	550,000

*On August 28, 2026, the Company announced that it had authorized a stock repurchase program for up to 550,000 shares, in accordance with all applicable securities laws and regulations, including Rule 10b-18 of the Securities Exchange Act of 1934, as amended. This amount represents approximately 5% of the Company's outstanding shares of common stock. The repurchase plan replaces and supersedes the repurchase plan which the Company had authorized in 2021.

*On March 30, 2021, the Company announced a share repurchase program for up to approximately 5% of the Company's outstanding shares of common stock, or approximately 400,000 shares, in accordance with all applicable securities laws and regulations, including Rule 10b-18 of the Securities Exchange Act of 1934, as amended. On March 19, 2008, the Company announced its intention to repurchase up to 5% of its outstanding common stock (approximately 226,050 split-adjusted shares) in the open market. On November 10, 2011, the Company announced that it had increased the number of shares which may be repurchased under its open-market program to 5% of its currently outstanding shares, or approximately 270,600 split-adjusted shares. These plans have been replaced and superseded by the August 2026 plan and there are no longer shares available under these plans.

Item 3. Defaults Upon Senior Securities

Not applicable

Item 4. Mine Safety Disclosures

Not applicable

Item 5. Other Information

No director or officer of the Company adopted or terminated a Rule 10b5-1 trading arrangement or non- Rule 10b5-1 trading arrangement, as each term is defined in Item 408 of regulation S-K, during the quarter ended September 30, 2026.

Item 6. Exhibits

No.	Description
3(i)	Amended and Restated Articles of Incorporation of Norwood Financial Corp (1)
3(ii)	Bylaws of Norwood Financial Corp (2)
4.0	Specimen Stock Certificate of Norwood Financial Corp (3)
31.1	Rule 13a-14(a)/15d-14(a) Certification of CEO
31.2	Rule 13a-14(a)/15d-14(a) Certification of CFO
32	Certification pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of Sarbanes Oxley Act of 2002
101	The following materials from the Company's Form 10-Q for the quarter ended September 30, 2026, formatted in Inline XBRL (Extensible Business Reporting Language): (i) Consolidated Balance Sheets; (ii) Consolidated Statements of Income; (iii) Consolidated Statements of Comprehensive Income; (iv) Consolidated Statements of Changes in Stockholders' Equity; (v) Consolidated Statements of Cash Flows; and (vi) Notes to Consolidated Financial Statements.
101.INS	Inline XBRL Instance Document (The instance document does not appear in the interactive data file because its XBRL tags are embedded within the inline XBRL document)
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Labels Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

(1) Incorporated by reference into this document from Exhibit 3(i) to the Company's Form 10-K filed with the Commission on March 13, 2020.

(2) Incorporated by reference from Exhibit 3(ii) to the Company's Annual Report on Form 10-K filed with the Commission on March 14, 2024.

(3) Incorporated herein by reference into this document from the identically numbered exhibit to the Company's Form 10, Registration Statement initially filed in paper with the Commission on April 29, 1996, Registration No. 0-28364.

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

NORWOOD FINANCIAL CORP

Date: November 6, 2026

By: /s/ James O. Donnelly
James O. Donnelly
President and Chief Executive Officer
(Principal Executive Officer)

Date: November 6, 2026

/s/ John M. McCaffery
John M. McCaffery
Executive Vice President and
Chief Financial Officer
(Principal Financial Officer)

Exhibit 31.1

CERTIFICATION

I, James O. Donnelly, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Norwood Financial Corp;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 6, 2026

/s/ James O. Donnelly
James O. Donnelly
President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, John M. McCaffery, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Norwood Financial Corp;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 6, 2026

/s/ John M. McCaffery
John M. McCaffery
Executive Vice President and Chief Financial Officer

Exhibit 32

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Norwood Financial Corp (the Company) on Form 10-Q for the period ending September 30, 2026 as filed with the Securities and Exchange Commission on the date hereof (the Report), we, James O. Donnelly, President and Chief Executive Officer, and John M. McCaffery, Executive Vice President and Chief Financial Officer, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ James O. Donnelly
James O. Donnelly
President and Chief Executive Officer

/s/ John M. McCaffery
John M. McCaffery
Executive Vice President and Chief Financial Officer

November 6, 2026