

REFINITIV

DELTA REPORT

10-K

NWFL - NORWOOD FINANCIAL CORP

10-K - DECEMBER 31, 2023 COMPARED TO 10-K - DECEMBER 31, 2022

The following comparison report has been automatically generated

TOTAL DELTAS	2686
CHANGES	492
DELETIONS	684
ADDITIONS	1510

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

FORM 10-K

(Mark One):

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended **December 31, 2022** **December 31, 2023**
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 No. 0-28364

NORWOOD FINANCIAL CORP
(Exact Name of Registrant as Specified in its Charter)

Pennsylvania
(State or Other Jurisdiction of
Incorporation or Organization)
717 Main Street, Honesdale, Pennsylvania
(Address of Principal Executive Offices)

23-2828306
(I.R.S. Employer
Identification No.)
18431
(Zip Code)

Registrant's Telephone Number, Including Area Code: (570) 253-1455

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, \$.10 par value	NWFL	The Nasdaq Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. ☐ YES ☒ NO

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. ☐ YES ☒ NO

Indicate by check mark 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	<input type="checkbox"/>	Accelerated Filer	<input type="checkbox"/>
Non-accelerated Filer	<input checked="" type="checkbox"/>	Smaller Reporting Company	<input checked="" type="checkbox"/>
		Emerging Growth Company	<input type="checkbox"/>

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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

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

The aggregate market value of the voting stock held by non-affiliates of the registrant, based on the closing price of the registrant's Common Stock as of **June 30, 2022** **June 30, 2023**, **\$24.26** **\$29.53** per share, was **\$180.5** **\$216.1** million based on **7,439,636** **7,318,186** shares of Common Stock held by non-affiliates on that date. Solely for purposes of this calculation, shares held by directors, executive officers and greater than 10% stockholders are treated as shares held by affiliates.

As of **March 1, 2023** **March 1, 2024**, there were **8,181,001** **8,110,156** shares outstanding of the registrant's Common Stock.

DOCUMENTS INCORPORATED BY REFERENCE

1. Portions of the definitive Proxy Statement for the **2023** **2024** Annual Meeting of Stockholders. (Part III)

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PART I

Forward Looking Statements

This Annual Report on Form 10-K contains forward-looking statements, which can be identified by the use of words such as "estimate," "project," "believe," "intend," "anticipate," "plan," "seek," "expect" and words of similar meaning. These forward-looking statements include, but are not limited to:

- ☐ statements of our goals, intentions and expectations;
- ☐ statements regarding our business plans, prospects, growth and operating strategies;
- ☐ statements regarding the quality of our loan and investment portfolios; and
- ☐ estimates of our risks and future costs and benefits.

These forward-looking statements are based on current beliefs and expectations of our management and are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond our control. In addition, these forward-looking statements are subject to assumptions with respect to future business strategies and decisions that are subject to change. We are under no duty to and do not take any obligation to update any forward-looking statements after the date of the Annual Report on Form 10-K.

The following factors, among others, could cause actual results to differ materially from the anticipated results or other expectations expressed in the forward-looking statements:

- ☐ the COVID-19 pandemic may continue to adversely impact the local and national economy and our business and results of operations may continue to be adversely affected;
- ☐ general economic conditions, either nationally or in our market areas, that are worse than expected;
- ☐ changes in the level and direction of loan delinquencies and write-offs and changes in estimates of the adequacy of the allowance for loan losses;
- ☐ our ability to access cost-effective funding;
- ☐ fluctuations in real estate values and both residential and commercial real estate market conditions;
- ☐ demand for loans and deposits in our market area;
- ☐ our ability to implement changes in our business strategies;
- ☐ competition among depository and other financial institutions;
- ☐ inflation and changes in the interest rate environment that reduce our margins and yields, or reduce the fair value of financial instruments or reduce the origination levels in our lending business, or increase the level of defaults, losses and prepayments on loans we have made and make whether held in portfolio or sold in the secondary markets;
- ☐ adverse changes in the securities markets;
- ☐ changes in laws or government regulations or policies affecting financial institutions, including changes in regulatory fees and capital requirements;
- ☐ changes in monetary or fiscal policies of the U.S. Government, including policies of the U.S. Treasury and the Federal Reserve Board;
- ☐ our ability to manage market risk, credit risk and operational risk in the current economic conditions;
- ☐ our ability to enter new markets successfully and capitalize on growth opportunities;
- ☐ our ability to successfully integrate any assets, liabilities, customers, systems and management personnel we have acquired or may acquire into our operations and our ability to realize related revenue synergies and cost savings within expected time frames and any goodwill charges related thereto;
- ☐ an increase in the Pennsylvania Bank Shares Tax to which our bank subsidiary's capital stock is currently subject, or imposition of any additional taxes on the capital stock of us or our bank subsidiary;
- ☐ changes in consumer demand, borrowing and savings habits
- ☐ the ability of third-party providers to perform their obligations to us;
- ☐ the ability of the U.S. Government to manage federal debt limits;
- ☐ cyber-attacks, computer viruses and other technological risks that may breach the security of our websites or other systems to obtain unauthorized access to confidential information and destroy data or disable our systems;
- ☐ technological changes that may be more difficult or expensive than expected;
- ☐ changes in the financial condition, results of operations or future prospects of issuers of securities that we own;
- ☐ volatility in the securities markets;
- ☐ disruptions due to flooding, severe weather, or other natural disasters or Acts of God;
- ☐ acts of war, terrorism, or global military conflict; and
- ☐ other economic, competitive, governmental, regulatory and operational factors affecting our operations, pricing products and services described elsewhere in this Annual Report on Form 10-K.

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Because of these and other uncertainties, our actual future results may be materially different from the results indicated by these forward-looking statements.

Item 1. Business.

General

Norwood Financial Corp (the "Company"), a Pennsylvania corporation, was incorporated in 1995 to become the holding company for Wayne Bank (the "Bank"). The Company is a registered bank holding company subject to regulation and supervision by the Board of Governors of the Federal Reserve System ("Federal Reserve"). As of December 31, 2022 December 31, 2023, the Company had total consolidated assets of \$2.047 \$2.201 billion, consolidated deposits of \$1.728 \$1.795 billion, and consolidated stockholders' equity of \$167.1 \$181.1 million. The Company's ratio of average equity to average assets was 8.87% 8.14%, 10.04% 8.87%, and 10.70% 10.04% for fiscal years 2023, 2022 2021 and 2020, 2021, respectively. The decrease in the 2022 2023 level was due to the impact of rising interest rates and the related decrease in accumulated other comprehensive income, income (loss).

Wayne Bank is a Pennsylvania chartered bank and trust company headquartered in Honesdale, Pennsylvania. The Bank was originally chartered on February 17, 1870, as Wayne County Savings Bank and changed its name to Wayne County Bank and Trust in December 1943. In September 1993, the Bank adopted the name Wayne Bank. The Bank's deposits are currently insured to applicable limits by the Federal Deposit Insurance Corporation ("FDIC") and the Bank is a member of the Federal Home Loan Bank ("FHLB") of Pittsburgh. The Bank is regulated and examined by the Pennsylvania Department of Banking and Securities ("Department") and the FDIC. The Bank is an independent community bank with fourteen fifteen offices in Northeastern Pennsylvania and fifteen fourteen offices in Delaware, Sullivan, Ontario, Otsego and Yates Counties, New York.

The Bank offers a wide variety of personal and business credit services and trust and investment products and real estate settlement services to the consumers, businesses, nonprofit organizations, and municipalities in each of the communities that the Bank serves. The Bank primarily serves the northeastern Pennsylvania counties of Wayne, Pike, Monroe, Lackawanna and Luzerne and, to a much lesser extent, Susquehanna County in addition to the New York counties of Delaware, Sullivan, Ontario, Otsego and Yates. In addition, the Bank operates automated teller machines at twenty-nine branch facilities plus one machine at an off-site location.

The Company's main office is located at 717 Main Street, Honesdale, Pennsylvania and its main telephone number is (570) 253-1455. The Company maintains a website at waynebank.com. Information on our website should not be treated as part of this Annual Report on Form 10-K. The Company makes copies of its Securities and Exchange Commission ("SEC") filings available free of charge as soon as reasonably practicable after they are filed, through a link on its website to the SEC's website.

Completed Acquisitions

UpState New York Bancorp, Inc. On July 7, 2020, the Company completed the acquisition of UpState New York Bancorp, Inc. ("UpState"), and its wholly owned subsidiary, USNY Bank ("USNY Bank"). The acquisition was completed when UpState was merged with and into the Company, with the Company as the surviving corporation of the merger and USNY Bank was merged with and into Wayne Bank, with Wayne Bank as the surviving entity. At the time of completion of the acquisition, USNY Bank conducted its business from two Bank of the Finger Lakes offices in Geneva and Penn Yan, New York, and two Bank of Cooperstown offices in Cooperstown and Oneonta, New York.

In the merger, shareholders of UpState elected to receive for each share of UpState common stock they owned, either 0.9390 shares of the Company's common stock or \$33.33 in cash, or a combination of both. All shareholder elections were subject to the allocation and proration procedures set forth in the Merger Agreement which were intended to ensure that 90% of the shares of UpState would be exchanged for the Company's common stock and 10% of the shares of UpState would be exchanged for cash. In addition, under the terms of the Merger Agreement, UpState shareholders received an additional \$0.67 per share in cash for each share of UpState common stock held. In the aggregate, the merger consideration paid to UpState shareholders consisted of approximately \$8,845,198 in cash and 1,865,738 shares of the Company's common stock.

Delaware Bancshares, Inc. On July 31, 2016, the Company completed the acquisition of Delaware Bancshares, Inc. ("Delaware") and its wholly owned subsidiary, The National Bank of Delaware County ("NBDC"). At the time of acquisition, Delaware had approximately \$375.6 million in assets and 12 banking offices in Delaware and Sullivan Counties, New York. Pursuant to the terms of the Agreement and Plan of Merger, dated March 10, 2016, by and among the Company, Wayne Bank, Delaware and NBDC (the "Delaware Agreement"), Delaware was merged with and into the Company, with the Company as the surviving corporation of the merger (the "Merger") and NBDC was merged with and into Wayne Bank immediately thereafter. At the effective time of the Merger, each outstanding share of the common stock of Delaware was converted, at the election of the holder but subject to the limitations and allocation and proration provisions set forth in the Delaware Agreement, into either \$16.68 in cash or 0.6221 of a share of the Company's

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common stock, par value \$0.10 per share (the "Common Stock"). In the aggregate, the merger consideration paid to Delaware shareholders consisted of approximately \$3,860,000 in cash and 431,605 shares of the Common Stock.

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North Penn Bancorp, Inc.

On May 31, 2011, the Company completed the acquisition of North Penn Bancorp, Inc. ("North Penn") and its wholly owned subsidiary, North Penn Bank. At the time of acquisition, North Penn had approximately \$158.9 million in assets and four banking offices in Lackawanna and Monroe Counties, Pennsylvania. Pursuant to the terms of the Agreement and Plan of Merger by and among the Company, Wayne Bank, and North Penn, North Penn was merged with and into the Company, with the Company as the surviving corporation of the merger (the "Merger") and North Penn Bank was merged with and into Wayne Bank immediately thereafter. At the effective time of the Merger, each outstanding share of the common stock of North Penn was converted, at the election of the holder but subject to the limitations and allocation and proration provisions set forth in the Merger Agreement, into either \$19.12 in cash or 0.6829 of a share of the Company's common stock, par value \$0.10 per share (the "Common Stock"). In the aggregate, the merger consideration paid to North Penn shareholders consisted of approximately \$10,648,000 in cash and 530,994 shares of the Common Stock.

Competition

The competition for deposit products comes from other insured financial institutions such as commercial banks, thrift institutions, credit unions, and multi-state regional banks in the Company's market area of Wayne, Pike, Monroe, Lackawanna and Luzerne Counties, Pennsylvania and Delaware, Sullivan, Ontario, Otsego and Yates Counties, New York as well as from on-line banks. Based on data compiled by the FDIC as of June 30, 2022 June 30, 2023 (the latest date for which such data is available), the Bank had the third largest share of FDIC-insured deposits in Wayne County with approximately 22.63% 22.64%, the second largest share in Pike County with 17.83% 18.88%, seventh largest share in Monroe County with 3.55% 3.51%, the eleventh largest share in Lackawanna County with 1.04% 1.13% and the seventeenth largest share in Luzerne County with 0.28% 0.34%. At June 30, 2022 June 30, 2023, the Bank had the largest share of FDIC-insured deposits in Delaware County, New York, with 30.01% 30.55% and the fifth largest share in Sullivan County, New York, with 7.95% 8.68%. The Bank's market share in Ontario, Otsego and Yates Counties were 3.82% 3.50%, 16.32% 17.21% and 12.60% 9.81%, respectively. This data does not reflect deposits held by credit unions with which the Bank also competes. Deposit competition also includes a number of insurance products sold by local agents and investment products such as mutual funds and other securities sold by local and regional brokers. Loan competition varies depending upon market conditions and comes from other insured financial institutions such as commercial banks, thrift institutions, credit unions, multi-state regional banks, and mortgage bankers.

Personnel

As of December 31, 2022 December 31, 2023, the Bank had 274 261 full-time and two four part-time employees. None of the Bank's employees are represented by a collective bargaining group.

Trust Activities

The Bank operates a Wealth Management/Trust Department which provides estate planning, investment management and financial planning to customers for which it is generally compensated based on a percentage of assets under management. As of December 31, 2022 December 31, 2023, the Bank had \$184.9 \$192.4 million of assets under management compared to \$196.0 \$184.9 million as of December 31, 2021 December 31, 2022. The decrease increase reflects reduced growth and improved market valuations during 2022, 2023, such as stock market performance which can affect the value of a customer's investment portfolio.

Subsidiary Activities

The Bank, a Pennsylvania chartered bank, is the only wholly owned subsidiary of the Company. Norwood Investment Corp. ("NIC"), a Pennsylvania corporation incorporated in 1996 and a Pennsylvania licensed insurance agency, is a wholly owned subsidiary of the Bank. NIC's business is annuity and mutual fund sales and discount brokerage activities primarily to customers of the Bank. The annuities, mutual funds and other investment products are not insured by the FDIC or any other government agency. They are not deposits, obligations of, or guaranteed by any bank. Until February 16, 2018, securities were offered through Invest Financial, a registered broker/dealer. Effective February 16, 2018, the broker/dealer relationship transitioned to LPL Financial LLC ("LPL") as a result of the sale of Invest to LPL in 2017. LPL is a registered broker/dealer and a member of FINRA and the SIPC. NIC generated gross revenues for the Company of \$296,000 and \$119,000 in 2023 and \$127,000 in 2022, and 2021, respectively, which is included in Other Income.

WCB Realty Corp., a Pennsylvania corporation, is a wholly owned real estate subsidiary of the Bank whose principal asset is the administrative offices of the Company, which also includes the Main Office of the Bank.

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WTRO Properties Inc. ("WTRO"), a Pennsylvania corporation, is a wholly owned real estate subsidiary of the Bank established to hold title to certain real estate upon which the Bank has foreclosed. As of December 31, 2022, December 31, 2023 and 2021, 2022, the outstanding balance of foreclosed properties on which WTRO held title totaled \$346,000 \$0 and \$1,742,000, \$346,000, respectively.

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Regulation

Set forth below is a brief description of certain laws which relate to the regulation of the Company and the Bank. The description does not purport to be complete and is qualified in its entirety by reference to applicable laws and regulations.

Regulation of the Company

General. The Company, as a bank holding company registered under the Bank Holding Company Act of 1956, as amended ("BHCA"), is subject to regulation and supervision by the Federal Reserve. The Company is required to file periodic reports of its operations with, and is subject to examination by, the Federal Reserve. This regulation and oversight is generally intended to ensure that the Company limits its activities to those allowed by law and that it operates in a safe and sound manner without endangering the financial health of its subsidiary bank.

Under the BHCA, the Company generally must obtain the prior approval of the Federal Reserve before it may acquire control of another bank or bank holding company, merge or consolidate with another bank holding company, acquire all or substantially all of the assets of another bank or bank holding company, or acquire direct or indirect ownership or control of any voting shares of any bank or bank holding company if, after such acquisition, the Company would directly or indirectly own or control more than 5% of such shares.

Federal statutes impose restrictions on the ability of a bank holding company and its nonbank subsidiaries to obtain extensions of credit from its subsidiary bank, on the subsidiary bank's investments in the stock or securities of the holding company, and on the subsidiary bank's taking of the holding company's stock or securities as collateral for loans to any borrower. A bank holding company and its subsidiaries are also prevented from engaging in certain tying arrangements in connection with any extension of credit, lease or sale of property, or furnishing of services by the subsidiary bank.

Source of Strength Doctrine. Under the Bank Holding Company Act, a bank holding company is required to serve as a source of financial and managerial strength to its subsidiary banks and may not conduct its operations in an unsafe or unsound manner. Under this source of strength doctrine, a bank holding company should stand ready to use available resources to provide adequate capital to its subsidiary banks during periods of financial stress or adversity and should maintain the financial flexibility and capital-raising capacity to obtain additional resources for assisting its subsidiary banks. A bank holding company's failure to meet its obligations to serve as a source of strength to its subsidiary banks will generally be considered by the Federal Reserve to be an unsafe and unsound banking practice or a violation of the Federal Reserve regulations, or both.

Non-Banking Activities. The business activities of the Company, as a bank holding company, are restricted by the BHCA. Under the BHCA and the Federal Reserve's bank holding company regulations, a bank holding company generally may only engage in, or acquire or control voting securities or assets of a company engaged in, (1) banking or managing or controlling banks and other subsidiaries authorized under the BHCA and (2) any business activity the Federal Reserve has determined to be so closely related to banking or managing or controlling banks to be a proper incident thereto. These include any incidental activities necessary to carry on those activities, as well as a lengthy list of activities that the Federal Reserve has determined to be so closely related to the business of banking as to be a proper incident thereto.

In addition to the above authority, bank holding companies that qualify and elect to be treated as "financial holding companies" may engage in a broad range of additional activities that are (i) financial in nature or incidental to such financial activities or (ii) complementary to a financial activity and do not pose a substantial risk to the safety and soundness of depository institutions or the financial system generally. These activities include securities underwriting and dealing, insurance agency and underwriting, and making merchant banking investments. The Company has not made an election to be deemed a financial holding company.

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 BHCA. The Federal Reserve's capital rules are similar to those imposed on the Bank by the FDIC. See "Regulation of the Bank-Regulatory Capital Requirements." 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.

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Regulation of the Bank

General. As a Pennsylvania chartered, FDIC-insured commercial bank which is not a member of the Federal Reserve System, the Bank is subject to extensive regulation and examination by the Department and by the FDIC, which insures its deposits to the maximum extent permitted by law. The federal and state laws and regulations applicable to banks regulate, among other things, the

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scope of their business, their investments, the reserves required to be kept against deposits, the timing of the availability of deposited funds and the nature and amount of and collateral for certain loans. The laws and regulations governing the Bank generally have been promulgated to protect depositors and not for the purpose of protecting stockholders. This regulatory structure also gives the federal and state banking agencies extensive discretion in connection with their supervisory and enforcement activities and examination policies, including policies with respect to the classification of assets and the establishment of adequate loan loss reserves for regulatory purposes. Any change in such regulation, whether by the Department, the FDIC or the United States Congress, could have a material impact on the Company, the Bank and their operations.

Pennsylvania Banking Law. The Pennsylvania Banking Code ("Banking Code") contains detailed provisions governing the organization, location of offices, rights and responsibilities of directors, officers, and employees, as well as corporate powers, savings and investment operations and other aspects of the Bank and its affairs. The Banking Code delegates extensive rule-making power and administrative discretion to the Department so that the supervision and regulation of state-chartered banks may be flexible and readily responsive to changes in economic conditions and in savings and lending practices.

The Federal Deposit Insurance Act ("FDIA"), however, prohibits state-chartered banks from making new investments, loans, or becoming involved in activities as principal and equity investments which are not permitted for national banks unless (1) the FDIC determines the activity or investment does not pose a significant risk of loss to the Deposit Insurance Fund and (2) the bank meets all applicable capital requirements. Accordingly, the additional operating authority provided to the Bank by the Banking Code is significantly restricted by the FDIA.

Interstate Banking. Wayne Bank operates branches in Pennsylvania and New York. Under the federal Riegle-Neal Interstate Banking and Branching Efficiency Act (the "Riegle-Neal Act"), an insured state bank that establishes a branch in another state may conduct any activity at such branch that is permissible under the laws of its home state to the extent that such activity is permissible either for a bank chartered by the host state or for a branch of an out-of-state national bank in the host state. The laws of the host state, including laws regarding community reinvestment, consumer protection, fair lending and branching within the host state, apply to any branch of an out-of-state bank to the same extent as such laws apply to a branch of an out-of-state national bank. The Riegle-Neal Act prohibits out-of-state banks from using their interstate branches primarily for purposes of deposit production. If a federal banking regulator reasonably determines from available information that an out-of-state bank's level of lending in a host state is less than half the loan-to-deposit ratio for all banks in the host state, the regulator may order the closure of the out-of-state branches or prohibit the opening of new branches in the host state unless the out-of-state bank has an acceptable plan or can give reasonable assurances that it will reasonably help meet the credit needs of the communities served in the host state.

Federal Deposit Insurance. The Bank's deposits are insured to applicable limits by the FDIC. The general maximum deposit insurance amount is \$250,000.

The Bank is subject to deposit insurance assessments established by the FDIC to maintain the DIF. Under the FDIC's risk-based assessment system, banks that are deemed to be less risky pay lower assessments. Assessment rates for small institutions (those with less than \$10 billion in assets) are based on an institution's weighted average CAMELS component ratings and certain financial ratios and are applied to the institution's assessment base, which equals its average total assets minus its average tangible equity.

In October 2022, the FDIC adopted a final rule that increased the initial base deposit insurance assessment rate schedules uniformly by 2 basis points beginning with the first quarterly assessment period of 2023. The increased assessment is expected to improve the likelihood that the DIF reserve ratio would reach the statutory minimum of 1.35% by the statutory deadline of September 30, 2028, consistent with the FDIC's amended restoration plan. The FDIC assessment rates effective January 1, 2023 (which are subject to certain adjustments) range from 5 to 18 basis points for institutions with CAMELS composite ratings of 1 or 2, 8 to 32 basis points for those with a CAMELS composite score of 3, and 18 to 32 basis points for those with CAMELS composite scores of 4 or 5.

Regulatory Capital Requirements. 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.

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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

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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.

In assessing an institution's capital adequacy, the FDIC takes into consideration not only these numeric factors but also qualitative factors, and has the authority to establish higher capital requirements for individual institutions where necessary.

The Bank is also subject to minimum capital requirements imposed by the Department on Pennsylvania-chartered depository institutions. Under the Department's capital requirements, a Pennsylvania bank or savings bank must maintain a minimum leverage ratio of Tier 1 capital (as defined under the FDIC's capital regulations) to total assets of 4%. In addition, the Department has the supervisory discretion to require higher leverage ratio for any institutions based on the institution's substandard performance in any of a number of areas. The Bank was in compliance with both the FDIC and the Pennsylvania capital requirements in effect as of **December 31, 2022** **December 31, 2023**.

Prompt Corrective Regulatory Action. Under applicable federal statutes, the federal bank regulatory agencies are required to take "prompt corrective action" with respect to institutions that do not meet specified minimum capital requirements. For these purposes, the law establishes five capital categories: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized and critically undercapitalized. Under the FDIC's prompt corrective action regulations, an institution is deemed to be "well capitalized" if it has a Total Risk-Based Capital Ratio of 10.0% or greater, a Tier 1 Risk-Based Capital Ratio of 8.0% or greater, a Common Equity Tier 1 risk-based capital ratio of 6.5% or better and a leverage ratio of 5.0% or greater.

An institution is "adequately capitalized" if it has a Total Risk-Based Capital Ratio of 8.0% or greater, a Tier 1 Risk-Based Capital Ratio of 6.0% or greater, a Common Equity Tier 1 Capital Ratio of 4.5% or better and a Leverage Ratio of 4.0% or greater. An institution is "undercapitalized" if it has a Total Risk-Based Capital Ratio of less than 8.0%, a Tier 1 Risk-Based Capital ratio of less than 6.0%, a Common Equity Tier 1 ratio of less than 4.5% or a Leverage Ratio of less than 4.0%. An institution is deemed to be "significantly undercapitalized" if it has a Total Risk-Based Capital Ratio of less than 6.0%, a Tier 1 Risk-Based Capital Ratio of less than 4.0%, a Common Equity Tier 1 ratio of less than 3.0% or a Leverage Ratio of less than 3.0%. An institution is considered to be "critically undercapitalized" if it has a ratio of tangible equity to total assets that is equal to or less than 2.0%.

The prompt corrective action regulations provide for the imposition of a variety of requirements and limitations on institutions that fail to meet the above capital requirements. In particular, the FDIC may require any state non-member bank that is not "adequately capitalized" to take certain action to increase its capital ratios. If the non-member bank's capital is significantly below the minimum required levels of capital or if it is unsuccessful in increasing its capital ratios, the bank's activities may be restricted.

At **December 31, 2022** **December 31, 2023**, the Bank qualified as "well capitalized" under the prompt corrective action rules.

Affiliate Transaction Restrictions. Federal laws strictly limit the ability of banks to engage in transactions with their affiliates, including their bank holding companies. In particular, loans by a subsidiary bank and its parent company or the nonbank subsidiaries of the bank holding company are limited to 10% of a bank subsidiary's capital and surplus and, with respect to such parent company and all such nonbank subsidiaries, to an aggregate of 20% of the bank subsidiary's capital and surplus. Further, loans and other extensions of credit generally are required to be secured by eligible collateral in specified amounts. Transactions with non-affiliates may be treated

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as transactions with an affiliate to the extent that proceeds from the transaction are used to benefit the affiliate. Federal law also requires that all transactions between a bank and its affiliates be on terms at least as favorable to the bank as transactions with non-affiliates.

Loans to One Borrower. Under Pennsylvania law, commercial banks have, subject to certain exemptions, lending limits to one borrower in an amount equal to 15% of the institution's capital accounts. An institution's capital account includes the aggregate of all capital, surplus, undivided profits, capital securities and general reserves for loan losses. Pursuant to the national bank parity provisions of the Pennsylvania Banking Code, the Bank may also lend up to the maximum amounts permissible for national banks, which are allowed to make loans to one borrower of up to 25% of capital and surplus in certain circumstances. As of **December 31, 2022** **December 31, 2023**, the Bank's loans-to-one-borrower limitation was **\$31.2** **\$32.5** million and the Bank was in compliance with such limitation.

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Federal Home Loan Bank System. The Bank is a member of the FHLB of Pittsburgh, which is one of 11 regional FHLBs. Each FHLB serves as a reserve or central bank for its members within its assigned region. It is funded primarily from funds deposited by member institutions and proceeds from the sale of consolidated obligations of the FHLB System. It makes loans to members (i.e., advances) in accordance with policies and procedures established by the Board of Directors of the FHLB.

As a member, the Bank is required to purchase and maintain restricted stock in the FHLB of Pittsburgh in an amount equal to the greater of 1% of its aggregate unpaid residential mortgage loans, home purchase contracts or similar obligations at the beginning of each year or 5% of the Bank's outstanding advances from the FHLB. At **December 31, 2022** **December 31, 2023**, the Bank was in compliance with this requirement.

Restrictions on Dividends. The Pennsylvania Banking Code states, in part, that dividends may be declared and paid only out of accumulated net earnings and may not be declared or paid unless surplus (retained earnings) is at least equal to contributed capital. The Bank has not declared or paid any dividends which cause the Bank's retained earnings to be reduced below the amount required. Finally, dividends may not be declared or paid if the Bank is in default in payment of any assessment due the FDIC.

The Federal Reserve has issued a policy statement on the payment of cash dividends by bank holding companies, which expresses the Federal Reserve's view that a bank holding company should pay cash dividends only to the extent that the holding company's net income for the past year is sufficient to cover both the cash dividends and a rate of

earnings retention that is consistent with the holding company's capital needs, asset quality and overall financial condition. The Federal Reserve also indicated that it would be inappropriate for a company experiencing serious financial problems to borrow funds to pay dividends. In addition, the Federal Reserve's guidance states that a bank holding company should consult with its regional Federal Reserve Bank in advance of declaring or paying a dividend that exceeds earnings for the period for which the dividend is being paid or that could result in a material adverse change to the organization's capital structure. Finally, under the federal prompt corrective action regulations, the Federal Reserve may prohibit a bank holding company from paying any dividends if the holding company's bank subsidiary is classified as "undercapitalized."

Community Reinvestment. All insured depository institutions have a responsibility under the Community Reinvestment Act of 1977 (the "CRA") and federal regulations thereunder to help meet the credit needs of their communities, including low- and moderate-income neighborhoods. In connection with its examination of the Bank, the FDIC is required to assess our record of meeting the credit needs of our entire community. The CRA requires the Bank's record of compliance with the CRA to be taken into account in the evaluation of applications by the Bank or the Company for approval of an expansionary proposal, such as a merger or other acquisition of another bank or the opening of a new branch office. The Bank received a "satisfactory" CRA rating in its most recent CRA performance evaluation by the FDIC in May 2022.

In May 2022, the FDIC and the other federal bank regulatory agencies issued a joint proposal to modernize the regulations implementing the CRA, which would change both the process and substantive tests that the regulators use to assess the record of each bank in fulfilling its obligation to the community. The regulatory agencies stated that the proposal is intended to achieve the following objectives: (i) expand access to credit, investment and basic banking services in low- and moderate-income communities, (ii) adapt to changes in the banking industry, including internet and mobile banking, (iii) provide greater clarity, consistency and transparency in the application of the regulations and (iv) tailor performance standards to account for differences in bank size, business model, and local conditions. The Company will evaluate the impact of the proposal's potential changes to the regulations implementing the CRA and their impact to our financial condition and/or results of operations, which cannot be predicted at this time.

Bank Secrecy Act / Anti-Money Laundering Laws. The Bank is subject to the Bank Secrecy Act and other anti-money laundering laws and regulations, including the USA PATRIOT Act of 2001 and the Anti-Money Laundering Act of 2020. These laws and regulations require the Bank to implement policies, procedures, and controls to detect, prevent, and report money laundering and terrorist financing and to verify the identity of their customers. Violations of these requirements can result in substantial civil and criminal sanctions. In addition, provisions of the USA PATRIOT Act require the federal bank regulatory agencies to consider the effectiveness of a bank's anti-money laundering activities when reviewing mergers and acquisitions.

Privacy Regulations and Cybersecurity. Federal regulations generally require that the Bank disclose its privacy policy, including identifying with whom it shares a customer's "non-public personal information," to customers at the time of establishing the customer relationship and annually thereafter. In addition, the Bank is required to provide its customers with the ability to "opt-out" of having their personal information shared with unaffiliated third parties and not to disclose account numbers or access codes to non-affiliated third parties for marketing purposes. The Bank currently has a privacy protection policy in place and believes that such policy is in compliance with the regulations.

In November 2021, the federal bank regulatory agencies issued a final rule requiring banking organizations to notify their primary federal regulator as soon as possible and no later than 36 hours of determining that a "computer-security incident" that rises to the level of a "notification incident," as those terms are defined in the final rule, has occurred. A notification incident is a "computer-security incident" that has materially disrupted or degraded, or is reasonably likely to materially disrupt or degrade, the banking

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organization's ability to deliver services to a material portion of its customer base, jeopardize the viability of key operations of the banking organization, or impact the stability of the financial sector. The final rule also requires bank service providers to notify any affected bank to or on behalf of which the service provider provides services "as soon as possible" after determining that it has experienced an incident that materially disrupts or degrades, or is reasonably likely to materially disrupt or degrade, covered services provided to such bank for four or more hours

Incentive Compensation. The FDIC and the Federal Reserve review, as part of their regular, risk-focused examinations, the incentive compensation arrangements of banking organizations. These reviews are tailored to each organization based on the scope and complexity of the organization's activities and the prevalence of incentive compensation arrangements. Deficiencies are incorporated into the organization's supervisory ratings, which can affect the organization's ability to make acquisitions and take other actions. Enforcement actions may be taken against a banking organization if its incentive compensation arrangements, or related risk-management control or governance processes, pose a risk to the organization's safety and soundness and the organization is not taking prompt and effective measures to correct the deficiencies.

In 2010, the FDIC and the other federal bank regulatory agencies issued comprehensive guidance on incentive compensation policies intended to ensure that the incentive compensation policies of banking organizations do not undermine the safety and soundness of such organizations by encouraging excessive risk-taking. The guidance, which covers all employees that have the ability to materially affect the risk profile of an organization, is based upon the principles that a banking organization's incentive compensation arrangements should (i) provide incentives that do not encourage risk-taking beyond the organization's ability to effectively identify and manage risks, (ii) be compatible with effective internal controls and risk management, and (iii) be supported by strong corporate governance, including active and effective oversight by the organization's board of directors.

In 2016, the U.S. financial regulators, including the FDIC, the Federal Reserve and the SEC, proposed revised rules on incentive-based payment arrangements at financial institutions having at least \$1 billion in total assets. These proposed rules have not been finalized.

In October 2022, 2023, the SEC Nasdaq adopted a final rule directing national securities exchanges, including Nasdaq, to establish listing standards requiring listed companies to adopt policies providing for the recovery or "clawback" of excess incentive-based compensation earned by current or former executive officers during the three fiscal

years preceding the date the listed company determines an accounting restatement is required. The SEC final rule will require us to adopt Company adopted a clawback policy within 60 days after compliant with the new Nasdaq listing standard, becomes effective, effective October 2, 2023.

Item 1A. Risk Factors

Not applicable.

Item 1B. Unresolved Staff Comments

None.

Item 1C. Cybersecurity

Incident Response Policy

The Board of Directors is responsible for overseeing the risks from cybersecurity threats. Each month, the Board is presented with the executive overview of the Cybersecurity Continuous Monitoring Review Report ("Report") prepared by the Company's third-party chief information security officer. The Board of Directors reviews the Report each month and, if warranted, directs senior management of the Company to take necessary and appropriate actions in accordance with the IR Policy (as defined below).

Wayne Bank has adopted an Incident Response Policy (the "IR Policy") for responding to cybersecurity incidents. This IR Policy applies to both potential and actual incidents. The IR Policy should be invoked in any context where the Bank believes that an incident may have occurred. The IR Policy applies to all employees, contractors, and third parties. The objectives of the IR Policy are to ensure the protection of customer data and all organization assets from security incidents and ensure timely detection, mitigation, and communication of security incidents to appropriate parties.

Implementation of the IR Policy requires cross-functional efforts from across the organization. The roles/functions involved and the related responsibilities in enforcing the IR Policy are spread across the entire organization of the Bank's senior leadership and chief credit officer.

Once the possibility of a cybersecurity incident has been noted, employees assigned to appropriate teams do the necessary research and analysis to confirm either that there is an incident requiring additional action, or that no further action is necessary. This will typically involve some combination of Operations and Information Technology. If an incident is confirmed, an incident response

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team is formed, and the team takes steps to contain the incident to limit damage, eradicate the incident to restore our full control of all Bank systems and eliminate unauthorized access, and recover data and full functionality. Detection and analysis continue during this phase as necessary to ensure that this phase has been successfully executed. This phase also involves communication as needed with employees, customers, partners and service providers, legal representatives, insurance provider, law-enforcement authorities, and regulatory bodies as necessary and appropriate.

In the post-incident phase, the Bank analyzes the root cause of the incident, identifies any changes that need to be made to policies, procedures, training, documentation, and technology to protect against similar incidents in the future, and institutes a plan to implement them. In addition, the Bank undertakes any additional communication with the necessary parties and the public, if appropriate, and the Bank's legal representatives, insurance provider, law-enforcement authorities, and regulatory bodies as appropriate to fully address the impact of the incident, and fully documents the entire incident.

During the fiscal year ended December 31, 2023, the risks from cybersecurity threats, including as a result of any previous cybersecurity incidents, have not materially affected the Company, its business strategy, results of operations, or financial condition.

Item 2. Properties.

The Bank operates from its main office located at 717 Main Street, Honesdale, Pennsylvania and twenty-eight additional branch offices in Northeastern Pennsylvania and upstate New York. The Bank's total investment in office property and equipment is \$37.8\$38.2 million with a net book value of \$17.9\$17.8 million as of December 31, 2022December 31, 2023. The Bank currently operates automated teller machines at all but one of its community office facilities, as well as one off-site ATM. The Bank leases seven eight of its locations.

Item 3. Legal Proceedings.

Neither On February 20, 2024, the Company was notified of a Complaint (the "Complaint") entitled Ian Werkmeisters v. 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.

In December 2023, in accordance with applicable laws and regulations, the Bank began notifying its affected customers of the cyber incident and arranged for its affected customers to receive free identity monitoring service for two years. The identity monitoring services included credit monitoring, fraud consultation, and identity theft restoration.

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 4. Mine Safety Disclosures.

Not applicable.

PART II

Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

(a) Market Information

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STOCK LISTING

Norwood Financial Corp stock is traded on the Nasdaq Global Market under the symbol NWFL. As of December 31, 2022 December 31, 2023, there were approximately 1,400 1,250 registered stockholders based on the records of our transfer agent.

The following firms are known to make a market in the Company’s stock:

Janney Montgomery Scott, LLC Philadelphia, PA 19003 19103 215-665-6566	RBC Capital Markets Philadelphia, PA 19103 888-848-4677 215-832-1500 Stifel Nicolaus St., Louis, MO 63102 314-342-2000
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The following table sets forth the price range and cash dividends declared per share regarding common stock for the periods indicated:

	Closing Price Range			Closing Price Range		
				High	Low	Cash dividend
						Declared per share
<u>Year 2023</u>						
First Quarter				\$ 34.69	\$ 28.65	\$ 0.29
Second Quarter				32.08	24.00	0.29
Third Quarter				32.98	25.76	0.29
Fourth Quarter				34.49	24.27	0.30
	High	Low	Cash dividend			
<u>Year 2022</u>			Declared per share			
First Quarter	\$ 28.85	\$ 26.23	\$ 0.28	\$ 28.85	\$ 26.23	\$ 0.28
Second Quarter	29.00	23.44	0.28	29.00	23.44	0.28
Third Quarter	28.01	24.04	0.28	28.01	24.04	0.28
Fourth Quarter	34.25	26.58	0.29	34.25	26.58	0.29
<u>Year 2021</u>						
First Quarter	\$ 28.96	\$ 23.75	\$ 0.26			
Second Quarter	27.07	24.75	0.26			
Third Quarter	26.31	24.64	0.26			
Fourth Quarter	27.60	25.42	0.28			

The book value of the common stock was \$22.99 per share as of December 31, 2023 compared to \$20.86 per share as of December 31, 2022 compared to \$25.24 per share as of December 31, 2021. As of December 31, 2022 December 31, 2023, the closing stock price was \$33.44 \$32.91 per share, compared to \$25.99 \$33.44 as of December 31, 2021 December 31, 2022.

TRANSFER AGENT

Computershare provides Transfer Agent services for the Company. Stockholders who may have questions regarding their stock ownership should contact the Transfer Agent at 800-662-7232, by regular mail at P.O. Box 43006, Providence, RI 02940-3006, or by overnight delivery at 150 Royall St, Suite 101, Canton, MA 02021.

DIVIDEND CALENDAR

Dividends on the Company's common stock, if approved by the Board of Directors, are customarily paid on or about February 1, May 1, August 1 and November 1.

AUTOMATIC DIVIDEND REINVESTMENT PLAN

The Plan, open to all shareholders, provides the opportunity to have dividends automatically reinvested into the Company's common stock. Participants in the Plan may also elect to make cash contributions to purchase additional shares of common stock. Stockholders of the Company may contact the transfer agent for additional information.

- (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 fourth quarter of the fiscal year ended **December 31, 2022** **December 31, 2023**.

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	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
October 1 – 31, 2022	6,545	\$ 26.87	6,545	382,890
November 1 – 30, 2022	—	—	—	—
December 1 – 31, 2022	—	—	—	—
Total	6,545	\$ 26.87	6,545	382,890

*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. On March 30, 2021, 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 400,000 split-adjusted shares.

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	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
October 1 – 31, 2023	—	\$ —	—	274,094
November 1 – 30, 2023	—	—	—	274,094
December 1 – 31, 2023	—	—	—	274,094
Total	—	\$ —	—	274,094

Item 6. Selected Financial Data.

For the years ended December 31,	2022	2021	2020	2019	2018	2023	2022	2021	2020	2019
Net interest income	\$68,397	\$65,313	\$50,476	\$38,606	\$36,839	\$62,067	\$68,397	\$65,313	\$50,476	\$38,606
Provision for loan losses	900	4,200	5,450	1,250	1,725					
Provision for credit losses						5,548	900	4,200	5,450	1,250
Other income	9,926	8,056	7,182	6,355	6,837	8,270	9,926	8,056	7,182	6,355
Net realized gains on sales of loans and securities	6	269	598	423	228					
Net realized (losses) gains on sales of loans and securities						(146)	6	269	598	423
Other expenses	41,044	38,578	34,440	27,311	25,975	43,497	41,044	38,578	34,440	27,311
Income before income taxes	36,385	30,860	18,366	16,823	16,204	21,146	36,385	30,860	18,366	16,823
Income tax expense	7,152	5,945	3,286	2,608	2,553	4,387	7,152	5,945	3,286	2,608
NET INCOME	29,233	24,915	15,080	14,215	13,651	16,759	29,233	24,915	15,080	14,215
Net income per share-Basic	\$3.59	\$3.05	\$2.09	\$2.27	\$2.19	\$2.08	\$3.59	\$3.05	\$2.09	\$2.27
-Diluted	\$3.58	\$3.04	\$2.09	\$2.25	\$2.17	\$2.07	\$3.58	\$3.04	\$2.09	\$2.25
Cash dividends declared	\$1.13	\$1.06	\$1.01	\$0.97	\$0.90	\$1.17	\$1.13	\$1.06	\$1.01	\$0.97

Dividend pay-out ratio	31.48%	34.75%	48.33%	42.73%	41.10%	56.25%	31.48%	34.75%	48.33%	42.73%
Return on average assets	1.43%	1.24%	0.97%	1.18%	1.19%	0.79%	1.43%	1.24%	0.97%	1.18%
Return on average equity	16.11%	12.35%	9.06%	10.83%	11.71%	9.67%	16.11%	12.35%	9.06%	10.83%
BALANCES AT YEAR-END										
Total assets	2,047,070	2,068,504	1,851,864	1,230,610	1,184,559	2,201,079	2,047,070	2,068,504	1,851,864	1,230,610
Loans receivable	1,473,945	1,354,931	1,410,732	924,581	850,182	1,603,618	1,473,945	1,354,931	1,410,732	924,581
Allowance for loan losses	16,999	16,442	13,150	8,509	8,452					
Allowance for credit losses						18,968	16,999	16,442	13,150	8,509
Total deposits	1,727,727	1,756,793	1,535,385	957,529	946,780	1,795,159	1,727,727	1,756,793	1,535,385	957,529
Stockholders' equity	167,085	205,262	194,785	137,428	122,285	181,070	167,085	205,262	194,785	137,428
Trust assets under management	184,855	195,958	168,085	170,685	151,224	192,374	184,855	195,958	168,085	170,685
Book value per share	\$20.86	\$25.24	\$23.72	\$21.67	\$19.43	\$22.99	\$20.86	\$25.24	\$23.72	\$21.67
Tier 1 Capital to risk-adjusted assets	12.49%	12.49%	11.65%	13.08%	13.04%	11.99%		12.49%	11.65%	13.08%
Total Capital to risk-adjusted assets	13.58%	13.66%	12.62%	13.98%	14.00%	13.06%	13.58%	13.66%	12.62%	13.98%
Allowance for loan losses to total loans	1.15%	1.21%	0.93%	0.92%	0.99%					
Allowance for credit losses to total loans						1.18%	1.15%	1.21%	0.93%	0.92%
Non-performing assets to total assets	0.07%	0.12%	0.24%	0.19%	0.19%	0.35%	0.07%	0.12%	0.24%	0.19%

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Item 7. Management's Discussion and Analysis of Financial Conditions and Results of Operations.

INTRODUCTION

This Management's Discussion and Analysis and related financial data are presented to assist in the understanding and evaluation of the financial condition and results of operations for the Company and the Bank, as of **December 31, 2022**, **December 31, 2023** and **2021, 2022**, and for the years ended **December 31, 2022**, **December 31, 2023** and **2021, 2022**. This section should be read in conjunction with the consolidated financial statements and related footnotes.

CRITICAL ACCOUNTING POLICIES

Note 2 to the Company's consolidated financial statements 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.

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Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for **loan credit** losses, the valuation of **deferred tax assets**, the determination of **other-than-temporary impairment on securities**, and the determination of goodwill **impairment** and the fair value of financial instruments, **impairment**. Please refer to the discussion of the allowance for **loan credit** losses calculation under "Allowance for **Loan Credit** Losses and Non-performing Assets" in the "Financial Condition" section.

The deferred income taxes reflect temporary differences in the recognition of the revenue and expenses for tax reporting and financial statement purposes, principally because certain items are recognized in different periods for financial reporting and tax return purposes. Although realization is not assured, the Company believes it is more likely than not that all deferred tax assets will be realized.

In estimating other-than-temporary impairment losses on securities, the Company considers 1) the length of time and extent to which the fair value has been less than cost and 2) the financial condition of the issuer. The Company does not have the intent to sell these securities and it is more likely than not that it will not sell the securities before recovery of their cost basis. The Company believes that any unrealized losses at December 31, 2022 and 2021 represent temporary impairment of the securities.

The fair value of financial instruments is based upon quoted market prices, when available. For those instances where a quoted price is not available, fair values are based upon observable market based parameters, as well as unobservable parameters. Any such valuation is applied consistently over time.

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 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. Goodwill is tested annually and deemed impaired when the carrying value of goodwill exceeds its implied fair value.

FINANCIAL CONDITION

TOTAL ASSETS

Total assets as of **December 31, 2022**, **December 31, 2023** were **\$2.047**, **\$2.201** billion compared to **\$2.069**, **\$2.047** billion as of year-end **2021**, a decrease **2022**, an increase of **\$21.4**, **\$154.0** million. The decrease **increase** in assets was primarily attributable to the **\$182.6**, **\$129.7** million decrease **increase** in interest-bearing deposits with banks, loans receivable.

LOANS RECEIVABLE

As of December 31, 2022 December 31, 2023, loans receivable totaled \$1.474 \$1.604 billion compared to \$1.355 \$1.474 billion as of year-end 2021, 2022, an increase of \$119.0 \$129.7 million due primarily to a \$53.7 million \$64.2 million increase in consumer loans. Commercial real estate loans increased \$22.8 \$23.6 million, while residential mortgage construction loans increased \$25.8 \$19.0 million during the year, year ended December 31, 2023.

The deferred income taxes reflect temporary differences in the recognition of the revenue and expenses for tax reporting and financial statement purposes, principally because certain items are recognized in different periods for financial reporting and tax return purposes. Although realization is not assured, the Company believes it is more likely than not that all deferred tax assets will be realized.

The fair value of financial instruments is based upon quoted market prices, when available. For those instances where a quoted price is not available, fair values are based upon observable market based parameters, as well as unobservable parameters. Any such valuation is applied consistently over time.

The Bank's loan products include loans for personal and business use. Personal lending includes mortgage lending to finance principal residences and, to a lesser extent, second home dwellings. The Bank's loan products include fixed-rate mortgage products with terms up to 30 years which may be sold in the secondary market through the Federal National Mortgage Association ("Fannie Mae") or the FHLB, or held in the Bank's portfolio to the extent consistent with our asset/liability management strategies. Fixed-rate home equity loans are originated on terms up to 180 months. Home equity lines of credit tied to the prime rate are also offered. The Bank also offers indirect dealer financing of automobiles (new and used), boats, and recreational vehicles through a limited network of dealers in Northeast Pennsylvania and the Southern Tier of New York. At December 31, 2022 December 31, 2023, there were \$188.4 \$247.7 million of indirect loans in the portfolio. In connection with the acquisition of UpState in 2020, the Company acquired approximately \$413.5 million in loans, including \$37.3 million in residential real estate loans, \$289.0 million in commercial real estate loans, \$92.0 million in commercial, financial and agricultural loans, and \$2.3 million in consumer loans. As of December 31, 2022, the approximate outstanding balance of these acquired loans was \$233.3 million. In connection with the acquisition of Delaware, the Company acquired approximately \$116.7 million in loans, including \$68.7 million in residential real estate loans, \$22.5 million in commercial real estate loans, \$13.6 million in commercial, financial and agricultural loans, \$6.5 million in consumer loans and \$5.4 in construction loans. As of December 31, 2022, the approximate outstanding balance of these acquired loans was \$30.7 million.

Commercial loans and commercial mortgages are provided to local small and mid-sized businesses at a variety of terms and rate structures. Commercial lending activities include lines of credit, revolving credit, term loans, mortgages, various forms of secured lending and a limited amount of letter of credit facilities. The rate structure may be fixed, immediately repricing tied to the prime rate

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or adjustable at set intervals. Also included in commercial loans are municipal finance lending in which the Bank has been active in recent years. Municipal lending includes both general obligations of local taxing authorities and revenue obligations of specific revenue

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producing projects such as sewer authorities and educational units. At December 31, 2022 December 31, 2023, the Bank had approximately \$141.9 \$149.2 million in loans on commercial rentals, as well as \$113.0 \$115.2 million of loans outstanding on residential rentals, which are its largest lending concentrations.

The Bank's construction lending has primarily involved lending for commercial construction projects and for single-family residences. All loans for the construction of speculative sale homes have a loan-to-value ratio of not more than 80%. For both commercial and single-family projects, loan proceeds are disbursed during the construction phase according to a draw schedule based on the stage of completion. Construction projects are inspected by contracted inspectors or bank personnel. Construction loans are underwritten on the basis of the estimated value of the property as completed. For commercial projects, the Bank typically also provides the permanent financing after the construction period, as a commercial mortgage.

The Bank also, from time to time, originates loans secured by undeveloped land. Land loans granted to individuals have a term of up to five years. Land loans granted to developers may have an interest only period during development. The substantial majority of land loans have a loan-to-value ratio not exceeding 75%. The Bank has limited its exposure to land loans but may expand its lending on raw land, as market conditions allow, to qualified borrowers experienced in the development and sale of raw land.

Loans involving construction financing and loans on raw land have a higher level of risk than loans for the purchase of existing homes since collateral values, land values, development costs and construction costs can only be estimated at the time the loan is approved. The Bank has sought to minimize its risk in construction lending and in lending for the purchase of raw land by offering such financing primarily to builders and developers to whom the Bank has loaned funds in the past and to persons who have previous experience in such projects. The Bank also limits construction lending and loans on raw land to its market area, with which management is familiar.

Adjustable-rate loans decrease the risks associated with changes in interest rates by periodically repricing, but involve other risks because as interest rates increase, the underlying payments by the borrower increase, thus increasing the potential for payment default. At the same time, the marketability of the underlying collateral may be adversely affected by higher interest rates. Upward adjustment of the contractual interest rate may also be limited by the maximum periodic interest rate adjustment permitted in certain adjustable-rate mortgage loan documents, and, therefore is potentially limited in effectiveness during periods of rapidly rising interest rates. These risks have not had an adverse effect on the Bank.

The Bank's adjustable-rate loan portfolio includes approximately \$4.0 million in loan participations indexed to the London Interbank Offered Rate ("LIBOR") which is expected to be phased out by June 30, 2023. On December 16, 2022, the Board of Governors of the Federal Reserve System (Board) adopted Regulation ZZ to implement the Adjustable Interest Rate (LIBOR) Act (the "Act"). The Act was approved by Congress on March 15, 2022, to address references to LIBOR in contracts that are governed by US law, will not mature before June 30, 2023; and most importantly, will lack fallback provisions providing for a clearly defined practical replacement for LIBOR. The final rule replaces references to LIBOR in such contracts with one of five Board-selected benchmark replacements based on the Secured Overnight Financing Rate ("SOFR"), which may include spread adjustments specified in the Act. SOFR is a broad measure of the cost of borrowing cash overnight collateralized by US Treasury securities and published daily by the Federal Reserve Bank of New York. The final rule identifies Board-selected benchmark replacements for (1) derivative transactions, (2) Federal Housing Finance Agency (FHFA)

regulated entity contracts, (3) Federal Family Education Loan Program (FFELP) asset-based securitizations (ABS), (4) consumer loans, and (5) all other LIBOR contracts for replacing the overnight and one-, three-, six-, and 12-month tenors of US dollar LIBOR in existing contracts that do not provide for use of a clearly defined or practical replacement benchmark rate. The Bank must rely on the lead bank to renegotiate the terms of loans in which the Bank has a participation. There can be no assurance that the lead bank will be able to successfully renegotiate the loans in which the Bank has participations or that the substitute reference rate will perform as satisfactorily as LIBOR.

Consumer lending, including indirect financing, provides benefits to the Bank's asset/liability management program by reducing the Bank's exposure to interest rate changes, due to their generally shorter terms. Such loans may entail additional credit risks compared to owner-occupied residential mortgage lending especially when unsecured or secured by collateral such as automobiles that depreciate rapidly.

Commercial lending including real-estate related loans entail significant additional risks when compared with residential real estate and consumer lending. For example, commercial loans typically involve larger loan balances to single borrowers or groups of related borrowers. The payment experience on such loans typically is dependent on the successful operation of the project and these risks can be significantly impacted by the cash flow of the borrowers and market conditions for commercial office, retail, and warehouse space. In periods of decreasing cash flows, the commercial borrower may permit a lapse in general maintenance of the property causing the value of the underlying collateral to deteriorate. The liquidation of commercial property is often more costly and may involve more time to sell than residential real estate. The Bank offsets such factors with requiring more owner equity, a lower loan to value ratio and

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by obtaining the personal guaranties of the principals. In addition, a majority of the Bank's commercial real estate portfolio is owner-occupied property.

Commercial loans and leases are considered to have a higher degree of credit risk than secured real estate lending. The repayment of unsecured commercial business loans is wholly dependent on the success of the borrower's business, while secured commercial business loans may be secured by collateral that may not be readily marketable in the event of default. Municipal financing includes lending to local taxing authorities and revenue-producing projects. Such loans may constitute the general obligation of the taxing authority or may rely on a specific revenue source which is responsible for the repayment of the debt. General obligations are considered to carry a lower level of risk than other loan types since they are backed by the full faith and credit of the taxing authority. Revenue obligations are backed solely by revenues generated by the project financed and repayment may be affected by the success of the project.

Due to the type and nature of the collateral, consumer lending generally involves more credit risk when compared with residential real estate lending. Consumer lending collections are typically dependent on the borrower's continuing financial stability, and thus, are more likely to be adversely affected by job loss, divorce, illness and personal bankruptcy. In most cases, any repossessed collateral for a defaulted consumer loan will not provide an adequate source of repayment of the outstanding loan balance. The remaining deficiency is usually turned over to a collection agency.

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There are additional risks associated with indirect lending since we must rely on the dealer to provide accurate information to us and accurate disclosures to the borrowers. These loans are principally done on a non-recourse basis. We seek to mitigate these risks by only dealing with dealers with whom we have a long-standing relationship.

The Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") prohibits lenders from making residential mortgages unless the lender makes a reasonable and good faith determination that the borrower has a reasonable ability to repay the mortgage loan according to its terms. A borrower may recover statutory damages equal to all finance charges and fees paid within three years of a violation of the ability-to-repay rule and may raise a violation as a defense to foreclosure at any time. As authorized by the Dodd-Frank Act, the Consumer Financial Protection Bureau ("CFPB") has adopted regulations defining "qualified mortgages" that are presumed to comply with the Dodd-Frank Act's ability-to-repay rules. Under the CFPB regulations, qualified mortgages must satisfy the following criteria: (i) no negative amortization, interest-only payments, balloon payments, or term greater than 30 years; (ii) no points or fees in excess of 3% of the loan amount for loans over \$100,000; (iii) borrower's income and assets are verified and documented; and (iv) the borrower's debt-to-income ratio generally may not exceed 43%. Qualified mortgages are conclusively presumed to comply with the ability-to-pay rule unless the mortgage is a "higher cost" mortgage, in which case the presumption is rebuttable. Under the Economic Growth, Regulatory Relief, and Consumer Protection Act, enacted in 2018, residential mortgages originated for portfolio by insured depository institutions, like the Bank, with less than \$10 billion in total consolidated assets will be treated as qualified mortgages; provided that the mortgage terms do not include interest-only payments or negative amortization, total points and fees do not exceed 3% of the loan amount, prepayment penalties are not in excess of those permitted for qualified mortgages under Regulation Z and the lender has considered and documented the debt, income and financial resources of the borrower.

The Bank has established various lending limits for its officers and also maintains an Officer Loan Committee to approve higher loan amounts. The Officer Loan Committee is comprised of the President and Chief Executive Officer, Chief Lending Officer and other Bank officers. The Officer Loan Committee has the authority to approve all loans up to set limits based on the type of loan and the collateral. Requests in excess of these limits must be submitted to the Directors' Loan Committee or Board of Directors for approval. Additionally, the President and Chief Executive Officer, and the Chief Lending Officer and other officers have the authority to approve secured and unsecured loans up to amounts approved by the Board of Directors and maintained in the Bank's Loan Policy. Notwithstanding individual lending authority, certain loan policy exceptions must be submitted to the Officer Loan Committee for approval.

Hazard insurance coverage is required on all properties securing loans made by the Bank. Flood insurance is also required, when applicable.

Loan applicants are notified of the credit decision by letter. If the loan is approved, the loan commitment specifies the terms and conditions of the proposed loan including the amount, interest rate, amortization term, a brief description of the required collateral, and the required insurance coverage. The borrower must provide proof of fire, flood (if applicable) and casualty insurance on the property serving as collateral and title insurance, and these applicable insurances must be maintained during the full term of the loan.

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The following table sets forth maturities and interest rate sensitivity for selected categories of loans as of **December 31, 2022** **December 31, 2023**. Scheduled repayments are reported in the maturity category in which payment is due. Demand loans, loans having no stated schedule of repayments and no stated maturity and overdrafts are reported as due in one year or less.

	One Year or Less	After One to Five Years	After Five Years Through 15 years	After 15 years	Total	One Year or Less	After One to Five Years	After Five Years Through 15 years	After 15 years	Total
	(dollars in thousands)					(dollars in thousands)				
Real Estate:										
Residential	\$ 43,237	\$ 110,343	\$ 103,805	\$ 41,428	\$ 298,813	\$ 42,432	\$ 118,830	\$ 115,031	\$ 40,253	\$ 316,546
Commercial	67,405	168,984	320,020	95,135	651,544	70,547	179,159	340,895	84,555	675,156
Agricultural	4,302	15,248	33,664	15,701	68,915	4,309	16,808	31,868	10,874	63,859
Construction	1,751	3,710	8,344	18,664	32,469	2,602	7,253	22,160	19,438	51,453
Commercial loans	71,893	85,748	29,311	305	187,257	85,865	85,367	24,849	4,495	200,576
Other agricultural loans	12,351	16,678	5,863	385	35,277	11,803	16,597	3,290	276	31,966
Consumer loans	76,632	113,088	10,162	267	200,149	99,549	151,510	12,470	792	264,321
Total	\$ 277,571	\$ 513,799	\$ 511,169	\$ 171,885	\$ 1,474,424	\$317,107	\$ 575,524	\$ 550,563	\$ 160,683	\$ 1,603,877
Loans with fixed rates	\$ 18,855	\$ 172,146	\$ 359,625	\$ 233,425	\$ 784,051	\$ 34,440	\$ 181,822	\$ 394,898	\$ 232,780	\$ 843,940
Loans with floating rates	213,340	412,610	63,416	1,007	690,373	219,481	490,418	50,038	-	759,937
Total	\$ 232,195	\$ 584,756	\$ 423,041	\$ 234,432	\$ 1,474,424	\$253,921	\$ 672,240	\$ 444,936	\$ 232,780	\$ 1,603,877

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ALLOWANCE FOR LOAN CREDIT LOSSES

The allowance for loan credit losses totaled **\$16,999,000** **\$18,968,000** as of **December 31, 2022** **December 31, 2023**, and represented **1.15%** **1.18%** of total loans receivable compared to **\$16,442,000** **\$16,999,000** and **1.21%** **1.15%** of total loans as of year-end **2021** **2022**. Net charge-offs for **2022** **2023** totaled **\$343,000** **\$6,078,000** and represented **0.02%** **0.39%** of average loans compared to **\$908,000** **\$343,000** and **0.07%** **0.02%** of average loans in **2021** **2022**.

Management **assesses** **reviews** the **adequacy of loan portfolio** on a quarterly basis using a defined, consistently applied process in order to make appropriate and timely **adjustments to** the allowance for loan losses on a quarterly basis. The process includes a **review** credit losses. When information confirms all or part of specific loans to be **uncollectible**, these amounts are promptly charged off against the risks inherent in the loan portfolio. It also includes an analysis of impaired loans and a historical review of losses. Other factors considered in the analysis include: concentrations of credit in specific industries in the commercial portfolio, the local and regional economic conditions, trends in delinquencies, internal risk rating classifications, total loan growth in the portfolio and fluctuations in large balance credits. For loans acquired, including those that are not deemed impaired at acquisition, credit discounts representing the principal losses expected over the life of the loan are a component of the initial fair value. Subsequent to the purchase date, the methods utilized to estimate the required allowance for credit losses for these loans is similar to originated loans; however, the Company records a provision for loan losses only when the required allowance exceeds any remaining credit discounts, allowance.

The Company has limited exposure to higher-risk loans. The Company does not originate option ARM products, interest only loans, sub-prime loans or loans with initial teaser rates in its residential real estate portfolio. As of **December 31, 2022** **December 31, 2023**, the Company had **\$14,437,000** **\$16,805,000** million of junior lien home equity loans. For the year ended **December 31, 2022** **December 31, 2023**, there were **\$5,000** **\$0** of charge-offs for this portfolio, with recoveries of **\$5,000** **\$0** in **2022** **2023**.

Loan concentrations are considered to exist when there are amounts loaned to a number of borrowers engaged in similar activities that would cause them to be similarly impacted by economic or other conditions. Our lending activity is heavily concentrated in the geographic market areas we serve. At December 31, 2023, the Company had no concentrations of loans in any one industry exceeding 10% of its total loan portfolio. An industry for this purpose is defined as a group of businesses that are engaged in similar activities and have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

As of **December 31, 2022** **December 31, 2023** and **2022**, the Company considered its concentration of credit risk **profile** to be acceptable. **The** As of December 31, 2023, the highest concentrations are in commercial rentals and the residential rentals **categories**. category, with loans outstanding of \$149.2 million, or 9.3% of loans outstanding, to commercial rentals, and \$115.2 million, or 7.2% of loans outstanding, to residential rentals. For the year ended December 31, 2023, the Company recognized charge offs of \$6,000 on commercial rentals and \$44,000 on residential rentals. There were no charge-offs on loans within these concentrations in 2022.

At December 31, 2022, the recorded investment in impaired loans, not requiring an Banking regulators have established guidelines of less than 100% of tier 1 capital plus allowance for loan credit losses was \$413,000 (net in construction lending and less than 300% of charge-offs against the tier 1 capital plus allowance for loan credit losses in commercial real estate lending that management monitors as part of \$0), the risk management process. The recorded investment in impaired construction concentration ratio is a percentage of the outstanding construction and land development loans requiring an to total tier 1 capital plus allowance for loan losses, was \$50,000, (net credit losses. The

commercial real estate concentration ratio is a percentage of charge-offs against the outstanding balance of non-owner occupied commercial real estate, multifamily, and construction and land development loans to tier 1 capital plus allowance for loan losses of \$0). At December 31, 2021, credit losses. Management strives to operate within the recorded investment in impaired loans, not requiring an allowance for loan losses, was \$157,000 (net of charge-offs of \$0). The recorded investment in impaired loans, requiring an allowance for loan losses, was \$1,517,000. thresholds set forth above.

As a result of its analysis, after applying these factors, management considers December 31, 2023, the allowance as Company had \$675.2 million of December 31, 2022 commercial real estate loans, which represented 42.1% of total loans outstanding. Non-owner occupied commercial real estate loans totaled \$294.9 million, adequate. However, there can be no assurance that or 18.4% of total loans outstanding and 134.8% of regulatory capital requirements. As of December 31, 2023, the allowance for loan losses will be adequate to cover significant losses that might be incurred in the future. Company had \$51.5 million of construction loans, which represented 3.2% of total loans outstanding and 23.5% of regulatory capital requirements.

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The following table sets forth information with respect to the Bank's allowance for loan credit losses as of December 31, 2022 December 31, 2023 and 2021:

	As of December 31,		As of December 31,	
	2022	2021	2023	2022
	(dollars in thousands)		(dollars in thousands)	
Total loans receivable, net of deferred fees	\$ 1,473,945	\$ 1,354,931	\$ 1,603,618	\$ 1,473,945
Allowance balance at beginning of period	\$ 16,442	\$ 13,150	\$ 16,999	\$ 16,442
Net (charge-offs) recoveries:				
Real Estate-Residential	(42)	57	(28)	(42)
Real Estate-Commercial	62	(433)	(139)	62
Real Estate-Agricultural	—	—	—	—
Real Estate-Construction	—	—	—	—
Commercial loans	30	(124)	(4,932)	30
Other agricultural loans	—	(27)	—	—
Consumer	(393)	(381)	(979)	(393)
Total	(343)	(908)	(6,078)	(343)
Impact of Adopting ASC 326			2,466	—
Provision Expense	900	4,200	5,581	900
Allowance balance at end of period	\$ 16,999	\$ 16,442	\$ 18,968	\$ 16,999
Average loans receivable:				
Real Estate-Residential	\$ 286,545	\$ 264,305	\$ 306,404	\$ 286,545
Real Estate-Commercial	635,207	595,854	692,681	635,207
Real Estate-Agricultural	65,937	64,295	67,367	65,937
Real Estate-Construction	24,472	21,793	38,017	24,472
Commercial loans	185,687	247,953	197,598	185,687
Other agricultural loans	36,352	40,215	33,859	36,352
Consumer	166,803	152,478	229,739	166,803
Total average loans outstanding	\$ 1,401,003	\$ 1,386,893	\$ 1,565,665	\$ 1,401,003
Net (charge-offs) recoveries as a percent of average loans outstanding				
Real Estate-Residential	(0.01)%	0.02 %	(0.01)%	(0.01)%
Real Estate-Commercial	0.01	(0.07)	(0.02)	0.01
Real Estate-Agricultural	-	-	-	-
Real Estate-Construction	-	-	-	-
Commercial loans	0.02	(0.05)	(2.50)	0.02
Other agricultural loans	-	(0.07)	-	-
Consumer	(0.24)	(0.25)	(0.43)	(0.24)
Total net charge-offs	0.02 %	(0.07)%	(0.39)%	(0.02)%
Credit Quality Ratios:				
As a percent of year-end loans, net of unearned income:				
Allowance for loan losses	1.15%	1.21%		
Allowance for credit losses			1.18%	1.15%
Nonaccrual loans	0.08%	0.05%	0.48%	0.08%

Nonperforming loans	0.08%	0.05%	0.48%	0.08%
Allowance for loan losses to nonaccrual loans	1527.31%	2557.08%		
Allowance for loan losses to nonperforming loans	1527.31%	2240.05%		
Allowance for credit losses to nonaccrual loans			248.86%	1527.31%
Allowance for credit losses to nonperforming loans			248.86%	1527.31%

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During the twelve month period ended December 31, 2023, the Bank recognized a charge-off in the amount of \$4,806,000 on one commercial credit relationship resulting from the borrower's inability to make scheduled contractual payments. This isolated event contributed to an increase in net charge-offs for the twelve months ended December 31, 2023 to \$6,078,000 from the \$343,000 of net charge-offs reported for the twelve months ended December 31, 2022. As of December 31, 2023, the remaining carrying value of the credit was \$4,150,000, which was classified as a nonaccrual loan. As a result of this charge-off and transfer to nonperforming loans, the provision for credit losses increased to \$5,548,000 for the twelve months ended December 31, 2023, compared to \$900,000 for the twelve months ended December 31, 2022.

The following table sets forth the allocation of the Bank's allowance for loan credit losses by loan category and the percent of loans in each category to total loans at the date indicated. The allocation is made for analytical purposes and is not necessarily indicative of the categories in which credit losses may occur. The total allowance is available to absorb losses from any type of loan.

	As of December 31,				As of December 31,			
	2022		2021		2023		2022	
	% of		% of		% of		% of	
	Loans		Loans		Loans		Loans	
	to Total		to Total		to Total		to Total	
	Amount	Loans	Amount	Loans	Amount	Loans	Amount	Loans
	(dollars in thousands)				(dollars in thousands)			
Real estate – residential	\$ 2,833	20.3 %	\$ 2,175	20.1 %	\$ 1,351	7.1 %	\$ 2,833	20.3 %
Real estate – commercial	8,293	44.2	10,878	46.4	11,871	62.6	8,293	44.2
Real estate – agricultural	259	4.7	—	4.6	58	0.3	259	4.7
Real estate – construction	409	2.2	133	1.6	933	4.9	409	2.2
Commercial	2,445	12.7	1,490	13.7	1,207	6.4	2,445	12.7
Other agricultural loans	124	2.4	—	2.8	94	0.5	124	2.4
Consumer	2,636	13.5	1,766	10.8	3,454	18.2	2,636	13.5
Total	\$ 16,999	100 %	\$ 16,442	100 %	\$18,968	100 %	\$16,999	100 %

As a result of the acquisition of UpState, the Company added \$107.3 million of agricultural loans to the loan portfolio. These loans are included in the outstanding balance information, but do not require an allocation of the allowance for loan losses since they were recorded at fair value in accordance with ASC 310-20 and ASC 310-30.

Additional information about the allowance for loan credit losses at December 31, 2022 December 31, 2023 is presented under "Item 1. Business" of this Annual Report on Form 10-K, as well as in Note 2 and Note 4 to the audited consolidated financial statements.

NON-PERFORMING ASSETS

Non-performing assets consist of non-performing loans and real estate owned as a result of foreclosure, which is held for sale. Loans are placed on non-accrual status when management believes that a borrower's financial condition is such that collection of interest is doubtful. Commercial and real estate related loans are generally placed on non-accrual when interest is 90 days delinquent. When loans are placed on non-accrual, unpaid interest credited to income in the current year is reversed and unpaid interest accrued in prior years is charged against the allowance for loan losses.

As of December 31, 2022 December 31, 2023, non-performing loans totaled \$1,113,000 \$7,622,000 and represented 0.08% 0.48% of total loans compared to \$734,000 \$1,113,000 or 0.05% 0.08% as of December 31, 2021 December 31, 2022. The increase in the level of non-performing loans was due primarily to one credit commercial relationship in the amount of \$452,000 \$6,956,000 that was transferred to non-accrual status in the fourth third quarter of 2022. 2023. As of December 31, 2023, the carrying value of this credit was \$4,150,000. In January 2024, a \$3,900,000 payment was received through the sale of assets. The remaining \$250,000 was reclassified to accounts receivable and is expected to be collected through contractual future payments.

Foreclosed real estate owned totaled \$97,000 as of December 31, 2023 and \$346,000 as of December 31, 2022 and \$1,742,000 as of December 31, 2021. During 2022, 2023, one property with a carrying value of \$1,396,000 \$346,000 was disposed of through a sale, after a partial write down of \$54,000, and one property with a carrying value of \$290,000 was disposed of through a sale. The Company recorded a gain of \$427,000 \$80,000 on the sale of the property these two properties during the year ended December 31, 2022 December 31, 2023. Additionally, two properties with a carrying value of \$387,000 were transferred to foreclosed real estate owned in 2023.

SECURITIES

The securities portfolio consists of U.S. Treasury securities, U.S. Government agencies, mortgage-backed securities issued by government sponsored entities and municipal obligations. The Company classifies its investments into two categories: held to maturity (HTM) and available for sale (AFS). The Company does not have trading

securities. Securities classified as HTM are those in which the Company has the ability and the intent to hold the security until contractual maturity. As of **December 31, 2022** **December 31, 2023**, there were no securities carried in the HTM portfolio. Securities classified as AFS are eligible to be sold due to liquidity needs or interest rate risk management. These securities are adjusted to and carried at their fair value with any unrealized gains or losses recorded net of deferred income taxes, as an adjustment to capital and reported in the equity section of the Consolidated Balance Sheet as other comprehensive income. As of **December 31, 2022** **December 31, 2023**, **\$418.9** **\$406.3** million of securities were so classified and carried at their fair value, with unrealized losses,

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net of tax, of **\$57.9 million** **\$47.8 million** included in accumulated other comprehensive income (loss) as a component of stockholders' equity. The Company considers its investment portfolio a source of earnings and liquidity. Investment securities may also be pledged to secure public deposits and customer repurchase agreements.

As of **December 31, 2022** **December 31, 2023**, the average life of the portfolio was **7.3** **6.7** years. The Company has maintained a relatively short average life in the portfolio in order to generate cash flow to support loan growth and maintain liquidity levels. Purchases for the year

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totaled **\$130.8** **\$12.7** million, while maturities and principal reductions totaled **\$40.8** **\$33.7** million and proceeds from sales were **\$5.1** **\$3.3** million. The purchases were funded principally by cash flow generated from the **portfolio and excess overnight liquidity** **portfolio**.

The following table sets forth certain information regarding securities not carried at fair value through earnings, weighted average yields, and maturities of the Company's securities portfolio as of **December 31, 2022** **December 31, 2023** and **2021, 2022**. Yields on tax-exempt securities are stated on a fully taxable equivalent basis using a Federal tax rate of 21%. Actual maturities may differ from contractual maturities as certain instruments have call features which allow prepayment of obligations. Maturity on the mortgage-backed securities is based upon contractual terms, the average life may differ as a result of changes in cash flow.

	Total Investment										Total Investment								
	One Year or Less		After One Through Five Years		After Five Through Ten Years		After Ten Years		Securities		One Year or Less		After One Through Five Years		After Five Through Ten Years		A		
	Carrying	Average	Carrying	Average	Carrying	Average	Carrying	Average	Carrying	Average	Carrying	Average	Carrying	Average	Carrying	Average			
	Value	Yield	Value	Yield	Value	Yield	Value	Yield	Value	Yield	Value	Yield	Value	Yield	Value	Yield			
(dollars in thousands)										(dollars in thousands)									
U.S. Treasury securities	\$ 1,961	3.01 %	\$28,145	2.50 %	\$11,749	1.21 %	\$ —	— %	\$ 41,854	2.13 %	\$26,495	4.12 %	\$27,105	1.68 %	\$ —	— %			
U.S. Government agencies	2,858	3.26	7,320	1.82	8,145	1.64			18,323	1.90	—	—	5,531	1.75	10,465	1.64			
State and political subdivision	1,001	3.16	7,458	2.94	22,585	2.00	96,808	2.35	127,852	2.32	2,341	3.44	6,970	2.51	47,305	1.98			
Corporate obligations	—	—	—	—	—	—	—	—	—	—									
Mortgage-backed securities-government sponsored entities	—	—	228	1.40	18,956	2.39	211,713	1.81	230,898	1.85									
Mortgage-backed securities - government sponsored entities											265	2.55	2,030	2.01	16,619	2.35	1		
Total Investment Securities	\$ 5,820	3.16 %	\$43,151	2.45 %	\$61,435	1.89 %	\$308,521	1.99 %	\$418,927	2.03 %	\$29,101	4.05 %	\$41,636	1.84 %	\$74,389	2.01 %	\$2		

The portfolio had no adjustable-rate instruments as of **December 31, 2022** **December 31, 2023** and **2021, 2022**. The portfolio contained no private label mortgage-backed securities, collateralized debt obligations (CDOs), or trust preferred securities, and no off-balance sheet derivatives were in use. As of **December 31, 2022** **December 31, 2023**, the

portfolio did not contain any step-up bonds. The mortgage-backed securities portfolio includes pass-through bonds and collateralized mortgage obligations (CMO's) issued by Fannie Mae, Freddie Mac and the Government National Mortgage Association (GNMA).

The Company evaluates the securities in its portfolio for other-than-temporary-impairment (OTTI) credit losses as fair value declines below cost. In estimating OTTI, credit losses, management considers (1) the length of time and the extent of the decline in fair value and (2) the financial condition and near-term prospects of the issuer. As of December 31, 2022 December 31, 2023, the Company held 343 336 investment securities in a loss position, which had a combined unrealized loss of \$73.3 million \$60.6 million. Management believes that these losses are principally due to changes in interest rates and represent temporary impairment as concluded that the Company does not have decline in the intent to sell value of these securities and it is more likely than was not that it will indicative of a credit loss. The Company did not have to sell recognize any credit losses on the available-for-sale debt securities before recovery of their cost basis. No impairment for the twelve months ended December 31, 2023, nor did they recognize any other-than-temporary-impairment charges were recognized in 2022 or 2021, for the twelve months ended December 31, 2022.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company uses fair value measurements to record fair value adjustments to certain financial instruments and determine fair value disclosures (see Note 16 of Notes to the Consolidated Financial Statements).

Approximately \$420.4 \$407.5 million, which represents 20.5% 18.5% of total assets at December 31, 2022 December 31, 2023, consisted of financial instruments recorded at fair value on a recurring basis. This amount consists entirely of the Company's available for sale securities portfolio and interest rate derivatives. The Company uses valuation methodologies involving market-based or market-derived information, collectively Level 1 and 2 measurements, to measure fair value. There were no transfers into or out of Level 3 for any instruments for the years ended December 31, 2022 December 31, 2023 and 2021, 2022.

The Company utilizes a third party provider to perform valuations of the investments. Methods used to perform the valuations include: pricing models that vary based on asset class, available trade and bid information, actual transacted prices, and proprietary models for valuations of state and municipal obligations. In addition, the Company has a sample of fixed-income securities valued by

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another independent source. The Company does not adjust values received from its providers, unless it is evident that fair value measurement is not consistent with the Company's policies.

The Company also utilizes a third party provider to provide 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

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parties, other than in a forced liquidation. The fair value of mortgage servicing rights as of December 31, 2022 December 31, 2023 and 2021 2022 was \$498,000 \$506,000 and \$500,000, \$498,000, respectively.

DEPOSITS

The Bank provides a full range of deposit products to its retail and business customers. These include interest-bearing and noninterest bearing transaction accounts, statement savings and money market accounts. Certificate of deposit terms range up to five years for retail instruments. As of December 31, 2022 December 31, 2023, the Bank does not have any brokered deposits obtained through internet listing services, and no broker deposits which were secured through Cede & Co. The Bank participates in the Jumbo CD (\$100,000 and over) markets with local municipalities and school districts which are typically priced on a competitive bid basis. Other services the Bank offers its customers include IntraFi CDARS and ICS, cash management, direct deposit, Remote Deposit Capture, mobile deposit capture, PopMoney® mobile payments Zelle and Automated Clearing House (ACH) activity. The Bank operates thirty automated teller machines and is affiliated with the MoneyPass® ATM network. Internet banking including bill-pay is offered through the website at www.waynebank.com. Other services, such as eStatements and mobile banking are available online.

The following table sets forth information regarding deposit categories of the Company.

	Years Ended December 31,				Years Ended December 31,			
	2022		2021		2023		2022	
	Average		Average		Average		Average	
	Rate		Rate		Rate		Rate	
	Balance	Rate Paid	Balance	Rate Paid	Balance	Paid	Balance	Paid
	(dollars in thousands)				(dollars in thousands)			
Noninterest-bearing demand	\$ 442,607	— %	\$ 423,404	— %	\$ 418,631	— %	\$ 442,607	— %
Interest-bearing demand	233,000	0.22	180,080	0.11	228,909	1.13	233,000	0.22
Money Market	306,518	0.32	295,626	0.23	237,421	1.37	306,518	0.32
Savings	298,933	0.08	265,981	0.06	248,629	0.15	298,933	0.08
Time	487,674	0.97	517,087	0.71	610,725	3.25	487,674	0.97
Total	\$ 1,768,732		\$ 1,682,178		\$ 1,744,315		\$ 1,768,732	

As of December 31, 2022 December 31, 2023 and 2021, 2022, the total of uninsured deposits of the Company was \$213,623,000 \$644,486,000 and \$235,515,000, \$629,101,000, respectively. Total uninsured deposits is calculated based on regulatory reporting requirements and reflects the portion of any deposit of a customer at

an insured depository institution that exceeds the applicable FDIC insurance coverage for that depositor at that institution and amounts in any other uninsured investment or deposit accounts that are classified as deposits and not subject to any federal or state deposit insurance regime.

As of **December 31, 2022** **December 31, 2023**, the total of U.S. time deposits in excess of the Federal Deposit Insurance Corporation insurance limits were **\$213,623,000** **\$269,499,000**.

The following table indicates the amount of time deposits that are uninsured by time remaining until maturity as of **December 31, 2022** **December 31, 2023**:

	Amount (in thousands)	
Three months or less	\$ 46,123	\$ 91,837
Over 3 through 6 months	51,847	73,208
Over 6 months through 12 months	67,281	76,793
Over 12 months	48,372	27,661
	\$ 213,623	\$ 269,499

Total deposits as of **December 31, 2022** **December 31, 2023**, were **\$1.728** **\$1.795** billion, **a decrease** **an increase** of **\$29.1** **\$67.4** million from **December 31, 2021** **December 31, 2022**. Non-maturity interest-bearing deposits **increased \$2.0 million** **decreased \$102.9 million** in **2022, 2023**, while non-interest bearing demand deposits decreased **\$6.1 million** **\$35.0 million**. Time deposits **decreased \$24.9** **increased \$205.3** million during **2022, 2023**.

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Time deposits over \$250,000, which consist principally of school district funds, other public funds and short-term deposits from large commercial customers with maturities generally less than one year, totaled **\$213.6** **\$241.8** million as of **December 31, 2022** **December 31, 2023**,

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compared to **\$257.2** **\$213.6** million at year-end **2021, 2022**. These deposits are subject to competitive bid and the Company bases its bid on current interest rates, loan demand, investment portfolio structure and the relative cost of other funding sources.

As of **December 31, 2022** **December 31, 2023**, non-interest bearing demand deposits totaled **\$434.5** **\$399.5** million compared to **\$440.7** **\$434.5** million at **December 31, 2021** **December 31, 2022**. Cash management accounts in the form of securities sold under agreements to repurchase included in short-term borrowings, totaled **\$51.0** **\$54.1** million at **December 31, 2022** **December 31, 2023** compared to **\$60.8** **\$51.0** million as of **December 31, 2021** **December 31, 2022**. These balances represent commercial and municipal customers' funds invested in overnight securities. The Company considers these accounts as a source of core funding.

RESULTS OF OPERATIONS

SUMMARY

Net income for the Company for the year ended **December 31, 2022** **December 31, 2023** was **\$29,233,000** **\$16,759,000**, which was **\$4,318,000** **higher** **\$12,474,000** **lower** than the **\$24,915,000** **\$29,233,000** earned in **2021**, the year ended **December 31, 2022**. Earnings per share on a fully diluted basis were **\$3.58** **\$2.07** for **2022** **2023** compared to **\$3.04** **\$3.58** in **2021, 2022**. The return on average assets for the year ended **December 31, 2022** **December 31, 2023**, was **1.43%** **0.79%**, and the return on average equity was **16.11%** **9.67%**, compared to **1.24%** **1.43%** and **12.35%** **16.11%**, respectively, for the year ended **December 31, 2021** **December 31, 2022**. Net interest income **increased** **\$3,084,000** **decreased \$6,330,000** for the year ended **December 31, 2022** **December 31, 2023**. The decrease in net income for the year ended **December 31, 2023**, which offset is primarily attributable to a **\$2,430,000** **\$4,648,000** increase in other expenses during the 2022 year. A **\$3,300,000** decrease in the provision for loan credit losses, a **\$1,808,000** decrease in other income, and a **\$1,571,000** **\$2,453,000** increase in other income during the year ended **December 31, 2022**, also contributed to the positive variance. expenses.

For the year ended **December 31, 2022** **December 31, 2023**, fully taxable equivalent ("fte") net interest income totaled **\$69,164,000**, which was **an increase** **\$62,816,000**, a decrease of **\$3,064,000** **\$6,348,000** from the year ended **2021** **December 31, 2022** total. Average loans outstanding increased **\$14.1** **\$164.7** million in **2022, 2023**, which resulted in contributed to an increase in interest income (fte) of **\$657,000**. Total average securities increased **\$160.1** million in 2022 as proceeds from deposit growth and overnight liquidity were used to fund new purchases, resulting in a **\$3.6** million increase in total interest income (fte) on securities. **\$19.2** million. During the year ended **December 31, 2022** **December 31, 2023**, average interest-bearing deposits **increased \$67.4** million, resulting in a **\$1.7** million increase in **decreased \$441,000**. During the year ended **December 31, 2023**, however, total interest expense on deposits, **increased \$19.6** million due **increased market interest rates**. The cost of borrowed funds **decreased \$202,000** **increased \$6.6** million in **2022, 2023**, compared to the prior year due **primarily to a lower level of borrowings**, **an increase in borrowings**, and higher market interest rates. During the year ended **December 31, 2022** **December 31, 2023**, the resulting net interest spread (fte) decreased **one basis point** to **2.47%** compared to **3.38%** at **December 31, 2022**, as a **nine basis point** **0.78%** increase in the yield earned was offset by a **10 basis point** **1.69%** increase in the cost of funds.

Total other income for the year ended **December 31, 2022** **December 31, 2023** was **\$9,932,000** **\$8,124,000**, compared to **\$8,361,000** **\$9,932,000** in the prior year, **an increase** **a decrease** of **\$1,571,000** **\$1,808,000**. During the year ended **December 31, 2022** **December 31, 2023**, gains on the sale of loans and investment securities decreased **\$263,000** **\$152,000** in the aggregate, while gains on the sale of foreclosed real estate owned **increased \$391,000**. Service charges decreased **\$347,000**. Earnings and fees proceeds on life insurance policies decreased **\$32,000** **\$75,000** in **2022** **2023** compared to the **2021, 2022**, while all other items of other income **increased \$1,475,000**, **decreased \$1,234,000**, net, in **2022, 2023**. The **increase** **decrease** in **2022** **2023** includes **\$1.1** million of earnings recognized in **2022** due to the payoff of purchased impaired loans acquired at a discount.

During the year ended **December 31, 2022, 2023**, other expenses were **\$41,044,000** **\$43,497,000**, compared to **\$38,614,000** **\$41,044,000** for the same period in **2021, 2022**, an increase of **\$2,430,000** **\$2,453,000**. Salaries and benefits costs increased **\$1,463,000** **\$1,494,000** in **2022, 2023**, while occupancy and equipment data processing costs **rose \$145,000**, **increased \$394,000**. Taxes, other than income decreased **\$447,000**. All other operating expenses increased **\$822,000**, **\$1,012,000**, net, in **2022, 2023**. Income

tax expense for the 2022 2023 year totaled \$7,152,000, \$4,387,000, which was an increase a decrease of \$1,207,000 \$2,765,000 from the 2021 2022 year ended. The effective tax rate in 2022 2023 was 19.7% 20.7% compared to 19.3% 19.7% in 2021. The increase in the effective tax rate reflects the increased level of taxable income, which is taxed at the marginal rate of 21%. 2022.

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The following table sets forth changes in net income (in thousands):

Net income 2021	\$	24,915
Net income 2022		\$29,233
Net interest income		3,084 (6,330)
Provision for loan losses		3,300
Provision for credit losses		(4,648)
Net gains on sales of loans and securities		(263) (152)
Net gains on sales of foreclosed real estate		391 (347)
Other income		1,443 (1,309)
Salaries and employee benefits		(1,463) (1,494)
Occupancy, furniture and equipment		(145) (116)
Date processing and related operations		(533) (394)
Professional fees		(137)
Advertising		(113)
FDIC insurance assessment		(373)
Indirect dealer fees		(547)
Shares tax expense		447
Other expenses		(152) 137
Income tax expense		(1,207) 2,765
Net income 2022	\$	29,233
Net income 2023		\$16,759

NET INTEREST INCOME

Net interest income is the most significant source of revenue for the Company and represented 87.3% 88.4% of total revenue for the year ended December 31, 2022 December 31, 2023. Net interest income (fte) totaled \$69,164,000 \$62,816,000 for the year ended December 31, 2022 December 31, 2023 compared to \$66,100,000 \$69,164,000 for 2021, 2022, an increase decrease of \$3,064,000 \$6,348,000. The resulting fte net interest spread and net interest margin were 2.47% and 3.06%, respectively, in 2023 compared to 3.38% and 3.53%, respectively, in 2022 compared to 3.39% and 3.50%, respectively, in 2021, 2022.

Interest income (fte) for the year ended December 31, 2022 December 31, 2023 totaled \$76,433,000 \$96,289,00 compared to \$71,857,000 \$76,433,000 in 2021, 2022. The fte yield on average earning assets was 3.90% 4.68%, increasing nine 78 basis points from the 3.81% 3.90% reported last year. The tax-equivalent yield on total loans remained stable at was 5.46% in 2023, increasing from 4.73% in 2022, while average loans outstanding increased \$14.1 \$164.7 million, resulting in an increase in interest income (fte) from loans of \$657,000. \$19.2 million. The yield on securities increased 13 17 basis points in 2022 2023 due primarily to higher yields on new purchases, securities purchased during the year ended December 31, 2023. During the 2022 year ended December 31, 2023, while average securities outstanding increased \$160.1 decreased \$1.4 million, as cash flows from deposit growth was utilized to fund new purchases, and interest income (fte) from the portfolio securities outstanding, increased \$3.6 million \$803,000 from the 2021 year ended. ended December 31, 2022.

Interest expense was \$7,269,000 in 2022, \$33,473,000 for the year ended December 31, 2023, which resulted in an average cost of interest-bearing liabilities of 0.52% 2.21% compared to total interest expense of \$5,757,000 in 2021, \$7,269,000 during the year ended December 31, 2022, with an average cost of 0.42% 0.52%. Total interest-bearing deposits cost was 0.49% in 2022, 1.96% for the year ended December 31, 2023, which was an increase of 11 147 basis points over the 2021 year, 2022 fiscal year ended. The increase in cost was due primarily to time certificates of deposit that repriced to current market rates upon maturity, resulting in an increase in the interest rate paid from 0.71% in 2021 to 0.97% in 2022, 2022 to 3.25% in 2023. Borrowing costs also increased in 2022, 2023, reflecting the higher market interest rate environment.

PROVISION FOR LOAN CREDIT LOSSES

The provision for loan credit losses was \$5,548,000 in 2023 compared to \$900,000 in 2022 compared 2022. During the twelve month period ended December 31, 2023, the Bank recognized a charge-off in the amount of \$4,806,000 on one commercial credit relationship resulting from the borrower's inability to \$4,200,000 make scheduled contractual payments. This isolated event contributed to an increase in 2021. The decreased provision net charge-offs for loan losses recorded in 2022 reflects the removal twelve months ended December 31, 2023 to \$6,078,000 from the \$343,000 of net charge-offs reported for the twelve months ended December 31, 2022. As of December 31, 2023, the remaining carrying value of the qualitative factors specific to the COVID-19 pandemic. Qualitative factors specific to the pandemic that were developed in 2020 required credit was \$4,150,000, which was classified as a \$2.3 million allocation to the required allowance for loan losses at December 31, 2021. Additionally, the quantitative factor related to historical loan losses decreased \$670,000 compared to the 2021 level. nonaccrual loan.

Management assesses the adequacy of the allowance The Company makes provisions for, loan losses on a quarterly basis. The process includes a review of the risks inherent in the loan portfolio. It also includes an analysis of impaired loans and a historical review of losses. Other factors considered in the analysis include: concentrations or releases of, credit losses in specific industries in an amount necessary to maintain the commercial portfolio, the local and regional economic conditions, trends in delinquencies,

internal risk rating classifications, total loan growth in the portfolio and fluctuations in large balance credits. For loans acquired, including those that are not deemed impaired at acquisition, credit discounts representing the principal losses expected over the life of the loan are a component of the initial fair value. Subsequent to the purchase date, the methods utilized to estimate the required allowance for credit losses for these loans is similar to originated loans; however, at an acceptable level under the Company records a provision for loan losses only when the required allowance exceeds any remaining current expected credit discounts. loss methodology analysis.

OTHER INCOME

Total other income was \$9,932,000 \$8,124,000 for the year ended December 31, 2022 December 31, 2023, compared to \$8,361,000 \$9,932,000 in 2021, an increase 2022, a decrease of \$1,571,000, \$1,808,000. Debit card fees increased \$267,000 decreased \$194,000 in 2022, earnings and proceeds from bank-owned life insurance increased \$146,000,

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2023, loan related service fees decreased \$222,000, and gains on the sale of foreclosed real estate owned increased \$391,000, decreased \$347,000. During 2022, 2023, gains on the sale of loans and investment securities decreased \$263,000 \$152,000 in the aggregate, while all other items of other income increased \$1,027,000, net, decreased \$893,000, net, due primarily to \$1.1 million of income recognized in 2022 on previously acquired purchased impaired loans that were carried at a discount.

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Other Income (dollars in thousands)

For the year ended December 31

	2022	2021	2023	2022
Service charges on deposit accounts	\$ 420	\$ 398	\$ 428	\$ 420
ATM Fees	452	443	446	452
Overdraft Fees	1,155	1,029	1,344	1,155
Safe deposit box rental	93	100	92	93
Loan related service fees	928	1,368	706	928
Debit card	2,495	2,228	2,301	2,495
Fiduciary activities	845	748	898	845
Commissions on mutual funds & annuities	118	127	296	118
Earnings on and proceeds from bank-owned life insurance	1,087	941	1,012	1,087
Other income	1,906	674	667	1,906
	9,499	8,056	8,190	9,499
Net realized gains on sales of securities	3	92		
Net realized (losses) gains on sales of securities			(209)	3
Gains on sales of loans	3	177	63	3
Gains on sales of foreclosed real estate owned	427	36	80	427
Total	\$ 9,932	\$ 8,361	\$ 8,124	\$ 9,932

OTHER EXPENSES

Other expenses totaled \$41,044,000 \$43,497,000 for the year ended December 31, 2022 December 31, 2023, compared to \$38,614,000 \$41,044,000 in the 2021 2022 fiscal year. Salaries and employee benefits costs increased \$1,463,000 \$1,494,000 in 2022, 2023, while occupancy and equipment data processing costs increased \$145,000, \$394,000. FDIC insurance assessments increased \$373,000. During the year ended December 31, 2022 December 31, 2023, all other operating expenses increased \$822,000, \$192,000, net. The Company's efficiency ratio, which measures total other expenses as a percentage of net interest income (fte) plus other income, was 61.3% in 2023 compared to 51.9% in 2022 compared to 51.8% in 2021, 2022.

Other Expenses (dollars in thousands)

For the year ended December 31

	2022	2021	2023	2022
Salaries	\$ 13,791	\$ 12,944	\$ 14,514	\$ 13,791
Employee benefits	8,280	7,664	9,051	8,280
Occupancy	3,701	3,533	3,864	3,701
Furniture and equipment	1,266	1,289	1,219	1,266
Data processing and related operations	2,948	2,415	3,342	2,948
Federal Deposit Insurance Corporation insurance assessment	612	681	985	612
Advertising	516	473	630	516
Professional fees	1,719	1,582	1,676	1,719
Postage and telephone	959	993	981	959
Office supplies	483	443		

Taxes, other than income	1,013	1,122	566	1,013
Foreclosed real estate	73	151	129	73
Amortization of intangible assets	101	123	85	101
Other	5,582	5,201	6,455	6,065
Total	\$ 41,044	\$ 38,614	\$43,497	\$41,044

INCOME TAXES

Income tax expense for the year ended December 31, 2022 December 31, 2023 totaled \$7,152,000, \$4,387,000, which resulted in an effective tax rate of 19.7% 20.7%, compared to \$5,945,000 \$7,152,000 and 19.3% 19.7% for 2021. The higher effective tax rate reflects the increase in taxable income.

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2022.

CAPITAL AND DIVIDENDS

Total stockholders' equity as of December 31, 2022 December 31, 2023, was \$167.1 \$181.1 million, compared to \$205.3 \$167.1 million as of December 31, 2021 December 31, 2022. Earnings retention, net of a \$9.2 \$9.5 million reduction resulting from cash dividends declared, contributed to the increase. Fluctuations in interest rates during the year ended December 31, 2022 December 31, 2023, impacted the fair value of the Company's Available-for-Sale securities, and contributed to \$57.1 million decrease in capital as a reduction \$10.0 million increase in accumulated other comprehensive income. As of December 31, 2022 December 31, 2023 the Company had a leverage capital ratio of 9.36% 9.00%, a Tier 1 risk-based capital ratio and a common equity Tier 1 risk-based capital ratio of 12.49% 11.99%, and a total risk-based capital ratio of 13.58% 13.06%, compared to 8.51% 9.36%, 12.49% and 13.66% 13.58%, respectively, at December 31, 2021 December 31, 2022.

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NON-GAAP FINANCIAL MEASURES

This Annual Report contains or references fully taxable-equivalent interest income and net interest income, which are non-GAAP financial measures. Tax-equivalent interest income and net interest income are derived from GAAP interest income and net interest income using a marginal tax rate of 21%. We believe the presentation of interest income and net interest income on a fully taxable-equivalent basis ensures comparability of interest income and net interest income arising from both taxable and tax-exempt sources and is consistent with industry practice.

The following table reconciles net interest income to net interest income on a fully taxable-equivalent basis:

(dollars in thousands)	Years ended December 31,		Years ended December 31,	
	2022	2021	2023	2022
Net interest income	\$ 68,397	\$ 65,313	\$62,067	\$68,397
Taxable-equivalent basis adjustment				
Tax-equivalent basis adjustment				
using a 21% marginal tax rate	767	787	749	767
Net interest income on a fully				
taxable equivalent basis	\$ 69,164	\$ 66,100	\$62,816	\$69,164

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CONSOLIDATED AVERAGE BALANCE SHEETS WITH RESULTANT INTEREST AND RATES

(Tax-Equivalent Basis, dollars in thousands)

Year Ended December 31	2022			2021			2023			2022		
	Average Balance	Average Interest	Average Rate	Average Balance	Average Interest	Average Rate	Average Balance	Average Interest	Average Rate	Average Balance	Average Interest	Average Rate
	(2)	(1)		(2)	(1)		(2)	(1)		(2)	(1)	
ASSETS												
Interest-earning assets:												
Interest-bearing deposits with banks	\$ 77,496	\$ 602	0.78 %	\$ 175,854	\$ 266	0.15 %	\$ 7,537	\$ 409	5.43 %	\$ 77,496	\$ 602	0.78 %
Securities available for sale:												
Taxable	405,374	7,262	1.79	261,912	4,055	1.55	411,633	8,390	2.04	405,374	7,262	1.79
Tax-exempt	78,224	2,265	2.90	61,610	1,889	3.06	70,598	1,940	2.75	78,224	2,265	2.90

Total securities available for sale	483,598	9,527	1.97	323,522	5,944	1.84	482,231	10,330	2.14	483,598	9,527	1.97
Loans receivable (3)(4)	1,401,003	66,304	4.73	1,386,893	65,647	4.73	1,565,665	85,550	5.46	1,401,003	66,304	4.73
Total interest-earning assets	1,962,097	76,433	3.90	1,886,269	71,857	3.81	2,055,433	96,289	4.68	1,962,097	76,433	3.90
Noninterest earning assets:												
Cash and due from banks	24,560			23,828			26,633			24,560		
Allowance for loan losses	(16,854)			(15,263)								
Allowance for credit losses							(18,122)			(16,854)		
Other assets	77,800			114,210			64,626			77,800		
Total noninterest earning assets	85,506			122,775			73,137			85,506		
TOTAL ASSETS	\$ 2,047,603			\$ 2,009,044			\$2,128,570			\$2,047,603		
LIABILITIES AND STOCKHOLDERS' EQUITY												
Interest-bearing liabilities:												
Interest-bearing demand and money market	\$ 539,518	1,506	0.28	\$ 475,706	894	0.19	\$ 466,329	5,824	1.25	\$ 539,518	1,506	0.28
Savings	298,933	242	0.08	265,981	169	0.06	248,629	378	0.15	298,933	242	0.08
Time	487,674	4,723	0.97	517,087	3,694	0.71	610,726	19,827	3.25	487,674	4,723	0.97
Total interest-bearing deposits	1,326,125	6,471	0.49	1,258,774	4,757	0.38	1,325,684	26,029	1.96	1,326,125	6,471	0.49
Short-term borrowings	69,711	524	0.75	73,810	284	0.38	93,455	3,048	3.26	69,711	524	0.75
Other borrowings	11,045	274	2.48	36,196	716	1.98	94,931	4,396	4.63	11,045	274	2.48
Total interest-bearing liabilities	1,406,881	7,269	0.52	1,368,780	5,757	0.42	1,514,070	33,473	2.21	1,406,881	7,269	0.52
Noninterest-bearing liabilities:												
Noninterest-bearing demand deposits	442,607			423,404			418,631			442,607		
Other liabilities	16,616			15,179			22,595			16,616		
Total noninterest-bearing liabilities	459,223			438,583			441,226			459,223		
Stockholders' equity	181,499			201,681			173,274			181,499		
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 2,047,603			\$ 2,009,044			\$2,128,570			\$2,047,603		
Net Interest Income/spread (tax equivalent basis)		69,164	3.38 %		66,100	3.39 %		62,816	2.47 %		69,164	3.38 %
Tax-equivalent basis adjustment		(767)			(787)			(749)			(767)	
Net Interest Income		\$ 68,397			\$ 65,313			\$62,067			\$68,397	
Net interest margin (tax equivalent basis)			3.53 %			3.50 %			3.06 %			3.53 %

- (1) Interest and yields are presented on a tax-equivalent basis using a marginal tax rate of 21%.
- (2) Average balances have been calculated based on daily balances.
- (3) Loan balances include non-accrual loans and are net of unearned income.
- (4) Loan yields include the effect of amortization of purchased credit marks and 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.

(dollars in thousands)

	Increase/(Decrease) 2022 compared to 2021			Increase/(Decrease) 2023 compared to 2022		
	Variance due to			Variance due to		
	Volume	Rate	Net	Volume	Rate	Net
INTEREST-EARNING ASSETS:						
Interest-bearing deposits	\$ (400)	\$ 736	\$ 336	\$ (818)	\$ 625	\$ (193)
Securities available for sale:						
Taxable	2,325	882	3,207	125	1,003	1,128
Tax-exempt securities	498	(122)	376	(216)	(109)	(325)
Total securities available for sale	2,823	760	3,583	(91)	894	803
Loans receivable	657	—	657	8,474	10,772	19,246
Total interest-earning assets	3,080	1,496	4,576	7,565	12,291	19,856
INTEREST-BEARING LIABILITIES						
Interest-bearing demand and money market	165	447	612	(795)	5,113	4,318
Savings	22	51	73	(64)	200	136
Time	(277)	1,306	1,029	3,370	11,734	15,104
Total interest-bearing deposits	(90)	1,804	1,714	2,511	17,047	19,558
Short-term borrowings	(30)	270	240	626	1,898	2,524
Other borrowings	(507)	65	(442)	2,702	1,420	4,122
Total interest-bearing liabilities	(627)	2,139	1,512	5,839	20,365	26,204
Net interest income (tax-equivalent basis)	\$ 3,707	\$ (643)	\$ 3,064	\$ 1,726	\$ (8,074)	\$ (6,348)

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.

Item 7A. Quantitative and Qualitative Disclosure About Market Risk.

MARKET RISK

Interest rate sensitivity and the repricing characteristics of assets and liabilities are managed by the Asset and Liability Management Committee (ALCO). The principal objective of the ALCO is to maximize net interest income within acceptable levels of risk, which are established by policy. Interest rate risk is monitored and managed by using financial modeling techniques to measure the impact of changes in interest rates.

Net interest income, which is the primary source of the Company's earnings, is impacted by changes in interest rates and the relationship of different interest rates. To manage the impact of the rate changes, the balance sheet should be structured so that repricing opportunities exist for both assets and liabilities at approximately the same time intervals. The Company uses net interest simulation to assist in interest rate risk management. The process includes simulating various interest rate environments and their impact on net interest income. As of **December 31, 2022** **December 31, 2023**, the level of net interest income at risk in a ± 200 basis points increase was within the Company's policy limit of a decline less than 10% of net interest income.

Imbalances in repricing opportunities at a given point in time reflect interest-sensitivity gaps measured as the difference between rate-sensitive assets and rate-sensitive liabilities. These are static gap measurements that do not take into account any future activity, and as such are principally used as early indicators of potential interest rate exposures over specific intervals.

At **December 31, 2022** **December 31, 2023**, the Bank had a negative 90-day interest sensitivity gap of **\$46.7** **\$43.6** million or **2.3%** **1.98%** of total assets. A negative gap indicates that the balance sheet has a higher level of rate-sensitive liabilities (RSL) than rate-sensitive assets (RSA) at the specific time interval. This would indicate that in an increasing rate environment, the cost of interest-bearing liabilities would increase faster than the yield on interest-earning assets in the 90-day period. The level of RSA and RSL for an interval is managed by ALCO strategies, including adjusting the average life of the investment portfolio through purchases and sales, pricing of deposit liabilities to attract long or short-term time deposits, utilizing borrowings to fund loan growth, loan pricing to encourage variable-rate products and evaluation of loan sales of long-term, fixed-rate mortgages.

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The Company analyzes and measures the time periods in which RSA and RSL will mature or reprice in accordance with their contractual terms and assumptions. Management believes that the assumptions used are reasonable. The interest rate sensitivity of assets

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and liabilities could vary substantially if differing assumptions were used or if actual experience differs from the assumptions used in the analysis. For example, although certain assets and liabilities may have similar maturities or periods to repricing, they may react in differing degrees to changes in market interest rates. The interest rates on certain types of assets and liabilities may fluctuate in advance of changes in market interest rates, while interest rates on other types may lag behind changes in market rates. Interest rates may

change at different rates changing the shape of the yield curve. The level of rates on the investment securities may also be affected by the spread relationship between different investments. Further, in the event of a significant change in interest rates, prepayment and early withdrawal levels would likely deviate significantly from those assumed. Finally, the ability of borrowers to service their adjustable-rate debt may decrease in the event of an interest rate increase. It should be noted that the operating results of the Company are not subject to foreign currency exchange or commodity price risk.

The following table displays interest-sensitivity as of **December 31, 2022** **December 31, 2023** (dollars in thousands):

	3 Months Or Less	3-12 Months	1-3 Years	Over 3 Years	Total	3 Months Or Less	3-12 Months	1-3 Years	Over 3 Years	Total
Federal funds sold and interest-bearing deposits	\$ 3,019	\$ —	\$ —	\$ —	\$ 3,019	\$ 37,587	\$ —	\$ —	\$ —	\$ 37,587
Securities	8,225	24,995	77,885	307,822	418,927	16,099	41,137	65,648	283,375	406,259
Loans Receivable	218,811	229,896	445,384	579,854	1,473,945	237,678	257,551	559,921	548,468	1,603,618
Total Rate Sensitive Assets (RSA)	\$ 230,055	\$ 254,891	\$ 523,269	\$ 887,676	\$ 1,895,891	\$ 291,364	\$ 298,688	\$ 625,569	\$ 831,843	\$ 2,047,464
Non-maturity interest-bearing deposits	\$ 123,533	\$ 119,994	\$ 318,673	\$ 227,228	\$ 789,428	\$ 104,379	\$ 107,882	\$ 286,392	\$ 187,852	\$ 686,505
Time Deposits	90,296	245,962	154,207	13,305	503,770	185,991	398,767	116,845	7,506	709,109
Borrowings	62,902	47,387	22,926	—	133,215	44,595	47,784	88,030	17,903	198,312
Total Rate Sensitive Liabilities (RSL)	\$ 276,731	\$ 413,343	\$ 495,806	\$ 240,533	\$ 1,426,413	\$ 334,965	\$ 554,433	\$ 491,267	\$ 213,261	\$ 1,593,926
Interest sensitivity gap	\$ (46,676)	\$ (158,452)	\$ 27,463	\$ 647,143	\$ 469,478	\$ (43,601)	\$ (255,745)	\$ 134,302	\$ 618,582	\$ 453,538
Cumulative gap	(46,676)	(205,128)	(177,665)	469,478		(43,601)	(299,346)	(165,044)	453,538	
RSA/RSL-cumulative	83.1 %	70.3 %	85.0 %	138.5 %		86.9 %	66.3 %	88.1 %	128.5 %	
As of December 31, 2021										
As of December 31, 2022										
Interest sensitivity gap	\$ 175,100	\$ (170,159)	\$ 11,040	\$ 524,379	\$ 540,360	\$ (46,676)	\$ (158,452)	\$ 27,463	\$ 647,143	\$ 469,478
Cumulative gap	175,100	4,941	15,981	540,360		(46,676)	(205,128)	(177,665)	469,478	
RSA/RSL-cumulative	170.5 %	100.7 %	101.4 %	138.4 %		83.1 %	70.3 %	85.0 %	138.5 %	

Certain interest-bearing deposits with no stated maturity dates are included in the interest-sensitivity table above. The balances allocated to the respective time periods represent an estimate of the total outstanding balance that has the potential to migrate either through withdrawal or transfer to time deposits, thereby impacting the interest-sensitivity position of the Company. The estimates were derived from a non-maturity deposit study, which was prepared by an independent third party provider. The purpose of the study was to estimate the average lives of various deposit types and their pricing sensitivity to movements in market interest rates.

INFLATION

Substantially all of the Company's assets and liabilities relate to banking activities and are monetary. The consolidated financial statements and related financial data are presented following GAAP. GAAP currently requires the Company to measure the financial position and results of operations in terms of historical dollars, except for securities available for sale, impaired loans, and other real estate loans that are measured at fair value. Changes in the value of money due to rising inflation can cause purchasing power loss.

Management's opinion is that movements in interest rates affect the financial condition and results of operations to a greater degree than changes in the rate of inflation. It should be noted that interest rates and inflation do affect each other but do not always move in correlation with each other. The Company's ability to match the interest sensitivity of its financial assets to the interest sensitivity of its liabilities in its asset/liability management may tend to minimize the effect of changes in interest rates on the Company's performance.

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LIQUIDITY

Liquidity is the ability to fund customers' borrowing needs and their deposit withdrawal requests while supporting asset growth. The Company's primary sources of liquidity include deposit generation, asset maturities, cash flow from payments on loans and

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securities and access to borrowing from [the Federal Reserve Discount Window](#), the Federal Home Loan Bank and other correspondent banks.

As of **December 31, 2022** **December 31, 2023**, the Company had cash and cash equivalents of **\$31.9** **\$66.1** million in the form of cash, due from banks, balances with the Federal Reserve Bank, and short-term deposits with other institutions. In addition, at **December 31, 2022** **December 31, 2023**, the Company had **total** securities available for sale of **\$418.9** **\$406.3** million, which could be used for liquidity needs. This **totals** results in the Company having total liquidity at **December 31, 2023** of **\$472.4** million, or 21.5% of total assets as, of **December 31, 2023**, compared to total liquidity of **\$450.8** million, and **represents** or 22.0% of total assets as of **December 31, 2022**, compared to **\$613.5** million and 29.7% of total assets as of **December 31, 2021**. The Company also monitors other liquidity measures for compliance with Company policy guidelines. Based upon these measures, the Company believes its liquidity **position** is adequate.

The Company maintains established lines of credit with **the Federal Reserve Bank**, the Federal Home Loan Bank of Pittsburgh (FHLB), the Atlantic Community Bankers Bank (ACBB) and other correspondent banks, which support liquidity needs. The total available credit under all lines was **\$190.0** **\$199.1** million, which consists of **\$32.1** million with **\$42.3** million outstanding at the Federal Reserve Bank, **\$150.0** million with the Federal Home Loan Bank of Pittsburgh, **\$7.0** million with the Atlantic Community Bankers Bank, and **\$10.0** million with PNC Bank. As of **December 31, 2023** and **December 31, 2022**, there was **\$124.2** million and **\$0** **\$42.3** million outstanding at **December 31, 2021**, respectively. The maximum borrowing capacity from FHLB at **December 31, 2022** **December 31, 2023** was **\$655.3** **\$682.4** million. As of **December 31, 2022** **December 31, 2023**, the Company had **\$40.0** **\$30.0** million of term borrowings from the Federal Reserve Bank under the Bank Term Funding Program, and **\$114.2** million in term borrowings from the FHLB, compared to **\$30.0** **\$0** and **\$40.0** million, respectively, at **December 31, 2021** **December 31, 2022**. Outstanding Letters of Credit to secure public funds totaled **\$136.6** million and **\$92.9** million at **December 31, 2023** and **\$127.9** million at **December 31, 2022** and **2021, 2022**, respectively.

Item 8. Financial Statements and Supplementary Data.

REPORT ON MANAGEMENT'S ASSESSMENT OF INTERNAL CONTROL OVER FINANCIAL REPORTING

TO THE STOCKHOLDERS OF NORWOOD FINANCIAL CORP

Management of Norwood Financial Corp and its subsidiary (Norwood) is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. Norwood's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the consolidated financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America.

Norwood's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of Norwood; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of Norwood's management and directors; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of Norwood's assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, 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.

Management assessed the effectiveness of Norwood's internal control over financial reporting as of **December 31, 2022** **December 31, 2023**. In making this assessment, management used the criteria established in *Internal Control – Integrated Framework* as set forth by the Committee of Sponsoring Organizations of the Treadway Commission in 2013. Based upon its assessment, management has concluded that, as of **December 31, 2022** **December 31, 2023**, the Company's internal control over financial reporting, including controls over the preparation of regulatory financial statements in accordance with all federal and state laws and regulations, is effective based on the criteria established in the *Internal Control – Integrated Framework*.

/s/ James O. Donnelly

James O. Donnelly
President and
Chief Executive Officer

/s/ William S. Lance

William S. Lance
Executive Vice President and
Chief Financial Officer

 Logo, company name

Description automatically generated

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors of Norwood Financial Corp.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors of Norwood Financial Corp.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Norwood Financial Corp. and subsidiaries (the "Company") as of **December 31, 2022** **December 31, 2023** and **2021, 2022**; the related consolidated statements of income, comprehensive income (loss) **income**, changes in stockholders' equity, and cash flows for the years then ended; and the related notes to the consolidated financial statements (collectively, the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of **December 31, 2022** **December 31, 2023** and **2021, 2022**, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 2 to the financial statements, the Company changed its method of accounting for credit losses effective January 1, 2023, due to the adoption of Accounting Standards Codification (ASC) Topic 326, *Financial Instruments – Credit Losses*.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent, with respect to the Company, in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

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Basis for Opinion (Continued)

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the Audit Committee and that: (1) relate to accounts or disclosures that are material to the financial statements; and (2) involve especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter, in any way, our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

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Allowance for Loan Credit Losses (ALL) – Qualitative Factors (ACL)

Description of the Matter

The Company's loan portfolio totaled \$1.47 billion \$1.6 billion as of December 31, 2022 December 31, 2023, and the associated ALL ACL was \$17 million \$18.9 million. As discussed in Note 4 to the consolidated financial statements, determining estimating an appropriate allowance for credit losses requires management to make certain assumptions about expected losses on loans in the amount loan portfolio over their remaining contractual life as of the ALL requires significant judgment balance sheet date. The allowance for credit losses is measured on a collective pool basis when similar risk characteristics exist. Loans that do not share similar risk characteristics are evaluated on an individual basis, at the balance sheet date. The measurement of expected credit losses on collectively evaluated loans is based on relevant information about past events, including historical experience, current conditions and reasonable and supportable forecasts that affect the collectability of loans, which includes an assessment of quantitative factors such as historical loss experience within each risk category of loans and testing of certain commercial loans for impairment, the amortized cost basis. Management applies additional qualitative adjustments to reflect the inherent losses that exist in the loan portfolio at the balance sheet date that are not reflected in the historical loss experience. Qualitative adjustments are made based upon changes in lending policies and practices, economic conditions, changes in procedures, terms and volume of the loan portfolio, mix, trends in experience and ability of management, volume and severity of problem credits, quality of the loan delinquencies and classified loans, collateral values, review system, and concentrations of credit risk for the commercial loan portfolios, credit.

Auditing We identified these qualitative adjustments within the Company's ALL involved ACL as critical audit matters because they involve a high degree of subjectivity subjectivity. While the determination of these qualitative adjustments includes analysis of observable data over the historical loss period, the judgments required to assess the directionality and magnitude of adjustments is highly subjective. Auditing these complex judgments and assumptions involved especially challenging auditor judgment due to the judgment involved in management's determination nature of audit evidence and measurement the nature and extent of qualitative factor adjustments included in the estimate of the allowance for loan losses. effort required to address these matters.

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Allowance for Credit Losses (ACL) (Continued)

How We Addressed the Matter in Our Audit

We gained an understanding of the Company's process for establishing the ALL, including the qualitative adjustments made. The primary procedures we performed to the ALL. We evaluated the design and tested the operating effectiveness of controls over the Company's ALL process, which included, among others, management's review and approval controls designed to assess the need and level of qualitative adjustments to the ALL, as well as the reliability of the data utilized to support management's assessment.

To test the qualitative adjustments, we evaluated the appropriateness of management's methodology and assessed whether all relevant risks were reflected in the ALL and the need to consider qualitative adjustments, address this critical audit matter included:

- ReTesting the measurement design, implementation, and operating effectiveness of internal controls over the calculation of the allowance for credit losses, including the qualitative factor adjustments.
- Testing the completeness and accuracy of the data inputs used by management as a basis for the qualitative factors by agreeing them to internal and external data sources.
 - Testing management's process and evaluating the reasonableness of their inputs and assumptions by evaluating the reasonableness of the qualitative factor adjustments, we evaluated including the completeness, accuracy, magnitude and relevance directional consistency of the data and inputs utilized in management's estimate. We evaluated the inputs and data to the Company's historical loan performance data and third-party macroeconomic data. Furthermore, we analyzed the changes in the components of the qualitative reserves relative to changes in external market factors, the Company's loan portfolio, and asset quality trends, which included the evaluation of management's ability to capture and assess relevant data from both external sources and internal reports on loan customers and the supporting documentation for substantiating revisions to qualitative factors.

We also utilized internal credit review specialists to perform procedures on a sample of commercial loans to test the Company's credit risk ratings by comparing key attributes used in the determination of the credit risk rating to supporting documentation such as borrowers' financial statements, underlying collateral, financial health of the guarantor, and loan payment history. adjustments.

We have served as the Company's auditor since 2009.

Text, letter

Description automatically generated
King of Prussia, Pennsylvania
March 17, 2023 14, 2024

CONSOLIDATED BALANCE SHEETS

	December 31,		December 31,	
	2022	2021	2023	2022
	(In Thousands, Except Share and Per Share Data)		(In Thousands, Except Share and Per Share Data)	
ASSETS				
Cash and due from banks	\$ 28,847	\$ 21,073	\$ 28,533	\$ 28,847
Interest-bearing deposits with banks	3,019	185,608	37,587	3,019
Cash and cash equivalents	31,866	206,681	66,120	31,866
Securities available for sale	418,927	406,782	406,259	418,927
Loans receivable (net of allowance for loan losses 2022: \$16,999; 2021: \$16,442)	1,456,946	1,338,489		
Loans receivable (net of allowance for credit losses 2023: \$18,968; 2022: \$16,999)			1,584,650	1,456,946
Regulatory stock, at cost	5,418	3,927	7,318	5,418
Premises and equipment, net	17,924	17,289	17,838	17,924
Bank owned life insurance	43,364	40,038	46,439	43,364
Accrued interest receivable	6,917	5,889	8,123	6,917
Foreclosed real estate owned	346	1,742	97	346
Deferred tax assets, net	23,549	8,791	21,353	23,549
Goodwill	29,266	29,266	29,266	29,266
Other intangibles	306	407	221	306
Other assets	12,241	9,203	13,395	12,241
Total Assets	\$ 2,047,070	\$ 2,068,504	\$ 2,201,079	\$ 2,047,070
LIABILITIES AND STOCKHOLDERS' EQUITY				

LIABILITIES				
Deposits:				
Noninterest-bearing demand	\$ 434,529	\$ 440,652	\$ 399,545	\$ 434,529
Interest-bearing demand	237,891	196,786	253,133	237,891
Money market deposit accounts	273,165	309,439	206,928	273,165
Savings	278,372	281,214	226,444	278,372
Time	503,770	528,702	709,109	503,770
Total Deposits	1,727,727	1,756,793	1,795,159	1,727,727
Short-term borrowings	93,215	60,822	74,076	93,215
Other borrowings	40,000	29,998	124,236	40,000
Accrued interest payable	2,653	1,203	10,510	2,653
Other liabilities	16,390	14,426	16,028	16,390
Total Liabilities	1,879,985	1,863,242	2,020,009	1,879,985
STOCKHOLDERS' EQUITY				
Preferred stock, no par value, authorized: 5,000,000 shares, issued: none	—	—	—	—
Common stock, \$0.10 par value, authorized: 20,000,000 shares				
issued: 2022: 8,291,401 shares; 2021: 8,266,751 shares	829	827		
issued: 2023: 8,310,847 shares; 2022: 8,291,401 shares			831	829
Surplus	96,897	96,443	97,700	96,897
Retained earnings	130,020	110,015	135,284	130,020
Treasury stock at cost: 2022: 124,650 shares; 2021: 65,328 shares	(3,308)	(1,767)		
Treasury stock at cost: 2023: 200,690 shares; 2022: 124,650 shares			(5,397)	(3,308)
Accumulated other comprehensive loss	(57,353)	(256)	(47,348)	(57,353)
Total Stockholders' Equity	167,085	205,262	181,070	167,085
Total Liabilities and Stockholders' Equity	\$ 2,047,070	\$ 2,068,504	\$ 2,201,079	\$ 2,047,070

See notes to consolidated financial statements.

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CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31,		Years Ended December 31,	
	2022	2021	2023	2022
	(In Thousands, Except Share and Per Share Data)		(In Thousands, Except Share and Per Share Data)	
INTEREST INCOME				
Loans receivable, including fees	\$ 66,013	\$ 65,257	\$85,209	\$66,013
Securities				
Taxable	7,262	4,055	8,389	7,262
Tax exempt	1,789	1,492	1,533	1,789
Interest-bearing deposits with banks	602	266	409	602
Total Interest Income	75,666	71,070	95,540	75,666
INTEREST EXPENSE				
Deposits	6,471	4,757	26,029	6,471
Short-term borrowings	524	284	3,048	524
Other borrowings	274	716	4,396	274
Total Interest Expense	7,269	5,757	33,473	7,269
Net Interest Income	68,397	65,313	62,067	68,397
PROVISION FOR LOAN LOSSES	900	4,200		
PROVISION FOR CREDIT LOSSES			5,548	900

Net Interest Income After				
Provision for Loan Losses	67,497	61,113		
Provision for Credit Losses			56,519	67,497
OTHER INCOME				
Service charges and fees	5,661	5,693	5,613	5,661
Income from fiduciary activities	845	748	898	845
Net realized gains on sales of securities	3	92		
Net realized (losses) gains on sales of securities			(209)	3
Net gain on sale of loans	3	177	63	3
Net gain on sale of foreclosed real estate owned	427	36	80	427
Earnings and proceeds on life insurance policies	1,087	941	1,012	1,087
Other	1,906	674	667	1,906
Total Other Income	9,932	8,361	8,124	9,932
OTHER EXPENSES				
Salaries and employee benefits	22,071	20,608	23,565	22,071
Occupancy	3,701	3,533	3,864	3,701
Furniture and equipment	1,266	1,289	1,219	1,266
Data processing and related operations	2,948	2,415	3,342	2,948
Federal Deposit Insurance Corporation insurance assessment	612	681	985	612
Advertising	516	473	630	516
Professional fees	1,719	1,582	1,676	1,719
Postage and telephone	959	993	981	959
Taxes, other than income	1,013	1,122	566	1,013
Foreclosed real estate	73	151	129	73
Amortization of intangible assets	101	123	85	101
Other	6,065	5,644	6,455	6,065
Total Other Expenses	41,044	38,614	43,497	41,044
Income before Income Taxes	36,385	30,860	21,146	36,385
INCOME TAX EXPENSE	7,152	5,945	4,387	7,152
Net income	\$ 29,233	\$ 24,915	\$16,759	\$29,233
EARNINGS PER SHARE				
BASIC	\$ 3.59	\$ 3.05	\$ 2.08	\$ 3.59
DILUTED	\$ 3.58	\$ 3.04	\$ 2.07	\$ 3.58

See notes to consolidated financial statements.

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CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) INCOME

(in thousands)	Years Ended December 31,		Years Ended December 31,	
	2022	2021	2023	2022
NET INCOME	\$ 29,233	\$ 24,915	\$16,759	\$ 29,233
Other comprehensive (loss) income:				
Other comprehensive income (loss):				
Unrealized (loss) gain on pension liability	(784)	220	(106)	(784)
Tax Effect	165	(46)	22	165
Investment securities available for sale:				
Unrealized holding loss	(71,488)	(6,931)		
Unrealized holding gain (loss)			12,561	(71,488)
Tax Effect	15,012	1,455	(2,637)	15,012
Reclassification of gains from sale of securities	(3)	(92)		
Reclassification of losses (gains) from sale of securities			209	(3)

Tax Effect		1	19	(44)	1
Other comprehensive loss		(57,097)	(5,375)		
Other comprehensive income (loss)				10,005	(57,097)
COMPREHENSIVE (LOSS) INCOME	\$	(27,864)	\$	19,540	
COMPREHENSIVE INCOME (LOSS)				\$26,764	\$(27,864)

See notes to consolidated financial statements.

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CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Years Ended December 31, 2022 and 2021								Years Ended December 31, 2023 and 2022							
	(In Thousands, Except Share and Per Share Data)								(In Thousands, Except Share and Per Share Data)							
					Accumulated								Accumulated			
	Common Stock		Retained		Treasury Stock		Comprehensive		Common Stock		Retained		Treasury Stock		Comprehensive	
	Shares	Amount	Surplus	Earnings	Shares	Amount	Income (Loss)	Total	Shares	Amount	Surplus	Earnings	Shares	Amount	Income (Loss)	Total
	(Dollars in Thousands, Except per Share Data)								(Dollars in Thousands, Except per Share Data)							
BALANCE - DECEMBER 31, 2020	8,236,331	\$	824	\$95,388	\$	93,796	10,263	\$ (342)	5,119	\$194,785						
Net Income	—	—	—	24,915	—	—	—	24,915								
Other comprehensive loss	—	—	—	—	—	—	(5,375)	(5,375)								
Cash dividends declared (\$1.06 per share)	—	—	—	(8,696)	—	—	—	(8,696)								
Acquisition of treasury stock	—	—	—	—	56,162	(1,440)	—	(1,440)								
Stock options exercised	22,420	2	392	—	—	—	—	394								
Sale of treasury stock for ESOP	—	—	(5)	—	(4,997)	135	—	130								
Compensation expense related to stock options	—	—	214	—	—	—	—	214								
Restricted stock awards	8,000	1	454	—	3,900	(120)	—	335								
BALANCE - DECEMBER 31, 2021	8,266,751	827	96,443	110,015	65,328	(1,767)	(256)	205,262	8,266,751	\$	827	\$96,443	\$110,015	65,328	\$(1,767)	(256)\$205,2
Net Income	—	—	—	29,233	—	—	—	29,233	—	—	—	29,233	—	—	—	29,2
Other comprehensive loss	—	—	—	—	—	—	(57,097)	(57,097)	—	—	—	—	—	—	(57,097)	(57,0

Cash dividends declared (\$1.13 per share)	—	—	—	(9,228)	—	—	—	(9,228)	—	—	—	(9,228)	—	—	—	(9,228)
Acquisition of treasury stock	—	—	—	—	96,062	(2,515)	—	(2,515)	—	—	—	—	96,062	(2,515)	—	(2,515)
Stock options exercised	1,650	—	(212)	—	(32,775)	869	—	657	1,650	—	(212)	—	(32,775)	869	—	657
Sale of treasury stock for ESOP	—	—	27	—	(3,965)	105	—	132	—	—	27	—	(3,965)	105	—	132
Compensation expense related to stock options	—	—	269	—	—	—	—	269	—	—	269	—	—	—	—	269
Compensation expense related to stock options	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Restricted stock awards	23,000	2	370	—	—	—	—	372	23,000	2	370	—	—	—	—	372
BALANCE - DECEMBER 31, 2022	8,291,401	\$ 829	\$96,897	\$130,020	124,650	\$(3,308)	\$ (57,353)	\$167,085	8,291,401	829	96,897	130,020	124,650	\$(3,308)	\$(57,353)	\$167,085
Net Income	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Other comprehensive loss	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Cash dividends declared (\$1.17 per share)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Acquisition of treasury stock	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Cumulative effect of adoption of ASU 2016-13	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Stock options exercised	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Sale of treasury stock for ESOP	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Compensation expense related to stock options	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Restricted stock awards	19,446	2	513	—	—	—	—	—	19,446	2	513	—	—	—	—	—
BALANCE - DECEMBER 31, 2023	8,310,847	\$ 831	\$97,700	\$135,284	200,690	\$(5,397)	\$ (47,348)	\$181,045	8,310,847	831	97,700	135,284	200,690	\$(5,397)	\$(47,348)	\$181,045

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31,		Years Ended December 31,	
	2022	2021	2023	2022
	(In Thousands)		(In Thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income	\$ 29,233	\$ 24,915	\$ 16,759	\$ 29,233
Adjustments to reconcile net income to net cash provided by operating activities:				
Provision for loan losses	900	4,200		
Provision for credit losses			5,548	900
Depreciation	1,470	1,481	1,375	1,470
Amortization of intangible assets	101	123	85	101
Deferred income taxes	419	(383)	583	419
Net amortization of securities premiums and discounts	1,303	1,529	841	1,303
Net realized gains on sales of securities	(3)	(92)		
Net realized loss (gain) on sales of securities			209	(3)
Earnings and proceeds on life insurance policies	(1,087)	(941)	(1,012)	(1,087)
Gain (loss) on sales of fixed assets and foreclosed real estate owned	(379)	108		
(Loss) gain on sales of fixed assets and foreclosed real estate owned			96	(379)
Net amortization of loan fees	(217)	(3,497)	602	(217)
Net gain on sale of loans	(3)	(177)	(63)	(3)
Mortgage loans originated for sale	(845)	(8,616)	(4,973)	(845)
Proceeds from sale of loans originated for sale	848	8,793	5,036	848
Compensation expense related to stock options	269	214	401	269
Compensation expense related to restricted stock	372	335	429	372
(Increase) decrease in accrued interest receivable	(1,028)	343		
Increase (decrease) in accrued interest payable	1,450	(398)		
Increase in accrued interest receivable			(1,206)	(1,028)
Increase in accrued interest payable			7,857	1,450
Other, net	(2,069)	1,261	(2,743)	(2,069)
Net Cash Provided by Operating Activities	30,734	29,198	29,824	30,734
CASH FLOWS FROM INVESTING ACTIVITIES				
Securities available for sale:				
Proceeds from sales	5,113	11,366	3,345	5,113
Proceeds from maturities and principal reductions on mortgage-backed securities	40,780	68,218	33,712	40,780
Purchases	(130,828)	(268,242)	(12,668)	(130,828)
Purchase of regulatory stock	(6,366)	(4,201)	(16,528)	(6,366)
Redemption of regulatory stock	4,875	4,255	14,628	4,875
Net (increase) decrease in loans	(118,999)	57,938		
Net increase in loans			(136,245)	(118,999)
Proceeds from bank-owned life insurance	761	511	437	761
Purchase of bank-owned life insurance	(3,000)	—	(2,500)	(3,000)
Purchase of premises and equipment	(2,153)	(1,258)	(1,412)	(2,153)
Proceeds from sales of foreclosed real estate owned	1,823	291	662	1,823
Proceeds from sales of bank premises and fixed assets	—	158	1	—
Net Cash Used for Investing Activities	(207,994)	(130,964)	(116,568)	(207,994)
CASH FLOWS FROM FINANCING ACTIVITIES				
Net (decrease) increase in deposits	(29,066)	221,151		
Net increase (decrease) in short-term borrowings	32,393	(2,481)		

Net increase (decrease) in deposits			67,432	(29,066)
Net (decrease) increase in short-term borrowings			(19,139)	32,393
Repayments of other borrowings	(29,998)	(12,461)	(70,764)	(29,998)
Proceeds from other borrowings	40,000	—	155,000	40,000
Stock options exercised	657	394	886	657
Sale of treasury stock for ESOP	132	130	100	132
Acquisition of treasury stock	(2,515)	(1,440)	(3,100)	(2,515)
Cash dividends paid	(9,158)	(8,539)	(9,417)	(9,158)
Net Cash Provided by Financing Activities	2,445	196,754	120,998	2,445
Net (Decrease) Increase in Cash and Cash Equivalents	(174,815)	94,988		
Net Increase (Decrease) in Cash and Cash Equivalents			34,254	(174,815)
CASH AND CASH EQUIVALENTS - BEGINNING	206,681	111,693	31,866	206,681
CASH AND CASH EQUIVALENTS - ENDING	\$ 31,866	\$ 206,681	\$ 66,120	\$ 31,866

See notes to consolidated financial statements.

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CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

	Years Ended December 31,		Years Ended December 31,	
	2022	2021	2023	2022
	(In Thousands)		(In Thousands)	
Supplemental Disclosures of Cash Flow Information				
Cash payments for:				
Interest paid	\$ 5,819	\$ 6,155	\$25,616	\$5,819
Income taxes paid, net of refunds	\$ 6,891	\$ 5,330	\$ 4,936	\$6,891
Supplemental Schedule of Noncash Investing Activities				
Transfers of loans to foreclosed real estate owned and repossession of other assets	\$ 776	\$ 1,740	\$ 2,103	\$ 776
Dividends payable	\$ 2,366	\$ 2,296	\$ 2,433	\$2,366
Impact of adopting ASC 326			\$ 2,466	\$ —

See notes to consolidated financial statements

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - NATURE OF OPERATIONS

Norwood Financial Corp (Company) is a one bank holding company. Wayne Bank (Bank) is a wholly-owned subsidiary of the Company. The Bank is a state-chartered bank headquartered in Honesdale, Pennsylvania. The Company derives substantially all of its income from bank-related services which include interest earnings on commercial mortgages, residential real estate mortgages, commercial and consumer loans, as well as interest earnings on investment securities and fees from deposit services to its customers. The Company is subject to regulation and supervision by the Federal Reserve Board while the Bank is subject to regulation and supervision by the Federal Deposit Insurance Corporation and the Pennsylvania Department of Banking and Securities.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

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

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant

change in the near term relate to the determination of the allowance for **loan credit** losses **the valuation of deferred tax assets, the determination of other-than-temporary impairment on securities, and the determination of goodwill impairment and the fair value of financial instruments, impairment.**

Significant Group Concentrations of Credit Risk

Most of the Company's activities are with customers located within its markets in Northeastern Pennsylvania and the New York Counties of Delaware, Sullivan, Ontario, Otsego and Yates. Note 3 discusses the types of securities that the Company invests in. Note 4 discusses the types of lending that the Company engages in. The Company does not have any significant concentrations to any one industry or customer.

Concentrations of Credit Risk

The Bank operates primarily in Wayne, Pike, Lackawanna, Luzerne and Monroe Counties, Pennsylvania and Delaware, Sullivan, Ontario, Otsego and Yates Counties, New York. Accordingly, the Bank has extended credit primarily to commercial entities and individuals in these areas whose ability to honor their contracts is influenced by the region's economy. These customers are also the primary depositors of the Bank. The Bank is limited in extending credit by legal lending limits to any single borrower or group of related borrowers.

Securities

Securities classified as available for sale are those securities that the Company intends to hold for an indefinite period of time but not necessarily to maturity. Any decision to sell a security classified as available for sale would be based on various factors, including significant movement in interest rates, changes in maturity mix of the Company's assets and liabilities, liquidity needs, regulatory capital considerations and other similar factors. Securities available for sale are carried at fair value. Unrealized gains and losses are reported in other comprehensive income, net of the related deferred tax effect. Realized gains or losses, determined on the basis of the cost of the specific securities sold, are included in earnings. Premiums and discounts are recognized in interest income using a method which approximates the interest method over the term of the security.

Bonds, notes and debentures for which the Company has the positive intent and ability to hold to maturity are reported at cost, adjusted for premiums and discounts that are recognized in interest income using the interest method over the term of the security.

Management determines the appropriate classification of debt securities at the time of purchase and re-evaluates such designation as of each Consolidated Balance Sheet date.

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Allowance for Credit Losses – Available for Sale Securities

Declines The Bank measures expected credit losses on available-for-sale debt securities when the Bank does not intend to sell, or when it is not more likely than not that it will be required to sell, the security before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the security's amortized cost basis is written down to fair value through income. For available-for-sale debt securities that do not meet the aforementioned criteria, the Bank evaluates whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, the Bank considers the extent to which fair value is less than amortized cost, any changes to the rating of the security by a rating agency, and adverse conditions specifically related to the security, among other factors. If this evaluation indicates that a credit loss exists, the present value of cash flows expected to be collected from the security are compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses is recorded for the credit loss, equal to the amount that the fair value is less than the amortized cost basis. Any impairment that has not been recorded through an allowance for credit losses is recognized in other comprehensive income.

The allowance for credit losses on available-for-sale debt securities is included within Investment securities available-for-sale on the consolidated balance sheet. Changes in the allowance for credit losses are recorded within Provision for credit losses on the consolidated statement of income. Losses are charged against the allowance when the Bank believes the collectability of an available-for-sale security is in jeopardy or when either of the criteria regarding intent or requirement to sell is met.

Accrued interest receivable on available-for-sale debt securities totaled \$1,940,000 at December 31, 2023 and is included within accrued interest receivable on the consolidated balance sheet. This amount is excluded from the estimate of expected credit losses. Available-for-sale debt securities are typically classified as nonaccrual when the contractual payment of principal or interest has become 90 days past due or management has serious doubts about the further collectability of principal or interest. When available-for-sale debt securities are placed on nonaccrual status, unpaid interest credited to income is reversed.

Other-than-temporary-impairment

Prior to adopting ASU 2016-13, declines in the fair value of available for sale securities below their cost that are deemed to be other than temporary are reflected in earnings as realized losses. In estimating other-than-temporary impairment credit losses, management considers (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent of the Company to not sell the securities and it is more likely than not that it will not have to sell the securities before recovery of their cost basis.

Regulatory Stock

The Company, as a member of the Federal Home Loan Bank (FHLB) system is required to maintain an investment in capital stock of its district FHLB according to a predetermined formula. This regulatory stock has no quoted market value and is carried at cost.

Management evaluates the regulatory stock for impairment. Management's determination of whether these investments are impaired is based on their assessment of the ultimate recoverability of their cost rather than by recognizing temporary declines in value. The determination of whether a decline affects the ultimate recoverability of their cost is influenced by criteria such as (1) the significance of the decline in net assets of the FHLB as compared to the capital stock amount for the FHLB and the length of time this situation has persisted, (2) commitments by the FHLB to make payments required by law or regulation and the level of such payments in relation to the operating performance of the FHLB, and (3) the impact of legislative and regulatory changes on institutions and, accordingly, on the customer base of the FHLB. Management considers the FHLB's regulatory capital ratios, liquidity, and the fact that new shares of FHLB stock continue to change hands at the \$100 par value. Management believes no impairment charge credit loss is necessary related to FHLB stock as of December 31, 2022 December 31, 2023.

Loans Receivable

Loans receivable that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are stated at their outstanding unpaid principal balances, net of an allowance for loan credit losses and any deferred fees. Interest income is accrued on the unpaid principal balance. Loan origination fees are deferred and recognized as an adjustment of the yield (interest income) of the related loans. The Company is generally amortizing these amounts over the contractual life of the loan.

The accrual of interest is generally discontinued when the contractual payment of principal or interest has become 90 days past due or management has serious doubts about further collectability of principal or interest, even though the loan is currently performing. A loan may remain on accrual status if it is in the process of collection and is either guaranteed or well secured. When a loan is placed on nonaccrual status, unpaid any outstanding accrued interest credited to income in the current year is reversed and unpaid against interest accrued in prior years is charged against the allowance for loan losses, income. Interest received on nonaccrual loans generally is either applied against principal or reported as interest income, according to management's judgment as to the collectability of principal. Generally, loans are restored to accrual status when the obligation is brought current, has performed in accordance with the

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contractual terms for a reasonable period of time and the ultimate collectability of the total contractual principal and interest is no longer in doubt.

Troubled Debt Restructurings Allowance for Credit Losses

A loan The allowance for credit losses is considered a valuation reserve established and maintained by charges against income and is deducted from the amortized cost basis of loans to present the net amount expected to be a troubled debt restructuring (TDR) loan collected on the loans. Loans, or portions thereof, are charged off against the ACL when they are deemed uncollectible. Expected recoveries do not exceed the Company grants a concession aggregate of amounts previously charged-off and expected to the borrower because of the borrower's financial condition that it would not otherwise consider. Such concessions include the reduction of interest rates, forgiveness of principal or interest, or other modifications of interest rates that are less than the current market rate for new obligations with similar risk. be charged-off.

Loans Acquired The ACL is an estimate of expected credit losses, measured over the contractual life of a loan, that considers our historical loss experience, current conditions and forecasts of future economic conditions. Determination of an appropriate ACL is inherently subjective and may have significant changes from period to period.

Loans acquired including The methodology for determining the ACL has two main components: evaluation of expected credit losses for certain groups of homogeneous loans that share similar risk characteristics and evaluation of loans that do not share risk characteristics with other loans.

The allowance for credit losses is measured on a collective (pool) basis when similar risk characteristics exist. The Company's loan portfolio is segmented by loan types that have evidence similar risk characteristics and behave similarly during economic cycles.

Historical credit loss experience is the basis for the estimation of deterioration expected credit losses. We apply historical loss rates to pools of loans with similar risk characteristics. After consideration of the historic loss calculation, management applies qualitative adjustments to reflect the current conditions and reasonable and supportable forecasts not already reflected in the historical loss information at the balance sheet date. Our reasonable and supportable forecast adjustment is based on a preferred group of macroeconomic indicators used to create projections of economic conditions, obtained from the St. Louis Federal Reserve economic database. The Company selected nine metrics which was correlated with the bank and its peer group's historical loss patterns. The adjustments are then weighted for relevance before applying to each pool. Future macroeconomic forecast adjustments are then obtained using an eight-quarter moving average for each metric for the reasonable and supportable period. Each quarter, management reviews factors and applies any additional adjustments based on local and current conditions

The Bank has elected to exclude accrued interest receivable from the measurement of its ACL. When a loan is placed on non-accrual status, any outstanding accrued interest is reversed against interest income.

The ACL for individual loans begins with the use of normal credit quality since origination review procedures to identify whether a loan no longer shares similar risk characteristics with other pooled loans and for which therefore, should be individually assessed. We evaluate all commercial loans that meet the following criteria: (1) when it is determined that foreclosure is probable, at acquisition, that (2) substandard, doubtful and nonperforming loans when repayment is expected to be provided substantially through the Company will be unable to collect all contractually required payments receivable, are initially recorded at fair value (as operation or sale of the collateral, (3) when it is determined by management that a loan does not share similar risk characteristics with other loans. Specific reserves are established based on the following three acceptable methods for measuring the ACL: 1) the present value of expected future cash flows) with no valuation allowance. Loans are evaluated individually to determine if there is evidence flows discounted at the loan's original effective interest rate; 2) the loan's observable market price; or 3) the fair value of deterioration of credit quality since origination. The difference between the undiscounted cash flows expected at acquisition and the investment in collateral when the loan or the "accretable yield," is recognized as interest income on a level-yield method over the life collateral dependent. Our individual loan evaluations consist primarily of the loan. Contractually required payments for interest and principal that exceed the undiscounted cash flows expected at acquisition, or the "non-accretable difference," fair value of collateral method because most of our loans are not recognized as a yield adjustment or as a loss accrual collateral dependent. Collateral values are discounted to consider disposition costs when appropriate. A specific reserve is established or a valuation allowance. Increases in expected cash flows subsequent to charge-off is taken if the initial investment are recognized prospectively through adjustment fair value of the yield on the loan over its remaining estimated life. Decreases in expected cash flows are recognized immediately as impairment. Any valuation allowances on these impaired loans reflect only losses incurred after the acquisition.

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For purchased loans acquired that are not deemed impaired at acquisition, credit discounts representing the principal losses expected over the life of the loan are a component of the initial fair value. Loans may be aggregated and accounted for as a pool of loans if the loans being aggregated have common risk characteristics. Subsequent to the purchase date, the methods utilized to estimate the required allowance for credit losses for these loans is similar to originated loans; however, the Company records a provision

for loan losses only when the required allowance exceeds any remaining credit discounts. The remaining differences between the purchase price and the unpaid principal balance at the date of acquisition are recorded in interest income over the life of the loans.

Mortgage Servicing Rights

Servicing assets are recognized as separate assets when rights are acquired through purchase or through the sale of financial assets. Capitalized servicing rights are reported in other assets and are amortized into noninterest income in proportion to, and over the period of, the estimated future net servicing income of the underlying financial assets. Servicing assets are evaluated for impairment based upon a third party appraisal. Fair value is determined using prices for similar assets with similar characteristics, when available, or based upon discounted cash flows using market-based assumptions. Impairment is recognized through a valuation allowance to the extent that fair value is less than the capitalized amount. The Company's loan servicing assets at December 31, 2022 and 2021, respectively, were not impaired. Total servicing assets included in other assets as of December 31, 2022 and 2021, were \$213,000 and \$289,000, respectively.

Allowance for Loan Losses

The Prior to adopting ASU 2016-13, the allowance for loan losses was established through provisions for loan losses charged against income. Loans deemed to be uncollectible are charged against the allowance for loan losses, and subsequent recoveries, if any, are credited to the allowance.

The allowance for loan losses is maintained at a level considered adequate to provide for losses that can be reasonably anticipated. Management's periodic evaluation of the adequacy of the allowance is based on the Company's past loan loss experience, known and inherent risks in the portfolio, adverse situations that may affect the borrower's ability to repay, the estimated value of any underlying collateral, composition of the loan portfolio, current economic conditions and other relevant factors. This evaluation is inherently subjective as it requires material estimates that may be susceptible to significant revision as more information becomes available.

The allowance consists of specific and general components. The specific component relates to loans that are classified as substandard. For such loans that are also classified as impaired, an allowance is established when the discounted cash flows (or collateral value or observable market price) of the impaired loan is lower than the carrying value of that loan. The general component covers non-classified loans and is based on historical loss experience adjusted for qualitative factors.

A loan is considered impaired when, based on current information and events, it is probable that the Company will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan-by-loan basis for commercial and construction loans by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price or the fair value of the collateral if the loan is collateral dependent.

Large groups of smaller balance homogeneous loans are collectively evaluated for impairment. Accordingly, the Company does not separately identify individual consumer and residential real estate loans for impairment disclosures, unless such loans were acquired with impairment or are the subject of a restructuring agreement.

Allowance for Credit Losses on Off-Balance Sheet Credit Exposures

The Bank estimates expected credit losses over the contractual period in which the Bank is exposed to credit risk via a contractual obligation to extend credit, unless that obligation is unconditionally cancellable by the Bank. The allowance for credit losses on off-balance sheet credit exposures is adjusted through credit loss expense. The estimate includes consideration of the likelihood that funding will occur and an estimate of expected credit losses on commitments expected to be funded over its estimated life.

Purchased Credit Deteriorated ("PCD") Loans

The Bank has purchased loans, some of which have experienced more than insignificant credit deterioration since origination. A loan is considered a PCD loan if, at acquisition, it is probable that the Company will be unable to collect all contractually required payments receivable. PCD loans are recorded at the amount paid. An allowance for credit losses is determined using the same methodology as other loans held for investment. The initial allowance for credit losses determined on a collective basis is allocated to individual loans. The sum of the loan's purchase price and allowance for credit losses becomes its initial amortized cost basis. The difference between the initial amortized cost basis and the par value of the loan is a noncredit discount or premium, which is amortized into interest income over the life of the loan. Subsequent changes to the allowance for credit losses are recorded through credit loss expense.

Mortgage Servicing Rights

Servicing assets are recognized as separate assets when rights are acquired through purchase or through the sale of financial assets. Capitalized servicing rights are reported in other assets and are amortized into noninterest income in proportion to, and over the period of, the estimated future net servicing income of the underlying financial assets. Servicing assets are evaluated for impairment based upon a third party appraisal. Fair value is determined using prices for similar assets with similar characteristics, when available, or based upon discounted cash flows using market-based assumptions. Impairment is recognized through a valuation allowance to the extent that fair value is less than the capitalized amount. The Company's loan servicing assets at December 31, 2023 and 2022, respectively, were not impaired. Total servicing assets included in other assets as of December 31, 2023 and 2022, were \$188,000 and \$213,000, respectively.

Premises and Equipment

Land is carried at cost. Premises and equipment are stated at cost less accumulated depreciation. Depreciation expense is calculated principally on the straight-line method over the respective assets estimated useful lives as follows:

	Years
Buildings and improvements	10 - 40
Furniture and equipment	3 - 10

Leases

The Company applies a right-of-use (ROU) model that requires a lessee to record, for all leases with a lease term of more than 12 months, an asset representing its right to use the underlying asset and a liability to make lease payments. For leases with a term of 12 months or less, a practical expedient is available whereby a lessee may elect, by class of underlying asset, not to recognize an ROU asset or lease liability. At inception, lessees must classify all leases as either finance or operating based on five criteria. Balance sheet recognition of finance and operating leases is similar, but the pattern of expense recognition in the income statement, as well as the effect on the statement of cash flows, differs depending on the lease classification. See Note 8 for related disclosures.

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Transfers of Financial Assets

Transfers of financial assets, including loan and loan participation sales, are accounted for as sales, when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Company, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets and (3) the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity or the ability to unilaterally cause the holder to return specific assets.

Foreclosed Real Estate

Real estate properties acquired through, or in lieu of, loan foreclosure are to be sold and are initially recorded at fair value less cost to sell at the date of foreclosure establishing a new cost basis. After foreclosure, valuations are periodically performed by management and the real estate is carried at the lower of its carrying amount or fair value less cost to sell. Revenue and expenses from operations and changes in the valuation allowance are included in other expenses.

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 December 31, 2023 and 2022, foreclosed real estate owned totaled \$97,000 and \$346,000, respectively. As of December 31, 2023, the Company has initiated formal foreclosure proceedings on 2 consumer residential mortgage loans with an outstanding balance of \$98,000.

Bank Owned Life Insurance

The Company invests in bank owned life insurance (BOLI) as a source of funding for employee benefit expenses. BOLI involves the purchasing of life insurance by the Bank on a select group of employees. The Company is the owner and beneficiary of the policies. This life insurance investment is carried at the cash surrender value of the underlying policies. Income from the increase in cash surrender value of the policies or from death benefits realized is included in other income on the Consolidated Statements of Income.

Goodwill

In connection with three acquisitions the Company recorded goodwill in the amount of \$29.3 million, representing the excess of amounts paid over the fair value of net assets of the institutions acquired. Goodwill is tested and deemed impaired when the carrying value of goodwill exceeds its implied fair value. The value of the goodwill can change in the future. We expect the value of the goodwill to decrease if there is a significant decrease in the franchise value of the Bank. If an impairment loss is determined in the future, we will reflect the loss as an expense for the period in which the impairment is determined, leading to a reduction of our net income for that period by the amount of the impairment loss. No impairment was recognized for the years ended December 31, 2022 December 31, 2023 and 2021, 2022.

Other Intangible Assets

At December 31, 2022 December 31, 2023, the Company had other intangible assets of \$306,000, \$221,000, which is net of accumulated amortization of \$1,448,000, \$1,533,000. These intangible assets will continue to be amortized using the sum-of-the-years digits method of amortization over ten years. At December 31, 2021 December 31, 2022, the Company had other intangible assets of \$407,000, \$306,000, which was net of accumulated amortization of \$1,347,000, \$1,448,000. Amortization expense related to other intangible assets was \$101,000 \$85,000 and \$123,000 \$101,000 for the years ended December 31, 2022 December 31, 2023 and 2021, 2022, respectively.

As of December 31, 2022 December 31, 2023, the estimated future amortization expense for the core deposit intangible is as follows (in thousands):

2023	\$	85	
2024		69	\$ 69
2025		54	54
2026		38	38
2027		26	26
2028			19
Thereafter		34	15
	\$	306	\$221

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Income Taxes

Deferred income tax assets and liabilities are determined based on the differences between financial statement carrying amounts and the tax basis of existing assets and liabilities. These differences are measured at the enacted tax rates that will be in effect when these differences reverse. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely

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than not that some portion of the deferred tax assets will not be realized. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes.

The Company and its subsidiary file a consolidated federal income tax return. The Company recognizes interest and penalties on income taxes as a component of income tax expense.

The Company analyzes each tax position taken in its tax returns and determines the likelihood that the position will be realized. Only tax positions that are "more-likely-than-not" to be realized can be recognized in an entity's financial statements. For tax positions that do not meet this recognition threshold, an entity will record an unrecognized tax benefit for the difference between the position taken on the tax return and the amount recognized in the financial statements. The Company does not have any unrecognized tax benefits at **December 31, 2022** **December 31, 2023** or **2021** **2022**, or during the years then ended. No unrecognized tax benefits are expected to arise within the next twelve months.

Advertising Costs

Advertising costs are expensed as incurred.

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 less any unvested restricted shares. Diluted earnings per share reflects 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 are determined using the treasury stock method. Treasury shares are not deemed outstanding for earnings per share calculations.

Employee Benefit Plans

The Company has a defined contributory profit-sharing plan which includes provisions of a 401(k) plan. The Company's contributions are expensed as the cost is incurred.

The Company has several supplemental executive retirement plans. To fund the benefits under these plans, the Company is the owner of single premium life insurance policies on the participants.

The Company provides pension benefits to eligible employees. The Company's funding policy is to contribute at least the minimum required contributions annually.

Interest Rate Derivatives

The Company is exposed to certain risk arising from both its business operations and economic conditions. The Company principally manages its exposures to a wide variety of business and operational risks through management of its core business activities. The Company manages economic risks, including interest rate, liquidity, and credit risk primarily by managing the amount, sources, and duration of its assets and liabilities and the use of derivative financial instruments. Specifically, the Company enters into derivative financial instruments to manage exposures that arise from business activities that result in the receipt or payment of future known and uncertain cash amounts, the value of which are determined by interest rates. The Company's derivative financial instruments are used to manage differences in the amount, timing, and duration of the Company's known or expected cash receipts and its known or expected cash payments.

Stock Option Plans

The Company recognizes the value of share-based payment transactions as compensation costs in the financial statements over the period that an employee provides service in exchange for the award. The fair value of the share-based payments for stock options is estimated using the Black-Scholes option-pricing model. The Company used the modified-prospective transition method to record compensation expense. Under the modified-prospective method, companies are required to record compensation cost for new and

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modified awards over the related vesting period of such awards and record compensation cost prospectively for the unvested portion, at the date of adoption, of previously issued and outstanding awards over the remaining vesting period of such awards. No change to prior periods presented is permitted under the modified-prospective method.

Restricted Stock

The Company recognizes compensation cost related to restricted stock based on the market price of the stock at the grant date over the vesting period. The product of the number of shares granted and the grant date market price of the Company's common stock

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determines the fair value of restricted stock under the Company's 2014 Equity Incentive Plan. The Company recognizes compensation expense for the fair value of the restricted stock on a straight-line basis over the requisite service period for the entire award.

Cash Flow Information

For the purposes of reporting cash flows, cash and cash equivalents include cash on hand, amounts due from banks, interest-bearing deposits with banks and federal funds sold.

Off-Balance Sheet Financial Instruments

In the ordinary course of business, the Company has entered into off-balance sheet financial instruments consisting of commitments to extend credit, letters of credit and commitments to sell loans. Such financial instruments are recorded on the balance sheets when they become receivable or payable.

Trust Assets

Assets held by the Company in a fiduciary capacity for customers are not included in the financial statements since such items are not assets of the Company. Trust income is reported on the accrual method.

Treasury Stock

Common shares repurchased are recorded as treasury stock at cost.

Comprehensive Income (Loss)

Accounting principles generally require that recognized revenue, expenses, gains and losses be included in net income. Certain changes in assets and liabilities, such as unrealized gains and losses on available for sale securities and defined benefit pension obligations, are reported as a separate component of the equity section of the balance sheet. Such items, along with net income, are components of comprehensive income as presented in the Consolidated Statement of Comprehensive Income.

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 securities gains, loans servicing, gains on loans sold and earnings on bank-owned life insurance are not within the scope of this Topic.

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The following presents noninterest income, segregated by revenue streams in-scope and out-of-scope of Topic 606, for the year ended December 31:

(dollars in thousands)	2022	2021	2023	2022
Noninterest Income				
<i>In-scope of Topic 606:</i>				
Service charges on deposit accounts	\$ 419	\$ 398	\$ 428	\$ 419
ATM Fees	452	443	446	452
Overdraft Fees	1,155	1,029	1,344	1,155
Safe deposit box rental	93	100	92	93
Loan related service fees	849	1,238	584	849
Debit card	2,496	2,228	2,301	2,496
Fiduciary activities	845	748	898	845
Commissions on mutual funds & annuities	119	127	296	119
Gain on sales of other real estate owned	427	36	80	427
Other income	1,906	674	667	1,906
Noninterest Income (in-scope of Topic 606)	8,761	7,021	7,136	8,761
<i>Out-of-scope of Topic 606:</i>				
Net realized gains on sales of securities	3	92		
Net realized (losses) gains on sales of securities			(209)	3
Loan servicing fees	78	130	122	78
Gain on sales of loans	3	177	63	3
Earnings on and proceeds from bank-owned life insurance	1,087	941	1,012	1,087
Noninterest Income (out-of-scope of Topic 606)	1,171	1,340	988	1,171
Total Noninterest Income	\$ 9,932	\$ 8,361	\$8,124	\$9,932

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Segment Reporting

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.

Management does not separately allocate expenses, including the cost of funding loan demand, between the commercial, retail, mortgage banking and trust operations of the Company. As such, discrete information is not available and segment reporting would not be meaningful.

Reclassification of Comparative Amounts

Certain comparative amounts for the prior year have been reclassified to conform to current-year classifications. Such reclassifications had no material effect on net income or stockholders' equity.

New Accounting Pronouncements Not Yet Adopted in 2023

In June 2016, the Financial Accounting Standards Board ("FASB") FASB issued Accounting Standards Update ("ASU") ASU No. 2016-13, "Financial Instruments – Credit Losses: Losses (Topic 326): Measurement of Credit Losses on Financial Instruments", which changes the impairment model for most financial assets, and subsequent related updates. This standard, along with several other subsequent codification updates, ASU replaces the incurred loss impairment methodology in for recognizing credit losses and requires the Company to measure the current GAAP with a methodology that reflects expected credit losses that are expected to occur over the remaining life of a ("CECL") on financial asset and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The amendments in this update require a financial asset (or a group of financial assets) assets measured at amortized cost, basis including loans, off-balance sheet credit exposures such as unfunded commitments, and other financial instruments. In addition, ASC 326 requires credit losses on available-for-sale debt securities to be presented at as an allowance rather than as a write-down when

management does not intend to sell or believes that it is not more likely than not they will be required to sell. This guidance became effective on January 1, 2023 for the net amount expected Bank. The results reported for periods beginning after January 1, 2023 are presented under ASC 326 while prior period amounts continue to be collected. The new current expected credit losses model ("CECL") will apply to the allowance for loan losses, available-for-sale and held-to-maturity debt securities, purchased financial assets reported in accordance with credit deterioration and certain off-balance sheet credit exposures, previously applicable accounting standards.

Management has completed its implementation plan, segmentation The Bank adopted this guidance, and testing, subsequent related updates, using the modified retrospective approach for all financial assets measured at amortized cost, including loans, available-for-sale debt securities and model validation. The implementation plan included drafting unfunded commitments. On January 1, 2023, the Bank recorded a cumulative effect decrease to retained earnings of additional controls \$1,751,000 related to loans, \$260,000 related to unfunded commitments, and policies \$0 related to govern data uploads to its third-party vendor, balancing and reconciling, testing 42 available-for-sale securities.

The Bank adopted the provisions of ASC 326 related to financial assets purchased with credit deterioration ("PCD") that were previously classified as purchased credit impaired ("PCI") and accounted for under ASC 310-30 using the prospective transition approach. In accordance with the standard, management did not reassess whether PCI assets met the criteria of PCD assets as of the date of adoption. On January 1, 2023, the amortized cost basis of the PCD assets were adjusted to reflect the addition of \$250,000 of the allowance for credit losses ("ACL").

The Bank adopted the provisions of ASC 326 related to presenting other-than-temporary impairment on available-for-sale debt securities prior to January 1, 2023 using the prospective transition approach, though no such charges had been recorded on the securities held by the Bank as of the date of adoption.

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and auditing of inputs, and review and decision-making surrounding segmentation, methodologies, qualitative factor adjustments, and reasonable and supportable forecasts and reversion techniques. Parallel runs were processed during 2022 and the results were consistent with management's expectations. The implementation plan is currently going through the Company's control structure and internal control testing is being performed.

As a result of adopting this standard, the Company expects the increase in its allowance effective January 1, 2023, to be in the range of \$2.0 million to \$2.5 million. In addition, the adoption of ASU No. 2016-13 will require the Company to gross up its previously purchased credit impaired loans through the allowance at January 1, 2023. As a result, the Company expects an increase in its allowance as of January 1, 2023, to be in the range of \$2.2 million to \$2.7 million. These estimates are subject to further refinements based on ongoing evaluations of our model, methodologies, and judgments, as well as prevailing economic conditions and forecasts as The impact of the adoption date. The adoption of ASU 2016-13 change from the incurred loss model to the current expected credit loss model is not expected to have a significant impact on our regulatory capital ratios.

At adoption, the Company did not have any securities classified as HTM debt securities. No allowance was recorded related to AFS debt securities at the date of adoption, January 1, 2023 detailed below (in thousands).

	January 1, 2023		
	Pre-adoption	Adoption Impact	As Reported
Assets			
ACL on debt securities available for sale	\$ -	\$ -	\$ -
ACL on loans			
Residential real estate	2,833	(1,545)	1,288
Commercial real estate	8,293	5,527	13,820
Agricultural	259	(200)	59
Construction	409	388	797
Commercial loans	2,445	(1,156)	1,289
Other agricultural loans	124	3	127
Consumer	2,636	(551)	2,085
Liabilities			
ACL for unfunded commitments	-	329	329
	\$ 16,999	\$ 2,795	\$ 19,794

During the FASB issued year ended December 31, 2023, the Company adopted ASU 2017-04, Simplifying 2022-02 on a modified retrospective basis. ASU 2022-02 eliminates the Test TDR accounting model, and requires that the Company evaluate, based on the accounting for Goodwill Impairment. To simplify loan modifications, whether the subsequent measurement of goodwill, borrower is experiencing financial difficulty and the FASB eliminated Step 2 from the goodwill impairment test. In computing the implied fair value of goodwill under Step 2, an entity had to perform procedures to determine the fair value at the impairment testing date of its assets and liabilities (including unrecognized assets and liabilities) following the procedure that would be required in determining the fair value of assets acquired and liabilities assumed modification results in a business combination. Instead, more-than-insignificant direct

change in the contractual cash flows and represents a new loan or a continuation of an existing loan. This change required all loan modifications to be accounted for under the amendments general loan modification guidance in this Update, an entity should perform its annual, ASC 310-20, Receivables – Nonrefundable Fees and Other Costs, and subject entities to new disclosure requirements on loan modifications to borrowers experiencing

financial difficulty. Upon adoption of CECL, the TDRs were evaluated and included in the loan segment pools if the loans shared similar risk characteristics to other loans in the pool or interim, goodwill impairment test by comparing the fair value of a reporting unit remained with its carrying amount. An entity should recognize an impairment charge individually

evaluated loans for the amount by which the carrying amount exceeds ACL was measured using the reporting unit's fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. The Update is effective for smaller reporting companies and all other entities for fiscal years beginning after December 15, 2022, and interim periods within those fiscal years. This Update is not expected to have a significant impact on the Company's financial statements, collateral-dependent or discounted cash flow method.

New Accounting Pronouncements Not Yet Adopted

In January 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*, March 2020, to provide temporary optional expedients and exceptions to the U.S. GAAP guidance on contract modifications and hedge accounting to ease the financial reporting burdens of the expected market transition from LIBOR and other interbank offered rates to alternative reference rates, such as the Secured Overnight Financing Rate. Entities can elect not to apply certain modification accounting requirements to contracts affected by what the guidance calls "reference rate reform" if certain criteria are met. An entity that makes this election would not have to remeasure the contracts at the modification date or reassess a previous accounting determination. Also, entities can elect various optional expedients that would allow them to continue applying hedge accounting for hedging relationships affected by reference rate reform if certain criteria are met, and can make a one-time election to sell and/or reclassify held-to-maturity debt securities that reference an interest rate affected by reference rate reform. The amendments in this ASU are effective for all entities upon issuance through December 31, 2022. In December 2022, the FASB issued ASU 2022-06, *Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848*, which extends the sunset (or expiration) date of Accounting Standards Codification (ASC) Topic 848 to December 31, 2024. This gives reporting entities two additional years to apply the accounting relief provided under ASC Topic 848 for matters related to reference rate reform. ASU 2022-06 is effective for all reporting entities immediately upon issuance and must be applied on a prospective basis, basis. This Update is not expected to have a significant impact on the Company's financial statements.

In January 2021, the FASB issued ASU 2021-01, *Reference Rate Reform (Topic 848)*, which provides optional temporary guidance for entities transitioning away from the London Interbank Offered Rate (LIBOR) and other interbank offered rates (IBORs) to new references rates so that derivatives affected by the discounting transition are explicitly eligible for certain optional expedients and exceptions within Topic 848. ASU 2021-01 clarifies that the derivatives affected by the discounting transition are explicitly eligible for certain optional expedients and exceptions in Topic 848. ASU 2021-01 is effective immediately for all entities. Entities may elect to apply the amendments on a full retrospective basis as of any date from the beginning of an interim period that includes or is subsequent to March 12, 2020, or on a prospective basis to new modifications from any date within an interim period that includes or is subsequent to the date of the issuance of a final update, up to the date that financial statements are available to be issued. The amendments in this update do not apply to contract modifications made, as well as new hedging relationships entered into, after December 31, 2022, and to existing hedging relationships evaluated for effectiveness for periods after December 31, 2022, except for certain hedging relationships existing as of December 31, 2022, that apply certain optional expedients in which the accounting effects are recorded through the end of the hedging relationship. This Update is not expected to have a significant impact on the Company's financial statements.

In March 2022, the FASB issued ASU 2022-01, *Derivatives and Hedging (ASC 815): Fair Value Hedging - Portfolio Layer Method*. ASC 815 currently permits only prepayable financial assets and one or more beneficial interests secured by a portfolio of prepayable financial instruments to be included in a last-of-layer closed portfolio. The amendments in this Update allow non-prepayable financial assets to also be included in a closed portfolio hedged using the portfolio layer method. That expanded scope permits an entity

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In March 2023, the FASB issued ASU 2023-02, *Investments—Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method (a consensus of the Emerging Issues Task Force)*, which permits reporting entities to apply elect to account for their tax equity investments regardless of the same portfolio hedging tax credit program from which the income tax credits are received, using the proportional amortization method to both prepayable and non-prepayable financial assets, thereby allowing consistent accounting for similar hedges. The (PAM) if certain conditions are met. This guidance is effective for public business entities for fiscal years beginning after December 15, 2023, and interim periods within those fiscal years, beginning after December 15, 2022. This Update years. The adoption of ASU 2023-02 is not expected to have a significant impact on the Company's Entity's consolidated financial statements.

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*, which provides for improvements to income tax disclosures primarily related to the rate reconciliation and income taxes paid information. This guidance is effective for public business entities for annual period beginning after December 15, 2024. The adoption of ASU 2023-09 is not expected to have a significant impact on the Entity's consolidated financial statements.

NOTE 3 - SECURITIES

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

December 31, 2023					
	Amortized	Gross	Gross	Allowance	Fair
	Cost	Unrealized	Unrealized	for Credit	Value
		Gains	Losses	Losses	
(In Thousands)					
AVAILABLE FOR SALE:					
U.S. Treasury securities	\$ 55,968	\$ 14	\$ (2,382)	\$ —	\$ 53,600
U.S. Government agencies	18,486	—	(2,490)	—	15,996
States and political subdivisions	151,764	—	(22,285)	—	129,479
Mortgage-backed securities-					
government sponsored entities	240,600	—	(33,416)	—	207,184

Total debt securities	\$ 466,818	\$ 14	\$ (60,573)	\$ —	\$ 406,259
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December 31, 2022				
	Gross	Gross		
Amortized	Unrealized	Unrealized	Fair	
Cost	Gains	Losses	Value	
(In Thousands)				

AVAILABLE FOR SALE:

U.S. Treasury securities	\$ 45,066	\$ —	\$ (3,212)	\$ 41,854
U.S. Government agencies	21,266	—	(2,943)	18,323
States and political subdivisions	157,524	2	(29,674)	127,852
Mortgage-backed securities-				
government sponsored entities	268,400	—	(37,502)	230,898
Total debt securities	\$ 492,256	\$ 2	\$ (73,331)	\$ 418,927

December 31, 2021				
	Gross	Gross		
Amortized	Unrealized	Unrealized	Fair	
Cost	Gains	Losses	Value	
(In Thousands)				

AVAILABLE FOR SALE:

U.S. Treasury securities	\$ 19,550	\$ 6	\$ (205)	\$ 19,351
U.S. Government agencies	16,251	24	(264)	16,011
States and political subdivisions	145,107	2,155	(1,395)	145,867
Mortgage-backed securities-				
government sponsored entities	227,712	766	(2,925)	225,553
Total debt securities	\$ 408,620	\$ 2,951	\$ (4,789)	\$ 406,782

The following tables show the Company's investments' gross unrealized summarize debt securities available for sale in a loss position for which an allowance for credit losses and fair value 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):

December 31, 2023							
	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	\$ —	\$ —	\$ 40,833	\$ (2,382)	\$ 40,833	\$ (2,382)	
U.S. Government agencies	—	—	15,996	(2,490)	15,996	(2,490)	
States and political subdivisions	2,261	(12)	125,452	(22,273)	127,713	(22,285)	
Mortgage-backed securities-							
government sponsored entities	—	—	207,184	(33,416)	207,184	(33,416)	
	\$ 2,261	\$ (12)	\$ 389,465	\$ (60,561)	\$ 391,726	\$ (60,573)	

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December 31, 2022							
	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	\$ 25,733	\$ (849)	\$ 16,121	\$ (2,363)	\$ 41,854	\$ (3,212)	
U.S. Government agencies	8,321	(885)	10,002	(2,058)	18,323	(2,943)	
States and political subdivisions	66,680	(11,194)	57,367	(18,480)	124,047	(29,674)	
Mortgage-backed securities-							
government sponsored entities	102,361	(10,639)	128,537	(26,863)	230,898	(37,502)	
	\$ 203,095	\$ (23,567)	\$ 212,027	\$ (49,764)	\$ 415,122	\$ (73,331)	

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December 31, 2021							
	Less than 12 Months		12 Months or More		Total		
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	

	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Treasury securities	\$ 18,361	\$ (205)	\$ —	\$ —	\$ 18,361	\$ (205)
U.S. Government agencies	7,912	(109)	3,843	(155)	11,755	(264)
States and political subdivisions	74,658	(1,395)	—	—	74,658	(1,395)
Mortgage-backed securities-						
government sponsored entities	170,647	(2,856)	2,919	(69)	173,566	(2,925)
	<u>\$ 271,578</u>	<u>\$ (4,565)</u>	<u>\$ 6,762</u>	<u>\$ (224)</u>	<u>\$ 278,340</u>	<u>\$ (4,789)</u>

The Company has 203 five debt securities in the less than twelve month category and 140 331 debt securities in the twelve months or more category as of December 31, 2022 December 31, 2023. In management's opinion, the unrealized losses on securities reflect changes in interest rates subsequent to the acquisition of specific securities. No other-than-temporary-impairment charges were recorded in 2022. Management believes that all other unrealized losses represent temporary impairment of the securities, and it is more likely thanThe Company does not that it will not have intend to sell the securities in an unrealized loss position and is unlikely to be required to sell these securities before a recovery of their cost basis. fair value, which may be maturity. The Company concluded that the decline in fair value of these securities was not indicative of a credit loss. No securities in the portfolio required an allowance for credit losses to be recorded during the year ended December 31, 2023, and no impairment was recorded during the year ended December 31, 2022.

The amortized cost and fair value of debt securities as of December 31, 2022 December 31, 2023 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.

	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(In Thousands)		(In Thousands)	
Due in one year or less	\$ 5,883	\$ 5,821	\$ 28,999	\$ 28,836
Due after one year through five years	43,272	40,981	42,636	39,606
Due after five years through ten years	54,146	44,419	70,136	57,770
Due after ten years	120,555	96,808	84,447	72,863
	<u>223,856</u>	<u>188,029</u>	<u>226,218</u>	<u>199,075</u>
Mortgage-backed securities - government sponsored entities	268,400	230,898	240,600	207,184
	<u>\$ 492,256</u>	<u>\$ 418,927</u>	<u>\$ 466,818</u>	<u>\$ 406,259</u>

Gross realized gains and gross realized losses on sales of securities available for sale were \$4,000 and \$213,000, respectively, in 2023, compared to \$14,000 and \$11,000, respectively, in 2022, compared to \$92,000 and \$0, respectively, in 2021, 2022. The proceeds from the sales of securities totaled \$5,113,000 \$3,345,000 and \$11,366,000 \$5,113,000 for the years ended December 31, 2022 December 31, 2023 and 2021, 2022, respectively.

Securities with a carrying value of \$344,204,000 and \$378,472,000 at December 31, 2023 and \$339,769,000 at December 31, 2022 and 2021, 2022, respectively, were pledged to secure public deposits, securities sold under agreements to repurchase and for other purposes as required or permitted by law.

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NOTE 4 - LOANS RECEIVABLE AND ALLOWANCE FOR LOAN CREDIT LOSSES

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

	December 31, 2022		December 31, 2021		December 31, 2023		December 31, 2022	
Real Estate:								
Residential	\$ 298,813	20.3 %	\$ 273,040	20.1 %	\$ 316,546	19.7 %	\$ 298,813	20.3 %
Commercial	651,544	44.2	628,724	46.4	675,156	42.1	651,544	44.2
Agricultural	68,915	4.7	61,925	4.6	63,859	4.0	68,915	4.7
Construction	32,469	2.2	21,990	1.6	51,453	3.2	32,469	2.2
Commercial loans	187,257	12.7	186,031	13.7	200,576	12.5	187,257	12.7
Other agricultural loans	35,277	2.4	37,930	2.8	31,966	2.0	35,277	2.4
Consumer loans to individuals	200,149	13.5	146,400	10.8	264,321	16.5	200,149	13.5
Total loans	<u>1,474,424</u>	<u>100.0 %</u>	<u>1,356,040</u>	<u>100.0 %</u>	<u>1,603,877</u>	<u>100.0 %</u>	<u>1,474,424</u>	<u>100.0 %</u>
Deferred fees, net	(479)		(1,109)		(259)		(479)	
Total loans receivable	<u>1,473,945</u>		<u>1,354,931</u>		<u>1,603,618</u>		<u>1,473,945</u>	
Allowance for loan losses	<u>(16,999)</u>		<u>(16,442)</u>					
Allowance for credit losses					<u>(18,968)</u>		<u>(16,999)</u>	
Net loans receivable	<u>\$ 1,456,946</u>		<u>\$ 1,338,489</u>		<u>\$ 1,584,650</u>		<u>\$ 1,456,946</u>	

During 2021 As of December 31, 2023 and 2020, 2022, the Company participated in the Paycheck Protection Program ("PPP"), administered directly by the United States Small Business Administration ("SBA"). The PPP provides loans considered its concentration of credit risk to small businesses who were affected by economic conditions as a result of COVID-19 to provide cash-flow assistance to employers who maintain their payroll (including healthcare and certain related expenses), mortgage interest, rent, leases, utilities and interest on existing debt during the COVID-19 emergency, be acceptable. As of December 31, 2022 December 31, 2023, the highest concentrations are in commercial rentals and 2021, the residential rentals category, with loans outstanding of \$149.2 million, or 9.3% of loans outstanding, to commercial rentals, and \$115.2 million, or 7.2% of loans outstanding, to residential rentals. For the year ended December 31, 2023, the Company had outstanding principal balances recognized charge offs of \$121,000 \$6,000 on commercial rentals and \$15,209,000, respectively, \$44,000 on residential rentals. There were no charge-offs on loans within these concentrations in PPP loans. The PPP loans are fully guaranteed by the SBA and may be eligible for forgiveness by the SBA to the extent that the proceeds are used to cover eligible payroll costs, interest costs, rent, and utility costs over a period of up to 24 weeks after the loan is made as long as certain conditions are met regarding employee retention and compensation levels. PPP loans deemed eligible for forgiveness by the SBA will be repaid by the SBA to the Company. PPP loans are included in the Commercial loan category. 2022.

In accordance with the SBA terms and conditions on these PPP loans, During 2023, the Company received approximately \$0 and \$2.9 million in fees associated with the processing of these sold residential mortgage loans in totaling \$4,973,000. During 2022, and 2021, respectively. Upon funding of the loans, these fees were deferred and are amortized over the life of the loan as an adjustment to yield in accordance with FASB ASC 310-20-25-2.

As a result of the acquisition of UpState, the Company added \$15,410,000 sold residential mortgage loans totaling \$845,000. Gross realized gains and gross realized losses on sales of residential mortgage loans were \$63,000 and \$0, respectively, in 2023 and \$3,000 and \$0, respectively, in 2022. The proceeds from the sales of residential mortgage loans totaled \$5,036,000 and \$848,000 for the years ended December 31, 2023 and 2022, respectively. As of December 31, 2023 and 2022, the outstanding value of loans that were accounted serviced for in accordance with ASC 310-30. Based on a review of the loans acquired by the Company's senior lending management, which included an analysis of credit deterioration of the loans since origination, the Company recorded a specific credit fair value adjustment of \$6,937,000. For loans that were acquired with specific evidence of deterioration in credit quality, loan losses will be accounted for through a reduction of the specific reserve others totaled \$59.2 million and will not impact the allowance for loan losses until actual losses exceed the allotted reserves. For loans acquired without a deterioration of credit quality, losses incurred will result in adjustments to the allowance for loan losses through the allowance for loan loss adequacy calculation, \$60.0 million, respectively

Changes in the accretable yield for purchased credit-impaired loans were as follows for the twelve months ended December 31: 31, 2022:

(In thousands)

	2022	2021
Balance at beginning of period	\$ 1,884	\$ 1,365
Additions	—	—
Accretion	(710)	(880)
Reclassification and other	653	1,399
Balance at end of period	\$ 1,827	\$ 1,884
	2022	
Balance at beginning of period	\$ 1,884	
Additions	—	
Accretion	(710)	
Reclassification and other	653	
Balance at end of period	\$ 1,827	

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The following table presents additional information regarding loans acquired and accounted for in accordance with ASC 310-30 as of December 31, 2022 (in thousands):

	December 31, 2022	December 31, 2021
Outstanding Balance	\$ 8,368	\$ 12,862
Carrying Amount	\$ 6,290	\$ 8,304

Loans acquired with credit deterioration of \$15,410,000 and accounted for in accordance with ASC 310-30 were individually evaluated to estimate credit losses and a net recovery amount for each loan. The net cash flows for each loan were then discounted to present value using a risk-adjusted market rate. The table below presents the components of the purchase accounting adjustments:

(In Thousands)	July 7, 2020
Contractually required principal and interest	\$ 15,410
Non-accretable discount	(5,213)
Expected cash flows	10,197
Accretable discount	(1,724)
Estimated fair value	\$ 8,473

	December 31, 2022
Outstanding Balance	\$ 8,368
Carrying Amount	\$ 6,290

There has been no allowance for loan losses recorded for acquired loans with specific evidence of deterioration in credit quality. As of December 31, 2022, for loans that were acquired prior to 2020 with or without specific evidence of deterioration in credit quality, adjustments to the allowance for loan losses have been accounted for through the allowance for loan loss adequacy calculation.

The Company maintains a loan review system, which allows for a periodic review of our loan portfolio and the early identification of potential impaired non-performing loans. The system takes into consideration, among other things, delinquency status, size of loans, type and market value of collateral and financial condition of the borrowers. Specific loan credit loss allowances are established for identified losses based on a review of such information. A loan evaluated for impairment is considered to be impaired when, based on current information and events, it is probable that we will be unable to collect all amounts due according to the contractual terms of the loan agreement. All loans identified as impaired individually analyzed are evaluated independently. The Company does not aggregate such loans for evaluation purposes. Impairment is Allowance for credit losses are measured on a loan-by-loan basis for commercial and construction loans by the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price, or the fair value of the collateral if the loan is collateral-dependent.

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Large groups of smaller balance homogeneous loans are collectively evaluated for impairment. Accordingly, the Company does not separately identify individual consumer and residential mortgage loans for impairment disclosures, unless such loans are part of a larger relationship that is impaired, or are classified as a troubled debt restructuring.

The following tables show the amount of loans in each category that were individually and collectively evaluated for credit loss under ASC 326:

	Real Estate Loans				Commercial Loans	Other Agricultural	Consumer Loans	Total
	Residential	Commercial	Agricultural	Construction				
	(In thousands)							
December 31, 2023								
Individually evaluated	\$ 432	\$ 2,211	\$ —	\$ —	\$ 4,264	\$ —	\$ 715	\$ 7,622
Collectively evaluated	316,114	672,945	63,859	51,453	196,312	31,966	263,606	1,596,255
Total Loans	\$ 316,546	\$ 675,156	\$ 63,859	\$ 51,453	\$ 200,576	\$ 31,966	\$ 264,321	\$ 1,603,877

The following table shows the amount of loans in each category that were individually and collectively evaluated for impairment at the dates indicated: under ASC 310:

	Real Estate Loans				Commercial Loans	Other Agricultural	Consumer Loans	Total
	Residential	Commercial	Agricultural	Construction				
	(In thousands)							
December 31, 2022								
Individually evaluated for impairment	\$ —	\$ 402	\$ —	\$ —	\$ 61	\$ —	\$ —	\$ 463
Loans acquired with deteriorated credit quality	567	2,049	2,034	—	1,640	—	—	6,290
Collectively evaluated for impairment	298,246	649,093	66,881	32,469	185,556	35,277	200,149	1,467,671
Total Loans	\$ 298,813	\$ 651,544	\$ 68,915	\$ 32,469	\$ 187,257	\$ 35,277	\$ 200,149	\$ 1,474,424

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	Real Estate Loans				Commercial Loans	Other Agricultural	Consumer Loans	Total
	Residential	Commercial	Agricultural	Construction				
	(In thousands)							
December 31, 2021								
Individually evaluated for impairment	\$ —	\$ 1,658	\$ —	\$ —	\$ 16	\$ —	\$ —	\$ 1,674

Loans acquired with deteriorated credit quality	784	3,285	1,918	—	198	2,119	—	8,304
Collectively evaluated for impairment	272,256	623,781	60,007	21,990	185,817	35,811	146,400	1,346,062
Total Loans	\$ 273,040	\$ 628,724	\$ 61,925	\$ 21,990	\$ 186,031	\$ 37,930	\$ 146,400	\$ 1,356,040

The following table includes the recorded investment and unpaid principal balances for impaired loans with the associated allowance amount, if applicable, under ASC 310.

	Recorded Investment	Unpaid Principal Balance	Associated Allowance	Recorded Investment	Unpaid Principal Balance	Associated Allowance
	(In thousands)			(In thousands)		
December 31, 2022						
With no related allowance recorded:						
Real Estate Loans						
Commercial	\$ 402	\$ 402	\$ —	\$ 402	\$ 402	\$ —
Commercial loans	11	11	—	11	11	—
Subtotal	413	413	—	413	413	—
With an allowance recorded:						
Commercial loans	50	50	50			
Real Estate Loans						
Commercial				50	50	50
Subtotal	50	50	50	50	50	50
Total:						
Real Estate Loans						
Residential						—
Commercial	\$ 402	\$ 402	\$ —	\$ 402	\$ 402	\$ —
Commercial loans	61	61	50	61	61	50
Total Impaired Loans	\$ 463	\$ 463	\$ 50	\$ 463	\$ 463	\$ 50

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	Recorded Investment	Unpaid Principal Balance	Associated Allowance
	(In thousands)		
December 31, 2021			
With no related allowance recorded:			
Real Estate Loans			
Commercial	\$ 141	\$ 141	\$ —
Commercial loans	16	16	—
Subtotal	157	157	—
With an allowance recorded:			
Real Estate Loans			
Commercial	1,517	1,517	272
Subtotal	1,517	1,517	272
Total:			
Real Estate Loans			
Residential			—
Commercial	\$ 1,658	\$ 1,658	\$ 272
Commercial loans	16	16	—
Total Impaired Loans	\$ 1,674	\$ 1,674	\$ 272

The following information for impaired loans is presented for the years year ended December 31, 2022 and 2021: 2022, under ASC 310:

Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
-----------------------------	----------------------------	-----------------------------	----------------------------

	2022	2021	2022	2021	2022	2022
	(In thousands)				(In thousands)	
Total:						
Real Estate Loans						
Commercial	\$ 740	\$ 2,358	\$ 93	\$ 157	\$ 740	\$ 93
Commercial loans	24	18	—	7	24	—
Total Loans	\$ 764	\$ 2,376	\$ 93	\$ 164	\$ 764	\$ 93

Troubled debt restructured loans are those loans whose terms have been renegotiated to provide a reduction or deferral of principal or interest as a result of financial difficulties experienced by the borrower, who could not obtain comparable terms from alternate financing sources. As of December 31, 2022, there were no troubled debt restructured loans. During 2022, there were no new loan relationships identified as troubled debt restructurings. During 2022, there were no charge-offs on loans classified as troubled debt restructurings.

As of December 31, 2021, there were no troubled debt restructured loans. During 2021, there were no new loans relationships identified as troubled debt restructurings. During 2021, there were no charge-offs on loans classified as troubled debt restructurings.

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 December 31, 2022 and 2021, foreclosed real estate owned totaled \$346,000 and \$1,742,000, respectively. As of December 31, 2022, included within foreclosed real estate owned is one commercial property that was received via a deed in lieu. As of December 31, 2022, the Company has initiated formal foreclosure proceedings on four consumer residential mortgage loans with an outstanding balance of \$223,000.

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 and unwarranted 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. Loans greater than 90 days past due are considered Substandard unless full payment is expected. Any portion of a loan that has been charged off is placed in the Loss category.

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To help ensure that risk ratings are accurate and reflect the present and future capacity of borrowers to repay a loan as agreed, the Company 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 also annually reviews relationships of \$1,500,000 and over to assign or re-affirm risk ratings. **Loans**

Based on the most recent analysis performed, the following table presents the recorded investment in the Substandard categories that are collectively evaluated for impairment are given separate consideration in the determination of the allowance, non-homogenous pools by internal risk rating systems, under ASC 326 (in thousands):

	Term Loans Amortized Costs Basis by Origination Year						Revolving	Revolving	Total
	2023	2022	2021	2020	2019	Prior	Loans Amortized Cost Basis	Loans Converted to Term	
December 31, 2023									
Commercial real estate									
Risk Rating									
Pass	\$ 78,496	\$ 131,948	\$ 112,102	\$ 65,949	\$ 72,480	\$ 186,116	\$ 13,332	\$ -	\$ 660,423
Special Mention	1,300	411	243	1,331	-	6,157	1,579	-	11,021
Substandard	-	-	-	1,444	36	2,232	-	-	3,712
Doubtful	-	-	-	-	-	-	-	-	-
Total	\$ 79,796	\$ 132,359	\$ 112,345	\$ 68,724	\$ 72,516	\$ 194,505	\$ 14,911	\$ -	\$ 675,156
Commercial real estate									
Current period gross charge-offs	\$ -	\$ -	\$ -	\$ -	\$ 112	\$ 42	\$ -	\$ -	\$ 154
Real Estate - Agriculture									
Risk Rating									
Pass	\$ 2,635	\$ 12,509	\$ 5,433	\$ 7,606	\$ 7,746	\$ 24,654	\$ 522	\$ -	\$ 61,105
Special Mention	-	-	-	-	399	490	150	-	1,039
Substandard	-	508	-	1,018	-	189	-	-	1,715
Doubtful	-	-	-	-	-	-	-	-	-
Total	\$ 2,635	\$ 13,017	\$ 5,433	\$ 8,624	\$ 8,145	\$ 25,333	\$ 672	\$ -	\$ 63,859

Real Estate - Agriculture										
Current period gross										
charge-offs	\$	-	\$	-	\$	-	\$	-	\$	-
Commercial loans										
Risk Rating										
Pass	\$	48,571	\$	41,863	\$	24,443	\$	13,752	\$	9,914
Special Mention		553		1,412		257		134		20
Substandard		-		126		342		656		-
Doubtful		-		-		-		-		-
Total	\$	49,124	\$	43,401	\$	25,042	\$	14,542	\$	9,934
Commercial loans										
Current period gross										
charge-offs	\$	-	\$	32	\$	24	\$	4,856	\$	-
Other agricultural loans										
Risk Rating										
Pass	\$	2,670	\$	5,286	\$	3,251	\$	2,912	\$	2,373
Special Mention		-		-		2		185		86
Substandard		-		-		-		-		119
Doubtful		-		-		-		-		-
Total	\$	2,670	\$	5,286	\$	3,253	\$	3,097	\$	2,578
Other agricultural loans										
Current period gross										
charge-offs	\$	-	\$	-	\$	-	\$	-	\$	-
Total										
Risk Rating										
Pass	\$	132,372	\$	191,606	\$	145,229	\$	90,219	\$	92,513
Special Mention		1,853		1,823		502		1,650		505
Substandard		-		634		342		3,118		155
Doubtful		-		-		-		-		-
Total	\$	134,225	\$	194,063	\$	146,073	\$	94,987	\$	93,173

The following table presents the classes of the loan portfolio summarized by the aggregate Pass and the criticized categories of Special Mention, Substandard, Doubtful and Loss within the internal risk rating system as of December 31, 2022 and December 31, 2021 (in thousands):

		Special				
	Pass	Mention	Substandard	Doubtful	Loss	Total
December 31, 2022						
Commercial real estate loans	\$ 646,775	\$ 1,079	\$ 3,690	\$ —	\$ —	\$ 651,544
Real estate - agricultural	66,444	368	2,103	—	—	68,915
Commercial loans	186,966	184	107	—	—	187,257
Other agricultural loans	34,071	556	650	—	—	35,277
Total	\$ 934,256	\$ 2,187	\$ 6,550	\$ —	\$ —	\$ 942,993
		Special				
	Pass	Mention	Substandard	Doubtful	Loss	Total
December 31, 2021						
Commercial real estate loans	\$ 618,541	\$ 5,146	\$ 4,765	\$ —	\$ 272	\$ 628,724
Real estate - agricultural	60,193	—	1,732	—	—	61,925
Commercial loans	185,729	199	103	—	—	186,031
Other agricultural loans	35,573	210	2,147	—	—	37,930
Total	\$ 900,036	\$ 5,555	\$ 8,747	\$ -	\$ 272	\$ 914,610

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):

December 31, 2023	Term Loans Amortized Costs Basis by Origination Year						Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	Total
	2023	2022	2021	2020	2019	Prior			
Residential real estate									
Payment Performance									
Performing	\$ 27,446	\$ 62,178	\$ 57,691	\$ 35,357	\$ 16,406	\$ 87,951	\$ 29,085	\$ -	\$ 316,114
Nonperforming	-	-	-	-	58	324	50	-	432
Total	\$ 27,446	\$ 62,178	\$ 57,691	\$ 35,357	\$ 16,464	\$ 88,275	\$ 29,135	\$ -	\$ 316,546
Residential real estate									
Current period gross charge-offs									
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 34	\$ -	\$ -	\$ 34
Construction									
Payment Performance									
Performing	\$ 23,500	\$ 14,906	\$ 6,791	\$ 1,599	\$ 1,829	\$ 624	\$ 2,204	\$ -	\$ 51,453
Nonperforming	-	-	-	-	-	-	-	-	-
Total	\$ 23,500	\$ 14,906	\$ 6,791	\$ 1,599	\$ 1,829	\$ 624	\$ 2,204	\$ -	\$ 51,453
Construction									
Current period gross charge-offs									
	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Consumer loans to individuals									
Payment Performance									
Performing	\$ 127,243	\$ 76,339	\$ 24,584	\$ 14,343	\$ 10,217	\$ 9,942	\$ 938	\$ -	\$ 263,606
Nonperforming	111	404	118	31	41	10	-	-	715
Total	\$ 127,354	\$ 76,743	\$ 24,702	\$ 14,374	\$ 10,258	\$ 9,952	\$ 938	\$ -	\$ 264,321
Consumer loans to individuals									
Current period gross charge-offs									
	\$ 45	\$ 710	\$ 200	\$ 35	\$ 45	\$ 28	\$ 4	\$ -	\$ 1,067
Total									
Payment Performance									
Performing	\$ 178,189	\$ 153,423	\$ 89,066	\$ 51,299	\$ 28,452	\$ 98,517	\$ 32,227	\$ -	\$ 631,173
Nonperforming	111	404	118	31	99	334	50	-	1,147
Total	\$ 178,300	\$ 153,827	\$ 89,184	\$ 51,330	\$ 28,551	\$ 98,851	\$ 32,277	\$ -	\$ 632,320

For residential real estate loans, construction loans and consumer loans, the Company evaluates credit quality based on the performance of the individual credits. Nonperforming loans include loans that have been placed on nonaccrual status and loans remaining in accrual status on which the contractual payment of principal and interest has become 90 days past due.

The following table presents the recorded investment in the loan classes based on payment activity as of December 31, 2022 and December 31, 2021, under ASC 310 (in thousands):

	Performing	Nonperforming	Total
December 31, 2022			
Residential real estate loans	\$ 298,327	\$ 486	\$ 298,813
Construction	32,469	—	32,469
Consumer loans to individuals	199,985	164	200,149
Total	\$ 530,781	\$ 650	\$ 531,431
December 31, 2021			
Residential real estate loans	\$ 272,571	\$ 469	\$ 273,040
Construction	21,990	—	21,990
Consumer loans to individuals	146,345	55	146,400
Total	\$ 440,906	\$ 524	\$ 441,430

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 **December 31, 2022** **December 31, 2023** and **December 31, 2021** **December 31, 2022** (in thousands):

				Greater than 90				
	Current	31-60 Days Past Due	61-90 Days Past Due	Days Past Due and still accruing	Non-Accrual	Total Past Due and Non-Accrual	Total Loans	
December 31, 2023								
Real Estate loans								
Residential	\$ 315,224	\$ 877	\$ 13	\$ —	\$ 432	\$ 1,322	\$ 316,546	
Commercial	666,768	6,177	—	—	2,211	8,388	675,156	
Agricultural	63,732	127	—	—	—	127	63,859	
Construction	51,435	—	18	—	—	18	51,453	
Commercial loans	192,988	3,170	154	—	4,264	7,588	200,576	
Other agricultural loans	31,959	7	—	—	—	7	31,966	
Consumer loans	262,578	865	163	—	715	1,743	264,321	
Total	\$ 1,584,684	\$ 11,223	\$ 348	\$ —	\$ 7,622	\$ 19,193	\$ 1,603,877	

				Greater than 90					
	Current	31-60 Days Past Due	61-90 Days Past Due	Days Past Due and still accruing	Non-Accrual	Total Past Due and Non-Accrual	Purchased Credit Impaired Loans	Total Loans	
December 31, 2022									
Real Estate loans									
Residential	\$ 297,350	\$ 187	\$ 223	\$ —	\$ 486	\$ 896	\$ 567	\$ 298,813	
Commercial	648,688	405	—	—	402	807	2,049	651,544	
Agricultural	66,751	130	—	—	—	130	2,034	68,915	
Construction	32,469	—	—	—	—	—	-	32,469	
Commercial loans	185,485	71	—	—	61	132	1,640	187,257	
Other agricultural loans	35,277	—	—	—	—	—	—	35,277	
Consumer loans	198,893	853	239	—	164	1,256	-	200,149	
Total	\$ 1,464,913	\$ 1,646	\$ 462	\$ —	\$ 1,113	\$ 3,221	\$ 6,290	\$ 1,474,424	

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
December 31, 2023					
Real Estate loans					
Residential	\$ 432	\$ -	\$ 432	\$ -	\$ 432
Commercial	2,211	-	2,211	-	2,211
Agricultural	-	-	-	-	-
Construction	-	-	-	-	-
Commercial loans	4,264	-	4,264	-	4,264
Other agricultural loans	-	-	-	-	-
Consumer loans	162	553	715	-	715
Total	\$ 7,069	\$ 553	\$ 7,622	\$ -	\$ 7,622

The following table presents, by class of loans and leases, the amortized cost basis of collateral-dependent nonaccrual loans and leases and type of collateral as of **December 31, 2023**:

									Real			
									Estate	Other	None	Total
	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	Purchased Credit Impaired Loans	Total Loans				
December 31, 2021												
December 31, 2023												
Real Estate loans												
Residential	\$ 271,622	\$ 155	\$ 10	\$ —	\$ 469	\$ 634	\$ 784	\$ 273,040	\$ 432	\$ -	\$ -	\$ 432
Commercial	625,336	—	—	—	103	103	3,285	628,724	2,211	-	-	2,211
Agricultural	59,982	25	—	—	—	25	1,918	61,925	-	-	-	-
Construction	21,990	—	—	—	—	—	-	21,990	-	-	-	-
Commercial loans	185,801	3	13	91	16	32	198	186,031	49	4,215	-	4,264
Other agricultural loans	35,811	—	—	—	—	—	2,119	37,930	-	-	-	-
Consumer loans	145,986	248	111	—	55	414	-	146,400	-	715	-	715
Total	\$ 1,346,528	\$ 431	\$ 134	\$ 91	\$ 643	\$ 1,208	\$ 8,304	\$1,356,040	\$2,692	\$4,930	\$ -	\$7,622

The following table presents the allowance for credit losses by the classes of the loan portfolio under ASC 326:

(In thousands)	Residential Real Estate	Commercial Real Estate	Agricultural	Construction	Commercial	Other Agricultural	Consumer	Total
Beginning balance, December 31, 2022	\$ 2,833	\$ 8,293	\$ 259	\$ 409	\$ 2,445	\$ 124	\$ 2,636	\$ 16,999
Impact of adopting ASC 326	(1,545)	5,527	(200)	388	(1,156)	3	(551)	2,466
Charge Offs	(34)	(154)	—	—	(4,953)	—	(1,067)	(6,208)
Recoveries	6	15	—	—	21	—	88	130
Provision for credit losses	91	(1,810)	(1)	136	4,850	(33)	2,348	5,581
Ending balance, December 31, 2023	\$ 1,351	\$ 11,871	\$ 58	\$ 933	\$ 1,207	\$ 94	\$ 3,454	\$ 18,968
Ending balance individually evaluated	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 135	\$ 135
Ending balance collectively evaluated	\$ 1,351	\$ 11,871	\$ 58	\$ 933	\$ 1,207	\$ 94	\$ 3,319	\$ 18,833

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The following table presents the allowance for loan losses by the classes of the loan portfolio: portfolio under ASC 310:

(In thousands)	Residential								Residential							
	Real Estate	Commercial	Agricultural	Construction	Commercial	Other	Consumer	Total	Real Estate	Commercial	Agricultural	Construction	Commercial	Agricultural	Other	Total
Beginning balance, December 31, 2021	\$ 2,175	\$ 10,878	\$ —	\$ 133	\$ 1,490	\$ —	\$ 1,766	\$16,442	\$ 2,175	\$ 10,878	\$ —	\$ 133	\$ 1,490	\$ —	\$ —	\$16,442
Charge Offs	(172)	(20)	—	—	(16)	—	(457)	(665)	(172)	(20)	—	—	(16)	—	(16)	(665)
Recoveries	130	82	—	—	46	—	64	322	130	82	—	—	46	—	46	322
Provision for loan losses	700	(2,647)	259	276	925	124	1,263	900	700	(2,647)	259	276	925	124	1,263	900
Ending balance, December 31, 2022	\$ 2,833	\$ 8,293	\$ 259	\$ 409	\$ 2,445	\$ 124	\$ 2,636	\$16,999	\$ 2,833	\$ 8,293	\$ 259	\$ 409	\$ 2,445	\$ 124	\$ 2,636	\$16,999

Ending balance individually evaluated for impairment	\$	—	\$	—	\$	—	\$	50	\$	—	\$	—	\$	50												
Ending balance individually evaluated for impairment									\$	—	\$	—	\$	—	\$	50										
Ending balance collectively evaluated for impairment	\$	2,833	\$	8,293	\$	259	\$	409	\$	2,395	\$	124	\$	2,636	\$	16,949	\$	2,833	\$	8,293	\$	259	\$	409	\$	2,395

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.

(In thousands)	Residential Real Estate		Commercial Real Estate		Construction		Commercial		Consumer		Total	
Beginning balance, December 31, 2020	\$	1,960	\$	8,004	\$	150	\$	1,360	\$	1,676	\$	13,150
Charge Offs		(17)		(452)		—		(200)		(480)		(1,149)
Recoveries		74		19		—		49		99		241
Provision for loan losses		158		3,307		(17)		281		471		4,200
Ending balance, December 31, 2021	\$	2,175	\$	10,878	\$	133	\$	1,490	\$	1,766	\$	16,442
Ending balance individually evaluated for impairment	\$	—	\$	272	\$	—	\$	—	\$	—	\$	272
Ending balance collectively evaluated for impairment	\$	2,175	\$	10,606	\$	133	\$	1,490	\$	1,766	\$	16,170

During the period ended December 31, 2023, the allowance for credit losses increased from \$16,999,000 to \$18,968,000. This \$1,969,000 increase in the required allowance was due primarily to charge-offs on one large commercial relationship.

During the period ended December 31, 2022, the allowance for loan losses increased from \$16,442,000 to \$16,999,000. This \$557,000 increase in the required allowance was due primarily to a \$2.4 million increase in the qualitative factor related to loan growth and a \$445,000 increase in the qualitative factor related to large balance loans, which was partially offset by a \$2.3 million decrease in the qualitative factor related to COVID-19.

During the period ended December 31, 2021, the allowance for loan losses increased from \$13,150,000 to \$16,442,000. This \$3,292,000 increase in the required allowance was due primarily to a \$1.5 million increase in the qualitative factor related to loan growth and a \$1.4 million increase due to an increase in the qualitative factor related to large balance loans. Covid pandemic.

Interest income that would have been recorded on loans accounted for on a non-accrual basis under the original terms of the loans was \$694,000 and \$182,000 for 2023 and \$35,000 2022, respectively.

Occasionally, the Bank modifies loans to borrowers in financial distress by providing principal forgiveness, term extension, an 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 2022 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. The following table presents modifications made to borrowers experiencing financial difficulty:

Loan Modifications Made to Borrowers Experiencing Financial Difficulty

Term Extension

Amortized Cost Basis at December 31, 2023	% of Total Class of Financing Receivable	Financial Effect
	55	

Commercial real estate loans	\$ 4,321,547	0.64 %	Extended maturity date of loans by three to six months.
Total	\$ 4,321,547		

Combination - Term Extension and Interest Rate Adjustment

	Amortized Cost Basis at December 31, 2023	% of Total Class of Financing Receivable	Financial Effect
Consumer loans to individuals	\$ 19,225	0.01 %	New loans were granted which extended terms for a weighted average of 34 months and rates were increased from a weighted average rate of 5.25% to a weighted average rate of 11.03%
Total	\$ 19,225		

As of December 31, 2023, all loan modifications made to borrowers experiencing financial difficulty were current per the modified contractual terms.

During the year ended December 31, 2023, the Company adopted ASU 2022-02 on a modified retrospective basis. ASU 2022-02 eliminates the TDR accounting model, and 2021, respectively, requires that the Company evaluate, based on the accounting for loan modifications, whether the borrower is experiencing financial difficulty and the modification results in a more-than-insignificant direct change in the contractual cash flows and represents a new loan or a continuation of an existing loan. This change required all loan modifications to be accounted for under the general loan modification guidance in ASC 310-20, Receivables – Nonrefundable Fees and Other Costs, and subject entities to new disclosure requirements on loan modifications to borrowers experiencing financial difficulty. Upon adoption of CECL, the TDRs were evaluated and included in the CECL loan segment pools if the loans shared similar risk characteristics to other loans in the pool or remained with individually evaluated loans for which the ACL was measured using the collateral-dependent or discounted cash flow method.

As of December 31, 2022 and 2021, the Company considered its concentration of credit risk to be acceptable. As of December 31, 2022, the highest concentrations are in commercial rentals and the residential rentals category, with there were no troubled debt restructured loans. During 2022, there were no new loans outstanding of \$141.9 million, or 9.6% of loans outstanding, to commercial rentals, and \$113.0 million, or 7.7% of loans outstanding, to residential rentals. There relationships identified as troubled debt restructurings. During 2022, there were no charge-offs on loans within these concentrations for the years ended December 31, 2022 and 2021, respectively.

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During 2022, the Company sold residential mortgage loans totaling \$845,000. During 2021, the Company sold residential mortgage loans totaling \$8,616,000. Gross realized gains and gross realized losses on sales of residential mortgage loans were \$3,000 and \$0, respectively, in 2022 and \$177,000 and \$0, respectively, in 2021. The proceeds from the sales of residential mortgage loans totaled \$848,000 and \$8,793,000 for the years ended December 31, 2022 and 2021, respectively. As of December 31, 2022 and 2021, the outstanding value of loans serviced for others totaled \$60.0 million and \$65.4 million, respectively, classified as troubled debt restructurings.

NOTE 5 - PREMISES AND EQUIPMENT

Components of premises and equipment at December 31 are as follows:

	2022	2021	2023	2022
	(In Thousands)		(In Thousands)	
Land and improvements	\$ 3,864	\$ 3,879	\$ 3,877	\$ 3,864
Buildings and improvements	23,444	21,846	24,115	23,444
Furniture and equipment	10,506	10,183	10,215	10,506
	37,814	35,908	38,207	37,814
Accumulated depreciation	(19,890)	(18,619)	(20,369)	(19,890)
	\$ 17,924	\$ 17,289	\$ 17,838	\$ 17,924

Depreciation expense totaled \$1,470,000 \$1,375,000 and \$1,481,000 \$1,470,000 for the years ended December 31, 2022 December 31, 2023 and 2021 2022, respectively.

NOTE 6 - DEPOSITS

Aggregate time deposits in denominations greater than \$250,000 were \$269,499,000 and \$213,623,000 at December 31, 2023 and \$257,238,000 at December 31, 2022 and 2021, 2022, respectively.

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At December 31, 2022 December 31, 2023, the scheduled maturities of time deposits are as follows (in thousands):

2023	\$	336,258	
2024		96,823	\$584,758
2025		57,384	104,605
2026		8,632	12,240
2027		4,673	3,642
2028			3,864
	\$	503,770	\$709,109

NOTE 7 – BORROWINGS

Short-term borrowings at December 31 consist of the following:

	2022	2021	2023	2022
	(In Thousands)		(In Thousands)	
Securities sold under agreements to repurchase	\$ 50,951	\$ 60,822	\$54,076	\$50,951
Federal Home Loan Bank short-term borrowings	42,264	—	20,000	42,264
	\$ 93,215	\$ 60,822	\$74,076	\$93,215

The outstanding balances and related information of short-term borrowings are summarized as follows:

	Years Ended December 31,		Years Ended December 31,	
	2022	2021	2023	2022
	(Dollars In Thousands)		(Dollars In Thousands)	
Average balance during the year	\$ 69,711	\$ 73,810	\$ 93,455	\$69,711
Average interest rate during the year	0.75 %	0.39 %	3.26 %	0.75 %
Maximum month-end balance during the year	\$ 93,215	\$ 90,409	\$136,408	\$93,215
Weighted average interest rate at the end of the year	2.65 %	0.34 %	3.14 %	2.65 %

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Securities sold under agreements to repurchase generally mature within one day to one year from the transaction date. Securities with an amortized cost and fair value of \$63,542,000 and \$55,056,000 at December 31, 2023 and \$63,737,000 and \$54,562,000 at December 31, 2022 and \$66,353,000 and \$65,162,000 at December 31, 2021, respectively, were pledged as collateral for these agreements. The securities underlying the agreements were under the Company's control.

The collateral pledged for repurchase agreements that are classified as secured borrowings is summarized as follows (in thousands):

	As of December 31, 2022					As of December 31, 2023				
	Remaining Contractual Maturity of the Agreements					Remaining Contractual Maturity of the Agreements				
	Overnight and continuous	Up to 30 days	30-90 days	Greater than 90 days	Total	Overnight and continuous	Up to 30 days	30-90 days	Greater than 90 days	Total
Repurchase Agreements:										
Mortgage-backed securities - government sponsored entities	\$ 54,562	\$ —	\$ —	\$ —	\$ 54,562	\$ 55,056	\$ —	\$ —	\$ —	\$55,056
Total liability recognized for repurchase agreements					50,951					\$54,076
	As of December 31, 2021					As of December 31, 2022				
	Remaining Contractual Maturity of the Agreements					Remaining Contractual Maturity of the Agreements				

	Overnight and					Overnight Up to Greater				
	continuous	Up to 30 days	30-90 days	Greater than 90 days	Total	continuous	30 days	30-90 days	Greater than 90 days	Total
Repurchase Agreements:										
Mortgage-backed securities - government sponsored entities	\$ 65,162	\$ —	\$ —	\$ —	\$ 65,162	\$ 54,562	\$ —	\$ —	\$ —	\$ 54,562
Total liability recognized for repurchase agreements					60,822					\$50,951

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The Company has a line of credit commitment available from the FHLB of Pittsburgh for borrowings of up to \$150,000,000, which renews annually in June. At **December 31, 2022** **December 31, 2023**, there was **\$42,264,000** **\$20,000,000** of borrowings outstanding on this line. There were no was **\$42,264,000** of borrowings outstanding on this line of credit at **December 31, 2021** **December 31, 2022**. The Company has a line of credit commitment available from Atlantic Community Bankers Bank for \$7,000,000, which expires on **June 30, 2023** **June 30, 2024**. There were no borrowings under this line of credit at **December 31, 2022** **December 31, 2023** and **2021, 2022**. The Company has a line of credit commitment available from PNC Bank for **\$16,000,000** **\$10,000,000** at **December 31, 2022** **December 31, 2023**. There were no borrowings under this line of credit at **December 31, 2022** **December 31, 2023** and **December 31, 2021**. The Company also has a line of credit commitment from Zions Bank for \$17,000,000 at **December 31, 2022**. There were no borrowings under this line of credit at **December 31, 2022** and **December 31, 2021**.

Other borrowings consisted of the following at **December 31, 2022** **December 31, 2023** and **2021**:

	2022		2021	
	(In Thousands)			
Amortizing fixed rate borrowing due March 2022 at 1.75%	\$ —	\$ 227		
Amortizing fixed rate borrowing due August 2022 at 1.94%	—	1,364		
Amortizing fixed rate borrowing due October 2022 at 1.88%	—	1,386		
Amortizing fixed rate borrowing due October 2023 at 3.24%	—	3,856		
Amortizing fixed rate borrowing due December 2023 at 3.22%	—	2,097		
Fixed rate term borrowing due December 2023 at 1.95%	—	10,000		
Amortizing fixed rate borrowing due December 2023 at 1.73%	—	5,190		
Amortizing fixed rate borrowing due April 2024 at 0.91%	—	5,878		
Amortizing fixed rate borrowing due December 2023 at 5.08%	40,000	—		
	\$ 40,000	\$ 29,998		

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	2023		2022	
	(In Thousands)			
Notes with the FHLB:				
Amortizing fixed rate borrowing due December 2023 at 5.08%	\$ —	\$ 40,000		
Fixed rate borrowing due April 2025 at 4.26%	20,000	—		
Amortizing fixed rate borrowing due September 2025 at 5.67%	4,406	—		
Fixed rate borrowing due April 2026 at 4.04%	20,000	—		
Amortizing fixed rate borrowing due May 2027 at 4.37%	25,950	—		
Amortizing fixed rate borrowing due July 2028 at 4.70%	13,880	—		
Fixed rate borrowing due July 2028 at 4.49%	10,000	—		
	\$ 94,236	\$ 40,000		
Notes with the Federal Reserve Bank:				
Fixed rate borrowing due March 2024 at 4.83%	\$ 10,000	\$ —		
Fixed rate borrowing due September 2024 at 5.55%	20,000	—		
	\$ 30,000	\$ —		

Contractual maturities and scheduled cash flows of other borrowings at **December 31, 2022** **December 31, 2023** are as follows (in thousands):

2023	\$ 40,000
	\$ 40,000

2024	\$ 42,636
2025	32,577
2026	31,119
2027	5,967
2028	11,937
	<u>\$ 124,236</u>

The Bank's maximum borrowing capacity with the FHLB was \$655,344,000 \$682,417,000 of which \$82,264,000 \$114,236,000 was outstanding in the form of advances and \$92,900,000 \$136,650,000 was outstanding in the form of letters of credit at December 31, 2022 December 31, 2023. Advances from the FHLB are secured by qualifying assets of the Bank.

NOTE 8 – OPERATING LEASES

The Company leases seven office locations and one back-office facility under operating leases. Several assumptions and judgments were made when applying the requirements of Topic 842 to the Company's existing lease commitments, including the allocation of consideration in the contracts between lease and nonlease components, determination of the lease term, and determination of the discount rate used in calculating the present value of the lease payments.

The Company has elected to account for the variable nonlease components, such as common area maintenance charges, utilities, real estate taxes, and insurance, separately from the lease component. Such variable nonlease components are reported in net occupancy expense on the Consolidated Statements of Income when paid. These variable nonlease components were excluded from the calculation of the present value of the remaining lease payments, therefore, they are not included in other assets and other liabilities on the Consolidated Balance Sheets. The lease cost associated with the operating leases for the year ending December 31, 2022 December 31, 2023 and 2021, 2022, amounted to \$609,000 \$718,000 and \$587,000 \$609,000 respectively. The right-of-use asset associated with operating leases amounted to \$4,109,000 \$3,906,000 and \$4,511,000 \$4,109,000 at December 31, 2022 December 31, 2023 and 2021, 2022, respectively. The lease liability associated with operating leases amounted to \$4,195,000 \$4,013,000 and \$4,577,000 \$4,195,000 at December 31, 2022 December 31, 2023 and 2021, 2022, respectively.

Certain of the Company's leases contain options to renew the lease after the initial term. Management considers the Company's historical pattern of exercising renewal options on leases and the positive performance of the leased locations, when determining whether it is reasonably certain that the leases will be renewed. If management concludes that there is reasonable certainty about the renewal option, it is included in the calculation of the remaining term of each applicable lease. The discount rate utilized in calculating the present value of the remaining lease payments for each lease was the Federal Home Loan Bank of Pittsburgh

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advance rate corresponding to the remaining maturity of the lease. The following table presents the weighted-average remaining lease term and discount rate for the leases outstanding at December 31, 2022 December 31, 2023.

	Operating
Weighted-average remaining term	10.7 years 9.5
Weighted-average discount rate	2.71% 2.67%

The following table presents the undiscounted cash flows due related to operating leases as of December 31, 2022 December 31, 2023, along with a reconciliation to the discounted amount recorded on the Consolidated Balance Sheets:

	Operating	Operating
Undiscounted cash flows due (in thousands)		
2023	\$ 557	
2024	544	\$ 664
2025	561	680
2026	504	524
2027	401	401
2028 and thereafter	2,414	
2028		401
2029 and thereafter		2,013
Total undiscounted cash flows	4,981	4,683
Discount on cash flows	(786)	670
Total lease liabilities	\$ 4,195	\$ 4,013

Under Topic 842, the lessee can elect to not record on the Consolidated Balance Sheets a lease whose term is twelve months or less and does not include a purchase option that the lessee is reasonably certain to exercise. As of December 31, 2022 December 31, 2023, the Company had no leases that had a term of twelve months or less.

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NOTE 9 – EMPLOYEE BENEFIT PLANS

The Company has a defined contributory profit-sharing plan which includes provisions of a 401(k) plan. The plan permits employees to make pre-tax contributions, not to exceed the limits set by the Internal Revenue Service. The amount of contributions to the plan, including matching contributions, is at the discretion of the Board of Directors. All employees over the age of 21 are eligible to participate in the plan and receive Company contributions after 90 days of employment. Eligible employees are able to contribute to the Plan at the beginning of the first quarterly period after their date of employment. Employee contributions vest immediately, and any Company contributions are fully vested after four years. The Company's contributions are expensed as the cost is incurred, funded currently, and amounted to \$1,310,000 \$1,270,000 and \$1,135,000 \$1,310,000 for the years ended December 31, 2022 December 31, 2023 and 2021, 2022, respectively.

The Company has several non-qualified supplemental executive retirement plans for the benefit of certain executive officers and former officers. At December 31, 2022 December 31, 2023 and 2021, 2022, other liabilities include \$3,518,000 \$3,697,000 and \$3,481,000 \$3,518,000 accrued under the Plan. Compensation expense includes approximately \$461,000 \$655,000 and \$364,000 \$461,000 relating to the supplemental executive retirement plan for 2022 2023 and 2021, 2022, respectively. To fund the benefits under this plan, the Company is the owner of single premium life insurance policies on participants in the non-qualified retirement plan. At December 31, 2022 December 31, 2023 and 2021, 2022, the cash value of these policies was \$43,364,000 \$46,439,000 and \$40,038,000 \$43,364,000, respectively.

The Company provides postretirement benefits in the form of split-dollar life arrangements to employees who meet the eligibility requirements. The net periodic postretirement benefit expense included in salaries and employee benefits was \$101,000 \$87,000 and \$153,000 \$101,000 for the years ended December 31, 2022 December 31, 2023 and 2021, 2022, respectively.

FASB authoritative guidance on accounting for deferred compensation and postretirement benefit aspects of endorsement split-dollar life insurance arrangements requires the recognition of a liability and related compensation expense for endorsement split-dollar life insurance that provides a benefit to an employee that extends to postretirement periods. The life insurance policies purchased for the purpose of providing such benefits do not effectively settle an entity's obligation to the employee. Accordingly, the entity must recognize a liability and related compensation expense during the employee's active service period based on the future cost of insurance to be incurred during the employee's retirement. This expense is included in the SERP plan expense for 2022 2023 and 2021 2022 discussed above. If the entity has agreed to provide the employee with a death benefit, then the liability for the future death benefit should be recognized by following the FASB authoritative guidance on employer's accounting for postretirement benefits other than pensions. The accumulated postretirement benefit obligation was \$1,818,000 and \$1,731,000 at December 31, 2023 and \$1,630,000 at December 31, 2022 and 2021, 2022, respectively.

Certain key executives have change in control agreements with the Company. These agreements provide certain potential benefits in the event of termination of employment following a change in control.

The Company participates in the Pentegra Multitemployer Defined Benefit Pension Plan (EIN 13-5645888 and Plan # 333) as a result of its acquisition of North Penn. As of December 31, 2022 December 31, 2023 and 2021, 2022, the Company's Plan was 102.0% and 106.7% and 116.6% funded,

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respectively, and total contributions made are not more than 5% of the total contributions to the Plan. The Company's expense related to the Plan was \$7,000 in 2023 and \$11,000 in 2022 and \$17,000 in 2021, 2022. During the plan years ending December 31, 2022 December 31, 2023 and 2021, 2022, the Company made contributions of \$11,000 \$7,000 and \$17,000, \$11,000, respectively.

As a result of its acquisition of Delaware, the Company is a member of the New York State Bankers Retirement System. Substantially all full-time employees who were former employees of Delaware are covered under this defined benefit pension plan (the "Delaware Plan"). The Company's funding policy is to contribute at least the minimum required contribution annually. Pension cost is computed using the projected unit credit actuarial cost method. Effective December 31, 2012, the Delaware Plan was closed to new participants and accrued benefits were frozen.

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The following table sets forth the projected benefit obligation and change in plan assets for the Delaware Plan at December 31:

(in Thousands)	2022	2021	2023	2022
Change in projected benefit obligation:				
Projected benefit obligation at beginning of year	\$ (7,622)	\$ (8,065)	\$ (5,747)	\$ (7,622)
Service cost	—	(51)	—	—
Interest cost	(216)	(206)	(299)	(216)
Actuarial (gain) loss	1,615	177	(110)	1,615
Benefits paid	476	523	464	476
Benefit obligation at end of year	\$ (5,747)	\$ (7,622)	\$ (5,692)	\$ (5,747)
Change in plan assets:				
Fair value of plan assets at beginning of year	\$ 7,691	\$ 7,744	\$ 5,205	\$ 7,691
Actual return on plan assets	(1,933)	474	315	(1,933)
Benefits paid	(553)	(527)	(544)	(553)
Fair value of assets at end of year	5,205	7,691	4,976	5,205
Funded status at end of year	\$ (542)	\$ 69	\$ (716)	\$ (542)

The Delaware Plan paid \$476,000 \$464,000 and \$523,000 \$476,000 in benefit payments in 2022 2023 and 2021, 2022, respectively. Estimated benefit payments under the Delaware Plan are expected to be approximately \$479,000, \$463,000, \$446,000, \$449,000 \$457,000, \$443,000, \$442,000, \$433,000 and \$439,000 \$422,000 for the next five years. Payments are expected to be approximately \$2,081,000 \$2,040,000 in total for the five-year period ending December 31, 2032 December 31, 2033. The Company was not required to make any contributions to the Delaware Plan in 2022 2023 or 2021, 2022. The increase decrease in the projected discount rate from 2.93% 5.44% to 5.44% decreased 5.18% increased the projected benefit obligation for the year ended December 31, 2022 December 31, 2023 by approximately \$1.6 million, \$138,000.

The accumulated benefit obligation for the Delaware Plan was \$5,692,000 and \$5,747,000 at December 31, 2023 and \$7,622,000 at December 31, 2022 and 2021, 2022, respectively.

The following table sets forth the amounts recognized in accumulated other comprehensive income (loss) for the years ended December 31 (in thousands):

	2022	2021	2023	2022
Transition asset	\$ —	\$ —	\$ —	\$ —
Prior service credit	—	—	—	—
(Loss) gain	(784)	220	625	731
Total	\$ (784)	\$ 220	\$ 625	\$ 731

Net pension cost (income) included the following components (in thousands):

	2022	2021	2023	2022
Service cost benefits earned during the period	\$ —	\$ 51	\$ —	\$ —
Interest cost on projected benefit obligation	216	206	299	216
Actual return on assets	(336)	(394)	(220)	(336)
Net amortization and deferral	(53)	(34)	(11)	(53)
Net periodic pension cost (income)	\$ (173)	\$ (171)	\$ 68	\$ (173)

The weighted average assumptions used to determine the benefit obligation at December 31 are as follows:

	2022	2021
Discount rate	5.44 %	2.93 %

	2023	2022
Discount rate	5.18 %	5.44 %

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The weighted average assumptions used to determine the net periodic pension cost at December 31 are as follows:

	2022	2021	2023	2022
Discount rate	5.44 %	2.63 %	5.18 %	5.44 %
Expected long-term return on plan assets	6.00 %	5.25 %	6.50 %	6.00 %
Rate of compensation increase	— %	— %	— %	— %

The expected long-term return on plan assets was determined based upon expected returns on individual asset types included in the asset portfolio.

The Delaware Plan's weighted-average asset allocations at December 31, by asset category, are as follows:

	2022	2021	2023	2022
Cash equivalents	16.6 %	— %	0.2 %	16.6 %
Equity securities	25.1 %	35.7 %	31.5 %	25.1 %
Fixed income securities	21.7 %	35.0 %	36.1 %	21.7 %
Other	36.6 %	29.3 %	32.2 %	36.6 %
	100.0 %	100.0 %	100.0 %	100.0 %

The New York Bankers Retirement System ("System") overall investment strategy is to invest in a diversified portfolio diversified portfolio while managing the variability between the assets and projected liabilities of underfunded pension plans. The System's Board Members approved a migration (the "Migration") of substantially Substantially all of the System's assets to one to one fund, Commingled Pensions Trust Fund (LDI Diversified Balanced) of JPMorgan Chase Bank, N.A. ("JPMCBLDI Diversified Balanced Fund" or the "Fund"). The Fund is a collective investment fund managed by the Trustee under the Declaration of Trust. The Trustee is the Fund's manager and makes day-to-day investment decisions for the Fund. The Fund is a group trust within the meaning of Internal Revenue Service Revenue Ruling 81-100, as amended. In reliance upon exemptions from the registration requirements of the federal securities laws, neither the Fund nor the Fund's Units are registered with the Securities and Exchange Commission ("SEC") or any state securities commission. Because the Fund is not subject to registration under federal or state securities laws, certain protections that might otherwise be provided to investors in registered funds are not available to investors in the Fund. However, as a bank-sponsored collective investment trust holding qualified retirement plan assets, the Fund is required to comply with applicable provisions of the Employee Retirement Income Security Act of

1974, as amended ("ERISA"), and the Trustee is subject to supervision and regulation by the Office of the Comptroller the Comptroller of the Currency and the Department of Labor.

The Fund employs a liability driven investing ("LDI") strategy for pension plans that are seeking a solution that is balanced between growth and hedging. The Bloomberg Barclays Long A U.S. Corporate Index, the Fund's primary liability-performance benchmark, is used as a proxy for plan projected liabilities. The growth-oriented portion of the Fund invests in a mix of asset classes that the Fund's Trustee believes will collectively maximize total risk-adjusted return through a combination of capital appreciation and income. This portion of the Fund will comprise between 35% and 90% of the portfolio and will invest directly or indirectly via underlying funds in a broad mix of global equity, credit, global fixed income, real estate and cash-plus strategies. The remaining portion of the Fund, between 10% and 65% of the portfolio, provides exposure to U.S. long duration fixed income and is used to minimize volatility relative to a plan's projected liabilities. This portion of the Fund will invest directly or indirectly via underlying funds in investment grade corporate bonds and securities issued by the U.S. Treasury and its agencies or instrumentalities.

At December 31, 2022 December 31, 2023 and 2021, 2022, the portfolio was substantially managed by one investment firm who controlled manages approximately 96% 98% and 100% 96%, respectively, of the System's assets. Also, at December 31, 2022 December 31, 2023 and 2021, 2022, approximately \$7.0 million \$2.6 million and \$-0- \$7.0 million, respectively, of System's assets in the short-term investment fund (STIF) account had not yet been allocated to an investment manager, firm, nor deployed for benefit payments or expenses.

At December 31, 2022 December 31, 2023 and 2021, 2022, the System had an investment concentration of approximately 96% 98% and 100% 96%, respectively, of its total portfolio in the JPMCB LDI Diversified Balanced Fund, a commingled pension trust fund. In accordance with ASC Subtopic 820-10, certain investments measured at net asset value per share (or its equivalents) are not required to be classified in the fair value hierarchy. fund managed by one investment firm..

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NOTE 10 - INCOME TAXES

The components of the provision for federal income taxes are as follows:

	Years Ended December 31,		Years Ended December 31,	
	2022	2021	2023	2022
	(In Thousands)		(In Thousands)	
Current	\$ 6,733	\$ 6,328	\$3,804	\$6,733
Deferred	419	(383)	583	419
	\$ 7,152	\$ 5,945	\$4,387	\$7,152

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Deferred income taxes reflect temporary differences in the recognition of revenue and expenses for tax reporting and financial statement purposes, principally because certain items, such as the allowance for loan credit losses and loan fees are recognized in different periods for financial reporting and tax return purposes. As of December 31, 2022 December 31, 2023, the Company had a \$3,535,000 \$3,176,000 net operating loss carryforward that will begin to expire by December 31, 2037 December 31, 2035. A valuation allowance has not been established for deferred tax assets. Realization of the deferred tax assets is dependent on generating sufficient taxable income. Although realization is not assured, management believes it is more likely than not that all of the deferred tax asset will be realized. Deferred tax assets are recorded in other assets.

Income tax expense of the Company is less than the amounts computed by applying statutory federal income tax rates to income before income taxes because of the following:

	Percentage of Income before Income Taxes		Percentage of Income Before Income Taxes	
	Years Ended December 31,		Years Ended December 31,	
	2022	2021	2023	2022
Tax at statutory rates	21.0 %	21.0 %	21.0 %	21.0 %
Tax exempt interest income, net of interest expense disallowance	(1.6)	(1.9)	(2.0)	(1.6)
Non-deductible merger related expenses	—	—	—	—
Earnings and proceeds on life insurance	(0.6)	(0.6)	(0.7)	(0.6)
Other	0.9	0.8	2.4	0.9
	19.7 %	19.3 %	20.7 %	19.7 %

The net deferred tax asset included in other assets in the accompanying Consolidated Balance Sheets includes the following amounts of deferred tax assets and liabilities:

	2022	2021	2023	2022
	(In Thousands)		(In Thousands)	
Deferred tax assets:				
Allowance for loan losses	\$ 3,985	\$ 3,855		
Allowance for credit losses			\$ 4,447	\$ 3,985
Deferred compensation	834	817	867	834
Core deposit intangible	204	231	175	204
Pension liability	267	302	282	267
Foreclosed real estate valuation allowance	19	19	—	19
Net operating loss carryforward	829	913	745	829
Purchase price adjustment	1,779	2,487	1,278	1,779
Net unrealized loss on securities	15,399	386	12,717	15,399
Other	2,838	1,228	3,447	2,838
Total Deferred Tax Assets	26,154	10,238	23,958	26,154
Deferred tax liabilities:				
Premises and equipment	1,085	1,004	1,047	1,085
Deferred loan fees	1,366	125	1,427	1,366
Net unrealized gain on pension liability	154	318	131	154
Total Deferred Tax Liabilities	2,605	1,447	2,605	2,605
Net Deferred Tax Asset	\$ 23,549	\$ 8,791	\$21,353	\$23,549

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The Company's federal and state income tax returns for taxable years through 2019 2020 have been closed for purposes of examination by the Internal Revenue Service and the Pennsylvania Department of Revenue.

NOTE 11 - REGULATORY MATTERS AND STOCKHOLDERS' EQUITY

The Company and Bank are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Company's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company must meet specific capital guidelines that involve quantitative measures of the Company's assets, liabilities and certain off-balance sheet items as calculated under regulatory accounting practices. The Company's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk-weightings and other factors.

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Quantitative measures established by regulation to ensure capital adequacy require the Company and the Bank to maintain minimum amounts and ratios (set forth in the table below) of Total, Tier 1 and Common Equity Tier 1 capital (as defined in the regulations) to risk-weighted assets, and of Tier 1 capital to average assets. Management believes, as of December 31, 2022 December 31, 2023 and 2021 2022, that the Company and the Bank meet all capital adequacy requirements to which they are subject.

As of December 31, 2022 December 31, 2023, the most recent notification from the regulators has categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since that notification that management believes have changed the Bank's category.

The Company's actual capital amounts and ratios are presented in the following table:

	To be Well Capitalized under Prompt						To be Well Capitalized under Prompt					
	For Capital Adequacy Purposes				Corrective Action Provision		For Capital Adequacy Purposes				Corrective Action Provision	
	Actual						Actual					
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
	(Dollars in Thousands)						(Dollars in Thousands)					
As of December 31, 2022:												
As of December 31, 2023:												
Total capital (to risk-weighted assets)	\$ 211,055	13.58 %	≥\$124,303	≥8.00%	≥\$155,379	≥10.00%	\$217,528	13.06 %	≥\$133,240	≥8.00%	≥\$166,550	≥10.00%
Tier 1 capital (to risk-weighted assets)	194,124	12.49	≥\$93,228	≥6.00	≥\$124,303	≥8.00	199,772	11.99	≥\$99,930	≥6.00	≥\$133,240	≥8.00

Common Equity Tier 1 capital (to risk-weighted assets)	194,124	12.49	≥\$69,921	≥4.50	≥\$100,997	≥6.50	198,264	11.99	≥\$74,947	≥4.50	≥\$108,257	≥6.50
Tier 1 capital (to average assets)	194,124	9.36	≥\$82,934	≥4.00	≥\$103,668	≥5.00	199,772	9.00	≥\$88,769	≥4.00	≥\$110,961	≥5.00
As of December 31, 2021:												
As of December 31, 2022:												
Total capital (to risk-weighted assets)	\$ 191,469	13.66 %	≥\$112,117	≥8.00%	≥\$140,146	≥10.00%	\$211,055	13.58 %	≥\$124,303	≥8.00%	≥\$155,379	≥10.00%
Tier 1 capital (to risk-weighted assets)	175,027	12.49	≥\$84,087	≥6.00	≥\$112,117	≥8.00	194,124	12.49	≥\$93,228	≥6.00	≥\$124,303	≥8.00
Common Equity Tier 1 capital (to risk-weighted assets)	175,027	12.49	≥\$63,066	≥4.50	≥\$91,095	≥6.50	194,124	12.49	≥\$69,921	≥4.50	≥\$100,997	≥6.50
Tier 1 capital (to average assets)	175,027	8.51	≥\$82,243	≥4.00	≥\$102,804	≥5.00	194,124	9.36	≥\$82,934	≥4.00	≥\$103,668	≥5.00

The Bank's ratios do not differ significantly from the Company's ratios presented above.

The Company and the Bank are subject to regulatory capital rules which, among other things, impose a common equity Tier 1 minimum capital requirement of 4.50% of risk-weighted assets; set the minimum leverage ratio for all banking organizations at a uniform 4.00% of total assets; set the minimum Tier 1 capital to risk-based assets requirement at 6.00% of risk-weighted assets; and assign a risk-weight of 150% to exposures that are more than 90 days past due or are on nonaccrual status and to certain commercial real estate facilities that finance the acquisition, development or construction of real property. The rules also require unrealized gains and losses on certain "available-for-sale" securities holdings to be included for purposes of calculating regulatory capital requirements unless a one-time opt out is exercised, which the Company and the Bank have done. The rule also limits a banking organization's dividends, stock repurchases and other capital distributions, and certain discretionary bonus payments to executive officers, if the banking

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organization does not hold a "capital conservation buffer" consisting of 2.50% of common equity Tier 1 capital to risk-weighted assets above regulatory minimum risk-based requirements. The Company and the Bank are in compliance with their respective new capital requirements, including the capital conservation buffer, as of **December 31, 2022** **December 31, 2023**.

Pennsylvania banking regulations limit the ability of the Bank to pay dividends or make loans or advances to the Company. Dividends that may be paid in any calendar year are limited to the current year's net profits, combined with the retained net profits of the preceding two years. At **December 31, 2022** **December 31, 2023**, dividends from the Bank available to be paid to the Company, without prior approval of the Bank's regulatory agency, totaled **\$52.7 million**, **\$53.0 million**, subject to the Bank meeting or exceeding regulatory capital requirements. The Company's principal source of funds for dividend payments to shareholders is dividends received from the Bank.

NOTE 12 - STOCK BASED COMPENSATION

At the Annual Meeting held on April 22, 2014, the Company's stockholders approved the Norwood Financial Corp 2014 Equity Incentive Plan. An aggregate of 375,000 shares of authorized but unissued Common Stock of the Company were reserved for future issuance under the Plan. This includes up to 60,000 shares for awards to outside directors. The Plan also authorized the Company to award restricted stock to officers and outside directors, limited to 63,000 shares of restricted stock awards for officers and 12,000 shares

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of restricted stock awards for outside directors. At the Annual Meeting held on April 24, 2018, the Company's stockholders approved an amendment to the 2014 Equity Incentive Plan to ease certain restrictions on restricted stock awards to outside directors. As a result of this amendment, the number of shares available for restricted stock awards to officers was reduced by 300 shares to 62,700, while the number of shares available for restricted stock awards to outside directors was increased by 20,300 to 32,300 shares. At the Annual Meeting held on April 26, 2022, the Company's stockholders approved an amendment to the 2014 Equity Incentive Plan to increase the number of shares available for awards. As a result of this amendment, the number of shares available for stock awards to officers was increased by 60,000 shares, including 40,000 shares for restricted stock awards, while the number of shares available for stock awards to outside directors was increased by 40,000 shares, including 30,000 shares for restricted stock awards. Under this plan, the Company has granted **357,966** **418,432** shares, which included **229,866** **270,866** options to employees, 10,400 options to directors, **74,125** **86,591** shares of restricted stock to officers and **43,575** **50,575** shares of restricted stock to directors. The restricted shares vest over five years. The product of the number of shares granted and the grant date market price of the Company's common stock determine the fair value of restricted stock under the company's restricted stock plan. Management recognizes compensation expense for the fair value of restricted stock on a straight-line basis over the requisite service period for the entire award. As of **December 31, 2022** **December 31, 2023**, there were **117,035** **56,569** shares available for future awards under this plan, which includes **71,010** **17,544** shares available for officer awards and **46,025** **39,025** shares available for awards to outside directors. Included in these totals are **28,575** **16,109** shares available for restricted stock awards to officers and **18,725** **11,725** shares available for restricted stock awards to outside directors.

Total unrecognized compensation cost related to stock options was **\$346,000** as of **December 31, 2023** and **\$382,000** as of **December 31, 2022** and **\$269,000** as of **December 31, 2021**. Salaries and employee benefits expense includes **\$269,000** **\$401,000** and **\$214,000** **\$269,000** of compensation costs related to options for the years ended **December 31, 2022** **December 31, 2023** and **2021, 2022**, respectively. Compensation costs related to restricted stock amounted to **\$372,000** **\$429,000** and **\$335,000** **\$372,000** for

the years ended **December 31, 2022** **December 31, 2023** and **2021, 2022**, respectively. The expected future compensation expense relating to non-vested restricted stock outstanding as of **December 31, 2022** **December 31, 2023** and **2021** 2022 was **\$1,294,000** **\$1,356,000** and **\$953,000**, **\$1,294,000**, respectively.

A summary of the Company's stock option activity and related information for the years ended December 31 follows:

	2022			2021			2023			2022		
	Options	Weighted Average Exercise Price	Average Intrinsic Value	Options	Weighted Average Exercise Price	Average Intrinsic Value	Options	Weighted Average Exercise Price	Average Intrinsic Value	Options	Weighted Average Exercise Price	Average Intrinsic Value
Outstanding, beginning of year	226,075	\$ 26.37		215,970	\$ 25.73		218,975	\$ 26.70		226,075	\$ 26.37	
Granted	38,000	33.53		43,500	25.80		41,000	29.66		38,000	33.53	
Exercised	(34,425)	19.08		(22,420)	17.59		(38,000)	23.30		(34,425)	19.08	
Forfeited	(10,675)	27.56		(10,975)	29.48		(6,250)	29.16		(10,675)	27.56	
Outstanding, end of year	218,975	\$ 26.70	\$ 1,100	226,075	\$ 26.37	\$ 520	215,725	\$ 29.81	\$ 759	218,975	\$ 26.70	\$ 1,100
Exercisable, end of year	180,975	\$ 27.68	\$ 1,100	182,575	\$ 26.50	\$ 511	174,725	\$ 29.85	\$ 626	180,975	\$ 27.68	\$ 1,100

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Exercise prices for options outstanding as of **December 31, 2022** **December 31, 2023** ranged from **\$17.93** **\$19.03** to \$36.02 per share. The weighted average remaining contractual life is **6.8** **6.9** years.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions:

	Years Ended December 31,		Years Ended December 31,	
	2022	2021	2023	2022
Dividend yield	3.57%	3.55%	3.59%	3.57%
Expected life	10 years	10 years	10 years	10 years
Expected volatility	35.01%	34.69%	35.09%	35.01%
Risk-free interest rate	3.87%	1.51%	3.88%	3.87%
Weighted average fair value of options granted	\$ 10.06	\$ 6.49	\$ 8.90	\$ 10.06

The expected volatility is based on historical volatility. The risk-free interest rates for periods within the contractual life of the awards are based on the U.S. Treasury yield curve in effect at the time of the grant. The expected life is based on historical exercise experience. The dividend yield assumption is based on the Company's history and expectation of dividend payouts.

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Proceeds from stock option exercises totaled **\$657,000** **\$886,000** in **2022, 2023**. Shares issued in connection with stock option exercises are issued from available treasury shares or from available authorized shares. During **2022, 2023**, for the shares issued in connection with stock option exercises, **1,650** **38,000** shares in total, all shares were issued from **available authorized treasury** shares.

As of **December 31, 2022** **December 31, 2023**, outstanding stock options consist of the following:

Options Outstanding	Average Exercise Price	Remaining Life, Years	Options Exercisable	Average Exercise Price
11,125	\$ 17.93	1.0	11,125	\$ 17.93
8,250	19.39	1.9	8,250	19.39
9,375	19.03	2.9	9,375	19.03
12,125	22.37	4.0	12,125	22.37
25,250	32.81	5.0	25,250	32.81
22,100	32.34	6.0	22,100	32.34
22,500	36.02	7.0	22,500	36.02
30,750	26.93	8.0	30,750	26.93
1,000	26.35	8.3	1,000	26.35

	1,000	25.38	8.5	1,000	25.38
	37,500	25.80	9.0	37,500	25.80
	38,000	33.53	10.0	—	—
Total	218,975			180,975	

	Options Outstanding	Exercise Price	Remaining Life, Years	Options Exercisable	Exercise Price
	4,125	\$ 19.39	1.0	4,125	\$ 19.39
	7,125	19.03	1.9	7,125	19.03
	10,125	22.37	3.0	10,125	22.37
	23,750	32.81	4.0	23,750	32.81
	20,600	32.34	5.0	20,600	32.34
	22,500	36.02	6.0	22,500	36.02
	23,500	26.93	7.0	23,500	26.93
	1,000	26.35	7.3	1,000	26.35
	1,000	25.38	7.5	1,000	25.38
	27,500	25.80	8.0	27,500	25.80
	33,500	33.53	9.0	33,500	33.53
	2,500	29.60	9.2		
	38,500	29.66	10.0		
Total	215,725			174,725	

A summary of the Company's restricted stock activity and related information for the years ended December 31 is as follows:

	2022		2021		2023		2022	
	Weighted-Average		Weighted-Average		Weighted-Average		Weighted-Average	
	Number of Shares	Grant Date Fair Value	Number of Shares	Grant Date Fair Value	Number of Shares	Grant Date Fair Value	Number of Shares	Grant Date Fair Value
Non-vested, beginning of year	32,030	\$26.76	39,135	\$30.72	44,460	\$30.12	32,030	\$26.76
Granted	23,000	30.25	8,000	25.80	19,446	29.66	23,000	30.25
Vested	(10,570)	30.89	(11,205)	32.15	(15,090)	30.20	(10,570)	30.89
Forfeited	—	—	(3,900)	31.72	(2,850)	30.15	—	—
Non-vested at December 31	44,460	\$30.12	32,030	\$26.76	45,966	\$29.90	44,460	\$30.12

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NOTE 13 - EARNINGS PER SHARE

The following table sets forth the computations of basic and diluted earnings per share:

	Years Ended December 31,		Years Ended December 31,	
	2022	2021	2023	2022
	(In Thousands, Except Per Share Data)		(In Thousands, Except Per Share Data)	
Numerator, net income	\$ 29,233	\$ 24,915	\$16,759	\$29,233
Denominator:				
Weighted average shares outstanding	8,174	8,213	8,105	8,174
Less: Weighted average unvested restricted shares	(37)	(35)	(43)	(37)
Denominator: Basic earnings per share	8,137	8,178	8,062	8,137
Weighted average shares outstanding, basic	8,137	8,178	8,062	8,137
Add: Dilutive effect of stock options and restricted stock	40	21	22	40
Denominator: Diluted earnings per share	8,177	8,199	8,084	8,177

Basic earnings per common share
Diluted earnings per common share

\$	3.59	\$	3.05	\$	2.08	\$	3.59
\$	3.58	\$	3.04	\$	2.07	\$	3.58

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Stock options which had no intrinsic value because their effect would be anti-dilutive, and therefore would not be included in the diluted EPS calculation, were 60,500 56,000 and 109,100 60,500 for the years ended December 31, 2022 December 31, 2023 and 2021 2022, respectively, based on the closing price of the Company's common stock which was \$33.44 \$32.91 and \$25.99 \$33.44 as of December 31, 2022 December 31, 2023 and 2021 2022, respectively.

NOTE 14 - OFF-BALANCE SHEET FINANCIAL INSTRUMENTS

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:

	December 31,		December 31,	
	2022	2021	2023	2022
	(In Thousands)		(In Thousands)	
Commitments to grant loans	\$ 90,379	\$ 78,996	\$ 72,625	\$ 90,379
Unfunded commitments under lines of credit	149,883	156,899	154,339	149,883
Standby letters of credit	15,052	8,462	8,336	15,052
	\$ 255,314	\$ 244,357	\$ 235,300	\$ 255,314

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.

Standby letters of credit are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. The majority of these standby letters of credit expire within the next twelve months. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending other loan commitments. The Bank requires collateral supporting these letters

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of credit when deemed necessary. Management believes that the proceeds obtained through a liquidation of such collateral would be sufficient to cover the maximum potential amount of future payments required under the corresponding guarantees.

NOTE 15 - 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 December 31, 2022 December 31, 2023, 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 which had a fair value \$1,464,000. \$1,225,000.

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Summary information regarding these derivatives is presented below:

(Amounts
in
thousands)

	Notional Amount, December 31,				Fair Value December 31,		Notional Amount, December 31,				Fair Value December 31,	
			Interest Rate				Interest Rate		Interest Rate			
	2022	2021	Interest Rate Paid	Received	2022	2021	2023	2022	Paid	Received	2023	2022
Customer interest rate swap												
Maturing November, 2030	\$ 6,513	\$ 6,873	Term SOFR + Margin	Fixed	\$ 889	\$ 144	\$ 6,145	\$ 6,513	Term SOFR + Margin	Fixed	\$ 746	\$ 889
Maturing December, 2030	4,297	4,553	Term SOFR + Margin	Fixed	575	91	4,032	4,297	Term SOFR + Margin	Fixed	479	575
Total	\$ 10,810	\$ 11,426			\$ 1,464	\$ 235	\$10,177	\$10,810			\$1,225	\$1,464
Third party interest rate swap												
Maturing November, 2030	\$ 6,513	\$ 6,873	Fixed	Term SOFR + Margin	\$ 889	\$ 144	\$ 6,145	\$ 6,513	Fixed	Term SOFR + Margin	\$ 746	\$ 889
Maturing December, 2030	4,297	4,553	Fixed	Term SOFR + Margin	575	91	4,032	4,297	Fixed	Term SOFR + Margin	479	575
Total	\$ 10,810	\$ 11,426			\$ 1,464	\$ 235	\$10,177	\$10,810			\$1,225	\$1,464

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

	(Amounts in thousands)				(Amounts in thousands)			
	Assets		Liabilities		Assets		Liabilities	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
December 31, 2023								
Interest rate derivatives					Other assets	\$ 1,225	Other liabilities	\$ 1,225
December 31, 2022								
Interest rate derivatives	Other assets	\$ 1,464	Other liabilities	\$ 1,464	Other assets	1,464	Other liabilities	1,464
December 31, 2021								
Interest rate derivatives	Other assets	235	Other liabilities	235				

NOTE 16 – FAIR VALUES OF FINANCIAL INSTRUMENTS

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.

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 **December 31, 2022** **December 31, 2023** and **2021** **2022** are as follows (in thousands):

Description	Fair Value Measurement Reporting Date using			
	Total	Level 1	Level 2	Level 3
December 31, 2022				
<u>ASSETS</u>				
U.S. Treasury securities	\$ 41,854	\$ —	\$ 41,854	\$ —
U.S. Government agencies	18,323	—	18,323	—
States and political subdivisions	127,852	—	127,852	—
Mortgage-backed securities-government sponsored entities	230,898	—	230,898	—
Interest rate derivatives	1,464	—	1,464	—
<u>LIABILITIES</u>				
Interest rate derivatives	1,464	—	1,464	—
December 31, 2021				
<u>ASSETS</u>				
U.S. Treasury securities	\$ 19,351	\$ —	\$ 19,351	\$ —
U.S. Government agencies	16,011	—	16,011	—
States and political subdivisions	145,867	—	145,867	—
Mortgage-backed securities-government sponsored entities	225,553	—	225,553	—
Interest rate derivatives	235	—	235	—
<u>LIABILITIES</u>				
Interest rate derivatives	235	—	235	—

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Description	Fair Value Measurement Reporting Date using			
	Total	Level 1	Level 2	Level 3
December 31, 2023				
<u>ASSETS</u>				
U.S. Treasury securities	\$ 53,600	\$ —	\$ 53,600	\$ —
U.S. Government agencies	15,996	—	15,996	—
States and political subdivisions	129,479	—	129,479	—
Mortgage-backed securities-government sponsored entities	207,184	—	207,184	—
Interest rate derivatives	1,225	—	1,225	—
<u>LIABILITIES</u>				
Interest rate derivatives	1,225	—	1,225	—
December 31, 2022				
<u>ASSETS</u>				
U.S. Treasury securities	\$ 41,854	\$ —	\$ 41,854	\$ —
U.S. Government agencies	18,323	—	18,323	—
States and political subdivisions	127,852	—	127,852	—
Mortgage-backed securities-government sponsored entities	230,898	—	230,898	—
Interest rate derivatives	1,464	—	1,464	—
<u>LIABILITIES</u>				
Interest rate derivatives	1464	—	1464	—

Securities:

The fair value of securities available for sale (carried at fair value) 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.

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Interest Rate Swaps:

The fair value of interest rate swaps is based upon the present value of the expected future cash flows using the 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.

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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 December 31, 2022 December 31, 2023 and 2021 2022 are as follows (in thousands):

Description	Fair Value Measurement Reporting Date using				Fair Value Measurement Reporting Date using			
	Total	Level 1	Level 2	Level 3	Level Level			
					Total	1	2	Level 3
December 31, 2022								
Impaired Loans	\$ 413	\$ —	\$ —	\$ 413				
December 31, 2023								
Individually analyzed loans held for investment					\$ 7,487	\$ —	\$ —	\$ 7,487
Foreclosed real estate	346	—	—	346	97	—	—	97
December 31, 2021								
Impaired Loans	\$ 1,402	\$ —	\$ —	\$ 1,402				
December 31, 2022								
Impaired loans					\$ 413	\$ —	\$ —	\$ 413
Foreclosed real estate	1,742	—	—	1,742	346	—	—	346

Impaired Individually Analyzed loans (generally carried at fair value):

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 December 31, 2023, the fair value investment in individually analyzed loans totaled \$7,487,000, which included 28 loan relationships with a carrying value of \$7,069,000 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, 2023, the Company has recognized charge-offs against the allowance for credit losses on these individually analyzed loans in the amount of \$5,277,000 over the life of the loans. As of December 31, 2023, the fair value investment in individually analyzed loans included 21 loan relationships with a carrying value of \$553,000 that required a valuation allowance of \$135,000 since the estimated realizable value of the collateral did not support the recorded investment in the loan. As of December 31, 2023, 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, 2022, the fair value investment in impaired loans totaled \$413,000, which included two loan relationships with a carrying value of \$413,000 that did not require a valuation allowance 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, 2022, the Company has recognized charge-offs against the allowance for loan losses on these impaired loans in the amount of \$0 over the life of the loans. As of December 31, 2022, the fair value investment in impaired loans included one loan relationships with a carrying value of \$50,000 that required a valuation allowance of \$50,000 since the estimated realizable value of the collateral did not support the recorded investment in the loan. As of December 31, 2022, the Company has recognized charge-offs against the allowance for loan losses on this impaired loan in the amount of \$0 over the life of the loan.

As of December 31, 2021, the fair value investment in impaired loans totaled \$1,402,000, which included three loan relationships with a carrying value of \$157,000 that did not require a valuation allowance 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, 2021, the Company has recognized charge-offs against the allowance for loan losses on these impaired loans in the amount of \$0 over the life of the loans. As of December 31, 2021, the fair value investment in impaired loans included one loan relationships with a carrying value of \$1,517,000 that required a valuation allowance of \$272,000 since the estimated realizable value of the collateral did not support the recorded investment in the loan. As of December 31, 2021, the Company has recognized charge-offs against the allowance for loan losses on this impaired loan in the amount of \$0 over the life of the loan.

Foreclosed real estate owned (carried at fair value):

Real estate properties acquired through, or in lieu of, loan foreclosure are to be sold and are carried at fair value less estimated cost to sell. Fair value is based upon independent market prices, appraised value of the collateral or management's estimation of the value of the collateral. These assets are included in Level 3 fair value based upon the lowest level of input that is significant to the fair value measurement.

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The following tables present additional quantitative information about assets measured at fair value on a nonrecurring basis and for which the Company has utilized Level 3 inputs to determine fair value:

	Quantitative Information about Level 3 Fair Value Measurements				Quantitative Information about Level 3 Fair Value Measurements			
	Fair Value Estimate	Valuation Techniques	Unobservable Input	Range (Weighted Average)	Fair Value Estimate	Valuation Techniques	Unobservable Input	Range (Weighted Average)
(dollars in thousands)								
December 31, 2022								
Impaired loans	\$ 413	Appraisal of collateral(1)	Appraisal adjustments(2)	0%-10.0% (8.92%)				
December 31, 2023								
Individually analyzed loans held for investment					\$ 7,487	Appraisal of collateral(1)	Appraisal adjustments(2)	0%-10.0% (2.68%)
Foreclosed real estate owned	\$ 346	Appraisal of collateral(1)	Liquidation Expenses(2)	7.00% (7.00%)	\$ 97	Appraisal of collateral(1)	Liquidation Expenses(2)	16.67%-37.20% (28.07%)
	Quantitative Information about Level 3 Fair Value Measurements				Quantitative Information about Level 3 Fair Value Measurements			
	Fair Value Estimate	Valuation Techniques	Unobservable Input	Range (Weighted Average)	Fair Value Estimate	Valuation Techniques	Unobservable Input	Range (Weighted Average)
(dollars in thousands)								
December 31, 2021								
December 31, 2022								
Impaired loans	\$ 1,402	Appraisal of collateral(1)	Appraisal adjustments(2)	0%-10.0% (1.12%)	\$ 413	Appraisal of collateral(1)	Appraisal adjustments(2)	0%-10.0% (8.92%)
Foreclosed real estate owned	\$ 1,742	Appraisal of collateral(1)	Liquidation Expenses(2)	7.00% (7.00%)	\$ 346	Appraisal of collateral(1)	Liquidation Expenses(2)	7.00% (7.00%)

(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.

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The estimated fair values of the Bank's financial instruments not required to be measured or reported at fair value were as follows at December 31, 2022 December 31, 2023 and December 31, 2021 December 31, 2022. (In thousands):

	Fair Value Measurements at December 31, 2022					Fair Value Measurements at December 31, 2023				
	Carrying Amount	Fair Value	Level 1	Level 2	Level 3	Carrying Amount	Fair Value	Level 1	Level 2	Level 3
Financial assets:										
Cash and cash equivalents	\$ 31,866	\$ 31,866	\$ 31,866	\$ —	\$ —	\$ 66,120	\$ 66,120	\$ 66,120	\$ —	\$ —
(1)										
Loans receivable, net	1,456,946	1,418,300	—	—	1,418,300	1,584,650	1,521,667	—	—	1,521,667

Mortgage servicing rights	213	498	—	—	498	188	506	—	—	506
Regulatory stock (1)	5,418	5,418	5,418	—	—	7,318	7,318	7,318	—	—
Bank owned life insurance (1)	43,364	43,364	43,364	—	—	46,439	46,439	46,439	—	—
Accrued interest receivable (1)	6,917	6,917	6,917	—	—	8,123	8,123	8,123	—	—
Financial liabilities:										
Deposits	1,727,727	1,727,184	1,223,958	—	503,226	1,795,159	1,800,104	1,086,050	—	714,054
Short-term borrowings (1)	93,215	93,215	93,215	—	—	74,076	74,076	74,076	—	—
Other borrowings	40,000	40,074	—	—	40,074	124,236	124,058	—	—	124,058
Accrued interest payable (1)	2,653	2,653	2,653	—	—	10,510	10,510	10,510	—	—
Off-balance sheet financial instruments:										
Commitments to extend credit and outstanding letters of credit	—	—	—	—	—	—	—	—	—	—
Commitments to extend credit and outstanding letters of credit	—	—	—	—	—	—	—	—	—	—
Fair Value Measurements at December 31, 2021						Fair Value Measurements at December 31, 2022				
	Carrying	Fair				Carrying	Fair			
	Amount	Value	Level 1	Level 2	Level 3	Amount	Value	Level 1	2	Level 3
Financial assets:										
Cash and cash equivalents (1)	\$ 206,681	\$ 206,681	\$ 206,681	\$ —	\$ —	\$ 31,866	\$ 31,866	\$ 31,866	\$ —	\$ —
Loans receivable, net	1,338,489	1,389,870	—	—	1,389,870	1,456,946	1,418,300	—	—	1,418,300
Mortgage servicing rights	289	500	—	—	500	213	498	—	—	498
Regulatory stock (1)	3,927	3,927	3,927	—	—	5,418	5,418	5,418	—	—
Bank owned life insurance (1)	40,038	40,038	40,038	—	—	43,364	43,364	43,364	—	—
Accrued interest receivable (1)	5,889	5,889	5,889	—	—	6,917	6,917	6,917	—	—
Financial liabilities:										
Deposits	1,756,793	1,759,722	1,228,091	—	531,631	1,727,727	1,727,184	1,223,958	—	503,226
Short-term borrowings (1)	60,822	60,822	60,822	—	—	93,215	93,215	93,215	—	—
Other borrowings	29,998	30,221	—	—	30,221	40,000	40,074	—	—	40,074
Accrued interest payable (1)	1,203	1,203	1,203	—	—	2,653	2,653	2,653	—	—
Off-balance sheet financial instruments:										
Commitments to extend credit and outstanding letters of credit	—	—	—	—	—	—	—	—	—	—
Commitments to extend credit and outstanding letters of credit	—	—	—	—	—	—	—	—	—	—

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

NOTE 17 – ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

2022 December 31, 2023 and 2021: 2022:

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

December 31, 2022 December 31, 2023 and 2021: 2022:

				Net realized gains on sales of securities				Net realized gains on sales of securities
Unrealized gains on available for sale securities	\$	3	\$	92		\$	(209)	\$ 3 securities

	(1)	(19)	Income tax expense	44	Income tax (1)expense
	\$ 2	\$ 73		\$ (165)	\$ 2

(a) Amounts in parentheses indicate debits to net income.

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NOTE 18 - NORWOOD FINANCIAL CORP (PARENT COMPANY ONLY) FINANCIAL INFORMATION
BALANCE SHEETS

	December 31,		December 31,	
	2022	2021	2023	2022
	(In Thousands)		(In Thousands)	
ASSETS				
Cash on deposit in bank subsidiary	\$ 3,938	\$ 1,511	\$ 1,699	\$ 3,938
Investment in bank subsidiary	164,248	204,547	180,508	164,248
Other assets	2,365	2,472	2,666	2,365
Total assets	\$ 170,551	\$ 208,530	\$ 184,873	\$ 170,551
LIABILITIES AND STOCKHOLDERS' EQUITY				
Liabilities	\$ 3,466	\$ 3,268	\$ 3,803	\$ 3,466
Stockholders' equity	167,085	205,262	181,070	167,085
Total liabilities and stockholders' equity	\$ 170,551	\$ 208,530	\$ 184,873	\$ 170,551

STATEMENTS OF INCOME

	Years Ended December 31,		Years Ended December 31,	
	2022	2021	2023	2022
	(In Thousands)		(In Thousands)	
Income:				
Dividends from bank subsidiary	\$ 13,228	\$ 10,697	\$ 9,483	\$ 13,228
Expenses	743	627	834	743
	12,485	10,070	8,649	12,485
Income tax benefit	(219)	(171)	(245)	(219)
	12,704	10,241	8,894	12,704
Equity in undistributed earnings of subsidiary	16,529	14,674	7,865	16,529
Net Income	\$ 29,233	\$ 24,915	\$ 16,759	\$ 29,233
Comprehensive Income	\$ (27,864)	\$ 19,540		
Comprehensive Income (Loss)			\$ 26,764	\$ (27,864)

STATEMENTS OF CASH FLOWS

	Years Ended December 31,	
	2022	2021
	(In Thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 29,233	\$ 24,915
Adjustments to reconcile net income to net cash provided by operating activities:		
Undistributed earnings of bank subsidiary	(16,529)	(14,674)
Other, net	607	(129)
Net Cash Provided by Operating Activities	13,311	10,112
CASH FLOWS FROM FINANCING ACTIVITIES		

Stock options exercised	657	394
Sale of treasury stock for ESOP	132	130
Acquisition of treasury stock	(2,515)	(1,440)
Cash dividends paid	(9,158)	(8,539)
Net Cash Used in Financing Activities	(10,884)	(9,455)
Net Increase in Cash and Cash Equivalents	2,427	657
CASH AND CASH EQUIVALENTS - BEGINNING	1,511	854
CASH AND CASH EQUIVALENTS - ENDING	\$ 3,938	\$ 1,511

	Years Ended December 31,	
	2023	2022
	(In Thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 16,759	\$ 29,233
Adjustments to reconcile net income to net cash provided by operating activities:		
Undistributed earnings of bank subsidiary	(7,865)	(16,529)
Other, net	398	607
Net Cash Provided by Operating Activities	9,292	13,311
CASH FLOWS FROM FINANCING ACTIVITIES		
Stock options exercised	886	657
Sale of treasury stock for ESOP	100	132
Acquisition of treasury stock	(3,100)	(2,515)
Cash dividends paid	(9,417)	(9,158)
Net Cash Used in Financing Activities	(11,531)	(10,884)
Net (Decrease) Increase in Cash and Cash Equivalents	(2,239)	2,427
CASH AND CASH EQUIVALENTS - BEGINNING	3,938	1,511
CASH AND CASH EQUIVALENTS - ENDING	\$ 1,699	\$ 3,938

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Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

Not applicable.

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Item 9A. Controls and Procedures.

(a) **Disclosure 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 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 rules and forms.

(b) **Internal Control over Financial Reporting.** Management's Report on Internal Control over Financial Reporting is included in this Annual Report on Form 10-K under Item 8.

(c) **Changes in Internal Control over Financial Reporting.** There were no changes in the Company's internal control over financial reporting that occurred during the Company's last fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 9B. Other Information

None.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections.

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

The information contained under the sections captioned "Proposal I - Election of Directors" and "Corporate Governance" in the Proxy Statement for the 2023 2024 Annual Meeting of Stockholders (the "Proxy Statement") are incorporated herein by reference.

The Company has adopted a Code of Ethics that applies to its principal executive officer, principal financial officer and principal accounting officer or controller. The Code of Ethics is posted on the stockholder services page of Wayne Bank's website at www.waynebank.com/stockholder-services. The Company intends to report any waiver or amendment to its Code of Ethics on its website at www.waynebank.com/stockholder-services.

Item 11. Executive Compensation.

The information contained under the sections captioned "Executive Compensation" and "Director Compensation" in the Proxy Statement are incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.

(a) Security Ownership of Certain Beneficial Owners

Information required by this item is incorporated herein by reference to the Section captioned "Principal Holders of Our Common Stock" of the Proxy Statement.

(b) Security Ownership of Management

Information required by this item is incorporated herein by reference to the section captioned "Proposal I - Election of Directors" of the Proxy Statement.

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(c) Changes in Control

Management of the Company knows of no arrangements, including any pledge by any person of securities of the Company, the operation of which may at a subsequent date result in a change in control of the registrant.

(d) Equity Compensation Plan Information

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EQUITY COMPENSATION PLAN INFORMATION

	(a)	(b)	(c)	(a)	(b)	(c)
			Number of securities remaining available for future issuance	Number of Securities to be issued upon exercise of options, warrants and rights*	Weighted-average price of exercise of options, warrants and rights *	Number of securities remaining available for future issuance under equity compensation plans, (excluding securities reflected in column (a)) *
Equity compensation plans approved by security holders:						
2006 Stock Option Plan	11,125	\$ 17.93	—			
2014 Equity Incentive Plan, as amended ⁽¹⁾	252,310	\$ 29.42	117,035			
2014 Equity Incentive Plan, as amended				215,725	\$ 29.81	56,569
Equity compensation plans not approved by security holders:						
None	—	—	—	—	—	—
TOTAL	263,435	\$ 28.94	117,035	215,725	\$ 29.81	56,569

* Share and per share data adjusted for the 50% stock dividend declared on August 8, 2017.

⁽¹⁾ The second amendment to the 2014 Equity Incentive Plan, which increased the total shares available for stock awards by 100,000 shares, was approved by the stockholders of the Company at the Annual Meeting of Stockholders on April 26, 2022.

Item 13. Certain Relationships and Related Transactions and Director Independence

The information required by this item is incorporated herein by reference to the sections in the Proxy Statement captioned "Related Party Transactions" and "Corporate Governance".

Item 14. Principal Accounting Accountant Fees and Services

The information required by this item is incorporated herein by reference to the section in the Proxy Statement captioned "Proposal III -Ratification of Appointment of Independent Auditors."

PART IV

Item 15. Exhibits, Financial Statement Schedules

(a) Listed below are all financial statements, schedules and exhibits filed as part of this Annual Report on Form 10-K.

1. The consolidated balance sheets of Norwood Financial Corp and subsidiary as of December 31, 2022, December 31, 2023, and 2021, 2022, and the related consolidated statements of income, comprehensive income (loss) income, stockholders' equity and cash flows for

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each of the years in the two-year period ended December 31, 2022, December 31, 2023, together with the related notes and the independent registered public accounting firm reports of S.R. Snodgrass, P.C. (PCAOB: 00074), independent registered public accounting firm.

2. Schedules 2. Schedules omitted as they are not applicable.

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3. The following exhibits are filed as part of the Form 10-K

No.	Description
3(i)	Amended and Restated Articles of Incorporation of Norwood Financial Corp (13) (8)
3(ii)	Bylaws of Norwood Financial Corp (1)
4.1	Specimen Stock Certificate of Norwood Financial Corp (2) (1)
4.2	Description of Capital Stock of Norwood Financial Corp (15)
10.1†	Employment Agreement with Lewis J. Critelli (3) (10)
10.2†	Change in Control Severance Agreement with William S. Lance (3)
10.3†	Change in Control Severance Agreement with Robert J. Mancuso (4)
10.4†	Salary Continuation Agreement between the Bank and William W. Davis, Jr. (5)
10.5†	Amended and Restated Salary Continuation Agreement, dated September 1, 2017, between the Bank and Lewis J. Critelli (6)
10.7†	2006 Stock Option Plan (7)
10.8†	First and Second Amendments to Salary Continuation Agreement with William W. Davis, Jr. (8) (2)
10.11†	2014 Equity Incentive Plan, as amended (9) (4)
10.12†	Addendum to Change in Control Severance Agreement with William S. Lance (10) (5)
10.13†	Salary Continuation Agreement, dated September 1, 2017, between Wayne Bank and William S. Lance (6)
10.14†	Salary Continuation Agreement, dated September 1, 2017, between Wayne Bank and Robert J. Mancuso (6) (3)
10.15†	Change-In-Control Severance Agreement, dated February 14, 2022, by and among Norwood Financial Corp, Wayne Bank, and Vincent G. O'Bell (20) (14)
10.16†	Change-In-Control Severance Agreement, dated January 16, 2018, by and among Norwood Financial Corp, Wayne Bank, and John F. Carmody (11) (6)
10.17†	Addendum, dated January 16, 2018, to Change-In-Control Severance Agreement, dated March 2, 2010, by and among Norwood Financial Corp, Wayne Bank and William S. Lance (11)
10.18†	Addendum, dated January 16, 2018, to Change-In-Control Severance Agreement, dated January 3, 2013, by and among Norwood Financial Corp, Wayne Bank and Robert J. Mancuso (11) (6)
10.19	Wayne Bank Executive Annual Incentive Plan (14) (9)
10.20	Salary-Continuation Agreement dated March 1, 2021, between Wayne Bank and John F. Carmody (12) (7)
10.21	First Amendment to Salary-Continuation Agreement dated January 24, 2023, between Wayne Bank and William S. Lance (15)
10.22	Addendum to Change in Control Severance Agreement dated January 20, 2023 with William S. Lance (16)
10.23	Employment Agreement dated May 9, 2022, by and among Norwood Financial Corp, Wayne Bank and James O. O'Donnelly (16) (11)
10.24	Stock Award Agreement dated May 10, 2022, between Norwood Financial Corp and James O. Donnelly (17) (12)
10.25	Salary-Continuation Agreement dated May 10, 2022, between Wayne Bank and James O. Donnelly (18) (14)
10.26 19	Consulting Agreement dated July 1, 2022, by and between Norwood Financial Corp and Lewis J. Critelli (19) Insider Trading Policy
21	Subsidiaries of Norwood Financial Corp
23	Consent of S.R. Snodgrass, P.C.

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
97	Norwood Financial Corp Incentive-Based Compensation Recovery Policy

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101	The following materials from the Company's Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023 , formatted in Inline XBRL (Extensible Business Reporting Language): (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Income; (iii) the Consolidated Statements of Comprehensive Income, (iv) the Consolidated Statements of Stockholder's Equity, (v) the Consolidated Statements of Cash Flows and (vi) the 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 with 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)

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†	Management contract or compensatory plan or arrangement.
(1)	Incorporated by reference into this document from the identically numbered exhibit to the Company's Form 10-Q filed with the Commission on August 8, 2014.
(2) (1)	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.
(3) (2)	Incorporated herein by reference from the identically numbered exhibits to the Company's Form 10-K filed with the Commission on March 15, 2010.
(4)	Incorporated by reference into this document from Exhibit 10.4 to the Company's Form 10-K filed with the Commission on March 14, 2013. File No. 0-28364.
(5)	Incorporated herein by reference into this document from Exhibit 10.6 to the Company's Form 10-K filed with the Commission on March 23, 2000, File No. 0-28364.
(6) (3)	Incorporated by reference from the exhibits to the Current Report on Form 8-K filed with the Commission on September 5, 2017.
7)	Incorporated herein by reference from Exhibit 4.1 to the Company's Registration Statement on Form S-8 (File No. 333-134831) filed with the Commission on June 8, 2006.
(8)	Incorporated herein by reference from Exhibits 10.1 and 10.5 to the Company's Current Report on Form 8-K filed April 4, 2006.
(9) (4)	Incorporated by reference to Exhibit 10.1 to the Company's Registration Statement on Form S-8 (File No. 333-266622) filed with the Commission on August 8, 2022.
(10) (5)	Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed February 18, 2015.
(11) (6)	Incorporated by reference into this document from the exhibits to the Company's Current Report on Form 8-K filed with the Commission on January 16, 2018
(12) (7)	Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on March 2, 2021, (File No. 0-28364).
(13) (8)	Incorporated herein by reference from the identically numbered exhibit to the Company's Form 10-K filed with the Commission on March 13, 2020.
(14) (9)	Incorporated herein by reference from the identically numbered exhibit to the Company's Form 10-K filed with the Commission on March 13, 2020.
(15)	Incorporated herein by reference from the identically numbered exhibit to the Company's Form 10-K filed with the Commission on March 9, 2021.
(10)	Incorporated herein by reference from the identically numbered exhibit to the Company's Form 10-K filed with the Commission on March 9, 2021.
(16) (11)	Incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the Commission on May 12, 2022, (File No. 0-28364).
(17) (12)	Incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the Commission on May 12, 2022, (File No. 0-28364).
(18) (13)	Incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the Commission on May 12, 2022, (File No. 0-28364).
(19) (14)	Incorporated by reference to Exhibit 10.1 10.15 to the Company's Current Report on Form 8-K 10-K filed with the Commission on July 5, 2022 March 11, 2022 , (File No. 0-28364).
(15)	Incorporated herein by reference from the identically numbered exhibit to the Company's Form 10-K filed with the Commission on March 17, 2023
(16)	Incorporated herein by reference from the identically numbered exhibit to the Company's Form 10-K filed with the Commission on March 17, 2023
(20)	Incorporated by reference to Exhibit 10.15 to the Company's Form 10-K filed with the Commission on March 11, 2022, (File No. 0-28364).

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Item 16. Form 10-K Summary

None.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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

Dated: March 17, 2023 March 14, 2024

By: /s/ James O. Donnelly

James O. Donnelly

President and Chief Executive Officer

(Duly Authorized Representative)

Pursuant to the requirement of the Securities Exchange Act of 1934, this report has been signed below by the following persons on March 17, 2023 March 14, 2024 on behalf of the registrant and in the capacities indicated.

/s/ James O. Donnelly

James O. Donnelly

President, Chief Executive Officer and Director

(Principal Executive Officer)

/s/ Andrew A. Forte

Dr. Andrew A. Forte

Director

/s/ Joseph W. Adams

Joseph W. Adams

Director

/s/ Ralph A. Matergia

Ralph A. Matergia

Director

/s/ Jeffrey S. Gifford

Jeffrey S. Gifford

Director

/s/ William S. Lance

William S. Lance

Executive Vice President and Chief Financial Officer

(Principal Financial and Accounting Officer)

/s/ Lewis J. Critelli

Lewis J. Critelli

Director

/s/ Susan Campfield

Susan Campfield

Director

/s/ Kevin M. Lamont

Kevin M. Lamont

Director

/s/ Kenneth A. Phillips

Dr. Kenneth A. Phillips

Director

/s/ Alexandra K. Nolan

Alexandra K. Nolan

Director

/s/ Meg L. Hungerford

Meg L. Hungerford

Director

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Exhibit 10.21 No. 3(ii) FIRST AMENDMENT TO SALARY CONTINUATION AGREEMENT BYLAWS THIS FIRST AMENDMENT OF NORWOOD FINANCIAL CORP. as amended* ARTICLE I. OFFICES

1.1 Registered Office and Registered Agent. The registered office of Norwood Financial Corp. (the "Amendment" "Company") is adopted January 24, 2023, shall be located in the Commonwealth of Pennsylvania at such place as may be fixed from time to time by and between Wayne Bank the board of directors of the Company (the "Employer" "Board" or "Board of Directors"), and William Lance (the "Executive").

WHEREAS, the Employer upon filing of such notices as may be required by law, and the Executive entered into registered agent shall have a Salary Continuation Agreement dated September 1, 2017 (the "Agreement") to provide deferred compensation benefits to the Executive under certain circumstances; and WHEREAS, the Employer and the Executive now wish to increase the Executive's benefits under the Agreement; NOW, THEREFORE, the Employer and the Executive adopt the following amendments to the Agreement: Section 2.1 of the Agreement shall be deleted and replaced business office identical with the following:

2.1 Normal Retirement Benefit. If Separation from Service occurs at Normal Retirement Age, the Employer shall pay the Executive an annual benefit in the amount of Sixty-Six Thousand Dollars (\$66,000) in lieu of any other benefit hereunder. If Separation from Service occurs after Normal Retirement Age, for each full month between Normal Retirement Age and Separation

from Service, up to a maximum of twenty-four (24) months, the Bank shall increase this annual benefit by .3274%. The annual benefit will be paid for fifteen (15) years in equal monthly installments commencing the month following Separation from Service.

Sections 2.4 and 2.5 of the Agreement shall be deleted and replaced with the following:

2.4 Change in Control Benefit. (a) If a Change in Control occurs prior to Separation of Service, Disability and Normal Retirement Age, the Employer shall pay the Executive an annual benefit in the amount of Sixty-Six Thousand Dollars (\$66,000) in lieu of any other benefit hereunder. The annual benefit will be paid for fifteen (15) years in equal monthly installments commencing the month following Normal Retirement Age. (b) If a Change in Control occurs after Normal Retirement Age, but prior to Separation of Service and Disability, the Employer shall pay the Executive an annual benefit shown on Schedule A for the Plan Year ending immediately prior to Change in Control in lieu of any other benefit hereunder. Additionally, the annual benefit shall be increased by a pro-rated amount relative to the Executive's service during the partial Plan Year in which Change in Control takes place. If Change in Control occurs after the Executive has reached age sixty-seven (67) the annual benefit shall be Seventy-One Thousand Three Hundred Eighty-Six Dollars (\$71,386). The annual benefit will be paid for fifteen (15) years in equal monthly installments commencing the month following Change in Control.

2.5 Death Prior to Commencement of Benefit Payments. In the event the Executive dies prior to Separation from Service, Disability and Change in Control and reaching age sixty-seven (67) the Employer shall pay the Beneficiary the annual benefit shown on Schedule A for the Plan Year ending immediately prior to the Executive's death in lieu of any other benefit hereunder. Additionally, the annual benefit shall be increased by a pro-rated amount relative to the Executive's service during the partial Plan Year in which the Executive's death takes place. In the event the Executive dies prior to Separation from Service, Disability and Change in Control and after the Executive has reached age sixty-seven (67) the annual benefit shall be Seventy-One Thousand Three Hundred Eighty-Six Dollars (\$71,386) in lieu of any other benefit hereunder. The annual benefit will be paid for fifteen (15) years in equal monthly installments commencing the month following the Executive's death.

The Schedule A originally attached to, and made a part of, the Agreement shall be replaced by the Schedule A attached hereto. IN WITNESS WHEREOF, the Executive and a representative of the Employer have executed this Amendment as indicated below:

Executive: Employer: such registered office.

/s/ William Lance 1.2 By: /s/ James O. Donnelly Other Offices. The Company may have other offices within or outside the Commonwealth of Pennsylvania at such place or places as the Board of Directors may from time to time determine.

ARTICLE II. STOCKHOLDERS' MEETING

Its: 2.1 Meeting Place. All meetings of the stockholders shall be held at the principal place of business of the Company, or at such other place within or without the Commonwealth of Pennsylvania as shall be determined by the Board of Directors and stated in the notice of such meeting.

2.2 Annual Meeting Time. The annual meeting of the stockholders for the election of directors and for the transaction of such other business as may properly come before the meeting shall be held each year on such date and time as may be determined by the Board of Directors and stated in the notice of such meeting.

2.3 Organization and Conduct. Each meeting of the stockholders shall be presided over by the Chairman of the Board, or in the Chairman's absence by the President, or if neither the Chairman nor the President is present, by any Vice President. The Secretary, or in the Secretary's absence a temporary Secretary, shall act as secretary of each meeting of the stockholders. In the absence of the Secretary and CEO any temporary Secretary, the chairman of the meeting may appoint any person present to act as secretary of the meeting. The chairman of any meeting of the stockholders, unless prescribed by law or regulation or unless the Board of Directors has otherwise determined, shall determine the order of the business and the procedure at the meeting, including such regulation of the manner of voting and the conduct of discussions as shall be deemed appropriate by such chairman in the chairman's sole discretion.

2.4 Notice.

(a) Notice of the date, time, and place of, and the general business to be conducted at, an annual or special meeting of stockholders shall be given by delivering personally, by facsimile transmission, or by mailing a written or printed notice of the same, at least ten (10) days prior to the meeting, to each stockholder of record entitled to vote at such meeting. When any stockholders' meeting, either annual or special, is adjourned and a new record date is fixed for an adjourned meeting of stockholders, notice of the adjourned meeting

shall be given as in the case of an original meeting. It shall not be necessary to give any notice of the time and place of any meeting adjourned unless new business is to be transacted thereat or a new record date is fixed therefor, other than an announcement at the meeting at which such adjournment is taken.

2.5 Voting Lists. The officer or agent having charge of the transfer books for shares of the Company shall make a complete list of the shareholders entitled to vote at any meeting of shareholders, arranged in alphabetical order, with the address of and the number of

shares held by each. The list shall be produced and kept open at the time and place of the meeting and shall be subject to inspection of any shareholder during the whole time of the meeting for the purposes thereof.

2.6 Quorum. Except as otherwise required by law:

(a) A quorum at any annual or special meeting of stockholders shall consist of stockholders representing, either in person or by proxy, a majority of the outstanding capital stock of the Company entitled to vote at such meeting without regard to any shares for which a broker indicates on a proxy that it does not have discretionary authority as to such shares to vote on such matter ("Broker Non-votes").

(b) The votes of a majority of those present, without regard to Broker Non-votes or votes of abstention, at any properly called meeting or adjourned meeting of stockholders, at which a quorum as defined above is present, shall be sufficient to transact business, unless such greater vote is required by these Bylaws, the Articles of Incorporation, or the laws of the Commonwealth of Pennsylvania.

2.7 Voting of Shares.

(a) Except as otherwise provided in these Bylaws or to the extent that voting rights of the shares of any class or classes are limited or denied by the Articles of Incorporation, each stockholder, on each matter submitted to a vote at a meeting of stockholders, shall have one vote for each share of capital stock registered in such person's name on the books of the Company.

(b) Directors are to be elected by a plurality of votes cast by the shares entitled to vote in the election of directors at a meeting at which a quorum is present. Stockholders shall not be permitted to cumulate their votes for the election of directors. If, at any meeting of the stockholders, due to a vacancy or vacancies or otherwise, directors of more than one class of the Board of Directors are to be elected, each class of directors to be elected at the meeting shall be elected in a separate election by a plurality vote.

2.8 Fixing Record Date. The Board of Directors may fix a time prior to the date of any meeting of shareholders as a record date for the determination of the shareholders entitled to notice of, or to vote at, the meeting, which time, except in the case of an adjourned meeting, shall be not more than 90 days prior to the date of the meeting of shareholders. Only shareholders of record on the date fixed shall be so entitled notwithstanding any transfer of shares on the books of the Company after any record date fixed as provided in this subsection. The Board of Directors may similarly fix a record date for the determination of shareholders of record for any other purpose. When a determination of shareholders of record has been made as provided in this section for purposes of a meeting, the determination shall apply to any adjournment thereof unless the Board fixes a new record date for the adjourned meeting.

2.9 Proxies. A stockholder may vote either in person or by proxy executed or authenticated by the stockholder, or such person's duly authorized attorney-in-fact and filed with or transmitted to the Secretary or his designated agent. A stockholder or his duly authorized attorney-in-fact may execute or authenticate a writing or transmit an electronic message authorizing another to act for him by proxy. A telegram, telex, cablegram, datagram, email, telephone or internet communication, or other means of electronic transmission

from a shareholder or attorney-in-fact, or a photographic, facsimile, or similar reproduction of a writing executed by a shareholder or attorney-in-fact may be treated as properly executed or authenticated for purposes of this section and shall be so treated if it sets forth or utilizes a confidential and unique identification number or other mark furnished by the Company to the shareholder for the purposes of a particular meeting or transaction. No proxy shall be valid after three years from the date of its execution, unless otherwise provided in the proxy.

2.10 Voting of Shares in the Name of Two or More Persons. Where shares are held jointly or as tenants in common by two or more persons as fiduciaries or otherwise, if only one or more of such persons is present in person or by proxy, all of the shares standing in the names of such persons shall be deemed to be represented for the purpose of determining a quorum and the Company shall accept as the vote of all such shares the votes cast by such person or a majority of them and if in any case such persons are equally divided upon the manner of voting the shares held by them, the vote of such shares shall be divided equally among such persons, without prejudice to the rights of such joint owners or the beneficial owners thereof among themselves, except that, if there shall have been filed with the Secretary of the Company a copy, certified by an attorney-at-law to be correct, of the relevant portions of the agreements under which such shares are held or the instrument by which the trust or estate was created or the decree of court appointing them, or of a decree of court directing the voting of such shares, the persons specified as having such voting power in the latest such document so filed, and only such persons, shall be entitled to vote such shares but only in accordance therewith.

2.11 Voting of Shares by Certain Holders. Shares standing in the name of another corporation may be voted by an officer, agent, or proxy as the bylaws of such corporation may prescribe, or, in the absence of such provision, as the board of directors of such corporation may determine. Shares held by an administrator, executor, guardian, or conservator may be voted by such person, either in person or by proxy, without a transfer of such shares into such person's name. Shares standing in the name of a trustee may be voted by the trustee, either in person or by proxy. Shares standing in the name of a receiver may be voted by such receiver without the transfer thereof into the receiver's name if authority to do so is contained in an appropriate order of the court or other public authority by which such receiver was appointed. A stockholder whose shares are pledged shall be entitled to vote such shares until the shares have been transferred into the name of the pledgee or nominee, and thereafter the pledgee or nominee shall be entitled to vote the shares so transferred.

2.12 Inspectors. For each meeting of stockholders, the Board of Directors may appoint the inspectors of election. If for any meeting the inspector(s) appointed by the Board of Directors shall be unable to act or the Board of Directors shall fail to appoint any inspector, one or more inspectors may be appointed at the meeting by the chairman thereof. The number of inspectors shall be one or

three. Except for such duties as may be designated in the Articles of Incorporation to another person, such inspectors determine the number of shares outstanding and the voting power of each, the shares represented at the meeting, the existence of a quorum, the authenticity, validity, and effect of proxies, receive votes or ballots, hear and determine all challenges and questions in any way arising in connection with the right to vote, count and tabulate all votes, determine the result and do such acts as may be proper to conduct the election or vote with fairness to all shareholders. If there are three inspectors, the decision, act, or certificate of a majority shall be effective in all respects as the decision, act, or certificate of all. Inspectors need not be stockholders.

2.13 **Action By Shareholders Without a Meeting.** Action required to be taken or which may be taken at any annual or special meeting of stockholders of the Company may be taken without a meeting as set forth in the Articles of Incorporation, which provisions are incorporated herein with the same effect as if they were set forth herein.

Section 2.14 **Meetings Of Stockholders By Internet or Electronic Communications.**

Salary Continuation Agreement(a) Notwithstanding anything in these Bylaws to the contrary, the Company may allow stockholders to participate in an annual meeting of stockholders or a special meeting of stockholders by means of the Internet or other electronic communications technology in a fashion pursuant to which the stockholders have the opportunity to read or hear the proceedings substantially concurrently with their occurrence, vote on matters submitted to the stockholders, pose questions to the directors and make appropriate motions and comment on the business of the meeting.

(b) Participation in a meeting of stockholders by the means authorized by subsection (a) of this section constitutes presence in person at the meeting for quorum and voting purposes.

(c) Notwithstanding anything herein to the contrary, the Board of Directors may determine that a meeting of stockholders will not be held at any particular geographic location, but instead may be held solely by means of the Internet or other electronic communications technology in a fashion pursuant to which the stockholders have the opportunity to read or hear the proceedings substantially concurrently with their occurrence, vote on matters submitted to the stockholders, pose questions to the directors and make appropriate motions and comment on the business of the meeting.

(d) The presence or participation, including voting and taking other action, at a meeting of shareholders or the expression of consent or dissent to corporate action by a shareholder by conference telephone or other electronic means, including, without limitation, the Internet, shall constitute the presence of, or vote or action by, or consent or dissent of the shareholder.

ARTICLE III. CAPITAL STOCK

Schedule A

William Lance3.1 **Certificates.** The shares of the Company's capital stock may be represented by certificates or uncertificated. Certificates of stock shall be issued in numerical order, and shall be signed by the President or a Vice President, and the Secretary or the Treasurer, and may be sealed with the seal of the Company or a facsimile thereof. The signatures of such officers may be facsimiles if the certificate is signed (which signatures may be manual or by facsimile) on behalf of a transfer agent, or registered by a registrar, other than the Company itself or an employee of the Company. If an officer who has signed or whose facsimile signature has been placed upon such certificate ceases to be an officer of the Company before the certificate is issued, it may be issued by the Company with the same effect as if the person were an officer on the date of issue. Each certificate of stock shall state:

<div>Plan Anniversary Date: 09/30/2023</div> <div>Normal Retirement: 06/09/2024, Age 65</div> <div>Normal Retirement Payment: Monthly for 15 Years</div>	Early Termination	Normal Retirement Benefit	Disability	Change In Control Before Normal Retirement Age	Change In Control After Normal Retirement Age	Death
	Amount Payable Monthly for 15 Years at Normal Retirement Age	Amount Payable Monthly for 15 Years at Separation from Service on or after	Amount Payable Monthly for 15 Years Upon Disability	Amount Payable Monthly for 15 Years at Normal Retirement Age	Amount Payable Monthly for 15 Years upon a Change in Control	Amount Payable Monthly for 15 Years Upon Death

						Normal Retirement Age				
End of Month Values As Of	Age	Discount Rate Pre/Post	Benefit Level	Based On	Annual Benefit ¹	Annual Benefit ¹	Annual Benefit ¹	Annual Benefit ^{1,2}	Annual Benefit ^{1,2}	Annual Benefit ^{1,2}
Feb-23	63	4.00%/4.00%	66,000	439,400	41,135		38,873	66,000		66,000
Sep-23	64	4.00%/4.00%	66,000	581,539	53,012		51,447	66,000		66,000
Jun-24	65	4.00%/4.00%	66,000	746,035	66,000	66,000	66,000	66,000	66,000	66,000
Jun-25	66	4.00%/4.00%	68,640	775,877		68,640			68,640	68,640
Jun-26	67	4.00%/4.00%	71,386	806,912		71,386			71,386	71,386

(a) that the Company is incorporated under the laws of the Commonwealth of Pennsylvania;

The first line represents(b) the plan values as name of February 1, 2023. the person to whom issued;

(c) the number and class of shares and the designation of the series, if any, which such certificate represents;(d) the par value of each share represented by such certificate, or a statement that such shares are without par value; and

1 The annual benefit amount(e) that the Company will furnish to any shareholder upon request and without charge, a full statement of the designations, preferences, limitations, and relative rights of each class authorized to be distributed in 12 equal monthly payments for a total of 180 monthly payments.

² Note that accounting rules may require an additional accrual at the time this benefit is triggered.

IF THERE IS A CONFLICT BETWEEN THIS SCHEDULE A AND THE AGREEMENT, THE TERMS AND PROVISIONS OF THE AGREEMENT SHALL PREVAIL. IF A TRIGGERING EVENT OCCURS, REFER TO THE AGREEMENT TO DETERMINE THE ACTUAL BENEFIT AMOUNT BASED ON THE DATE OF THE EVENT.

/s/ William Lance By /s/ James O. Donnelly

Date 1/24/2023Title President and CEO

Date 1/24/2023issued.

3.2. Uncertificated Shares. The Board of Directors may authorize the issuance of uncertificated shares by the Company, and may prescribe procedures for the issuance and registration of transfer thereof, and with respect to such other matters relating to uncertificated shares as the Board of Directors may deem appropriate. No such authorization shall affect previously issued and outstanding shares represented by certificates until such certificates shall have been surrendered to the Company. Within a reasonable time after the issuance or transfer of any uncertificated shares, the Company shall issue or cause to be issued to the holder of such shares a written statement of the information required to be included on stock certificates under the laws of the Commonwealth of Pennsylvania and these Bylaws. Notwithstanding the adoption of any resolution providing for uncertificated shares, each registered holder of stock represented by uncertificated shares shall be entitled, upon request to the custodian of the stock transfer books of the Company, or other person designated as the custodian of the records of uncertificated shares, to have physical certificates representing such shares registered in such holder's name.

<div>Birth Date: 06/09/1959</div> <div>Plan Anniversary Date: 09/30/2023</div> <div>Normal Retirement: 06/09/2024, Age 65</div> <div>Normal Retirement Payment: Monthly for 15 Years</div>					Early Termination			Disability	Change In Control	Death
					Amount Payable			Amount Payable	Amount Payable	Amount Payable
					Monthly for 15 Years at Normal Retirement Age			Monthly for 15 Years Upon Disability	Monthly for 15 Years at Normal Retirement Age	Monthly for 15 Years Upon Death
Values		Discount Rate				Vested Benefit Liability	Annual Benefit 1	Annual Benefit 1	Annual Benefit 1,2	Annual Benefit 1,2
As Of	Age	Pre/Post	Benefit Level	Based On	Vesting					
Feb-23	63	4.00%/4.00%	66,000	439,400	100.00%	439,400	41,135	38,873	66,000	66,000

Sep-23	64	4.00%/4.00%	66,000	581,539	100.00%	581,539	53,012	51,447	66,000	66,000
Jun-24	65	4.00%/4.00%	66,000	746,035	100.00%	746,035	66,000	66,000	66,000	66,000

3.3 Transfers.

(a) Transfers of stock shall be made only upon the stock transfer books of the Company, kept at the registered office of the Company or at its principal place of business, or at the office of its transfer agent or registrar and, in the case of certificated shares, before a new certificate is issued, the old certificate shall be surrendered for cancellation. The Board of Directors may, by resolution, open a share register in any state of the United States, and may employ an agent or agents to keep such register, and to record transfers of shares therein.

(b) Certificated shares of stock shall be transferred by delivery of the certificates therefor, accompanied either by an assignment in writing on the back of the certificate or an assignment separate from the certificate, or by a written power of attorney to sell, assign, and transfer the same, signed by the holder of said certificate. No shares of certificated stock shall be transferred on the books of the Company until the outstanding certificates therefor have been surrendered to the Company.

3.4 **Registered Owner.** Registered stockholders shall be treated by the Company as the holders in fact of the stock standing in their respective names and the Company shall not be bound to recognize any equitable or other claim to or interest in any share on the part of any other person, whether or not it shall have express or other notice thereof, except as expressly provided below or by the laws of the Commonwealth of Pennsylvania. The Board of Directors may adopt by resolution a procedure whereby a stockholder of the Company may certify in writing to the Company that all or a portion of the shares registered in the name of such stockholder are held for the account of a specified person or persons. The resolution shall set forth:

- (a) The classification of stockholders who may certify;
- (b) The purpose or purposes for which the certification may be made;
- (c) The form of certification and information to be contained therein;
- (d) If the certification is with respect to a record date or closing of the stock transfer books, the date within which the certification must be received by the Company; and
- (e) Such other provisions with respect to the procedure as are deemed necessary or desirable.

Upon receipt by the Company of a certification complying with a resolution meeting the above

requirements, the persons specified in the certification shall be deemed, for the purpose or purposes set forth in the certification, to be the holders of record of the number of shares specified in place of the stockholder making the certification.

3.5 **Mutilated, Lost, or Destroyed Certificates.** In case of any mutilation, loss, or destruction of any certificate of stock, another may be issued in its place upon receipt of proof of such mutilation, loss, or destruction. The Board of Directors may impose conditions on such issuance and may require the giving of a satisfactory bond or indemnity to the Company in such sum as the Board might determine, or the Board may establish such other procedures as it deems necessary.

3.6 **Fractional Shares or Scrip.** The Company may (a) issue fractions of a share which shall entitle the holder a proportional interest to exercise voting rights, to receive dividends thereon, and to participate in any of the assets of the Company in the event of liquidation; (b) arrange for the disposition of fractional interests by those entitled thereto; (c) pay in cash the fair value of fractions of a share as of the time when those entitled to receive such shares are determined; or (d) issue scrip in registered or bearer form which shall entitle to holder to receive a certificate for a full share upon the surrender of such scrip aggregating a full share.

3.7 **Shares of Another Company.** Shares owned by the Company in another corporation, domestic or foreign, may be voted by such officer, agent, or proxy as the Board of Directors may determine or, in the absence of such determination, by the President of the Company.

ARTICLE IV. BOARD OF DIRECTORS

4.1 **Number and Powers.** The management of all the affairs, property, and interest of the Company shall be vested in a Board of Directors. The Board of Directors shall be divided into three classes as nearly equal in number as possible. The initial Board of Directors shall consist of nine (9) persons. The classification and term of the directors shall be as set forth in the Articles of Incorporation, which provisions are incorporated herein with the same effect as if they were set forth herein. Directors must own no less than twelve (12) shares of the voting stock of the Company. Such shares shall be kept on deposit in the vault of the Company. Any director shall cease to act when no longer holding such shares, which fact shall be reported to the Board by the Secretary, whereupon the Board shall declare the seat of such director vacant. Directors need not be residents of the Commonwealth of Pennsylvania. In addition to the powers, authorities, and duties expressly conferred upon it by these Bylaws and the Articles of Incorporation, the Board of Directors may exercise all such powers of the Company and do all such lawful acts and things as are not by statute or by the Articles of Incorporation or by these Bylaws directed or required to be exercised or done by the stockholders.

In discharging the powers and duties of their respective positions, the Board of Directors, committees of the Board of Directors, and individual directors may, in considering the best interests of the Company, consider to the extent they deem appropriate the effects of any action upon any and all groups affected by such action, including stockholders, employees, suppliers, customers, and creditor of the Company, and upon the communities in which offices or other establishments of the Company are located; the short-term and

long-term interests of the Company; the resources, intent, and conduct (past, stated, and potential) of any person seeking to acquire control of the Company; and any and all other factors, provided however, the Board of Directors, committees of the Board of Directors, or any individual director shall not be required, in considering the best interests of the Company or the effects of any action, to regard any interest or interests of any particular group affected by the action as a dominant or controlling interest or factor.

4.2 Change of Number. The number of directors may at any time be increased or decreased by a

vote of two-thirds of the Board of Directors, provided that no decrease shall have the effect of shortening the term of any incumbent director except as provided in Sections 4.4 and 4.5 hereunder. Notwithstanding anything to the contrary contained within these Bylaws, the number of directors may neither be less than five nor more than 15.

4.3 Resignation. Any director may resign at any time by sending a written notice of such resignation to the home office of the Company addressed to the Chairman or the President. Unless otherwise specified therein, such resignation shall take effect upon receipt thereof by the Chairman or the President.

4.4 Vacancies. All vacancies in the Board of Directors shall be filled in the manner provided in the Articles of Incorporation, which provisions are incorporated herein with the same effect as if they were set forth herein.

4.5 Removal of Directors. Directors may be removed in the manner provided in the Articles of Incorporation, which provisions are incorporated herein with the same effect as if they were set forth herein.

4.6 Regular Meetings. Regular meetings of the Board of Directors or any committee thereof may be held without notice at the principal place of business of the Company or at such other place or places, either within or without the Commonwealth of Pennsylvania, as the Board of Directors or such committee, as the case may be, may from time to time designate. The annual meeting of the Board of Directors shall be held without notice immediately after the adjournment of the annual meeting of stockholders.

4.7 Special Meetings.

(a) Special meetings of the Board of Directors may be called at any time by the Chairman, President, or by a majority of the authorized number of directors, to be held at the principal place of business of the Company or at such other place or places as the Board of Directors or the person or persons calling such meeting may from time to time designate. Notice of all special meetings of the Board of Directors shall be given to each director at least five (5) days prior to such meeting by telegram, telex, cablegram, courier, facsimile, or other similar communication, by letter, or personally. Such notice need neither specify the business to be transacted at, nor the purpose of, the meeting.

(b) Special meetings of any committee may be called at any time by such person or persons and with such notice as shall be specified for such committee by the Board of Directors, or in the absence of such specification, in the manner and with the notice required for special meetings of the Board of Directors.

4.8 Quorum. A majority of the Board of Directors shall be necessary at all meetings to constitute a quorum for the transaction of business.

4.9 Waiver of Notice. Attendance of a director at a meeting shall constitute a waiver of notice of such meeting, except where a director attends for the express purpose of objecting to the transaction of any business because the meeting is not lawfully called or convened. A waiver of notice signed by the director or directors, whether before, during, or after the time stated for the meeting, shall be equivalent to the giving of notice.

4.10 Registering Dissent. A director who is present at a meeting of the Board of Directors at which action on a corporate matter is taken shall be presumed to have assented to such action unless such director's dissent is entered in the minutes of the meeting, or unless the director files a written dissent to such action with the person acting as the secretary of the meeting before the adjournment thereof, or unless the director

delivers a dissent in writing to the Secretary of the Company immediately after the adjournment of the meeting. Such right to dissent shall not apply to a director who voted in favor of such action.

4.11 Executive, Audit, and Other Committees. Standing or special committees may be appointed by the Board of Directors from its own number from time to time, and the Board of Directors may from time to time invest such committees with such powers as it may see fit, subject to such conditions as may be prescribed by the Board. An Executive Committee may be appointed by resolution passed by a majority of the full Board of Directors. It shall have and exercise all of the authority of the Board of Directors, except in reference to the submission of any action requiring the approval of stockholders, the creation or filling of vacancies on the Board of Directors, the adoption, amendment, or repeal of these Bylaws, the amendment or repeal of any resolution of the Board which, by its terms, is only amendable or repealable by the entire Board, or any action on matters committed by these Bylaws or resolution of the Board to another committee of the Board. An Audit Committee shall be appointed by resolution passed by a majority of the full Board of Directors, and at least a majority of the members of the Audit Committee shall be directors who are not also officers of the Company. The Audit Committee shall review the records and affairs of the Company to determine its financial condition, shall review the Company's systems of internal control with management and the Company's independent auditors, and shall monitor the

Company's adherence in accounting and financial reporting to generally accepted accounting principles, as well as such other duties as may be assigned to it by the Board of Directors. All committees appointed by the Board of Directors shall keep regular minutes of the transactions of their meetings and shall cause them to be recorded in books kept for that purpose in the office of the Company. The designation of any such committee, and the delegation of authority thereto, shall not relieve the Board of Directors, or any member thereof, of any responsibility imposed by law.

4.12 Remuneration. The Board of Directors, by the affirmative vote of a majority of the directors then in office, and irrespective of any personal interest of any of its members, shall have the authority to establish reasonable fee for all directors for services to the Company as directors, officers, or otherwise, or to delegate such authority to any appropriate committee; provided, that nothing herein contained shall be construed to preclude any director from serving the Company in any other capacity and receiving compensation therefor. Members of standing or special committees may be allowed like compensation for attending committee meetings.

4.13 Action by Directors Without a Meeting. Any action which may be taken at a meeting of the directors, or of a committee thereof, may be taken without a meeting if a consent in writing, setting forth the action so taken or to be taken, shall be signed by all of the directors, or all of the members of the committee, as the case may be. Such consent shall have the same effect as a unanimous vote.

4.14 Action of Directors by Communications Equipment. Any action which may be taken at a meeting of directors, or of a committee thereof, may be taken by means of a conference telephone or similar communications equipment by means of which persons participating in the meeting can hear each other at the same time. Participation in a meeting pursuant to this section shall constitute presence in person at the meeting

ARTICLE V. OFFICERS

5.1 Designations. The officers of the Company shall be the Chairman of the Board, a President, a Secretary, and a Treasurer, as well as such Vice Presidents (including Executive and Senior Vice Presidents), Assistant Secretaries, and Assistant Treasurers as the Board may designate, who shall be elected for one year by the directors at their first meeting after the annual meeting of stockholders, and who shall hold office until their successors are elected and qualify. Any two or more offices may be held by the same person, except that the offices of President and Secretary and President and Treasurer may not be held by the same person. The President and Chairman of the Board shall be members of the Board.

5.2 Powers and Duties. The officers of the Company shall have such authority and perform such duties as the Board of Directors may from time to time authorize or determine. In the absence of action by the Board of Directors, the officers shall have such powers and duties as generally pertain to their respective offices.

5.3 Delegation. In the case of absence or inability to act of any officer of the Company and of any person herein authorized to act in such officer's place, the Board of Directors may from time to time delegate the powers or duties of such officer to any other officer or any director or other person whom it may select.

5.4 Vacancies. Vacancies in any office arising from any cause may be filled by the Board of Directors at any regular or special meeting of the Board.

5.5 Other Officers. The Board may appoint such other officers and agents as it shall deem necessary or expedient, who shall hold their offices for such terms and shall exercise such powers and perform such duties as shall be determined from time to time by the Board of Directors.

5.7 Term - Removal. The officers of the Company shall hold office until their successors are chosen and qualified. Any officer or agent elected or appointed by the Board of Directors may be removed at any time, with or without cause, by the affirmative vote of a majority of the whole Board of Directors, but such removal shall be without prejudice to the contractual rights, if any, of the person so removed. The election or appointment of an officer or agent shall not in itself create contractual rights.

ARTICLE VI. FISCAL YEAR; ANNUAL AUDIT

The fiscal year of the Company shall end on the 31st day of December of each year. The Company shall be subject to an annual audit as of the end of its fiscal year by independent public accountants appointed by and responsible to the Board of Directors. The appointment of such accountants shall be subject to annual ratification by the stockholders.

ARTICLE VII. DIVIDENDS AND FINANCE

7.1 Dividends. Dividends may be declared by the Board of Directors and paid by the Company out of retained earnings of the Company subject to the conditions and limitations imposed by the laws of the Commonwealth of Pennsylvania.

7.2 Reserves. Before making any distribution of earned surplus, there may be set aside out of the earned surplus of the Company such sum or sums as the directors from time to time in their absolute discretion deem expedient as a reserve fund to meet contingencies, or for equalizing dividends, or for maintaining any property of the Company, or for any other purpose. Any earned surplus of any year not distributed as dividends shall be deemed to have thus been set apart until otherwise disposed of by the Board of Directors.

7.3 Depositories. The monies of the Company shall be deposited in the name of the Company in such bank or banks or trust company or trust companies as the Board of Directors shall designate, and shall be drawn out only by check or other order for payment of money signed by such persons and in such manner as may be determined by resolution of the Board of Directors.

ARTICLE VIII. NOTICES

Except as may otherwise be required by law, any notice to any stockholder or director may be delivered personally, by mail, by telegram, telex, or TWX (with answerback received), or by courier service or facsimile transmission. If sent by mail, telegram, or courier service, the notice shall be deemed to have been given to the person when deposited in the United States mail or with a telegram or courier service for delivery to that person or, in the case of telex or TWX, when dispatched to the address of the addressee at such persons last known address (or to such persons telex, TWX, or facsimile number) in the records of the Company, with postage or courier or other charges thereon prepaid.

ARTICLE IX. SEAL

The corporate seal of the Company shall be in such form and bear such inscription as may be adopted by resolution of the Board of Directors, or by usage of the officers on behalf of the Company.

ARTICLE X. BOOKS AND RECORDS

The Company shall keep correct and complete books and records of account and shall keep minutes and proceedings of meetings of its stockholders and Board of Directors; and it shall keep at its registered office or principal place of business, or at the office of its transfer agent or registrar, a record of its stockholders, giving the names and addresses of all stockholders and the number and class of the shares held by each. Any books, records, and minutes may be in written form or any other form capable of being converted into written form within a reasonable time.

ARTICLE XI. AMENDMENTS

These Bylaws may be altered, amended or repealed only as set forth in the Articles of Incorporation, which provisions are incorporated herein with the same effect as if they were set forth herein.

*Amended on April 14, 2020

Exhibit 10.22 19ADDENDUM TO THE CHANGE-IN-CONTROL SEVERANCE AGREEMENT NORWOOD FINANCIAL CORPINSIDER TRADING POLICY

and Guidelines with Respect to Certain Transactions in Company Securities

(As adopted November 14, 2023) This Insider Trading Policy (the "Policy") provides guidelines to employees, officers and directors of Norwood Financial Corp (the "Company") with respect to transactions in the Company's securities. The Company has adopted this policy and the procedures set forth herein to help prevent insider trading and to assist the Company's employees, officers and directors in complying with their obligations under the federal securities laws. Employees, officers and directors are individually responsible to understand and comply with this Policy. **Applicability of Policy** This Policy applies to all transactions in the Company's securities, including common stock, restricted stock, restricted stock units, options and warrants to purchase common stock and any other debt or equity securities the Company may issue from time to time, such as bonds, preferred stock and convertible debentures, as well as to derivative securities relating to the Company's securities, whether or not issued by the Company, such as exchange-traded options. It applies to all employees, officers and directors of the Company and members of their immediate families who reside with them or anyone else who lives in their household and family members who live elsewhere but whose transactions in Company securities are directed by such employees, officers and directors or subject to their influence and control (collectively referred to as "Family Members"). This Policy also imposes specific black-out period and pre-clearance procedures on officers, directors and certain other designated employees who receive or have access to Material Nonpublic Information (as defined below) regarding the Company and/or are subject to the reporting provisions and trading restrictions of Section 16 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The current Insider Trading Compliance Officer is the Chief Financial Officer of the Company. **Definition of Material Nonpublic Information** It is not possible to define all categories of material information. However, information should be regarded as material if there is a substantial likelihood that it would be considered important to a reasonable investor in making a voting decision or an investment decision to buy, hold or sell securities. Any information that could be expected to affect the market price of the Company's securities, whether such information is positive or negative, should be considered material. Because trading that receives scrutiny will be evaluated after the fact with the benefit of

hindsight, questions as to the materiality of particular information should be resolved in favor of materiality, and trading should be avoided. Senior Vice Presidents and above, directors and certain other employees are subject to the Blackout Period provisions described in Section 8.

While it may be difficult under this standard to determine whether particular information is material, there are various categories of information that are particularly sensitive and, as a general rule, should always be considered material. Examples of such information may include:

- ☒ This Addendum ☐ Financial results;
- ☐ Projections of future earnings or losses;

- ☐ News of a pending or proposed merger, acquisition or tender offer;
- ☐ News of a pending or proposed acquisition or disposition of significant assets or branches;
- ☐ Actions of bank regulatory agencies;
- ☐ News of extraordinary corporate events such as mergers and acquisitions or negotiations with respect to such extraordinary events;
- ☐ Impending bankruptcy or financial liquidity problems of major customers or borrowers of the **Change-in-Control Severance Agreement is made** Company;
- ☐ Quarterly or annual earnings announcements;
- ☐ Dividends, stock splits and entered into between Norwood Financial Corp. (the "Company"), Wayne Bank ("Bank") stock repurchase programs;
- ☐ New equity or debt offerings;
- ☐ Significant litigation exposure due to actual or threatened litigation; and William S. Lance (the "Executive") as of this 20
- ☐ th day of January, 2023. Changes in senior management.

WHEREAS, "Material Nonpublic Information" is material information that has not been previously disclosed to the general public through a press release or securities filings with the SEC and is otherwise not available to the general public.

Statement of Policy

General Policy

It is the policy of the Company to oppose the Bank unauthorized disclosure of any nonpublic information acquired in the workplace, the use of Material Nonpublic Information in securities trading and any other violation of applicable securities laws. **Specific Policies**

1. Trading on Material Nonpublic Information. No Senior Vice President or above, Designated Insider or director of the Executive have previously entered into Company and its subsidiaries and no Family Member of any such person, shall engage in any transaction involving a **Change-in-Control Severance Agreement**, dated March 2, 2010 (the "Agreement") purchase or sale of the Company's securities, including any offer to purchase or offer to sell (other than pursuant to a trading plan that complies with SEC Rule 10b5-1 pre-cleared by the Company's Insider Trading Compliance Officer), providing during any period commencing with the date that he or she possesses Material Nonpublic Information concerning the Company and ending at the close of business on the first Trading Day (as defined below) following the date of public disclosure of that information, or at such time as such nonpublic information is no longer material. As used in this Policy, the term "Trading Day" shall mean a day on which national stock exchanges are open for trading. If, for example, the

Company were to make an announcement on a Monday, Designated Insiders (as defined below) shall not trade in the payment Company's securities until Tuesday.

2. Tipping. No employee, officer or director of severance benefits the Company shall disclose or pass on ("tip") Material Nonpublic Information to any other person, including a Family Member or friend, nor shall such person make recommendations or express opinions on the basis of Material Nonpublic Information as to trading in the Company's securities.

3. Confidentiality of Nonpublic Information. Nonpublic information relating to the Executive in Company is the event of a change-in-control property of the Company and the Bank; unauthorized disclosure of such information is forbidden.

Potential Criminal and Civil Liability

and/or Disciplinary Action

WHEREAS,

4. Liability for Insider Trading. In accordance with Federal and State law, any employee, officer or director who engages in a transaction in the Agreement, Company's securities at a time when they have knowledge of Material Nonpublic Information may be subject to penalties and sanctions, including:

- ☐ Up to 20 years in jail;
- ☐ A criminal fine of up to \$5,000,000;
- ☐ A civil penalty of up to \$1,000,000 or, if greater, 3 times the profit gained or loss avoided; and
- ☐ SEC civil enforcement injunctions.

5. Liability for Tipping. Any employee, officer or director who tips ("tipsters") a third party (commonly referred to as previously extended, a "tippee") may also be liable for improper transactions by tippees to whom they have tipped Material Nonpublic Information regarding the Company or to whom they have made recommendations or expressed opinions on the basis of such information as to trading in the Company's securities. Tipsters and tippees would be subject to the same penalties and sanctions as described above, and the SEC has imposed large penalties even when the tipper or tippee did not profit from the trading. The SEC, the stock exchanges and the Nasdaq Stock Market use sophisticated electronic surveillance techniques to uncover insider trading.

6.Control Persons. The Company and its supervisory personnel, if they fail to take appropriate steps to prevent illegal insider trading, may in certain circumstances, be subject to the following penalties:

- a civil penalty of up to 3 times the profit gained or loss avoided as a result of the employee's violation; and
- a criminal penalty of up to \$25,000,000.

7.Possible Company-Imposed Disciplinary Actions. Employees of the Company who violate this Policy shall also be subject to disciplinary action by the Company, which may include

ineligibility for future participation in the Company's equity incentive plans or termination of employment. **Mandatory Guidelines**

8.Trading Blackout Period. To ensure compliance with this Policy and applicable federal securities laws, and to avoid even the appearance of trading on the basis of inside information, the Company requires that Senior Vice Presidents and above, directors and any employee in the accounting and finance departments of the Company designated by the Company's Insider Trading Compliance Officer be subject to the Blackout Period (as defined below) prohibitions because of their access to the Company's internal financial statements or other Material Nonpublic Information regarding the Company's performance during annual and quarterly fiscal periods (collectively, "Designated Insiders") and Family Members of the foregoing, and refrain from conducting transactions involving the purchase or sale of the Company's securities during the Blackout Periods established below. Each of the following periods will constitute a "Blackout Period":

The period commencing on the twentieth calendar day of the third fiscal month of each of the four fiscal quarters (i.e. March 20, June 20, September 20 and December 20, as applicable) and ending at the close of business on the first Trading Day following the date of public disclosure of the financial results for such fiscal quarter (which is scheduled generally 20 to expire 30 days after the end of such quarter). If such public disclosure occurs on March 2, 2023 a Trading Day before the markets close, then that day shall be considered the first Trading Day. If such public disclosure occurs after the markets close on a Trading Day, then the date of public disclosure shall not be considered the first Trading Day following the date of public disclosure.

In addition to the Blackout Periods described above, the Company may announce "special" Blackout Periods from time to time. Typically, this will occur when there are nonpublic developments that would be considered material for insider trading law purposes, such as, among other things, developments relating to regulatory proceedings or a major corporate transaction. Depending on the circumstances, a "special" Blackout Period may apply to all Designated Insiders or only a specific group of Designated Insiders. The Insider Trading Compliance Officer will provide notice to Designated Insiders subject to a "special" Blackout Period. Any person made aware of the existence of a "special" Blackout Period should not disclose the existence of the Blackout Period to any other person. The failure of the Company to designate a person as being subject to a "special" Blackout Period will not relieve that person of the obligation not to trade while aware of Material Nonpublic Information. As used in this Policy, the term "Blackout Period" shall mean all periodic Blackout Periods and all "special" Blackout Periods announced by the Company. The purpose behind the Blackout Period is to help establish a diligent effort to avoid any improper transactions. Trading in the Company's securities outside a Blackout Period should not be considered a "safe harbor", and all Senior Vice Presidents and above, and directors and other employees and persons subject to this Policy should use good judgment at all times. Even outside a Blackout Period, any person possessing Material Nonpublic Information concerning the parties desire Company should not engage in any transactions in the Company's securities until such information

has been known publicly for at least one Trading Day after the date of announcement. Although the Company may from time to extend time impose special Blackout Periods, because of developments known to the term Company and not yet disclosed to the public, each person is individually responsible at all times for compliance with the prohibitions against insider trading.

9.Pre-clearance of Trades. The Company has determined that all Senior Vice Presidents and above Designated Insiders and directors and their Family Members must refrain from trading in the Company's securities, without first complying with the Company's "pre-clearance" process. Each Senior Vice President and above, Designated Insider or director must contact, by email, phone or in person, the Company's Insider Trading Compliance Officer not less than one (1) business days prior to commencing any trade in the Company's securities. This pre-clearance requirement applies to any transaction or transfer involving the Company's securities, including a stock plan transaction such as an option exercise, or a gift, transfer to a trust or any other transfer.

The Insider Trading Compliance Officer must pre-clear each proposed trade or transfer. The Insider Trading Compliance Officer is not under any obligation to approve a trade submitted for pre-clearance, and may determine not to permit a trade. The Company may also find it necessary, from time to time, to require compliance with the pre-clearance process from employees designated as Designated Insiders. Any Senior Vice President and above, Designated Insider and director who wishes to implement a trading plan under SEC Rule 10b5-1 must first pre-clear the plan with the Insider Trading Compliance Officer. As required by Rule 10b5-1, a Senior Vice President and above, Designated Insider or director may enter into a trading plan only when he or she is not in possession of Material Nonpublic Information. In addition, a trading plan may not be entered into during a Blackout Period. Transactions effected pursuant to

a pre-cleared trading plan will not require further pre-clearance at the time of the Agreement for an additional two year period, ending transaction.

10. Rule 10b5-1 Plans. Any Senior Vice President and above, Designated Insider and director who wishes to implement a trading plan under SEC Rule 10b5-1 (commonly referred to as a "Rule 10b5-1 Plan") must first pre-clear the plan with the Insider Trading Compliance Officer. As required by Rule 10b5-1, a Senior Vice President and above, Designated Insider or director may enter into a trading plan only when he or she is not in possession of March 2, 2025; and

WHEREAS, Section 13 Material Nonpublic Information. In addition, a Rule 10b5-1 Plan may not be entered into during a Blackout Period. Transactions effected pursuant to a pre-cleared trading plan will not require further pre-clearance at the time of the Agreement provides transaction. All Rule 10b5-1 Plans must comply with the following additional conditions:

- o **Mandatory Cooling-Off Periods** — Trades under such plans may not begin until the expiration of the applicable "cooling-off" period:

- ☐ For directors and officers, trades may not begin until at least 90 days after adoption or modification of the plan, or if longer, two business days following the disclosure of the Company's financial results in a Form 10-K or Form 10-Q for the completed

fiscal quarter in which the plan was adopted (but in any event, the required cooling-off period shall not exceed 120 days).

- o **Multiple Overlapping Plans Prohibited** — No person, other than the Company, may implement multiple, overlapping Rule 10b5-1 Plans, except in the case of each of the following:

- ☐ Contracts with multiple brokers covering securities held in different accounts that, amendments when viewed together, constitute a single plan and meet the applicable conditions.
- ☐ Rule 10b5-1 Plans under which trading will not commence until the current plan has expired and the applicable cooling-off period has lapsed (using the expiration date of the current plan as the "adoption" date for purposes of calculating the cooling-off period).
- ☐ Rule 10b5-1 Plans designed as "sell-to-cover" plans to fund tax withholding obligations resulting from the vesting of equity awards.

- o **Additional Representations by Directors and Officers** — Directors and officers must include a representation in their Rule 10b5-1 Plans certifying that at the time of the adoption of a new or modified plan, they (i) are not aware of material nonpublic information about the Company or its securities and (ii) are adopting the plan in good faith and not as part of a plan or scheme to evade the prohibitions of Rule 10b-5.

- o **Limitations on Single-Trade Plans** — No person, other than the Company, may rely on Rule 10b5-1(c)(1) for more than one single-trade plan (i.e., a plan to effect an open market purchase or sale of the total amount of securities under the plan in a single transaction) during any consecutive 12-month period. This prohibition does not apply to "sell-to-cover" plans described above.

- o **Additional Good Faith Requirement** — The person adopting the Rule 10b5-1 Plan must act in good faith "with respect to" the plan. This new language expands the good faith requirement, which previously only required such persons to act in good faith in connection with the adoption of the plan.

11. Individual Responsibility. Every Senior Vice President and above, Designated Insider and director has the individual responsibility to comply with this Policy against insider trading, regardless of whether a transaction is executed outside a Blackout Period or is pre-cleared by the Company. The restrictions and procedures are intended to help avoid inadvertent instances of improper insider trading, but appropriate judgment should always be exercised by each Senior Vice President and above, Designated Insider and director in connection with any trade in the Company's securities.

A Senior Vice President and above, Designated Insider or director may, from time to time, have to forego a proposed transaction in the Company's securities even if he or she planned to make the transaction before learning of the Material Nonpublic Information and even though the Insider believes he or she may suffer an economic loss or forego anticipated profit by waiting.

Certain Exceptions

12. Stock Options Exercises. For purposes of this Policy, the Company considers that the exercise of stock options under the Company's stock option plans (but not the sale of the underlying stock) to be exempt from this Policy. This Policy does apply, however, to any sale of stock as part of a broker-assisted "cashless" exercise of an option, or any market sale for the purpose of generating the cash needed to pay the exercise price of an option.

Applicability of Policy to Inside Information

Regarding Other Companies

This Policy and the guidelines described herein also apply to Material Nonpublic Information relating to other companies, including the Company's customers, vendors or suppliers ("business partners"), when that information is obtained in the course of employment with, or other services performed on behalf of, the Company. Civil and criminal penalties, and termination of employment, may result from trading on inside information regarding the Company's business partners. All employees should treat Material Nonpublic Information about the Company's business partners with the same care required with respect to information related directly to the Agreement may be made in writing Company. **Section 16 Liability - Directors and signed by Officers** Certain officers and all parties; NOW, THEREFORE, in consideration directors of the premises Company must also comply with the reporting obligations and limitations on short-swing profit transactions set forth in Section 16 of the Securities Exchange Act of 1934 (the "Exchange Act"). The practical effect of these provisions is that any officer or director who purchases and sells the Company's securities within a six-month period must disgorge all profits to the Company whether or not he or she had knowledge of any Material Nonpublic Information. Under these provisions, and so long as certain other good and valuable consideration, criteria are met, neither the receipt of stock or stock options under the Company's stock plans, nor the exercise of options nor the receipt of stock under the Company's employee stock purchase plan, dividend reinvestment plan or the Company's 401(k) retirement plan is deemed a purchase that can be matched against a sale for Section 16(b) short-swing profit disgorgement purposes; however, the sale of any such shares so obtained is a sale for these purposes. Moreover, no such officer or director may ever make a short sale of the Company's common stock which is hereby acknowledged, this Addendum is hereby approved by unlawful under Section 16(c) of the undersigned parties, as follows:

1. Section 5 of the Agreement is hereby amended by the inclusion of the following sentence at the end of Section 5, as follows:

"Notwithstanding anything herein Exchange Act. The Company will provide separate memoranda and other appropriate materials to the contrary, the Term of this Agreement shall be extended from the current date of expiration of the term of this Agreement through March 2, 2025, except as may be extended beyond that date by future action of the parties."

2. Except as set forth herein, such Agreement shall remain in full force and effect as in effect as of the date of this Addendum.

IN WITNESS WHEREOF, the parties have hereunto set their hands as of the date first hereinabove written, affected officers and directors regarding compliance with Section 16 and its related rules. **Wayne Bank**

/s/ James O. Donnelly

By: James O. Donnelly

Its: President The rules on recovery of short-swing profits are absolute and Chief Executive Officer do not depend on whether a person has Material Nonpublic Information.

Norwood Financial Corp. Publicly Traded Options /s/ James O. Donnelly A transaction in options is, in effect, a bet on the short-term movement of the Company's stock and therefore creates the appearance that the employee, officer or director is trading based

By: James O. Donnelly

Its: President and Chief Executive Officer on inside information. Transactions in options also may focus the trader's attention on short-term performance at the expense of the Company's long-term objectives. Accordingly, transactions in puts, calls or other derivative securities, on an exchange or in any other organized market, are prohibited. Option positions arising from certain types of hedging transactions are governed by the section below captioned "Hedging or Monetization Transactions." **Executive Hedging or Monetization Transactions** /s/ William S. Lance Certain forms of hedging or monetization transactions, such as zero-cost collars and forward sale contracts, allow an employee, officer or director to lock in much of the value of his stock holdings, often in exchange for all or part of the potential for upside appreciation in the stock. These transactions would allow an employee, officer or director to continue to own the covered securities, but without the full risks and rewards of ownership. When that occurs, their interests and the interests of the Company and its shareholders may be misaligned and may signal a message to the trading market that may not be in the best interests of the Company and its shareholders at the time it is conveyed. Accordingly, hedging transactions and all other forms of monetization transactions are prohibited **Margin Accounts and Pledges** Securities held in a margin account may be sold by

the broker without the customer's consent if the customer fails to meet a margin call. Similarly, securities pledged (or hypothecated) as collateral for a loan may be sold in foreclosure if the borrower defaults on the loan. A margin sale or foreclosure sale may occur at a time when the pledgor is aware of Material Nonpublic Information or otherwise is not permitted to trade in Company securities pursuant to Blackout Period restrictions. Thus, employees, officers and directors are prohibited from pledging Company securities as collateral for a loan. Additionally, shares of Company stock may not be held in a margin account.**Post-Termination Transactions**This Policy continues to apply to transactions in Company securities even after an employee, officer or director has resigned or terminated employment. If the person who resigns or separates from the Company is in possession of Material Nonpublic Information at that time, he or she may not trade in Company securities until that information has become public or is no longer material.**Communications with the Public**The Company is subject to the SEC's Regulation FD and must avoid selective disclosure of Material Nonpublic Information. The Company has established procedures for releasing material information in a manner that is designed to achieve broad public dissemination of the information immediately upon its release. Pursuant to Company policy, only the executive officers who have been authorized to engage in communications with the public may disclose information to the public regarding the Company and its business activities and financial affairs. The public includes, without limitation, research analysts, portfolio managers, financial and business reporters, news media and investors. In addition, because of the risks associated with the exchange of information through such communications media, employees are strictly prohibited from

posting or responding to messages containing information regarding the Company on Internet "bulletin boards," Internet "chat rooms" or in similar online forums. Employees who inadvertently disclose any Material Nonpublic Information must immediately advise the Insider Trading Compliance Officer so the Company can assess its obligations under Regulation FD and other applicable securities laws.**Inquiries**Please direct questions as to any of the matters discussed in this Policy to the Company's Insider Trading Compliance Officer at the following address:William S. LanceExecutive Vice President and

Chief Financial Officer
Norwood Financial Corp

717 Main Street
Honesdale, PA 18431

Telephone: (570) 253-8505E-mail: william.lance@waynebank.com**Certifications**All Senior Vice Presidents and above, Designated Insiders and directors of the Company must certify their understanding of, and intent to comply with, this Policy. Please return the enclosed certification immediately to:

William S. Lance
Executive Vice President and Chief Financial OfficerNorwood Financial Corp
717 Main Street
Honesdale, PA 18431

Telephone: (570) 253-8505E-mail: william.lance@waynebank.com

CERTIFICATIONSI certify that:1. I have received, read and understand the Company's Insider Trading Policy, dated _____, 2023. I understand that the Insider Trading Compliance Officer is available to answer any questions I have regarding the Insider Trading Policy.2. I will comply with the Insider Trading Policy for as long as I am subject to the Policy.Signature:_____ Print Name: _____ Date: _____

Exhibit 21


Subsidiaries of the RegistrantParentNorwood Financial Corp.**Corp**

Subsidiaries	State or Other Jurisdiction of Incorporation	Percentage Ownership
Wayne Bank	Pennsylvania	100%
Subsidiaries of Wayne Bank		
Norwood Investment Corp.	Pennsylvania	100%
WCB Realty Corp.	Pennsylvania	100%
WTRO Properties, Inc.	Pennsylvania	100%

Exhibit 23

 Logo, company name Description automatically generated

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM We consent to the incorporation by reference in Registration Statements File No. 333-266622 and File No. ~~333-134831~~ on ~~333-134831~~ on Form S-8 of Norwood Financial Corp. of our report dated ~~March 17, 2023~~ ~~March 14, 2024~~, relating to our audit of the consolidated financial statements, which is incorporated in this Annual Report on Form 10-K of Norwood Financial Corp. for the year ended ~~December 31, 2022~~ ~~December 31, 2023~~.

 Text, letter Description automatically generated

King of Prussia, Pennsylvania ~~March 17, 2023~~ ~~March 14, 2024~~

S.R. Snodgrass, P.C. □ 2009 Mackenzie Way, Suite 340 □ Cranberry Township, PA 16066 □ Phone: 724-934-0344 □ Fax: 724-934-0345

Exhibit 31.1

CERTIFICATION I, James O. Donnelly, certify that:

1. I have reviewed this annual report on Form 10-K 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 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: March 17,
2023 March 14, 2024

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

Exhibit 31.2

CERTIFICATIONI, William S. Lance, certify that:

1. I have reviewed this annual report on Form 10-K 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 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: **March 17, 2023** March
14, 2024

By: _____
/s/ William S. Lance
William S. Lance Executive Vice
President & 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 Annual Report of Norwood Financial Corp. (the Company) on Form 10-K for the year ending **December 31, 2022** December 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the Report), we, James O. Donnelly, President and Chief Executive Officer and William S. Lance, 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/ William S. Lance
William S. Lance
Executive Vice President and Chief Financial Officer

March **17, 2023** 14, 2024

**Exhibit 97 NORWOOD FINANCIAL CORP INCENTIVE-BASED COMPENSATION RECOVERY POLICY EFFECTIVE
OCTOBER 2, 2023**

- 1. Policy Purpose.** The purpose of this Norwood Financial Corp (the "U") Incentive-Based Compensation Recovery Policy (this "U") is to enable the Company to recover Erroneously Awarded Compensation in the event that the Company is required to prepare an Accounting Restatement. This Policy is intended to comply with the requirements set forth in Listing Rule 5608 of the corporate governance rules of The NASDAQ Stock Market (the "U") and shall be construed and interpreted in accordance with such intent. Unless otherwise defined in this Policy, capitalized terms shall have the meaning ascribed to such terms in U.
- 2. Policy Administration.** This Policy shall be administered by the Compensation Committee of the Board (the "Committee") unless the Board determines to administer this Policy itself. The Committee has full and final authority to make all determinations under this Policy, in each case to the extent permitted under the Listing Rule and in compliance with (or pursuant to an exemption from the application of) Section 409A of the Code. All determinations and decisions made by the Committee pursuant to the provisions of this Policy shall be final, conclusive and binding on all persons, including the Company, its affiliates, its stockholders and Executive Officers. Any action or inaction by the Committee with respect to an Executive Officer under this Policy in no way limits the Committee's actions or decisions not to act with respect to any other Executive Officer under this Policy or under any similar policy, agreement or arrangement, nor shall any such action or inaction serve as a waiver of any rights the Company may have against any Executive Officer other than as set forth in this Policy.
- 3. Policy Application.** This Policy applies to all Incentive-Based Compensation received on or after October 2, 2023 by a person: (a) after beginning service as an Executive Officer; (b) who served as an Executive Officer at any time during the performance period for such Incentive-Based Compensation; (c) while the Company had a class of securities listed on a national securities exchange or a national securities association; and (d) during the three completed fiscal years immediately preceding the Accounting Restatement Date. In addition to such last three completed fiscal years, the immediately preceding clause (d) includes any transition period that results from a change in the Company's fiscal year within or immediately following such three completed fiscal years; provided, however, that a transition period between the last day of the Company's previous fiscal year end and the first day of its new fiscal year that comprises a period of nine to twelve months shall be deemed a completed fiscal year. For purposes of this Section 3, Incentive-Based Compensation is

deemed received in the Company's fiscal period during which the Financial Reporting Measure specified in the Incentive-Based Compensation award is attained, even if the payment or grant of the Incentive-Based Compensation occurs after the end of that period. For the avoidance of doubt, Incentive-Based Compensation that is subject to both a Financial Reporting Measure vesting condition and a service-based vesting condition shall be considered received when the relevant Financial Reporting Measure is achieved, even if the Incentive-Based Compensation continues to be subject to the service-based vesting condition.

4. Policy Recovery Requirement. In the event of an Accounting Restatement, the Company must recover, reasonably promptly, Erroneously Awarded Compensation, in amounts determined pursuant to this Policy. The Company's obligation to recover Erroneously Awarded Compensation is not dependent on if or when the Company files restated financial statements. Recovery under this Policy with respect to an Executive Officer shall not require the finding of any misconduct by such Executive Officer or such Executive Officer being found responsible for the accounting error leading to an Accounting Restatement. In the event of an Accounting Restatement, the Company shall satisfy the Company's obligations under this Policy to recover any amount owed from any applicable Executive Officer by exercising its sole and absolute discretion in how to accomplish such recovery, to the extent permitted under the Listing Rule and in compliance with (or pursuant to an exemption from the application of) Section 409A of the Code. The Company's recovery obligation pursuant to this Section 4 shall not apply to the extent that the

Committee, or in the absence of the Committee, a majority of the independent directors serving on the Board, determines that such recovery would be impracticable and:

- a. The direct expense paid to a third party to assist in enforcing this Policy would exceed the amount to be recovered. Before concluding that it would be impracticable to recover any amount of Erroneously Awarded Compensation based on expense of enforcement, the Company must make a reasonable attempt to recover such Erroneously Awarded Compensation, document such reasonable attempt(s) to recover, and provide that documentation to the Stock Exchange;
- b. Recovery would violate home country law where that law was adopted prior to November 28, 2022. Before concluding that it would be impracticable to recover any amount of Erroneously Awarded Compensation based on violation of home country law, the Company must obtain an opinion of home country counsel, acceptable to the Stock Exchange, that recovery would result in such a violation, and must provide such opinion to the Stock Exchange; or
- c. Recovery would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of the registrant, to fail to meet the requirements of Section 401(a)(13) or Section 411(a) of the Code.

5. Policy Prohibition on Indemnification and Insurance Reimbursement. The Company is prohibited from indemnifying any Executive Officer or former Executive Officer against the loss of Erroneously Awarded Compensation. Further, the Company is prohibited from paying or reimbursing an Executive Officer for purchasing insurance to cover any such loss.

6. Required Policy-Related Filings. The Company shall file all disclosures with respect to this Policy in accordance with the requirements of the federal securities laws, including disclosures required by U.S. Securities and Exchange Commission filings.

7. Definitions.

a. "Accounting Restatement" means an accounting restatement due to the material noncompliance of the Company with any financial reporting requirement under the securities laws, including any required accounting restatement to correct an error in previously issued financial statements that is material to the previously issued financial statements, or that would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period.

b. "Accounting Restatement Date" means the earlier to occur of: (i) the date the Board, a committee of the Board, or the officer or officers of the Company authorized to take such action if the Board action is not required,

concludes, or reasonably should have concluded, that the Company is required to prepare an Accounting Restatement; and (ii) the date a court, regulator, or other legally authorized body directs the Company to prepare an Accounting Restatement.

c. "Board" means the board of directors of the Company.

d. "Code" means the U.S. Internal Revenue Code of 1986, as amended. Any reference to a section of the Code or regulation thereunder includes such section or regulation, any valid regulation or other official guidance promulgated under such section, and any comparable provision of any future legislation or regulation amending, supplementing, or superseding such section or regulation.

e. "Erroneously Awarded Compensation" means, in the event of an Accounting Restatement, the amount of Incentive-Based Compensation previously received that exceeds the amount of Incentive-Based Compensation that otherwise would have been received had it been determined based on the restated amounts in such Accounting Restatement, and must be

computed without regard to any taxes paid by the relevant Executive Officer; provided, however, that for Incentive-Based Compensation based on stock price or total stockholder return, where the amount of Erroneously Awarded Compensation is not subject to mathematical recalculation directly from the information in an Accounting Restatement: (i) the amount of Erroneously Awarded Compensation must be based on a reasonable estimate of the effect of the Accounting Restatement on the stock price or total stockholder return upon which the Incentive-Based Compensation was received; and (ii) the Company must maintain documentation of the determination of that reasonable estimate and provide such documentation to the Stock Exchange.

f. "Executive Officer" means the Company's president, principal financial officer, principal accounting officer (or if there is no such accounting officer, the controller), any vice-president of the Company in charge of a principal business unit, division, or function (such as sales, administration, or finance), any other officer who performs a policy-making function, or any other person who performs similar policy-making functions for the Company. An executive officer of the Company's parent or subsidiary is deemed an "Executive Officer" if the executive officer performs such policy making functions for the Company.

g. "Financial Reporting Measure" means any measure that is determined and presented in accordance with the accounting principles used in preparing the Company's financial statements, and any measure that is derived wholly or in part from such measure; provided, however, that a Financial Reporting Measure is not required to be presented within the Company's financial statements or included in a filing with the U.S. Securities and Exchange Commission to qualify as a "Financial Reporting Measure." For purposes of this Policy, "Financial Reporting Measure" includes, but is not limited to, stock price and total stockholder return.

h. "Incentive-Based Compensation" means any compensation that is granted, earned, or vested based wholly or in part upon the attainment of a Financial Reporting Measure.

i. "Stock Exchange" means the national stock exchange on which the Company's common stock is listed.

8. Acknowledgement. Each Executive Officer shall sign and return to the Company, within 30 calendar days following the later of (i) the effective date of this Policy first set forth above or (ii) the date the individual becomes an Executive Officer, the Acknowledgement Form attached hereto as Exhibit A, pursuant to which the Executive Officer agrees to be bound by, and to comply with, the terms and conditions of this Policy.

9. Severability. The provisions in this Policy are intended to be applied to the fullest extent of the law. To the extent that any provision of this Policy is found to be unenforceable or invalid under any applicable law, such provision shall be applied to the maximum extent permitted, and shall automatically be deemed amended in a manner consistent with its objectives to the extent necessary to conform to any limitations required under applicable law.

10. Amendment; Termination. The Board may amend, modify, supplement, rescind or replace all or any portion of this Policy at any time and from time to time in its discretion, and shall amend this Policy as it deems necessary to comply with

applicable law or any rules or standards adopted by a national securities exchange on which the Company's securities are listed. The Board may terminate this Policy at any time.

11. Other Recovery Obligations; General Rights. To the extent that the application of this Policy would provide for recovery of Incentive-Based Compensation that the Company recovers pursuant to Section 304 of the Sarbanes-Oxley Act or other recovery obligations, the amount the relevant Executive Officer has already reimbursed the Company will be credited to the required recovery under this Policy. This Policy shall not limit the rights of the Company to take any other actions or pursue other remedies that the Company may deem appropriate under the circumstances and under applicable law, in each case to the extent permitted under the Listing Rule and in compliance with (or pursuant to an exemption from the

application of) Section 409A of the Code. Nothing contained in this Policy shall limit the Company's ability to seek recoupment, in appropriate circumstances (including circumstances beyond the scope of this Policy) and as permitted by applicable law, of any amounts from any individual, in each case to the extent permitted under the Listing Rule and in compliance with (or pursuant to an exemption from the application of) Section 409A of the Code.

12. Successors. This Policy is binding and enforceable against all Executive Officers and their beneficiaries, heirs, executors, administrators or other legal representatives.

13. Exhibit Filing Requirement. A copy of this Policy and any amendments thereto shall be filed as an exhibit to the Company's annual report on Form 10-K filed in accordance with the Company's reporting obligation under the Securities and Exchange Act of 1934, as amended.

14. Governing Law; Venue. This Policy and all rights and obligations hereunder are governed by and construed in accordance with the internal laws of the Commonwealth of Pennsylvania, excluding any choice of law rules or principles that may direct the application of the laws of another jurisdiction. All actions arising out of or relating to this Policy shall be heard and determined exclusively in the Court of Common Pleas of the Commonwealth of Pennsylvania or, if such court declines to exercise jurisdiction or if subject matter jurisdiction over the matter that is the subject of any such legal action or proceeding is vested exclusively in the U.S. federal courts, the U.S. District Court for the Eastern District of Pennsylvania.

EXHIBIT A

NORWOOD FINANCIAL CORP INCENTIVE-BASED COMPENSATION RECOVERY POLICY

ACKNOWLEDGEMENT FORM

By signing below, the undersigned acknowledges and confirms that the undersigned has received and reviewed a copy of the Norwood Financial Corp (the "Company") Incentive-Based Compensation Recovery Policy (as it may be amended, restated, supplemented or otherwise modified from time to time (the "Policy"). Capitalized terms used but not otherwise defined in this Acknowledgement Form shall have the meanings ascribed to such terms in the Policy.

By signing this Acknowledgement Form, the undersigned further acknowledges and agrees that:

- ☐ the undersigned is and will continue to be subject to the Policy;
- ☐ the Policy will apply both during and after the undersigned's employment with the Company;
- ☐ in the event of any inconsistency between the Policy and the terms of any employment or indemnification agreement to which the undersigned is a party, or the terms of any compensation plan, program or agreement under which any compensation has been granted, awarded, earned or paid, the terms of the Policy shall govern, and all such agreements, plans and programs shall be deemed to have incorporated the terms of this Policy, as applicable;
- ☐ the undersigned will abide by the terms of the Policy, including, without limitation, by returning any Erroneously Awarded Compensation to the Company to the extent required by, and in a manner permitted by, the Policy; and
- ☐ the Policy shall be binding and enforceable against the undersigned and the undersigned's beneficiaries, heirs, executors, administrators and other legal representatives.

EXECUTIVE OFFICER

Signature

Print Name

DISCLAIMER

THE INFORMATION CONTAINED IN THE REFINITIV CORPORATE DISCLOSURES DELTA REPORT™ IS A COMPARISON OF TWO FINANCIALS PERIODIC REPORTS. THERE MAY BE MATERIAL ERRORS, OMISSIONS, OR INACCURACIES IN THE REPORT INCLUDING THE TEXT AND THE COMPARISON DATA AND TABLES. IN NO WAY DOES REFINITIV OR THE APPLICABLE COMPANY ASSUME ANY RESPONSIBILITY FOR ANY INVESTMENT OR OTHER DECISIONS MADE BASED UPON THE INFORMATION PROVIDED IN THIS REPORT. USERS ARE ADVISED TO REVIEW THE APPLICABLE COMPANY'S ACTUAL SEC FILINGS BEFORE MAKING ANY INVESTMENT OR OTHER DECISIONS.

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