

NORWOOD FINANCIAL CORP
Form 424B3
May 09, 2016

Filed Pursuant to Rule 424(b)(3)

Registration No. 333-210850

DELAWARE BANCSHARES, INC.
131-133 Delaware Street
Walton, New York 13856

Merger Proposed — Your Vote Is Very Important

To the Shareholders of Delaware Bancshares, Inc.:

You are cordially invited to attend a special meeting of the shareholders of Delaware Bancshares, Inc. (“Delaware”) to be held on Friday, June 24, 2016 at 1:00 p.m., local time, at The Walton Fire Hall, 61 West Street, Walton, New York 13856.

At the special meeting, you will be asked to consider the merger of Delaware and Norwood Financial Corp. (“Norwood”) and to adopt the Agreement and Plan of Merger (the “merger agreement”) dated March 10, 2016, that Delaware and The National Bank of Delaware County (“NBDC Bank”) entered into with Norwood and Wayne Bank, a wholly owned subsidiary of Norwood. You will also be asked to approve the adjournment, postponement, or continuation of the special meeting, if necessary, to solicit additional proxies in favor of adoption of the merger agreement.

If the merger is completed, each outstanding share of Delaware common stock will be converted into the right to receive either: (1) \$16.68 in cash, without interest; or (2) 0.6221 of a share of Norwood common stock. You will be able to elect to receive cash for all of your shares of Delaware common stock, shares of Norwood common stock for all of your shares of Delaware common stock or cash for some of your shares of Delaware common stock and Norwood common stock for the remainder. Regardless of your choice, however, elections will be limited by the requirement that the total number of shares electing cash (which includes, for this purpose, dissenting shares) must not exceed 25% of the total shares of Delaware common stock outstanding. Therefore, all allocations of cash and Norwood common stock that you may receive will depend on the elections of other Delaware shareholders. The federal income tax consequences of the merger to you will depend on whether you receive cash, stock or a combination of cash and stock in exchange for your shares of Delaware common stock.

Under the terms of the merger agreement, the cash consideration and the exchange ratio will remain fixed, while the value of the stock consideration will fluctuate with the market price of Norwood common stock. Based on the closing price of Norwood common stock on the NASDAQ Global Market on March 10, 2016, the last trading day before public announcement of the merger agreement, the value of the stock consideration represented approximately \$16.49 in value for each share of Delaware common stock. You should obtain current stock price quotations for Norwood and Delaware common stock. Norwood common stock trades on the NASDAQ Global Market under the symbol “NWFL” and Delaware common stock trades on the OTC Pink Marketplace under the symbol “DBAI.” Delaware may terminate the merger agreement if (i) the average closing price of Norwood’s common stock for a specified period is less than \$21.08, (ii) Norwood’s common stock underperforms the NASDAQ Bank Index by more than 20% and (iii) Norwood does not elect to increase the stock election consideration by a formula-based amount outlined in the merger agreement, as is discussed in further detail on page 76 of this proxy statement/prospectus.

Your board of directors has unanimously determined that the merger and the merger agreement are fair and in the best interests of Delaware and its shareholders and unanimously recommends that you vote "FOR" approval of the merger agreement and the merger. The merger cannot be completed unless two-thirds of the outstanding shares vote to approve the merger agreement. Whether or not you plan to attend the special meeting of shareholders, please take the time to vote by

completing the enclosed proxy card and mailing it in the enclosed envelope. Shareholders may also vote by telephone or on the internet by following the instructions on the proxy card. Failure to vote has the same effect as a vote "AGAINST" the merger agreement. If you sign, date and mail your proxy card or vote by telephone or on the internet without indicating how you want to vote, your proxy will be counted as a vote "FOR" adoption of the merger agreement and "FOR" the proposal to adjourn the special meeting, if necessary, to solicit additional votes in favor of adoption of the merger agreement.

This proxy statement/prospectus provides you with detailed information about the proposed merger. It also contains information about Norwood and Delaware and related matters. You are encouraged to read this document carefully. In particular, you should read the "Risk Factors" section beginning on page 20 for a discussion of the risks you should consider in evaluating the proposed merger and how it will affect you.

On behalf of the board of directors, I thank you for your prompt attention to this important matter.

Sincerely yours,

Douglas W. Sluiter
Presiding Director

James S. Stracuzzi
President and Chief Executive
Officer

Neither the Securities and Exchange Commission nor any state securities commission or bank regulatory agency has approved or disapproved of the merger, the issuance of the Norwood common stock in connection with the merger or the other transactions described in this proxy statement/prospectus, or passed upon the adequacy or accuracy of the disclosure in this document. Any representation to the contrary is a criminal offense.

The securities to be issued in the merger are not savings accounts, deposits or other obligations of any bank or savings association and are not insured by the Federal Deposit Insurance Corporation or any other governmental agency.

This proxy statement/prospectus is dated May 6, 2016, and is first being mailed to shareholders of Delaware on or about May 9, 2016.

DELAWARE BANCSHARES, INC.
131-133 Delaware Street
Walton, New York 13856
(607) 865-4126

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

To Be Held On June 24, 2016

NOTICE IS HEREBY GIVEN, that a special meeting of shareholders of Delaware Bancshares, Inc. will be held at The Walton Fire Hall, located at 61 West Street, Walton, New York 13856, on Friday, June 24, 2016 at 1:00 p.m., local time, for the following purposes:

1. To consider and vote upon a proposal to adopt the Agreement and Plan of Merger, dated March 10, 2016, by and among Norwood Financial Corp., Wayne Bank, Delaware Bancshares, Inc. and The National Bank of Delaware County, under which Delaware Bancshares, Inc. will merge with and into Norwood Financial Corp.;
2. To consider and vote upon a proposal to adjourn, postpone or continue the special meeting, if necessary, to permit further solicitation of proxies in favor of adopting the merger agreement; and
3. To transact such other business as may properly come before the special meeting or any adjournment, postponement or continuance thereof.

Shareholders of record at the close of business on May 6, 2016 are entitled to notice of and to vote at the special meeting and at any adjournment or postponement thereof. The enclosed proxy statement/prospectus describes the merger agreement in detail, and a copy of the merger agreement is annexed as Annex A to the proxy statement/prospectus and incorporated by reference therein.

The board of directors of Delaware Bancshares, Inc. unanimously recommends that Delaware's shareholders vote "FOR" the proposal to approve the merger agreement and "FOR" the adjournment proposal described above.

Your vote is very important. Your proxy is being solicited by the board of directors of Delaware. The proposal to approve the merger agreement must be approved by the affirmative vote of two-thirds of the outstanding shares at the special meeting; provided, that a majority of the outstanding shares of Delaware common stock entitled to vote at the special meeting is present, in person or by proxy. Whether or not you expect to attend the special meeting, please complete, sign and date the accompanying proxy card and return it in the enclosed postage prepaid envelope or vote by telephone or on the internet. You may revoke your proxy by written notice to Delaware, by submitting a proxy card dated as of a later date, by subsequently voting by telephone or on the internet or by voting in person at the special meeting.

Under New York law, if the merger is completed, Delaware shareholders of record who do not vote to approve the merger agreement and otherwise comply with the applicable provisions of New York law pertaining to dissenters' rights will be entitled to exercise dissenters' rights and obtain payment in cash of the fair value of their shares of Delaware common stock by following the procedures set forth in detail in the enclosed proxy statement/prospectus. A copy of the section of the New York Business Corporation Law pertaining to dissenters' rights is included as Annex C to the accompanying proxy statement/prospectus.

By Order of the Board of Directors

Judith A. Riscoe
Secretary

If you have any questions or need assistance voting your shares, please contact our proxy solicitor, Morrow & Co., LLC, toll-free at (855) 201-1081.

WHERE YOU CAN FIND MORE INFORMATION

This document, which is sometimes referred to as this “proxy statement/prospectus” constitutes a proxy statement of Delaware with respect to the solicitation of proxies for the Delaware special meeting and a prospectus of Norwood for the shares of common stock that Norwood will issue to Delaware’s shareholders in the merger.

Norwood has filed a registration statement on Form S-4 to register with the Securities and Exchange Commission (the “SEC”) the shares that Norwood will issue to Delaware’s shareholders in the merger. This proxy statement/prospectus constitutes a part of that registration statement on Form S-4. For further information about Norwood, you should review the registration statement filed with the SEC.

Norwood files annual, quarterly and current reports, proxy statements and other information with the SEC required to be filed by reporting companies under Sections 13 or 15(d) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). You may read and copy any materials that Norwood files with the SEC at the SEC’s Public Reference Room, 100 F Street, N.E., Washington, D.C. 20549 on official business days during the hours of 10:00 a.m. to 3:00 p.m. You should call the SEC at 1-800-SEC-0330 for further information on the operation of the Public Reference Room. In addition, the SEC maintains an Internet site at www.sec.gov that contains the reports, proxy and information statements, and other information that Norwood and Delaware file with the SEC. You may also obtain free copies of the documents that Norwood files with the SEC by going to the Stockholder Services section of Norwood’s website, www.waynebank.com/stockholder-services or by contacting William S. Lance, Executive Vice President and Chief Financial Officer, Norwood Financial Corp., 717 Main Street, Honesdale, Pennsylvania 18431, Telephone: (570) 253-1455. Information contained on Norwood’s website is not incorporated into this proxy statement/prospectus and you should not consider information contained on either website to be part of this proxy statement/prospectus or any supplement thereto.

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ANNEXES

- A. Agreement and Plan of Merger, dated as of March 10, 2016, by and among Norwood Financial Corp., Wayne Bank, Delaware Bancshares, Inc. and The National Bank of Delaware County
 - B. Opinion of Sandler O’Neill & Partners, L.P.
 - C. New York Business Corporation Law §623.
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QUESTIONS AND ANSWERS ABOUT THE MERGER AND THE SPECIAL MEETING

The following are answers to certain questions that you may have regarding the merger and the special meeting. We urge you to read carefully the remainder of this proxy statement/prospectus because the information in this section may not provide all the information that might be important to you in determining how to vote. Additional important information is also contained in the annexes to this proxy statement/prospectus.

Q: Why am I receiving this document?

A: Norwood and Delaware have agreed to combine under the terms of a merger agreement that is described in this proxy statement/prospectus. A copy of the merger agreement is attached to this proxy statement/prospectus as Annex A. In order to complete the merger, Delaware shareholders must vote to approve the merger agreement and the merger. Delaware is holding a special meeting of shareholders to obtain this approval. This proxy statement/prospectus contains important information about the merger, the merger agreement, the special meeting, and other related matters, and you should read it carefully.

Q: What will happen to Delaware as a result of the merger?

A: If the merger is completed, Delaware will merge with and into Norwood and its separate corporate existence will end. In addition, immediately following the merger, The National Bank of Delaware County, or NBDC Bank, will merge with and into Wayne Bank with Wayne Bank being the surviving bank.

Q: What will Delaware shareholders receive in the merger?

A: If the merger agreement is approved and the merger is subsequently completed, each outstanding share of Delaware common stock (other than any dissenting shares) will be converted into the right to receive either:

- \$16.68 in cash, without interest; or
- 0.6221 of a share of Norwood common stock,

in each case, subject to adjustment, election and allocation procedures specified in the merger agreement.

Shareholders may elect to receive all cash, all stock, or cash for some shares and stock for the remainder of the shares they own, subject to adjustment, election and allocation procedures specified in the merger agreement. The ability to receive all stock, all cash or a mix of both may depend on the elections of other Delaware shareholders. The allocation of the mix of consideration payable to Delaware shareholders in the merger will not be known until Norwood tallies the results of the cash/stock elections made by all Delaware shareholders. No guarantee can be made that you will receive the amounts of cash or stock that you elect. See “The Merger and the Merger Agreement — Consideration to be Received in the Merger” beginning on page 54 and “— Allocation Procedures” beginning on page 57.

Q: Will Delaware shareholders receive the form of consideration they elect?

A: Each Delaware shareholder may not receive the form of consideration that it elects in the merger. The allocation procedures in the merger agreement provide that the aggregate number of shares of Delaware common stock to be converted into the right to receive cash consideration, including

dissenting shares, will equal 25% of the outstanding shares of Delaware common stock and the number of shares to be converted into Norwood common stock will equal 75% of the outstanding Delaware common stock. Pursuant to this limitation, if the aggregate number of shares with respect to which a valid cash consideration election is made, together with any dissenting shares, is greater than 25% of the outstanding shares of Delaware common stock, a pro rata portion of those shares will be converted into the right to receive Norwood common stock such that the number of shares of Delaware common stock converted into the cash consideration equals 25% of the total. Similarly, if the number of shares pursuant to which a valid cash consideration election is made, together with any dissenting shares, is less than 25% of the outstanding shares of Delaware common stock; such a number of shares for which no election has been made first and then if necessary, such number of shares for which a stock consideration election has been made will be converted, as necessary, such that the number of shares of Delaware common stock to be converted into cash in the transaction does not exceed 25%.

Q: How do Delaware shareholders register their election for cash, Norwood common stock or a combination thereof?

A: Each Delaware shareholder should complete and return an election form, along with the Delaware stock certificate(s), according to the instructions included with the form. The election form will be provided to Delaware shareholders under separate cover. The election deadline will be 5:00 p.m., Eastern Time, on the date specified in the election form. If you own shares of Delaware common stock in "street name" through a bank, broker or other financial institution and you wish to make an election, you should seek instructions from the financial institution holding your shares concerning how to make an election. If you do not send in the election form with your stock certificate(s) by the election deadline, you will be treated as though you had not made an election.

Q: What happens if a Delaware shareholder does not make a valid election as to whether to receive cash or stock?

A: If a Delaware shareholder does not return a properly completed election form by the election deadline specified in the election form, such shareholder's shares of Delaware common stock will be considered "non-election shares" and will be converted into the right to receive the stock consideration or the cash consideration according to the allocation procedures specified in the merger agreement.

Q: When will the merger be completed?

A: We expect the merger will be completed when all of the conditions to completion contained in the merger agreement are satisfied or waived, including the receipt of required regulatory approvals and the approval of the merger agreement by Delaware shareholders at the special meeting. We currently expect to complete the merger during the third calendar quarter of 2016. However, because fulfillment of some of the conditions to completion of the merger, such as the receipt of required regulatory approvals, is not entirely within our control, we cannot predict the actual timing.

Q: What happens if the merger is not completed?

A: If the merger is not completed, Delaware shareholders will not receive any consideration for their shares of common stock in connection with the merger. Instead, Delaware will remain an independent company and its common stock will continue to be quoted on the OTC Pink Marketplace. Under specified circumstances, Delaware may be required to pay to Norwood a fee with respect to the termination of the merger agreement, as described under "The Merger and the Merger Agreement — Termination Fee" beginning on page 76.

Q: Who is being asked to approve matters in connection with the merger?

A: Delaware shareholders are being asked to vote to approve the merger agreement and the merger and to approve a proposal to adjourn the special meeting, if necessary, to solicit additional proxies. No approval of Norwood shareholders is required. Under New York law, the merger cannot be completed unless two-thirds of the outstanding shares of Delaware common stock are voted to adopt the merger agreement and the merger. By this proxy statement/prospectus, Delaware's board of directors is soliciting proxies of Delaware shareholders to obtain this approval at the special meeting of Delaware shareholders.

Q: Should Delaware shareholders send in their stock certificates with their proxy card?

A: No. An election form and transmittal materials, with instructions for their completion, will be provided to Delaware shareholders under separate cover and the stock certificates should be sent at that time.

Q: What are the material United States federal income tax consequences of the merger to Delaware shareholders?

A: Norwood and Delaware will not be required to complete the merger unless they receive legal opinions from their respective counsel to the effect that the merger will qualify as a tax-free reorganization for United States federal income tax purposes. Provided that the merger qualifies as a reorganization for United States federal income tax purposes, the specific tax consequences of the merger to a Delaware shareholder will depend upon the form of consideration such shareholder will receive in the merger (i.e., cash, stock or a combination thereof).

The consequences of the merger to any particular shareholder will depend on that shareholder's particular facts and circumstances. Accordingly, you are urged to consult your tax advisor to determine your tax consequences from the merger.

For a more detailed discussion of the material United States federal income tax consequences of the transaction, see "The Merger and the Merger Agreement — Material United States Federal Income Tax Consequences of the Merger" beginning on page 59.

Q: Are Delaware shareholders entitled to dissenters' appraisal rights?

A: Yes. Under New York law, record holders of Delaware common stock who submit a written objection, including notice of an intent to dissent, and do not vote in favor of the proposal to adopt the merger agreement will be entitled to seek dissenters' appraisal rights in connection with the merger, and if the merger is completed, obtain payment in cash equal to the fair value of their shares of Delaware common stock instead of the merger consideration. To exercise their appraisal rights, Delaware shareholders must strictly follow the procedures prescribed by New York law. These procedures are summarized in this proxy statement/prospectus. In addition, the text of the applicable provisions of New York law is included as Annex C to this document. Failure to strictly comply with these provisions will result in the loss of appraisal rights. For a more complete description of appraisal rights, please refer to the section entitled "The Merger and the Merger Agreement — Dissenters' Rights of Appraisal" beginning on page 77.

Q: Are there any risks that I should consider in deciding whether to vote for approval of the merger-related proposals?

A: Yes. You should read and carefully consider the risk factors set forth in the section of this proxy statement/prospectus entitled “Risk Factors” beginning on page 20.

Q: When and where will Delaware shareholders meet?

A: Delaware will hold a special meeting of its shareholders on Friday, June 24, 2016, at 1:00 p.m., Eastern Time, at The Walton Fire Hall located at 61 West Street, Walton, New York 13856.

Q: What matters are Delaware shareholders being asked to approve at the special meeting pursuant to the proxy statement/prospectus?

A: Delaware shareholders are being asked to adopt the merger agreement and approve the transactions contemplated by the merger agreement, including the merger. Delaware shareholders also are being asked to approve a proposal to adjourn, postpone or continue the special meeting, if necessary, to solicit additional proxies in favor of adoption of the merger agreement.

Q: What does Delaware’s Board of Directors recommend with respect to the proposals?

A: Delaware’s board of directors has unanimously approved the merger agreement and determined that the merger agreement and the merger are fair to and in the best interests of Delaware and its shareholders and unanimously recommends that Delaware shareholders vote “FOR” the merger agreement and “FOR” the adjournment proposal.

Q: Did the Board of Directors of Delaware receive an opinion from a financial advisor with respect to the merger?

A: Yes. On March 10, 2016, Sandler O’Neill & Partners, L.P., which we refer to in this proxy statement/prospectus as “Sandler,” rendered its written opinion to the board of directors of Delaware that, as of such date and based upon and subject to the factors and assumptions described to the Delaware board of directors during its presentation and set forth in the opinion, the consideration in the proposed merger was fair, from a financial point of view, to holders of Delaware common stock. You should read and carefully consider the description of Sandler’s opinion and analysis set forth in the section of this proxy statement/prospectus entitled “The Merger and the Merger Agreement — Opinion of Delaware’s Financial Advisor” beginning on page 42. The full text of Sandler’s written opinion is attached as Annex B to this proxy statement/prospectus. Delaware shareholders are urged to read the opinion in its entirety.

Q: Who can vote at the special meeting?

A: Holders of record of Delaware common stock at the close of business on May 6, 2016, which is the record date for the special meeting, are entitled to vote at the special meeting.

Q: How many votes must be represented in person or by proxy at the special meeting to have a quorum?

A: The holders of a majority of the shares of Delaware common stock outstanding and entitled to vote at the special meeting, present in person or represented by proxy, will constitute a quorum at the special meeting.

Q: What vote by shareholders is required to approve each of the proposals?

A: Approval of the merger agreement will require the affirmative vote of the holders of two-thirds of the outstanding shares. Approval of the adjournment proposal will require the affirmative vote of a majority of the votes cast at the special meeting assuming a quorum is present. Abstentions and broker non-votes will have the same effect as voting against the merger agreement proposal but will have no effect on the adjournment proposal.

As of the record date for the special meeting, directors and executive officers of Delaware, together with their affiliates, had sole or shared voting power over approximately 3.3% of the Delaware common stock outstanding and entitled to vote at the special meeting. Directors and executive officers of Norwood, together with their affiliates, do not have sole or shared voting power over any shares of Delaware common stock entitled to vote at the special meeting.

Q: How may the Delaware shareholders vote their shares for the proposals being presented at the special meeting?

A: Delaware shareholders may vote by completing, signing, dating and returning the proxy card in the enclosed prepaid return envelope as soon as possible. This will enable their shares to be represented and voted at the special meeting. Delaware shareholders may also vote by telephone or on the internet by following the instructions on the proxy card.

Q: Will a broker or bank holding shares in "street name" for a Delaware shareholder automatically vote those shares for a shareholder at the special meeting?

A: No. A broker or bank WILL NOT be able to vote your shares with respect to the merger agreement proposal without first receiving instructions from you on how to vote. If your shares are held in "street name," you will receive separate voting instructions with your proxy materials. It is therefore important that you provide timely instruction to your broker or bank to ensure that all shares of Delaware common stock that you own are voted at the special meeting.

Q: Will Delaware shareholders be able to vote their shares in person at the Special Meeting?

A: Yes. Submitting a proxy will not affect the right of any Delaware shareholder to vote in person at the special meeting. However, if a Delaware shareholder holds shares in "street name," the shareholder must first ask its broker or bank how to vote those shares in person at the special meeting and obtain a "legal proxy."

Q: What do Delaware shareholders need to do now?

A: After carefully reading and considering the information contained in this proxy statement/prospectus, please vote your shares promptly. If you hold your shares of Delaware common stock as a shareholder of record, you should complete, sign, date and promptly return the enclosed proxy

card or vote by telephone or on the internet. The proxy card will instruct the persons named on the proxy card to vote your Delaware shares at the special meeting as you direct. If you sign and send in a proxy card or vote by telephone or on the internet and do not indicate how you wish to vote, the proxy will be voted "FOR" the special meeting proposals. If you hold your stock in "street name" through a bank or broker, you must direct your bank or broker to vote in accordance with the instructions you have received from your bank or broker. Submitting your proxy card, voting by telephone or on the internet or directing your bank or broker to vote your shares will ensure that your shares are represented and voted at the special meeting.

Q: What should a Delaware shareholder do if he or she receives more than one set of voting materials?

A: As a Delaware shareholder, you may receive more than one set of voting materials, including multiple copies of this proxy statement/prospectus and multiple Delaware proxy cards or voting instruction cards. For example, if you hold your Delaware shares in more than one brokerage account, you will receive a separate voting instruction card for each brokerage account in which you hold Delaware shares. If you are a holder of record and your Delaware shares are registered in more than one name, you will receive more than one proxy card. Please complete, sign, date and return each proxy card and voting instruction card that you receive or otherwise follow the voting instructions set forth in this proxy statement/prospectus in the section entitled "The Special Meeting of Shareholders" beginning on page 28.

Q: May a Delaware shareholder change or revoke the shareholder's vote after submitting a proxy?

A: Yes. If you are a record holder of Delaware common stock, you can change your vote by:

- providing written notice of revocation to the Secretary of Delaware or Morrow & Co., LLC prior to the time the special meeting begins;
- submitting a later dated, signed and dated proxy card prior to the time the special meeting begins (any earlier proxies will be revoked automatically);
- voting again by telephone or on the internet prior to the time the special meeting begins (any earlier proxies will be revoked automatically); or
- attending the special meeting and voting in person. Any earlier proxy will be revoked. However, simply attending the special meeting without voting will not revoke your proxy.
- If you have instructed a bank or broker to vote your shares, you must follow your bank's or broker's directions to change your vote.

You should send any notice of revocation or your completed new proxy card, as the case may be, to Morrow & Co., LLC, Delaware's proxy solicitor, as follows:

Morrow & Co., LLC
Attn: Tom Skulski
470 West Avenue, 3rd Floor
Stamford, CT 06902

On the internet at www.proxyvoting.com/dbai

By telephone at 1-888-887-2965 (toll free)

Q: What happens if I sell my shares of Delaware common stock before the special meeting?

A: The record date for Delaware shareholders entitled to vote at the special meeting is earlier than both the date of the special meeting and the completion of the merger. If you transfer your Delaware shares of common stock after the record date but before the special meeting, you will, unless special arrangements are made, retain your right to vote at the special meeting but will transfer the right to receive the merger consideration to the person to whom you transfer your shares.

Q: Who can help answer my questions?

A: If you have any questions about the merger or the special meeting, or if you need additional copies of this proxy statement/prospectus or the enclosed proxy card, you should contact Delaware's proxy solicitor, Morrow & Co., LLC, at 1-855-201-1081 (toll free).

SUMMARY

This summary, together with the section of this proxy statement/prospectus entitled “Questions and Answers About the Merger and the Special Meeting” highlights selected information from this proxy statement/prospectus and may not contain all of the information that is important to you. To understand the merger fully, and for a more complete description of the legal terms of the merger, you should carefully read this entire proxy statement/prospectus, the annexes attached to this proxy statement/prospectus and the documents which are referred to in this proxy statement/prospectus. The Agreement and Plan of Merger, dated as of March 10, 2016, is attached as Annex A to this proxy statement/prospectus. We have included page references in parentheses to direct you to the appropriate place in this proxy statement/prospectus for a more complete description of the topics presented in this summary. The terms “we,” “us” and “our” refer to both Norwood and Delaware. This summary and the rest of this document contain forward-looking statements about events that are not certain to occur, and you should not place undue reliance on those statements. Please carefully read “Cautionary Statement Regarding Forward-Looking Statements” on page 25 of this document.

The Parties

Norwood Financial Corp.
717 Main Street
Honesdale, Pennsylvania 18431
(570) 253-1455

Norwood Financial Corp., a Pennsylvania corporation, is the holding company for Wayne Bank. Wayne Bank is a Pennsylvania chartered commercial bank headquartered in Honesdale, Pennsylvania. Wayne Bank was originally chartered on February 17, 1870 as Wayne County Savings Bank. Wayne County Savings Bank changed its name to Wayne County Bank and Trust in December 1943. In September 1993, Wayne Bank adopted the name Wayne Bank. On March 29, 1996, Wayne Bank completed a holding company reorganization and became a wholly owned subsidiary of Norwood. In 2011, Norwood acquired North Penn Bancshares, Inc. and its wholly owned subsidiary, North Penn Bank, which expanded Wayne Bank’s northeastern Pennsylvania footprint with five additional offices. Wayne Bank is an independent community bank with fifteen offices in the northeastern Pennsylvania counties of Wayne, Pike, Monroe and Lackawanna. It 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 it serves. In addition, Wayne Bank operates 15 ATMs, one in each of its branch locations. Norwood’s common stock is traded on the NASDAQ Global Market under the symbol “NWFL.”

At December 31, 2015, Norwood had total assets of \$750.5 million, total loans receivable of \$559.9 million, deposits of \$550.9 million, and stockholders’ equity of \$101.0 million.

Delaware Bancshares, Inc.
131-133 Delaware Street
Walton, New York 13856
(607) 865-4126

Delaware Bancshares, Inc., a New York corporation, is the holding company for NBDC Bank, a national bank headquartered in Walton, New York. NBDC Bank operates twelve full-service locations in Delaware and Sullivan Counties, New York. NBDC Bank provides a full range of banking services to individuals and small businesses in its market area. Delaware’s common stock is quoted on the OTC Pink Marketplace under the symbol “DBAI.”

At December 31, 2015, Delaware had total assets of \$371.7 million, total loans receivable of \$115.7 million, total deposits of \$317.0 million and total shareholders' equity of \$21.1 million.

The Merger and the Merger Agreement (page 31)

The terms and conditions of the merger are contained in the merger agreement, which is attached to this proxy statement/prospectus as Annex A. We encourage you to read this agreement carefully, as it is the legal document that governs the merger.

Under the terms of the merger agreement, Delaware will merge with and into Norwood with Norwood as the surviving entity of the merger. Immediately thereafter, NBDC Bank will merge with and into Norwood's wholly owned banking subsidiary, Wayne Bank, with Wayne Bank as the surviving entity of the bank merger.

Consideration to be Received in the Merger (page 54)

Under the terms of the merger agreement, Delaware shareholders (other than dissenting shareholders) have the opportunity to elect, for each outstanding share of Delaware common stock they own, to receive:

- \$16.68 in cash, without interest, which we refer to as the "cash consideration;" or
- 0.6221 of a share of Norwood common stock, which we refer to as the "stock consideration."

Delaware shareholders may also elect to receive the cash consideration for some of their shares of Delaware common stock and the stock consideration for the remainder, or make no election at all. Elections will be subject to the adjustment, election and allocation procedures specified in the merger agreement.

The allocation procedures are intended to provide that the number of shares of Delaware common stock that are converted into the cash consideration together with any dissenting shares equals 25% of the total merger consideration. In the event the cash consideration pool is oversubscribed, Delaware shareholders who make a cash election will receive a mix of cash and stock consideration in the merger. In the event the cash consideration pool is undersubscribed, shares for which no election has been made first and then, if necessary, shares for which a stock consideration election has been made will be converted into a cash election such that the amount of cash paid out in the transaction equals 25% of the total merger consideration. The allocation of the mix of consideration payable to individual Delaware shareholders in the merger will not be known until Norwood tallies the results of the cash/stock elections made by Delaware shareholders.

Election Procedures; Surrender of Stock Certificates (page 56)

An election form and transmittal materials, with instructions for their completion, will be provided to Delaware shareholders of record as of May 6, 2016 under separate cover. The election form entitles such shareholders to elect to receive cash, Norwood common stock, or to elect cash for some of their shares and stock for the remainder, or make no election with respect to the merger consideration. To make an effective election, a Delaware shareholder of record must submit a properly completed election form along with the stock certificate(s) to the exchange agent by the election deadline, which shall be as specified in the election form. Once a shareholder submits a properly completed election form along with the stock certificate(s) to the exchange agent, the shareholder will no longer be able to transfer the shares of Delaware common stock. Delaware shareholders are urged to carefully read and follow the

instructions for completion of the election form and to submit the form, together with their stock certificates, in advance of the election deadline.

Time of Completion the Merger (page 67)

The merger will occur after the satisfaction of all the closing conditions, including the receipt of all regulatory and shareholder approvals and after the expiration of all regulatory waiting periods. As of the date of this proxy statement/prospectus, the parties expect that the merger will be effective during the third calendar quarter of 2016. However, there can be no assurance as to when or if the merger will occur.

Delaware Special Meeting of Shareholders (page 28)

A special meeting of the shareholders of Delaware will be held at The Walton Fire Hall, located at 61 West Street, Walton, New York 13856, at 1:00 p.m., Eastern Time, on Friday, June 24, 2016, for the following purposes:

- to approve the proposal to adopt the merger agreement and approve the transactions contemplated by the merger agreement, including the merger;
- to approve a proposal to adjourn, postpone or continue the special meeting, if necessary, to permit further solicitation of proxies in favor of adopting the merger agreement; and
- to transact any other business which may properly come before the special meeting or any adjournment, postponement or continuance of the special meeting.

You can vote at the special meeting of Delaware shareholders if you owned Delaware common stock at the close of business on May 6, 2016, the record date. On that date, there were 925,499 shares of Delaware common stock outstanding and entitled to vote, approximately 3.3% of which were owned and entitled to be voted by Delaware directors and executive officers and their affiliates. These individuals have entered into agreements with Norwood requiring them to vote all of these shares in favor of adoption of the merger agreement. You can cast one vote for each share of Delaware common stock you owned on the record date.

In order to approve the proposal to adopt the merger agreement, the holders of at least two-thirds of the outstanding shares must vote in favor of the proposal. In order to approve the adjournment proposal, if necessary, the holders of a majority of the votes cast in person or represented by proxy at the special meeting and entitled to vote must vote in favor of the proposal, assuming a quorum is present.

Delaware's Reasons for the Merger and Recommendation of the Delaware Board of Directors (page 35)

The Delaware board of directors has unanimously determined that the merger agreement and the merger are fair to and in the best interests of Delaware and its shareholders and accordingly unanimously approved the merger agreement and recommends that Delaware shareholders vote "FOR" the adoption of the merger agreement.

In determining whether to approve the merger agreement and recommend adoption of the merger agreement to the Delaware shareholders, Delaware's board considered the factors described under "The Merger and the Merger Agreement — Delaware's Reasons for the Merger and Recommendation of the Delaware Board of Directors."

Opinion of Delaware's Financial Advisor (page 42 and Annex B)

On March 10, 2016, Sandler rendered its written opinion to the board of directors of Delaware, that, as of such date and based upon and subject to the factors and assumptions described to the Delaware board of directors during its presentation and set forth in its written opinion, the consideration in the proposed merger was fair, from a financial point of view, to holders of Delaware common stock. The full text of Sandler's written opinion, which sets forth the assumptions made, matters considered and limits on the review undertaken in connection with the opinion, is attached as Annex B to this proxy statement/prospectus and is incorporated by reference herein. Delaware shareholders are urged to read the opinion in its entirety. Sandler's written opinion is addressed to the board of directors of Delaware, is directed only to the fairness, from a financial point of view, of the consideration in the merger to the holders of Delaware common stock and does not constitute a recommendation as to how any holder of Delaware common stock should vote with respect to the merger or any other matter.

Interests of Delaware Directors and Executive Officers in the Merger (page 64)

In considering the recommendation of the board of directors of Delaware to adopt the merger agreement, you should be aware that officers and directors of Delaware have employment and other compensation agreements or plans that give them interests in the merger that may be different from, or in addition to, their interests as Delaware shareholders. These interests and agreements include:

- employment and severance agreements that provide for severance payments and other benefits following a change in control and a termination of employment by the employer for reasons other than cause, disability, retirement or death;
- supplemental executive retirement agreements that provide for lump-sum payouts of amounts accrued for benefits in connection with a change in control;
- retention bonus plans through which certain executive officers will receive bonuses if they remain with Norwood for at least 12 months following the merger;
- the fact that one current director of Delaware will be appointed as a director of Norwood within 18 months after the merger is completed;
- the fact that the current Delaware directors will be entitled to be appointed to a Community Advisory Board and receive a retainer in the amount of \$1,000 per month for an 18-month period in exchange for their efforts in promoting the combined entity after the effective time of the merger; and
- rights of Delaware officers and directors to indemnification and directors' and officers' liability insurance for a period of up to six years following the merger.

These additional interests of Delaware's executive officers and directors may create potential conflicts of interest and cause these persons to view the proposed transaction differently than you may view it as a shareholder.

Delaware's board of directors was aware of these interests and took them into account, among other matters, in its decision to approve the merger agreement and the transactions contemplated thereby, including the merger. For information concerning these interests, please see the discussion under the caption "The Merger and the Merger Agreement — Interests of Certain Persons in the Merger," beginning on page 64.

Regulatory Approvals Required for the Merger (page 63)

Completion of the merger is subject to various regulatory approvals or waivers, including, in connection with the planned merger of our subsidiary banks following completion of the merger, the Federal Deposit Insurance Corporation (the "FDIC") and the Pennsylvania Department of Banking and Securities (the "Department"). We also intend to request a waiver from the Federal Reserve Board (the "FRB") of its application requirement. We have completed, or will complete, filing all the required applications and notices with regulatory authorities. We also have made or will make filings with various other federal and state regulatory agencies and self-regulatory organizations, notifying, or requesting approval from, those agencies and organizations for or in connection with the merger and the bank merger. Although we currently believe we should be able to obtain all required regulatory approvals in a timely manner, we cannot be certain when or if we will obtain them or, if obtained, whether they will contain terms, conditions or restrictions not currently contemplated that will be detrimental to or have a material adverse effect on Norwood after the completion of the merger.

Conditions to Completing the Merger (page 68)

Completion of the merger depends on a number of conditions being satisfied or waived, including the following:

- approval of the merger agreement by the requisite vote of Delaware's shareholders;
- receipt of all required regulatory approvals, the expiration of all statutory waiting periods and the satisfaction of all conditions to the consummation of the merger set forth in the regulatory approvals;
- there shall be no pending causes of action, investigations or proceedings (1) challenging the validity or legality of the merger agreement or the consummation of the merger, or (2) seeking damages in connection with the merger, or (3) seeking to restrain or invalidate the merger; unless actual or threatened causes of action, investigations or proceedings would not have a material adverse effect with respect to the interests of Norwood or Delaware, as the case may be;
- no judgment, order, injunction or decree issued by any court or agency of competent jurisdiction or other legal restraints or prohibition preventing the completion of the merger shall be in effect;
- no statute, rule, regulation, order, injunction or decree shall have been enacted, entered, promulgated or enforced by a regulatory authority that prohibits, restraints, or makes illegal the consummation of the merger;
- Norwood's registration statement of which this proxy statement/prospectus is a part shall have been declared effective by the SEC;
- the shares of Norwood common stock shall have been approved for listing on the NASDAQ, subject to official notice of issuance;
- Norwood and Delaware shall have received opinions from their respective legal counsel to the effect that the merger qualifies as a tax-free reorganization within the meaning of Section 368(a) of the Internal Revenue Code; and

- the other party having performed in all material respects its obligations under the merger agreement, the other party's representations and warranties being true and correct as of the effective date of the merger and receipt of a certificate signed by the other party's chief executive officer to that effect.

Norwood's obligations to consummate the merger are also conditioned on the following:

- there shall have been no determination by Norwood that any fact, event, or condition exists or has occurred that would have a material adverse effect on Delaware or the consummation of the transactions contemplated by the merger agreement;
- Delaware shall have received all consents and approvals from third parties (other than those required from regulatory authorities) required to complete the merger, unless, in the opinion of Norwood, failure to obtain those consents or approvals would not have a material adverse effect on the merger or Norwood after completion of the merger;
- there shall be no action taken by an regulatory authority, or any statute, rule, regulation or order shall have been enacted, which, in connection with approval of the merger, imposes, in the judgment of Norwood, any material adverse requirement upon Norwood or any Norwood subsidiary, including, without limitation, any requirement that Norwood sell or dispose of any significant amount of assets of Delaware, or any other Norwood subsidiary;
- Delaware shall have delivered a certificate to Norwood that, other than as set forth in the certificate, Delaware is not aware of any pending or threatened claim under the directors and officers insurance policy or the fidelity bond coverage of Delaware; and
- the holders of no more than 12% of the issued and outstanding shares of Delaware common stock shall have exercised dissenters' rights.

Delaware's obligations to consummate the merger are also conditioned upon the delivery by Norwood to the exchange agent of the exchange fund.

Although we anticipate that the closing will occur during the third calendar quarter of 2016, because the satisfaction of certain of these conditions is beyond our control, we cannot be certain when, or if, the conditions to the merger will be satisfied or waived or whether or not the merger will be completed.

No Solicitation; Board Recommendation (page 72)

Delaware has agreed not to initiate, solicit, encourage or facilitate, directly or indirectly, any inquiries or proposals from any third party relating to an acquisition of Delaware, or engage in any negotiations concerning, or provide any confidential or nonpublic information or data to, or have any discussions with, any person relating to, any acquisition proposal. Notwithstanding these restrictions, the merger agreement provides that, under specified circumstances prior to shareholder approval of the merger agreement, in response to an unsolicited bona fide acquisition proposal from a third party if, in the good faith judgment of the Delaware board of directors (after consultation with and considering the advice of its legal counsel and financial advisor) (i) it is legally necessary for the proper discharge of its fiduciary duties to respond to such proposal and (ii) such proposal constitutes a "superior proposal" as compared to the terms of the merger with Norwood, Delaware may furnish information regarding Delaware and participate in discussions and negotiations with such third party. Delaware has agreed to submit the merger agreement for adoption by its shareholders. The Delaware board of directors has

recommended that its shareholders vote in favor of adopting the merger agreement and has agreed that it will not withdraw, qualify or adversely modify its recommendation to its shareholders to vote in favor of adoption of the merger agreement, except as permitted under the merger agreement in connection with an unsolicited superior acquisition proposal after giving effect to any adjustments that may be offered by Norwood.

Termination; Termination Fee (pages 75 and 76)

Norwood and Delaware may mutually agree at any time to terminate the merger agreement without completing the merger, even if the Delaware shareholders have adopted the merger agreement in connection with the merger. The merger agreement may also be terminated and the merger abandoned at any time prior to the effective time of the merger, as follows:

- by either party, if the shareholders of Delaware fail to approve the merger agreement;
- by either party, if a required regulatory approval, consent or waiver is denied;
- by either party, if the merger is not consummated by December 31, 2016 or other mutually agreed upon later date, unless failure to complete the merger by that time is due to a breach of a representation, warranty or covenant by the party seeking to terminate the merger agreement;
- by either party, if it is determined that any condition precedent to the obligation of such party to consummate the merger (other than the receipt of regulatory and shareholder approvals) cannot be satisfied by December 31, 2016 provided that the party seeking to terminate is not in breach of any representation or warranty contained in the merger agreement;
- by either party, if the other party materially breaches any representation, warranty, covenant or agreement contained in the merger agreement, or in the event of an inaccuracy of any representation or warranty by the other party, in either case that has not been cured within 30 days following written notice to such party;
- by Norwood, if Delaware fails to hold its shareholder meeting to vote on the merger within the time frame set in the merger agreement;
- by Norwood, if the board of directors of Delaware does not recommend approval of the merger to the Delaware shareholders or withdraws or revises its recommendation in a manner adverse to Norwood;
- by Delaware, if prior the approval of the merger agreement by the shareholders of Delaware, it receives a superior proposal from a third party that, in the good faith determination of Delaware's board of directors based upon the advice of legal counsel, the board is required to accept in order to comply with its fiduciary duties and Norwood does not make an offer at least as favorable to Delaware within 5 days after notice; or
- by Delaware, at any time during a 5-day period beginning on the date that all required regulatory approvals have been received (the "Determination Date") if both of the following conditions are satisfied:

- o The average of the daily closing sales prices for the Norwood common stock for the 20 consecutive trading days immediately preceding the Determination Date (the “Norwood Market Value”) is less than \$21.08;
- o The number obtained by dividing the Norwood Market Value by \$26.35 is less than the number obtained by dividing the average closing prices of the NASDAQ Bank Index for the 20 consecutive trading days immediately preceding the Determination Date divided by the NASDAQ Index Price on March 7, 2016 minus 0.20;

unless within five business days of notice of such termination, Norwood notifies Delaware that it will increase the exchange ratio for the stock consideration so that the Norwood Market Value is equal to a dollar amount that is the lesser of \$21.08 or the amount obtained by reducing the Initial Norwood Market Value (\$26.35) by the percentage change in the NASDAQ Bank Index less 20 percentage points.

Delaware may be required to pay to Norwood a termination fee of \$615,000 in certain circumstances described under “The Merger and the Merger Agreement — Termination Fee” beginning on page 76.

Material United States Federal Income Tax Consequences of the Merger (page 59)

Norwood and Delaware will not be required to complete the merger unless they each receive legal opinions from their respective counsel to the effect that the merger will qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code.

Provided that the merger qualifies as a reorganization for United States federal income tax purposes, the specific tax consequences of the merger to a Delaware shareholder will depend upon the form of consideration such Delaware shareholder receives in the merger.

If you receive solely shares of Norwood common stock and cash instead of a fractional share of Norwood common stock in exchange for your Delaware common stock, then you generally will not recognize any gain or loss, except with respect to the cash received instead of a fractional share of Norwood common stock.

If you receive solely cash, then you generally will recognize gain or loss equal to the difference between the amount of cash you receive and your cost basis in your Delaware common stock. Generally, any gain recognized upon the exchange will be capital gain, and any such capital gain will be long-term capital gain if you have established a holding period of more than one year for your shares of Delaware common stock.

If you receive a combination of Norwood common stock and cash, other than cash instead of a fractional share of Norwood common stock, in exchange for your Delaware common stock, then you may recognize gain, but you will not recognize loss, upon the exchange of your shares of Delaware common stock for shares of Norwood common stock and cash. If the sum of the fair market value of the Norwood common stock and the amount of cash you receive in exchange for your shares of Delaware common stock exceeds the cost basis of your shares of Delaware common stock, you will recognize taxable gain equal to the lesser of the amount of such excess or the amount of cash you receive in the exchange. Generally, any gain recognized upon the exchange will be capital gain, and any such capital gain will be long-term capital gain if you have established a holding period of more than one year for your shares of Delaware common stock. Depending on certain facts specific to you, any gain could instead be characterized as ordinary dividend income.

For a more detailed discussion of the material United States federal income tax consequences of the transaction, see “The Merger and the Merger Agreement — Material United States Federal Income Tax Consequences of the Merger” beginning on page 59.

The consequences of the merger to any particular shareholder will depend on that shareholder’s particular facts and circumstances. Accordingly, you are urged to consult your tax advisor to determine your tax consequences from the merger.

Stock Market Listing (page 68)

Application will be made by Norwood to have the shares of Norwood common stock to be issued in the merger approved for listing on the NASDAQ Global Market, which is the principal trading market for existing shares of Norwood common stock. It is a condition to both parties’ obligation to complete the merger that such approval be obtained, subject to official notice of issuance.

Comparison of Shareholders’ Rights (page 87)

The rights of Delaware shareholders who continue as Norwood shareholders after the merger will be governed by the Pennsylvania Business Corporation Law and the articles of incorporation and bylaws of Norwood rather than by the New York Business Corporation Law and the certificate of incorporation and bylaws of Delaware.

Dissenters’ Appraisal Rights (page 77 and Annex C)

Delaware is organized under New York law. Under applicable New York law, Delaware shareholders are entitled to dissent from the merger and obtain payment of the judicially determined “fair value” of their shares of Delaware common stock. The judicially determined “fair value” could be more or less than the merger consideration. If you wish to dissent from the merger:

- you must submit a written objection to Delaware before the vote upon the merger agreement at the special meeting; and
- you may not vote in favor of the merger agreement.

In submitting your written demand, you must follow the procedures set forth in Section 623 of the New York Business Corporation Law, a copy of which is attached as Annex C to this proxy statement/prospectus.

Comparative Market Prices and Share Information (page 27)

Norwood common stock is traded on the NASDAQ Global Market under the symbol “NWFL.” Delaware common stock is traded in the over-the-counter market and quoted on the OTC Pink Marketplace under the symbol “DBAI.” The following table shows the last closing sale prices of Norwood common stock as reported on the NASDAQ Global Market and the last closing sales prices of the Delaware common stock as reported on the OTC Pink Marketplace, respectively, as of March 10, 2016, the last trading day before we announced the merger, and on May 4, 2016, the latest practicable date prior to mailing this proxy statement/prospectus. The table also presents the equivalent value of the merger consideration per share of Delaware common stock on March 10, 2016 and May 4, 2016. The equivalent value per share of Delaware common stock on such dates is calculated by multiplying the closing price of Norwood common stock on those dates by 0.6221, which represents the number of shares of Norwood common stock that Delaware shareholders electing to receive Norwood common stock would receive in the merger for each share of Delaware common stock.

	Norwood Common Stock	Delaware Common Stock	Delaware Equivalent Per Share Value
At March 10, 2016	\$ 26.50	\$ 13.11	\$ 16.49
At May 4, 2016	\$ 28.00	\$ 16.75	\$ 17.42

The market price of Norwood common stock and Delaware common stock will fluctuate prior to the merger. You should obtain current stock price quotations for the shares.

SELECTED HISTORICAL FINANCIAL DATA FOR NORWOOD

The following selected financial information for the fiscal years ended December 31, 2015, 2014, 2013, 2012 and 2011 is derived from audited consolidated financial statements of Norwood Financial Corp. You should read this information in conjunction with Norwood's consolidated financial statements and related notes at December 31, 2015 and 2014 and for the three years ended December 31, 2015 incorporated by reference into this proxy statement/prospectus.

	At or for the years ended December 31,				
	2015	2014	2013	2012	2011
	(dollars in thousands, except per share data)				
Net interest income	\$ 24,521	\$ 24,560	\$ 24,661	\$ 24,764	\$ 22,588
Provision for loan losses	4,580	1,680	2,400	2,450	1,575
Other income	3,969	3,940	4,734	3,787	3,762
Net realized gains on sales of securities	730	1,170	881	1,419	973
Other expenses	17,100	17,727	16,705	16,081	15,813
Income before income taxes	7,540	10,263	11,171	11,439	9,935
Income tax expense	1,632	2,606	2,706	3,036	2,579
Net Income	\$ 5,908	\$ 7,657	\$ 8,465	\$ 8,403	\$ 7,356
Net income per share-Basic	\$ 1.60	\$ 2.10	\$ 2.33	\$ 2.33	\$ 2.17
Diluted	1.60	2.10	2.33	2.33	2.17
Cash dividends declared	1.24	1.20	1.16	1.10	1.06
Dividend pay-out ratio	77.50%	57.14%	49.79%	47.23%	48.95%
Return on average assets	0.80%	1.08%	1.23%	1.23%	1.18%
Return on average equity	5.83%	7.92%	9.13%	9.22%	9.26%
Balances at Period-End					
Total assets	\$ 750,505	\$ 711,635	\$ 711,234	\$ 672,299	\$ 668,814
Loans receivable	559,925	501,135	503,097	476,710	457,907
Allowance for loan losses	7,298	5,875	5,708	5,502	5,458
Total deposits	550,909	559,944	541,182	524,425	525,767
Shareholders' equity	100,998	99,041	91,864	92,421	88,061
Trust assets under management	131,690	134,888	126,673	112,081	107,696
Book value per share	\$ 27.39	\$ 26.30	\$ 25.43	\$ 25.49	\$ 24.37
Average equity to average assets	13.76%	13.62%	13.42%	13.36%	12.76%
Tier 1 Capital to risk-adjusted assets	15.86	17.33	16.53	16.37	15.90
Total Capital to risk-adjusted assets	17.09	18.49	17.66	17.51	17.08
Allowance for loan losses to total loans	1.30	1.17	1.13	1.15	1.19
Non-performing assets to total assets	1.33	1.31	1.48	2.09	1.60

SELECTED HISTORICAL FINANCIAL DATA FOR DELAWARE

The following selected financial information for the fiscal years ended December 31, 2015 and 2014 is derived from audited consolidated financial statements of Delaware Bancshares, Inc. You should read this information in conjunction with Delaware's consolidated financial statements and related notes for the year ended December 31, 2015 beginning on page F-1 of this proxy statement/prospectus.

(dollars in thousands, except per share data)	Year Ended December 31,			
	2015	2014		
Financial Condition Data:				
Total assets	\$371,689	\$380,663		
Investment securities	213,626	233,171		
Loans receivable, net	114,027	101,247		
Deposits	316,969	304,776		
FHLB overnight advances	4,500	24,750		
Long-term debt	11,781	12,000		
Junior subordinated debentures	8,248	8,248		
Total shareholders' equity	21,060	21,346		
Operating Data:				
Interest income	\$10,803	\$9,253		
Interest expense	2,313	1,861		
Net interest income	8,490	7,392		
Provision for loan losses	150	16		
Net interest income after provision for loan losses	8,340	7,376		
Other income	3,240	3,253		
Other expenses	11,554	9,846		
Income before taxes	26	783		
Income tax expense	(565)	(184)		
Net income	\$591	\$967		
Per Share Data:				
Earnings per share	\$0.64	\$1.04		
Dividends per share	0.40	0.65		
Performance Ratios:				
Return on average assets	0.16	%	0.30	%
Return on average equity	2.79		4.91	
Dividend payout ratio	62.61		62.25	
Average equity to average assets	5.85		6.75	
Asset Quality Ratios:				
Loan loss reserve	\$1,677		\$1,561	

Net charge-offs	(34)	(135)
Allowance for loan losses as a percent of total loans	1.45	%	1.52	%
Net loan losses to average total loans	(0.03)	(0.13)

RISK FACTORS

In addition to the other information contained in this proxy statement/prospectus or in any of the documents incorporated by reference herein, including the matters addressed under the caption “Cautionary Statement Regarding Forward-Looking Statements,” Delaware shareholders should carefully consider the following risk factors in deciding whether to vote for adoption of the merger agreement. You should also consider the other information in this proxy statement/prospectus. See “Where You Can Find More Information” in the forepart of this proxy statement/prospectus and “Incorporation of Certain Documents by Reference”

Risks Related to the Merger

Delaware Shareholders May Not Receive the Form of Merger Consideration They Elect.

The merger agreement contains provisions relating to adjustment, election and allocation of the merger consideration under certain circumstances. The allocation procedures are intended to provide that the aggregate number of shares of Delaware common stock converted into the right to receive cash consideration, including dissenting shares, will equal 25% of the shares of Delaware common stock outstanding.

Norwood common stock may be issued to Delaware shareholders who make cash elections if the cash consideration pool is oversubscribed, so that aggregate cash consideration payable to Delaware shareholders in the merger will not exceed the aggregate cash limit. Similarly, cash may be paid to Delaware shareholders who make stock elections if the cash consideration pool is undersubscribed so that the aggregate stock consideration paid in the merger will not exceed the aggregate stock consideration limit. In addition, the aggregate cash consideration pool may be decreased, and the aggregate stock consideration pool may be increased, in order for the merger to qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code.

Since the cash consideration will be paid for only approximately 25% of the Delaware shares outstanding at the effective time of the merger, it is possible that the cash consideration pool will be oversubscribed and Delaware shareholders who elect to receive the cash consideration will receive a mix of cash and stock consideration in the merger. It is also possible that the cash consideration pool could be undersubscribed and that Delaware shareholders who elect to receive the stock consideration will receive a mix of cash and stock in exchange for their shares. The allocation of the mix of consideration payable to Delaware shareholders in the merger will not be known until Norwood tallies the results of the cash/stock elections made by Delaware shareholders. Delaware shareholders may not receive the amounts of cash or stock they elected. Accordingly, if there is an oversubscription of cash or an oversubscription of stock, it is likely that Delaware shareholders will not receive a portion of the merger consideration in the form that they elect, which could result in, among other things, tax consequences that differ from those that would have resulted had such shareholders received the form of consideration they elected.

Because the Market Price of Norwood Common Stock May Fluctuate, Delaware Shareholders Cannot be Sure of the Value of the Stock Consideration They May Receive.

Delaware shareholders may elect to receive cash, stock or cash for some shares and Norwood common stock for others in the merger. The exchange ratio of 0.6221 of a share of Norwood common stock per share of Delaware common stock at which Norwood is issuing its shares as part of the merger consideration is fixed (subject to customary anti-dilution adjustments and potential adjustment in certain circumstances involving a decline in Norwood’s stock price that exceeds a specified index).

Consequently, changes in the price of Norwood common stock prior to completion of the merger will affect the value of any shares of Norwood common stock that Delaware shareholders may receive upon completion of the merger. The value of the Norwood stock consideration will vary from the date of the announcement of the merger agreement, the date that this proxy statement/prospectus was mailed, the date of the special meeting and the date the merger is completed and thereafter. At the time that the merger is completed, the value of the stock consideration could be more or less than the value of the cash consideration. Accordingly, at the time of the special meeting, you will not know or be able to determine the value of the Norwood common stock you may receive upon completion of the merger. Stock price changes may result from a variety of factors, including general market and economic conditions, changes in the respective businesses, operations and prospects, and regulatory considerations of Norwood and Delaware. Many of these factors are beyond Norwood's and Delaware's control.

Delaware Shareholders Who Make Elections May Be Unable to Sell Their Shares in the Market Pending the Merger.

Delaware shareholders may elect to receive cash, stock or cash for some shares and Norwood common stock for others in the merger by completing an election form that will be sent under separate cover. Elections will require that shareholders making the election turn in their Delaware stock certificates. This means that during the time between when the election is made and the date the merger is completed, Delaware shareholders will be unable to sell their Delaware common stock. If the merger is unexpectedly delayed, this period could extend for a significant period of time. Delaware shareholders can shorten the period during which they cannot sell their shares by delivering their election shortly before the election deadline. However, elections received after the election deadline will not be accepted or honored.

Delaware Shareholders Will Have a Reduced Ownership and Voting Interest After the Merger and Will Exercise Less Influence Over Management.

Delaware shareholders currently have the right to vote in the election of the board of directors of Delaware and on other matters affecting Delaware. Upon the completion of the merger, each Delaware shareholder who receives shares of Norwood common stock will become a shareholder of Norwood with a percentage ownership of Norwood that is smaller than the shareholder's percentage ownership of Delaware. It is currently expected that the former shareholders of Delaware as a group will receive shares in the merger constituting approximately 10.5% of the outstanding shares of Norwood common stock immediately after the merger. Because of this, Delaware shareholders may have less influence on the management and policies of Norwood than they now have on the management and policies of Delaware.

Norwood May Fail to Realize the Anticipated Benefits of the Merger.

The success of the merger will depend on, among other things, Norwood's ability to realize anticipated cost savings and to combine the businesses of Wayne Bank and NBDC Bank in a manner that permits growth opportunities and does not materially disrupt the existing customer relationships of NBDC Bank or result in decreased revenues due to any loss of customers. If Norwood is not able to successfully achieve these objectives, the anticipated benefits of the merger may not be realized fully or at all or may take longer to realize than expected.

Norwood and Delaware have operated and, until the completion of the merger, will continue to operate, independently. Certain employees of Delaware may not be employed after the merger. In addition, employees of Delaware that Norwood wishes to retain may elect to terminate their employment as a result of the merger, which could delay or disrupt the integration process. It is possible that the integration process could result in the disruption of Norwood's or Delaware's ongoing businesses or

cause inconsistencies in standards, controls, procedures and policies that adversely affect the ability of Norwood or Delaware to maintain relationships with customers and employees or to achieve the anticipated benefits of the merger.

Regulatory Approvals May Not Be Received, May Take Longer than Expected or May Impose Conditions that Are Not Presently Anticipated or Cannot Be Met.

Before the transactions contemplated in the merger agreement, including the merger, may be completed, various approvals must be obtained from the bank regulatory and other governmental authorities. These governmental entities may impose conditions on the completion of the merger or require changes to the terms of the merger agreement. Although the parties do not currently expect that any such conditions or changes would be imposed, such conditions or changes may be imposed, and such conditions or changes could have the effect of delaying completion of the transactions contemplated in the merger agreement or imposing additional costs on or limiting Norwood's revenues, any of which might have a material adverse effect on Norwood following the merger. In addition, the regulatory approvals may not be received at any time, may not be received in a timely fashion, and may contain conditions on the completion of the merger.

The Merger Agreement May Be Terminated in Accordance with Its Terms and the Merger May Not Be Completed.

The merger agreement is subject to a number of conditions which must be fulfilled in order to complete the merger. Those conditions include: approval of the merger agreement by Delaware shareholders, regulatory approvals, absence of orders prohibiting the completion of the merger, effectiveness of the registration statement of which this proxy statement/prospectus is a part, approval of the shares of Norwood common stock to be issued to Delaware shareholders for listing on the NASDAQ Global Market, the continued accuracy of the representations and warranties by both parties and the performance by both parties of their covenants and agreements, and the receipt by both parties of legal opinions from their respective tax counsels.

In addition, certain circumstances exist whereby Delaware may choose to terminate the merger agreement, including if Norwood's share price declines to below \$21.08 (subject to customary anti-dilution adjustments) as of the first date when all regulatory approvals for the merger have been received, combined with such decline being at least 20% greater than a corresponding decline in the value of the NASDAQ Bank Index, and no adjustment pursuant to a specified formula is made to the exchange ratio by Norwood. See "The Merger and the Merger Agreement — Terminating the Merger Agreement" beginning on page 75 for a more complete discussion of the circumstances under which the merger agreement could be terminated. Therefore, the conditions to closing of the merger may not be fulfilled and the merger may not be completed.

Termination of the Merger Agreement Could Negatively Impact Delaware.

If the merger agreement is terminated, there may be various consequences, including:

- Delaware's businesses may have been adversely impacted by the failure to pursue other beneficial opportunities due to the focus of management on the merger, without realizing any of the anticipated benefits of completing the merger; and
- the market price of Delaware common stock might decline to the extent that the current market price reflects a market assumption that the merger will be completed.

If the merger agreement is terminated and Delaware's board of directors seeks another merger or business combination, Delaware shareholders cannot be certain that Delaware will be able to find a party willing to offer equivalent or more attractive consideration than the consideration Norwood has agreed to provide in the merger.

If the merger agreement is terminated under certain circumstances, Delaware may be required to pay a termination fee of \$615,000 to Norwood. See "The Merger and the Merger Agreement — Termination Fee" beginning on page 76.

Delaware Will Be Subject to Business Uncertainties and Contractual Restrictions While the Merger is Pending.

Uncertainty about the effect of the merger on employees and customers may have an adverse effect on Delaware and consequently on Norwood. These uncertainties may impair Delaware's ability to attract, retain and motivate key personnel until the merger is completed, and could cause customers and others that deal with Delaware to seek to change existing business relationships with Delaware. Retention of certain employees may be challenging during the pendency of the merger, as certain employees may experience uncertainty about their future roles. If key employees depart because of issues relating to the uncertainty and difficulty of integration or a desire not to remain with the business, Norwood's business following the merger could be negatively impacted. In addition, the merger agreement restricts Delaware from making certain acquisitions and taking other specified actions until the merger occurs without the consent of Norwood. These restrictions may prevent Delaware from pursuing attractive business opportunities that may arise prior to the completion of the merger. See "The Merger and the Merger Agreement — Conduct of Business Before the Merger" beginning on page 69 for a description of the restrictive covenants to which Delaware is subject.

The Merger Agreement Limits Delaware's Ability to Pursue Alternatives to the Merger.

The merger agreement contains "no-shop" provisions that, subject to limited exceptions, limit Delaware's ability to initiate, solicit, encourage or facilitate any inquiries or competing third-party proposals, or engage in any negotiations, or provide any confidential information, or have any discussions with any person relating to a proposal to acquire all or a significant part of Delaware. In addition, Delaware has agreed to pay Norwood a termination fee in the amount of \$615,000 in the event that Norwood or Delaware terminates the merger agreement for certain reasons. These provisions might discourage a potential competing acquiror that might have an interest in acquiring all or a significant part of Delaware from considering or proposing that acquisition even if it were prepared to pay consideration with a higher per share market price than that proposed in the merger, or might result in a potential competing acquiror proposing to pay a lower per share price to acquire Delaware than it might otherwise have proposed to pay. Until the merger agreement is approved by Delaware shareholders, Delaware can consider and participate in discussions and negotiations with respect to an alternative unsolicited bona fide acquisition proposal (subject to its obligation to pay a termination fee under certain circumstances) so long as the Delaware board of directors determines in good faith (after consultation with and considering the advice of legal counsel and its financial advisor) that it is legally necessary to do so to comply with its fiduciary duties to Delaware shareholders under New York law and that such alternative acquisition proposal constitutes a superior proposal. Delaware has agreed to keep Norwood apprised of developments, discussions and negotiations relating to any such acquisition proposal.

Delaware Directors and Officers May Have Interests in the Merger Different from the Interests of Delaware Shareholders.

The interests of some of the directors and executive officers of Delaware may be different from those of Delaware shareholders, and directors and officers of Delaware may be participants in arrangements that are different from, or are in addition to, those of Delaware shareholders. These interests are described in more detail in the section of this proxy statement/prospectus entitled “The Merger and the Merger Agreement — Interests of Certain Persons in the Merger” beginning on page 64.

The Shares of Norwood Common Stock to Be Received by Delaware Shareholders as a Result of the Merger Will Have Rights Different from the Shares of Delaware Common Stock.

Upon completion of the merger, the rights of former Delaware shareholders who become Norwood shareholders will be governed by the Pennsylvania Business Corporation Law and the articles of incorporation and bylaws of Norwood. The rights associated with Delaware common stock are different from the rights associated with Norwood common stock. See “Comparison of Shareholders’ Rights” beginning on page 87 for a discussion of the different rights associated with Norwood common stock.

The Unaudited Pro Forma Combined Financial Information Included in this Proxy Statement/Prospectus Is Preliminary and the Actual Financial Condition and Results of Operations After the Merger May Differ Materially.

The unaudited pro forma combined financial information in this proxy statement/prospectus is presented for illustrative purposes only and is not necessarily indicative of what Norwood’s actual financial condition or results of operations would have been had the merger been completed on the dates indicated. The pro forma combined financial information reflects adjustments, which are based upon preliminary estimates, to record the Delaware identifiable assets acquired and liabilities assumed at fair value and the resulting goodwill recognized. The purchase price allocation reflected in this proxy statement/prospectus is preliminary, and final allocation of the purchase price will be based upon the actual purchase price and the fair value of the assets and liabilities of Delaware as of the date of the completion of the merger. Accordingly, the final acquisition accounting adjustments may differ materially from the pro forma adjustments reflected in this proxy statement/prospectus. For more information, see “Pro Forma Data” beginning on page 80.

The fairness opinion obtained by Delaware from its financial advisor will not reflect changes in circumstances subsequent to the date of the fairness opinion.

Sandler, Delaware’s financial advisor in connection with the merger, has delivered to the board of directors of Delaware its opinion dated as of March 10, 2016. The opinion of Sandler stated that as of such date, and based upon and subject to the factors and assumptions set forth therein, the merger consideration to be paid to the holders of the outstanding shares of Delaware common stock pursuant to the merger agreement was fair from a financial point of view to such holders. The opinion does not reflect changes that may occur or may have occurred after the date of the opinion, including changes to the operations and prospects of Norwood or Delaware, changes in general market and economic conditions or regulatory or other factors. Any such changes, or changes in other factors on which the opinion is based, may materially alter or affect the relative values of Norwood and Delaware.

CAUTIONARY STATEMENT REGARDING
FORWARD-LOOKING STATEMENTS

The Private Securities Litigation Reform Act of 1995 contains safe harbor provisions regarding forward-looking statements. These forward-looking statements include, but are not limited to, (i) the financial condition, results of operations and business of Norwood and Delaware; (ii) statements about the benefits of the merger, including future financial and operating results, cost savings, enhancements to revenue and accretion to reported earnings that may be realized from the merger; (iii) statements about our respective plans, objectives, expectations and intentions and other statements that are not historical facts; and (iv) other statements identified by words such as “expects,” “anticipates,” “intends,” “plans,” “believes,” “seeks,” “estimates,” or words of similar meaning. When used in this document, the words “believes,” “anticipates,” “contemplates,” “expects,” and similar expressions are intended to identify forward-looking statements. 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.

In addition to the factors discussed under “Risk Factors,” 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:

- Norwood’s and Delaware’s businesses may not be combined successfully, or such combination may take longer to accomplish than expected;
- the growth opportunities and cost savings from the merger may not be fully realized or may take longer to realize than expected;
- operating costs, customer losses and business disruption following the merger, including adverse effects of relationships with employees, may be greater than expected; and
- governmental approvals of the merger may not be obtained, or adverse regulatory conditions may be imposed in connection with governmental approvals of the merger.

Neither Norwood nor Delaware undertakes any obligation to publicly release the results of any revisions to those forward-looking statements which may be made to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events.

MARKET VALUE OF SECURITIES

Norwood. Norwood's common stock is traded on the NASDAQ Global Market under the symbol "NWFL". As of May 4, 2016, there were approximately 2,200 shareholders based on transfer agent mailings. The following table sets forth the price range and cash dividends declared per share regarding Norwood common stock for the periods indicated:

	Closing Price Range		Cash dividends declared per share
	High	Low	
Year 2016			
First Quarter	\$28.75	\$26.25	\$0.31
Second Quarter (through May 4, 2016)	28.77	27.51	—
Year 2015			
First Quarter	\$30.00	\$27.69	\$0.31
Second Quarter	30.90	27.88	0.31
Third Quarter	30.64	28.01	0.31
Fourth Quarter	29.30	27.69	0.31
Year 2014			
First Quarter	\$29.88	\$27.25	\$0.30
Second Quarter	29.69	27.55	0.30
Third Quarter	29.46	27.55	0.30
Fourth Quarter	29.45	27.70	0.30

Delaware. Delaware's common stock is quoted on the OTC Pink Marketplace under the symbol "DBAI". An active trading market does not currently exist for Delaware common stock. As of May 6, 2016, there were approximately 461 holders of record of Delaware common stock. The following table shows the high and low closing sales prices of the Delaware common stock as reported on the OTC Pink Marketplace for the periods shown and the quarterly cash dividends declared per share for the periods indicated. Market quotations reflect inter-dealer prices, without retail mark-up, markdown, or commission, and may not necessarily reflect actual transactions.

	Closing Price Range		Cash dividends declared per share
	High	Low	
Year 2016			
First Quarter	\$16.20	\$13.00	\$—
Second Quarter (through May 4, 2016)	16.75	16.25	—
Year 2015			
First Quarter	\$15.74	\$12.50	\$—
Second Quarter	15.50	11.85	0.20
Third Quarter	15.50	13.20	—
Fourth Quarter	13.50	12.75	0.20
Year 2014			
First Quarter	\$17.00	\$15.80	\$—

Second Quarter	16.50	15.70	0.45
Third Quarter	16.45	14.50	—
Fourth Quarter	17.00	15.74	0.20

COMPARATIVE PER SHARE DATA

The following table sets forth historical per share information for Norwood and Delaware and additional information as if the companies had been combined for the periods shown, which we refer to as “pro forma” information. The pro forma information is based upon the assumption that the total number of shares of Delaware common stock outstanding immediately prior to the completion of the merger will be 925,499, the number of shares outstanding at December 31, 2015.

Pursuant to the terms of the merger agreement, shareholders of Delaware will have the opportunity to elect to receive for each share of Delaware stock they own, either 0.6221 shares of Norwood common stock or \$16.68 in cash. The merger agreement also sets forth election procedures that are subject to allocation and proration procedures are intended to ensure that, in the aggregate, 75% of outstanding shares of Delaware common stock will be converted into Norwood common stock, and 25% will be converted into cash. Based on the merger allocation requirements, the following assumes 694,124 of the 925,499 shares of Delaware common stock would be exchanged for Norwood common stock, with the balance of the Delaware shares being exchanged for cash.

The Delaware pro forma equivalent per share amounts are calculated by multiplying the Norwood pro forma combined book value per share, cash dividends per share and basic and diluted net income per share by the exchange ratio of 0.6221 so that the per share amounts equate to the respective values for one share of Delaware common stock. The unaudited pro forma Norwood per share equivalents are calculated by combining the Norwood historical share amounts with pro forma amounts from Delaware, assuming the exchange ratio of 0.6221.

We present below for Norwood and Delaware historical, unaudited pro forma combined and pro forma equivalent per share financial data for the year ended December 31, 2015. This data should be read together with the selected historical financial data of Norwood and Delaware and the unaudited pro forma combined condensed financial statements included in this document. This data should also be read together with Norwood’s consolidated financial statements and related notes which are incorporated herein by reference and Delaware’s consolidated financial statements and related notes beginning on page F-1 of this proxy statement/prospectus. The per share data is not necessarily indicative of the operating results that Norwood would have achieved had it completed the merger as of the beginning of the periods presented and should not be considered as representative of future operations.

The unaudited pro forma data are qualified by the statements set forth under this caption and should not be considered indicative of the market value of Norwood common stock or the actual or future results of operations of Norwood for any period. Actual results may be materially different than the pro forma information presented.

Unaudited Pro Forma Per Share Data
For the Year Ended December 31, 2015
(\$ in Thousands, Except Per Share Data)

	Norwood Financial Corp.	Delaware Bancshares, Inc.	Pro Forma Combined (1)(2)(3)	Equivalent Pro Forma Delaware(1)
Earnings per share:				
For the year ended December 31, 2015				
Net income per share (Basic)	\$ 1.60	\$ 0.64	\$ 1.69	\$ 1.05
Net income per share (Diluted)	1.60	0.64	1.68	1.05
Dividends declared:				
For the year ended December 31, 2015				
	\$ 1.24	\$ 0.40	\$ 1.24	\$ 0.77
Book Value:				
As of December 31, 2015				
	\$ 27.39	\$ 22.76	\$ 26.89	\$ 16.73
Tangible Book Value:				
As of December 31, 2015				
	\$ 24.67	\$ 14.34	\$ 23.52	\$ 14.63

- (1) The pro forma combined basic earnings and diluted earnings per share of Norwood common stock is based on the pro forma combined net income for Norwood and Delaware divided by the pro forma common shares or diluted common shares of the combined entities. The pro forma information includes adjustments related to the fair value of assets and liabilities of Delaware and is subject to adjustment as additional information becomes available and as additional analyses are performed.
- (2) The pro forma earnings per share information includes anticipated cost savings or revenue enhancements, nor does it include one-time merger and integration expenses which will be expensed against income.
- (3) The pro forma combined balance sheet and book value per share data include the impact of merger expenses on the balance sheet with Delaware's after tax charges currently estimated at \$1.4 million, illustrated as a pro forma fair value liability accrual, and Norwood's after-taxes estimated charges of \$2.3 million, illustrated as a pro forma adjustment to retained earnings. The costs reflect estimates for professional fees, changes of control payments, system conversions, and employee severance costs. The pro forma combined book value and tangible book value per share of Norwood common stock is based on the proforma combined common stockholders' equity of Norwood and Delaware divided by total pro forma common shares of the combined entities.
- (4) Pro forma equivalent Delaware per share amount is calculated by multiplying the pro forma combined per share amount by the exchange ratio of 0.6221 in accordance with the merger agreement.

THE SPECIAL MEETING OF SHAREHOLDERS

Delaware is first mailing this proxy statement/prospectus to you as a Delaware shareholder on or about May 9, 2016. With this proxy statement/prospectus, Delaware is sending you a notice of the Delaware special meeting of shareholders and a form of proxy that is solicited by the Delaware board of directors. The special meeting will be held on Friday, June 24, 2016 at 1:00 p.m., Eastern Time, at The Walton Fire Hall, located at 61 West Street, Walton, New York 13856.

Matters to be Considered

The purpose of the special meeting of shareholders is to vote on the adoption of the merger agreement, pursuant to which Delaware will be merged with and into Norwood.

You are also being asked to vote upon a proposal to adjourn, postpone or continue the special meeting of shareholders, if necessary, to permit further solicitation of proxies in favor of adopting the merger agreement. Delaware could use any adjournment or postponement for the purpose, among others, of allowing additional time to solicit proxies.

Who Can Vote at the Meeting

You are entitled to vote the shares of Delaware common stock that you owned as of the close of business on May 6, 2016. As of the close of business on May 6, 2016, a total of 925,499 shares of Delaware common stock were outstanding. Each share of common stock has one vote.

Ownership of Shares; Attending the Meeting

You may own shares of Delaware in one of the following ways:

- directly in your name as the shareholder of record; or
- indirectly through a broker, bank or other holder of record in “street name”.

If your shares are registered directly in your name, you are the holder of record of these shares and we are sending these proxy materials directly to you. As the holder of record, you have the right to give your proxy directly to us or to vote in person at the meeting. If you hold your shares in street name, your broker, bank or other holder of record is sending these proxy materials to you. As the beneficial owner, you have the right to direct your broker, bank or other holder of record how to vote your shares by filling out a voting instruction form that accompanies your proxy materials. Your broker, bank or other holder of record may allow you to provide voting instructions by telephone or by the Internet. Please see the instruction form provided by your broker, bank or other holder of record that accompanies this proxy statement. If you hold your shares in street name, you will need proof of ownership to be admitted to the meeting. A recent brokerage statement or letter from a bank or broker are examples of proof of ownership. If you want to vote your shares of Delaware common stock held in street name in person at the meeting, you must obtain a written proxy in your name from the broker, bank or other nominee who is the record holder of your shares.

Quorum and Vote Required

Quorum. We will have a quorum and will be able to conduct the business of the special meeting if the holders of a majority of the outstanding shares of common stock entitled to vote are present at the meeting, either in person or by proxy.

Votes Required for Proposals. Under New York law, the affirmative vote of at least two-thirds of the outstanding shares is required to approve the merger agreement. As of the record date, directors and executive officers of Delaware and their affiliates, had the right to vote approximately 30,555 shares of Delaware common stock, or 3.3% of the outstanding shares of Delaware common stock at that date. Each of the directors and executive officers of Delaware has entered into a support agreement with Norwood to vote all of his or her shares of Delaware common stock in favor of the merger.

Approval of the proposal to adjourn, postpone or continue the special meeting, if necessary, for the purpose of soliciting additional proxies requires the affirmative vote of the holders of a majority of the votes cast in person or represented by proxy at the special meeting, whether or not a quorum is present.

How We Count Votes. If you return valid proxy instructions or attend the meeting in person, we will count your shares for purposes of determining whether there is a quorum, even if you abstain from voting. Broker non-votes also will be counted for purposes of determining the existence of a quorum. Broker non-votes and abstentions will have the effect of a vote against the proposal to approve the merger agreement and will have no effect on the proposal to adjourn, postpone, or continue the meeting.

Voting by Proxy

The board of directors of Delaware is sending you this proxy statement/prospectus for the purpose of requesting that you allow your shares of Delaware common stock to be represented at the special meeting by the persons named in the board of directors' form of proxy. Delaware shareholders of record may vote by proxy in any of three different ways:

Voting by Telephone. Call 1-888-887-2965 (toll free) and follow the instructions in the recorded message. You will need to have your proxy card with you when you call.

Voting on the Internet. Go to www.proxyvoting.com/dbai and follow the instructions. You will need to have your proxy card with you when you link to the internet voting site.

Voting by Mail. Complete, sign, date and return the enclosed proxy card in the envelope provided.

All shares of Delaware common stock represented at the special meeting by properly executed and dated proxies will be voted according to the instructions indicated in the proxy. If you return a proxy without giving voting instructions, your shares will be voted as recommended by Delaware's board of directors. The Delaware board of directors recommends a vote "FOR" each of the proposals.

If any matters not described in this proxy statement/prospectus are properly presented at the special meeting, the persons named in the proxy card will use their own best judgment to determine how to vote your shares. If the special meeting is postponed or adjourned, your Delaware common stock may be voted by the persons named in the proxy card on the new special meeting date as well, unless you have revoked your proxy. We do not know of any other matters to be presented at the special meeting.

You may revoke your proxy at any time before the vote is taken at the meeting. To revoke your proxy, you must advise the Secretary of Delaware in writing before your shares of Delaware common stock have been voted at the special meeting, deliver a later dated proxy, vote again by telephone or on the internet or vote your shares in person at the special meeting. Attendance at the special meeting will not in itself constitute revocation of your proxy.

Solicitation of Proxies

The costs and expenses of printing this proxy statement/prospectus will be borne by Norwood, and Delaware will bear all other costs incurred by it in the solicitation of proxies from its shareholders on behalf of its board of directors. In addition to solicitation of proxies by mail, Delaware will request that banks, brokers and other record holders send proxies and proxy materials to the beneficial owners of Delaware common stock and secure their voting instructions. Delaware will reimburse the record holders for their reasonable expenses in taking those actions. Delaware has also made arrangements with Morrow & Co., LLC, a proxy solicitation firm, to assist it in soliciting proxies and has agreed to pay them approximately \$9,000 plus reasonable expenses for these services including a per call fee for shareholder contacts. Delaware directors, officers and employees, who will not be specially compensated, may solicit proxies from Delaware shareholders, either personally or by telephone, facsimile, letter or other electronic means.

THE MERGER AND THE MERGER AGREEMENT

The following summary of the merger and merger agreement is qualified by reference to the complete text of the merger agreement. A copy of the merger agreement is annexed hereto as Annex A and is incorporated by reference into this proxy statement/prospectus. You should read the merger agreement completely and carefully as it, rather than this description, is the legal document that governs the merger. Factual disclosures about Norwood and Delaware contained in this proxy statement/prospectus or in Norwood's public reports filed with the SEC may supplement, update or modify the factual disclosures about the companies contained in the merger agreement. The representations, warranties and covenants made in the merger agreement by Delaware and Norwood were qualified and subject to important limitations agreed to by the parties in connection with negotiating the terms of the merger agreement. In particular, in your review of the representations and warranties contained in the merger agreement and described in this summary, it is important to bear in mind that the representations and warranties were negotiated with the principal purposes of establishing the circumstances in which a party to the merger agreement may have the right not to close the merger if the representations and warranties of the other party prove to be untrue due to a change in circumstance or otherwise, and allocating risk between the parties to the merger agreement, rather than establishing matters as facts. The representations and warranties may also be subject to a contractual standard of materiality different from those generally applicable to shareholders and reports and documents filed with the SEC and in some cases were qualified by disclosures that were made by each party to the other, which disclosures were not reflected in the merger agreement. Moreover, information concerning the subject matter of the representations and warranties, which do not purport to be accurate as of the date of this proxy statement/prospectus, may have changed since the date of the merger agreement.

General

The merger agreement provides for the merger of Delaware with and into Norwood, with Norwood as the surviving entity. Immediately following the merger, NBDC Bank will merge with and into Wayne Bank, with Wayne Bank as the surviving entity.

Background of the Merger

For more than 125 years since its organization in 1890, NBDC Bank has operated as an independent community bank serving the people and businesses of Walton, New York and nearby communities. Over time, the Bank's footprint has expanded as a result of both organic growth and acquisitions, to include six (6) offices in Delaware County and six (6) offices in Sullivan County.

Throughout its history, NBDC Bank has focused on serving its local markets and finding ways to respond to the challenges faced by many community banks. In recent years, the challenges of operating as a small community bank have multiplied and the banking industry has undergone significant consolidation. Since 1985, the number of FDIC insured banks has declined from over 18,000 to less than 7,000 at the present time. Most of this reduction in the total number of banks has come from the ranks of small community banks.

Typically, small community banks do not have significant sources of non-interest income and to earn income must rely upon the spread between what they earn on loans and investments and what they pay for deposits and borrowed funds. Small banks are also disproportionately hurt by the increasing costs of compliance with an expanded regulatory burden. In addition, small banks generally do not have abundant resources to fund the technology costs that all banks face in making their products both safe and convenient. In addition, small banks do not have as large a volume of customers over which to spread such costs. Nonetheless, the customers of small community banks expect their bank to provide a broad

array of products, services, and conveniences including technological conveniences and mobile banking services while safeguarding their privacy. In this economic environment of prolonged compressed net interest margins and escalating compliance and technology costs, many small banks have concluded that while they are not “too big to fail” their size may render them “too small to succeed”.

In response to such challenges, the Delaware board of directors has made hard choices, which have included funding appropriate investments in technology and resources while divesting unprofitable business lines, such as its trust business. The Delaware board of directors has also evaluated potential opportunities for expanding non-interest income, but, like other small community banks, NBDC Bank is largely dependent upon net interest margin for most of its income.

As part of the Delaware board of directors’ efforts to satisfy its duties to shareholders and provide for the prudent and profitable operation of NBDC Bank, the Delaware board of directors has consulted with outside professionals to explore and evaluate potential strategies to increase both net and non-interest income, diversify to reduce its reliance on net interest income, improve the market performance and liquidity of its stock, and to develop strategies to enhance efficiency and facilitate the growth of the Bank’s base of earnings assets.

Over the years, the Delaware board of directors has explored the risks and benefits of growing the Bank organically and through acquisition. In 2007, NBDC Bank acquired National Bank of Stamford and expanded its franchise to provide a network of six branches serving Delaware County. While the acquisition of the National Bank of Stamford added some size and scale, NBDC Bank’s small size has remained a hindrance to profitability. In addition, NBDC Bank’s ability to grow loans within Delaware County was constrained by the economic climate within Delaware County, which became especially slow during the economic recession which began in 2008. Recognizing that growth would be essential if NBDC Bank were to remain independent, the board and management investigated opportunities to purchase loans but was not able to do so on terms it considered to be acceptable. Throughout recent years, NBDC Bank battled a weak economy, low interest rates, compressed net interest margins and increased costs relating to compliance and technology.

In its strategic planning initiatives in 2013, the Delaware board of directors discussed the fact that growth was essential in order to enhance profitability and additional capital would be necessary to fund growth and to achieve economies of scale. In addition, the Delaware board of directors endeavored to find strategies to limit or control operating expenses and gain efficiencies. In addition to engaging in its own strategic planning, the Delaware board of directors met with outside advisors with respect to a variety of strategic issues such as opportunities to acquire assets, branches or other small institutions.

During 2013, NBDC Bank learned of the potential opportunity to acquire six branches in Sullivan County from Bank of America. Such strategy offered diversification of risk beyond Delaware County and was considered to represent the best available opportunity for significant growth. During 2014, NBDC Bank, in consultation with outside financial and legal advisers, entered into an agreement for the acquisition of the six branch offices, obtained the necessary regulatory approvals and funded the transaction with the proceeds of a \$12 million secured loan from another bank. In September 2014, NBDC Bank consummated the transaction. However, the transaction has been slow to yield the desired benefits, as initial deposit runoff rates were high and loan originations have been slow. In addition, the increased technology and other costs associated with operating the expanded branch network are significant and NBDC Bank has yet to fully grow, and may not be able to fully grow, sufficiently to cover the costs associated with such expanded infrastructure.

Since the fourth quarter of 2014 and throughout 2015, the board of directors and management of NBDC Bank became increasingly concerned with respect to the ability of NBDC Bank to originate

sufficient loans and create sufficient efficiencies to support long-term sustainable profitability. In 2015, the Delaware board of directors, in recognition of the need to retain additional capital to facilitate essential growth and meet debt service requirements, reduced the cash dividends paid by Delaware on its common stock. The shareholder base, some of whom rely to a significant extent upon dividend income, expressed concerns and the board further evaluated potential strategies to raise equity in order to reduce the debt service costs associated with the \$12 million borrowing incurred by Delaware to fund the acquisition of the six branches.

In addition, during the current prolonged economic recession, the market price of Delaware's thinly traded stock has declined. The stock is not actively traded or listed on any exchange and, like the stock of many similarly situated small bank holding companies, trades at lower multiples to book value and earnings than many larger, publicly-traded institutions. The limited interest in Delaware's stock, which is generally owned by a local, older shareholder base reliant upon dividend income, presented a challenge to expanding the shareholder base and funding future growth. In its evaluation, the Delaware board of directors recognized that there was limited interest within the current shareholder base for additional investment in Delaware and that investment outside the current shareholder base would likely involve significant dilution to existing shareholders.

During September and early October of 2015, members of the Delaware board of directors and management interviewed multiple financial advisers to potentially work with the board to develop strategies to address NBDC Bank's challenges and provide optimal solutions in the best interests of Delaware shareholders. Initially, these efforts focused on potential strategies to raise equity capital, but eventually a broader range of alternatives, including the possible sale or merger of Delaware, were discussed.

Following initial interviews and meetings with various financial advisers, two highly regarded financial adviser firms were invited to meet with the full Delaware board of directors. Following presentations from both firms, on October 5, 2015, the Delaware board of directors, with the concurrence of the executive management team, unanimously voted to engage Sandler as its financial adviser. Following presentations by Sandler and discussions of potential alternatives, the Delaware board of directors reached the consensus that the most prudent strategy for protecting the best interests of shareholders and other constituencies would be to explore the potential for affiliating with another financial institution with greater capital and other resources. At meetings in November of 2015, the Delaware board of directors, with input from Sandler, compiled a list of institutions that were considered to be likely to have potential interest in the geographic market served by NBDC Bank and that were considered to have the resources and ability to consummate a transaction on terms which could be favorable to the shareholders and other constituencies of Delaware and NBDC Bank.

In November of 2015, eighteen institutions were contacted by Sandler and those which expressed interest in a potential affiliation transaction were provided with a non-disclosure agreement. Eight of such institutions executed non-disclosure agreements and were provided access to a confidential investment memorandum. In December, another institution was contacted and executed the non-disclosure agreement and was then provided a confidential information memorandum. The Delaware board of directors was updated by Sandler on the progress of this initiative on a regulator basis throughout November and December, 2015. At a Delaware board meeting on December 22, 2015, Sandler provided the board with a detailed presentation and an update with regard to responses of all nineteen institutions with regard to a potential affiliation. At that meeting, Sandler reported that four institutions had expressed interest in a potential affiliation with Delaware and fifteen had declined to proceed to further evaluate a potential transaction at that time. Of the four institutions expressing interest in Delaware, two provided written letters expressing their interest and two verbally advised Sandler of their potential interest in proceeding, but were not prepared to submit formal letters of interest at that time. Sandler

advised the board of the terms of both the written and verbal expressions of interest and the board's legal and financial advisers discussed the apparent ability of each of the institutions to consummate a potential affiliation transaction on the terms discussed.

After comparing each expression of interest and considering the alternatives, including endeavoring to continue to operate independently, the expression of interest by Norwood was considered by the Delaware board of directors to be the most attractive proposal for a variety of reasons. The offer represented the highest proposed consideration to be paid to shareholders and involved a mixture of cash and stock with a potential for shareholders to make an election as to the form of consideration they would receive, subject to certain overall limitations. Norwood and its subsidiary Wayne Bank were viewed as attractive affiliation partners that shared many values and philosophies with Delaware and NBDC Bank. The stock of Norwood, which is publicly traded, was considered to be a potentially attractive investment, particularly in light of the attractive cash dividend paid by Norwood. At that board meeting, the Delaware board of directors determined that Norwood and the next two highest bidders should be granted expanded access to a secure data site to provide them with additional information with regard to Delaware and NBDC Bank and that Norwood would be the first institution invited to conduct on-site due diligence. The three other expressions of interest were considered to be less attractive with respect to price and other terms than the Norwood expression of interest. On-site due diligence by the second and third highest bidder was deferred pending the results of due diligence by Norwood and the lowest of the four bidders was notified that its expression of interest was appreciated but did not warrant further discussion at that time.

On January 7 through 9, 2016, Norwood conducted on-site due diligence of Delaware and NBDC Bank. Following completion of its due diligence, on January 20, 2016, Norwood provided an amended expression of its interest reflecting a price of \$16.55 per share, 75% in stock and 25% in cash. The revised Norwood offer, while \$0.50 per share less than the initial offer of \$17.05 reflected in its letter dated December 15, 2015, still represented the highest per share price consideration of any of the offers, written and unwritten, communicated to Delaware or its advisors. At a board meeting on January 28, 2016, the Delaware board of directors considered the two offers which represented the two highest expressions of interest communicated to Delaware through its financial adviser, as well as the expressions of interest which proposed a lower price. Through negotiations, the revised expression of interest from Norwood was eventually increased to \$16.68 with a 75% stock and 25% cash structure. The structure was thoroughly discussed, as were issues relating to the continuation of employment for a majority of employees. Severance for those employees not being offered position was discussed. Norwood agreed to honor the change in control agreements of the management team and agreed to the selection of a current board member within eighteen (18) months of the transaction to join the boards of both Norwood and Wayne Bank. At that meeting, the board of directors authorized NBDC Bank management and financial and legal advisers to conduct on-site due diligence of Norwood and Wayne Bank and report back to the board with the expectation that, subject to the positive findings of such due diligence, Delaware and NBDC Bank would negotiate with Norwood and Wayne Bank toward the finalization and execution of a definitive merger agreement.

Due diligence of Norwood and Wayne Bank was conducted by the first week in February, 2016. The financial and legal advisors of Delaware along with members of Delaware's executive management team met with representatives of Norwood and Wayne Bank to conduct due diligence of Norwood and Wayne Bank in order to be able to advise the Delaware board of directors concerning the ability of Norwood to consummate the transaction on the terms proposed and the likelihood that Norwood could obtain the necessary regulatory approvals and so that the Delaware board of directors could further evaluate the risks and benefits of an affiliation with Norwood.

Based upon such satisfactory due diligence, the legal and financial advisors of Delaware informed the Delaware board of directors that there were no reasons to believe that Norwood could not consummate the transaction on the terms it proposed or that regulatory authorities acting with proper supervision would not be likely to approve the transaction in a timely manner. The financial advisers of Delaware provided the board of directors with data to evaluate the intrinsic value of the proposed affiliation with Norwood and counsel advised the board of directors with respect to the legal issues involved in such a transaction and the absence of issues likely to raise regulatory concerns.

The Delaware board of directors requested management and Delaware's financial advisor to advise the board of directors with respect to the reasonable ability of Delaware to provide comparable or superior value to that proposed by the Norwood proposal and to compare the Norwood proposal with the consideration that Delaware might reasonably expect to obtain from other sources in other potential transactions. Based upon the analyses provided, the Delaware board of directors concluded that the transaction proposed by Norwood represented attractive consideration to the shareholders of Delaware and to the other constituencies of Delaware and NBDC Bank. The board of directors balanced the risks and benefits, solicited the views of management and was unanimous in the view that it would be in the best interests of Delaware and NBDC Bank to proceed to negotiate a definitive agreement with Norwood and Wayne Bank.

The Delaware board of directors was advised of the progress of the negotiation process at its meeting on February 22, 2016 and, throughout the negotiation process, two members of the board were actively involved in discussions with the board's legal and financial advisers. During negotiations, Norwood expressed its intention to employ four members of NBDC Bank's executive management team with incentive for them to stay and also added a stay bonus pool to potentially help retain other employees. Norwood also agreed to reduce the termination fee and committed to add a Delaware director to the boards of Norwood and Wayne Bank within eighteen months of the merger. On March 10, 2016, the Delaware and NBDC boards of directors reviewed the final documents which the Delaware board of directors had previously discussed in draft form during the negotiation process. At such meeting, the Delaware and NBDC Bank boards of directors reviewed the provisions of the merger agreement, noted the risks and benefits to the shareholders of Delaware and the employees, customers, communities served by NBDC Bank, as well as other constituencies of Delaware and NBDC Bank. Following the receipt of a fairness opinion from Sandler that the merger consideration was fair to the holders of Delaware common stock from a financial standpoint, the Delaware and NBDC Bank boards of directors unanimously determined that the transaction was in the best interest of Delaware, Delaware's shareholders and the other constituencies of Delaware and NBDC Bank for reasons including those discussed below, and authorized the execution and delivery of the merger agreement. At that time, each of the Delaware directors signed agreements with Norwood indicating that they would support and vote for the transaction.

On March 10, 2016, following the meetings of the boards of directors and after the close of the regular trading on domestic stock markets, Delaware and NBDC Bank, as well as Norwood and Wayne Bank, entered into the merger agreement and issued a joint press release announcing the proposed transaction. Following the issuance of the joint press release, the employees of both institutions were informed of the action taken to authorize the transaction and enter into the definitive merger agreement.

Delaware's Reasons for the Merger and Recommendation of the Delaware Board of Directors

In reaching its decision to approve the merger agreement and the transactions contemplated by the merger agreement and recommend its approval by Delaware's shareholders, the Delaware board of directors consulted with senior management, its financial advisor, Sandler, and its legal counsel,

Cranmore, FitzGerald & Meaney, and considered numerous factors, including, principally, the following, which are not presented in order of priority:

Business and Prospects of Delaware

- Delaware's board of directors considered the historical financial statements of Delaware and NBDC Bank and certain other internal information, primarily financial in nature, relating to the businesses, earnings and balance sheets of Delaware and NBDC Bank.
- Delaware's board of directors considered the business strategy of Delaware and NBDC Bank and their prospects for the future, including expected financial results, based on discussions with management of Delaware and NBDC Bank.
- Delaware's board of directors discussed the current and prospective interest rate environment and business climate in which Delaware and NBDC Bank operate.
- Delaware's board of directors reviewed the challenges of cost-effectively delivering state-of-the-art banking products and services while shouldering an increased regulatory compliance burden.
- Delaware's board of directors considered the evaluation conducted by the Delaware and NBDC Bank boards of directors of the strategic options believed to be available to Delaware and NBDC Bank and the assessment of the boards that none of those options presented superior opportunities or were likely to create greater value for Delaware shareholders than the prospects presented by the proposed merger with Norwood.
- Delaware's board of directors evaluated the risks and prospects of Delaware and NBDC Bank remaining independent, including the challenges associated with continued competition from other financial institutions that could adversely affect their ability to meet growth targets; margin compression due to the continued low interest rate environment; the escalation of compliance costs and expenses related to investments in technology infrastructure and human resources; and the possible impact of these challenges on the value of Delaware common stock.
- Delaware's board of directors considered the risk that Delaware might not be able to meet the debt service obligations or other terms of the loan agreement with the lender of the \$12 million secured loan and the potential adverse consequences of a payment or other default on such loan.
- Delaware's board of directors considered the risk that if it operates independently, Delaware might find it necessary to further reduce or eliminate dividends on its common stock in order to meet its debt service obligations and the terms of the loan agreement with the lender on the \$12 million secured loan and to maintain prudent capital ratios.
- Delaware's board of directors reviewed the adequacy of Delaware's and NBDC Bank's capital resources over the next several years and the challenges of maintaining sufficient capital levels to support Delaware's and NBDC Bank's growth without materially diluting earnings or book value per share, including the possibility that relying exclusively on retained earnings to increase capital could cause NBDC Bank to restrain the loan growth it might otherwise achieve.
- Delaware's board of directors considered the significant regulatory burden on the banking industry, the disproportionate impact of such regulatory burden on small institutions such as Delaware and NBDC Bank, and the limited prospects for significant regulatory relief for small institutions.

- Delaware's board of directors considered the possible impact of the business challenges facing Delaware on the value of Delaware common stock.

Based on these and other factors, the Delaware board of directors determined that it should seek a sale of Delaware and NBDC Bank.

Sale Process, Merger Consideration and Other Terms of the Merger Agreement

- Delaware's board of directors considered the extent and breadth of the sale process conducted by Delaware, with the assistance of Sandler and its legal advisors, in soliciting potential bidders likely to be interested in acquiring Delaware.
- Delaware's board of directors evaluated the level of interest and proposals received from the other potential acquirers compared to the merger consideration offered by Norwood and the apparent ability of each to consummate a transaction, concluding that the proposal from Norwood offered the most benefits to Delaware shareholders, employees and other constituencies.
- Delaware's board of directors considered that the merger agreement was the product of arms' length negotiations between representatives of Delaware and representatives of Norwood and determined that the terms of the merger agreement are reasonable and do not contain onerous contingencies, including that the merger agreement allows Delaware to consider unsolicited acquisition proposals under certain circumstances and to potentially terminate the merger agreement in order to accept a superior proposal, and that the termination fee that would be payable to Norwood upon termination of the merger agreement in order to accept a superior proposal would not deter another serious bidder from making a competing acquisition proposal.
- Delaware's board of directors considered the ability of Norwood to pay the merger consideration and to promptly consummate the transactions contemplated by the merger agreement, including the merger.
- Delaware's board of directors considered the likelihood of obtaining the necessary regulatory approvals to complete the merger and the transactions contemplated by the merger agreement in a timely manner without unusual or burdensome conditions.
- Delaware's board of directors considered that holders of Delaware common stock will have the ability to elect to receive cash, Norwood common stock or a combination of cash and Norwood common stock, subject to the proration and allocation provisions of the merger agreement.
- Delaware's board of directors considered that it is expected that the holders of Delaware common stock who receive Norwood common stock in exchange for their shares of Delaware common stock in the merger generally will not recognize any gain or loss for federal income tax purposes as a result, except with respect to any cash received instead of fractional shares of Norwood common stock.
- Delaware's board of directors considered the benefits to Delaware's shareholders who receive Norwood common stock in exchange for their shares of Delaware common stock in the merger of the greater market capitalization and liquidity of Norwood's common stock as compared to Delaware's common stock, the stock price history of Norwood common stock and the ability to participate in any future appreciation in the price of Norwood common stock.

- Delaware's board of directors considered the benefits to Delaware's shareholders who receive Norwood common stock in exchange for their shares of Delaware common stock in the merger of the dividend paid by Norwood, currently an annual dividend of \$1.24 per Norwood share, which, based upon the exchange ratio, results in a 92.9% increase for Delaware shareholders receiving the merger consideration as Norwood common stock based upon Delaware's 2015 dividend of \$0.40 per share.
- Delaware's board of directors considered that the merger consideration of \$16.68 per share of Delaware common stock represents approximately 116% of Delaware's tangible book value per share as of December 31, 2015.
- Delaware's board of directors considered the opinion of Sandler delivered to the Delaware board of directors, dated March 10, 2016, that as of the date of the opinion, and based upon and subject to the factors and assumptions set forth therein, the consideration was fair to holders of Delaware common stock from a financial point of view, and the analysis and presentation of Sandler to the Delaware board of directors in connection with the delivery of the opinion, as more fully described under "Opinion of Delaware's Financial Advisor" beginning on page 42. A copy of Sandler's written opinion that was delivered to Delaware's board of directors is included as Annex B to this proxy statement/prospectus. Shareholders are urged to carefully read the opinion of Sandler in its entirety.
- Delaware's board of directors considered that Norwood has agreed to appoint one of Delaware's directors to Norwood's and Wayne Bank's boards of directors within 18 months of closing, allowing Delaware shareholders to retain a voice in the management oversight of Norwood and Wayne Bank.
- Delaware's board of directors considered the other terms of the merger agreement, including the representations and warranties of the parties and the covenants of the parties and the conditions to closing and termination provisions, which provided adequate assurances as to Norwood's obligation and ability to consummate the merger in a timely manner, without any extraordinary conditions.

Norwood and the Combination of Norwood and Delaware

- Delaware's board of directors considered the positive results of Delaware's and its advisors' due diligence investigation of Norwood and the reputation, business practices and experience of Norwood and its management.
- Delaware's board of directors evaluated the geographic fit and increased customer convenience of the combined branch networks of NBDC Bank and Wayne Bank.
- Delaware's board of directors reviewed Norwood's business, operations, financial condition, asset quality, earnings, stock performance and prospects, taking into account the results of its due diligence review of Norwood, including the most current draft of its Form 10-K for the year ended December 31, 2015, and the publicly available information concerning Norwood set forth in its filings with the Securities and Exchange Commission.
- Delaware's board of directors considered the enhanced prospects of the combined company compared to those that Delaware was likely to achieve on a stand-alone basis, including enhanced revenue, increased market capitalization, a lower cost of capital, a stronger capital position, funding capabilities and liquidity position, cost savings through integration and synergies and, as a result, improved capabilities to cope with potential challenges and risks, and the resultant benefits to holders of

Delaware common stock who become holders of Norwood common stock as well as the other constituencies served by Delaware and NBDC Bank.

Impact on Employees

- Delaware's board of directors evaluated the anticipated effect of the acquisition on Delaware's and NBDC Bank's employees, including that Norwood has agreed in the merger agreement to use reasonable efforts to provide employees of NBDC Bank with meaningful career opportunities following the effective time of the merger.
- Delaware's board of directors considered the potential benefits to Delaware employees who continue their employment with Wayne Bank of expanded opportunities for professional growth and career advancement with the larger Wayne Bank and Wayne Bank's greater employee benefits, for which Delaware employees will receive credit for service with Delaware for purposes of vesting and determination of eligibility to participate.
- Delaware's board of directors considered the provisions of the merger agreement that provide severance benefits to those NBDC Bank employees who are not offered employment with Norwood.

Impact on Customers and Communities

- Delaware's board of directors considered the effect on the communities served by Delaware and NBDC Bank.
- Delaware's board of directors considered the "Satisfactory" Community Reinvestment Act rating received by NBDC Bank on its most recent examination, and the "Outstanding" rating as received by Wayne Bank on its most recent examination.
- Delaware's board of directors considered the commitment of Norwood to serving the greater Delaware and Sullivan County markets as well as proximate areas, and the fact that the customers and communities currently served by NBDC Bank will enjoy the services of a stronger bank with a commitment to community banking principles.
- Delaware's board of directors considered the increased legal lending limit which will be available to borrowers by reason of the merger.
- Delaware's board of directors considered the historical record of Norwood and Wayne Bank in supporting local charities in the communities in which they operate.

The Delaware board of directors also discussed the potential risks relating to the merger and the transactions contemplated by the merger agreement, including the following, which the board of directors considered to be outweighed by the potential benefits of the merger and the transactions contemplated by the merger agreement:

- Delaware's board of directors reviewed the challenges associated with seeking the regulatory approvals required to complete the merger in a timely manner.
- Delaware's board of directors considered the potential for diversion of management and employee attention, and for employee attrition, during the period prior to the completion of the merger and the potential effect on Delaware's business and relations with customers, service providers and other

stakeholders, which risks would have a significant effect on Delaware if the merger and the transactions contemplated by the merger agreement were not completed.

- Delaware's board of directors considered the requirements contained in the merger agreement that Delaware conduct its business in the ordinary course and the other restrictions on the conduct of Delaware's business prior to completion of the merger, which may delay or prevent Delaware from undertaking business opportunities that may arise pending completion of the merger.
- Delaware's board of directors evaluated the risk that the potential benefits and synergies sought in the merger may not be realized or may not be realized within the expected time period, and the risks associated with the integration of Delaware and Norwood, which could affect the business prospects of Norwood following the merger.
- Delaware's board of directors considered that because 75% of the consideration in the merger is a fixed exchange ratio of shares of Norwood's common stock to shares of Delaware common stock, Delaware shareholders who receive Norwood common stock could be adversely affected by a decrease in the trading price of Norwood common stock during the pendency of the merger.
- Delaware's board of directors discussed the fact that certain provisions of the merger agreement prohibit Delaware from soliciting, and limit its ability to respond to, proposals for alternative transactions.
- Delaware's board of directors considered the fact that the merger agreement provides that if the merger agreement is terminated by Norwood or Delaware in certain circumstances, including if, among other things, Delaware accepts an alternative acquisition agreement or consummates an alternative acquisition, Delaware is obligated to pay to Norwood a termination fee of \$615,000, which may deter others from proposing an alternative transaction that may be more advantageous to Delaware shareholders.
- Delaware's board of directors considered the requirement that Delaware submit the merger agreement to its shareholders even if its board of directors withdraws or changes its recommendation.
- Delaware's board of directors considered the fact that the interests of Delaware directors and executive officers with respect to the merger may be different from those of other Delaware shareholders in certain limited circumstances. See "— Interests of Certain Persons in the Merger" on page 64.

The foregoing discussion of the factors considered by the Delaware and NBDC Bank boards of directors is not intended to be exhaustive, but sets forth the principal factors considered by the Delaware and NBDC Bank boards of directors in approving the merger agreement. Based on the factors described above, including the opinion of Sandler referred to above, the Delaware and NBDC Bank boards of directors determined that the merger with Norwood would be advisable and in the best interests of Delaware and NBDC Bank, Delaware shareholders and other constituencies and unanimously approved the merger agreement and the transactions contemplated by the merger agreement. The Delaware and NBDC Bank boards of directors also weighed these factors against the potential risks of the merger and the transactions contemplated by the merger agreement, including those discussed in the section of this document titled "Risks Factors" beginning on page 20. In reaching its determination to approve and recommend the merger agreement and the transactions contemplated by the merger agreement, the Delaware and NBDC Bank boards of directors did not assign any specific or relative weights to any of the factors listed above. Rather, the Delaware and NBDC Bank boards of directors made their

recommendations based on the totality of information presented to and investigated by them. In considering the factors discussed above, individual directors may have given different weights to different factors.

It should be noted that this explanation of the reasoning of Delaware's board of directors (and some other information presented in this section) is forward-looking in nature and, therefore, should be read in light of the factors discussed under the section of this proxy statement/prospectus entitled "Cautionary Statement Regarding Forward-Looking Statements" on page 25.

Norwood's Reasons for the Merger

In reaching its determination to approve and adopt the merger agreement, the board of directors of Norwood considered a number of factors, including:

- the complementary geographical locations of Delaware's branch network, which will augment Norwood's operations;
- the board's understanding of, and the presentations of Norwood's management and financial advisor regarding, Delaware's business, operations, management, financial condition, asset quality, earnings and prospects;
- the board's view that the merger is consistent with Norwood's expansion strategy and will allow for enhanced opportunities for Norwood's new and existing clients and customers;
- the results of management's due diligence investigation of Delaware and the reputation, business practices and experience of Delaware and its management, including their impression that Delaware is a financially healthy, well-run bank holding company that is deeply committed to its customers, employees, and the communities that it serves;
- the fact that the merger is expected to be accretive to earnings per share of Norwood in first full year of operations;
- the anticipated operating efficiencies, cost savings and opportunities for revenue enhancements of the combined company following the completion of the merger, and the likelihood that they would be achieved after the merger;
- the fact that the merger consideration consists of a mixture of cash and stock in which shareholders would have an election, subject to limitations;
- the fact that the per share stock consideration is fixed;
- the deal protection provided by the termination fee of \$615,000 payable under certain circumstances in the event of the termination of the merger agreement due to a competing offer or certain other reasons;
- the intended tax treatment of the merger as a tax-free reorganization; and
- the likelihood of receiving all of the regulatory approvals required for the merger.

Based on these reasons, Norwood's board of directors unanimously approved the merger agreement and the merger. This discussion of the factors considered by Norwood's board of directors does not list every factor considered by the board but includes all material factors considered by the board. In reaching its determination to approve and adopt the merger agreement, the board did not give relative or specific importance to each of the factors listed above, and individual directors may have given differing importance to different factors. Please note that this explanation of the board's reasoning and all other information presented in this section is forward-looking in nature and, therefore, should be read in light of the factors discussed under the heading "Cautionary Statement Regarding Forward-Looking Statements" on page 25.

Opinion of Delaware's Financial Advisor

By letter dated October 14, 2015, Delaware retained Sandler to act as financial advisor to Delaware's board of directors in connection with Delaware's consideration of its strategic alternatives including a possible business combination. Sandler is a nationally recognized investment banking firm whose principal business specialty is financial institutions. In the ordinary course of its investment banking business, Sandler is regularly engaged in the valuation of financial institutions and their securities in connection with mergers and acquisitions and other corporate transactions.

Sandler acted as financial advisor in connection with the proposed merger and participated in certain of the negotiations leading to the execution of the merger agreement. At the March 10, 2016 meeting at which Delaware's board of directors considered and discussed the terms of the merger agreement and the merger, Sandler delivered to Delaware's board of directors its written opinion, that, as of such date, the merger consideration was fair to the holders of Delaware common stock from a financial point of view. The full text of Sandler's opinion is attached as Annex B to this proxy statement/prospectus. The opinion outlines the procedures followed, assumptions made, matters considered and qualifications and limitations on the review undertaken by Sandler in rendering its opinion. The description of the opinion set forth below is qualified in its entirety by reference to the full text of the opinion. Holders of Delaware's common stock are urged to read the entire opinion carefully in connection with their consideration of the proposed merger.

Sandler's opinion speaks only as of the date of the opinion and was necessarily based on financial, economic, regulatory, market and other conditions as they existed on, and the information made available to Sandler as of, that date. Events occurring or information available after that date could materially affect its opinion. Sandler has not undertaken to update, revise, reaffirm or withdraw its opinion or otherwise comment upon events occurring after the date of its opinion. The opinion was directed to Delaware's board of directors in connection with its consideration of the merger and is directed only to the fairness of the merger consideration to the holders of Delaware common stock from a financial point of view. It does not address the underlying business decision of Delaware to engage in the merger or any other aspect of the merger and is not a recommendation to any holder of Delaware's common stock as to how such shareholder should vote at the special meeting with respect to the merger or any other matter. Sandler's opinion does not address the underlying business decision of Delaware to engage in the merger or any other aspect of the merger, the relative merits of the merger as compared to any other alternative business strategies that might exist for Delaware or the effect of any other transaction in which Delaware might engage. Sandler did not express any opinion as to the fairness of the amount or nature of the compensation to be received in the merger by Delaware's officers, directors or employees, or class of such persons, relative to the per share consideration to be received by Delaware's shareholders. Sandler's opinion was approved by Sandler's fairness opinion committee.

In connection with rendering its opinion, Sandler reviewed and considered, among other things:

- a draft of the merger agreement, dated March 10, 2016;
- certain publicly available financial statements and other historical financial information of Delaware that Sandler deemed relevant;
- certain publicly available financial statements and other historical financial information of Norwood that Sandler deemed relevant;
- internal financial projections for NBDC Bank for the year ending December 31, 2016, as provided by the senior management of Delaware, adjusted to account for certain estimated expenses of Delaware, as discussed with and confirmed by the senior management of Delaware, as well as internal financial projections for Delaware for the years ending December 31, 2017 through December 31, 2020 based upon estimated annual asset, loan and deposit growth rates, estimated annual net income and expenses, and estimated annual tax benefits, each as discussed with and confirmed by the senior management of Delaware;
- internal financial projections for Norwood for the year ending December 31, 2016, as provided by the senior management of Norwood, as well as an estimated asset and net income growth rate for the years thereafter, as discussed with the senior management of Norwood and its representatives;
- the pro forma financial impact of the merger on Norwood based on assumptions relating to transaction expenses, purchase accounting adjustments and cost savings, as discussed with and confirmed by the senior management of Norwood and its representatives, as well as an assumption relating to Delaware's standalone estimated earnings per share, as provided by the senior management of Norwood and its representatives;
- the publicly reported historical price and trading activity for Delaware and Norwood common stock, including a comparison of certain stock market information for Delaware and Norwood common stock and certain stock indices as well as publicly available information for certain other similar companies, the securities of which are publicly traded;
- a comparison of certain financial information for Delaware and Norwood with similar institutions for which information is publicly available;
- the financial terms of certain recent business combinations in the bank and thrift industry (on a regional and nationwide basis), to the extent publicly available;
- the current market environment generally and in the banking environment in particular; and
- such other information, financial studies, analyses and investigations and financial, economic and market criteria as Sandler considered relevant.

Sandler also discussed with certain members of the senior management of Delaware the business, financial condition, results of operations and prospects of Delaware and held similar discussions with the senior management of Norwood regarding the business, financial condition, results of operations and prospects of Norwood.

Sandler, in performing its review, has relied upon the accuracy and completeness of all of the financial and other information that was available to and reviewed by Sandler from public sources, that was provided to Sandler by Delaware or Norwood or their respective representatives or that was otherwise reviewed by Sandler and Sandler assumed such accuracy and completeness for purposes of rendering its opinion without any independent verification or investigation. Sandler has relied, at the direction of Delaware, without independent verification or investigation, on the assessments of the management of Delaware as to its existing and future relationships with key employees and partners, clients, products and services and has assumed, with Delaware's consent, that there would be no developments with respect to any such matters that would affect its analyses or opinion. Sandler has further relied on the assurances of the respective managements of Delaware and Norwood that they were not aware of any facts or circumstances that would make any of such information inaccurate or misleading. Sandler was not asked to and did not undertake an independent verification of any of such information and did not assume any responsibility or liability for the accuracy or completeness thereof. Sandler did not make an independent evaluation or perform an appraisal of the specific assets, the collateral securing assets or the liabilities (contingent or otherwise) of Delaware or Norwood or any of their respective subsidiaries, nor was Sandler furnished with any such evaluations or appraisals. Sandler rendered no opinion or evaluation on the collectability of any assets or the future performance of any loans of Delaware or Norwood. Sandler did not make an independent evaluation of the adequacy of the allowance for loan losses of Delaware or Norwood, or the combined entity after the merger and has not reviewed any individual credit files relating to Delaware or Norwood. Sandler has assumed, with Delaware's consent, that the respective allowances for loan losses for both Delaware and Norwood were adequate to cover such losses and would be adequate on a pro forma basis for the combined entity.

In preparing its analyses, Sandler used internal financial projections for NBDC Bank for the year ending December 31, 2016, as provided by the senior management of Delaware, adjusted to account for certain estimated expenses of Delaware, as discussed with and confirmed by the senior management of Delaware, as well as internal financial projections for Delaware for the years ending December 31, 2017 through December 31, 2020 based upon estimated annual asset, loan and deposit growth rates, estimated annual net income and expenses, and estimated annual tax benefits, each as discussed with and confirmed by the senior management of Delaware. In addition, in preparing its analyses, Sandler used internal financial projections for Norwood for the year ending December 31, 2016, as provided by the senior management of Norwood, as well as an estimated asset and net income growth rate for the years thereafter, as discussed with the senior management of Norwood and its representatives. Sandler also received and used in its pro forma analyses certain assumptions relating to transaction expenses, purchase accounting adjustments and cost savings, as discussed with and confirmed by the senior management of Norwood and its representatives, as well as an assumption relating to Delaware's standalone estimated earnings per share, as provided by the senior management of Delaware and its representatives. With respect to those projections, estimates and judgments, the respective managements of Delaware and Norwood confirmed to Sandler that those projections, estimates and judgments reflected the best currently available projections, estimates and judgments of those respective managements of the future financial performance of Delaware and Norwood, respectively, and Sandler assumed that such performance would be achieved. Sandler expressed no opinion as to such projections, estimates or judgments, or the assumptions on which they were based. Sandler also assumed that there has been no material change in Delaware's or Norwood's assets, financial condition, results of operations, business or prospects since the date of the most recent financial statements made available to Sandler. Sandler assumed in all respects material to its analysis that Delaware and Norwood would remain as going concerns for all periods relevant to its analyses.

Sandler also assumed, with Delaware's consent, that (i) each of the parties to the merger agreement would comply in all material respects with all material terms and conditions of the merger agreement and all related agreements, that all of the representations and warranties contained in such

agreements were true and correct in all material respects, that the parties to such agreements would perform in all material respects all of the covenants and other obligations required to be performed by such party under such agreements and that the conditions precedent in such agreements were not and would not be waived, (ii) in the course of obtaining the necessary regulatory or third party approvals, consents and releases with respect to the merger, no delay, limitation, restriction or condition would be imposed that would have an adverse effect on Delaware, Norwood or the merger or any related transaction, (iii) the merger and any related transaction would be consummated in accordance with the terms of the merger agreement without any waiver, modification or amendment of any material term, condition or agreement thereof and in compliance with all applicable laws and other requirements, (iv) the merger would be consummated without Delaware's rights under Section 10.1(i) of the merger agreement having been triggered, or if such rights have been triggered, Norwood shall have exercised the option referred to in Section 10.1(i) of the merger agreement, and (v) the merger would qualify as a tax-free reorganization for federal income tax purposes. Finally, with Delaware's consent, Sandler has relied upon the advice that Delaware has received from its legal, accounting and tax advisors as to all legal, accounting and tax matters relating to the merger and the other transactions contemplated by the merger agreement.

Sandler's analyses were necessarily based on financial, economic, market and other conditions as in effect on, and the information made available to Sandler as of, the date thereof. Events occurring after the date thereof could materially affect Sandler's opinion. Sandler has not undertaken to update, revise, reaffirm or withdraw its opinion or otherwise comment upon events occurring after the date thereof. Sandler expressed no opinion as to the trading values of Delaware common stock or Norwood common stock at any time or what the value of Norwood common stock would be once it is actually received by the holders of Delaware common stock.

In rendering its opinion, Sandler performed a variety of financial analyses. The summary below is not a complete description of the analyses underlying Sandler's opinion or the presentation made by Sandler to Delaware's board of directors, but is a summary of all material analyses performed and presented by Sandler. The summary includes information presented in tabular format. In order to fully understand the financial analyses, these tables must be read together with the accompanying text. The tables alone do not constitute a complete description of the financial analyses. The preparation of a fairness opinion is a complex process involving subjective judgments as to the most appropriate and relevant methods of financial analysis and the application of those methods to the particular circumstances. The process, therefore, is not necessarily susceptible to a partial analysis or summary description. Sandler believes that its analyses must be considered as a whole and that selecting portions of the factors and analyses to be considered without considering all factors and analyses, or attempting to ascribe relative weights to some or all such factors and analyses, could create an incomplete view of the evaluation process underlying its opinion. Also, no company included in Sandler's comparative analyses described below is identical to Delaware or Norwood and no transaction is identical to the merger. Accordingly, an analysis of comparable companies or transactions involves complex considerations and judgments concerning differences in financial and operating characteristics of the companies and other factors that could affect the public trading values or merger transaction values, as the case may be, of Delaware and Norwood and the companies to which they are being compared. In arriving at its opinion, Sandler did not attribute any particular weight to any analysis or factor that it considered. Rather, Sandler made qualitative judgments as to the significance and relevance of each analysis and factor. Sandler did not form an opinion as to whether any individual analysis or factor (positive or negative) considered in isolation supported or failed to support its opinion; rather, Sandler made its determination as to the fairness of the merger consideration on the basis of its experience and professional judgment after considering the results of all its analyses taken as a whole.

In performing its analyses, Sandler also made numerous assumptions with respect to industry performance, business and economic conditions and various other matters, many of which cannot be predicted and are beyond the control of Delaware, Norwood and Sandler. The analyses performed by Sandler are not necessarily indicative of actual values or future results, both of which may be significantly more or less favorable than suggested by such analyses. Sandler prepared its analyses solely for purposes of rendering its opinion and provided such analyses to Delaware's board of directors at its March 10, 2016 meeting. Estimates on the values of companies do not purport to be appraisals or necessarily reflect the prices at which companies or their securities may actually be sold. Such estimates are inherently subject to uncertainty and actual values may be materially different. Accordingly, Sandler's analyses do not necessarily reflect the value of Delaware's common stock or the prices at which Delaware's common stock or Norwood's common stock may be sold at any time. The analyses of Sandler and its opinion were among a number of factors taken into consideration by Delaware's board of directors in making its determination to approve the merger agreement and the analyses described below should not be viewed as determinative of the decision of Delaware's board of directors or management with respect to the fairness of the merger. See "Delaware's Reasons for the Merger and Recommendation of Delaware Board of Directors" for additional information on the factors Delaware's board of directors considered in reaching its decision to approve the merger agreement.

Summary of Proposed Merger Consideration and Implied Transaction Metrics. Sandler reviewed the financial terms of the proposed merger. As described in the merger agreement, each share of Delaware common stock issued and outstanding immediately prior to the effective time of the merger will be converted into the right to receive, without interest, either (i) 0.6221 shares of Norwood common stock, or (ii) \$16.68 in cash. The merger agreement provides that shareholders may elect to receive cash consideration for all of their shares of Delaware common stock, Norwood common stock for all of their shares of Delaware common stock or cash for some of their shares of Delaware common stock and Norwood common stock for the remainder of their shares of Delaware common stock. The merger agreement provides, generally, that shareholder elections may be adjusted as necessary to result in an overall ratio of 25% of Delaware common stock being converted into the right to receive cash consideration and 75% of Delaware common stock being converted into the right to receive stock consideration. Using Norwood's 20 day average closing stock price as of March 7, 2016 of \$26.81, and based upon 925,499 shares of Delaware common stock outstanding, Sandler calculated an implied transaction price per share of \$16.68 and aggregate transaction value of approximately \$15.4 million. Based upon financial information for Delaware as of or for the twelve months ended December 31, 2015, Sandler calculated the following implied transaction metrics:

Transaction Price / Book Value Per Share:	73.3%
Transaction Price / Tangible Book Value Per Share:	116.3%
Transaction Price / LTM Earnings Per Share ¹ :	26.1x
Core Deposit Premium ² :	0.8%
One Day Market Premium ³ :	27.2%

- 1) Last Twelve Months (LTM) net income of \$591,000 includes an income tax benefit of \$565,000.
- 2) Tangible book premium to core deposits calculated as (deal value – tangible equity) / (core deposits); Core Deposits defined as deposits, less time deposit accounts with balances over \$100,000, foreign deposits and unclassified deposits.
- 3) Based upon the closing price for a share of Delaware common stock on March 9, 2016.

Stock Trading History. Sandler reviewed the history of the publicly reported trading prices of Delaware's common stock and Norwood's common stock for the one-year and three-year periods ended

March 9, 2016. Sandler then compared the relationship between the movements in the price of Delaware's common stock and Norwood's common stock, respectively, to movements in their respective peer groups (as described on pages 48 and 49) as well as certain stock indices.

Delaware's One-Year Stock Performance

	Beginning Value March 9, 2015	Ending Value March 9, 2016
Delaware	100%	104.9%
Delaware Peers	100%	101.1%
NASDAQ Bank Index	100%	98.5%
S&P 500 Index	100%	95.7%

Delaware's Three-Year Stock Performance

	Beginning Value March 9, 2013	Ending Value March 9, 2016
Delaware	100%	57.2%
Delaware Peers	100%	113.1%
NASDAQ Bank Index	100%	127.2%
S&P 500 Index	100%	128.2%

Norwood's One-Year Stock Performance

	Beginning Value March 9, 2015	Ending Value March 9, 2016
Norwood	100%	89.9%
Norwood Peers	100%	104.4%
NASDAQ Bank Index	100%	98.5%
S&P 500 Index	100%	95.7%

Norwood's Three-Year Stock Performance

	Beginning Value March 9, 2013	Ending Value March 9, 2016
Norwood	100%	94.7%
Norwood Peers	100%	118.8%
NASDAQ Bank Index	100%	127.2%
S&P 500 Index	100%	128.2%

Comparable Company Analyses. Sandler used publicly available information to compare selected financial information for Delaware with a group of financial institutions selected by Sandler. The Delaware peer group consisted of banks and thrifts headquartered in New Jersey, New York and Pennsylvania whose securities are publicly traded and with total assets between \$350 million and \$450 million, excluding announced merger targets (the “Delaware Peer Group”). The Delaware Peer Group consisted of the following companies:

Allegheny Valley Bancorp, Inc.	Mauch Chunk Trust Financial Corp.
Ballston Spa Bancorp, Inc.	Mifflinburg Bancorp, Inc.
Catskill Hudson Bancorp, Inc.	MNB Corporation
Capital Bank of New Jersey	MSB Financial Corp.
Centric Financial Corporation	Muncy Bank Financial, Inc.
Commercial National Financial Corp.	New Tripoli Bancorp, Inc.
Greater Hudson Bank	Susquehanna Community Financial, Inc.
Hamlin Bank and Trust Company	Woodlands Financial Services Company
Kinderhook Bank Corporation	York Traditions Bank
Mars National Bancorp, Inc.	

The analysis compared publicly available financial information for Delaware with the corresponding data for the Delaware Peer Group as of or for the twelve months ended December 31, 2015 (unless otherwise noted), with pricing data as of March 9, 2016. The table below sets forth the data for Delaware and the median and mean data for the Delaware Peer Group.

Delaware Comparable Company Analysis

	Delaware	Delaware Peer Group Median	Delaware Peer Group Mean
Total assets (in millions)	\$371	\$378	\$389
Tangible common equity/Tangible assets	3.65%	9.89%	10.40%
LTM Return on average assets	0.16%	0.78%	0.82%
LTM Return on avg. equity	2.79%	7.50%	7.56%
LTM Net interest margin	2.79%	3.37%	3.41%
LTM Efficiency ratio	104.4%	72.4%	70.4%
Nonperforming assets1/Total assets	0.56%	1.20%	1.28%
Price/Tangible book value	91.4%	99.4%	98.7%
Price/LTM Earnings per share	20.5x	12.5x	14.1x
Current dividend yield	3.1%	3.1%	2.4%
Market value (in millions)	\$12	\$38	\$42

1) Nonperforming assets defined as nonaccrual loans and leases, renegotiated loans and leases, and real estate owned. Note: Financial data for the institutions in the peer group not pro forma for any publicly announced and pending transactions. Financial data for Ballston Spa Bancorp, Inc., New Tripoli Bancorp, Inc., Mauch Chunk Trust Financial Corp. and MNB Corporation as of or for the period ending September 30, 2015 and financial data for Catskill Hudson Bancorp, Inc. as of or for the period ending June 30, 2015.

Sandler used publicly available information to perform a similar analysis for Norwood and a group of financial institutions as selected by Sandler. The Norwood peer group consisted of banks and thrifts headquartered in the Mid-Atlantic region with total assets between \$650 million and \$850 million, excluding announced merger targets (the “Norwood Peer Group”). The Norwood Peer Group consisted of the following companies:

Bancorp of New Jersey, Inc.	Malvern Bancorp, Inc.
Berkshire Bancorp, Inc.	Orange County Bancorp, Inc.
Carver Bancorp, Inc.	Royal Bancshares of Pennsylvania, Inc.
CB Financial Services, Inc.	Revere Bank
DNB Financial Corporation	Severn Bancorp, Inc.
Embassy Bancorp, Inc.	Solvay Bank Corporation
Fidelity D&D Bancorp, Inc.	Stewardship Financial Corporation
Harleysville Savings Financial Corporation	Sussex Bancorp
Kish Bancorp, Inc.	

The analysis compared publicly available financial information for Norwood with the corresponding data for the Norwood Peer Group as of or for the twelve months ended December 31, 2015 (unless otherwise noted), with pricing data as of March 9, 2016. The table below sets forth the data for Norwood and the median and mean data for the Norwood Peer Group.

Norwood Comparable Company Analysis

	Norwood	Norwood Peer Group Median	Norwood Peer Group Mean
Total assets (in millions)	\$751	\$774	\$770
Tangible common equity/Tangible assets	12.29%	8.33%	8.67%
LTM Return on average assets	0.80%	0.66%	0.68%
LTM Return on avg. equity	5.85%	7.83%	7.43%
LTM Net interest margin	3.75%	3.23%	3.21%
LTM Efficiency ratio	53.7%	74.6%	73.3%
Nonperforming assets1/Total assets	1.47%	1.21%	1.51%
Price/Tangible book value	106.8%	105.1%	105.4%
Price/LTM Earnings per share	16.4x	12.8x	14.8x
Current dividend yield	4.7%	1.3%	1.8%
Market value (in millions)	\$97	\$67	\$68

1) Nonperforming assets defined as nonaccrual loans and leases, renegotiated loans and leases, and real estate owned. Note: Financial data for the institutions in the peer group not pro forma for any publicly announced and pending transactions. Financial data for Solvay Bank Corporation and Embassy Bancorp, Inc. as of or for the period ending September 30, 2015 and financial data for Berkshire Bancorp Inc. as of or for the period ending June 30, 2015.

Analysis of Selected Merger Transactions. Sandler reviewed a regional and national group of merger and acquisition transactions. The regional group consisted of transactions with targets headquartered in New Jersey, New York or Pennsylvania, announced between January 1, 2015 and March

9, 2016, involving banks and thrifts with assets between \$100 million and \$500 million (the “Regional Precedent Transactions”). The Regional Precedent Transactions group was composed of the following transactions:

Acquiror	Target
Lakeland Bancorp	Harmony Bank
NexTier, Inc.	Eureka Financial Corp.
Northfield Bancorp, Inc.	Hopewell Valley Community Bank
Lakeland Bancorp	Pascack Bancorp, Inc.
ESSA Bancorp, Inc.	Eagle National Bancorp, Inc.
Preferred Bank	United International Bank
Citizens Financial Services	First National Bank of Fredericksburg
WSFS Financial Corporation	Alliance Bancorp of Pennsylvania
OceanFirst Financial Corp.	Colonial American Bank
Cathay General Bancorp	Asia Bancshares, Inc.

Using then latest publicly available financial information prior to the announcement of the relevant transaction, Sandler reviewed the following multiples: transaction price to last-twelve-months earnings per share, transaction price to tangible book value per share, tangible book premium to core deposits, and 1-day market premium. Sandler compared the indicated transaction metrics for the merger to the median and mean metrics of the Regional Precedent Transactions group.

	Delaware / Norwood	Regional Precedent Transactions Group Median	Regional Precedent Transactions Group Mean
Transaction price/LTM earnings per share	26.1x	22.0x	23.9x
Transaction price/Tangible book value per share:	116.3%	132.8%	133.7%
Core deposit premium ¹ :	0.8%	3.8%	6.2%
1-Day market premium:	27.2%	41.0%	48.4%

- 1) Tangible book premium to core deposits calculated as (deal value – tangible equity) / (core deposits); core deposits defined as total deposits, less time deposit accounts with balances over \$100,000, foreign deposits and unclassified deposits

The national group consisted of transactions with U.S. headquartered targets announced between October 31, 2015 and March 9, 2016, involving banks and thrifts with assets between \$150 million and \$450 million (the “National Precedent Transactions”). The National Precedent Transactions group was composed of the following transactions:

Acquiror	Target
Lakeland Bancorp	Harmony Bank
County Bank Corp.	Capac Bancorp, Inc.
State Bank Corp.	Country Bank
Citizens Community Bancorp	Community Bank of Northwestern Wisconsin
Beneficial State Foundation	Pan American Bank

Acquiror	Target
CNB Financial Corp.	Lake National Bank
County Bancshares, Inc.	First Live Oak Bancshares, Inc.
Bay Bancorp, Inc.	Hopkins Bancorp, Inc.
Pacific Commerce Bancorp	ProAmérica Bank
Charter Financial Corp.	CBS Financial Corp.
County Bancorp, Inc.	Fox River Valley Bancorp, Inc.
Seacoast Banking Corp. of Florida	Floridian Financial Group, Inc.

Using then latest publicly available financial information prior to the announcement of the relevant transaction, Sandler reviewed the following multiples: transaction price to last-twelve-months earnings per share, transaction price to tangible book value per share, tangible book premium to core deposits, and 1-day market premium. Sandler compared the indicated transaction metrics for the merger to the median and mean metrics of the National Precedent Transactions group.

	Delaware / Norwood	National Precedent Transactions Group Median	National Precedent Transactions Group Mean
Transaction price/LTM earnings per share	26.1x	20.8x	21.8x
Transaction price/Tangible book value per share:	116.3%	124.0%	134.2%
Core deposit premium ¹ :	0.8%	4.6%	4.6%
1-Day market premium:	27.2%	69.4%	62.4%

- 1) Tangible book premium to core deposits calculated as (deal value – tangible equity) / (core deposits); core deposits defined as total deposits, less time deposit accounts with balances over \$100,000, foreign deposits and unclassified deposits

Net Present Value Analyses. Sandler performed an analysis that estimated the net present value per share of Delaware common stock assuming Delaware performed in accordance with internal financial projections for NBDC Bank for the year ending December 31, 2016, as provided by the senior management of Delaware, adjusted to account for certain estimated expenses of Delaware, as discussed with and confirmed by the senior management of Delaware, as well as internal financial projections for Delaware for the years ending December 31, 2017 through December 31, 2020 based upon estimated annual asset, loan and deposit growth rates, estimated annual net income and expenses, and estimated annual tax benefits, each as discussed with and confirmed by the senior management of Delaware. As discussed with the senior management of Delaware, the analysis assumed that no dividends are paid to shareholders based on the covenants of the outstanding term loan of Community Bank N.A. and Delaware's internal projected cash flow.

To approximate the terminal value of a share of Delaware common stock at December 31, 2020, Sandler applied price to 2020 earnings multiples ranging from 8.0x to 18.0x and multiples of December 31, 2020 tangible book value ranging from 80% to 130%. The terminal values were then discounted to present values using different discount rates ranging from 10.0% to 15.0%, chosen to reflect different assumptions regarding required rates of return of holders or prospective buyers of Delaware common stock. As illustrated in the following tables, the analysis indicates an imputed range of values per share of Delaware common stock of \$2.83 to \$7.94 when applying multiples of earnings and \$7.19 to \$14.58 when applying multiples of tangible book value.

Earnings Per Share Multiples

Discount		8.0	x	10.0	x	12.0	x	14.0	x	16.0	x	18.0	x
Rate													
10.0	%	\$3.53		\$4.41		\$5.30		\$6.18		\$7.06		\$7.94	
11.0	%	\$3.37		\$4.22		\$5.06		\$5.91		\$6.75		\$7.59	
12.0	%	\$3.23		\$4.03		\$4.84		\$5.65		\$6.45		\$7.26	
13.0	%	\$3.09		\$3.86		\$4.63		\$5.40		\$6.17		\$6.94	
14.0	%	\$2.95		\$3.69		\$4.43		\$5.17		\$5.91		\$6.65	
15.0	%	\$2.83		\$3.53		\$4.24		\$4.95		\$5.65		\$6.36	

Tangible Book Value Multiples

Discount		80	%	90	%	100	%	110	%	120	%	130	%
Rate													
10.0	%	\$8.98		\$10.10		\$11.22		\$12.34		\$13.46		\$14.58	
11.0	%	\$8.58		\$9.65		\$10.72		\$11.80		\$12.87		\$13.94	
12.0	%	\$8.20		\$9.23		\$10.25		\$11.28		\$12.30		\$13.33	
13.0	%	\$7.85		\$8.83		\$9.81		\$10.79		\$11.77		\$12.75	
14.0	%	\$7.51		\$8.45		\$9.38		\$10.32		\$11.26		\$12.20	
15.0	%	\$7.19		\$8.08		\$8.98		\$9.88		\$10.78		\$11.68	

Sandler also considered and discussed with the Delaware board of directors how this analysis would be affected by changes in the underlying assumptions, including variations with respect to net income. To illustrate this impact, Sandler performed a similar analysis assuming Delaware's net income varied from 25% above estimates to 25% below estimates. This analysis resulted in the following range of per share values for Delaware common stock, applying the price to 2020 earnings multiples range of 8.0x to 18.0x referred to above and a discount rate of 13.94%.

Earnings Per Share Multiples

Annual Budget		8.0	x	10.0	x	12.0	x	14.0	x	16.0	x	18.0	x
Variance													
(25.0)	(%)	\$2.22		\$2.78		\$3.33		\$3.89		\$4.44		\$5.00	
(20.0)	(%)	\$2.37		\$2.96		\$3.55		\$4.15		\$4.74		\$5.33	
(15.0)	(%)	\$2.52		\$3.15		\$3.78		\$4.40		\$5.03		\$5.66	
(5.0)	(%)	\$2.81		\$3.52		\$4.22		\$4.92		\$5.63		\$6.33	
0.0	(%)	\$2.96		\$3.70		\$4.44		\$5.18		\$5.92		\$6.66	
5.0	(%)	\$3.11		\$3.89		\$4.66		\$5.44		\$6.22		\$7.00	
15.0	(%)	\$3.41		\$4.26		\$5.11		\$5.96		\$6.81		\$7.66	
20.0	(%)	\$3.55		\$4.44		\$5.33		\$6.22		\$7.11		\$8.00	
25.0	(%)	\$3.70		\$4.63		\$5.55		\$6.48		\$7.40		\$8.33	

Sandler also performed an analysis that estimated the net present value per share of Norwood common stock assuming that Norwood performed in accordance with its internal budget for the year ending December 31, 2016, as provided by the senior management of Norwood, as well as an estimated asset and net income growth rate for the years thereafter, as discussed with and confirmed by the senior management of Norwood and its representatives. The analysis also assumes the regular cash dividend of \$1.24 per annum. To approximate the terminal value of Norwood common stock at December 31, 2020,

Sandler applied price to 2020 earnings multiples ranging from 8.0x to 18.0x and multiples of December 31, 2020 tangible book value ranging from 80% to 130%. The terminal values were then discounted to present values using different discount rates ranging from 10.0% to 15.0%, chosen to reflect different assumptions regarding required rates of return of holders or prospective buyers of Norwood's common stock. As illustrated in the following tables, the analysis indicates an imputed range of values per share of Norwood common stock of \$14.63 to \$34.13 when applying earnings multiples and \$15.92 to \$28.58 when applying multiples of tangible book value.

Earnings Per Share Multiples

Discount Rate	8.0x	10.0x	12.0x	14.0x	16.0x	18.0x
10.0%	\$17.78	\$21.05	\$24.32	\$27.59	\$30.86	\$34.13
11.0%	\$17.08	\$20.21	\$23.33	\$26.46	\$29.59	\$32.71
12.0%	\$16.42	\$19.41	\$22.40	\$25.39	\$28.38	\$31.36
13.0%	\$15.79	\$18.65	\$21.51	\$24.37	\$27.23	\$30.09
14.0%	\$15.20	\$17.93	\$20.67	\$23.40	\$26.14	\$28.87
15.0%	\$14.63	\$17.25	\$19.87	\$22.48	\$25.10	\$27.72

Tangible Book Value Multiples

Discount Rate	80%	90%	100%	110%	120%	130%
10.0%	\$19.39	\$21.23	\$23.07	\$24.91	\$26.74	\$28.58
11.0%	\$18.63	\$20.38	\$22.14	\$23.89	\$25.65	\$27.40
12.0%	\$17.90	\$19.58	\$21.26	\$22.93	\$24.61	\$26.29
13.0%	\$17.21	\$18.81	\$20.42	\$22.02	\$23.63	\$25.23
14.0%	\$16.55	\$18.08	\$19.62	\$21.16	\$22.69	\$24.23
15.0%	\$15.92	\$17.39	\$18.86	\$20.33	\$21.81	\$23.28

Sandler also considered and discussed with the Delaware board of directors how this analysis would be affected by changes in the underlying assumptions, including variations with respect to net income. To illustrate this impact, Sandler performed a similar analysis assuming Norwood's net income varied from 25% above estimates to 25% below estimates. This analysis resulted in the following range of per share values for Norwood common stock, applying the price to 2020 earnings multiples range of 8.0x to 18.0x referred to above and a discount rate of 13.9%.

Earnings Per Share Multiples

Annual Budget Variance	8.0x	10.0x	12.0x	14.0x	16.0x	18.0x
(25.0%)	\$12.49	\$14.55	\$16.60	\$18.66	\$20.72	\$22.77
(20.0%)	\$13.04	\$15.23	\$17.43	\$19.62	\$21.81	\$24.01
(15.0%)	\$13.59	\$15.92	\$18.25	\$20.58	\$22.91	\$25.24
(5.0%)	\$14.68	\$17.29	\$19.89	\$22.50	\$25.11	\$27.71
0.0%	\$15.23	\$17.97	\$20.72	\$23.46	\$26.20	\$28.94
5.0%	\$15.78	\$18.66	\$21.54	\$24.42	\$27.30	\$30.18
15.0%	\$16.88	\$20.03	\$23.19	\$26.34	\$29.49	\$32.65
20.0%	\$17.43	\$20.72	\$24.01	\$27.30	\$30.59	\$33.88
25.0%	\$17.97	\$21.40	\$24.83	\$28.26	\$31.69	\$35.11

In connection with its analyses, Sandler considered and discussed with the Delaware board of directors how the present value analyses would be affected by changes in the underlying assumptions. Sandler noted that the net present value analysis is a widely used valuation methodology, but the results of such methodology are highly dependent upon the numerous assumptions that must be made and the results thereof are not necessarily indicative of actual values or future results.

Pro Forma Merger Analysis. Sandler analyzed certain potential pro forma effects of the merger, based on the following assumptions: (i) the merger closes in the third calendar quarter of 2016; (ii) 75% of the outstanding shares of Delaware common stock are converted into Norwood's common stock at the fixed exchange ratio of 0.6221 shares of Norwood common stock per share of Delaware common stock and 25% of the outstanding shares of Delaware common stock are converted into the right to receive a \$16.68 per share cash payment; and (iii) Norwood's 20-day average closing stock price as of March 7, 2016 of \$26.81. Sandler also incorporated the following assumptions, as provided by Norwood's senior management and its representatives: (a) estimated standalone earnings for Delaware; (b) estimated earnings projections for Norwood; (c) purchase accounting adjustments consisting of (i) a credit mark on loans, (ii) an interest rate mark on loans, (iii) an interest rate mark on held-to-maturity securities, (iv) an interest rate mark on time deposit, and (v) core deposit intangibles; (d) estimated annual cost savings; (e) estimated, pre-tax, one-time transaction costs; and (f) an annual pre-tax opportunity cost of cash. The analysis indicated that the merger could be accretive to Norwood's estimated earnings per share in 2017 (excluding transaction expenses) and dilutive to estimated tangible book value per share at close.

In connection with this analyses, Sandler considered and discussed with the Delaware board of directors how the analysis would be affected by changes in the underlying assumptions, including the impact of final purchase accounting adjustments determined at the closing of the transaction, and noted that the actual results achieved by the combined company may vary from projected results and the variations may be material.

Sandler's Relationship. Sandler is acting as financial advisor to Delaware's board of directors in connection with the merger and will receive a transaction fee of \$325,000, a substantial portion of which is contingent upon closing of the merger. Sandler received a fee in an amount equal to \$150,000 upon rendering its fairness opinion, which will be credited in full towards the transaction fee that will become due and payable to Sandler on the day of closing of the merger. Delaware has also agreed to reimburse Sandler for its reasonable out-of-pocket expenses incurred in connection with its engagement and to indemnify Sandler and its affiliates and their respective partners, directors, officers, employees and agents against certain expenses and liabilities, including liabilities under applicable federal or state law.

In the two years preceding the date of its opinion, Sandler did not provide any investment banking services or receive any compensation for such services from Delaware or Norwood. In the ordinary course of its business as a broker-dealer, Sandler may purchase securities from or sell securities to Delaware, Norwood or their respective affiliates. Sandler may also actively trade the securities of Delaware or Norwood for its own account and for the accounts of its customers and, accordingly, may at any time hold a long or short position in such securities.

Consideration to be Received in the Merger

Norwood will pay cash for a number of shares equal to approximately 25% of the Delaware common stock outstanding immediately prior to the effective time of the merger and will issue shares of Norwood common stock for the remaining 75% of such shares. Under the terms of the merger agreement,

Delaware shareholders (other than dissenting shareholders) will be given the opportunity to elect for each outstanding share of Delaware common stock they own to receive:

- \$16.68 in cash, without interest, which we refer to as “cash consideration”;
- 0.6221 of a share of Norwood common stock, which we refer to as “stock consideration”; or
- with respect to certain Delaware shares owned by such shareholder, the cash consideration, and with respect to all other Delaware shares so owned, the stock consideration,

in each case, subject to the adjustment, election and allocation procedures specified in the merger agreement.

No fractional shares of Norwood common stock will be issued in connection with the merger. Instead, Norwood will make a cash payment to each Delaware shareholder who would otherwise receive a fractional share.

The per share cash consideration of \$16.68 is fixed. The 0.6221 exchange ratio for the stock consideration is fixed, subject to certain customary anti-dilution adjustments and a potential adjustment at Norwood’s option in certain circumstances involving a decline in Norwood’s stock price as described under “— Terminating the Merger Agreement” beginning on page 75. The per share value of the stock consideration, based upon Norwood’s closing stock price on May 4, 2016, the most recent practicable trading day before this proxy statement/prospectus was finalized, was \$17.42 per share. The market value of the stock consideration will fluctuate with the price of Norwood common stock. At the time of completion of the merger, the market value of the stock consideration could be greater or less than the value of the cash consideration due to fluctuations in the market price of Norwood common stock.

Under the terms of the merger agreement, the aggregate consideration payable to Delaware shareholders in the merger as of March 10, 2016 (based on an assumed price of \$26.35 per share of Norwood common stock) was allocated approximately 25% in cash and 75% in Norwood common stock. The number of shares of Delaware common stock to be converted into cash must equal 25% of the outstanding shares of Delaware common stock. Any dissenting shares count towards this amount. Assuming there are no dissenting shares, approximately 231,375 shares of Delaware common stock will be exchanged for the cash consideration. We call this number the cash consideration pool.

The allocation procedures in the merger agreement are intended to provide for an approximate 25% stock and 75% cash allocation among all outstanding Delaware shares. Norwood common stock will be issued to Delaware shareholders who make cash elections if the cash consideration pool is oversubscribed, so that the aggregate number of shares of Delaware common stock that will be exchanged for cash consideration in the merger shall not exceed the cash consideration limit, and cash will be paid to Delaware shareholders who make stock elections if the cash consideration pool is undersubscribed, so that the aggregate number of shares of Delaware common stock that will be exchanged for cash consideration in the merger equals 25% of the outstanding shares of Delaware common stock. See “— Allocation Procedures” below. The allocation of the mix of consideration payable to Delaware shareholders in the merger will not be known until Norwood tallies the results of the cash/stock elections made by Delaware shareholders, which will not occur until near or after the closing of the merger.

No guarantee can be made that Delaware shareholders will receive the amounts of cash or stock they elect. As a result of the allocation procedures and other limitations outlined in this proxy statement/prospectus and in the merger agreement, Delaware shareholders may receive Norwood common stock or cash in amounts that vary from the amounts they elect to receive.

Delaware is not making any recommendation as to whether Delaware shareholders should elect to receive cash, Norwood common stock or cash for some shares and stock for the remainder in the merger. Each Delaware shareholder must make his or her own decision with respect to such election.

Election Procedures; Surrender of Stock Certificates

An election form and other customary transmittal materials, with instructions for their completion, are being mailed separately to all holders of record of Delaware common stock as of the record date for the special meeting. The election form and transmittal materials will allow record holders to elect to receive cash, Norwood common stock, or cash for some shares and Norwood common stock for the remainder, or make no election with respect to the merger consideration such shareholders wish to receive. We refer to the shares with respect to which a valid cash consideration election is made as “cash election shares,” the shares with respect to which a valid stock consideration election is made as “stock election shares,” and the shares with respect to which no election is made as “non-election shares.”

To make an effective election, a record shareholder must submit a properly completed election form and transmittal materials along with stock certificates for which an election is made to the exchange agent by the election deadline, which shall be on or before 5:00 p.m., Eastern Time, on the date specified in the election form. An election is properly made only if the exchange agent actually receives a properly completed election form by the election deadline. An election form shall be deemed properly completed only if accompanied by one or more stock certificates (or customary affidavits and indemnification regarding the loss or destruction of such certificates or the guaranteed delivery of such certificates) representing all shares of Delaware common stock covered by such election form, together with the duly executed transmittal materials included with the election form.

If you own shares of Delaware common stock in “street name” through a broker or other financial institution, you should receive or seek instructions from the institution holding your shares concerning how to make your election. Any instructions must be given to your broker or other financial institution sufficiently in advance of the election deadline for record holders in order to allow your broker or other financial institution sufficient time to cause the record holder of your shares to make an election as described above. “Street name” holders may be subject to an election deadline earlier than the deadline applicable to holders of shares in registered form. Therefore, you should carefully read any materials you receive from your broker. If you instruct a broker to submit an election for your shares, you must follow such broker’s directions for revoking or changing those instructions.

If a Delaware shareholder either (i) does not submit a properly completed election form on or before the election deadline or (ii) revokes its election form prior to the election deadline (without later submitting a properly completed election form prior to the election deadline), the shares of Delaware common stock held by such shareholder shall be designated as non-election shares and will be converted into the right to receive the stock consideration or the cash consideration according to the allocation procedures specified in the merger agreement and summarized below. Any election form may be revoked or changed by the person submitting such election form to the exchange agent by written notice to the exchange agent only if such notice of revocation or change is actually received by the exchange agent at or prior to the election deadline. Stock certificates relating to any revoked election form will be promptly returned without charge. The exchange agent will have discretion to determine when any election,

modification or revocation is received and whether any such election, modification or revocation has been properly made. All elections (whether cash, stock or mixed) will be revoked automatically if the merger agreement is terminated. Delaware shareholders are urged to carefully read and follow the instructions for completion of the election form and to submit the form along with the stock certificate(s) in advance of the election deadline.

Allocation Procedures

The aggregate amount of cash and Norwood common stock that will be paid is subject to the allocation procedures described in detail below. Pursuant to such allocation procedures, if the number of cash election shares (together with any dissenting shares) would exceed 25% of the outstanding Delaware shares, a pro rata portion of those shares will be converted into the right to receive Norwood common stock in order to provide for the required cash/stock allocation among all outstanding Delaware shares. Similarly, if the number of cash election shares (together with any dissenting shares) is less than 25% of the outstanding Delaware shares, all or a pro rata portion of the non-election shares and, if necessary, a pro rata portion of the stock election shares will be converted into the right to receive the cash consideration.

If the number of cash election shares (together with any dissenting shares) is less than 25% of the outstanding Delaware shares, then:

- All cash election shares will be converted into the right to receive the cash consideration.
- Non-election shares will be deemed to be cash election shares to the extent necessary to have the total number of cash election shares (together with dissenting shares) equal 25% of the outstanding Delaware shares. If less than all of the non-election shares need to be treated as cash election shares, then a sufficient number of non-election shares will be deemed cash election shares on a pro rata basis such that the cash election shares plus the deemed cash election shares equal 25% of the outstanding Delaware shares.
- If all of the non-election shares are treated as cash election shares and the total number of cash election shares (together with dissenting shares) is still less than 25% of the outstanding Delaware shares, a pro rata portion of each shareholder's stock election shares will be converted into cash election shares so that the total number of cash election shares (together with dissenting shares) equals 25% of the outstanding Delaware shares and the remaining stock election shares will be converted into the right to receive the stock consideration.

If the number of cash election shares (together with any dissenting shares) is greater than 25% of the outstanding Delaware shares, then:

- All stock election shares and all non-election shares will be converted into the right to receive the stock consideration.
- A pro rata portion of each shareholder's cash election shares will be converted into stock election shares so that the remaining number of cash election shares (together with any dissenting shares) equals 25% of the outstanding Delaware shares, the converted stock election shares will be converted into the right to receive the stock consideration, and the remaining cash election shares will be converted in the right to receive the cash consideration.

If the number of cash election shares equals 25% of the outstanding Delaware shares, then all cash election shares will be converted into the right to receive the cash consideration and all stock election shares and non-election shares will be converted into the right to the stock consideration.

Exchange Procedures

An election form and transmittal materials will be mailed under separate cover to Delaware shareholders who hold shares of Delaware common stock in registered form. If you wish to make an election with respect to any of your shares, you must submit an election form and transmittal materials and the certificates which represent your election shares to the exchange agent prior to the election deadline. Do not submit your stock certificates with your proxy card. You should only submit your stock certificates which represent your election shares when you have received and properly completed the election form and transmittal materials. See “— Election Procedures; Surrender of Stock Certificates” beginning on page 56 of this proxy statement/prospectus.

Exchange Agent. On the business day prior to the effective time of the merger, Norwood will deposit with the exchange agent (1) cash in an amount sufficient to allow the exchange agent to make cash consideration payments under the terms of the merger agreement and (2) certificates (or evidence of shares in book entry form) representing shares of Norwood common stock, which we refer to as the “new certificates,” each to be given to the holders of Delaware common stock in exchange for old certificates representing shares of Delaware common stock. Any such cash or new certificates remaining in the possession of the exchange agent six months after the effective time will be delivered to Norwood. Any holder of old certificates who has not exchanged his, her or its old certificates by that time will be entitled to look exclusively to Norwood, and only as a general creditor, for the consideration to which he, she or it may be entitled upon exchange of such old certificates.

Exchange Procedures. As promptly as practicable after the effective time of the merger, the exchange agent will mail a form of letter of transmittal to each person who was, immediately prior to the effective time, a holder of record of Delaware common stock and who has either (i) not submitted their properly completed election form on or before the election deadline or (ii) revoked their election form prior to the election deadline (without later submitting a properly completed election form prior to the election deadline). The letter of transmittal will contain instructions for use in effecting the surrender of old certificates (to the extent such old certificates have not been surrendered together with the election forms) in exchange for the consideration to which such person may be entitled pursuant to the merger agreement, and will specify that delivery shall be effected, and risk of loss and title to the old certificates shall pass, only upon proper delivery of such certificates to the exchange agent. As soon as practicable after due surrender to the exchange agent of an old certificate for cancellation (to the extent such old certificates have not been surrendered together with the election forms) together with such letter of transmittal duly executed and completed, the holder of such old certificate will be provided a new certificate and a check in the amount to which such holder is entitled pursuant to the merger agreement, and the old certificate shall be canceled. Any amounts required to be deducted and withheld under state, local or foreign tax laws will be deducted and withheld from the consideration otherwise payable under the merger agreement.

Until you surrender your Delaware stock certificates for exchange, you will accrue, but will not be paid, any dividends or other distributions declared after the effective time of the merger with respect to Norwood common stock into which any of your shares may have been converted. When you surrender your Delaware stock certificates, to the extent you receive shares of Norwood common stock in exchange, Norwood will pay any unpaid dividends or other distributions, without interest. After the completion of the merger, there will be no transfers on the stock transfer books of Delaware of any shares of Delaware common stock.

If a certificate for Delaware common stock has been lost, stolen or destroyed, the exchange agent will issue the consideration properly payable under the merger agreement upon receipt of appropriate evidence as to that loss, theft or destruction, appropriate evidence as to the ownership of that certificate by the claimant, and appropriate and customary indemnification. The posting of a bond in a reasonable amount may also be required.

Accounting Treatment

Norwood will account for the merger under the acquisition method of accounting in accordance with accounting principles generally accepted in the United States. Using the acquisition method of accounting, the assets and liabilities of Delaware will be recorded by Norwood at their respective fair values at the time of the completion of the merger. The excess of Norwood's purchase price over the net fair value of the assets acquired and liabilities assumed will then be allocated to identified intangible assets, with any remaining unallocated cost recorded as goodwill. The value of the shares exchanged will be valued at the acquisition date and all merger-related costs will be expensed when incurred.

Material United States Federal Income Tax Consequences of the Merger

This section describes the anticipated material United States federal income tax consequences of the merger to certain U.S. holders of Delaware common stock who exchange shares of Delaware common stock for shares of Norwood common stock, cash, or a combination of shares of Norwood common stock and cash pursuant to the merger.

For purposes of this discussion, a U.S. holder is a beneficial owner of Delaware common stock who for United States federal income tax purposes is:

- a citizen or individual resident of the United States;
- a corporation, or an entity treated as a corporation, created or organized in or under the laws of the United States or any State or the District of Columbia;
- a trust that (1) is subject to (A) the primary supervision of a court within the United States and (B) the authority of one or more United States persons to control all substantial decisions of the trust or (2) has a valid election in effect under applicable Treasury Regulations to be treated as a United States person; or
- an estate that is subject to United States federal income tax on its income regardless of its source.

If a partnership (including for this purpose, any entity treated as a partnership for United States federal income tax purposes) holds Delaware common stock, the tax treatment of a partner generally will depend on the status of the partner and the activities of the partnership. If you are a partner of a partnership holding Delaware common stock, you should consult your tax advisor.

This discussion addresses only those Delaware shareholders that hold their Delaware common stock as a capital asset within the meaning of Section 1221 of the Internal Revenue Code, and does not address all the United States federal income tax consequences that may be relevant to particular Delaware shareholders in light of their individual circumstances or to Delaware shareholders that are subject to special rules, such as:

- financial institutions;
- investors in pass-through entities;
- insurance companies;
- tax-exempt organizations;
- dealers in securities;
- traders in securities that elect to use a mark to market method of accounting;
- persons who exercise dissenters' rights;
- persons that hold Delaware common stock as part of a straddle, hedge, constructive sale or conversion transaction;
- certain expatriates or persons that have a functional currency other than the U.S. dollar;
- persons who are not U.S. holders; and
- shareholders who acquired their shares of Delaware common stock through the exercise of an employee stock option or otherwise as compensation or through a tax-qualified retirement plan.

In addition, the discussion does not address any alternative minimum tax or any state, local or foreign tax consequences of the merger, nor does it address any tax consequences arising under the unearned income Medicare contribution tax pursuant to the Health Care and Education Reconciliation Act of 2010.

The following discussion is based on the Internal Revenue Code, its legislative history, existing and proposed regulations thereunder and published rulings and decisions, all as currently in effect as of the date hereof, and all of which are subject to change, possibly with retroactive effect. Any such change could affect the continuing validity of this discussion.

Norwood and Delaware have structured the merger to qualify as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code. The obligation of Norwood to complete the merger is conditioned upon the receipt of an opinion from Jones Walker LLP, Washington D.C., counsel to Norwood, to the effect that the merger will for federal income tax purposes qualify as a reorganization based upon customary representations made by Norwood and Delaware. The obligation of Delaware to complete the merger is conditioned upon the receipt of an opinion from Cranmore, FitzGerald & Meaney, counsel to Delaware, to the effect that the merger will for federal income tax purposes qualify as a reorganization based upon customary representations made by Norwood and Delaware. Neither of these opinions is binding on the Internal Revenue Service or the courts. Norwood and Delaware have not requested and do not intend to request any ruling from the Internal Revenue Service as to the United States federal income tax consequences of the merger. Accordingly, each shareholder of Delaware common stock should consult its tax advisor with respect to the particular tax consequences of the merger to such holder. In addition, because a Delaware shareholder may receive a mix of cash and stock despite having made a cash election or stock election, it will not be possible for holders of Delaware common stock to determine the specific tax consequences of

the merger to them at the time of making the election.

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Tax Consequences of the Merger Generally to Holders of Delaware Common Stock. If the merger is treated as a reorganization within the meaning of Section 368(a) of the Internal Revenue Code, the tax consequences are as follows:

- gain or loss will be recognized by those holders receiving solely cash for Delaware common stock pursuant to the merger equal to the difference between the amount of cash received by a holder of Delaware common stock and such holder's cost basis in such holder's shares of Delaware common stock;
- no gain or loss will be recognized by those holders receiving solely shares of Norwood common stock in exchange for shares of Delaware common stock pursuant to the merger (except with respect to any cash received instead of fractional share interests in Norwood common stock, as discussed in the section entitled "— Cash Received Instead of a Fractional Share of Norwood Common Stock" on page 62);
- gain (but not loss) will be recognized by those holders who receive shares of Norwood common stock and cash in exchange for shares of Delaware common stock pursuant to the merger, in an amount equal to the lesser of (1) the amount by which the sum of the fair market value of the Norwood common stock and cash received by a holder of Delaware common stock exceeds such holder's cost basis in its Delaware common stock, and (2) the amount of cash received by such holder of Delaware common stock (except with respect to any cash received instead of fractional share interests in Norwood common stock, as discussed in the section entitled "— Cash Received Instead of a Fractional Share of Norwood Common Stock" on page 62);
- the aggregate basis of the Norwood common stock received in the merger will be the same as the aggregate basis of the Delaware common stock for which it is exchanged, decreased by the amount of cash received in the merger (except with respect to any cash received instead of fractional share interests in Norwood common stock), decreased by any basis attributable to fractional share interests in Norwood common stock for which cash is received, and increased by the amount of gain recognized on the exchange (regardless of whether such gain is classified as capital gain, or as ordinary dividend income, as discussed in the section entitled "— Recharacterization as a Dividend" on page 62, but excluding any gain or loss recognized with respect to fractional share interests in Norwood common stock for which cash is received); and
- the holding period of Norwood common stock received in exchange for shares of Delaware common stock will include the holding period of the Delaware common stock for which it is exchanged.

If holders of Delaware common stock acquired different blocks of Delaware common stock at different times or at different prices, any gain or loss will be determined separately with respect to each block of Delaware common stock and such holders' basis and holding period in their shares of Norwood common stock may be determined with reference to each block of Delaware common stock. Any such holders should consult their tax advisors regarding the manner in which cash and Norwood common stock received in the exchange should be allocated among different

blocks of Delaware common stock and with respect to identifying the bases or holding periods of the particular shares of Norwood common stock received in the merger.

Taxation of Capital Gain. Except as described in the section entitled “— Recharacterization as a Dividend” below, gain that holders of Delaware common stock recognize in connection with the merger generally will constitute capital gain and will constitute long-term capital gain if such holders have held (or are treated as having held) their Delaware common stock for more than one year as of the date of the merger. Long-term capital gain of non-corporate holders of Delaware common stock is generally taxed at preferential rates.

Recharacterization as a Dividend. All or part of the gain that a particular holder of Delaware common stock recognizes (or all or part of the cash received by a holder of Delaware common stock, if such holder receives only cash pursuant to the merger) could be treated as dividend income rather than capital gain if (1) such holder is a significant shareholder of Norwood or (2) such holder’s percentage ownership, taking into account constructive ownership rules, in Norwood after the merger is not meaningfully reduced from what its percentage ownership would have been if it had received solely shares of Norwood stock rather than cash or a combination of cash and shares of Norwood stock in the merger. This recharacterization as dividend income could happen, for example, because of ownership of additional shares of Norwood stock by such holder of Delaware common stock, ownership of shares of Norwood stock by a person related to such holder or a share repurchase by Norwood from other holders of Norwood stock. The Internal Revenue Service has indicated in rulings that any reduction in the interest of a minority shareholder that owns a small number of shares in a publicly and widely held corporation and that exercises no control over corporate affairs would not result in dividend treatment. Under the constructive ownership rules, a shareholder may be deemed to own stock that is owned by others, such as a family member, trust, corporation or other entity. For an individual who receives dividend income in taxable years beginning before January 1, 2013 that constitutes qualified dividend income, the dividend income may be subject to reduced rates of taxation if such individual meets certain holding period requirements. Because the possibility of dividend treatment depends primarily upon each holder’s particular circumstances, including the application of the constructive ownership rules, holders of Delaware common stock should consult their tax advisors regarding the application of the foregoing rules to their particular circumstances.

Cash Received Instead of a Fractional Share of Norwood Common Stock. A holder of Delaware common stock who receives cash instead of a fractional share of Norwood common stock will generally be treated as having received the fractional share pursuant to the merger and then as having exchanged the fractional share for cash in a redemption by Norwood. As a result, a holder of Delaware common stock will generally recognize gain or loss equal to the difference between the amount of cash received and the basis in his or her fractional share interest as set forth above. Except as described in the section entitled “— Recharacterization as a Dividend” above, this gain or loss will generally be a capital gain or loss, and will be a long-term capital gain or loss if, as of the effective date of the merger, the holding period for such shares is greater than one year. The deductibility of capital losses is subject to limitations.

Backup Withholding and Information Reporting. Payments of cash to a holder of Delaware common stock may, under certain circumstances, be subject to information reporting and backup withholding (currently at a rate of 28%), unless the holder provides proof of an applicable exemption satisfactory to Norwood and the exchange agent, or furnishes its taxpayer identification number and otherwise complies with all applicable requirements of the backup withholding rules. Any amounts withheld from payments to a holder under the backup withholding rules are not additional tax and will be allowed as a refund or credit against the holder’s United States federal income tax liability, provided the required information is furnished to the Internal Revenue Service.

The preceding discussion is intended only as a summary of material United States federal income tax consequences of the merger. It is not a complete analysis or discussion of all potential

tax effects that may be important to you, and it does not address tax consequences that may vary with, or are contingent on, individual circumstances. Further, it does not address any non-income tax or any foreign, state or local tax consequences of the merger. Thus, you are strongly encouraged to consult your tax advisor as to the specific tax consequences resulting from the merger, including tax return reporting requirements, the applicability and effect of federal, state, local, and other tax laws and the effect of any proposed changes in the tax laws.

Regulatory Matters Relating to the Merger

Consummation of the merger and the bank merger are subject to receipt of certain regulatory approvals.

FDIC. Norwood intends to acquire Delaware by way of a merger, whereby Delaware will merge with and into Norwood, with Norwood as the surviving company, and by merging NBDC Bank with Wayne Bank. The merger of NBDC Bank with and into Wayne Bank is subject to the prior approval of the FDIC under the Bank Merger Act. Wayne Bank and NBDC Bank have filed an application with the FDIC to obtain prior approval of the merger of NBDC Bank with and into Wayne Bank. In reviewing applications, the FDIC considers:

- the effect of the transaction upon competition;
- the financial and managerial resources and future prospects of the merging and resulting institutions;
- the capital levels of the surviving institution;
- the performance of the applicants in helping to meet the credit needs of the relevant communities, including low- and moderate-income neighborhoods; and
- the convenience and needs of the community to be served.

The FDIC will not approve a transaction:

- that would result in a monopoly or would be in furtherance of any combination, conspiracy or attempt to monopolize the business of banking in any part of the United States; or
- whose effect in any section of the United States may be to substantially lessen competition, or tend to create a monopoly, or which in any other manner would be in restraint of trade, unless the probable effects of the transaction in meeting the convenience and needs of the community clearly outweigh the anti-competitive effects of the transaction.

Any transaction approved by the FDIC may not be completed until 30 days after the FDIC approval, during which time the U.S. Department of Justice may challenge such transaction on antitrust grounds. With the approval of the FDIC and the U.S. Department of Justice, the waiting period may be reduced to 15 days.

Federal Reserve Bank of Philadelphia. Norwood is a bank holding company whose primary federal regulator is the FRB. Because the merger involves an acquisition by a bank holding company, the

transaction is also subject to the approval of the Federal Reserve Bank of Philadelphia unless the FRB grants a waiver of its bank holding company application requirements in accordance with applicable regulations. We intend to request such a waiver from the FRB.

Pennsylvania Department of Banking and Securities. The merger of NBDC Bank with and into Wayne Bank is also subject to the prior approval of the Department under the Pennsylvania Banking Code of 1965. Wayne Bank has filed an application for approval of the bank merger with the Department and the application is currently pending. In determining whether to approve the application for the merger of NBDC Bank with and into Wayne Bank, the Department will consider, among other factors, whether the bank merger would be consistent with adequate or sound banking and would not result in concentration of assets beyond limits consistent with effective competition. The Department will also consider the public interest and the needs and convenience of the area primarily to be served by Wayne Bank after the bank merger. Further, it is the policy of the Department to ensure the safe and sound conduct of banking organizations and to maintain public confidence in the business of banking and protect the public interest and the interests of depositors, creditors, and stockholders. These factors will be considered by the Department in connection with Wayne Bank's application.

Status of Applications and Notices. Norwood and Delaware have filed all required applications with applicable regulatory authorities in connection with the merger of Delaware with Norwood and the bank merger. There can be no assurance that all requisite approvals will be obtained, that such approvals will be received on a timely basis or that such approvals will not impose any term, condition or restriction which either party reasonably determines in good faith would materially or adversely affect the economic or business benefits of the merger to such party, as to render inadvisable in its reasonable good faith judgment the consummation of the merger. If any such term, condition or restriction is imposed, either Norwood or Delaware may elect not to consummate the merger. See “— Conditions to Completing the Merger” beginning on page 68.

The approval of any application merely implies the satisfaction of regulatory criteria for approval, which does not include review of the acquisition from the standpoint of the adequacy of the merger consideration to be received by Delaware shareholders. Furthermore, regulatory approvals do not constitute an endorsement or recommendation of the acquisition.

Interests of Certain Persons in the Merger

Share Ownership. On the record date for the special meeting, all persons who served as a director or executive officer of Delaware beneficially owned, in the aggregate, 30,555 shares of Delaware common stock representing approximately 3.3% of the outstanding shares of Delaware common stock.

As described below, certain of Delaware's officers and directors have interests in the merger that are in addition to, or different from, the interests of Delaware's shareholders generally. Delaware's board of directors was aware of these interests and took them into account when approving the merger.

Employment Agreement. Delaware has an existing employment agreement with President and Chief Executive Officer James S. Stracuzzi. This employment agreement requires Delaware to make payments and/or provide benefits to Mr. Stracuzzi upon a termination of his employment and, in certain circumstances, upon a termination of employment in connection with, or following, a change in control of Delaware. The completion of the merger will constitute a change in control for purposes of Delaware's employment agreement with Mr. Stracuzzi. The employment agreement provides that Mr. Stracuzzi is entitled to change in control compensation if a change in control has occurred and his employment is terminated within two years following the change in control due to: (i) the executive's dismissal; or (ii) the executive's voluntary resignation following any material reduction in his duties, responsibilities, title

or employment status, material reduction in base salary or benefits; or relocation of his principal place of employment by more than 50 miles from its location immediately prior to the change in control, a liquidation of NBDC Bank, a material breach of the employment agreement or its non-renewal. The executive would not be entitled to change in control compensation if his termination is because of his death, disability, retirement or for cause.

Norwood has entered into a settlement agreement with Mr. Stracuzzi in light of his expected termination of employment following the merger. Consistent with the terms described above, Norwood has agreed that Mr. Stracuzzi will be entitled to receive a cash payment equal to \$300,000. In addition, Norwood will also be obligated to continue and/or pay for Mr. Stracuzzi's life, medical and dental coverage for three years. Such severance payment to Mr. Stracuzzi will be reduced in the event that any portion of such payments are determined to exceed the maximum payments which may be tax deductible in accordance with Section 280G of the Internal Revenue Code. Mr. Stracuzzi will be subject to a three-year non-compete and non-solicitation limitation following such termination and receipt of severance pay.

Executive Change in Control Agreements. Delaware and NBDC Bank have existing executive change in control agreements with Senior Vice Presidents Dawnette M. Hotaling, Laura E. Vail and Darlene B. Mirrer and Comptroller/Treasurer Amanda L. Hall (the "Executives"). The executive change in control agreements each provide that in the event the Executives are terminated or reassigned within 12 months of a change in control of Delaware or NBDC Bank (other than for cause or because of death, disability, retirement or removal by bank regulators), they will be entitled to a payment equal to the most recent aggregate base salary paid to the Executive in the 12-month period immediately preceding the change in control. In addition, the executive change in control agreements require Delaware, NBDC Bank and their successors to maintain for the benefit of the Executives for one year following a change in control all life insurance, medical, health and accident and disability policies, plans, programs or arrangements which were in effect immediately prior to the change in control or to provide comparable coverages at a rate not greater than 1.5 times the group premium rate payable prior to the change in control. For purposes of the agreements, a reassignment is a material reduction in base salary or in the Executives' authority, duties, responsibilities or benefits, or change in title inconsistent with that of a senior executive officer of a bank, the involuntary relocation to an office greater than 50 miles from Walton, New York or any action which results in a significant worsening of the Executives' working conditions. The merger will constitute a change in control of Delaware and NBDC Bank for purposes of the executive change in control agreements. Assuming a merger effective date of June 30, 2016 and their termination or reassignment within 12 months of the merger, Mss. Hotaling, Vail, Mirrer and Hall would be entitled to payments of approximately \$85,750, \$99,290, \$85,050 and \$63,000, respectively, under the executive change in control agreements.

Supplemental Executive Retirement Agreements. NBDC Bank has entered into supplemental executive retirement agreements ("SERPs") with Senior Vice Presidents Dawnette M. Hotaling, Laura E. Vail and Darlene B. Mirrer which provide for an annual retirement benefit equal to 20% of the average of their highest three years' base salaries upon their separation of service at normal retirement age. A separation of service will occur whenever the level of bona fide services to be performed by the executives will permanently decrease to no more than 20% of the average level of services performed during the preceding 36 months. In the event of a change in control, Mss. Hotaling, Vail and Mirrer will be entitled to a lump sum payment equal to the amount accrued by NBDC Bank to fund the future benefit expense associated with the SERP. The merger will constitute a change in control of NBDC Bank for purposes of the SERPs. Upon the merger, Mss. Hotaling, Vail and Mirrer will be entitled to payments of \$32,873, \$74,721, and \$43,258, respectively, under the SERPs.

Retention Bonus Plan. Norwood has agreed to establish a retention bonus plan for Senior Vice Presidents Dawnette M. Hotaling, Laura E. Vail and Darlene B. Mirrer and Comptroller/Treasurer

Amanda L. Hall pursuant they would each be entitled to a retention bonus equal to 25% of their current salaries if they remain employed with Wayne Bank for at least 12 months following the merger. If the employment of any of the executives is terminated by Wayne Bank during the 12 months following the merger, they will be entitled to the severance payments provided for in their Executive Change in Control Agreements described above but will not be entitled to a retention bonus payment. An executive who receives a retention bonus payment will not be entitled to receive a severance payment. If Mss. Hotaling, Vail, Mirrer and Hall remain employed with Wayne Bank for at least 12 months following the merger, they will be entitled to receive retention bonuses of approximately \$21,750, \$25,135, \$21,575 and \$15,750, respectively, under the retention bonus plan.

Appointment of Delaware Director to the Norwood Financial Board of Directors. Within 18 months of completion of the merger, Norwood will invite one current member of the Delaware board of directors to serve on the boards of directors of Norwood and Wayne Bank following completion of the merger.

Continued Director and Officer Liability Coverage. For a period of six years following the effective time of the merger, Norwood has agreed to indemnify and hold harmless the directors and officers of Delaware against all liability arising out of actions or omissions occurring at or before the effective time of the merger to the same extent as Delaware currently provides for indemnification of its officers and directors. For a period of six years following the effective time of the merger, Norwood has also agreed to maintain in effect Delaware's directors' and officers' liability insurance coverage or provide a policy with comparable coverage; provided, however, if the cost that is necessary to maintain or procure such insurance coverage exceeds \$60,000, Norwood will obtain the most advantageous coverage obtainable for a premium equal to such amount.

Payments to Delaware Directors for On-going Cooperation. All individuals serving on the board of directors of Delaware shall be entitled to receive, after the effective time of the merger, a retainer in the amount of \$1,000 per month for an 18-month period in exchange for their participation in a New York Regional Advisory Board and their efforts in promoting the combined entity after the effective time of the merger. Such cooperation includes their agreement not to serve as an employee, an officer, a director, a consultant, an agent, partner, an advisory director, a founder or a shareholder or other equity holder in a corporation or other entity or in any other capacity with any business organization that is doing business or intends to do business in the state of New York in the counties of Delaware or Sullivan or in the Commonwealth of Pennsylvania in the county of Wayne and that is engaged or intends to engage in the provision of financial services to the public, including, but not limited to, accepting retail or commercial deposit accounts, making loans or offering trust services, commercial banking, mortgage banking, or lease financing, by business entities, including but not necessarily limited to commercial banks, savings associations, trust companies, credit unions and parent companies and subsidiary companies of such business entities. In addition, such individuals agreed not to recruit any Norwood employees or solicit any customers of Norwood.

Other Benefits. Upon a change in control, Senior Vice Presidents Dawnette M. Hotaling, Laura E. Vail and Darlene B. Mirrer and directors Meg Hungerford and Joel M. Smith will become vested in long-term care benefits for life under existing insurance policies for their benefit. Director Kathleen Suozzo is vested in such benefit, which will not be affected by the change in control.

Upon a change in control, Senior Vice President Darlene B. Mirrer will become vested in an individual term life policy with a death benefit of \$251,400.

Upon a change in control, Senior Vice Presidents Dawnette M. Hotaling and Laura E. Vail will become vested in a split dollar life insurance plan funded by bank-owned life insurance with a death benefit of \$253,500 and \$294,120, respectively.

Directors Kathleen Suozzo and Michael P. DeGroat are fully vested in the Director Fee Deferral Plan, which benefits will not be affected by the change in control.

Directors Michael P. DeGroat, Douglas W. Sluiter and Leonard A. Govern are fully vested in the Director Fee Continuation Plan, which benefits will not be affected by the change in control.

Employee Matters

Nothing in the merger agreement shall be construed as constituting an employment agreement between Norwood, Wayne Bank or any of their affiliates and any officer or employee of Delaware or any of its subsidiaries or an obligation on the part of Norwood, Wayne Bank or any of their affiliates to employ any such officers or employees.

In the event that Norwood terminates any of Delaware's health and welfare benefit plans, programs, insurance and other policies, all employees of Delaware or any of its subsidiaries who continue employment with Norwood or any subsidiary of Norwood following the effective time of the merger will become eligible to participate in Norwood's or Wayne Bank's medical, dental, health and disability plans without any gap or interruption in coverage. With respect to each Norwood health plan, Norwood and Wayne Bank shall cause each such plan to (1) waive any waiting period limitation or evidence of insurability requirement under said plans to the extent such limitations have been satisfied under the Delaware health plan, and (2) waive any pre-existing condition limitations under such plans to the extent such conditions for such participant are covered under the applicable Delaware health plan.

Any employee of Delaware (other than those employees who are a party to an employment, a change in control or other type of agreement with Delaware which provides for severance) whose employment is terminated by Delaware, Norwood or Wayne Bank, absent termination for cause, within 12 months of the effective date of the merger, shall receive severance benefits equal to two weeks of base pay for each completed year of service with a minimum benefit of four weeks' pay and a maximum benefit of 26 weeks of base pay.

At the effective date of the merger, Norwood will establish a retention bonus pool of up to \$50,000 for NBDC Bank employees not covered by the retention bonus plan described above. The retention bonus pool will be administered by Norwood in consultation with a designated representative of Delaware.

Time of Completion

Unless the parties agree otherwise and unless the merger agreement has otherwise been terminated, the closing of the merger will take place on the 10th business day following the later of (1) the effective date (including the expiration of any applicable waiting period) of the last required regulatory approval, and (2) the date on which the shareholders of Delaware approve the merger agreement.

Norwood and Delaware are working to complete the merger quickly. It is currently expected that the merger will be completed in the third calendar quarter of 2016. However, because completion of the merger is subject to regulatory approvals and other conditions, the parties cannot be certain of the actual timing.

Conditions to Completing the Merger

Norwood's and Delaware's obligations to consummate the merger are conditioned on the following:

- approval of the merger agreement by the requisite vote of Delaware's shareholders;
- receipt of all required regulatory approvals, the expiration of all statutory waiting periods and the satisfaction of all conditions to the consummation of the merger set forth in the regulatory approvals;
- there shall be no pending causes of action, investigations or proceedings (1) challenging the validity or legality of the merger agreement or the consummation of the merger, or (2) seeking damages in connection with the merger, or (3) seeking to restrain or invalidate the merger; unless actual or threatened causes of action, investigations or proceedings would not have a material adverse effect with respect to the interests of Norwood or Delaware, as the case may be;
- no judgment, order, injunction or decree issued by any court or agency of competent jurisdiction or other legal restraints or prohibition preventing the completion of the merger shall be in effect;
- no statute, rule, regulation, order, injunction or decree shall have been enacted, entered, promulgated or enforced by a regulatory authority that prohibits, restrains, or makes illegal the consummation of the merger;
- Norwood's registration statement of which this proxy statement/prospectus is a part being effective;
- the shares of Norwood common stock having been approved for listing on the NASDAQ, subject to official notice of issuance;
- Norwood and Delaware shall have received opinions from their respective legal counsel to the effect that the merger qualifies as a tax-free reorganization within the meaning of Section 368(a) of the Internal Revenue Code; and
- the other party having performed in all material respects its obligations under the merger agreement, the other party's representations and warranties being true and correct as of the effective date of the merger and receipt of a certificate signed by the other party's chief executive officer to that effect.

Norwood's obligations to consummate the merger are also conditioned on the following:

- there shall have been no determination by Norwood that any fact, event, or condition exists or has occurred that would have a material adverse effect on Delaware or the consummation of the transactions contemplated by the merger agreement;
- receipt by Delaware of all consents and approvals from third parties (other than those required from regulatory authorities) required to complete the merger, unless, in the opinion of Norwood, failure to obtain those consents or approvals would not have a material adverse effect on the merger or Norwood after completion of the merger;

- there shall be no action taken by an regulatory authority, or any statute, rule, regulation or order enacted, which, in connection with approval of the merger, imposes, in the judgment of Norwood, any material adverse requirement upon Norwood or any Norwood subsidiary, including, without limitation, any requirement that Norwood sell or dispose of any significant amount of assets of Delaware, or any other Norwood subsidiary;
- Delaware shall have delivered a certificate to Norwood that, other than as set forth in the certificate, Delaware is not aware of any pending or threatened claim under the directors and officers insurance policy or the fidelity bond coverage of Delaware; and
- the holders of no more than 12% of the issued and outstanding shares of Delaware common stock shall have exercised dissenters' rights.

Delaware's obligations to consummate the merger are also conditioned upon the delivery by Norwood to the exchange agent of the exchange fund.

Although we anticipate that the closing will occur during the third calendar quarter of 2016, because the satisfaction of certain of these conditions is beyond our control, we cannot be certain when, or if, the conditions to the merger will be satisfied or waived or whether or not the merger will be completed.

Conduct of Business Before the Merger

Delaware has agreed that, until completion of the merger, it and its subsidiaries will:

General Business

- conduct its business in the usual, regular and ordinary course consistent with past practice and prudent banking principles;
- use its best efforts to maintain and preserve intact its business organization, employees, goodwill with customers and advantageous business relationships and retain the services of its officers and key employees; and
- except as required by law or regulation, take no action which would adversely affect or delay the ability of the Norwood and Delaware to obtain any consent from any regulatory authority or other approvals required for the consummation of the transactions contemplated by the merger agreement or to perform its covenants and agreements under the merger agreement.

Delaware has agreed that, until completion of the merger, unless required by law or permitted by Norwood or as previously disclosed to Norwood, neither it nor its subsidiaries will:

Indebtedness

- incur any material liabilities or material obligations (other than deposit liabilities and short-term borrowings from the FHLB of New York in the ordinary course of business), whether directly or by way of guaranty, including any obligation for borrowed money, or whether evidenced by any note, bond, debenture, or similar instrument;

Capital Stock

- change the number of shares of its authorized, issued or outstanding capital stock, including any issuance, purchase, redemption, split, combination or reclassification thereof;
- issue or grant any option, warrant, call, commitment, subscription, right or agreement to purchase relating to its authorized or issued capital stock;
- declare, set aside or pay any dividend or other distribution with respect to the outstanding capital stock of Delaware except that subject to compliance with applicable laws and contractual covenants, Delaware may declare a dividend immediately prior to the Effective Time provided that the amount of such dividend may not exceed the lesser of (i) Delaware's net income for the calendar year through the month-end prior to closing (exclusive of certain merger-related expenses) or (ii) \$200,000;

Acquisitions and Dispositions

- sell, transfer, convey or otherwise dispose of any real property (including "other real estate owned") or interest therein;
- purchase or otherwise acquire or sell or otherwise dispose of, any assets or incur any liabilities otherwise than in the ordinary course of business;
- merge or consolidate NBDC Bank with any other corporation; sell or lease all or any substantial portion of the assets or business of NBDC Bank;

Investments

- acquire or agree to acquire 5% or more of the assets or equity securities of any person or business or acquire direct or indirect control of any person or business (except for foreclosures in the ordinary course of business and after consultation with Norwood);
- enter into any futures contract, option, interest rate caps, interest rate floors, interest rate exchange agreement or other agreement, or take any other action for purposes of hedging the exposure of its interest-earning assets and interest-bearing liabilities to changes in market rates of interest;
- purchase or sell or otherwise acquire any investment securities other than those issued by the U.S. Treasury with a maximum remaining maturity of two years or less;

Contracts

- enter into or extend any agreement, lease or license relating to real property (other than capital expenditures permitted under the merger agreement), personal property, data processing or bankcard functions that involves an aggregate of \$10,000 or more;
- waive, release, grant or transfer any material rights of value or modify or change in any material respect any existing agreement or indebtedness to which it is a party, other than in the ordinary course of business consistent with past practice;

Loans

- originate, purchase, extend or grant any loan in the principal amount in excess of \$100,000 if such loan is not fully secured or \$400,000 if such loan is fully secured, except for binding obligations as of the date of the merger agreement;
- purchase or sell any participation interest in any loan other than in the ordinary course of business consistent with past practice;

Management and Employee Matters

- pay bonuses to any employee, officer, director or other person;
- grant any increase in compensation to officers or grant any general increase in compensation to its employees other than normal annual increases not to exceed 3%;
- enter into any new, or amend in any respect any existing, employment, consulting, non-competition or independent contractor agreement with any person;
- alter the terms of any incentive bonus or commission plan;
- appoint any new director to the board of directors of Delaware or NBDC Bank;
- hire or promote any employees;
- adopt any new or materially amend any existing employee benefit plan except as required by law or to renew any existing employee benefit plan on substantially the same terms on its scheduled renewal date;
- except for the execution of the merger agreement and the consummation of the merger, take any action that would give rise to a right of payment to any individual under an employment agreement or an acceleration of the right to payment to any individual under any employee benefit plan;
- terminate any individual that is a party to an employment contract or change in control agreement prior to the effective time of the merger, other than for "cause" as defined in the applicable agreement;
- make any written communication to employees of Delaware pertaining to compensation or benefit matters affected by the merger or the transactions contemplated by the merger agreement without first providing Norwood with a copy or description of the intended communication;

Litigation

- commence any cause of action or proceeding other than in accordance with past practice or settle any action, claim, arbitration, complaint, criminal prosecution, demand letter, governmental or other examination or investigation, hearing, inquiry or other proceeding against it for material money damages or material restrictions upon any of its operations;

Governing Documents

- amend its certificate of incorporation or bylaws or other governing documents;

Deposits

- increase or decrease the rate of interest paid on time deposits or on certificates of deposit, except in a manner and pursuant to policies consistent with Delaware's past practices;

Capital Expenditures

- make any capital expenditures in excess of \$10,000 other than expenditures necessary to maintain existing assets in good repair;

Branches

- file any applications or make any contract with respect to branching by Delaware or acquire or construct, or enter into any agreement to acquire or construct, any interest in real property;

Other Agreements

- form any new subsidiary;
- enter into, renew, extend or modify any transaction (other than a deposit transaction) with any affiliate other than pursuant to existing policies;
- make any changes to its existing policies regarding credit, loan loss reserves, loan charge-offs, investments, asset/liability management or other banking policies except as required by changes in applicable law or U.S. generally accepted accounting principles;
- take any action that is intended or may reasonably be expected to result in any of the conditions to the merger not being satisfied; or
- foreclose upon or take a deed or title to any commercial real estate without first conducting a Phase I environmental assessment of the property or if such assessment indicates the presence of an underground storage tank or hazardous material.

Covenants of Delaware and Norwood in the Merger Agreement

Agreement Not to Solicit Other Proposals. Delaware has agreed that neither it nor its officers, directors, employees and representatives will: (1) solicit, initiate, encourage or otherwise facilitate any inquiries or the making of any acquisition proposal or offer by a third party; (2) enter into, continue or otherwise participate in discussions or negotiations regarding, an acquisition proposal; or (3) furnish any non-public information or negotiate or enter into any agreement with respect to an acquisition transaction. An acquisition transaction includes a proposal for any of the following:

- a merger or consolidation, or any similar transaction of any company with Delaware (other than the merger with Norwood);

- a purchase, lease or other acquisition of all or substantially all of the assets of Delaware;
- a purchase or other acquisition of beneficial ownership by any person or group of securities representing 25% or more of the voting power of Delaware; or
- a tender or exchange offer to acquire securities representing 25% or more of the voting power of Delaware.

Despite the agreement of Delaware not to solicit other proposals for an acquisition transaction, prior to obtaining shareholder approval of the merger agreement with Norwood, Delaware may negotiate or have discussions with, or provide information to, a third party who makes an unsolicited, written, bona fide proposal for an acquisition transaction not solicited in violation of the merger agreement, provided that Delaware's board of directors:

- after consultation with and considering the written advice of its legal counsel and financial advisor, in good faith deems such action to be legally necessary for the proper discharge of its fiduciary duties to Delaware's shareholders under applicable law; and
- after consultation with its outside legal counsel and its financial advisor, in good faith reasonably determines that the transaction presented by such unsolicited acquisition proposal, taking into account all legal, financial and regulatory aspects of the proposal and the person making the proposal, (1) is more favorable from a financial point of view to the Delaware shareholders than the merger with Norwood (taking into account any changes to the financial terms of the merger agreement proposed by Norwood in response to the other proposal) and (2) is reasonably capable of being completed, taking into account all financial, legal, regulatory and other aspects of such proposal (referred to in this document as a "superior proposal").

If Delaware receives a proposal or information request from a third party or enters into negotiations with a third party regarding a superior proposal, Delaware must immediately notify Norwood and provide Norwood with information about the third party and its superior proposal and keep Norwood fully informed in all material respects of the status and details of such proposal.

Certain Other Covenants. The merger agreement also contains other agreements relating to the conduct of Norwood and Delaware before consummation of the merger, including the following:

- Delaware will give Norwood reasonable access during normal business hours to its properties, and shall disclose or make available to Norwood and its representatives all books, papers and records relating to its assets, stock, properties, operations, obligations and liabilities;
- each party shall cause to be prepared and filed all required applications and filings with the regulatory authorities which are necessary or contemplated for obtaining the consents of the regulatory authorities or consummation of the merger;
- Norwood was required to prepare the registration statement of which this proxy statement/prospectus forms a part and Delaware agreed to cooperate in its preparation;

- each party will use its best efforts to take all actions and do all things necessary, proper or advisable under applicable laws and regulations, or otherwise, to consummate the merger and the other transactions contemplated by the merger agreement;
- Delaware will make all reasonable efforts to cause its data processing service providers to cooperate with Norwood in connection with the data processing conversion to occur after the effective time of the merger and will permit its employees to be trained on the new system during normal business hours;
- Delaware will invite a representative of Norwood to attend all regular and special meetings of Delaware's board of directors and committees thereof. Delaware may request that the representative of Norwood recuse himself or herself from any meeting (1) if the merger or any other acquisition transaction is the subject of discussion or (2) to preserve attorney-client privilege with respect to any specific matter;
- Delaware will take all actions necessary to convene a meeting of its shareholders to vote on the merger agreement to be held no later than 50 days after the registration statement is declared effective;
- each party shall have the right to review any filing made with, or written material submitted to, any government agencies in connection with the transactions contemplated by the merger agreement;
- each party will furnish the other with all information concerning itself, its subsidiaries, directors, trustees, officers, shareholders and depositors, and such other matters as may be necessary or advisable in connection with any statement or application made by or on behalf of either party to any governmental body in connection with the transactions, applications or filings contemplated by the merger agreement;
- each party will promptly furnish the other party with copies of written communications received by them or their respective subsidiaries from any government body in respect of the merger;
- Delaware and Norwood will consult with one another prior to issuing any press release or other public disclosure related to the merger;
- Delaware's board of directors will recommend at the meeting of Delaware's shareholders that the shareholders vote to approve the merger agreement and will use its reasonable best efforts to solicit shareholder approval;
- Norwood shall establish a retention bonus plan for certain specified employees who will be entitled to a retention bonus of up to 25% of salary if they remain employed with Wayne Bank for at least twelve months after closing; and
- Norwood shall establish a retention bonus pool of up to \$50,000 for employees of Delaware and NBDC Bank not covered by the foregoing plan who remain employed at Delaware, Norwood or Wayne Bank after the effective time of the merger.

Representations and Warranties Made by Delaware and Norwood in the Merger Agreement

Delaware and Norwood have made certain customary representations and warranties to each other in the merger agreement relating to their respective businesses. For information on these representations and warranties, please refer to the merger agreement attached as Annex A. The representations and warranties must be true in all material respects through the completion of the merger unless any inaccuracies would not result in a material adverse effect. See “— Conditions to Completing the Merger” on page 68.

The representations and warranties contained in the merger agreement were made only for purposes of the merger agreement and are made as of specific dates, were solely for the benefit of the parties to the merger agreement, and may be subject to limitations agreed to by the contracting parties, including being qualified by disclosures between the parties. These representations and warranties may have been made for the purpose of allocating risk between the parties to the merger agreement instead of establishing these matters as facts, and may be subject to standards of materiality applicable to the contracting parties that differ from those applicable to investors as statements of factual information.

Terminating the Merger Agreement

The merger agreement may be terminated at any time before the effective time of the merger, as follows:

- by mutual written consent of Norwood and Delaware;
- by either party, if the shareholders of Delaware fail to approve the merger agreement;
- by either party, if a required regulatory approval, consent or waiver is denied;
- by either party, if the merger is not consummated by December 31, 2016 or other mutually agreed upon later date, unless failure to complete the merger by that time is due to a breach of a representation, warranty or covenant by the party seeking to terminate the merger agreement;
- by either party, if it is determined that any condition precedent to the obligation of such party to consummate the merger (other than the receipt of regulatory and shareholder approvals) cannot be satisfied by December 31, 2016 provided that the party seeking to terminate is not in breach of any representation or warranty contained in the merger agreement;
- by either party, if the other party materially breaches any representation, warranty, covenant or agreement contained in the merger agreement, or in the event of an inaccuracy of any representation or warranty by the other party, in either case that has not been cured within 30 days following written notice to such party;
- by Norwood, if Delaware fails to hold its shareholder meeting to vote on the merger within the time frame set in the merger agreement;
- by Norwood, if the board of directors of Delaware does not recommend approval of the merger to the Delaware shareholders or withdraws or revises its recommendation in a manner adverse to Norwood;

- by Delaware, if prior the approval of the merger agreement by the shareholders of Delaware, it receives a superior proposal from a third party that, in the good faith determination of Delaware’s board of directors based upon the advice of legal counsel, the board is required to accept in order to comply with its fiduciary duties and Norwood does not make an offer at least as favorable to Delaware within 5 days after notice; or
- by Delaware, at any time during a 5-day period beginning on the date that all required regulatory approvals have been received (the “Determination Date”) if both of the following conditions are satisfied:
 - o The average of the daily closing sales prices for the Norwood common stock for the 20 consecutive trading days immediately preceding the Determination Date (the “Norwood Market Value”) is less than \$21.08;
 - o The number obtained by dividing the Norwood Market Value by \$26.35 is less than the number obtained by dividing the average closing prices of the NASDAQ Bank Index for the 20 consecutive trading days immediately preceding the Determination Date divided by the NASDAQ Index Price on March 7, 2016 minus 0.20;

unless within five business days of notice of such termination, Norwood notifies Delaware that it will increase the exchange ratio for the stock consideration so that the Norwood Market Value is equal to a dollar amount that is the lesser of \$21.08 or the amount obtained by reducing the Initial Norwood Market Value (\$26.35) by the percentage change in the NASDAQ Bank Index less 20 percentage points.

Delaware may be required to pay to Norwood a termination fee of \$615,000 in certain circumstances described under “The Merger and the Merger Agreement — Termination Fee” beginning on page 76.

Termination Fee

The merger agreement requires Delaware to pay Norwood a fee of \$615,000 if the merger agreement is terminated in certain circumstances. Specifically, Delaware must pay the termination fee if Norwood terminates the merger agreement as a result of Delaware’s failure to hold a shareholder meeting to act upon the merger agreement, or if Delaware’s board of directors fails to recommend approval of the merger or upon the withdrawal, qualification or revision of its recommendation to approve the merger. In addition, Delaware is also required to pay the \$615,000 termination fee if Delaware terminates the merger agreement after having received a superior proposal that, in the good faith determination of Delaware’s board of directors based on the advice of counsel, the board is required to accept in order to comply with its fiduciary duties.

In addition, if, after a public announcement that another party would like to enter into a transaction with Delaware, Norwood terminates the merger agreement due to the shareholders of Delaware failing to approve the merger or due to a material breach by Delaware of any of its covenants or agreements in the merger agreement, Delaware will be required to pay Norwood a fee of \$615,000. If Delaware enters into a merger agreement with any other party within 18 months of the termination of the merger agreement as a result of the failure of Delaware shareholders to approve the merger agreement, Delaware will be required to pay \$615,000 to Norwood less any amounts previously paid.

Expenses

Each of Norwood and Delaware will pay its own costs and expenses incurred in connection with the merger.

Changing the Terms of the Merger Agreement

Before the completion of the merger, Norwood and Delaware may agree to waive, amend or modify any provision of the merger agreement.

Dissenters' Rights of Appraisal

Under New York law, if you do not wish to accept the cash payment provided for in the merger agreement, you have the right to object to the merger and file a written objection including a notice of election to dissent and demand for payment of the fair value of your shares with Delaware. If you intend to dissent and demand to receive payment of the fair value of your shares, you must comply with the provisions of Section 623 of the New York Business Corporation Law ("Section 623") in order to receive payment for your shares. Delaware and Norwood will require strict compliance with the statutory procedures.

The following is intended as a brief summary of the material provisions of the New York statutory procedures required to be followed by a Delaware shareholder in order to dissent from the merger and receive payment of the fair value of his or her shares. This summary, however, is not a complete statement of all applicable requirements and is qualified in its entirety by reference to Section 623 of the New York Business Corporation Law, the full text of which appears in Annex C of this proxy statement/prospectus.

This proxy statement/prospectus constitutes Delaware's notice to its shareholders of the availability of dissenters' rights in connection with the merger in compliance with the requirement of Section 623. If you wish to consider exercising your dissenters' rights you should carefully review the text of Section 623 contained in Annex C because failure to timely and properly comply with the requirements of Section 623 will result in the loss of your rights under New York law.

If you elect to dissent, you must satisfy the conditions stated below. Section 623 requires that a shareholder intending to enforce his or her right to receive payment for his or her shares in connection with a merger transaction, file with the corporation (in this case, Delaware), before the special meeting of shareholders, or at the special meeting, but before the vote, written objection to the merger. The written objection shall include:

- A notice of election to dissent;
- The shareholder's name and residence address;
- The number and class of shares as to which is dissented; and
- A demand for payment of the fair value of the shares if the merger is consummated.

A shareholder may not dissent as to less than all of the shares as to which he or she has a right to dissent. The written notice of election to dissent must be in addition to and separate from any proxy or vote abstaining from or against the merger. Voting against or failing to vote for the merger by itself does not constitute an election to dissent within the meaning of Section 623. You must not vote in favor of the merger. An abstention or failure to vote will satisfy this requirement, but a vote in favor of the merger, by proxy or in person, will constitute a waiver of your election to dissent in respect of the shares so voted and will nullify any previously filed written notices of election to dissent. Finally, you must continuously

be the beneficial owner of your shares of Delaware through the effective date of the merger. If you fail to comply with any of these conditions and the merger is completed, you will be entitled to receive payment for your shares of Delaware common stock as provided for in the merger agreement, but you will have no dissenters' rights with respect to your shares of Delaware common stock.

All notices of election to dissent should be addressed to Judith A. Riscoe, Secretary, Delaware Bancshares, Inc., 131-133 Delaware Street, Walton, New York 13856 and should be executed by, or on behalf of, the record holder of the shares of Delaware common stock.

To be effective, a notice of election to dissent by a holder of Delaware common stock must be made by or in the name of such registered shareholder, fully and correctly, as the shareholder's name appears on his or her stock certificate(s) and cannot be made by the beneficial owner if he or she does not also hold the shares of record. The beneficial holder must, in such cases, have the registered owner submit the required notice of election to dissent with respect of such shares.

If shares are owned of record in a fiduciary capacity, such as by a trustee, guardian or custodian, execution of a notice of election to dissent should be made in such capacity; and if the shares are owned of record by more than one person, as in a joint tenancy or tenancy in common, the demand should be executed by or for all joint owners. A record owner, such as a broker, who holds shares as a nominee for others, may exercise his or her dissenters' rights with respect to the shares held for one or more beneficial owners, while not exercising this right for other beneficial owners.

If you hold your shares of Delaware common stock in a brokerage account or in other nominee form and you wish to exercise dissenters' rights, you should consult with your broker or such other nominee to determine the appropriate procedures.

If holders of two-thirds of the common stock of Delaware approve the merger, then within ten (10) days of such approval, Delaware shall give written notice of such approval by registered mail to each shareholder of Delaware who filed an election to dissent with Delaware, and who did not withdraw his or her notice of election to dissent prior to the vote or vote in favor of the merger.

At the time of filing the notice of election to dissent or within one month thereafter, the dissenting shareholder shall submit his or her stock certificate(s) to either Delaware or the exchange agent. Upon receipt thereof, the applicable entity shall note conspicuously on the stock certificate(s) that a notice of election has been filed and return the stock certificate(s) to the shareholder who submitted them. Any shareholder with stock certificates who fails to submit his or her stock certificates for such notation shall at the option of Delaware, by written notice with 45 days of the date of filing such notice of election to dissent, lose his or her dissenters' rights.

Within 15 days of the effective date of the merger, but not later than 90 days from the date of the shareholders' meeting at which the merger agreement was adopted and approved, Delaware or Norwood, as the successor to Delaware, shall make a written offer by registered mail to each shareholder who has filed a notice of election to dissent to pay for his or her shares of common stock at a specified price that Delaware or Norwood considers to be their fair value.

This offer shall be accompanied by a statement setting forth the aggregate number of shares with respect to which notices of election to dissent have been received and the aggregate number of holders of such shares. So long as the merger has become effective, such offer must also be accompanied by (1) advance payment to each shareholder who submitted his or her stock certificates to Delaware or the exchange agent for notation in an amount equal to eighty percent (80%) of the amount of such offer, or (2) as to a shareholder who has not yet submitted his or her stock certificates, if the time period has not

expired, or if Delaware or Norwood elects to grant the shareholder additional time, a statement that advance payment of eighty percent (80%) of the offer shall be promptly made by Norwood once certificates have been submitted and notated. If the merger has not become effective at the time of the offer, then Norwood may wait until the merger becomes effective to send the advance payment or statement of advance payment to the dissenting shareholders and any offer extended without the payment or statement of payment may be conditioned on the effectiveness of the merger. Each advance payment or statement as to advance payment shall advise the recipient shareholder that acceptance of such payment does not constitute a waiver of any dissenters' rights. The offer made to each dissenting shareholder shall be made at the same price per share to all dissenting shareholders of the same class of stock. Such offer need not be accompanied by a balance sheet or profit and loss statement of Delaware since the financial statements of Delaware are being furnished to shareholders with this proxy statement/prospectus.

If within 30 days of Delaware or Norwood making the offer to the dissenting shareholders, Delaware or Norwood and any shareholder agree on the price to be paid for his or her shares, payment for the shares shall be made within 60 days after the later of the offer or the effective date of the merger, upon surrender of stock certificates for the subject shares.

If Norwood fails to make an offer for the dissenting shares within 15 days of the effective date of the merger, or if Norwood fails to agree on an offer price with any dissenting shareholder within the 30 day period, Norwood shall within 20 days of the expiration of the applicable period, institute a special proceeding in the supreme court in the judicial district where the offices of Delaware were located.

If Norwood fails to timely institute such proceeding, any dissenting shareholder may institute such proceeding with 30 days of the expiration of the 20 day period. If such a proceeding is not then timely instituted, all dissenters' rights shall be lost unless the supreme court, for good cause shown, shall otherwise direct.

If a proceeding is instituted, the court shall determine whether a dissenting shareholder is entitled to receive payment for his or her shares, and the court shall fix the fair value of such shares as of the close of business on the day prior to the shareholders' meeting at which the merger was authorized. A final order shall be entered against Norwood for payment to the dissenting shareholders including interest from the effective date of the merger. Each party to such proceeding shall bear its own costs and expenses, provided that the court may appoint or assess expenses and fees against the dissenting shareholders if the court finds that their refusal to accept the Norwood offer was arbitrary, or not in good faith. Similarly, the court may appoint and assess fees and expenses against Norwood if any of the following occur: (A) the fair value of the shares as determined by the court materially exceeds the amount which Norwood offered to pay; (B) no offer or required advance payment was made by Norwood; (C) Norwood failed to institute the special proceeding; or (D) Norwood failed to act in good faith. Norwood must make payment pursuant to the court order within 60 days after final determination of the proceeding.

In view of the complexity of Section 623, Delaware shareholders who may wish to dissent from the merger and pursue dissenters' rights should consult their legal advisors.

PRO FORMA DATA

The unaudited pro forma combined condensed consolidated financial information has been prepared using the acquisition method of accounting, giving effect to Norwood's proposed acquisition of Delaware. Under this method, Delaware's assets and liabilities as of the date of the acquisition will be recorded at their respective fair values and added to those of Norwood. Any difference between the purchase price for Delaware and the fair value of the identifiable net assets acquired (including core deposit intangibles) will be recorded as goodwill. The goodwill resulting from the acquisition will not be amortized to expense, but instead will be reviewed for impairment at least annually and to the extent goodwill is impaired, its carrying value will be written down to its implied fair value and a charge will be made to earnings. Any core deposit and other intangibles with estimated useful lives to be recorded by Norwood in connection with the acquisition will be amortized to expense over their estimated useful lives. The financial statements of Norwood issued after the acquisition will reflect the results attributable to the acquired operations of Delaware beginning on the date of completion of the acquisition.

The following unaudited condensed pro forma balance sheet as of December 31, 2015 combines the historical financial statements of Norwood and Delaware. The unaudited pro forma financial statements give effect to the proposed acquisition as if the acquisition occurred on December 31, 2015 with respect to the balance sheet, and at the beginning of the period for the twelve months ended December 31, 2015, with respect to the statement of income. Accordingly, the consideration paid by Norwood to complete the acquisition of Delaware will be allocated to Delaware's assets and liabilities based upon their estimated fair values as of the date of completion of the acquisition. The allocation is dependent upon certain valuations and other studies that have not been finalized at the time of the acquisition announcement; however, preliminary valuations based on the fair value of the acquired assets and liabilities have been estimated and included in the unaudited pro forma financial statements.

The final allocation of the purchase price will be determined after the merger is completed and after completion of thorough analyses to determine the fair value of Delaware's tangible and identifiable intangible assets and liabilities as of the date the merger is completed. Increases or decreases in the estimated fair values of the net assets as compared with the information shown in the unaudited pro forma combined condensed consolidated financial information may change the amount of the purchase price allocated to goodwill and other assets and liabilities and may impact Norwood's consolidated statement of income due to adjustments in yield and/or amortization of the adjusted assets or liabilities. Any changes to Delaware shareholders' equity, including results of operations from December 31, 2015 through the date the merger is completed, will also change the purchase price allocation, which may include the recording of a lower or higher amount of goodwill. The final adjustments may be materially different from the unaudited pro forma adjustments presented herein. The pro forma calculations, shown herein, assume a closing price of \$28.75, which represents the closing price of Norwood's common stock on December 31, 2015.

The pro forma income statement and per share data information does not include anticipated cost savings or revenue enhancements, nor does it include one-time merger and integration expenses which will be expensed against income. Delaware and Norwood are currently in the process of assessing the two companies' personnel, benefits plans, premises, equipment, computer systems and service contracts to determine where the companies may take advantage of redundancies or where it will be beneficial or necessary to convert to one system. Certain decisions arising from these assessments may involve canceling contracts between either Delaware or Norwood and certain service providers. The pro forma combined basic earnings and diluted earnings per share of Delaware common stock is based on the pro forma combined net income per common share for Delaware and Norwood divided by the pro forma common shares or diluted common shares of the combined entities. The pro forma information includes adjustments related to the fair value of assets and liabilities of Delaware and is subject to adjustment as

additional information becomes available and as a final merger date analyses are performed. The pro forma combined balance sheet and book value per share data does include the impact of merger expenses on the balance sheet with Delaware' after tax charges currently estimated at \$1.4 million, illustrated as a pro forma fair value liability accrual, and Norwood's after-tax estimated charges of \$2.3 million, illustrated as a pro forma adjustment to retained earnings and liability accrual. The pro forma combined book value and tangible book value of Delaware common stock is based on the pro forma combined common stockholders' equity of Delaware and Norwood divided by total pro forma common shares of the combined entities.

Certain reclassification adjustments have been made to Delaware's unaudited pro forma financial statements to conform to Norwood's financial statement presentation. The unaudited pro forma information, while helpful in illustrating the financial characteristics of the combined company under one set of assumptions, as previous mentioned they do not reflect the benefits of expected cost savings or opportunities to earn additional revenue and, accordingly, does not attempt to predict or suggest future results. It also does not necessarily reflect what the historical results of the combined company would have been had our companies been combined during this period. The unaudited pro forma combined financial information has been derived from, and should be read in conjunction with, the historical consolidated financial statements and the related notes of both Delaware and Norwood that have been included in or incorporated by reference into this proxy statement/prospectus.

The unaudited pro forma data are qualified by the statements set forth under this caption and should not be considered indicative of the market value of Norwood common stock or the actual or future results of operations of Norwood for any period. Actual results may be materially different than the pro forma information presented.

UNAUDITED PRO FORMA COMBINED FINANCIAL INFORMATION

Unaudited Combined Pro Forma Balance Sheets as of December 31, 2015
(\$ in Thousands, Except Per Share Data)

	Norwood Financial Corp.	Delaware Bancshares, Inc.	Pro Forma Adjustments	Pro Forma Combined
Assets				
Cash and due from banks	\$ 9,744	\$ 4,760	\$ —	\$ 14,504
Interest bearing deposits with other banks	266	1,394	—	1,660
Cash and cash equivalents	10,010	6,154	—	16,164
Securities held to maturity	—	4,412	—	4,412
Securities available for sale	138,851	209,214	(15,640) (4)	332,425
Total securities	138,851	213,626	(15,640)	336,837
Loans	559,925	115,704	481 (5)	676,110
Allowance for loan losses	(7,298)	(1,677)	1,677 (6)	(7,298)
Loans, net of allowance for loan losses	552,627	114,027	2,158	668,812
Regulatory stock, at cost	3,412	516	—	3,928
Premises and equipment, net	6,472	4,200	—(10)	10,672
Bank owned life insurance	18,820	14,554	—	33,374
Accrued interest receivable	2,363	1,416	—	3,779
Foreclosed real estate owned	2,847	—	—	2,847
Goodwill	9,715	6,322	(4,856) (1)	11,181
Other intangibles	285	1,463	986 (3)	2,734
Deferred tax asset, net	3,669	3,094	1,027 (9)	7,790
Other assets	1,434	6,317	—	7,751
Total Assets	\$ 750,505	\$ 371,689	\$ (16,325)	\$ 1,105,869
Liabilities and Stockholders'				
Equity				
Liabilities				
Deposits				
Non-interest bearing demand	\$ 107,814	\$ 65,162	\$ —	\$ 172,976
Interest-bearing demand	52,040	34,334	—	86,374
Money market deposit accounts	119,028	40,563	—	159,591
Savings	75,280	102,982	—	178,262
Time	196,747	73,928	854 (7)	271,529
Total Deposits	550,909	316,969	854	868,732
Short term borrowings	53,235	6,777	—(8)	60,012

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Other borrowings	41,126	11,781	(11,781) (8)	41,126
Junior subordinated debentures	—	8,248	—(8)	8,248
Accrued interest payable	957	799	—	1,756
Other liabilities	3,280	6,055	5,536 (11)	14,871
Total liabilities	649,507	350,629	(5,391)	994,745
Stockholders' Equity				
Preferred Stock	—	—	—	—
Common Stock	373	1,346	(1,303) (1)(2)	416
Surplus	35,351	8,315	4,057 (2)	47,723
Retained Earnings	65,412	19,102	(21,391) (2)(11)	63,123
A c c u m u l a t e d O t h e r				
Comprehensive Income	488	(2,987)	2,987 (2)	488
Treasury stock at cost	(626)	(4,716)	4,716 (2)	(626)
Total Stockholders' Equity	100,998	21,060	(10,934)	111,124
Total Liabilities and Stockholders' Equity	\$ 750,505	\$ 371,689	\$ (16,325)	\$ 1,105,869
Per Share Data				
Shares Outstanding	3,701,357	925,499	(493,684) (1)	4,133,172
Book Value Per Share	\$ 27.39	\$ 22.76		\$ 26.89
Tangible Book Value Per Share	\$ 24.67	\$ 14.34		\$ 23.52

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Unaudited Pro Forma Combined Statement of Operations for the Twelve Months Ended December 31, 2015
(\$ In Thousands, Except Per Share Data)

	Norwood Financial Corp.	Delaware Bancshares, Inc.	Pro Forma Adjustments	Pro Forma Combined
INTEREST INCOME				
Loans receivable, including fees	\$ 24,002	\$ 5,343	\$ (700)(5)	\$ 28,645
Securities	3,761	5,640	154 (4)(8)	9,375
Other	16	—	—	16
Total Interest Income	27,779	10,803	(546)	38,036
INTEREST EXPENSE				
Deposits	2,421	992	(657)(7)	2,756
Short-term borrowings	85	41	—	126
Other borrowings	752	665	(665)(8)	752
Junior subordinated debentures	—	615	—	615
Total Interest Expense	3,258	2,313	(1,322)	4,249
Net interest income	24,521	8,490	776	33,787
PROVISION FOR LOAN LOSSES	4,580	150	—	4,730
Net interest income after provision for loan losses	19,941	8,340	776	29,057
Other Income				
Service charges and fees	2,440	1,002	—	3,442
Income from fiduciary activities	439	31	—	470
Net realized gains on sales of securities	626	956	—	1,582
Net realized gain on sale of loans and servicing rights	104	—	—	104
Earnings and proceeds on life insurance policies	665	326	—	991
Other	425	925	—	1,350
Total Other Income	4,699	3,240	—	7,939
Other Expense				
Salaries and employee benefits	8,535	5,489	—	14,024
Occupancy	1,660	923	—	2,583
Furniture and equipment	422	544	—	966
Data processing related operations	943	1,019	—	1,962
FDIC insurance assessment	411	234	—	645
Advertising	240	302	—	542
Professional fees	730	790	—	1,520
Postage and telephone	436	198	—	634
Taxes, other than income	711	—	—	711
Foreclosed real estate	911	11	—	922
Amortization of intangible assets	105	280	165 (3)	550
Other	1,996	1,764	(63)(8)	3,697

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Total Other Expenses	17,100	11,554	102	28,756
Income Before Income Taxes	7,540	26	674	8,240
INCOME TAX (BENEFIT) EXPENSE	1,632	(565)	229 (9)	1,296
Net income	\$ 5,908	\$ 591	\$ 445	\$ 6,944
EARNINGS PER SHARE				
BASIC	\$ 1.60	\$ 0.64		\$ 1.69
DILUTED	\$ 1.60	\$ 0.64		\$ 1.68
Basic EPS weighted average shares outstanding	3,673,032	925,499	(493,684)	4,104,847
Diluted EPS weighted average shares outstanding	3,691,406	925,499	(493,684)	4,123,221

NOTES TO UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS

- 1) The acquisition will be effected by the issuance of shares of Norwood common stock and cash to Delaware's shareholders. The pro forma information is based upon the assumption that the total number of shares of Delaware common stock outstanding immediately prior to the completion of the merger will be 925,499, the number of shares outstanding as of December 31, 2015. Pursuant to the terms of the merger agreement, shareholders of Delaware will have the opportunity to elect to receive for each share of Delaware stock they own, either 0.6221 shares of Norwood common stock or \$16.68 in cash. The merger agreement also sets forth election procedures that are subject to allocation and proration procedures are intended to ensure that, in the aggregate, 75% of outstanding shares of Delaware common stock will be converted into Norwood common stock, and 25% will be converted into cash. Based on the merger allocation requirements, the following assumes 694,124 of the 925,499 shares of Delaware common stock would be exchanged for Norwood common stock, with the balance of the outstanding Delaware shares being exchanged for cash.

The final accounting purchase price assigned to record the shares issued in the acquisition will be based on the closing price of Norwood common stock on the closing date of the acquisition. Norwood and Delaware cannot predict what the value or price of Norwood common stock will be at the closing of the transaction or how the value or price of Norwood common stock may trade at any time. The pro forma calculations, shown herein, assume a closing price for Norwood common stock of \$28.75, which represents the closing price of Norwood common stock on December 31, 2015.

The final allocation of the purchase price will be determined after the acquisition is completed and additional analyses are performed to determine the fair values of Delaware tangible and identifiable intangible assets and liabilities as of the date the acquisition is completed. Changes in the fair value of the net assets of Delaware as of the date of the acquisition will likely change the amount of purchase price allocable to excess purchase price. The final adjustments may be materially different from the unaudited pro forma adjustments presented herein. The unaudited pro forma financial information has been prepared to include the estimated adjustments necessary to record the assets and liabilities of Delaware at their respective fair values and represents management's best estimate based upon the information available at this time. These pro forma adjustments included herein are subject to change as additional information becomes available and as additional analyses are performed. Such adjustments, when compared to the information shown in this document, may change the amount of the purchase price allocated to goodwill while changes to other assets and liabilities may impact the statement of income due to adjustments in the yield and/or amortization/accretion of the adjusted assets and liabilities.

The total estimated purchase price for the purpose of this pro forma financial information is \$16.3 million. The following table provides the calculation and allocation of the purchase price used in the pro forma financial statements and a reconciliation of pro forma shares to be outstanding:

Summary of Purchase Price Calculation and Goodwill Resulting from Merger
(\$ in thousands except per share data)

		December 31, 2015
Purchase Price Consideration in Norwood Common Stock		
Delaware common shares outstanding	925,499	
Delaware common shares settled for stock	694,124	
Exchange Ratio	0.6221	
Norwood shares to be issued	431,815	
Value assigned to Norwood common share	\$ 28.75	
Purchase price assigned to Delaware common shares exchanged for Norwood stock		\$ 12,415
Purchase Price Consideration - Cash for Common Stock		
Delaware shares exchanged for cash	231,375	
Purchase price paid for each Delaware common shares exchanged for cash	\$ 16.68	
Purchase price assigned to Delaware common shares exchanged for cash		3,859
Total Purchase Price		16,274
Net Assets Acquired:		
Delaware shareholders' equity	\$ 21,060	
Delaware goodwill and intangibles	(7,785)	
Delaware tangible equity	13,275	
Estimated adjustments to reflect assets acquired at fair value:		
Investments	—	
Loans	481	
Allowance for loan losses	1,677	
Premises & equipment, net	—	
Core deposit intangible	2,449	
Deferred tax assets	(152)	
Estimated adjustments to reflect liabilities acquired at fair value:		
Time deposits	(854)	
Borrowings	—	
Delaware transaction merger liabilities accrued	(2,068)	
		14,808
Goodwill resulting from merger		\$ 1,466

Reconciliation of Pro Forma Shares Outstanding

Delaware shares outstanding	925,499
Exchange ratio	0.6221
Norwood shares to be issued to Delaware	431,815
Norwood shares outstanding	3,701,357
Pro Forma Norwood shares outstanding	4,133,172
Percentage ownership for Norwood	89.55%
Percentage ownership for Delaware	10.45%

- 2) Adjustment to reflect the issuance of shares of Norwood common stock with a \$0.10 par value in connection with the acquisition and the adjustments to shareholders' equity for the reclassification of Delaware historical equity accounts (common stock, accumulated other comprehensive loss, cost of treasury stock, and undivided profits) into surplus and adjustment for goodwill created in the transaction.

- 3) Adjustment to reverse the existing Delaware core deposit intangible asset (and historical amortization expense) and create a new Delaware core deposit intangible to reflect the fair value of \$2.4 million and the new related amortization and the related amortization adjustment based upon an expected life of 10 years. The amortization of the new core deposit intangible is expected to increase pro forma pre-tax interest expense by \$445 thousand.
- 4) Securities held-to-maturity fair value approximated book value at December 31, 2015 and no balance sheet or income statement adjustment was needed. Securities available-for-sale were recorded at fair value at December 31, 2015, therefore no balance sheet adjustment is necessary. Income statement adjustment includes prospective reclassification of existing available-for-sale securities fair value adjustment to an accreting discount which will be accreted into income based on the expected life. This investment adjustment is expected to increase pro forma pre-tax interest income by \$389 thousand in the first year following consummation.

The securities available-for-sale balance sheet adjustment also includes a \$3.9 million pro forma reduction of investments to be liquidated by Norwood to fund the cash portion of the Delaware common stock purchased, and an \$11.8 million pro forma reduction of securities available-for-sale by Norwood for the cash needed to pay off other borrowings of Delaware (see note 8). The income statement adjustments includes the loss of interest income of \$235 thousand related to the cash used to purchase Delaware common stock and pay off Delaware borrowings, assuming a 1.5% investment rate;

- 5) Includes a positive adjustment of \$2.8 million to reflect a fair value loan premium for Delaware of loans based on current interest rates of similar loans. This adjustment will be substantially recognized over approximately the expected life of the loans and is expected to decrease pro forma pre-tax interest income by \$931 thousand. Also includes negative adjustments of \$1.1 million fair value general credit risk loan discount and a \$1.2 million fair value specific credit discount. Included is the reversal of the Delaware allowance for loan losses as of December 31, 2015 in accordance with acquisition method of accounting for the acquisition. The general credit adjustment will be substantially recognized over approximately the expected life of the loans and is expected to increase pro forma pre-tax interest income by \$231 thousand. No pro forma earnings impact was assumed from the specific credit adjustments.
- 6) Adjustment for the reversal of the Delaware allowance for loan losses as of December 31, 2015 in accordance with acquisition method of accounting for the acquisition.
- 7) Adjustment of \$854 thousand to reflect the fair values of certain interest-bearing time deposit liabilities based on current interest rates for similar instruments. The adjustment will be recognized using an amortization method based upon the maturities of the deposit liabilities. This adjustment is expected to decrease pro forma pre-tax interest expense by \$657 thousand.
- 8) No fair value adjustments were deemed necessary for short term borrowings or junior subordinated debentures. Balance sheet adjustment of \$11.8 million reflects liquidation of investments by Norwood to pay off \$11.8 million of other borrowings. The other borrowings of Delaware are collateralized by 100% of NBDC Bank's common stock and to effectuate this merger the other borrowings will be paid off at closing by Norwood. The income statement reflects lost investment interest income of \$180 thousand in 2015, assuming 1.5% yield on investments liquidated to pay down the other borrowing and lower other borrowing interest expense of \$665 thousand in 2015. The adjustment for other noninterest expense represents the elimination of deferred other borrowing costs of \$63,000 related to the \$11.8 million pay off mentioned in this footnote.
- 9) Adjustment to reflect the net deferred tax at a rate of 34% related to fair value adjustments on the balance sheet and an effective tax rate of 34% for book tax expense. It is noted that a tax benefit was not taken for certain

acquisition obligations and costs that were considered to be not tax deductible.

- 10) No fair value adjustments related to buildings and equipment were deemed significant.
- 11) Adjustment relates to balance sheet adjustment to reflect the accrual of one-time estimated merger charges for Norwood and Delaware: a) Norwood's pre-tax charge of \$3.5 million (\$2.2 million after-tax) included as a pro

forma liability with the after-tax costs as a reduction of retained earnings; and b) Delaware's pre-tax charge of \$2.1 million (\$1.4 million after-tax) included as a pro forma fair value liability accrual. There were no significant merger expenses included in the historical financial statements of either Norwood or Delaware.

COMPARISON OF SHAREHOLDERS' RIGHTS

General

Norwood is incorporated under the laws of the Commonwealth of Pennsylvania and Delaware is incorporated under the laws of the State of New York. Accordingly, the rights of Norwood shareholders and Delaware shareholders are governed by the laws of the Commonwealth of Pennsylvania and the State of New York, respectively. As a result of the merger, Delaware shareholders who receive shares of Norwood common stock will become shareholders of Norwood. Thus, following the merger, the rights of Delaware shareholders who become Norwood shareholders in the merger will be governed by the laws of the Commonwealth, and will also then be governed by Norwood's articles of incorporation and Norwood's bylaws.

Comparison of Shareholders' Rights

Set forth below is a summary comparison of material differences between the rights of a Norwood shareholder under Norwood's articles of incorporation and the Norwood's bylaws (right column), and the rights of a shareholder under Delaware's certificate of incorporation and Delaware's bylaws (left column). The summary set forth below is not intended to provide a comprehensive discussion of each company's governing documents but rather to highlight certain areas where there are differences. This summary is qualified in its entirety by reference to the full text of Norwood's articles of incorporation and Norwood's bylaws, and Delaware's certificate of incorporation and Delaware's bylaws.

Delaware Bancshares, Inc.

Norwood Financial Corp.

CAPITAL STOCK Authorized Capital

1.5 million shares of common stock, par value \$1.25 per share, no shares of preferred stock. As of May 6, 2016, there were 925,499 shares of Delaware common stock issued and outstanding.

10 million shares of common stock, par value \$0.10 per share, 5 million shares of preferred stock without par value. As of May 2, 2016, there were 3,691,224 shares of Norwood common stock issued and outstanding and an additional 431,815 shares are estimated to be issued in the merger, and no shares of preferred stock issued and outstanding.

Preferred Stock. Delaware's certificate of incorporation does not authorize the board of directors to issue shares of preferred stock.

Preferred Stock. Norwood's articles of incorporation authorize the board of directors, without further shareholder action, to issue up to 5 million shares of preferred stock, in one or more series, and determine by resolution any designations, preferences,

qualifications, privileges, limitations, restrictions, or special or relative rights of additional series. The rights of preferred shareholders may supersede the rights of common shareholders.

Delaware Bancshares, Inc.

Norwood Financial Corp.

BOARD OF DIRECTORS

Number of Directors; Classification of Board

Delaware's bylaws provide that the number of directors on the board shall be not less than five (5) nor more than twenty-five (25) shareholders. The number of directors may be changed by the vote of 67% of the votes cast by shareholders at a meeting held for the purpose of electing directors or changing their number. The board of directors is divided into three classes with the members of each class elected for three year terms.

Norwood's articles of incorporation provide that its board of directors shall have not less than 5 nor more than 15 members as provided in the bylaws. The bylaws currently provide that there shall be nine members of the board. As with Delaware, the board of directors is divided into three classes with the members of each class elected for three year terms.

Qualification of Directors

Delaware's bylaws provide that each director must be a shareholder.

Norwood's bylaws require that each director own at least 12 shares of the common stock of Norwood. Such shares must be kept on deposit in the vault of Norwood.

ACTIONS BY SHAREHOLDERS

Annual Meeting of Shareholders

Delaware's bylaws provide that the annual meeting of shareholders shall be held at such date as may be fixed by the board of directors.

Norwood's bylaws provide that the annual meeting shall be held on such date or time as may be determined by the board of directors.

Special Meetings of Shareholders

Special meetings of the shareholders may be called at any time by the board of directors or three or more shareholders owning, in the aggregate, at least 67% of the outstanding shares.

Special meetings of the shareholders may be called by (i) the majority vote of the board of directors, (ii) the Chairman or the President, or (iii) shareholders entitled to cast at least 50% of the votes that all shareholders are entitled to cast.

Action by Shareholders Without a Meeting

Shareholders may only act by unanimous written consent unless otherwise provided in the certificate of incorporation. Delaware's certificate of incorporation does not provide otherwise.

Norwood's articles of incorporation permit shareholder action by written consent. In order to be effective, the consent must be signed by shareholders who would have been entitled to cast the minimum number of votes that would be necessary to authorize the action if a meeting were held. If the action is taken by less than unanimous consent, the action may not become effective until after at least 10 days' written notice of the action has been given to each shareholder entitled to vote thereon who has not consented thereto.

Delaware Bancshares, Inc.

Norwood Financial Corp.

Record Dates

Delaware's bylaws provide that the board may fix record dates for determining who may vote at annual or special meetings of shareholders or who may receive a dividend of not more than 50 days prior to the date on which the particular action requiring a record date occurs.

Norwood's bylaws provide that record dates for determining who may vote at annual or special meetings of shareholders or who may receive a dividend must be not more than 90 days prior to the date on which the particular action requiring a record date.

Approval of Certain Business Combinations

Delaware's certificate of incorporation includes a provision requiring the affirmative vote of 75% of the outstanding shares to approve any business combination with a more than 10% shareholder unless the business combination has been approved by a majority of the disinterested directors or certain fair price requirements are satisfied. If approved by the board, the business combination need only receive the approval of shareholders specified by New York law.

Norwood's articles of incorporation also include a provision requiring an 80% approval vote for business combinations. As with Delaware, this supermajority vote requirement is not applicable if first approved by the board although the approval requirement is two-thirds of the entire board of directors if approved before there is any controlling person (defined as a shareholder owning 10% or more of the outstanding shares) or a majority of the continuing directors if after there is a controlling person. In addition, the supermajority vote would not apply if the terms of the business combination satisfy certain fair price provisions.

OPPOSITION OF OFFERS

Delaware's certificate of incorporation includes a provision that permits the board of directors, when evaluating a tender or other offer, to give due consideration to all relevant factors, including, without limitation, the social and economic effect of acceptance of the offer on its customers, employees and communities in which it operates, the reputation and business practices of the offer or, whether a more favorable price could be obtained in the

Neither Norwood's articles of incorporation nor its bylaws include any similar provision.

future and certain other considerations.

DISGORGEMENT BY CONTROLLING SHAREHOLDERS
FOLLOWING TAKEOVER ATTEMPTS

Delaware does not have any provision of this type in its certificate of incorporation.

Norwood's articles of incorporation include a provision requiring that any profit made by a shareholder owning in excess of 10% of the outstanding shares upon the sale of the shares is recoverable by Norwood if the shares are sold within certain time limitations set forth in the articles.

Delaware Bancshares, Inc.

Norwood Financial Corp.

AMENDMENT OF CERTIFICATE OR ARTICLES OF INCORPORATION

Delaware's certificate of incorporation requires a supermajority vote (75%) to amend certain of the articles or a majority if approved by 80% of the board of directors. The articles requiring a supermajority vote relate to preemptive rights, opposition to offers, director liability, business combinations, and amendments to the certificate of incorporation.

Aside from these provisions and amendments for which no shareholder vote is required under New York law, amendments to the certificate must be approved by a majority of the shares entitled to vote generally in the election of directors.

Norwood's articles of incorporation also require a supermajority vote (80%) to amend certain of the articles. These articles relate to the board of directors, preemptive rights, elimination of director liability, indemnification, shareholder meetings and proposals, approval of business combinations, disgorgement of profits by certain controlling shareholders and amendment of the articles of incorporation and bylaws.

Aside from these provisions, all amendments to the articles must first be approved by the board of directors and then approved by a majority of the shares entitled to vote generally in the election of directors.

AMENDMENT OF BYLAWS

Under New York law, Delaware's bylaws may be amended by a majority of the vote cast by shareholders. The bylaws may also be amended by the board of directors.

Norwood's articles permit the board of directors and shareholders to amend the bylaws. If amended by the board, the amendment must be approved by majority of the directors then in office. If by shareholders, the amendment must be approved by at least 80% of the outstanding shares of stock entitled to vote in the election of directors as well as such additional vote of any preferred shareholders to the extent required by the terms of the series.

STATUTORY ANTI-TAKEOVER PROVISIONS

New York law prohibits business combinations with interested shareholders for a period of five years after they become an interested shareholder unless the interested shareholder is approved in advance by the board of directors or the business combination satisfies certain shareholder approval or fair

Under Pennsylvania Business Corporation Law, certain anti-takeover provisions apply to Pennsylvania registered corporations (e.g., publicly traded companies) including those relating to (1) control share acquisitions, (2) disgorgement of

price requirements. This provision, however, does not apply to corporations like Delaware which do not have a class of securities registered under the Exchange Act and have not opted into the statute.

profits by certain controlling persons, (3) business combination transactions with interested shareholders, and (4) the rights of shareholders to demand fair value for their stock following a control transaction. Pennsylvania law allows corporations to opt-out of these anti-takeover sections.

Norwood has opted out of the control share acquisition statute but the other statutory anti-takeover provisions are applicable to it.

DESCRIPTION OF NORWOOD CAPITAL STOCK

Norwood is authorized to issue 10,000,000 shares of common stock, par value \$0.10 per share, and 5,000,000 shares of preferred stock no par value. As of May 2, 2016, there were 3,691,224 shares of Norwood common stock outstanding. Norwood has no outstanding shares of preferred stock. Each share of Norwood common stock has the same relative rights as, and is identical in all respects with, each other share of common stock.

The common stock of Norwood represents nonwithdrawable capital, is not an account of an insurable type, and is not insured by the FDIC or any other government agency.

Common Stock

Dividends. Norwood may pay dividends out of statutory surplus or from net earnings if, as and when declared by its board of directors. The payment of dividends by Norwood is subject to limitations that are imposed by law and applicable regulation. The holders of common stock of Norwood will be entitled to receive and share equally in dividends as may be declared by the board of directors of Norwood out of funds legally available therefor. If Norwood issues shares of preferred stock, the holders thereof may have a priority over the holders of the common stock with respect to dividends.

Voting Rights. The holders of common stock of Norwood have exclusive voting rights in Norwood. They elect Norwood's board of directors and act on other matters as are required to be presented to them under Pennsylvania law, or as are otherwise presented to them by the board of directors. Generally, each holder of common stock is entitled to one vote per share and will not have any right to cumulate votes in the election of directors. If Norwood issues shares of preferred stock, holders of the preferred stock may also possess voting rights. Certain matters require an 80% shareholder vote.

Liquidation. In the event of liquidation, dissolution or winding up of Norwood, the holders of its common stock would be entitled to receive, after payment or provision for payment of all its debts and liabilities, all of the assets of Norwood available for distribution. If preferred stock is issued, the holders thereof may have a priority over the holders of the common stock in the event of liquidation or dissolution.

Preemptive Rights. Holders of the common stock of Norwood will not be entitled to preemptive rights with respect to any shares that may be issued. The common stock is not subject to redemption.

Preferred Stock

None of the shares of Norwood's authorized preferred stock are outstanding. Preferred stock may be issued with preferences and designations as the board of directors may from time to time determine. Norwood's board of directors may, without shareholder approval, issue shares of preferred stock with voting, dividend, liquidation and conversion rights that could dilute the voting strength of the holders of the common stock and may assist management in impeding an unfriendly takeover or attempted change in control.

CERTAIN ANTI-TAKEOVER PROVISIONS OF NORWOOD'S
ARTICLES OF INCORPORATION AND BYLAWS

The following discussion is a general summary of the material provisions of Norwood's articles of incorporation and bylaws and certain other provisions under the Pennsylvania Business Corporation Law and regulatory provisions that may be deemed to have an "anti-takeover" effect. The following description of certain of these provisions is necessarily general and, with respect to provisions contained in Norwood's articles of incorporation and bylaws, reference should be made in each case to the document in question.

Norwood's articles of incorporation and bylaws contain a number of provisions relating to corporate governance and rights of shareholders that might discourage future takeover attempts. As a result, shareholders who might desire to participate in such transactions may not have an opportunity to do so. In addition, these provisions will also render the removal of the board of directors or management of Norwood more difficult.

The following description is a summary of the provisions of the articles of incorporation and bylaws. See "Where You Can Find More Information" in the forepart of this proxy statement/prospectus as to how to obtain a copy of these documents.

Directors. The board of directors is divided into three classes. The members of each class will be elected for a term of three years and only one class of directors will be elected annually. Thus, it would take at least two annual elections to replace a majority of Norwood's board of directors. Further, the bylaws impose notice and information requirements in connection with the nomination by shareholders of candidates for election to the board of directors or the proposal by shareholders of business to be acted upon at an annual meeting of shareholders.

Prohibition of Cumulative Voting. The articles of incorporation prohibit cumulative voting for the election of directors.

Restrictions on Removing Directors from Office. The articles of incorporation provide that directors may only be removed for cause. "Cause" is defined in the articles of incorporation as being declared of unsound mind by an order of a court, convicted of a felony or of an offense punishable by imprisonment for a term of more than one year, or being deemed liable by a court for gross negligence or misconduct in the director's duties to Norwood. At least 30 days' prior notice to the director must be given.

Authorized but Unissued Shares. Norwood has authorized but unissued shares of common and preferred stock. The articles of incorporation authorize 5,000,000 shares of serial preferred stock. Norwood is authorized to issue preferred stock from time to time in one or more series subject to applicable provisions of law, and the board of directors is authorized to fix the designations, and relative preferences, limitations, voting rights, if any, including, without limitation, offering rights of such shares (which could be multiple or as a separate class). In the event of a proposed merger, tender offer or other attempt to gain control of Norwood that the board of directors does not approve, it might be possible for the board of directors to authorize the issuance of a series of preferred stock with rights and preferences that would impede the completion of the transaction. An effect of the possible issuance of preferred stock, therefore, may be to deter a future attempt to gain control of Norwood. Norwood's board of directors has no present plan or understanding to issue any preferred stock.

Amendments to Articles of Incorporation and Bylaws. Amendments to the articles of incorporation must be approved by Norwood's board of directors and also by a majority of the

outstanding shares of Norwood's voting stock; provided, however, that approval by at least 80% of the outstanding voting stock is generally required to amend the following provisions:

- The provision establishing the board of directors, the classified terms, procedures for removal and procedures for nomination of directors;
- Preemptive rights;
- Elimination of director liability;
- Indemnification;
- Meetings of shareholders and shareholder proposals;
- Approval of business combinations;
- Disgorgement of profits by certain controlling persons following a takeover attempt; and
- The requisite shareholder vote to approve amendments to the articles of incorporation and bylaws.

Anti-takeover Provisions Under the Pennsylvania Business Corporation Law

Under the Pennsylvania Business Corporation Law, certain anti-takeover provisions apply to Pennsylvania registered corporations (e.g., publicly traded companies) including those relating to (1) control share acquisitions, (2) disgorgement of profits by certain controlling persons, (3) business combination transactions with interested shareholders, and (4) the rights of shareholders to demand fair value for their stock following a control transaction. Pennsylvania law allows corporations to opt-out of these anti-takeover sections. Norwood is a registered corporation and has opted out only of the control share acquisition provisions. A general summary of the applicable anti-takeover provisions is set forth below.

Disgorgement of Profits by Certain Controlling Persons. Pennsylvania law regarding disgorgement of profits by certain controlling persons applies in the event that (1) any person or group publicly discloses that the person or group may acquire control of the corporation, or (2) a person or group acquires (or publicly discloses an intent to acquire) 20% or more of the voting power of the corporation and, in either case, sells shares within 18 months thereafter. Any profits from sales of equity securities of the corporation received by the person or group during such 18-month period will belong to the corporation if the securities that were sold were acquired during the 18-month period or within 24 months prior thereto.

Business Combination Transactions with Interested Shareholders. Pennsylvania law regarding business combination transactions with interested shareholders provides that a person who acquires the direct or indirect beneficial ownership of shares entitled to cast at least 20% of the votes entitled to be cast for the election of directors or who is an affiliate or associate of such corporation and was the beneficial owner, directly or indirectly, of shares entitling that person to cast at least 20% of the votes at any time within the five year period immediately prior to the date in question becomes an "interested shareholder." A corporation subject to this provision may not effect mergers or certain other business combinations with the interested shareholder for a period of five years, unless:

- the business combination or the acquisition of stock by means of which the interested shareholder became an interested shareholder is approved by the corporation's board of directors prior to such stock acquisition;
- the business combination is approved by the affirmative vote of the holders of all the outstanding common shares of the corporation; or
- the business combination is approved by the affirmative vote of the holders of a majority of all shares entitled to vote, excluding votes of shares held by the interested shareholders, and at the time of such vote, the interested shareholder is the beneficial owner of at least 80% of the voting shares of the corporation. This exception applies only if the value of the consideration to be paid by the interested shareholder in connection with the business combination satisfies certain fair price requirements.

After the five-year restricted period, an interested shareholder of the corporation may engage in a business combination with the corporation if (1) the business combination is approved by the affirmative vote of a majority of the shares other than those beneficially owned by the interested shareholder and its affiliates, or (2) the merger is approved at a shareholders meeting and certain fair price requirements are met.

Change in Control Regulations

The Change In Bank Control Act provides that no person, acting directly or indirectly or through or in concert with one or more other persons, may acquire control of a bank holding company unless the FRB has been given 60 days prior written notice. For this purpose, the term "control" means the acquisition of the ownership, control or holding of the power to vote 25% or more of any class of a bank holding company's voting stock, and the term "person" includes an individual, corporation, partnership, and various other entities. In addition, an acquiring person is presumed to acquire control if the person acquires the ownership, control or holding of the power to vote of 10% or more of any class of the holding company's voting stock if (a) the bank holding company's shares are registered pursuant to Section 12 of the Exchange Act or (b) no other person will own, control or hold the power to vote a greater percentage of that class of voting securities. Accordingly, the prior approval of the FRB would be required before any person could acquire 10% or more of the common stock of Norwood.

The Bank Holding Company Act provides that no company may acquire control of a bank directly or indirectly without the prior approval of the FRB. Any company that acquires control of a bank becomes a "bank holding company" subject to registration, examination and regulation by the FRB. Pursuant to federal regulations, the term "company" is defined to include banks, corporations, partnerships, associations, and certain trusts and other entities, and "control" of a bank is deemed to exist if a company has voting control, directly or indirectly of at least 25% of any class of a bank's voting stock, and may be found to exist if a company controls in any manner the election of a majority of the directors of the bank or has the power to exercise a controlling influence over the management or policies of the bank. In addition, a bank holding company must obtain FRB approval prior to acquiring voting control of more than 5% of any class of voting stock of a bank or another bank holding company.

An acquisition of control of a bank that requires the prior approval of the FRB under the Bank Holding Company Act is not subject to the notice requirements of the Change In Bank Control Act. Accordingly, the prior approval of the FRB under the Bank Holding Company Act would be required (a) before any bank holding company could acquire 5% or more of the common stock of Norwood and (b) before any other company could acquire 25% or more of the common stock of Norwood.

BUSINESS OF DELAWARE

Corporate History

Delaware, a New York corporation, is the holding company for NBDC Bank. The principal activities of Delaware are ownership and supervision of NBDC Bank. NBDC Bank is a community-oriented full-service national bank providing a full range of banking services to consumers and small businesses in Delaware and Sullivan counties, New York.

NBDC Bank opened for business on January 2, 1891 as the First National Bank of Walton. In 1959, NBDC Bank consolidated with the Bank of Andes and became The National Bank of Delaware County. In November 2007, NBDC Bank acquired the National Bank of Stamford bringing its total number of banking offices to six, all located in Delaware County. In September 2014, NBDC Bank acquired six branches in Sullivan County from Bank of America bringing its total branch count to its current 12.

Market Area

Delaware is headquartered in Walton, New York, which is located in Southern New York State. In addition to its main office in Walton, New York, NBDC Bank operates 11 branch offices, located in Delaware and Sullivan Counties, New York. NBDC Bank's primary market area consists of Delaware and Sullivan Counties, and to a lesser extent, certain areas of the adjoining counties.

Competition

Banking is a very competitive business, with both large and small banks competing for the same customers. In addition, non-bank competitors, such as brokerage firms, credit unions, insurance companies and mortgage brokers, are offering customers loan and deposit services. Legislative, regulatory and technological changes in the financial services industry have created these new competitors, and will continue to do so in the future. Technological advances have lowered the barriers to enter new market areas, allowed banks to expand their geographic reach by providing services over the internet and made it possible for non-depository institutions to offer products and services that traditionally have been provided by banks. Changes in federal law permit affiliation among banks, securities firms and insurance companies, which increases competition in the financial services industry.

Personnel

As of December 31, 2015, NBDC Bank employed 96 full-time and no part-time employees. None of these employees is represented by a collective bargaining agent, and Delaware believes that it enjoys good relations with its personnel.

DELAWARE MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF DELAWARE

General

The following presents a review of Delaware's results of operations and financial condition. This information should be read in conjunction with its consolidated financial statements and the accompanying notes to financial statements included in this document. Delaware's consolidated earnings are derived primarily from the operations of NBDC Bank.

Delaware's earnings come primarily from net interest income, which is the difference between interest income on interest-earnings assets, primarily loans and investment securities, and interest expense on interest-bearing liabilities, primarily deposits and borrowings. Net interest income is also impacted by the loan loss provision, other income, and other expenses.

In September, 2014, NBDC Bank acquired six branches in Sullivan County, New York from Bank of America for a net purchase price of \$4.1 million (the "branch acquisition"). As part of the branch acquisition, NBDC Bank acquired loans of \$489,000 and assumed deposit liabilities of \$82.6 million. See Note 14 to the consolidated financial statements. The branch acquisition was financed by a term loan in the principal amount of \$12 million in April, 2014 (the "term loan"). See Note 10 to the consolidated financial statements.

Critical Accounting Matters

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires Delaware's management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of income 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 losses and the valuation of the deferred tax assets.

Delaware considers the allowance for loan losses to be a critical accounting policy. Determining the amount of the allowance for loan losses necessarily involves a high degree of judgment. Delaware's management reviews the level of the allowance on a quarterly basis, at a minimum, and establishes the provision for loan losses based on the composition of the loan portfolio, delinquency levels, loss experience, economic conditions, and other factors related to the collectability of the loan portfolio.

Although Delaware believes that it uses the best information available to establish the allowance for loan losses, future additions to the allowance may be necessary based on estimates that are susceptible to change as a result of changes in economic conditions and other factors. In addition, regulatory authorities, as an integral part of their examination process, periodically review NBDC Bank's allowance for loan losses. Such agencies may require NBDC Bank to recognize adjustments to the allowance based on their judgments about information available to them at the time of examination.

NBDC Bank believes that the judgments used in establishing the allowance for loan losses are based on reliable present information. In assessing the sufficiency of the allowance for loan losses, management considers, among other things described above, how well prior estimates have related to actual experience. NBDC Bank has not found it necessary to call into question the reliability of judgments used in its calculation.

There are also no particular risk elements in the local economy that put a group or category of loans at increased risk, however, NBDC Bank is pursuing commercial loans secured primarily by real estate, which may bear a higher risk of loss. These factors could lead to higher levels of allowance in future periods.

The estimate of the allowance level is always subject to normal inherent risk associated with any loan portfolio and can change based on future events, not known or predictable.

Delaware uses the asset and liability method of accounting for deferred income taxes. Under this method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. If current available information raises doubt as to the realization of deferred tax assets, a valuation allowance is established. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Delaware's management exercises significant judgment in evaluating the amount and timing of recognition of the resulting tax liabilities and assets, including projections of future taxable income. These judgments and estimates are reviewed continually as regulatory and business factors change. Management's recording of deferred tax assets and liabilities and the need for a valuation allowance is made based on information available to Delaware at the time. In particular, management evaluates the recoverability of deferred tax assets based on the ability of Delaware to generate future profits to utilize such benefits. Management employs budgeting and periodic reporting processes to continually monitor progress. These factors lower the inherent risk in the assumption of future profits. Historically, Delaware has had sufficient profits for tax recovery.

Comparison of Financial Condition at December 31, 2015 and December 31, 2014

General. Delaware's assets decreased \$9.0 million, or 2.4%, to \$371.7 million at December 31, 2015 compared to \$380.7 million at December 31, 2014. A decrease in investment securities and cash and cash equivalents, partially offset by an increase in net loans, was the primary reasons for the decline in assets. Liabilities decreased \$8.7 million, or 2.4%, to \$350.6 million at December 31, 2015 as compared with \$359.3 million at December 31, 2014. The primary reason for the decrease in liabilities was a decrease in overnight advances from the FHLB, partially offset by an increase in deposits. Shareholders' equity declined slightly to \$21.1 million at December 31, 2015 from \$21.3 million at December 31, 2014 primarily due to an increase in accumulated other comprehensive loss.

Assets. Cash and cash equivalents decreased \$2.4 million, or 27.9%, to \$6.2 million at December 31, 2015 as compared to \$8.5 million at December 31, 2014. The primary reason for the decrease in cash and cash equivalents was due to servicing the term loan and a decrease in cash on hand at the branches.

Gross loans increased \$12.9 million, or 12.5%, to \$115.7 million at December 31, 2015 as compared with \$102.8 million at December 31, 2014. Commercial mortgages increased \$6.5 million, or 43.7%, from \$14.9 million at December 31, 2014, to \$21.4 million at December 31, 2015. Commercial loans increased \$433,000, or 5.6%, to \$8.2 million at December 31, 2015 from \$7.8 million at December 31, 2014.

The residential mortgage portfolio increased \$4.5 million, or 6.5%, to \$73.3 million at December 31, 2015, from \$68.8 million at December 31, 2014. Consumer loans decreased \$590,000, or 8.3%, from \$7.1 million at December 31, 2014 to \$7.7 million at December 31, 2015.

The investment portfolio decreased \$19.5 million, or 8.4%, to \$213.6 million at December 31, 2015, from \$233.2 million at December 31, 2014. The decrease was primarily the result of declines in the mortgage-backed securities portfolio of \$34.3 million, or 38.3%, and in the U.S. Treasury and Agency securities portfolio of \$11.9 million, or 12.4%.

Deposits. Total deposits increased \$12.2 million, or 4.0%, to \$317.0 million at December 31, 2015, from \$304.8 million at December 31, 2014, as increases in core deposits offset a decrease in time deposits. Core deposits, which consist of all deposits other than time deposits, increased \$21.0 million, or 9.5%, to \$243.0 million at December 31, 2015 as compared with \$222.1 million at December 31, 2014. Time deposit products, which include certificates of deposit, decreased \$8.8 million, or 10.6%,

from \$82.7 million at December 31, 2014, to \$73.9 million at December 31, 2015. NBDC Bank has tried to lessen its dependency on more volatile and rate sensitive certificates of deposit and has focused more on growing core deposits, particularly savings and money market accounts.

Borrowings. FHLB borrowings were \$4.5 million at December 31, 2015, a \$20.2 million, or 81.8%, decrease over the \$24.7 million at December 31, 2014 and consisted of overnight advances. Long-term debt, consisting of a term loan from a third party bank to Delaware to fund the branch acquisitions, declined from \$12.0 million at December 31, 2014 to \$11.8 million at December 31, 2015.

Equity. Shareholders' equity remained essentially unchanged at \$21.1 million at December 31, 2015 and \$21.3 million at December 31, 2014, reflecting an increase in other comprehensive loss of \$507,000 and dividends paid of \$370,000 which offset \$591,000 in earnings.

Comparison of Results of Operations for the Years Ended December 31, 2015 and 2014

General. For the year ended December 31, 2015, Delaware recorded net income of \$591,000, or \$0.64 per share, a decrease of \$376,000, or 38.9%, compared to net income of \$967,000, or \$1.04 per share, for the year ended December 31, 2014. Delaware's results of operations for the 2015 fiscal year were aided by a tax benefit of \$565,000 compared to a tax benefit of \$184,000 in 2014. Income before income taxes declined to \$26,000 for the year ended December 31, 2015 from \$783,000 for the year ended December 31, 2014.

Net Interest Income. Net interest income increased \$1.1 million, or 14.9%, to \$8.5 million for the year ended December 31, 2015, compared to \$7.4 million for the year ended December 31, 2014 due to an increase in interest income partially offset by an increase in interest expense. The interest rate spread decreased to 2.45% for the year ended December 31, 2015, compared to 2.66% for 2014. The ratio of average interest-earning assets to average interest-bearing liabilities decreased slightly from 117.6% for the year ended December 31, 2014 to 116.7% for the year ended December 31, 2015.

Interest Income. Total interest income increased \$1.6 million, or 16.8%, to \$10.8 million compared to \$9.3 million for 2014 due to the increased size of the investment portfolio after investing the deposits acquired in the branch acquisition. For the year ending December 31, 2015, average interest-earning assets increased \$64.8 million, or 24.4%, to \$330.6 million as compared with \$265.8 million for the comparable period in 2014. The primary reason for the increase in average interest-earning assets was due to the growth in investments after investing the deposits from the branch acquisition.

Total loan income for the year ended December 31, 2015 was \$5.3 million, a \$269,000, or 5.3%, increase over the comparable 2014 period.

For the twelve months ended December 31, 2015, total average investment securities increased \$55.5 million, or 33.6%, as compared to the same period in 2014. The primary reason for the increase was due to the investment of the deposits acquired in the branch acquisition.

Interest Expense. Interest expense for the year ended December 31, 2015 totaled \$2.3 million. This represents an increase of \$452,000, or 24.3%, for the year compared to \$1.9 million in 2014. The primary reason was due to an increase in the amount of interest paid on the term loan.

For the year ending December 31, 2015, average interest-bearing liabilities increased \$57.2 million or 25.3% to \$283.3 million as compared with \$226.1 million for 2014. The primary reason for

the growth in average interest-bearing liabilities was due to the deposits acquired in the branch acquisition.

The FHLB average advance balance increased \$.9 million, or 10.9%, to \$9.1 million for the year ended December 31, 2015 from \$8.2 million for the year ended December 31, 2014.

The following table presents information regarding average balances of assets and liabilities, as well as the total dollar amounts of interest income and dividends from average interest-earning assets and interest expense on average interest-bearing liabilities and the resulting average yields and costs. The yields and costs for the periods indicated are derived by dividing annual income or expense by the average balances of assets or liabilities, respectively, for the periods presented. For purposes of the below table, average balances have been calculated using the average of daily balances, and non-accrual loans are included in average balances; however, accrued interest income has been excluded from these loans.

Average Balance, Interest Income and Expense, Average Yield and Rates

	2015			2014		
	Average Balance	Interest Expense	Average Interest Rate	Average Balance	Interest Expense	Average Interest Rate
(Dollars in thousands)						
Interest-Earning Assets						
Loans	\$109,809	\$ 5,343	4.87%	\$ 97,799	\$5,074	5.19%
Investment securities:						
Taxable	166,188	4,151	2.50%	122,539	3,031	2.47%
Tax-exempt	54,596	1,309	2.40%	45,464	1,148	2.53%
Total Securities	220,784	5,460	2.47%	168,003	4,179	2.49%
Total interest-earning assets	330,593	10,803	3.27%	265,802	9,253	3.48%
Non-interest-earning assets:						
Cash and due from banks	\$ 8,937			\$ 10,847		
Other assets	36,118			30,061		
Less: allowance for loan losses	(1,633)			(1,633)		
Total non-interest-earning assets	43,422			39,275		
Total assets	\$374,015			\$305,077		
Liabilities and stockholders' equity						
Interest-bearing liabilities						
Deposits	\$251,783	\$ 992	0.39%	\$204,310	\$1,013	0.50%
Other borrowings	31,529	1,321	4.19%	21,760	848	3.90%
Total interest-bearing liabilities	283,312	2,313	0.82%	226,070	1,861	0.82%
Total non-interest-bearing liabilities	69,339			58,988		
Total liabilities	352,651			285,058		
Stockholders' equity	21,364			20,019		
Total liabilities and stockholders' equity	\$374,015			\$305,077		
Net interest spread		\$8,490	2.45%		\$7,392	2.66%
Net interest margin			2.57%			2.78%

Rate/Volume Analysis

(Dollars in Thousands)	Year Ended December 31, 2015 Compared to 2014		
	Increase (Decrease)		
	Net	Volume	Rate
Interest Income:			
Loans	\$ 269	\$ 597	\$ (328)
Investment Securities:			
Taxable	1,120	1,090	30
Tax Exempt	161	221	(60)
Total	\$ 1,550	\$ 1,909	\$ (359)
Interest Expense:			
Deposits	(21)	210	(231)
Other Borrowings	473	405	68
Total	\$ 452	\$ 615	\$ (163)
Net Interest Income	\$ 1,098	\$ 1,294	\$ (196)

Changes in interest due to volume and rate have been allocated by reference to changes in the average balances and the average interest rates of interest earning assets and interest bearing liabilities.

Interest Sensitivity Analysis

At December 31, 2015 Maturing or Repricing In:

(Dollars in Thousands)	Within 3 Months	4-12 Months	1-5 Years	Over 5 years	Total
Interest Earning Assets:					
Interest bearing deposits	\$ 504	\$ —	—	—	\$ 504
Investment securities	18,847	15,385	\$ 110,210	\$ 71,464	215,906
Loans	28,906	31,289	35,431	19,773	115,399
Total interest-earning assets	\$ 48,257	\$ 46,674	\$ 145,641	\$ 91,237	\$ 331,809
Interest bearing liabilities:					0
Interest bearing demand	\$ 34,184	—	—	—	34,184
Money market	44,552	—	—	—	44,552
Savings	103,117	—	—	—	103,117
Time deposits	10,924	27,115	33,295	245	71,579
Borrowed funds	6,777	—	—	—	6,777
Total interest-bearing liabilities	\$ 199,554	\$ 27,115	\$ 33,295	\$ 245	\$ 260,209
Period Gap	(151,297)	19,559	112,346	90,992	
Cumulative gap	(151,297)	(131,738)	(19,392)	71,600	
Ratio of cumulative gap to total assets	(40.9)%	(35.6)%	(5.2)%	19.4%	

Assumptions:

*Adjustable rate loans have been distributed among the categories by repricing dates.

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*Mortgage backed investments and loans do not take into account principal prepayments.

*All transaction deposit accounts have been placed into the “within three months” category as they have no stated maturity and rates will adjust as market rates adjust.

*All savings accounts have been placed in the “within three months” category.

Earnings are dependent on maintaining an adequate net interest yield or spread between rates earned on assets and the cost of interest-bearing liabilities. NBDC Bank must manage its interest rate sensitivity to maintain adequate spread during rising and declining interest rate environments. Decisions about which bonds to purchase are based upon factors such as term, yield and asset quality. Short term bonds enhance rate sensitivity but typically have lower yields. NBDC Bank’s investment strategy carries the majority of investments as maturing after the five-year period illustrated above. With the exception of local bonds which are held to maturity, all investments are held available for sale, which gives NBDC Bank the flexibility to sell in response to market changes. The money can then be used to fund loan growth or reinvested in bonds at the new interest rate.

Having a similar amount of assets repricing, or maturing, at or about the same time as liabilities reprice or mature, reduces interest rate risk. However, management recognizes certain trends and historical experiences for some products. Accounts such as savings, interest checking, and money market accounts are core deposits and do not have the same reaction to interest rate changes as time deposits do. These accounts tend to change according to cash flow and the transaction needs of NBDC Bank’s customers.

According to the table, NBDC Bank has a negative gap position, which means liabilities will reprice faster than assets. When interest rates are rising, this will tend to reduce the interest spread and net interest income, and when rates are falling, interest spread and net income should increase.

Provisions for Loan Losses; Allowance for Loan Losses. For the year ending December 31, 2015, Delaware recorded a provision for loan loss in the amount of \$150,000, compared to \$16,000 for the year ended December 31, 2014. The increase in the provision expense reflects an increase in the levels of delinquent loans and management’s analysis of economic conditions in NBDC Bank’s market areas. In addition, the increased provision reflects the strategy of growing the commercial real estate portfolio. These loans have a higher risk of default and loss than single-family residential mortgage loans because repayment of the loans often depends on the successful operation of a business or the underlying property. The allowance for loan losses as a percent of total loans was 1.45% at December 31, 2015, compared to 1.52% at December 31, 2014.

The following table illustrates information related to NBDC Bank’s nonperforming assets at the dates indicated. NBDC Bank had no significant troubled debt restructurings or accruing loans past due 90 or more days at the dates presented.

		At December 31,	
(Dollars in thousands)	2015	2014	% Change
Nonaccrual loans	\$766	\$687	11.5%
Other real estate owned	0	178	-100%
Total nonperforming assets	\$766	\$865	
Total nonperforming loans to total loans	0.69%	0.68%	1.47%
Total nonperforming loans to total assets	0.21%	0.18%	1.67%
Total nonperforming assets to total assets	0.21%	0.23%	-8.70%

Other Income. For the year ended December 31, 2015, non-interest income totaled \$3.2 million, a \$13,000, or 0.4%, decrease from 2014. The decrease was primarily the result of a \$257,000, or 21.2%, decrease in gains on sale of securities and a \$47,000, or 4.7%, decrease in other service charges and operating income, partially offset by a \$272,000, or 37.3%, increase in service charges on deposit accounts.

Other Expenses. For the year ended December 31, 2015, non-interest expense increased \$1.7 million, or 17.3%, to \$11.6 million as compared to \$9.8 million for the year ending December 31, 2014. Salaries increased \$745,000, or 23.0%, to \$4.0 million for the year ended December 31, 2015 as compared with the same period in 2014, and employee benefits increased \$242,000, or 19.2%, to \$1.5 million for the year ended December 31, 2015 compared to \$1.3 million for the year ended December 31, 2014. The primary reason for the increase was the increased staffing level due to the addition of six branches as a result of the branch acquisition, as well as increased benefit costs and merit increases for staff. Occupancy expenses increase to \$923,000 from \$645,000, an increase of \$278,000, or 43.1%, due to the addition of six branches as a result of the branch acquisition. Other expenses increased \$181,000, or 5.1%, primarily due to acquisition costs in connection with the branch acquisition. For the year ended December 31, 2015, FDIC insurance assessments were \$234,000 as compared to \$141,000 for the same period in 2014.

Income Taxes. Delaware recorded an income tax benefit for the year ended December 31, 2015 of \$565,000, compared to an income tax benefit of \$184,000 for the year ended December 31, 2014. The higher tax benefit in fiscal year 2015 is a reflection of the increase in the municipal bond portfolio which offsets taxable income.

SECURITY OWNERSHIP OF DIRECTORS, EXECUTIVE OFFICERS AND CERTAIN BENEFICIAL OWNERS OF DELAWARE

As of May 6, 2016, no person is known to Delaware to be the beneficial owner of more than 5% of Delaware's outstanding common stock. The following table provides information as of May 6, 2016 about the shares of Delaware common stock that may be considered to be beneficially owned by each director, each executive officer and all directors and executive officers of Delaware as a group. A person may be considered to beneficially own any shares of common stock over which he or she has, directly or indirectly, sole or shared voting or investment power. Unless otherwise indicated, each of the named individuals has sole voting power and sole investment power with respect to the number of shares shown.

Name of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class(1)
James S. Stracuzzi	800	*
Michael P. DeGroat	2,841	*
Patrick R. Galloway	1,404	*
Leonard A. Govern	4,800 (2)	*
Meg Hungerford	2,101 (3)	*
Douglas W. Sluiter	1,600	*
Joel Smith	1,089	*
Kathleen A. Suozzo	15,744	1.7%
Dawnette M. Hotaling	—	*
Darlene B. Mirrer	140 (4)	*
Laura E. Vail	—	*
Amanda L. Hall	36	*
Executive Officers and Directors as a group (12 persons)	30,555	3.3%

* Less than 1%.

(1) Based on 925,499 shares outstanding on May 6, 2016.

(2) Includes 3,400 shares owned jointly with his spouse.

(3) Includes 1,301 shares held as custodian for minor children.

(4) Includes 140 shares owned jointly with her spouse.

ADJOURNMENT OF THE SPECIAL MEETING

In the event that there are not sufficient votes to constitute a quorum or approve the adoption of the merger agreement at the time of the special meeting, the merger agreement may not be adopted unless the special meeting is adjourned to a later date or dates in order to permit further solicitation of proxies. In order to allow proxies that have been received by Delaware at the time of the special meeting to be voted for an adjournment, if necessary, Delaware has submitted the proposal on adjournment to its shareholders as a separate matter for their consideration. The board of directors of Delaware unanimously recommends that shareholders vote “FOR” the adjournment proposal. If it is necessary to adjourn the special meeting, no notice of the adjourned special meeting is required to be given to shareholders (unless the adjournment is for more than 30 days or if a new record date is fixed), other than an announcement at the special meeting of the hour, date and place to which the special meeting is adjourned.

EXPERTS

The reports dated March 15, 2016, with respect to management’s assessment of internal control over financial reporting and the consolidated statement of condition of Norwood and subsidiary as of December 31, 2015 and 2014, and the related consolidated statements of income, comprehensive income, changes in stockholders’ equity, and cash flows for the three years ended December 31, 2015 incorporated by reference herein, have been incorporated by reference in reliance upon the reports of S.R. Snodgrass, P.C., an independent registered public accounting firm, and upon the authority of said firm as experts in accounting and auditing.

The consolidated financial statements of Delaware and its subsidiaries included in this proxy statement/prospectus for the years ended December 31, 2015 and 2014 have been so included in reliance on the report of Dannible & McKee, LLP, independent auditors.

LEGAL OPINIONS

Jones Walker LLP, Washington, D.C., and Cranmore FitzGerald & Meaney will deliver prior to the effective time of the merger their opinions to Norwood and Delaware, respectively, as to certain United States federal income tax consequences of the merger. See “The Merger and the Merger Agreement — Material United States Federal Income Tax Consequences of the Merger” beginning on page 59. In addition, Jones Walker LLP, Washington, D.C., has given its opinion with respect to the validity of the shares of Norwood common stock to be issued in the merger.

OTHER MATTERS

As of the date of this proxy statement/prospectus, the Delaware board of directors does not know of any matters that will be presented for consideration at its special meeting other than as described in this document. However, if any other matter shall properly come before the special meeting or any adjournment or postponement thereof and shall be voted upon, the proposed proxies will be deemed to confer authority to the individuals named as authorized therein to vote the shares represented by the proxy as to any matters that fall within the purposes set forth in the notices of special meetings.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The SEC allows Norwood to incorporate certain information into this document by reference to other information that has been filed with the SEC. The information incorporated by reference is deemed to be part of this document, except to the extent any information is superseded by information in this document. The documents that are incorporated by reference contain important information about the companies and you should read this document together with any other documents incorporated by reference in this document.

This document incorporates by reference the following documents that have previously been filed with the SEC by Norwood (File No. 000-28364):

• Annual Report on Form 10-K for the year ended December 31, 2015 (including portions of Norwood’s definitive proxy materials for its 2016 annual meeting of shareholders filed with the SEC on March 24, 2016 and incorporated by reference therein);

- Current Reports on Form 8-K filed January 29, 2016, March 9, 2016, March 10, 2016, April 22, 2016 and April 28, 2016 (other than the portions of those documents not deemed to be filed); and

• The description of Norwood’s common stock contained in its registration statement on Form 10 filed with the SEC on April 29, 1996 including any amendment or reports filed for the purpose of updating such description.

We also incorporate by reference any future documents we may file with the SEC pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act, excluding any document or portion thereof that has been furnished to the SEC rather than filed, during the period between the filing of the registration statement and its effectiveness.

In addition, Norwood is incorporating by reference any documents they may file under Section 13(a), 13(c), 14 or 15(d) of the Exchange Act after the date of this document and prior to the date of the

special meeting of the Delaware shareholders, provided, however, that Norwood is not incorporating by reference any information furnished (but not filed), except as otherwise specified herein.

Norwood files annual, quarterly and special reports, proxy statements and other business and financial information with the SEC. You may obtain the information incorporated by reference and any other materials Norwood files with the SEC without charge by following the instructions in the section entitled "Where You Can Find More Information."

Norwood has not authorized anyone to give any information or make any representation about the merger or the respective companies that is different from, or in addition to, that contained in this document or in any of the materials that have been incorporated into this document. Therefore, if anyone does give you information of this sort, you should not rely on it. If you are in a jurisdiction where offers to exchange or sell, or solicitations of offers to exchange or purchase, the securities offered by this document or the solicitation of proxies is unlawful, or if you are a person to whom it is unlawful to direct these types of activities, then the offer presented in this document does not extend to you. The information contained in this document speaks only as of the date of this document unless the information specifically indicates that another date applies.

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Independent Auditor's Report on Consolidated Financial Statements

April 6, 2016

Board of Directors and Shareholders
Delaware Bancshares, Inc.

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Delaware Bancshares, Inc. and its subsidiary, which comprise the consolidated balance sheets as of December 31, 2015 and 2014, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the

reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Delaware Bancshares, Inc. and its subsidiary as of December 31, 2015 and 2014, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Dannible & McKee, LLP
Syracuse, New York

Delaware Bancshares, Inc.
CONSOLIDATED BALANCE SHEETS
(In Thousands of Dollars)

ASSETS	December 31,	
	2015	2014
Cash and cash equivalents	\$ 6,154	\$ 8,531
Investment securities:		
Held-to-maturity	4,412	863
Available-for-sale	209,214	232,308
TOTAL INVESTMENTS	213,626	233,171
Loans:		
Loans	115,704	102,808
Less reserve for loan losses	(1,677)	(1,561)
NET LOANS	114,027	101,247
Bank premises, furniture, and fixtures	4,200	4,597
Bank owned life insurance	14,554	14,203
Accrued interest receivable and other assets	11,343	10,848
Goodwill and other intangibles	7,785	8,066
TOTAL ASSETS	\$ 371,689	\$ 380,663
LIABILITIES		
Deposits:		
Non-interest bearing	\$ 65,162	\$ 62,321
Interest bearing	251,807	242,455
TOTAL DEPOSITS	316,969	304,776
Securities sold under agreements to repurchase	2,277	2,801
Accrued interest payable, taxes and other liabilities	6,854	6,742
Overnight advance from Federal Home Loan Bank	4,500	24,750
Long term debt	11,781	12,000
Junior subordinated debentures	8,248	8,248
TOTAL LIABILITIES	350,629	359,317
COMMITMENTS AND CONTINGENCIES -		
NOTE 12		
SHAREHOLDERS' EQUITY		
Common stock, \$1.25 par value:		
Shares authorized: 1,500,000		

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Issued: 1,076,811 in 2015 and 2014	1,346	1,346
Additional paid-in capital	8,315	8,315
Retained earnings	19,102	18,881
Less: Common stock in Treasury at cost, 151,312 shares in 2015 and 2014	(4,716)	(4,716)
Accumulated other comprehensive loss	(2,987)	(2,480)
TOTAL SHAREHOLDERS' EQUITY	21,060	21,346
 TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	 \$ 371,689	 \$ 380,663

See notes to consolidated financial statements.

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Delaware Bancshares, Inc.
CONSOLIDATED STATEMENTS OF INCOME
(In Thousands of Dollars except Net Income per Share)

	Year Ended December 31,	
	2015	2014
INTEREST INCOME		
Loans	\$ 5,343	\$ 5,074
Investment securities:		
Taxable	4,151	3,031
Tax exempt	1,309	1,148
TOTAL INTEREST INCOME	10,803	9,253
INTEREST EXPENSE		
Deposits	992	1,013
Overnight advance from Federal Home Loan Bank	41	33
Long-term debt	665	201
Junior subordinated debentures	615	614
TOTAL INTEREST EXPENSE	2,313	1,861
NET INTEREST INCOME	8,490	7,392
PROVISION FOR LOAN LOSSES	150	16
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	8,340	7,376
OTHER INCOME		
Service charges on deposit accounts	1,002	730
Income from bank owned life insurance	326	307
Other service charges and operating income	956	1,003
Net investment security gains on sale of available-for-sale securities	956	1,213
	3,240	3,253
	11,580	10,629
OTHER EXPENSES		
Salaries	3,984	3,239
Employee benefits	1,505	1,263
Data processing and equipment expenses	1,563	1,032
Occupancy expenses	923	645
FDIC assessments	234	141
Other	3,345	3,526
	11,554	9,846
INCOME BEFORE INCOME TAXES	26	783
INCOME TAX (BENEFIT) PROVISION	(565)	(184)
NET INCOME	\$ 591	\$ 967

Net income per share	\$.64	\$ 1.04
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See notes to consolidated financial statements.

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Delaware Bancshares, Inc.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands of Dollars)

	Year Ended December 31,	
	2015	2014
Net income:	\$591	\$967
Other comprehensive income (loss):		
Change in unrealized net gains (losses) on available-for-sale securities, net of reclassification adjustments of \$589 and \$10 and tax of \$(405) and \$2,300 for 2015 and 2014, respectively	(608)	3,450
Change in unrecognized loss on pension liability, net of tax of \$(52) and \$(443) for 2015 and 2014, respectively	(79)	(665)
Change in unrealized loss on interest rate swap, net of tax of \$120 and \$122 for 2015 and 2014, respectively	180 (507)	184 2,969
COMPREHENSIVE INCOME	\$84	\$3,936

See notes to consolidated financial statements.

Delaware Bancshares, Inc.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
 For the years ended December 31, 2015 and 2014
 (In Thousands of Dollars)

	Common Stock	Additional Paid-in Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total
Balance at January 31, 2014	\$ 1,346	\$ 8,315	\$ 18,516	\$ (4,716)	\$ (5,449)	\$ 18,012
Net income			967			967
Other comprehensive income					2,969	2,969
Cash dividends (\$.65 per share)			(602)			(602)
Balance – December 31, 2014	1,346	8,315	18,881	(4,716)	(2,480)	21,346
Net income			591			591
Other comprehensive loss					(507)	(507)
Cash dividends (\$.40 per share)			(370)			(370)
Balance at December 31, 2015	\$ 1,346	\$ 8,315	\$ 19,102	\$ (4,716)	\$ (2,987)	\$ 21,060

See notes to consolidated financial statements.

Delaware Bancshares, Inc.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands of Dollars)

	Year ended December 31,	
	2015	2014
OPERATING ACTIVITIES		
Net income	\$591	\$967
Adjustments to reconcile net income to net cash provided by (used for) operating activities:		
Provision for loan losses	150	16
Provision for depreciation and amortization	803	587
Amortization (accretion) of investment security premiums	1,544	1,552
Deferred tax benefit	(634)	(24)
Net realized gains on securities	(956)	(1,213)
Increase in accrued interest receivable	(69)	(414)
Decrease in accrued interest payable	(10)	(13)
Increase in other assets	(503)	(627)
Increase in bank owned life insurance	(351)	(1,232)
Increase (decrease) in other liabilities	419	(69)
Decrease in deferred compensation	(128)	(115)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	856	(585)
INVESTING ACTIVITIES		
Proceeds from maturities of held-to-maturity investment securities	120	1,502
Purchases of held-to-maturity investment securities	(3,669)	(137)
Proceeds from maturities and sales of available-for-sale investment securities	117,991	48,071
Purchases of available-for-sale investment securities	(96,498)	(146,485)
Proceeds from (purchase of) Federal Home Loan Bank stock	821	(1,056)
Net increase in loans	(12,771)	(4,924)
Purchases of bank premises, furniture, and fixtures	(56)	(703)
Acquisition of Bank of America branches, net	—	78,658
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	5,938	(25,074)
FINANCING ACTIVITIES		
Net increase in demand deposits, NOW accounts and savings accounts	20,985	3,555
Net decrease in certificates of deposit	(8,793)	(9,091)
Increase (decrease) in securities sold under agreements to repurchase	(524)	108
Overnight advance from (repayment to) Federal Home Loan Bank	(20,250)	24,750
Proceeds from (repayment to) long term debt net of debt issuance costs	(219)	11,330
Cash dividends	(370)	(833)
NET CASH PROVIDED BY (USED FOR) FINANCING ACTIVITIES	(9,171)	29,819
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,377)	4,160
Cash and cash equivalents at beginning of year	8,531	4,371
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$6,154	\$8,531

See notes to consolidated financial statements.

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Delaware Bancshares, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Business

Delaware Bancshares, Inc. (the “Company”) provides a full range of banking services (primarily in Delaware and Sullivan County, New York) to individual and small business customers through its wholly owned subsidiary, National Bank of Delaware County (the “Bank”). The Bank is subject to intense competition from other financial institutions. The Company and the Bank are subject to the regulations of certain Federal agencies and undergo periodic examinations by those regulatory authorities.

Pursuant to the Agreement and Plan of Merger, dated May 15, 2007, by and between the Company and Stamford Bank Corp (Stamford), the Company acquired 100 percent of the outstanding stock of Stamford on November 9, 2007. The merger was a tax-free merger for the Company. The transaction was accounted for under the purchase method of accounting.

Further, pursuant to the Purchase and Assumption Agreement, dated March 31, 2014, by and between the Company and Bank of America, National Association, the Bank acquired six Bank of America branches located in Sullivan County on September 19, 2014, through the purchase of certain assets and the assumption of certain liabilities. The transaction was accounted for under the purchase method of accounting. See Note 14 for further discussion.

Basis of Financial Statement Presentation

The consolidated financial statements include all accounts of the Company and the Bank, and have been prepared in accordance with accounting principles generally accepted in the United States of America. All significant intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates

In preparing the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include amounts due from banks. Cash balances held by other financial institutions in excess of the amount insured by the Federal Deposit Insurance Corporation are subject to credit risk. From time to time, amounts held by the Bank may exceed the insured amounts.

The Bank is required to have \$2,433,000 and \$1,832,000 at December 31, 2015 and 2014, respectively, of cash on hand or on deposit with the Federal Reserve Bank in order to meet regulatory reserve and clearing requirements. The deposits with the Federal Reserve Bank do not earn interest.

Concentration of Credit Risk

Most of the Bank's business activity is with customers in the Bank's market area. The majority of those customers are depositors of the Bank. Investments in state and local governmental securities primarily involve governmental entities within the Bank's market area and other areas in New York State. The Bank, as matter of policy, does not extend credit to any single borrower, or group of related borrowers, in excess of 25 percent of primary capital as defined.

To reduce the credit risk associated with credit related financial instruments, the Bank might deem it necessary to obtain collateral. The amount and nature of the collateral obtained is based on the Bank's credit evaluation of the customer. Collateral held varies, but may include cash, securities, accounts receivable, inventory, plant and equipment, and real estate.

Loans

Loans are stated at the unpaid principal balance, less an allowance for loan losses and any deferred fees or costs on the originated loan. Interest income is accrued on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and recognized as an adjustment of the related loan yield using the interest method.

Loans are determined to be past due based upon contractual terms. Certain loans are placed on nonaccrual status when payments become 90 or 120 days past due depending on the type of loan and related collateral. Loans are placed on nonaccrual status or charged off at an earlier date if collection of principal or interest is considered doubtful. Interest income generally is not recognized on specific impaired loans unless the likelihood of further loss is remote. Interest payments received on such loans are applied as a reduction of the loan principal balance. Interest income on other nonaccrual loans is recognized only to the extent of interest payments received after all principal has been collected.

Reserve for Loan Losses

Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the reserve for loan losses. A substantial portion of the Bank's loans are collateralized by real estate in the Bank's market area of Delaware and Sullivan County, New York. Accordingly, the ultimate collectability of a substantial portion of the Bank's loan portfolio is particularly susceptible to changes in market conditions in these areas. Management obtains appraisals for significant properties.

Management believes that the reserve for loan losses is adequate. The reserve is increased by provisions charged to operating expense and reduced by net charge-offs. While management uses available information to recognize losses on loans, future additions to the reserve may be necessary based on changes in economic conditions. In addition, various regulatory agencies, as an integral part of their examination process, periodically review the Bank's reserve for loan losses. Such agencies may require the Bank to recognize additions to the reserve based on their judgment of information available to them at the time of their examination.

In developing the reserve for loan losses, impaired loans are measured based on the present value of expected future cash flows discounted at the loan's effective interest rate or, as a practical expedient, at the loan's observable market price or the fair value of the collateral if the loan is collateral dependent.

The Bank's allowance for possible loan losses consists of three elements: (1) specific allowances established for probable losses on specific loans, (2) general allocation calculated based on historical loan loss experience for similar loans with similar characteristics and trends, and (3) an allocation for classified loans using migration methodology based on the past eight quarters.

Investment Securities

Trading securities: Trading securities are held for resale in anticipation of short-term market movements. The Bank has no securities classified as trading securities.

Securities held-to-maturity and available-for-sale: Management determines the appropriate classification of debt securities at the time of purchase. Debt securities are classified as held-to-maturity when the Company has the positive intent and ability to hold the securities to maturity. Held-to-maturity securities are stated at amortized cost.

Debt securities not classified as held-to-maturity are classified as available-for-sale. Available-for-sale securities are stated at fair value, with the unrealized gains and losses, net of tax, reported as a separate component of shareholders' equity.

The amortized cost of debt securities classified as held-to-maturity or available-for-sale is adjusted for the amortization of premiums and accretion of discounts to maturity, or, in the case of mortgage-backed securities, over the estimated life of the security. Such amortization is included in interest income from investments. Interest and dividends are also included in interest income from investments. Realized gains and losses and declines in value judged to be other-than-temporary are included in investment security gains (losses). The cost of securities sold is based on the specific identification method.

Securities with limited marketability, such as stock in the Federal Reserve Bank and the Federal Home Loan Bank, are carried at cost.

In estimating other-than-temporary impairment 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 and ability of the Bank to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

Declines in fair value of individual held-to-maturity and available-for-sale securities below their cost that are other-than-temporary result in write-downs of the individual securities to their fair value. The related write-downs are included in earnings as realized losses or in comprehensive income as unrealized losses.

Securities Sold Under Agreements to Repurchase

The Bank sells certain securities under agreements to repurchase. The agreements are treated as collateralized financing transactions, and the obligations to repurchase securities are reflected as a liability in the accompanying consolidated balance sheets. The dollar amount of securities underlying the agreements remains in the asset accounts.

Bank Premises, Furniture, and Fixtures

Bank premises, furniture, and fixtures are stated at cost, less an allowance for depreciation, which is computed using the straight-line method over the estimated useful lives of the assets. Interest is capitalized as part of the cost of premises during periods of construction. Repairs and maintenance are charged to expense as incurred, whereas betterments are capitalized.

Bank Owned Life Insurance

Bank owned life insurance (BOLI) was purchased as a financing tool to fund certain employee benefits. The advantages of life insurance financing are the tax-preferred status of the increase in life insurance cash values and the death benefits and cash flow generated at the death of the insured. BOLI is stated on the Bank's balance sheets at its current surrender value. The cash surrender value is subject to credit risk and is dependent on the financial condition of the insurance carriers. Increases in BOLI's cash surrender value are reported in the Bank's income.

Other Real Estate Owned

Real estate properties acquired through, or in lieu of, loan foreclosure are initially recorded at the lower of the Bank's carrying amount or fair value less estimated selling costs. Any losses based on the asset's fair value at the date of acquisition are charged to the reserve for loan losses. After foreclosure, these assets are carried at the lower of their new basis or fair value less cost to sell. Costs incurred in maintaining foreclosed real estate and subsequent adjustments to the carrying amount of the property, based on periodic evaluations by management, are included in other noninterest expenses. There were no transfers to other real estate owned in 2015. Loan foreclosures, net of charge-offs, transferred to other real estate owned were approximately \$82,000 in 2014. The Bank received approximately \$162,000 and \$402,000 in proceeds from the sale of other real estate owned in 2015 and 2014, respectively. Approximately \$17,000 and \$81,000 was written off to other noninterest expense during 2015 and 2014, respectively. There was no other real estate owned at December 31, 2015. Other real estate owned amounted to \$178,000 at December 31, 2014. This is included in accrued interest and other assets on the consolidated balance sheets.

Goodwill and Other Intangibles

Goodwill represents the excess of the cost of the business acquired over the fair value of the net assets acquired. Goodwill is not amortized, but is reviewed for potential impairment if events or circumstances indicate a potential impairment. The Bank has determined that there are no events or circumstances that would indicate an impairment of goodwill at December 31, 2015. Goodwill was approximately \$6,322,000 at December 31, 2015 and 2014.

Intangible assets are acquired assets that lack physical substance, but can be distinguished from goodwill because of contractual or other legal rights or because the asset is capable of being sold or exchanged either on its own or in combination with a related contract, asset or liability. The Company's other intangible assets relate to core deposits. Core deposits associated with the Stamford purchase were recorded at the original cost of approximately \$3,292,000. The core deposit intangible is amortized on an accelerated basis over its estimated useful life of 13

years.

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Amortization expense related to this intangible asset was \$211,046 and \$247,225 in 2015 and 2014, respectively. Accumulated amortization was approximately \$2,779,700 and \$2,568,700 at December 31, 2015 and 2014, respectively.

Core deposits associated with the 2014 Bank of America purchase is approximately \$1,037,000. This core deposit intangible is being amortized on a straight-line basis over its estimated useful life of 15 years. Amortization expense related to this intangible asset was \$69,161 and \$17,290 in 2015 and 2014, respectively. Accumulated amortization was approximately \$86,500 and \$17,300 at December 31, 2015 and 2014, respectively.

The estimated aggregate future amortization expense remaining as of December 31, 2015, is as follows (in thousands of dollars):

2016	\$ 244
2017	208
2018	172
2019	135
2020	99
2021 and thereafter	605
	\$ 1,463

Income Taxes

Income taxes are provided for the tax effects of transactions reported in the consolidated financial statements and consist of taxes currently due plus the change in deferred taxes. The Company computes deferred taxes using the liability method, whereby deferred income taxes are determined based on differences between the financial reporting and income tax basis of assets and liabilities related primarily to loan loss provision, bank premises, furniture, and fixtures, accrued compensation liabilities, and certain differences associated with the purchase of Stamford and Bank of America branches.

Deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. Deferred taxes are also recognized for operating loss carryforwards that are available to offset future taxable income and tax credits that are available to offset future income taxes.

Deferred income taxes are recorded using currently enacted income tax rates applicable to the period in which the deferred tax asset or liability is expected to be realized or settled. As changes in tax laws are enacted, deferred income taxes are adjusted through the provision for income taxes in the year of change.

Pursuant to the Financial Accounting Standards Board (FASB) authoritative guidance on accounting for uncertainty in income taxes, the Company has reviewed its operations for uncertain tax positions and believes there are no significant exposures. The Company will include interest on income tax liabilities in interest expense and penalties in operations if such amounts arise. The Company is no longer subject to Federal and New York State examinations by tax authorities for years before 2012.

Advertising Costs

The Company expenses advertising costs as incurred. Advertising expense was approximately \$354,000 and \$209,000 in 2015 and 2014, respectively.

Per Share Amounts

Earnings per share are computed based on the weighted average number of shares outstanding, which were 925,499 in both 2015 and 2014.

Fair Value Disclosures

The FASB authoritative guidance on fair value measurements for financial assets and liabilities, defines fair value, establishes a framework for measuring fair value in accordance with accounting principles generally accepted in the United States of America, and requires certain disclosures about fair value measurements. See Note 11 - Fair Value Disclosures.

FASB authoritative guidance on disclosures about fair value of financial instruments requires disclosure of fair value information about financial instruments, whether or not recognized in the balance sheet. The guidance excludes certain financial instruments and all nonfinancial instruments from its disclosure requirements. Accordingly, the aggregate fair value amounts presented do not represent the underlying value of the Bank. See Note 11 - Fair Value Disclosures.

Off-Balance-Sheet Financial Instruments

In the ordinary course of business, the Bank has entered into off-balance-sheet financial instruments consisting of commitments to extend credit and standby letters of credit. Such financial instruments are recorded in the consolidated financial statements when they are funded or related fees are incurred or received.

Comprehensive Income