

NORWOOD FINANCIAL CORP  
Form 10-Q  
November 13, 2007  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

**FORM 10-Q**

(Mark One)

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

For the quarterly period ended September 30, 2007

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 0-28366

**Norwood Financial Corp.**

(Exact name of Registrant as specified in its charter)

Pennsylvania  
(State or other jurisdiction of

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

Incorporation or organization)

717 Main Street, Honesdale, Pennsylvania  
(Address of principal executive offices)

18431  
(Zip Code)

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

NA  
(Former name, former address and former fiscal year, if changed since last report))

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

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

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

Class	Outstanding as of November 13, 2007
Common stock, par value \$0.10 per share	2,767,959

**NORWOOD FINANCIAL CORP.**

**FORM 10-Q**

**FOR THE QUARTER ENDED SEPTEMBER 30, 2007**

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**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements**

NORWOOD FINANCIAL CORP.

Consolidated Balance Sheets (unaudited)

(dollars in thousands, except per share data)

	<b>September 30, 2007</b>	<b>December 31, 2006</b>
<b>ASSETS</b>		
Cash and due from banks	\$ 8,656	\$ 9,450
Interest bearing deposits with banks	218	67
Cash and cash equivalents	8,874	9,517
Securities available for sale	118,736	112,912
Securities held to maturity, fair value 2007:		
\$723, 2006: \$971	705	954
Loans receivable (net of unearned income)	328,582	315,567
Less: Allowance for loan losses	3,979	3,828
Net loans receivable	324,603	311,739
Investment in FHLB Stock, at cost	1,989	1,687
Bank premises and equipment, net	5,764	6,020
Bank owned life insurance	7,694	7,479
Accrued interest receivable	2,417	2,129
Other assets	2,084	1,919
<b>TOTAL ASSETS</b>	<b>\$ 472,866</b>	<b>\$ 454,356</b>
<b>LIABILITIES</b>		
Deposits:		
Non-interest bearing demand	\$ 60,880	\$ 53,856
Interest bearing	306,673	304,247
Total deposits	367,553	358,103
Short-term borrowings	22,628	22,736
Other borrowings	23,000	13,000
Accrued interest payable	2,590	2,894
Other liabilities	2,375	5,392
<b>TOTAL LIABILITIES</b>	<b>418,146</b>	<b>402,125</b>
<b>STOCKHOLDERS' EQUITY</b>		
Common stock, \$.10 par value, authorized 10,000,000		
shares, issued: 2,840,872	284	284
Surplus	10,203	10,149
Retained earnings	46,046	43,125
Treasury stock at cost: 2007: 72,913 shares, 2006:		
43,721 shares	(2,237 )	(1,283 )
Accumulated other comprehensive income (loss)	424	(44 )
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>54,720</b>	<b>52,231</b>

TOTAL LIABILITIES AND

STOCKHOLDERS' EQUITY	\$ 472,866	\$ 454,356
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See accompanying notes to the unaudited consolidated financial statements

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NORWOOD FINANCIAL CORP.

Consolidated Statements of Income (unaudited)

(dollars in thousands, except per share data)	<b>Three Months Ended</b>		<b>Nine Months Ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
<b>INTEREST INCOME</b>				
Loans receivable, including fees	\$ 6,054	\$ 5,506	\$ 17,772	\$ 15,651
Securities	1,370	1,105	3,866	3,221
Other	33	36	144	121
Total interest income	7,457	6,647	21,782	18,993
<b>INTEREST EXPENSE</b>				
Deposits	2,489	2,032	7,449	5,360
Short-term borrowings	195	235	656	585
Other borrowings	281	278	808	991
Total interest expense	2,965	2,545	8,913	6,936
NET INTEREST INCOME	4,492	4,102	12,869	12,057
PROVISION FOR LOAN LOSSES	90	45	195	170
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	4,402	4,057	12,674	11,887
<b>OTHER INCOME</b>				
Service charges and fees	635	616	1,876	1,850
Income from fiduciary activities	117	89	335	261
Net realized gains on sales of securities	--	45	15	66
Gain on sale of loans and servicing rights	8	3	16	110
Other	153	141	422	434
Total other income	913	894	2,664	2,721
<b>OTHER EXPENSES</b>				
Salaries and employee benefits	1,432	1,482	4,367	4,344
Occupancy, furniture & equipment, net	400	329	1,231	1,078
Data processing related	173	185	515	511
Taxes, other than income	54	110	293	334
Professional fees	75	62	258	279
Other	653	562	1,831	1,791
Total other expenses	2,787	2,730	8,495	8,337
INCOME BEFORE INCOME TAXES	2,528	2,221	6,843	6,271
INCOME TAX EXPENSE	722	699	2,004	1,940
NET INCOME	\$ 1,806	\$ 1,522	\$ 4,839	\$ 4,331
<b>BASIC EARNINGS PER SHARE</b>	\$ 0.65	\$ 0.54	\$ 1.74	\$ 1.55
<b>DILUTED EARNINGS PER SHARE</b>	\$ 0.64	\$ 0.53	\$ 1.71	\$ 1.52

See accompanying notes to the unaudited consolidated financial statements

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NORWOOD FINANCIAL CORP.

Consolidated Statements of Changes in Stockholders' Equity (unaudited)

(dollars in thousands,  
except per share data)

	Number of shares issued	Common Stock	Surplus	Retained Earnings	Treasury Stock	Unearned ESOP Shares	Accumulated Other Comprehensive (Loss) Income	Total
Balance December 31, 2005	2,705,715	\$ 270	\$ 5,648	\$ 43,722	\$ (633 )	\$ (127 )	\$ (772 )	\$ 48,108
Comprehensive Income:								
Net Income				4,331				4,331
Change in unrealized losses on securities available for sale, net of reclassification adjustment and tax effects							483	483
Total comprehensive income								4,814
Cash dividends declared, \$.62 per share				(1,727 )				(1,727 )
5% Stock dividend	135,157	14	4,121	(4,139 )				(4 )
Acquisition of treasury stock					(671 )			(671 )
Stock options exercised			(26 )		58			32
Tax benefit of stock options exercised			1					1
Compensation expense related to stock options			85					85
Release of earned ESOP shares			294			127		421
Balance, September 30, 2006	2,840,872	\$ 284	\$ 10,123	\$ 42,187	\$ (1,246 )	\$ -	\$ (289 )	\$ 51,059

(dollars in thousands,  
except per share data)

	Number of shares issued	Common Stock	Surplus	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive (Loss) Income	Total
	2,840,872	\$ 284	\$ 10,149	\$ 43,125	\$ (1,283 )	\$ (44 )	\$ 52,231

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Balance December 31, 2006		
Comprehensive Income:		
Net Income	4,839	4,839
Change in unrealized gains on securities available for sale, net of reclassification adjustment and tax effects		468
Total comprehensive income		5,307
Cash dividends declared, \$.69 per share	(1,918 )	(1,918 )
Acquisition of treasury stock		