

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

FORM 10-K

ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2025

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 001-38229

FIDELITY D & D BANCORP, INC.

Commonwealth of Pennsylvania I.R.S. Employer Identification No: 23-3017653

Blakely And Drinker Streets  
Dunmore, Pennsylvania 18512  
TELEPHONE NUMBER (570) 342-8281

SECURITIES REGISTERED UNDER SECTION 12(b) OF THE ACT:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, without par value	FDBC	The NASDAQ Stock Market, LLC

SECURITIES REGISTERED UNDER SECTION 12(g) OF THE ACT: None

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

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

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

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

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

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

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

Indicate by check mark whether the registrant has filed a report on the attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.  If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

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

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

The aggregate market value of the voting common stock held by non-affiliates of the registrant was \$219.1 million as of June 30, 2025, based on the closing price of \$46.00. The number of shares of common stock outstanding as of February 28, 2026 was 5,805,183.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's definitive Proxy Statement to be used in connection with the 2026 Annual Meeting of Shareholders are incorporated herein by reference in partial response to Part III.

**Fidelity D & D Bancorp, Inc.**  
**2025 Annual Report on Form 10-K**  
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## FIDELITY D & D BANCORP, INC.

### PART I

#### *Forward-Looking Statements*

Certain of the matters discussed in this Annual Report on Form 10-K may constitute forward-looking statements for purposes of the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended, and as such may involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. The words “expect,” “anticipate,” “intend,” “plan,” “believe,” “estimate,” and similar expressions are intended to identify such forward-looking statements.

The Company’s actual results may differ materially from the results anticipated in these forward-looking statements due to a variety of factors, including, without limitation:

- local, regional and national economic conditions and changes thereto;
- the short-term and long-term effects of inflation, and rising costs to the Company, its customers and on the economy;
- the risks of changes and volatility of interest rates on the level and composition of deposits, loan demand, and the values of loan collateral, securities and interest rate protection agreements, as well as interest rate risks;
- securities markets and monetary fluctuations and volatility;
- disruption of credit and equity markets;
- impacts of the capital and liquidity requirements of the Basel III standards and other regulatory pronouncements, regulations and rules;
- governmental monetary and fiscal policies, as well as legislative and regulatory changes;
- effects of short- and long-term federal budget and tax negotiations and their effect on economic and business conditions;
- the costs and effects of litigation and of unexpected or adverse outcomes in such litigation;
- the impact of new or changes in existing laws and regulations, including laws and regulations concerning taxes, banking, securities and insurance and their application with which the Company and its subsidiaries must comply;
- the effect of changes in accounting policies and practices, as may be adopted by the regulatory agencies, as well as the Financial Accounting Standards Board and other accounting standard setters;
- the effects of competition from other commercial banks, thrifts, mortgage banking firms, consumer finance companies, credit unions, securities brokerage firms, insurance companies, money market and other mutual funds and other financial institutions operating in our market area and elsewhere, including institutions operating locally, regionally, nationally and internationally, together with such competitors offering banking products and services by mail, telephone, computer and the internet;
- the effects of economic conditions of any pandemic, epidemic or other health-related crisis such as COVID-19 and responses thereto on current customers and the operations of the Company, specifically the effect of the economy on loan customers’ ability to repay loans;
- the effects of bank failures, banking system instability, deposit fluctuations, loan and securities value changes;
- technological changes;
- the interruption or breach in security of our information systems, continually evolving cybersecurity and other technological risks and attacks resulting in failures or disruptions in customer account management, general ledger processing and loan or deposit updates and potential impacts resulting therefrom including additional costs, reputational damage, regulatory penalties, and financial losses;
- acquisitions and integration of acquired businesses;
- the failure of assumptions underlying the establishment of reserves for loan losses and estimations of values of collateral and various financial assets and liabilities;
- acts of war, terrorism, or armed conflict; and
- the risk that our analyses of these risks and forces could be incorrect and/or that the strategies developed to address them could be unsuccessful.

The Company cautions readers not to place undue reliance on forward-looking statements, which reflect analyses only as of the date of this document. The Company has no obligation to update any forward-looking statements to reflect events or circumstances after the date of this document.

Readers should review the risk factors described in this document and other documents that we file or furnish, from time- to-time, with the Securities and Exchange Commission, including quarterly reports filed on Form 10-Q and any current reports filed or furnished on Form 8-K.

## **ITEM 1: BUSINESS**

Fidelity D & D Bancorp, Inc. (the Company) was incorporated in the Commonwealth of Pennsylvania, on August 10, 1999, and is a bank holding company, whose wholly-owned state chartered commercial bank subsidiary is The Fidelity Deposit and Discount Bank (the Bank) (collectively, the Company). The Company is headquartered at Blakely and Drinker Streets in Dunmore, Pennsylvania. The Company's primary market area (service area) is comprised of the Borough of Dunmore and the surrounding communities within Lackawanna and Luzerne counties in Northeastern Pennsylvania and Northampton County in Eastern Pennsylvania.

Federal and state banking laws contain numerous provisions that affect various aspects of the business and operations of the Company and the Bank. The Company is subject to, among others, the regulations of the Securities and Exchange Commission (the SEC) and the Federal Reserve Board (the FRB) and the Bank is subject to, among others, the regulations of the Pennsylvania Department of Banking and Securities, the Federal Deposit Insurance Corporation (the FDIC) and the rules promulgated by the Consumer Financial Protection Bureau (the CFPB) but continues to be examined and supervised by federal banking regulators for consumer compliance purposes. Refer to Part II, Item 7 "Supervision and Regulation" for descriptions of and references to applicable statutes and regulations which are not intended to be complete descriptions of these provisions or their effects on the Company or the Bank. They are summaries only and are qualified in their entirety by reference to such statutes and regulations. Applicable regulations relate to, among other things:

- operations
- securities
- risk management
- consumer compliance
- consolidation
- reserves
- dividends
- branches
- disclosure
- community reinvestment
- mergers
- capital adequacy

The Bank is examined periodically by the Pennsylvania Department of Banking and Securities and the FDIC.

The Bank has offered a full range of traditional banking services since it commenced operations in 1903. The Bank has a personal and corporate trust department and also provides alternative financial and insurance products with asset management services. A full list of services provided by the Bank is detailed in the section entitled "Products and Services" contained within the 2025 Annual Report to Shareholders, incorporated by reference. As of June 30, 2025, the Company had 17.30% of Lackawanna County's total deposit market share ranking 3rd in total deposits, 7.24% of Luzerne County's total deposit market share ranking 8<sup>th</sup> in total deposits, and 7.21% of Northampton County's total deposit market share ranking 6<sup>th</sup> in total deposits.

The banking business is highly competitive, and the success and profitability of the Company depends principally on its ability to compete in its market area. Competition includes, among other sources: local community banks; regional banks; national banks; credit unions; insurance companies; money market funds; mutual funds; small loan companies and other financial services companies. The Company has been able to compete effectively with other financial institutions by emphasizing customer service enhanced by local decision making. These efforts enable the Company to establish long-term customer relationships and build customer loyalty by providing products and services designed to address their specific needs.

The banking industry is affected by general economic conditions including the effects of inflation, recession, unemployment, real estate values, trends in national and global economies and other factors beyond the Company's control. The Company's success is dependent, to a significant degree, on economic conditions in its service area. An economic recession or a delayed economic recovery over a prolonged period of time in the Company's market could cause an increase in the level of the Company's non-performing assets and credit losses, and thereby cause operating losses, impairment of liquidity and erosion of capital. There are no concentrations of loans or customers that, if lost, would have a material adverse effect on the continued business of the Company. There is no material concentration within a single industry or a group of related industries that is vulnerable to the risk of a near-term severe impact.

The Company's profitability is significantly affected by general economic and competitive conditions, changes in market interest rates, government policies and actions of regulatory authorities. The Company's loan portfolio is comprised principally of residential real estate, consumer, commercial and commercial real estate loans. The properties underlying the Company's mortgages are concentrated in Northeastern and Eastern Pennsylvania. Credit risk, which represents the possibility of the Company not recovering amounts due from its borrowers, is significantly related to local economic conditions in the areas where the properties are located as well as the Company's underwriting standards. Economic conditions affect the market value of the underlying collateral as well as the levels of adequate cash flow and revenue generation from income-producing commercial properties.

During 2025, the national unemployment rate rose to 4.4% compared to 4.1% at the end of 2024. The unemployment rates in the Company's local statistical markets, Scranton-Wilkes-Barre-Hazleton and Allentown-Bethlehem-Easton, increased to 4.3% and 3.9%, respectively, from 3.8% and 3.4%, respectively, at the end of 2024. The local economy has been volatile in recent years and generally lags the national market trends. The Company's credit function strives to mitigate the negative impact of economic conditions by maintaining disciplined underwriting principles for commercial and consumer lending and ensuring that home mortgage underwriting adheres to the standards of secondary market makers. These types of business activities involve a number of risks. Refer to Item 1A, "Risk Factors" for material risks and uncertainties that management believes affect the Company.

The Company's website address is <http://www.bankatfidelity.com>. The Company makes available free of charge on or through this website the annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K and amendments to those reports as soon as reasonably practical after filing with the SEC. This reference to the Company's website shall not, under any circumstances, be deemed to incorporate the information available at such internet address into this Form 10-K or other SEC filings. The information available at the Company's website is not part of this Form 10-K or any other report filed by the Company with the SEC. The SEC also maintains an internet site that contains reports, proxy and information statements and other information about the Company at <http://www.sec.gov>.

The Company's accounting policies and procedures are designed to comply with accounting principles generally accepted in the United States of America (GAAP). Refer to "Critical Accounting Policies," which are incorporated by reference in Part II, Item 7.

## **Human Capital**

### *Mission and Core Values*

Mission: We are passionate about building strong relationships through superior client experiences. For us, success means being the best place for our bankers to work, our clients to bank, our shareholders to invest in, and our community to prosper.

Our bankers are our first stakeholders by design as their actions, knowledge and focus on the client experience drive our success. We continuously invest in our bankers by offering competitive total compensation, a strong benefit package for themselves and their families, opportunity to invest in the Company through stock ownership, continuous learning, career development and programs to engage and enhance the work experience.

Fidelity Bankers have a voice in the Company and are called upon to provide opinions and ideas through dialogue programs with the CEO, Service Quality Surveys and the annual Climate Survey. Collectively, they have assisted in the development of the Core Values:

- Relationships
- Integrity
- Passion & Commitment
- Innovation
- Success

Culturally, the Fidelity Model Experience provides a strategic vision to build a performance-based corporation. It guides all bankers on solidifying internal and external relationships and becoming the Trusted Financial Advisor for clients.

### *Demographics*

As of December 31, 2025, the Company employed 324 bankers within its network located in Northeast and Lehigh Valley, Pennsylvania. The Company employed 26 part-time bankers and 298 full-time bankers. Employment levels are aligned with the needs of the business.

### *Health and Wellness*

The Company provides a strong health benefit package to bankers, including medical, dental and vision insurances, term and whole-life insurances, long- and short-term disability coverage and flexible spending accounts. Packages include options to cover family members according to established guidelines, creating a focus on caring for both the personal and professional needs of the banker. The Telemedicine program creates an optional, ease of use method for health provider access, providing quality care for routine ailments and illnesses.

Each year, the benefit suite is reviewed, repriced and evaluated for strength and value. Care is taken to provide a cost contained package while requiring bankers to share in the cost of healthcare. Additional programs are vetted and added where meaningful. Bankers may enroll and view benefit information through a Company Benefits Portal, providing access to insurance policies, forms, pricing, and general benefit information. Additionally, access is available directly through the medical plan insurer, giving all participants an avenue to gain pertinent information including medical care records, health and wellness articles on prevention, specific illnesses and diseases, physicians and facilities and cost of care comparisons.

The Company provides support to bankers in the form of an Employee Assistance Program through a confidential provider. Bankers make use of the program for personal and professional struggles and continue to have ongoing access to round-the-clock support at no charge, including confidential counseling, work-life solutions, legal support and financial guidance.

In addition to benefit packages, the Company offers paid time off, as it is an important part of balancing a fulfilling work and personal life. Bankers have opportunities to earn additional days off through various programs.

The Company has a robust program to support community volunteerism and gives all bankers paid time off to spend hours in service to non-profits, schools, elder programs and other organizations. The program helps to create community sustainability through our bankers' time, talent and treasure and it develops deeper relationships with our bankers who work side-by-side for common causes.

### *Diversity and Inclusion*

The Company is committed to promoting a diverse and inclusive workforce and values the strength it brings to the organization. Hiring practices include outreach to organizations representing groups of color and ethnicity, veteran status, disabled persons and women. Recruitment sources are varied to reach a broad audience. These practices have resulted in a continuously increased diverse representation and an enhanced ability to provide for the diverse needs of the communities we serve. The Affirmative Action Plan monitors the Company's success in creating equal employment opportunities for bankers and applicants and guides staff in hiring practices.

### *Training and Development*

The investment into the continuous improvement of all bankers is evident in the bank's commitment of training dollars and resources. Key Performance Indicators (KPIs), tracked quarterly, outline training goals bank-wide and training dollars spent. The Company has a devoted training team and all bankers are offered and encouraged to participate in continuous training initiatives. Innovative programs, including Fidelity Bank University, leadership training, the education assistance program, enrichment programs through conferences, seminars and workshops and options for certifications are offered to educate bankers at all levels.

The bank monitors other Human Capital KPIs tracking banker activities; KPIs include and are not limited to community service and participation goals, turnover, new hire retention and climate survey scores. Results are monitored against goals.

The Company believes banker engagement is a tenet of its success. The practice of giving each banker a voice, providing fair compensation and opportunity for stock ownership, recognizing exceptional service through a formalized recognition program, providing a quality benefit and retirement package, promoting career development opportunities and delivering strong programs and processes creates a strong and engaged workforce. The programs assist in aligning the interests of the bankers with those of the shareholders and they provide further incentive to bankers to enhance the financial results of the Company.

## ***ITEM 1A: RISK FACTORS***

An investment in the Company's common stock is subject to risks inherent to the Company's business. The material risks and uncertainties that management believes affect the Company are described below. Before making an investment decision, you should carefully consider the risks and uncertainties described below together with all of the other information included or incorporated by reference in this report. The risks and uncertainties described below are not the only ones facing the Company. Additional risks and uncertainties that management is not aware of or focused on or that management currently deems immaterial may also impair the Company's business operations. This report is qualified in its entirety by these risk factors.

If any of the following risks actually occur, the Company's financial condition and results of operations could be materially and adversely affected. If this were to happen, the value of the Company's common stock could decline significantly, and you could lose all or part of your investment.

## **Risks Related to the Company's Business**

*The short-term and long-term effects of inflation and rising costs may adversely affect the Company's financial performance.*

Inflation, both in the short-term and/or in the long-term, may adversely affect the Company's business in that it may increase our overall costs even if it does not adversely affect every aspect of our business evenly. The Company employs various strategies to manage its costs but there is no assurance that these strategies will be successful in containing costs as higher rates of inflation may result in increased costs for goods and services, including employee salaries and benefits, which may adversely affect the Company's results of operation and financial performance. Inflation may also increase the cost of doing business for the Company's borrowers thereby affecting the creditworthiness of current or prospective customers.

*The Company's business is subject to interest rate risk and variations in interest rates may negatively affect its financial performance.*

Changes in the interest rate environment may reduce profits. The Company's earnings and cash flows are largely dependent upon its net interest income. Net interest income is the difference between the interest earned on loans, securities and other interest-earning assets, and interest paid on deposits, borrowings and other interest-bearing liabilities. As prevailing interest rates change, net interest spreads are affected by the difference between the maturities and re-pricing characteristics of interest-earning assets and interest-bearing liabilities. In addition, loan volume and yields are affected by market interest rates on loans, and rising interest rates generally are associated with a lower volume of loan originations. An increase in the general level of interest rates may also adversely affect the ability of certain borrowers to pay the interest on and principal of their obligations. Accordingly, changes in levels of market interest rates could materially adversely affect the Company's net interest spread, asset quality, loan origination volume and overall profitability.

*The Company is subject to lending risk.*

There are inherent risks associated with the Company's lending activities. These risks include, among other things, the impact of changes in interest rates and changes in the economic conditions in the markets where the Company operates as well as those across the Commonwealth of Pennsylvania and the United States. Increases in interest rates and/or weakening economic conditions could adversely impact the ability of borrowers to repay outstanding loans or the value of the collateral securing these loans. The Company is also subject to various laws and regulations that affect its lending activities. Failure to comply with applicable laws and regulations could subject the Company to regulatory enforcement action that could result in the assessment of significant civil money penalties against the Company.

Commercial, commercial real estate and real estate construction loans are generally viewed as having more risk of default than residential real estate loans or consumer loans. These types of loans are also typically larger than residential real estate loans and consumer loans. Because these loans generally have larger balances than residential real estate loans and consumer loans, the deterioration of one or a few of these loans could cause a significant increase in non-performing loans. An increase in non-performing loans could result in a net loss of earnings from these loans, an increase in the provision for possible credit losses and an increase in loan charge-offs, all of which could have a material adverse effect on the Company's financial condition and results of operations.

*The Company is subject to commercial real estate volatility that may result in increases in non-performing loans that could have an adverse impact on our financial condition and results of operations.*

The commercial real estate market nationally, regionally, and locally has recently been subject to increased levels of volatility. Many believe that commercial real estate in the commercial office sector is undergoing a fundamental transformation and change that started during the recent pandemic but also continues due to evolving workplace environments. These changes in the marketplace affect the demand for commercial office space which in turn may affect the credit status, profitability, and collectability, of existing and future commercial real estate office sector loans. As explained above in greater detail in the risk factor for Lending Risk, volatility and increases in non-performing loans could have an adverse impact on the Company's financial condition and results of operations.

*The Company's allowance for credit losses may be insufficient.*

The Company maintains an allowance for credit losses, which is a reserve established through a provision for credit losses charged to expense, that represents management's best estimate of probable losses that have been incurred and are expected within the existing portfolio of loans. The allowance, in the judgment of management, is necessary to reserve for estimated credit losses and risks inherent in the loan portfolio. The level of the allowance reflects management's continuing evaluation of industry concentrations; specific credit risks; loan loss experience; current loan portfolio quality; present economic, political and regulatory conditions, reasonable and supportable forecasts and unidentified losses inherent in the current loan portfolio. The determination of the appropriate level of the allowance for credit losses inherently involves a high degree of subjectivity and requires the Company to make significant estimates of current credit risks and future trends, all of which may undergo material changes. Changes in economic conditions affecting borrowers, new information regarding existing loans, identification of additional problem loans and other factors, both within and outside of the Company's control, may require an increase in the allowance for credit losses. In addition, bank regulatory agencies periodically review the Company's allowance for credit losses and may require an increase in the provision for credit losses or the recognition of further loan charge-offs, based on judgments different than those of management. Further, if charge-offs in future periods exceed the allowance for credit losses, the Company will need additional provisions to increase the allowance for credit losses. Any increases in the allowance for credit losses will result in a decrease in net income and capital and may have a material adverse effect on the Company's financial condition and results of operations.

*If we conclude that the decline in value of any of our investment securities is a credit loss, we will be required to book a contra-asset.*

We review our investment securities portfolio at each quarter-end reporting period to determine whether the fair value is below the current carrying value. When the fair value of any of our investment securities has declined below its carrying value, we are required to assess whether the decline is a credit loss. If a decline in value is deemed to be credit losses, a contra-asset is recorded on both HTM and AFS securities, limited by the amount that the fair value is less than the amortized cost basis.

*The Basel III and other regulatory capital requirements may require us to maintain higher levels of capital, which could reduce our profitability.*

Basel III targets higher levels of base capital, certain capital buffers and a migration toward common equity as the key source of regulatory capital. Although the new capital requirements are phased in over the next decade and may change substantially before final implementation, Basel III signals a growing effort by domestic and international bank regulatory agencies to require financial institutions, including depository institutions, to maintain higher levels of capital. The direction of the Basel III implementation activities or other regulatory requirements could require additional capital to support our business risk profile prior to final implementation of the Basel III standards. If the Company and the Bank are required to maintain higher levels of capital, the Company and the Bank may have fewer opportunities to invest capital into interest-earning assets, which could limit the profitable business operations available to the Company and the Bank and adversely impact our financial condition and results of operations.

*The Company may need, or be compelled, to raise additional capital in the future, but that capital may not be available when it is needed and on terms favorable to current shareholders.*

Federal banking regulators require the Company and Bank to maintain adequate levels of capital to support their operations. These capital levels are determined and dictated by law, regulation and banking regulatory agencies. In addition, capital levels are also determined by the Company's management and board of directors based on capital levels that they believe are necessary to support the Company's business operations. The Company is evaluating its present and future capital requirements and needs, is developing a comprehensive capital plan and is analyzing capital raising alternatives, methods and options. Even if the Company succeeds in meeting the current regulatory capital requirements, the Company may need to raise additional capital in the near future to support possible loan losses during future periods or to meet future regulatory capital requirements.

Further, the Company's regulators may require it to increase its capital levels. If the Company raises capital through the issuance of additional shares of its common stock or other securities, it may dilute the ownership interests of current investors and may dilute the per-share book value and earnings per share of its common stock. Furthermore, it may have an adverse impact on the Company's stock price. New investors may also have rights, preferences and privileges senior to the Company's current shareholders, which may adversely impact its current shareholders. The Company's ability to raise additional capital will depend on conditions in the capital markets at that time, which are outside its control, and on its financial performance. Accordingly, the Company cannot assure you of its ability to raise additional capital on terms and time frames acceptable to it or to raise additional capital at all. If the Company cannot raise additional capital in sufficient amounts when needed, its ability to comply with regulatory capital requirements could be materially impaired. Additionally, the inability to raise capital in sufficient amounts may adversely affect the Company's operations, financial condition and results of operations.

*The Company is subject to environmental liability risk associated with lending activities.*

A significant portion of the Company's loan portfolio is secured by real property. During the ordinary course of business, the Company may foreclose on and take title to properties securing certain loans. In doing so, there is a risk that hazardous or toxic substances could be found on these properties. If hazardous or toxic substances are found, the Company may be liable for remediation costs, as well as for personal injury and property damage. Environmental laws may require the Company to incur substantial expense and may materially reduce the affected property's value or limit the Company's ability to use or sell the affected property. In addition, future laws or more stringent interpretations or enforcement policies with respect to existing laws may increase the Company's exposure to environmental liability. Although the Company has policies and procedures to perform an environmental review before initiating any foreclosure action on real property, these reviews may not be sufficient to detect all potential environmental hazards. The remediation costs and any other financial liabilities associated with an environmental hazard could have a material adverse effect on the Company's financial condition and results of operations.

*The Company's profitability depends significantly on economic conditions in the Commonwealth of Pennsylvania and the markets in which it conducts business.*

The Company's success depends primarily on the general economic conditions of the Commonwealth of Pennsylvania and the specific local markets in which the Company operates. Unlike larger national or other regional banks that are more geographically diversified, the Company provides banking and financial services to customers primarily in Lackawanna and Luzerne Counties in Northeastern Pennsylvania and Northampton County in Eastern Pennsylvania. The local economic conditions in these areas have a significant impact on the demand for the Company's products and services as well as the ability of the Company's customers to repay loans, the value of the collateral securing loans and the stability of the Company's deposit funding sources. A significant decline in general economic conditions caused by inflation, recession, acts of terrorism, an outbreak of hostilities or other international or domestic occurrences or instability, unemployment, changes in securities markets or other factors could impact these local economic conditions and, in turn, have a material adverse effect on the Company's financial condition and results of operations.

*There is no assurance that the Company will be able to successfully compete with others for business.*

The Company competes for loans, deposits and investment dollars with numerous regional and national banks and other community banking institutions, as well as other kinds of financial institutions and enterprises, such as securities firms, insurance companies, savings associations, credit unions, mortgage brokers and private lenders. Many competitors have substantially greater resources than the Company does, and operate under less stringent regulatory environments. The differences in resources and regulations may make it more difficult for the Company to compete profitably, reduce the rates that it can earn on loans and on its investments, increase the rates it must offer on deposits and other funds, and adversely affect its overall financial condition and earnings.

*The Company is subject to extensive government regulation and supervision.*

The Company, primarily through the Bank, is subject to extensive federal and state regulation and supervision. Banking regulations are primarily intended to protect depositors' funds, federal deposit insurance funds and the banking system as a whole, not shareholders. These regulations affect the Company's lending practices, capital structure, investment practices, dividend policy and growth, among other things. Federal or commonwealth regulatory agencies continually review banking laws, regulations and policies for possible changes. Changes to statutes, regulations or regulatory policies, including changes in interpretation or implementation of statutes, regulations or policies, could affect the Company in substantial and unpredictable ways. Such changes could subject the Company to additional costs, limit the types of financial services and products the Company may offer and/or increase the ability of non-banks to offer competing financial services and products, among other things. Failure to comply with laws, regulations or policies could result in sanctions by regulatory agencies, civil money penalties and/or reputation damage, which could have a material adverse effect on the Company's business, financial condition and results of operations. While the Company has policies and procedures designed to prevent any such violations, there can be no assurance that such violations will not occur.

*The Company's controls and procedures may fail or be circumvented.*

Management regularly reviews and updates the Company's internal controls, disclosure controls and procedures, and corporate governance policies and procedures. Any system of controls, however well designed and operated, is based in part on certain assumptions and can provide only reasonable, not absolute, assurances that the objectives of the system are met. Any failure or circumvention of the Company's controls and procedures or failure to comply with regulations related to controls and procedures could have a material adverse effect on the Company's business, results of operations and financial condition.

*New lines of business or new products and services may subject the Company to additional risks.*

From time-to-time, the Company may implement new lines of business or offer new products and services within existing lines of business. There are substantial risks and uncertainties associated with these efforts, particularly in instances where the markets are not fully developed. In developing and marketing new lines of business and/or new products and services the Company may invest significant time and resources. Initial timetables for the introduction and development of new lines of business and/or new products or services may not be achieved and price and profitability targets may not prove feasible. External factors, such as compliance with regulations, competitive alternatives, and shifting market preferences, may also impact the successful implementation of a new line of business or a new product or service. Furthermore, any new line of business and/or new product or service could have a significant impact on the effectiveness of the Company's system of internal controls. Failure to successfully manage these risks in the development and implementation of new lines of business or new products or services could have a material adverse effect on the Company's business, results of operations and financial condition.

*The Company's future acquisitions could dilute your ownership and may cause it to become more susceptible to adverse economic events.*

The Company may use its common stock to acquire other companies or make investments in banks and other complementary businesses in the future. The Company may issue additional shares of common stock to pay for future acquisitions, which would dilute your ownership interest in the Company. Future business acquisitions could be material to the Company, and the degree of success achieved in acquiring and integrating these businesses into the Company could have a material effect on the value of the Company's common stock. In addition, any acquisition could require it to use substantial cash or other liquid assets or to incur debt. In those events, it could become more susceptible to economic downturns and competitive pressures.

*The Company may not be able to attract and retain skilled people.*

The Company's success depends, in large part, on its ability to attract and retain key people. Competition for the best people in most activities engaged in by the Company can be intense and the Company may not be able to hire people or to retain them. The unexpected loss of services of one or more of the Company's key personnel could have a material adverse impact on the Company's business because of their skills, knowledge of the Company's market, years of industry experience and the difficulty of promptly finding qualified replacement personnel.

*The Company's communications, information and technology systems may experience a failure, interruption or breach in security.*

The Company relies heavily on communications, information and technology systems to conduct its business. Any failure, interruption or breach in security of these systems could result in failures or disruptions in the Company's customer relationship management, general ledger, deposit, loan and other systems or result in corruption, loss or compromise of confidential corporate or customer data. The risks are greater if the issue is extensive, long-lasting, or results in financial losses to its customers. Such failures, interruptions or breaches in security may arise from events such as severe weather, acts of vandalism, telecommunications outages, human error, or cyber-attacks.

These risks also arise to the extent the Company's third-party service providers experience failures, interruptions and breaches in security. The Company is also exposed to the risk of a disruption at a common service provider used by its third-party service providers. Even with attempts to diversify the reliance upon any one third-party, the Company may not be able to mitigate the risk of its vendors' use of common service providers.

The Company has policies and procedures designed to prevent or limit the effect of the failure, interruption or security breach of its information systems, however there can be no assurance that any such failures, interruptions or security breaches will not occur. The occurrence of any failures, interruptions or security breaches of the Company's information systems could damage the Company's reputation, result in a loss of customer business, subject the Company to additional regulatory scrutiny, or expose the Company to civil litigation and possible financial liability, any of which could have a material adverse effect on the Company's financial condition and results of operations.

*The Company continually encounters technological change.*

The financial services industry is continually undergoing rapid technological change with frequent introductions of new technology-driven products and services. The effective use of technology increases efficiency and enables financial institutions to better serve customers and to reduce costs. The Company's future success depends, in part, upon its ability to address the needs of its customers by using technology to provide products and services that will satisfy customer demands, as well as to create additional efficiencies in the Company's operations. Many of the Company's competitors have substantially greater resources to invest in technological improvements. The Company may not be able to effectively implement new technology-driven products and services or be successful in marketing these products and services to its customers. Failure to successfully keep pace with technological change affecting the financial services industry could have a material adverse impact on the Company's business and, in turn, the Company's financial condition and results of operations.

*The operations of our business, including our interaction with customers, are increasingly done via electronic means, and this has increased our risks related to cyber security.*

We are exposed to the risk of cyber-attacks in the normal course of business. In general, cyber incidents can result from deliberate attacks or unintentional events. We have observed an increased level of attention in the industry focused on cyber-attacks that include, but are not limited to, gaining unauthorized access to digital systems for purposes of misappropriating assets or sensitive information, corrupting data, or causing operational disruption. To combat against these attacks, policies and procedures are in place to prevent, limit, or ameliorate the effect or financial impact of the possible security breach of our information systems and we have insurance against some cyber-risks and attacks. Further, the Company may face unknown or contingent liabilities arising from cybersecurity incidents or data breaches that previously occurred at companies it acquires. Such incidents may not have been discovered, disclosed, or if previously discovered fully-remediated before closing, and the acquired company's representations, warranties, and indemnities may be limited in scope, duration, or recoverability. As a result, the Company could incur costs or liabilities after an acquisition relating to regulatory investigations, litigation, remediation efforts, reputational harm, or customer and partner claims, which could adversely affect its business, financial condition, and results of operations. While we have not incurred any material losses related to cyber-attacks, nor are we aware of any specific or threatened cyber-incidents as of the date of this report, we may incur substantial costs and suffer other negative consequences if we fall victim to successful cyber-attacks. Such negative consequences could include remediation costs that may include liability for stolen assets or information and repairing system damage that may have been caused; deploying additional personnel and protection technologies, training employees, and engaging third party experts and consultants; lost revenues resulting from unauthorized use of proprietary information or the failure to retain or attract customers following an attack; litigation; and reputational damage adversely affecting customer or investor confidence.

*The Company may use artificial intelligence (AI) in its business, and challenges with properly managing its use could result in disruption of our internal operations, reputational harm, competitive harm, legal liability and adversely affect our results of operations and stock price.*

The Company may incorporate AI solutions into platforms that deliver products and services to its customers, including solutions developed by third parties whose AI is integrated into its products and services. The Company may be exposed to legal liability and reputational risk if the AI the Company uses is or is alleged to be deficient, inaccurate, or biased because the AI algorithms are flawed, insufficient, of poor quality, or reflect unwanted forms of bias, particularly if third party AI integrated with its platforms produces false or "hallucinatory" inferences.

Data practices by the Company or others that result in controversy could impair the acceptance of AI, which could undermine the decisions, predictions, or analysis that AI applications produce. Its customers and potential customers may express adverse opinions concerning its use of AI and machine learning that could result in brand or reputational harm, competitive harm, or legal liability. If the Company develops Generative AI, its content creation may require additional investment as testing for bias, accuracy and unintended, harmful impact is often complex and may be costly. As a result, the Company may need to increase the cost of its products and services which may make it less competitive, particularly if its competitors incorporate AI more quickly or successfully.

Governmental bodies have implemented laws and are considering further regulation of AI (including machine learning), which could negatively impact its ability to use and develop AI. The Company is unable to predict how application of existing laws, including federal and state privacy and data protection laws, and adoption of new laws and regulations applicable to AI will affect it but it is likely that compliance with such laws and regulations will increase its compliance costs, and such increase may be substantial and adversely affect its results of operations. Furthermore, its use of Generative AI and other forms of AI may expose us to risks relating to intellectual property ownership and licensing rights, including copyright of Generative AI and other AI output as these issues have not been fully interpreted by federal courts or been fully addressed by federal or state legislation or regulations.

*The Company is subject to claims and litigation pertaining to fiduciary responsibility.*

From time-to-time, customers make claims and take legal action pertaining to the Company's performance of its fiduciary responsibilities. Whether customer claims and legal action related to the Company's performance of its fiduciary responsibilities are founded or unfounded, if such claims and legal actions are not resolved in a manner favorable to the Company, they may result in significant financial liability and/or adversely affect the market perception of the Company and its products and services as well as impact customer demand for those products and services. Any financial liability or reputation damage could have a material adverse effect on the Company's business, which, in turn, could have a material adverse effect on the Company's financial condition and results of operations.

*Pennsylvania Business Corporation Law and various anti-takeover provisions under our articles and bylaws could impede the takeover of the Company.*

Various Pennsylvania laws affecting business corporations may have the effect of discouraging offers to acquire the Company, even if the acquisition would be advantageous to shareholders. In addition, we have various anti-takeover measures in place under our articles of incorporation and bylaws, including a supermajority vote requirement for mergers, a staggered board of directors, and the absence of cumulative voting. Any one or more of these measures may impede the takeover of the Company without the approval of our board of directors and may prevent our shareholders from taking part in a transaction in which they could realize a premium over the current market price of our common stock.

*The Company is a holding company and relies on dividends from its banking subsidiary for substantially all of its revenue and its ability to make dividends, distributions, and other payments.*

As a bank holding company, the Company's ability to pay dividends depends primarily on its receipt of dividends from its subsidiary bank. Dividend payments from the bank are subject to legal and regulatory limitations, generally based on net profits and retained earnings, imposed by bank regulatory agencies. The ability of the bank to pay dividends is also subject to profitability, financial condition, regulatory capital requirements, capital expenditures and other cash flow requirements. There is no assurance that the bank will be able to pay dividends in the future or that the Company will generate cash flow to pay dividends in the future. The Company's failure to pay dividends on its common stock may have a material adverse effect on the market price of its common stock.

*The Company's banking subsidiary may be required to pay higher FDIC insurance premiums or special assessments which may adversely affect its earnings.*

The Company generally is unable to control the amount of premiums or special assessments that its subsidiary is required to pay for FDIC insurance. Any future changes in the calculation or assessment of FDIC insurance premiums may have a material adverse effect on our results of operations, financial condition, and our ability to continue to pay dividends on our common stock at the current rate or at all.

*Severe weather, natural disasters, acts of war or terrorism, global instability, pandemics and other external events could significantly impact the Company's business.*

Severe weather, natural disasters, acts of war or terrorism, global instability, pandemics and other adverse external events could have a significant impact on the Company's ability to conduct business. Such events could affect the stability of the Company's deposit base, impair the ability of borrowers to repay outstanding loans, impair the value of collateral securing loans, cause significant property damage, result in loss of revenue and/or cause the Company to incur additional expenses. Severe weather or natural disasters, acts of war or terrorism, global instability, pandemics or other adverse external events may occur in the future. Although management has established disaster recovery policies and procedures, the occurrence of any such event could have a material adverse effect on the Company's business, which, in turn, could have a material adverse effect on the Company's financial condition and results of operations.

*The increasing use of social media platforms presents risks and challenges and our inability or failure to recognize, respond to and effectively manage the accelerated impact of social media could materially adversely impact our business.*

The use of social media platforms, including weblogs (blogs), social media websites, and other forms of Internet-based communications allows individuals access to a broad audience of consumers and other interested persons. Social media practices in the banking industry are continually evolving, which creates uncertainty and risk of noncompliance with regulations applicable to our business. Consumers value readily available information concerning businesses and their goods and services and often act on such information without further investigation and without regard to its accuracy. Many social media platforms immediately publish the content their subscribers and participants post, often without filters or checks on accuracy of the content posted. Information posted on such platforms at any time may be adverse to our interests and/or may be inaccurate. The dissemination of information online could harm our business, prospects, financial condition, and results of operations, regardless of the information's accuracy. The harm may be immediate without affording us an opportunity for redress or correction.

Other risks associated with the use of social media include improper disclosure of proprietary information, negative comments about our business, exposure of personally identifiable information, fraud, out-of-date information, and improper use by employees and customers. The inappropriate use of social media by our customers or employees could result in negative consequences including remediation costs including training for employees, additional regulatory scrutiny and possible regulatory penalties, litigation or negative publicity that could damage our reputation adversely affecting customer or investor confidence.

### **Risks Associated with the Company's Common Stock**

*The Company's stock price can be volatile.*

Stock price volatility may make it more difficult for you to resell your common stock when you want and at prices you find attractive. The Company's stock price can fluctuate significantly in response to a variety of factors including, among other things:

- Actual or anticipated variations in quarterly results of operations.
- Recommendations by securities analysts.
- Operating and stock price performance of other companies that investors deem comparable to the Company.
- News reports relating to trends, concerns and other issues in the financial services industry.
- Perceptions in the marketplace regarding the Company and/or its competitors.
- New technology used, or services offered, by competitors.
- Significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving the Company or its competitors.
- Failure to integrate acquisitions or realize anticipated benefits from acquisitions.
- Changes in government regulations.
- Geopolitical conditions such as acts or threats of terrorism, civil unrest, hostilities, military deployment, military conflicts, or war.

General market fluctuations, industry factors and general economic and political conditions and events, such as economic slowdowns or recessions, interest rate changes or credit loss trends, could also cause the Company's stock price to decrease regardless of operating results.

*The trading volume in the Company's common stock is less than that of other larger financial services companies.*

The Company's common stock is listed for trading on Nasdaq and the trading volume in its common stock is less than that of other larger financial services companies. A public trading market having the desired characteristics of depth, liquidity and orderliness depends on the presence in the marketplace of willing buyers and sellers of the Company's common stock at any given time. This presence depends on the individual decisions of investors and general economic and market conditions over which the Company has no control. Given the lower trading volume of the Company's common stock, significant sales of the Company's common stock, or the expectation of these sales, could cause the Company's stock price to fall.

Furthermore, from time to time, the Company's common stock may be included in certain and various stock market indices. Inclusion in these indices may positively impact the price, trading volume, and liquidity of the Company's common stock, in part, because index funds or other institutional investors often purchase securities that are in these indices. Conversely, if the Company's market capitalization falls below the minimum necessary to be included in any of the indices at any annual reconstitution date, the opposite could occur. Further, the Company's inclusion in indices may be weighted based on the size of its market capitalization, so even if the Company's market capitalization remains above the amount required to be included on these indices, if its market capitalization is below the amount it was on the most recent reconstitution date, the Company's common stock could be weighted at a lower level, holders attempting to track the composition of these indices will be required to sell the Company's common stock to match the reweighting of the indices.

### **Risks Associated with the Company's Industry**

*Future governmental regulation and legislation could limit the Company's future growth.*

The Company is a registered bank holding company, and its subsidiary bank is a depository institution whose deposits are insured by the FDIC. As a result, the Company is subject to various regulations and examinations by various regulatory authorities. In general, statutes establish the corporate governance and eligible business activities for the Company, certain acquisition and merger restrictions, limitations on inter-company transactions such as loans and dividends, capital adequacy requirements, requirements for anti-money laundering programs and other compliance matters, among other regulations. The Company is extensively regulated under federal and state banking laws and regulations that are intended primarily for the protection of depositors, federal deposit insurance funds and the banking system as a whole. Compliance with these statutes and regulations is important to the Company's ability to engage in new activities and consummate additional acquisitions.

In addition, the Company is subject to changes in federal and state tax laws as well as changes in banking and credit regulations, accounting principles and governmental economic and monetary policies. The Company cannot predict whether any of these changes may adversely and materially affect it. Federal and state banking regulators also possess broad powers to take supervisory actions as they deem appropriate. These supervisory actions may result in higher capital requirements, higher insurance premiums and limitations on the Company's activities that could have a material adverse effect on its business and profitability. While these statutes are generally designed to minimize potential loss to depositors and the FDIC insurance funds, they do not eliminate risk, and compliance with such statutes increases the Company's expense, requires management's attention and can be a disadvantage from a competitive standpoint with respect to non-regulated competitors.

*The earnings of financial services companies are significantly affected by general business and economic conditions.*

The Company's operations and profitability are impacted by general business and economic conditions in the United States and abroad. These conditions include short-term and long-term interest rates, inflation, money supply, political issues, legislative and regulatory changes, fluctuations in both debt and equity capital markets, broad trends in industry and finance, and the strength of the U.S. economy and the local economies in which the Company operates, all of which are beyond the Company's control. Deterioration in economic conditions could result in an increase in loan delinquencies and non-performing assets, decreases in loan collateral values and a decrease in demand for the Company's products and services, among other things, any of which could have a material adverse impact on the Company's financial condition and results of operations.

*Financial services companies depend on the accuracy and completeness of information about customers and counterparties.*

In deciding whether to extend credit or enter into other transactions, the Company may rely on information furnished by or on behalf of customers and counterparties, including financial statements, credit reports and other financial information. The Company may also rely on representations of those customers, counterparties or other third parties, such as independent auditors, as to the accuracy and completeness of that information. Reliance on inaccurate or misleading financial statements, credit reports or other financial information could have a material adverse impact on the Company's business and, in turn, the Company's financial condition and results of operations.

*Consumers may decide not to use banks to complete their financial transactions.*

Technology and other changes are allowing parties to complete financial transactions that historically have involved banks through alternative methods. For example, consumers can now maintain funds that would have historically been held as bank deposits in brokerage accounts or mutual funds. Consumers can also complete transactions such as paying bills and/or transferring funds directly without the assistance of banks. The process of eliminating banks as intermediaries, known as “disintermediation,” could result in the loss of fee income, as well as the loss of customer deposits and the related income generated from those deposits. The loss of these revenue streams and the lower cost deposits as a source of funds could have a material adverse effect on the Company’s financial condition and results of operations.

*A protracted government shutdown or issues relating to debt and the deficit may adversely affect the Company.*

Extended shutdowns of parts of the federal government could negatively impact the financial performance of certain customers and could impact customers’ future access to certain loan and guarantee programs. As a result, this could impact the Company’s business, financial condition and results of operations.

As a result of past difficulties of the federal government to reach agreement over federal debt and issues connected with the debt ceiling, certain rating agencies placed the United States government's long-term sovereign debt rating on their equivalent of negative watch and announced the possibility of a rating downgrade. The rating agencies, due to constraints related to the rating of the United States, also placed government-sponsored enterprises in which the Company invests and receives lines of credit on a stable outlook and a downgrade of the United States government's credit rating would trigger a similar downgrade in the credit rating of these government-sponsored enterprises. Furthermore, the credit rating of other entities, such as state and local governments, may also be downgraded should the United States government's credit rating be downgraded. The impact that a credit rating downgrade may have on the national and local economy could have an adverse effect on the Company’s financial condition and results of operations.

*The regulatory environment for the financial services is being significantly impacted by financial regulatory reform initiatives in the United States and elsewhere, including Dodd-Frank and regulations promulgated to implement it.*

The Dodd-Frank Act comprehensively reforms the regulation of financial institutions and their products and services. Dodd-Frank requires various federal regulatory agencies to implement numerous rules and regulations. Because federal agencies are granted broad discretion in drafting these rules and regulations, many of the details and the full impact of Dodd-Frank may not be known for many months or years.

Dodd-Frank, like other financial industry reforms, has had and will continue to have a significant effect on our entire industry. Although it is difficult to predict with certainty the magnitude and extent of these effects at this time, we believe compliance with Dodd-Frank, its interpretive regulations, rules, and initiatives will negatively impact revenue and increase the cost of doing business. Additional expenses associated with compliance with the Act, currently and on an ongoing basis, are likely to continue and the effects of full implementation of the Act may limit our ability to pursue certain business opportunities.

*Changes to trade policies and tariffs can have an adverse impact on the Company’s business and its customers.*

Changes in trade policies, including the imposition of tariffs or the escalation of a trade war, could negatively impact the economic conditions in the markets the Company serves. The Company’s customers-particularly local businesses engaged in agriculture, manufacturing, and retail-may face higher costs for imported goods and materials, reduced export demand, and supply chain disruptions due to increased tariffs. These challenges could lead to lower revenues, reduced profitability, and potential layoffs, all of which may impair the Company’s customers' ability to meet their financial obligations. Furthermore, prolonged trade tensions and economic uncertainty could lead to market volatility, declining asset values, and weakened consumer confidence. If its customers experience financial stress, the Company could see an increase in loan delinquencies and credit losses, negatively affecting its asset quality and overall financial performance. Additionally, any decline in local economic activity could reduce loan demand, deposit growth, and fee income, which are critical to the Company’s long-term success. While it actively monitors economic and policy developments, the Company cannot predict the outcome of trade negotiations or the full impact of tariffs and trade restrictions on its business, customers, and the broader economy. Any adverse effects from tariffs or a trade war could materially and negatively impact its financial condition, results of operations, and future growth prospects.

**ITEM 1B: UNRESOLVED STAFF COMMENTS**

None

## ***ITEM 1C: CYBERSECURITY***

Being a financial services company, the Company encounters inherent cybersecurity risks and threats, which also affect its customers, suppliers, and third-party service providers. Throughout operations, the Company handles and processes data for its customers, employees, partners, and suppliers, understanding that a cybersecurity incident impacting any of these entities could significantly impact its operations and performance. As part of the financial services sector, the Company is held to rigorous regulatory compliance standards. To effectively manage these risks and meet regulatory demands, the Company has implemented a comprehensive, risk-based information security program. This program is designed in alignment with regulatory requirements and the guiding principles of the Federal Financial Institutions Examination Council (FFIEC) handbook and the National Institute of Standards and Technology (NIST) Cybersecurity Framework (CSF).

### *Information Security Governance and Oversight*

The Board of Directors assumes ultimate responsibility for overseeing the Company's information security program. The Company has established an Information Technology Steering Committee (ITSC), comprised of leaders from various departments across the organization, tasked with governing and overseeing the information security program. The ITSC underscores its commitment to treating cybersecurity as a business risk rather than solely a technical concern. The Chief Information Security Officer, reporting to the SVP, Chief Risk Officer, is entrusted with leading the cybersecurity risk assessment process. This includes identifying risks, assessing inherent likelihood and impact, evaluating existing mitigating controls, calculating residual risk scores, and recommending risk responses to both the ITSC and the Board of Directors.

### *Information Security Program*

The Company's program aims to identify, protect, detect, respond, and recover from cyber threats, striving to prevent cybersecurity incidents to the extent feasible. Simultaneously, it enhances our resilience to minimize the impact of a cybersecurity event. The program is designed to be agile, proactive, and responsive to changes in the evolving threat landscape. It employs a layered cybersecurity approach, encompassing the following key elements:

- A Security Incident Response Plan (SIRP) detailing procedures and protocols to respond effectively and efficiently to cybersecurity events.
- A user awareness program featuring regular social engineering testing and training to keep our employees informed about cybersecurity best practices, potential threats, and effective responses to mitigate risks.
- A continuous vulnerability management program designed to validate the efficacy of our patch management strategy. It prioritizes the remediation of vulnerabilities posing risks to the organization, our customers, and partners.
- Protective technical security controls, reducing the likelihood of a cybersecurity incident.
- Detection, response, and recovery capabilities, mitigating the impact of cybersecurity incidents.
- A vendor management program, designed to manage and mitigate risks associated with leveraging suppliers and third-party service providers.
- Third-party penetration testing and internal and external vulnerability assessments, validating the effectiveness of our security controls.
- IT controls audits conducted by both internal and external auditors to ensure compliance with regulatory requirements, as well as our internal corporate policies and procedures.
- Regular reporting to the Board of Directors, providing insights into our cybersecurity posture and ongoing initiatives.

By implementing these measures, the Company strives to maintain a strong cybersecurity posture, safeguarding the organization, customers, and partners from potential threats while ensuring compliance with industry standards and regulations.

Notwithstanding the Company's defensive measures and processes, the threat posed by cyber-attacks is extremely serious. The Company may not be successful in preventing or mitigating all cybersecurity incidents that could have a material adverse effect on the Company. While the Company has not, to date, detected a significant compromise, significant data loss, or any material financial loss related to cybersecurity attacks, our internal systems and those of our customers and third-party service providers are under constant threat. It is possible that the Company could experience a future significant cybersecurity event. The Company expects risks and exposures related to cybersecurity attacks to remain high for the foreseeable future. For further discussion of risks related to cybersecurity, see "Item 1A Risk Factors."

## ***ITEM 2: PROPERTIES***

As of December 31, 2025, the Company and the Bank operated 21 full-service banking offices, of which eleven were owned and ten were leased. The Pittston branch property is subject to a lease with a company of which director, William J. Joyce, Sr., is a partner. With the exception of the Pittston branch, none of the lessors of the properties leased by the Company are affiliated with the Company and all of the properties are located in the Commonwealth of Pennsylvania. The Company is headquartered at its owner-occupied main branch located on the corner of Blakely and Drinker Streets in Dunmore, PA. Executive and administrative, commercial lending, trust and asset management services are located at the Main Branch. The Company also operates a financial center in downtown Scranton, PA which is expected to be sold in 2026 upon the completion of the corporate headquarters. Executive, mortgage and consumer lending, finance, operations and a full-service call center are located in this building. During 2022, the Company purchased the Scranton Electric Building for a future corporate headquarters in Scranton, PA, with the expected completion ready in the second quarter of 2026, see premises and equipment discussion within Item 7. We believe each of our facilities is suitable and adequate to meet our current operational needs and intended purposes.

The Company also operates a wealth management office in Minersville, PA under a short-term lease agreement.

Additionally, the Company has a limited production office in Scranton, PA that is currently leased for certain commercial lenders and credit department employees. This lease will end in 2026 and these employees will move to the corporate headquarters.

The Company acquired a leased building in Scranton from the merger with Landmark Community Bank. The branch in the building was closed in September 2021 and the building was converted into a training center during 2022. This building will become vacant, and the training department will move to the corporate headquarters in 2026.

Foreclosed assets held-for-sale includes other real estate owned (ORE). The Company had one ORE property as of December 31, 2025. Upon possession, foreclosed properties are recorded on the Company's balance sheet at the lower of cost or fair value. For a further discussion of ORE properties, see "Foreclosed assets held-for-sale", located in the comparison of financial condition section of managements' discussion and analysis.

## ***ITEM 3: LEGAL PROCEEDINGS***

The nature of the Company's business generates some litigation involving matters arising in the ordinary course of business. However, in the opinion of the Company after consulting with legal counsel, no legal proceedings are pending, which, if determined adversely to the Company or the Bank, would have a material effect on the Company's undivided profits or financial condition or results of operations. No legal proceedings are pending other than ordinary routine litigation incidental to the business of the Company and the Bank. In addition, to management's knowledge, no governmental authorities have initiated or contemplated any material legal actions against the Company or the Bank.

## ***ITEM 4: MINE SAFETY DISCLOSURES***

Not Applicable

**PART II**

***ITEM 5: MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES***

The common stock of the Company is listed on Nasdaq and traded on The NASDAQ Global Market under the symbol "FDBC." Shareholders requesting information about the Company's common stock may contact:

Salvatore R. DeFrancesco, Jr., Treasurer  
Fidelity D & D Bancorp, Inc.  
Blakely and Drinker Streets  
Dunmore, PA 18512  
(570) 342-8281

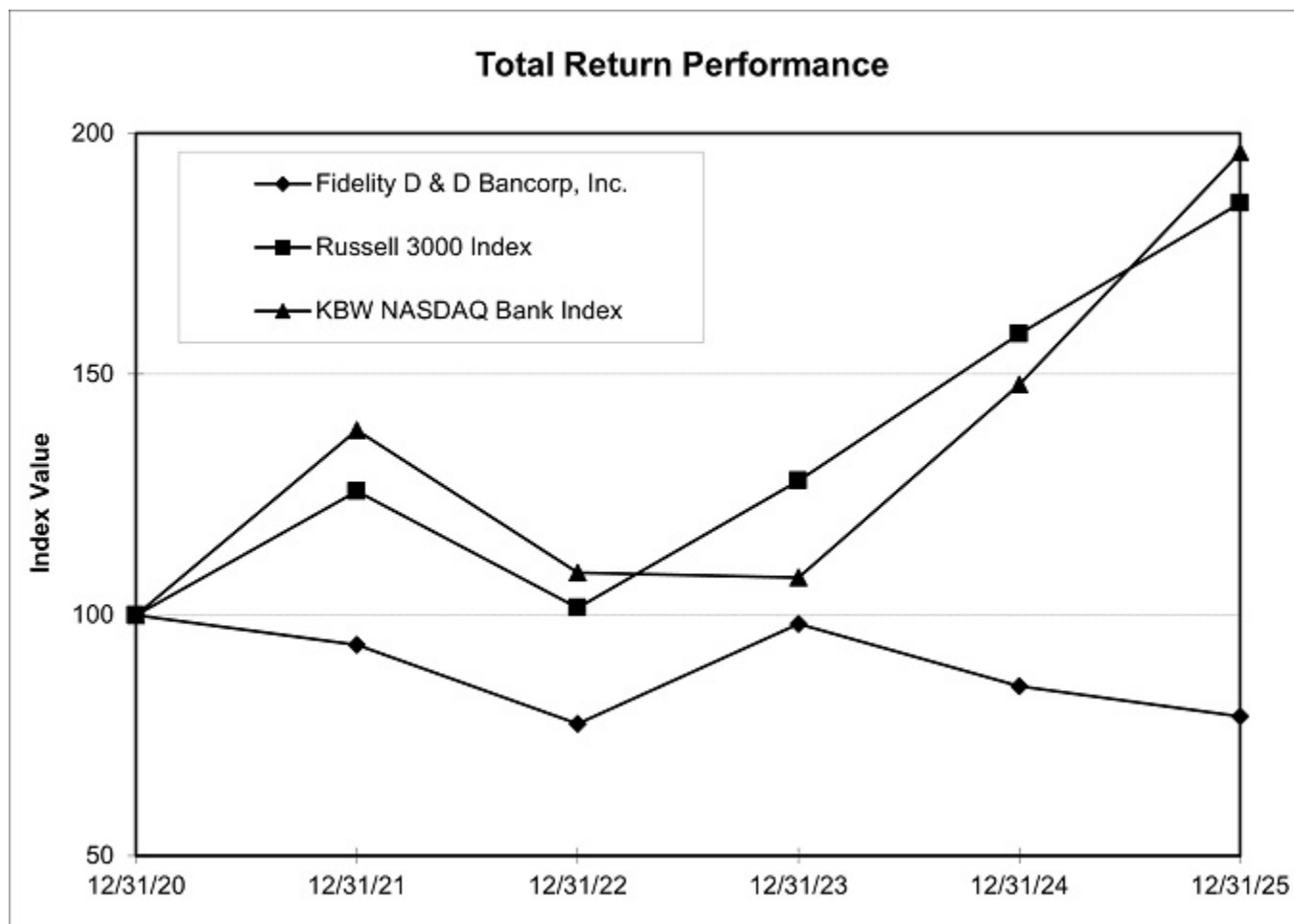
Dividends are determined and declared by the Board of Directors of the Company. The Company expects to continue to pay regular quarterly cash dividends in the future; however, future dividends are dependent upon earnings, financial condition, capital strength and other factors of the Company. For a further discussion of regulatory capital requirements see Note 15, "Regulatory Matters," contained within the notes to the consolidated financial statements, incorporated by reference in Part II, Item 8.

The Company offers a dividend reinvestment plan (DRP) for its shareholders. The DRP provides shareholders with a convenient and economical method of investing cash dividends payable on their common stock and the opportunity to make voluntary optional cash payments to purchase additional shares of the Company's common stock. Participants pay no brokerage commissions or service charges when they acquire additional shares of common stock through the DRP. The administrator may purchase shares directly from the Company, in the open market, in negotiated transactions with third parties or using a combination of these methods.

The Company had approximately 1,536 shareholders at December 31, 2025 and 1,538 shareholders as of February 28, 2026. The number of shareholders is the actual number of distinct shareholders of record. Each security depository is considered a single shareholder for purposes of determining the approximate number of shareholders.

**Performance graph**

The following graph and table compare the cumulative total shareholder return on the Company’s common stock against the cumulative total return of the Russell 3000 and KBW NASDAQ Bank index (the KBW NASDAQ index) for the period of five fiscal years commencing January 1, 2021, and ending December 31, 2025. The graph illustrates the cumulative investment return to shareholders, based on the assumption that a \$100 investment was made on December 31, 2020, in each of: the Company’s common stock, the Russell 3000 and the KBW NASDAQ index. As of December 31, 2025, the KBW NASDAQ index consisted of 23 banks. A listing of the banks that comprise the KBW NASDAQ index can be found on the Company’s website at [www.bankatfidelity.com](http://www.bankatfidelity.com) and then on the bottom of the page clicking on, *Investor Relations, Stock Info, The KBW NASDAQ Bank index* in the drop-down menu. All cumulative total returns are computed assuming the reinvestment of dividends into the applicable securities. The shareholder return shown on the graph and table below is not necessarily indicative of future performance:



<i>Index</i>	<i>Period Ending</i>					
	12/31/20	12/31/21	12/31/22	12/31/23	12/31/24	12/31/25
Fidelity D & D Bancorp, Inc.	100.00	93.81	77.35	98.17	85.18	78.87
Russell 3000 Index	100.00	125.66	101.53	127.88	158.32	185.47
KBW NASDAQ Bank Index	100.00	138.33	108.73	107.76	147.85	196.00

**ITEM 6:** [Reserved]

**ITEM 7: MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION**

**Critical accounting estimates**

The presentation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect many of the reported amounts and disclosures. Actual results could differ from these estimates.

A material estimate that is particularly susceptible to significant change relates to the determination of the allowance for credit losses. Management believes that the allowance for credit losses at December 31, 2025 is adequate and reasonable to cover expected losses. Given the subjective nature of identifying and estimating loan losses, it is likely that well-informed individuals could make different assumptions and could, therefore, calculate a materially different allowance amount. While management uses available information to recognize losses on loans, changes in economic conditions and reasonable and supportable forecasts may necessitate revisions in the future. In addition, various regulatory agencies, as an integral part of their examination process, periodically review the Company's allowance for credit losses. Such agencies may require the Company to recognize adjustments to the allowance based on their judgment of information available to them at the time of their examination.

All significant accounting policies are contained in Note 1, "Nature of Operations and Summary of Significant Accounting Policies", within the notes to consolidated financial statements and incorporated by reference in Part II, Item 8.

The following discussion and analysis presents the significant changes in the financial condition and in the results of operations of the Company as of December 31, 2025 and 2024 and for each of the years then ended. This discussion should be read in conjunction with the consolidated financial statements and notes thereto included in Part II, Item 8 of this report.

**Non-GAAP Financial Measures**

The following are non-GAAP financial measures which provide useful insight to the reader of the consolidated financial statements but should be considered supplemental to GAAP used to prepare the Company's financial statements and should not be read in isolation or relied upon as a substitute for GAAP measures. In addition, the Company's non-GAAP measures may not be comparable to non-GAAP measures of other companies. The Company's tax rate used to calculate the fully-taxable equivalent (FTE) adjustment was 21% as of December 31, 2025 and 2024.

The following table reconciles the non-GAAP financial measures of FTE net interest income:

(dollars in thousands)	2025	2024
Interest income (GAAP)	\$ 119,839	\$ 107,022
Adjustment to FTE	3,116	3,036
Interest income adjusted to FTE (non-GAAP)	122,955	110,058
Interest expense (GAAP)	47,168	45,157
Net interest income adjusted to FTE (non-GAAP)	\$ 75,787	\$ 64,901

The efficiency ratio is non-interest expenses as a percentage of FTE net interest income plus non-interest income less gain/(loss) on sales of securities. The following table reconciles the non-GAAP financial measures of the efficiency ratio to GAAP:

(dollars in thousands)	2025	2024
<b>Efficiency Ratio (non-GAAP)</b>		
Non-interest expenses (GAAP)	\$ 58,817	\$ 55,541
Net interest income (GAAP)	72,671	61,865
Plus: taxable equivalent adjustment	3,116	3,036
Non-interest income (GAAP)	20,559	19,013
Loss on sales of securities	1,190	-
Net interest income (FTE) plus adjusted non-interest income (non-GAAP)	\$ 97,536	\$ 83,914
Efficiency ratio (non-GAAP)	60.30%	66.19%

The following table provides a reconciliation of the tangible common equity (non-GAAP) and the calculation of tangible book value per share, tangible common equity ratio and adjusted tangible common equity ratio:

(dollars in thousands)	2025	2024
<b>Tangible Book Value per Share (non-GAAP)</b>		
Total assets (GAAP)	\$ 2,748,058	\$ 2,584,616
Less: Intangible assets	(20,242)	(20,504)
Tangible assets	2,727,816	2,564,112
Total shareholders' equity (GAAP)	238,860	203,969
Less: Intangible assets	(20,242)	(20,504)
Tangible common equity	\$ 218,618	\$ 183,465
Common shares outstanding, end of period	5,771,110	5,736,252
Tangible Common Book Value per Share (non-GAAP)	\$ 37.88	\$ 31.98
Tangible Common Equity Ratio (non-GAAP)	8.01%	7.16%
Unrealized losses on held-to-maturity securities, net of tax	\$ (19,119)	\$ (24,640)
Adjusted tangible common equity ratio (non-GAAP)	7.31%	6.19%

The following table provides a reconciliation of pre-provision net revenue (PPNR) to average assets (non-GAAP):

(dollars in thousands)	2025	2024
<b>Pre-Provision Net Revenue to Average Assets</b>		
Income before taxes (GAAP)	\$ 33,143	\$ 23,872
Plus: Provision for credit losses	1,270	1,465
Total pre-provision net revenue (non-GAAP)	\$ 34,413	\$ 25,337
Average assets	\$ 2,689,705	\$ 2,493,659
Pre-Provision Net Revenue to Average Assets (non-GAAP)	1.28%	1.02%

**Comparison of Financial Condition as of December 31, 2025  
and 2024 and Results of Operations for each of the Years then Ended**

**Executive Summary**

The Company generated \$28.2 million in net income in 2025, or \$4.89 earnings per share, (\$4.86 diluted earnings per share) an increase of \$7.4 million, or 36%, from \$20.8 million, or \$3.63 earnings per share, (\$3.60 diluted earnings per share) in 2024. The Company's net interest income performance has increased primarily due to interest income growth. The main driver of the growth in interest income was the average balance increase in the loan and lease portfolio along with improving yields on new originations. Interest expense increased to a lesser extent primarily due to increases in the volume of deposits which replaced short-term borrowings. During 2025, the Federal Open Market Committee (FOMC) decreased the federal funds rate by 75 basis points. Currently, consensus economic forecasts are expecting one to two declines of 25 basis points throughout fiscal year 2026. For 2026, the Company maintains a loan pipeline which is expected to grow the loan portfolio funded by utilizing excess cash holdings and will plan to borrow in the event cash is depleted and there is not enough deposit growth to fund loan growth. The focus remains on enhancing margin by reallocating cash flow to focus growth on specific higher yielding assets, being proactive with loan pricing, and managing deposit costs to maintain a reasonable spread.

Nationally, the unemployment rate rose from 4.1% at December 31, 2024 to 4.4% at December 31, 2025. The unemployment rates in the Scranton - Wilkes-Barre - Hazleton (market area north) and the Allentown - Bethlehem - Easton (market area south) Metropolitan Statistical Areas (local) increased with both at a lower level than the national unemployment rate. According to the U.S. Bureau of Labor Statistics, the local unemployment rates at December 31, 2025 were 4.3% in the market area north and 3.9% in the market area south, respectively, an increase of 0.5 and 0.5 percentage points from the 3.8% and 3.4%, respectively, at December 31, 2024. The median home values in the Scranton-Wilkes-Barre-Hazleton metro and Allentown-Bethlehem-Easton metro each increased 5.1% and 2.8% from a year ago, according to Zillow, an online database advertising firm providing access to its real estate search engines to various media outlets, and values are expected to grow 2.5% and 2.7% in the next year. In light of these expectations, we believe the real estate values could continue to increase at these levels with the declining rate environment. Management will continue to monitor the economic climate in our region and scrutinize growth prospects with credit quality as a principal consideration.

For the years ended December 31, 2025 and 2024, book value per share was \$41.39 and \$35.56, respectively, an increase of 16%. Over the same periods, tangible common book value per share (non-GAAP) was \$37.88 and \$31.98<sup>(1)</sup>, respectively, an increase of 18%. The increase in tangible book value was due primarily to an increase in retained earnings from net income. These non-GAAP measures should be reviewed in connection with the reconciliation of these non-GAAP ratios. See "Non-GAAP Financial Measures" located above within this management's discussion and analysis.

Non-performing assets represented 0.08% of total assets as of December 31, 2025, a decrease from 0.30% at the prior year end. Non-performing assets to total assets decreased during 2025 mostly due to a decline in non-accrual loans.

Branch managers, relationship bankers, mortgage originators and our business service partners are all focused on developing a mutually profitable full banking relationship with our clients. We understand our markets, offer products and services along with financial advice that is appropriate for our community, clients and prospects. The Company continues to focus on the trusted financial advisor model by utilizing the team approach of experienced bankers that are fully engaged and dedicated towards maintaining and growing profitable relationships.

During 2026, the Company currently expects to operate in a moderately declining interest rate environment throughout the year. Management is primarily reliant on the Federal Open Market Committee's statements and forecast. Management is aware the Company may continue to experience pressure to maintain higher rates on interest-bearing deposits due to the competitive nature of deposits in our market area. Management monitors uninsured deposits which represented approximately 39% of total deposits as of December 31, 2025, primarily within non-personal accounts. Also, as part of the planning process, management incorporates deposit pricing assumptions from its non-maturity deposit study, including estimated beta sensitivity for interest-bearing accounts, and monitors liquidity under multiple stress scenarios through its contingency funding and liquidity risk reporting processes. Accordingly, while competitive funding pressures may continue, management believes its deposit mix, modeled deposit repricing assumptions and liquidity monitoring framework position the Company to manage funding costs and liquidity prudently. Expected loan growth is anticipated to be funded by deposit growth and net interest margin is expected to improve compared to 2025.

(1) See non-GAAP financial measurements reconciliation on page 21.

## Financial Condition

Consolidated assets increased \$163.4 million, or 6%, to \$2.7 billion as of December 31, 2025 from \$2.6 billion as of December 31, 2024. The increase in assets was primarily due to loan portfolio growth. The Company used deposits to fund loan growth.

The following table provides a comparison of condensed balance sheet data as of December 31:

(dollars in thousands)

<b>Assets:</b>	<b>2025</b>	<b>%</b>	<b>2024</b>	<b>%</b>
Cash and cash equivalents	\$ 148,060	5.4%	\$ 83,353	3.2%
Investment securities	523,946	19.1	557,221	21.6
Restricted investments in bank stock	4,373	0.2	3,961	0.2
Loans and leases, net (including loans HFS)	1,891,556	68.8	1,781,190	68.8
Bank premises and equipment	48,950	1.8	35,914	1.4
Life insurance cash surrender value	59,396	2.2	58,069	2.2
Other assets	71,777	2.5	64,908	2.6
<b>Total assets</b>	<b>\$ 2,748,058</b>	<b>100.0%</b>	<b>\$ 2,584,616</b>	<b>100.0%</b>
<b>Liabilities:</b>				
Total deposits	\$ 2,467,353	89.8%	\$ 2,340,820	90.6%
Secured borrowings	5,995	0.2	6,266	0.2
Short-term borrowings	20	-	-	-
Other liabilities	35,830	1.3	33,561	1.3
<b>Total liabilities</b>	<b>2,509,198</b>	<b>91.3</b>	<b>2,380,647</b>	<b>92.1</b>
Shareholders' equity	238,860	8.7	203,969	7.9
<b>Total liabilities and shareholders' equity</b>	<b>\$ 2,748,058</b>	<b>100.0%</b>	<b>\$ 2,584,616</b>	<b>100.0%</b>

A comparison of net changes in selected balance sheet categories as of December 31, are as follows:

(dollars in thousands)	Assets	%	Earning assets*	%	Deposits	%	Other borrowings	%	FHLB advances	%
<b>2025</b>	<b>\$163,442</b>	<b>6</b>	<b>\$148,966</b>	<b>6</b>	<b>\$126,533</b>	<b>5</b>	<b>\$ (251)</b>	<b>(4)</b>	<b>\$ -</b>	<b>-</b>
2024	81,457	3	73,355	3	182,395	8	(118,106)	(95)	-	-
2023	124,787	5	100,726	5	(8,488)	-	103,813	505	-	-
2022	(40,732)	(2)	(35,954)	(2)	(2,952)	-	9,939	94	-	-
2021	719,594	42	682,812	43	660,360	44	10,620	100	(5,000)	(100)

\* Earning assets include interest-bearing deposits with financial institutions, gross loans and leases, loans held-for-sale, available-for-sale and held-to-maturity securities and restricted investments in bank stock excluding loans placed on non-accrual status.

For more information about the Company's capital, see Footnote 15, "Regulatory Matters," of Part II, Item 8 "Financial Statements and Supplementary Data", which is incorporated herein by reference and the "Capital Resources" section of management's discussion and analysis contained herein.

## **Funds Provided:**

### **Deposits**

The Company is a community-based commercial depository financial institution, member FDIC, which offers a variety of deposit products with varying ranges of interest rates and terms. Generally, deposits are obtained from consumers, businesses and public entities within the communities that surround the Company's 21 branch offices and all deposits are insured by the FDIC up to the extent permitted by law. Deposit products consist of transaction accounts including: savings; clubs; interest-bearing checking; money market; non-interest bearing checking (DDA). The Company also offers short- and long-term time deposits or certificates of deposit (CDs). CDs are deposits with stated maturities which can range from seven days to ten years. Cash flow from deposits is influenced by economic conditions, changes in the interest rate environment, pricing and competition. To determine interest rates on its deposit products, the Company considers local competition, spreads to earning-asset yields, liquidity position and rates charged for alternative sources of funding such as short-term borrowings and FHLB advances.

The following table represents the components of total deposits as of the date indicated:

(dollars in thousands)	December 31, 2025		December 31, 2024	
	Amount	%	Amount	%
Interest-bearing checking	\$ 674,412	27.3%	\$ 672,290	28.7%
Savings and clubs	188,449	7.6	189,534	8.1
Money market	698,935	28.4	606,161	25.9
Certificates of deposit	352,976	14.3	338,900	14.5
Total interest-bearing	1,914,772	77.6	1,806,885	77.2
Non-interest bearing	552,581	22.4	533,935	22.8
Total deposits	\$ 2,467,353	100.0%	\$ 2,340,820	100.0%

Total deposits increased \$126.5 million, or 5%, to \$2.5 billion as of December 31, 2025 from \$2.3 billion as of December 31, 2024. The increase includes: money market \$92.8 million, CDs \$14.1 million, and interest-bearing checking \$2.1 million are driven by new primary checking households, an increase in existing account balances and a retention strategy with targeted marketing in support of building client relationships. Non-interest bearing checking balances increased \$18.6 million primarily due to business and personal demand deposit accounts. Savings and club account balances decreased by \$1.1 million during 2025 primarily due to shifts to money market accounts and CDs. During 2026, the Company will continue to execute its relationship development strategy to maintain and grow core deposits. Public deposit fluctuations are expected to remain seasonal and at times may partially offset future deposit growth.

The Company utilizes the CDARS reciprocal program and the ICS reciprocal program to obtain FDIC insurance protection for customers who have large deposits that at times may exceed the FDIC maximum insured amount of \$250,000. The Company had \$48.9 million and \$49.4 million in CDARS as of December 31, 2025 and 2024, respectively. As of December 31, 2025 and 2024, ICS reciprocal deposits represented \$153.1 million and \$150.6 million, or 6% and 6%, respectively, of total deposits which are included in interest-bearing checking accounts in the table above.

As of December 31, 2025, total uninsured deposits were estimated to be \$954.0 million, or 39% of total deposits. The estimate of uninsured deposits is based on the same methodologies and assumptions used for regulatory reporting requirements. The Company aggregates deposit products by taxpayer identification number and classifies them into ownership categories to estimate amounts over the FDIC insurance limit. As of December 31, 2025, the total of uninsured and non-collateralized deposits to total deposits was \$656.5 million, or 27% of deposits. Collateralized deposits totaled \$297.5 million, or 12% of total deposits as of December 31, 2025.

The maturity distribution of certificates of deposit that meet or exceed the FDIC limit, by account, as of December 31, 2025 is as follows:

<u>(dollars in thousands)</u>	
Three months or less	\$ 31,248
More than three months to six months	56,906
More than six months to twelve months	20,365
More than twelve months	1,516
<u>Total</u>	<u>\$ 110,035</u>

Approximately 96% of the CDs, with a weighted-average interest rate of 3.72%, are scheduled to mature in 2026 and an additional 2%, with a weighted-average interest rate of 2.01%, are scheduled to mature in 2027. Renewing CDs are currently expected to reprice to lower market rates depending on the rate on the maturing CD, the pace and direction of interest rate movements, the shape of the yield curve, competition, the rate profile of the maturing accounts and depositor preference for alternative, non-term products. The Company continues to address maturing CDs on a relationship pricing basis, with both CD retention and promotional programs and a rate match when prudent to maintain relationships. For the fiscal year of 2025, 87% of maturing CDs were retained in deposit products within the bank. The Company will consider the needs of the customers and simultaneously be mindful of the liquidity levels, borrowing rates and the interest rate sensitivity exposure of the Company.

#### Short-term borrowings

Borrowings are used as a complement to deposit generation as an alternative funding source whereby the Company will borrow under advances from the FHLB of Pittsburgh and other correspondent banks for asset growth and liquidity needs.

Short-term borrowings may include overnight balances with FHLB's line of credit and/or correspondent banks federal funds lines which the Company may require to fund daily liquidity needs such as deposit outflow, loan demand and operations. As of December 31, 2025, the Company did not use any short-term borrowings to fund loan growth. As of December 31, 2025, the Company had the ability to borrow \$145.0 million from the Federal Reserve borrower-in-custody program, full availability of \$150.0 million in overnight borrowings with the FHLB open-repo line of credit and \$30.0 million from lines of credit with correspondent banks.

Information with respect to the Company's short-term borrowings' maximum and average outstanding balances and interest rates are contained in Note 8, "Short-term Borrowings," of the notes to consolidated financial statements incorporated by reference in Part II, Item 8.

#### Secured borrowings

As of December 31, 2025, the Company had 5 secured borrowing agreements with third parties with a carrying value of \$6.0 million compared to 5 secured borrowing agreements with third parties with a carrying value of \$6.2 million as of December 31, 2024, related to certain sold loan participations that did not qualify for sales treatment. Secured borrowings are expected to decrease throughout 2026 from scheduled amortization and, when possible, early pay-offs.

#### FHLB advances

The Company had no FHLB advances as of December 31, 2025 and 2024. As of December 31, 2025, the Company had the ability to borrow up to \$812.7 million from the FHLB, net of any overnight borrowings utilized. The Company does not expect to have any FHLB advances in 2026.

## **Funds Deployed:**

### **Investment Securities**

The Company's investment policy is designed to complement its lending activities, provide monthly cash flow, manage interest rate sensitivity and generate a favorable return without incurring excessive interest rate and credit risk while managing liquidity at acceptable levels. In establishing investment strategies, the Company considers its business, growth strategies or restructuring plans, the economic environment, the interest rate sensitivity position, the types of securities in its portfolio, permissible purchases, credit quality, maturity and re-pricing terms, call or average-life intervals and investment concentrations. The Company's policy prescribes permissible investment categories that meet the policy standards and management is responsible for structuring and executing the specific investment purchases within these policy parameters. Management buys and sells investment securities periodically depending on market conditions, business trends, liquidity needs, capital levels and structuring strategies. Investment security purchases provide a way to quickly invest excess liquidity in order to generate additional earnings. The Company generally earns a positive interest spread by assuming interest rate risk using deposits or borrowings to purchase securities with longer maturities.

At the time of purchase, management classifies investment securities into one of three categories: trading, available-for-sale (AFS) or held-to-maturity (HTM). To date, management has not purchased any securities for trading purposes. Some of the securities the Company purchases are classified as AFS even though there is no immediate intent to sell them. The AFS designation affords management the flexibility to sell securities and position the balance sheet in response to capital levels, liquidity needs or changes in market conditions. Debt securities designated as AFS are carried at fair value on the consolidated balance sheets with unrealized gains and losses, net of deferred income taxes, reported within shareholders' equity as a component of accumulated other comprehensive income (AOCI). Securities designated as HTM are carried at amortized cost and represent debt securities that the Company has the ability and intent to hold until maturity. For the year ended December 31, 2025, AOCI improved by \$14.9 million primarily due to unrealized gains on securities AFS.

As of December 31, 2025, the carrying value of held-to-maturity securities was \$227.3 million, net of \$11.9 million in remaining transferred discount.

The Company utilized a fair value hedge to designate and swap a portion of the fixed rate AFS portfolio. The Company has an approved Derivative Policy that requires Board pre-approval on such balance sheet hedging activities as well as ongoing reporting to its ALCO Committee. The Board has approved up to \$200 million in notional amount of pay-fixed interest rate swap and the Company has executed on \$100 million to date.

During September 2023, the Company entered into a \$100 million interest rate swap with a third-party financial institution to limit the risk to the investment portfolio of rising interest rates. The interest rate swap was designated as a fair value hedge and utilized a pay fixed interest rate swap to hedge the change in fair value attributable to the movement in the Secured Overnight Financing Rate ("SOFR"). The Company designated \$50 million of the swap's notional balance as a hedge against the closed portfolio of 20-year mortgage-backed securities and \$50 million as a hedge against the closed portfolio of tax-free municipal bonds. As of December 31, 2025, the Company recorded the fair value of the swap as \$0.9 million in accrued interest payable and other liabilities on the consolidated balance sheet offset by a \$0.9 million increase to the carrying value of designated investment securities.

As of December 31, 2025, the carrying value of investment securities amounted to \$523.9 million, or 19% of total assets, compared to \$557.2 million, or 22% of total assets, as of December 31, 2024. On December 31, 2025, 32% of the carrying value of the investment portfolio was comprised of U.S. Government Sponsored Enterprise residential mortgage-backed securities (MBS – GSE residential or mortgage-backed securities) that amortize and provide monthly cash flow that the Company can use for reinvestment, loan demand, unexpected deposit outflow, facility expansion or operations. The mortgage-backed securities portfolio includes only pass-through bonds issued by Fannie Mae, Freddie Mac and the Government National Mortgage Association (GNMA).

The Company's municipal (obligations of states and political subdivisions) portfolio is comprised of tax-free municipal bonds with a book value of \$187.0 million (\$170.7 million including the remaining net unrealized loss transferred on HTM securities) and taxable municipal bonds with a book value of \$81.9 million (\$75.8 million including the remaining net unrealized loss transferred on HTM securities). The overall credit ratings of these municipal bonds was as follows: 35% AAA, 63% AA, and 1% A. For HTM municipal securities, the Company utilized a third-party model to analyze whether a credit loss reserve is needed for these bonds. The amount of the credit loss reserve calculated was immaterial because of the underlying strong credit quality of the municipal portfolio.

During 2025, the carrying value of total investments decreased \$33.3 million, or 6%. The decline was primarily due to the sale of \$45.7 million in available-for-sale securities and \$23.0 million in paydowns partially offset by \$25.1 million in purchases of securities. The Company attempts to maintain a well-diversified and proportionate investment portfolio that is structured to complement the strategic direction of the Company. Its growth typically supplements the lending activities but also considers the current and forecasted economic conditions, the Company's liquidity needs and interest rate risk profile, to the extent possible.

A comparison of total investment securities as of December 31 follows:

(dollars in thousands)	December 31, 2025				December 31, 2024			
	Amount	%	Book yield	Reprice term (years)	Amount	%	Book yield	Reprice term (years)
HTM securities:								
Obligations of states & political subdivisions - tax exempt	\$ 83,606	16.1%	2.1%	18.8	\$ 83,544	15.1%	2.1%	19.8
Obligations of states & political subdivisions - taxable	60,113	11.4	2.1	9.3	59,734	10.7	2.1	10.3
Agency - GSE	83,620	15.9	1.4	4.4	82,486	14.7	1.4	5.4
Total HTM securities	\$ 227,339	43.4%	1.8%	11.1	\$ 225,764	40.5%	1.8%	12.1
AFS debt securities:								
MBS - GSE residential	\$ 169,165	32.3%	2.0%	5.4	\$ 183,999	33.0%	2.0%	5.9
Obligations of states & political subdivisions - tax exempt	87,116	16.6	2.4	17.0	95,635	17.2	2.4	17.5
Obligations of states & political subdivisions - taxable	15,704	3.0	1.4	3.6	23,623	4.2	1.6	4.6
Agency - GSE	24,622	4.7	1.1	2.8	28,200	5.1	1.2	3.3
Total AFS debt securities	\$ 296,607	56.6%	2.0%	8.5	\$ 331,457	59.5%	2.0%	8.9
Total securities	\$ 523,946	100.0%	1.9%	9.6	\$ 557,221	100.0%	2.0%	10.1

The investment securities portfolio contained no private-label mortgage-backed securities, collateralized mortgage obligations, collateralized debt obligations, or trust-preferred securities. The portfolio had no adjustable-rate instruments as of December 31, 2025 and 2024.

The AFS securities were recorded with a net unrealized loss of \$36.4 million and \$52.8 million as of December 31, 2025 and 2024, respectively. Of the \$16.4 million net improvement: \$11.2 million was attributable to mortgage-backed securities, \$3.9 million attributable to municipal securities, and \$1.3 million was attributable to agency securities. The direction and magnitude of the change in value of the Company's investment portfolio is attributable to the direction and magnitude of the change in interest rates along the treasury yield curve. Generally, the values of debt securities move in the opposite direction of the changes in interest rates. As interest rates along the treasury yield curve rise, especially at the intermediate and long end, the values of debt securities tend to decline. Whether or not the value of the Company's investment portfolio will change above or below its amortized cost will be largely dependent on the direction and magnitude of interest rate movements and the duration of the debt securities within the Company's investment portfolio. Management does not consider the reduction in value attributable to changes in credit quality. Correspondingly, when interest rates decline, the market values of the Company's debt securities portfolio could be subject to market value increases.

As of December 31, 2025, the Company had \$266.2 million in public deposits, or 11% of total deposits. Pennsylvania state law requires the Company to maintain pledged securities on public and trust deposits or otherwise obtain a FHLB letter of credit or FDIC insurance for these customers. The Company also pledges securities for derivative instruments and certain borrowed funds. As of December 31, 2025, the balance of pledged securities required was \$299.0 million, or 57% of total securities.

Quarterly, management performs a review of the investment portfolio to determine the causes of declines in the fair value of each security. The Company uses inputs provided by independent third parties to determine the fair value of its investment securities portfolio. Inputs provided by the third parties are reviewed and corroborated by management. Evaluations of the causes of the unrealized losses are performed to determine whether credit losses on debt securities exist. Considerations such as the Company's intent and ability to hold the securities until or sell prior to maturity, recoverability of the invested amounts over the intended holding period, the length of time and the severity in pricing decline below cost, the interest rate environment, the receipt of amounts contractually due and whether or not there is an active market for the securities, for example, are applied, along with an analysis of the financial condition of the issuer for management to make a realistic judgment of the probability that the Company will be unable to collect all amounts (principal and interest) due in determining whether a security has credit losses. If a decline in value is deemed to be a credit loss, a contra-asset is recorded on both HTM and AFS securities, limited by the amount that the fair value is less than the amortized cost basis. During the year ended December 31, 2025, the Company did not incur any credit losses on debt securities from its investment securities portfolio.

During 2025, the Company sold thirty-nine available-for-sale securities with the intention of replacing the holdings with better yielding bonds. The Company recognized a loss of \$1.2 million as the amortized cost was \$45.7 million compared to the sales proceeds of \$44.5 million. These sales were due to the ongoing management strategy of improving margin and focusing on more effective interest earning assets.

#### Restricted investments in bank stock

Investment in Federal Home Loan Bank (FHLB) stock is required for membership in the organization and is carried at cost since there is no market value available. The amount the Company is required to invest is dependent upon the relative size of outstanding borrowings the Company has with the FHLB of Pittsburgh. Excess stock is repurchased from the Company at par if the amount of borrowings decline to a predetermined level. The balance in FHLB stock was \$4.3 million and \$3.9 million as of December 31, 2025 and 2024, respectively. The dividends received from the FHLB totaled \$323 thousand and \$304 thousand for the years ended December 31, 2025 and 2024, respectively. In addition, the Company earns a return or dividend based on the amount invested. Atlantic Community Bankers Bank (ACBB) stock totaled \$82 thousand as of December 31, 2025 and 2024.

#### Loans held-for-sale

Upon origination, most residential mortgages and certain Small Business Administration (SBA) guaranteed loans may be classified as held-for-sale (HFS). In the event of market rate increases, fixed-rate loans and loans not immediately scheduled to re-price would no longer produce yields consistent with the current market. In declining interest rate environments, the Company would be exposed to prepayment risk as rates on fixed-rate loans decrease, and customers look to refinance loans. Consideration is given to the Company's current liquidity position and projected future liquidity needs. To better manage prepayment and interest rate risk, loans that meet these conditions may be classified as HFS. Occasionally, residential mortgage and/or business loans may be transferred from the loan portfolio to HFS. The carrying value of loans HFS is based on the lower of cost or estimated fair value. If the fair values of these loans decline below their original cost, the difference is written down and charged to current earnings. Subsequent appreciation in the portfolio is credited to current earnings but only to the extent of previous write-downs.

As of December 31, 2025 and 2024, loans HFS consisted of residential mortgages with carrying amounts of \$0.6 million and \$2.1 million, respectively, which approximated their fair values. During the year ended December 31, 2025, residential mortgage loans with principal balances of \$65.7 million were sold into the secondary market and the Company recognized net gains of \$1.0 million, compared to \$59.3 million and \$1.0 million, respectively, during the year ended December 31, 2024. Additionally, during 2025, the Company sold a commercial loan with a principal balance of \$1.3 million and recognized a net gain of \$0.5 million.

The Company retains mortgage servicing rights (MSRs) on loans sold into the secondary market. MSRs are retained so that the Company can foster relationships. As of December 31, 2025 and 2024, the servicing portfolio balance of sold residential mortgage loans was \$513.6 million and \$495.4 million, respectively, with mortgage servicing rights of \$1.1 million and \$1.3 million for the same periods, respectively.

### Loans and leases

As of December 31, 2025, the Company had gross loans and leases totaling \$1.9 billion, an increase of \$111.9 million, or 6%, compared to \$1.8 billion at December 31, 2024.

During the twelve months ended December 31, 2025, the growth in the portfolio was attributed to a \$130.6 million increase in the commercial portfolio which was heavily impacted by the origination of two commercial & industrial loans to a single borrower totaling \$28.0 million; a single origination to a municipal borrower totaling \$18.5 million; six commercial real estate owner occupied loans to five independent borrowers totaling \$35.5 million; \$25.5 million in construction projects that were completed and converted to non-owner commercial real estate loans and a single origination totaling \$4.7 million to a commercial real estate non-owner occupied borrower; and general portfolio growth.

The Company also experienced a \$5.9 million increase in the residential portfolio, which was offset by the \$24.6 million reduction in the consumer portfolio attributed to a strategic reduction in the auto portfolio

As management continues to identify ways to optimize the Company's balance sheet, the focus is to lend in areas that provide better risk-adjusted returns and improved opportunities to deepen relationships with our customers. This could result in a change in the composition of the loan portfolio in future periods.

A comparison of loan originations, net of participations, is as follows for the periods indicated:

	2025	2024
(dollars in thousands)	Amount	Amount
Loans:		
Commercial and industrial	\$ 106,735	\$ 65,581
Commercial real estate	93,186	111,320
Consumer	31,642	32,973
Residential real estate	89,384	93,559
Total loans	320,947	303,433
Lines of credit:		
Commercial	201,196	183,887
Residential construction	30,250	37,712
Home equity and other consumer	34,103	35,608
Total lines of credit	265,549	257,207
Total originations closed	\$ 586,496	\$ 560,640

For the twelve months ended December 31, 2025, the Company originated \$586.5 million in loans and lines of credit, an increase of \$25.9 million, or 4%, compared to the twelve months ended December 31, 2024.

The Company originated \$320.9 million total loans in 2025, which was \$17.5 million more than in 2024. Commercial and industrial loan originations increased by \$41.1 million in 2025 compared to 2024, due to enhanced management strategy around the segment. Loan originations decreased in commercial real estate (both owner-occupied and non-owner occupied CRE) by \$18.1 million to \$93.2 million, residential loans by \$4.2 million to \$89.4 million, and consumer loans by \$1.4 million to \$31.6 million.

The Company originated \$265.5 million total lines of credit in 2025, which was \$8.3 million more than originations in 2024. Line of credit originations increased in commercial by \$17.3 million to \$201.2 million in 2025 compared to 2024. Line of credit originations decreased in residential construction by \$7.5 million to \$30.2 million and home equity and other consumer by \$1.5 million to \$34.1 million.

A comparison of loans and related percentage of gross loans, as of December 31, is as follows:

(dollars in thousands)	December 31, 2025		December 31, 2024	
	Amount	%	Amount	%
Commercial and industrial:				
Commercial	\$ 220,526	11.5%	\$ 172,834	9.6%
Municipal	120,604	6.3	101,706	5.6
Commercial real estate:				
Non-owner occupied	416,521	21.8	394,219	21.9
Owner occupied	340,808	17.8	304,889	16.9
Construction	56,684	3.0	50,930	2.9
Consumer:				
Home equity installment	53,973	2.8	54,214	3.0
Home equity line of credit	70,195	3.7	58,130	3.2
Auto loans - Recourse	10,139	0.5	11,389	0.6
Auto loans - Non-recourse	43,852	2.3	75,440	4.2
Direct finance leases	19,666	1.0	27,827	1.5
Other	28,463	1.5	23,848	1.4
Residential:				
Real estate	515,489	27.0	504,815	28.0
Construction	15,685	0.8	20,507	1.2
Gross loans	1,912,605	100.0%	1,800,748	100.0%
Less:				
Allowance for credit losses	(20,168)		(19,666)	
Unearned lease revenue	(1,454)		(1,946)	
Net loans	\$ 1,890,983		\$ 1,779,136	
Loans held-for-sale	\$ 573		\$ 2,054	

#### Commercial and industrial (C&I) and commercial real estate (CRE)

As of December 31, 2025, the commercial portfolio increased by \$130.6 million, or 13%, to \$1.2 billion compared to the December 31, 2024 balance of \$1.0 billion due to growth of \$66.6 million in total commercial and industrial loans and \$64.0 million in growth in commercial real estate loans.

Commercial and industrial loans are generally secured with short-term assets; however, in many cases, additional collateral such as real estate is provided as additional security for the loan. Loan-to-value maximum values have been established by the Company and are specific to the type of collateral. Collateral values may be determined using invoices, inventory reports, accounts receivable aging reports, independent collateral appraisals, etc.

For the twelve months ended December 31, 2025, commercial and industrial (non-municipal) loans increased \$47.7 million, or 28%, from \$172.8 million as of December 31, 2024 to \$220.5 million as of December 31, 2025, which was due to three commercial & industrial loans to two separate borrowers totaling \$32.1 million in the third quarter along with the standard originations and advances outpacing scheduled payments and curtailments.

Municipal loans are secured by the full faith and credit of respective local government units located in the Commonwealth of Pennsylvania authorized in accordance with the Local Government Unit Debt Act. These loans have a long history of performance within contractual terms with no defaults noted.

For the twelve months ended December 31, 2025, municipal loans increased \$18.9 million, or 19%, from \$101.7 million on December 31, 2024, to \$120.6 million as of December 31, 2025 which was primarily attributed to a single origination to a municipal borrower totaling \$18.5 million.

Commercial real estate loans generally present a higher level of risk than other types of loans due primarily to the effect of general economic conditions and the complexities involved in valuing the underlying collateral whose values tend to move inversely with interest rates. These loans are secured with mortgages, or commercial real estate mortgages (CREM) against the subject property. In underwriting commercial real estate construction loans, the Company performs a robust analysis of the financial condition of the borrower, the borrower's credit history, and the reliability and predictability of the cash flow generated by the project using feasibility studies, market data, etc. Appraisals on properties securing commercial real estate loans originated by the Company are performed by independent appraisers consistent with Uniform Standards of Professional Appraisal Practice (USPAP) standards and compliant with Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA).

For the twelve months ended December 31, 2025, owner occupied commercial real estate loans increased \$35.9 million, or 12%, from \$304.9 million on December 31, 2024, to \$340.8 million at December 31, 2025, due to an origination to a single commercial real estate owner occupied borrower totaling \$9.3 million during the first quarter, the origination of two loans to a single commercial real estate owner occupied borrower totaling \$9.5 million during the second quarter, an origination to a single commercial real estate owner occupied borrower totaling \$6.0 million during the third quarter, the origination of two loans to two commercial real estate owner occupied borrowers totaling \$10.8 million during the fourth quarter and general portfolio growth.

Owner occupied commercial real estate loans rely on income generated from the respective owners' businesses. Therefore, underwriting on owner occupied CRE loans emphasizes the owner's cash flow and financial conditions while the real estate typically represents the owners' primary business location. Since cash flows from operations are the primary source of repayment for owner-occupied commercial real estate loans, this segment has a different risk profile than non-owner occupied lending.

The Company maintains a well-diversified non-owner occupied commercial real estate portfolio with no material concentration to any property type. The chart below describes the purpose for the types of exposure contained within the loan portfolio for non-owner-occupied commercial real estate loans at December 31, 2025 compared to December 31, 2024:

(dollars in thousands)	December 31, 2025		December 31, 2024	
	Amount	%	Amount	%
Commercial real estate non-owner occupied:				
1-4 Family	\$ 46,379	11.13%	\$ 45,613	11.57%
Multifamily	50,533	12.13%	48,087	12.20%
Industrial	47,873	11.49%	51,486	13.06%
Mixed Use	60,430	14.52%	53,233	13.50%
Retail	67,498	16.21%	64,227	16.29%
Land	25,532	6.13%	17,368	4.41%
Special Purpose	41,731	10.02%	32,187	8.16%
Hotel	28,885	6.93%	29,607	7.51%
Office	47,660	11.44%	52,411	13.30%
<b>Total</b>	<b>\$ 416,521</b>	<b>100.00%</b>	<b>\$ 394,219</b>	<b>100.00%</b>

For the twelve months ended December 31, 2025, non-owner occupied commercial real estate loans increased \$22.3 million, or 6%, from \$394.2 million on December 31, 2024, to \$416.5 million on December 31, 2025. The increase is due to \$25.5 million in construction projects that were completed and converted to non-owner occupied commercial real estate loans and a single origination totaling \$4.7 million to a commercial real estate non-owner-occupied borrower, which were partially offset by standard portfolio runoff.

Non-owner occupied CRE loans are commercial loans not occupied by their owners and thus rely on income from third parties, including multi-family residential tenants and commercial tenants representing various industries. Underwriting on non-owner occupied CRE loans evaluates cash flow derived from the respective tenants and the industries they occupy. In keeping with its risk appetite and relationship management strategy, the Company avoids speculative commercial office space and prefers loans for projects with the following characteristics: sufficient equity, or loan to value, and have either S&P rated tenants with long term leases, loans structured with personal guarantees of owners whose personal financial strength provides meaningful cash flow support to supplement rental income volatility, residential projects with stable rents in desirable locations, or projects with sufficient diversity and industries proven to provide lower risk over the long term.

In the table above, office space comprised \$47.7 million and special purpose comprised \$41.7 million in outstanding amounts as of December 31, 2025. The office segment mainly has suburban medical and suburban professional third-party tenants. The special purpose segment includes self-storage facilities, assisted living facilities, nursing homes, and parking garages; self-storage facilities comprised \$20.7 million, or 50%, of the special purpose segment as of December 31, 2025.

Construction lending consists of commercial and residential site development loans, as well as commercial building construction and residential housing construction loans. As of December 31, 2025, the commercial construction portfolio of \$56.7 million consisted of \$37.4 million, or 66%, of non-owner-occupied loans and \$19.2 million, or 34%, of owner-occupied loans.

For the twelve months ended December 31, 2025, commercial construction loans increased \$5.8 million, or 11%, from \$50.9 million on December 31, 2024 to \$56.7 million at December 31, 2025. This increase was attributed to \$24.4 million in commercial construction commitments originated during the year and \$19.9 million in advances during the year on commercial construction loan availability booked prior to December 31, 2025. This increase was partially offset by \$33.4 million in construction projects converting to permanent financing to owner and non-owner commercial real estate loans and \$5.1 million in loans that were paid off during the twelve months ended December 31, 2025.

## **Consumer**

The consumer loan portfolio consisted of home equity installment, home equity line of credit, non-recourse auto loans, recourse auto loans, direct finance leases and other consumer loans.

As of December 31, 2025, the total consumer loan portfolio decreased by \$24.5 million, or 10%, to \$226.3 million compared to the December 31, 2024 balance of \$250.8 million, primarily due to a management strategic determination to reduce the indirect auto portfolio based on payoffs with minimal originations, resulting in a \$41 million reduction. Offsetting the reduction in the indirect auto portfolio was growth of \$12.1 million in the HELOC portfolio due to a sales campaign done during the year and growth of \$4.6 million in the consumer other portfolio, which was attributed to \$5.6 million loans purchased from the third-party originator BHG Financial during the year.

## Residential

As of December 31, 2025, the residential loan portfolio increased by \$5.9 million, or 1%, to \$531.2 million compared to the December 31, 2024 balance of \$525.3 million due to general portfolio growth.

The residential real estate loan portfolio consisted primarily of held-for-investment residential loans for primary residences, including approximately \$410 million in fixed-rate and \$105 million in adjustable-rate mortgages as of December 31, 2025.

The Company considers its portfolio segmentation, including the real estate secured portfolio, to be normal and reasonably diversified. The banking industry is affected by general economic conditions including, among other things, the effects of real estate values. The Company ensures that its mortgage lending adheres to standards of secondary market compliance. Furthermore, the Company's credit function strives to mitigate the negative impact of economic conditions by maintaining strict underwriting principles for all loan types.

The following table sets forth the maturity distribution of commercial and construction components of the loan portfolio at December 31, 2025. The determination of maturities is based on contractual terms. Non-contractual rollovers or extensions are included in one year or less category of the maturity classification. Excluded from the table are residential real estate and consumer loans:

(dollars in thousands)	One year or less	More than one year to five years	More than five years to fifteen years	More than fifteen years	Total
Commercial and industrial	\$ 14,887	\$ 74,987	\$ 120,055	\$ 131,201	\$ 341,130
Commercial real estate	17,593	87,855	367,196	284,684	757,328
Commercial real estate construction *	56,684	-	-	-	56,684
Residential real estate construction *	15,685	-	-	-	15,685
Total	\$ 104,849	\$ 162,842	\$ 487,251	\$ 415,885	\$ 1,170,827

\*In the table above, both residential and CRE construction loans are included in the one year or less category since, by their nature, these loans are converted into residential and CRE loans within one year from the date the real estate construction loan was consummated. Upon conversion, the residential and CRE loans would normally mature after five years.

The following table sets forth the total amount of C&I and CRE loans due after one year which have predetermined interest rates (fixed) and floating or adjustable interest rates (variable) as of December 31, 2025:

(dollars in thousands)	One to five years	Five to fifteen years	Over fifteen years	Total
Fixed interest rate	\$ 85,718	\$ 85,766	\$ 36,642	\$ 208,126
Variable interest rate	77,124	401,485	379,243	857,852
Total	\$ 162,842	\$ 487,251	\$ 415,885	\$ 1,065,978

Non-refundable fees and costs associated with all loan originations are deferred. Using either the interest method or straight-line amortization, the deferral is released as credits or charges to loan interest income over the life of the loan.

There are no concentrations of loans or customers to several borrowers engaged in similar industries exceeding 10% of total loans that are not otherwise disclosed as a category in the tables above. There are no concentrations of loans that, if resulted in a loss, would have a material adverse effect on the business of the Company. The Company's loan portfolio does not have a material concentration within a single industry or group of related industries or customers that is vulnerable to the risk of a near-term severe negative business impact. As of December 31, 2025, approximately 77% of the gross loan portfolio was secured by real estate compared to 77% at December 31, 2024.

### Allowance for credit losses

Management continually evaluates the credit quality of the Company's loan portfolio and performs a formal review of the adequacy of the allowance for credit losses (ACL) on a quarterly basis. The allowance reflects management's best estimate of the amount of expected credit losses in the loan portfolio. When estimating the net amount expected to be collected, management considers the effects of past events, current conditions, and reasonable and supportable forecasts of the collectability of the Company's financial assets. Those estimates may be susceptible to significant change. Loan losses are charged directly against the allowance when loans are deemed to be uncollectible. Recoveries from previously charged-off loans are added to the allowance when received.

The methodology to analyze the adequacy of the ACL is based on seven primary components:

- **Data:** The quality of the Company’s data is critically important as a foundation on which the ACL estimate is generated. For its estimate, the Company uses both internal and external data with a preference toward internal data where possible. Data is complete, accurate, and relevant, and subjected to appropriate governance and controls.
- **Segmentation:** Financial assets are segmented based on similar risk characteristics.
- **Contractual term of financial assets:** The contractual term of financial assets is a significant driver of ACL estimates. Financial assets or pools of financial assets with shorter contractual maturities typically result in a lower reserve than those with longer contractual maturities. As the average life of a financial asset or pool of assets increases, there generally is a corresponding increase to the ACL estimate because the likelihood of default is considered over a longer time frame. As such, pool-based assumptions for a pool’s contractual term (i.e., average life) are based on the contractual maturity of the financial assets within the pool and adjusted in accordance with GAAP, if appropriate.
- **Credit loss measurement method:** Multiple measurement methods for estimating ACLs are allowable per Accounting Standards Codification (ASC) Topic 326. The Company applies different estimation methods to different groups of financial assets. The discounted cash flow method is used for the commercial & industrial, commercial real estate non-owner occupied, commercial real estate owner occupied, commercial construction, home equity installment loan, home equity line of credit, residential real estate, and residential construction pools. The weighted average remaining maturity (WARM) method is used for the municipal, non-recourse auto, recourse auto, direct finance lease, and consumer other pools.
- **Reasonable and supportable forecasts:** ASC Topic 326 requires management to consider reasonable and supportable forecasts that affect expected collectability of financial assets. As such, the Company’s forecasts incorporate anticipated changes in the economic environment that may affect credit loss estimates over a time horizon when management can reasonably support and document expectations. Forward-looking information may reflect positive or negative expectations relative to the current environment. As of the reporting date, management is using the median Federal Open Market Committee (FOMC) National Gross Domestic Product (GDP) and unemployment rate forecasts as well as the Federal Housing Finance Agency (FHFA) House Price Index (HPI) for its reasonable and supportable forecasts. The Company currently uses a 12-month (4 quarter) reasonable and supportable forecast period.
- **Reversion period:** ASC Topic 326 does not require management to estimate a reasonable and supportable forecast for the entire contractual life of financial assets. Management may apply reversion techniques for the contractual life remaining after considering the reasonable and supportable forecast period, which allows management to apply a historical loss rate to latter periods of the financial asset’s life. The Company currently uses a 12 month (4 quarter) straight-line reversion period.
- **Qualitative factor adjustments:** The Company’s ACL estimate considers all significant factors relevant to the expected collectability of its financial assets as of the reporting date; Qualitative factors reflect the impact of conditions not captured elsewhere, such as the historical loss data or within the economic forecast. The qualitative considerations can be captured directly within measurement models or as additional components in the overall ACL methodologies. Currently, the Company uses the following qualitative factors:
  - levels of and trends in delinquencies and non-accrual loans;
  - levels of and trends in charge-offs and recoveries;
  - trends in volume and terms of loans;
  - changes in risk selection and underwriting standards;
  - changes in lending policies and legal and regulatory requirements;
  - experience, ability and depth of lending management;
  - national and local economic trends and conditions;
  - changes in credit concentrations; and
  - changes in underlying collateral.

A key control related to the allowance is the Company’s Special Assets Committee. This committee meets quarterly, and the applicable lenders discuss each relationship under review and reach a consensus on the appropriate estimated loss amount, if applicable, based on current accounting guidance. The Special Assets Committee’s focus is on ensuring the pertinent facts are considered regarding not only loans considered for specific reserves, but also the collectability of loans that may be past due in payment. The assessment process also includes the review of all loans on a non-accruing basis as well as a review of certain loans to which the lenders or the Company’s Credit Administration function have assigned a criticized or classified risk rating.

The following table sets forth the activity in the allowance for credit losses on loans and certain key ratios for the periods indicated:

(dollars in thousands)	2025	2024
Balance at beginning of period	\$ 19,666	\$ 18,806
<u>Charge-offs:</u>		
Commercial and industrial	(376)	(399)
Commercial real estate	(56)	(132)
Consumer	(423)	(419)
Residential	(73)	-
Total	(928)	(950)
<u>Recoveries:</u>		
Commercial and industrial	156	12
Commercial real estate	65	352
Consumer	136	76
Residential	18	45
Total	375	485
Net charge-offs	(553)	(465)
Provision for credit losses on loans	1,055	1,325
Balance at end of period	\$ 20,168	\$ 19,666
Allowance for credit losses to total loans	1.06%	1.09%
Net charge-offs to average total loans outstanding	0.03%	0.03%
Average total loans	\$ 1,866,637	\$ 1,741,349
Loans 30 - 89 days past due and accruing	\$ 3,026	\$ 5,349
Loans 90 days or more past due and accruing	\$ -	\$ 32
Non-accrual loans	\$ 1,892	\$ 7,343
Allowance for credit losses to non-accrual loans	10.66x	2.68 x
Allowance for credit losses to non-performing loans	10.66x	2.67 x

For the twelve months ended December 31, 2025, the allowance increased \$0.5 million, or 3%, to \$20.2 million from \$19.7 million at December 31, 2024. The increase in the allowance was based on the provisioning of \$1.1 million partially offset by net charge-offs of \$0.6 million.

The allowance for credit losses as a percentage of total loans decreased to 1.06% as of December 31, 2025 compared to 1.09% at December 31, 2024 based on the changes in current year loss factors, a more favorable economic forecast, and reduction in non-performing loans.

Management believes that the current balance in the allowance for credit losses is sufficient to meet the identified potential credit quality issues that may arise and other issues unidentified but inherent to the portfolio. Potential problem loans are those where there is known information that leads management to believe repayment of principal and/or interest is in jeopardy and the loans are currently neither on non-accrual status nor past due 90 days or more.

Key loss driver assumptions used in the allowance estimate included the median FOMC National Gross Domestic Product (GDP) and unemployment rate forecasts, the Federal Housing Finance Agency (FHFA) House Price Index (HPI), prepayment and curtailment rates, and estimated remaining loan lives. Although key loss driver assumptions used in the ACL estimate remained largely stable from the estimate as of December 31, 2024 to the estimate as of December 31, 2025, the ACL on absolute terms increased based on growth in the loan and lease portfolio and changes in the composition of the portfolio along with slower prepayment and curtailment rates offset by more favorable economic forecasts.

During the second quarter of 2025, management created a separate pool for its consumer loans purchased from the third-party originator, BHG Financial, due to the unique risk characteristics of these loans compared to the consumer loans originated by the Company. The total balance of the BHG consumer loan portfolio was \$10.5 million as of December 31, 2025.

Qualitative factors for the ACL estimate as of December 31, 2025, saw a general decrease compared to the prior year based on strong third-party assessments of the Company's asset quality and improved, local economic conditions.

The allocation of net charge-offs among major categories of loans are as follows for the periods indicated:

(dollars in thousands)	2025	% of Total Net Charge-offs	2024	% of Total Net Charge- offs
<b>Net charge-offs</b>				
Commercial and industrial	\$ (220)	41%	\$ (387)	83%
Commercial real estate	9	(2)	220	(47)
Consumer	(287)	52	(343)	74
Residential	(55)	9	45	(10)
Total net charge-offs	\$ (553)	100%	\$ (465)	100%

For the year ended December 31, 2025, net charge-offs against the allowance totaled \$0.6 million compared with net charge-offs of \$0.5 million for the year ended December 31, 2024, the increase is due to a \$0.1 million increase in charge-offs related to residential real estate with two individual borrowers during 2025. Net charge-offs as a percentage of the total loan portfolio were unchanged at 0.03% for the twelve months ended December 31, 2025 and 2024.

For a discussion on the provision for credit losses, see the "Provision for credit losses," located in the results of operations section of management's discussion and analysis contained herein.

The allowance for credit losses can generally absorb losses throughout the loan portfolio. However, in some instances an allocation is made for specific loans or groups of loans. Allocation of the allowance for credit losses for different categories of loans is based on the methodology used by the Company, as previously explained. The changes in the allocations from period-to-period are based upon quarter-end reviews of the loan portfolio.

Allocation of the allowance among major categories of loans for the periods indicated, as well as the percentage of loans in each category to total loans, is summarized in the following table. This table should not be interpreted as an indication that charge-offs in future periods will occur in these amounts or proportions, or that the allocation indicates future charge-off trends. When present, the portion of the allowance designated as unallocated is within the Company's guidelines:

(dollars in thousands)	2025			2024		
	Allowance	% of Total Allowance	Category % of Loans	Allowance	% of Total Allowance	Category % of Loans
Commercial real estate	\$ 8,806	44%	43%	\$ 8,943	45%	42%
Commercial and industrial	2,731	14	18	2,345	12	15
Consumer	2,173	10	11	2,377	13	14
Residential real estate	6,404	32	28	5,989	30	29
Unallocated	54	-	-	12	-	-
Total	\$ 20,168	100%	100%	\$ 19,666	100%	100%

As of December 31, 2025, the commercial real estate loan portfolio comprised 44% of the total allowance for credit losses, down 1 percentage point from December 31, 2024. As of December 31, 2025, the commercial real estate loan portfolio was 43% of the total loan and lease portfolio indicative of a higher relative reserve, which is attributed to the longer average duration and inherent risk of the portfolio.

As of December 31, 2025, the commercial and industrial portfolio comprised 14% of the total allowance for credit losses, up 2 percentage points from December 31, 2024. As of December 31, 2025, the commercial and industrial portfolio was 18% of the total loan and lease portfolio indicative of a lower relative reserve, which is attributed to the shorter average duration of this portfolio and lower relative risk, specifically from the municipal portfolio.

As of December 31, 2025, the consumer portfolio comprised 10% of the total allowance for credit losses, down 3 percentage points from December 31, 2024. As of December 31, 2025, the consumer portfolio is 11% of the total loan and lease portfolio indicative of a comparable, relative reserve.

As of December 31, 2025, the residential portfolio comprised 32% of the total allowance for credit losses, up 2 percentage points from December 31, 2024. As of December 31, 2025, the residential portfolio is 28% of the total loan and lease portfolio indicative of a higher relative reserve, which is attributed to the longer average duration and inherent risk of the portfolio.

As of December 31, 2025, the unallocated reserve, representing the portion of the allowance not specifically identified with a loan or groups of loans, was less than 1% of the total allowance for credit losses, unchanged from December 31, 2024.

#### Non-performing assets

The Company defines non-performing assets as accruing loans past due 90 days or more, non-accrual loans, other real estate owned (ORE) and repossessed assets.

The following table sets forth non-performing assets at December 31:

(dollars in thousands)	2025	2024
Loans past due 90 days or more and accruing	\$ -	\$ 32
Non-accrual loans	<b>1,892</b>	7,343
Total non-performing loans	<b>1,892</b>	7,375
Other real estate owned and repossessed assets	<b>326</b>	430
Total non-performing assets	<b>\$ 2,218</b>	<b>\$ 7,805</b>
Total loans, including loans held-for-sale	<b>\$ 1,911,724</b>	<b>\$ 1,800,856</b>
Total assets	<b>\$ 2,748,058</b>	<b>\$ 2,584,616</b>
Non-accrual loans to total loans	<b>0.10%</b>	0.41%
Non-performing loans to total loans	<b>0.10%</b>	0.41%
Non-performing assets to total assets	<b>0.08%</b>	0.30%

Management continually monitors the loan portfolio to identify loans that are either delinquent or are otherwise deemed by management unable to repay in accordance with contractual terms. Generally, loans of all types are placed on non-accrual status if a loan of any type is past due 90 or more days or if collection of principal and interest is in doubt. Further, unsecured consumer loans are charged-off when the principal and/or interest is 90 days or more past due. Uncollected interest income accrued on all loans placed on non-accrual is reversed and charged to interest income.

Non-performing assets represented 0.08% of total assets at December 31, 2025 compared with 0.30% at December 31, 2024. The decrease resulted from a \$5.6 million, or 72%, decline in non-performing assets, specifically non-accrual loans, which declined \$5.5 million due to the sale of a \$1.3 million commercial owner occupied real estate loan to a third-party purchaser during the first quarter of 2025; \$0.3 million residential real estate to other real estate owned in the second quarter, and the resolution of a single commercial and industrial loan during the second and third quarters of 2025, which included \$2.3 million in payments and a \$0.3 million charge off.

On December 31, 2025, there were a total of 24 non-accrual loans to 21 unrelated borrowers with balances that ranged from less than \$1 thousand to \$0.4 million, or \$1.9 million in the aggregate. On December 31, 2024, there were a total of 33 non-accrual loans to 30 unrelated borrowers with balances that ranged from less than \$1 thousand to \$2.6 million, or \$7.3 million in the aggregate.

There were no loans past due 90 days or more accruing as of December 31, 2025, compared to two direct finance leases totaling \$32 thousand as of December 31, 2024. All loans were well secured and in the process of collection.

The Company seeks payments from all past due customers through an aggressive customer communication process. Unless well-secured and in the process of collection, past due loans will be placed on non-accrual at the 90-day point when it is deemed that a customer is non-responsive and uncooperative to collection efforts.

The composition of non-performing loans as of December 31, 2025 is as follows:

(dollars in thousands)	Gross loan balances	Past due 90 days or more and still accruing	Non- accrual loans	Total non- performing loans	% of gross loans
Commercial and industrial:					
Commercial	\$ 220,526	\$ -	\$ 49	\$ 49	0.02%
Municipal	120,604	-	-	-	-
Commercial real estate:					
Non-owner occupied	416,521	-	591	591	0.14%
Owner occupied	340,808	-	550	550	0.16%
Construction	56,684	-	-	-	-
Consumer:					
Home equity installment	53,973	-	130	130	0.24%
Home equity line of credit	70,195	-	218	218	0.31%
Auto loans-Recourse	10,139	-	-	-	-
Auto loans-Non Recourse	43,852	-	62	62	0.14%
Direct finance leases *	18,212	-	-	-	-
Other	28,463	-	-	-	-
Residential:					
Real estate	515,489	-	292	292	0.06%
Construction	15,685	-	-	-	-
Loans held-for-sale	573	-	-	-	-
<b>Total</b>	<b>\$ 1,911,724</b>	<b>\$ -</b>	<b>\$ 1,892</b>	<b>\$ 1,892</b>	<b>0.10%</b>

\*Net of unearned lease revenue of \$1.5 million.

Payments received from non-accrual loans are recognized on a cost recovery method. Payments are first applied to the outstanding principal balance, then to the recovery of any charged-off loan amounts. Any excess is treated as a recovery of interest income. If the non-accrual loans that were outstanding as of December 31, 2025 had been performing in accordance with their original terms, the Company would have recognized interest income with respect to such loans of \$144 thousand.

#### Foreclosed assets held-for-sale

From December 31, 2024 to December 31, 2025, foreclosed assets held-for-sale decreased from \$430 thousand to \$326 thousand, a \$104 thousand decrease, which was attributed to the sale of two commercial properties totaling \$292 thousand and sale of three residential properties totaling \$253 thousand. These sales were partially offset by the addition of three properties totaling \$442 thousand.

The following table sets forth the activity in the Other real estate (ORE) component of foreclosed assets held-for-sale:

(dollars in thousands)	December 31, 2025		December 31, 2024	
	Amount	#	Amount	#
Balance at beginning of period	\$ 429	3	\$ 1	1
Additions	442	3	648	4
Pay downs	(2)	-	-	-
Write downs	-	-	-	-
Transfers	-	-	-	-
Sales	(545)	(5)	(220)	(2)
<b>Balance at end of period</b>	<b>\$ 324</b>	<b>1</b>	<b>\$ 429</b>	<b>3</b>

As of December 31, 2025, the company had one property totaling \$324 thousand, which was listed for sale.

As of December 31, 2025 and 2024, the Company had one other repossessed asset totaling \$2 thousand and \$1 thousand, respectively, which was a vehicle.

#### Cash surrender value of bank owned life insurance

The Company maintains bank owned life insurance (BOLI) for a chosen group of employees at the time of purchase, namely its officers, where the Company is the owner and sole beneficiary of the policies. BOLI is classified as a non-interest earning asset. Increases or decreases in the cash surrender value are recorded as components of non-interest income. The BOLI is profitable from the appreciation of the cash surrender values of the pool of insurance and its tax-free advantage to the Company. This profitability is used to offset a portion of current and future employee benefit costs. The BOLI cash surrender value build-up can be liquidated if necessary, with associated tax costs. However, the Company intends to hold this pool of insurance, because it provides income that supports employee benefit cost increases which enhances the Company's capital position. Therefore, the Company has not provided for deferred income taxes on the earnings from the increase in cash surrender value.

#### Premises and equipment

Net of depreciation, premises and equipment increased \$13.0 million during 2025 primarily due to the construction of the new headquarters building. This increase was partially offset by \$2.3 million in depreciation expense.

The Company is in the process of corporate headquarters construction which will continue to increase construction in process. On December 23, 2020, the Commonwealth of Pennsylvania authorized the first of three Redevelopment Assistance Capital Program (RACP) grant funding in the amount of \$2.0 million, a second on December 6, 2021 in the amount of \$2.0 million, and the final grant award on November 1, 2024 in the amount of \$4.0 million, bringing the total RACP grant award to \$9.0 million. The \$9.0 million RACP grants will offset the total construction costs of the renovation and rehabilitation of the historic Scranton Electric Building. As of December 31, 2025, the Company incurred \$21.8 million in costs for the corporate headquarters building in downtown Scranton which included planning, engineering, and architectural fees as well as interior demolition and construction. The remaining building costs could range from \$7 million to \$9 million. This estimated range may expand due to unknown supply chain issues, labor pricing, design changes, or upgrades required to meet current codes. The Company currently estimates furniture and office equipment costs at \$2.0 million and technology equipment and infrastructure at \$0.6 million. The historic nature of this building has qualified the Company for an estimated \$3.4 million in state and federal historic tax credits. The project is expected to be completed in the middle of 2026. During 2025, the Company transferred its current downtown Scranton location to other assets held-for-sale and expects the sale of the current location to be finalized upon completion of the corporate headquarters.

#### Other assets

During 2025, the \$7.1 million increase in other assets was due mostly to a \$7.5 million increase in deferred tax assets.

### **Results of Operation**

#### Earnings Summary

The Company's earnings depend primarily on net interest income. Net interest income is the difference between interest income and interest expense. Interest income is generated from yields earned on interest-earning assets, which consist principally of loans and investment securities. Interest expense is incurred from rates paid on interest-bearing liabilities, which consist of deposits and borrowings. Net interest income is determined by the Company's interest rate spread (the difference between the yields earned on its interest-earning assets and the rates paid on its interest-bearing liabilities) and the relative amounts of interest-earning assets and interest-bearing liabilities. Interest rate spread is significantly impacted by: changes in interest rates and market yield curves and their related impact on cash flows; the composition and characteristics of interest-earning assets and interest-bearing liabilities; differences in the maturity and re-pricing characteristics of assets compared to the maturity and re-pricing characteristics of the liabilities that fund them and by the competition in the marketplace.

The Company's earnings are also affected by the level of its non-interest income and expenses and by the provisions for credit losses and income taxes. Non-interest income mainly consists of: service charges on the Company's loan and deposit products; interchange fees; trust and asset management service fees; increases in the cash surrender value of the bank owned life insurance and from net gains or losses from sales of loans and securities. Non-interest expense consists of: compensation and related employee benefit costs; occupancy; equipment; data processing; advertising and marketing; FDIC insurance premiums; professional fees; loan collection; net other real estate owned (ORE) expenses; supplies and other operating overhead.

Net interest income, net interest rate margin, net interest rate spread and the efficiency ratio are presented in the Management's Discussion & Analysis on a fully-taxable equivalent (FTE) basis. The Company believes this presentation to be the preferred industry measurement of net interest income as it provides a relevant comparison between taxable and non-taxable amounts.

### Overview

Net income recorded for the year ended December 31, 2025 was \$28.2 million, or \$4.89 earnings per share, (\$4.86 diluted earnings per share) compared to \$20.8 million, or \$3.63 earnings per share, (\$3.60 diluted earnings per share) for the year ended December 31, 2024. The \$7.4 million, or 36% increase in net income resulted primarily from the \$10.8 million increase in net interest income and \$1.6 million increase in non-interest income partially offset by a \$3.3 million increase in non-interest expenses for 2025 compared to 2024.

For the year ended December 31, 2025, return on average assets (ROA) and return on average shareholders' equity (ROE) were 1.05% and 12.88%, respectively, compared to 0.83% and 10.58% for the same period in 2024. The increase in ROA and ROE was the result of the increase in net income during 2025. Pre-provision net revenue to average assets (non-GAAP) was 1.28% and 1.02% <sup>(1)</sup> for the years ended December 31, 2025 and 2024, respectively. For more information on the calculation of pre-provision net revenue to average assets, see "Non-GAAP Financial Measures" located above within this management's discussion and analysis. The increase was primarily due to an improvement in pre-provision net revenue.

### Net interest income and interest sensitive assets / liabilities

Net interest income was \$72.7 million for the year ended December 31, 2025 compared to \$61.9 million for the year ended December 31, 2024. The \$10.8 million increase in net interest income resulted from the increase of \$12.8 million in interest income primarily due to a \$181.6 million increase in the average balance of interest-earning assets and a 17 basis point increase in fully-taxable equivalent ("FTE") (non-GAAP measurement) yield. On the asset side, the loan portfolio interest income growth resulted from producing \$10.6 million more in interest income from an increase of 21 basis points in FTE loan yields on \$125.3 million higher average balances. Additionally, the Company experienced an increase of \$3.0 million in interest earned from interest-bearing deposits with other financial institutions from \$74.6 million higher average balances. The increase in interest income was partially offset by a decrease of \$0.8 million in interest earned on the investment portfolio due to decreases of 7 basis points in yield and \$18.5 million in average balances. On the funding side, total interest expense increased by \$2.0 million primarily due to an increase in interest expense paid on deposits of \$3.6 million from the \$187.0 million larger average balance of interest-bearing deposits, partially offset by a decrease within interest expense on borrowings of \$1.6 million for the twelve months ended December 31, 2025 compared to the same period in 2024.

The overall cost of interest-bearing liabilities was 2.49% for the twelve months ended December 31, 2025 compared to 2.60% for the twelve months ended December 31, 2024. The cost of funds decreased 5 basis points to 1.94% for the twelve months ended December 31, 2025 from 1.99% for the same period of 2024. The FTE yield on earning assets was 4.79% for the year ended December 31, 2025, an increase of 17 basis points from the 4.62% for the year ended December 31, 2024. The Company's FTE net interest spread (non-GAAP measurement) was 2.30% for the twelve months ended December 31, 2025, an increase of 28 basis points from the 2.02% recorded for the same period of 2024. FTE net interest margin (non-GAAP measurement) increased by 23 basis points to 2.95% for the twelve months ended December 31, 2025 from 2.72% for the same 2024 period due to the increase of 17 basis points in FTE yields earned on interest-earning assets along with a decline of 11 basis points in the rates paid on interest-bearing liabilities.

(1) See non-GAAP financial measures reconciliation on page 21.

For 2026, the Company currently expects to operate in a moderately declining interest rate environment. Management is primarily reliant on the FOMC's statements and forecast. In fiscal year end 2025, the FOMC decreased the federal funds rate by 75 basis points. Consensus economic forecasts are expecting one to two declines of 25 basis points throughout 2026. Throughout 2026, the Company expects to see improvement in net interest margin primarily due to the expected growth in the loan and deposit portfolios. This is coupled with the repricing of deposit rates in the decreasing rate environment.

The Company's Asset Liability Management (ALM) team meets regularly to discuss among other things, interest rate risk and when deemed necessary adjusts interest rates. ALM is actively addressing the Company's sensitivity to a changing rate environment to ensure interest rate risks are contained within acceptable levels. ALM also discusses revenue enhancing strategies to help combat the potential for a decline in net interest income. The Company's marketing department, together with ALM, and service-driven branch and relationship managers, continue to develop prudent strategies that will grow the loan portfolio and accumulate relationship driven deposits at costs lower than borrowing costs to improve net interest income performance.

The table that follows sets forth a comparison of average balances of assets and liabilities and their related net tax equivalent yields and rates for the years indicated. Within the table, interest income was FTE adjusted, using the corporate federal tax rate of 21% for 2025 and 2024, to recognize the income from tax-exempt interest-earning assets as if the interest was taxable. See "Non-GAAP Financial Measures" within this management's discussion and analysis for the FTE adjustments. This treatment allows a uniform comparison among yields on interest-earning assets. Loans include loans held-for-sale (HFS) and non-accrual loans but exclude the allowance for credit losses. HELOC are included in the residential real estate category since they are secured by real estate. Net deferred loan (cost amortization)/ fee accretion of (\$0.9 million) in 2025 and (\$0.9 million) in 2024, respectively, are included in interest income from loans. Purchase accounting adjustments of \$1.3 million and \$1.6 million are included in interest income from loans and \$5 thousand and \$8 thousand reduced interest expense on deposits and borrowings for 2025 and 2024. Average balances are based on amortized cost and do not reflect net unrealized gains or losses. Residual values for direct finance leases are included in the average balances for consumer loans. Net interest margin is calculated by dividing net interest income-FTE by total average interest-earning assets. Cost of funds includes the effect of average non-interest bearing deposits as a funding source:

(dollars in thousands)	2025			2024		
	Average balance	Interest	Yield / rate	Average balance	Interest	Yield / rate
<b>Assets</b>						
<b>Interest-earning assets</b>						
Interest-bearing deposits	\$ 104,576	\$ 4,559	4.36%	\$ 29,998	\$ 1,544	5.15%
Restricted investments in bank stock	4,189	329	7.86	3,961	322	8.16
Investments:						
Agency - GSE	112,210	1,608	1.43	113,129	1,631	1.44
MBS - GSE residential	210,250	4,107	1.95	217,076	4,178	1.92
State and municipal (nontaxable)	187,601	5,401	2.88	193,079	6,014	3.11
State and municipal (taxable)	80,899	1,655	2.05	86,164	1,770	2.05
Total investments	590,960	12,771	2.16	609,448	13,593	2.23
Loans and leases:						
C&I and CRE (taxable)	972,467	61,483	6.32	837,918	52,338	6.25
C&I and CRE (nontaxable)	130,703	6,889	5.27	125,207	6,346	5.07
Consumer	170,140	9,383	5.52	208,478	10,533	5.05
Residential real estate	593,327	27,541	4.64	569,746	25,381	4.45
Total loans and leases	1,866,637	105,296	5.64	1,741,349	94,598	5.43
Total interest-earning assets	2,566,362	122,955	4.79%	2,384,756	110,057	4.62%
Non-interest earning assets	123,343			108,903		
<b>Total assets</b>	<b>\$ 2,689,705</b>			<b>\$ 2,493,659</b>		

#### Liabilities and shareholders' equity

##### Interest-bearing liabilities

Deposits:						
Interest-bearing checking	\$ 683,885	\$ 14,357	2.10%	\$ 657,507	\$ 14,957	2.27%
Savings and clubs	190,758	572	0.30	195,842	594	0.30
MMDA	659,471	18,208	2.76	560,527	16,190	2.89
Certificates of deposit	350,392	13,663	3.90	283,653	11,424	4.03
Total interest-bearing deposits	1,884,506	46,800	2.48	1,697,529	43,165	2.54
Secured borrowings	6,127	368	6.00	6,830	435	6.37
Short-term borrowings	17	-	1.53	32,446	1,557	4.80
Total interest-bearing liabilities	1,890,650	47,168	2.49%	1,736,805	45,157	2.60%
Non-interest bearing deposits	543,794			527,825		
Non-interest bearing liabilities	36,297			32,471		
Total liabilities	2,470,741			2,297,101		
Shareholders' equity	218,964			196,558		
<b>Total liabilities and shareholders' equity</b>	<b>\$ 2,689,705</b>			<b>\$ 2,493,659</b>		
Net interest income - FTE		\$ 75,787			\$ 64,900	
Net interest spread			2.30%			2.02%
Net interest margin			2.95%			2.72%
Cost of funds			1.94%			1.99%

Changes in net interest income are a function of both changes in interest rates and changes in volume of interest-earning assets and interest-bearing liabilities. The following table presents the extent to which changes in interest rates and changes in volumes of interest-earning assets and interest-bearing liabilities have affected the Company's interest income and interest expense during the periods indicated. Information is provided in each category with respect to (1) the changes attributable to changes in volume (changes in volume multiplied by the prior period rate), (2) the changes attributable to changes in interest rates (changes in rates multiplied by prior period volume) and (3) the net change. The combined effect of changes in both volume and rate has been allocated proportionately to the change due to volume and the change due to rate. Tax-exempt income was not converted to a tax-equivalent basis on the rate/volume analysis:

(dollars in thousands)	Years ended December 31,					
	2025 compared to 2024			2024 compared to 2023		
	Increase (decrease) due to					
	Volume	Rate	Total	Volume	Rate	Total
<b>Interest income:</b>						
Interest-bearing deposits	\$ 3,285	\$ (270)	\$ 3,015	\$ 1,048	\$ 40	\$ 1,088
Restricted investments in bank stock	19	(12)	7	(19)	32	13
<b>Investments:</b>						
Agency - GSE	(13)	(10)	(23)	12	(13)	(1)
MBS - GSE residential	(133)	62	(71)	(403)	240	(163)
State and municipal	(228)	(466)	(694)	(723)	333	(390)
Total investments	(374)	(414)	(788)	(1,114)	560	(554)
<b>Loans and leases:</b>						
Residential real estate	1,072	1,087	2,159	1,736	1,745	3,481
C&I and CRE	8,478	1,095	9,573	5,314	3,642	8,956
Consumer	(2,055)	906	(1,149)	(1,257)	1,460	203
Total loans and leases	7,495	3,088	10,583	5,793	6,847	12,640
Total interest income	10,425	2,392	12,817	5,708	7,479	13,187
<b>Interest expense:</b>						
<b>Deposits:</b>						
Interest-bearing checking	584	(1,184)	(600)	137	4,745	4,882
Savings and clubs	(15)	(7)	(22)	(71)	(3)	(74)
Money market	2,757	(740)	2,017	496	2,301	2,797
Certificates of deposit	2,589	(349)	2,240	3,636	2,979	6,615
Total deposits	5,915	(2,280)	3,635	4,198	10,022	14,220
Secured borrowings	(43)	(24)	(67)	(42)	2	(40)
Short-term borrowings	(927)	(630)	(1,557)	(835)	24	(811)
Total interest expense	4,945	(2,934)	2,011	3,321	10,048	13,369
Net interest income	\$ 5,480	\$ 5,326	\$ 10,806	\$ 2,387	\$ (2,569)	\$ (182)

Provision for credit losses

The provision for credit losses represents the necessary amount to charge against current earnings, the purpose of which is to adjust the allowance for credit losses to a level that represents management's best estimate of expected credit losses in the Company's loan portfolio. Loans determined to be uncollectible are charged off against the allowance. The required amount of the provision for credit losses, based upon the adequate level of the allowance, is subject to the ongoing analysis of the loan portfolio. The Company's Special Assets Committee meets periodically to review problem loans. The committee is comprised of management, including credit administration officers, loan officers, loan workout officers and collection personnel.

Management continuously reviews the risks inherent in the loan portfolio. The determination of the amounts of the allowance for credit losses and the provision for credit losses is based on management's current judgments about the credit quality of the Company's financial assets and known and expected relevant internal and external factors that significantly affect collectability such as historical loss information, current conditions, and reasonable and supportable forecasts, including significant qualitative factors.

For the year ended December 31, 2025, the provision for credit losses on loans was \$1.1 million and the provision for credit losses on unfunded commitments was \$0.2 million, compared to a \$1.3 million provision for credit losses on loans and a \$0.1 million net benefit for the provision for unfunded commitments for the year ended December 31, 2024. For the year ended December 31, 2025, the decrease in the provision for credit losses on loans compared to the prior year period was due to improved asset quality. For the year ended December 31, 2025, the increase in the provision for credit losses on unfunded commitments compared to the prior period was due to originated growth in the portfolio, specifically in commercial construction commitments.

The provision for credit losses derives from the reserve required from the allowance for credit losses calculation. The Company continued provisioning for twelve months ended December 31, 2025 to maintain an allowance level that management deemed adequate.

For a discussion on the allowance for credit losses, see "Allowance for credit losses," located in the comparison of financial condition section of management's discussion and analysis contained herein.

### Other income

The majority of the Company's revenues are generated through interest earned on securities and loans. In addition, the Company has other non-interest income streams such as fees associated with mortgage servicing rights which amortized to net mortgage servicing fees within other income, loan service charges, life insurance earnings, rental income and gains/losses on the sale of loans. The other types of contracts with customers that generate non-interest income are:

- Service charges on deposit accounts – Deposit service charges represent fees charged by the Company for the performance obligation of providing services to a customer's deposit account. The transaction price for deposit services includes both fixed and variable amounts based on the Company's fee schedules. Revenue is recognized and payment is received either at a point in time for transactional fees or on a monthly basis for non-transactional fees.
- Interchange fees – Interchange fees represent fees charged by the Company for customers using debit cards. The contract is between the Company and the processor and the performance obligation is the ability of customers to use debit cards to make purchases at a point in time. The transaction price is a percentage of debit card usage and the processor pays the Company and revenue is recorded throughout the month as the performance obligations are being met.
- Fees from trust fiduciary activities – Trust fees represent fees charged by the Company for the management, custody and/or administration of trusts. These are mostly monthly fees based on the market value of assets in the trust account at the prior month end. Payment is generally received a few weeks after month end through a direct charge to customers' accounts. Estate fees are recognized and charged as the Company reaches each of six different stages of the estate administration process.
- Fees from financial services – Financial service fees represent fees charged by the Company for the performance obligation of providing various services for an investment account. Revenue is recognized twice monthly for fees on sales transactions and on a monthly basis for advisory fees and quarterly for trail fees.
- Gain/loss on ORE sales – Gain/loss on the sale of ORE is recognized at the closing date when the sales proceeds are received. In seller-financed ORE transactions, the contract is made subject to our normal underwriting standards and pricing. The Company does not have any obligation or right to repurchase any sales of ORE.

Total non-interest income for the year ended December 31, 2025 was \$20.6 million, an increase of \$1.6 million, or 8%, from \$19.0 million for the year ended December 31, 2024. The increase was primarily due to increases of \$0.6 million in wealth management revenue, \$0.3 million in interchange fees, \$0.3 million from service charges on commercial loans, and \$0.2 million in service charges on deposits. The Company also had \$0.2 million more non-interest income resulting from a BOLI death benefit gain. During the twelve months ended December 31, 2025, the Company also recognized gains of \$0.5 million on sale of commercial loans and \$0.3 million from the sale of a property. Partially offsetting these increases was \$1.2 million in losses recognized on the sale of available-for-sale securities.

### Other operating expenses

Non-interest expenses increased to \$58.8 million for the year ended December 31, 2025, an increase of \$3.3 million, or 6%, from \$55.5 million for the year ended December 31, 2024. Salaries and benefits expense increased \$2.0 million due to an increase in employees and incentive-based compensation throughout the year ended December 31, 2025. Additionally, furniture, fixtures, and equipment expenses increased \$0.8 million over the same period primarily due to an increase in software costs. There were additional increases throughout the period in advertising and marketing expenses of \$0.4 million and occupancy expenses of \$0.2 million. These increases were partially offset by reductions in professional fees of \$0.3 million.

The ratios of non-interest expense less non-interest income to average assets, known as the expense ratio, were 1.38% and 1.47%, respectively, at December 31, 2025 and 2024. The expense ratio decreased because of increased levels of average assets. The efficiency ratio decreased from 66.19% at December 31, 2024 to 60.30%<sup>(1)</sup> at December 31, 2025 primarily due to the increase in net interest income in 2025. For more information on the calculation of the efficiency ratio, see “Non-GAAP Financial Measures” located within this management’s discussion and analysis.

The costs of acquiring and maintaining talent may increase salaries and employee benefit expenses, primarily salaries, incentives and group insurance, in 2026. Additionally, the Company's technology platforms continue to evolve and require periodic upgrades. Therefore, the Company continues to devote financial resources and personnel necessary to maintain and improve the information technology systems and platforms for optimal operational efficiency, customer convenience and compliance with applicable laws, regulations and regulatory guidance within a secure environment. Although these costs are expected, the costs of software and software subscriptions continue to rise and may require further investment and expenditures by the Company.

Upon occupancy of the corporate headquarters, the Company does not expect any significant impact to net income. Costs for operating the new headquarters are expected to be offset by the closure of other owned and leased properties near downtown Scranton. The expenses will also be offset by historical tax credit benefits.

### Provision for income taxes

The provision for income taxes increased \$1.8 million for the year ended December 31, 2025 compared to the same 2024 period due to \$9.2 million higher income before taxes. The Company’s effective income tax rate approximated 14.9% in 2025 and 12.9% in 2024. The difference between the effective rate and the enacted statutory corporate rate of 21% is due mostly to the effect of tax-exempt income in relation to the level of pre-tax income. The increase in the effective tax rate was primarily due to higher pre-tax income. If the federal corporate tax rate decreased, the Company’s net deferred tax liabilities and deferred tax assets will be re-valued upon adoption of the new tax rate. A federal tax rate decrease will decrease net deferred tax assets with a corresponding increase to provision for income taxes.

### **Off-Balance Sheet Arrangements and Contractual Obligations**

The Company is a party to financial instruments with off-balance sheet risk in the normal course of business in order to meet the financing needs of its customers and in connection with the overall interest rate management strategy. These instruments involve, to a varying degree, elements of credit, interest rate and liquidity risk. In accordance with GAAP, these instruments are either not recorded in the consolidated financial statements or are recorded in amounts that differ from the notional amounts. Such instruments primarily include lending commitments and lease obligations.

Lending commitments include commitments to originate loans and commitments to fund unused lines of credit. Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since some of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements.

In addition to lending commitments, the Company has contractual obligations related to operating lease and finance lease commitments. Operating lease commitments are obligations under various non-cancelable operating leases on buildings and land used for office space and banking purposes. Finance lease commitments are obligations on buildings and equipment.

(1) See non-GAAP financial measures reconciliation on page 21.

The following table presents, as of December 31, 2025, the Company’s significant determinable contractual obligations and significant commitments by payment date. The payment amounts represent those amounts contractually due to the recipient, excluding interest:

(dollars in thousands)	One year or less	Over one year through three years	Over three years through five years	Over five years	Total
<b><u>Contractual obligations:</u></b>					
Certificates of deposit	\$ 339,469	\$ 10,399	\$ 2,239	\$ 869	\$ 352,976
Secured borrowings	-	-	1,060	4,897	5,957
Operating leases	695	1,344	1,386	12,221	15,646
Finance leases	229	434	165	-	828
<b><u>Commitments:</u></b>					
Letters of credit	23,666	2,830	40	1,469	28,005
Loan commitments (1)	43,680	-	-	-	43,680
<b>Total</b>	<b>\$ 407,739</b>	<b>\$ 15,007</b>	<b>\$ 4,890</b>	<b>\$ 19,456</b>	<b>\$ 447,092</b>

(1) Available credit to borrowers in the amount of \$467.3 million is excluded from the above table since, by its nature, the borrowers may not have the need for additional funding, and, therefore, the credit may or may not be disbursed by the Company.

### **Related Party Transactions**

Information with respect to related parties is contained in Note 16, “Related Party Transactions”, within the notes to the consolidated financial statements, and incorporated by reference in Part II, Item 8.

### **Impact of Accounting Standards and Interpretations**

Information with respect to the impact of accounting standards is contained in Note 18, “Recent Accounting Pronouncements”, within the notes to the consolidated financial statements, and incorporated by reference in Part II, Item 8.

### **Impact of Inflation and Changing Prices**

The consolidated financial statements and notes thereto presented herein have been prepared in accordance with U.S. GAAP, which requires the measurement of the Company’s financial condition and results of operations in terms of historical dollars without considering the changes in the relative purchasing power of money over time due to inflation. The impact of inflation is reflected in the increased cost of our operations. Unlike industrial businesses, most all of the Company’s assets and liabilities are financial in nature. As a result, interest rates have a greater impact on our performance than do the effects of general levels of inflation as interest rates do not necessarily move in the same direction or, to the same extent, as the price of goods and services.

### **Capital Resources**

The Bank is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possible additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Bank’s financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of their assets, liabilities and certain off-balance-sheet items as calculated under regulatory accounting practices. The capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk-weightings and other factors. Since the Company (on a consolidated basis) is currently considered a small bank holding company, it is not subject to regulatory capital requirements.

Under these guidelines, assets and certain off-balance sheet items are assigned to broad risk categories, each with appropriate weights. The resulting ratios represent capital as a percentage of total risk-weighted assets and certain off-balance sheet items. The guidelines require all banks and bank holding companies to maintain minimum ratios for capital adequacy purposes. Refer to the information with respect to capital requirements contained in Note 15, “Regulatory Matters”, within the notes to the consolidated financial statements, and incorporated by reference in Part II, Item 8.

During the year ended December 31, 2025, total shareholders' equity increased \$34.9 million, or 17%, from \$204.0 million at December 31, 2024. The increase was caused by \$18.7 million higher retained earnings from net income of \$28.2 million plus a \$14.9 million, after tax, improvement in accumulated other comprehensive loss from lower net unrealized losses recorded on available-for-sale securities, partially offset by \$9.5 million in cash dividends paid to shareholders. An additional \$1.3 million was recorded from the issuance of common stock under the Company's stock plans and stock-based compensation expense. At December 31, 2025, there were no credit losses on available-for-sale and held-to-maturity debt securities. The Company's dividend payout ratio, defined as the rate at which current earnings are paid to shareholders, was 33.70% and 42.96% for the years ended December 31, 2025 and 2024, respectively. The balance of earnings is retained to further strengthen the Company's capital position. The Company's sources (uses) of capital during the previous five years are indicated below:

(dollars in thousands)	Net income	Cash dividends declared	Other retained earnings adjustments	Total earnings retained	DRP and ESPP infusion	Issuance of common stock for acquisition	Changes in AOCI and other changes	Capital retained (utilized)
<b>2025</b>	<b>\$ 28,198</b>	<b>\$ (9,504)</b>	<b>\$ -</b>	<b>\$ 18,694</b>	<b>\$ 348</b>	<b>\$ -</b>	<b>\$ 15,849</b>	<b>\$ 34,891</b>
2024	20,794	(8,932)	-	11,862	363	-	2,265	14,490
2023	18,210	(8,387)	(1,326)	8,497	1,938	-	16,094	26,529
2022	30,021	(7,709)	-	22,312	252	-	(71,343)	(48,779)
2021	24,008	(6,608)	-	17,400	270	35,056	(7,667)	45,059

As of December 31, 2025, the Company reported a net unrealized loss position of \$40.7 million, net of tax, from the securities portfolio compared to a net unrealized loss of \$55.6 million as of December 31, 2024. The \$14.9 million improvement during 2025 was from the amortization of unrealized losses on held-to-maturity securities coupled with improvement in unrealized losses on AFS securities. Management believes that changes in fair value of the Company's securities are due to changes in interest rates and not in the creditworthiness of the issuers.

Generally, when U.S. Treasury rates rise, investment securities' pricing declines and fair values of investment securities also decline. While volatility has existed in the yield curve within the past twelve months, a declining rate environment is expected and during the period of declining rates, the Company expects pricing in the bond portfolio to improve. There is no assurance that future realized and unrealized losses will not be recognized from the Company's portfolio of investment securities.

To help maintain a healthy capital position, the Company can issue stock to participants in the Dividend Reinvestment Plan (DRP) and Employee Stock Purchase Plan (the ESPP) plans. The DRP affords the Company the option to acquire shares in open market purchases and/or issue shares directly from the Company to plan participants. Both the DRP and the ESPP plans have been a consistent source of capital from the Company's loyal employees and shareholders and their participation in these plans will continue to help strengthen the Company's balance sheet.

See the section entitled "Supervision and Regulation", below for a discussion on regulatory capital changes and other recent enactments, including a summary of the federal banking agencies final rules to implement the Basel III regulatory capital reforms and changes required by the Dodd-Frank Act.

### Liquidity

Liquidity management ensures that adequate funds will be available to meet customers' needs for borrowings, deposit withdrawals and maturities, facility expansion and normal operating expenses. Sources of liquidity are cash and cash equivalents, asset maturities and pay-downs within one year, loans HFS, investments AFS, growth of core deposits, utilization of borrowing capacities from the FHLB, correspondent banks, IntraFi's ICS and One-Way Buy program, the Discount Window of the Federal Reserve Bank of Philadelphia (FRB), Atlantic Community Bankers Bank (ACBB) and proceeds from the issuance of capital stock. Though regularly scheduled investment and loan payments are dependable sources of daily liquidity, sales of both loans HFS and investments AFS, deposit activity and investment and loan prepayments are significantly influenced by general economic conditions including the interest rate environment. During low and declining interest rate environments, prepayments from interest-sensitive assets tend to accelerate and provide significant liquidity that can be used to invest in other interest-earning assets but at lower market rates. Conversely, in periods of high or rising interest rates, prepayments from interest-sensitive assets tend to decelerate causing prepayment cash flows from mortgage loans and mortgage-backed securities to decrease. Rising interest rates may also cause deposit inflow but priced at higher market interest rates or could also cause deposit outflow due to higher rates offered by the Company's competition for similar products. The Company closely monitors activity in the capital markets and takes appropriate action to ensure that the liquidity levels are adequate for funding, investing and operating activities.

The Company's contingency funding plan (CFP) sets a framework for handling liquidity issues in the event circumstances arise which the Company deems to be less than normal. The Company established guidelines for identifying, measuring, monitoring and managing the resolution of potentially serious liquidity crises. The CFP outlines required monitoring tools, acceptable alternative funding sources and required actions during various liquidity scenarios. Thus, the Company has implemented a proactive means for the measurement and resolution for handling potentially significant adverse liquidity conditions. At least quarterly, the CFP monitoring tools, current liquidity position and monthly projected liquidity sources and uses are presented and reviewed by the Company's Asset/Liability Committee. As of December 31, 2025, the Company had not experienced any adverse issues that would give rise to its inability to raise liquidity in an emergency situation.

During the year ended December 31, 2025, the Company grew cash and cash equivalents by \$64.7 million. During the period, the Company's operations provided approximately \$42.4 million mostly from \$75.6 million of net cash inflow from the components of net interest income partially offset by net non-interest expense/income related payments of \$34.1 million and \$4.6 million in purchased tax credits. Additionally, the Company paid \$7.2 million to purchase tax credits to be utilized in future periods. Cash inflow from interest-earning assets, deposit growth and loan payments were used to fund the loan portfolio, pay down short-term borrowings, invest in bank premises and equipment and make net dividend payments. The Company received a large amount of public deposits over the past few years. The seasonal nature of deposits from municipalities and other public funding sources requires the Company to be prepared for the inherent volatility and the unpredictable timing of cash outflow from this customer base, including maintaining the requirements to pledge investment securities. Accordingly, the use of short-term overnight borrowings could be used to fulfill funding gap needs. As of December 31, 2025, the Company had \$220.9 million in unpledged securities.

During 2021 and 2022, the Company also experienced deposit inflow resulting from businesses and municipalities that received relief from the CARES Act, American Rescue Plan Act ("ARPA") and other government stimulus. As of December 31, 2025, the Company has approximately \$16.4 million, an increase of \$2.9 million, or 21%, from \$13.5 million at the end of 2024, in remaining ARPA balances. The Company expects that the funds will be depleted by year end 2026.

The Company is a party to financial instruments with off-balance sheet risk in the normal course of business in order to meet the financing needs of its customers and in connection with the overall interest rate management strategy. These instruments involve, to a varying degree, elements of credit, interest rate and liquidity risk. In accordance with GAAP, these instruments are either not recorded in the consolidated financial statements or are recorded in amounts that differ from the notional amounts. Such instruments primarily include lending commitments.

Lending commitments include commitments to originate loans and commitments to fund unused lines of credit. Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Unfunded commitments of existing loan facilities totaled \$511.0 million, standby letters of credit totaled \$28.0 million and the level of uninsured and non-collateralized deposits was \$656.5 million at December 31, 2025. Since some of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements.

As of December 31, 2025, the Company maintained \$148.1 million in cash and cash equivalents and \$297.2 million of investments AFS and loans HFS. Also as of December 31, 2025, the Company had approximately \$812.7 million available borrowing capacity from the FHLB, \$30.0 million from correspondent banks, \$145.0 million from the FRB and \$410.5 million from the IntraFi Network One-Way Buy program. The combined total of \$1.8 billion represented 67% of total assets at December 31, 2025. Management believes this level of liquidity to be strong and adequate to support current operations.

For a discussion on the Company's significant determinable contractual obligations and significant commitments, see "Off-Balance Sheet Arrangements and Contractual Obligations," above.

#### **Management of interest rate risk and market risk analysis**

The adequacy and effectiveness of an institution's interest rate risk management process and the level of its exposures are critical factors in the regulatory evaluation of an institution's sensitivity to changes in interest rates and capital adequacy. Management believes the Company's interest rate risk measurement framework is sound and provides an effective means to measure, monitor, analyze, identify and control interest rate risk in the balance sheet.

The Company is subject to the interest rate risks inherent in its lending, investing and financing activities. Fluctuations of interest rates will impact interest income and interest expense along with affecting market values of all interest-earning assets and interest-bearing liabilities, except for those assets or liabilities with a short-term remaining to maturity. Interest rate risk management is an integral part of the asset/liability management process. The Company has instituted certain procedures and policy guidelines to manage the interest rate risk position. Those internal policies enable the Company to react to changes in market rates to protect net interest income from significant fluctuations. The primary objective in managing interest rate risk is to minimize the adverse impact of changes in interest rates on net interest income along with creating an asset/liability structure that maximizes earnings.

*Asset/Liability Management.* One major objective of the Company when managing the rate sensitivity of its assets and liabilities is to stabilize net interest income. The management of and authority to assume interest rate risk is the responsibility of the Company's Asset/Liability Committee (ALCO), which is comprised of senior management and members of the board of directors. ALCO meets quarterly to monitor the relationship of interest sensitive assets to interest sensitive liabilities. The process to review interest rate risk is a regular part of managing the Company. Consistent policies and practices of measuring and reporting interest rate risk exposure, particularly regarding the treatment of non-contractual assets and liabilities, are in effect. In addition, there is an annual process to review the interest rate risk policy with the board of directors which includes limits on the impact to earnings from shifts in interest rates.

*Interest Rate Risk Measurement.* Interest rate risk is monitored through the use of three complementary measures: static gap analysis, earnings at risk simulation and economic value at risk simulation. While each of the interest rate risk measurements has limitations, collectively, they represent a reasonably comprehensive view of the magnitude of interest rate risk in the Company and the distribution of risk along the yield curve, the level of risk through time and the amount of exposure to changes in certain interest rate relationships.

*Static Gap.* The ratio between assets and liabilities re-pricing in specific time intervals is referred to as an interest rate sensitivity gap. Interest rate sensitivity gaps can be managed to take advantage of the slope of the yield curve as well as forecasted changes in the level of interest rate changes.

To manage this interest rate sensitivity gap position, an asset/liability model commonly known as cumulative gap analysis is used to monitor the difference in the volume of the Company's interest sensitive assets and liabilities that mature or re-price within given time intervals. A positive gap (asset sensitive) indicates that more assets will re-price during a given period compared to liabilities, while a negative gap (liability sensitive) indicates the opposite effect. The Company employs computerized net interest income simulation modeling to assist in quantifying interest rate risk exposure. This process measures and quantifies the impact on net interest income through varying interest rate changes and balance sheet compositions. The use of this model assists ALCO in gauging the effects of interest rate changes on interest-sensitive assets and liabilities in order to determine what impact these rate changes will have upon the net interest spread. At December 31, 2025, the Company maintained a one-year cumulative gap of positive (asset sensitive) \$53.2 million, or 1.9%, of total assets. The effect of this positive gap position provided a mismatch of assets and liabilities which may expose the Company to interest rate risk during periods of falling interest rates. Conversely, in an increasing interest rate environment, net interest income could be positively impacted because more assets than liabilities will re-price upward during the one-year period.

Certain shortcomings are inherent in the method of analysis discussed above and presented in the next table. Although certain assets and liabilities may have similar maturities or periods of re-pricing, they may react in different degrees to changes in market interest rates. The interest rates on certain types of assets and liabilities may fluctuate in advance of changes in market interest rates, while interest rates on other types of assets and liabilities may lag behind changes in market interest rates. Certain assets, such as adjustable-rate mortgages, have features which restrict changes in interest rates on a short-term basis and over the life of the asset. In the event of a change in interest rates, prepayment and early withdrawal levels may deviate significantly from those assumed in calculating the table amounts. The ability of many borrowers to service their adjustable-rate debt may decrease in the event of an interest rate increase.

The following table reflects the re-pricing of the balance sheet or “gap” position at December 31, 2025:

(dollars in thousands)	Three months or less	More than three months to twelve months	More than one year to three years	More than three years	Total
Cash and cash equivalents	\$ 122,595	\$ -	\$ -	\$ 25,465	\$ 148,060
Investment securities (1)(2)	5,673	25,187	80,020	417,439	528,319
Loans and leases (2)	598,857	233,458	479,939	579,302	1,891,556
Fixed and other assets	-	-	-	180,123	180,123
<b>Total assets</b>	<b>\$ 727,125</b>	<b>\$ 258,645</b>	<b>\$ 559,959</b>	<b>\$ 1,202,329</b>	<b>\$ 2,748,058</b>
<b>Total cumulative assets</b>	<b>\$ 727,125</b>	<b>\$ 985,770</b>	<b>\$ 1,545,729</b>	<b>\$ 2,748,058</b>	
Non-interest-bearing transaction deposits (3)	\$ 10,074	\$ 30,224	\$ 80,598	\$ 431,685	\$ 552,581
Interest-bearing transaction deposits (3)	488,581	64,845	175,056	833,314	1,561,796
Certificates of deposit	141,509	197,313	10,400	3,754	352,976
Secured borrowings	38	-	-	5,957	5,995
Short-term borrowings	20	-	-	-	20
Other liabilities	-	-	-	35,830	35,830
<b>Total liabilities</b>	<b>\$ 640,222</b>	<b>\$ 292,382</b>	<b>\$ 266,054</b>	<b>\$ 1,310,540</b>	<b>\$ 2,509,198</b>
<b>Total cumulative liabilities</b>	<b>\$ 640,222</b>	<b>\$ 932,604</b>	<b>\$ 1,198,658</b>	<b>\$ 2,509,198</b>	
Interest sensitivity gap	\$ 86,903	\$ (33,737)	\$ 293,905	\$ (108,211)	
<b>Cumulative gap</b>	<b>\$ 86,903</b>	<b>\$ 53,166</b>	<b>\$ 347,071</b>	<b>\$ 238,860</b>	
Off-balance sheet:					
Swap - portfolio hedge	\$ 100,000	\$ (100,000)	\$ -	\$ -	
<b>Cumulative gap</b>	<b>\$ 186,903</b>	<b>\$ 53,166</b>	<b>\$ 347,071</b>	<b>\$ 238,860</b>	
<b>Cumulative gap to total assets</b>	<b>6.8%</b>	<b>1.9%</b>	<b>12.6%</b>	<b>8.7%</b>	

(1) Includes restricted investments in bank stock and the net unrealized gains/losses on available-for-sale securities.

(2) Investments and loans are included in the earlier of the period in which interest rates were next scheduled to adjust or the period in which they are due. In addition, loans were included in the periods in which they are scheduled to be repaid based on scheduled amortization. For amortizing loans and MBS – GSE residential, annual prepayment rates are assumed reflecting historical experience as well as management’s knowledge and experience of its loan products.

(3) The Company’s demand and savings accounts were generally subject to immediate withdrawal. However, management considers a certain amount of such accounts to be core accounts having significantly longer effective maturities based on the retention experiences of such deposits in changing interest rate environments. The effective maturities presented are the recommended maturity distribution limits for non-maturing deposits based on historical deposit studies.

*Earnings at Risk and Economic Value at Risk Simulations.* The Company recognizes that more sophisticated tools exist for measuring the interest rate risk in the balance sheet that extend beyond static re-pricing gap analysis. Although it will continue to measure its re-pricing gap position, the Company utilizes additional modeling for identifying and measuring the interest rate risk in the overall balance sheet. The ALCO is responsible for focusing on “earnings at risk” and “economic value at risk”, and how both relate to the risk-based capital position when analyzing the interest rate risk.

*Earnings at Risk.* An earnings at risk simulation measures the change in net interest income and net income should interest rates rise and fall. The simulation recognizes that not all assets and liabilities re-price one-for-one with market rates (e.g., savings rate). The ALCO looks at “earnings at risk” to determine income changes from a base case scenario under an increase and decrease of 200 basis points in interest rate simulation models.

*Economic Value at Risk.* An earnings at risk simulation measures the short-term risk in the balance sheet. Economic value (or portfolio equity) at risk measures the long-term risk by finding the net present value of the future cash flows from the Company’s existing assets and liabilities. The ALCO examines this ratio quarterly utilizing an increase and decrease of 200 basis points in interest rate simulation models. The ALCO recognizes that, in some instances, this ratio may contradict the “earnings at risk” ratio.

The following table illustrates the simulated impact of an immediate 200 basis points upward or downward movement in interest rates on net interest income, net income and the change in the economic value (portfolio equity). This analysis assumed that the adjusted interest-earning asset and interest-bearing liability levels at December 31, 2025 remained constant. The impact of the rate movements was developed by simulating the effect of the rate change over a twelve-month period from the December 31, 2025 levels:

	% change	
	Rates +200	Rates -200
Earnings at risk:		
Net interest income	2.7%	(4.6)%
Net income	5.6	(10.1)
Economic value at risk:		
Economic value of equity	5.0	(7.6)
Economic value of equity as a percent of total assets	0.7	(1.1)

In the scenarios in the above table, the Board-approved policy has the following guidelines: net interest income within +/- 10%, net income within +/- 25%, economic value of equity within +/- 25%, economic value of equity as a percent of total assets within +/-5%.

Economic value has the most meaning when viewed within the context of risk-based capital. Therefore, the economic value may normally change beyond the Company’s policy guideline for a short period of time as long as the risk-based capital ratio (after adjusting for the excess equity exposure) is greater than 10%. At December 31, 2025, the Company’s risk-based capital ratio was 14.78%.

The table below summarizes estimated changes in net interest income over a twelve-month period beginning January 1, 2026, under alternate interest rate scenarios using the income simulation model described above:

(dollars in thousands)	Net interest income	\$ variance	% variance
<u>Simulated change in interest rates</u>			
+300 basis points	\$ 85,107	\$ 1,396	1.7%
+200 basis points	85,992	2,281	2.7%
+100 basis points	86,768	3,057	3.7%
Flat rate	83,711	-	-%
-100 basis points	81,555	(2,156)	(2.6)%
-200 basis points	79,898	(3,813)	(4.6)%
-300 basis points	79,180	(4,531)	(5.4)%

Simulation models require assumptions about certain categories of assets and liabilities. The models schedule existing assets and liabilities by their contractual maturity, estimated likely call date or earliest re-pricing opportunity. MBS – GSE residential securities and amortizing loans are scheduled based on their anticipated cash flow including estimated prepayments. For investment securities, the Company uses a third-party service to provide cash flow estimates in the various rate environments. Savings, money market and interest-bearing checking accounts do not have stated maturities or re-pricing terms and can be withdrawn or re-price at any time. This may impact the margin if more expensive alternative sources of deposits are required to fund loans or deposit runoff. Management projects the re-pricing characteristics of these accounts based on historical performance and assumptions that it believes reflect their rate sensitivity. The model reinvests all maturities, repayments and prepayments for each type of asset or liability into the same product for a new like term at current product interest rates. As a result, the mix of interest-earning assets and interest bearing-liabilities is held constant.

### **Supervision and Regulation**

The following is a brief summary of the regulatory environment in which the Company and the Bank operate and is not designed to be a complete discussion of all statutes and regulations affecting such operations, including those statutes and regulations specifically mentioned herein. Changes in the laws and regulations applicable to the Company and the Bank can affect the operating environment in substantial and unpredictable ways. We cannot accurately predict whether legislation will ultimately be enacted, and if enacted, the ultimate effect that legislation or implementing regulations would have on our financial condition or results of operations. While banking regulations are material to the operations of the Company and the Bank, it should be noted that supervision, regulation and examination of the Company and the Bank are intended primarily for the protection of depositors, not shareholders.

#### **Sarbanes-Oxley Act of 2002**

The Sarbanes-Oxley Act (SOX), also known as the “Public Company Accounting Reform and Investor Protection Act,” was established in 2002 and introduced major changes to the regulation of financial practice. SOX represents a comprehensive revision of laws affecting corporate governance, accounting obligations, and corporate reporting. SOX is applicable to all companies with equity or debt securities that are either registered, or file reports under the Securities Exchange Act of 1934. In particular, SOX establishes: (i) requirements for audit committees, including independence, expertise, and responsibilities; (ii) additional responsibilities regarding financial statements for the Principal Executive Officer and Principal Financial Officer of the reporting company; (iii) standards for auditors and regulation of audits; (iv) increased disclosure and reporting obligations for the reporting company and its directors and executive officers; and (v) increased civil and criminal penalties for violations of the securities laws.

#### **Federal Deposit Insurance Corporation Improvement Act of 1991 (FDICIA)**

The FDICIA established five different levels of capitalization of financial institutions, with “prompt corrective actions” and significant operational restrictions imposed on institutions that are capital deficient under the categories. The five categories are:

- well capitalized;
- adequately capitalized;
- undercapitalized;
- significantly undercapitalized, and
- critically undercapitalized.

To be considered well capitalized, an institution must have a total risk-based capital ratio of at least 10%, a Tier 1 risk-based capital ratio of at least 8%, a leverage capital ratio of at least 5%, and must not be subject to any order or directive requiring the institution to improve its capital level. An institution falls within the adequately capitalized category if it has a total risk-based capital ratio of at least 8%, a Tier 1 risk-based capital ratio of at least 6%, and a leverage capital ratio of at least 4%. Institutions with lower capital levels are deemed to be undercapitalized, significantly undercapitalized or critically undercapitalized, depending on their actual capital levels. In addition, the appropriate federal regulatory agency may downgrade an institution to the next lower capital category upon a determination that the institution is in an unsafe or unsound condition or is engaged in an unsafe or unsound practice. Institutions are required under the FDICIA to closely monitor their capital levels and to notify their appropriate regulatory agency of any basis for a change in capital category.

Regulatory oversight of an institution becomes more stringent with each lower capital category, with certain “prompt corrective actions” imposed depending on the level of capital deficiency.

#### ***Recent Legislation and Rulemaking***

## Regulatory Capital Changes

In July 2013, the federal banking agencies issued final rules to implement the Basel III regulatory capital reforms and changes required by the Dodd-Frank Act. The phase-in period for community banking organizations began on January 1, 2015, while larger institutions (generally those with assets of \$250 billion or more) began compliance on January 1, 2014. The final rules call for the following capital requirements:

- A minimum ratio of common tier 1 capital to risk-weighted assets of 4.5%.
- A minimum ratio of tier 1 capital to risk-weighted assets of 6%.
- A minimum ratio of total capital to risk-weighted assets of 8% (no change from current rule).
- A minimum leverage ratio of 4%.

In addition, the final rules established a common equity tier 1 capital conservation buffer of 2.5% of risk-weighted assets applicable to all banking organizations. If a banking organization fails to hold capital above the minimum capital ratios and the capital conservation buffer, it will be subject to certain restrictions on capital distributions and discretionary bonus payments.

The final rules will not have a material impact on the Company's capital, operations, liquidity and earnings.

## JOBS Act

The Jumpstart Our Business Startups Act (the "JOBS Act") is aimed at facilitating capital raising by smaller companies and banks and bank holding companies by implementing the following changes:

- raising the threshold requiring registration under the Securities Exchange Act of 1934 (the "Exchange Act") for banks and bank holdings companies from 500 to 2,000 holders of record;
- raising the threshold for triggering deregistration under the Exchange Act for banks and bank holding companies from 300 to 1,200 holders of record;
- raising the limit for Regulation A offerings from \$5 million to \$50 million per year and exempting some Regulation A offerings from state blue sky laws;
- permitting advertising and general solicitation in Rule 506 and Rule 144A offerings;
- allowing private companies to use "crowdfunding" to raise up to \$1 million in any 12-month period, subject to certain conditions; and
- creating a new category of issuer, called an "Emerging Growth Company," for companies with less than \$1 billion in annual gross revenue, which will benefit from certain changes that reduce the cost and burden of carrying out an equity IPO and complying with public company reporting obligations for up to five years.

The JOBS Act did not have any immediate application to the Company. However, management continues to monitor the implementation rules for potential effects which might benefit the Company.

## Dodd-Frank Wall Street Reform and Consumer Protection Act.

In 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank) became law. Dodd-Frank is intended to effect a fundamental restructuring of federal banking regulation. Among other things, Dodd-Frank creates a new Financial Stability Oversight Council to identify systemic risks in the financial system and gives federal regulators new authority to take control of and liquidate financial firms. Dodd-Frank additionally creates a new independent federal regulator to administer federal consumer protection laws. Dodd-Frank is expected to have a significant impact on our business operations as its provisions take effect. Overtime, it is expected that at a minimum they will increase our operating and compliance costs and could increase our interest expense. Among the provisions that are likely to affect us and the community banking industry are the following:

***Holding Company Capital Requirements.*** Dodd-Frank requires the Federal Reserve to apply consolidated capital requirements to bank holding companies that are no less stringent than those currently applied to depository institutions. Under these standards, pooled trust preferred securities will be excluded from Tier 1 capital unless such securities were issued prior to May 19, 2010 by a bank holding company with less than \$15 billion in assets. Dodd-Frank additionally requires that bank regulators issue countercyclical capital requirements so that the required amount of capital increases in times of economic expansion and decreases in times of economic contraction, consistent with safety and soundness.

**Deposit Insurance.** Dodd-Frank permanently increases the maximum deposit insurance amount for banks, savings institutions and credit unions to \$250,000 per depositor, and extended unlimited deposit insurance to non-interest bearing transaction accounts through December 31, 2012. Dodd-Frank also broadens the base for FDIC insurance assessments. Assessments will now be based on the average consolidated total assets less tangible equity capital of a financial institution. Dodd-Frank requires the FDIC to increase the reserve ratio of the Deposit Insurance Fund from 1.15% to 1.35% of insured deposits by 2020 and eliminates the requirement that the FDIC pay dividends to insured depository institutions when the reserve ratio exceeds certain thresholds. Dodd-Frank also eliminated the federal statutory prohibition against the payment of interest on business checking accounts.

**Corporate Governance.** Dodd-Frank requires publicly traded companies to give shareholders a non-binding vote on executive compensation at least every three years, a non-binding vote regarding the frequency of the vote on executive compensation at least every six years, and a non-binding vote on “golden parachute” payments in connection with approvals of mergers and acquisitions unless previously voted on by shareholders. The SEC has finalized the rules implementing these requirements. Additionally, Dodd-Frank directs the federal banking regulators to promulgate rules prohibiting excessive compensation paid to executives of depository institutions and their holding companies with assets in excess of \$1.0 billion, regardless of whether the company is publicly traded. Dodd-Frank also gives the SEC authority to prohibit broker discretionary voting on elections of directors and executive compensation matters.

**Prohibition Against Charter Conversions of Troubled Institutions.** Dodd-Frank prohibits a depository institution from converting from a state to federal charter or vice versa while it is the subject of a cease and desist order or other formal enforcement action or a memorandum of understanding with respect to a significant supervisory matter unless the appropriate federal banking agency gives notice of the conversion to the federal or state authority that issued the enforcement action and that agency does not object within 30 days. The notice must include a plan to address the significant supervisory matter. The converting institution must also file a copy of the conversion application with its current federal regulator which must notify the resulting federal regulator of any ongoing supervisory or investigative proceedings that are likely to result in an enforcement action and provide access to all supervisory and investigative information relating thereto.

**Interstate Branching.** Dodd-Frank authorizes national and state banks to establish branches in other states to the same extent as a bank chartered by that state would be permitted. Previously, banks could only establish branches in other states if the host state expressly permitted out-of-state banks to establish branches in that state. Accordingly, banks will be able to enter new markets more freely.

**Limits on Interstate Acquisitions and Mergers.** Dodd-Frank precludes a bank holding company from engaging in an interstate acquisition – the acquisition of a bank outside its home state – unless the bank holding company is both well capitalized and well managed. Furthermore, a bank may not engage in an interstate merger with another bank headquartered in another state unless the surviving institution will be well capitalized and well managed. The previous standard in both cases was adequately capitalized and adequately managed.

**Limits on Interchange Fees.** Dodd-Frank amends the Electronic Fund Transfer Act to, among other things, give the Federal Reserve the authority to establish rules regarding interchange fees charged for electronic debit transactions by payment card issuers having assets over \$10 billion and to enforce a new statutory requirement that such fees be reasonable and proportional to the actual cost of a transaction to the issuer. The interchange rules became effective on October 1, 2011.

**Consumer Financial Protection Bureau.** Dodd-Frank creates a new, independent federal agency called the Consumer Financial Protection Bureau (CFPB), which is granted broad rulemaking, supervisory and enforcement powers under various federal consumer financial protection laws, including the Equal Credit Opportunity Act, Truth in Lending Act, Real Estate Settlement Procedures Act, Fair Credit Reporting Act, Fair Debt Collection Act, the Consumer Financial Privacy provisions of the Gramm-Leach-Bliley Act and certain other statutes. The CFPB has examination and primary enforcement authority with respect to depository institutions with \$10 billion or more in assets. Smaller institutions are subject to rules promulgated by the CFPB but continue to be examined and supervised by federal banking regulators for consumer compliance purposes. The CFPB has authority to prevent unfair, deceptive or abusive practices in connection with the offering of consumer financial products. Dodd-Frank authorizes the CFPB to establish certain minimum standards for the origination of residential mortgages including a determination of the borrower’s ability to repay. In addition, Dodd-Frank will allow borrowers to raise certain defenses to foreclosure if they receive any loan other than a “qualified mortgage” as defined by the CFPB. Dodd-Frank permits states to adopt consumer protection laws and standards that are more stringent than those adopted at the federal level and, in certain circumstances, permits state attorneys general to enforce compliance with both the state and federal laws and regulations.

In summary, the Dodd-Frank Act provides for sweeping financial regulatory reform and may have the effect of increasing the cost of doing business, limiting or expanding permissible activities and affect the competitive balance between banks and other financial intermediaries. While many of the provisions of the Dodd-Frank Act do not impact the existing business of the Company, the extension of FDIC insurance to all non-interest bearing deposit accounts and the repeal of prohibitions on the payment of interest on demand deposits, thereby permitting depository institutions to pay interest on business transaction and other accounts, will likely increase deposit funding costs paid by the Company in order to retain and grow deposits. In addition, the limitations imposed on the assessment of interchange fees have reduced the Company's ability to set revenue pricing on debit and credit card transactions. Many aspects of the Dodd-Frank Act are subject to rulemaking and will take effect over several years, making it difficult to anticipate the overall financial impact on the Company, its customers or the financial industry as a whole. The Company will continue to monitor legislative developments and assess their potential impact on our business.

***Department of Defense Military Lending Rule.*** In 2015, the U.S. Department of Defense issued a final rule which restricts pricing and terms of certain credit extended to active duty military personnel and their families. This rule, which was implemented effective October 3, 2016, caps the interest rate on certain credit extensions to an annual percentage rate of 36% and restricts other fees. The rule requires financial institutions to verify whether customers are military personnel subject to the rule. The impact of this final rule, and any subsequent amendments thereto, on the Company's lending activities and the Company's statements of income or condition has had little or no impact; however, management will continue to monitor the implementation of the rule for any potential side effects on the Company's business.

### **Future Federal and State Legislation and Rulemaking**

From time-to-time, various types of federal and state legislation have been proposed that could result in additional regulations and restrictions on the business of the Company and the Bank. We cannot predict whether legislation will be adopted, or if adopted, how the new laws would affect our business. As a consequence, we are susceptible to legislation that may increase the cost of doing business. Management believes that the effect of any current legislative proposals on the liquidity, capital resources and the results of operations of the Company and the Bank will be minimal.

It is possible that there will be regulatory proposals which, if implemented, could have a material effect upon our liquidity, capital resources and results of operations. In addition, the general cost of compliance with numerous federal and state laws does have, and in the future may have, a negative impact on our results of operations. As with other banks, the status of the financial services industry can affect the Bank. Consolidations of institutions are expected to continue as the financial services industry seeks greater efficiencies and market share. Bank management believes that such consolidations may enhance the Bank's competitive position as a community bank.

### **Future Outlook**

The Company is highly impacted by local economic factors that could influence the performance and strength of our loan portfolios and results of operations. Economic uncertainty continues due to fluctuating interest rates and global risks such as war, terrorism and geopolitical instability. Uncertainty surrounding the timing of rate decreases and the effect on the interest rate margin is the Company's greatest interest rate risk. Management is encouraged by early 2026 performance, as net income through the first two months is ahead of budget and loan pipelines in both the market area north and market area south remain robust. Although conditions may change, management currently expects earnings to remain sound through the balance of the year, with deposit gathering remaining a key priority to fund loan demand. We intend to continuously expand our market area, giving us opportunity for profitable growth and we will continue to monitor the economic climate, scrutinize growth prospects and proactively observe existing credits for early warning signs of risk deterioration.

In addition to the challenging economic environment, regulatory oversight has changed significantly in recent years. As described in more detail in the "supervision and regulation" section above, the federal banking agencies issued final rules to implement the Basel III regulatory capital reforms and changes required by the Dodd-Frank Act. The rules revise the quantity and quality of required minimum risk-based and leverage capital requirements and revise the calculation of risk-weighted assets.

Management believes that our disciplined approach to loan underwriting will help keep non-performing asset levels at bay. The Company expects to pursue disciplined balance sheet growth to enhance financial performance. We plan on growing our commercial and industrial lending portfolio and increasing low-cost deposits to improve net interest margin and enhance revenue performance.

***ITEM 7A: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK***

The information required by 7A is set forth at Item 7, under “Liquidity” and “Management of interest rate risk and market risk analysis,” contained within management’s discussion and analysis of financial condition and results of operations and incorporated herein by reference.

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**ITEM 8: FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

**Report of Independent Registered Public Accounting Firm**

To the Shareholders and the Board of Directors of Fidelity D & D Bancorp, Inc.

***Opinion on the Financial Statements***

We have audited the accompanying consolidated balance sheet of Fidelity D & D Bancorp, Inc. and subsidiary (the Company) as of December 31, 2025 and 2024, the related consolidated statements of income, comprehensive income, changes in shareholders' equity and cash flows for the years ended December 31, 2025 and 2024, and the related notes to the consolidated financial statements (collectively, the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2025 and 2024, and the results of its operations and its cash flows for the years ended December 31, 2025 and 2024, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the Company's internal control over financial reporting as of December 31, 2025, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission in 2013 and our report dated March 13, 2026 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

***Basis for Opinion***

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

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

***Critical Audit Matter***

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of a critical audit matter does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

### *Allowance for Credit Losses – Collectively Evaluated Loans*

As described in Notes 1 and 5 to the financial statements, the Company has recorded an allowance for credit losses on loans receivable (“ACL”) in the amount of \$20.2 million as of December 31, 2025, representing management’s estimate of credit losses over the remaining expected life of the Company’s loan portfolio as of that date.

The Company’s methodology to determine its ACL utilizes third-party software to arrive at an expected life-of-loan loss amount that incorporates either discounted cash flow or weighted average remaining life methodologies for the Company’s various loan segments. Both of these approaches use both industry-based and Company specific loss history and Company specific prepayment rates that are adjusted based on various current and forecasted reasonable and supportable economic factors including, as relevant, home price indices, gross domestic product forecasts and national and local unemployment rates. The results of these calculations are then qualitatively adjusted by management based on portfolio specific attributes including changes in lending policies and procedures, changes in other economic conditions, changes in the nature and volume of loans, changes in experience of lending personnel, changes in credit quality and loan review results, changes in underlying collateral values, the existence of credit concentrations, and other portfolio relevant information including legal and regulatory changes. We determined that performing procedures relating to these components of the Company’s methodology is a critical audit matter.

The principal considerations for our determination are (i) the application of significant judgment and estimation on the part of management, which in turn led to a high degree of auditor judgment and subjectivity in performing procedures and evaluating audit evidence obtained, and (ii) significant audit effort was necessary in evaluating management’s methodology, significant assumptions and calculations.

#### *How the Critical Audit Matter was addressed in the Audit*

Following are some of the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls related to the Company’s measurement of the collective ACL, including controls over the:

- Evaluation of the methodologies used to calculate the collective ACL
- Evaluation of the Company's external model review
- Completeness and accuracy of loan data used in the collective ACL calculation
- Evaluation of significant model assumptions including economic forecasts and loss-given default rates
- Evaluation of the Company's qualitative adjustments to model results
- Review of service auditor's System and Organization Controls Report SOC 1 Type 2 related to the third-party model provider

Addressing the above matters involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures also included, among others, management’s review of the service auditor’s SOC 1 Type 2 results, reviewing the Company’s current year external model review, evaluating various significant assumptions used in the calculation, testing management’s process for determining the qualitative reserve component, evaluating the appropriateness of management’s methodology relating to the qualitative reserve component and testing the completeness and accuracy of data utilized by management.

/s/ Wolf & Company, P.C.

Boston, Massachusetts  
March 13, 2026

We have served as the Company's auditor since 2023.

## Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of Fidelity D & D Bancorp, Inc.

### ***Opinion on Internal Control Over Financial Reporting***

We have audited Fidelity D & D Bancorp, Inc. and subsidiaries' (the "Company") internal control over financial reporting as of December 31, 2025, based on criteria established in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in 2013. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2025, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated financial statements of the Company as of December 31, 2025 and 2024 and our report dated March 13, 2026 expressed an unqualified opinion.

### ***Basis for Opinion***

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying *Management's Report on Internal Control over Financial Reporting*. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

### ***Definition and Limitations of Internal Control Over Financial Reporting***

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

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Wolf & Company, P.C.

Boston, Massachusetts

March 13, 2026

**Fidelity D & D Bancorp, Inc. and Subsidiary**  
Consolidated Balance Sheets

(dollars in thousands)	December 31, 2025	December 31, 2024
<b>Assets:</b>		
Cash and due from banks	\$ 25,465	\$ 26,269
Interest-bearing deposits with financial institutions	122,595	57,084
Total cash and cash equivalents	148,060	83,353
Available-for-sale securities (amortized cost of \$333,012 in 2025; \$384,280 in 2024)	296,607	331,457
Held-to-maturity securities (fair value of \$203,137 in 2025; \$194,575 in 2024)	227,339	225,764
Restricted investments in bank stock	4,373	3,961
Loans and leases, net (allowance for credit losses of \$20,168 in 2025; \$19,666 in 2024)	1,890,983	1,779,136
Loans held-for-sale (fair value \$588 in 2025; \$2,089 in 2024)	573	2,054
Foreclosed assets held-for-sale	326	430
Bank premises and equipment, net	48,950	35,914
Leased property under finance leases, net	757	975
Right-of-use assets	9,061	8,785
Cash surrender value of bank owned life insurance	59,396	58,069
Accrued interest receivable	9,673	9,632
Goodwill	19,628	19,628
Core deposit intangible, net	614	876
Other assets	31,718	24,582
Total assets	\$ 2,748,058	\$ 2,584,616
<b>Liabilities:</b>		
Deposits:		
Interest-bearing	\$ 1,914,772	\$ 1,806,885
Non-interest-bearing	552,581	533,935
Total deposits	2,467,353	2,340,820
Allowance for credit losses on off-balance sheet credit exposures	1,299	1,084
Finance lease obligation	793	1,011
Operating lease liabilities	10,059	9,714
Short-term borrowings	20	-
Secured borrowings	5,995	6,266
Accrued interest payable and other liabilities	23,679	21,752
Total liabilities	2,509,198	2,380,647
<b>Commitments and contingencies (Notes 13 and 17)</b>		
<b>Shareholders' equity:</b>		
Preferred stock authorized 5,000,000 shares with no par value; none issued	-	-
Capital stock, no par value (10,000,000 shares authorized; shares issued and outstanding; 5,771,110 at December 31, 2025; and 5,736,252 at December 31, 2024)	120,749	119,430
Retained earnings	158,807	140,113
Accumulated other comprehensive loss	(40,696)	(55,574)
Treasury stock, at cost (180 shares at December 31, 2025 and 54 shares at December 31, 2024)	-	-
Total shareholders' equity	238,860	203,969
Total liabilities and shareholders' equity	\$ 2,748,058	\$ 2,584,616

See notes to consolidated financial statements

**Fidelity D & D Bancorp, Inc. and Subsidiary**  
Consolidated Statements of Income

(dollars in thousands except per share data)	Years Ended December 31,	
	2025	2024
<b>Interest income:</b>		
Loans and leases:		
Taxable	\$ 98,407	\$ 88,252
Nontaxable	5,445	5,017
Interest-bearing deposits with financial institutions	4,559	1,544
Restricted investments in bank stock	329	322
Investment securities:		
U.S. government agency and corporations	5,715	5,809
States and political subdivisions (nontaxable)	3,729	4,308
States and political subdivisions (taxable)	1,655	1,770
<b>Total interest income</b>	<b>119,839</b>	<b>107,022</b>
<b>Interest expense:</b>		
Deposits	46,800	43,165
Secured borrowings	368	435
Short-term borrowings	-	1,557
<b>Total interest expense</b>	<b>47,168</b>	<b>45,157</b>
Net interest income	72,671	61,865
Provision for credit losses on loans	1,055	1,325
Provision for credit losses on unfunded loan commitments	215	140
Net interest income after provision for credit losses	71,401	60,400
<b>Other income:</b>		
Service charges on deposit accounts	4,183	3,942
Interchange fees	5,266	4,929
Service charges on loans	1,588	1,299
Fees from trust fiduciary activities	4,148	3,638
Fees from financial services	1,182	1,076
Fees and other revenue	1,992	1,672
Earnings on bank-owned life insurance	1,581	1,497
Gain (loss) on write-down, sale or disposal of:		
Loans	1,513	972
Available-for-sale debt securities	(1,190)	-
Premises and equipment	296	(12)
<b>Total other income</b>	<b>20,559</b>	<b>19,013</b>
<b>Other expenses:</b>		
Salaries and employee benefits	30,842	28,843
Premises and equipment	9,787	8,781
Data processing and communication	2,973	2,873
Advertising and marketing	3,311	2,881
Professional services	4,037	4,393
Automated transaction processing	1,905	1,849
Office supplies and postage	744	732
PA shares tax expense	333	443
Loan collection	124	102
Other real estate owned, net	(37)	(9)
FDIC assessment	1,237	1,229
Other	3,561	3,424
<b>Total other expenses</b>	<b>58,817</b>	<b>55,541</b>
Income before income taxes	33,143	23,872
Provision for income taxes	4,945	3,078
Net income	\$ 28,198	\$ 20,794
<b>Per share data:</b>		
Net income - basic	\$ 4.89	\$ 3.63
Net income - diluted	\$ 4.86	\$ 3.60
Dividends	\$ 1.63	\$ 1.54

See notes to consolidated financial statements

**Fidelity D & D Bancorp, Inc. and Subsidiary**

## Consolidated Statements of Comprehensive Income

(dollars in thousands)	Years ended December 31,	
	2025	2024
Net income	\$ 28,198	\$ 20,794
Other comprehensive income (loss), before tax:		
Unrealized holding gain (loss) on available-for-sale debt securities	15,228	(1,228)
Reclassification adjustment for net losses realized in income	1,190	-
Amortization of unrealized loss on held-to-maturity securities	2,413	2,359
Net unrealized gain	18,831	1,131
Tax effect	(3,953)	(238)
Unrealized gain, net of tax	14,878	893
Other comprehensive income, net of tax	14,878	893
Total comprehensive income, net of tax	\$ 43,076	\$ 21,687

See notes to consolidated financial statements

**Fidelity D & D Bancorp, Inc. and Subsidiary**  
**Consolidated Statements of Changes in Shareholders' Equity**

For the years ended December 31,  
2025 and 2024

(dollars in thousands)	Capital stock		Retained earnings	Accumulated other comprehensive income (loss)	Treasury Stock	Total
	Shares	Amount				
Balance, December 31, 2023	5,703,636	\$ 117,695	\$ 128,251	\$ (56,467)	\$ -	\$ 189,479
Net income	-	-	20,794	-	-	20,794
Other comprehensive income	-	-	-	893	-	893
Issuance of common stock through Employee Stock Purchase Plan	6,764	280	-	-	-	280
Re-issuance of common stock through Dividend Reinvestment Plan	1,645	4	-	-	79	83
Forfeited restricted dividend reinvestment shares	(55)	-	-	-	-	-
Issuance of common stock from vested restricted share grants through stock compensation plans	25,868	-	-	-	-	-
Stock-based compensation expense	-	1,451	-	-	-	1,451
Repurchase of shares to cover withholdings	(1,606)	-	-	-	(79)	(79)
Cash dividends declared	-	-	(8,932)	-	-	(8,932)
Balance, December 31, 2024	5,736,252	\$ 119,430	\$ 140,113	\$ (55,574)	\$ -	\$ 203,969
Net income	-	-	28,198	-	-	28,198
Other comprehensive income	-	-	-	14,878	-	14,878
Issuance of common stock through Employee Stock Purchase Plan	5,406	248	-	-	-	248
Re-issuance of common stock through Dividend Reinvestment Plan	2,285	13	-	-	87	100
Issuance of common stock through exercise of SSARs	1,719	-	-	-	-	-
Forfeited restricted dividend reinvestment shares	(443)	-	-	-	-	-
Issuance of common stock from vested restricted share grants through stock compensation plans	27,859	-	-	-	-	-
Stock-based compensation expense	-	1,092	-	-	-	1,092
Repurchase of shares to cover withholdings	(1,968)	(34)	-	-	(87)	(121)
Cash dividends declared	-	-	(9,504)	-	-	(9,504)
<b>Balance, December 31, 2025</b>	<b>5,771,110</b>	<b>\$ 120,749</b>	<b>\$ 158,807</b>	<b>\$ (40,696)</b>	<b>\$ -</b>	<b>\$ 238,860</b>

See notes to consolidated financial statements

**Fidelity D & D Bancorp, Inc. and Subsidiary**  
Consolidated Statements of Cash Flows

(dollars in thousands)	Years ended December 31,	
	2025	2024
<b>Cash flows from operating activities:</b>		
Net income	\$ 28,198	\$ 20,794
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and accretion	5,495	5,668
Provision for credit losses on loans	1,055	1,325
Provision for credit losses on unfunded loan commitments	215	140
Deferred income tax benefit	(1,499)	(1,173)
Stock-based compensation expense	1,092	1,451
Excess tax benefit from exercise of SSARs	21	-
Proceeds from sale of loans held-for-sale	67,948	59,597
Originations of loans held-for-sale	(58,326)	(58,547)
Earnings from bank-owned life insurance	(1,581)	(1,497)
Gain from bank-owned life insurance claim	(166)	-
Net gain from sales of loans	(1,513)	(972)
Net loss from sales of investment securities	1,190	-
Net gain from sale and write-down of foreclosed assets held-for-sale	(69)	(13)
Net (gain) loss from write-down and disposal of bank premises and equipment	(296)	12
Operating lease payments	69	59
Change in:		
Accrued interest receivable	(41)	(540)
Other assets	(1,512)	550
Accrued interest payable and other liabilities	2,080	2,709
Net cash provided by operating activities	42,360	29,563
<b>Cash flows from investing activities:</b>		
Available-for-sale securities:		
Proceeds from sales	44,535	-
Proceeds from maturities, calls and principal pay-downs	28,021	22,786
Purchases	(25,138)	(15,389)
Increase in restricted investments in bank stock	(412)	(56)
Net increase in loans and leases	(122,497)	(118,987)
Principal portion of lease payments received under direct finance leases	3,319	4,447
Purchase of bank-owned life insurance policies	-	(2,000)
Purchases of bank premises and equipment	(17,535)	(4,663)
Purchases of tax credits	(7,211)	-
Proceeds from death benefits received on bank-owned life insurance	419	-
Proceeds from sale of bank premises and equipment	623	20
Proceeds from sale of foreclosed assets held-for-sale	623	254
Net cash used in investing activities	(95,253)	(113,588)
<b>Cash flows from financing activities:</b>		
Net increase in deposits	127,342	182,397
Net decrease in borrowings	(247)	(118,101)
Repayment of finance lease obligation	(218)	(219)
Proceeds from employee stock purchase plan participants	248	280
Repurchase of shares to cover withholdings	(121)	(79)
Dividends paid, net of dividends reinvested	(9,404)	(8,849)
Net cash provided by financing activities	117,600	55,429
Net increase (decrease) in cash and cash equivalents	64,707	(28,596)
Cash and cash equivalents, beginning	83,353	111,949
Cash and cash equivalents, ending	\$ 148,060	\$ 83,353

See notes to consolidated financial statements

**Fidelity D & D Bancorp, Inc. and Subsidiary**  
Consolidated Statements of Cash Flows (continued)

(dollars in thousands)	Years ended December 31,	
	2025	2024
<b>Supplemental Disclosures of Cash Flow Information</b>		
Cash payments for:		
Interest	\$ 46,449	\$ 43,211
Income tax		
Federal taxes	4,515	4,350
State taxes	75	66
<b>Supplemental Disclosures of Non-cash Investing Activities:</b>		
Net change in unrealized losses on available-for-sale securities	15,228	(1,228)
Amortization of unrealized losses on securities transferred from available-for-sale to held-to-maturity	2,413	2,359
Transfers from loans to foreclosed assets held-for-sale	449	669
Transfers from loans to loans held-for-sale, net	5,908	855
Transfers from premises and equipment to other assets held-for-sale	1,359	268
Net change in right-of-use asset	601	1,420
Net change in lease liability	601	1,512

See notes to consolidated financial statements

**FIDELITY D & D BANCORP, INC.**  
**AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**1. NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**PRINCIPLES OF CONSOLIDATION**

The accompanying consolidated financial statements include the accounts of Fidelity D & D Bancorp, Inc. and its wholly-owned subsidiary, The Fidelity Deposit and Discount Bank (the Bank) (collectively, the Company). All significant inter-company balances and transactions have been eliminated in consolidation.

**NATURE OF OPERATIONS**

The Company provides a full range of banking, trust and financial services to individuals, small businesses and corporate customers. Its primary market areas are Lackawanna, Luzerne and Northampton Counties, Pennsylvania. The Company's primary deposit products are demand deposits and interest-bearing time, money market and savings accounts. It offers a full array of loan products to meet the needs of retail and commercial customers. The Company is subject to regulation by the Federal Deposit Insurance Corporation (FDIC) and the Pennsylvania Department of Banking.

**USE OF ESTIMATES**

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

Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for credit losses on loans, the valuation of investment securities, the determination and the amount of impairment in the securities portfolios, and the related realization of the deferred tax assets related to the allowance for credit losses on loans, credit losses on and valuations of investment securities.

In connection with the determination of the allowance for credit losses on loans, management generally obtains independent appraisals for individually evaluated loans, along with discounted cash flow and weighted average remaining maturity models adjusted for qualitative factors for collectively evaluated loans. While management uses available information to recognize losses on loans, further reductions in the carrying amounts of loans may be necessary based on changes in economic conditions and reasonable and supportable forecasts. In addition, regulatory agencies, as an integral part of their examination process, periodically review the estimated losses on loans. Such agencies may require the Company to recognize additional losses based on their judgments about information available to them at the time of their examination. Because of these factors, it is reasonably possible that the estimated losses on loans may change materially in the near-term. However, the amount of the change that is reasonably possible cannot be estimated.

The Company's investment securities are comprised of a variety of financial instruments. The fair values of the securities are subject to various risks including changes in the interest rate environment and general economic conditions including illiquid conditions in the capital markets. Due to the increased level of these risks and their potential impact on the fair values of the securities, it is possible that the amounts reported in the accompanying financial statements could materially change in the near-term. If credit losses exist, a contra-asset is recorded on the consolidated balance sheet, limited by the amount that fair value is less than the amortized cost basis. Any impairment that has not been recorded through an allowance for credit losses is recognized in other comprehensive income, net of tax.

**RECLASSIFICATION**

Certain amounts in the prior year consolidated financial statements have been reclassified to conform to current year presentation.

## **SIGNIFICANT GROUP CONCENTRATION OF CREDIT RISK**

The Company originates commercial, consumer, and mortgage loans to customers primarily located in Lackawanna, Luzerne and Northampton Counties of Pennsylvania. Although the Company has a diversified loan portfolio, a substantial portion of its debtors' ability to honor their contracts is dependent on the economic sector in which the Company operates. The loan portfolio does not have any significant concentrations from one industry or customer.

## **HELD-TO-MATURITY SECURITIES**

Debt securities, for which the Company has the positive intent and ability to hold to maturity, are reported at amortized cost. Premiums and discounts are amortized or accreted, as a component of interest income over the life of the related security (or earlier call date for premiums) as an adjustment to yield using the interest method.

## **TRADING SECURITIES**

Debt securities held principally for resale in the near-term, or trading securities, are recorded at their fair values. Unrealized gains and losses are included in other income. The Company did not have investment securities held for trading purposes during 2025 or 2024.

## **AVAILABLE-FOR-SALE SECURITIES**

Available-for-sale (AFS) securities consist of debt securities classified as neither held-to-maturity nor trading and are reported at fair value. Premiums and discounts are amortized or accreted as a component of interest income over the life of the related security (or earlier call date for premiums) as an adjustment to yield using the interest method. Unrealized holding gains and losses on AFS securities are reported as a separate component of shareholders' equity, net of deferred income taxes, until realized. The net unrealized holding gains and losses are a component of accumulated other comprehensive income. Gains and losses from sales of securities AFS are determined using the specific identification method.

## **FEDERAL HOME LOAN BANK STOCK**

The Company is a member of the Federal Home Loan Bank system, and as such is required to maintain an investment in capital stock of the Federal Home Loan Bank of Pittsburgh (FHLB). The amount the Company is required to invest is dependent upon the relative size of outstanding borrowings the Company has with the FHLB. Based on redemption provisions of the FHLB, the stock has no quoted market value and is carried at cost.

## **LOANS**

Originated loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are stated at face value, net of unamortized loan fees and costs and the allowance for credit losses. Interest on residential real estate loans is recorded based on principal pay downs on an actual days basis. Commercial loan interest is accrued on the principal balance on an actual days basis. Interest on consumer loans is determined using the simple interest method.

Acquired loans classified as Purchase Credit Impaired (PCI) loans prior to the effective date of Accounting Standard Update (ASU) 2016-13, *Financial Instruments – Credit Losses (Topic 326) Measurement of Credit Losses on Financial Instruments (CECL)*, which was adopted by the Company on January 1, 2023, were classified as Purchase Credit Deteriorated (PCD) loans as of the effective date. For all loans designated as PCD loans as of the effective date, the Company was required to gross up the balance sheet amount of the financial asset by the amount of its allowance for expected credit losses as of the effective date. Subsequent changes in the allowances for credit losses on PCD loans will be recognized by charges or credits to earnings. The Company will continue to accrete the noncredit discount or premium to interest income based on the effective interest rate on the PCD loans determined after the gross-up for the CECL allowance at adoption.

CECL introduced the concept of PCD financial loans, which replaces PCI loans under previous U.S. GAAP. For PCD loans, the new accounting standard requires institutions to estimate and record an allowance for credit losses for these loans at the time of purchase. This allowance is then added to the purchase price to establish the initial amortized cost basis of the PCD loans, rather than being reported as a credit loss expense. In contrast, for purchased loans within the scope of CECL that are not PCD loans, an institution is required to measure expected credit losses by a charge to the provision for credit losses (expense) in the period the non-PCD loans are acquired.

In addition, the definition of PCD loans is broader than the definition of PCI loans in previous accounting standards. CECL defines "purchased financial assets with credit deterioration" as "acquired individual financial assets (or acquired groups of financial assets with similar risk characteristics) that, as of the date of acquisition, have experienced a more-than-insignificant deterioration in credit quality since origination, as determined by an acquirer's assessment."

Generally, loans are placed on non-accrual status when principal or interest is past due 90 days or more. When a loan is placed on non-accrual status, all interest previously accrued but not collected is charged against current earnings. Any payments received on non-accrual loans are applied, first to the outstanding loan amounts, then to the recovery of any charged-off loan amounts. Any excess is treated as a recovery of lost interest.

## **MORTGAGE BANKING OPERATIONS AND MORTGAGE SERVICING RIGHTS**

The Company sells one-to-four family residential mortgage loans on a servicing retained basis. On a loan sold where servicing was retained, the Company determines at the time of sale the value of the retained servicing rights, which represents the present value of the differential between the contractual servicing fee and adequate compensation, defined as the fee a sub-servicer would require to assume the role of servicer, after considering the estimated effects of prepayments. If material, a portion of the gain on the sale of the loan is recognized due to the value of the servicing rights, and a mortgage servicing asset is recorded.

Commitments to sell one-to-four family residential mortgage loans are made primarily during the period between the intent to proceed and the closing of the mortgage loan. The timing of making these sale commitments is dependent upon the timing of the borrower's election to lock-in the mortgage interest rate and fees prior to loan closing. Most of these sales commitments are made on a best-efforts basis whereby the Company is only obligated to sell the mortgage if the mortgage loan is approved and closed by the Company. Commitments to fund mortgage loans (rate lock commitments) to be sold into the secondary market and forward commitments for the future delivery of these mortgage loans are accounted for as free standing derivatives. Fair values of these derivatives are estimated based on changes in mortgage interest rates from the date the interest rate on the loan is locked. The Company enters into forward commitments for the future delivery of mortgage loans when interest rate locks are entered into, in order to hedge the change in interest rates resulting from its commitments to fund the loans. Changes in the fair values of these derivatives are included in gains or losses on sales of loans. The fair value of these derivative instruments was not significant at December 31, 2025 and 2024.

For sales of mortgage loans originated by the Company, a portion of the cost of originating the loan is allocated to the servicing retained right based on fair value. Servicing assets are reported in other assets and amortized in proportion to and over the period during which estimated servicing income will be received. Servicing loans for others consists of collecting mortgage payments, maintaining escrow accounts, disbursing payments to investors, and processing foreclosures. Loan servicing income is recorded when earned and represents servicing fees from investors and certain charges collected from borrowers, such as late payment fees. The Company has fiduciary responsibility for related escrow and custodial funds.

## **DERIVATIVE FINANCIAL INSTRUMENTS**

Derivative financial instruments are recognized as assets and liabilities on the consolidated balance sheets, measured at fair value and recorded in other assets and accrued interest payable and other liabilities.

### *Interest Rate Swap Agreements*

For asset/liability management purposes, the Company uses interest rate swap agreements to manage risk to the Company associated with interest rate movements. Interest rate swaps are contracts in which a series of interest rate flows are exchanged over a prescribed period. The notional amount on which the interest payments are based is not exchanged. These swap agreements are derivative instruments and generally convert a portion of the Company's fixed rate investment securities to an adjustable rate (fair value hedge) and convert a portion of customers' variable rate loans to fixed rate (no hedge designation).

The gain or loss on a derivative designated and qualifying as a fair value hedging instrument, as well as the offsetting gain or loss on the hedged item attributable to the risk being hedged, is recognized currently in earnings in the same accounting period.

Interest rate derivative financial instruments receive hedge accounting treatment only if they are designated as a hedge and are expected to be, and are, effective in substantially reducing interest rate risk arising from the assets and liabilities identified as exposing the Company to risk. Such derivatives are recorded as assets or liabilities at fair value with changes in fair value recorded in other comprehensive income, net of tax. Derivative financial instruments that do not meet specified hedging criteria would be recorded at fair value with changes in fair value charged to earnings.

Cash flows resulting from the derivative financial instruments that are accounted for as hedges are classified in the cash flow statement in the same category as the cash flows of the items being hedged.

## LOANS HELD-FOR-SALE

Loans originated and intended for sale in the secondary market are carried at the lower of cost or estimated fair value in the aggregate. Net unrealized losses are recognized through a valuation allowance by charges to income. Unrealized gains are recognized but only to the extent of previous write-downs.

## AUTOMOBILE LEASING

Financing of automobiles, provided to customers under lease arrangements of varying terms obtained via an indirect arrangement primarily through a single dealer on a full recourse basis, are accounted for as direct finance leases. Interest on automobile direct finance leasing is determined using the interest method. Generally, the interest method is used to arrive at a level effective yield over the life of the lease. The lease residual and the lease receivable, net of unearned lease income, are recorded within loans and leases on the balance sheet.

## ALLOWANCE FOR CREDIT LOSSES

### *Allowance for Credit Losses on Loans*

Management continually evaluates the credit quality of the Company's loan portfolio and performs a formal review of the adequacy of the allowance for credit losses (ACL) on a quarterly basis. The allowance reflects management's best estimate of the amount of credit losses in the loan portfolio. When estimating the net amount expected to be collected, management considers the effects of past events, current conditions, and reasonable and supportable forecasts of the collectability of the Company's financial assets. Those estimates may be susceptible to significant change. Credit losses are charged directly against the allowance when loans are deemed to be uncollectible. Recoveries from previously charged-off loans are added to the allowance when received.

The methodology to analyze the adequacy of the ACL is based on seven primary components:

- **Data:** The quality of the Company's data is critically important as a foundation on which the ACL estimate is generated. For its estimate, the Company uses both internal and external data with a preference toward internal data where possible. Data is complete, accurate, and relevant, and subjected to appropriate governance and controls.
- **Segmentation:** Financial assets are segmented based on similar risk characteristics.
- **Contractual term of financial assets:** The contractual term of financial assets is a significant driver of ACL estimates. Financial assets or pools of financial assets with shorter contractual maturities typically result in a lower reserve than those with longer contractual maturities. As the average life of a financial asset or pool of assets increases, there generally is a corresponding increase to the ACL estimate because the likelihood of default is considered over a longer time frame. As such, pool-based assumptions for a pool's contractual term (i.e., average life) are based on the contractual maturity of the financial assets within the pool and adjusted in accordance with GAAP, if appropriate.
- **Credit loss measurement method:** Multiple measurement methods for estimating ACLs are allowable per Accounting Standards Codification (ASC) Topic 326. The Company applies different estimation methods to different groups of financial assets. The discounted cash flow method is used for the Commercial & Industrial, Commercial Real Estate Non-Owner Occupied, Commercial Real Estate Owner Occupied, Commercial Construction, Home Equity Installment Loan, Home Equity Line of Credit, Residential Real Estate, and Residential Construction pools. The weighted average remaining maturity (WARM) method is used for the Municipal, Non-Recourse Auto, Recourse Auto, Direct Finance Lease, and Consumer Other pools.
- **Reasonable and supportable forecasts:** ASC Topic 326 requires Management to consider reasonable and supportable forecasts that affect expected collectability of financial assets. As such, the Company's forecasts incorporate anticipated changes in the economic environment that may affect credit loss estimates over a time horizon when Management can reasonably support and document expectations. Forward-looking information may reflect positive or negative expectations relative to the current environment. As of the reporting date, management is using the median Federal Open Market Committee (FOMC) National Gross Domestic Product (GDP) and Unemployment Rate forecasts as well as the Federal Housing Finance Agency (FHFA) House Price Index (HPI) for its reasonable and supportable forecasts. The Company currently uses a 12 month (4 quarter) reasonable and supportable forecast period.

- **Reversion period:** ASC Topic 326 does not require Management to estimate a reasonable and supportable forecast for the entire contractual life of financial assets. Management may apply reversion techniques for the contractual life remaining after considering the reasonable and supportable forecast period, which allows Management to apply a historical loss rate to latter periods of the financial asset's life. The Company currently uses a 12 month (4 quarter) straight-line reversion period.
- **Qualitative factor adjustments:** The Company's ACL estimate considers all significant factors relevant to the expected collectability of its financial assets as of the reporting date; Qualitative factors reflect the impact of conditions not captured elsewhere, such as the historical loss data or within the economic forecast. The qualitative considerations can be captured directly within measurement models or as additional components in the overall ACL methodologies. Currently, the Company uses the following qualitative factors:
  - levels of and trends in delinquencies and non-accrual loans;
  - levels of and trends in charge-offs and recoveries;
  - trends in volume and terms of loans;
  - changes in risk selection and underwriting standards;
  - changes in lending policies and legal and regulatory requirements;
  - experience, ability and depth of lending management;
  - national and local economic trends and conditions;
  - changes in credit concentrations; and
  - changes in underlying collateral.

Assets are evaluated on a collective (or pool) basis or individually, as applicable consistent with ASC Topic 326. In accordance with ASC Topic 326, the Company will evaluate individual instruments for expected credit losses when those instruments do not share similar risk characteristics with instruments evaluated using a collective (pooled) basis. In contrast to legacy accounting standards, this criterion is broader than the "impairment" concept as management may evaluate assets individually even when no specific expectation of collectability is in place. Instruments will not be included in both collective and individual analysis. Individual analysis will establish a specific reserve for instruments in scope.

For individually evaluated assets, an ACL is determined separately for each financial asset based on an appropriate method per ASC Subtopic 326-20. As of the reporting date, the Company is using the collateral and cash flow methods.

ASC Topic 326 defines a collateral-dependent asset as a financial asset for which the repayment is expected to be provided substantially through the operation or sale of the collateral when the borrower, based on Management's assessment, is experiencing financial difficulty. The ACL for a collateral-dependent loan is measured using the fair value of collateral, regardless of whether foreclosure is probable. The fair value of collateral must be adjusted for estimated costs to sell if repayment or satisfaction of the asset depends on the sale of the collateral. If repayment is dependent only on the operation of the collateral, and not on the sale of the collateral, the fair value of the collateral would not be adjusted for estimated costs to sell. If the fair value of the collateral, adjusted for costs to sell if applicable, is less than the amortized cost basis of the collateral-dependent asset, the difference is recorded as an ACL.

The Company's policy is to charge-off unsecured consumer loans when they become 90 days or more past due as to principal and interest. In the other portfolio segments, amounts are charged-off at the point in time when the Company deems the balance, or a portion thereof, to be uncollectible.

If the individually evaluated asset is determined to not be collateral dependent, the ACL is measured based on the expected cash flows. This measurement is based on the amount and timing of cash flows; the effective interest rate (EIR) is used to discount the cash flows; and the basis for the determination of cash flows, including consideration of past events, current conditions, and reasonable and supportable forecasts about the future. These cash flows are discounted back by the EIR and compared to the amortized cost basis of the asset. If the present value of cash flows is less than the amortized cost, an ACL is recorded. When the present value of cash flows is equal to or greater than the amortized cost, no ACL is recorded.

An unallocated component is maintained to cover uncertainties that could affect management's estimate of probable losses. The unallocated component of the allowance reflects the margin of imprecision inherent in the underlying assumptions used in the methodologies.

The risk characteristics of each of the identified portfolio segments are as follows:

**Commercial and industrial loans (C&I):** C&I loans are primarily based on the identified historic and/or the projected cash flows of the borrower and secondarily on the underlying collateral provided by the borrower. The cash flows of the borrower, however, do fluctuate based on changes in the Company's internal and external environment including management, human and capital resources, economic conditions, competition and regulation. Most C&I loans are secured by business assets being financed such as equipment, accounts receivable, and/or inventory and generally incorporate a secured or unsecured personal guarantee. Unsecured loans may be made on a short-term basis. Loans to municipal borrowers, which carry the full faith and credit of each respective local government unit consistent with the PA Local Government Unit Debt Act (LGUDA) as well as loans to municipal authorities are included in C&I loans. The ability of the borrower to collect amounts due from its customers and perform under the terms of its loan may be affected by its customers' economic and financial condition.

**Commercial real estate loans (CRE):** Commercial real estate loans are made to finance the purchase of real estate, refinance existing obligations and/or to provide capital. These commercial real estate loans are generally secured by first lien security interests in the real estate as well as assignment of leases and rents. The real estate may include apartments, hotels, retail stores or plazas and healthcare facilities whether they are owner or non-owner occupied. These loans are typically originated in amounts of no more than 80% of the appraised value of the property. The ability of the borrower to collect amounts due from its customers and perform under the terms of its loan may be affected by its customers' or lessees' customers' economic and financial condition.

**Consumer loans:** The Company offers home equity installment loans and lines of credit. Risks associated with loans secured by residential properties are generally lower than commercial real estate loans and include general economic risks, such as the strength of the job market, employment stability and the strength of the housing market. Since most loans are secured by a primary or secondary residence or an automobile, the borrower's continued employment is considered the greatest risk to repayment. The Company also offers a variety of loans to individuals for personal and household purposes. These loans are generally considered to have greater risk than mortgages on real estate because they may be unsecured, or if they are secured, the value of the collateral may be difficult to assess and more likely to decrease in value than real estate.

**Residential mortgage loans:** Residential mortgages are secured by a first lien position of the borrower's residential real estate. These loans have varying loan rates depending on the financial condition of the borrower and the loan to value ratio. Since most loans are secured by a primary or secondary residence, the borrower's continued employment is considered the greatest risk to repayment. Residential mortgages have terms up to thirty years with amortizations varying from 10 to 30 years. The majority of the loans are underwritten according to FNMA and/or FHLB standards.

#### ***Allowance for Credit Losses on Off-Balance Sheet Credit Exposures***

In accordance with ASC Topic 326, the Company estimates expected credit losses for off-balance-sheet credit exposures over the contractual period during which the Company is exposed to credit risk. The estimate of expected credit losses takes into consideration the likelihood that funding will occur (i.e., funding rate) as well as the amount expected to be collected over the estimated remaining contractual term of the off-balance-sheet credit exposures (i.e., loss rate). The Company does not record an estimate of expected credit losses for off-balance-sheet exposures that are unconditionally cancellable. On a quarterly basis, management evaluates expected credit losses for off-balance-sheet credit exposures. The Company's allowance for credit losses on unfunded commitments is recognized as a liability on the consolidated balance sheets, with adjustments to the reserve recognized in the provision for credit losses on unfunded commitments on the consolidated statements of income.

## **TRANSFER OF FINANCIAL ASSETS**

Transfers of financial assets are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Company, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (3) the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity. The Company accounts for certain participation interests in commercial loans receivable (loan participation agreements) sold as a sale of financial assets pursuant to ASC 860, Transfers and Servicing. Loan participation agreements that meet the sale criteria under ASC 860 are derecognized from the Consolidated Balance Sheets at the time of transfer. If the transfer of loans does not meet the sale criteria or participating interest criteria under ASC 860, the transfer is accounted for as a secured borrowing and the loan is not derecognized and a participating liability is recorded in the Consolidated Balance Sheets.

## **LOAN FEES AND COSTS**

Nonrefundable loan origination fees and certain direct loan origination costs are recognized as a component of interest income over the life of the related loans as an adjustment to yield. The unamortized balance of the deferred fees and costs are included as components of the loan balances to which they relate.

## **ACCRUED INTEREST RECEIVABLE**

The Company elected not to measure an allowance for credit losses for accrued interest receivable and instead elected to reverse interest income on loans or securities that are placed on nonaccrual status, which is generally when the instrument is 90 days past due, or earlier if the Company believes the collections of interest is doubtful. The Company has concluded that this policy results in the timely reversal of uncollectible interest.

Accrued interest receivable is presented separately on the consolidated balance sheets.

## **BANK PREMISES AND EQUIPMENT**

Land is carried at cost. Bank premises and equipment are stated at cost less accumulated depreciation. Depreciation is computed on the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the shorter of the term of the lease or the estimated useful lives of the improved property. The Company leases several branches which are classified as operating leases. The Company also leases one stand-alone ATMs which is classified as an operating lease and a building and equipment classified as finance leases. In most circumstances, management expects that in the normal course of business, leases will be renewed or replaced by other leases. Rent expense is recognized on the straight-line method over the term of the lease.

## **BANK OWNED LIFE INSURANCE**

The Company maintains bank owned life insurance (BOLI) for a selected group of employees, namely its officers where the Company is the owner and sole beneficiary of the policies. The earnings from the BOLI, and death benefit proceeds in excess of cash surrender value, are recognized as a component of other income in the consolidated statements of income. The BOLI is an asset that can be liquidated, if necessary, with tax consequences. However, the Company intends to hold these policies and, accordingly, the Company has not provided for deferred income taxes on the earnings from the increase in the cash surrender value.

## **EMPLOYEE BENEFITS**

The Company holds separate supplemental executive retirement (SERP) agreements for certain officers and an amount is credited to each participant's SERP account monthly while they are actively employed by the bank until retirement. A deferred tax asset is provided for the non-deductible SERP expense. The Company also entered into separate split dollar life insurance arrangements with three executives providing post-retirement benefits and accrues monthly expense for this benefit. Monthly expenses for the SERP and post-retirement split dollar life benefit are recorded as components of salaries and employee benefit expense on the consolidated statements of income.

## **FORECLOSED ASSETS HELD-FOR-SALE**

Foreclosed assets held-for-sale are carried at the lower of cost or fair value less cost to sell. Foreclosed assets held-for-sale is primarily other real estate owned, but also includes other repossessed assets. Losses from the acquisition of property in full and partial satisfaction of debt are treated as credit losses. Routine holding costs, gains and losses from sales, write-downs for subsequent declines in value and any rental income received are recognized net, as a component of other real estate owned expense in the consolidated statements of income. Gains or losses are recorded when the properties are sold.

## **IMPAIRMENT OF LONG-LIVED ASSETS**

Long-lived assets, including bank premises and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If impairment is indicated by that review, the asset is written down to its estimated fair value through a charge to non-interest expense.

## **GOODWILL AND INTANGIBLE ASSETS**

Goodwill is recorded on the consolidated balance sheets as the excess of liabilities assumed over identifiable assets acquired on the acquisition date. Goodwill is recorded at its net carrying value. The goodwill is not deductible for tax purposes.

Goodwill is reviewed for impairment annually as of November 30 and between annual tests when events and circumstances indicate that impairment may have occurred. Goodwill impairment exists when the carrying amount of a reporting unit exceeds its fair value. A qualitative test can be performed to determine whether it is more likely than not that the fair value of the Company is less than its carrying amount, including goodwill. In this qualitative assessment, the Company evaluates events and circumstances which include general banking industry conditions and trends, the overall financial performance of the Company, the performance of the Company's common stock and key financial performance metrics of the Company. If the qualitative review indicates that it is not more likely than not that the carrying value exceeds its fair value, no further evaluation needs to be performed. If the results of the qualitative review indicate it is more likely than not that the fair value is less than the carrying value, then the Company performs a quantitative impairment test. During 2025, the Company determined it is more likely than not that the fair value exceeds its carrying value therefore no quantitative analysis was necessary.

Other acquired intangible assets that have finite lives, such as core deposit intangibles, are amortized over their estimated useful lives and subject to periodic impairment testing.

## **STOCK PLANS**

The Company accounts for stock-based compensation plans under the recognition and measurement accounting principles, which requires the cost of share-based payment transactions be recognized in the financial statements. The stock-based compensation accounting guidance requires that compensation cost for stock awards be calculated and recognized over the employees' service period, generally defined as the vesting period. Compensation cost is recognized on a straight-line basis over the requisite service period. When granting stock-settled stock appreciation rights (SSARs), the Company uses Black-Scholes-Merton valuation model to determine fair value on the date of grant.

## **TRUST AND FINANCIAL SERVICE FEES**

Trust and financial service fees are recorded on the cash basis, which is not materially different from the accrual basis.

## **ADVERTISING COSTS**

Advertising costs are charged to expense as incurred.

## **LEGAL AND PROFESSIONAL EXPENSES**

Generally, the Company recognizes legal and professional fees as incurred and are included as a component of professional services expense in the consolidated statements of income. Legal costs incurred that are associated with the collection of outstanding amounts due from delinquent borrowers are included as a component of loan collection expense in the consolidated statements of income. In the event of litigation proceedings brought about by an employee or third party against the Company, expenses for damages will be accrued if the likelihood of the outcome against the Company is probable, the amount can be reasonably estimated and the amount would have a material impact on the financial results of the Company.

## **REVENUE RECOGNITION**

The Company recognizes revenue from contracts with customers when it satisfies its performance obligations. The Company's performance obligations are generally satisfied as services are rendered and can either be satisfied at a point in time or over time. The majority of the Company's revenues are generated through interest earned on securities and loans. In addition, the Company has other non-interest income streams such as fees associated with mortgage servicing rights which amortized to net mortgage servicing fees within other income, loan service charges, life insurance earnings, rental income and gains/losses on the sale of loans.

## **INCOME TAXES**

Deferred tax assets and liabilities are reflected at currently enacted income tax rates applicable to the period in which the deferred tax assets or liabilities are expected to be realized or settled. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes.

The benefit of a tax position is recognized on the financial statements in the period during which, based on all available evidence, management believes it is more-likely-than-not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax positions taken are not offset or aggregated with other positions. Tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of tax benefit that is more than 50% likely of being realized upon settlement with the applicable taxing authority. For tax positions not meeting the more likely than not threshold, no tax benefit is recorded. Under the more likely than not threshold guidelines, the Company believes no significant uncertain tax positions exist, either individually or in the aggregate, that would give rise to the non-recognition of an existing tax benefit. The Company had no material unrecognized tax benefits or accrued interest and penalties for the years ended December 31, 2025 and 2024, respectively.

## **COMPREHENSIVE INCOME (LOSS)**

Accounting principles generally require that recognized revenue, expenses, gains and losses be included in net income. Although certain changes in assets and liabilities, such as unrealized gains and losses on available-for-sale securities, are reported as a separate component of the shareholders' equity section of the consolidated balance sheets, such items, along with net income, are components of comprehensive income (loss).

## **CASH FLOWS**

For purposes of reporting cash flows, cash and cash equivalents include cash on hand, amounts due from banks and interest-bearing deposits with financial institutions.

### **2. CASH**

The Company is required by the Federal Reserve Bank to maintain average reserve balances based on a percentage of deposits. There were no reserve requirements on December 31, 2025 and 2024.

Deposits with any one financial institution are insured up to \$250,000. From time-to-time, the Company may maintain cash and cash equivalents with certain other financial institutions in excess of the insured amount.

### 3. ACCUMULATED OTHER COMPREHENSIVE INCOME

The following tables illustrate the changes in accumulated other comprehensive income by component and the details about the components of accumulated other comprehensive income as of and for the periods indicated:

#### As of and for the year ended December 31, 2025

(dollars in thousands)	Unrealized gains (losses) on available-for- sale debt securities	Securities transferred to held-to-maturity	Total
Beginning balance	\$ (41,731)	\$ (13,843)	\$ (55,574)
Other comprehensive income before reclassifications, net of tax	12,030	-	12,030
Amounts reclassified from accumulated other comprehensive income, net of tax	940	1,908	2,848
Net current-period other comprehensive income	12,970	1,908	14,878
Ending balance	\$ (28,761)	\$ (11,935)	\$ (40,696)

#### As of and for the year ended December 31, 2024

(dollars in thousands)	Unrealized gains (losses) on available-for- sale securities	Securities transferred to held-to-maturity	Total
Beginning balance	\$ (40,760)	\$ (15,707)	\$ (56,467)
Other comprehensive loss before reclassifications, net of tax	(971)	-	(971)
Amounts reclassified from accumulated other comprehensive income, net of tax	-	1,864	1,864
Net current-period other comprehensive (loss) income	(971)	1,864	893
Ending balance	\$ (41,731)	\$ (13,843)	\$ (55,574)

Details about accumulated other comprehensive income components (dollars in thousands)	Amount reclassified from accumulated other comprehensive income		Affected line item in the statement where net income is presented
	2025	2024	
Realized (losses) gains on AFS debt securities	\$ (1,190)	\$ -	Gain (loss) on sale of available-for-sale debt securities
Amortization of unrealized loss on held-to-maturity securities	(2,413)	(2,359)	Interest income on investment securities
Total reclassifications for the period	(3,603)	(2,359)	Income before income taxes
Income tax effect	755	495	Provision for income taxes
Total reclassifications for the period	\$ (2,848)	\$ (1,864)	Net income

#### 4. INVESTMENT SECURITIES

##### Agency – Government-sponsored enterprise (GSE) and Mortgage-backed securities (MBS) - GSE residential

Agency – GSE and MBS – GSE residential securities consist of short- to long-term notes issued by Federal Home Loan Mortgage Corporation (FHLMC), FNMA, FHLB and Government National Mortgage Association (GNMA). These securities have interest rates that are fixed, have varying short to long-term maturity dates and have contractual cash flows guaranteed by the U.S. government or agencies of the U.S. government.

##### Obligations of states and political subdivisions (municipal)

The municipal securities are general obligation and revenue bonds rated as investment grade by various credit rating agencies and have fixed rates of interest with mid- to long-term maturities. Fair values of these securities are highly driven by interest rates. Management performs ongoing credit quality reviews on these issues.

The Company did not record any allowance for credit losses on its available-for-sale or held-to-maturity securities. The Company excludes accrued interest receivable from the amortized cost basis of investment securities disclosed throughout this footnote. As of December 31, 2025 and 2024, accrued interest receivable for investment securities totaled \$3.2 million and \$3.4 million, respectively, and is included in the accrued interest receivable line in the consolidated balance sheets. Amortized cost and fair value of investment securities as of the period indicated are as follows:

(dollars in thousands)	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
<b>December 31, 2025</b>				
Held-to-maturity securities:				
Agency - GSE	\$ 83,620	\$ -	\$ (4,148)	\$ 79,472
Obligations of states and political subdivisions	143,719	-	(20,054)	123,665
<b>Total held-to-maturity securities</b>	<b>\$ 227,339</b>	<b>\$ -</b>	<b>\$ (24,202)</b>	<b>\$ 203,137</b>
Available-for-sale debt securities:				
Agency - GSE	\$ 26,356	\$ -	\$ (1,734)	\$ 24,622
Obligations of states and political subdivisions	114,782	43	(12,005)	102,820
MBS - GSE residential	191,874	12	(22,721)	169,165
<b>Total available-for-sale debt securities</b>	<b>\$ 333,012</b>	<b>\$ 55</b>	<b>\$ (36,460)</b>	<b>\$ 296,607</b>
<b>December 31, 2024</b>				
Held-to-maturity securities:				
Agency - GSE	\$ 82,486	\$ -	\$ (8,092)	\$ 74,394
Obligations of states and political subdivisions	143,278	-	(23,097)	120,181
<b>Total held-to-maturity securities</b>	<b>\$ 225,764</b>	<b>\$ -</b>	<b>\$ (31,189)</b>	<b>\$ 194,575</b>
Available-for-sale debt securities:				
Agency - GSE	\$ 31,273	\$ -	\$ (3,073)	\$ 28,200
Obligations of states and political subdivisions	135,149	-	(15,891)	119,258
MBS - GSE residential	217,858	-	(33,859)	183,999
<b>Total available-for-sale debt securities</b>	<b>\$ 384,280</b>	<b>\$ -</b>	<b>\$ (52,823)</b>	<b>\$ 331,457</b>

The amortized cost and fair value of debt securities at December 31, 2025 by contractual maturity are shown below:

(dollars in thousands)	Amortized cost		Fair value	
<b>Held-to-maturity securities:</b>				
Due in one year or less	\$	-	\$	-
Due after one year through five years		51,190		49,395
Due after five years through ten years		75,670		69,466
Due after ten years		100,479		84,276
<b>Total held-to-maturity securities</b>	<b>\$</b>	<b>227,339</b>	<b>\$</b>	<b>203,137</b>
<b>Available-for-sale securities:</b>				
<b>Debt securities:</b>				
Due in one year or less	\$	6,693	\$	6,578
Due after one year through five years		31,554		29,281
Due after five years through ten years		5,335		4,776
Due after ten years		97,125		86,807
<b>MBS - GSE residential</b>		<b>191,440</b>		<b>169,165</b>
<b>Total available-for-sale debt securities</b>	<b>\$</b>	<b>332,147</b>	<b>\$</b>	<b>296,607</b>

There was \$0.4 million increase to the carrying value of municipal AFS securities and a \$0.4 million increase to the carrying value of mortgage-backed securities resulting from the interest rate swap that was not included in the maturity table above.

Actual maturities will differ from contractual maturities because issuers and borrowers may have the right to call or repay obligations with or without call or prepayment penalties. Agency – GSE and municipal securities are included based on their original stated maturity. MBS – GSE residential, which are based on weighted-average lives and subject to monthly principal pay-downs, are listed in total. Most of the securities have fixed rates or have predetermined scheduled rate changes and many have call features that allow the issuer to call the security at par before its stated maturity without penalty.

Some of the Company’s debt securities are pledged to secure trust funds, public deposits, short-term borrowings, FHLB advances, Federal Reserve Bank of Philadelphia Discount Window borrowings and certain other deposits as required by law. Securities pledged at December 31, 2025 had a carrying amount of \$307.4 million and were pledged to secure public deposits, trust client deposits, borrowings and derivative instruments.

Gross realized gains and losses from sales, determined using specific identification, for the periods indicated were as follows:

(dollars in thousands)	December 31,	
	2025	2024
Gross realized gains	\$ 199	\$ -
Gross realized losses	(1,389)	-
<b>Net loss</b>	<b>\$ (1,190)</b>	<b>\$ -</b>

The following table presents the fair value and gross unrealized losses of investments aggregated by investment type, the length of time and the number of securities that have been in a continuous unrealized loss position as of the period indicated:

(dollars in thousands)	Less than 12 months		More than 12 months		Total	
	Fair value	Unrealized losses	Fair value	Unrealized losses	Fair value	Unrealized losses
<b>December 31, 2025</b>						
Agency - GSE	\$ -	\$ -	\$ 104,094	\$ (5,882)	\$ 104,094	\$ (5,882)
Obligations of states and political subdivisions	-	-	223,894	(31,627)	223,894	(31,627)
MBS - GSE residential	7,641	(74)	159,047	(22,214)	166,688	(22,288)
Total	\$ 7,641	\$ (74)	\$ 487,035	\$ (59,723)	\$ 494,676	\$ (59,797)
Number of securities	5		388		393	
<b>December 31, 2024</b>						
Agency - GSE	\$ -	\$ -	\$ 102,594	\$ (11,165)	\$ 102,594	\$ (11,165)
Obligations of states and political subdivisions	384	(11)	239,055	(38,469)	239,439	(38,480)
MBS - GSE residential	15,050	(253)	168,949	(33,099)	183,999	(33,352)
Total	\$ 15,434	\$ (264)	\$ 510,598	\$ (82,733)	\$ 526,032	\$ (82,997)
Number of securities	8		416		424	

There was a \$0.8 million and \$1.0 million increase to the carrying value of AFS securities resulting from the interest rate swap that increased the unrealized loss position at December 31, 2025 and 2024, respectively, that was not included in the table above.

The Company had 393 debt securities in an unrealized loss position at December 31, 2025, including 44 agency-GSE securities, 141 MBS – GSE residential securities and 208 municipal securities. The severity of these unrealized losses based on their underlying cost basis was as follows at December 31, 2025: 5.35% for agency - GSE, 11.79% for total MBS-GSE residential; and 12.38% for municipals. Management has no intent to sell any securities in an unrealized loss position as of December 31, 2025.

The Company reassessed classification of certain investments and effective April 1, 2022, the Company transferred agency and municipal investment securities with a book value of \$245.5 million from available-for-sale to held-to-maturity. The securities were transferred at their fair value. The market value of the securities on the date of the transfer was \$221.7 million, after netting unrealized losses totaling \$18.9 million. The \$18.9 million, net of deferred taxes, is being accreted into other comprehensive income over the life of the bonds. The allowance for credit losses on these securities was evaluated under the accounting policy for HTM debt securities.

Unrealized losses on available-for-sale securities have not been recognized into income because management believes the cause of the unrealized losses is related to changes in interest rates and is not directly related to credit quality. Quarterly, management conducts a formal review of investment securities to assess whether the fair value of a debt security is less than its amortized cost as of the balance sheet date. An allowance for credit losses has not been recognized on these securities in an unrealized loss position because: (1) the entity does not intend to sell the security; (2) more likely than not the entity will not be required to sell the security before recovery of its amortized cost basis; or (3) the present value of expected cash flows is sufficient to recover the entire amortized cost. The issuer(s) continues to make timely principal and interest payments on the bonds. The fair value is expected to recover as the bond(s) approach maturity.

The Company has U.S. agency bonds and municipal securities classified as held-to-maturity. Management estimated no credit loss reserve will be necessary for agency bonds HTM given the strong credit history of GSE and other U.S. agency issued bonds and the involvement of the U.S. government. For municipal securities HTM, the Company utilized a third-party model to analyze whether a credit loss reserve is needed for these bonds. The amount of credit loss reserve calculated using this model was immaterial to the Company's financial statements, therefore no reserve was recorded, but the Company will continue to evaluate these securities on a quarterly basis.

## 5. LOANS AND LEASES

The classifications of loans and leases at December 31, 2025 and 2024 are summarized as follows:

(dollars in thousands)	December 31, 2025	December 31, 2024
Commercial and industrial:		
Commercial	\$ 220,526	\$ 172,834
Municipal	120,604	101,706
Commercial real estate:		
Non-owner occupied	416,521	394,219
Owner occupied	340,808	304,889
Construction	56,684	50,930
Consumer:		
Home equity installment	53,973	54,214
Home equity line of credit	70,195	58,130
Auto loans - Recourse	10,139	11,389
Auto loans - Non-recourse	43,852	75,440
Direct finance leases	19,666	27,827
Other	28,463	23,848
Residential:		
Real estate	515,489	504,815
Construction	15,685	20,507
Total	1,912,605	1,800,748
Less:		
Allowance for credit losses on loans	(20,168)	(19,666)
Unearned lease revenue	(1,454)	(1,946)
Loans and leases, net	\$ 1,890,983	\$ 1,779,136

Total unamortized net costs and premiums included in loan totals were as follows:

(dollars in thousands)	December 31, 2025	December 31, 2024
Net unamortized fair value mark discount on acquired loans	\$ (3,532)	\$ (4,867)
Net unamortized deferred loan origination costs	4,798	4,981
Total	\$ 1,266	\$ 114

The Company excludes accrued interest receivable from the amortized cost basis of loans disclosed throughout this footnote. As of December 31, 2025 and 2024, accrued interest receivable for loans totaled \$6.5 million and \$6.3 million, respectively, and is included in the accrued interest receivable line in the consolidated balance sheets and is excluded from the estimate of credit losses.

Direct finance leases include the lease receivable and the guaranteed lease residual. Unearned lease revenue represents the difference between the Company's investment in the property and the gross investment in the lease. Unearned revenue is accrued over the life of the lease using the effective interest method.

The Company services real estate loans for investors in the secondary mortgage market which are not included in the accompanying consolidated balance sheets. The unpaid principal balance of mortgages serviced for others amounted to \$513.6 million as of December 31, 2025 and \$495.4 million as of December 31, 2024. Mortgage servicing rights amounted to \$1.1 million and \$1.3 million as of December 31, 2025 and 2024, respectively.

**Non-accrual loans**

Non-accrual loans and loans past due over 89 days still accruing, segregated by class, at December 31, 2025 and 2024, were as follows:

(dollars in thousands)	Non-accrual With No Allowance for Credit Loss	Non-accrual With an Allowance for Credit Loss	Total Non- accrual	Loans Past Due Over 89 Days Still Accruing
<b>At December 31, 2025</b>				
Commercial and industrial:				
Commercial	\$ 49	\$ -	\$ 49	\$ -
Commercial real estate:				
Non-owner occupied	591	-	591	-
Owner occupied	550	-	550	-
Consumer:				
Home equity installment	130	-	130	-
Home equity line of credit	218	-	218	-
Auto loans - Non-recourse	13	49	62	-
Residential:				
Real estate	292	-	292	-
<b>Total</b>	<b>\$ 1,843</b>	<b>\$ 49</b>	<b>\$ 1,892</b>	<b>\$ -</b>

(dollars in thousands)	Non-accrual With No Allowance for Credit Loss	Non-accrual With an Allowance for Credit Loss	Total Non- accrual	Loans Past Due Over 89 Days Still Accruing
<b>At December 31, 2024</b>				
Commercial and industrial:				
Commercial	\$ 35	\$ 2,673	\$ 2,708	\$ -
Commercial real estate:				
Non-owner occupied	711	-	711	-
Owner occupied	2,505	84	2,589	-
Consumer:				
Home equity installment	41	-	41	-
Home equity line of credit	281	180	461	-
Auto loans - Non-recourse	52	-	52	-
Direct finance leases	-	-	-	32
Other	20	-	20	-
Residential:				
Real estate	549	212	761	-
<b>Total</b>	<b>\$ 4,194</b>	<b>\$ 3,149</b>	<b>\$ 7,343</b>	<b>\$ 32</b>

The decision to place loans on non-accrual status is made on an individual basis after considering factors pertaining to each specific loan. C&I and CRE loans are placed on non-accrual status when management has determined that payment of all contractual principal and interest is in doubt or the loan is past due 90 days or more as to principal and interest, unless well-secured and in the process of collection. Consumer loans secured by real estate and residential mortgage loans are placed on non-accrual status at 90 days past due as to principal and interest and unsecured consumer loans are charged-off when the loan is 90 days or more past due as to principal and interest. The Company considers all non-accrual loans to be individually evaluated loans.

Upon the Company's determination that a non-accrual loan has subsequently been deemed uncollectible, the loan (or a portion of the loan) is written off. Therefore, the amortized cost basis of the loan is reduced by the uncollectible amount and the allowance for credit losses is adjusted by the same amount. The allowance for credit losses (ACL) may be increased, adjustments may be made in the allocation of the ACL or partial charge-offs may be taken to further write-down the carrying value of the loan.

**Loan modifications to borrowers experiencing financial difficulty**

Occasionally, the Company modifies loans to borrowers in financial distress by providing lower interest rates below the market rate, temporary interest-only payment periods, term extensions at interest rates lower than the current market rate for new debt with similar risk and/or converting revolving credit lines to term loans. The Company typically does not forgive principal when modifying loans.

In some cases, the Company provides multiple types of concessions on one loan. Typically, one type of concession, such as a term extension, is granted initially. If the borrower continues to experience financial difficulty, another concession, such as lowering the interest rate, may be granted. For the loans included in the "combination" columns below, multiple types of modifications have been made on the same loan within the current reporting period.

The following table presents the amortized cost basis of loans at December 31, 2025 and 2024 that were both experiencing financial difficulty and modified during the twelve months ended December 31, 2025 and 2024, by class and type of modification. The percentage of the amortized cost basis of loans that were modified to borrowers experiencing financial difficulty as compared to the amortized cost basis of each class of financing receivable is also presented below:

		Loans modified during the twelve months ended:						
(dollars in thousands)		December 31, 2025						
		Principal Forgiveness	Payment Delay	Term Extension	Interest Rate Reduction	Combination Term Extension and Principal Forgiveness	Combination Term Extension Interest Rate Reduction	Total Class of Financing Receivable
Commercial real estate:								
Owner occupied	\$	-	\$ 367	\$ 793	\$ -	\$ -	\$ -	0.34%
Total	\$	-	\$ 367	\$ 793	\$ -	\$ -	\$ -	

		Loans modified during the twelve months ended:						
(dollars in thousands)		December 31, 2024						
		Principal Forgiveness	Payment Delay	Term Extension	Interest Rate Reduction	Combination Term Extension and Principal Forgiveness	Combination Term Extension Interest Rate Reduction	Total Class of Financing Receivable
Commercial and industrial:								
Commercial	\$	-	\$ 50	\$ -	\$ -	\$ -	\$ -	0.03%
Commercial real estate:								
Non-owner occupied		-	285	-	-	-	-	0.07%
Owner occupied		-	1,528	6,627	-	-	-	2.67%
Total	\$	-	\$ 1,863	\$ 6,627	\$ -	\$ -	\$ -	

The Company has not committed to lend additional amounts to the borrowers included in the previous tables.

The following table represents the performance of such loans that have been modified in the last 12 months as of December 31, 2025 and 2024:

(dollars in thousands)	December 31, 2025				
	Current	30 - 59 Days Past Due	60 - 89 Days Past Due	Greater Than 89 Days Past Due	Total Past Due
Commercial real estate:					
Owner occupied	\$ 793	\$ -	\$ 367	\$ -	\$ 367
<b>Total</b>	<b>\$ 793</b>	<b>\$ -</b>	<b>\$ 367</b>	<b>\$ -</b>	<b>\$ 367</b>

(dollars in thousands)	December 31, 2024				
	Current	30 - 59 Days Past Due	60 - 89 Days Past Due	Greater Than 89 Days Past Due	Total Past Due
Commercial and industrial:					
Commercial	\$ -	\$ 50	\$ -	\$ -	\$ 50
Commercial real estate:					
Non-owner occupied	-	-	-	285	285
Owner occupied	8,155	-	-	-	-
<b>Total</b>	<b>\$ 8,155</b>	<b>\$ 50</b>	<b>\$ -</b>	<b>\$ 285</b>	<b>\$ 335</b>

The following table presents the financial effect of the loan modifications presented above to borrowers experiencing financial difficulty for the twelve months ended December 31, 2025 and 2024:

(dollars in thousands)	December 31, 2025			
	Principal Forgiveness	Weighted-Average Interest Rate Reduction	Weighted-Average Term Extension (Months)	
Commercial real estate:				
Owner occupied	\$ -	-%		35.0
<b>Total</b>	<b>\$ -</b>	<b>-%</b>		<b>35.0</b>

(dollars in thousands)	December 31, 2024			
	Principal Forgiveness	Weighted-Average Interest Rate Reduction	Weighted-Average Term Extension (Months)	
Commercial real estate:				
Owner occupied	\$ -	-%		12.0
<b>Total</b>	<b>\$ -</b>	<b>-%</b>		<b>12.0</b>

The following table provides the amortized cost basis of financing receivables that had a payment default during the twelve months ended December 31, 2025 and 2024 and were modified in the twelve months prior to that default to borrowers experiencing financial difficulty:

Loans modified within the previous twelve months that subsequently defaulted:

(dollars in thousands)	December 31, 2025			
	Principal Forgiveness	Payment Delay	Term Extension	Interest Rate Reduction
Commercial real estate:				
Owner occupied	\$ -	\$ 367	\$ -	\$ -
<b>Total</b>	<b>\$ -</b>	<b>\$ 367</b>	<b>\$ -</b>	<b>\$ -</b>

Loans modified within the previous twelve months that subsequently defaulted:

(dollars in thousands)	December 31, 2024			
	Principal Forgiveness	Payment Delay	Term Extension	Interest Rate Reduction
Commercial and industrial:				
Commercial	\$ -	\$ 50	\$ -	\$ -
Commercial real estate:				
Non-owner occupied	-	285	-	-
<b>Total</b>	<b>\$ -</b>	<b>\$ 335</b>	<b>\$ -</b>	<b>\$ -</b>

Upon the Company's determination that a modified loan (or portion of a loan) has subsequently been deemed uncollectible, the loan (or a portion of the loan) is written off. Therefore, the amortized cost basis of the loan is reduced by the uncollectible amount and the allowance for credit losses is adjusted by the same amount. The allowance for credit losses (ACL) may be increased, adjustments may be made in the allocation of the ACL or partial charge-offs may be taken to further write-down the carrying value of the loan.

**Past due loans**

Loans are considered past due when the contractual principal and/or interest is not received by the due date. For loans reported 30-59 days past due, certain categories of loans are reported past due as and when the loan is in arrears for two payments or billing cycles. An aging analysis of past due loans, segregated by class of loans, as of the period indicated is as follows (dollars in thousands):

	Past due				Current	Total loans (3)	Recorded investment past due ≥ 90 days and accruing
	30 - 59 Days past due	60 - 89 Days past due	90 days or more (1)	Total past due			
<b>December 31, 2025</b>							
Commercial and industrial:							
Commercial	\$ 13	\$ 30	\$ 49	\$ 92	\$ 220,434	\$ 220,526	\$ -
Municipal	-	-	-	-	120,604	120,604	-
Commercial real estate:							
Non-owner occupied	-	-	591	591	415,930	416,521	-
Owner occupied	524	367	550	1,441	339,367	340,808	-
Construction	-	-	-	-	56,684	56,684	-
Consumer:							
Home equity installment	110	-	130	240	53,733	53,973	-
Home equity line of credit	90	23	218	331	69,864	70,195	-
Auto loans - Recourse	126	58	-	184	9,955	10,139	-
Auto loans - Non-recourse	327	33	62	422	43,430	43,852	-
Direct finance leases	99	-	-	99	18,113	18,212 (2)	-
Other	110	16	-	126	28,337	28,463	-
Residential:							
Real estate	-	1,100	292	1,392	514,097	515,489	-
Construction	-	-	-	-	15,685	15,685	-
<b>Total</b>	<b>\$ 1,399</b>	<b>\$ 1,627</b>	<b>\$ 1,892</b>	<b>\$ 4,918</b>	<b>\$1,906,233</b>	<b>\$1,911,151</b>	<b>\$ -</b>

(1) Includes non-accrual loans. (2) Net of unearned lease revenue of \$1.5 million. (3) Includes net deferred loan costs of \$4.8 million and net unamortized fair value mark discount on acquired loans of \$3.5 million.

December 31, 2024	30 - 59	60 - 89	Past due		Current	Total loans (3)	Recorded investment past due ≥ 90 days and accruing
	Days past due	Days past due	90 days or more (1)	Total past due			
Commercial and industrial							
Commercial	\$ 61	\$ 24	\$ 2,708	\$ 2,793	\$ 170,041	\$ 172,834	\$ -
Municipal	-	-	-	-	101,706	101,706	-
Commercial real estate:							
Non-owner occupied	27	-	711	738	393,481	394,219	-
Owner occupied	2,348	589	2,589	5,526	299,363	304,889	-
Construction	-	-	-	-	50,930	50,930	-
Consumer:							
Home equity installment	232	121	41	394	53,820	54,214	-
Home equity line of credit	226	-	461	687	57,443	58,130	-
Auto loans - Recourse	173	18	-	191	11,198	11,389	-
Auto loans - Non-recourse	447	54	52	553	74,887	75,440	-
Direct finance leases	284	27	32	343	25,538	25,881(2)	32
Other	8	15	20	43	23,805	23,848	-
Residential:							
Real estate	-	695	761	1,456	503,359	504,815	-
Construction	-	-	-	-	20,507	20,507	-
<b>Total</b>	<b>\$ 3,806</b>	<b>\$ 1,543</b>	<b>\$ 7,375</b>	<b>\$ 12,724</b>	<b>\$ 1,786,078</b>	<b>\$ 1,798,802</b>	<b>\$ 32</b>

(1) Includes non-accrual loans. (2) Net of unearned lease revenue of \$1.9 million. (3) Includes net deferred loan costs of \$5.0 million and net unamortized fair value mark discount on acquired loans of \$4.9 million.

### **Credit Quality Indicators**

Management is responsible for conducting the Company's credit risk evaluation process, which includes credit risk grading of individual commercial and industrial and commercial real estate loans. Commercial and industrial and commercial real estate loans are assigned credit risk grades based on the Company's assessment of conditions that affect the borrower's ability to meet its contractual obligations under the loan agreement. That process includes reviewing borrowers' current financial information, historical payment experience, credit documentation, public information, and other information specific to each individual borrower. Upon review, the commercial loan credit risk grade is revised or reaffirmed. The credit risk grades may be changed at any time management feels an upgrade or downgrade is warranted. The Company utilizes an external independent loan review firm that reviews and validates the credit risk program on at least an annual basis. Results of these reviews are presented to management and the Board of Directors. The loan review process complements and reinforces the risk identification and assessment decisions made by lenders and credit personnel, as well as the Company's policies and procedures.

### ***Commercial and industrial and commercial real estate***

The Company utilizes a loan grading system and assigns a credit risk grade to its loans in the C&I and CRE portfolios. The grading system provides a means to measure portfolio quality and aids in the monitoring of the credit quality of the overall loan portfolio.

These loans are assigned credit risk grades based on the Company's assessment of conditions that affect the borrower's ability to meet its contractual obligations under the loan agreement. That process includes reviewing borrowers' current financial information, historical payment experience, credit documentation, public information and other information specific to each individual borrower. Upon review, the commercial loan credit risk grade is revised or reaffirmed. The credit risk grades may be changed at any time management feels an upgrade or downgrade is warranted.

The following is a description of each risk rating category the Company uses to classify each of its C&I and CRE loans:

### *Pass*

Loans in this category have an acceptable level of risk and are graded in a range of one to five. Secured loans generally have good collateral coverage. Current financial statements reflect acceptable balance sheet ratios, sales and earnings trends. Management is competent, and a reasonable succession plan is evident. Payment experience on the loans has been good with minor or no delinquency experience. Loans with a grade of one are of the highest quality in the range. Those graded five are of marginally acceptable quality.

### *Special Mention*

Loans in this category are graded a six and may be protected but are potentially weak. They constitute a credit risk to the Company but have not yet reached the point of adverse classification. Some of the following conditions may exist: little or no collateral coverage; lack of current financial information; delinquency problems; highly leveraged; available financial information reflects poor balance sheet ratios and profit and loss statements reflect uncertain trends; and document exceptions. Cash flow may not be sufficient to support total debt service requirements.

### *Substandard*

Loans in this category are graded a seven and have a well-defined weakness which may jeopardize the ultimate collectability of the debt. The collateral pledged may be lacking in quality or quantity. Financial statements may indicate insufficient cash flow to service the debt; and/or do not reflect a sound net worth. The payment history indicates chronic delinquency problems. Management is weak. There is a distinct possibility that the Company may sustain a loss. All loans on non-accrual are rated substandard. Other loans that are included in the substandard category can be accruing, as well as loans that are current or past due. Loans 90 days or more past due, unless otherwise fully supported, are classified substandard. Also, borrowers that are bankrupt or have loans categorized as modifications experiencing financial difficulty can be graded substandard.

### *Doubtful*

Loans in this category are graded an eight and have a better than 50% possibility of the Company sustaining a loss, but the loss cannot be determined because of specific reasonable factors which may strengthen credit in the near-term. Many of the weaknesses present in a substandard loan exist. Liquidation of collateral, if any, is likely. Any loan graded lower than an eight is considered to be uncollectible and charged-off.

### *Loss*

Loans in the category are considered to be uncollectable and charged off.

### ***Consumer and residential***

The consumer and residential loan segments are regarded as homogeneous loan pools and as such are not risk rated. For these portfolios, the Company utilizes payment activity and history in assessing performance. Non-performing loans are comprised of non-accrual loans and loans past due 90 days or more and accruing. All loans not classified as non-performing are considered performing.

Loans in bankruptcy are classified Loss and charged off within 60 days of receipt of notification of filing from the bankruptcy court unless the Company can clearly demonstrate and document that repayment is likely to occur. Loans with collateral are written down to the value of the collateral, less cost to sell. Any loan balance not charged off is classified Substandard until the borrower re-establishes the ability and willingness to repay for a period of at least six months.

The following table presents loans including \$4.8 million and \$5.0 million of deferred costs, and \$3.5 million and \$4.9 million of fair value mark discount, segregated by class and vintage, categorized into the appropriate credit quality indicator category as of December 31, 2025 and 2024, respectively:

**Commercial credit exposure**  
**Credit risk profile by creditworthiness category**  
**As of December 31, 2025**  
(dollars in thousands)

<b>December 31, 2025</b>	2025	2024	2023	2022	2021	Prior	Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	Total
<i>Commercial and industrial</i>									
Risk Rating									
Pass	\$ 60,440	\$ 21,499	\$ 18,728	\$ 7,861	\$ 9,148	\$ 14,074	\$ 86,091	\$ -	\$ 217,841
Special Mention	-	-	-	-	-	-	1,866	-	1,866
Substandard	-	-	26	54	23	711	5	-	819
Doubtful	-	-	-	-	-	-	-	-	-
<b>Total commercial and industrial</b>	<b>\$ 60,440</b>	<b>\$ 21,499</b>	<b>\$ 18,754</b>	<b>\$ 7,915</b>	<b>\$ 9,171</b>	<b>\$ 14,785</b>	<b>\$ 87,962</b>	<b>\$ -</b>	<b>\$ 220,526</b>
Current period gross write-offs	\$ -	\$ -	\$ -	\$ 4	\$ 285	\$ 87	\$ -	\$ -	\$ 376
<i>Commercial and industrial - municipal</i>									
Risk Rating									
Pass	\$ 35,460	\$ 7,358	\$ 16,254	\$ 12,309	\$ 23,133	\$ 25,315	\$ 775	\$ -	\$ 120,604
Special Mention	-	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-	-
<b>Total commercial and industrial - municipal</b>	<b>\$ 35,460</b>	<b>\$ 7,358</b>	<b>\$ 16,254</b>	<b>\$ 12,309</b>	<b>\$ 23,133</b>	<b>\$ 25,315</b>	<b>\$ 775</b>	<b>\$ -</b>	<b>\$ 120,604</b>
Current period gross write-offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<i>Commercial real estate - non-owner occupied</i>									
Risk Rating									
Pass	\$ 46,440	\$ 72,796	\$ 38,770	\$ 63,975	\$ 60,663	\$ 117,713	\$ 12,692	\$ -	\$ 413,049
Special Mention	-	-	-	-	-	-	-	-	-
Substandard	-	-	-	11	413	3,048	-	-	3,472
Doubtful	-	-	-	-	-	-	-	-	-
<b>Total commercial real estate - non-owner occupied</b>	<b>\$ 46,440</b>	<b>\$ 72,796</b>	<b>\$ 38,770</b>	<b>\$ 63,986</b>	<b>\$ 61,076</b>	<b>\$ 120,761</b>	<b>\$ 12,692</b>	<b>\$ -</b>	<b>\$ 416,521</b>
Current period gross write-offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<i>Commercial real estate - owner occupied</i>									
Risk Rating									
Pass	\$ 57,365	\$ 55,330	\$ 34,577	\$ 30,738	\$ 38,610	\$ 96,631	\$ 17,008	\$ -	\$ 330,259
Special Mention	-	885	-	-	-	867	885	-	2,637
Substandard	-	329	-	93	454	7,036	-	-	7,912
Doubtful	-	-	-	-	-	-	-	-	-
<b>Total commercial real estate - owner occupied</b>	<b>\$ 57,365</b>	<b>\$ 56,544</b>	<b>\$ 34,577</b>	<b>\$ 30,831</b>	<b>\$ 39,064</b>	<b>\$ 104,534</b>	<b>\$ 17,893</b>	<b>\$ -</b>	<b>\$ 340,808</b>
Current period gross write-offs	\$ -	\$ -	\$ -	\$ -	\$ 56	\$ -	\$ -	\$ -	\$ 56
<i>Commercial real estate - construction</i>									
Risk Rating									
Pass	\$ 24,353	\$ 20,344	\$ 10,095	\$ -	\$ -	\$ -	\$ 1,892	\$ -	\$ 56,684
Special Mention	-	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-	-
<b>Total commercial real estate - construction</b>	<b>\$ 24,353</b>	<b>\$ 20,344</b>	<b>\$ 10,095</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,892</b>	<b>\$ -</b>	<b>\$ 56,684</b>
Current period gross write-offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

**Consumer & Mortgage lending credit exposure**  
**Credit risk profile based on payment activity**  
**As of December 31, 2025**  
(dollars in thousands)

December 31, 2025	2025	2024	2023	2022	2021	Prior	Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	Total
<i>Home equity installment</i>									
<i>Payment performance</i>									
Performing	\$ 9,132	\$ 6,090	\$ 5,823	\$ 12,992	\$ 6,821	\$ 12,985	\$ -	\$ -	\$ 53,843
Non-performing	-	-	-	-	-	130	-	-	130
<b>Total home equity installment</b>	<b>\$ 9,132</b>	<b>\$ 6,090</b>	<b>\$ 5,823</b>	<b>\$ 12,992</b>	<b>\$ 6,821</b>	<b>\$ 13,115</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 53,973</b>
Current period gross write-offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<i>Home equity line of credit</i>									
<i>Payment performance</i>									
Performing	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 60,872	\$ 9,105	\$ 69,977
Non-performing	-	-	-	-	-	-	218	-	218
<b>Total home equity line of credit</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 61,090</b>	<b>\$ 9,105</b>	<b>\$ 70,195</b>
Current period gross write-offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5	\$ -	\$ 5
<i>Auto loans - recourse</i>									
<i>Payment performance</i>									
Performing	\$ 3,227	\$ 3,077	\$ 1,349	\$ 814	\$ 914	\$ 758	\$ -	\$ -	\$ 10,139
Non-performing	-	-	-	-	-	-	-	-	-
<b>Total auto loans - recourse</b>	<b>\$ 3,227</b>	<b>\$ 3,077</b>	<b>\$ 1,349</b>	<b>\$ 814</b>	<b>\$ 914</b>	<b>\$ 758</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 10,139</b>
Current period gross write-offs	\$ -	\$ -	\$ 7	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7
<i>Auto loans - non-recourse</i>									
<i>Payment performance</i>									
Performing	\$ 1,478	\$ 3,486	\$ 17,561	\$ 15,849	\$ 4,448	\$ 968	\$ -	\$ -	\$ 43,790
Non-performing	-	-	34	15	11	2	-	-	62
<b>Total auto loans - non-recourse</b>	<b>\$ 1,478</b>	<b>\$ 3,486</b>	<b>\$ 17,595</b>	<b>\$ 15,864</b>	<b>\$ 4,459</b>	<b>\$ 970</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 43,852</b>
Current period gross write-offs	\$ 8	\$ 30	\$ 47	\$ 15	\$ 69	\$ 31	\$ -	\$ -	\$ 200
<i>Direct finance leases (1)</i>									
<i>Payment performance</i>									
Performing	\$ 6,441	\$ 5,724	\$ 4,976	\$ 988	\$ 83	\$ -	\$ -	\$ -	\$ 18,212
Non-performing	-	-	-	-	-	-	-	-	-
<b>Total direct finance leases</b>	<b>\$ 6,441</b>	<b>\$ 5,724</b>	<b>\$ 4,976</b>	<b>\$ 988</b>	<b>\$ 83</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 18,212</b>
Current period gross write-offs	\$ -	\$ -	\$ 3	\$ 2	\$ 3	\$ -	\$ -	\$ -	\$ 8
<i>Consumer - other</i>									
<i>Payment performance</i>									
Performing	\$ 12,662	\$ 6,677	\$ 4,078	\$ 975	\$ 576	\$ 1,809	\$ 1,686	\$ -	\$ 28,463
Non-performing	-	-	-	-	-	-	-	-	-
<b>Total consumer - other</b>	<b>\$ 12,662</b>	<b>\$ 6,677</b>	<b>\$ 4,078</b>	<b>\$ 975</b>	<b>\$ 576</b>	<b>\$ 1,809</b>	<b>\$ 1,686</b>	<b>\$ -</b>	<b>\$ 28,463</b>
Current period gross write-offs	\$ 25	\$ 30	\$ 63	\$ 27	\$ 7	\$ 51	\$ -	\$ -	\$ 203
<i>Residential real estate</i>									
<i>Payment performance</i>									
Performing	\$ 29,907	\$ 49,337	\$ 59,281	\$ 84,411	\$ 131,618	\$ 160,643	\$ -	\$ -	\$ 515,197
Non-performing	-	-	-	-	-	292	-	-	292
<b>Total residential real estate</b>	<b>\$ 29,907</b>	<b>\$ 49,337</b>	<b>\$ 59,281</b>	<b>\$ 84,411</b>	<b>\$ 131,618</b>	<b>\$ 160,935</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 515,489</b>
Current period gross write-offs	\$ -	\$ -	\$ 56	\$ -	\$ -	\$ 17	\$ -	\$ -	\$ 73
<i>Residential - construction</i>									
<i>Payment performance</i>									
Performing	\$ 10,937	\$ 4,748	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,685
Non-performing	-	-	-	-	-	-	-	-	-
<b>Total residential - construction</b>	<b>\$ 10,937</b>	<b>\$ 4,748</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 15,685</b>
Current period gross write-offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

(1) Net of unearned lease revenue of \$1.5 million.

**Commercial credit exposure**  
**Credit risk profile by creditworthiness category**  
**As of December 31, 2024**  
(dollars in thousands)

December 31, 2024	2024	2023	2022	2021	2020	Prior	Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	Total
<i>Commercial and industrial</i>									
Risk Rating									
Pass	\$ 26,711	\$ 22,519	\$ 11,367	\$ 15,837	\$ 2,957	\$ 14,581	\$ 74,871	\$ -	\$ 168,843
Special Mention	-	-	-	-	-	-	-	-	-
Substandard	-	35	169	2,684	12	991	100	-	3,991
Doubtful	-	-	-	-	-	-	-	-	-
Total commercial and industrial	\$ 26,711	\$ 22,554	\$ 11,536	\$ 18,521	\$ 2,969	\$ 15,572	\$ 74,971	\$ -	\$ 172,834
Current period gross write-offs	\$ -	\$ -	\$ 141	\$ 35	\$ 21	\$ 202	\$ -	\$ -	\$ 399
<i>Commercial and industrial - municipal</i>									
Risk Rating									
Pass	\$ 10,549	\$ 23,789	\$ 14,509	\$ 24,102	\$ 12,535	\$ 16,222	\$ -	\$ -	\$ 101,706
Special Mention	-	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-	-
Total commercial and industrial - municipal	\$ 10,549	\$ 23,789	\$ 14,509	\$ 24,102	\$ 12,535	\$ 16,222	\$ -	\$ -	\$ 101,706
Current period gross write-offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<i>Commercial real estate - non-owner occupied</i>									
Risk Rating									
Pass	\$ 69,675	\$ 34,230	\$ 72,073	\$ 66,554	\$ 45,215	\$ 90,237	\$ 8,513	\$ -	\$ 386,497
Special Mention	-	-	-	-	-	-	-	-	-
Substandard	-	-	-	685	115	6,922	-	-	7,722
Doubtful	-	-	-	-	-	-	-	-	-
Total commercial real estate - non-owner occupied	\$ 69,675	\$ 34,230	\$ 72,073	\$ 67,239	\$ 45,330	\$ 97,159	\$ 8,513	\$ -	\$ 394,219
Current period gross write-offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<i>Commercial real estate - owner occupied</i>									
Risk Rating									
Pass	\$ 52,059	\$ 31,026	\$ 31,983	\$ 41,420	\$ 20,746	\$ 91,316	\$ 15,951	\$ -	\$ 284,501
Special Mention	-	-	-	-	514	886	-	-	1,400
Substandard	-	-	6,758	906	510	10,784	30	-	18,988
Doubtful	-	-	-	-	-	-	-	-	-
Total commercial real estate - owner occupied	\$ 52,059	\$ 31,026	\$ 38,741	\$ 42,326	\$ 21,770	\$ 102,986	\$ 15,981	\$ -	\$ 304,889
Current period gross write-offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 132	\$ -	\$ -	\$ 132
<i>Commercial real estate - construction</i>									
Risk Rating									
Pass	\$ 21,400	\$ 26,055	\$ 1,665	\$ -	\$ -	\$ 293	\$ 1,517	\$ -	\$ 50,930
Special Mention	-	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-	-
Total commercial real estate - construction	\$ 21,400	\$ 26,055	\$ 1,665	\$ -	\$ -	\$ 293	\$ 1,517	\$ -	\$ 50,930
Current period gross write-offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

**Consumer & Mortgage lending credit exposure**  
**Credit risk profile based on payment activity**  
**As of December 31, 2024**  
(dollars in thousands)

December 31, 2024	2024	2023	2022	2021	2020	Prior	Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	Total
<i>Home equity installment</i>									
<i>Payment performance</i>									
Performing	\$ 7,214	\$ 7,296	\$ 15,611	\$ 7,779	\$ 6,464	\$ 9,809	\$ -	\$ -	54,173
Non-performing	-	-	-	-	-	41	-	-	41
<b>Total home equity installment</b>	<b>\$ 7,214</b>	<b>\$ 7,296</b>	<b>\$ 15,611</b>	<b>\$ 7,779</b>	<b>\$ 6,464</b>	<b>\$ 9,850</b>	<b>\$ -</b>	<b>\$ -</b>	<b>54,214</b>
Current period gross write-offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7	\$ -	\$ -	7
<i>Home equity line of credit</i>									
<i>Payment performance</i>									
Performing	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 47,487	\$ 10,182	57,669
Non-performing	-	-	-	-	-	-	461	-	461
<b>Total home equity line of credit</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 47,948</b>	<b>\$ 10,182</b>	<b>58,130</b>
Current period gross write-offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 41	\$ -	41
<i>Auto loans - recourse</i>									
<i>Payment performance</i>									
Performing	\$ 4,743	\$ 2,336	\$ 1,179	\$ 1,735	\$ 1,094	\$ 302	\$ -	\$ -	11,389
Non-performing	-	-	-	-	-	-	-	-	-
<b>Total auto loans - recourse</b>	<b>\$ 4,743</b>	<b>\$ 2,336</b>	<b>\$ 1,179</b>	<b>\$ 1,735</b>	<b>\$ 1,094</b>	<b>\$ 302</b>	<b>\$ -</b>	<b>\$ -</b>	<b>11,389</b>
Current period gross write-offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
<i>Auto loans - non-recourse</i>									
<i>Payment performance</i>									
Performing	\$ 5,402	\$ 27,679	\$ 27,790	\$ 9,981	\$ 3,588	\$ 948	\$ -	\$ -	75,388
Non-performing	-	-	-	48	-	4	-	-	52
<b>Total auto loans - non-recourse</b>	<b>\$ 5,402</b>	<b>\$ 27,679</b>	<b>\$ 27,790</b>	<b>\$ 10,029</b>	<b>\$ 3,588</b>	<b>\$ 952</b>	<b>\$ -</b>	<b>\$ -</b>	<b>75,440</b>
Current period gross write-offs	\$ -	\$ 22	\$ 67	\$ 23	\$ 6	\$ 13	\$ -	\$ -	131
<i>Direct finance leases (2)</i>									
<i>Payment performance</i>									
Performing	\$ 8,598	\$ 7,121	\$ 7,592	\$ 2,444	\$ 94	\$ -	\$ -	\$ -	25,849
Non-performing	-	-	-	32	-	-	-	-	32
<b>Total direct finance leases</b>	<b>\$ 8,598</b>	<b>\$ 7,121</b>	<b>\$ 7,592</b>	<b>\$ 2,476</b>	<b>\$ 94</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>25,881</b>
Current period gross write-offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
<i>Consumer - other</i>									
<i>Payment performance</i>									
Performing	\$ 11,794	\$ 6,048	\$ 1,760	\$ 1,055	\$ 398	\$ 617	\$ 2,156	\$ -	23,828
Non-performing	-	-	20	-	-	-	-	-	20
<b>Total consumer - other</b>	<b>\$ 11,794</b>	<b>\$ 6,048</b>	<b>\$ 1,780</b>	<b>\$ 1,055</b>	<b>\$ 398</b>	<b>\$ 617</b>	<b>\$ 2,156</b>	<b>\$ -</b>	<b>23,848</b>
Current period gross write-offs	\$ 38	\$ 93	\$ 30	\$ 31	\$ 7	\$ 41	\$ -	\$ -	240
<i>Residential real estate</i>									
<i>Payment performance</i>									
Performing	\$ 35,008	\$ 64,399	\$ 89,014	\$ 137,434	\$ 51,728	\$ 126,471	\$ -	\$ -	504,054
Non-performing	-	315	-	-	-	446	-	-	761
<b>Total residential real estate</b>	<b>\$ 35,008</b>	<b>\$ 64,714</b>	<b>\$ 89,014</b>	<b>\$ 137,434</b>	<b>\$ 51,728</b>	<b>\$ 126,917</b>	<b>\$ -</b>	<b>\$ -</b>	<b>504,815</b>
Current period gross write-offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
<i>Residential - construction</i>									
<i>Payment performance</i>									
Performing	\$ 15,601	\$ 2,894	\$ -	\$ 2,012	\$ -	\$ -	\$ -	\$ -	20,507
Non-performing	-	-	-	-	-	-	-	-	-
<b>Total residential - construction</b>	<b>\$ 15,601</b>	<b>\$ 2,894</b>	<b>\$ -</b>	<b>\$ 2,012</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>20,507</b>
Current period gross write-offs	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-

<sup>(2)</sup> Net of unearned lease revenue of \$1.9 million.

### Collateral dependent loans

Loans that do not share risk characteristics are evaluated on an individual basis. For loans that are individually evaluated and foreclosure of the collateral is probable, or where the borrower is experiencing financial difficulty and repayment of the financial asset is expected to be provided substantially through the operation or sale of the collateral, the ACL is measured based on the difference between the fair value of the collateral and the amortized cost basis of the asset as of the measurement date. The following table presents the individually evaluated, collateral dependent loans as of December 31, 2025 and 2024:

(dollars in thousands)	Real Estate	Other	Total Collateral-Dependent Loans
<b>At December 31, 2025</b>			
Commercial and industrial:			
Commercial	\$ -	\$ 49	\$ 49
Commercial real estate:			
Non-owner occupied	591	-	591
Owner occupied	550	-	550
Consumer:			
Home equity installment	130	-	130
Home equity line of credit	218	-	218
Auto loans - Non-recourse	-	62	62
Residential:			
Real estate	292	-	292
<b>Total</b>	<b>\$ 1,781</b>	<b>\$ 111</b>	<b>\$ 1,892</b>

(dollars in thousands)	Real Estate	Other	Total Collateral-Dependent Loans
<b>At December 31, 2024</b>			
Commercial and industrial:			
Commercial	\$ -	\$ 2,708	\$ 2,708
Commercial real estate:			
Non-owner occupied	711	-	711
Owner occupied	2,589	-	2,589
Consumer:			
Home equity installment	41	-	41
Home equity line of credit	461	-	461
Auto loans - Non-recourse	-	52	52
Other	20	-	20
Residential:			
Real estate	761	-	761
<b>Total</b>	<b>\$ 4,583</b>	<b>\$ 2,760</b>	<b>\$ 7,343</b>

### Allowance for credit losses

Management continually evaluates the credit quality of the Company's loan portfolio and performs a formal review of the adequacy of the allowance for credit losses (ACL) on a quarterly basis. The allowance reflects management's best estimate of the amount of credit losses in the loan portfolio.

Information related to the change in the allowance for credit losses on loans and the Company's recorded investment in loans by portfolio segment as of the period indicated is as follows:

**As of and for the year ended December 31, 2025**

(dollars in thousands)	Commercial & industrial	Commercial real estate	Consumer	Residential real estate	Unallocated	Total
Allowance for Credit Losses:						
Beginning balance	\$ 2,345	\$ 8,943	\$ 2,377	\$ 5,989	\$ 12	\$ 19,666
Charge-offs	(376)	(56)	(423)	(73)	-	(928)
Recoveries	156	65	136	18	-	375
Provision (benefit) for credit losses	606	(146)	83	470	42	1,055
Ending balance	\$ 2,731	\$ 8,806	\$ 2,173	\$ 6,404	\$ 54	\$ 20,168

As of and for the year ended  
December 31, 2024

(dollars in thousands)	Commercial & industrial	Commercial real estate	Consumer	Residential real estate	Unallocated	Total
Allowance for Credit Losses:						
Beginning balance	\$ 1,850	\$ 8,835	\$ 2,391	\$ 5,694	\$ 36	\$ 18,806
Charge-offs	(399)	(132)	(419)	-	-	(950)
Recoveries	12	352	76	45	-	485
Provision (benefit) for credit losses	882	(112)	329	250	(24)	1,325
Ending balance	\$ 2,345	\$ 8,943	\$ 2,377	\$ 5,989	\$ 12	\$ 19,666

**Unfunded commitments**

The Company's allowance for credit losses on unfunded commitments is recognized as a liability on the consolidated balance sheets, with adjustments to the reserve recognized in the provision for credit losses on unfunded commitments on the consolidated statements of income. The Company's activity in the allowance for credit losses on unfunded commitments for the period was as follows:

(dollars in thousands)	For the Twelve Months Ended December 31, 2025	For the Twelve Months Ended December 31, 2024
Beginning balance	\$ 1,084	\$ 944
Provision for credit losses	215	140
Ending balance	\$ 1,299	\$ 1,084

### Direct finance leases

The Company originates direct finance leases through three automobile dealerships. The carrying amount of the Company's lease receivables, net of unearned income, was \$3.4 million and \$4.5 million as of December 31, 2025 and 2024, respectively. The residual value of the direct finance leases is fully guaranteed by the dealerships. Residual values amounted to \$14.5 million and \$20.9 million at December 31, 2025 and 2024, respectively, and are included in the carrying value of direct finance leases. As of December 31, 2025, there was also \$321 thousand in deferred lease expense included in the carrying value of direct finance leases that is not included in the table below.

The undiscounted cash flows to be received on an annual basis for the direct finance leases are as follows:

(dollars in thousands)	Amount
2026	\$ 10,086
2027	5,394
2028	2,885
2029	700
2030	280
2031 and thereafter	-
Total future minimum lease payments receivable	19,345
Less: Unearned income	(1,454)
Cash flows to be received, net of unearned income	\$ 17,891

## 6. BANK PREMISES AND EQUIPMENT

Components of bank premises and equipment are summarized as follows:

(dollars in thousands)	As of December 31,	
	2025	2024
Land	\$ 2,965	\$ 3,194
Bank premises	20,744	23,231
Furniture, fixtures and equipment	15,436	15,517
Leasehold improvements	11,337	11,336
Construction in process	22,254	6,370
Total	72,736	59,648
Less accumulated depreciation and amortization	(23,786)	(23,734)
Bank premises and equipment, net	\$ 48,950	\$ 35,914

Depreciation expense, which includes amortization of leasehold improvements, was \$2.3 million and \$2.4 million for the years ended December 31, 2025 and 2024, respectively. The estimated useful life was 40 years for bank premises, 3 to 7 years for furniture and fixtures and for leasehold improvements was the term of the lease.

## 7. DEPOSITS

The scheduled maturities of certificates of deposit as of December 31, 2025 were as follows:

(dollars in thousands)	Amount	Percent
2026	\$ 339,469	96.2%
2027	8,608	2.5
2028	1,791	0.5
2029	1,154	0.3
2030	1,085	0.3
2031 and thereafter	869	0.2
<b>Total</b>	<b>\$ 352,976</b>	<b>100.0%</b>

Certificates of deposit of \$250,000 or more aggregated \$110.0 million and \$108.8 million at December 31, 2025 and 2024, respectively.

As of December 31, 2025 and 2024, \$1.3 million and \$0.7 million of overdraft deposits have been reclassified as loan balances.

As of December 31, 2025, available-for-sale investment securities with a combined fair value of \$296.6 million and held-to-maturity investment securities with a combined carrying value of \$227.3 million were available to be pledged as qualifying collateral to secure public deposits and trust funds. The Company required \$297.5 million of the qualifying collateral to secure such deposits as of December 31, 2025 and the balance of \$226.4 million was available for other pledging needs.

## 8. SHORT-TERM BORROWINGS

As of December 31, 2025, other short-term borrowings were comprised of two 1-year forgivable notes totaling \$20 thousand. As of December 31, 2024, there were no other short-term borrowings.

The maximum and average amounts of short-term borrowings outstanding and related interest rates as of the periods indicated are as follows:

(dollars in thousands)	Maximum outstanding at any month end	Average outstanding	Weighted- average rate during the year	Rate at year-end
<b><u>December 31, 2025</u></b>				
Overnight borrowings	\$ -	\$ 4	4.69%	-%
Other short-term borrowings	20	12	-	-
<b>Total</b>	<b>\$ 20</b>	<b>\$ 16</b>		
 <b><u>December 31, 2024</u></b>				
Overnight borrowings	\$ 73,120	\$ 4,121	5.52%	-%
Federal Reserve Bank Term Funding Program	57,000	28,325	4.69	-
<b>Total</b>	<b>\$ 130,120</b>	<b>\$ 32,446</b>		

Overnight borrowings may include Fed funds purchased from correspondent banks, open repurchase agreements with the FHLB and borrowings at the Discount Window from the Federal Reserve Bank of Philadelphia (FRB).

FHLB borrowings are collateralized by a blanket lien on all commercial and residential real estate loans. At December 31, 2025, the Company had \$812.7 million available to borrow from the FHLB, \$30.0 million from correspondent banks and \$145.0 million that it could borrow at the FRB.

## 9. FHLB ADVANCES AND OTHER BORROWINGS

The Company had no FHLB advances as of December 31, 2025 and 2024.

As of December 31, 2025 and 2024, the Company had secured borrowings with a carrying value of \$6.0 million and \$6.2 million related to certain acquired sold loan participations that did not qualify for sales treatment. The carrying value includes a \$38 thousand and \$42 thousand purchase accounting fair value adjustment as of December 31, 2025 and 2024.

The maturity and weighted-average interest rate of secured borrowings as of the periods indicated is as follows:

(dollars in thousands)	As of December 31, 2025	
	Amount	Rate
2026	\$ -	-%
2027	-	-
2028	-	-
2029	-	-
2030	1,060	4.55
2031 and thereafter	4,897	5.78
Total	\$ 5,957	5.56%

## 10. STOCK PLANS

The Company has one active stock-based compensation plan (the stock compensation plan) from which it can grant stock-based compensation awards and applies the fair value method of accounting for stock-based compensation provided under current accounting guidance. The guidelines require the cost of share-based payment transactions (including those with employees and non-employees) be recognized in the financial statements. The Company's stock compensation plan was shareholder-approved and permits the grant of share-based compensation awards to its employees and directors. The Company believes that the stock-based compensation plan will advance the development, growth and financial condition of the Company by providing incentives through participation in the appreciation in the value of the Company's common stock. In return, the Company hopes to secure, retain and motivate the employees and directors who are responsible for the operation and the management of the affairs of the Company by aligning the interest of its employees and directors with the interest of its shareholders. In the stock compensation plan, employees and directors are eligible to be awarded stock-based compensation grants which can consist of stock options (qualified and non-qualified), stock appreciation rights (SARs) and restricted stock.

At the 2022 annual shareholders' meeting, the Company's shareholders approved and the Company adopted the 2022 Omnibus Stock Incentive Plan which replaced the 2012 Omnibus Stock Incentive Plan and the 2012 Director Stock Incentive Plan (collectively, the 2012 stock incentive plans). The 2012 stock incentive plans expired in 2022. Unless terminated by the Company's Board of Directors, the 2022 Omnibus Stock Incentive Plan will expire on, and no stock-based awards shall be granted after the year 2032.

In the 2022 Omnibus Stock Incentive Plan, the Company has reserved 500,000 shares of its no-par common stock for future issuance. The Company recognizes share-based compensation expense over the requisite service or vesting period. Since 2019, the Company has approved a Long-Term Incentive Plan (LTIP) each year that awarded restricted stock and/or stock-settled stock appreciation rights (SSARs) to senior officers and managers based on the attainment of performance goals. The SSARs awards have a ten-year term from the date of each grant.

During the first quarter of 2025, the Company approved a LTIP and awarded restricted stock to senior officers and managers in February 2025 based on 2024 performance. During the fourth quarter of 2025, the Company awarded 250 shares of restricted stock to one new employee.

During the first quarter of 2024, the Company approved a LTIP and awarded restricted stock to senior officers and managers in February 2024 based on 2023 performance.

The following table summarizes the weighted-average fair value and vesting of restricted stock grants awarded during 2025 and 2024 under the 2022 stock incentive plans:

	2025		2024	
	Shares granted	Weighted-average grant date fair value	Shares granted	Weighted-average grant date fair value
Omnibus plan	15,200 <sup>(2)</sup>	\$ 45.09	10,000 <sup>(2)</sup>	\$ 46.96
Omnibus plan	1,588 <sup>(2)</sup>	45.09	1,558 <sup>(2)</sup>	46.96
Omnibus plan	17,065 <sup>(3)</sup>	45.09	10,871 <sup>(3)</sup>	46.96
Omnibus plan	50 <sup>(1)</sup>	45.09	50 <sup>(1)</sup>	46.96
Omnibus plan	250 <sup>(3)</sup>	43.47	-	-
<b>Total</b>	<b>34,153</b>	<b>\$ 45.08</b>	<b>22,479</b>	<b>\$ 46.96</b>

<sup>(1)</sup> Vest after 1 year <sup>(2)</sup> Vest after 3 years – 33% each year <sup>(3)</sup> Vest fully after 3 years

The fair value of the shares granted in 2025 and 2024 was calculated using the grant date closing stock price.

A summary of the status of the Company's non-vested restricted stock as of and changes during the period indicated are presented in the following table:

	2012 & 2022 Stock incentive plans			Weighted-average grant date fair value
	Director	Omnibus	Total	
Non-vested balance at December 31, 2023	12,519	61,200	73,719	\$ 50.03
Granted	-	22,479	22,479	46.96
Forfeited	-	(1,705)	(1,705)	48.45
Vested	(7,719)	(18,149)	(25,868)	51.03
Non-vested balance at December 31, 2024	4,800	63,825	68,625	\$ 48.68
Granted	-	34,153	34,153	45.08
Forfeited	-	(9,541)	(9,541)	47.29
Vested	(4,800)	(23,059)	(27,859)	49.38
<b>Non-vested balance at December 31, 2025</b>	<b>-</b>	<b>65,378</b>	<b>65,378</b>	<b>\$ 46.71</b>

A summary of the status of the Company's SSARs as of and changes during the period indicated are presented in the following table:

	Awards	Weighted-average grant date fair value	Weighted-average remaining contractual term (years)
Granted	-	-	-
Exercised	-	-	-
Forfeited	-	-	-
Outstanding December 31, 2024	64,326	\$ 11.59	2.8
Granted	-	-	-
Exercised	(4,322)	3.48	-
Forfeited	(6,966)	14.42	-
<b>Outstanding December 31, 2025</b>	<b>53,038</b>	<b>\$ 11.87</b>	<b>1.9</b>

During the year-ended December 31, 2025, there were 4,322 SSARs exercised. The intrinsic value recorded for these SSARs was \$15,020. The tax deduction realized from the exercise of these SSARs was \$102,151 resulting in a tax benefit of \$21,452. There were no SSARs exercised during the year-ended December 31, 2024.

Share-based compensation expense is included as a component of salaries and employee benefits in the consolidated statements of income. The following tables illustrate stock-based compensation expense recognized on non-vested equity awards during the years ended December 31, 2025 and 2024 and the unrecognized stock-based compensation expense as of December 31, 2025:

(dollars in thousands)	2025	2024
Stock-based compensation expense:		
2012 Director stock incentive plan	\$ 30	\$ 259
2012 Omnibus stock incentive plan	19	263
2022 Omnibus stock incentive plan	1,016	803
Employee stock purchase plan	27	126
<b>Total stock-based compensation expense</b>	<b>\$ 1,092</b>	<b>\$ 1,451</b>

(dollars in thousands)	As of December 31, 2025
Unrecognized stock-based compensation expense:	
2022 Omnibus stock incentive plan	<b>\$ 1,402</b>

The unrecognized stock-based compensation expense as of December 31, 2025 will be recognized ratably over the periods ended November 2028 for the 2022 Omnibus Stock Incentive Plan.

In addition to the 2022 stock incentive plan, the Company established the 2002 Employee Stock Purchase Plan (the ESPP) and reserved 165,000 shares of its un-issued capital stock for issuance under the plan. The ESPP was designed to promote broad-based employee ownership of the Company's stock and to motivate employees to improve job performance and enhance the financial results of the Company. Under the ESPP, participation is voluntary whereby employees use automatic payroll withholdings to purchase the Company's capital stock at a discounted price based on the fair market value of the capital stock as measured on either the commencement or termination dates, as defined. As of December 31, 2025, 113,997 shares have been issued under the ESPP. The ESPP is considered a compensatory plan and is required to comply with the provisions of current accounting guidance. The Company recognizes compensation expense on its ESPP on the date the shares are purchased, and it is included as a component of salaries and employee benefits in the consolidated statements of income.

## 11. INCOME TAXES

Pursuant to the accounting guidelines related to income taxes, the Company has evaluated its material tax positions as of December 31, 2025 and 2024. Under the "more-likely-than-not" threshold guidelines, the Company believes no significant uncertain tax positions exist, either individually or in the aggregate, that would give rise to the non-recognition of an existing tax benefit. In periods subsequent to December 31, 2025, determinations of potentially adverse material tax positions will be evaluated to determine whether an uncertain tax position may have previously existed or has been originated. In the event an adverse tax position is determined to exist, penalty and interest will be accrued, in accordance with the Internal Revenue Service (IRS) guidelines, and will be recorded as a component of other expenses in the Company's consolidated statements of income.

As of December 31, 2025, there were no unrecognized tax benefits that, if recognized, would significantly affect the Company's effective tax rate. Also, there were no penalties and interest recognized in the consolidated statements of income in 2025 or 2024 as a result of management's evaluation of whether an uncertain tax position may exist nor does the Company foresee a change in its material tax positions that would give rise to the non-recognition of an existing tax benefit during the forthcoming twelve months. Tax returns filed with the IRS are subject to review by law under a three-year statute of limitations. The Company has not received notification from the IRS regarding adverse tax issues for the current year or from tax returns filed for tax years 2024, 2023, or 2022.

The following temporary differences gave rise to the net deferred tax asset, a component of other assets in the consolidated balance sheets, as of the periods indicated:

(dollars in thousands)	As of December 31,	
	2025	2024
Deferred tax assets:		
Allowance for credit losses on loans	\$ 4,235	\$ 4,130
Net unrealized losses on available-for-sale securities	10,820	14,773
Deferred interest from non-accrual assets	145	216
Operating lease liabilities	2,112	2,040
Acquisition accounting	581	775
Other	1,644	1,485
Total	19,537	23,419
Deferred tax liabilities:		
Loan fees and costs	(1,937)	(1,982)
Automobile leasing	(3,081)	(4,396)
Operating lease right-of-use assets	(1,903)	(1,845)
Depreciation	(1,505)	(1,588)
Mortgage loan servicing rights	(240)	(283)
Total	(8,666)	(10,094)
Deferred tax asset, net	\$ 10,871	\$ 13,325

The components of the total provision (benefit) for income taxes for the years indicated are as follows:

(dollars in thousands)	Years ended December 31,	
	2025	2024
Current income taxes:		
Federal taxes	\$ 6,380	\$ 4,185
State taxes	64	66
Total current income taxes	6,444	4,251
Deferred income taxes:		
Federal taxes	(1,499)	(1,173)
State taxes	-	-
Total deferred income taxes	(1,499)	(1,173)
Total provision for income taxes	\$ 4,945	\$ 3,078

The reconciliation between the expected statutory income tax and the actual provision for income taxes is as follows:

Years ended December 31,

(dollars in thousands)	2025		2024			
Provision at the statutory rate	\$	6,960	21.0%	\$	5,013	21.0%
Effect of:						
State income tax, net of federal benefit <sup>(1)</sup>		50	0.1		52	(0.1)
Tax-exempt income		(2,462)	(7.4)		(2,398)	(10.1)
Bank owned life insurance		(333)	(1.0)		(284)	(1.2)
Nondeductible interest expense		1,160	3.5		1,173	4.9
Tax credits		(228)	(0.7)		(522)	(2.1)
Discount on purchased renewable energy tax credits		(296)	(0.9)		-	-
Other, net		94	0.3		44	0.5
Actual provision for income taxes	\$	4,945	14.9%	\$	3,078	12.9%

(1) State taxes of New Jersey made up the majority (greater than 50% of the tax effect in this category).

During 2025, the Company purchased renewable energy tax credits and calculated a provision for income tax discount of \$296 thousand. The Company will carryforward \$460 thousand to be applied to the provision for income tax in future periods as the credit is utilized.

## 12. RETIREMENT PLAN

The Company has a defined contribution profit sharing 401(k) plan covering substantially all of its employees. The plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA). Contributions to the plan approximated \$1.0 million and \$1.0 million in 2025 and 2024, respectively.

## 13. FAIR VALUE MEASUREMENTS

The accounting guidelines establish a framework for measuring and disclosing information about fair value measurements. The guidelines of fair value reporting instituted a valuation hierarchy for disclosure of the inputs used to measure fair value. This hierarchy prioritizes the inputs into three broad levels as follows:

**Level 1** - inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;

**Level 2** - inputs are quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the financial instrument;

**Level 3** - inputs are unobservable and are based on the Company's own assumptions to measure assets and liabilities at fair value. Level 3 pricing for securities may also include unobservable inputs based upon broker-traded transactions.

A financial asset or liability's classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement.

The Company uses fair value to measure certain assets and, if necessary, liabilities on a recurring basis when fair value is the primary measure for accounting. Thus, the Company uses fair value for AFS securities. Fair value is used on a non-recurring basis to measure certain assets when adjusting carrying values to market values, such as collateral dependent individually evaluated loans, other real estate owned (ORE) and other repossessed assets.

The following table represents the carrying amount and estimated fair value of the Company's financial instruments:

December 31, 2025					
(dollars in thousands)	Carrying amount	Estimated fair value	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant other unobservable inputs (Level 3)
Financial assets:					
Cash and cash equivalents	\$ 148,060	\$ 148,060	\$ 148,060	\$ -	\$ -
Held-to-maturity securities	227,339	203,137	-	203,137	-
Available-for-sale debt securities	296,607	296,607	-	296,607	-
Restricted investments in bank stock	4,373	4,373	-	4,373	-
Loans and leases, net	1,890,983	1,798,610	-	-	1,798,610
Loans held-for-sale	573	588	-	588	-
Accrued interest receivable	9,673	9,673	-	9,673	-
Interest rate swaps	147	147	-	147	-
Financial liabilities:					
Deposits with no stated maturities	2,114,377	2,114,377	-	2,114,377	-
Time deposits	352,976	351,984	-	351,984	-
Short-term borrowings	20	20	-	20	-
Secured borrowings	5,995	5,738	-	-	5,738
Accrued interest payable	5,707	5,707	-	5,707	-
Interest rate swaps	1,011	1,011	-	1,011	-

December 31, 2024					
(dollars in thousands)	Carrying amount	Estimated fair value	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant other unobservable inputs (Level 3)
Financial assets:					
Cash and cash equivalents	\$ 83,353	\$ 83,353	\$ 83,353	\$ -	\$ -
Held-to-maturity securities	225,764	194,575	-	194,575	-
Available-for-sale debt securities	331,457	331,457	-	331,457	-
Restricted investments in bank stock	3,961	3,961	-	3,961	-
Loans and leases, net	1,779,136	1,672,690	-	-	1,672,690
Loans held-for-sale	2,054	2,089	-	2,089	-
Accrued interest receivable	9,632	9,632	-	9,632	-
Interest rate swaps	209	209	-	209	-
Financial liabilities:					
Deposits with no stated maturities	2,001,920	2,001,920	-	2,001,920	-
Time deposits	338,900	337,629	-	337,629	-
Secured borrowings	6,266	5,723	-	-	5,723
Accrued interest payable	4,988	4,988	-	4,988	-
Interest rate swaps	1,224	1,224	-	1,224	-

The carrying value of short-term financial instruments, as listed below, approximates their fair value. These instruments generally have limited credit exposure, no stated or short-term maturities, carry interest rates that approximate market and generally are recorded at amounts that are payable on demand:

- Cash and cash equivalents;
- Non-interest bearing deposit accounts;
- Savings, interest-bearing checking and money market accounts
- Short-term borrowings and
- Accrued interest.

**Securities:** Fair values on investment securities are determined by prices provided by a third-party vendor, who is a provider of financial market data, analytics and related services to financial institutions.

**Accruing loans and leases:** The fair value of accruing loans is estimated by calculating the net present value of the future expected cash flows discounted at current offering rates for similar loans. Current offering rates consider, among other things, credit risk.

The carrying value that fair value is compared to is net of the allowance for credit losses and since there is significant judgment included in evaluating credit quality, loans are classified within Level 3 of the fair value hierarchy.

**Non-accrual loans:** Loans which the Company has measured as non-accruing are generally based on the fair value of the loan's collateral. Fair value is generally determined based upon independent third-party appraisals of the properties. These loans are classified within Level 3 of the fair value hierarchy. The fair value consists of loan balances less the valuation allowance.

**Loans held-for-sale:** The fair value of loans held-for-sale is estimated using rates currently offered for similar loans and is typically obtained from the Federal National Mortgage Association (FNMA) or the Federal Home Loan Bank of Pittsburgh (FHLB).

**Interest rate swaps:** Fair values on derivative instruments are determined by valuations provided by a third-party vendor, who is a provider of financial market data, analytics and related services to financial institutions.

**Certificates of deposit:** The fair value of certificates of deposit is based on discounted cash flows using rates which approximate market rates for deposits of similar maturities.

**Secured borrowings:** The fair value for these obligations uses an income approach based on expected cash flows on a pooled basis.

The following tables illustrate the financial instruments measured at fair value on a recurring basis segregated by hierarchy fair value levels as of the periods indicated:

(dollars in thousands)	Total carrying value December 31, 2025	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant other unobservable inputs (Level 3)
Assets:				
Available-for-sale securities:				
Agency - GSE	\$ 24,622	\$ -	\$ 24,622	\$ -
Obligations of states and political subdivisions	102,820	-	102,820	-
MBS - GSE residential	169,165	-	169,165	-
Total available-for-sale debt securities	\$ 296,607	\$ -	\$ 296,607	\$ -
Interest rate swaps	147	-	147	-
Total assets	\$ 296,754	\$ -	\$ 296,754	\$ -
Liabilities:				
Interest rate swaps	\$ 1,011	\$ -	\$ 1,011	\$ -
Total liabilities	\$ 1,011	\$ -	\$ 1,011	\$ -

(dollars in thousands)	Total carrying value December 31, 2024	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant other unobservable inputs (Level 3)
Assets:				
Available-for-sale securities:				
Agency - GSE	\$ 28,200	\$ -	\$ 28,200	\$ -
Obligations of states and political subdivisions	119,258	-	119,258	-
MBS - GSE residential	183,999	-	183,999	-
Total available-for-sale debt securities	\$ 331,457	\$ -	\$ 331,457	\$ -
Interest rate swaps	209	-	209	-
Total assets	\$ 331,666	\$ -	\$ 331,666	\$ -
Liabilities:				
Interest rate swaps	\$ 1,224	\$ -	\$ 1,224	\$ -
Total liabilities	\$ 1,224	\$ -	\$ 1,224	\$ -

Debt securities in the AFS portfolio are measured at fair value using market quotations provided by a third-party vendor, who is a provider of financial market data, analytics and related services to financial institutions. Assets classified as Level 2 use valuation techniques that are common to bond valuations. That is, in active markets whereby bonds of similar characteristics frequently trade, quotes for similar assets are obtained.

There were no changes in Level 3 financial instruments measured at fair value on a recurring basis as of and for the periods ending December 31, 2025 and 2024, respectively.

From time-to-time, the Company may be required to record at fair value financial instruments on a non-recurring basis, such as individually evaluated loans, ORE and other repossessed assets. These non-recurring fair value adjustments involve the application of lower-of-cost-or-market accounting on write downs of individual assets. The following table illustrates the financial instruments measured at fair value on a non-recurring basis segregated by hierarchy fair value levels as of the periods indicated:

(dollars in thousands)	Valuation techniques	Total carrying value at December 31, 2025	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant other unobservable inputs (Level 3)
Individually evaluated loans	Fair value of collateral appraised value	\$ 40	\$ -	\$ -	\$ 40
Other real estate owned	Fair value of asset less selling costs	324	-	-	324
Other repossessed assets	Fair value of asset less selling costs	2	-	-	2
Total		\$ 366	\$ -	\$ -	\$ 366

(dollars in thousands)	Valuation techniques	Total carrying value at December 31, 2024	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant other unobservable inputs (Level 3)
Individually evaluated loans	Fair value of collateral appraised value	\$ 2,810	\$ -	\$ -	\$ 2,810
Other repossessed assets	Fair value of asset less selling costs	1	-	-	1
Total		\$ 2,811	\$ -	\$ -	\$ 2,811

The following describes valuation methodologies used for financial instruments measured at fair value on a non-recurring basis. Individually evaluated loans that are collateral dependent are written down to fair value through the establishment of specific reserves, a component of the allowance for credit losses, and as such are carried at the lower of net recorded investment or the estimated fair value. Estimates of fair value of the collateral are determined based on a variety of information, including available valuations from certified appraisers for similar assets, present value of discounted cash flows and inputs that are estimated based on commonly used and generally accepted industry liquidation advance rates and estimates and assumptions developed by management.

Valuation techniques for individually evaluated, collateral dependent loans are typically determined through independent appraisals of the underlying collateral or may be determined through present value of discounted cash flows. Both techniques include various Level 3 inputs which are not readily observable. The valuation technique may be adjusted by management for estimated liquidation expenses and qualitative factors such as economic conditions. If real estate is not the primary source of repayment, present value of discounted cash flows and estimates using generally accepted industry liquidation advance rates and other factors may be utilized to determine fair value.

At December 31, 2025, the net realizable values of all individually evaluated, real estate secured collateral dependent loans were higher than the amortized costs, therefore, there were no observable discounts. At December 31, 2024, the range of liquidation expenses and other valuation adjustments applied to individually evaluated, collateral dependent loans ranged from -13.81% to -31.19%. At December 31, 2024, the weighted average of liquidation expenses and other valuation adjustments applied to individually evaluated, collateral dependent loans amounted to -24.85% as of December 31, 2024, respectively. Due to the multitude of assumptions, many of which are subjective in nature, and the varying inputs and techniques used to determine fair value, the Company recognizes that valuations could differ across a wide spectrum of techniques employed. Accordingly, fair value estimates for individually evaluated, collateral dependent loans are classified as Level 3.

For ORE, fair value is generally determined through independent appraisals of the underlying properties which generally include various Level 3 inputs which are not readily observable. Appraisals form the basis for determining the net realizable value from these properties. Net realizable value is the result of the appraised value less certain costs or discounts associated with liquidation which occurs in the normal course of business. Management's assumptions may include consideration of the location and occupancy of the property, along with current economic conditions. Subsequently, as these properties are actively marketed, the estimated fair values may be periodically adjusted through incremental subsequent write-downs. These write-downs usually reflect decreases in estimated values resulting from sales price observations as well as changing economic and market conditions. At December 31, 2025 and 2024, the net realizable values of properties in ORE were higher than the carrying value.

At December 31, 2025, there was one other repossessed asset totaling \$2 thousand. At December 31, 2024, there was one repossessed asset totaling \$1 thousand. The Company refers to the National Automobile Dealers Association (NADA) guide to determine a vehicle's fair value.

### Financial Instruments with Off-Balance Sheet Risk

The Company is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and standby letters of credit. Those instruments involve, to varying degrees, elements of credit risk in excess of the amount recognized in the balance sheet. The contract or notional amounts of those instruments reflect the extent of the Company's involvement in particular classes of financial instruments. Because of the nature of these instruments, the fair values of these off-balance sheet items are not material.

The notional amount of the Company's financial instruments with off-balance sheet risk was as follows:

(dollars in thousands)	December 31,	
	2025	2024
Off-balance sheet financial instruments:		
Commitments to extend credit	\$ 511,017	\$ 455,510
Standby letters of credit	28,005	30,552

### Commitments to Extend Credit and Standby Letters of Credit

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

Commitments to extend credit are legally binding agreements to lend to customers. Commitments generally have fixed expiration dates or other termination clauses and may require payment of fees. Since commitments may expire without being drawn upon, the total commitment amounts do not necessarily represent future liquidity requirements. The Company evaluates each customer's credit-worthiness on a case-by-case basis. The amount of collateral obtained, if considered necessary by the Company on extension of credit, is based on management's credit assessment of the customer.

Financial standby letters of credit are conditional commitments issued by the Company to guarantee performance of a customer to a third party. Those guarantees are issued primarily to support public and private borrowing arrangements, including commercial paper, bond financing, and similar transactions. The Company's performance under the guarantee is required upon presentation by the beneficiary of the financial standby letter of credit. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The Company was not required to recognize any liability in connection with the issuance of these financial standby letters of credit.

The following table summarizes outstanding financial letters of credit, by maturity, as of December 31, 2025:

(dollars in thousands)	Less than one year	More than one year to five years	Over five years	Total
<b>Secured by:</b>				
Collateral	\$ 18,732	\$ 2,810	\$ 1,122	\$ 22,664
Bank lines of credit	3,380	60	347	3,787
Other	657	—	—	657
	22,769	2,870	1,469	27,108
<b>Unsecured</b>	897	—	—	897
<b>Total</b>	<b>\$ 23,666</b>	<b>\$ 2,870</b>	<b>\$ 1,469</b>	<b>\$ 28,005</b>

The Company has not incurred losses on its commitments in 2025 and 2024.

#### 14. EARNINGS PER SHARE

Basic earnings per share (EPS) is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period. Diluted EPS is computed in the same manner as basic EPS but also reflects the potential dilution that could occur from the grant of stock-based compensation awards. The Company maintains one active share-based compensation plan that may generate additional potentially dilutive common shares. For granted and unexercised stock-settled stock appreciation rights (SSARs), dilution would occur if Company-issued SSARs were exercised and converted into common stock. As of the years ended December 31, 2025 and 2024, there were 7,910 and 9,211 potentially dilutive shares related to issued and unexercised SSARs. The calculation did not include 45,087 weighted average unexercised SSARs because their effect was antidilutive as of December 31, 2025. For restricted stock, dilution would occur from the Company's previously granted but unvested shares. There were 24,999 and 30,954 potentially dilutive shares related to unvested restricted share grants as of the years ended December 31, 2025 and 2024, respectively.

In the computation of diluted EPS, the Company uses the treasury stock method to determine the dilutive effect of its granted but unexercised stock options and SSARs and unvested restricted stock. Under the treasury stock method, the assumed proceeds, as defined, received from shares issued in a hypothetical stock option exercise or restricted stock grant, are assumed to be used to purchase treasury stock. Proceeds include amounts received from the exercise of outstanding stock options and compensation cost for future service that the Company has not yet recognized in earnings. The Company does not consider awards from share-based grants in the computation of basic EPS.

The following table illustrates the data used in computing basic and diluted EPS for the years indicated:

(dollars in thousands except per share data)	2025	2024
<b>Basic EPS:</b>		
Net income available to common shareholders	\$ 28,198	\$ 20,794
Weighted-average common shares outstanding	5,764,287	5,732,532
<b>Basic EPS</b>	<b>\$ 4.89</b>	<b>\$ 3.63</b>
<b>Diluted EPS:</b>		
Net income available to common shareholders	\$ 28,198	\$ 20,794
Weighted-average common shares outstanding	5,764,287	5,732,532
Potentially dilutive common shares	32,909	40,165
Weighted-average common and potentially dilutive shares outstanding	5,797,196	5,772,697
<b>Diluted EPS</b>	<b>\$ 4.86</b>	<b>\$ 3.60</b>

## 15. REGULATORY MATTERS

The Bank is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possible additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Bank's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of their assets, liabilities and certain off-balance-sheet items as calculated under regulatory accounting practices. The capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk-weightings and other factors. Since the Company (on a consolidated basis) is currently considered a small bank holding company, it is not subject to regulatory capital requirements.

Under these guidelines, assets and certain off-balance sheet items are assigned to broad risk categories, each with appropriate weights. The resulting capital ratios represent capital as a percentage of total risk-weighted assets. The guidelines require all banks and bank holding companies to maintain a minimum ratio of total risk-based capital to total risk-weighted assets (Total Risk Adjusted Capital) of 8%, including Tier I common equity to total risk-weighted assets (Tier I Common Equity) of 4.5%, Tier I capital to total risk-weighted assets (Tier I Capital) of 6% and Tier I capital to average total assets (Leverage Ratio) of at least 4%. A capital conservation buffer, comprised of common equity Tier I capital, is also established above the regulatory minimum capital requirements of 2.50%. As of December 31, 2025 and 2024, the Bank exceeded all capital adequacy requirements to which it was subject.

The following table reflects the actual and required capital and the related capital ratios as of the periods indicated. No amounts were deducted from capital for interest-rate risk in either 2025 or 2024.

(dollars in thousands)	Actual		Minimum for capital adequacy purposes		Minimum for capital adequacy purposes with capital conservation buffer*		Minimum to be well capitalized under prompt corrective action provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
<b>As of December 31, 2025</b>								
Total capital (to risk-weighted assets)								
Consolidated	\$ 280,783	14.8% $\geq$	\$ 151,947	8.0% $\geq$	\$ 199,430	10.5%	N/A	N/A
Bank	\$ 280,685	14.8% $\geq$	\$ 151,932	8.0% $\geq$	\$ 199,411	10.5% $\geq$	\$ 189,916	10.0%
Tier 1 common equity (to risk-weighted assets)								
Consolidated	\$ 259,315	13.7% $\geq$	\$ 85,470	4.5% $\geq$	\$ 132,954	7.0%	N/A	N/A
Bank	\$ 259,218	13.7% $\geq$	\$ 85,462	4.5% $\geq$	\$ 132,941	7.0% $\geq$	\$ 123,445	6.5%
Tier I capital (to risk-weighted assets)								
Consolidated	\$ 259,315	13.7% $\geq$	\$ 113,960	6.0% $\geq$	\$ 161,444	8.5%	N/A	N/A
Bank	\$ 259,218	13.7% $\geq$	\$ 113,949	6.0% $\geq$	\$ 161,428	8.5% $\geq$	\$ 151,932	8.0%
Tier I capital (to average assets)								
Consolidated	\$ 259,315	9.3% $\geq$	\$ 111,023	4.0% $\geq$	\$ 111,023	4.0%	N/A	N/A
Bank	\$ 259,218	9.3% $\geq$	\$ 111,023	4.0% $\geq$	\$ 111,023	4.0% $\geq$	\$ 138,779	5.0%

As of December 31,  
2024

Total capital (to risk-weighted assets)						
Consolidated	\$ 259,790	14.8%≥	\$ 140,617	8.0%≥	\$ 184,560	10.5% N/A N/A
Bank	\$ 258,437	14.7%≥	\$ 140,596	8.0%≥	\$ 184,532	10.5%≥ \$ 175,745 10.0%
Tier 1 common equity (to risk-weighted assets)						
Consolidated	\$ 239,039	13.6%≥	\$ 79,097	4.5%≥	\$ 123,040	7.0% N/A N/A
Bank	\$ 237,687	13.5%≥	\$ 79,085	4.5%≥	\$ 123,022	7.0%≥ \$ 114,234 6.5%
Tier I capital (to risk-weighted assets)						
Consolidated	\$ 239,039	13.6%≥	\$ 105,463	6.0%≥	\$ 149,406	8.5% N/A N/A
Bank	\$ 237,687	13.5%≥	\$ 105,447	6.0%≥	\$ 149,384	8.5%≥ \$ 140,596 8.0%
Tier I capital (to average assets)						
Consolidated	\$ 239,039	9.2%≥	\$ 103,664	4.0%≥	\$ 103,664	4.0% N/A N/A
Bank	\$ 237,687	9.2%≥	\$ 103,653	4.0%≥	\$ 103,653	4.0%≥ \$ 129,567 5.0%

\* The minimums under Basel III increased to include the capital conservation buffer of 2.50%.

The Company's principal source of funds for dividend payments is dividends received from the Bank. Banking regulations and Pennsylvania law limit the amount of dividends that may be paid from the Bank to the Company without prior approval of regulatory agencies. Accordingly, at December 31, 2025, \$182.4 million was available for dividend distribution from the Bank to the Company in 2025.

## 16. RELATED PARTY TRANSACTIONS

During the ordinary course of business, loans are made to executive officers, directors, greater than 5% shareholders and associates of such persons. These transactions are executed on substantially the same terms and at the rates prevailing at the time for comparable transactions with others. These loans do not involve more than the normal risk of collectability or present other unfavorable features. A summary of loan activity with officers, directors, associates of such persons and shareholders who own more than 5% of the Company's outstanding shares is as follows:

(dollars in thousands)	Years ended December 31,	
	2025	2024
Balance, beginning	\$ 9,257	\$ 10,298
Adjustments for changes in position	(1,000)	-
Additions	1,271	851
Collections	(1,288)	(1,892)
Balance, ending	\$ 8,240	\$ 9,257

As of December 31, 2025 and 2024, deposits from executive officers and directors were \$31.4 million and \$26.0 million, respectively.

The Pittston branch property is subject to a lease with a company of which director, William J. Joyce, Sr., is a partner. With the exception of the Pittston branch, none of the lessors of the properties leased by the Company are affiliated with the Company and all of the properties are located in the Commonwealth of Pennsylvania.

## 17. CONTINGENCIES

The nature of the Company's business generates litigation involving matters arising in the ordinary course of business. However, in the opinion of management of the Company after consulting with the Company's legal counsel, no legal proceedings are pending, which, if determined adversely to the Company or the Bank, would have a material effect on the Company's shareholders' equity or results of operations. No legal proceedings are pending other than ordinary routine litigation incident to the business of the Company and the Bank. In addition, to management's knowledge, no government authorities have initiated or contemplated any material legal actions against the Company or the Bank.

## 18. RECENT ACCOUNTING PRONOUNCEMENTS

In December 2023, the Financial Accounting Standards Board (FASB) issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*. The amendments in this update require that public business entities on an annual basis (1) disclose specific categories in the rate reconciliation and (2) provide additional information for reconciling items that meet a quantitative threshold. The amendments in this update also require that all entities disclose on an annual basis the amount of income taxes paid disaggregated by federal, state, and foreign taxes and the amount of income taxes paid disaggregated by individual jurisdictions in which income taxes paid is equal to or greater than 5 percent of total income taxes paid. The amendments will require the disclosure of pre-tax income disaggregated between domestic and foreign, as well as income tax expense disaggregated by federal, state, and foreign. The amendment also eliminates certain disclosures related to unrecognized tax benefits and certain temporary differences. This ASU was effective for the year ended December 31, 2025, and did not have a material impact on its consolidated financial statements.

In November 2024, FASB issued ASU 2024-03, *Income Statement - Reporting Comprehensive Income - Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses*, which requires disclosure in the notes to the financial statements of specified information about certain costs and expenses. The amendments are effective for fiscal years beginning after December 15, 2026, and for interim periods within fiscal years beginning after December 15, 2027. Early adoption is permitted. The amendments should be applied either prospectively to financial statements issued for reporting periods after the effective date of this ASU or retrospectively to any or all prior periods presented in the financial statements. The Company is currently evaluating the new guidance to determine the impact it may have on its consolidated financial statements and related disclosures but expects additional disclosures upon adoption.

In December 2025, the FASB issued ASU 2025-10, *Government Grants (Topic 832): Accounting for Government Grants Received by Business Entities*, which establishes authoritative U.S. GAAP for the recognition, measurement, and presentation of government grants received by business entities. The new guidance defines what constitutes a government grant, prescribes a recognition threshold that requires it to be probable the entity will both comply with the grant's conditions and receive the grant, and outlines presentation principles for grants related to assets and income. The amendments exclude certain transactions from scope, including income-tax-related items, below-market loans, government guarantees, intangible assets, and contributions from nongovernmental sources. The guidance is effective for public business entities for annual periods beginning after December 15, 2028, and one year later for all other entities, with early adoption permitted. The Company is currently evaluating the new guidance to determine the impact it may have on its consolidated financial statements and related disclosures and anticipates expanded disclosures upon adoption.

In December 2025, the FASB issued ASU 2025-11, *Interim Reporting (Topic 270): Narrow-Scope Improvements*, which clarifies the applicability of interim reporting guidance and enhances the organization and navigability of interim disclosure requirements. The amendments introduce a disclosure principle requiring entities to disclose events occurring after the end of the most recent annual reporting period that have a material impact on the entity, and they compile a comprehensive list of interim disclosures within Topic 270. The guidance does not change the fundamental nature of interim reporting but provides clearer direction on the form, content, and required disclosures for interim financial statements. ASU 2025-11 is effective for public business entities for interim reporting periods within fiscal years beginning after December 15, 2027, and for all other entities for interim reporting periods within fiscal years beginning after December 15, 2028, with early adoption permitted. The amendments may be applied prospectively or retrospectively. The Company is currently evaluating the new guidance to determine the impact it may have on its consolidated financial statements and related disclosures and expects additional disclosures upon adoption.

In December 2025, the FASB issued ASU 2025-12, *Codification Improvements*, which introduces a series of technical corrections, clarifications, and incremental enhancements across various areas of the Accounting Standards Codification. These amendments address issues arising from unintended application, ambiguous language, and other minor improvements, including clarifications related to diluted earnings per share, lease receivable disclosures, beneficial interest calculations, treasury stock retirement methods, and the treatment of certain receivables. The improvements are not expected to significantly affect current accounting practices but are intended to enhance clarity, consistency, and usability throughout the Codification. The amendments are effective for annual periods beginning after December 15, 2026, including interim periods within those annual periods, with early adoption permitted.

## 19. PARENT COMPANY ONLY

The following is the condensed financial information for Fidelity D & D Bancorp, Inc. on a parent company only basis as of and for the years indicated:

Condensed Balance Sheets (dollars in thousands)	As of December 31,	
	2025	2024
Assets:		
Cash	\$ 427	\$ 1,639
Investment in subsidiary	238,763	202,617
Other assets	181	262
<b>Total</b>	<b>\$ 239,371</b>	<b>\$ 204,518</b>

Liabilities and shareholders' equity:		
Liabilities	\$ 511	\$ 549
Capital stock and retained earnings	279,556	259,543
Accumulated other comprehensive income (loss)	(40,696)	(55,574)
<b>Total</b>	<b>\$ 239,371</b>	<b>\$ 204,518</b>

Condensed Income Statements (dollars in thousands)	Years ended December 31,	
	2025	2024
Income:		
Equity in undistributed earnings of subsidiary	\$ 21,269	\$ 13,802
Dividends from subsidiary	8,504	8,932
<b>Total income</b>	<b>29,773</b>	<b>22,734</b>
Operating expenses	1,976	2,421
Income before taxes	27,797	20,313
Provision for income taxes	401	481
<b>Net income</b>	<b>\$ 28,198</b>	<b>\$ 20,794</b>

Statements of Comprehensive Income (dollars in thousands)	Years ended December 31,	
	2025	2024
Bancorp net loss	\$ (1,575)	\$ (1,940)
Equity in net income of subsidiary	29,773	22,734
<b>Net income</b>	<b>28,198</b>	<b>20,794</b>
Equity in other comprehensive income of subsidiary	14,878	893
Other comprehensive income, net of tax	14,878	893
<b>Total comprehensive income, net of tax</b>	<b>\$ 43,076</b>	<b>\$ 21,687</b>

Condensed Statements of Cash Flows (dollars in thousands)	Years ended December 31,	
	2025	2024
<b>Cash flows from operating activities:</b>		
Net income	\$ 28,198	\$ 20,794
Adjustments to reconcile net income to net cash used in operations:		
Depreciation, amortization and accretion	3	4
Equity in earnings of subsidiary	(29,773)	(22,734)
Stock-based compensation expense	1,092	1,451
Deferred income tax provision (benefit)	73	(49)
Changes in other assets and liabilities, net	(32)	(103)
Net cash used in operating activities	(439)	(637)
<b>Cash flows provided by investing activities:</b>		
Dividends received from subsidiary	8,504	8,932
Net cash provided by investing activities	8,504	8,932
<b>Cash flows used in financing activities:</b>		
Dividends paid, net of dividend reinvestment	(9,404)	(8,849)
Withholdings to purchase capital stock	248	280
Repurchase of shares to cover withholdings	(121)	(79)
Net cash used in financing activities	(9,277)	(8,648)
Net change in cash	(1,212)	(353)
Cash, beginning	1,639	1,992
Cash, ending	\$ 427	\$ 1,639

## 20. EMPLOYEE BENEFITS

### **Bank-Owned Life Insurance (BOLI)**

The Company has purchased single premium BOLI policies on certain officers. The policies are recorded at their cash surrender values. Increases in cash surrender values are included in non-interest income in the consolidated statements of income. The policies' cash surrender value totaled \$59.4 million and \$58.1 million, respectively, as of December 31, 2025 and 2024 and is reflected as an asset on the consolidated balance sheets. For the years ended December 31, 2025 and 2024, the Company has recorded income of \$1.6 million and \$1.5 million, respectively, due to an increase in cash surrender values and an employee added to the policy during 2024. During the year ended December 31, 2025, the Company recorded \$0.2 million in additional income from a BOLI death claim. This was recorded in fees and other revenue on the consolidated statements of income.

### **Officer Life Insurance**

The Bank enters into separate split dollar life insurance arrangements (Split Dollar Agreements) with certain officers which provide each officer a specified death benefit should the officer die while in the Bank's employ. The Bank owns the policies and all cash values thereunder. Upon death of the covered employee, the agreed-upon amount of death proceeds from the policies will be paid directly to the insured's beneficiary. As of December 31, 2025, the policies had total death benefits of \$59.4 million of which \$9.6 million would have been paid to the officer's beneficiaries and the remaining \$49.8 million would have been paid to the Bank. In addition, three executive officers have the opportunity to retain a split dollar benefit equal to two times their highest base salary after separation from service if the vesting requirements are met. As of December 31, 2025 and 2024, the Company had a balance in accrued expenses of \$420 thousand and \$471 thousand, respectively, for the split dollar benefit.

### **Supplemental Executive Retirement plan (SERP)**

The Bank entered into separate supplemental executive retirement agreements (individually the “SERP Agreement”) with certain officers, pursuant to which the Bank will credit an amount to a SERP account established on each participant’s behalf while they are actively employed by the Bank for each calendar month until normal retirement. As of December 31, 2025 and 2024, the Company had a balance in accrued expenses of \$5.4 million and \$4.9 million in connection with these SERPs.

## **21. LEASES**

For all operating lease contracts where the Company is lessee, a right-of-use (ROU) asset and lease liability is recorded. The Company assumes all renewal terms will be exercised when calculating the ROU assets and lease liabilities. The discount rate used to calculate the present value of future payments was the Company’s incremental borrowing rate. The Company uses the FHLB fixed rate borrowing rates as the discount rates. For all classes of underlying assets, the Company has elected not to record short-term leases (leases with a term of 12 months or less) on the balance sheet when the Company is lessee. Instead, the Company will recognize the lease payment on a straight-line basis over the lease term and variable lease payments in the period in which the obligation for those payments is incurred. For all asset classes, the Company has elected, as a lessee, not to separate nonlease components from lease components and instead to account for each separate lease component and nonlease components associated with that lease component as a single lease component.

Management determines if an arrangement is or contains a lease at contract inception. If an arrangement is determined to be or contains a lease, the Company recognizes a ROU asset and a lease liability when the asset is placed in service.

The Company’s operating leases, where the Company is lessee, include property, land and equipment. As of December 31, 2025, nine of the Company’s branch properties and one administrative office were leased under operating leases. In four of the branch leases, the Company leases the land from an unrelated third party, and the buildings are the Company’s own capital improvement. The Company also leases two standalone ATMs under operating leases. Additionally, the Company has one property lease and four equipment leases classified as finance leases.

The following is an analysis of the leased property under finance leases:

(dollars in thousands)	December 31, 2025	December 31, 2024
Property and equipment	\$ 2,043	\$ 2,043
Less accumulated depreciation and amortization	(1,286)	(1,068)
Leased property under finance leases, net	\$ 757	\$ 975

The following is a schedule of future minimum lease payments under finance leases together with the present value of the net minimum lease payments as of December 31, 2025:

(dollars in thousands)	Amount
2026	\$ 229
2027	229
2028	205
2029	152
2030	13
Total minimum lease payments (a)	828
Less amount representing interest (b)	(35)
Present value of net minimum lease payments	\$ 793

(a) The future minimum lease payments have not been reduced by estimated executory costs (such as taxes and maintenance) since this amount was deemed immaterial by management.

(b) Amount necessary to reduce net minimum lease payments to present value calculated at the Company’s incremental borrowing rate upon lease inception.

As of December 31, 2025, the Company leased its Green Ridge, Pittston, Peckville, Back Mountain, Mountain Top, Abington, Easton, Bethlehem and Wyoming branches under the terms of operating leases. During 2022, the Company entered into a new short-term lease of administrative office space in Scranton. Common area maintenance is included in variable lease payments in the table below. Supplemental cash flow and other information related to leases for the year ended December 31, are as follows:

(dollars in thousands)	2025	2024
<i>Lease cost</i>		
Finance lease cost:		
Amortization of right-of-use assets	\$ 218	\$ 227
Interest on lease liabilities	22	27
Operating lease cost	720	721
Short-term lease cost	147	121
Variable lease cost	48	61
<b>Total lease cost</b>	<b>\$ 1,155</b>	<b>\$ 1,157</b>
<i>Other information</i>		
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from finance leases	\$ 22	\$ 27
Operating cash flows from operating leases (Fixed payments)	\$ 653	\$ 684
Operating cash flows from operating leases (Liability reduction)	\$ 261	\$ 317
Financing cash flows from finance leases	\$ 218	\$ 219
Right-of-use assets obtained in exchange for new finance lease liabilities	\$ -	\$ 29
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ 1,243	\$ 1,391
Weighted-average remaining lease term - finance leases (in years)	3.76	4.69
Weighted average remaining lease term - operating leases (in years)	21.39	21.14
Weighted-average discount rate - finance leases	2.51%	2.56%
Weighted-average discount rate - operating leases	4.11%	3.86%

During 2025, \$1.1 million of the total lease cost was included in premises and equipment expense on the consolidated statements of income. During 2024, \$1.1 million of the total lease cost was included in premises and equipment expense and \$23 thousand was included in other expenses on the consolidated statements of income. Operating lease expense is recognized on a straight-line basis over the lease term. We recognized both the interest expense and amortization expense for finance leases in premises and equipment expense since the interest expense portion was immaterial.

The future minimum lease payments for the Company's branch network and equipment under operating leases that have lease terms in excess of one year as of December 31, 2025 are as follows:

(dollars in thousands)	Amount
2026	\$ 695
2027	667
2028	677
2029	684
2030	702
2031 and thereafter	12,221
<b>Total future minimum lease payments</b>	<b>15,646</b>
Variable payment adjustment	121
Less amount representing interest	(5,708)
<b>Present value of net future minimum lease payments</b>	<b>\$ 10,059</b>

The Company does not lease any properties where the Company is lessor at December 31, 2025.

The Company also indirectly originates automobile leases classified as direct finance leases. See Footnote 5, "Loans and leases", for more information about the Company's direct finance leases.

Lease income recognized from direct finance leases was included in interest income from loans and leases on the consolidated statements of income. Lease income related to operating leases is included in fees and other revenue on the consolidated statements of income. The Company only receives a variable payment for taxes from one of its lessees, but the amount is immaterial and excluded from rental income. The amount of lease income recognized on the consolidated statements of income was as follows for the periods indicated:

(dollars in thousands)	For the years ended December 31,	
	2025	2024
Lease income - direct finance leases		
Interest income on lease receivables	\$ 949	\$ 1,166
Lease income - operating leases	14	51
Total lease income	\$ 963	\$ 1,217

## 22. Derivative Instruments

The Company is exposed to certain risks relating to its ongoing business operations and economic conditions. The Company uses derivative financial instruments primarily to manage risks to the Company associated with changing interest rates and to assist customers with their risk management objectives. All derivative instruments are recognized as either assets or liabilities at fair value in the statement of financial position.

### Interest rate derivative - no hedge designation

The Company is a party to interest rate derivatives that are not designated as hedging instruments. The Company enters into interest rate swaps that allow certain commercial loan customers to effectively convert a variable-rate commercial loan agreement to a fixed-rate commercial loan agreement. These interest rate swaps with customers are simultaneously offset by interest rate swaps that the Company executes with a third-party financial institution, such that the Company minimizes its net interest rate risk exposure resulting from such transactions. The interest rate swap agreements are free-standing derivatives and are recorded at fair value in the Company's consolidated balance sheets (asset positions are included in other assets and liability positions are included in other liabilities). As the interest rate swaps are structured to offset each other, changes to the underlying benchmark interest rates considered in the valuation of these instruments do not result in an impact to earnings; however, there may be fair value adjustments related to credit-quality variations between counterparties, which may impact earnings as required by FASB ASC 820. There was no effect on earnings in any periods presented.

The following table summarizes the Company's free-standing derivatives:

(dollars in thousands)	Notional Amount	Weighted Average Maturity (Years)	Interest Rate Paid	Interest Rate Received	Fair Value
<b>December 31, 2025</b>					
Classified in Other assets:					
Customer interest rate swaps	\$ 1,681	11.91	30 Day SOFR + Margin	Fixed	\$ 147
Classified in Accrued interest payable and other liabilities:					
Third party interest rate swaps	\$ 1,681	11.91	Fixed	30 Day SOFR + Margin	\$ 147

Interest rate derivative - fair value hedge designation

The Company's objectives in using interest rate derivatives are to add stability to interest income and expense and to manage its exposure to interest rate movements. To accomplish this objective, the Company has entered into interest rate swaps as part of its interest rate risk management strategy. This interest rate swap is designated as a fair value hedge and limits the risk to the investment portfolio of rising interest rates. The Company entered into an interest rate swap with a third-party financial institution to convert fixed rate investment securities to an adjustable rate to produce a more asset sensitive profile. The Company recorded the fair value of the fair value hedge in other assets and accrued interest payable and other liabilities on the consolidated balance sheet. The hedged items (fixed rate securities available-for-sale) are also recorded at fair value which offsets the adjustment to the fair value hedge. The related gains and losses are reported in interest income investment securities - U.S. government agencies and corporations and interest income investment securities - state and political subdivisions (nontaxable) in the consolidated statements of income. For the year ended December 31, 2025, there was a \$185 thousand reduction in interest income investment securities - U.S. government agencies and corporations and a \$185 thousand reduction in interest income investment securities - state and political subdivisions (nontaxable). For the year ended December 31, 2024, there was \$276 thousand increase in interest income investment securities - U.S. government agencies and corporations and \$276 thousand increase in interest income investment securities - state and political subdivisions (nontaxable). A qualitative assessment of hedge effectiveness was applied at inception of the hedge. Future hedge effectiveness will be determined on a qualitative basis at least annually. The hedge is expected to remain effective as long as the balance of the hedged item is projected to remain at or above the notional amount of the swap.

The following table presents information pertaining to the Company's interest rate derivatives designated as a fair value hedge:

(dollars in thousands)	Notional Amount	Weighted Average Maturity (Years)	Fair Value
<b>December 31, 2025</b>			
Pay-fixed interest rate swap agreements - securities AFS	\$ 100,000	0.74	\$ (864)

The Company had investment securities with a book value of \$2.6 million pledged as collateral on its interest rate swaps with a third-party financial institution as of December 31, 2025.

**ITEM 9: CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

None

**ITEM 9A: CONTROLS AND PROCEDURES**

As of the end of the period covered by this Annual Report on Form 10-K, an evaluation was carried out by the Company's management, with the participation of its President and Chief Executive Officer and the Chief Financial Officer, of the effectiveness of the Company's disclosure controls and procedures, as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934. Based on such evaluation, the President and Chief Executive Officer and the Chief Financial Officer concluded that the Company's disclosure controls and procedures are designed to ensure that information required to be disclosed in the reports the Company files or furnishes under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and regulations, and are effective. The Company made no changes in its internal controls over financial reporting or in other factors that materially affected, or are reasonably likely to materially affect, these controls during the last fiscal quarter ended December 31, 2025.

**Management's Report on Internal Control Over Financial Reporting**

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting. The Company's internal control over financial reporting is a process designed under the supervision of the Company's President and Chief Executive Officer and the Chief Financial Officer, and implemented in conjunction with management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's consolidated financial statements for external purposes in accordance with generally accepted accounting principles.

There are inherent limitations in the effectiveness of any internal control, including the possibility of human error and the circumvention or overriding of controls. Accordingly, even effective internal control can provide only reasonable assurance with respect to financial statement preparation. Further, because of changes in conditions, the effectiveness of internal control may vary over time.

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2025. This assessment was based on criteria for effective internal control over financial reporting described in "Internal Control – Integrated Framework," (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, management determined that, as of December 31, 2025, the Company maintained effective internal control over financial reporting.

Wolf and Company, P.C., the independent registered public accounting firm that audited the Company's consolidated financial statements, has issued an audit report on the Company's internal control over financial reporting as of December 31, 2025, that appears in Item 8 of this Form 10-K.

**ITEM 9B: OTHER INFORMATION**

During the three months ended December 31, 2025, no director or officer of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" or a "non-Rule 10b5-1 trading arrangement" as each term is defined in Item 408(a) of Regulation S-K.

**ITEM 9C: DISCLOSURE RELATING TO FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS**

None

### **PART III**

#### **ITEM 10: DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

The information required in this item is incorporated by reference herein to the information presented in the Company's definitive Proxy Statement for its 2026 Annual Meeting of Shareholders to be filed with the SEC.

The Company has made no material changes to the procedures by which security holders may recommend nominees to the Company's board of directors during the fourth quarter of 2025.

#### **Section 16(a) Beneficial Ownership Reporting Compliance**

The information required in this item is incorporated by reference herein to the information presented in the Company's definitive Proxy Statement for its 2026 Annual Meeting of Shareholders to be filed with the SEC.

#### **Code of Ethics**

Pursuant to Item 406 of Regulation S-K, the Company adopted a written code of ethics that applies to our directors, officers and employees, including our chief executive officer and chief financial officer, which is available on our website at <http://www.bankatfidelity.com> through the Investor Relations link and then under the headings "Other Information", "Governance Documents." In addition, copies of our code of ethics will be provided to shareholders upon written request to Fidelity D & D Bancorp, Inc., Blakely and Drinker Streets, Dunmore, PA 18512 at no charge.

#### **ITEM 11: EXECUTIVE COMPENSATION**

The information required in this item is incorporated by reference herein to the information presented in the Company's definitive Proxy Statement for its 2026 annual meeting of shareholders to be filed with the SEC.

#### **ITEM 12: SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

The information required in this item is incorporated by reference herein to the information presented in the Company's definitive Proxy Statement for its 2026 annual meeting of shareholders to be filed with the SEC.

#### **Securities authorized for issuance under equity compensation plans**

The following table summarizes the Company's equity compensation plans as of December 31, 2025 that have been approved and not approved by Fidelity D & D Bancorp, Inc. shareholders:

	(a)	(b)	(c)
Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders:			
2002 Employee Stock Purchase Plan	5,669	\$ 41.68	49,719
2012 Omnibus Stock Incentive Plan (SSARs)	5,887	\$ 44.81	-
2022 Omnibus Stock Incentive Plan	65,378	\$ 46.71	417,908
Equity compensation plans not approved by security holders - none	-	-	-
Total	76,934	\$ 46.19	467,627

***ITEM 13: CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE***

The information required in this item is set forth in Footnote No. 16 “Related Party Transactions”, of Part II, Item 8 “Financial Statements and Supplementary Data”, and the information required by Items 404 and 407(a) of Regulation S-K is incorporated by reference herein to the information presented in the Company’s definitive Proxy Statement for its 2026 annual meeting of shareholders to be filed with the SEC.

***ITEM 14: PRINCIPAL ACCOUNTANT FEES AND SERVICES***

The information required by this item is incorporated by reference herein, to the information presented in the Company’s definitive Proxy Statement for its 2026 annual meeting of shareholders to be filed with the SEC.

**PART IV**

**ITEM 15: EXHIBITS AND FINANCIAL STATEMENT SCHEDULES**

**(a) (1) Financial Statements** - The following financial statements are included by reference in Part II, Item 8 hereof:

Report of Independent Registered Public Accounting Firm (PCAOB ID: 49)  
Consolidated Balance Sheets  
Consolidated Statements of Income  
Consolidated Statements of Comprehensive Income  
Consolidated Statements of Changes in Shareholders' Equity  
Consolidated Statements of Cash Flows  
Notes to Consolidated Financial Statements

**(2) Financial Statement Schedules**

Financial Statement Schedules are omitted because the required information is either not applicable, the data is not significant or the required information is shown in the respective financial statements or in the notes thereto or elsewhere herein.

**(3) Exhibits**

The following exhibits are filed herewith or incorporated by reference as a part of this Form 10-K:

**3(i) Amended and Restated Articles of Incorporation of Registrant.** Incorporated by reference to Annex B of the Proxy Statement/Prospectus included in Registrant's Amendment 4 to its Registration Statement No. 333-90273 on Form S-4, filed with the SEC on April 6, 2000.

**3(ii) Amended and Restated Bylaws of Registrant.** Incorporated by reference to Exhibit 3.1 to Registrant's Form 8-K filed with the SEC on April 16, 2020.

**2.1 Agreement and Plan of Reorganization by and among Fidelity D & D Bancorp, Inc., The Fidelity Deposit and Discount Bank, MNB Corporation and Merchants Bank of Bangor dated as of December 9, 2019.** Incorporated by reference to Annex A of the Registrant's Registration Statement No. 333-236453 on Form S-4, filed with the Commission on February 14, 2020. (Schedules have been omitted pursuant to Item 601(b)(2) of Regulation S-K. Fidelity agrees to furnish supplementally to the SEC a copy of any omitted schedule upon request.)

**2.2 Agreement and Plan of Reorganization by and among Fidelity D & D Bancorp, Inc., The Fidelity Deposit and Discount Bank, NEPA Acquisition Subsidiary, LLC, Landmark Bancorp, Inc. and Landmark Community Bank dated as of February 25, 2021.** Incorporated by reference to Annex A of the Registrant's Registration Statement No. 333-236453 on Form S-4, filed with the Commission on April 23, 2021. (Schedules have been omitted pursuant to Item 601(b)(2) of Regulation S-K. Fidelity agrees to furnish supplementally to the SEC a copy of any omitted schedule upon request.)

*\*10.1 Registrant's 2012 Dividend Reinvestment and Stock Repurchase Plan.* Incorporated by reference to Exhibit 4.1 to Registrant's Registration Statement No. 333-183216 on Form S-3 filed with the SEC on August 10, 2012 as amended February 3, 2014.

*\*10.2 Registrant's 2002 Employee Stock Purchase Plan.* Incorporated by reference to Appendix A to Definitive proxy Statement filed with the SEC on March 28, 2002.

*\*10.3 Amended and Restated Executive Employment Agreement between Fidelity D & D Bancorp, Inc., The Fidelity Deposit and Discount Bank and Daniel J. Santaniello, dated March 23, 2011.* Incorporated by reference to Exhibit 99.1 to Registrant's Current Report on Form 8-K filed with the SEC on March 29, 2011.

*\*10.4 2012 Omnibus Stock Incentive Plan.* Incorporated by reference to Appendix A to Registrant's Definitive Proxy Statement filed with the SEC on March 30, 2012.

*\*10.5 2012 Director Stock Incentive Plan.* Incorporated by reference to Appendix B to Registrant's Definitive Proxy Statement filed with the SEC on March 30, 2012.

*\*10.6 Employment Agreement between Fidelity D & D Bancorp, Inc., The Fidelity Deposit and Discount Bank and Salvatore R. DeFrancesco, Jr. dated as of March 17, 2016.* Incorporated by reference to Exhibit 99.1 to Registrant's Current Report on Form 8-K filed with the SEC on March 18, 2016.

*\*10.7 Form of Supplemental Executive Retirement Plan – Applicable to Daniel J. Santaniello and Salvatore R. DeFrancesco, Jr.* Incorporated by reference to Exhibit 99.1 to Registrant's Current Report on Form 8-K filed with the SEC on April 4, 2017.

*\*10.8 Form of Split Dollar Life Insurance Agreement – Applicable to Daniel J. Santaniello and Salvatore R. DeFrancesco, Jr.* Incorporated by reference to Exhibit 99.3 to Registrant's Current Report on Form 8-K filed with the SEC on April 4, 2017.

[\\*10.9 2022 Omnibus Stock Incentive Plan.](#) Incorporated by reference to Appendix A to Registrant's Definitive Proxy Statement filed with the SEC on March 23, 2022.

[\\*10.10 Employment Agreement between Fidelity D & D Bancorp, Inc., The Fidelity Deposit and Discount Bank and Ruth Turkington dated as of April 20, 2023](#) Incorporated by reference to Exhibit 10.15 to Registrant's Current Report on Form 10-K filed with the SEC on March 20, 2024.

[\\*10.11 Form of Supplemental Executive Retirement Plan for Ruth Turkington.](#) Incorporated by reference to Exhibit 99.1 to Registrant's Current Report on Form 8-K filed with the SEC on July 2, 2024.

[\\*10.12 Form of Split Dollar Life Insurance Agreement for Ruth Turkington.](#) Incorporated by reference to Exhibit 99.2 to Registrant's Current Report on Form 8-K filed with the SEC on July 2, 2024.

**13 Annual Report to Shareholders.** Incorporated by reference to the 2026 Annual Report to Shareholders filed with the SEC on Form ARS.

[19 Insider Trading Policy, filed herewith.](#)

[21 Subsidiaries of the Registrant, filed herewith.](#)

[23.1 Consent of Wolf & Company, P.C., filed herewith.](#)

[31.1 Rule 13a-14\(a\) Certification of Principal Executive Officer, filed herewith.](#)

[31.2 Rule 13a-14\(a\) Certification of Principal Financial Officer, filed herewith.](#)

[32.1 Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, filed herewith.](#)

[32.2 Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, filed herewith.](#)

[97 Policy Relating to Recovery of Erroneously Awarded Compensation.](#) Incorporated by reference to Exhibit 97 to Annual Report Under Section 13 or 15(d) of the Securities Exchange Act of 1934 on Form 10-K filed with the SEC on March 20, 2024

**101 Interactive data files:** The following, from Fidelity D&D Bancorp, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2025, is formatted in iXBRL (Inline eXtensible Business Reporting Language): Consolidated Balance Sheets as of December 31, 2025 and 2024; Consolidated Statements of Income for the years ended December 31, 2025 and 2024; Consolidated Statements of Comprehensive Income for the years ended December 31, 2025 and 2024; Consolidated Statements of Changes in Shareholders' Equity for the years ended December 31, 2025 and 2024; Consolidated Statements of Cash Flows for the years ended December 31, 2025 and 2024 and the Notes to the Consolidated Financial Statements.

**104 Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)**

(b) *The exhibits required to be filed by this Item are listed under Item 15(a) 3, above.*

(c) *Not applicable.*

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\* Management contract or compensatory plan or arrangement.

**ITEM 16: FORM 10-K SUMMARY**

None.

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**FIDELITY D & D BANCORP, INC.**  
(Registrant)

Date: March 13, 2026

By: /s/ Daniel J. Santaniello  
Daniel J. Santaniello,  
President and Chief Executive Officer

Date: March 13, 2026

By: /s/ Salvatore R. DeFrancesco, Jr.  
Salvatore R. DeFrancesco, Jr.,  
Treasurer and Chief Financial Officer

Pursuant to the requirements of the Securities and Exchange Act of 1934, this report has been signed below by the following person on behalf of the registrant and in the capacities and on the dates indicated.

**DATE**

By: /s/ Daniel J. Santaniello March 13, 2026  
Daniel J. Santaniello, President and Chief  
Executive Officer and Director

By: /s/ Salvatore R. DeFrancesco, Jr. March 13, 2026  
Salvatore R. DeFrancesco, Jr., Treasurer  
and Chief Financial Officer

By: /s/ Brian J. Cali March 13, 2026  
Brian J. Cali, Chairman of the  
Board of Directors and Director

By: /s/ John T. Cagnetti March 13, 2026  
John T. Cagnetti, Secretary and Director

By: /s/ Michael J. McDonald March 13, 2026  
Michael J. McDonald, Vice Chairman  
of the Board of Directors and Director

By: /s/ Paul C. Woelkers March 13, 2026  
Paul C. Woelkers, Director

By: /s/ HelenBeth G. Vilcek March 13, 2026  
HelenBeth G. Vilcek, Director

By: /s/ William J. Joyce, Sr. March 13, 2026  
William J. Joyce, Sr., Director

By: /s/ Alan Silverman March 13, 2026  
Alan Silverman, Director

By: /s/ James Clemente March 13, 2026  
James Clemente, Director

By: /s/ Rocco A. DelVecchio March 13, 2026  
Rocco A. DelVecchio, Director

**EXECUTIVE SUMMARY OF THE  
INSIDER TRADING POLICY  
OF  
FIDELITY D&D BANCORP, INC.**

- The Policy applies to Directors and Executive Officers of Fidelity D&D Bancorp, Inc., as well as Directors and Executive Officers of any Fidelity D&D Bancorp, Inc. subsidiary as designated by the Fidelity D&D Bancorp, Inc. Board of Directors, and employees of Fidelity D&D Bancorp, Inc. or a subsidiary, who are in possession of Material Insider Information.
- The Policy appoints an Insider Trading Compliance Officer who assists the Insiders with the filing of SEC Forms 3, 4 and 5 and administers the Policy. Due to the 2-day filing requirement for Forms 4, insiders must inform the Compliance Officer in advance of the proposed purchase or sale of Fidelity D&D Bancorp, Inc. securities where possible and, if not possible, as soon as the insider has the details of the transaction. Insiders are encouraged to request their brokers to send transaction details directly to the Compliance Officer.
- No Insider may effect a transaction in the Fidelity D&D Bancorp, Inc. securities or another entity, such as a merger target, while he or she is in possession of Material Inside Information.
- No Insider may divulge, disclose or "tip" any Material Inside Information to any person for any reason whatsoever without the express permission of the Fidelity D&D Bancorp, Inc. Board of Directors.
- No Insider may trade Fidelity D&D Bancorp, Inc. securities during Fidelity D&D Bancorp, Inc.'s Reporting Period. Fidelity D&D Bancorp, Inc.'s Reporting Period generally occurs between the end of a fiscal quarter/year and the release of financial information to the general public (i.e., a Press Release related to Earnings or to a Material Event published on a major wire service for dissemination to the public.) The Board of Directors, as well as the Fidelity D&D Bancorp, Inc. CEO, may grant exceptions to this Policy, not inconsistent with the law.
- No Insider may trade Fidelity D&D Bancorp, Inc. securities during Fidelity D&D Bancorp, Inc.'s Blackout Period if such security was acquired or would be acquired in connection with his or her service or employment. Fidelity D&D Bancorp, Inc.'s Blackout Period is a period during which participants in Fidelity D&D Bancorp, Inc.'s 401(k) Plan are prohibited from trading the Corporation's securities held for their account in the Plan.
- The Policy permits the use of a Rule 10b5-1 Trading Plan, provided that the plan has been cleared by the Compliance Officer.
- An intentional violation of the Policy may result in termination of employment, and, if applicable, in a request to resign from the Board of Directors. All violations are judged on a case- by- case basis. Additional penalties may be imposed under Federal and/or State law.

**INSIDER TRADING POLICY**  
**OF**  
**FIDELITY D&D BANCORP, INC.**

Adopted July 18, 2023

By the Board of Directors

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**FIDELITY D&D BANCORP, INC.**  
**INSIDER TRADING POLICY**

**I. INTRODUCTION - GENERAL POLICY AND GUIDELINES**

Fidelity D&D Bancorp, Inc. (the "Corporation") and its subsidiaries, including The Fidelity Deposit and Discount Bank and any other subsidiary of the Corporation, (collectively, the "Subsidiaries") are intensely aware of the need to maintain extremely high standards of honesty, integrity and fair dealing to assure the public's trust in the performance and maintenance of an impartial trading price for the Corporation's securities in the marketplace. "Insider Trading," the trading of securities based on Material, Non-public Information, is not only unfair, but erodes investor confidence in the marketplace for the Corporation's securities. The preservation of trust in the Corporation and preservation of the Corporation's reputation requires observance of certain standards by the Corporation's directors, officers, employees, and persons holding 10% or more of the Corporation's equity securities ("10% Holders"). Therefore, the Corporation has adopted this Insider Trading Policy (the "Policy") and is implementing the procedures detailed herein to avoid even the appearance of improper conduct on the part of the Corporation's directors, officers, employees and 10% Holders. This Policy is in addition to the Corporation's "Code of Ethics."

The Corporation and its Subsidiaries require that certain directors, officers, employees, 10% Holders and other representatives avoid possible misconduct and avoid any situation in which Material, Non-public Information could be misappropriated by anyone to gain an unfair advantage in trading of the Corporation's securities. In all situations, including those where the law is unclear or in conflict, directors, officers, employees and 10% Holders are expected to refrain from any discussion with respect to any information that might be construed as Material, Non-public Information.

An intentional violation of the provisions of this Policy may result in termination of employment as an officer or employee of the Corporation or any of the Corporation's Subsidiaries and affiliates, and, if applicable, in a request to resign from the Board of Directors. Intentional violations of the provisions of this Policy by a "Quasi-Insider" or "Temporary Insider" will be addressed by the Board of Directors of the Corporation on a case- by- case basis.

In addition to the discussion of insider trading matters, this Policy sets forth, in general terms, certain reporting requirements and liabilities imposed on directors, specified officers and 10% Holders of the Corporation's securities under Sections 16(a) and 16(b) (collectively, "Section 16") of the Securities Exchange Act of 1934, as amended (the "1934 Act"). Compliance with this Policy is the responsibility of every employee or representative of the Corporation and its Subsidiaries. Each person covered by this Policy must be familiar with its contents, keep it in an appropriate place for easy reference, and comply fully with these policies and procedures. The importance of this Policy cannot be overemphasized. If you have any questions regarding the meaning or application of any provision of this Policy, please contact our Compliance Officer. In addition, any violations of this Policy must be reported immediately to our Compliance Officer.

## II. DEFINITIONS

A. The following terms, used in this Policy, have the meanings set forth opposite their names:

1. **"Beneficial Owner"** means any person who, directly or indirectly, through any contract, arrangement, understanding, relationship or otherwise, has or shares direct or indirect pecuniary interest in the relevant class of equity securities.

The following rights or powers are generally accepted as the indicia of beneficial ownership:

- a. The right or power to vote or control the voting of the Corporation's securities;
- b. The right or power to transfer or control the transfer of the Corporation's securities;
- c. The right or power to receive income from the Corporation's securities or control the disposition of the income; and
- d. The right or power to receive or control the disposition of proceeds in a liquidation.

In addition, securities held by a spouse, minor children and persons who share the same household are considered to be "beneficially owned" by a person who is required to report securities ownership under Section 16 of the 1934 Act.

2. **"Blackout Period"** means a period during which participants in the Corporation's 401(k) plan are prohibited in trading in the Corporation's securities held for their account in the plan.
3. **"Insider"** means:
  - a. the Corporation's Directors and the Corporation's executive officers as designated by the Corporation's Board of Directors;
  - b. Directors and certain officers of any Subsidiary, as designated by the Corporation's Board of Directors;

Insiders defined in Sections 3a and b are sometimes referred to as "Level 1 Insider(s)."

- c. other employees of the Corporation or its Subsidiaries, or Advisory, Emeritus and Honorary Directors of the Corporation, who are in possession of Material Inside Information about the Corporation; or
- d. 10% Holders (persons holding 10% or more of the outstanding securities of the Corporation).

Insiders defined in Sections 3c and d are sometimes referred to as "Level 2 Insider(s)."

- 4. **"Inside Information"** means information that emanates from within the Corporation or its Subsidiaries and affiliates, and is intended for a corporate purpose, such as data concerning corporate or subsidiary operations, finances or expansion and acquisition plans. The information may relate to the Corporation, its Subsidiaries, one or more third party entities or any combination thereof. Knowledge of a potential takeover is an obvious form of Inside Information. This term includes all Material, Non-public Information that effects the Corporation, its Subsidiaries or the market for the Corporation's securities.
- 5. **"Insider Trading Compliance Officer"** for purposes of this Policy, the Corporation's General Counsel shall serve as the Compliance Officer. In his or her absence, another officer or employee of the Corporation or any of its subsidiaries designated by the Corporation's Board of Directors shall be responsible for administration of this Policy. The Compliance Officer has access to and reports directly to the Board of Directors.
- 6. **"Material"** means there is a substantial likelihood that a reasonable investor would consider a fact important in making his or her investment decision. In other words, if there is a substantial likelihood that the disclosure of an omitted fact would have been viewed by a reasonable investor as having significantly altered the "total mix" of information available, then the fact is deemed to be material. Depending upon the circumstances, examples could include information about contemplated mergers or acquisitions, tender offers, or exchange offers, pending litigation, earnings or earnings estimates, changes in previously released earnings estimates, improprieties within a company, or government investigations, inquiries and/or enforcement actions.
- 7. **"Non-public Information"** is information that has not been distributed in a manner designed to make it available to the general investor or general public.

8. **"Quasi-Insider"** is a person, such as an attorney, accountant, consultant, investment banker and any other person temporarily employed by the Corporation or its Subsidiaries who gains access to Material, Non-public Information.
9. **"Reporting Period"** is the period that generally occurs between the end of a fiscal quarter/year and the release of financial information to the general public (i.e., a Press Release related to Earnings or to a Material Event published on a major wire service for dissemination to the public.)
10. **"Temporary Insider"** is a person who gains access to Material, Non-public Information, even if he or she has no relationship with the Corporation.
11. **"10% Holders"** - Beneficial ownership, as defined by Section 13(d) of the 1934 Act is used to determine when a person owns more than ten percent of a class of equity securities for Section 16 purposes, with some modifications. The Section 13(d) definition of beneficial ownership is used to determine when status as a 10% holder has been attained. Once such status has been attained, the reporting and short-swing provisions of Section 16 apply only to securities in which the insider has a reportable interest, as defined under Section 16.
12. **"Equity Securities"** includes any stock or derivative securities such as stock options, warrants, convertible securities, stock appreciation rights, or similar rights with an exercise or conversion privilege at a price related to, or similar securities (including "put" and "call" options) with a value derived from the value of the Corporation's stock.

### III. SECTION 16 REPORTING REQUIREMENTS

The Corporation's common stock is registered with the Securities and Exchange Commission (the "SEC") under the provisions of Section 12 of the 1934 Act. Therefore, insider trading is governed, generally, by application of Section 16.

- A. The Compliance Officer shall make available to the "Level 1 Insiders" and to 10% Holders of the Corporation, an SEC Form 3 (Initial Statement of Beneficial Ownership of Securities) for completion, for execution, and for filing with the SEC, if one has not already been completed, executed and filed with the SEC. The Compliance Officer shall assist in the preparation, completion, review, execution and amendment of the SEC Form 3 and shall, at the request of the Level 1 Insider, or 10% Holder, file the form with the SEC. When a person assumes insider status Level 1 Insider, for purposes of Section 16, and is required to complete and file Form 3, the Compliance Officer will provide the SEC Form 3, assist in its completion and file it, if so requested, with the SEC. SEC Forms 4 must be filed within 2 business days of the purchase, sale, gift, exchange or transfer of the Corporation's securities, including the receipt of restricted stock, stock options or stock dividends and the exercise of stock options.

- B. Because Level 1 Insiders are required to file Forms 4 with the SEC within a short time period, the Corporation recommends that the Level 1 Insider adhere to the following guidelines when effecting any transaction in the Corporation's securities:
1. Notify the Compliance Officer in advance of the transaction. The Corporation does recognize that this may not always be possible because its stock is thinly traded. Level 1 Insiders may sometimes be contacted by a broker who has stock available and may have to make an immediate decision as to whether to purchase it. In this case, the individual should notify the Compliance Officer as soon as the details of the trade are available. Level 1 Insiders are encouraged to request their brokers to send transaction details directly to the Compliance Officer as well as to the Level 1 Insider.
  2. The individual must complete and submit to the Compliance Officer the "Checklist For Short-Swing Profits," attached as Appendix A to this Policy and the "Certification Concerning Material Non-Public Information" attached as Appendix B.
  3. The individual must complete and execute an SEC Form 4, "Statement of Changes in Beneficial Ownership," or receive confirmation from the Compliance Officer that no SEC Form 4 is required; the Compliance Officer will assist in preparation of the SEC Form 4, and will, if requested, file the SEC Form 4 with the SEC.
- C. The Compliance Officer shall inform any 10% Holder about the obligation to complete and file the SEC Forms 3, 4 and 5 for transactions in the Corporation's securities and about the Short-Swing Profit Rule. The Compliance Officer must timely notify each Level 1 Insider and the SEC of any Blackout Period. Notice to a Level 1 Insider is timely if provided within five business days after the Corporation receives notice from the plan administrator. If no notice is received from the plan administrator, then the Compliance Officer shall notify the Level 1 Insiders at least fifteen (15) calendar days before the beginning date of the Blackout Period. Notice to the SEC is timely if the Compliance Officer files a current report on Form 8-K no later than the date required to timely notify Level 1 Insiders.
- D. The Compliance Officer shall report, as soon as practicable, to the Board of Directors, any potential violation of this Policy, including but not limited to, any violation of the Short-Swing Profit Rule or any failure to timely file an SEC Form 3, 4 or 5 with the SEC.

- E. Within 20 days after the end of each calendar year, each director and officer of the Corporation and/or Subsidiary shall review his/her prior year's securities transactions with the Compliance Officer to determine if an SEC Form 5 should be filed with the SEC on or before February 14 of each year (within 45 days after the end of the calendar year). In the event that the Level 1 Insider determines that there is no obligation to file an SEC Form 5, the Level 1 Insider shall file an executed "Affirmative Statement," attached as Appendix E to this Policy, with the Compliance Officer prior to February 14 of each calendar year.
- F. The Compliance Officer shall consult with the Transfer Agent, Registrar or respective employee who registers transactions in the Corporation's securities, in order to identify any person, individually or acting in concert with others as a group, who holds beneficially 5% or more of the Corporation's securities. The Compliance Officer will inform such person(s) of the requirement to prepare and file Schedules 13D or 13G, as the case may be. The Compliance Officer will also consult with the appropriate employees to ascertain whether any Subsidiary beneficially holds 5% or more of the Corporation's securities in a trust or other fiduciary relationship. The Compliance Officer will assist the appropriate employees in the preparation and timely filing of the appropriate schedule under Section 13 of the 1934 Act with the SEC, if required. The Compliance Officer is also authorized to assist any director or officer in the preparation and timely filing of a Schedule 13D and all amendments thereto.

#### **IV. PROHIBITED ACTIVITIES**

- A. No Insider (**Level 1 or Level 2**) shall effect any transaction in the securities of this Corporation or any other entity (including specifically a merger target) while he or she is in possession of Material, Non-public Information.
- B. No Insider (**Level 1 or Level 2**) shall divulge, disclose or "tip" any Material, Non-public Information to any person for any reason whatsoever without the express consent and direction of the Board of Directors of the Corporation.
- C. No Level 1 Insider shall effect any transaction in the securities in this corporation and during a Blackout Period if such security was acquired or would be acquired in connection with his or her service or employment as an Insider.
- D. Intentional violations of this Policy may result in termination of employment as an officer or employee of the Corporation, or its Subsidiaries, and, if applicable, in a request to resign from the Board of Directors of the Corporation and/or of any Subsidiary. Intentional violations of the provisions of this Policy by a "Quasi-Insider" or "Temporary Insider" will be addressed by the Board of Directors of the Corporation.

- E. Violations of Section 16 may cause an Insider (**Level 1**) to be held liable for short-swing profits; in addition, the SEC has the ability to enforce Section 16(a) and related rules by seeking fines and judicial action or entering administrative cease and desist orders. Among other things, the SEC is authorized to petition a district court to impose fines upon violators of Section 16. Fines, pursuant to the Federal Civil Penalties Inflation Adjustment Act of 2015, are set by the SEC, adjusted annually, can be significant in cases of deliberate and reckless disregard. In addition to other penalties for insider trading violations, the Insider Trading and Securities Fraud Enforcement Act of 1988 (ITSFEA) authorizes substantial fines against "controlling persons," a term that can encompass the Corporation and the Corporation's management personnel who know of or recklessly disregard a possible insider trading violation by a person under their control and fail to take appropriate steps to prevent the violation. The fine for each violation is within the discretion of the court and will be significant in cases of knowing or reckless disregard.

## V. COMPLIANCE PROGRAM

- A. The special trading program for Insiders is as follows:
1. An Insider (**Level 1 and Level 2**) is prohibited from making a purchase, sale, transfer, or assignment of the Corporation's securities (a "Securities Trade") during four periods of the year, commencing with the day upon which the fiscal quarter ends (i.e., the last day of March, June, September and December) and ending on the close of business on the second business day after the Corporation releases periodic financial information for the fiscal quarter (or for the full year in respect of the fourth fiscal quarter) to the general public. For purposes of this Policy, the release of periodic financial information to the general public occurs when quarterly financial information (including balance sheet information as of the end of the quarter and year-to-date income information, as well as other financial information that is considered by management of the Corporation to be pertinent and material) is disseminated to the public market through a press release published by wire services or is filed on a Current Report on Form 8-K with the SEC. The Corporation's policy is to release periodic financial reports within 30 days following the end of each calendar quarter. The Board of Directors of the Corporation and the Chief Executive Officer of the Corporation may grant exceptions to this prohibition, upon request, where the person making the request is not in possession of Material Inside Information, if the grant of the exception would not be in contravention of law and the purposes of this Policy, and if the applicant's personal circumstances warrant the grant of the exception.

2. An Insider (**Level 1**) shall only effect a Securities Trade after the release of the periodic financial information, described above, and until the last day of the next calendar quarter (the "Trading Window "). However, securities trades by all Insiders (**Level 1 and/or Level 2**) during the Trading Window are still subject to other federal and state securities law requirements, such as Rule 144, etc. The Trading Window does not reduce or otherwise change the obligations and other restrictions placed upon an Insider under federal or state securities laws. This rule applies to all purchases and sales of the Corporation's securities whether held directly or held in street name accounts with brokers or banks. It also applies to:
- purchases of shares of the Corporation's common stock, with optional voluntary cash contributions, in connection with the Company's Dividend Reinvestment and Stock Purchase Plan (the "DRIP"); and
  - the writing of put or call options with respect to the Corporation's common stock.
- The rule does not, however, apply to purchases of the Corporation's common stock with reinvested dividends under the DRIP.
3. If an Insider (**Level 1 and/or Level 2**) is in possession of material non public information, he or she is prohibited from effecting a Securities Trade even during the Trading Window. An Insider (**Level 1**) is prohibited from making a Securities Trade in any equity security of the Corporation during a Blackout Period if the security was acquired or would be acquired in connection with his or her service of employment as a director or executive officer. The SEC exempted certain transactions from the trading prohibition, including: acquisitions of securities under DRIPs; acquisitions or dispositions involving bona fide gifts or transfers by will or the testamentary law; purchases or sales pursuant to certain "tax-conditioned" plans; and increases or decreases as a result of a stock split or dividend.
4. In connection with a Securities Trade, an Insider (**Level 1**) shall:
- advise the Compliance Officer of the transaction;
  - prepare and execute, with the assistance of the Compliance Officer and of counsel, if necessary, a "Checklist for Short-Swing Profits," attached as Appendix A and a "Certification Concerning Material, Non-Public Information," attached as Appendix B to this Policy; and

- if required pursuant to Section 16, **(Level 1 Insider)** prepare and file, with the assistance of the Compliance Officer and of counsel, if necessary, the appropriate SEC Form 4 or 5.
5. The Insider **(Level 1)** must submit a copy of any SEC Form 3, 4 or 5, as filed with the SEC, to the Corporation.
  6. If, for any calendar year, an Insider **(Level 1)** is not required to file an SEC Form 5 with the SEC, the Insider **(Level 1)** shall submit an executed Affirmative Statement regarding Compliance with the Reporting Requirements of Section 16, attached as Appendix E to this Policy, to the Compliance Officer, on or before February 14.

Insiders **(Level 1)** who wish to implement a trading plan under SEC Rule 10b5-1 must first pre-clear the plan with the Compliance Officer. As required by Rule 10b5-1, Insiders may enter into a trading plan only when they are not in possession of Material, Non-public Information. In addition, insiders may not enter into a trading plan during a Blackout Period or Reporting Period. The trading plan must provide that no trades may occur thereunder until expiration of the applicable cooling-off period specified in Rule 10b5-1(c)(ii)(B), and no trades occur until after that time. The appropriate cooling-off period will vary based on the status of the Insider. For Level 1 Insiders, the cooling-off period ends on the later of (x) ninety days after adoption or certain modifications of the 10b5-1 plan; or (y) two business days following disclosure of the Corporation's financial results in a Form 10-Q or Form 10-K for the quarter in which the 10b5-1 plan was adopted. For all other Insiders, the cooling-off period ends 30 days after adoption or modification of the 10b5-1 plan. This required cooling-off period will apply to the entry into a new 10b5-1 plan and any revision or modification of a 10b5-1 plan. The trading plan must be entered into in good faith by the Insider, and not as part of a plan or scheme to evade the prohibitions of Rule 10b5-1, at a time when the Insider is not in possession of material nonpublic information about the Corporation; and, if the Insider is a Level 1 Insider, the 10b5-1 plan must include representations by the Insider certifying to that effect. The trading plan gives a third party the discretionary authority to execute such purchases and sales, outside the control of the Insider, so long as such third party does not possess any material nonpublic information about the Corporation; or explicitly specifies the security or securities to be purchased or sold, the number of shares, the prices and/or dates of transactions, or other formula(s) describing such transactions. The trading plan is the only outstanding approved 10b5-1 plan entered into by the Insider (subject to the exceptions set out in Rule 10b5-1(c)(ii)(D)).

7. Transactions pursuant to a trading plan must be reported immediately to the Compliance Officer.
- B. The Compliance Officer shall be responsible for developing educational materials and periodic presentations relating to this Policy.
- C. The Compliance Officer shall develop procedures to implement this Policy, for approval by the Board of Directors. These procedures shall include, but not be limited to:
1. a security program designed to limit access to Material Inside Information by persons not authorized to view such information;
  2. a program designed to monitor trading activity in the Corporation's securities;
  3. a system of filing and record keeping for copies of the Insiders' (**Level 1**) SEC Forms 3, 4 and 5 that are filed with the SEC and submitted to the Corporation (these filings shall be retained for a minimum of 3 years);

4. a procedure to identify delinquent Insider (**Level 1**) filings for purposes of disclosure in the Corporation's proxy statement and Annual Report on Form 10-K;
  5. limitations on the transmission of Material Inside Information by Insiders;
  6. discipline for violations of this program; and
  7. a training program for persons who become Insiders (as defined under this Policy).
- D. Each person who is or becomes an Insider shall receive a copy of this Policy and shall execute each of the "Acknowledgment" and the "Agreement of Compliance," attached to this Policy as Appendix C, an executed copy of which documents shall be retained in the employment or personnel file of the individual.
- E. A Quasi-Insider or Temporary Insider shall receive and execute the "Covenant of Non-Disclosure by a Quasi-Insider or Temporary Insider," attached as Appendix D to this Policy, prior to any engagement or activity that may afford the individual access to Material, Non-public Information of the Corporation.

## **VI. OBLIGATION TO REPORT VIOLATIONS**

The improper use or unauthorized disclosure of Material, Non-public Information and/or breaches of this Policy can inflict great damage upon the Corporation and its employees. Therefore, it is the obligation of every employee who becomes aware of the improper use or disclosure of Material, Non-public Information or material breaches of this Policy to promptly communicate the relevant facts to the Compliance Officer, or to the Board of Directors.

**CHECKLIST FOR SHORT-SWING PROFITS**

Note: ANY combination of a non-exempt PURCHASE AND SALE or SALE AND PURCHASE of the Corporation's securities within 6 months of each other results in a violation of Section 16(b) of the Securities Exchange Act of 1934 and, pursuant to Section 16(b), "profit" will be recovered by the Corporation. The highest priced sale will be matched with the lowest price purchase.

**SALES**

If you (an officer, director or 10% shareholder or any immediate family member) intend to sell or transfer the Corporation's securities, answer the following questions:

1. Have you (or any of your family members) purchased or otherwise acquired the Corporation's securities within the past six months?  Yes  No  
  
If yes, and the acquisition was effected by a family member, then is the family member's stock deemed to be beneficially owned by you?  Yes  No
2. Have there been any option exercises within the past six months?  Yes  No
3. Do you anticipate any purchases, or option exercises within the next six months?  Yes  No
4. Have you notified the Compliance Officer of the transaction and completed an SEC Form 4, if required?  Yes  No
5. If you are an "affiliate," as the term is defined under the Federal securities laws, have you completed a Form 144 and notified the broker to sell pursuant to Rule 144?  Yes  No

**PURCHASES AND OPTION EXERCISES**

If you (an officer, director or 10% shareholder or any immediate family member ) intend to purchase the Corporation's securities or exercise an option grant, answer the following questions:

- 1. Have you (or any of your family members) sold or transferred any securities of the Corporation within the past six months?  Yes  No  
  
If yes, and the disposition was effected by a family member, then is the family member's stock deemed to be beneficially owned by you? Yes No
- 2. Do you anticipate any sales or other dispositions within the next six months (e.g. tax-related or year-end transactions)?  Yes  No
- 3. Have you notified the Compliance Officer of the transaction and completed an SEC Form 4, if required?  Yes  No
- 4. What is the proposed manner of purchase or acquisition?  
 Broker  Private  Option Exercise

**Note: Before proceeding with a purchase or sale, consider whether you are aware of Material, Non-public Information that could affect the price of the stock.**

Date: \_\_\_\_\_

The information set forth herein is true and correct to the best of the undersigned's knowledge, information and belief.

\_\_\_\_\_  
Signature of Insider

\_\_\_\_\_  
Print Name of Person Signing  
This Checklist

\_\_\_\_\_  
(SSN or TIN of Insider)

\_\_\_\_\_  
Signature of Compliance Officer

**CERTIFICATION CONCERNING MATERIAL,  
NON-PUBLIC INFORMATION**

I hereby certify that, to the best of my knowledge, information and belief, I do not or did not possess Material, Non-public Information for purposes of the Insider Trading Policy of Fidelity D&D Bancorp, Inc. and in connection with a Securities Trade (as defined in the Policy) which shall be effected or was effected on or about\_\_\_\_\_.

Date: \_\_\_\_\_

\_\_\_\_\_  
Signature of Person Making Certification

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Compliance Officer

**ACKNOWLEDGMENT**

I, the undersigned, hereby acknowledge that I have received a copy of the Insider Trading Policy of Fidelity D&D Bancorp, Inc. and its Subsidiaries and affiliates (the "Policy"). I further certify that I have reviewed the Policy, and that I understand its provisions and what they require of me as an Insider. I understand that an intentional violation of this Policy may result in the termination of my employment as an Officer or Employee of this institution or a request to resign from the Board of Directors.

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature of Director, Officer or Employee

**AGREEMENT OF COMPLIANCE**

I hereby certify that I understand what is required of me by the provisions of the Insider Trading Policy of Fidelity D&D Bancorp, Inc. (the "Policy") and that I agree to comply in good faith with the provisions and the spirit of the Policy.

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature of Director, Officer or Employee

**COVENANT OF NON-DISCLOSURE BY A  
QUASI-INSIDER OR TEMPORARY INSIDER**

I acknowledge the establishment of an Insider Trading Policy (the "Policy") by Fidelity D&D Bancorp, Inc. (the "Corporation"). I acknowledge further that I may be considered a Quasi-Insider or Temporary Insider for purposes of the Policy because of the likelihood that I may gain access to Material, Non-public Information concerning the Corporation and/or Subsidiaries or affiliates of the Corporation as a result of my engagement with the Corporation. I covenant that I will not divulge, disclose or "tip" any Material, Non-public Information concerning the Corporation or Subsidiaries or affiliates of the Corporation to any person for any reason whatsoever, except persons with whom I am employed and who may have access to such information in the normal course of their duties. I covenant that I will in good faith make every attempt to limit access to the information at my place of employment.

I acknowledge that as a Quasi-Insider or Temporary Insider I will not buy or sell stock of Fidelity D&D Bancorp, Inc. or other entity while in possession of Material, Non-public Information regarding the Corporation or such other entity, and that such a trade may be a violation of Federal and State Securities laws.

Date: \_\_\_\_\_

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Print Name of Person

\_\_\_\_\_  
Insider Trading Compliance Officer

\_\_\_\_\_  
Print Person's Employer or Trade Name

**AFFIRMATIVE STATEMENT**  
**REGARDING COMPLIANCE WITH**  
**THE REPORTING REQUIREMENTS OF SECTION 16**

I hereby certify that, to the best of my knowledge, information and belief, for the year ending December 31, \_\_\_\_\_, I have reported to, and filed with, the Securities and Exchange Commission, all of my transactions in the common stock of Fidelity D&D Bancorp, Inc. required to be reported under the rules and regulations promulgated under Section 16 of the Securities Exchange Act of 1934, as amended. I further certify that I am not required to file an Annual Report on Form 5 with the Securities and Exchange Commission for the year ending December 31, \_\_\_\_\_.

Date: \_\_\_\_\_

\_\_\_\_\_  
Signature of Person Making Certification

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Insider Trading Compliance Officer

\_\_\_\_\_  
Date Received

**Subsidiaries of the Registrant**

**Subsidiary**

**State of Incorporation**

The Fidelity Deposit and Discount Bank

Pennsylvania

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the incorporation by reference in the Registration Statements (Nos. 333-183216, 333-152806 and 333-271616) on Form S-3 and (Nos. 333-181489, 333-181488, 333-113339, 333-64356, and 333-265341) on Form S-8 of Fidelity D & D Bancorp, Inc. (the "Company") of our reports dated March 13, 2026 related to the consolidated financial statements and effectiveness of internal control over financial reporting of the Company, as they appear in this Annual Report on Form 10-K of the Company for the year ended December 31, 2025.

/s/ Wolf & Company, P.C.

Boston, Massachusetts

March 13, 2026

## CERTIFICATION

I, Daniel J. Santaniello, certify that:

1. I have reviewed this annual report on Form 10-K of Fidelity D & D Bancorp, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees, who have a significant role in the registrant's internal control over financial reporting.

Date: March 13, 2026

By: /s/ Daniel J. Santaniello

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Daniel J. Santaniello, President  
and Chief Executive Officer

## CERTIFICATION

I, Salvatore R. DeFrancesco, Jr., certify that:

1. I have reviewed this report on Form 10-K of Fidelity D & D Bancorp, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees, who have a significant role in the registrant's internal control over financial reporting.

Date: March 13, 2026

By: /s/ Salvatore R. DeFrancesco, Jr.

Salvatore R. DeFrancesco, Jr.

Treasurer and Chief Financial Officer

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350  
AS ADDED BY  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report on Form 10-K of Fidelity D & D Bancorp, Inc. (the “Company”) for the year ended December 31, 2025, as filed with the Securities and Exchange Commission (the “Report”), I, Daniel J. Santaniello, President and Chief Executive Officer of the Company, certify, pursuant to Title 18 U.S.C. §1350, as added by §906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. To my knowledge, the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of and for the period covered by the Report.

Date: March 13, 2026

By: /s/ Daniel J. Santaniello

Daniel J. Santaniello, President  
and Chief Executive Officer

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350  
AS ADDED BY  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report on Form 10-K of Fidelity D & D Bancorp, Inc. (the “Company”) for the year ended December 31, 2025, as filed with the Securities and Exchange Commission (the “Report”), I, Salvatore R. DeFrancesco, Jr., Treasurer and Chief Financial Officer of the Company, certify, pursuant to Title 18 U.S.C. §1350, as added by §906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. To my knowledge, the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of and for the period covered by the Report.

Date: March 13, 2026

By: /s/ Salvatore R. DeFrancesco, Jr.

Salvatore R. DeFrancesco, Jr.

Treasurer and Chief Financial Officer