# Fidelity D&D BANCORP, INC.

NASDAQ: FDBC

INVESTOR PRESENTATION

DECEMBER 7, 2022



**Forward-looking statements**

Certain of the matters discussed in this presentation 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 effects of economic conditions particularly with regard to the negative impact of severe, wide-ranging and continuing disruptions caused by the spread of Coronavirus Disease 2019 (COVID-19) and any other pandemic, epidemic or other health-related crisis 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;
- securities markets and monetary fluctuations and volatility;
- 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;
- 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 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 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;
- 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;
- 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 or terrorism;
- disruption of credit and equity markets; 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 other documents that we file or furnish, from time to time, with the Securities and Exchange Commission, including Annual Reports to Shareholders, Annual Reports filed on Form 10-K, Quarterly Reports on Form 10-Q, and other current reports filed or furnished on Form 8-K.




# Who We Are

Vision Statement:

Fidelity bankers are passionate about success and committed to building strong relationships through exceptional client experiences. Fidelity Bank will be the best bank for our bankers to work, our clients to bank, our shareholders to invest, and for our community to prosper.

# Fidelity D & D Bancorp, Inc. Overview

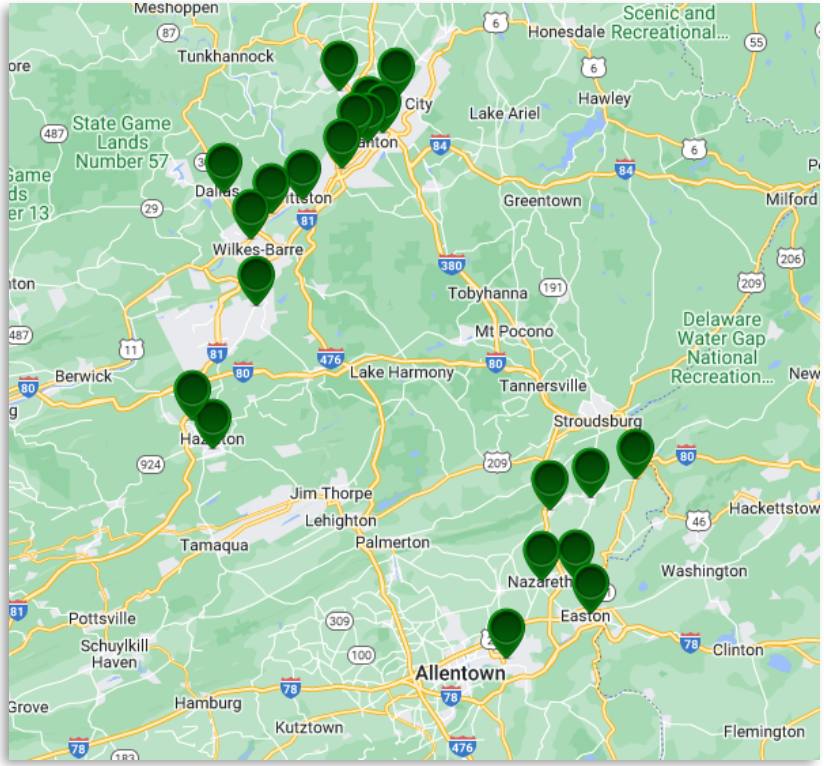
## Company Overview

| | |
|---|---|
| Headquarters | Dunmore, PA |
| Ticker / Exchange | FDBC / NASDAQ |
| *Market Capitalization | $234M |
| *Outstanding Shares | 5,694,103 |
| Year Established | 1902 |
| Branches | 21 |

## Financial Overview

| | | | |
|---|---|---|---|
| Total Assets | $2,435,768 | LTM ROAA | 1.27% |
| Gross Loans | $1,524,735 | LTM ROAE | 16.38% |
| Total Deposits | $2,253,233 | LTM NIM | 3.27% |
| Loans / Deposits | 67.65% | LTM Effic. Ratio | 52.73% |
| TCE / TA | 5.19% | NPAs / Assets | 0.19% |
| RBC Ratio | 14.34% | Reserves / NPAs | 371.22% |
| Wealth Management AUM/A | | $678 million / $678 million | |

Note: All dollars in thousands unless otherwise noted
Source: FDBC 10-Q 9/30/2022, *10/31/2022




| RETAIL BANKING | COMMERCIAL | FEE BASED BUSINESS |
|---|---|---|
| • 21 branch locations, 27 owned/operated ATMs, and 30,000 ATMs through MoneyPass©<br>• Online and Mobile Banking<br>• Personal Lending<br>• Indirect Auto Lending<br>• Secured and Unsecured Consumer Loans | • C&I CRE Lending<br>• SBA Lending<br>• Cash Management<br>• Card and Payment Services | • Retirement Planning<br>• Wealth Management<br>• Brokerage and Advisory Services<br>• Trust & Fiduciary Services |

# Key Highlights

- **High performing community-focused bank with a proven track record of strong organic growth in a low growth legacy market.**
- **Low-cost core deposits with strong market share in legacy market.**
- **Eight consecutive years of increased dividend payout. Estimated 2022 dividend payout ratio of 26%.**
- **Proven ability to successfully complete acquisitions and integrations.**
- **Conservative credit culture that has produced strong asset quality and a diversified portfolio.**
- **Well diversified fee income source, including mortgage banking, wealth management, and debit card interchange revenue.**
- **Commitment to success and commitment to building strong relationships through an extraordinary client experience.**
- **Multi-year commitment to technology to support the client-first and banker digital transformation.**

# Making our Move

## 2018

**Forbes**

Named one of the top 3 banks in PA for client experience, both in-branch and online.

## 2019



Branch expansion to Back Mountain. Currently $38 million in deposits.

Fidelity BANK Wealth Management

Wealth Management Division assumed JBT's $34 million in fiduciary assets.

**Forbes**

Named one of the top 3 banks in PA for client experience, both in-branch and online.

## 2020

**$1 Billion**

Attained total assets of $1 billion through organic growth.



Branch expansion to Mountain Top. Currently $18 million in deposits.

Fidelity BANK

Acquisition of

Merchants BANK

## 2021

Fidelity BANK

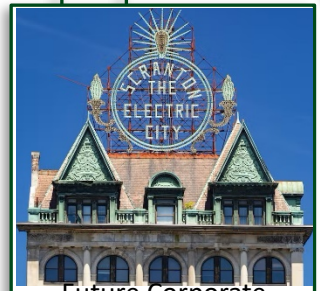
Acquisition of

LANDMARK Community Bank

**$2.4 Billion**

Attained total assets of $1,592.2 million through organic growth and $826.9 billion through inorganic growth.

## 2022




Future Corporate Headquarters Scranton Electric Building

Nasdaq

5 Year Anniversary

# Deposit Market Share

## Lackawanna, PA

| Rank | Institution | Number of Offices | Deposits | Market Share |
|---|---|---|---|---|
| 1 | PNC Bank, National Association | 7 | $2,340,530 | 28.95% |
| 2 | The Fidelity Deposit & Discount Bar | 10 | $1,170,625 | 14.48% |
| 3 | People's Security Bank & Trust Com | 9 | $1,103,049 | 13.64% |
| 4 | FNCB Bank | 6 | $698,214 | 8.64% |
| 5 | Wells Fargo, National Association | 5 | $639,954 | 7.92% |
| 6 | NBT Bank, National Association | 10 | $620,344 | 7.76% |
| 7 | Community Bank, National Associati | 9 | $530,108 | 6.56% |
| 8 | First National Bank of Pennsylvania | 4 | $292,648 | 3.62% |
| 9 | Citizens Savings Bank | 5 | $270,169 | 3.34% |
| 10 | The Honesdale National Bank | 3 | $125,984 | 1.56% |
| **Total for Institutions in the Market** | | **78** | **8,084,668** | |
| Out of 17 Institutions | | | | |

## Luzerne, PA

| Rank | Institution | Number of Offices | Deposits | Market Share |
|---|---|---|---|---|
| 1 | PNC Bank, National Association | 12 | $1,905,841 | 23.47% |
| 2 | Manufacturers and Traders Trust C | 10 | $1,375,066 | 16.93% |
| 3 | Wells Fargo, National Association | 4 | $677,846 | 8.35% |
| 4 | FNCB Bank | 9 | $641,391 | 7.90% |
| 5 | Community Bank, National Associati | 9 | $603,275 | 7.43% |
| 6 | The Fidelity Deposit & Discount Bar | 7 | $544,025 | 6.70% |
| 7 | Citizens Bank, National Association | 7 | $541,353 | 6.67% |
| 8 | The Luzerne Bank | 8 | $482,360 | 5.94% |
| 9 | Truist Bank | 5 | $361,187 | 4.45% |
| 10 | First Keystone Community Bank | 8 | $323,005 | 3.98% |
| **Total for Institutions in the Market** | | **93** | **8,121,057** | |
| Out of 18 Institutions | | | | |

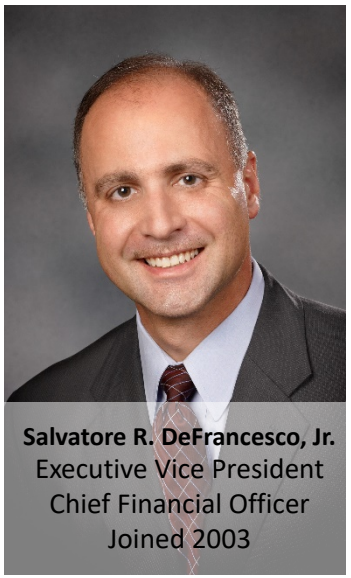
## Northampton, PA

| Rank | Institution | Number of Offices | Deposits | Market Share |
|---|---|---|---|---|
| 1 | Wells Fargo, National Association | 10 | $1,400,344 | 17.64% |
| 2 | Fulton Bank, National Association | 10 | $1,058,093 | 13.33% |
| 3 | Truist Bank | 9 | $1,017,287 | 12.82% |
| 4 | PNC Bank, National Association | 10 | $1,015,701 | 12.80% |
| 5 | Embassy Bank for the Lehigh Valley | 4 | $893,966 | 11.26% |
| 6 | Bank of America, National Association | 3 | $520,117 | 6.55% |
| 7 | The Fidelity Deposit & Discount Bank | 7 | $503,595 | 6.34% |
| 8 | TD Bank, National Association | 4 | $437,005 | 5.51% |
| 9 | First Northern Bank & Trust Company | 4 | $240,540 | 3.03% |
| 10 | Santander Bank, N. A. | 2 | $234,940 | 2.96% |
| **Total for Institutions in the Market** | | **78** | **7,937,817** | |
| Out of 19 Institutions | | | | |

Source: FDIC as of 6/30/2022



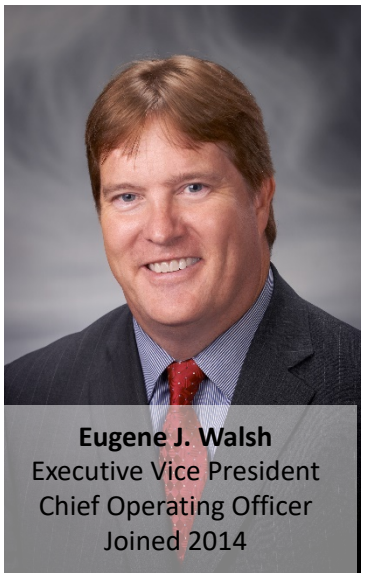
**Daniel J. Santaniello**
President
Chief Executive Officer
Joined 2001



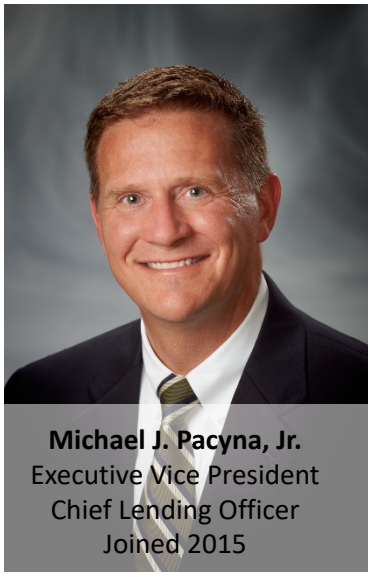
**Salvatore R. DeFrancesco, Jr.**
Executive Vice President
Chief Financial Officer
Joined 2003



**Timothy P. O'Brien**
Sr. Executive Vice President
Chief Business Development Officer
Joined 2008



**Eugene J. Walsh**
Executive Vice President
Chief Operating Officer
Joined 2014



**Michael J. Pacyna, Jr.**
Executive Vice President
Chief Lending Officer
Joined 2015

# Your Fidelity BANK Team



**Michelle J. Carr**
Sr. Vice President
Retail Banking Director
Joined 2005



**Mary T. McNichols**
Sr. Vice President
Human Resources Director
Joined 2006



**Noelle Krempasky**
Vice President
Director of Marketing
Joined 2007



**Theresa Hinton Esq., CTFA**
Sr. Vice President
General Counsel
Joined 2015



**Nicholas A. Parise**
Sr. Vice President
Director of Wealth Management
Joined 2019

# Investment Thesis

**High Performing Community Bank**

- **Above peer group average total return to shareholders. Strong organic and inorganic growth since 2017:**
  - **Assets: 182%**
  - **Gross Loans: 135%**
  - **Deposits: 208%**
  - **Net Income (2022 YTD annualized): 250%**

**Well Diversified Balance Sheet**

- **Loans mix is 54.4% commercial and 45.6% retail.**
- **High quality investments portfolio accounts for 26% of total assets.**

**Low-Cost and Relationship Based Deposits**

- **60% of total funds are interest bearing and non-interest bearing checking accounts (relationship based), producing below peer group cost of funds at 0.29%.**

**Disciplined and Strategic M&A**

- **Completed two strategic acquisitions in the last three years, out-of-market and in-market.**

**Diversified Fee Income Source**

- **Strong residential mortgage loan franchise.**
- **Expanding Wealth Management offering.**
- **Deposit fee income (debit card interchange).**

Source: FDBC 10-K and 10-Q

# Acquisition of MNB Corporation

- **Extended Fidelity Bank franchise into Lehigh Valley markets with strong demographics and economic growth.**
- **Low risk, mature franchise with long-term relationships.**
- **Organization had excellent credit quality.**
- **Core EPS accretion of 17% in 2021.**
- **Was marginally accretive to tangible book value.**
- **Cost saves presented enhanced efficiency and profitability.**
- **Material revenue enhancement (Mortgage Lending, Wealth Management).**

# Lehigh Valley

**$354 Million** Total Loans

**$509 Million** Total Deposits

**Represents 23% of the Bank's total loans and 23% of total deposits**

**Growth Since Acquisition**
**May 1, 2020**

**44%** Loan Growth

**29%** Growth in Deposits

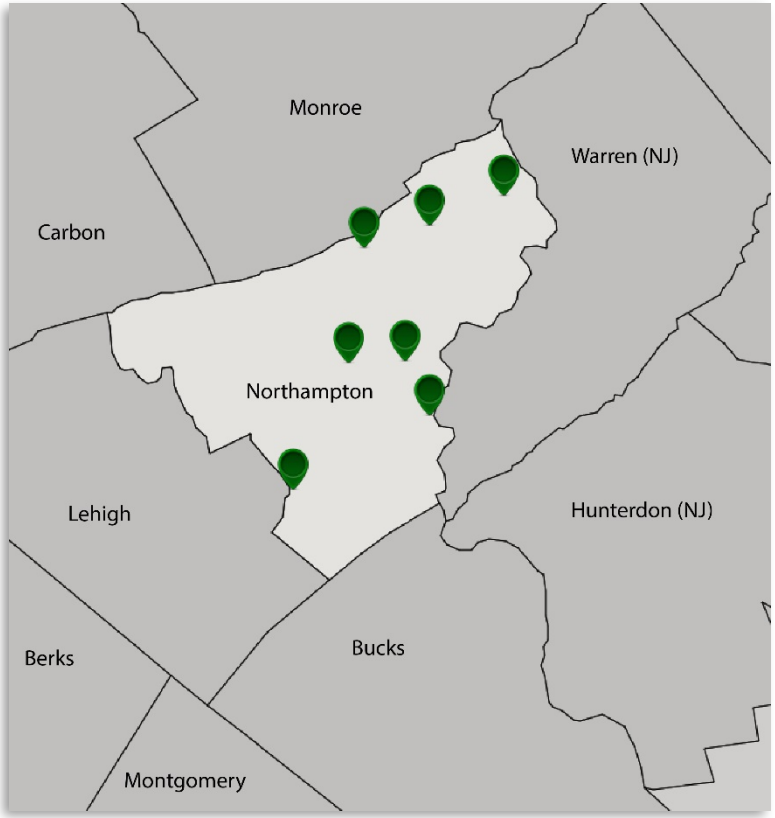
**$42.8** Million of Asset Under Management and Administration

Data as of 11/30/2022.

# Lehigh Valley Expansion

## Why Lehigh Valley?

- Large financial institutions dominate market share.
- Organic growth opportunity with 1,695 bank branches per household.
- Opportunity for community focused bank with a differentiated client experience (voted Best Bank in the Lehigh Valley by the readers of the Morning Call).
- Favorable employment rate.
- High number of businesses.
- Higher median household income.
- Benefits from migration from New York City and New Jersey.



# Acquisition of Landmark Bancorp, Inc.

- **Materially increased Fidelity Bank's market share in Luzerne County.**
- **Superior cost saves and rightsizing Landmark's profitability will drive attractive EPS accretion of 13.6% in 2022.**
- **Defended against a competitor entering Luzerne and Lackawanna Counties.**
- **Mature franchise with long-term relationships.**
- **Marginally dilutive to tangible book value with earn back less than 1 year.**
- **Opportunity for enhanced efficiency and profitability.**

# Wealth Management

Through a client centric approach, Wealth Management non-interest income increased from $1.6 million in 2017 to $3.4 million as of September 30, 2022, or 15.76% CAGR.

**Team Based Model**

- Planning Focused
- Trust Planning and Administration
- Estate Planning
- Retirement Planning
- Investment Management
- Coordination with Other Professionals (attorney, CPA, etc.)

**Single Advisor Model**

- Financial Planning
- Individual Retirement Planning
- Investment Management
- Insurance Solution
- Annuity Solutions
- 401(K) plans

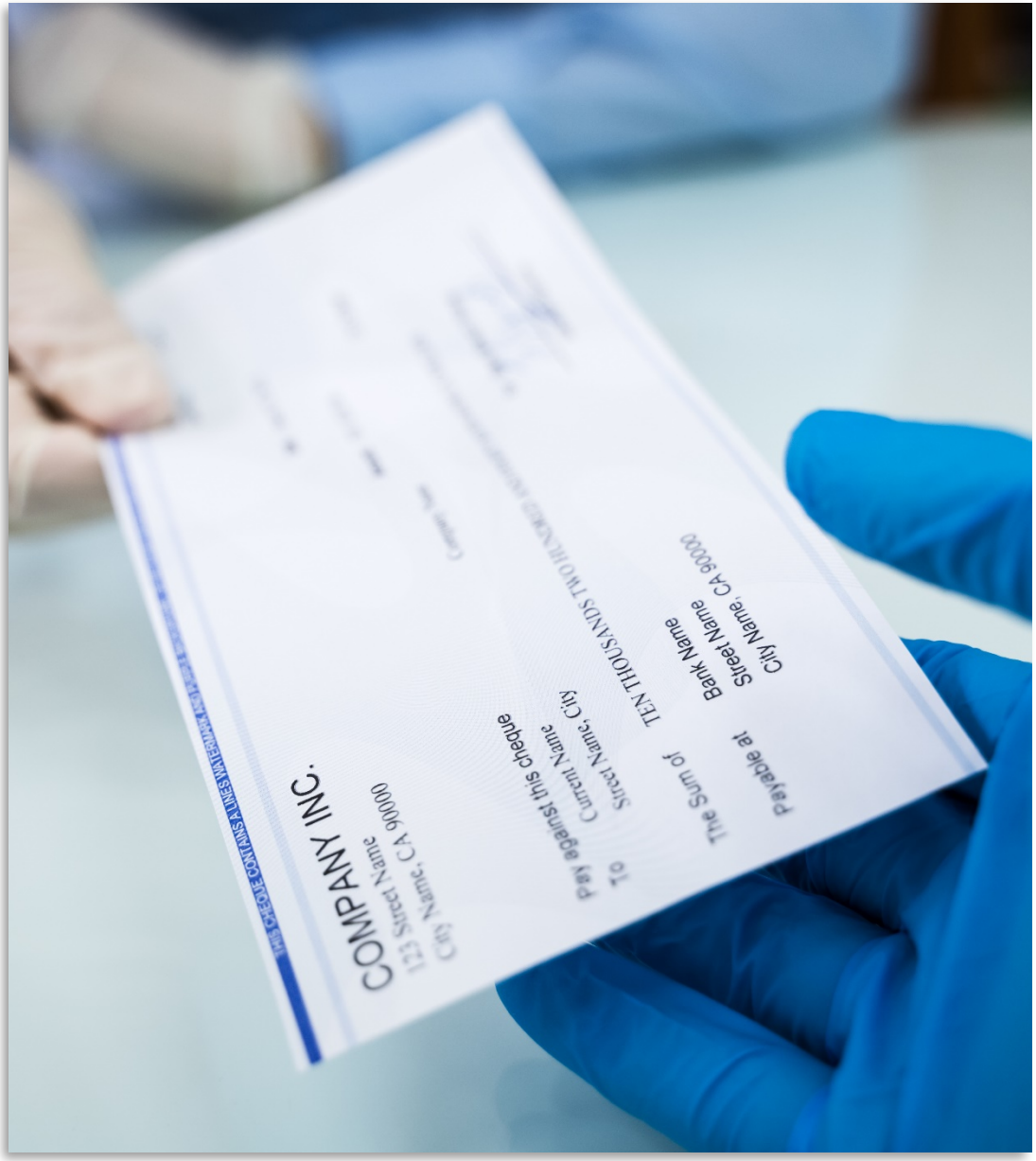
# Strategy & Initiatives

| | |
|---|---|
| Continue to execute on long-term organic strategy | **Continued organic growth in legacy and acquired markets through Fidelity Bank's relationship management strategy.** |
| Enhance revenue opportunities created by whole-bank acquisitions | **Continue to focus on integration of Fidelity Bank's culture and realize revenue enhancement opportunities created by whole-bank acquisition.** |
| Grow our Wealth Management Business | **Continued growth in Wealth Management and Brokerage Services. Engage in opportunistic acquisitions.** |
| Optimize Branch Network | **De novo branches in high growth and strategic markets. Consolidate existing branches in low growth market.** |
| Continue digital evolutions | **Continue to execute Digital Roadmap by investing in client first digital technology that enhance the client and Banker experience which creates operational efficiencies.** |
| Opportunistic acquisitions of whole-banks | **Continue to pursue acquisition opportunities that are cultural fits and enhance shareholder value.** |

# Paycheck Protection Program

- Originated over $236 million in 2,573 PPP loans, generating $10.3 million in gross fees including $1.3 million unearned.
  - First Round - $159 million in 1,051 loans ($5.6 million in fees earned)
  - Second Round - $77 million in 1,022 loans ($3.4 million earned, $1.3 million unearned)
- Helped local businesses keep over 36,000 workers employed
- Average loan size – $91,850

**Earned**
**'Top Customer Ratings of Pandemic Performance'**
**March 2021 by**
**Banking Northeast**



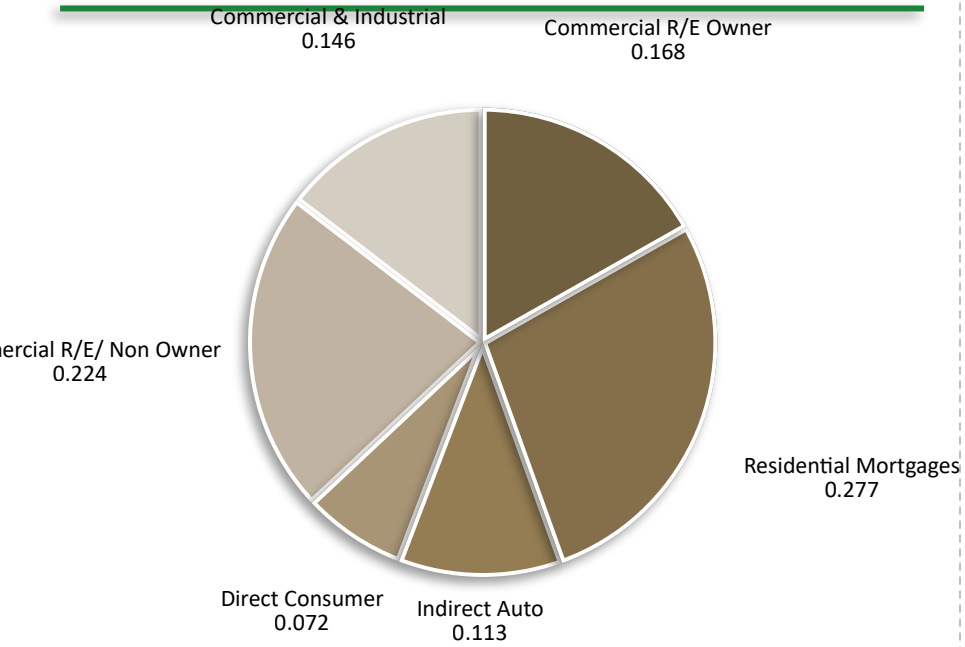
# Financial Performance & Highlights

| | 2018 | 2019 | 2020 | 2021 | 9/30/2022 |
|---|---|---|---|---|---|
| **Balance Sheet** | | | | | |
| Total Assets | $981,102 | $1,009,927 | $1,699,510 | $2,419,104 | $2,435,768 |
| Total Net Loans | $724,024 | $745,306 | $1,135,236 | $1,449,231 | $1,507,549 |
| Total Deposits | $770,183 | $835,737 | $1,509,505 | $2,169,865 | $2,253,233 |
| Total Equity | $93,557 | $106,835 | $166,670 | $211,729 | $146,487 |
| Loans/Deposits (%) | 94.53% | 90.15% | 74.17% | 67.51% | 66.91% |
| **Profitability** | | | | | |
| Net Income | $11,006 | $11,576 | $13,035 | $24,008 | $22,875 |
| Core ROAA | 1.19% | 1.21% | 1.03% | 1.27% | 1.27% |
| Core ROAE | 12.32% | 11.83% | 10.73% | 14.25% | 17.01% |
| Net Interest Margin | 3.59% | 3.52% | 3.30% | 3.23% | 3.32% |
| Efficiency Ratio | 61.74% | 61.81% | 58.70% | 56.31% | 56.38% |
| **Asset Quality** | | | | | |
| NPAs/ Assets | 0.64% | 0.50% | 0.39% | 0.26% | 0.19% |
| NPA Excl. Restructured/ Assets | 0.46% | 0.40% | 0.24% | 0.14% | 0.13% |
| NPAs & 90+ PD/ Assets | 0.64% | 0.50% | 0.39% | 0.27% | 0.20% |
| NCOs/ Avg. Loans | 0.13% | 0.15% | 0.08% | 0.04% | 0.04% |
| Loan Loss Reserves/ Gross Loans | 1.33% | 1.29% | 1.24% | 1.07% | 1.10% |
| Reserves/ NPAs | 154.27% | 193.62% | 215.31% | 245.27% | 375.34% |
| **Capital** | | | | | |
| TCE Ratio | 9.52% | 10.56% | 9.34% | 7.93% | 5.19% |
| Leverage Ratio | 9.79% | 10.39% | 8.81% | 7.94% | 8.51% |
| CET1 Ratio | 13.50% | 14.51% | 15.21% | 13.40% | 13.27% |
| Tier 1 Ratio | 13.50% | 14.51% | 15.21% | 13.40% | 13.27% |
| Total Capital Ratio | 14.75% | 15.76% | 16.46% | 14.51% | 14.34% |

Note: All dollars in thousands unless otherwise noted
Source: FDBC 10-K and 10-Q

# Balance Sheet Mix

## Loan Portfolio



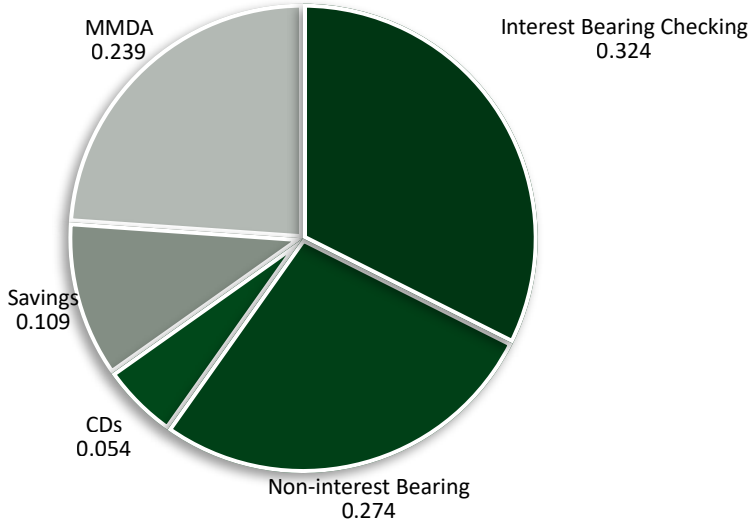

- **Gross loans of $1.5 billion which includes $1.6 million of PPP loans**
- **4.32% loan yield year to date 9/30/2022**
- **53.8% of loans are C&I and CRE**

- **Loans, excluding PPP, were up $196 million from Q3 2021 or 14%.**
- **Non-Owner Occupied CRE at 152% of Total Capital.**
- **Loan-to-Deposit Ratio of 66.9%.**
- **Consumer Loans includes auto, home equity lending and other.**
- **Average FICO in Home Equity portfolio of 745.**
- **Average FICO in Indirect Non-Recourse portfolio of 750.**
- **Average FICO in Residential Mortgage portfolio 744.**

* Source FDBC 10-Q
As of 9/30/2022

# Balance Sheet Mix

## Deposit Base




- **Total Deposits of $2.2 billion**
- **59.8% of deposits are transaction accounts**

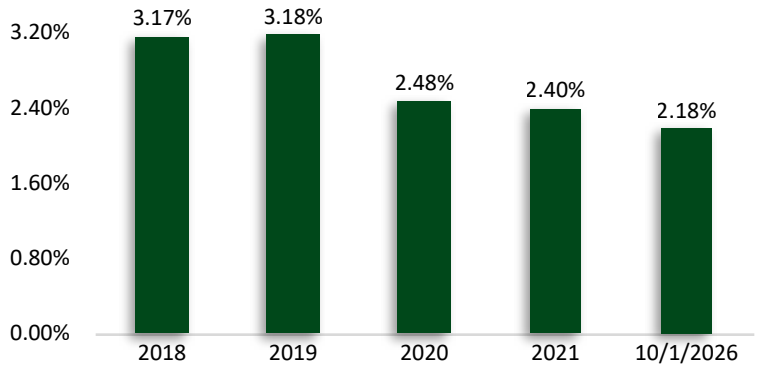
- **Cost of Total Deposits was 0.38% up 15 bps from prior quarter.**
- **Cost of Interest-Bearing Liabilities was 0.40% up 17 bps from prior quarter.**
- **Deposits increased $31.5 million or 2.7%.**
- **Noninterest Bearing Deposits were 27% of total deposits at Q3 2022.**
- **Loans-to-Deposit Ratio was 66.9%.**

* Source FDBC 10-Q
As Of 9/30/2022

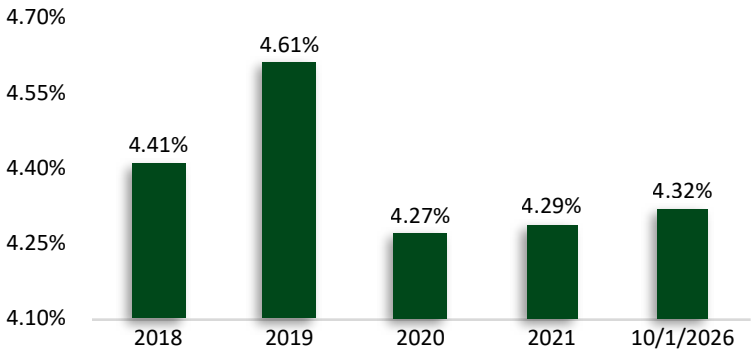
Comparison To Q2 22 unless other wise noted.

# Yield & Cost Trends

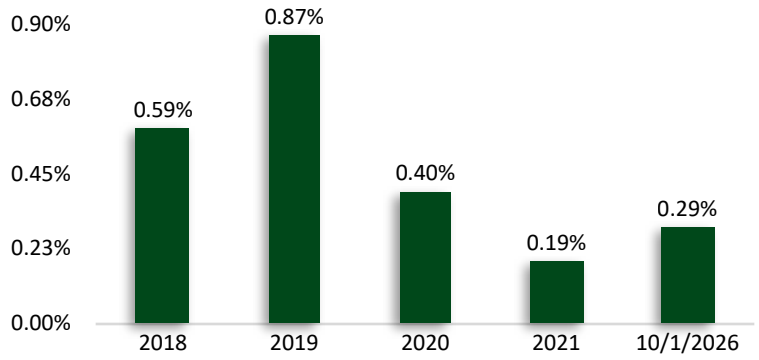
## Yield on Investment Securities



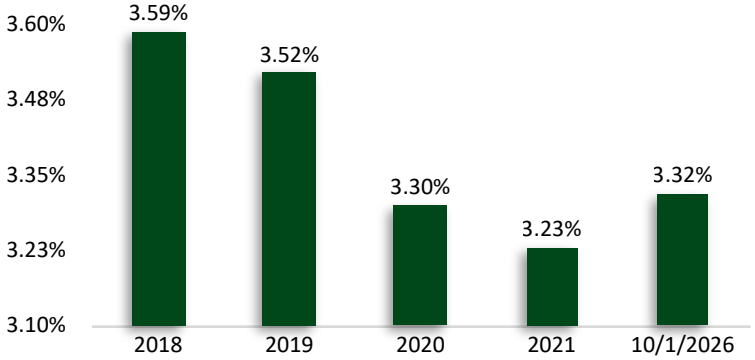

## Yield on Loans




## Cost of Funds



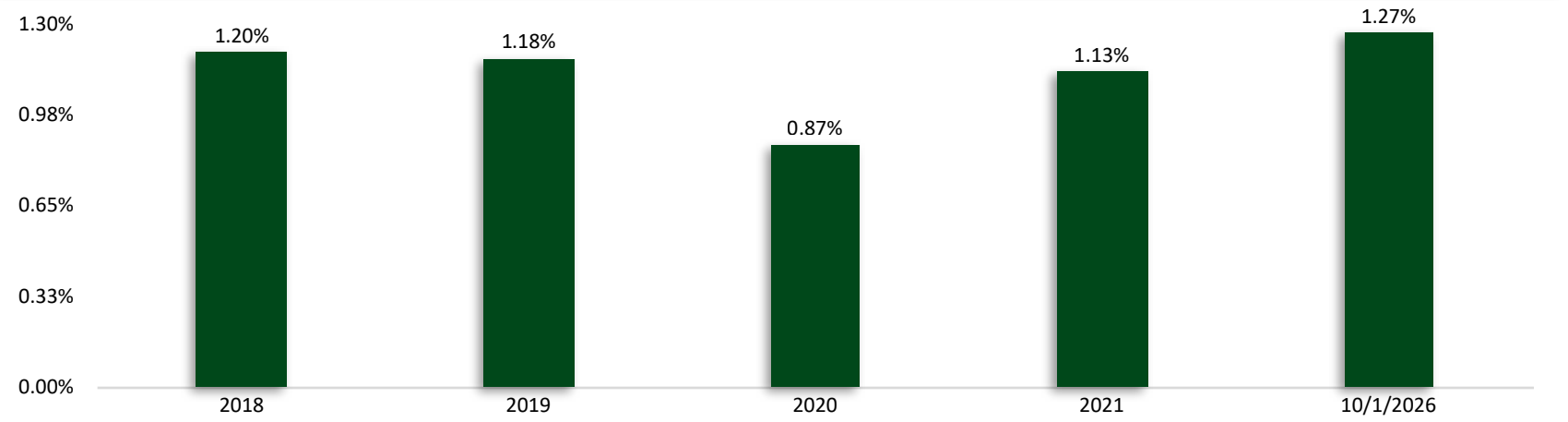

## Net Interest Margin



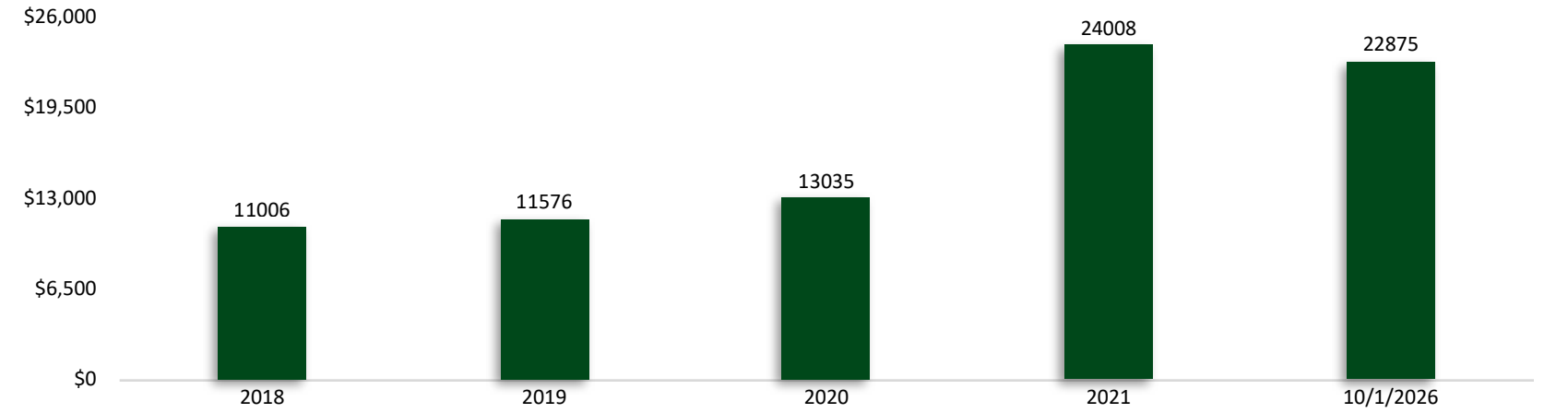

* Source FDBC 10-K and 10-Q

# Profitability Trends

## Return on Average Assets



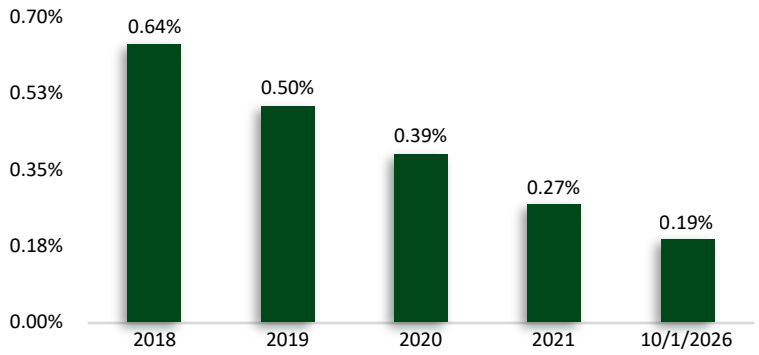

## Net Income



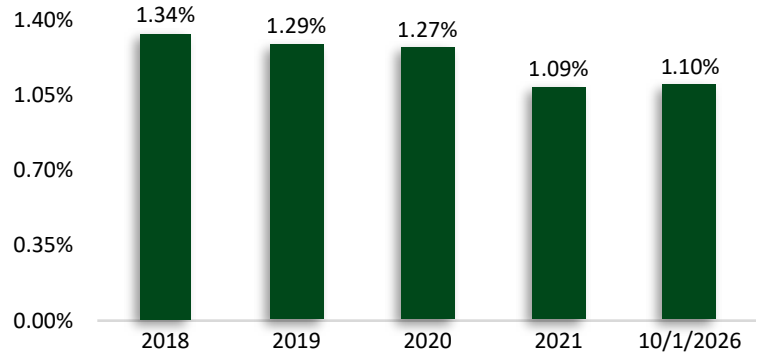

* Source FDBC 10-K and 10-Q; All dollars in thousands

# Credit Quality Trends

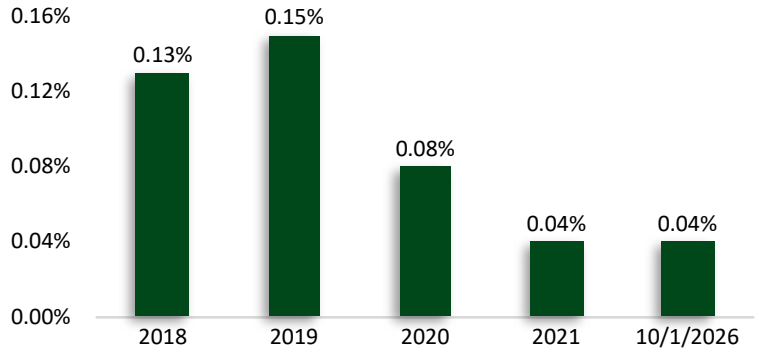
## Nonperforming Assets / Total Assets




## Allowance for Loan Losses / Gross Loans



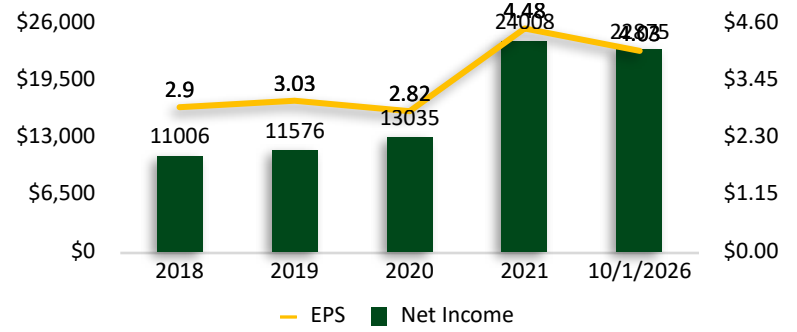

## Net Charge-Offs (Recoveries) / Average Loans



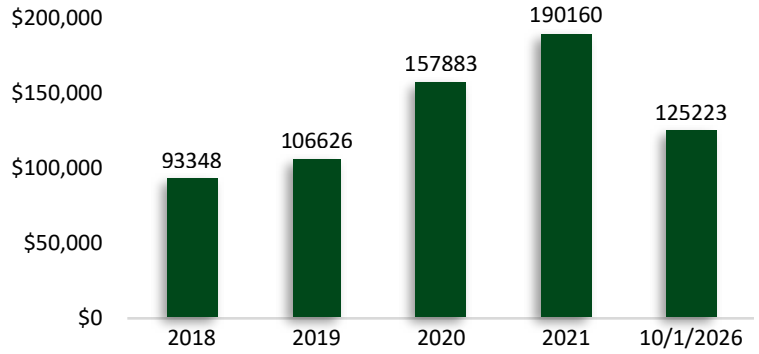

* Source FDBC 10-K and 10-Q

# Shareholder Value

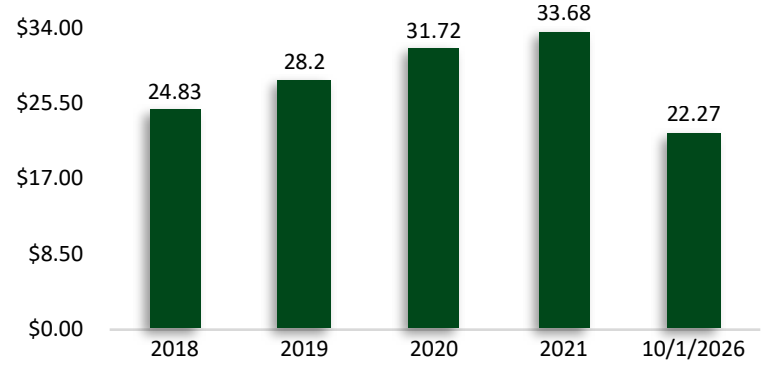
## Net Income & EPS



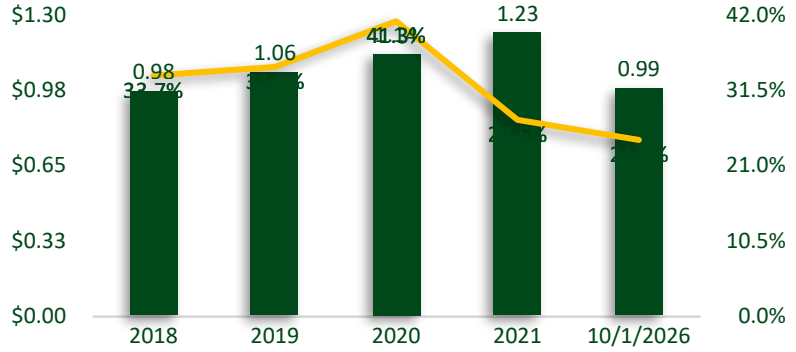

## Tangible Shareholders' Equity




## Tangible Book Value Per Share

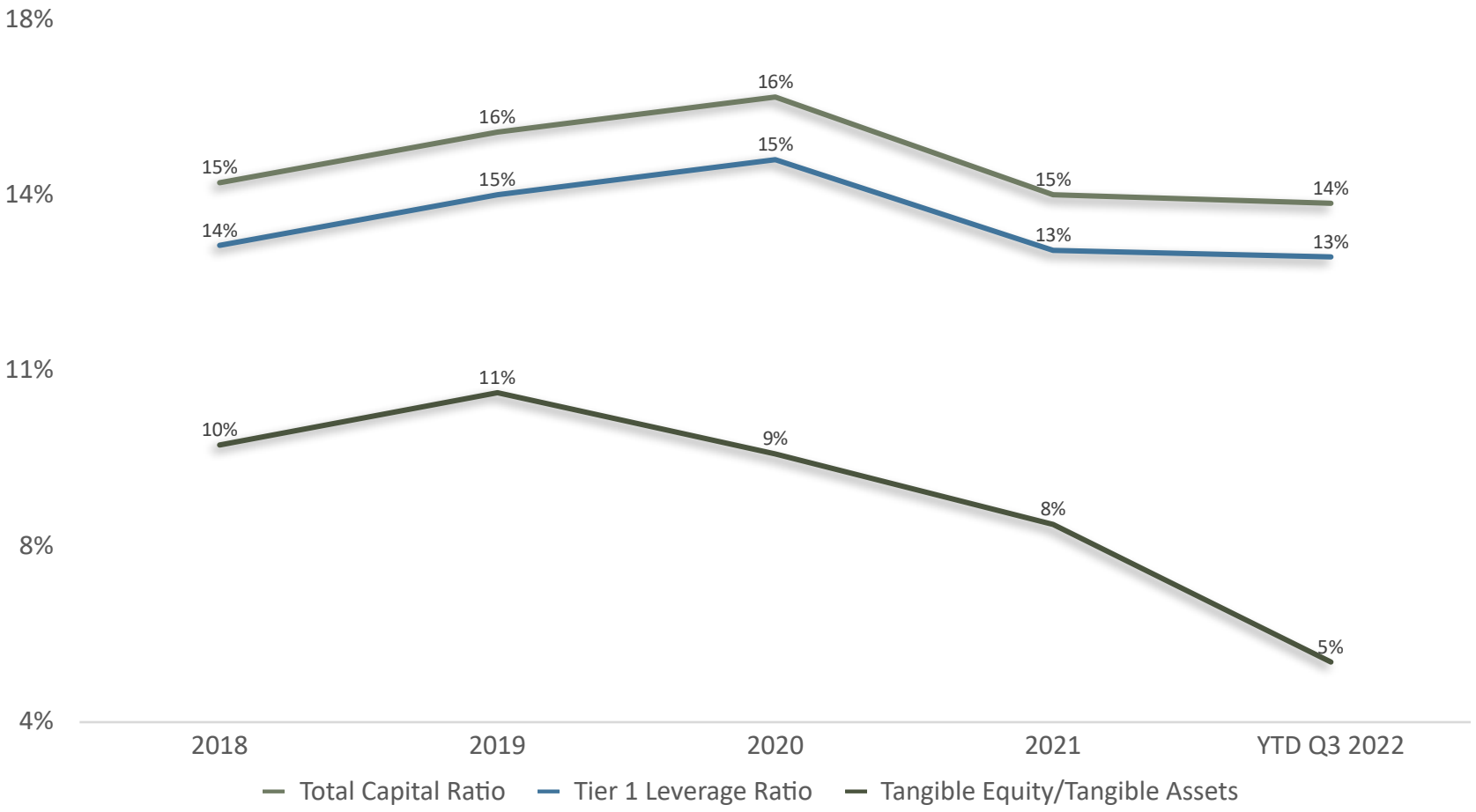



## Dividends



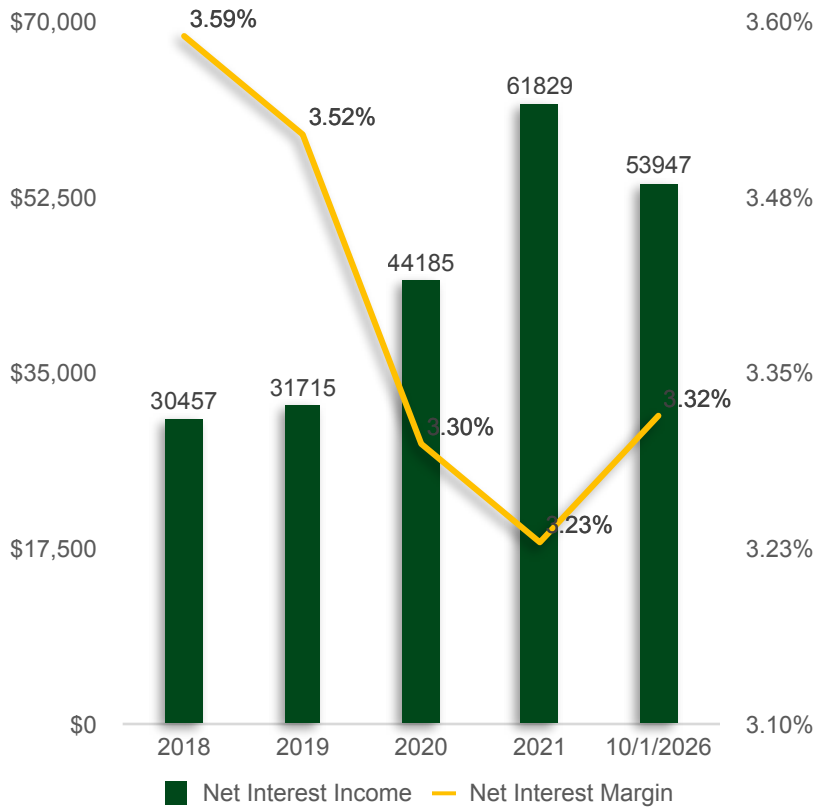

* Source FDBC 10-K and 10-Q; All dollars in thousands except per share values

# Capital Strength



# Net Interest Income & Net Interest Margin

**Net Interest Income ($ in thousands) and Net Interest In Margin (%)**




**Quarterly Highlights**

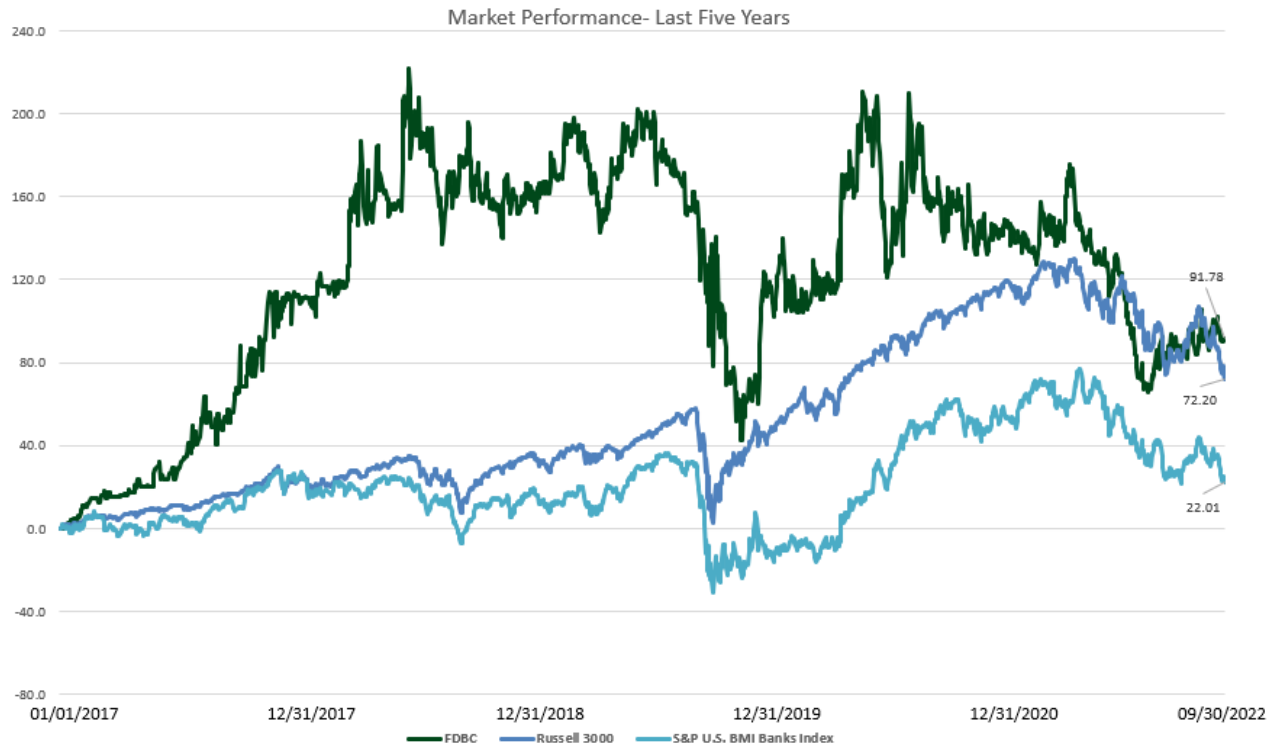
- **Net Interest Margin decreased 2 bps to 3.32%, primarily due to the increase in cost of interest—bearing liabilities outpacing the increase in yield on interest earning asset.**
  - **Interest earning asset yields increased 10 bps.**
  - **The cost of interest-bearing liabilities increased 17 bps.**
- **Net interest income increased $0.4 million to $18.5 million for the 3Q 2022.**
- **PPP income decreased $0.4 million from 2Q 2022, and down $1.3 million from 3Q 2021.**

Net Interest Income and annualized Net Interest Margin are shown on a fully tax equivalent basis, which is a non-GAAP measure.

Comparison to Q2 2022 unless otherwise stated.

* Source FDBC 10-K and 10-Q;

# Stock Market Performance

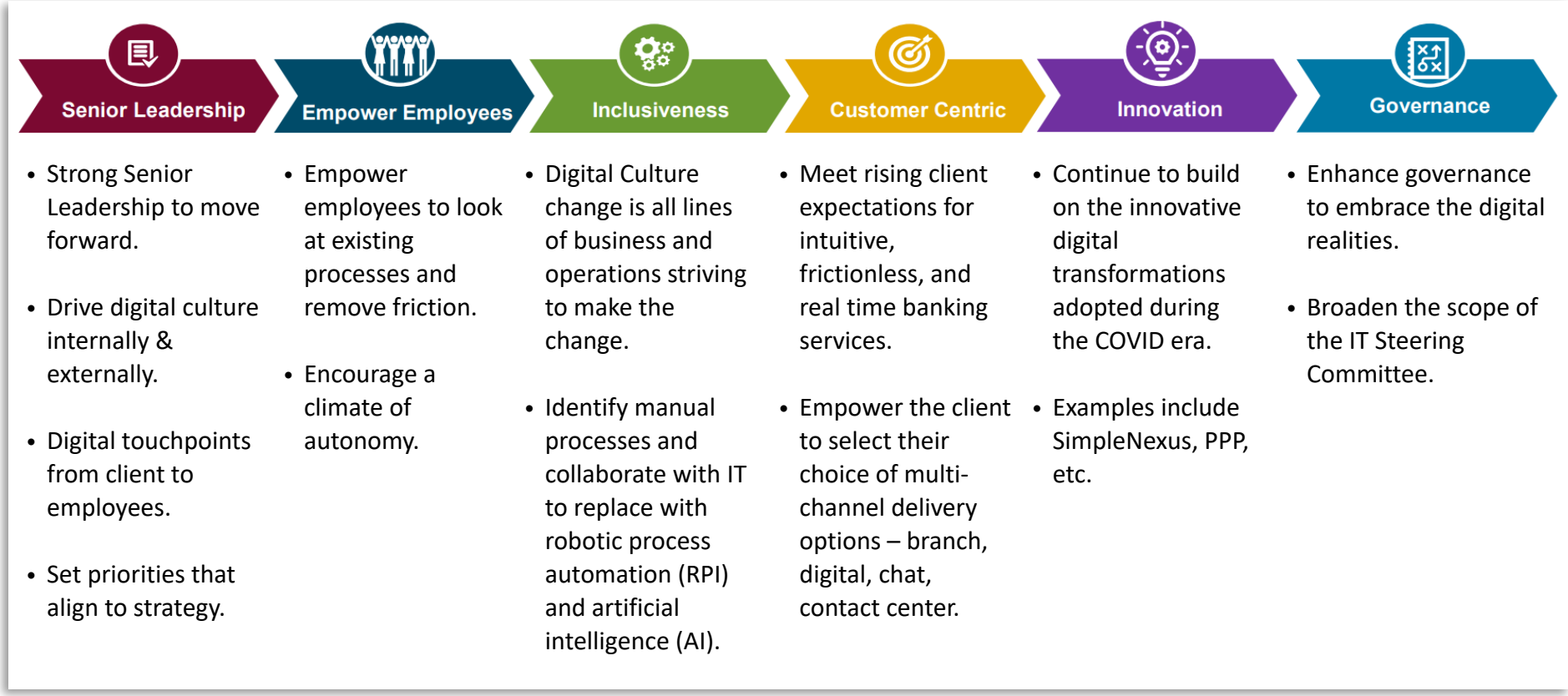



Summary Market Profile

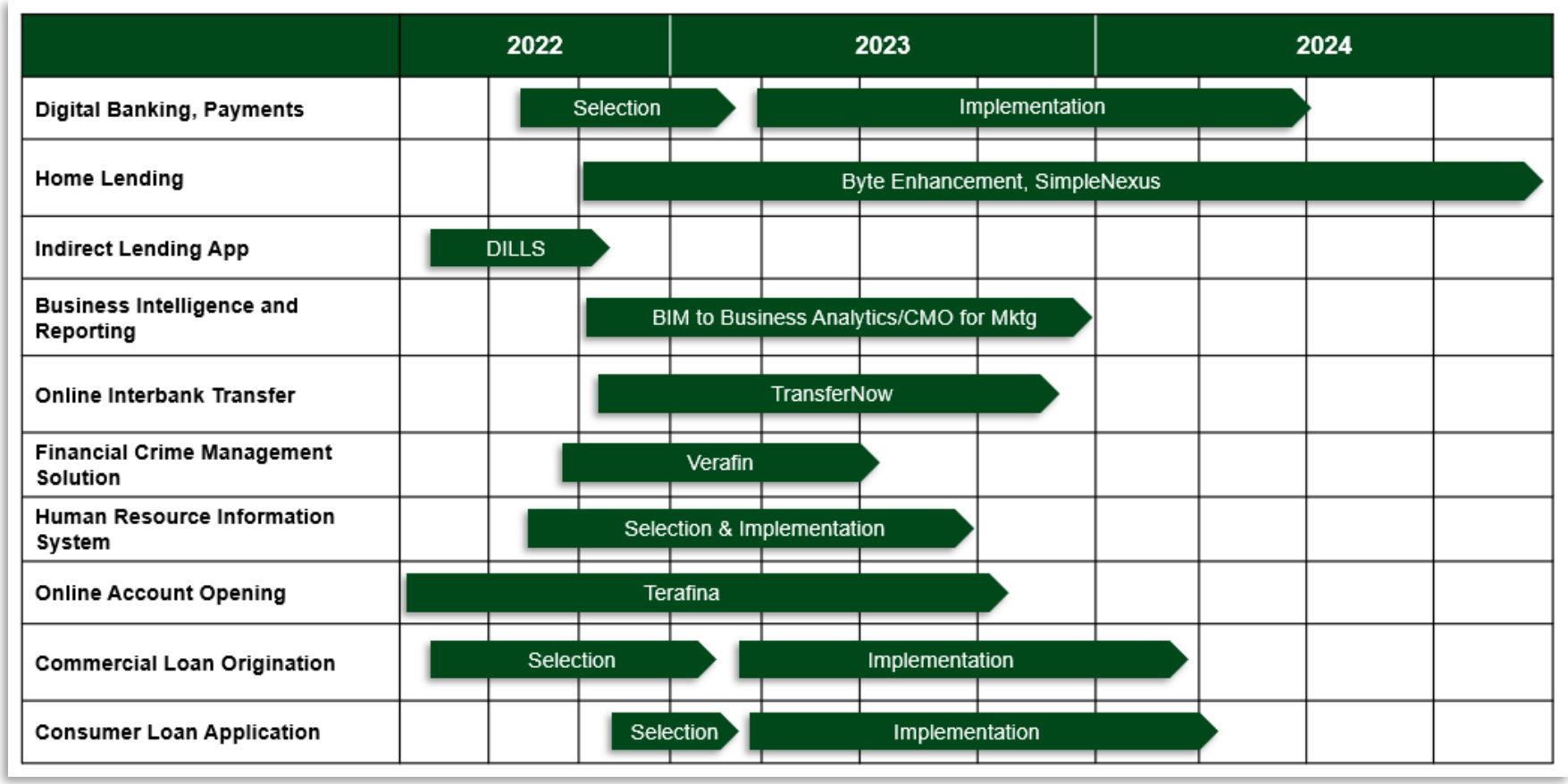
| | |
|---|---|
| Ticker | FDBC |
| Exchange | NASDAQGM |
| Stock Price | $ 40.35 |
| Market Cap. ($M) | $ 223 |
| Dividend Yield | 3.27% |
| Average Daily Volume (3 Months) | |
| Avg Daily Volume (Shares) | 9,543 |
| Avg Daily Volume ($000s) | $ 386 |
| 52-Week High/Low | |
| 52-Week High (12/27/2021) | $ 59.65 |
| 52-Week Low (5/17/2022) | $ 34.20 |
| % Difference vs. 52-Week High | -32.36% |
| % Difference vs. 52-Week Low | 17.99% |
| Valuation Ratios | |
| Price/ Tg. Book Value | 123.9% |
| Price/ MRQ EPS | 29.7x |
| Price/ LTM EPS | 7.5x |

Source: Company information and S&P Global Market Intelligence market data, as of 09/30/2022.

# Digital Alignment and Culture Engagement



# Digital Roadmap



# Digital Adoption Rates



14% increase in mobile dollars deposited



94% increase in Card Manager (formerly Card Valet) users



7% increase in Business Online Banking users



20% increase in Fidelity Bank Business App users



15% increase in online consumer loan applications



16% increase in online consumer loan closes



2% increase in deposit accounts opened online



183% increase in current deposit balance of accounts opened online

Comparison of October 2022 to October 2021.

# Community Involvement & Accolades

- 12,757 hours donated by Bankers since 2018 to community organizations through the Volunteer Time Off program.
- $1.8 million given in philanthropic support to organizations, groups and schools throughout the community in 2021.
- Ranked one of the "Top 200 Community Banks" in the U.S. by American Banker nine times since 2014.
- Ranked #1 mortgage lender in Northeastern Pennsylvania for thirteen consecutive years.*

*based on HMDA data

Fidelity BANK

AMERICAN BANKER 2021 Top 200 Community Banks

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2022 READERS' CHOICE The Times-Tribune

"Best Mortgage Company"