

FIDELITY D & D BANCORP INC  
Form 10-Q  
August 13, 2013  
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2013

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: 333-90273

FIDELITY D & D BANCORP, INC.

STATE OF INCORPORATION: IRS EMPLOYER IDENTIFICATION NO:

PENNSYLVANIA

23-3017653

Address of principal executive offices:

BLAKELY & DRINKER ST.

DUNMORE, PENNSYLVANIA 18512

TELEPHONE:

570-342-8281

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 subjected to such filing requirements for the past 90 days.  YES  NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files).  YES  NO

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

YES  NO

The number of outstanding shares of Common Stock of Fidelity D & D Bancorp, Inc. on July 31, 2013, the latest practicable date, was 2,356,829 shares.

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FIDELITY D & D BANCORP, INC.

Form 10-Q June 30, 2013

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## PART I – Financial Information

## Item 1: Financial Statements

Fidelity D & D Bancorp, Inc. and Subsidiary  
Consolidated Balance Sheets  
(Unaudited)

(dollars in thousands)	June 30, 2013	December 31, 2012
Assets:		
Cash and due from banks	\$ 15,238	\$ 12,657
Interest-bearing deposits with financial institutions	28	9,189
 Total cash and cash equivalents	 15,266	 21,846
Available-for-sale securities	96,259	100,441
Held-to-maturity securities	207	289
Federal Home Loan Bank stock	3,214	2,624
Loans and leases, net (allowance for loan losses of \$8,296 in 2013; \$8,972 in 2012)	451,665	424,584
Loans held-for-sale (fair value \$5,417 in 2013, \$10,824 in 2012)	5,389	10,545
Foreclosed assets held-for-sale	2,617	1,607
Bank premises and equipment, net	13,802	14,127
Cash surrender value of bank owned life insurance	10,231	10,065
Accrued interest receivable	2,073	1,985
Other assets	14,452	13,412
 Total assets	 \$ 615,175	 \$ 601,525
Liabilities:		
Deposits:		
Interest-bearing	\$ 392,255	\$ 388,625
Non-interest-bearing	127,268	126,035
 Total deposits	 519,523	 514,660
Accrued interest payable and other liabilities	3,550	3,863
Short-term borrowings	16,199	8,056
Long-term debt	16,000	16,000
 Total liabilities	 555,272	 542,579
Shareholders' equity:		
Preferred stock authorized 5,000,000 shares with no par value; none issued	-	-

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Capital stock, no par value (10,000,000 shares authorized; shares issued and outstanding; 2,356,829 in 2013; and 2,323,248 in 2012)	24,454	23,711
Retained earnings	36,732	34,999
Accumulated other comprehensive (loss) income	(1,283)	236
Total shareholders' equity	59,903	58,946
Total liabilities and shareholders' equity	\$ 615,175	\$ 601,525

See notes to unaudited consolidated financial statements

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

(Unaudited)	Three months ended		Six months ended	
(dollars in thousands except per share data)	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
Interest income:				
Loans and leases:				
Taxable	\$ 5,335	\$ 5,292	\$ 10,705	\$ 10,572
Nontaxable	121	116	220	252
Interest-bearing deposits with financial institutions	2	15	14	43
Investment securities:				
U.S. government agency and corporations	137	240	316	521
States and political subdivisions (nontaxable)	299	310	589	619
Other securities	18	18	36	36
Total interest income	5,912	5,991	11,880	12,043
Interest expense:				
Deposits	511	617	1,026	1,301
Securities sold under repurchase agreements	4	8	13	23
Other short-term borrowings and other	4	-	5	-
Long-term debt	213	213	423	452
Total interest expense	732	838	1,467	1,776
Net interest income	5,180	5,153	10,413	10,267
Provision for loan losses	600	600	1,150	1,300
Net interest income after provision for loan losses	4,580	4,553	9,263	8,967
Other income:				
Service charges on deposit accounts	459	424	911	843
Interchange fees	307	268	580	522
Fees from trust fiduciary activities	192	149	340	307
Fees from financial services	140	118	296	286
Service charges on loans	348	357	582	651
Fees and other revenue	119	97	221	169
Earnings on bank-owned life insurance	86	81	166	161
Gain (loss) on sale, recovery, or disposal of:				
Loans	390	434	894	829
Investment securities	9	7	128	261
Premises and equipment	1	(1)	1	(1)
Impairment losses on investment securities:				
Other-than-temporary impairment on investment securities	-	(31)	(61)	(241)
Non-credit-related losses on investment securities not expected to be sold (recognized in other comprehensive income (loss))	-	-	61	105
Net impairment losses on investment securities	-	(31)	-	(136)
Total other income	2,051	1,903	4,119	3,892
Other expenses:				
Salaries and employee benefits	2,422	2,294	4,896	4,651



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Premises and equipment	805	806	1,660	1,704
Advertising and marketing	215	243	467	395
Professional services	328	365	577	671
FDIC assessment	123	127	249	249
Loan collection	168	180	363	301
Other real estate owned	61	104	184	159
Office supplies and postage	114	93	216	212
Other	370	497	875	1,118
Total other expenses	4,606	4,709	9,487	9,460
Income before income taxes	2,025	1,747	3,895	3,399
Provision for income taxes	512	430	988	825
Net income	\$ 1,513	\$ 1,317	\$ 2,907	\$ 2,574
Per share data:				
Net income - basic	\$ 0.64	\$ 0.57	\$ 1.24	\$ 1.13
Net income - diluted	\$ 0.64	\$ 0.57	\$ 1.24	\$ 1.13
Dividends	\$ 0.25	\$ 0.25	\$ 0.50	\$ 0.50

See notes to unaudited consolidated financial statements

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## Fidelity D &amp; D Bancorp, Inc. and Subsidiary

Consolidated Statements of Comprehensive Income (Unaudited) (dollars in thousands)	Three months ended June 30,		Six months ended June 30,	
	2013	2012	2013	2012
Net income	\$ 1,513	\$ 1,317	\$ 2,907	\$ 2,574
Other comprehensive (loss) income, before tax:				
Unrealized holding (loss) gain on available-for-sale securities	(1,810)	514	(2,227)	1,013
Reclassification adjustment for net gains realized in income	(9)	(7)	(128)	(261)
Net impairment losses on investment securities	-	31	-	136
Net unrealized (loss) gain	(1,819)	538	(2,355)	888
Tax effect	619	(183)	801	(302)
Unrealized (loss) gain, net of tax	(1,200)	355	(1,554)	586
Non-credit-related impairment gain on investment securities not expected to be sold	92	238	53	282
Tax effect	(31)	(81)	(18)	(96)
Net non-credit-related impairment gain on investment securities	61	157	35	