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FIDELITY D&D BANCORP, INC. 2023 ANNUAL REPORT

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"Success is knowing your purpose in life, growing to reach your maximum potential, and sowing seeds that benefit others."
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MESSAGE TO OUR VALUED SHAREHOLDERS:

Despite a challenging year that included an unprecedented interest rate cycle and a rapidly evolving landscape, the Fidelity Bankers' commitment to building mutually beneficial relationships and partnering with our clients to achieve financial success continued to generate substantial growth. The accelerated movement from extended periods of historically low to significantly higher interest rates put pressure on community banks' net-interest margins.

At year's end, Fidelity D & D Bancorp, Inc. reported net income of \$18.2 million, or \$3.19 diluted earnings per share - a decline compared to the same period ending December 31, 2022, which reported a net income of \$30.0 million, or \$5.29 diluted earnings per share. In addition, net interest income declined to \$62.1 million, down from \$72.3 million in the previous year. Excluding the loss on a sale of securities of \$5.1 million, net of tax, net income would have been 28% higher for the year ended December 31, 2023.

The Board of Directors and Fidelity Bankers are pleased to report that at the end of the year:

- Gross loans and leases grew \$121 million, or 8%.
- Non-interest income, excluding the loss on the sale of securities, increased \$1.2 million, or 7%.
- Assets grew by \$125 million, closing the year at \$2.5 billion.

Proud to Rejoin the Russel 3000® Index

Effective June 26, 2023, Fidelity Bank rejoined the broad-market Russell 3000® Index which captured the 3,000 largest US stocks as of April 28, 2023, as part of the Russell US Indexes annual reconstitution, ranking them by total market capitalization.

The Russel Indexes are internationally recognized markers of growth that identify companies to determine where

they lie along the investment spectrum from value to growth. Membership in the index is determined primarily by business objective, market-capitalization rankings, as well as customer delivery and differentiation attributes. Fidelity Bank's inclusion in the Russell 3000® Index demonstrates its long standing commitment and position to delivering long-term growth and maximizing shareholder value.

Among the Top Community Banks

Despite economic uncertainty and stress on the banking sector throughout 2023, the deep and meaningful relationships that Fidelity Bankers have built with clients, with communities, and with each other have allowed Fidelity Bank to continue to rank among the top community banks locally, regionally, and nationally.

In 2023, Fidelity Bank was awarded a Five-Star "Superior" Rating from industry watchdog BauerFinancial for 40 consecutive quarters over nine consecutive years. In addition, the Bank was once again recognized as one of the Top 200 Publicly Traded Community Banks in the U.S. by American Banker Magazine, marking the 10th consecutive time that this highly regarded industry publication has recognized Fidelity Bank as a top community bank.

At the local level, Fidelity Bank was voted "Best Bank" by the readers of the Standard Speaker's Readers' Choice Awards; "Best Mortgage Company" by the readers of The Scranton Times Readers' Choice Awards; and was selected as the 2023 Silver Winner for Best Places to Work in NEPA by the Times Leader Media Group.

Powering Economic Growth

From residential lending, to commercial and government financing, Fidelity Bank has continued to maintain its position as market leader in the communities

served, achieving strong originations across all portfolios, and realizing a year-end level of loans in excess of \$531 million.

Ranked as the #1 mortgage lender in Northeastern Pennsylvania for 13 years in a row, in 2023, Fidelity Bank provided over \$130 million to fulfill the dream of home ownership. The Bank also continued to create strong partnerships with local businesses and local government, originating over \$189.1 million in business loans to help local communities prosper and assisting local government with loans totaling over \$75 million.

Uplifting Communities

Being a true community bank means giving back. In 2023, Fidelity Bankers continued to help ensure the sustainability of our communities by donating 5,983 volunteer hours to organizations that bring resources to those in need. In addition to donating time and talent to these community groups, the Bank also supported hundreds of local and regional non-profit organizations with over \$1.36 million in charitable giving.

In 2023, the bank reaffirmed its commitment to the Lehigh Valley, relocating to a newer, convenient branch location in downtown
Bethlehem. In support of this move,
Bethlehem Emergency Sheltering (BES), a faith-based partnership that provides a network of care and hospitality for the homeless in this community, was the recipient of a \$10,000 Fidelity Bank IMPACT grant. BES will use the funds strategically to facilitate the transformation of the current BES shelter into a year-round facility.

Fidelity Bank also provided funding to forty-two educational organizations in Northeast Pennsylvania and in the Lehigh Valley, awarding these organizations \$564,000 in

Pennsylvania Educational Improvement Tax Credit (EITC) funds. This funding will support the educational initiatives that these groups deliver to the community, affording students opportunities for better educational outcomes.

In addition to these contributions, during 2023 the Fidelity D&D Charitable Foundation awarded \$87,500 to high priority causes and communities. Launched in 2022, the foundation acts as a catalyst to heighten awareness of community needs and will continue to build more events and programs around this initiative in 2024.

Expanding Digital Services

Fidelity Bank continues to expand on its digital channels and tools, addressing the demand for instant access to information that impacts clients' financial well-being. To satisfy this demand and enhance client loyalty, in the latter half of 2023, the Bank introduced Money IQ - a resource repository of videos and articles that provide helpful information and valuable insights on a wide range of financial topics, from banking and financial fitness to identity theft security and more. Community banks like Fidelity recognize the investment in technology and digital transformation will be better positioned to proactively meet clients' expectations, creating a more accessible and efficient client experience.

Investing in Our Bankers

Our continuing success as a bank is built on the contributions and success of our bankers, the relationships they develop with clients, and their presence in the communities we do business in. To support exceptional client experiences, Fidelity Bankers are given the training and resources they need to cultivate deeper and broader relationships with their clients and to build solid partnerships for financial success. Thanks to our Board of Directors,

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Managers, and Supervisors who have been fully supportive of bankers committed to continuous learning, in 2023, 301 Bankers collectively completed over 11,473 hours of training. In addition, a new tuition reimbursement program will aid those bankers looking to further their education.

Nurturing Future Leaders

The Bank's Leadership Academy
Training program is part of the Bank's
commitment to nurture future leaders
within the organization and equips
Fidelity Bankers who are enrolled in the
program with the tools needed to
inspire and lead.

As a complement to this program, the Fidelity D&D Charitable Foundation has established a scholarship fund to honor the dedicated efforts of Fidelity Bankers and to recognize the importance of education in their children's lives.

Named The Patrick J. Dempsey and Ronald 'Pete' Cann Scholarship, this inaugural program pays tribute to

distinguished leaders of Fidelity Bank and is open to children of full-time Fidelity Bankers who meet eligibility criteria.

A Roadmap for the Future

To continue to thrive in an evolving landscape, expand client relationships, and capture new market opportunities, the Bank is updating its Strategic Plan with a refined and prioritized roadmap for the future. The updated plan will focus on innovative practices that will modernize and simplify operations while enhancing a culture of service, urgency and accountability.

A key component of the Strategic Plan is the Bank's new "Corporate Purpose" initiative. As competition in the banking sector continues to increase, this program seeks to clearly differentiate Fidelity Bank from other institutions by asking, "Why Fidelity?" The initiative is core to what defines the Bank and is meant to further unite and energize Fidelity Bankers, clients, shareholders and the community around the Bank's

central purpose-creating an extraordinary banking experience that differentiates the Fidelity Bank brand and produces exceptional shareholder value.

Committed to Enhancing Shareholder Value

Fidelity Bank remains focused on providing our shareholders consistent, reliable, earnings growth by continually improving operational performance and profitability, and by continuing to exceed client expectations through a unique banking experience.

We continue to execute well, with strong credit quality, managed expenses, and a disciplined focus on our strategic objectives.

Uniquely Positioned

Fidelity Bankers remain dedicated to serving as trusted financial advisors to our clients and the community - the partners who really know and understand our clients. Our experiences and insights, our strong referral

network, our local on the ground expertise and our empathy are attributes that are uniquely Fidelity, allowing us to serve in ways that other banks simply do not and cannot.

We are immensely proud of what the Fidelity Bankers have achieved over the past challenging year and recognize the hard work and perfect effort put forth by each Fidelity Banker.

Thanks to the unwavering commitment of each and every one of our Fidelity Bankers and your dedication to providing exceptional service, Fidelity Bank is well positioned for the future.

Sincerely.

Brian J. Cali,

Chairman of the Board

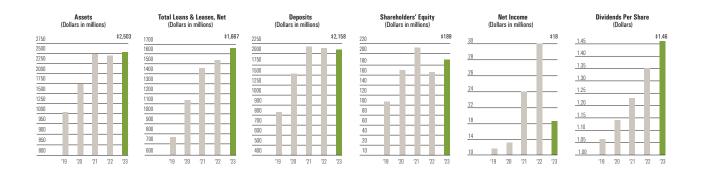
Daniel J. Santaniello,

President and Chief Executive Officer



Board of Directors (L to R): Alan Silverman | Brian J. Cali, Chairman | Richard M. Hotchkiss | John T. Cognetti, Secretary | Daniel J. Santaniello, President and Chief Executive Officer | HelenBeth Garofalo Vilcek | Michael J. McDonald, Vice Chairman | Paul C. Woelkers | William J. Joyce.

FINANCIAL HIGHLIGHTS



(dollars in thousands except per share data)	2023		2022		2021	2020	2019
	Amount	% Change	Amount	% Change	Amount	Amount	Amount
For the Year							
Net Interest Income	\$ 62,047	-14.2%	\$ 72,274	16.9%	\$ 61,829	\$ 44,185	\$ 31,715
Net Income	\$ 18,210	-39.3%	\$ 30,021	25.0%	\$ 24,008	\$ 13,035	\$ 11,576
Cash Dividends	\$ 8,387	8.8%	\$ 7,709	16.7%	\$ 6,608	\$ 5,378	\$ 4,037
Return on Average Assets	0.76%		1.25%		1.13%	0.87%	1.18%
Return on Average Equity	10.56%		17.37%		12.69%	9.06%	11.49%
Net Interest Margin	2.81%		3.28%		3.23%	3.30%	3.52%
Per Share							
Net Income - Diluted	\$ 3.19	-39.7%	\$ 5.29	18.1%	\$ 4.48	\$ 2.82	\$ 3.03
Cash Dividends	\$ 1.46	8.1%	\$ 1.35	9.8%	\$ 1.23	\$ 1.14	\$ 1.06
Book Value	\$ 33.22	14.8%	\$ 28.94	-22.8%	\$ 37.50	\$ 33.48	\$ 28.25
Average Shares Outstanding	5,676,711	0.6%	5,644,599	6.1%	5,321,687	4,586,224	3,779,582
At Year End							
Assets	\$ 2,503,159	5.2%	\$ 2,378,372	-1.7%	\$ 2,419,104	\$ 1,699,510	\$ 1,009,927
Earning Assets	\$ 2,338,425	4.5%	\$ 2,237,699	-1.6%	\$ 2,273,652	\$ 1,590,841	\$ 941,960
Investment Securities	\$ 568,273	-11.7%	\$ 643,606	-12.9%	\$ 738,980	\$ 392,420	\$ 185,117
Total Loans & Leases, Net	\$ 1,667,749	7.7%	\$ 1,548,662	6.9%	\$ 1,449,231	\$ 1,135,236	\$ 745,306
Deposits	\$ 2,158,425	-0.4%	\$ 2,166,913	-0.1%	\$ 2,169,865	\$ 1,509,505	\$ 835,737
Borrowings	\$ 124,372	504.9%	\$ 20,559	93.6%	\$ 10,620	\$ 5,000	\$ 52,839
Shareholders' Equity	\$ 189,479	16.3%	\$ 162,950	-23.0%	\$ 211,729	\$ 166,670	\$ 106,835
Shares Outstanding	5,703,636	1.3%	5,630,794	-0.3%	5,645,687	4,977,750	3,781,500
Ratios							
Net Loans to Deposits	77.27%		71.47%		66.79%	75.21%	89.18%
Non-performing Assets to Total Assets	0.13%		0.17%		0.27%	0.39%	0.50%
Equity to Assets	7.57%		6.85%		8.75%	9.81%	10.58%
Tier I Risk-Based Capital	13.42%		13.27%		13.40%	15.21%	14.51%
Total Risk-Based Capital	14.67%		14.35%		14.51%	16.46%	15.76%









Products & Services

Consumer Deposit Products

- Start Fresh Checking
- · First Step Checking
- Reliance Checking
- Relationship Checking
- Performance Checking
- Platinum Checking
- Money Market Deposit Accounts
- · Optimum Choice Savings
- Statement Savings
- Green Team Savings
- Scholar Savings
- IRA Certificates of Deposit (Fixed & Variable Rate)
- IRA Optimum Savings
- · Certificates of Deposit
- CDARS/ICS Programs
- · Christmas & All Purpose Clubs
- Teen Spending Account

Consumer Loan Products

- Home Equity Lines of Credit
- . Home Equity Installment Loans
- · Conventional & Jumbo Mortgages
- Construction Mortgages
- FHA/USDA/VA Mortgages
- Auto Loans
- · Personal Loans
- Secured & Unsecured Loans
- Preferred Credit Loans

Card Services

- Visa® Consumer Debit Card
- Visa® Business Debit Card • Visa® Credit Card
- American Express® Credit Card
- Card Manager
- Digital Wallet

Digital Services

- Mobile Banking
- · Mobile Deposit
- Online Banking
- Web Bill Pay
- Electronic Statement Delivery • Email Alerts & Text Alerts
- Secure Mail
- Online Account Opening
- Telephone Link

Business Deposit Products & Services

- · Business Checking
- · Basic Business Checking
- · Business Relationship Interest Checking
- Business Analysis Checking
- · Community First Non-Profit Checking
- Community First Checking
- Estate Checking
- Healthcare Checking IOLTA Checking
- · Fidelity Muni-Choice Checking
- CDARS/ICS Programs Savings Accounts
- · Certificates of Deposit
- Money Market Deposit Accounts
- Fidelity Bank at Work Program

Business Loan Products

- Commercial Loans
- Equipment Loans
- Healthcare Loans
- Lines of Credit
- Municipal Loans
- Community Development Loans
- · Commercial/Equipment Leasing · Commercial Mortgages
- · Letters of Credit

Special Business Loan Programs

- SBA Loan Programs
- · PEDFA Loans
- FHLB BOB Program • USDA Loan Programs
- Scranton Industrial Development
- Company Loan Program • Tax Incremental Financing Programs
- · Pennsylvania Industrial Development Authority

Business Services Cash Management

- · Business Online Banking
- · Fidelity Mobile Banking for Business · Mobile Deposit for Business
- · Direct Deposit Services
- Merchant Services Credit Card Processing
- · Electronic Funds Receivables & Payables
- Positive Pay Fraud Detection Valet Banking Courier Service
- Remote Deposit Capture
- Lock Box
- Zero Balance Accounting (ZBA)
- · eGiving (electronic donation/tithing)
- Wire Transfer Services
- Business Sweeps
- · Business Bill Pay
- · Sweep Line of Credit

Investment Services*

- · Retirement Planning
- · College Planning
- Estate Planning
- Exchange Traded Funds (ETF's) · Life Insurance
- Fixed & Variable Annuities
- · Unit Investment Trusts
- Mutual Funds
- Stocks
- Ronds
- Long Term Care Insurance
- 401(k) Plans (Including Solo 401(k) Plans)
- Profit Sharing Plans
- 403(b) Plans
- SEP-IRA Plans
- SIMPLE IRA Plans *Not FDIC insured. No Bank Guarantee. May Lose Value.

Trust Services

- Personal Trust
- Charitable Trusts
- Special Needs Trusts
- Revocable & Irrevocable Trusts • Testamentary Trusts
- Estate Settlement & Services
- Endowments
- Guardianships • Corporate Trust
- Bond Trustee
- Paying Agent
- Institutional Money Management

Additional Bank Services

- · Acceptance of Dunmore Taxes
- Acceptance of Scranton/Lackawanna Taxes
- · Acceptance of Elite Revenue Services Delinquent
- Tax & Levee Payments · Money Orders & Cashier Checks
- Safe Deposit Box Services
- Acceptance of Lackawanna River Basin Sewer Authority Payments
- Acceptance of Hazleton City Water Authority & Police Fund Payments
- Acceptance of Lower Mount Bethel Sanitation Authority Payments
- Acceptance of Pen Argyl Borough Sewer Authority Payments
- Acceptance of Portland Borough Sewer & Water Authority Payments
- Acceptance of Roseto Borough Sewer Authority Payments

Branch & ATM Locations

Branch Office & ATM Locations

Fidelity Bank has partnered with MoneyPass, a network of approximately 40 000 nationwide ATM's

- Abington Office 1311 Morgan Hwy. Clarks Summit, PA 18411 570-586-3212
- · Back Mountain Office 2363 Memorial Hwy. Dallas, PA 18612 570-675-3332
- External ATM at Dallas Shopping Center • Dunmore Office
- 101 North Blakely St. Dunmore, PA 18512 570-342-8281
- Green Ridge Office 111 Green Ridge St. Scranton, PA 18509 570-342-5532
- Hazleton Office 383 South Poplar St Hazleton, PA 18201 570-501-7001
- Kingston Office 247 Wyoming Ave. Kingston, PA 18704
- 570-338-0119 · Moosic Office 4010 Rirney Ave Moosic, PA 18507
- 570-504-0789 • Mountain Top Office 1 South Mountain Blvd. Mountain Top, PA 18707
- 570-403-2297 · Peckville Office 1598 Main St. Peckville, PA 18452
- 570-483-3300 · Pittston Office 225 Kennedy Blvd. Pittston, PA 18640
- 570-908-0103 • Scranton Financial Center 338 North Washington Ave. Scranton, PA 18503
- 570-504-8001 · West Scranton Office 400 South Main Ave. Scranton, PA 18504

570-504-8182

- Wilkes-Barre Office 64 North Franklin St. Wilkes-Barre, PA 18701 272-229-9875
- (ATM in the parking lot*) · Wyoming Office 1000 Wyoming Ave. Wyoming, PA 18644

570-609-5800 Lehigh Valley Locations

 Bangor Office 303 Pennsylvania Ave Bangor, PA 18013 610-588-0983 (ATM in the parking lot*)

- Bethlehem Office 44 East Broad St. Bethlehem, PA 18018 484-241-4464
- Easton Office 46 Centre Square Easton, PA 18042 610-253-5117
- Lehigh Valley Corporate Center in Forks 1250 Braden Blvd. Easton, PA 18040 484-548-6095
- Mount Bethel Office 2118 Delaware Dr. Mount Bethel, PA 18343 570-897-7650 (ATM in the parking lot*)
- Nazareth Office 44 South Broad St Nazareth, PA 18064 610-746-5140
- · Wind Gap Office 45 North Broadway Wind Gap. PA 18091

272-232-5317 **ATM-Only Locations**

- Antonio's Pizza 45 Luzerne Ave. West Pittston, PA 18643
- Ayers Country Market 1811 Red Barn Village Rd. Clarks Summit, PA 18411
- Dallas Shopping Center 32 Dallas Shopping Center Dallas, PA 18612 Gino Merli Veterans' Center
- Scranton, PA 18503 • Hilton Scranton & Conference Center 100 Adams Ave
- Scranton, PA 18503 Joe's Beerman 1561 Main St. Peckville, PA 18452

401 Penn Ave.

- LK Hair Shop 408 Main St. White Haven, PA 18661 Market Street Bar & Grill
- 223 West Market St. Scranton, PA 18508 • Mountain Plaza
- 1137 Moosic St. Scranton, PA 18503 Our Lady of Peace
- 1510 Adams Ave. Scranton, PA 18508 Scranton Cultural Center 420 North Washington Ave.
- Scranton, PA 18503 Starbucks 1232 Keystone Industrial Park Rd.
- T.J. Maxx 400 Oldfield Rd. Pittston, PA 18640 • Wilkes-Barre/Scranton International Airport

Dunmore, PA 18512

Avoca, PA 18641 • Zummo's Café 916 Marion St. Scranton, PA 18509

100 Terminal Rd.

• Marywood University Nazareth Hall McGowen Center, and Learning Commons Dunmore, PA 18509

Wealth **Management**

Personal & Corporate Trust, Estate Administration & Investment Services

Dunmore, PA 18512 570-504-2242 252 Sunbury St. Minersville, PA 17954 570-504-2250 Nicholas Parise

101 North Blakely St.

570-558-0612 **Fidelity Asset** Managemen

Services at

SVP & Director of Wealth Management

Fidelity Bank William P. McAndrew, AIF® SVP & Wealth Advisor 570-504-2242

Commercial **Banking**

Timothy O'Brien Sr. EVP & Chief Business Development Officer 570-504-2230

Michael J. Pacyna EVP & Chief Lending Officer 570-504-8005

Retail Banking

Michelle J. Carr SVP, Director of Retail Banking

570-504-8083 **Client Care Center** 800-388-4380

This Annual Report may contain forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. Actual results and trends could differ materially from those set forth in such statements due to various factors. These factors include the possibility that increased demand or prices for the Company's financial services and products may not occur, changing economic, interest rate and competitive conditions, technological developments and other risks and uncertainties, including those detailed in the Company's filings with the Securities and Exchange Commission.



^{*} Dispense-only locations

Investor Relations

Fidelity D & D Bancorp, Inc.

101 North Blakely St. Dunmore, PA 18512 (570) 342-8281

We are a public company whose stock is traded on The Nasdaq Global Market, under the symbol FDBC.

Transfer Agent and Registrar

Shareholders' Services Provided

- Stock transfer
- Dividend reinvestment plan
- Direct deposit of dividends
- Duplicate mailing notification

Computershare Trust Company, N.A. P.O. Box 30170
College Station, TX 77842
(877) 282-1168
www.computershare.com

Shareholder/Investor Inquiries

Requests for information or assistance regarding Fidelity D & D Bancorp, Inc. should be directed to John Pash, Investor Relations Officer, at (570) 504-8007 or john.pash@fddbank.com.

Market Makers

The following firms are believed to presently make a market in Fidelity D & D Bancorp, Inc. stock on The Nasdaq Global Market, under the symbol FDBC.

BofA Securities, Inc.

One Bryant Park New York, NY 10036 USA (646) 743-2734

Citadel Securities, LLC

131 South Dearborn St., 32nd Fl. Chicago, IL 60603 (312) 395-2100

Cowen and Company, LLC

599 Lexington Ave., 20th Fl. New York, NY 10022 (646) 562-1010

D.A. Davidson & Co.

8 Third Street North Great Falls, MT 59401 (406) 727-4200

G1 Execution Services, LLC

175 W. Jackson Blvd., Ste. 1700 Chicago, IL 60604 (312) 362-0404

Goldman Sachs & Co., LLC

200 West St. New York, NY 10282 (212) 902-1000

GTS Securities, LLC

545 Madison Ave., 15th Floor New York, NY 10022 (212) 715-2830

Hovde Group, LLC

1629 Colonial Parkway Inverness, IL 60067 (847) 991-6622

IMC Financial Markets

233 South Wacker Dr. #4300 Chicago, IL 60606 (312) 244-3300

Janney Montgomery Scott, Inc.

1717 Arch St. Philadelphia, PA 18103 (215) 665-6000

Keefe, Bruyette & Woods, Inc.

787 7th Ave., 4th & 5th Firs. New York, NY 10019 (212) 887-7777

RBC Capital Markets

3 World Financial Center New York, NY 10281 (612) 371-2811

Latour Trading, LLC

377 Broadway, 10th Fl. New York, NY 10013 (917) 388-8000

Maxim Group, LLC

405 Lexington Ave. New York, NY 10174 (212) 895-3500

Morgan Stanley & Co., LLC

1585 Broadway New York, NY 10036 (212) 761-4000

Raymond James & Associates, Inc.

880 Carillon Parkway St. Petersburg, FL 33716 (727) 567-1000

SG Americas Securities, LLC

245 Park Ave. New York, NY 10167 (212) 278-6000

Virtu Americas, LLC

300 Vesey St. New York, NY 10282 (646) 682-6000

Stifel, Nicolaus & Company, Inc.

501 North Broadway St. Louis, MO 63102 (314) 342-2000

StoneX Financial, Inc.

329 Park Avenue North, Ste. 350 Winter Park, FL 32789 (407) 741-5300

Susquehanna Securities

401 City Ave., Ste. 220 Bala Cynwyd, PA 19004 (610) 617-2600

Two Sigma Securities, LLC

101 Avenue of the Americas, 19th Fl. New York, NY 10013 (212) 625-5700

UBS Securities, LLC

1285 Avenue of the Americas New York, NY 10019 (203) 719-3000

