

FIDELITY D & D BANCORP INC

Form 10-Q

August 08, 2017

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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, 2017

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, smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer <input type="checkbox"/>	Accelerated filer <input type="checkbox"/>
Non-accelerated filer <input type="checkbox"/>	Smaller reporting company <input checked="" type="checkbox"/>
(Do not check if a smaller reporting company)	Emerging growth company <input type="checkbox"/>

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 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, 2017, the latest practicable date, was 2,470,544 shares.

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FIDELITY D & D BANCORP, INC.

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PART I – Financial Information

Item 1: Financial Statements

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

	June 30, 2017	December 31, 2016
(dollars in thousands)		
Assets:		
Cash and due from banks	\$ 14,858	\$ 12,856
Interest-bearing deposits with financial institutions	19	12,987
Total cash and cash equivalents	14,877	25,843
Available-for-sale securities	153,405	130,037
Federal Home Loan Bank stock	4,028	2,606
Loans and leases, net (allowance for loan losses of \$9,406 in 2017; \$9,364 in 2016)	626,438	588,130
Loans held-for-sale (fair value \$1,904 in 2017, \$2,907 in 2016)	1,866	2,854
Foreclosed assets held-for-sale	969	1,306
Bank premises and equipment, net	16,833	17,164
Cash surrender value of bank owned life insurance	19,699	11,435
Accrued interest receivable	2,706	2,246
Goodwill	209	-
Other assets	14,438	11,323
Total assets	\$ 855,468	\$ 792,944
Liabilities:		
Deposits:		
Interest-bearing	\$ 532,526	\$ 492,306
Non-interest-bearing	174,909	211,153
Total deposits	707,435	703,459
Accrued interest payable and other liabilities	5,738	4,631
Short-term borrowings	34,455	4,223
Long-term debt	23,704	-
Total liabilities	771,332	712,313
Shareholders' equity:		
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; 2,470,544 in 2017; and 2,453,805 in 2016)	27,565	27,155
Retained earnings	54,719	52,095
Accumulated other comprehensive income	1,852	1,381
Total shareholders' equity	84,136	80,631
Total liabilities and shareholders' equity	\$ 855,468	\$ 792,944

See notes to unaudited consolidated financial statements

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Consolidated Statements of Income

(Unaudited)

(dollars in thousands except per share data)

	Three months ended		Six months ended	
	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Interest income:				
Loans and leases:				
Taxable	\$ 6,566	\$ 5,796	\$ 12,726	\$ 11,611
Nontaxable	217	193	427	384
Interest-bearing deposits with financial institutions	4	24	10	46
Investment securities:				
U.S. government agency and corporations	658	366	1,277	736
States and political subdivisions (nontaxable)	367	316	713	633
Other securities	42	20	67	41
Total interest income	7,854	6,715	15,220	13,451
Interest expense:				
Deposits	643	567	1,229	1,147
Securities sold under repurchase agreements	5	4	12	12
Other short-term borrowings and other	80	3	137	13
Long-term debt	59	-	97	-
Total interest expense	787	574	1,475	1,172
Net interest income	7,067	6,141	13,745	12,279
Provision for loan losses	225	275	550	425
Net interest income after provision for loan losses	6,842	5,866	13,195	11,854
Other income:				
Service charges on deposit accounts	549	515	1,092	1,003
Interchange fees	425	381	825	737
Fees from trust fiduciary activities	308	193	503	363
Fees from financial services	119	206	265	310
Service charges on loans	176	293	396	471
Fees and other revenue	229	195	439	392
Earnings on bank-owned life insurance	157	88	264	175
Gain on sale or disposal of:				
Loans	168	220	452	327
Investment securities	-	9	-	9
Total other income	2,131	2,100	4,236	3,787
Other expenses:				
Salaries and employee benefits	3,239	2,893	6,324	5,768
Premises and equipment	912	826	1,897	1,744
Advertising and marketing	345	203	580	458
Professional services	528	399	926	788
FDIC assessment	68	112	133	237

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Loan collection	47	81	107	125
Other real estate owned	109	67	146	89
Office supplies and postage	107	123	230	242
Automated transaction processing	184	154	358	281
Data processing and communication	280	271	583	459
PA shares tax	47	164	211	306
Other	185	76	353	260
Total other expenses	6,051	5,369	11,848	10,757
Income before income taxes	2,922	2,597	5,583	4,884
Provision for income taxes	739	669	1,420	1,255
Net income	\$ 2,183	\$ 1,928	\$ 4,163	\$ 3,629
Per share data:				
Net income - basic	\$ 0.89	\$ 0.79	\$ 1.69	\$ 1.48
Net income - diluted	\$ 0.88	\$ 0.79	\$ 1.68	\$ 1.48
Dividends	\$ 0.31	\$ 0.29	\$ 0.62	\$ 0.56

See notes to unaudited consolidated financial statements

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Fidelity D & D Bancorp, Inc. and Subsidiary

Consolidated Statements of Comprehensive Income (Unaudited) (dollars in thousands)	Three months ended June 30,		Six months ended June 30,	
	2017	2016	2017	2016
Net income	\$ 2,183	\$ 1,928	\$ 4,163	\$ 3,629
Other comprehensive income, before tax:				
Unrealized holding gain on available-for-sale securities	687	1,209	714	2,293
Reclassification adjustment for net gains realized in income	-	(9)	-	(9)
Net unrealized gain	687	1,200	714	2,284
Tax effect	(234)	(408)	(243)	(777)
Unrealized gain, net of tax	453	792	471	1,507
Other comprehensive income, net of tax	453	792	471	1,507
Total comprehensive income, net of tax	\$ 2,636	\$ 2,720	\$ 4,634	\$ 5,136

See notes to unaudited consolidated financial statements

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Fidelity D & D Bancorp, Inc. and Subsidiary
 Consolidated Statements of Changes in Shareholders' Equity
 For the six months ended June 30, 2017 and 2016
 (Unaudited)

(dollars in thousands)	Capital stock		Retained	Accumulated other comprehensive	Total
	Shares	Amount	earnings	income	
Balance, December 31, 2015	2,443,405	\$ 26,700	\$ 47,463	\$ 2,188	\$ 76,351
Net income			3,629		3,629
Other comprehensive income				1,507	1,507
Issuance of common stock through Employee Stock Purchase Plan	3,695	111			111
Issuance of common stock from vested restricted share grants through stock compensation plans					