

NEWS RELEASE

For Immediate Release
October 24, 2019

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FIRST RESOURCE BANK ACHIEVES RECORD QUARTERLY NET INCOME; A 9% INCREASE OVER THE PREVIOUS QUARTER

EXTON, PA – First Resource Bank (OTCQX: FRSB) announced financial results for the three months ended September 30, 2019. Net income for the quarter ended September 30, 2019 was \$690,729, which compares to \$631,520 for the previous quarter and \$554,653 for the third quarter of the prior year.

Highlights for the third quarter of 2019 included:

- Net income of \$690,729 was the highest quarterly profit in the Bank's history
- Net income grew 9% over the quarter ended June 30, 2019 and 25% over the quarter ended September 30, 2018
- Total interest income grew 5% over the quarter ended June 30, 2019 and 21% over the quarter ended September 30, 2018
- Completed construction on the Wayne branch in anticipation of the October 15 opening
- Named a 2019 Best Place to Work by the [Philadelphia Business Journal](#)

Glenn B. Marshall, President & CEO, stated, "The record profitability we experienced in the third quarter was remarkable as we fight margin compression and add overhead associated with our third branch location in Wayne. Intense competition in our market has created irrational pricing for both loans and deposits, yet we have minimized our margin compression while continuing to grow the bank. Year-over-year loan growth of \$40 million, or 17%, was funded by deposit growth of \$41.8 million, or 19%. This balance sheet growth is critical to our long term success and we are very pleased with the growth we have demonstrated over the past year."

Total interest income grew 5% when comparing the third quarter to the second quarter of 2019. This increase was driven by 2% loan growth during the third quarter.

Total interest income rose 21% from \$3,315,762 for the three months ended September 30, 2018 to \$3,998,838 for the three months ended September 30, 2019. This increase was supported by 17% loan growth when comparing September 30, 2019 to a year prior and a 15 basis point improvement in loan yields when comparing the third quarter of 2018 to the third quarter of 2019.

Total interest income was \$11,414,647 for the nine months ended September 30, 2019, a 20% increase over the same period in the prior year. This increase was driven by 17% loan growth when comparing September 30, 2019 to a year prior and a 24 basis point increase in loan yields when comparing the nine months ended September 30, 2019 to the same period in the prior year.

Total interest expense rose 7% when comparing the third quarter to the second quarter of 2019. This increase was driven by a 5 basis point increase in the cost of money market accounts and a 3 basis point increase in the cost of certificates of deposit during the quarter, as well as an 8% increase in certificate of deposit balances as compared to the prior quarter.

Total interest expense rose 38% from \$822,866 for the three months ended September 30, 2018 to \$1,137,328 for the three months ended September 30, 2019. The vast majority of this increased expense was related to a 34 basis point increase in the cost of money market accounts and a 44 basis point increase in the cost of certificates of deposit, year over year. Overall interest expense was mitigated by strong growth in noninterest bearing deposits, which increased 69% when comparing September 30, 2019 to the year prior.

Total interest expense for the nine months ended September 30, 2019 was \$3,172,700, a 50% increase over the same period in the prior year. The bulk of this increase is attributed to a 34 basis point increase in the cost of money market accounts and a 68 basis point increase in the cost of certificates of deposit when comparing the nine months ended September 30, 2019 to the same period in the prior year.

Net interest income was \$2,861,510 for the quarter ended September 30, 2019 as compared to \$2,754,410 for the previous quarter, an improvement of 4%. The net interest margin declined 4 basis points from 3.85% for the quarter ended June 30, 2019 to 3.81% for the quarter ended September 30, 2019. The overall yield on interest earning assets decreased 2 basis points during the third quarter led by a 2 basis point decrease in loan yields to 5.57%. The cost of interest bearing deposits increased 5 basis points during the third quarter to 1.74%, with the majority of that increase attributed to higher cost money market accounts and certificates of deposit. Strong growth in non-interest bearing deposits partially offset the increased cost of interest bearing deposits. The total cost of deposits increased 2 basis points from 1.42% in the second quarter of 2019 to 1.44% in the third quarter of 2019.

Net interest income for the nine months ended September 30, 2019 was \$8,241,947 a 12% improvement over net interest income of \$7,384,069 for the nine months ended September 30, 2018. This growth was driven by a 21% increase in loan interest income.

The provision for loan losses decreased from \$158,992 for the three months ended June 30, 2019 to \$84,557 for the three months ended September 30, 2019 due to a decrease in new loan volume. The provision for loan losses decreased from \$109,544 for the three months ended September 30, 2018, to \$84,557 for the three months ended September 30, 2019.

The provision for loan losses increased from \$435,187 for the nine months ended September 30, 2018 to \$719,501 for the nine months ended September 30, 2019 as a result of one problem loan that

required specific reserves due to new information obtained regarding the value of the collateral during the first quarter of 2019.

Non-interest income for the quarter ended September 30, 2019 was \$226,669, as compared to \$262,597 for the previous quarter and \$127,457 for the third quarter of the prior year. Swap referral fee income of \$107,160 was received in the third quarter of 2019, as compared to \$114,100 in the second quarter of 2019 and none in the third quarter of 2018. There were no gains on sales of SBA loans recognized during the third or second quarter of 2019, as compared to \$12,631 during the third quarter of 2018.

Non-interest income for the nine months ended September 30, 2019 was \$645,521 as compared to \$382,929 for the same period in the prior year. Swap referral fee income of \$221,260 was received in the first nine months of 2019 as compared to none in the first nine months of 2018. There was \$24,463 in gains on sales of SBA loans in the first nine months of 2019 as compared to \$41,356 in the first nine months of 2018.

Non-interest expense increased \$70 thousand, or 3%, in the three months ended September 30, 2019 as compared to the prior quarter. The increase was primarily due to an increase in salaries and benefits, advertising and data processing costs, partially offset by a decrease in professional fees. Non-interest expense increased \$320 thousand, or 18%, when comparing the third quarter of 2019 to the third quarter of 2018, with all expense categories increasing during this time period.

Non-interest expense increased \$653 thousand, or 12%, in the nine months ended September 30, 2019 as compared to the same period in the prior year. This increase was due to higher salaries and benefits expense, occupancy, professional fees, data processing and other costs, partially offset by lower advertising expenses.

Deposits grew a net \$11.2 million, or 4%, from \$253.3 million at June 30, 2019 to \$264.4 million at September 30, 2019. During the third quarter, non-interest bearing deposits increased \$460 thousand, or 1%, from \$47.4 million at June 30, 2019 to \$47.8 million at September 30, 2019. Interest-bearing checking balances decreased \$320 thousand, or 3%, from \$10.1 million at June 30, 2019 to \$9.8 million at September 30, 2019. Money market deposits increased \$3.1 million, or 3%, from \$98.8 million at June 30, 2019 to \$101.9 million at September 30, 2019. Certificates of deposit increased \$7.9 million, or 8%, from \$97.0 million at June 30, 2019 to \$104.9 million at September 30, 2019. The deposit portfolio grew \$28.2 million, or 12%, in the first nine months of 2019, with a \$14.7 million increase in total checking balances, a \$16 thousand increase in money market balances and a \$13.5 million increase in certificates of deposit.

Total deposits grew \$41.8 million, or 19%, from \$222.6 million at September 30, 2018 to \$264.4 million at September 30, 2019, with 69% growth in non-interest bearing deposits, 8% growth in money market balances, and 17% growth in certificates of deposit, partially offset by a 6% decline in interest bearing checking account balances. Total checking balances represented 22% of total deposits at September 30, 2019, a significant increase from 18% at December 31, 2018.

The loan portfolio grew \$4.3 million, or 2%, during the third quarter from \$270.5 million at June 30, 2019 to \$274.8 million at September 30, 2019, with 5% growth in commercial real estate loans, partially offset by declines in commercial business, construction, and consumer loans. Year-to-date net loan growth in 2019 was \$30.1 million, or 12%, with the majority of that growth in commercial real estate and construction loans.

The loan portfolio grew \$40.4 million, or 17%, from \$234.4 million at September 30, 2018 to \$274.8 million at September 30, 2019, with the majority of that growth in commercial real estate and construction loans.

The following table illustrates the composition of the loan portfolio:

	Sept. 30, 2019	Dec. 31, 2018	Sept. 30, 2018
Commercial real estate	\$ 197,100,951	\$ 170,738,479	\$ 162,293,415
Commercial construction	27,175,769	20,377,108	19,677,666
Commercial business	31,927,054	31,738,443	30,502,311
Consumer	<u>18,598,371</u>	<u>21,843,647</u>	<u>21,972,580</u>
Total loans	<u>\$ 274,802,145</u>	<u>\$ 244,697,677</u>	<u>\$ 234,445,972</u>

The allowance for loan losses to total loans was 0.90% at September 30, 2019 as compared to 0.81% at December 31, 2018 and 0.85% at September 30, 2018. Non-performing assets consisted of non-performing loans of \$2.4 million and other real estate owned of \$590 thousand, totaling \$3.0 million at September 30, 2019, a 7% increase as compared to the prior quarter. Non-performing assets to total assets increased from 0.91% at June 30, 2019 to 0.94% at September 30, 2019. These increases were due to an increase in loans past due over 90 days, partially offset by a decrease in non-accrual loans during the quarter.

Total stockholder's equity increased \$720 thousand, or 3%, from \$26.6 million at June 30, 2019 to \$27.3 million at September 30, 2019, primarily due to net income generated in the third quarter. Book value per share increased 25 cents during the third quarter of 2019 to \$9.88 per share at September 30, 2019.

Selected Financial Data:
Balance Sheets (unaudited)

	September 30, 2019	December 31, 2018
Cash and due from banks	\$ 13,350,517	\$ 5,734,677
Time deposits at other banks	599,000	599,000
Investments	17,948,502	37,762,190
Loans	274,802,145	244,697,677
Allowance for loan losses	(2,473,760)	(1,990,253)
Premises & equipment	8,775,173	6,647,166
Other assets	<u>9,309,420</u>	<u>8,996,941</u>
Total assets	<u>\$ 322,310,997</u>	<u>\$ 302,447,398</u>
Non-interest bearing deposits	\$ 47,822,551	\$ 31,788,359
Interest-bearing checking	9,766,418	11,069,325
Money market	101,903,972	101,887,847
Time deposits	<u>104,942,229</u>	<u>91,456,365</u>
Total deposits	<u>264,435,170</u>	<u>236,201,896</u>
Short term borrowings	3,125,000	17,000,400
Long term borrowings	21,782,873	18,515,500
Subordinated debt	3,992,468	3,986,097
Other liabilities	<u>1,640,926</u>	<u>1,466,037</u>
Total liabilities	<u>294,976,437</u>	<u>277,169,930</u>
Total stockholders' equity	<u>27,334,560</u>	<u>25,277,468</u>
Total Liabilities & Stockholders' Equity	<u>\$ 322,310,997</u>	<u>\$ 302,447,398</u>

Performance Statistics
(unaudited)

	Qtr Ended Sept. 30, 2019	Qtr Ended June 30, 2019	Qtr Ended Mar. 31, 2019	Qtr Ended Dec. 31, 2018	Qtr Ended Sept. 30, 2018
Net interest margin	3.81%	3.85%	3.87%	3.78%	3.85%
Nonperforming loans/ Total loans	0.89%	0.83%	0.87%	1.14%	1.21%
Nonperforming assets/ Total assets	0.94%	0.91%	0.74%	0.92%	1.12%
Allowance for loan losses/ Total loans	0.90%	0.93%	0.95%	0.81%	0.85%
Average loans/Average assets	87.2%	87.4%	86.5%	84.9%	86.1%
Non-interest expenses*/ Average assets	2.71%	2.75%	2.60%	2.67%	2.68%
Earnings per share – basic and diluted **	\$0.25	\$0.23	\$0.13	\$0.22	\$0.20
Book value per share**	\$9.88	\$9.63	\$9.35	\$9.16	\$8.91
Total shares outstanding	2,766,330	2,764,241	2,630,418	2,628,316	2,626,633

* Annualized

** Per share data has been restated to reflect 5% stock dividend paid in May 2019.

Income Statements (unaudited)

	Qtr. Ended Sept. 30, 2019	Qtr. Ended June 30, 2019	Qtr. Ended Mar. 31, 2019	Qtr. Ended Dec. 31, 2018	Qtr. Ended Sept. 30, 2018
INTEREST INCOME					
Loans, including fees	\$3,855,582	\$3,679,137	\$3,438,752	\$3,297,459	\$3,179,807
Securities	124,908	126,881	128,301	124,207	115,250
Other	18,348	13,428	29,310	37,950	20,705
Total interest income	<u>3,998,838</u>	<u>3,819,446</u>	<u>3,596,363</u>	<u>3,459,616</u>	<u>3,315,762</u>
INTEREST EXPENSE					
Deposits	938,804	886,280	800,541	739,464	655,163
Borrowings	130,679	111,271	102,671	108,664	99,856
Subordinated debt	67,845	67,485	67,124	67,843	67,847
Total interest expense	<u>1,137,328</u>	<u>1,065,036</u>	<u>970,336</u>	<u>915,971</u>	<u>822,866</u>
Net interest income	<u>2,861,510</u>	<u>2,754,410</u>	<u>2,626,027</u>	<u>2,543,645</u>	<u>2,492,896</u>
Provision for loan losses	<u>84,557</u>	<u>158,992</u>	<u>475,952</u>	<u>78,051</u>	<u>109,544</u>
Net interest income after provision for loan losses	2,776,953	2,595,418	2,150,075	2,465,594	2,383,352
NON-INTEREST INCOME					
BOLI income	38,205	37,965	37,455	38,315	38,163
Swap referral fee income	107,160	114,100	-	-	-
Gain on sale of SBA loans	-	-	24,463	55,075	12,631
Other	81,304	110,532	94,337	84,947	76,663
Total non-interest income	<u>226,669</u>	<u>262,597</u>	<u>156,255</u>	<u>178,337</u>	<u>127,457</u>
NON-INTEREST EXPENSE					
Salaries & benefits	1,266,493	1,238,114	1,053,586	1,121,757	1,089,077
Occupancy & equipment	189,381	185,402	191,572	179,256	178,176
Professional fees	88,083	101,117	100,169	94,756	84,445
Advertising	82,357	35,401	33,764	34,689	52,808
Data processing	142,587	135,151	127,119	121,363	107,734
Other	376,707	380,297	347,391	337,137	313,657
Total non-interest expense	<u>2,145,608</u>	<u>2,075,482</u>	<u>1,853,601</u>	<u>1,888,958</u>	<u>1,825,897</u>
Income before income tax expense	858,014	782,533	452,729	754,973	684,912
Federal income tax expense	<u>167,285</u>	<u>151,013</u>	<u>81,509</u>	<u>146,236</u>	<u>130,259</u>
Net income	<u>\$ 690,729</u>	<u>\$ 631,520</u>	<u>\$ 371,220</u>	<u>\$ 608,737</u>	<u>\$ 554,653</u>

Income Statements (unaudited)

	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2018
INTEREST INCOME		
Loans	\$ 10,973,471	\$ 9,106,353
Investments	380,090	372,023
Other	<u>61,086</u>	<u>25,001</u>
Total interest income	<u>11,414,647</u>	<u>9,503,377</u>
INTEREST EXPENSE		
Deposits	2,625,625	1,609,400
Borrowings	344,621	307,451
Subordinated debt	<u>202,454</u>	<u>202,457</u>
Total interest expense	<u>3,172,700</u>	<u>2,119,308</u>
Net interest income	<u>8,241,947</u>	<u>7,384,069</u>
Provision for loan losses	<u>719,501</u>	<u>435,187</u>
Net interest income after provision for loan losses	7,522,446	6,948,882
NON-INTEREST INCOME		
BOLI income	113,625	110,767
Swap referral fee income	221,260	-
Gain on sale of SBA loans	24,463	41,356
Other	<u>286,173</u>	<u>230,806</u>
Total non-interest income	<u>645,521</u>	<u>382,929</u>
NON-INTEREST EXPENSE		
Salaries & benefits	3,558,193	3,172,784
Occupancy & equipment	566,355	551,067
Professional fees	289,369	271,816
Advertising	151,522	160,668
Data processing	404,857	325,179
Other non-interest expense	<u>1,104,395</u>	<u>940,168</u>
Total non-interest expense	<u>6,074,691</u>	<u>5,421,682</u>
Pre-tax income	2,093,276	1,910,129
Tax expense	<u>399,807</u>	<u>353,659</u>
Net income	<u>\$ 1,693,469</u>	<u>\$ 1,556,470</u>

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About First Resource Bank

First Resource Bank is a locally owned and operated Pennsylvania state-chartered bank, serving the banking needs of businesses, professionals and individuals in the Delaware Valley. The Bank offers a full range of deposit and credit services with a high level of personalized service. First Resource Bank also offers a broad range of traditional financial services and products, competitively priced and delivered in a responsive manner to small businesses, professionals and residents in the local market. For additional information visit our website at www.firstresourcebank.com. Member FDIC.

This press release contains statements that are not of historical facts and may pertain to future operating results or events or management's expectations regarding those results or events. These are "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities and Exchange Act of 1934. These forward-looking statements may include, but are not limited to, statements about our plans, objectives, expectations and intentions and other statements contained in this press release that are not historical facts. When used in this press release, the words "expects", "anticipates", "intends", "plans", "believes", "seeks", "estimates", or words of similar meaning, or future or conditional verbs, such as "will", "would", "should", "could", or "may" are generally intended to identify forward-looking statements. These forward-looking statements are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are either beyond our control or not reasonably capable of predicting at this time. In addition, these forward-looking statements are subject to assumptions with respect to future business strategies and decisions that are subject to change. Actual results may differ materially from the results discussed in these forward-looking statements. Readers of this press release are accordingly cautioned not to place undue reliance on forward-looking statements. First Resource Bank disclaims any intent or obligation to update publicly any of the forward-looking statements herein, whether in response to new information, future events or otherwise.