

## **NEWS RELEASE**

For Immediate Release  
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### ***FIRST RESOURCE BANK ACHIEVES RECORD QUARTERLY NET INCOME; A 70% INCREASE OVER THE PREVIOUS QUARTER***

**EXTON, PA** – First Resource Bank (OTCQX: FRSB) announced financial results for the three months ended June 30, 2019. Net income for the quarter ended June 30, 2019 was \$631,520, which compares to \$371,220 for the previous quarter and \$520,825 for the second quarter of the prior year.

Glenn B. Marshall, President & CEO, stated, “Second quarter results were very strong with record profitability and solid balance sheet growth. Loans have increased over 10% year to date and non-interest bearing deposits have increased 49% in that same time period. These strategic achievements are allowing us to maintain our net interest margin and increase profitability as the Bank continues to grow. Smart growth has always been a key strategy at First Resource Bank and the Bank will reap long term benefits from this consistent approach.”

Highlights for the second quarter of 2019 included:

- Net income of \$631,520 was the highest quarterly profit in the Bank’s history
- Net income grew 70% over the quarter ended March 31, 2019 and 21% over the quarter ended June 30, 2018
- Total interest income grew 6% over the quarter ended March 31, 2019 and 19% over the quarter ended June 30, 2018
- Total loans grew 5% during the second quarter
- Non-interest bearing deposits increased 19% during the quarter
- 5% stock dividend paid in May
- Construction of our third branch continues with the opening expected in the third quarter
- First Resource Bank was named a “Best Place to Work” for companies with up to 50 employees by the [Philadelphia Business Journal](#)

Total interest income grew 6% when comparing the second quarter to the first quarter of 2019. This increase was driven by 5% loan growth during the second quarter.

Total interest income rose 19% from \$3,205,315 for the three months ended June 30, 2018 to \$3,819,446 for the three months ended June 30, 2019. This increase was supported by 16% loan growth when comparing June 30, 2019 to a year prior and a 23 basis point improvement in loan yields when comparing the second quarter of 2018 to the second quarter of 2019.

Total interest income was \$7,415,809 for the six months ended June 30, 2019, a 20% increase over the same period in the prior year.

Total interest expense rose 10% when comparing the second quarter to the first quarter of 2019. This increase was driven by a 9 basis point increase in the cost of money market accounts and an 11 basis point increase in the cost of certificates of deposit during the quarter.

Total interest expense rose 50% from \$711,445 for the three months ended June 30, 2018 to \$1,065,036 for the three months ended June 30, 2019. The vast majority of this increased expense was related to a 38 basis point increase in the cost of money market accounts and a 72 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 59% when comparing June 30, 2019 to the year prior.

Total interest expense for the six months ended June 30, 2019 was \$2,035,372, a 57% increase over the same period in the prior year.

Net interest income was \$2,754,410 for the quarter ended June 30, 2019 as compared to \$2,626,027 for the previous quarter, an improvement of 5%. The net interest margin declined 2 basis points from 3.87% for the quarter ended March 31, 2019 to 3.85% for the quarter ended June 30, 2019. The overall yield on interest earning assets increased 4 basis points during the second quarter led by a 1 basis point increase in loan yields to 5.59%. The cost of interest bearing deposits increased 10 basis points during the second quarter to 1.69%, 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 6 basis points from 1.36% in the first quarter of 2019 to 1.42% in the second quarter of 2019.

Net interest income for the six months ended June 30, 2019 was \$5,380,437, a 10% improvement over net interest income of \$4,891,173 for the six months ended June 30, 2018. This growth was driven by a 20% increase in loan interest income.

The provision for loan losses decreased from \$475,952 for the three months ended March 31, 2019 to \$158,992 for the three months ended June 30, 2019. The provision for loan losses decreased from \$191,321 for the three months ended June 30, 2018, to \$158,992 for the three months ended June 30, 2019. The provision for loan losses increased from \$325,643 for the six months ended June 30, 2018 to \$634,944 for the six months ended June 30, 2019. These variances are all attributed to 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 June 30, 2019 was \$262,597, as compared to \$156,255 for the previous quarter and \$139,730 for the second quarter of the prior year. Swap referral fee income of \$114,100 was received in the second quarter of 2019, as compared to none in the prior quarter or the second quarter of 2018. There were no gains on sales of SBA loans recognized during the second quarter of 2019, as compared to \$24,463 in the prior quarter and \$28,725 during the second quarter of 2018.

Non-interest income for the six months ended June 30, 2019 was \$418,852 as compared to \$255,472 for the same period in the prior year. Swap referral fee income of \$114,100 was received in the first six months of 2019 as compared to none in the first six months of 2018. There was \$24,463 in gains on sales of SBA loans in the first six months of 2019 as compared to \$28,725 in the first six months of 2018.

Non-interest expense increased \$222 thousand, or 12%, in the three months ended June 30, 2019 as compared to the prior quarter. The increase was primarily due to an increase in salaries and

benefits, data processing and other costs, partially offset by a decrease in occupancy. Non-interest expense increased \$275 thousand, or 15%, when comparing the second quarter of 2019 to the second quarter of 2018. This increase was primarily attributed to an increase in salaries and benefits, occupancy, data processing and other costs, partially offset by lower advertising expenses.

Non-interest expense increased \$333 thousand, or 9%, in the six months ended June 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 \$5.6 million, or 2%, from \$247.6 million at March 31, 2019 to \$253.3 million at June 30, 2019. During the second quarter, non-interest bearing deposits increased \$7.6 million, or 19%, from \$39.8 million at March 31, 2019 to \$47.4 million at June 30, 2019. Interest-bearing checking balances decreased \$72 thousand, or 1%, from \$10.2 million at March 31, 2019 to \$10.1 million at June 30, 2019. Money market deposits decreased \$1.7 million, or 2%, from \$100.5 million at March 31, 2019 to \$98.8 million at June 30, 2019. Certificates of deposit decreased \$205 thousand, or 0%, from \$97.2 million at March 31, 2019 to \$97.0 million at June 30, 2019. The deposit portfolio grew \$17.0 million, or 7%, in the first six months of 2019, with a \$14.6 million increase in total checking balances and a \$5.5 million increase in certificates of deposit, partially offset by a \$3.1 million decline in money market balances. Total deposits grew \$29.4 million, or 13%, from \$223.8 million at June 30, 2018 to \$253.3 million at June 30, 2019, with growth in all deposit categories, but notably a 59% increase in non-interest bearing deposits. Checking balances represented 23% of total deposits at June 30, 2019, a significant increase from 18% at December 31, 2018.

The loan portfolio grew \$12.2 million, or 5%, during the second quarter from \$258.4 million at March 31, 2019 to \$270.5 million at June 30, 2019, with the majority of that growth in commercial real estate loans and construction loans. Year-to-date net loan growth in 2019 was \$25.8 million, or 11%, with the majority of that growth in commercial real estate and construction loans. The loan portfolio grew \$36.9 million, or 16%, from \$233.6 million at June 30, 2018 to \$270.5 million at June 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:

	June 30, 2019	Dec. 31, 2018	June 30, 2018
Commercial real estate	\$ 187,706,105	\$ 170,738,479	\$ 160,356,631
Commercial construction	30,313,979	20,377,108	20,853,766
Commercial business	32,868,079	31,738,443	30,942,553
Consumer	<u>19,627,636</u>	<u>21,843,647</u>	<u>21,487,555</u>
Total loans	<u>\$ 270,515,799</u>	<u>\$ 244,697,677</u>	<u>\$ 233,640,505</u>

The allowance for loan losses to total loans was 0.93% at June 30, 2019 as compared to 0.81% at December 31, 2018 and 0.87% at June 30, 2018. Non-performing assets consisted of non-performing loans of \$2.2 million and other real estate owned of \$590 thousand, totaling \$2.8 million at June 30, 2019, a 26% increase as compared to the prior quarter. This increase was due to one loan relationship being placed on non-accrual and an increase in other real estate owned, partially offset by a decrease in loans past due over 90 days during the quarter. Non-performing assets to total assets increased from 0.74% at March 31, 2019 to 0.91% at June 30, 2019.

Total stockholder's equity increased \$786 thousand, or 3%, from \$25.8 million at March 31, 2019 to \$26.6 million at June 30, 2019, primarily due to net income generated and an improvement in the unrealized gain/loss position of the investment portfolio. Book value per share, restated to reflect the 5% stock dividend paid in May 2019, increased 28 cents during the second quarter of 2019 to \$9.63 per share at June 30, 2019.

Total assets increased \$7.3 million, or 2% during the second quarter of 2019, with significant growth in loans funded by deposit growth and deployment of excess cash.

**Selected Financial Data:**  
**Balance Sheets (unaudited)**

	June 30, 2019	December 31, 2018
Cash and due from banks	\$ 7,879,783	\$ 5,734,677
Time deposits at other banks	599,000	599,000
Investments	18,812,402	37,762,190
Loans	270,515,799	244,697,677
Allowance for loan losses	(2,522,821)	(1,990,253)
Premises & equipment	8,039,706	6,647,166
Other assets	<u>9,310,379</u>	<u>8,996,941</u>
<b>Total assets</b>	<b><u>\$ 312,634,248</u></b>	<b><u>\$ 302,447,398</u></b>
Non-interest bearing deposits	\$ 47,362,154	\$ 31,788,359
Interest-bearing checking	10,086,510	11,069,325
Money market	98,805,697	101,887,847
Time deposits	<u>96,996,152</u>	<u>91,456,365</u>
Total deposits	<u>253,250,513</u>	<u>236,201,896</u>
Short term borrowings	8,831,700	17,000,400
Long term borrowings	18,535,323	18,515,500
Subordinated debt	3,990,344	3,986,097
Other liabilities	<u>1,411,385</u>	<u>1,466,037</u>
<b>Total liabilities</b>	<b><u>286,019,265</u></b>	<b><u>277,169,930</u></b>
<b>Total stockholders' equity</b>	<b><u>26,614,983</u></b>	<b><u>25,277,468</u></b>
<b>Total Liabilities &amp;     Stockholders' Equity</b>	<b><u>\$ 312,634,248</u></b>	<b><u>\$ 302,447,398</u></b>

Performance Statistics  
(unaudited)

	Qtr Ended June 30, 2019	Qtr Ended Mar. 31, 2019	Qtr Ended Dec. 31, 2018	Qtr Ended Sept. 30, 2018	Qtr Ended June 30, 2018
Net interest margin	3.85%	3.87%	3.78%	3.85%	3.97%
Nonperforming loans/ Total loans	0.83%	0.87%	1.14%	1.21%	1.42%
Nonperforming assets/ Total assets	0.91%	0.74%	0.92%	1.12%	1.30%
Allowance for loan losses/ Total loans	0.93%	0.95%	0.81%	0.85%	0.87%
Average loans/Average assets	87.4%	86.5%	84.9%	86.1%	86.6%
Non-interest expenses*/ Average assets	2.75%	2.60%	2.67%	2.68%	2.72%
Earnings per share – basic and diluted **	\$0.23	\$0.13	\$0.22	\$0.20	\$0.19
Book value per share**	\$9.63	\$9.35	\$9.16	\$8.91	\$8.71
Total shares outstanding	2,764,241	2,630,418	2,628,316	2,626,633	2,625,130

\* Annualized

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

Income Statements (unaudited)

	Qtr. Ended June 30, 2019	Qtr. Ended Mar. 31, 2019	Qtr. Ended Dec. 31, 2018	Qtr. Ended Sept. 30, 2018	Qtr. Ended June 30, 2018
<b>INTEREST INCOME</b>					
Loans, including fees	\$3,679,137	\$3,438,752	\$3,297,459	\$3,179,807	\$3,076,950
Securities	126,881	128,301	124,207	115,250	126,632
Other	13,428	29,310	37,950	20,705	1,733
Total interest income	<u>3,819,446</u>	<u>3,596,363</u>	<u>3,459,616</u>	<u>3,315,762</u>	<u>3,205,315</u>
<b>INTEREST EXPENSE</b>					
Deposits	886,280	800,541	739,464	655,163	513,174
Borrowings	111,271	102,671	108,664	99,856	130,785
Subordinated debt	67,485	67,124	67,843	67,847	67,486
Total interest expense	<u>1,065,036</u>	<u>970,336</u>	<u>915,971</u>	<u>822,866</u>	<u>711,445</u>
Net interest income	<u>2,754,410</u>	<u>2,626,027</u>	<u>2,543,645</u>	<u>2,492,896</u>	<u>2,493,870</u>
Provision for loan losses	<u>158,992</u>	<u>475,952</u>	<u>78,051</u>	<u>109,544</u>	<u>191,321</u>
Net interest income after provision for loan losses	2,595,418	2,150,075	2,465,594	2,383,352	2,302,549
<b>NON-INTEREST INCOME</b>					
BOLI income	37,965	37,455	38,315	38,163	37,564
Referral fee income	114,100	-	-	-	-
Gain on sale of SBA loans	-	24,463	55,075	12,631	28,725
Other	110,532	94,337	84,947	76,663	73,441
Total non-interest income	<u>262,597</u>	<u>156,255</u>	<u>178,337</u>	<u>127,457</u>	<u>139,730</u>
<b>NON-INTEREST EXPENSE</b>					
Salaries & benefits	1,238,114	1,053,586	1,121,757	1,089,077	1,055,702
Occupancy & equipment	185,402	191,572	179,256	178,176	178,119
Professional fees	101,117	100,169	94,756	84,445	99,919
Advertising	35,401	33,764	34,689	52,808	45,638
Data processing	135,151	127,119	121,363	107,734	111,828
Other	380,297	347,391	337,137	313,657	309,324
Total non-interest expense	<u>2,075,482</u>	<u>1,853,601</u>	<u>1,888,958</u>	<u>1,825,897</u>	<u>1,800,530</u>
Income before income tax expense	782,533	452,729	754,973	684,912	641,749
Federal income tax expense	<u>151,013</u>	<u>81,509</u>	<u>146,236</u>	<u>130,259</u>	<u>120,924</u>
Net income	<u>\$ 631,520</u>	<u>\$ 371,220</u>	<u>\$ 608,737</u>	<u>\$ 554,653</u>	<u>\$ 520,825</u>

Income Statements (unaudited)

	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018
<b>INTEREST INCOME</b>		
Loans	\$ 7,117,889	\$ 5,926,546
Investments	255,182	256,773
Other	<u>42,738</u>	<u>4,296</u>
Total interest income	<u>7,415,809</u>	<u>6,187,615</u>
<b>INTEREST EXPENSE</b>		
Deposits	1,686,821	954,237
Borrowings	213,942	207,595
Subordinated debt	<u>134,609</u>	<u>134,610</u>
Total interest expense	<u>2,035,372</u>	<u>1,296,442</u>
Net interest income	<u>5,380,437</u>	<u>4,891,173</u>
Provision for loan losses	<u>634,944</u>	<u>325,643</u>
Net interest income after provision for loan losses	4,745,493	4,565,530
<b>NON-INTEREST INCOME</b>		
BOLI income	75,420	72,604
Referral fee income	114,100	-
Gain on sale of SBA loans	24,463	28,725
Other	<u>204,869</u>	<u>154,143</u>
Total non-interest income	<u>418,852</u>	<u>255,472</u>
<b>NON-INTEREST EXPENSE</b>		
Salaries & benefits	2,291,700	2,083,707
Occupancy & equipment	376,974	372,891
Professional fees	201,286	187,371
Advertising	69,165	107,860
Data processing	262,270	217,445
Other non-interest expense	<u>727,688</u>	<u>626,511</u>
Total non-interest expense	<u>3,929,083</u>	<u>3,595,785</u>
Pre-tax income	1,235,262	1,225,217
Tax expense	<u>232,522</u>	<u>223,400</u>
Net income	<u>\$ 1,002,740</u>	<u>\$ 1,001,817</u>



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## About First Resource Bank

First Resource Bank is a locally owned and operated Pennsylvania state-chartered bank with two full-service branches, 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](http://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.