

## **NEWS RELEASE**

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Media Contact:  
Glenn Marshall, CEO  
610-561-6013

### ***FIRST RESOURCE BANK ANNOUNCES FIRST QUARTER RESULTS; NET INCOME GREW 72% OVER THE FIRST QUARTER OF THE PRIOR YEAR***

**EXTON, PA** – First Resource Bank (OTCQX: FRSB) announced financial results for the three months ended March 31, 2020.

Highlights for the first quarter of 2020 included:

- Net income grew 72% over the first quarter of the prior year
- Total checking deposits grew 34% over the past 12 months
- Loans grew 10% over the past 12 months
- Credit quality continued to improve, with non-performing assets to total assets of 0.41%

Glenn B. Marshall, CEO, stated, “The first quarter started off very strong despite the onset of the global pandemic taking hold in the last month of the quarter. The effect of the Coronavirus has fundamentally altered how the Bank is operating today as compared to last quarter. I’m pleased to report that First Resource Bank has not only remained fully operational through this health crisis, but that we have embraced opportunities in our market to help businesses retain their employees. We have faithfully served our existing customers, and have helped businesses that had not previously been customers. Our participation in the Paycheck Protection Program has been an incredibly rewarding opportunity to expand our reach throughout our markets.”

Net income for the quarter ended March 31, 2020 was \$640,139, which compares to \$628,299 for the previous quarter and \$371,220 for the first quarter of the prior year.

Total interest income declined slightly when comparing the first quarter of 2020 to the fourth quarter of 2019 as a result of the Federal Reserve rate cuts that occurred in March.

Total interest income rose 11% from \$3,596,363 for the three months ended March 31, 2019 to \$3,979,535 for the three months ended March 31, 2020. This increase was supported by 10% loan growth when comparing March 31, 2020 to a year prior.

Total interest expense decreased 4% when comparing the first quarter of 2020 to the fourth quarter of 2019. This decrease was the result of a 13 basis point decrease in the cost of money market deposits and a 6 basis point decrease in the cost of certificates of deposit during the quarter.

Total interest expense rose 11% from \$970,336 for the three months ended March 31, 2019 to \$1,075,516 for the three months ended March 31, 2020. The majority of this increased expense was related to an 8% increase in certificates of deposit balances as well as a 12 basis point increase in the cost of certificates of deposit, year over year.

Net interest income was \$2,904,019 for the quarter ended March 31, 2020 as compared to \$2,871,683 for the previous quarter. The net interest margin decreased 4 basis points from 3.73% for the quarter ended December 31, 2019 to 3.69% for the quarter ended March 31, 2020. The overall yield on interest earning assets decreased 12 basis points during the first quarter led by a 10 basis point decrease in loan yields to 5.42%. The cost of deposits decreased 8 basis points during the first quarter to 1.30%.

The provision for loan losses increased from \$66,628 for the three months ended December 31, 2019 to \$144,033 for the three months ended March 31, 2020. The provision for loan losses decreased from \$475,952 for the three months ended March 31, 2019 to \$144,033 for the three months ended March 31, 2020.

Non-interest income for the quarter ended March 31, 2020 was \$284,006 as compared to \$219,674 for the previous quarter and \$156,255 for the first quarter of the prior year. Swap referral fee income of \$148,000 was received in the first quarter of 2020, as compared to \$81,500 in the fourth quarter of 2019 and none in the first quarter of 2019. There were no gains on sales of SBA loans recognized during the first quarter of 2020 or the fourth quarter of 2019, as compared to \$24,463 in the first quarter of 2019.

Non-interest expense increased \$6 thousand, in the three months ended March 31, 2020 as compared to the prior quarter. The increase was primarily due to an increase in salaries and benefits, occupancy, depreciation, advertising and data processing costs, partially offset by a decrease in professional fees and other costs. Non-interest expense increased \$397 thousand, or 21%, when comparing the first quarter of 2020 to the first quarter of 2019. This increase was attributed to an increase in salaries and benefits, occupancy, depreciation, advertising, data processing and other costs, offset by lower professional fees.

Deposits grew \$949 thousand from \$269.8 million at December 31, 2019 to \$270.7 million at March 31, 2020. During the first quarter, non-interest bearing deposits increased \$125 thousand, from \$50.6 million at December 31, 2019 to \$50.7 million at March 31, 2020. Interest-bearing checking balances increased \$4.5 million, or 39%, from \$11.8 million at December 31, 2019 to \$16.3 million at March 31, 2020. Money market deposits decreased \$3.7 million, or 4%, from \$102.4 million at December 31, 2019 to \$98.7 million at March 31, 2020. Certificates of deposit increased \$16 thousand, for a total of \$105.0 million at December 31, 2019 and March 31, 2020. Between March 31, 2019 and March 31, 2020, total deposits have grown 9%, with the vast majority of that growth in total checking balances which increased 34%.

Marshall stated, "This tremendous growth in checking account balances year-over-year is a direct result of the 'checking, checking, checking' focus that has been paramount over the past few years. Our efforts in this area have been supported across the organization and the result has been strong growth in business checking relationships. We view these new relationships as long-term customers that value the level of service that a true community bank like ours can provide."

The loan portfolio grew \$4.1 million during the first quarter from \$280.2 million at December 31, 2019 to \$284.3 million at March 31, 2020, with growth in commercial real estate loans, commercial business loans and consumer loans partially offset by a decline in construction loans.

The following table illustrates the composition of the loan portfolio:

	Mar. 31, 2020	Dec. 31, 2019	Mar. 31, 2019
Commercial real estate	\$ 207,501,619	\$ 203,427,712	\$ 179,153,919
Commercial construction	24,410,257	29,353,830	24,295,518
Commercial business	34,845,303	30,805,290	33,544,929
Consumer	<u>17,518,022</u>	<u>16,615,540</u>	<u>21,369,180</u>
Total loans	<u>\$ 284,275,201</u>	<u>\$ 280,202,372</u>	<u>\$ 258,363,546</u>

The allowance for loan losses to total loans was 0.89% at March 31, 2020 as compared to 0.90% at December 31, 2019 and 0.95% at March 31, 2019. Non-performing assets consisted of non-performing loans of \$1.4 million at March 31, 2020 and was unchanged from the prior quarter. Non-performing assets to total assets improved from 0.42% at December 31, 2019 to 0.41% at March 31, 2020. Non-performing assets to total assets have returned to levels the Bank has not seen since the first half of 2007.

During the quarter ended March 31, 2020, total stockholder's equity increased \$803 thousand, or 3%, from \$28.0 million at December 31, 2019 to \$28.8 million at March 31, 2020, primarily due to net income generated. During the quarter ended March 31, 2020, book value per share grew 29 cents, or 3%, to \$10.39.

During the quarter ended March 31, 2020, total assets grew \$4.4 million, or 1%. This growth was primarily the result of \$4.1 million in loan growth funded by a \$949 thousand increase in deposits and a \$2.6 million increase in borrowings.

Selected Financial Data:  
Balance Sheets (unaudited)

	March 31, 2020	December 31, 2019
Cash and due from banks	\$ 23,388,488	\$ 2,516,374
Time deposits at other banks	599,000	599,000
Investments	16,560,747	37,120,798
Loans	284,275,201	280,202,372
Allowance for loan losses	(2,525,010)	(2,507,845)
Premises & equipment	8,588,480	8,675,596
Other assets	<u>9,919,118</u>	<u>9,812,630</u>
 Total assets	 <u>\$ 340,806,024</u>	 <u>\$ 336,418,925</u>
 Non-interest bearing deposits	 \$ 50,741,454	 \$ 50,616,321
Interest-bearing checking	16,340,338	11,797,456
Money market	98,699,062	102,433,910
Time deposits	<u>104,968,355</u>	<u>104,952,207</u>
Total deposits	<u>270,749,209</u>	<u>269,799,894</u>
Short term borrowings	7,256,200	10,896,000
Long term borrowings	27,295,500	21,045,500
Subordinated debt	3,996,715	3,994,591
Other liabilities	<u>2,728,345</u>	<u>2,705,583</u>
 Total liabilities	 <u>312,025,969</u>	 <u>308,441,568</u>
 Total stockholders' equity	 <u>28,780,055</u>	 <u>27,977,357</u>
 Total liabilities & stockholders' equity	 <u>\$ 340,806,024</u>	 <u>\$ 336,418,925</u>

Performance Statistics  
(unaudited)

	Qtr Ended Mar. 31, 2020	Qtr Ended Dec. 31, 2019	Qtr Ended Sept. 30, 2019	Qtr Ended June 30, 2019	Qtr Ended Mar. 31, 2019
Net interest margin	3.69%	3.73%	3.81%	3.85%	3.87%
Nonperforming loans/ Total loans	0.49%	0.50%	0.89%	0.83%	0.87%
Nonperforming assets/ Total assets	0.41%	0.42%	0.94%	0.91%	0.74%
Allowance for loan losses/ Total loans	0.89%	0.90%	0.90%	0.93%	0.95%
Average loans/Average assets	84.9%	84.9%	87.2%	87.4%	86.5%
Non-interest expenses*/ Average assets	2.71%	2.75%	2.71%	2.75%	2.60%
Earnings per share – basic and diluted **	\$0.23	\$0.23	\$0.25	\$0.23	\$0.13
Book value per share **	\$10.39	\$10.10	\$9.88	\$9.63	\$9.35
Total shares outstanding **	2,770,755	2,768,729	2,766,330	2,764,241	2,761,910

\* Annualized

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

Income Statements (unaudited)

	Qtr. Ended Mar. 31, 2020	Qtr. Ended Dec. 31, 2019	Qtr. Ended Sept. 30, 2019	Qtr. Ended June 30, 2019	Qtr. Ended Mar. 31, 2019
<b>INTEREST INCOME</b>					
Loans, including fees	\$3,814,235	\$3,819,667	\$3,855,582	\$3,679,137	\$3,438,752
Securities	118,005	129,178	124,908	126,881	128,301
Other	47,295	38,987	18,348	13,428	29,310
Total interest income	<u>3,979,535</u>	<u>3,987,832</u>	<u>3,998,838</u>	<u>3,819,446</u>	<u>3,596,363</u>
<b>INTEREST EXPENSE</b>					
Deposits	885,915	930,953	938,804	886,280	800,541
Borrowings	122,116	117,350	130,679	111,271	102,671
Subordinated debt	67,485	67,846	67,845	67,485	67,124
Total interest expense	<u>1,075,516</u>	<u>1,116,149</u>	<u>1,137,328</u>	<u>1,065,036</u>	<u>970,336</u>
Net interest income	<u>2,904,019</u>	<u>2,871,683</u>	<u>2,861,510</u>	<u>2,754,410</u>	<u>2,626,027</u>
Provision for loan losses	<u>144,033</u>	<u>66,628</u>	<u>84,557</u>	<u>158,992</u>	<u>475,952</u>
Net interest income after provision for loan losses	2,759,986	2,805,055	2,776,953	2,595,418	2,150,075
<b>NON-INTEREST INCOME</b>					
BOLI income	37,050	38,067	38,205	37,965	37,455
Swap referral fee income	148,000	81,500	107,160	114,100	-
Gain on sale of SBA loans	-	-	-	-	24,463
Other	98,956	100,107	81,304	110,532	94,337
Total non-interest income	<u>284,006</u>	<u>219,674</u>	<u>226,669</u>	<u>262,597</u>	<u>156,255</u>
<b>NON-INTEREST EXPENSE</b>					
Salaries & benefits	1,328,471	1,267,867	1,266,493	1,238,114	1,053,586
Occupancy & equipment	252,370	251,297	189,381	185,402	191,572
Professional fees	92,161	94,744	88,083	101,117	100,169
Advertising	66,278	54,660	82,357	35,401	33,764
Data processing	139,483	127,721	142,587	135,151	127,119
Other	371,641	447,905	376,707	380,297	347,391
Total non-interest expense	<u>2,250,404</u>	<u>2,244,194</u>	<u>2,145,608</u>	<u>2,075,482</u>	<u>1,853,601</u>
Income before income tax expense	793,588	780,535	858,014	782,533	452,729
Federal income tax expense	<u>153,449</u>	<u>152,236</u>	<u>167,285</u>	<u>151,013</u>	<u>81,509</u>
Net income	<u>\$ 640,139</u>	<u>\$ 628,299</u>	<u>\$ 690,729</u>	<u>\$ 631,520</u>	<u>\$ 371,220</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](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.