

## **NEWS RELEASE**

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

### ***FIRST RESOURCE BANK ANNOUNCES RECORD ANNUAL EARNINGS; NET INCOME GREW 7% OVER THE PRIOR YEAR***

**EXTON, PA** – First Resource Bank (OTCQX: FRSB) announced financial results for the three months and year ended December 31, 2019.

Highlights for the year ended December 31, 2019 included:

- Net income grew 7%
- Non-interest bearing deposits grew 59%
- Total deposits grew 14%
- Loans grew 15%
- Nonperforming assets to total assets declined 54%
- Opened a third branch location in Wayne, Pennsylvania

Glenn B. Marshall, CEO, stated, “2019 was a remarkable year at First Resource Bank. We opened our third retail branch, experienced significant balance sheet growth funded by core deposits, shed legacy problem loans and achieved record profitability. Investments that were made in 2019 increased overhead expenses; however, those decisions were made with the ultimate goal of continuing to increase profitability.”

Net income for the quarter ended December 31, 2019 was \$628,299, which compares to \$690,729 for the previous quarter and \$608,737 for the fourth quarter of the prior year.

Net income for the year ended December 31, 2019 was \$2,321,768, a 7% increase as compared to the prior year. The increase in net income is primarily attributable to a 12% increase in net interest income and higher non-interest income, partially offset by a higher provision for loan losses and higher non-interest expense. Swap referral fee income totaled \$303 thousand in 2019 as compared to none in 2018. Gains on sales of SBA loans totaled \$24 thousand in 2019 as compared to \$96 thousand in 2018.

Net interest income was \$2,871,683 for the quarter ended December 31, 2019 as compared to \$2,861,510 for the previous quarter. The net interest margin decreased 8 basis points from 3.81% for the quarter ended September 30, 2019 to 3.73% for the quarter ended December 31, 2019. The overall yield on interest earning assets decreased 14 basis points during the fourth quarter led by a 5 basis point decrease in loan yields to 5.52%. The cost of deposits decreased 6 basis points during the fourth quarter to 1.38%.

Net interest income for the year ended December 31, 2019 was \$11,113,630 as compared to \$9,927,714 for the year ended December 31, 2018, a 12% improvement. The net interest margin for the year ended December 31, 2019 was 3.81% as compared to 3.89% for the prior year. Loan yields

increased 18 basis points to 5.56% in 2019, as compared to 5.38% in the prior year, and the cost of deposits increased 33 basis points to 1.40% in 2019, as compared to 1.07% in 2018.

Non-interest income for the quarter ended December 31, 2019 was \$219,674 as compared to \$226,669 for the previous quarter and \$178,337 for the fourth quarter of the prior year. Swap referral fee income of \$81,500 was received in the fourth quarter of 2019, as compared to \$107,160 in the third quarter of 2019 and none in the fourth quarter of 2018. There were no gains on sales of SBA loans recognized during the fourth quarter of 2019 or the third quarter of 2019, as compared to \$55,075 in the fourth quarter of 2018.

Non-interest income for the year ended December 31, 2019 was \$865,195 as compared to \$561,266 for the prior year. The increase is mainly attributed to \$302,760 in swap referrals fees received in 2019 as compared to none in 2018.

Non-interest expense increased \$99 thousand, or 5%, in the three months ended December 31, 2019 as compared to the prior quarter. The increase was primarily due to an increase in salaries and benefits, occupancy, depreciation, professional fees and other costs, partially offset by a decrease in advertising and data processing costs.

Non-interest expense increased \$1.0 million, or 14%, in the year ended December 31, 2019 as compared to the prior year. All expense categories increased from the prior year. Marshall stated, "In 2019 we invested in people and the physical expansion of our branch network. This carefully planned increase in expenses did not inhibit the Bank from achieving record annual profitability for 2019."

Deposits grew \$5.4 million from \$264.4 million at September 30, 2019 to \$269.8 million at December 31, 2019. During the fourth quarter, non-interest bearing deposits increased \$2.8 million, or 6%, from \$47.8 million at September 30, 2019 to \$50.6 million at December 31, 2019. Interest-bearing checking balances increased \$2.0 million, or 21%, from \$9.8 million at September 30, 2019 to \$11.8 million at December 31, 2019. Money market deposits increased \$530 thousand, or 1%, from \$101.9 million at September 30, 2019 to \$102.4 million at December 31, 2019. Certificates of deposit increased \$10 thousand, or 0%, from \$104.9 million at September 30, 2019 to \$105.0 million at December 31, 2019.

During 2019, total deposits increased \$33.6 million, or 14%, from \$236.2 million at December 31, 2018 to \$269.8 million at December 31, 2019. During 2019, non-interest bearing deposits grew 59%, interest checking deposits grew 7%, money market deposits grew 1% and certificates of deposit grew 15%.

Marshall stated, "Over the past few years we have invested in the retail team and this tremendous core deposit growth is attributed to that investment. All employees across the Bank are focused on generating core deposits and the team had some major successes in 2019."

The loan portfolio grew \$5.4 million during the fourth quarter from \$274.8 million at September 30, 2019 to \$280.2 million at December 31, 2019, with growth in commercial real estate loans and construction loans partially offset by a decline in commercial business and consumer loans.

During 2019, the loan portfolio grew \$35.5 million, or 15%, from \$244.7 at December 31, 2018 to \$280.2 million at December 31, 2019, with the majority of that growth in commercial real estate loans.

The following table illustrates the composition of the loan portfolio:

	Dec. 31, 2019	Dec. 31, 2018
Commercial real estate	\$ 203,427,712	\$ 170,738,479
Commercial construction	29,353,830	20,377,108
Commercial business	30,805,290	31,738,443
Consumer	<u>16,615,540</u>	<u>21,843,647</u>
Total loans	<u>\$ 280,202,372</u>	<u>\$ 244,697,677</u>

The allowance for loan losses to total loans was 0.90% at December 31, 2019 as compared to 0.90% at September 30, 2019 and 0.81% at December 31, 2018. Non-performing assets consisted of non-performing loans of \$1.4 million at December 31, 2019, a 54% decrease as compared to the prior quarter primarily due to a decrease in non-performing loans and the sale of other real estate owned during the fourth quarter. Non-performing assets to total assets improved 55% from 0.94% at September 30, 2019 to 0.42% at December 31, 2019.

During the year ended December 31, 2019, total stockholder's equity increased \$2.7 million, or 11%, from \$25.3 million at December 31, 2018 to \$28.0 million at December 31, 2019, primarily due to net income generated. During the year ended December 31, 2019 book value per share has grown 94 cents, or 10%, to \$10.10.

During the year ended December 31, 2019, total assets grew \$34.0 million, or 11%. This growth was primarily the result of \$35.5 million in loan growth funded by a \$33.6 million increase in deposits.

Selected Financial Data:  
Balance Sheets (unaudited)

	December 31, 2019	December 31, 2018
Cash and due from banks	\$ 2,516,374	\$ 5,734,677
Time deposits at other banks	599,000	599,000
Investments	37,120,798	37,762,190
Loans	280,202,372	244,697,677
Allowance for loan losses	(2,507,845)	(1,990,253)
Premises & equipment	8,675,596	6,647,166
Other assets	<u>9,812,630</u>	<u>8,996,941</u>
 Total assets	 <u>\$ 336,418,925</u>	 <u>\$ 302,447,398</u>
 Non-interest bearing deposits	 \$ 50,616,321	 \$ 31,788,359
Interest-bearing checking	11,797,456	11,069,325
Money market	102,433,910	101,887,847
Time deposits	<u>104,952,207</u>	<u>91,456,365</u>
Total deposits	<u>269,799,894</u>	<u>236,201,896</u>
Short term borrowings	10,896,000	17,000,400
Long term borrowings	21,045,500	18,515,500
Subordinated debt	3,994,591	3,986,097
Other liabilities	<u>2,705,583</u>	<u>1,466,037</u>
 Total liabilities	 <u>308,441,568</u>	 <u>277,169,930</u>
 Total stockholders' equity	 <u>27,977,357</u>	 <u>25,277,468</u>
 Total liabilities & stockholders' equity	 <u>\$ 336,418,925</u>	 <u>\$ 302,447,398</u>

Performance Statistics  
(unaudited)

	Qtr Ended Dec. 31, 2019	Qtr Ended Sept. 30, 2019	Qtr Ended June 30, 2019	Qtr Ended Mar. 31, 2019	Qtr Ended Dec. 31, 2018
Net interest margin	3.73%	3.81%	3.85%	3.87%	3.78%
Nonperforming loans/ Total loans	0.50%	0.89%	0.83%	0.87%	1.14%
Nonperforming assets/ Total assets	0.42%	0.94%	0.91%	0.74%	0.92%
Allowance for loan losses/ Total loans	0.90%	0.90%	0.93%	0.95%	0.81%
Average loans/Average assets	84.9%	87.2%	87.4%	86.5%	84.9%
Non-interest expenses*/ Average assets	2.75%	2.71%	2.75%	2.60%	2.67%
Earnings per share – basic and diluted **	\$0.23	\$0.25	\$0.23	\$0.13	\$0.22
Book value per share **	\$10.10	\$9.88	\$9.63	\$9.35	\$9.16
Total shares outstanding **	2,768,729	2,766,330	2,764,241	2,761,910	2,759,808

\* Annualized

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

	Year Ended Dec. 31, 2019	Year Ended Dec. 31, 2018
Net interest margin	3.81%	3.89%
Return on assets	0.76%	0.81%
Return on equity	8.72%	9.02%
Earnings per share-basic and diluted	\$0.84	\$0.79

Income Statements (unaudited)

	Qtr. Ended Dec. 31, 2019	Qtr. Ended Sept. 30, 2019	Qtr. Ended June 30, 2019	Qtr. Ended Mar. 31, 2019	Qtr. Ended Dec. 31, 2018
<b>INTEREST INCOME</b>					
Loans, including fees	\$3,819,667	\$3,855,582	\$3,679,137	\$3,438,752	\$3,297,459
Securities	129,178	124,908	126,881	128,301	124,207
Other	38,987	18,348	13,428	29,310	37,950
Total interest income	<u>3,987,832</u>	<u>3,998,838</u>	<u>3,819,446</u>	<u>3,596,363</u>	<u>3,459,616</u>
<b>INTEREST EXPENSE</b>					
Deposits	930,953	938,804	886,280	800,541	739,464
Borrowings	117,350	130,679	111,271	102,671	108,664
Subordinated debt	67,846	67,845	67,485	67,124	67,843
Total interest expense	<u>1,116,149</u>	<u>1,137,328</u>	<u>1,065,036</u>	<u>970,336</u>	<u>915,971</u>
Net interest income	<u>2,871,683</u>	<u>2,861,510</u>	<u>2,754,410</u>	<u>2,626,027</u>	<u>2,543,645</u>
Provision for loan losses	<u>66,628</u>	<u>84,557</u>	<u>158,992</u>	<u>475,952</u>	<u>78,051</u>
Net interest income after provision for loan losses	2,805,055	2,776,953	2,595,418	2,150,075	2,465,594
<b>NON-INTEREST INCOME</b>					
BOLI income	38,067	38,205	37,965	37,455	38,315
Swap referral fee income	81,500	107,160	114,100	-	-
Gain on sale of SBA loans	-	-	-	24,463	55,075
Other	100,107	81,304	110,532	94,337	84,947
Total non-interest income	<u>219,674</u>	<u>226,669</u>	<u>262,597</u>	<u>156,255</u>	<u>178,337</u>
<b>NON-INTEREST EXPENSE</b>					
Salaries & benefits	1,267,867	1,266,493	1,238,114	1,053,586	1,121,757
Occupancy & equipment	251,297	189,381	185,402	191,572	179,256
Professional fees	94,744	88,083	101,117	100,169	94,756
Advertising	54,660	82,357	35,401	33,764	34,689
Data processing	127,721	142,587	135,151	127,119	121,363
Other	447,905	376,707	380,297	347,391	337,137
Total non-interest expense	<u>2,244,194</u>	<u>2,145,608</u>	<u>2,075,482</u>	<u>1,853,601</u>	<u>1,888,958</u>
Income before income tax expense	780,535	858,014	782,533	452,729	754,973
Federal income tax expense	<u>152,236</u>	<u>167,285</u>	<u>151,013</u>	<u>81,509</u>	<u>146,236</u>
Net income	<u>\$ 628,299</u>	<u>\$ 690,729</u>	<u>\$ 631,520</u>	<u>\$ 371,220</u>	<u>\$ 608,737</u>

Income Statements (unaudited)

	Year Ended December 31, 2019	Year Ended December 31, 2018
<b>INTEREST INCOME</b>		
Loans	\$ 14,793,138	\$ 12,403,812
Investments	509,268	496,230
Other	<u>100,073</u>	<u>62,951</u>
Total interest income	<u>15,402,479</u>	<u>12,962,993</u>
<b>INTEREST EXPENSE</b>		
Deposits	3,556,578	2,348,864
Borrowings	461,971	416,115
Subordinated debt	<u>270,300</u>	<u>270,300</u>
Total interest expense	<u>4,288,849</u>	<u>3,035,279</u>
Net interest income	<u>11,113,630</u>	<u>9,927,714</u>
Provision for loan losses	<u>786,129</u>	<u>513,238</u>
Net interest income after provision for loan losses	10,327,501	9,414,476
<b>NON-INTEREST INCOME</b>		
BOLI income	151,692	149,082
Swap referral fee income	302,760	-
Gain on sale of SBA loans	24,463	96,431
Other	<u>386,280</u>	<u>315,753</u>
Total non-interest income	<u>865,195</u>	<u>561,266</u>
<b>NON-INTEREST EXPENSE</b>		
Salaries & benefits	4,826,060	4,294,541
Occupancy & equipment	817,652	730,323
Professional fees	384,113	366,572
Advertising	206,182	195,357
Data processing	532,578	446,542
Other non-interest expense	<u>1,552,300</u>	<u>1,277,305</u>
Total non-interest expense	<u>8,318,885</u>	<u>7,310,640</u>
Pre-tax income	2,873,811	2,665,102
Tax expense	<u>552,043</u>	<u>499,895</u>
Net income	<u>\$ 2,321,768</u>	<u>\$ 2,165,207</u>

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## About First Resource Bank

First Resource Bank is a locally owned and operated Pennsylvania state-chartered bank with three full-service branches, serving the banking needs of businesses, professionals and individuals in Chester County, Pennsylvania. 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.