

NEWS RELEASE

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FIRST RESOURCE BANK ANNOUNCES TENTH CONSECUTIVE YEAR OF RECORD ANNUAL EARNINGS; NET INCOME GREW 40% OVER THE PRIOR YEAR

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

Highlights through the year ended December 31, 2020 included:

- Net income grew 40%
- Total interest income grew 8%, while total interest expense declined 14%
- Non-interest bearing deposits grew 97%
- Total deposits grew 33%
- Total loans grew 21%
- \$58.8 million of Paycheck Protection Loans completed, \$23.2 million were forgiven to date
- Subordinated debt offering was completed totaling \$6 million
- Total assets increased 26%, ending the year at \$424 million
- Nonperforming assets to total assets improved by 79%
- 98.7% of loans that were modified due to the pandemic have returned to a regular payment schedule
- First Resource Bank was named Best Bank in Chester County by readers of the Daily Local News for the fourth consecutive year

Glenn B. Marshall, CEO, stated, “2020 was uniquely challenging in many ways and the First Resource Bank team stepped up at a critical time to directly help our customer base and the broader community. Our active participation in the Paycheck Protection Program (PPP) in 2020 was an opportunity to directly help many impacted small businesses and First Resource Bank has already begun active participation in the critical second round of PPP loans in 2021. Working with a community bank has never been more important and many small businesses have come to that realization allowing us the opportunity to win their business. I am extremely grateful for the new banking relationships we were able to develop in 2020 and thrilled by our ability to grow our business exponentially while continuing to exceed customers’ expectations.”

Net income for the quarter ended December 31, 2020 was \$1,118,435, which compares to \$815,406 for the previous quarter and \$628,299 for the fourth quarter of the prior year. This was the most profitable quarter in the Bank’s history, aided by fee recognition as PPP loans were forgiven. Net income for the year ended December 31, 2020 was \$3,250,967, a 40% increase as compared to the prior year.

Total interest income grew 10% when comparing the fourth quarter to the third quarter of 2020. This increase was driven by fees recognized in association with PPP loan forgiveness during the fourth quarter.

Total interest income rose 14% from \$3,987,832 for the three months ended December 31, 2019 to \$4,544,389 for the three months ended December 31, 2020. This increase was the result of 21% loan growth when comparing December 31, 2020 to a year prior, partially mitigated by a 34 basis point decline in loan yields when comparing the fourth quarter of 2019 to the fourth quarter of 2020. This loan yield decline is a result of lower yielding PPP loans booked in the second and third quarters of 2020 and the impact of the Federal Reserve 150 basis point rate cuts in March 2020, partially offset by fees recognized in association with PPP loan forgiveness during the fourth quarter. Total interest income was \$16,654,083 for the year ended December 31, 2020, an 8% increase over the prior year.

Total interest expense decreased 3% when comparing the fourth quarter to the third quarter of 2020. This decrease was driven by a 16 basis point decrease in the cost of deposits during the quarter, partially offset by an increase in interest expense on subordinated debt. Interest expense on deposits continues to be actively managed to lower costs.

Total interest expense decreased 26% from \$1,116,149 for the three months ended December 31, 2019 to \$825,984 for the three months ended December 31, 2020. The vast majority of this decreased expense was related to a 71 basis point decrease in the cost of money market accounts and a 67 basis point decrease in the cost of certificates of deposit, year over year. Overall interest expense was also mitigated by strong growth in non-interest bearing deposits, which increased 97% when comparing December 31, 2020 to the year prior. Total interest expense for the year ended December 31, 2020 was \$3,690,514, a 14% decrease over the prior year.

Net interest income was \$3,718,405 for the quarter ended December 31, 2020 as compared to \$3,291,422 for the previous quarter, an improvement of 13%. The net interest margin increased 16 basis points from 3.53% for the quarter ended September 30, 2020 to 3.69% for the quarter ended December 31, 2020. The overall yield on interest earning assets increased 7 basis points during the fourth quarter led by a 52 basis point increase in loan yields to 5.18%. The cost of interest bearing deposits decreased 16 basis points during the fourth quarter to 0.90%, with the majority of that decrease attributed to lower cost money market accounts and certificates of deposit.

Net interest income for the year ended December 31, 2020 was \$12,963,569, a 17% improvement over net interest income of \$11,113,630 for the year ended December 31, 2019. This growth was driven by a 9% increase in loan interest income and a 19% decline in deposit interest expense.

The provision for loan losses increased from \$129,894 for the three months ended September 30, 2020 to \$229,538 for the three months ended December 31, 2020. The provision for loan losses increased from \$66,628 for the three months ended December 31, 2019, to \$229,538 for the three months ended December 31, 2020. The provision for loan losses decreased from \$786,129 for the year ended December 31, 2019 to \$554,510 for the year ended December 31, 2020.

The allowance for loan losses to total loans was 0.86% at December 31, 2020 as compared to 0.78% at September 30, 2020 and 0.90% at December 31, 2019. Excluding PPP loans, which are 100% guaranteed by the SBA, the allowance for loan losses to total loans was 0.95% at December 31, 2020 and 0.93% at September 30, 2020. Non-performing assets consisted of non-performing loans of \$382 thousand at December 31, 2020, a 73% decrease from the prior quarter. Non-performing assets to total assets decreased from 0.35% at September 30, 2020 to 0.09% at December 31, 2020.

Marshall noted, "Credit quality at December 31, 2020 is as good as it has been since 2007. I am thrilled with the progress made this year in resolving problem loans while ensuring that underwriting stays strong to avoid new problems in the future."

Non-interest income for the quarter ended December 31, 2020 was \$224,391, as compared to \$136,863 for the previous quarter and \$219,674 for the fourth quarter of the prior year. Swap referral fee income received in the fourth quarter of 2020 was \$69,000, as compared to none in the third quarter of 2020 and \$81,500 in the fourth quarter of 2019.

Non-interest income for the year ended December 31, 2020 was \$781,794 as compared to \$865,195 for the prior year. Swap referral fee income of \$244,100 was received in 2020 as compared to \$302,760 in 2019. There were no gains on sales of SBA loans in 2020 as compared to \$24,463 in 2019.

Non-interest expense increased \$30 thousand, or 1%, in the three months ended December 31, 2020 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 costs. Non-interest expense increased \$70 thousand, or 3%, when comparing the fourth quarter of 2020 to the fourth quarter of 2019. This increase was primarily attributed to an increase in salaries and benefits and advertising costs, partially offset by a decrease in other expenses.

Non-interest expense increased \$827 thousand, or 10%, in the year ended December 31, 2020 as compared to the prior year. This increase was due to higher salaries and benefits expense associated with a higher headcount and higher occupancy costs.

President and Chief Financial Officer, Lauren C. Ranalli, stated, "Non-interest expenses are closely monitored at all times and the increase in employees in 2020 was critical to our growth and success. Non-interest expense to total assets has improved throughout 2020 and consistently remains better than our peers."

Deposits grew a net \$28.0 million, or 9%, from \$330.1 million at September 30, 2020 to \$358.0 million at December 31, 2020. During the fourth quarter, non-interest bearing deposits increased \$18.2 million, or 22%, from \$81.7 million at September 30, 2020 to \$99.9 million at December 31, 2020. Interest-bearing checking balances increased \$993 thousand, or 4%, from \$22.7 million at September 30, 2020 to \$23.7 million at December 31, 2020. Money market deposits increased \$12.1 million, or 9%, from \$128.4 million at September 30, 2020 to \$140.5 million at December 31, 2020. Certificates of deposit decreased \$3.3 million, or 3%, from \$97.3 million at September 30, 2020 to \$93.9 million at December 31, 2020.

The deposit portfolio grew \$88.2 million, or 33%, during the year ended December 31, 2020, with a \$61.2 million increase in total checking balances and a \$38.0 million increase in money market balances, partially offset by an \$11.0 million decline in certificates of deposit balances. Checking balances represented 35% of total deposits at December 31, 2020, a significant increase from 23% at December 31, 2019.

Ranalli noted, "Checking deposit growth in 2020 was tremendous and that allowed us to be less dependent on higher cost forms of funding such as money markets and certificates of deposit. We embraced the opportunity to grow deposit relationships with PPP customers that were new to the Bank and were successful in doing so. Our customer service excellence is paramount in everything we do as evidenced by our Best Bank in Chester County accolades for the last four consecutive years."

The loan portfolio decreased \$8.0 million, or 2%, during the fourth quarter from \$347.0 million at September 30, 2020 to \$338.9 million at December 31, 2020, with strong growth in commercial real estate and construction loans offset by a decline in commercial loans due to SBA Paycheck Protection Program loan payoffs. Year-to-date net loan growth in 2020 was \$58.7 million, or 21%, with the majority

of that growth in commercial business loans as a result of the SBA's Paycheck Protection Program and commercial real estate loans. Commercial construction loans consist primarily of suburban residential construction which declined 15% in 2020 due to strong demand in local residential housing markets that caused the construction project cycle to be accelerated creating less outstanding loan balances and faster payoffs. Residential inventory has been extremely limited in 2020 causing these construction projects to sell quickly.

The following table illustrates the composition of the loan portfolio:

	Dec. 31, 2020	Dec. 31, 2019
Commercial real estate	\$ 227,224,196	\$ 203,427,712
Commercial construction	24,925,050	29,353,830
Commercial business	66,555,149	30,805,290
Consumer	<u>20,235,647</u>	<u>16,615,540</u>
Total loans	<u>\$ 338,940,042</u>	<u>\$ 280,202,372</u>

Total stockholder's equity increased \$1.1 million, or 4%, from \$30.3 million at September 30, 2020 to \$31.5 million at December 31, 2020, primarily due to net income generated, partially offset by a decline in the unrealized gain/loss position of the investment portfolio. During the quarter ended December 31, 2020, book value per share grew 39 cents, or 4%, to \$11.32.

Total assets increased \$29.1 million, or 7% during the fourth quarter of 2020, with growth in investments primarily funded by deposit growth. Total assets increased \$88 million, or 26% during the year ended December 31, 2020, with growth in loans and cash funded by deposit growth.

Selected Financial Data:
Balance Sheets (unaudited)

	December 31, 2020	December 31, 2019
Cash and due from banks	\$ 26,008,820	\$ 2,516,374
Time deposits at other banks	599,000	599,000
Investments	43,060,035	37,120,798
Loans	338,940,042	280,202,372
Allowance for loan losses	(2,907,023)	(2,507,845)
Premises & equipment	8,380,269	8,675,596
Other assets	<u>10,353,164</u>	<u>9,812,630</u>
Total assets	<u>\$ 424,434,307</u>	<u>\$ 336,418,925</u>
Non-interest bearing deposits	\$ 99,898,323	\$ 50,616,321
Interest-bearing checking	23,726,721	11,797,456
Money market	140,480,421	102,433,910
Time deposits	<u>93,919,651</u>	<u>104,952,207</u>
Total deposits	<u>358,025,116</u>	<u>269,799,894</u>
Short term borrowings	-	10,896,000
Long term borrowings	24,206,000	21,045,500
Subordinated debt	7,940,649	3,994,591
Other liabilities	<u>2,806,732</u>	<u>2,705,583</u>
Total liabilities	<u>392,978,497</u>	<u>308,441,568</u>
Total stockholders' equity	<u>31,455,810</u>	<u>27,977,357</u>
Total Liabilities & Stockholders' Equity	<u>\$ 424,434,307</u>	<u>\$ 336,418,925</u>

Performance Statistics
(unaudited)

	Qtr Ended Dec. 31, 2020	Qtr Ended Sept. 30, 2020	Qtr Ended June 30, 2020	Qtr Ended Mar. 31, 2020	Qtr Ended Dec. 31, 2019
Net interest margin	3.69%	3.53%	3.50%	3.69%	3.73%
Nonperforming loans/ Total loans	0.11%	0.40%	0.41%	0.49%	0.50%
Nonperforming assets/ Total assets	0.09%	0.35%	0.36%	0.41%	0.42%
Allowance for loan losses/ Total loans	0.86%**	0.78%**	0.76%**	0.89%	0.90%
Average loans/Average assets	81.4%	88.7%	87.4%	84.9%	84.9%
Non-interest expenses*/ Average assets	2.20%	2.34%	2.50%	2.71%	2.75%
Earnings per share – basic and diluted	\$0.41	\$0.29	\$0.24	\$0.23	\$0.23
Book value per share	\$11.32	\$10.93	\$10.65	\$10.39	\$10.10
Total shares outstanding	2,779,607	2,776,551	2,773,686	2,770,755	2,768,729

* Annualized

** Excluding PPP loans, the allowance for loan losses/total loans was 0.95% at December 31, 2020, 0.93% at September 30, 2020 and 0.91% at June 30, 2020.

	Year Ended Dec. 31, 2020	Year Ended Dec. 31, 2019
Net interest margin	3.60%	3.81%
Return on assets	0.86%	0.76%
Return on equity	10.93%	8.72%
Earnings per share-basic and diluted	\$1.17	\$0.84

Income Statements (unaudited)

	Qtr. Ended Dec. 31, 2020	Qtr. Ended Sept. 30, 2020	Qtr. Ended June 30, 2020	Qtr. Ended Mar. 31, 2020	Qtr. Ended Dec. 31, 2019
INTEREST INCOME					
Loans, including fees	\$4,439,471	\$4,038,794	\$3,879,732	\$3,814,235	\$3,819,667
Securities	93,928	101,768	104,900	118,005	129,178
Other	10,990	2,365	2,600	47,295	38,987
Total interest income	<u>4,544,389</u>	<u>4,142,927</u>	<u>3,987,232</u>	<u>3,979,535</u>	<u>3,987,832</u>
INTEREST EXPENSE					
Deposits	581,982	653,243	742,578	885,915	930,953
Borrowings	117,995	120,795	127,446	122,116	117,350
Subordinated debt	126,007	77,467	67,485	67,485	67,846
Total interest expense	<u>825,984</u>	<u>851,505</u>	<u>937,509</u>	<u>1,075,516</u>	<u>1,116,149</u>
Net interest income	<u>3,718,405</u>	<u>3,291,422</u>	<u>3,049,723</u>	<u>2,904,019</u>	<u>2,871,683</u>
Provision for loan losses	<u>229,538</u>	<u>129,894</u>	<u>51,045</u>	<u>144,033</u>	<u>66,628</u>
Net interest income after provision for loan losses	3,488,867	3,161,528	2,998,678	2,759,986	2,805,055
NON-INTEREST INCOME					
BOLI income	36,852	37,125	37,067	37,050	38,067
Referral fee income	69,000	-	27,100	148,000	81,500
Gain on sale of SBA loans	-	-	-	-	-
Other	118,539	99,738	72,367	98,956	100,107
Total non-interest income	<u>224,391</u>	<u>136,863</u>	<u>136,534</u>	<u>284,006</u>	<u>219,674</u>
NON-INTEREST EXPENSE					
Salaries & benefits	1,405,431	1,386,212	1,373,036	1,328,471	1,267,867
Occupancy & equipment	238,406	261,166	228,216	252,370	251,297
Professional fees	95,238	96,936	98,492	92,161	94,744
Advertising	80,279	72,390	64,011	66,278	54,660
Data processing	146,147	131,351	135,936	139,483	127,721
Other	349,074	336,144	396,808	371,641	447,905
Total non-interest expense	<u>2,314,575</u>	<u>2,284,199</u>	<u>2,296,499</u>	<u>2,250,404</u>	<u>2,244,194</u>
Income before income tax expense	1,398,683	1,014,192	838,713	793,588	780,535
Federal income tax expense	<u>280,248</u>	<u>198,786</u>	<u>161,726</u>	<u>153,449</u>	<u>152,236</u>
Net income	<u>\$1,118,435</u>	<u>\$ 815,406</u>	<u>\$ 676,987</u>	<u>\$ 640,139</u>	<u>\$ 628,299</u>

Income Statements (unaudited)

	Year Ended December 31, 2020	Year Ended December 31, 2019
INTEREST INCOME		
Loans	\$ 16,172,232	\$ 14,793,138
Investments	418,601	509,268
Other	<u>63,250</u>	<u>100,073</u>
Total interest income	<u>16,654,083</u>	<u>15,402,479</u>
INTEREST EXPENSE		
Deposits	2,863,718	3,556,578
Borrowings	488,352	461,971
Subordinated debt	<u>338,444</u>	<u>270,300</u>
Total interest expense	<u>3,690,514</u>	<u>4,288,849</u>
Net interest income	<u>12,963,569</u>	<u>11,113,630</u>
Provision for loan losses	<u>554,510</u>	<u>786,129</u>
Net interest income after provision for loan losses	12,409,059	10,327,501
NON-INTEREST INCOME		
BOLI income	148,094	151,692
Referral fee income	244,100	302,760
Gain on sale of SBA loans	-	24,463
Other	<u>389,600</u>	<u>386,280</u>
Total non-interest income	781,794	865,195
NON-INTEREST EXPENSE		
Salaries & benefits	5,493,150	4,826,060
Occupancy & equipment	980,158	817,652
Professional fees	382,827	384,113
Advertising	282,958	206,182
Data processing	552,917	532,578
Other non-interest expense	<u>1,453,667</u>	<u>1,552,300</u>
Total non-interest expense	<u>9,145,677</u>	<u>8,318,885</u>
Pre-tax income	4,045,176	2,873,811
Tax expense	<u>794,209</u>	<u>552,043</u>
Net income	<u>\$ 3,250,967</u>	<u>\$ 2,321,768</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 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.