

NEWS RELEASE

For Immediate Release
April 18, 2019

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FIRST RESOURCE BANK ANNOUNCES FIRST QUARTER RESULTS; REVENUES INCREASED 21% OVER THE PRIOR YEAR WITH STRONG BALANCE SHEET GROWTH TO START THE YEAR

EXTON, PA – First Resource Bank (OTCQX: FRSB) announced financial results for the three months ended March 31, 2019. Net income for the quarter ended March 31, 2019 was \$371,220, which compares to \$608,737 for the previous quarter and \$480,992 for the first quarter of the prior year.

Highlights for the first quarter of 2019 included:

- Total deposits grew 5%
- Noninterest bearing deposits increased 25%
- Total loans grew 6%
- Non-performing loans decreased 19%
- Net interest income grew 3% over the quarter ended December 31, 2018 and 10% over the quarter ended March 31, 2018
- Total interest income grew 4% over the quarter ended December 31, 2018 and 21% over the quarter ended March 31, 2018
- Net interest margin increased 9 basis points from 3.78% in the quarter ended December 31, 2018 to 3.87% for the quarter ended March 31, 2019

Glenn B. Marshall, President & CEO, stated, “The first quarter of 2019 required a significant addition to the provision for loan losses related to one legacy problem loan after obtaining new information regarding the collateral. This specific credit has been adequately provided for to allow the Bank to move forward. We are optimistic about the future with strong balance sheet growth, a rising net interest margin and the upcoming opening of the Wayne branch location later this year.”

Total interest income grew 4% when comparing the first quarter of 2019 to the fourth quarter of 2018. This growth was driven by 6% loan growth as well as a 10 basis point increase in loan yields during the first quarter.

Total interest income rose 21% from \$2,982,300 for the three months ended March 31, 2018 to \$3,596,363 for the three months ended March 31, 2019. This increase was supported by 16% loan growth when comparing March 31, 2019 to a year prior and a 35 basis point improvement in loan yields when comparing the first quarter of 2018 to the first quarter of 2019.

Total interest expense rose 6% when comparing the first quarter of 2019 to the fourth quarter of 2018. This increase was driven by a 6% increase in certificates of deposit as well as a 16 basis point increase in the cost of certificates of deposit.

Total interest expense rose 66% from \$584,997 for the three months ended March 31, 2018 to \$970,336 for the three months ended March 31, 2019. The vast majority of this increased expense was related to a 38% increase in certificates of deposit as well as a 95 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 March 31, 2019 to the year prior.

Net interest income was \$2,626,027 for the quarter ended March 31, 2019 as compared to \$2,543,643 for the previous quarter, an improvement of 3%. The net interest margin increased 9 basis points from 3.78% for the quarter ended December 31, 2018 to 3.87% for the quarter ended March 31, 2019. The overall yield on interest earning assets increased 16 basis points during the first quarter led by a 10 basis point increase in loan yields to 5.58%. The cost of interest bearing deposits increased 13 basis points during the first quarter to 1.59%, with the majority of that increase attributed to higher cost certificates of deposit.

The provision for loan losses increased from \$78,051 for the three months ended December 31, 2018 to \$475,952 for the three months ended March 31, 2019. The provision for loan losses increased from \$134,322 for the three months ended March 31, 2018, to \$475,952 for the three months ended March 31, 2019. These increases are both attributed to significant loan growth during the first quarter of 2019 as well as one legacy problem loan that required specific reserves due to new information obtained during the first quarter of 2019.

Non-interest income for the quarter ended March 31, 2019 was \$156,255, as compared to \$178,337 for the previous quarter and \$115,742 for the first quarter of the prior year. There were \$24,463 in gains on sales of SBA loans recognized during the first quarter of 2019, as compared to \$55,075 in the prior quarter and none during the first quarter of 2018.

Non-interest expense decreased \$35 thousand, or 2%, in the three months ended March 31, 2019 as compared to the prior quarter. The decrease was primarily due to a decrease in salaries and benefits and advertising, partially offset by an increase in occupancy, professional fees, data processing and other costs. Non-interest expense increased \$58 thousand, or 3%, when comparing the first quarter of 2019 to the first quarter of 2018. This increase was attributed to an increase in salaries and benefits, data processing, professional fees and other fees, offset by lower occupancy, depreciation and advertising expenses.

Deposits grew a net \$11.4 million, or 5%, from \$236.2 million at December 31, 2018 to \$247.6 million at March 31, 2019. During the first quarter, non-interest bearing deposits increased \$8 million, or 25%, from \$31.8 million at December 31, 2018 to \$39.8 million at March 31, 2019. Interest-bearing checking balances decreased \$911 thousand, or 8%, from \$11.1 million at December 31, 2018 to \$10.2 million at March 31, 2019. Money market deposits decreased \$1.4 million, or 1%, from \$101.9 million at December 31, 2018 to \$100.5 million at March 31, 2019. Certificates of deposit increased \$5.7 million, or 6%, from \$91.5 million at December 31, 2018 to \$97.2 million at March 31, 2019. Total deposits grew \$36.1 million, or 17%, from \$211.5 million at March 31, 2018 to \$247.6 million at March 31, 2019, with growth in noninterest bearing deposits and certificates of deposit offset by a decline in money market deposits.

The loan portfolio grew \$13.7 million, or 6%, during the first quarter from \$244.7 million at December 31, 2018 to \$258.4 million at March 31, 2019, with the majority of that growth in commercial

real estate loans and construction loans. The loan portfolio grew \$35.1 million, or 16%, from \$223.3 million at March 31, 2018 to \$258.4 million at March 31, 2019, with the majority of that growth in commercial real estate loans.

The following table illustrates the composition of the loan portfolio:

	Mar. 31, 2019	Dec. 31, 2018	Mar. 31, 2018
Commercial real estate	\$ 179,153,919	\$ 170,738,479	\$ 151,113,428
Commercial construction	24,295,518	20,377,108	22,295,657
Commercial business	33,544,929	31,738,443	28,297,067
Consumer	<u>21,369,180</u>	<u>21,843,647</u>	<u>21,600,352</u>
Total loans	<u>\$ 258,363,546</u>	<u>\$ 244,697,677</u>	<u>\$ 223,306,504</u>

The allowance for loan losses to total loans was 0.95% at March 31, 2019 as compared to 0.81% at December 31, 2018 and 0.85% at March 31, 2018. Non-performing assets consisted of non-performing loans of \$2.3 million at March 31, 2019, a 19% decrease as compared to the prior quarter. This decrease was due to paydowns on existing nonperforming loans as well as a decrease in loans past due over 90 days. Non-performing assets to total assets decreased from 0.92% at December 31, 2018 to 0.74% at March 31, 2019.

Total stockholder's equity increased \$551 thousand, or 2%, from \$25.3 million at December 31, 2018 to \$25.8 million at March 31, 2019, primarily due to net income generated and an improvement in the unrealized loss position of the investment portfolio. Book value per share increased 20 cents during the first quarter of 2019 to \$9.82 per share at March 31, 2019.

Total assets increased \$2.9 million, or 1% during the first quarter of 2019, with significant growth in loans funded by significant growth in deposits. Short term investment securities owned at year end matured and were used to repay short term borrowings.

Selected Financial Data:
Balance Sheets (unaudited)

	March 31, 2019	December 31, 2018
Cash and due from banks	\$ 13,296,232	\$ 5,734,677
Time deposits at other banks	599,000	599,000
Investments	19,356,625	37,762,190
Loans	258,363,546	244,697,677
Allowance for loan losses	(2,448,897)	(1,990,253)
Premises & equipment	7,428,064	6,647,166
Other assets	<u>8,734,157</u>	<u>8,996,941</u>
Total assets	<u>\$ 305,328,727</u>	<u>\$ 302,447,398</u>
Non-interest bearing deposits	\$ 39,790,709	\$ 31,788,359
Interest-bearing checking	10,158,185	11,069,325
Money market	100,470,224	101,887,847
Time deposits	<u>97,201,405</u>	<u>91,456,365</u>
Total deposits	<u>247,620,523</u>	<u>236,201,896</u>
Short term borrowings	6,250,000	17,000,400
Long term borrowings	20,317,534	18,515,500
Subordinated debt	3,988,220	3,986,097
Other liabilities	<u>1,323,490</u>	<u>1,466,037</u>
Total liabilities	<u>279,499,767</u>	<u>277,169,930</u>
Total stockholders' equity	<u>25,828,960</u>	<u>25,277,468</u>
Total Liabilities & Stockholders' Equity	<u>\$ 305,328,727</u>	<u>\$ 302,447,398</u>

Performance Statistics
(unaudited)

	Qtr Ended Mar. 31, 2019	Qtr Ended Dec. 31, 2018	Qtr Ended Sept. 30, 2018	Qtr Ended June 30, 2018	Qtr Ended Mar. 31, 2018
Net interest margin	3.87%	3.78%	3.85%	3.97%	3.98%
Nonperforming loans/ Total loans	0.87%	1.14%	1.21%	1.42%	1.35%
Nonperforming assets/ Total assets	0.74%	0.92%	1.12%	1.30%	1.17%
Allowance for loan losses/ Total loans	0.95%	0.81%	0.85%	0.87%	0.85%
Average loans/Average assets	86.5%	84.9%	86.1%	86.6%	86.1%
Non-interest expenses*/ Average assets	2.60%	2.67%	2.68%	2.72%	2.84%
Earnings per share – basic and diluted	\$0.14	\$0.23	\$0.21	\$0.20	\$0.18
Book value per share	\$9.82	\$9.62	\$9.35	\$9.15	\$8.97
Total shares outstanding	2,630,418	2,628,316	2,626,633	2,625,130	2,623,575

* Annualized

Income Statements (unaudited)

	Qtr. Ended Mar. 31, 2019	Qtr. Ended Dec. 31, 2018	Qtr. Ended Sept. 30, 2018	Qtr. Ended June 30, 2018	Qtr. Ended Mar. 31, 2018
INTEREST INCOME					
Loans, including fees	\$3,438,752	\$3,297,459	\$3,179,807	\$3,076,950	\$2,849,596
Securities	128,301	124,207	115,250	126,632	130,141
Other	29,310	37,950	20,705	1,733	2,563
Total interest income	<u>3,596,363</u>	<u>3,459,616</u>	<u>3,315,762</u>	<u>3,205,315</u>	<u>2,982,300</u>
INTEREST EXPENSE					
Deposits	800,541	739,464	655,163	513,174	441,063
Borrowings	102,671	108,664	99,856	130,785	76,810
Subordinated debt	67,124	67,843	67,847	67,486	67,124
Total interest expense	<u>970,336</u>	<u>915,971</u>	<u>822,866</u>	<u>711,445</u>	<u>584,997</u>
Net interest income	<u>2,626,027</u>	<u>2,543,645</u>	<u>2,492,896</u>	<u>2,493,870</u>	<u>2,397,303</u>
Provision for loan losses	<u>475,952</u>	<u>78,051</u>	<u>109,544</u>	<u>191,321</u>	<u>134,322</u>
Net interest income after provision for loan losses	2,150,075	2,465,594	2,383,352	2,302,549	2,262,981
NON-INTEREST INCOME					
BOLI income	37,455	38,315	38,163	37,564	35,040
Gain on sale of SBA loans	24,463	55,075	12,631	28,725	-
Other	94,337	84,947	76,663	73,441	80,702
Total non-interest income	<u>156,255</u>	<u>178,337</u>	<u>127,457</u>	<u>139,730</u>	<u>115,742</u>
NON-INTEREST EXPENSE					
Salaries & benefits	1,053,586	1,121,757	1,089,077	1,055,702	1,028,005
Occupancy & equipment	191,572	179,256	178,176	178,119	194,772
Professional fees	100,169	94,756	84,445	99,919	87,452
Advertising	33,764	34,689	52,808	45,638	62,222
Data processing	127,119	121,363	107,734	111,828	105,617
Other	347,391	337,137	313,657	309,324	317,187
Total non-interest expense	<u>1,853,601</u>	<u>1,888,958</u>	<u>1,825,897</u>	<u>1,800,530</u>	<u>1,795,255</u>
Income before income tax expense	452,729	754,973	684,912	641,749	583,468
Federal income tax expense	<u>81,509</u>	<u>146,236</u>	<u>130,259</u>	<u>120,924</u>	<u>102,476</u>
Net income	<u>\$ 371,220</u>	<u>\$ 608,737</u>	<u>\$ 554,653</u>	<u>\$ 520,825</u>	<u>\$ 480,992</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 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. 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.