

NEWS RELEASE

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

FIRST RESOURCE BANK ANNOUNCES RECORD QUARTERLY RESULTS; FIRST QUARTER 2022 NET INCOME GREW 47% 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, 2022.

Glenn B. Marshall, CEO, stated, “The first quarter of 2022 was the most profitable quarter in the Bank’s history with strong core earnings resulting from the robust growth that the Bank achieved over the last year. Loans grew 26% in 2021, and another 5% in the first quarter of 2022 (both rates excluding Paycheck Protection Program (PPP) loan activity), and that growth is driving the strong results we accomplished for the start of this year.”

Highlights for the first quarter of 2022 included:

- Net income grew 47% over the first quarter of the prior year
- Total interest income grew 6% over the prior year, while total interest expense declined 22% in that same time period
- Total deposits grew 3%, led by total checking deposit growth of 8%
- Total loans grew 4%; the traditional loan portfolio grew 5% excluding Paycheck Protection Program (“PPP”) loan activity
- Nearly 100% of PPP loans have been forgiven and paid off as of March 31, 2022
- Total assets grew \$6 million, ending the quarter at \$475 million
- Gains on sales of SBA loans were \$94 thousand
- Swap referral fee income was \$102 thousand

President and Chief Financial Officer, Lauren C. Ranalli, stated, “Profitability growth beyond PPP will result from continued balance sheet growth, leveraging technology enhancements internally and generation of non-interest income sources. First quarter record profitability was supported by the return of non-interest income from SBA loan sale gains and swap loan referral fees after having neither of these income sources for the past two calendar years.”

Net income for the quarter ended March 31, 2022 was \$1,327,079, which compares to \$916,127 for the previous quarter and \$905,664 for the first quarter of the prior year.

Total interest income decreased slightly from \$4,543,892 for the fourth quarter of 2021 to \$4,525,213 for the first quarter of 2022. This decrease was driven by lower fees recognized as interest income in association with PPP loan forgiveness during the first quarter of 2022 as compared to the prior quarter, offset by a 5% organic growth in loans, excluding PPP loans. The Bank recognized \$238 thousand in PPP fees in the fourth quarter of 2021 and \$160 thousand in the first quarter of 2022, which represents both the amortization of PPP fees for loans based on the original maturity schedule and the balance of PPP fees recognized when the loans were forgiven by the Small Business Administration.

Total interest income increased 6% from \$4,272,194 for the three months ended March 31, 2021 to \$4,525,213 for the three months ended March 31, 2022. This increase was the result of 7% loan growth when comparing March 31, 2022 to a year prior. Traditional loan growth year-over-year increases to 22% when excluding PPP loans for both periods. Increased interest income from loan growth was offset by a 21 basis point decrease in loan yields when comparing the first quarter of 2021 to the first quarter of 2022. The Bank recognized \$384 thousand in PPP fees in the three months ended March 31, 2021 as compared to \$160 thousand in the three months ended March 31, 2022.

Total interest expense decreased 10% when comparing the first quarter of 2022 to the fourth quarter of 2021. This decrease was driven by a reduction in interest expense on FHLB borrowings due to advance prepayments completed in the fourth quarter of 2021, and a 2 basis point decrease in the cost of interest-bearing deposits during the quarter. Interest expense on deposits continues to be actively managed to lower costs.

Total interest expense decreased 22% from \$701,489 for the three months ended March 31, 2021 to \$545,692 for the three months ended March 31, 2022. The majority of this decreased expense was related to an overall 22 basis point decline in the cost of interest-bearing deposits, led by a 5 basis point decrease in the cost of money market accounts and a 26 basis point decrease in the cost of certificates of deposit, year over year. Interest expense on FHLB borrowings decreased 47% for the three months ended March 31, 2022 compared to the three months ended March 31, 2021 due to FHLB advance prepayments completed in the fourth quarter of 2021. Overall interest expense was also mitigated by strong growth in noninterest-bearing deposits, which increased 11% when comparing March 31, 2022 to the year prior.

Net interest income was \$3,979,521 for the quarter ended March 31, 2022 as compared to \$3,939,722 for the previous quarter, a \$39,799, or 1%, increase. The net interest margin increased 22 basis points from 3.40% for the quarter ended December 31, 2021 to 3.62% for the quarter ended March 31, 2022. The overall yield on interest earning assets increased 20 basis points during the first quarter primarily due a decrease in low yielding cash maintained on the balance sheet and a 27 basis point increase on yield on investments. The cost of interest-bearing deposits decreased 2 basis points during the first quarter to 0.55%, with the majority of that decrease attributed to lower cost certificates of deposit. Continued growth in noninterest-bearing deposits held the total cost of deposits at 0.40% at both December 31, 2021 and March 31, 2022.

The provision for loan losses decreased from \$59,554 for the three months ended December 31, 2021 to \$21,560 for the three months ended March 31, 2022. The provision for loan losses decreased from \$240,153 for the three months ended March 31, 2021, to \$21,560 for the three months ended March 31, 2022, consistent with the corresponding improved asset quality metrics.

The allowance for loan losses to total loans was 0.89% at March 31, 2022, as compared to 0.86% at December 31, 2021 and 0.83% at March 31, 2021. Excluding PPP loans, which are 100% guaranteed by the SBA, the allowance for loan losses to total loans was 0.89% at March 31, 2022, 0.86% at December 31, 2021, 0.95% at March 31, 2021. Non-performing assets consisted of non-performing loans of \$244 thousand at March 31, 2022, as compared to none at December 31, 2021. Non-performing assets to total assets were 0.05% at March 31, 2022, up from 0.00% in the prior quarter.

Marshall stated, "The Bank's efforts to work with borrowers on legacy loan problems resulted in recoveries of previously charged off loans totaling \$270 thousand in the first quarter. These charge offs were between three and ten years old. The slight increase in nonperforming loans during the first quarter is a single loan relationship secured by real estate collateral."

Non-interest income for the quarter ended March 31, 2022 was \$382,790, as compared to \$180,332 for the previous quarter and \$177,761 for the first quarter of the prior year. Swap referral fee income received in the first quarter of 2022 was \$101,974, as compared to zero in the first and fourth quarters of 2021. Gain on sale of SBA loans was \$94,392 in the first quarter of 2022, as compared to zero in the first and fourth quarters of 2021.

Non-interest expense decreased \$241,840, or 8%, in the three months ended March 31, 2022 as compared to the prior quarter. The decrease was primarily due to \$277,137 of FHLB advance prepayment penalty fees incurred in the fourth quarter of 2021, which are included in other non-interest expense on the income statement. Excluding the FHLB advance prepayment penalty fees, non-interest expenses increased \$35,297, or 1%, when comparing the three months ended March 31, 2022 to the prior quarter. Other increases in salaries and employee benefits and occupancy were partially offset by decreases in advertising, data processing, and professional fees. Non-interest expense increased \$295,726, or 12%, when comparing the first quarter of 2022 to the first quarter of 2021. This increase was primarily attributed to salaries and benefits costs, advertising, professional fees, and other costs. Non-interest expenses to average assets were 2.35% for the three months ended March 31, 2022.

Deposits grew a net \$12.5 million, or 3%, from \$400.0 million at December 31, 2021 to \$412.5 million at March 31, 2022. During the first quarter, noninterest-bearing deposits increased \$3.7 million, or 3%, from \$113.2 million at December 31, 2021 to \$116.9 million at March 31, 2022. Interest-bearing checking balances increased \$8.5 million, or 27%, from \$31.3 million at December 31, 2021 to \$39.7 million at March 31, 2022. Money market deposits increased \$3.5 million, or 2%, from \$184.6 million at December 31, 2021 to \$188.1 million at March 31, 2022. Certificates of deposit decreased \$3.1 million, or 4%, from \$71.0 million at December 31, 2021 to \$67.9 million at March 31, 2022. Between March 31, 2021 and March 31, 2022, total deposits grew 8%, with strong checking and money market growth partially offset by a decline in certificates of deposit.

Ranalli noted, "Our checking deposit growth trend continues to demonstrate the franchise wide effort to improve our deposit mix which will serve us well in the current rising interest rate environment. We continue to see disruption in our market caused by local bank mergers and business customers in particular are looking for a community bank like First Resource Bank to meet their banking needs in a high tech but also high touch delivery model."

The loan portfolio grew \$17.3 million during the first quarter from \$388.2 million at December 31, 2021 to \$405.5 million at March 31, 2022. Excluding PPP loan activity, the loan portfolio increased \$20.3 million, or 5%, from \$385.0 million at December 31, 2021 to \$405.3 million at March 31, 2022, with strong growth in commercial real estate loans and construction loans partially offset by a decline in commercial business loans and consumer loans.

The following table illustrates the composition of the loan portfolio:

	Mar. 31, 2022	Dec. 31, 2021	Mar. 31, 2021
Commercial real estate	\$ 332,693,484	\$ 312,736,636	\$ 258,294,933
Commercial construction	23,715,640	22,167,820	28,258,507
Commercial business	35,309,943	39,273,664	75,300,652
Consumer	<u>13,821,926</u>	<u>14,052,015</u>	<u>17,991,186</u>
Total loans	<u>\$ 405,540,993</u>	<u>\$ 388,230,135</u>	<u>\$ 379,845,278</u>

Marshall added, “The Bank’s goal was to replace the PPP loan portfolio with core traditional loans. The \$40 million reduction in commercial business loans year over year illustrates the PPP forgiveness process at work. The total loan portfolio excluding PPP loans increased \$72 million year over year.”

Total stockholder’s equity increased \$787 thousand, or 2%, from \$35.6 million at December 31, 2021 to \$36.3 million at March 31, 2022, 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 March 31, 2022, book value per share grew 26 cents, or 2%, to \$12.40.

Total assets increased \$5.9 million during the first quarter of 2022, with growth in cash and due from banks and loans offset by reduction in investments. PPP loan activity of \$3.0 million in payoffs in the first quarter of 2022 were replaced with \$20.3 million in organic loan growth.

Performance Statistics
(unaudited)

	Qtr Ended Mar. 31, 2022	Qtr Ended Dec. 31, 2021	Qtr Ended Sept. 30, 2021	Qtr Ended June 30, 2021	Qtr Ended Mar. 31, 2021
Net interest margin	3.62%	3.40%	3.67%	3.77%	3.59%
Nonperforming loans/ Total loans	0.06%	0.00%	0.03%	0.04%	0.10%
Nonperforming assets/ Total assets	0.05%	0.00%	0.02%	0.04%	0.09%
Allowance for loan losses/ Total loans	0.89%**	0.86%**	0.86%**	0.87%**	0.83%**
Average loans/Average assets	85.2%	80.0%	82.8%	86.4%	84.4%
Non-interest expenses*/ Average assets	2.35%	2.43%	2.27%	2.36%	2.29%
Earnings per share – basic and diluted***	\$0.45	\$0.32	\$0.44	\$0.36	\$0.31
Book value per share***	\$12.40	\$12.14	\$11.86	\$11.42	\$11.07
Total shares outstanding***	2,930,134	2,928,166	2,925,874	2,923,777	2,921,312

* Annualized

** Excluding PPP loans, the allowance for loan losses/total loans was 0.89% at March 31, 2022, 0.86% at December 31, 2021, 0.88% at September 30, 2021, 0.93% at June 30, 2021, and 0.95% at March 31, 2021.

*** Per share data for prior periods was restated to reflect the 5% stock dividend paid in May 2021.

Income Statements (unaudited)

	Qtr. Ended Mar. 31, 2022	Qtr. Ended Dec. 31, 2021	Qtr. Ended Sept. 30, 2021	Qtr. Ended June 30, 2021	Qtr. Ended Mar. 31, 2021
INTEREST INCOME					
Loans, including fees	\$4,401,051	\$4,426,009	\$4,566,386	\$4,641,636	\$4,169,912
Securities	112,463	98,387	89,968	94,794	96,260
Other	11,699	19,496	15,790	5,775	6,022
Total interest income	<u>4,525,213</u>	<u>4,543,892</u>	<u>4,672,144</u>	<u>4,742,205</u>	<u>4,272,194</u>
INTEREST EXPENSE					
Deposits	394,432	414,096	424,240	481,151	499,622
Borrowings	58,137	96,950	105,289	104,145	108,743
Subordinated debt	93,123	93,124	93,124	93,123	93,124
Total interest expense	<u>545,692</u>	<u>604,170</u>	<u>622,653</u>	<u>678,419</u>	<u>701,489</u>
Net interest income	<u>3,979,521</u>	<u>3,939,722</u>	<u>4,049,491</u>	<u>4,063,786</u>	<u>3,570,705</u>
Provision for loan losses	<u>21,560</u>	<u>59,554</u>	<u>6,834</u>	<u>270,453</u>	<u>240,153</u>
Net interest income after provision for loan losses	3,957,961	3,880,168	4,042,657	3,793,333	3,330,552
NON-INTEREST INCOME					
BOLI income	46,591	47,390	47,555	47,505	44,523
Referral fee income	101,974	-	-	-	-
Gain on sale of SBA loans	94,392	-	-	-	-
Other	139,833	132,942	131,449	133,708	133,238
Total non-interest income	<u>382,790</u>	<u>180,332</u>	<u>179,004</u>	<u>181,213</u>	<u>177,761</u>
NON-INTEREST EXPENSE					
Salaries & benefits	1,628,813	1,584,108	1,559,849	1,592,369	1,432,259
Occupancy & equipment	253,088	247,547	253,349	255,537	262,501
Professional fees	130,894	139,071	104,768	98,035	89,413
Advertising	80,926	92,159	81,789	87,788	61,683
Data processing	136,335	150,659	160,971	188,220	149,633
Other	445,110	703,462	441,218	432,851	383,951
Total non-interest expense	<u>2,675,166</u>	<u>2,917,006</u>	<u>2,601,944</u>	<u>2,654,800</u>	<u>2,379,440</u>
Income before income tax expense	1,665,585	1,143,494	1,619,717	1,319,746	1,128,873
Federal income tax expense	<u>338,506</u>	<u>227,367</u>	<u>326,319</u>	<u>263,172</u>	<u>223,209</u>
Net income	<u>\$1,327,079</u>	<u>\$ 916,127</u>	<u>\$1,293,398</u>	<u>\$1,056,574</u>	<u>\$905,664</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.