

## **NEWS RELEASE**

For Immediate Release  
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### **FIRST RESOURCE BANK ANNOUNCES SECOND QUARTER RESULTS; YEAR TO DATE NET INCOME GREW 31% OVER THE PRIOR YEAR**

**EXTON, PA** – First Resource Bank (OTCQX: FRSB) announced financial results for the three months ended June 30, 2020.

Highlights for the second quarter of 2020 included:

- Year-to-date net income grew 31% over the prior year
- Second quarter net income grew 6% over the prior quarter
- Total loans grew 21% over the last six months
- PPP loans totaling \$58 million closed during the second quarter
- Total deposits increased 20% over the last six months
- Non-interest bearing deposits grew 67% over the last six months
- First Resource Bank was named a “Best Place to Work” by the Philadelphia Business Journal for the second consecutive year

Glenn B. Marshall, CEO, stated, “The second quarter was unique as we continued to operate and grow First Resource Bank through a global pandemic. We embraced the opportunity to help our existing customers and new customers through the Paycheck Protection Program (PPP) and were highly successful in doing so. Approximately 36% of our PPP loans were for new customers to the Bank and we are working to expand those relationships. Additionally, our disaster recovery plans, which had been in place for years, worked flawlessly as we were abruptly transitioned to working remotely in mid-March. I am extremely proud of the First Resource Bank team for their hard work and successful outcomes that were generated in the second quarter.”

Net income for the quarter ended June 30, 2020 was \$676,987, which compares to \$640,139 for the previous quarter and \$631,520 for the second quarter of the prior year.

Total interest income grew slightly when comparing the second quarter to the first quarter of 2020. Interest earned from the tremendous loan growth during the second quarter was partially offset by the impact of the Federal Reserve rate cuts in March.

Total interest income rose 4% from \$3,819,446 for the three months ended June 30, 2019 to \$3,987,232 for the three months ended June 30, 2020. This increase was the result of 25% loan growth when comparing June 30, 2020 to a year prior, partially mitigated by a 75 basis point decline in loan yields when comparing the second quarter of 2019 to the second quarter of 2020. This loan yield decline is a result of lower yielding PPP loans booked in the second quarter of 2020 and the full quarter’s impact of the Federal Reserve 150 basis point rate cuts in March 2020.

Total interest income was \$7,966,767 for the six months ended June 30, 2020, a 7% increase over the same period in the prior year.

Total interest expense decreased 13% when comparing the second quarter to the first quarter of 2020. This decrease was driven by a 38 basis point decrease in the cost of money market accounts and a 14 basis point decrease in the cost of certificates of deposit during the quarter.

Total interest expense decreased 12% from \$1,065,036 for the three months ended June 30, 2019 to \$937,509 for the three months ended June 30, 2020. The vast majority of this decreased expense was related to a 58 basis point decrease in the cost of money market accounts, year over year. Overall interest expense was also mitigated by strong growth in non-interest bearing deposits, which increased 78% when comparing June 30, 2020 to the year prior.

Total interest expense for the six months ended June 30, 2020 was \$2,013,025, a 1% decrease over the same period in the prior year.

Net interest income was \$3,049,723 for the quarter ended June 30, 2020 as compared to \$2,904,019 for the previous quarter, an improvement of 5%. The net interest margin declined 19 basis points from 3.69% for the quarter ended March 31, 2020 to 3.50% for the quarter ended June 30, 2020. The overall yield on interest earning assets decreased 49 basis points during the second quarter led by a 58 basis point decrease in loan yields to 4.84%. The cost of interest bearing deposits decreased 31 basis points during the second quarter to 1.30%, with the majority of that decrease attributed to lower cost money market accounts and certificates of deposit.

Net interest income for the six months ended June 30, 2020 was \$5,953,742, an 11% improvement over net interest income of \$5,380,437 for the six months ended June 30, 2019. This growth was driven by an 8% increase in loan interest income.

The provision for loan losses decreased from \$144,033 for the three months ended March 31, 2020 to \$51,045 for the three months ended June 30, 2020. The provision for loan losses decreased from \$158,992 for the three months ended June 30, 2019, to \$51,045 for the three months ended June 30, 2020. The provision for loan losses decreased from \$634,944 for the six months ended June 30, 2019 to \$195,078 for the six months ended June 30, 2020.

Marshall noted, "Management has worked to resolve loan delinquencies and to anticipate future credit challenges. In the first half of 2019, we resolved one large legacy problem loan which led to an unusually high provision for loan losses during that period."

The allowance for loan losses to total loans was 0.76% at June 30, 2020 as compared to 0.90% at December 31, 2019 and 0.93% at June 30, 2019. Excluding PPP loans, which are 100% guaranteed by the SBA, the allowance for loan losses to total loans was 0.91% at June 30, 2020. Non-performing assets consisted of non-performing loans of \$1.4 million at June 30, 2020 and was unchanged from the prior quarter. Non-performing assets to total assets decreased from 0.41% at March 31, 2020 to 0.36% at June 30, 2020, primarily due to growth in total assets related to PPP loans.

Non-interest income for the quarter ended June 30, 2020 was \$136,534, as compared to \$284,006 for the previous quarter and \$262,597 for the second quarter of the prior year. Swap referral fee income of \$27,100 was received in the second quarter of 2020, as compared to \$148,000 in the prior quarter and \$114,100 in the second quarter of 2019.

Non-interest income for the six months ended June 30, 2020 was \$420,540 as compared to \$418,852 for the same period in the prior year. Swap referral fee income of \$175,100 was received in the first six months of 2020 as compared to \$114,100 in the first six months of 2019. There were no gains on sales of SBA loans in the first six months of 2020 as compared to \$24,463 in the first six months of 2019.

Non-interest expense increased \$46 thousand, or 2%, in the three months ended June 30, 2020 as compared to the prior quarter. The increase was primarily due to an increase in salaries and benefits and other costs, partially offset by a decrease in occupancy. Non-interest expense increased \$221 thousand, or 11%, when comparing the second quarter of 2020 to the second quarter of 2019. This increase was primarily attributed to an increase in salaries and benefits, occupancy, advertising and other costs.

Non-interest expense increased \$618 thousand, or 16%, in the six months ended June 30, 2020 as compared to the same period in the prior year. This increase was due to higher salaries and benefits expense, occupancy, advertising, data processing and other costs, partially offset by lower professional fees.

Deposits grew a net \$53.4 million, or 20%, from \$270.7 million at March 31, 2020 to \$324.1 million at June 30, 2020. During the second quarter, non-interest bearing deposits increased \$33.7 million, or 67%, from \$50.7 million at March 31, 2020 to \$84.5 million at June 30, 2020. Interest-bearing checking balances increased \$6.2 million, or 38%, from \$16.3 million at March 31, 2020 to \$22.6 million at June 30, 2020. Money market deposits increased \$20.8 million, or 21%, from \$98.7 million at March 31, 2020 to \$119.5 million at June 30, 2020. Certificates of deposit decreased \$7.4 million, or 7%, from \$105.0 million at March 31, 2020 to \$97.6 million at June 30, 2020. The deposit portfolio grew \$54.3 million, or 20%, in the first six months of 2020, with a \$44.6 million increase in total checking balances and a \$17.1 million increase in money market balances, partially offset by a \$7.3 million decline in certificates of deposit balances. Total deposits grew \$70.9 million, or 28%, from \$253.3 million at June 30, 2019 to \$324.1 million at June 30, 2020, with growth in all deposit categories, but notably an 86% increase in total checking deposits. Checking balances represented 33% of total deposits at June 30, 2020, a significant increase from 23% at December 31, 2019.

President and Chief Financial Officer, Lauren C. Ranalli, stated, "This tremendous deposit growth in the second quarter was aided by our success with the Paycheck Protection Program; however, ongoing efforts in this area are continuing to generate strong results separate from PPP. Our focus on growing low cost checking deposits has allowed us to reduce our reliance on higher cost certificates of deposit and mitigate compression in the net interest margin."

The loan portfolio grew \$54.7 million, or 19%, during the second quarter from \$284.3 million at March 31, 2020 to \$339.0 million at June 30, 2020, with the majority of that growth in commercial business loans as a result of the SBA's Paycheck Protection Program. Year-to-date net loan growth in 2020 was \$58.8 million, or 21%, with the majority of that growth in commercial business and commercial real estate loans. The loan portfolio grew \$68.5 million, or 25%, from \$270.5 million at June 30, 2019 to \$339.0 million at June 30, 2020, with the majority of that growth in commercial business and commercial real estate loans.

The following table illustrates the composition of the loan portfolio:

	June 30, 2020	Dec. 31, 2019	June 30, 2019
Commercial real estate	\$ 209,771,247	\$ 203,427,712	\$ 187,706,105
Commercial construction	24,698,846	29,353,830	30,313,979
Commercial business	87,958,509	30,805,290	32,868,079
Consumer	<u>16,571,930</u>	<u>16,615,540</u>	<u>19,627,636</u>
Total loans	<u>\$ 339,000,532</u>	<u>\$ 280,202,372</u>	<u>\$ 270,515,799</u>

Total stockholder's equity increased \$766 thousand, or 3%, from \$28.8 million at March 31, 2020 to \$29.5 million at June 30, 2020, primarily due to net income generated and an improvement in the unrealized gain/loss position of the investment portfolio. During the quarter ended June 30, 2020, book value per share grew 26 cents, or 3%, to \$10.65.

Total assets increased \$44.6 million, or 13% during the second quarter of 2020, with significant growth in loans funded by deposit growth and deployment of excess cash.

Selected Financial Data:  
Balance Sheets (unaudited)

	June 30, 2020	December 31, 2019
Cash and due from banks	\$ 13,947,416	\$ 2,516,374
Time deposits at other banks	599,000	599,000
Investments	15,951,495	37,120,798
Loans	339,000,532	280,202,372
Allowance for loan losses	(2,579,224)	(2,507,845)
Premises & equipment	8,515,626	8,675,596
Other assets	<u>9,924,279</u>	<u>9,812,630</u>
<b>Total assets</b>	<b><u>\$ 385,359,124</u></b>	<b><u>\$ 336,418,925</u></b>
Non-interest bearing deposits	\$ 84,483,667	\$ 50,616,321
Interest-bearing checking	22,556,062	11,797,456
Money market	119,488,321	102,433,910
Time deposits	<u>97,607,971</u>	<u>104,952,207</u>
Total deposits	<u>324,136,021</u>	<u>269,799,894</u>
Short term borrowings	-	10,896,000
Long term borrowings	24,858,000	21,045,500
Subordinated debt	3,998,838	3,994,591
Other liabilities	<u>2,820,259</u>	<u>2,705,583</u>
<b>Total liabilities</b>	<b><u>355,813,118</u></b>	<b><u>308,441,568</u></b>
<b>Total stockholders' equity</b>	<b><u>29,546,006</u></b>	<b><u>27,977,357</u></b>
<b>Total Liabilities &amp; Stockholders' Equity</b>	<b><u>\$ 385,359,124</u></b>	<b><u>\$ 336,418,925</u></b>

Performance Statistics  
(unaudited)

	Qtr Ended June 30, 2020	Qtr Ended Mar. 31, 2020	Qtr Ended Dec. 31, 2019	Qtr Ended Sept. 30, 2019	Qtr Ended June 30, 2019
Net interest margin	3.50%	3.69%	3.73%	3.81%	3.85%
Nonperforming loans/ Total loans	0.41%	0.49%	0.50%	0.89%	0.83%
Nonperforming assets/ Total assets	0.36%	0.41%	0.42%	0.94%	0.91%
Allowance for loan losses/ Total loans	0.76%***	0.89%	0.90%	0.90%	0.93%
Average loans/Average assets	87.4%	84.9%	84.9%	87.2%	87.4%
Non-interest expenses*/ Average assets	2.50%	2.71%	2.75%	2.71%	2.75%
Earnings per share – basic and diluted **	\$0.24	\$0.23	\$0.23	\$0.25	\$0.23
Book value per share	\$10.65	\$10.39	\$10.10	\$9.88	\$9.63
Total shares outstanding	2,773,686	2,770,755	2,768,729	2,766,330	2,764,241

\* Annualized

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

\*\*\* Excluding PPP loans, the allowance for loan losses/total loans was 0.91%

Income Statements (unaudited)

	Qtr. Ended June 30, 2020	Qtr. Ended Mar. 31, 2020	Qtr. Ended Dec. 31, 2019	Qtr. Ended Sept. 30, 2019	Qtr. Ended June 30, 2019
<b>INTEREST INCOME</b>					
Loans, including fees	\$3,879,732	\$3,814,235	\$3,819,667	\$3,855,582	\$3,679,137
Securities	104,900	118,005	129,178	124,908	126,881
Other	<u>2,600</u>	<u>47,295</u>	<u>38,987</u>	<u>18,348</u>	<u>13,428</u>
Total interest income	<u>3,987,232</u>	<u>3,979,535</u>	<u>3,987,832</u>	<u>3,998,838</u>	<u>3,819,446</u>
<b>INTEREST EXPENSE</b>					
Deposits	742,578	885,915	930,953	938,804	886,280
Borrowings	127,446	122,116	117,350	130,679	111,271
Subordinated debt	<u>67,485</u>	<u>67,485</u>	<u>67,846</u>	<u>67,845</u>	<u>67,485</u>
Total interest expense	<u>937,509</u>	<u>1,075,516</u>	<u>1,116,149</u>	<u>1,137,328</u>	<u>1,065,036</u>
Net interest income	<u>3,049,723</u>	<u>2,904,019</u>	<u>2,871,683</u>	<u>2,861,510</u>	<u>2,754,410</u>
Provision for loan losses	<u>51,045</u>	<u>144,033</u>	<u>66,628</u>	<u>84,557</u>	<u>158,992</u>
Net interest income after provision for loan losses	2,998,678	2,759,986	2,805,055	2,776,953	2,595,418
<b>NON-INTEREST INCOME</b>					
BOLI income	37,067	37,050	38,067	38,205	37,965
Referral fee income	27,100	148,000	81,500	107,160	114,100
Gain on sale of SBA loans	-	-	-	-	-
Other	<u>72,367</u>	<u>98,956</u>	<u>100,107</u>	<u>81,304</u>	<u>110,532</u>
Total non-interest income	136,534	284,006	219,674	226,669	262,597
<b>NON-INTEREST EXPENSE</b>					
Salaries & benefits	1,373,036	1,328,471	1,267,867	1,266,493	1,238,114
Occupancy & equipment	228,216	252,370	251,297	189,381	185,402
Professional fees	98,492	92,161	94,744	88,083	101,117
Advertising	64,011	66,278	54,660	82,357	35,401
Data processing	135,936	139,483	127,721	142,587	135,151
Other	<u>396,808</u>	<u>371,641</u>	<u>447,905</u>	<u>376,707</u>	<u>380,297</u>
Total non-interest expense	<u>2,296,499</u>	<u>2,250,404</u>	<u>2,244,194</u>	<u>2,145,608</u>	<u>2,075,482</u>
Income before income tax expense	838,713	793,588	780,535	858,014	782,533
Federal income tax expense	<u>161,726</u>	<u>153,449</u>	<u>152,236</u>	<u>167,285</u>	<u>151,013</u>
Net income	<u>\$ 676,987</u>	<u>\$ 640,139</u>	<u>\$ 628,299</u>	<u>\$ 690,729</u>	<u>\$ 631,520</u>

Income Statements (unaudited)

	Six Months Ended June 30, 2020	Six Months Ended June 30, 2019
<b>INTEREST INCOME</b>		
Loans	\$ 7,693,967	\$ 7,117,889
Investments	222,905	255,182
Other	<u>49,895</u>	<u>42,738</u>
Total interest income	<u>7,966,767</u>	<u>7,415,809</u>
<b>INTEREST EXPENSE</b>		
Deposits	1,628,493	1,686,821
Borrowings	249,562	213,942
Subordinated debt	<u>134,970</u>	<u>134,609</u>
Total interest expense	<u>2,013,025</u>	<u>2,035,372</u>
Net interest income	<u>5,953,742</u>	<u>5,380,437</u>
Provision for loan losses	<u>195,078</u>	<u>634,944</u>
Net interest income after provision for loan losses	5,758,664	4,745,493
<b>NON-INTEREST INCOME</b>		
BOLI income	74,117	75,420
Referral fee income	175,100	114,100
Gain on sale of SBA loans	-	24,463
Other	<u>171,323</u>	<u>204,869</u>
Total non-interest income	420,540	418,852
<b>NON-INTEREST EXPENSE</b>		
Salaries & benefits	2,701,507	2,291,700
Occupancy & equipment	480,586	376,974
Professional fees	190,653	201,286
Advertising	130,289	69,165
Data processing	275,419	262,270
Other non-interest expense	<u>768,449</u>	<u>727,688</u>
Total non-interest expense	<u>4,546,903</u>	<u>3,929,083</u>
Pre-tax income	1,632,301	1,235,262
Tax expense	<u>315,175</u>	<u>232,522</u>
Net income	<u>\$ 1,317,126</u>	<u>\$ 1,002,740</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](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.