

NEWS RELEASE

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FIRST RESOURCE BANK ANNOUNCES RECORD THIRD QUARTER RESULTS; NET INCOME GREW 20% OVER THE PRIOR QUARTER

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

Highlights through the third quarter of 2020 included:

- Net income of \$815,406 was the highest quarterly profit in the Bank’s history
- Third quarter net income grew 20% over the second quarter and 18% over the third quarter of the prior year
- Total loans grew 24% over the last nine months
- Total deposits increased 22% over the last nine months
- Non-interest bearing deposits grew 61% over the last nine months
- Subordinated debt offering was completed totaling \$6 million
- 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, “While 2020 has been challenging on many fronts, I am pleased to report record quarterly earnings, strong asset quality and tremendous growth in core deposits. The successful subordinated debt offering completed in September establishes the foundation for continued growth without having to access capital markets again in the near future. First Resource Bank is well-positioned for continued balance sheet growth, with technology enhancements on the horizon to aid in those efforts. The high-touch, high-tech, limited physical locations, “hybrid community bank” model that we have developed and enhanced continues to be not only relevant now, but the way community banks will operate in the future.”

Marshall continued, “During the coronavirus pandemic, the Bank immediately adjusted to operating its three branches through the drive-through service for every banking activity, for every customer. We protected the health and welfare of all employees and all customers, while accomplishing every banking activity such as opening new accounts, wire transfers, purchasing certificates of deposit, and signing new loan documents. We reached out to First Resource Bank customers through email, telephone and news blasts to advise the community regarding additional products and services available during the pandemic such as expanding our free desktop deposit scanning network, and Paycheck Protection Program (PPP) loans to fund businesses’ payroll and critical expenses. First Resource Bank funded over \$58 million in 373 PPP loans ranging from \$6.8 million to \$300, with 88% of those loans assisting businesses and individuals in the Delaware Valley. We are

actively submitting customer PPP loans for forgiveness and have successfully submitted over 37% to the SBA thus far. For those customers that experienced forced closures during the pandemic, First Resource Bank worked to modify their existing loans and defer payments during the crucial closure times. Our customers tell us that First Resource Bank reminds them of how banking should be, with a true focus on relationships.”

Net income for the quarter ended September 30, 2020 was \$815,406, which compares to \$676,987 for the previous quarter and \$690,729 for the third quarter of the prior year.

Total interest income grew 4% when comparing the third quarter to the second quarter of 2020. This increase was driven by 2% loan growth during the third quarter.

Total interest income rose 4% from \$3,998,838 for the three months ended September 30, 2019 to \$4,142,927 for the three months ended September 30, 2020. This increase was the result of 26% loan growth when comparing September 30, 2020 to a year prior, partially mitigated by a 91 basis point decline in loan yields when comparing the third quarter of 2019 to the third 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.

Total interest income was \$12,109,694 for the nine months ended September 30, 2020, a 6% increase over the same period in the prior year.

Total interest expense decreased 9% when comparing the third quarter to the second quarter of 2020. This decrease was driven by a 33 basis point decrease in the cost of certificates of deposit during the quarter. Interest expense on deposits continues to be actively managed to lower costs.

Total interest expense decreased 25% from \$1,137,328 for the three months ended September 30, 2019 to \$851,505 for the three months ended September 30, 2020. The vast majority of this decreased expense was related to a 70 basis point decrease in the cost of money market accounts and a 49 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 71% when comparing September 30, 2020 to the year prior.

Total interest expense for the nine months ended September 30, 2020 was \$2,864,530, a 10% decrease over the same period in the prior year.

Net interest income was \$3,291,422 for the quarter ended September 30, 2020 as compared to \$3,049,723 for the previous quarter, an improvement of 8%. The net interest margin increased 3 basis points from 3.50% for the quarter ended June 30, 2020 to 3.53% for the quarter ended September 30, 2020. The overall yield on interest earning assets decreased 13 basis points during the third quarter led by an 18 basis point decrease in loan yields to 4.66%. The cost of interest bearing deposits decreased 24 basis points during the third quarter to 1.06%, with the majority of that decrease attributed to lower cost money market accounts and certificates of deposit.

Net interest income for the nine months ended September 30, 2020 was \$9,245,164, a 12% improvement over net interest income of \$8,241,947 for the nine months ended September 30, 2019. This growth was driven by a 7% increase in loan interest income and a 13% decline in deposit interest expense.

The provision for loan losses increased from \$51,045 for the three months ended June 30, 2020 to \$129,894 for the three months ended September 30, 2020. The provision for loan losses increased from \$84,557 for the three months ended September 30, 2019, to \$129,894 for the three months ended September 30, 2020. The provision for loan losses decreased from \$719,501 for the nine months ended September 30, 2019 to \$324,972 for the nine months ended September 30, 2020. In the first quarter of 2019 one large legacy problem loan was resolved which led to an unusually high provision for loan losses in that period.

Marshall noted, "When the COVID-19 pandemic mandated business closures in our markets in mid-March, we proactively reached out to our borrowers to provide them assistance in the form of loan modifications. Since that time, over 94% of those modifications have ended and regularly scheduled loan payments have resumed. Our customers are faring well through this health crisis, with only a few exceptions and we continue to work with those borrowers. The fact that our loan portfolio was never focused on industries that are being hit particularly hard right now due to the pandemic has been a significant benefit during these trying times."

The allowance for loan losses to total loans was 0.78% at September 30, 2020 as compared to 0.90% at December 31, 2019 and 0.90% at September 30, 2019. Excluding PPP loans, which are 100% guaranteed by the SBA, the allowance for loan losses to total loans was 0.93% at September 30, 2020. Non-performing assets consisted of non-performing loans of \$1.4 million at September 30, 2020 and was unchanged from the prior quarter. Non-performing assets to total assets decreased from 0.36% at June 30, 2020 to 0.35% at September 30, 2020.

Non-interest income for the quarter ended September 30, 2020 was \$136,863, as compared to \$136,534 for the previous quarter and \$226,669 for the third quarter of the prior year. There was no swap referral fee income received in the third quarter, as compared to \$27,100 in the second quarter of 2020 and \$107,160 in the third quarter of 2019.

Non-interest income for the nine months ended September 30, 2020 was \$557,403 as compared to \$645,522 for the same period in the prior year. Swap referral fee income of \$175,100 was received in the first nine months of 2020 as compared to \$221,260 in the first nine months of 2019. There were no gains on sales of SBA loans in the first nine months of 2020 as compared to \$24,463 in the first nine months of 2019.

Non-interest expense decreased \$12 thousand, or 1%, in the three months ended September 30, 2020 as compared to the prior quarter. The decrease was primarily due to a decrease in other expenses, partially offset by increases in salaries and benefits, occupancy and advertising costs. Non-interest expense increased \$139 thousand, or 6%, when comparing the third quarter of 2020 to the third quarter of 2019. This increase was primarily attributed to an increase in salaries and benefits and occupancy costs.

Non-interest expense increased \$756 thousand, or 12%, in the nine months ended September 30, 2020 as compared to the same period in the prior year. This increase was due to higher salaries and benefits expense associated with a higher headcount, occupancy and advertising costs.

Deposits grew a net \$5.9 million, or 2%, from \$324.1 million at June 30, 2020 to \$330.1 million at September 30, 2020. During the third quarter, non-interest bearing deposits decreased \$2.8 million,

or 3%, from \$84.5 million at June 30, 2020 to \$81.7 million at September 30, 2020. Interest-bearing checking balances increased \$177 thousand, or 1%, from \$22.6 million at June 30, 2020 to \$22.7 million at September 30, 2020. Money market deposits increased \$8.9 million, or 8%, from \$119.5 million at June 30, 2020 to \$128.4 million at September 30, 2020. Certificates of deposit decreased \$351 thousand, or 0%, from \$97.6 million at June 30, 2020 to \$97.3 million at September 30, 2020.

The deposit portfolio grew \$60.3 million, or 22%, in the first nine months of 2020, with a \$42.0 million increase in total checking balances and a \$26.0 million increase in money market balances, partially offset by a \$7.7 million decline in certificates of deposit balances. Total deposits grew \$65.6 million, or 25%, from \$264.4 million at September 30, 2019 to \$330.1 million at September 30, 2020, with a \$46.8 million increase in total checking balances and a \$26.5 million increase in money market balances, partially offset by a \$7.7 million decline in certificates of deposit balances. Checking balances represented 32% of total deposits at September 30, 2020, a significant increase from 23% at December 31, 2019.

President and Chief Financial Officer, Lauren C. Ranalli, stated, "Core deposit growth in 2020 has surpassed our expectations and we are thrilled with the relationships we were able to earn through the Paycheck Protection Program (PPP) process. We funded 100% of our PPP loans through core deposit growth and those deposits have stuck with us even after the PPP funds have been spent. There is tremendous momentum on the deposit side of the balance sheet which has allowed us to reduce deposit costs aggressively to help offset loan yield declines."

The loan portfolio grew \$8.0 million, or 2%, during the third quarter from \$339.0 million at June 30, 2020 to \$347.0 million at September 30, 2020, with the majority of that growth in commercial real estate and consumer loans. Year-to-date net loan growth in 2020 was \$66.8 million, or 24%, 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 22% 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 loan portfolio grew \$72.2 million, or 26%, from \$274.8 million at September 30, 2019 to \$347.0 million at September 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:

	September 30, 2020	Dec. 31, 2019	September 30, 2019
Commercial real estate	\$ 214,601,741	\$ 203,427,712	\$ 197,100,951
Commercial construction	22,869,475	29,353,830	27,175,769
Commercial business	88,868,441	30,805,290	31,927,054
Consumer	<u>20,680,420</u>	<u>16,615,540</u>	<u>18,598,371</u>
Total loans	<u>\$ 347,020,077</u>	<u>\$ 280,202,372</u>	<u>\$ 274,802,145</u>

Total stockholder's equity increased \$798 thousand, or 3%, from \$29.5 million at June 30, 2020 to \$30.3 million at September 30, 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 September 30, 2020, book value per share grew 28 cents, or 3%, to \$10.93.

Total assets increased \$10.0 million, or 3% during the third quarter of 2020, with growth in loans primarily funded by deposit growth.

Selected Financial Data:
Balance Sheets (unaudited)

	September 30, 2020	December 31, 2019
Cash and due from banks	\$ 16,815,844	\$ 2,516,374
Time deposits at other banks	599,000	599,000
Investments	15,193,940	37,120,798
Loans	347,020,077	280,202,372
Allowance for loan losses	(2,712,075)	(2,507,845)
Premises & equipment	8,421,416	8,675,596
Other assets	<u>9,976,325</u>	<u>9,812,630</u>
Total assets	<u>\$ 395,314,527</u>	<u>\$ 336,418,925</u>
Non-interest bearing deposits	\$ 81,678,013	\$ 50,616,321
Interest-bearing checking	22,733,378	11,797,456
Money market	128,399,246	102,433,910
Time deposits	<u>97,256,707</u>	<u>104,952,207</u>
Total deposits	<u>330,067,344</u>	<u>269,799,894</u>
Short term borrowings	-	10,896,000
Long term borrowings	24,206,000	21,045,500
Subordinated debt	7,949,283	3,994,591
Other liabilities	<u>2,748,380</u>	<u>2,705,583</u>
Total liabilities	<u>364,971,007</u>	<u>308,441,568</u>
Total stockholders' equity	<u>30,343,520</u>	<u>27,977,357</u>
Total Liabilities & Stockholders' Equity	<u>\$ 395,314,527</u>	<u>\$ 336,418,925</u>

Performance Statistics
(unaudited)

	Qtr Ended Sept. 30, 2020	Qtr Ended June 30, 2020	Qtr Ended Mar. 31, 2020	Qtr Ended Dec. 31, 2019	Qtr Ended Sept. 30, 2019
Net interest margin	3.53%	3.50%	3.69%	3.73%	3.81%
Nonperforming loans/ Total loans	0.40%	0.41%	0.49%	0.50%	0.89%
Nonperforming assets/ Total assets	0.35%	0.36%	0.41%	0.42%	0.94%
Allowance for loan losses/ Total loans	0.78%**	0.76%**	0.89%	0.90%	0.90%
Average loans/Average assets	88.7%	87.4%	84.9%	84.9%	87.2%
Non-interest expenses*/ Average assets	2.34%	2.50%	2.71%	2.75%	2.71%
Earnings per share – basic and diluted	\$0.29	\$0.24	\$0.23	\$0.23	\$0.25
Book value per share	\$10.93	\$10.65	\$10.39	\$10.10	\$9.88
Total shares outstanding	2,776,551	2,773,686	2,770,755	2,768,729	2,766,330

* Annualized

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

Income Statements (unaudited)

	Qtr. Ended Sept. 30, 2020	Qtr. Ended June 30, 2020	Qtr. Ended Mar. 31, 2020	Qtr. Ended Dec. 31, 2019	Qtr. Ended Sept. 30, 2019
INTEREST INCOME					
Loans, including fees	\$4,038,794	\$3,879,732	\$3,814,235	\$3,819,667	\$3,855,582
Securities	101,768	104,900	118,005	129,178	124,908
Other	<u>2,365</u>	<u>2,600</u>	<u>47,295</u>	<u>38,987</u>	<u>18,348</u>
Total interest income	<u>4,142,927</u>	<u>3,987,232</u>	<u>3,979,535</u>	<u>3,987,832</u>	<u>3,998,838</u>
INTEREST EXPENSE					
Deposits	653,243	742,578	885,915	930,953	938,804
Borrowings	120,795	127,446	122,116	117,350	130,679
Subordinated debt	<u>77,467</u>	<u>67,485</u>	<u>67,485</u>	<u>67,846</u>	<u>67,845</u>
Total interest expense	<u>851,505</u>	<u>937,509</u>	<u>1,075,516</u>	<u>1,116,149</u>	<u>1,137,328</u>
Net interest income	<u>3,291,422</u>	<u>3,049,723</u>	<u>2,904,019</u>	<u>2,871,683</u>	<u>2,861,510</u>
Provision for loan losses	<u>129,894</u>	<u>51,045</u>	<u>144,033</u>	<u>66,628</u>	<u>84,557</u>
Net interest income after provision for loan losses	3,161,528	2,998,678	2,759,986	2,805,055	2,776,953
NON-INTEREST INCOME					
BOLI income	37,125	37,067	37,050	38,067	38,205
Referral fee income	-	27,100	148,000	81,500	107,160
Gain on sale of SBA loans	-	-	-	-	-
Other	<u>99,738</u>	<u>72,367</u>	<u>98,956</u>	<u>100,107</u>	<u>81,304</u>
Total non-interest income	136,863	136,534	284,006	219,674	226,669
NON-INTEREST EXPENSE					
Salaries & benefits	1,386,212	1,373,036	1,328,471	1,267,867	1,266,493
Occupancy & equipment	261,166	228,216	252,370	251,297	189,381
Professional fees	96,936	98,492	92,161	94,744	88,083
Advertising	72,390	64,011	66,278	54,660	82,357
Data processing	131,351	135,936	139,483	127,721	142,587
Other	<u>336,144</u>	<u>396,808</u>	<u>371,641</u>	<u>447,905</u>	<u>376,707</u>
Total non-interest expense	<u>2,284,199</u>	<u>2,296,499</u>	<u>2,250,404</u>	<u>2,244,194</u>	<u>2,145,608</u>
Income before income tax expense	1,014,192	838,713	793,588	780,535	858,014
Federal income tax expense	<u>198,786</u>	<u>161,726</u>	<u>153,449</u>	<u>152,236</u>	<u>167,285</u>
Net income	<u>\$ 815,406</u>	<u>\$ 676,987</u>	<u>\$ 640,139</u>	<u>\$ 628,299</u>	<u>\$ 690,729</u>

Income Statements (unaudited)

	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
INTEREST INCOME		
Loans	\$ 11,732,761	\$ 10,973,471
Investments	324,673	380,090
Other	<u>52,260</u>	<u>61,086</u>
Total interest income	<u>12,109,694</u>	<u>11,414,647</u>
INTEREST EXPENSE		
Deposits	2,281,736	2,625,625
Borrowings	370,357	344,621
Subordinated debt	<u>212,437</u>	<u>202,454</u>
Total interest expense	<u>2,864,530</u>	<u>3,172,700</u>
Net interest income	<u>9,245,164</u>	<u>8,241,947</u>
Provision for loan losses	<u>324,972</u>	<u>719,501</u>
Net interest income after provision for loan losses	8,920,192	7,522,446
NON-INTEREST INCOME		
BOLI income	111,242	113,625
Referral fee income	175,100	221,260
Gain on sale of SBA loans	-	24,463
Other	<u>271,061</u>	<u>286,173</u>
Total non-interest income	557,403	645,521
NON-INTEREST EXPENSE		
Salaries & benefits	4,087,719	3,558,193
Occupancy & equipment	741,752	566,355
Professional fees	287,589	289,369
Advertising	202,679	151,522
Data processing	406,770	404,857
Other non-interest expense	<u>1,104,593</u>	<u>1,104,395</u>
Total non-interest expense	<u>6,831,102</u>	<u>6,074,691</u>
Pre-tax income	2,646,493	2,093,276
Tax expense	<u>513,961</u>	<u>399,807</u>
Net income	<u>\$ 2,132,532</u>	<u>\$ 1,693,469</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.