

NEWS RELEASE

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FIRST RESOURCE BANK ANNOUNCES ELEVENTH CONSECUTIVE YEAR OF RECORD ANNUAL EARNINGS; NET INCOME GREW 28% OVER THE PRIOR YEAR

EXTON, PA – First Resource Bank (OTCQX: FRSB) announced financial results for the three months and year ended December 31, 2021.

Glenn B. Marshall, CEO, stated, “2021 was a phenomenal year for First Resource Bank with significant balance sheet growth driving record earnings. The fundamentals of the Bank are strong with significant improvements in our funding mix supporting loan growth with greater pricing flexibility. Additionally, we took advantage of the opportunity to prepay FHLB advances during the fourth quarter which will yield significant savings in future years.”

Highlights for the year ended December 31, 2021 included:

- Net income grew 28%
- Total loans grew 15%; the traditional loan portfolio grew 26% excluding PPP loan activity
- Approximately 96% of Paycheck Protection Program (“PPP”) loans have been forgiven and paid off as of December 31, 2021
- Non-interest bearing checking deposits grew 13%
- Total deposits grew 12%
- Total interest income grew 9%, while total interest expense declined 29%
- Six FHLB advances totaling \$5.9 million were prepaid, saving \$384 thousand in interest expense over the next four years
- Completed a 5% stock dividend in May 2021
- There were no non-accrual or past due loans as of December 31, 2021
- Named the Best Bank in Chester County for the fifth consecutive year by the readers of The Daily Local News
- Named the Best Community Bank on the Main Line by readers of the Main Line Today
- Earned the #1 ranking among medium-sized companies as a “Best Place to Work” by the Philadelphia Business Journal

President and Chief Financial Officer, Lauren C. Ranalli, stated, “The trendlines for First Resource Bank are all incredibly strong. Growth in loans and core deposits continue to drive profitability and enable us to continue to invest in the Bank’s future through technology enhancements and quality staffing. We have a dedicated team of employees that deserve the credit for these strong results and we are focused on continuing to make First Resource Bank a premier employer in our market.”

Net income for the quarter ended December 31, 2021 was \$916,127, which compares to \$1,293,398 for the previous quarter and \$1,118,435 for the fourth quarter of the prior year. Net income for the year ended December 31, 2021 was \$4,171,763, a 28% increase as compared to the prior year.

Total interest income decreased 3% when comparing the fourth quarter of 2021 to the third quarter of 2021. This decrease was driven by lower fees recognized as interest income in association with PPP loan forgiveness during the fourth quarter of 2021 as compared to the prior quarter, offset by a 4% organic growth in loans, excluding PPP loans. The Bank recognized \$459 thousand in PPP fees in the third quarter of 2021 and \$238 thousand in the fourth quarter of 2021 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 decreased slightly from \$4,544,389 for the three months ended December 31, 2020 to \$4,543,892 for the three months ended December 31, 2021. This decrease was the result of lower PPP fees recognized as interest income from PPP loan forgiveness during the fourth quarter of 2021 as compared to the fourth quarter of 2020, offset by 15% loan growth when comparing December 31, 2021 to a year prior. Traditional loan growth for the year increases to 26% when excluding PPP loans for both periods. Increased interest income from loan growth was offset by a 58 basis point decrease in loan yields when comparing the fourth quarter of 2020 to the fourth quarter of 2021. The Bank recognized \$696 thousand in PPP fees in the three months ended December 31, 2020 as compared to \$238 thousand in the three months ended December 31, 2021. The Bank recognized \$1.1 million in PPP fees for the year ended December 31, 2020 as compared to \$1.7 million for the year ended December 31, 2021.

Total interest expense decreased 3% when comparing the fourth quarter of 2021 to the third quarter of 2021. This decrease was driven by a 5 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 27% from \$825,984 for the three months ended December 31, 2020 to \$604,170 for the three months ended December 31, 2021. The vast majority of this decreased expense was related to an overall 32 basis point decline in the cost of interest-bearing deposits, led by a 9 basis point decrease in the cost of money market accounts and a 44 basis point decrease in the cost of certificates of deposit, year over year. Overall interest expense was also mitigated by strong growth in noninterest-bearing deposits, which increased 13% when comparing December 31, 2021 to the year prior.

Net interest income was \$3,939,722 for the quarter ended December 31, 2021 as compared to \$4,049,491 for the previous quarter, a \$109,769, or 3%, decrease. The net interest margin decreased 27 basis points from 3.67% for the quarter ended September 30, 2021 to 3.40% for the quarter ended December 31, 2021. The overall yield on interest earning assets decreased 31 basis points during the fourth quarter primarily due to lower PPP loan fees recognized during December 31, 2021 as compared to September 30, 2021 as well as an increase in low yielding cash maintained on the balance sheet. The cost of interest-bearing deposits decreased 5 basis points during the fourth quarter to 0.57%, with the majority of that decrease attributed to lower cost money market accounts and certificates of deposit. Continued growth in noninterest-bearing deposits fueled a decline in the total cost of deposits from 0.43% at September 30, 2021 to 0.40% at December 31, 2021.

Net interest income for the year ended December 31, 2021 was \$15,623,704, a 21% improvement over net interest income of \$12,963,569 for the year ended December 31, 2020. This growth was driven by a 10% increase in loan interest income and a 36% decrease in deposit interest expense.

The provision for loan losses increased from \$6,834 for the three months ended September 30, 2021 to \$59,554 for the three months ended December 31, 2021. The provision for loan losses decreased

from \$229,538 for the three months ended December 31, 2020, to \$59,554 for the three months ended December 31, 2021, consistent with the corresponding decline in past due and nonperforming loans.

The allowance for loan losses to total loans was 0.86% at December 31, 2021 as compared to 0.86% at September 30, 2021, 0.87% at June 30, 2021, and 0.86% at December 31, 2020. Excluding PPP loans, which are 100% guaranteed by the SBA, the allowance for loan losses to total loans was 0.86% at December 31, 2021, 0.88% at September 30, 2021, 0.93% at June 30, 2021, and 0.95% at December 31, 2020. First Resource Bank had no non-performing assets at December 31, 2021. Non-performing assets to total assets were 0.00% at December 31, 2021, down from 0.02% in the prior quarter.

Marshall stated, "Credit quality has been excellent and has remained a top priority for the Bank as we continue to grow loans at a fast pace. We have not and will not sacrifice our credit underwriting standards in exchange for loan volume."

Non-interest income for the quarter ended December 31, 2021 was \$180,332, as compared to \$179,004 for the previous quarter and \$224,391 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 zero in the third and fourth quarters of 2021.

Non-interest income for the year ended December 31, 2021 was \$718,310 as compared to \$781,794 for the prior year. Swap referral fee income of \$244,100 was received in 2020 as compared to zero in 2021. This decline in swap fee income is attributed to lower customer demand for this product in 2021 due to the interest rate environment.

Non-interest expense increased \$315,062, or 12%, in the three months ended December 31, 2021 as compared to the prior quarter. The increase 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 \$37,925, or 1%, when comparing the three months ended December 31, 2021, as compared to the prior quarter. Other increases in salaries and employee benefits, advertising, and professional fees were partially offset by decreases in occupancy and equipment as well as data processing. Non-interest expense increased \$602,431, or 26%, when comparing the fourth quarter of 2021 to the fourth quarter of 2020. This increase was primarily attributed to FHLB advance prepayment penalty fees previously mentioned, and increases in salaries and benefits costs, occupancy, advertising, data processing, professional fees, and other costs. Non-interest expenses to average assets were 2.43% for the three months ended December 31, 2021, however excluding FHLB prepayment penalties paid during that quarter, that ratio would have been 2.20%.

Deposits declined a net \$1.8 million, or 1%, from \$401.8 million at September 30, 2021 to \$400.0 million at December 31, 2021. During the fourth quarter, noninterest-bearing deposits decreased \$11.4 million, or 9%, from \$124.6 million at September 30, 2021 to \$113.2 million at December 31, 2021. Interest-bearing checking balances decreased \$1.5 million, or 5%, from \$32.8 million at September 30, 2021 to \$31.3 million at December 31, 2021. Money market deposits increased \$13.7 million, or 8%, from \$170.9 million at September 30, 2021 to \$184.6 million at December 31, 2021. Certificates of deposit decreased \$2.6 million, or 4%, from \$73.6 million at September 30, 2021 to \$71.0 million at December 31, 2021. Between December 31, 2020 and December 31, 2021, total deposits grew 12%, with tremendous checking and money market growth partially offset by a decline in certificates of deposit.

Ranalli noted, "We experienced deposit outflows during the fourth quarter with the majority of those seasonal cash outflows generated by our customer's strong financial results, including bonuses,

extra payrolls and distributions as well as real estate purchase activity prior to year-end. We are thrilled to bank these highly successful businesses and are excited to watch their balances continue to grow in 2022 and beyond.”

The loan portfolio grew \$9.0 million during the fourth quarter from \$379.2 million at September 30, 2021 to \$388.2 million at December 31, 2021. Excluding PPP loan activity, the loan portfolio increased \$14.6 million, or 4%, from \$370.4 million at September 30, 2021 to \$385.0 million at December 31, 2021, with strong growth in commercial real estate loans and commercial business loans partially offset by a decline in construction loans and consumer loans. Year-to-date loan growth in 2021 was \$49.3 million or 15%. Excluding PPP loan activity, year-to-date loan growth was \$80.4 million, or 26%.

The following table illustrates the composition of the loan portfolio:

	Dec. 31, 2021	Dec. 31, 2020
Commercial real estate	\$ 312,736,636	\$ 227,224,196
Commercial construction	22,167,820	24,925,050
Commercial business	39,273,664	66,555,149
Consumer	<u>14,052,015</u>	<u>20,235,647</u>
Total loans	<u>\$ 388,230,135</u>	<u>\$ 338,940,042</u>

Marshall added, “This loan growth in 2021 is the result of the lending team creating custom solutions for borrowers. Our consultative approach to lending has always been a differentiator for First Resource Bank.”

Total stockholder’s equity increased \$840 thousand, or 2%, from \$34.7 million at September 30, 2021 to \$35.6 million at December 31, 2021, primarily due to net income generated. During the quarter ended December 31, 2021, book value per share grew 28 cents, or 2%, to \$12.14.

Total assets increased \$1.1 million during the fourth quarter of 2021, with growth in investments and loans offset by reduction in cash and due from banks. PPP loan activity of \$5.6 million in payoffs in the fourth quarter of 2021 were replaced with \$14.6 million in organic loan growth.

Selected Financial Data:
Balance Sheets (unaudited)

	December 31, 2021	December 31, 2020
Cash and due from banks	\$ 10,545,913	\$ 26,008,820
Time deposits at other banks	100,000	599,000
Investments	53,419,674	43,060,035
Loans	388,230,135	338,940,042
Allowance for loan losses	(3,322,979)	(2,907,023)
Premises & equipment	8,075,525	8,380,269
Other assets	<u>12,016,270</u>	<u>10,353,164</u>
Total assets	<u>\$ 469,064,538</u>	<u>\$ 424,434,307</u>
Noninterest-bearing deposits	\$ 113,175,651	\$ 99,898,323
Interest-bearing checking	31,251,216	23,726,721
Money market	184,581,051	140,480,421
Time deposits	<u>70,978,824</u>	<u>93,919,651</u>
Total deposits	<u>399,986,742</u>	<u>358,025,116</u>
Short term borrowings	9,000,000	-
Long term borrowings	15,280,000	24,206,000
Subordinated debt	5,953,144	7,940,649
Other liabilities	<u>3,293,450</u>	<u>2,806,732</u>
Total liabilities	<u>433,513,336</u>	<u>392,978,497</u>
Total stockholders' equity	<u>35,551,202</u>	<u>31,455,810</u>
Total Liabilities & Stockholders' Equity	<u>\$ 469,064,538</u>	<u>\$ 424,434,307</u>

Performance Statistics
(unaudited)

	Qtr Ended Dec. 31, 2021	Qtr Ended Sept. 30, 2021	Qtr Ended June 30, 2021	Qtr Ended Mar. 31, 2021	Qtr Ended Dec. 31, 2020
Net interest margin	3.40%	3.67%	3.77%	3.59%	3.69%
Nonperforming loans/ Total loans	0.00%	0.03%	0.04%	0.10%	0.11%
Nonperforming assets/ Total assets	0.00%	0.02%	0.04%	0.09%	0.09%
Allowance for loan losses/ Total loans	0.86%**	0.86%**	0.87%**	0.83%**	0.86%**
Average loans/Average assets	80.0%	82.8%	86.4%	84.4%	81.4%
Non-interest expenses*/ Average assets	2.43%	2.27%	2.36%	2.29%	2.20%
Earnings per share – basic and diluted***	\$0.32	\$0.44	\$0.36	\$0.31	\$0.39
Book value per share***	\$12.14	\$11.86	\$11.42	\$11.07	\$10.78
Total shares outstanding***	2,928,166	2,925,874	2,923,777	2,921,312	2,918,668

* Annualized

** Excluding PPP loans, the allowance for loan losses/total loans was 0.86% at December 31, 2021, 0.88% at September 30, 2021, 0.93% at June 30, 2021, 0.95% at March 31, 2021, and 0.95% at December 31, 2020.

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

	Year Ended Dec. 31, 2021	Year Ended Dec. 31, 2020
Net interest margin	3.61%	3.60%
Return on assets	0.92%	0.86%
Return on equity	12.38%	10.93%
Earnings per share-basic and diluted***	\$1.43	\$1.12

Income Statements (unaudited)

	Qtr. Ended Dec. 31, 2021	Qtr. Ended Sept. 30, 2021	Qtr. Ended June 30, 2021	Qtr. Ended Mar. 31, 2021	Qtr. Ended Dec. 31, 2020
INTEREST INCOME					
Loans, including fees	\$4,426,009	\$4,566,386	\$4,641,636	\$4,169,912	\$4,439,471
Securities	98,387	89,968	94,794	96,260	93,928
Other	19,496	15,790	5,775	6,022	10,990
Total interest income	<u>4,543,892</u>	<u>4,672,144</u>	<u>4,742,205</u>	<u>4,272,194</u>	<u>4,544,389</u>
INTEREST EXPENSE					
Deposits	414,096	424,240	481,151	499,622	581,982
Borrowings	96,950	105,289	104,145	108,743	117,995
Subordinated debt	93,124	93,124	93,123	93,124	126,007
Total interest expense	<u>604,170</u>	<u>622,653</u>	<u>678,419</u>	<u>701,489</u>	<u>825,984</u>
Net interest income	<u>3,939,722</u>	<u>4,049,491</u>	<u>4,063,786</u>	<u>3,570,705</u>	<u>3,718,405</u>
Provision for loan losses	<u>59,554</u>	<u>6,834</u>	<u>270,453</u>	<u>240,153</u>	<u>229,538</u>
Net interest income after provision for loan losses	3,880,168	4,042,657	3,793,333	3,330,552	3,488,867
NON-INTEREST INCOME					
BOLI income	47,390	47,555	47,505	44,523	36,852
Referral fee income	-	-	-	-	69,000
Other	132,942	131,449	133,708	133,238	118,539
Total non-interest income	<u>180,332</u>	<u>179,004</u>	<u>181,213</u>	<u>177,761</u>	<u>224,391</u>
NON-INTEREST EXPENSE					
Salaries & benefits	1,584,108	1,559,849	1,592,369	1,432,259	1,405,431
Occupancy & equipment	247,547	253,349	255,537	262,501	238,406
Professional fees	139,071	104,768	98,035	89,413	95,238
Advertising	92,159	81,789	87,788	61,683	80,279
Data processing	150,659	160,971	188,220	149,633	146,147
Other	703,462	441,218	432,851	383,951	349,074
Total non-interest expense	<u>2,917,006</u>	<u>2,601,944</u>	<u>2,654,800</u>	<u>2,379,440</u>	<u>2,314,575</u>
Income before income tax expense	1,143,494	1,619,717	1,319,746	1,128,873	1,398,683
Federal income tax expense	<u>227,367</u>	<u>326,319</u>	<u>263,172</u>	<u>223,209</u>	<u>280,248</u>
Net income	<u>\$ 916,127</u>	<u>\$1,293,398</u>	<u>\$1,056,574</u>	<u>\$905,664</u>	<u>\$1,118,435</u>

Income Statements (unaudited)

	Year Ended December 31, 2021	Year Ended December 31, 2020
INTEREST INCOME		
Loans	\$ 17,803,943	\$ 16,172,232
Investments	379,409	418,601
Other	<u>47,083</u>	<u>63,250</u>
Total interest income	<u>18,230,435</u>	<u>16,654,083</u>
INTEREST EXPENSE		
Deposits	1,819,109	2,863,718
Borrowings	415,127	488,352
Subordinated debt	<u>372,495</u>	<u>338,444</u>
Total interest expense	<u>2,606,731</u>	<u>3,690,514</u>
Net interest income	<u>15,623,704</u>	<u>12,963,569</u>
Provision for loan losses	<u>576,994</u>	<u>554,510</u>
Net interest income after provision for loan losses	15,046,710	12,409,059
NON-INTEREST INCOME		
BOLI income	186,973	148,094
Referral fee income	-	244,100
Other	<u>531,337</u>	<u>389,600</u>
Total non-interest income	<u>718,310</u>	<u>781,794</u>
NON-INTEREST EXPENSE		
Salaries & benefits	6,168,585	5,493,150
Occupancy & equipment	1,018,934	980,158
Professional fees	431,287	382,827
Advertising	323,419	282,958
Data processing	649,483	552,917
Other	<u>1,961,482</u>	<u>1,453,667</u>
Total non-interest expense	<u>10,553,190</u>	<u>9,145,677</u>
Pre-tax income	5,211,830	4,045,176
Tax expense	<u>1,040,067</u>	<u>794,209</u>
Net income	<u>\$ 4,171,763</u>	<u>\$ 3,250,967</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.