
FEDERAL DEPOSIT INSURANCE CORPORATION
WASHINGTON, DC 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of report (Date of earliest event reported): July 26, 2022

FIRST BANK
(Exact Name of Registrant as Specified in Charter)

New Jersey
(State or Other Jurisdiction
of Incorporation)

58481
(FDIC Certificate
Number)

20-8164471
(I.R.S. Employer
Identification No.)

2465 Kuser Road
Hamilton, New Jersey 08690
(Address of Principal Executive Offices, and Zip Code)

(877) 821-2265
Registrant's Telephone Number, Including Area Code

Not Applicable
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2. below):

- ☐ Written communication pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- ☐ Pre-commencement communication pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- ☐ Pre-commencement communication pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$5.00 per share	FRBA	Nasdaq Global Market

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR §230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR §240.12b-2).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Item 2.02 Results of Operations and Financial Condition

On July 26, 2022, First Bank (the “Company”) issued a press release announcing its operating results for the three and six months ended June 30, 2022. A copy of the July 26, 2022 press release is included as Exhibit 99.1 hereto.

The information in this Item 2.02, including Exhibit 99.1, shall be considered furnished for purposes of the Securities Exchange Act of 1934 (the “Exchange Act”) and shall not be deemed “filed” for any purpose. The information provided in this Item 2.02, including Exhibit 99.1, shall not be deemed incorporated by reference in any filings the Company has made or may make under the Exchange Act or the Securities Act of 1933 (the “Securities Act”), except as otherwise expressly stated in such filing.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

99.1 Press release dated July 26, 2022

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

FIRST BANK

Dated: July 27, 2022

By: /s/ Andrew L. Hibshman
Andrew L. Hibshman
Executive Vice President and
Chief Financial Officer



FOR IMMEDIATE RELEASE

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First Bank Reports Second Quarter 2022 Net Income of \$8.8 Million

Quarterly Results Reflect Strong Organic Loan Growth, Improving Net Interest Margin, and Solid Asset Quality Metrics

HAMILTON, N.J. — July 26, 2022 — (GLOBE NEWSWIRE) — First Bank (Nasdaq Global Market: FRBA) today announced results for the second quarter of 2022, accentuated by net income of \$8.8 million, or \$0.45 per diluted share. Return on average assets, return on average equity, and return on average tangible equityⁱ for the second quarter of 2022 were 1.38%, 12.92% and 13.93%, respectively. In the second quarter of 2021, First Bank reported net income of \$8.9 million, or \$0.45 per diluted share, and return on average assets, return on average equity, and return on average tangible equityⁱ of 1.48%, 14.26% and 15.37%, respectively.

Second Quarter 2022 Highlights:

- Total loans of \$2.22 billion on June 30, 2022, reflected growth of \$68.5 million, or 3.2%, from the end of the first quarter of 2022 and were up \$108.2 million, or 5.1%, from December 31, 2021. Loan growth, excluding the decline in Paycheck Protection Program (PPP) loans, totaled \$84.0 million in the second quarter of 2022, representing a 15.8% annualized increase.
- Total deposits of \$2.17 billion on June 30, 2022, were down \$12.7 million, or 0.6%, from the end of the linked first quarter and up \$50.6 million, or 2.4%, from December 31, 2021.
- Asset quality metrics remained solid during the quarter, with annualized net charge offs to average loans of 0.07% and nonperforming loans to total loans of 0.57% as of June 30, 2022, compared to 0.62% on December 31, 2021, and 0.59% on March 31, 2022.
- Continued focus on managing expenses resulted in the sixth consecutive quarter of an efficiency ratioⁱⁱ below 50%, at 46.81% for the second quarter of 2022.

President and Chief Executive Officer, Patrick L. Ryan, said, “We are pleased with our performance during the second quarter. Our continued focus on developing new and existing customer relationships facilitated another quarter of robust loan growth. Total deposits remained relatively stable as we continued to shift our deposit mix with non-interest bearing deposits representing 27.7% of total deposits at quarter-end. Loan growth, improving asset yields and managing deposit costs contributed to a 19 basis point improvement in our net interest margin which was 3.76% for the second quarter of 2022 compared to 3.57% for the first quarter of 2022. We remain focused on driving organic growth as we continue to manage expenses to achieve greater profitability.”

“Asset quality metrics also remain strong, reflected by our eighth consecutive quarter end with our nonperforming loans to total loans ratio under 65 basis points. Annualized net charge offs were only 0.07% of average loans for the quarter ended June 30, 2022, and primarily related to one small business loan.”

“In our continuous effort to drive long-term shareholder value, we are pleased to announce another \$0.06 quarterly dividend, reflecting an annualized yield of 1.69% based on our July 22, 2022, closing price of

\$14.18. We also have an active share repurchase program and from January 1, 2022, through July 22, 2022, we have repurchased 241,284 shares of our common stock at an aggregate cost of \$3.4 million, or an average price of \$13.99 per share.”

“Overall, we are very pleased with our performance through the first half of the year and our financial performance provides us with the confidence that we are well positioned to continue to generate strong results during the second half of 2022.”

Income Statement

First Bank’s (the “Bank’s”) net interest income for the second quarter of 2022 was \$22.9 million, an increase of \$2.5 million, or 12.2%, compared to \$20.4 million in the second quarter of 2021 and an increase of \$1.8 million, or 8.3%, compared to \$21.1 million in the first quarter of 2022. The increase from the comparable prior year quarter was due to an increase in interest and dividend income of \$2.0 million coupled with a decline of \$444,000 in total interest expense. The increase from the linked first quarter of 2022 was due to an increase in interest and dividend income of \$2.0 million offset somewhat by an increase in total interest expense of \$216,000.

The increase in interest income during the second quarter of 2022 compared to the second quarter of 2021 and the first quarter of 2022 was primarily due to an increase in average loans combined with a 7 basis point and 18 basis point increase, respectively, in the average rate on loans. Interest income increased compared to the year-ago quarter and the linked first quarter despite a decrease in PPP loan fees, as loan growth and the rising rate environment led to improved interest income. Interest income from loans included \$493,000 in PPP loan fees in the second quarter of 2022 compared to \$1.3 million in the second quarter of 2021 and \$860,000 in the linked first quarter of 2022. Also impacting loan interest income in the second quarter of 2022 was loan prepayment income of \$682,000, compared to \$730,000 for the quarter ended June 30, 2021, and \$459,000 for the quarter ended March 31, 2022. As a result of the Bank’s concerted effort to control deposit costs, the average rate on interest bearing deposits was lower during the quarter ended June 30, 2022, compared to the quarter ended June 30, 2021, and increased only 6 basis points compared to the first quarter of 2022, despite the rising rate environment during the second quarter of 2022.

Net interest income for the six months ended June 30, 2022, totaled \$44.1 million, an increase of \$3.6 million, or 8.9%, compared to \$40.5 million for the same period in 2021. The increase in the 2022 year to date net interest income was also driven by solid growth in average loans, which increased by \$115.2 million, or 5.6%, from the prior year period, along with a 16 basis point decrease in the average rate on interest-bearing deposits.

The second quarter 2022 tax equivalent net interest margin was 3.76%, an increase of 19 basis points compared to the comparable prior year quarter and from the first quarter of 2022. The Bank’s margin continues to benefit from the increase in average non-interest bearing deposits, improving asset yields and actively managing the cost of funds. The year-to-date tax equivalent net interest margin was 3.67%, an increase of 9 basis points compared to the prior year period. The increase in the six-month net interest margin was principally a result of the lower cost of interest bearing deposits, partially offset by lower earning asset yields.

The Bank’s provision for loan losses was \$1.3 million for the second quarter of 2022, compared to a \$162,000 credit to the provision for loan losses in the second quarter of 2021 and a provision for loan losses of \$642,000 for the linked first quarter 2022. The Bank’s provision for loan losses was \$1.9 million for the six months ended June 30, 2022, compared to a credit to the provision for loan losses of \$1.2 million for the same period in 2021. The provision for loan losses for the three and six months ended June 30, 2022,

reflects consistent organic loan growth and continued strong asset quality. The credit to the provision for loan losses for the three and six months ended June 30, 2021, reflected a reduction in qualitative factors that were increased significantly in 2020 due to the economic uncertainties created by the COVID-19 pandemic.

Second quarter 2022 non-interest income of \$1.5 million compares to \$1.3 million during the second quarter of 2021. The increase between the periods was primarily the result of higher income from service fees from deposit accounts and higher gains on recovery of acquired loans. Non-interest income totaled \$2.7 million for the six months ended June 30, 2022, compared to \$3.6 million for the same period in 2021. This decrease in non-interest income for the first six months of 2022 was a result of lower gains on sale of loans, lower loan fees and lower gains on recovery of acquired loans. The decrease was primarily the result of a reduction in Small Business Administration loan sales and a decline in loan swap activity, primarily due to the current market conditions.

Non-interest expense for second quarter 2022 of \$11.4 million, increased \$1.3 million, or 12.3%, compared to \$10.2 million for the prior year quarter. The higher non-interest expense compared to second quarter 2021 was primarily a result of a \$768,000, or 13.0%, increase in salaries and employee benefits, along with lesser increases in other professional fees, travel and entertainment, and other expense. These increases were partially offset by lower legal fees, directors' fees, and marginal declines in certain other non-interest expense categories. The increase in salaries and employee benefits was due primarily to salary increases and an increase in the number of employees, partially due to the employees added from our acquisition of two branches during the fourth quarter of 2021.

On a linked quarter basis, second quarter 2022 non-interest expense of \$11.4 million, increased \$287,000, or 2.6%, compared to \$11.1 million for the first quarter of 2022. This increase was also primarily due to salary and employee benefits increases which was primarily due to annual salary increases that occurred at the end of the first quarter of 2022.

Non-interest expense for the first six months of 2022 totaled \$22.5 million, an increase of \$1.7 million, or 8.3%, compared to \$20.8 million for the same period in 2021. The increase was primarily a result of higher salaries and employee benefits and higher other professional fees, offset somewhat by lower occupancy and equipment expenses.

Income tax expense for the three months ended June 30, 2022, was \$2.8 million with an effective tax rate of 24.4%, compared to \$2.9 million with an effective tax rate of 24.4% for the second quarter of 2021 and \$2.5 million with an effective tax rate of 23.4% for the first quarter of 2022. Income tax expense for the six months ended June 30, 2022, was \$5.3 million with an effective tax rate of 23.9%, compared to \$6.0 million for the first six months of 2021 with an effective tax rate of 24.3%.

Balance Sheet

Total assets at June 30, 2022, were \$2.57 billion, an increase of \$57.8 million, or 2.3%, from December 31, 2021. Total loans increased \$108.2 million, or 5.1%, to \$2.22 billion at June 30, 2022, compared to \$2.11 billion at December 31, 2021. The increase in loans during the six-month period ended June 30, 2022, reflects net non-PPP organic loan growth of \$149.3 million, offset somewhat by a decline in PPP loans of \$41.0 million, as such loans continue to be forgiven. Total loans as of June 30, 2022, increased \$68.5 million, or 3.2%, from \$2.15 billion on March 31, 2022, reflecting organic, net non-PPP loan growth of \$84.0 million, offset somewhat by a decline in PPP loans of \$15.5 million. PPP loans outstanding on June 30, 2022, were \$10.0 million.

Total deposits were \$2.17 billion on June 30, 2022, an increase of \$50.6 million, or 2.4%, from \$2.11 billion at December 31, 2021. Non-interest-bearing deposits totaled \$600.4 million on June 30, 2022, an increase of \$41.6 million, or 7.4%, from December 31, 2021. The Bank continues to focus on enhancing its deposit mix and, as of June 30, 2022, had grown non-interest bearing deposits to 27.7% and lowered time deposits to 14.7% of total deposits. Total deposits declined by \$12.7 million, or 0.6%, from March 31, 2022, with interest bearing deposits declining \$15.8 million, offset somewhat by a \$3.1 million increase in non-interest bearing deposits.

Stockholders' equity was \$274.7 million on June 30, 2022, compared to \$266.7 million on December 31, 2021. The growth of \$8.0 million, or 3.0%, was primarily a result of year-to-date net income of \$17.0 million, partially offset by a \$5.1 million increase in accumulated other comprehensive loss, \$2.7 million in treasury stock purchases and cash dividends paid of \$2.3 million during the six months ended June 30, 2022. The increase in accumulated other comprehensive loss was due to an increase in unrealized losses on the Bank's available for sale investment securities, primarily resulting from the current interest rate environment.

As of June 30, 2022, the Bank continued to exceed all regulatory capital requirements to be considered well capitalized, with a Tier 1 Leverage ratio of 10.19%, a Tier 1 Risk-Based capital ratio of 10.28%, a Common Equity Tier 1 Capital ratio of 10.28%, and a Total Risk-Based capital ratio of 12.46%.

Asset Quality

First Bank's asset quality metrics remained stable and favorable during the three and six months ended June 30, 2022. Net charge offs of \$404,000 for the second quarter of 2022 were 0.07% of average loans on an annualized basis. This compares to net charge offs of \$116,000, or an annualized 0.02% of average loans, for the second quarter of 2021 and net charge offs of \$247,000, or an annualized 0.05%, for the first quarter of 2022. Nonperforming loans were \$12.7 million on June 30, 2022, down from \$13.0 million on December 31, 2021. Nonperforming loans as a percentage of total loans on June 30, 2022, were 0.57%, compared with 0.62% at December 31, 2021, and 0.59% at March 31, 2022. The allowance for loan losses to nonperforming loans was 197.06% on June 30, 2022, compared with 182.65% at December 31, 2021, and 191.72% on March 31, 2022.

COVID-19 Response

First Bank participated in the PPP, established by the Coronavirus Aid, Relief, and Economic Securities Act (CARES Act), during 2020 and 2021. The PPP was a specialized low-interest loan program funded by the U.S. Treasury Department and administered by the Small Business Administration. The PPP provided borrower guarantees for lenders, as well as loan forgiveness incentives for borrowers that utilized the loan proceeds to cover compensation and other business-related operating costs. The PPP ended on May 31, 2021, but the PPP loan forgiveness process is ongoing. As of June 30, 2022, First Bank had 99 PPP loans with outstanding balances of \$10.0 million. During the quarter ended June 30, 2022, PPP loans totaling \$15.5 million were forgiven and the Bank realized \$493,000 in loan fees on these loans as any deferred fees remaining on the forgiven loans were accelerated. As of June 30, 2022, the Bank had \$336,000 in remaining unamortized fees associated with outstanding balances of PPP loans.

Cash Dividend Declared

On July 19, 2022, First Bank's Board of Directors declared a quarterly cash dividend of \$0.06 per share to common stockholders of record at the close of business on August 12, 2022, payable on August 26, 2022.

Conference Call

First Bank will host its earnings call on Wednesday, July 27, 2022, at 9:00 AM eastern time. The direct dial toll free number for the live call is 1-844-200-6205 and the access code is 212059. For those unable to participate in the call, a replay will be available by dialing 1-866-813-9403 (access code 861313) from one hour after the end of the conference call until October 24, 2022. Replay information will also be available on First Bank's website at www.firstbanknj.com under the "About Us" tab. Click on "Investor Relations" to access the replay of the conference call.

About First Bank

First Bank is a New Jersey state-chartered bank with 18 full-service branches in Cinnaminson, Cranbury, Delanco, Denville, Ewing, Flemington (2), Hamilton, Lawrence, Monroe, Pennington, Randolph, Somerset and Williamstown, New Jersey; and Doylestown, Trevoise, Warminster and West Chester, Pennsylvania. With \$2.6 billion in assets as of June 30, 2022, First Bank offers a full range of deposit and loan products to individuals and businesses throughout the New York City to Philadelphia corridor. First Bank's common stock is listed on the Nasdaq Global Market under the symbol "FRBA."

Forward Looking Statements

This press release contains certain forward-looking statements, either express or implied, within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include information regarding First Bank's future financial performance, business and growth strategy, projected plans and objectives, and related transactions, integration of acquired businesses, ability to recognize anticipated operational efficiencies, and other projections based on macroeconomic and industry trends, which are inherently unreliable due to the multiple factors that impact economic trends, and any such variations may be material. Such forward-looking statements are based on various facts and derived utilizing important assumptions, current expectations, estimates and projections about First Bank, any of which may change over time and some of which may be beyond First Bank's control. Statements preceded by, followed by or that otherwise include the words "believes," "expects," "anticipates," "intends," "projects," "estimates," "plans" and similar expressions or future or conditional verbs such as "will," "should," "would," "may" and "could" are generally forward-looking in nature and not historical facts, although not all forward-looking statements include the foregoing. Further, certain factors that could affect our future results and cause actual results to differ materially from those expressed in the forward-looking statements include, but are not limited to: whether First Bank can successfully implement its growth strategy, including identifying acquisition targets and consummating suitable acquisitions, sustain its internal growth rate, and provide competitive products and services that appeal to its customers and target markets; difficult market conditions and unfavorable economic trends in the United States generally, and particularly in the market areas in which First Bank operates and in which its loans are concentrated, including the effects of inflation and declines in housing market values; the impact of disease pandemics, including COVID-19, on First Bank's operations, customers and employees; an increase in unemployment levels and slowdowns in economic growth; First Bank's level of nonperforming assets and the costs associated with resolving any problem loans including litigation and other costs; changes in market interest rates may increase funding costs and reduce earning asset yields thus reducing margin; the impact of changes in interest rates and the credit quality and strength of underlying collateral and the effect of such changes on the market value of First Bank's investment securities portfolio; the extensive federal and state regulation, supervision and examination governing almost every aspect of First Bank's operations, including changes in regulations affecting financial institutions and expenses associated with complying with such regulations; uncertainties in tax estimates and valuations, including due to changes in state and federal tax law; First Bank's ability to comply with applicable capital and liquidity requirements, including First Bank's ability to generate liquidity internally or raise capital on favorable terms, including continued access to the debt and equity capital markets; and possible changes in trade, monetary and fiscal policies, laws and regulations and other activities of governments, agencies, and similar organizations. For discussion of these and other risks that may cause actual results to differ from expectations, please refer to "Forward-Looking Statements" and "Risk Factors" in First Bank's Annual Report on Form 10-K and any updates to those risk factors set forth in First Bank's proxy statement, subsequent Quarterly Reports on Form 10-Q or Current Reports on Form 8-K. If one or more events related to these or other risks or uncertainties materialize, or if First Bank's underlying assumptions prove to be incorrect, actual results may differ materially from what First Bank anticipates. Accordingly, you should not place undue reliance on any such forward-looking statements. Any forward-looking statement speaks only as of the date on which it is made, and First Bank does not undertake any obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments or otherwise. All forward-looking statements, expressed or implied, included in this communication are expressly qualified in their entirety by this cautionary statement. This cautionary statement should also be considered in connection with any subsequent written or oral forward-looking statements that First Bank or persons acting on First Bank's behalf may issue.

ⁱ Return on average tangible equity is a non-U.S. GAAP financial measure and is calculated by dividing net income by average tangible equity (average equity minus average goodwill and other intangible assets). For a reconciliation of this non-U.S. GAAP financial measure, along with the other non-U.S. GAAP financial measures in this press release, to their comparable U.S. GAAP measures, see the financial reconciliations at the end of this press release.

ⁱⁱ The efficiency ratio is a non-U.S. GAAP financial measure and is calculated by dividing non-interest expense less merger-related expenses by adjusted total revenue (net interest income plus non-interest income). For a reconciliation of this non-U.S. GAAP financial measure, along with the other non-U.S. GAAP financial measures in this press release, to their comparable U.S. GAAP measures, see the financial reconciliations at the end of this press release.

FIRST BANK AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

(in thousands, except for share data, unaudited)

	<u>June 30, 2022</u>	<u>December 31, 2021</u>
Assets		
Cash and due from banks	\$ 27,392	\$ 25,076
Interest bearing deposits with banks	61,186	129,431
Cash and cash equivalents	88,578	154,507
Interest bearing time deposits with banks	1,542	2,170
Investment securities available for sale, at fair value	97,152	94,584
Investment securities held to maturity (fair value of \$41,003 at June 30, 2022 and \$39,718 at December 31, 2021)	43,426	39,547
Restricted investment in bank stocks	5,705	5,856
Other investments	8,095	8,062
Loans, net of deferred fees and costs	2,220,223	2,111,991
Less: Allowance for loan losses	25,034	23,746
Net loans	2,195,189	2,088,245
Premises and equipment, net	10,067	9,883
Other real estate owned, net	293	772
Accrued interest receivable	6,028	5,681
Bank-owned life insurance	57,376	56,633
Goodwill	17,826	17,826
Other intangible assets, net	1,942	2,145
Deferred income taxes	12,680	11,081
Other assets	22,238	13,306
Total assets	<u>\$ 2,568,137</u>	<u>\$ 2,510,298</u>
Liabilities and Stockholders' Equity		
Liabilities:		
Non-interest bearing deposits	\$ 600,402	\$ 558,775
Interest bearing deposits	1,564,761	1,555,827
Total deposits	2,165,163	2,114,602
Borrowings	74,479	81,835
Subordinated debentures	29,675	29,620
Accrued interest payable	308	399
Other liabilities	23,810	17,176
Total liabilities	2,293,435	2,243,632
Stockholders' Equity:		
Preferred stock, par value \$2 per share; 10,000,000 shares authorized; no shares issued and outstanding	-	-
Common stock, par value \$5 per share; 40,000,000 shares authorized; 21,050,594 shares issued and 19,483,415 shares outstanding at June 30, 2022 and 20,851,506 shares issued and 19,472,364 shares outstanding at December 31, 2021	104,390	103,704
Additional paid-in capital	80,039	79,563
Retained earnings	110,559	95,924
Accumulated other comprehensive loss	(5,280)	(206)
Treasury stock, 1,571,179 shares at June 30, 2022 and 1,379,142 shares at December 31, 2021	(15,006)	(12,319)
Total stockholders' equity	274,702	266,666
Total liabilities and stockholders' equity	<u>\$ 2,568,137</u>	<u>\$ 2,510,298</u>

FIRST BANK AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(in thousands, except for share data, unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Interest and Dividend Income				
Investment securities—taxable	\$ 689	\$ 550	\$ 1,265	\$ 1,025
Investment securities—tax-exempt	33	45	70	93
Interest bearing deposits with banks, Federal funds sold and other	260	185	390	356
Loans, including fees	23,881	22,038	46,024	44,195
Total interest and dividend income	24,863	22,818	47,749	45,669
Interest Expense				
Deposits	1,262	1,463	2,271	3,313
Borrowings	250	493	538	1,007
Subordinated debentures	441	441	881	881
Total interest expense	1,953	2,397	3,690	5,201
Net interest income	22,910	20,421	44,059	40,468
Provision for loan losses	1,298	(162)	1,940	(1,215)
Net interest income after provision for loan losses	21,612	20,583	42,119	41,683
Non-Interest Income				
Service fees on deposit accounts	243	165	495	341
Loan fees	102	134	347	815
Income from bank-owned life insurance	370	343	743	672
Gains on sale of loans	253	315	290	849
Gains on recovery of acquired loans	210	141	334	511
Other non-interest income	285	244	521	454
Total non-interest income	1,463	1,342	2,730	3,642
Non-Interest Expense				
Salaries and employee benefits	6,698	5,930	13,242	11,698
Occupancy and equipment	1,381	1,299	2,805	3,237
Legal fees	172	253	314	500
Other professional fees	692	528	1,379	1,059
Regulatory fees	233	228	426	496
Directors' fees	180	219	398	435
Data processing	589	608	1,185	1,143
Marketing and advertising	177	187	341	375
Travel and entertainment	111	24	199	39
Insurance	186	138	351	292
Other real estate owned expense, net	114	30	197	81
Other expense	876	711	1,694	1,450
Total non-interest expense	11,409	10,155	22,531	20,805
Income Before Income Taxes	11,666	11,770	22,318	24,520
Income tax expense	2,843	2,877	5,337	5,966
Net Income	\$ 8,823	\$ 8,893	\$ 16,981	\$ 18,554
Basic earnings per common share	\$ 0.45	\$ 0.45	\$ 0.87	\$ 0.94
Diluted earnings per common share	\$ 0.45	\$ 0.45	\$ 0.86	\$ 0.93
Cash dividends per common share	\$ 0.06	\$ 0.03	\$ 0.12	\$ 0.06
Basic weighted average common shares outstanding	19,586,103	19,677,002	19,559,605	19,674,523
Diluted weighted average common shares outstanding	19,794,657	19,883,076	19,780,953	19,859,091

FIRST BANK AND SUBSIDIARIES
AVERAGE BALANCE SHEETS WITH INTEREST AND AVERAGE RATES

(dollars in thousands, unaudited)

	Three Months Ended June 30,					
	2022			2021		
	Average Balance	Interest	Average Rate (5)	Average Balance	Interest	Average Rate (5)
Interest earning assets						
Investment securities (1) (2)	\$ 141,412	\$ 729	2.07%	\$ 120,238	\$ 605	2.02%
Loans (3)	2,181,197	23,881	4.39%	2,044,789	22,038	4.32%
Interest bearing deposits with banks, Federal funds sold and other	107,903	171	0.64%	117,787	71	0.24%
Restricted investment in bank stocks	5,424	65	4.81%	8,089	98	4.86%
Other investments	8,090	24	1.19%	6,525	16	0.98%
Total interest earning assets (2)	2,444,026	24,870	4.08%	2,297,428	22,828	3.99%
Allowance for loan losses	(24,469)			(23,512)		
Non-interest earning assets	148,886			136,437		
Total assets	\$ 2,568,443			\$ 2,410,353		
Interest bearing liabilities						
Interest bearing demand deposits	\$ 329,702	\$ 137	0.17%	\$ 210,494	\$ 49	0.09%
Money market deposits	737,041	642	0.35%	602,221	424	0.28%
Savings deposits	181,390	180	0.40%	183,289	192	0.42%
Time deposits	321,378	303	0.38%	482,657	798	0.66%
Total interest bearing deposits	1,569,511	1,262	0.32%	1,478,661	1,463	0.40%
Borrowings	68,024	250	1.47%	130,441	493	1.52%
Subordinated debentures	29,658	441	5.95%	29,547	441	5.97%
Total interest bearing liabilities	1,667,193	1,953	0.47%	1,638,649	2,397	0.59%
Non-interest bearing deposits	606,874			505,912		
Other liabilities	20,547			15,649		
Stockholders' equity	273,829			250,143		
Total liabilities and stockholders' equity	\$ 2,568,443			\$ 2,410,353		
Net interest income/interest rate spread (2)		22,917	3.61%		20,431	3.40%
Net interest margin (2) (4)			3.76%			3.57%
Tax equivalent adjustment (2)		(7)			(10)	
Net interest income		\$ 22,910			\$ 20,421	

(1) Average balance of investment securities available for sale is based on amortized cost.

(2) Interest and average rates are presented on a tax equivalent basis using a federal income tax rate of 21%.

(3) Average balances of loans include loans on nonaccrual status.

(4) Net interest income divided by average total interest earning assets.

(5) Annualized.

FIRST BANK AND SUBSIDIARIES
AVERAGE BALANCE SHEETS WITH INTEREST AND AVERAGE RATES
(dollars in thousands, unaudited)

	Six Months Ended June 30,					
	2022			2021		
	Average Balance	Interest	Average Rate (5)	Average Balance	Interest	Average Rate (5)
Interest earning assets						
Investment securities (1) (2)	\$ 137,742	\$ 1,350	1.98%	\$ 109,058	\$ 1,138	2.10%
Loans (3)	2,156,244	46,024	4.30%	2,041,074	44,195	4.37%
Interest bearing deposits with banks, Federal funds sold and other	114,626	221	0.39%	113,315	140	0.25%
Restricted investment in bank stocks	5,519	128	4.68%	8,267	185	4.51%
Other investments	8,081	41	1.02%	6,518	31	0.96%
Total interest earning assets (2)	<u>2,422,212</u>	<u>47,764</u>	<u>3.98%</u>	<u>2,278,232</u>	<u>45,689</u>	<u>4.04%</u>
Allowance for loan losses	(24,265)			(24,053)		
Non-interest earning assets	147,788			134,326		
Total assets	<u><u>\$ 2,545,735</u></u>			<u><u>\$ 2,388,505</u></u>		
Interest bearing liabilities						
Interest bearing demand deposits	\$ 314,074	\$ 198	0.13%	\$ 205,896	\$ 114	0.11%
Money market deposits	721,790	1,090	0.30%	597,015	944	0.32%
Savings deposits	185,782	344	0.37%	176,180	396	0.45%
Time deposits	335,721	639	0.38%	495,234	1,859	0.76%
Total interest bearing deposits	1,557,367	2,271	0.29%	1,474,325	3,313	0.45%
Borrowings	72,234	538	1.50%	137,995	1,007	1.47%
Subordinated debentures	29,645	881	5.94%	29,533	881	5.97%
Total interest bearing liabilities	<u>1,659,246</u>	<u>3,690</u>	<u>0.45%</u>	<u>1,641,853</u>	<u>5,201</u>	<u>0.64%</u>
Non-interest bearing deposits	595,273			485,149		
Other liabilities	19,218			15,571		
Stockholders' equity	271,998			245,932		
Total liabilities and stockholders' equity	<u><u>\$ 2,545,735</u></u>			<u><u>\$ 2,388,505</u></u>		
Net interest income/interest rate spread (2)		44,074	3.53%		40,488	3.40%
Net interest margin (2) (4)			3.67%			3.58%
Tax equivalent adjustment (2)		(15)			(20)	
Net interest income		<u><u>\$ 44,059</u></u>			<u><u>\$ 40,468</u></u>	

(1) Average balance of investment securities available for sale is based on amortized cost.

(2) Interest and average rates are presented on a tax equivalent basis using a federal income tax rate of 21%.

(3) Average balances of loans include loans on nonaccrual status.

(4) Net interest income divided by average total interest earning assets.

(5) Annualized.

FIRST BANK AND SUBSIDIARIES
QUARTERLY FINANCIAL HIGHLIGHTS
(in thousands, except for share and employee data, unaudited)

	As of or For the Quarter Ended				
	6/30/2022	3/31/2022	12/31/2021	9/30/2021	6/30/2021
EARNINGS					
Net interest income	\$ 22,910	\$ 21,149	\$ 20,641	\$ 20,781	\$ 20,421
Provision for loan losses	1,298	642	825	158	(162)
Non-interest income	1,463	1,267	2,211	1,901	1,342
Non-interest expense	11,409	11,122	11,825	10,522	10,155
Income tax expense	2,843	2,494	2,363	2,966	2,877
Net income	8,823	8,158	7,839	9,036	8,893
PERFORMANCE RATIOS					
Return on average assets (1)	1.38%	1.31%	1.27%	1.46%	1.48%
Adjusted return on average assets (1) (2)	1.38%	1.31%	1.33%	1.48%	1.48%
Return on average equity (1)	12.92%	12.25%	11.77%	13.86%	14.26%
Adjusted return on average equity (1) (2)	12.92%	12.25%	12.36%	14.04%	14.26%
Return on average tangible equity (1) (2)	13.93%	13.22%	12.63%	14.90%	15.37%
Adjusted return on average tangible equity (1) (2)	13.93%	13.22%	13.26%	15.09%	15.37%
Net interest margin (1) (3)	3.76%	3.57%	3.52%	3.54%	3.57%
Total cost of deposits (1)	0.23%	0.19%	0.21%	0.25%	0.30%
Efficiency ratio (2)	46.81%	49.62%	49.57%	45.75%	46.66%
SHARE DATA					
Common shares outstanding	19,483,415	19,634,744	19,472,364	19,464,388	19,678,528
Basic earnings per share	\$ 0.45	\$ 0.42	\$ 0.40	\$ 0.46	\$ 0.45
Diluted earnings per share	0.45	0.41	0.40	0.46	0.45
Adjusted diluted earnings per share (2)	0.45	0.41	0.42	0.46	0.45
Tangible book value per share (2)	13.08	12.79	12.67	12.45	12.02
Book value per share	14.10	13.81	13.69	13.37	12.94
MARKET DATA					
Market value per share	\$ 13.98	\$ 14.22	\$ 14.51	\$ 14.09	\$ 13.54
Market value / Tangible book value	106.84%	111.14%	114.53%	113.21%	112.61%
Market capitalization	\$ 272,378	\$ 279,206	\$ 282,544	\$ 274,253	\$ 266,447
CAPITAL & LIQUIDITY					
Tangible stockholders' equity / tangible assets (2)	10.00%	9.84%	9.91%	10.01%	9.76%
Stockholders' equity / assets	10.70%	10.53%	10.62%	10.67%	10.42%
Loans / deposits	102.54%	98.80%	99.88%	97.96%	100.87%
ASSET QUALITY					
Net charge-offs (recoveries)	\$ 404	\$ 247	\$ 6	\$ (121)	\$ 116
Nonperforming loans	12,704	12,591	13,001	11,488	9,558
Nonperforming assets	12,997	12,884	13,773	11,967	10,038
Net charge offs (recoveries) / average loans (1)	0.07%	0.05%	0.00%	(0.02%)	0.02%
Nonperforming loans / total loans	0.57%	0.59%	0.62%	0.57%	0.47%
Nonperforming assets / total assets	0.51%	0.50%	0.55%	0.49%	0.41%
Allowance for loan losses / total loans	1.13%	1.12%	1.12%	1.14%	1.10%
Allowance for loan losses / total loans (excluding PPP loans)	1.13%	1.13%	1.15%	1.19%	1.18%
Allowance for loan losses / nonperforming loans	197.06%	191.72%	182.65%	199.57%	236.95%
OTHER DATA					
Total assets	\$ 2,568,137	\$ 2,573,845	\$ 2,510,298	\$ 2,438,020	\$ 2,443,047
Total loans	2,220,223	2,151,751	2,111,991	2,004,289	2,053,938
Total deposits	2,165,163	2,177,895	2,114,602	2,045,966	2,036,228
Total stockholders' equity	274,702	271,068	266,666	260,179	254,571
Number of full-time equivalent employees (4)	233	219	217	209	215

(1) Annualized.

(2) Non-U.S. GAAP financial measure that we believe provides management and investors with information that is useful in understanding our financial performance and condition. See accompanying table, "Non-U.S. GAAP Financial Measures," for calculation and reconciliation.

(3) Tax equivalent using a federal income tax rate of 21%.

(4) Includes 8 and 4 full-time equivalent seasonal interns as of June 30, 2022 and 2021, respectively.

FIRST BANK AND SUBSIDIARIES
QUARTERLY FINANCIAL HIGHLIGHTS
(dollars in thousands, unaudited)

	As of the Quarter Ended				
	6/30/2022	3/31/2022	12/31/2021	9/30/2021	6/30/2021
LOAN COMPOSITION					
Commercial and industrial	\$ 321,205	\$ 321,979	\$ 350,103	\$ 308,991	\$ 379,916
Commercial real estate:					
Owner-occupied	517,791	493,999	470,022	444,635	427,094
Investor	917,905	888,622	848,021	832,727	814,762
Construction and development	117,011	96,585	109,292	112,112	127,329
Multi-family	201,269	193,865	173,728	145,245	142,015
Total commercial real estate	1,753,976	1,673,071	1,601,063	1,534,719	1,511,200
Residential real estate:					
Residential mortgage and first lien home equity loans	98,841	99,992	106,204	103,890	108,842
Home equity–second lien loans and revolving lines of credit	30,491	30,485	31,375	29,998	29,422
Total residential real estate	129,332	130,477	137,579	133,888	138,264
Consumer and other	19,694	30,096	27,762	31,946	31,584
Total loans prior to deferred loan fees and costs	2,224,207	2,155,623	2,116,507	2,009,544	2,060,964
Net deferred loan fees and costs	(3,984)	(3,872)	(4,516)	(5,255)	(7,026)
Total loans	\$ 2,220,223	\$ 2,151,751	\$ 2,111,991	\$ 2,004,289	\$ 2,053,938
LOAN MIX					
Commercial and industrial	14.5%	15.0%	16.6%	15.4%	18.5%
Commercial real estate:					
Owner-occupied	23.3%	23.0%	22.3%	22.2%	20.8%
Investor	41.3%	41.3%	40.1%	41.5%	39.7%
Construction and development	5.3%	4.5%	5.2%	5.6%	6.2%
Multi-family	9.1%	9.0%	8.2%	7.2%	6.9%
Total commercial real estate	79.0%	77.8%	75.8%	76.5%	73.5%
Residential real estate:					
Residential mortgage and first lien home equity loans	4.4%	4.6%	5.0%	5.2%	5.3%
Home equity–second lien loans and revolving lines of credit	1.4%	1.4%	1.5%	1.5%	1.4%
Total residential real estate	5.8%	6.0%	6.5%	6.7%	6.7%
Consumer and other	0.9%	1.4%	1.4%	1.7%	1.6%
Net deferred loan fees and costs	(0.2%)	(0.2%)	(0.3%)	(0.3%)	(0.3%)
Total loans	100.0%	100.0%	100.0%	100.0%	100.0%

FIRST BANK AND SUBSIDIARIES
QUARTERLY FINANCIAL HIGHLIGHTS
(dollars in thousands, unaudited)

	As of the Quarter Ended				
	6/30/2022	3/31/2022	12/31/2021	9/30/2021	6/30/2021
DEPOSIT COMPOSITION					
Non-interest bearing demand deposits	\$ 600,402	\$ 597,333	\$ 558,775	\$ 536,905	\$ 534,475
Interest bearing demand deposits	318,687	314,564	293,647	241,869	211,074
Money market and savings deposits	929,075	936,848	871,074	845,607	817,424
Time deposits	316,999	329,150	391,106	421,585	473,255
Total Deposits	<u>\$ 2,165,163</u>	<u>\$ 2,177,895</u>	<u>\$ 2,114,602</u>	<u>\$ 2,045,966</u>	<u>\$ 2,036,228</u>
DEPOSIT MIX					
Non-interest bearing demand deposits	27.7%	27.4%	26.4%	26.3%	26.3%
Interest bearing demand deposits	14.7%	14.5%	13.9%	11.8%	10.4%
Money market and savings deposits	42.9%	43.0%	41.2%	41.3%	40.1%
Time deposits	14.7%	15.1%	18.5%	20.6%	23.2%
Total Deposits	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

FIRST BANK AND SUBSIDIARIES
NON-U.S. GAAP FINANCIAL MEASURES
(in thousands, except for share data, unaudited)

	As of or For the Quarter Ended				
	6/30/2022	3/31/2022	12/31/2021	9/30/2021	6/30/2021
Return on Average Tangible Equity					
Net income (numerator)	\$ 8,823	\$ 8,158	\$ 7,839	\$ 9,036	\$ 8,893
Average stockholders' equity	\$ 273,829	\$ 270,147	\$ 264,216	\$ 258,596	\$ 250,143
Less: Average Goodwill and other intangible assets, net	19,823	19,916	17,910	17,937	18,001
Average Tangible stockholders' equity (denominator)	<u>\$ 254,006</u>	<u>\$ 250,231</u>	<u>\$ 246,306</u>	<u>\$ 240,659</u>	<u>\$ 232,142</u>
Return on Average Tangible equity (1)	13.93%	13.22%	12.63%	14.90%	15.37%
Tangible Book Value Per Share					
Stockholders' equity	\$ 274,702	\$ 271,068	\$ 266,666	\$ 260,179	\$ 254,571
Less: Goodwill and other intangible assets, net	19,768	19,854	19,971	17,920	17,965
Tangible stockholders' equity (numerator)	<u>\$ 254,934</u>	<u>\$ 251,214</u>	<u>\$ 246,695</u>	<u>\$ 242,259</u>	<u>\$ 236,606</u>
Common shares outstanding (denominator)	19,483,415	19,634,744	19,472,364	19,464,388	19,678,528
Tangible book value per share	\$ 13.08	\$ 12.79	\$ 12.67	\$ 12.45	\$ 12.02
Tangible Equity / Assets					
Stockholders' equity	\$ 274,702	\$ 271,068	\$ 266,666	\$ 260,179	\$ 254,571
Less: Goodwill and other intangible assets, net	19,768	19,854	19,971	17,920	17,965
Tangible stockholders' equity (numerator)	<u>\$ 254,934</u>	<u>\$ 251,214</u>	<u>\$ 246,695</u>	<u>\$ 242,259</u>	<u>\$ 236,606</u>
Total assets	\$ 2,568,137	\$ 2,573,845	\$ 2,510,298	\$ 2,438,020	\$ 2,443,047
Less: Goodwill and other intangible assets, net	19,768	19,854	19,971	17,920	17,965
Tangible total assets (denominator)	<u>\$ 2,548,369</u>	<u>\$ 2,553,991</u>	<u>\$ 2,490,327</u>	<u>\$ 2,420,100</u>	<u>\$ 2,425,082</u>
Tangible stockholders' equity / tangible assets	10.00%	9.84%	9.91%	10.01%	9.76%
Efficiency Ratio					
Non-interest expense	\$ 11,409	\$ 11,122	\$ 11,825	\$ 10,522	\$ 10,155
Less: Merger-related expenses	-	-	498	145	-
Adjusted non-interest expense (numerator)	<u>\$ 11,409</u>	<u>\$ 11,122</u>	<u>\$ 11,327</u>	<u>\$ 10,377</u>	<u>\$ 10,155</u>
Net interest income	\$ 22,910	\$ 21,149	\$ 20,641	\$ 20,781	\$ 20,421
Non-interest income	1,463	1,267	2,211	1,901	1,342
Total revenue	<u>\$ 24,373</u>	<u>\$ 22,416</u>	<u>\$ 22,852</u>	<u>\$ 22,682</u>	<u>\$ 21,763</u>
Efficiency ratio	46.81%	49.62%	49.57%	45.75%	46.66%

(1) Annualized.

FIRST BANK AND SUBSIDIARIES
NON-U.S. GAAP FINANCIAL MEASURES
(dollars in thousands, except for share data, unaudited)

	For the Quarter Ended				
	6/30/2022	3/31/2022	12/31/2021	9/30/2021	6/30/2021
Adjusted diluted earnings per share, Adjusted return on average assets, and Adjusted return on average equity					
Net income	\$ 8,823	\$ 8,158	\$ 7,839	\$ 9,036	\$ 8,893
Add: Merger-related expenses ⁽¹⁾	-	-	393	115	-
Adjusted net income	<u>\$ 8,823</u>	<u>\$ 8,158</u>	<u>\$ 8,232</u>	<u>\$ 9,151</u>	<u>\$ 8,893</u>
Diluted weighted average common shares outstanding	19,794,657	19,768,452	19,725,294	19,842,817	19,883,076
Average assets	\$ 2,568,443	\$ 2,522,775	\$ 2,447,399	\$ 2,456,617	\$ 2,410,353
Average equity	\$ 273,829	\$ 270,147	\$ 264,216	\$ 258,596	\$ 250,143
Average Tangible Equity	\$ 254,006	\$ 250,231	\$ 246,306	\$ 240,659	\$ 232,142
Adjusted diluted earnings per share	\$ 0.45	\$ 0.41	\$ 0.42	\$ 0.46	\$ 0.45
Adjusted return on average assets ⁽²⁾	1.38%	1.31%	1.33%	1.48%	1.48%
Adjusted return on average equity ⁽²⁾	12.92%	12.25%	12.36%	14.04%	14.26%
Adjusted return on average tangible equity ⁽²⁾	13.93%	13.22%	13.26%	15.09%	15.37%

(1) Items are tax-effected using a federal income tax rate of 21%.

(2) Annualized.