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First Home Bancorp, Inc. Reports Record Earnings for Fourth Quarter and Full Year of 2020

ST. PETERSBURG - First Home Bancorp, Inc. (OTCQX: FHBI) ("FHBI" or the "Company"), parent company of First Home Bank ("First Home" or the "Bank") reported record earnings for the fourth quarter and full year of 2020, driven by mortgage banking income, as well as loan origination fees and net interest income associated with the Paycheck Protection Program ("PPP"). The Company reported net income for the fourth quarter of 2020 of $5.61 million, or $2.29 per basic common share, compared to net income of $5.25 million, or $2.20 per basic common share in the third quarter 2020, and $1.17 million, or $0.45 per basic common share in the fourth quarter of 2019. Net income for the year ended December 31, 2020 was $12.70 million, or $5.18 per basic common share, an increase of $8.22 million or 183.28% over net income for the year-ended December 31, 2019 of $4.48 million or $1.90 per basic common share. The fourth quarter's earnings increased tangible book value to $24.02 per basic common share.

FHBI Chief Executive Officer Anthony N. Leo stated: "2020 was a remarkable year for First Home Bancorp, Inc. Despite the Pandemic and ensuing recession, we achieved record earnings while strengthening our balance sheet. The investments we made over the past four years in residential and SBA lending services allowed us to take advantage of market opportunities while providing critical rescue funding to struggling businesses through the PPP. Likewise, we continued to expand our community banking franchise, growing our core deposit base by more than 25%. At the same time, we made significant investments in technology and infrastructure to position the Company for future growth in an evolving environment."

Fourth Quarter 2020 Highlights

- The Company's return on average common equity equaled 39.97% for the fourth quarter, bringing return on average common equity to 25.50% for the year ended December 31, 2020, a significant increase from return on average common equity of 10.55% for 2019.
- Despite significant levels of PPP loans throughout 2020 which inflated average assets, return on average assets for the fourth quarter of 2020 equaled 1.48%, bringing year-to-date return on average assets to 1.06%, compared to return on average assets for 2019 of 1.21%.
- The Bank's Residential Mortgage Division produced a record volume of loan originations, with production of $641 million during the fourth quarter of 2020, reaching $1.91 billion in production for the year-ended December 31, 2020, compared to production of $748 million in 2019.
- PPP net loan origination fee income of $5.24 million was recognized in the fourth quarter of 2020, bringing the year-to-date total of net PPP loan origination fee income to $13.42 million. As of December 31, 2020, $12.95 million of PPP net loan origination fees are remaining to be recognized, which will be recognized over the remaining estimated lives of the loans.
- In consideration of strong revenue from other sources, the Company's record earnings were achieved while recognizing no gain on sale of SBA guaranteed loans in the fourth quarter, advancing the Company's strategy of increasing recurring revenue through holding government guaranteed loans.

Results of Operations

Net Income

Net income was $5.61 million for the fourth quarter of 2020 compared to net income of $5.25 million in the third quarter 2020, and $1.17 million in the fourth quarter of 2019. Net income for the year ended December 31, 2020 was $12.70 million, an increase of $8.22 million or 183.28% over net income for the year-ended December 31, 2019 of $4.48 million. The increase in net income in 2020 over 2019 was primarily due to an increase in residential loan fee income and the addition of PPP loan origination fee and interest income, offset by an increase in noninterest expenses, particularly salaries and commissions expenses, as well as an increase in provision for loan loss expense and a decline in gain on sale of SBA loans as the Company made the decision to hold the majority of guaranteed SBA balances originated in 2020.

Net Interest Income and Net Interest Margin

Net interest income was $11.57 million in the fourth quarter of 2020, an increase of $1.49 million or 14.77% from $10.08 million in the third quarter, mainly due to an increase in net PPP origination fees recognized, as well as an increase in interest income on loans other than PPP.

Net interest income was $43.73 million for the year ended December 31, 2020, an increase of $18.03 million or 70.15% from 2019. The increase was primarily due to net PPP origination fee income of $13.42 million

and PPP interest income of $5.68 million recognized in 2020, offset by declines in interest income on loans and interest-bearing deposits in other banks. Net interest margin was 3.11% for the fourth quarter of 2020 compared to 2.88% for the third quarter. The increase in margin was largely due to the increase in net PPP origination fees and a decrease in interest-bearing liability costs, offset by declines in rates on loans other than PPP. Net interest margin for the year ended December 31, 2020 was 2.93%, down substantially from 4.25% realized in 2019. The primary reason for the decline is the significant amount of PPP loan balances during the majority of 2020 at a rate of 1.00%. Although the rate on PPP loans brings down the Company's net interest margin, because these loans are pledged to the Federal Reserve's PPP Liquidity Facility (PPPLF) at a rate of 0.35%, their balance is allowed to be excluded from capital ratios and thus the net 0.65 bps earned brings significant earnings to the Company without having to allocate capital against these assets.

Noninterest Income

Noninterest income was $31.38 million for the fourth quarter of 2020, a decrease of $814 thousand or 2.53% from $32.19 million in the third quarter. The decline was primarily the result of modest declines in residential loan fee income and SBA servicing income. Noninterest income for the year ended December 31, 2020 was $97.70 million, an increase of $44.57 million or 83.90% from $53.12 million during 2019. The increase was primarily due to an increase in residential loan fee income of $61.40 million or 196.3%, offset by a decline in gain on sale of SBA loans of $12.87 million or $91.52% to $1.19 million for 2020 as the Company made the decision to hold the majority of guaranteed SBA balances originated in 2020.

Noninterest Expense

Noninterest expense was $30.47 million in the fourth quarter of 2020, an increase of $2.27 million or 8.04% from $28.21 million in the third quarter. The increase was primarily due to an increase in salary and benefits as the Company continued to build its workforce and utilized several temporary workers to assist with the forgiveness process on PPP loans. Noninterest expense was $98.47 million for the year ended December 31, 2020, an increase of $43.08 million or 77.77% from $55.39 million during 2019. The increase was primarily due to increases in salaries and benefits, commissions, and bonus and incentives as several loan production offices were added which increased the overall count of FTE's and also increased commissions. In addition, in order to originate and service almost $900 million of PPP loans originated in 2020, significant overtime was incurred and temporary workers utilized to handle the volume. Data processing costs also increased by $2.68 million during 2020 to $4.42 million for the year ended December 31, 2020 as software was added to originate and service PPP loans, data conversion costs were incurred in the first quarter of 2020 with the conversion of the Company's core processing system, and per loan costs on the residential lending platform increased based on volume. Mortgage banking expense also increased proportionately with the increase in residential lending volume from $2.40 million during 2019 to $5.29 million during 2020, an increase of $2.89 million or 120.36%.

Income Taxes

Income tax expense was $1.87 million for the fourth quarter of 2020, up slightly from $1.81 million for the third quarter based primarily on an increase in pre-tax earnings. Income tax expense was $3.07 million for the year ended December 31, 2020, an increase of $1.26 million or 69.60% from $1.81 million during 2019. The increase was primarily due to the increase in pre-tax earnings; however, the purchase of Bank Owned Life Insurance in June 2020 did add tax free income, and due to the CARES Act signed in March, the Company was able to carry back net operating losses created in 2018 to prior years where tax rates were higher than they were in 2020, which created a one-time tax benefit of $969 thousand. The effective income tax rate was 19.49% for 2020 compared to 28.79% for 2019 as a result.

Balance Sheet

Assets

Total assets increased by $43.17 million or 2.88% during the fourth quarter of 2020 to $1.54 billion, mainly due to increases in residential loans held for sale and cash, offset partially by a decline in PPP loans as those loans began the forgiveness process. Total assets increased $1.01 billion or 190.77% from year-end 2019, mainly due to an increase of $825.80 million of PPP loans, net of origination fees, as well as increases in residential loans held for sale, conventional loans, and SBA loans.

Loans

Gross loans, excluding loans held for sale and PPP loans, increased by $15.28 million or 3.95% during the fourth quarter of 2020 to $402.52 million due to an increase in conventional community bank loans, as well as the resumption in mid-July of SBA 7(a) lending. Traditional SBA production was largely halted during the second quarter of 2020 as a result of the Covid-19 Pandemic and related focus on PPP loans. PPP loans, net of deferred origination fees, decreased by $53.71 million or 6.11% in the fourth quarter of 2020 to $825.80 million, as PPP loans began the forgiveness process.

Deposits

Deposits increased by $48.64 million or 9.54% during the fourth quarter of 2020 to $558.78 million, with the majority of the increase coming from increases in interest bearing demand deposits and money market accounts, partially offset by declines in time deposit and noninterest bearing demand deposit balances. Deposits increased $110.19 million, or 24.56% over the year-end 2019, with time deposits declining by $71.92 or 50.99% million year over year, offset by increases in transaction accounts and money market and savings accounts.

Asset Quality

The Company recorded provision for loan losses of $5.00 million during the fourth quarter, compared to $7.00 million in the third quarter of 2020 and $1.20 million in the fourth quarter of 2019. We continue to

increase the qualitative factors in the allowance for loan loss calculation for the economic uncertainties caused by the COVID-19 pandemic resulting in the increased provision expense in the second, third, and fourth quarters of 2020.

Over the past five years, the Company's loan losses have been incurred primarily in its SBA unguaranteed loan portfolio, particularly loans originated under the SBA 7(a) Small Loan Program. The Small Loan Program represents loans of $350,000 or less and carry an SBA guaranty of 75% to 85% of the loan, depending on the original principal balance. The default rate on loans originated in the SBA 7(a) Small Loan Program is significantly higher than the Bank's other SBA 7(a) loans, conventional commercial loans, or residential mortgage loans.

Net charge-offs for the fourth quarter 2020 were $2.75 million, an increase of $1.62 million from $1.13 million for the third quarter 2020. Net charge-offs as a percentage of average loans, excluding PPP loans, were 0.54% for the fourth quarter 2020, an increase from 0.24% in the third quarter. Non-performing assets to total assets were 0.21% as of December 31, 2020, a slight decrease from 0.26% as of September 30, 2020, and a significant decrease from 0.70% as of December 31, 2019. Since the majority of the Company's loan portfolio consists of SBA loans, most of which received principal and interest payments under Section 1112 of the CARES Act, asset quality trends may appear more favorable than they otherwise would without the CARES Act support.

As of December 31, 2020, a total of 245 loans with principal balances of $14.61 million were under payment deferral compared to a total of 37 loans with principal balances totaling $3.07 million under payment deferral as of September 30, 2020. Of the deferrals at December 31, 2020, 239 are SBA loans totaling $11.98 million in outstanding unguaranteed balance. As expected, the level of SBA loans on deferral increased with the expiration of the Section 1112 payment support afforded under the CARES Act at which point certain borrowers sought out payment deferrals. With the Economic Aid Act signed into law on December 27, 2020, Section 1112 CARES Act payments were extended, with some stipulations, which will assist the bulk of our SBA borrowers for 3 months and, depending on the type of business, up to 8 months of additional principal and interest payments with a cap of $9,000 per month per borrower, beginning in February 2021.

Although the Company's asset quality trends indicate minimal stress on the portfolio, management believes it is prudent to be proactive in increasing the allowance for loan losses using qualitative measures. The ratio of the allowance for loan losses to total loans, excluding SBA guaranteed loans, residential loans held for sale, and loans whereby the Fair Value Option was elected, was 7.50% as of December 31, 2020, an increase from 6.86% as of September 30, 2020 and 4.38% as of December 31, 2019.

Capital Strength

The Bank's Tier 1 leverage ratio increased to 11.75% as of December 31, 2020 from 10.85% as of September 30, 2020. The CET 1 and Tier 1 capital ratio to risk-weighted assets increased to 15.72% as

of December 31, 2020 from 15.31% as of September 30, 2020, and the total capital to risk-weighted assets ratio increased to 17.02% as of December 31, 2020 from 16.72% as of September 30, 2020.

In addition, the Company raised approximately $2.94 million of 8% Series B Cumulative Convertible Preferred Stock in the fourth quarter compared to $3.8 million raised in the third quarter 2020. In addition, $1.5 million Series A Preferred Stock was converted to Series B Preferred Stock and $500 thousand of subordinated debentures were converted to Series B Preferred Stock during the quarter. $2.0 million was down-streamed to the Bank subsidiary during the fourth quarter to provide additional capital strength.

About the Company

First Home Bancorp, Inc. is the parent company of First Home Bank, a Florida state-chartered banking institution and Federal Reserve member. The Company is headquartered in St. Petersburg, Florida with 6 full-service banking centers in the Tampa Bay area as of December 31, 2020. In addition to traditional community banking services, the Company specializes in providing lending services to small businesses nationwide guaranteed by the Small Business Administration (“SBA”). The Company also derives a significant portion of its earnings and loan production from a nationwide residential mortgage lending division with 28 residential loan production offices across the country.

First Home Bancorp, Inc.
Consolidated Statements of Income (Unaudited)

	QUARTERLY			YEAR-TO-DATE	
	12/31/2020	**9/30/2020**	**12/31/2019**	**12/31/2020**	**12/31/2019**
Interest income:					
Loans, including fees, except for PPP	$ 6,355,033	$ 5,979,901	$ 6,263,701	$ 23,985,726	$ 24,430,763
PPP loan interest income	2,243,936	2,267,589	-	5,684,938	-
PPP origination fee income	5,243,921	4,302,284	-	13,419,106	-
Interest-bearing deposits in banks and other	69,627	71,590	379,483	640,715	1,270,296
Total interest income	13,912,517	12,621,364	6,643,184	43,730,485	25,701,059
Interest expense:					
Deposits	1,379,429	1,539,272	2,174,681	7,490,180	7,319,102
PPP Liquidity Facility (PPPLF)	783,130	793,834	-	1,968,407	-
Other	177,606	204,794	241,808	819,721	947,741
Total interest expense	2,340,165	2,537,900	2,416,489	10,278,308	8,266,843
Net interest income before provision for loan losses	11,572,352	10,083,464	4,226,695	33,452,177	17,434,216
Provision for loan losses	5,000,000	7,000,000	1,200,000	16,900,000	8,869,230
Net interest income after provision for loan losses	6,572,352	3,083,464	3,026,695	16,552,177	8,564,986
Noninterest income:					
Service charges on deposit accounts	222,689	251,399	249,812	932,729	993,604
Bank Owned Life Insurance income	84,535	81,354	-	183,448	-
Residential loan fee income	30,789,739	31,226,113	9,679,326	92,677,889	31,275,897
Gain on sale of SBA loans	(10,124)	-	2,437,660	1,192,114	14,058,733
SBA loan servicing right gain	-	-	1,175,800	530,000	6,660,638
Loss on sale of unguaranteed loan amounts	(70,000)	-	-	(70,000)	(216,222)
SBA servicing income, net	270,862	565,316	428,590	2,023,771	1,401,107
Other noninterest income	89,896	67,423	(120,161)	225,317	(1,049,424)
Total noninterest income	31,377,597	32,191,605	13,851,027	97,695,268	53,124,333
Noninterest expense:					
Salaries and benefits	11,906,236	8,875,345	5,954,439	36,402,899	24,391,699
Commissions	9,409,466	9,725,240	3,278,843	28,820,136	11,181,875
Bonus and incentives	775,175	2,193,604	767,624	5,251,472	1,152,790
Occupancy and equipment expense	1,138,749	1,182,547	921,102	4,453,112	3,355,638
Data processing	1,332,170	1,163,263	545,850	4,418,398	1,738,622
Professional services	1,189,689	877,920	660,230	3,532,645	2,195,228
Mortgage lead generation	683,361	379,665	452,788	1,924,801	1,518,313
Marketing and business development	620,361	337,251	325,983	1,628,510	1,599,800
Mortgage banking expense	1,647,194	1,620,411	753,678	5,292,614	2,401,841
Regulatory assessments	25,941	144,494	93,351	443,927	420,068
ATM and interchange expense	91,956	42,699	60,504	285,897	266,468
Telecommunications expense	145,793	135,504	175,978	572,884	663,587
Employee recruting and development	633,898	244,607	604,487	1,768,698	1,698,211
Loan origination and collection	268,416	907,667	351,407	2,039,506	1,539,359
Other expenses	606,112	377,379	320,872	1,633,983	1,268,554
Total noninterest expense	30,474,517	28,207,596	15,267,136	98,469,482	55,392,053
Income before taxes	7,475,432	7,067,473	1,610,586	15,777,963	6,297,266
Income tax expense	1,869,346	1,814,512	443,278	3,074,881	1,813,052
Net income	**$ 5,606,086**	**$ 5,252,961**	**$ 1,167,308**	**$ 12,703,082**	**$ 4,484,214**
Preferred dividends	306,616	201,390	177,638	863,282	462,903
Net income available to common shareholders	**$ 5,299,470**	**$ 5,051,571**	**$ 989,670**	**$ 11,839,800**	**$ 4,021,311**

First Home Bancorp, Inc.
Consolidated Balance Sheets (Unaudited)

Assets	**12/31/2020**	**9/30/2020**	**12/31/2019**
Cash and due from banks	$ 2,789,933	$ 2,707,048	$ 3,080,132
Interest-bearing deposits in banks	52,588,765	31,769,546	107,499,915
Cash and cash equivalents	55,378,698	34,476,594	110,580,047
Certificates of deposit	2,381,000	2,381,000	2,381,000
Securities HTM and restricted equity securities	2,403,186	2,750,744	2,542,622
Residential loans held for sale	208,704,152	149,406,587	76,415,993
SBA loans sold, not yet settled	-	-	229,500
PPP loans, net of deferred fees and costs	825,802,040	879,509,575	-
Community bank loans	147,838,945	138,052,872	120,007,428
SBA loans	254,681,272	249,190,542	193,926,601
Total loans held for investment	1,228,322,257	1,266,752,989	313,934,029
Allowance for loan losses	(21,162,339)	(18,912,627)	(10,741,950)
Loans, net	1,207,159,918	1,247,840,362	303,192,079
Accrued interest receivable	7,299,759	5,262,324	2,122,505
Premises and equipment, net	18,114,600	16,881,153	16,478,919
Loan servicing assets	8,159,501	9,169,119	11,279,960
Bank Owned Life Insurance	12,183,448	12,098,913	-
Other assets	22,906,514	21,249,043	6,017,012
Total assets	**$ 1,544,690,776**	**$ 1,501,515,839**	**$ 531,239,637**
Liabilities			
Noninterest-bearing transaction accounts	$ 62,650,336	$ 70,115,349	$ 51,025,076
Interest-bearing transaction accounts	140,265,079	112,901,869	71,134,209
Savings and money market deposits	286,743,776	247,707,500	185,391,517
Time deposits	69,125,349	79,416,573	141,043,368
Total deposits	558,784,540	510,141,291	448,594,170
Federal Home Loan Bank advances	-	10,000,000	10,000,000
Subordinated debentures	5,947,900	6,942,980	7,415,750
Notes payable	3,754,465	3,868,229	4,095,696
PPP Liquidity Facility	881,261,659	889,769,683	-
Accrued expenses and other liabilities	23,873,311	18,639,755	9,802,358
Total liabilities	1,473,621,875	1,439,361,938	479,907,974
Stockholders' equity			
Preferred stock, series A	6,161,000	7,661,000	7,661,000
Preferred stock, series B	8,516,114	3,723,101	-
Common stock and additional paid-in capital	43,043,215	42,495,534	41,362,038
Deferred compensation - restricted stock	(40,958)	(46,874)	(156,116)
Retained earnings	13,389,530	8,321,140	2,464,741
Total stockholders' equity	71,068,901	62,153,901	51,331,663
Total liabilities and stockholders' equity	**$ 1,544,690,776**	**$ 1,501,515,839**	**$ 531,239,637**

First Home Bancorp, Inc.
Selected Financial Data

	QUARTERLY			YEAR-TO-DATE	
Selected income statement data:	**12/31/2020**	**9/30/2020**	**12/31/2019**	**12/31/2020**	**12/31/2019**
Interest income	$ 13,912,517	$ 12,621,364	$ 6,643,184	$ 43,730,485	$ 25,701,059
Interest expense	2,340,165	2,537,900	2,416,489	10,278,308	8,266,843
Net interest income	11,572,352	10,083,464	4,226,695	33,452,177	17,434,216
Provision for loan losses	5,000,000	7,000,000	1,200,000	16,900,000	8,869,230
Noninterest income	31,377,597	32,191,605	13,851,027	97,695,268	53,124,333
Noninterest expense	30,474,517	28,207,596	15,267,136	98,469,482	55,392,053
Income tax expense	1,869,346	1,814,512	443,278	3,074,881	1,813,052
Net income	5,606,086	5,252,961	1,167,308	12,703,082	4,484,214
Preferred dividends	306,616	201,390	177,638	863,282	462,903
Net income available to common shareholders	5,299,470	5,051,571	989,670	11,839,800	4,021,311
Balance sheet data:					
Average loans	$ 1,374,750,567	$ 1,317,669,322	$ 393,971,764	$ 1,005,343,602	$ 368,356,718
Average loans, excluding PPP loans	509,522,563	457,883,681	393,971,764	449,111,848	368,356,718
Average loans, excluding LHFS	1,264,263,002	1,226,741,566	320,905,437	920,323,065	325,232,340
Average assets	1,513,402,577	1,457,997,688	508,003,776	1,198,022,631	451,281,577
Average total equity	66,876,764	55,792,690	49,087,635	56,092,716	43,122,309
Average common equity	53,035,258	46,741,352	41,192,635	46,422,005	38,125,521
Total loans, period end	1,437,026,409	1,416,159,576	390,350,022	1,437,026,409	390,350,022
Total loans, excluding PPP	611,224,369	536,650,001	390,350,022	611,224,369	390,350,022
Total loans, excluding PPP and LHFS	401,520,217	387,243,414	313,934,029	401,520,217	313,934,029
Loans where the Fair Value Option (FVO) was elected	9,265,984	9,508,423	10,341,039	9,265,984	10,341,039
Total loans, excl guaranteed loans, LHFS, and FVO loans	282,058,094	275,832,044	245,145,050	282,058,094	245,145,050
ALLL, period end	21,162,339	18,912,627	10,741,950	21,162,339	10,741,950
Total assets, at period end	1,544,690,776	1,501,515,839	531,239,637	1,544,690,776	531,239,637
Per share data:					
Basic earnings per share	$ 2.29	$ 2.20	$ 0.45	$ 5.18	$ 1.90
Tangible book value per common share (at period end)	$ 24.02	$ 21.85	$ 19.15	$ 24.02	$ 19.15
Shares of common stock outstanding	2,323,345	2,303,460	2,262,526	2,323,345	2,262,526
Performance ratios:					
Return on average assets	1.48%	1.44%	0.92%	1.06%	0.99%
Return on average common equity	39.97%	43.23%	9.61%	25.50%	10.55%
Yield on average earning assets	3.76%	3.55%	5.49%	3.76%	6.02%
Cost of average interest bearing deposits	0.68%	0.72%	2.43%	0.97%	2.40%
Net interest margin	3.13%	2.88%	3.52%	2.88%	4.08%
Asset quality ratios:					
Net charge-offs	2,754,955	1,112,533	1,080,345	6,479,611	4,687,469
Net charge-offs/avg loans excl PPP	0.54%	0.24%	0.27%	1.44%	1.27%
Non-performing loans, at period end	3,263,797	3,975,896	3,703,285	3,263,797	3,703,285
Non-performing assets, at period end	3,263,797	3,975,896	3,703,285	3,263,797	3,703,285
Non-performing loans/total loans	0.23%	0.28%	0.95%	0.23%	0.95%
Non-performing assets/total assets	0.21%	0.26%	0.70%	0.21%	0.70%
ALLL/Total loans	1.47%	1.34%	2.75%	1.47%	2.75%
ALLL/Total loans, excl PPP loans	3.46%	3.52%	2.75%	3.46%	2.75%
ALLL/Total loans, excl guaranteed loans, LHFS, and FVO loans	7.50%	6.86%	4.38%	7.50%	4.38%
Other company information:					
FTEs	596	545	423	596	423
Community banking center offices	6	6	5	6	5
Loan production offices	28	28	21	28	21