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First Home Bancorp, Inc. Reports Record Earnings for First Quarter 2021

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 first quarter of 2021, 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 first quarter of 2021 of $7.51 million, or $3.07 per basic common share and $2.76 per diluted common share, compared to net income of $5.61 million, or $2.29 per basic common share and $2.03 per diluted common share, in the fourth quarter 2020, and a net loss of $501 thousand, or $(0.30) per basic and diluted common share in the first quarter of 2020. The first quarter's earnings increased tangible book value to $26.89 per common share.

FHBI Chief Executive Officer Anthony N. Leo stated, "The record quarter earnings in the first quarter of 2021 continued the success from First Home Bancorp, Inc.'s remarkable year of 2020. Record production in residential mortgage lending together with the Bank's participation in the PPP program drove the extraordinary profitability in the quarter. At the same time, we continued to expand our community banking franchise, with core deposits increasing 27% in the past year, while our conventional loan portfolio grew by 34% in that period."

Mr. Leo continued, "Once again, the Company provided critical rescue funding to struggling businesses, originating $287 million in PPP loans in the quarter, with over $1.2 billion in PPP loans originated over the course of the program. Now, our CreditBench Division is reaching out to businesses in Tampa Bay and across the nation to provide fresh growth capital under the SBA recovery program, which carries a 90% guarantee on SBA 7(a) loans originated through September 30, 2021 or until appropriations are depleted."

Mr. Leo further noted, “The success of our residential and SBA lending services have allowed us to take advantage of market opportunities, while making significant investments in technology and infrastructure to position the Company for future growth in an evolving environment.”

First Quarter 2021 Highlights

- The Company reported return on average common equity of 49.56% for the first quarter 2021, an increase over the prior quarter’s return on average common equity of 39.97%.
- Despite significant levels of PPP loans in the first quarter of 2021 and throughout much of 2020 which inflated average assets, return on average assets for the first quarter of 2021 equaled 1.84%, an increase over fourth quarter of 2020 return on average assets of 1.48%.
- The Bank’s Residential Mortgage Division produced a record volume of loan originations, with production of $716 million during the first quarter of 2021 compared to $641 million of production during the fourth quarter of 2020 and $272 million during the first quarter of 2020.
- The Bank originated $287 million of PPP loans during the first quarter of 2021 to businesses in need and as a result, net loan origination fee income increased to $6.01 million in the first quarter of 2021 compared to $5.24 million recognized in the fourth quarter of 2020.
- In consideration of strong revenue from other sources, the Company’s record earnings were achieved while recognizing no gain on sale of SBA guaranteed 7(a) loans during the quarter, advancing the Company’s strategy of increasing recurring revenue through holding government guaranteed loans.

Results of Operations

Net Income

Net income was $7.51 million for the first quarter of 2021 compared to net income of $5.61 million in the fourth quarter 2020, and a net loss of $501 thousand in the first quarter of 2020. The modest loss in the first quarter of 2020 was due to several factors including a downturn in the value of the residential mortgage pipeline in reaction to market movements at the start of the Covid-19 Pandemic at the end of March 2020, lower than expected SBA guaranteed loan sales due to market disruption as a result of the Pandemic, and one-time data processing costs incurred for the conversion of the Bank’s core operating system. The increase in net income for the first quarter of 2021 over the fourth quarter of 2020 was primarily due to an increase in residential loan fee income, an increase in PPP loan origination fees recognized and a decrease in the provision for loan losses, offset by an increase in noninterest expenses, particularly salaries and commissions expenses.

Net Interest Income and Net Interest Margin

Net interest income was $12.63 million in the first quarter of 2021, an increase of $1.06 million or 9.14% from $11.57 million in the fourth quarter of 2020 and an increase of $4.36 million or 189.78% from the first

quarter of 2020. The increase during the first quarter as compared to the prior quarter was mainly due to an increase in net PPP origination fees recognized, as well as an increase in interest income on loans other than PPP. The increase over the same quarter in the prior year is due primarily to the addition of PPP loan origination fee income and interest income that wasn't present in the first quarter of 2020.

Net interest margin was 3.21% for the first quarter of 2021 compared to 3.13% for the fourth quarter of 2020 and 3.34% for the first quarter of 2020. The increase in margin in the first quarter of 2021 as compared to the prior quarter was largely due to the increase in net PPP origination fees and a decrease in interest-bearing liability costs. The primary reason for the decline in net interest margin from the first quarter of 2020 was the decline in rates at the beginning of 2020 and the significant amount of PPP loan balances during the majority of 2020 and the first quarter of 2021 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 $33.16 million for the first quarter of 2021, an increase of $1.78 or 5.68% from $31.38 million in the fourth quarter of 2020, and an increase of $20.40 million or 159.87% from $12.76 million in the first quarter of 2020. The increase in the first quarter of 2021 as compared to the prior quarter was primarily the result of an increase in residential loan fee income and SBA servicing income. The increase over the same quarter in the prior year was primarily the result of a large increase in residential loan production which produced an increase in residential loan fee income, offset by a decline in gain on sales of SBA guaranteed loans in 2021 as compared to the same quarter in the prior year.

Noninterest Expense

Noninterest expense was $33.72 million in the first quarter of 2021, an increase of $3.25 million or 10.65% from $30.47 million in the fourth quarter of 2020 and an increase of $16.56 million or 96.55% compared to the first quarter of 2020. The increase in the first quarter of 2021 as compared to the prior quarter 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 and origination of PPP loans., as well as an increase in commissions and bonuses due to increased residential loan production and higher earnings. The increase in the first quarter of 2021 as compared to the same quarter of 2020 was primarily due to increases in salaries and benefits, commissions, and bonus and incentives as residential loan production and related personnel increased substantially, and significant PPP loan production over the past year necessitated the need for additional personnel, temporary workers, and significant overtime. Other noninterest expenses, such as mortgage banking expense, increased proportionately with the increase in residential lending volume.

Income Taxes

Income tax expense was $2.56 million for the first quarter of 2021, an increase of $698 thousand or 36.81% from $1.87 million for the fourth quarter of 2021 and an increase of $3.99 million or 277.99% over the first quarter of 2020. The increase in income tax expense during the first quarter of 2021 was primarily due to an increase in pre-tax earnings, offset by a one-time a tax benefit of $969 thousand in the first quarter of 2020 as a result of the CARES Act signed in March of 2020. The effective income tax rate remained stable at 25.40% for the first quarter of 2021 compared to 25.01% for the fourth quarter of 2020.

Balance Sheet

Assets

Total assets increased by $172.14 million or 11.14% during the first quarter of 2021 to $1.72 billion, mainly due to an increase in PPP loan balances of $148.35 million as the Bank originated $286.66 million of PPP loans in the first quarter, offset by declines due to the processing of forgiveness applications on PPP loans originated during 2020. Total assets increased by $1.15 billion or 205.08% from the first quarter of 2020, primarily due to the origination of $1.2 billion in PPP loans during the past year, offset by declines as those loans are forgiven. The increase was also due to a large increase in residential loans held for sale due to increased production in the current period and increases in conventional and SBA loans other than PPP, offset by a decline in cash.

Loans

Gross loans, excluding loans held for sale and PPP loans, increased by $18.74 million or 4.66% during the first quarter of 2021 and by $72.02 million or 20.62% over the prior year to $421.26 million due to an increase in both conventional community bank loans and SBA loans. 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, but resumed in the third quarter of 2020. PPP loans, net of deferred origination fees increased by $148.35 million or 17.69% in the first quarter of 2021 to $967.27 million due to new originations offset by declines as PPP forgiveness payments were processed. Deferred PPP origination fees, net, which will be recognized over the life of the PPP loans totaled $19.83 million as of March 31, 2021.

Deposits

Deposits increased by $48.48 million or 8.68% during the first quarter of 2021 and increased by $129.41 million or 27.08% as compared to the prior year, ending the quarter at $607.26 million, with the majority of the increase coming from increases in noninterest-bearing demand deposits, interest bearing demand deposits and money market accounts, partially offset by declines in time deposit balances.

Asset Quality

The Company recorded provision for loan losses of $2.00 million during the first quarter of 2021, compared to $5.00 million in the fourth quarter of 2020 and $1.90 million in the first quarter of 2020. Throughout 2020, the qualitative factors in the allowance for loan loss calculation were increased due to the economic uncertainties caused by the COVID-19 pandemic which resulted in increased provision expense in the second, third, and fourth quarters of 2020. As asset quality remained stable in the first quarter of 2021 and as many of the Company's SBA loans were bolstered by additional government support during the first quarter, significant additional provision for loan losses as a result of qualitative analysis was not deemed necessary.

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 first quarter 2021 were $1.15 million, a decrease of $1.61 million from $2.75 million for the fourth quarter 2020 and were relatively flat compared to $1.20 million of net charge-offs in the first quarter of 2020. Net charge-offs as a percentage of average loans, excluding PPP loans, were 0.18% for the first quarter 2021, a decrease from 0.54% in the fourth quarter of 2020 and 0.29% in the first quarter of 2020. Non-performing assets, excluding government guaranteed loans, to total assets were 0.19% as of March 31, 2021, a slight decrease from 0.21% as of December 31, 2020, and a significant decrease from 0.80% as of March 31, 2020. 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 March 31, 2021, a total of 20 loans with principal balances of $1.05 million were under payment deferral compared to a total of 245 loans with principal balances of $14.61 million as of December 31, 2020. Of the deferrals at March 31, 2021, 18 are SBA loans totaling $439 thousand in outstanding unguaranteed balances compared to deferrals at December 31, 2020 of 239 SBA loans totaling $11.98 million in outstanding unguaranteed balances. As expected, the level of SBA loans on deferral increased in the fourth quarter with the expiration of the Section 1112 payment support afforded under the CARES Act at which point certain borrowers sought out payment deferrals, and then deferrals decreased in the first quarter as additional payment support was provided by the Economic Aid Act signed into law on December 27, 2020. As a result of this additional Pandemic relief package, beginning in February 2021, Section 1112 CARES Act payments were extended, with some stipulations, which is assisting 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.

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 7.62% at March 31, 2021, an increase from 7.50% as of December 31, 2020 and 4.41% as of March 31, 2020.

Capital Strength

The Bank's Tier 1 leverage ratio decreased to 10.84% as of March 31, 2021 from 11.75% as of December 31, 2020 mainly due to modest amounts of increased cash as the Bank sought additional liquidity during the funding of PPP loans during the quarter prior to pledging those loans to the PPPLF. The Tier 1 leverage ratio increased from 9.63% from March 31, 2020 due to strong earnings and additional capital raises during the past year with the majority of capital raised being contributed to the Bank. The CET 1 and Tier 1 capital ratio to risk-weighted assets increased to 16.97% as of March 31, 2021 from 15.72% as of December 31, 2020 and 14.86% as of March 31, 2020, and the total capital to risk-weighted assets ratio increased to 18.27% as of March 31, 2021 from 17.02% as of December 31, 2020 and 16.28% as of March 31, 2020.

In addition, the Company raised approximately $726 thousand of 8% Series B Cumulative Convertible Preferred Stock in the first quarter as well as $672 thousand of common stock through private placements and employee stock programs. In addition, $2.45 million of Series B Preferred Stock was converted to common shares during the quarter at a conversion rate equal to the tangible book value as of December 31, 2020 of $24.02 per share, resulting in 104,913 new common shares.

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 March 31, 2021. 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 29 residential loan production offices across the country.

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

	QUARTERLY		
	03/31/2021	**12/31/2020**	**03/31/2020**
Interest income:			
Loans, other than PPP	$ 6,599,324	$ 6,355,033	$ 6,444,114
PPP loan interest income	2,199,377	2,243,936	-
PPP origination fee income	6,012,990	5,243,921	-
Interest-bearing deposits in banks and other	81,031	69,627	361,742
Total interest income	**14,892,722**	**13,912,517**	**6,805,856**
Interest expense:			
Deposits	1,320,552	1,379,429	2,211,804
PPPLF borrowings	766,023	783,130	-
Other	175,695	177,606	235,413
Total interest expense	**2,262,270**	**2,340,165**	**2,447,217**
Net interest income	12,630,452	11,572,352	4,358,639
Provision for loan losses	2,000,000	5,000,000	1,900,000
Net interest income after provision for loan losses	**10,630,452**	**6,572,352**	**2,458,639**
Noninterest income:			
Service charges and fees	221,903	222,689	261,978
Bank Owned Life Insurance income	84,094	84,535	-
Residential loan fee income	32,028,680	30,789,739	10,400,993
Gain on sale of SBA loans	-	(10,124)	1,153,047
SBA loan servicing right gain	-	-	530,000
Loss on sale of unguaranteed loan amounts	-	(70,000)	-
SBA servicing income, net	704,282	270,862	459,797
Other SBA noninterest income	120,065	89,896	(45,879)
Total noninterest income	**33,159,024**	**31,377,597**	**12,759,936**
Noninterest Expense:			
Salaries and benefits	13,166,463	11,906,236	7,305,461
Commissions	10,320,097	9,409,466	3,681,221
Bonus and incentives	1,552,452	775,175	276,536
Occupancy and equipment expense	1,332,709	1,138,749	1,032,535
Data processing	1,269,091	1,332,170	1,043,129
Professional services	923,772	1,189,689	589,861
Mortgage lead generation	763,631	683,361	464,212
Marketing and business development	878,844	620,361	316,390
Mortgage banking expense	1,694,639	1,647,194	850,275
Regulatory assessments	102,836	25,941	100,500
ATM and interchange expense	76,912	91,956	63,732
Telecommunications expense	139,076	145,793	148,407
Employee recruting and development	614,619	633,898	576,229
Loan origination and collection	495,939	268,416	432,863
Other expenses	390,338	606,112	275,159
Total noninterest expense	**33,721,418**	**30,474,517**	**17,156,510**
Income (loss) before taxes	10,068,058	7,475,432	(1,937,935)
Income tax expense (benefit)	2,557,516	1,869,346	(1,436,903)
Net income (loss)	**$ 7,510,542**	**$ 5,606,086**	**$ (501,032)**
Preferred dividends	331,086	306,616	177,638
Net income available to common shareholders	**$ 7,179,456**	**$ 5,299,470**	**$ (678,670)**

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

Assets	**03/31/2021**	**12/31/2020**	**03/31/2020**
Cash and due from banks	$ 2,857,527	$ 2,789,933	$ 2,487,145
Interest-bearing deposits in banks	58,139,736	52,588,765	88,217,520
Cash and cash equivalents	60,997,263	55,378,698	90,704,665
Certificates of deposit	2,381,000	2,381,000	2,381,000
Securities HTM and restricted equity securities	2,750,677	2,403,186	2,745,494
Residential loans held for sale	208,761,599	208,704,152	87,582,646
PPP loans, net of deferred fees and costs	967,274,548	825,802,040	-
Community bank loans	156,987,667	147,838,945	117,470,130
SBA loans	264,270,729	254,681,272	231,770,977
Total loans held for investment	1,388,532,944	1,228,322,257	349,241,107
Allowance for loan losses	(22,017,222)	(21,162,339)	(11,440,799)
Loans, net	1,366,515,722	1,207,159,918	337,800,308
Accrued interest receivable	8,584,297	7,299,759	2,114,669
Premises and equipment, net	18,303,348	18,114,600	16,409,249
Loan servicing assets	7,444,471	8,159,501	10,834,960
Bank Owned Life Insurance	12,267,541	12,183,448	-
Other assets	28,825,378	22,906,514	12,182,214
Total assets	**$ 1,716,831,296**	**$ 1,544,690,776**	**$ 562,755,205**
Liabilities			
Noninterest-bearing transaction accounts	$ 77,766,379	$ 62,650,336	$ 49,260,424
Interest-bearing transaction accounts	149,677,931	140,265,079	92,322,088
Savings and money market deposits	325,187,181	286,743,776	206,355,592
Time deposits	54,633,054	69,125,349	129,913,241
Total deposits	607,264,545	558,784,540	477,851,345
Federal funds purchased	40,000,000	-	-
Federal Home Loan Bank advances	-	-	10,000,000
Subordinated debentures	5,950,935	5,947,900	6,936,716
Notes payable	3,640,701	3,754,465	4,095,758
PPP Liquidity Facility	957,413,181	881,261,659	-
Accrued expenses and other liabilities	23,141,432	23,873,311	13,029,153
Total liabilities	1,637,410,794	1,473,621,875	511,912,972
Stockholders' equity			
Preferred stock, series A	6,161,000	6,161,000	7,661,000
Preferred stock, series B	6,791,117	8,516,114	-
Common stock and additional paid-in capital	46,167,873	43,043,215	41,758,774
Deferred compensation - restricted stock	(35,043)	(40,958)	(136,973)
Retained earnings	20,335,555	13,389,530	1,559,432
Total stockholders' equity	79,420,502	71,068,901	50,842,233
Total liabilities and stockholders' equity	**$ 1,716,831,296**	**$ 1,544,690,776**	**$ 562,755,205**

First Home Bancorp, Inc.
Selected Financial Data

	QUARTERLY		
Selected income statement data:	**03/31/2021**	**12/31/2020**	**03/31/2020**
Interest income	$ 14,892,722	$ 13,912,517	$ 6,805,856
Interest expense	2,262,270	2,340,165	2,447,217
Net interest income	12,630,452	11,572,352	4,358,639
Provision for loan losses	2,000,000	5,000,000	1,900,000
Noninterest income	33,159,024	31,377,597	12,759,936
Noninterest expense	33,721,418	30,474,517	17,156,510
Income tax expense	2,557,516	1,869,346	(1,436,903)
Net income (loss)	7,510,542	5,606,086	(501,032)
Preferred dividends	331,086	306,616	177,638
Net income available to common shareholders	7,179,456	5,299,470	(678,670)
Balance sheet data:			
Average loans	$ 1,469,518,275	$ 1,374,750,567	$ 417,525,553
Average loans, excluding PPP loans	641,295,688	509,522,563	417,525,553
Average loans, excluding LHFS	1,292,026,536	1,264,263,002	344,883,281
Average assets	1,636,170,908	1,513,402,577	552,521,203
Average total equity	72,988,806	66,876,764	51,034,073
Average common equity	57,944,076	53,035,258	43,139,073
Total loans, period end	1,597,294,543	1,437,026,409	436,823,753
Total loans, excluding PPP	630,019,995	611,224,369	436,823,753
Total loans, excluding PPP and LHFS	421,258,396	401,520,217	349,241,107
Loans where the Fair Value Option (FVO) was elected	10,544,460	9,265,984	10,091,039
Total loans, excl guaranteed loans, LHFS, and FVO loans	288,889,448	282,058,094	259,634,461
ALLL, period end	22,017,222	21,162,339	11,440,799
Total assets, at period end	1,716,831,296	1,544,690,776	562,755,205
Share data:			
Basic earnings (loss) per share	$ 3.07	$ 2.29	$ (0.30)
Diluted earnings (loss) per share	$ 2.76	$ 2.03	$ (0.30)
Tangible book value per common share (at period end)	$ 26.89	$ 24.02	$ 18.83
Shares of common stock outstanding	2,452,377	2,323,345	2,275,080
Weighted average common shares outstanding:			
Basic	2,339,410	2,309,182	2,266,870
Diluted	2,672,247	2,689,673	2,266,870
Performance ratios:			
Return on average assets	1.84%	1.48%	-0.36%
Return on average common equity	49.56%	39.97%	-6.29%
Yield on average earning assets	3.79%	3.76%	5.21%
Cost of average interest bearing liabilities	0.62%	0.68%	2.28%
Net interest margin	3.21%	3.13%	3.34%
Asset quality ratios:			
Net charge-offs	1,145,112	2,754,955	1,201,151
Net charge-offs/avg loans excl PPP	0.18%	0.54%	0.29%
Non-performing loans (including gov't gtd loans), at period end	9,812,244	9,585,952	9,738,061
Non-performing assets (including gov't gtd loans), at period end	9,812,244	9,585,952	9,738,061
Non-performing loans (excluding gov't gtd loans), at period end	3,241,531	3,263,797	4,477,595
Non-performing assets (excluding gov't gtd loans), at period end	3,241,531	3,263,797	4,477,595
Non-performing loans (including gov't gtd loans)/total loans	0.61%	0.67%	2.23%
Non-performing assets (including gov't gtd loans)/total assets	0.57%	0.62%	1.73%
Non-performing loans (excluding gov't gtd loans)/total loans	0.20%	0.23%	1.03%
Non-performing assets (excluding gov't gtd loans)/total assets	0.19%	0.21%	0.80%
ALLL/Total loans	1.38%	1.47%	2.62%
ALLL/Total loans, excl PPP loans	3.49%	3.46%	2.62%
ALLL/Total loans, excl guaranteed loans, LHFS, and FVO loans	7.62%	7.50%	4.41%
Other company information:			
FTEs	649	596	461
Community banking center offices	6	6	6
Loan production offices	29	28	25