

NEWS RELEASE

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Media Contact:
Glenn B. Marshall, CEO
610-561-6013

FIRST RESOURCE BANCORP, INC. ANNOUNCES RECORD QUARTERLY RESULTS; THIRD QUARTER 2022 NET INCOME GREW 19% OVER THE PRIOR YEAR

EXTON, PA – First Resource Bancorp, Inc. (OTCQX: FRSB) announced financial results for the third quarter of 2022.

“The momentum to grow assets and profitability continues as reflected by our performance in the third quarter,” stated CEO, Glenn B. Marshall. “With a return on equity of over 15%, coupled with a return on assets over 1.20%, we are thrilled to achieve the long-term results we set out to achieve. Amplified by consistent record profitability, I am incredibly proud to lead a tremendous team focused on increasing shareholder value, continuous growth and customer satisfaction.”

Highlights for the third quarter and nine months ended September 30, 2022 included:

- Quarterly net income of \$1.5 million, exceeding the prior year third quarter by 19%, the highest quarterly profit in the Bank’s history
- 16% year-to-date loan growth achieved
- Total deposits grew 9% year to date
- Total interest income grew 16% over the prior year third quarter
- Net interest margin expanded 6 basis points in the third quarter, growing from 3.73% to 3.79%
- Book value per share grew 3% during the third quarter and 8% year to date
- Efficiency ratio improved to 56%, an 8% improvement during the third quarter
- Named the Best Bank in Chester County for the sixth consecutive year by the readers of The Daily Local News

President and Chief Financial Officer, Lauren C. Ranalli, stated, “A key initiative which contributed to the Bank’s exceptional third quarter results was our prudent focus on expanding our net interest margin despite rising deposit costs. Strong loan growth all year has served as a tailwind for our 2022 results to date. While interest rate increases have caused unrealized losses in the bond portfolio, our book value per share continues to grow. We intend to hold these bonds to maturity and expect to recapture that value when rates fall in the future.”

Net income for the quarter ended September 30, 2022 was \$1.5 million, or \$0.52 per common share, compared to \$1.4 million, or \$0.47 per common share, for the previous quarter and \$1.3 million, or \$0.44 per common share, for the third quarter of the prior year. Annualized return on average assets (“ROAA”) was 1.23% for the third quarter of 2022 compared to 1.13% for the third quarter of 2021. Annualized return on average equity (“ROAE”) was 15.91% for the third quarter of 2022 compared to 14.95% for the same period a year prior.

Total interest income increased \$703 thousand, or 15%, from \$4.7 million for the second quarter of 2022 to \$5.4 million for the third quarter of 2022. This increase was driven by a 7% growth in loans, coupled with an increased rate environment, favorably affecting other interest earning assets.

Total interest income increased \$771 thousand, or 16%, from \$4.7 million for the third quarter of 2021 to \$5.4 million for the third quarter of 2022. This increase was the result of 18% loan growth when comparing September 30, 2022 to a year prior. Traditional loan growth year-over-year increases to 21% when excluding Paycheck Protection Program (“PPP”) loans for both periods. Increased interest income from loan growth was coupled with an increased rate environment, favorably affecting other interest earning assets.

The Bank recognized \$8 thousand of PPP fees in the second quarter of 2022 and none in the third quarter of 2022, which represents both the amortization of PPP fees for loans based on the original maturity schedule and the balance of PPP fees recognized when the loans were forgiven by the Small Business Administration. PPP fees had been fully recognized as of June 30, 2022. The Bank recognized \$459 thousand in PPP fees in the third quarter of 2021, compared to none in the third quarter of 2022.

Total interest expense increased 60% when comparing the third quarter of 2022 to the second quarter of 2022. This increase was the result of a 44 basis point increase in the rate as well as a higher volume of money market accounts and a 33 basis point increase in rate in addition to a higher volume of time deposits quarter over quarter. During the third quarter of 2022 the Federal Reserve increase interest rates by 150 basis points.

Total interest expense increased 42% from \$623 thousand for the third quarter of 2021 to \$884 thousand for the third quarter 2022. The majority of this increased expense was related to a 45 basis point increase in the rate along with a higher volume of money market accounts and a 29 basis point increase in rate as well as a higher volume of time deposits year over year. Interest expense on FHLB borrowings decreased 61% for the three months ended September 30, 2022 compared to the three months ended September 30, 2021 due to FHLB advance prepayments completed in the fourth quarter of 2021. During the nine months ended September 30, 2022, the Federal Reserve increased interest rates by 300 basis points.

Ranalli noted, “Deposit customers are putting their balances to work now that interest rates have risen significantly in the market as the Federal Reserve fights inflation nationally. The Bank’s high loan to assets model allows us to remain competitive from a deposit pricing standpoint to retain and attract new customers in this environment.”

Net interest income increased \$370 thousand, or 9%, to \$4.6 million in the third quarter of 2022 compared to \$4.2 million for the previous quarter. The net interest margin increased 6 basis points from 3.73% in the second quarter of 2022 to 3.79% in the third quarter of 2022. The overall yield on interest earning assets increased 30 basis points during the third quarter primarily due to a 29 basis point increase in yield as well as a higher volume of loans and an increase in higher yielding cash maintained on the balance sheet. The cost of interest-bearing deposits increased 37 basis points during the third quarter to 0.93%, with the majority of that increase attributed to

higher cost of money market accounts and time deposits. The total cost of deposits increased from 0.40% at the end of the second quarter 2022 to 0.68% as of September 30, 2022.

Net interest income for the nine months ended September 30, 2022 was \$12.7 million, a 9% improvement over net interest income of \$11.7 million for the nine months ended September 30, 2021. This growth was driven by a 6% increase in loan interest income and a 54% decrease in borrowings interest expense, partially offset by an 11% increase in deposit interest expense. The net interest margin grew from 3.67% during the third quarter of 2021 to 3.79% in the third quarter of 2022.

The provision for loan losses increased to \$168 thousand in the third quarter of 2022 compared to \$19 thousand in the second quarter of 2022. Year over year the provision for loan losses increased from \$7 thousand in the third quarter of 2021 to \$168 thousand in the third quarter of 2022.

Marshall stated, "Internally we have been working on implementation of the Current Expected Credit Losses (CECL) methodology for the allowance for loan losses. We are ready for the upcoming implementation on January 1, 2023."

The allowance for loan losses to total loans was 0.85% at September 30, 2022, compared to 0.86% at December 31, 2021 and 0.86% at September 30, 2021. Excluding PPP loans, which are 100% guaranteed by the SBA, the allowance for loan losses to total loans was 0.85% at September 30, 2022, 0.86% at December 31, 2021 and 0.88% at September 30, 2021. Non-performing assets consisted of non-performing loans of \$183 thousand at September 30, 2022 and \$244 thousand at June 30, 2022. Non-performing assets to total assets were 0.04% at September 30, 2022 and 0.05% at June 30, 2022.

Non-interest income for the quarter of 2022 was \$204 thousand compared to \$266 thousand for the previous quarter and \$179 thousand for the third quarter of the prior year. No swap referral fee income was received in the third quarter of 2022 compared to \$85 thousand in the second quarter of 2022 and zero in the third quarter of 2021. No gain on sale of SBA loans was recorded in either the third quarter of 2022, the second quarter of 2022, or the third quarter of 2021.

Non-interest income for the nine months ended September 30, 2022 was \$853 thousand compared to \$538 thousand for the same period in the prior year. Swap referral fee income of \$187 thousand was received in the first nine months of 2022 compared to none in the first nine months of 2021. Gain on sale of SBA loans was \$94 thousand for the first nine months of 2022 compared to none in the first nine months of 2021.

Non-interest expense decreased \$33 thousand, or 1%, in the third quarter of 2022 compared to the prior quarter. Decreases in professional fees were partially offset by increases in salaries and employee benefits, occupancy and equipment, data processing and other costs. Non-interest expense increased \$63 thousand, or 2%, when comparing the third quarter of 2022 to the third quarter of 2021. This increase was primarily attributed to higher salaries and benefits and other costs, partially offset by lower professional fees and data processing costs. Non-interest

expenses to average assets were 2.14% at the conclusion of the third quarter of 2022 compared to 2.32% for the previous quarter and 2.27% for the third quarter of the prior year.

Ranalli added, “Overhead expense control has always been a priority at the Bank and as we continue to grow, we are seeing the efficiencies of overhead additions we’ve made over time. Non-interest expenses to average assets were 2.14% during the third quarter, with steady improvement noted throughout the year. Significant improvement was also noted in the efficiency ratio in 2022.”

Deposits grew a net \$21.1 million, or 5%, from \$415.7 million at June 30, 2022 to \$436.8 million at September 30, 2022. During the third quarter, noninterest-bearing deposits decreased \$26.1 million, or 22%, from \$118.3 million at June 30, 2022 to \$92.1 million at September 30, 2022. Interest-bearing checking balances increased \$8.7 million, or 21%, from \$41.3 million at June 30, 2022 to \$50.0 million at September 30, 2022. Money market deposits increased \$18.1 million, or 10%, from \$189.6 million at June 30, 2022 to \$207.7 million at September 30, 2022. Certificates of deposit increased \$20.4 million, or 31%, from \$66.5 million at June 30, 2022 to \$86.9 million at September 30, 2022. Between September 30, 2021 and September 30, 2022, total deposits grew 9%, with strong checking, money market, and time deposit growth partially offset by a decline in non-interest bearing deposits.

With strong growth in commercial business loans, commercial real estate loans, construction loans, and consumer loans, the loan portfolio increased \$29.8 million during the third quarter of 2022 to \$448.5 million, compared to \$418.7 million during the previous quarter.

The following table illustrates the composition of the loan portfolio:

	Sep. 30, 2022	Dec. 31, 2021	Sep. 30, 2021
Commercial real estate	\$ 360,325,089	\$ 312,736,636	\$ 295,356,032
Commercial construction	31,681,479	22,167,820	25,483,655
Commercial business	40,041,080	39,273,664	43,112,165
Consumer	<u>16,453,602</u>	<u>14,052,015</u>	<u>15,245,369</u>
Total loans	<u>\$ 448,501,250</u>	<u>\$ 388,230,135</u>	<u>\$ 379,197,221</u>

Total stockholder’s equity increased \$1.2 million, or 3%, from \$37.4 million at June 30, 2022 to \$38.6 million at September 30, 2022, primarily due to net income generated, partially offset by an increase in the unrealized loss position of the investment portfolio. During the quarter ended September 30, 2022, book value per share grew 41 cents, or 3%, to \$13.16. Book value has grown by 8% year-to-date, and 11% on a year over year basis, despite the increase in unrealized losses in the investment portfolio related to the recent rise of interest rates.

Selected Financial Data:
Balance Sheets (unaudited)

	September 30, 2022	December 31, 2021
Cash and due from banks	\$ 8,644,805	\$ 10,545,913
Time deposits at other banks	100,000	100,000
Investments	20,293,499	53,419,674
Loans	448,501,250	388,230,135
Allowance for loan losses	(3,804,036)	(3,322,979)
Premises & equipment	7,933,594	8,075,525
Other assets	<u>12,131,366</u>	<u>12,016,270</u>
Total assets	<u>\$ 493,800,478</u>	<u>\$ 469,064,538</u>
Noninterest-bearing deposits	\$ 92,121,787	\$ 113,175,651
Interest-bearing checking	49,996,885	31,251,216
Money market	207,732,384	184,581,051
Time deposits	<u>86,926,735</u>	<u>70,978,824</u>
Total deposits	<u>436,777,791</u>	<u>399,986,742</u>
Short term borrowings	-	9,000,000
Long term borrowings	9,530,000	15,280,000
Subordinated debt	5,962,515	5,953,144
Other liabilities	<u>2,898,113</u>	<u>3,293,450</u>
Total liabilities	<u>455,168,419</u>	<u>433,513,336</u>
Common stock	2,934,657	2,928,166
Surplus	18,133,646	18,067,622
Accumulated other comprehensive (loss) income	(1,170,264)	69,182
Retained earnings	<u>18,734,020</u>	<u>14,486,232</u>
Total stockholders' equity	<u>38,632,059</u>	<u>35,551,202</u>
Total Liabilities & Stockholders' Equity	<u>\$ 493,800,478</u>	<u>\$ 469,064,538</u>

Performance Statistics
(unaudited)

	Qtr Ended Sep. 30, 2022	Qtr Ended June 30, 2022	Qtr Ended Mar. 31, 2022	Qtr Ended Dec. 31, 2021	Qtr Ended Sep. 30, 2021
Net interest margin	3.79%	3.73%	3.62%	3.40%	3.67%
Nonperforming loans/ Total loans	0.04%	0.06%	0.06%	0.00%	0.03%
Nonperforming assets/ Total assets	0.04%	0.05%	0.05%	0.00%	0.02%
Allowance for loan losses/ Total loans	0.85%**	0.87%**	0.89%**	0.86%**	0.86%**
Average loans/Average assets	87.8%	88.0%	85.2%	80.0%	82.8%
Non-interest expenses*/ Average assets	2.14%	2.32%	2.35%	2.43%	2.27%
Efficiency ratio	56.0%	60.6%	61.3%	70.8%	61.5%
Earnings per share – basic and diluted	\$0.52	\$0.47	\$0.45	\$0.32	\$0.44
Book value per share	\$13.16	\$12.75	\$12.40	\$12.14	\$11.86
Total shares outstanding	2,934,657	2,932,440	2,930,134	2,928,166	2,925,874
Weighted average shares outstanding	2,933,642	2,931,285	2,929,243	2,927,008	2,924,797

* Annualized

** Excluding PPP loans, the allowance for loan losses/total loans was 0.85% at September 30, 2022, 0.87% at June 30, 2022, 0.89% at March 31, 2022, 0.86% at December 31, 2021, and 0.88% at September 30, 2021.

Income Statements (unaudited)

	Qtr. Ended Sep. 30, 2022	Qtr. Ended June 30, 2022	Qtr. Ended Mar. 31, 2022	Qtr. Ended Dec. 31, 2021	Qtr. Ended Sep. 30, 2021
INTEREST INCOME					
Loans, including fees	\$5,218,510	\$4,597,848	\$4,401,051	\$4,426,009	\$4,566,386
Securities	116,783	115,791	112,463	98,387	89,968
Other	107,483	26,483	11,699	19,496	15,790
Total interest income	<u>5,442,776</u>	<u>4,740,122</u>	<u>4,525,213</u>	<u>4,543,892</u>	<u>4,672,144</u>
INTEREST EXPENSE					
Deposits	749,425	412,378	394,432	414,096	424,240
Borrowings	41,337	45,690	58,137	96,950	105,289
Subordinated debt	93,123	93,125	93,123	93,124	93,124
Total interest expense	<u>883,885</u>	<u>551,193</u>	<u>545,692</u>	<u>604,170</u>	<u>622,653</u>
Net interest income	<u>4,558,891</u>	<u>4,188,929</u>	<u>3,979,521</u>	<u>3,939,722</u>	<u>4,049,491</u>
Provision for loan losses	<u>167,671</u>	<u>19,150</u>	<u>21,560</u>	<u>59,554</u>	<u>6,834</u>
Net interest income after provision for loan losses	4,391,220	4,169,779	3,957,961	3,880,168	4,042,657
NON-INTEREST INCOME					
BOLI income	48,413	47,100	46,591	47,390	47,555
Referral fee income	-	84,725	101,974	-	-
Gain on sale of SBA loans	-	-	94,392	-	-
Other	155,281	134,583	139,833	132,942	131,449
Total non-interest income	<u>203,694</u>	<u>266,408</u>	<u>382,790</u>	<u>180,332</u>	<u>179,004</u>
NON-INTEREST EXPENSE					
Salaries & benefits	1,647,461	1,643,403	1,628,813	1,584,108	1,559,849
Occupancy & equipment	253,856	233,866	253,088	247,547	253,349
Professional fees	73,525	151,939	130,894	139,071	104,768
Advertising	83,724	81,856	80,926	92,159	81,789
Data processing	148,071	134,463	136,335	150,659	160,971
Other	458,443	452,282	445,110	703,462	441,218
Total non-interest expense	<u>2,665,080</u>	<u>2,697,809</u>	<u>2,675,166</u>	<u>2,917,006</u>	<u>2,601,944</u>
Income before federal income tax expense	1,929,834	1,738,378	1,665,585	1,143,494	1,619,717
Federal income tax expense	<u>394,616</u>	<u>352,887</u>	<u>338,506</u>	<u>227,367</u>	<u>326,319</u>
Net income	<u>\$1,535,218</u>	<u>\$1,385,491</u>	<u>\$1,327,079</u>	<u>\$ 916,127</u>	<u>\$1,293,398</u>

Income Statements (unaudited)

	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
INTEREST INCOME		
Loans, including fees	\$ 14,217,409	\$ 13,377,934
Securities	345,037	281,022
Other	<u>145,665</u>	<u>27,587</u>
Total interest income	<u>14,708,111</u>	<u>13,686,543</u>
INTEREST EXPENSE		
Deposits	1,556,235	1,405,013
Borrowings	145,164	318,177
Subordinated debt	<u>279,371</u>	<u>279,371</u>
Total interest expense	<u>1,980,770</u>	<u>2,002,561</u>
Net interest income	<u>12,727,341</u>	<u>11,683,982</u>
Provision for loan losses	<u>208,381</u>	<u>517,440</u>
Net interest income after provision for loan losses	12,518,960	11,166,542
NON-INTEREST INCOME		
BOLI income	142,104	139,583
Referral fee income	186,699	-
Gain on sale of SBA loans	94,392	-
Other	<u>429,697</u>	<u>398,395</u>
Total non-interest income	852,892	537,978
NON-INTEREST EXPENSE		
Salaries & benefits	4,919,677	4,584,477
Occupancy & equipment	740,810	771,387
Professional fees	356,358	292,216
Advertising	246,506	231,260
Data processing	418,869	498,824
Other	<u>1,355,835</u>	<u>1,258,020</u>
Total non-interest expense	<u>8,038,055</u>	<u>7,636,184</u>
Income before federal income tax expense	5,333,797	4,068,336
Federal income tax expense	<u>1,086,009</u>	<u>812,700</u>
Net income	<u>\$ 4,247,788</u>	<u>\$ 3,255,636</u>

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About First Resource Bancorp, Inc.

First Resource Bancorp, Inc. is the holding company of First Resource Bank. First Resource Bank is a locally owned and operated Pennsylvania state-chartered bank with three full-service branches, serving the banking needs of businesses, professionals and individuals in the Delaware Valley. The Bank offers a full range of deposit and credit services with a high level of personalized service. First Resource Bank also offers a broad range of traditional financial services and products, competitively priced and delivered in a responsive manner to small businesses, professionals and residents in the local market. For additional information visit our website at www.firstresourcebank.com. Member FDIC.

This press release contains statements that are not of historical facts and may pertain to future operating results or events or management's expectations regarding those results or events. These are "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities and Exchange Act of 1934. These forward-looking statements may include, but are not limited to, statements about our plans, objectives, expectations and intentions and other statements contained in this press release that are not historical facts. When used in this press release, the words "expects", "anticipates", "intends", "plans", "believes", "seeks", "estimates", or words of similar meaning, or future or conditional verbs, such as "will", "would", "should", "could", or "may" are generally intended to identify forward-looking statements. These forward-looking statements are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are either beyond our control or not reasonably capable of predicting at this time. In addition, these forward-looking statements are subject to assumptions with respect to future business strategies and decisions that are subject to change. Actual results may differ materially from the results discussed in these forward-looking statements. Readers of this press release are accordingly cautioned not to place undue reliance on forward-looking statements. First Resource Bank disclaims any intent or obligation to update publicly any of the forward-looking statements herein, whether in response to new information, future events or otherwise.