

NEWS RELEASE

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FIRST RESOURCE BANCORP, INC. ANNOUNCES THIRD QUARTER RESULTS; LOANS AND DEPOSITS GREW 13% YEAR TO DATE

EXTON, PA – EXTON, PA – First Resource Bancorp, Inc. (OTCQX: FRSB), the holding company for First Resource Bank (“Bank”), announced financial results for the three months ended September 30, 2023.

Glenn B. Marshall, CEO, stated, “It has been an interesting 12 to 18 months in the banking industry with rising interest rates placing downward pressure on investment portfolio valuations and increasing funding costs. We are not immune from these trends but we have continued to increase book value and profitability for shareholders even with these strong headwinds. We have historically kept our focus on smart overhead growth by keeping expense growth in line with the Bank’s asset growth. In these times of rapid increases in funding costs, our expense controls are a solid foundation to support increased profitability both quarter over quarter and year over year.”

Highlights for the third quarter of 2023 included:

- Net income of \$1.6 million, exceeding the prior quarter by 8%
- Total interest income grew 43% over the prior year third quarter
- Net interest income grew 5% over the prior year third quarter
- Provision for credit losses decreased 56% over the prior year third quarter
- Total loans grew 3% during the third quarter and 13% year-to-date
- Total deposits grew 2% during the third quarter and 13% year-to-date
- Total assets grew \$15.8 million, or 3%, ending the quarter at \$580.8 million
- Nonperforming assets to total assets decreased 1 basis point during the third quarter to 0.13%

President and Chief Financial Officer, Lauren C. Ranalli, stated, “While we are experiencing the net interest margin compression being felt by the entire industry this year, we are outgrowing that compression on a pure earnings basis. The third quarter of 2023 was our most profitable quarter to date despite the challenging interest rate environment. We continue to grow the Bank while many of our peers are pulling back on lending and overall growth due to funding challenges.”

Net income for the quarter ended September 30, 2023 was \$1.6 million, or \$0.51 per common share, compared to \$1.5 million, or \$0.47 per common share, for the previous quarter and \$1.5 million, or \$0.50 per common share, for the third quarter of the prior year. Annualized return on average assets was 1.12% for the third quarter of 2023 compared to 1.23% for the third quarter of 2022. Annualized return on average equity was 14.19% for the third quarter of 2023 compared to 15.91% for the same period a year prior.

Total interest income increased \$682 thousand, or 10%, from \$7.1 million for the second quarter of 2023 to \$7.8 million for the third quarter of 2023. This increase was driven by a 3% growth in loans, coupled with an increased rate environment, favorably affecting interest-earning assets.

Total interest income increased \$2.3 million, or 43%, from \$5.4 million for the third quarter of 2022 to \$7.8 million for the third quarter of 2023. This increase was the result of a 16% growth in loans when comparing September 30, 2023 to the year prior. Increased interest income from loan growth was coupled with an increased rate environment, favorably affecting interest-earning assets.

Total interest expense increased 23% when comparing the third quarter of 2023 to the second quarter of 2023. This increase was the result of a 35 basis point increase in the cost of money market accounts and a 59 basis point increase in the cost of time deposits, in addition to a higher volume of money market accounts and time deposits quarter over quarter. Interest expense on FHLB borrowings increased 204% due to an increase in the average balance and cost of advances during the third quarter. During the third quarter of 2023 the Federal Reserve increased interest rates by 25 basis points.

Total interest expense increased 238% from \$884 thousand for the third quarter of 2022 to \$3.0 million for the third quarter of 2023. The majority of this increased expense was related to a 202 basis point increase in the cost of money market deposits along with a higher volume of money market accounts, a 214 basis point increase in the cost of time deposits as well as a higher volume of time deposits year over year, and a 212 basis point increase in the cost of FHLB borrowings as well as a higher volume of FHLB borrowings year over year. During the twelve months ended September 30, 2023, the Federal Reserve increased interest rates by 225 basis points.

Net interest income increased \$122 thousand, or 3%, to \$4.8 million in the third quarter of 2023 as compared to the previous quarter. The net interest margin decreased 7 basis points from 3.64% in the second quarter of 2023 to 3.57% in the third quarter of 2023. The overall yield on interest-earning assets increased 27 basis points during the third quarter, primarily due to a 26 basis point increase in yield on loans as well as a higher volume of loans, and an increase in yield on interest-earning cash equivalents and investments. With an increase in both volume and costs for money market accounts and time deposit accounts, the cost of interest-bearing deposits increased 41 basis points during the third quarter to 2.85%. The total cost of deposits increased 31 basis points from 1.92% during the second quarter of 2023 to 2.23% during the third quarter of 2023.

Net interest income for the nine months ended September 30, 2023 was \$13.8 million, a 9% improvement over net interest income of \$12.7 million for the nine months ended September 30, 2022. This growth was driven by a \$6.6 million, or 46%, increase in loan interest income, offset by a \$5.2 million, or 336%, increase in deposit interest expense and a \$241 thousand, or 166%, increase in borrowings interest expense.

The provision for credit losses increased to \$74 thousand in the third quarter of 2023 compared to \$17 thousand in the second quarter of 2023. Year over year the provision for credit

losses decreased from \$168 thousand in the third quarter of 2022 to \$74 thousand in the third quarter of 2023.

The allowance for loan losses to total loans was 0.88% at September 30, 2023, compared to 0.92% at December 31, 2022, and 0.85% at September 30, 2022. Non-performing assets consisted of non-performing loans of \$735 thousand at September 30, 2023, and \$898 thousand at December 31, 2022. Non-performing assets to total assets were 0.13% at September 30, 2023 and 0.17% at December 31, 2022.

Non-interest income for the third quarter of 2023 was \$297 thousand compared to \$213 thousand for the previous quarter and \$204 thousand for the third quarter of the prior year. Swap referral fee income was \$76 thousand for the third quarter of 2023 compared to none in the second quarter of 2023. No gain on the sale of SBA loans was received in either the third quarter of 2023 or the second quarter of 2023. In the third quarter of 2022, no swap referral fee income and no gain on the sale of SBA loans was received.

Non-interest income for the nine months ended September 30, 2023 was \$710 thousand as compared to \$853 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 as compared to \$76 thousand in the first nine months of 2023. Gain on sale of SBA loans was \$94 thousand for the first nine months of 2022 as compared to none in the first nine months of 2023.

Non-interest expenses increased nominally in the third quarter of 2023 compared to the prior quarter. Increases in salaries & employee benefits, occupancy & equipment, and data processing were partially offset by a decreases in advertising and other expenses.

Non-interest expenses increased \$401 thousand, or 15%, when comparing the third quarter of 2023 to the third quarter of 2022. Increases in salaries & employee benefits, occupancy & equipment, professional fees, data processing, and other costs were partially offset by a decrease in advertising. Non-interest expenses to average assets were 2.19% for the third quarter of 2023 compared to 2.29% for the previous quarter and 2.14% for the third quarter of the prior year.

Deposits increased a net \$10.3 million, or 2%, from \$475.7 million at June 30, 2023 to \$486.0 million at September 30, 2023. During the third quarter, non-interest-bearing deposits decreased \$4.3 million, or 4%, from \$105.6 million at June 30, 2023 to \$101.3 million at September 30, 2023. Interest-bearing checking balances decreased \$3.7 million, or 8%, from \$45.2 million at June 30, 2023 to \$41.5 million at September 30, 2023. Money market deposits increased \$16.8 million, or 8%, from \$203.0 million at June 30, 2023 to \$219.8 million at September 30, 2023. Certificates of deposit increased \$1.5 million, or 1%, from \$121.9 million at June 30, 2023 to \$123.4 million at September 30, 2023. Between September 30, 2022 and September 30, 2023, total deposits grew 11%, with strong non-interest-bearing checking, money market, and time deposit growth partially offset by a decline in interest-bearing checking. At September 30, 2023, approximately 81% of total deposits were insured or otherwise collateralized, consistent with the prior quarter.

With strong growth in commercial real estate loans, construction loans, and commercial business loans, partially offset by a decline in consumer loans, the loan portfolio increased \$13.6 million, or 3%, from \$504.7 million at June 30, 2023 to \$518.3 million at September 30, 2023.

The following table illustrates the composition of the loan portfolio:

	Sep. 30, 2023	Dec. 31, 2022	Sep. 30, 2022
Commercial real estate	\$ 398,628,133	\$ 364,523,848	\$ 360,325,089
Commercial construction	55,305,574	35,120,763	31,681,479
Commercial business	46,657,956	43,005,663	40,041,080
Consumer	<u>17,714,146</u>	<u>16,035,503</u>	<u>16,453,602</u>
Total loans	<u>\$ 518,305,809</u>	<u>\$ 458,685,777</u>	<u>\$ 448,501,250</u>

Investment securities totaled \$18.0 million at September 30, 2023 as compared to \$18.7 million at June 30, 2023. At September 30, 2023, the held-to-maturity investment portfolio book value was \$8.8 million, with a fair market value of \$7.5 million, resulting in an unrealized loss of \$1.3 million. This unrealized loss, net of tax, of \$1.1 million is less than 2.5% of total equity at September 30, 2023. The remainder of the investment portfolio was classified as available for sale with a book value of \$10.8 million and a fair value of \$9.2 million, resulting in an unrealized loss of \$1.6 million. This unrealized loss, net of tax, of \$1.3 million is included in accumulated other comprehensive loss on the balance sheet.

Total stockholders' equity increased \$1.5 million, or 3%, from \$42.8 million at June 30, 2023 to \$44.2 million at September 30, 2023, primarily due to net income generated. At September 30, 2023, book value per share was \$14.31.

Selected Financial Data:
Balance Sheets (unaudited)

	September 30, 2023	December 31, 2022
Cash and due from banks	\$ 23,496,322	\$ 5,600,869
Time deposits at other banks	100,000	100,000
Investments	18,027,412	34,781,542
Loans	518,305,809	458,685,777
Allowance for loan losses	(4,568,310)	(4,238,927)
Premises & equipment	7,765,045	7,967,246
Other assets	<u>17,661,984</u>	<u>13,828,477</u>
Total assets	<u>\$ 580,788,262</u>	<u>\$ 516,724,984</u>
Noninterest-bearing deposits	\$ 101,323,193	\$ 87,888,933
Interest-bearing checking	41,498,904	46,526,732
Money market	219,814,412	207,184,086
Time deposits	<u>123,366,029</u>	<u>89,364,726</u>
Total deposits	<u>486,002,538</u>	<u>430,964,477</u>
Short term borrowings	28,641,800	27,196,000
Long term borrowings	9,530,000	9,530,000
Subordinated debt	5,975,010	5,965,639
Other liabilities	<u>6,395,320</u>	<u>2,972,488</u>
Total liabilities	<u>536,544,668</u>	<u>476,628,604</u>
Common stock	3,090,838	2,936,756
Surplus	19,740,509	18,156,784
Accumulated other comprehensive loss	(1,253,659)	(1,108,493)
Retained earnings	<u>22,665,906</u>	<u>20,111,333</u>
Total stockholders' equity	<u>44,243,594</u>	<u>40,096,380</u>
Total liabilities & stockholders' equity	<u>\$ 580,788,262</u>	<u>\$ 516,724,984</u>

Performance Statistics
(unaudited)

	Qtr Ended Sep. 30, 2023	Qtr Ended Jun. 30, 2023	Qtr Ended Mar. 31, 2023	Qtr Ended Dec. 31, 2022	Qtr Ended Sep. 30, 2022
Net interest margin	3.57%	3.64%	3.57%	3.81%	3.79%
Nonperforming loans/ total loans	0.14%	0.15%	0.16%	0.20%	0.04%
Nonperforming assets/ total assets	0.13%	0.14%	0.14%	0.17%	0.04%
Allowance for loan losses/ total loans	0.88%	0.89%	0.91%	0.92%	0.85%
Average loans/average assets	92.2%	91.6%	91.6%	90.8%	87.8%
Non-interest expenses*/ average assets	2.19%	2.29%	2.29%	2.11%	2.14%
Efficiency ratio	60.1%	62.6%	63.7%	55.2%	56.0%
Earnings per share – basic and diluted**	\$0.51	\$0.47	\$0.41	\$0.45	\$0.50
Book value per share**	\$14.31	\$13.85	\$13.43	\$13.00	\$12.54
Total shares outstanding**	3,090,838	3,088,019	3,085,576	3,083,654	3,081,555
Weighted average shares outstanding**	3,089,441	3,086,782	3,084,634	3,082,556	3,080,540

* Annualized

** Per share data for prior periods was restated to reflect the 5% stock dividend paid in June 2023.

Income Statements (unaudited)

	Qtr. Ended Sep. 30, 2023	Qtr. Ended Jun. 30, 2023	Qtr. Ended Mar. 31, 2023	Qtr. Ended Dec. 31, 2022	Qtr. Ended Sep. 30, 2022
INTEREST INCOME					
Loans, including fees	\$7,633,163	\$6,923,177	\$6,223,153	\$5,855,969	\$5,218,510
Securities	125,882	120,133	131,350	138,544	116,783
Other	33,221	67,207	28,174	32,055	107,483
Total interest income	<u>7,792,266</u>	<u>7,110,517</u>	<u>6,382,677</u>	<u>6,026,568</u>	<u>5,442,776</u>
INTEREST EXPENSE					
Deposits	2,696,301	2,267,015	1,819,643	1,210,800	749,425
Borrowings	195,150	64,267	126,620	93,773	41,337
Subordinated debt	93,124	93,123	93,124	93,124	93,123
Total interest expense	<u>2,984,575</u>	<u>2,424,405</u>	<u>2,039,387</u>	<u>1,397,697</u>	<u>883,885</u>
Net interest income	<u>4,807,691</u>	<u>4,686,112</u>	<u>4,343,290</u>	<u>4,628,871</u>	<u>4,558,891</u>
Provision for credit losses	<u>73,930</u>	<u>17,129</u>	<u>63,957</u>	<u>444,833</u>	<u>167,671</u>
Net interest income after provision for credit losses	4,733,761	4,668,983	4,279,333	4,184,038	4,391,220
NON-INTEREST INCOME					
Service charges and other fees	109,894	107,841	99,570	97,480	103,253
BOLI income	50,237	49,281	47,691	47,849	48,413
Referral fee income	75,649	-	-	-	-
Gain on sale of SBA loans	-	-	-	-	-
Other	61,527	55,740	53,013	61,559	52,028
Total non-interest income	<u>297,307</u>	<u>212,862</u>	<u>200,274</u>	<u>206,888</u>	<u>203,694</u>
NON-INTEREST EXPENSE					
Salaries & benefits	1,893,558	1,844,356	1,834,921	1,590,948	1,647,461
Occupancy & equipment	282,025	260,284	257,741	236,407	253,856
Professional fees	119,258	119,447	115,303	127,044	73,525
Advertising	58,354	65,917	67,195	88,772	83,724
Data processing	172,288	159,795	147,808	154,340	148,071
Other	540,552	614,534	470,567	471,560	458,443
Total non-interest expense	<u>3,066,035</u>	<u>3,064,333</u>	<u>2,893,535</u>	<u>2,669,071</u>	<u>2,665,080</u>
Income before federal income tax expense	1,965,033	1,817,512	1,586,072	1,721,855	1,929,834
Federal income tax expense	<u>401,490</u>	<u>366,371</u>	<u>321,784</u>	<u>344,542</u>	<u>394,616</u>
Net income	<u>\$1,563,543</u>	<u>\$1,451,141</u>	<u>\$1,264,288</u>	<u>\$1,377,313</u>	<u>\$1,535,218</u>

Income Statements (unaudited)

	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
INTEREST INCOME		
Loans, including fees	\$ 20,779,493	\$ 14,217,409
Securities	377,365	345,037
Other	<u>128,602</u>	<u>145,665</u>
Total interest income	<u>21,285,460</u>	<u>14,708,111</u>
INTEREST EXPENSE		
Deposits	6,782,959	1,556,235
Borrowings	386,037	145,164
Subordinated debt	<u>279,371</u>	<u>279,371</u>
Total interest expense	<u>7,448,367</u>	<u>1,980,770</u>
Net interest income	<u>13,837,093</u>	<u>12,727,341</u>
Provision for credit losses	<u>155,016</u>	<u>208,381</u>
Net interest income after provision for credit losses	13,682,077	12,518,960
NON-INTEREST INCOME		
Service charges and other fees	317,305	283,645
BOLI income	147,209	142,104
Referral fee income	75,649	186,699
Gain on sale of SBA loans	-	94,392
Other	<u>170,280</u>	<u>146,052</u>
Total non-interest income	710,443	852,892
NON-INTEREST EXPENSE		
Salaries & benefits	5,572,835	4,919,677
Occupancy & equipment	800,050	740,810
Professional fees	354,008	356,358
Advertising	191,466	246,506
Data processing	479,891	418,869
Other	<u>1,625,653</u>	<u>1,355,835</u>
Total non-interest expense	<u>9,023,903</u>	<u>8,038,055</u>
Income before federal income tax expense	5,368,617	5,333,797
Federal income tax expense	<u>1,089,645</u>	<u>1,086,009</u>
Net income	<u>\$ 4,278,972</u>	<u>\$ 4,247,788</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.