

NEWS RELEASE

For Immediate Release
October 24, 2024

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FIRST RESOURCE BANCORP, INC. ANNOUNCES 2024 THIRD QUARTER RESULTS; LOANS AND DEPOSITS GREW 13% OVER THE PAST 12 MONTHS

EXTON, PA – First Resource Bancorp, Inc. (OTCQX: FRSB), the holding company for First Resource Bank, announced financial results for the three months ended September 30, 2024.

Lauren C. Ranalli, President and CEO, stated, “During the third quarter we successfully expanded our balance sheet while maintaining pristine credit quality. Our net income has increased, thanks largely to our ability to preserve a strong net interest margin in a highly competitive environment. While deposit growth in this rate environment presents challenges, we have effectively sustained our net interest margin through a disciplined loan pricing approach, allowing us to prudently grow our portfolio.”

Highlights for the third quarter of 2024 included:

- Net income of \$1.6 million, which exceeded the prior quarter by 20%
- Total interest income grew 22% over the prior year third quarter
- Net interest income grew 7% over the prior year third quarter
- Provision for credit losses decreased 81% over the prior year third quarter
- The net interest margin remained steady at 3.43% quarter over quarter
- Total loans grew 2% during the third quarter, or 7% annualized (10% year-to-date)
- Total deposits grew 2% during the third quarter, or 8% annualized (10% year-to-date)
- Total assets grew \$11.0 million, or 2%, ending the quarter at \$651.7 million
- Gain on sale of SBA loans and swap loan referral fee income collectively totaled \$304 thousand year-to-date, more than quadruple the entire prior year
- There were no loans past due greater than 30 days, non-accrual loans or non-performing assets as of September 30, 2024, consistent with the prior quarter
- Book value per share grew 4% during the third quarter to \$16.45
- Issued \$2.5 million in subordinated debt
- Implemented a 5% stock repurchase program

Ranalli added, “In the third quarter, we embraced the opportunity to raise a modest amount of subordinated debt at the holding company level. This debt, with a 10-year term, includes a 5-year call option and carries an interest rate of 6.50%. Additionally, the Board of Directors approved a 5% common stock repurchase plan as a strategic initiative to enhance shareholder value. We are pleased to report that 96,084 shares have already been repurchased under this authorization.”

Net income for the quarter ended September 30, 2024 was \$1.6 million, or \$0.53 per common share, up from \$1.3 million, or \$0.44 per common share, in the previous quarter, and consistent with \$1.6 million, or \$0.51 per common share, in the same quarter last year. The annualized return on average assets was 1.04% for the third quarter of 2024, slightly down from

1.12% for the third quarter of 2023. Similarly, the annualized return on average equity was 13.08% for the third quarter of 2024 compared to 14.19% during the same period last year.

Total interest income rose by \$479 thousand, or 5%, increasing from \$9.0 million in the second quarter of 2024 to \$9.5 million in the third quarter of 2024. This growth was primarily driven by a 2% expansion in loans during the third quarter.

Total interest income rose by \$1.7 million, marking a 22% increase from \$7.8 million in the third quarter of 2023 to \$9.5 million in the corresponding period of 2024. This growth was driven by a 13% expansion in loans year-over-year, complemented by an increased rate environment, positively impacting interest-earning assets.

Total interest income grew \$5.6 million, or 26%, from \$21.3 million for the nine months ended September 30, 2023, to \$26.9 million for the corresponding period in 2024. The increase was directly related to the expansion of loans and an increased rate environment as previously noted.

Total interest expense rose by 8% in the third quarter of 2024 compared to the second quarter. This increase stemmed from a 4 basis point uptick in the cost of money market accounts and a 10 basis point increase in the cost of time deposits, alongside a higher volume of time deposits quarter over quarter. Interest expense on FHLB borrowings increased by 42% due to an increase in the average balance of overnight advances during the third quarter of 2024 compared to the second quarter. Additionally, interest expense on subordinated debt rose by 30%, following the issuance of \$2.5 million of additional subordinated debt on August 1, 2024.

Total interest expense increased by 46%, climbing from \$3.0 million in the third quarter of 2023 to \$4.3 million in the third quarter of 2024. This increase was primarily driven by a 48 basis point rise in the cost of money market deposits and a 107 basis point increase in the cost of time deposits, coupled with a greater volume of both money market accounts and time deposits year-over-year. Interest expense on FHLB borrowings increased by 26%, while interest expense on subordinated debt increased by 30% when compared to the third quarter of 2023.

Total interest expense increased by 62%, growing from \$7.4 million for the nine months ended September 30, 2023, to \$12.1 million for the same period in 2024. This sharp increase was primarily driven by a 79 basis point rise in the cost of money market deposits and a 152 basis point increase in the cost of time deposits, along with higher volumes of both money market accounts and time deposits compared to the same period last year.

In the third quarter of 2024, net interest income increased by \$166 thousand, or 3%, compared to the previous quarter. The net interest margin remained stable at 3.43% for both the second and third quarters of 2024. The overall yield on interest-earning assets rose by 12 basis points during the third quarter, primarily driven by a 12 basis point rise in loan yields and higher loan volume, resulting in a total yield on loans of 6.44% for the quarter. Conversely, the cost of interest-bearing deposits rose 6 basis points to 3.61% during the third quarter, driven by increased costs for money market and time deposit accounts, as well as a higher volume of time deposits. Consequently, the total cost of deposits increased by 9 basis points, climbing from 2.86% in the second quarter of 2024 to 2.95% in the third quarter.

Net interest income for the nine months ended September 30, 2024, was \$14.8 million, reflecting a 7% increase from \$13.8 million for the same period in 2023. This growth was fueled by a \$5.7 million, or 27% increase in loan interest income, offset by a \$4.5 million, or 66%, increase in deposit interest expense.

The provision for credit losses in the third quarter of 2024 was \$13 thousand, a significant decrease from \$246 thousand in the second quarter. Year over year, the provision for credit losses fell \$58 thousand from \$71 thousand in the third quarter of 2023 to \$13 thousand in the third quarter of 2024.

As of September 30, 2024, the allowance for credit losses to total loans stood at 0.76%, down from the 0.81% recorded on December 31, 2023, and lower than the 0.88% reported on September 30, 2023. As of both September 30, 2024 and December 31, 2023, there were no non-performing assets. Also, there were no loans past due greater than 30 days as of September 30, 2024.

“Credit quality remains excellent as we maintain strict underwriting guidelines while we continue to grow the loan portfolio,” commented Ranalli.

Non-interest income in the third quarter of 2024 amounted to \$286 thousand, compared to \$291 thousand in the previous quarter and \$297 thousand in the third quarter of the prior year. Specifically, no swap referral fee income was received in the third quarter of 2024, compared to \$62 thousand in the second quarter of 2024, and \$76 thousand in the third quarter of 2023. However, gains on the sale of SBA loans totaled \$59 thousand in the third quarter of 2024, compared to none in both the second quarter of 2024 and the third quarter of 2023.

Non-interest income for the nine months ended September 30, 2024, totaled \$973 thousand, up from \$710 thousand for the same period in the previous year. Swap referral fee income rose significantly to \$245 thousand in the nine months ended September 30, 2024, compared to \$76 thousand in the nine months ended September 30, 2023. Additionally, gains on the sale of SBA loans amounted to \$59 thousand for the nine months ended September 30, 2024, whereas there were no gains recorded in the corresponding period of 2023.

Non-interest expenses increased \$49 thousand, or 1%, in the third quarter of 2024 compared to the prior quarter. This increase was driven by higher salaries and employee benefits, occupancy & equipment, and data processing expenses. However, these increases were partially offset by reductions in professional fees, advertising, and other costs.

“Effective management of overhead expenses is more crucial than ever due to pressure on our net interest margin. As a growth-oriented company, we must continue investing in our infrastructure prudently. Notably, the ratio of non-interest expense to average assets has steadily declined this year as we adapt to increased expenses, including the move to a new corporate office,” commented Ranalli.

Non-interest expenses increased \$316 thousand, or 10%, when comparing the third quarter of 2024 to the third quarter of 2023. However, the ratio of non-interest expenses to average assets improved to 2.17% in the third quarter of 2024, down from 2.21% in the previous quarter and 2.19% in the third quarter of the prior year.

Non-interest expenses for the nine months ended September 30, 2024, totaled \$10.0 million compared to \$9.0 million for the same period in the prior year. The increase of \$1.0 million, or 11%, was mostly attributed to increases in salaries and employee benefits associated with a higher headcount, occupancy costs, and other expenses.

Deposits experienced a net increase of \$10.6 million, or 2%, rising from \$536.6 million on June 30, 2024, to \$547.1 million on September 30, 2024. During the third quarter, non-interest-bearing deposits declined by \$11.0 million, or 10%, from \$104.7 million on June 30, 2024, to \$93.7 million on September 30, 2024. This decline is attributed to normal fluctuations in existing customer accounts. Conversely, interest-bearing checking balances grew by \$8.6 million, or 24%, from \$36.2 million on June 30, 2024, to \$44.7 million on September 30, 2024. Money market deposits increased \$829 thousand, or 0%, from \$235.3 million on June 30, 2024, to \$236.1 million on September 30, 2024. Additionally, certificates of deposit increased \$12.1 million, or 8%, from \$160.4 million on June 30, 2024, to \$172.6 million on September 30, 2024. Between September 30, 2023 and September 30, 2024, total deposits grew 13%, driven by strong increases in interest-bearing checking accounts, money markets, and time deposits, which were partially offset by a decline in non-interest-bearing checking. Deposits increased 10% year-to-date, primarily due to robust growth in interest-bearing checking, money markets, and time deposits, which were partially offset by a decrease in non-interest bearing checking. As of September 30, 2024, approximately 82% of total deposits were insured or otherwise collateralized, up from 81% in the prior quarter.

The loan portfolio expanded by \$9.7 million, representing a 2% increase, from \$573.6 million on June 30, 2024, to \$583.2 million on September 30, 2024. While there was robust growth in commercial real estate and commercial business loans, this was partially offset by decreases in construction loans and consumer loans when comparing loan balances over the same period. The decrease in construction loans was largely attributed to projects reaching completion and transitioning to permanent financing within the commercial real estate portfolio. Total loans grew 10% year-to-date, with strong growth in commercial real estate and commercial business loans partially offset by declines in construction and consumer loans.

The following table illustrates the composition of the loan portfolio:

	Sep. 30, 2024	Dec. 31, 2023	Sep. 30, 2023
Commercial real estate	\$ 469,508,986	\$ 413,221,898	\$ 398,628,133
Commercial construction	37,500,214	48,838,199	55,305,574
Commercial business	57,963,287	50,224,869	46,657,956
Consumer	<u>18,276,277</u>	<u>19,099,155</u>	<u>17,714,146</u>
Total loans	<u>\$ 583,248,764</u>	<u>\$ 531,384,121</u>	<u>\$ 518,305,809</u>

Investment securities totaled \$16.8 million on September 30, 2024, compared to \$17.0 million on June 30, 2024. As of September 30, 2024, the held-to-maturity investment portfolio had a book value of \$8.6 million and a fair market value of \$7.7 million, resulting in an unrealized loss of \$887 thousand, compared to an unrealized loss of \$1.1 million as of June 30, 2024. This unrealized loss, net of tax, amounts to \$701 thousand, representing approximately 1.4% of total equity as of September 30, 2024. The remainder of the investment portfolio was classified as

available for sale, with a book value of \$9.2 million and a fair value of \$8.2 million, resulting in an unrealized loss of \$1.0 million, down from \$1.3 million as of June 30, 2024. This unrealized loss, net of tax, totals \$802 thousand and is reflected in accumulated other comprehensive loss on the balance sheet.

On August 12, 2024, the Company announced a stock repurchase program authorizing the repurchase of up to 155,922 shares of its common stock. During the quarter ended September 30, 2024, the Company repurchased 96,084 shares at a total cost of \$1.3 million and an average price of \$13.96 per share. As of September 30, 2024, there were 59,838 shares remaining available for repurchase under the program.

Total stockholders' equity increased by \$554 thousand, or 1%, rising from \$48.9 million on June 30, 2024, to \$49.4 million on September 30, 2024. This growth was largely driven by net income, which was partially offset by the repurchase of 96,084 shares with a cost basis of \$1.3 million. During the quarter ended September 30, 2024, book value per share increased by 67 cents, or 4%, reaching \$16.45. Over the nine months ended September 30, 2024, book value per share has grown \$1.54, or 10%.

Selected Financial Data:
Balance Sheets (unaudited)

	September 30, 2024	December 31, 2023
Cash and due from banks	\$ 27,447,406	\$ 23,820,615
Time deposits at other banks	100,000	100,000
Investments	16,801,730	25,840,840
Loans	583,248,764	531,384,121
Allowance for credit losses	(4,444,746)	(4,311,306)
Premises & equipment	7,646,648	7,639,939
Other assets	<u>20,891,169</u>	<u>18,142,682</u>
Total assets	<u>\$ 651,690,971</u>	<u>\$ 602,616,891</u>
Noninterest-bearing deposits	\$ 93,726,935	\$ 95,384,366
Interest-bearing checking	44,747,452	39,760,054
Money market	236,095,089	231,407,653
Time deposits	<u>172,560,787</u>	<u>132,738,973</u>
Total deposits	<u>547,130,263</u>	<u>499,291,046</u>
Short term borrowings	34,000,000	35,000,000
Long term borrowings	6,250,000	9,530,000
Subordinated debt	8,469,159	5,978,134
Other liabilities	<u>6,410,124</u>	<u>6,682,220</u>
Total liabilities	<u>602,259,546</u>	<u>556,481,400</u>
Common stock	3,100,773	3,093,414
Surplus	19,852,352	19,767,634
Treasury stock	(1,334,936)	-
Accumulated other comprehensive loss	(802,137)	(1,038,486)
Retained earnings	<u>28,615,373</u>	<u>24,312,929</u>
Total stockholders' equity	<u>49,431,425</u>	<u>46,135,491</u>
Total liabilities & stockholders' equity	<u>\$ 651,690,971</u>	<u>\$ 602,616,891</u>

Performance Statistics
(unaudited)

	Qtr Ended Sep. 30, 2024	Qtr Ended Jun. 30, 2024	Qtr Ended Mar. 31, 2024	Qtr Ended Dec. 31, 2023	Qtr Ended Sep. 30, 2023
Net interest margin	3.43%	3.43%	3.35%	3.39%	3.57%
Nonperforming loans/ total loans	0.00%	0.00%	0.00%	0.00%	0.14%
Nonperforming assets/ total assets	0.00%	0.00%	0.00%	0.00%	0.13%
Allowance for credit losses/ total loans	0.76%	0.77%	0.80%	0.81%	0.88%
Average loans/average assets	92.9%	92.7%	92.4%	91.1%	92.2%
Non-interest expenses*/ average assets	2.17%	2.21%	2.28%	2.15%	2.19%
Efficiency ratio	62.3%	63.3%	65.5%	63.1%	60.1%
Earnings per share – basic/ and diluted	\$0.53	\$0.44	\$0.43	\$0.53	\$0.51
Book value per share	\$16.45	\$15.78	\$15.34	\$14.91	\$14.31
Total shares outstanding	3,004,689	3,098,431	3,096,138	3,093,414	3,090,838
Weighted average shares outstanding	3,055,157	3,097,433	3,094,951	3,092,277	3,089,441

* Annualized

Income Statements (unaudited)

	Qtr. Ended Sep. 30, 2024	Qtr. Ended Jun. 30, 2024	Qtr. Ended Mar. 31, 2024	Qtr. Ended Dec. 31, 2023	Qtr. Ended Sep. 30, 2023
INTEREST INCOME					
Loans, including fees	\$9,346,895	\$8,859,695	\$8,228,102	\$7,941,483	\$7,633,163
Securities	123,678	122,082	120,713	133,125	125,882
Other	<u>25,135</u>	<u>34,964</u>	<u>31,735</u>	<u>105,679</u>	<u>33,221</u>
Total interest income	<u>9,495,708</u>	<u>9,016,741</u>	<u>8,380,550</u>	<u>8,180,287</u>	<u>7,792,266</u>
INTEREST EXPENSE					
Deposits	3,979,691	3,767,011	3,519,176	3,277,096	2,696,301
Borrowings	245,596	173,198	105,860	98,901	195,150
Subordinated debt	<u>120,829</u>	<u>93,124</u>	<u>93,124</u>	<u>93,124</u>	<u>93,124</u>
Total interest expense	<u>4,346,116</u>	<u>4,033,333</u>	<u>3,718,160</u>	<u>3,469,121</u>	<u>2,984,575</u>
Net interest income	<u>5,149,592</u>	<u>4,983,408</u>	<u>4,662,390</u>	<u>4,711,166</u>	<u>4,807,691</u>
Provision for credit losses	<u>13,317</u>	<u>246,273</u>	<u>63,651</u>	<u>(263,073)</u>	<u>71,017</u>
Net interest income after provision for credit losses	5,136,275	4,737,135	4,598,739	4,974,239	4,736,674
NON-INTEREST INCOME					
Service charges and other fees	94,812	104,748	100,164	94,656	109,894
BOLI income	65,800	59,613	51,356	50,730	50,237
Gain on sale of SBA loans	59,296	-	-	-	-
Swap referral fee income	-	62,460	182,060	-	75,649
Other	<u>65,944</u>	<u>64,085</u>	<u>62,548</u>	<u>62,701</u>	<u>61,527</u>
Total non-interest income	285,852	290,906	396,128	208,087	297,307
NON-INTEREST EXPENSE					
Salaries & benefits	1,999,957	1,944,755	2,045,083	1,873,831	1,893,558
Occupancy & equipment	368,339	362,850	289,202	289,361	282,025
Professional fees	128,748	130,767	137,482	123,336	119,258
Advertising	76,383	81,510	81,745	83,506	58,354
Data processing	189,429	180,257	176,685	167,921	172,288
Other	<u>622,590</u>	<u>636,589</u>	<u>584,926</u>	<u>567,428</u>	<u>543,465</u>
Total non-interest expense	<u>3,385,446</u>	<u>3,336,728</u>	<u>3,315,123</u>	<u>3,105,383</u>	<u>3,068,948</u>
Income before federal income tax expense	2,036,681	1,691,313	1,679,744	2,076,943	1,965,033
Federal income tax expense	<u>413,607</u>	<u>342,880</u>	<u>348,807</u>	<u>429,920</u>	<u>401,490</u>
Net income	<u>\$1,623,074</u>	<u>\$1,348,433</u>	<u>\$1,330,937</u>	<u>\$1,647,023</u>	<u>\$1,563,543</u>

Income Statements (unaudited)

	Nine Months Ended Sep. 30, 2024	Nine Months Ended Sep. 30, 2023
INTEREST INCOME		
Loans, including fees	\$ 26,434,692	\$ 20,779,493
Securities	366,473	377,365
Other	<u>91,834</u>	<u>128,602</u>
Total interest income	<u>26,892,999</u>	<u>21,285,460</u>
INTEREST EXPENSE		
Deposits	11,265,878	6,782,959
Borrowings	524,654	386,037
Subordinated debt	<u>307,077</u>	<u>279,371</u>
Total interest expense	<u>12,097,609</u>	<u>7,448,367</u>
Net interest income	<u>14,795,390</u>	<u>13,837,093</u>
Provision for credit losses	<u>323,241</u>	<u>157,643</u>
Net interest income after provision for credit losses	14,472,149	13,679,450
NON-INTEREST INCOME		
Service charges and other fees	299,724	317,305
BOLI income	176,769	147,209
Gain on sale of SBA loans	59,296	-
Swap referral fee income	244,520	75,649
Other	<u>192,577</u>	<u>170,280</u>
Total non-interest income	972,886	710,443
NON-INTEREST EXPENSE		
Salaries & benefits	5,989,795	5,572,835
Occupancy & equipment	1,020,391	800,050
Professional fees	396,997	354,008
Advertising	239,638	191,466
Data processing	546,371	479,891
Other	<u>1,844,105</u>	<u>1,623,026</u>
Total non-interest expense	<u>10,037,297</u>	<u>9,021,276</u>
Income before federal income tax expense	5,407,738	5,368,617
Federal income tax expense	<u>1,105,294</u>	<u>1,089,645</u>
Net income	<u>\$ 4,302,444</u>	<u>\$ 4,278,972</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.