First Resource Bancorp, Inc.

NEWS RELEASE

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FIRST RESOURCE BANCORP, INC. ANNOUNCES FIRST QUARTER RESULTS; DEPOSITS GREW 8% AND LOANS GREW 5% DURING FIRST QUARTER OF 2023

EXTON, PA – First Resource Bancorp, Inc. (OTCQX: FRSB), the holding company for First Resource Bank, announced financial results for the three months ended March 31, 2023.

Glenn B. Marshall, CEO, stated, "Our team's prudent focus on cultivating relationships proved to be crucial during the first quarter. Despite the banking headlines and potential economic headwinds, we remain committed to growing in a smart and responsible manner. Through our strategic approach we were able to increase deposits by 8% and loans by 5%. This growth speaks to the importance and the need for community banks as we assist our customers through uncertain economic times. We're here for our customers and appreciate their support as we continue our mission of delivering a better banking experience locally."

Highlights for the first quarter of 2023 included:

- Total interest income grew 41% over the prior year
- Net interest income grew 9% over the prior year
- Total loans grew 5%
- Total deposits grew 8%
- Total assets grew $22 million, or 4%, ending the quarter at $539 million
- Nonperforming assets to total assets decreased 3 basis points to 0.14%
- Book value per share grew 3% to $14.10

President and Chief Financial Officer, Lauren C. Ranalli, stated, "When we were carrying excess liquidity on the balance sheet in 2020 and 2021, we resisted the temptation to put that cash to work in the investment portfolio due to the historically low yield on those securities during that time. The investment portfolio represents only 4% of total assets at March 31, 2023. Despite unrealized losses in that portfolio, we have managed to grow book value each quarter. We maintain high levels of off balance sheet liquidity availability and have robust deposit pipelines to continue to support our loan growth."

Net income for the quarter ended March 31, 2023 was $1.3 million, or $0.43 per common share, compared to $1.4 million, or $0.48 per common share, for the previous quarter and $1.3 million, or $0.45 per common share, for the first quarter of the prior year. Annualized return on average assets was 1.00% for the first quarter of 2023 compared to 1.16% for the first quarter of 2022. Annualized return on average equity was 12.57% for the first quarter of 2023 compared to 14.87% for the same period a year prior.

Total interest income increased $356 thousand, or 6%, from $6.0 million for the fourth quarter of 2022 to $6.4 million for the first quarter of 2023. This increase was driven by a 5% growth in loans, coupled with an increased rate environment, favorably affecting interest earning assets.

Total interest income increased $1.9 million, or 41%, from $4.5 million for the first quarter of 2022 to $6.4 million for the first quarter of 2023. This increase was the result of a 19% growth in loans when comparing March 31, 2023 to the year prior. Increased interest income from loan growth coupled with an increased rate environment, favorably affected interest earning assets.

The Bank recognized $160 thousand in Paycheck Protection Program ("PPP") fees in the first quarter of 2022, compared to none in the first quarter of 2023, and none in the fourth quarter of 2022. PPP fees represent 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 were fully recognized as of June 30, 2022.

Total interest expense increased 46% when comparing the first quarter of 2023 to the fourth quarter of 2022. This increase was the result of a 62 basis point increase in the rate of money market accounts and an 81 basis point increase in the rate of time deposits, in addition to a higher volume of time deposits quarter over quarter. Additionally, interest expense on FHLB borrowings increased 35% due to an increase in average balance and cost of advances during the first quarter. During the first quarter of 2023 the Federal Reserve increased interest rates by 50 basis points.

Total interest expense increased 274% from $546 thousand for the first quarter of 2022 to $2.0 million for the first quarter 2023. The majority of this increased expense was related to a 177 basis point increase in the money market rate along with a higher volume of money market accounts, and a 136 basis point increase in the time deposit rate as well as a higher volume of time deposits year over year. During the twelve months ended March 31, 2023, the Federal Reserve increased interest rates by 450 basis points.

Net interest income decreased $286 thousand, or 6%, to $4.3 million in the first quarter of 2023 as compared to the previous quarter. The net interest margin decreased 24 basis points from 3.81% in the fourth quarter of 2022 to 3.57% in the first quarter of 2023. The overall yield on interest earning assets increased 29 basis points during the first quarter, primarily due to a 28 basis point increase in yield as well as a higher volume of loans, and an increase in yield on investments and interest earning cash equivalents. With an increase in both volume and costs for money market accounts and time deposit accounts, the cost of interest-bearing deposits increased 64 basis points during the first quarter to 2.03%. The total cost of deposits increased from 1.09% during the fourth quarter of 2022 to 1.66% during the first quarter of 2023.

Ranalli noted, "Our deposit rates lagged increases by the Federal Reserve for most of 2022; however, we increased rates towards the end of the fourth quarter and through the first quarter of 2023 due to competition for funds. These increases caused the net interest margin compression in the first quarter. As loans continue to reprice upwards due to future scheduled repricing dates, we expect to see some relief on the margin compression, but that may be offset by continued deposit pricing pressures in the short term."

The provision for credit losses decreased to $64 thousand in the first quarter of 2023 compared to $445 thousand in the fourth quarter of 2022. Year over year the provision for credit losses increased from $22 thousand in the first quarter of 2022 to $64 thousand in the first quarter of 2023.

The Current Expected Credit Losses (CECL) accounting standard was adopted effective January 1, 2023. The cumulative effect of this accounting change on that date increased the allowance for loans losses by approximately 2% which was booked net of tax through a charge to retained earnings. The allowance for loan losses to total loans was 0.91% at March 31, 2023, compared to 0.92% at December 31, 2022, and 0.89% at March 31, 2022. Non-performing assets consisted of non-performing loans of $780 thousand at March 31, 2023, and $898 thousand at December 31, 2022. Non-performing assets to total assets were 0.14% at March 31, 2023 and 0.17% at December 31, 2022.

Marshall stated, "Our local housing market and economy in general has remained strong despite persistently high inflation. There are no signs of systemic credit distress in the loan portfolio currently. Our exposure to traditional office space loans is less than 1% of the total portfolio and all of that is owner occupied."

Non-interest income for the first quarter of 2023 was $200 thousand compared to $207 thousand for the previous quarter and $383 thousand for the first quarter of the prior year. No swap referral fee income or gain on sale of SBA loans was received in either the first quarter of 2023 or the fourth quarter of 2022. In the first quarter of 2022, swap referral fee income was $102 thousand, and gain on sale of SBA loans was $94 thousand.

Non-interest expense increased $224 thousand, or 8%, in the first quarter of 2023 compared to the prior quarter. Increases in salaries & employee benefits and occupancy & equipment were partially offset by decreases in professional fees, advertising, data processing, and other costs. Non-interest expense increased $218 thousand, or 8%, when comparing the first quarter of 2023 to the first quarter of 2022. Increases in salaries & employee benefits, occupancy & equipment, data processing, and other costs were partially offset by decreases in professional fees and advertising. Non-interest expenses to average assets were 2.29% for the first quarter of 2023 compared to 2.11% for the previous quarter and 2.35% for the first quarter of the prior year.

Deposits increased a net $35.3 million, or 8%, from $431.0 million at December 31, 2022 to $466.2 million at March 31, 2023. During the first quarter, noninterest-bearing deposits increased $3.2 million, or 4%, from $87.9 million at December 31, 2022 to $91.0 million at March 31, 2023. Interest-bearing checking balances decreased $1.5 million, or 3%, from $46.5 million at December 31, 2022 to $45.0 million at March 31, 2023. Money market deposits increased $8.4 million, or 4%, from $207.2 million at December 31, 2022 to $215.6 million at March 31,

2023. Certificates of deposit increased $25.2 million, or 28%, from $89.4 million at December 31, 2022 to $114.6 million at March 31, 2023. Between March 31, 2022 and March 31, 2023, total deposits grew 13%, with strong interest bearing checking, money market, and time deposit growth partially offset by a decline in non-interest bearing checking.

Ranalli added, "With the entire community banking industry challenged with growing deposits, our 8% growth during the first quarter was significant. We have not seen any substantial deposit outflows since year end and we've actually grown deposits using tools at our disposal to offer excess FDIC insurance among other strategies. We maintain a high level of insured deposits and at March 31, 2023, approximately 78% of total deposits were insured or otherwise collateralized."

With strong growth in commercial real estate loans, construction loans, and consumer loans, partially offset by a decline in commercial business loans, the loan portfolio increased $24.4 million during the first quarter of 2023 to $483.1 million, compared to $458.7 million during the previous quarter.

The following table illustrates the composition of the loan portfolio:

	Mar. 31, 2023	Dec. 31, 2022	Mar. 31, 2022
Commercial real estate	$ 383,875,127	$ 364,523,848	$ 332,693,484
Commercial construction	39,761,445	35,120,763	23,715,640
Commercial business	42,682,372	43,005,663	35,309,943
Consumer	16,793,036	16,035,503	13,821,926
Total loans	$ 483,111,980	$ 458,685,777	$ 405,540,993

Investment securities totaled $19.4 million at March 31, 2023 as compared to $34.8 million at December 31, 2022. This decline is attributed to short term Treasury securities that were purchased towards the end of 2022 that matured in early 2023. At March 31, 2023, the held-to-maturity investment portfolio book value was $8.9 million, with a fair market value of $8.1 million, resulting in an unrealized loss of $819 thousand. This unrealized loss, net of tax, is less than 2% of total equity at March 31, 2023. The remainder of the investment portfolio was classified as available for sale with a book value of $11.7 million and a fair value of $10.5 million. This unrealized loss of $1.2 million, net of tax, is included in accumulated other comprehensive loss on the balance sheet.

Total stockholders' equity increased $1.3 million, or 3%, from $40.1 million at December 31, 2022 to $41.4 million at March 31, 2023, primarily due to net income generated. During the quarter ended March 31, 2023, book value per share grew 45 cents, or 3%, to $14.10.

Selected Financial Data:

Balance Sheets (unaudited)

	March 31, 2023	December 31, 2022
Cash and due from banks	$ 19,221,705	$ 5,600,869
Time deposits at other banks	100,000	100,000
Investments	19,428,636	34,781,542
Loans	483,111,980	458,685,777
Allowance for loan losses	(4,393,917)	(4,238,927)
Premises & equipment	7,862,914	7,967,246
Other assets	13,389,409	13,828,477
Total assets	$ 538,720,727	$ 516,724,984
Noninterest-bearing deposits	$ 91,049,754	$ 87,888,933
Interest-bearing checking	44,988,717	46,526,732
Money market	215,597,060	207,184,086
Time deposits	114,594,669	89,364,726
Total deposits	466,230,200	430,964,477
Short term borrowings	12,500,000	27,196,000
Long term borrowings	9,530,000	9,530,000
Subordinated debt	5,968,763	5,965,639
Other liabilities	3,055,558	2,972,488
Total liabilities	497,284,521	476,628,604
Common stock	2,938,678	2,936,756
Surplus	18,178,433	18,156,784
Accumulated other comprehensive loss	(984,124)	(1,108,493)
Retained earnings	21,303,219	20,111,333
Total stockholders' equity	41,436,206	40,096,380
Total liabilities & stockholders' equity	$ 538,720,727	$ 516,724,984

Performance Statistics
(unaudited)

	Qtr Ended Mar. 31, 2023	Qtr Ended Dec. 31, 2022	Qtr Ended Sep. 30, 2022	Qtr Ended June 30, 2022	Qtr Ended Mar. 31, 2022
Net interest margin	3.57%	3.81%	3.79%	3.73%	3.62%
Nonperforming loans/ total loans	0.16%	0.20%	0.04%	0.06%	0.06%
Nonperforming assets/ total assets	0.14%	0.17%	0.04%	0.05%	0.05%
Allowance for loan losses/ total loans	0.91%	0.92%	0.85%	0.87%	0.89%
Average loans/average assets	91.6%	90.8%	87.8%	88.0%	85.2%
Non-interest expenses*/ average assets	2.29%	2.11%	2.14%	2.32%	2.35%
Efficiency ratio	63.7%	55.2%	56.0%	60.6%	61.3%
Earnings per share – basic and diluted	$0.43	$0.48	$0.52	$0.47	$0.45
Book value per share	$14.10	$13.65	$13.16	$12.75	$12.40
Total shares outstanding	2,938,678	2,936,756	2,934,657	2,932,440	2,930,134
Weighted average shares outstanding	2,937,736	2,935,658	2,933,642	2,931,285	2,929,243

* Annualized

Income Statements (unaudited)

	Qtr. Ended Mar. 31, 2023	Qtr. Ended Dec. 31, 2022	Qtr. Ended Sep. 30, 2022	Qtr. Ended June 30, 2022	Qtr. Ended Mar. 31, 2022
INTEREST INCOME					
Loans, including fees	$6,223,153	$5,855,969	$5,218,510	$4,597,848	$4,401,051
Securities	131,350	138,544	116,783	115,791	112,463
Other	28,174	32,055	107,483	26,483	11,699
Total interest income	6,382,677	6,026,568	5,442,776	4,740,122	4,525,213
INTEREST EXPENSE					
Deposits	1,819,643	1,210,800	749,425	412,378	394,432
Borrowings	126,620	93,773	41,337	45,690	58,137
Subordinated debt	93,124	93,124	93,123	93,125	93,123
Total interest expense	2,039,387	1,397,697	883,885	551,193	545,692
Net interest income	4,343,290	4,628,871	4,558,891	4,188,929	3,979,521
Provision for credit losses	63,957	444,833	167,671	19,150	21,560
Net interest income after provision for credit losses	4,279,333	4,184,038	4,391,220	4,169,779	3,957,961
NON-INTEREST INCOME					
Service charges and other fees	99,570	97,480	103,253	83,102	97,290
BOLI income	47,691	47,849	48,413	47,100	46,591
Referral fee income	-	-	-	84,725	101,974
Gain on sale of SBA loans	-	-	-	-	94,392
Other	53,013	61,559	52,028	51,481	42,543
Total non-interest income	200,274	206,888	203,694	266,408	382,790
NON-INTEREST EXPENSE					
Salaries & benefits	1,834,921	1,590,948	1,647,461	1,643,403	1,628,813
Occupancy & equipment	257,741	236,407	253,856	233,866	253,088
Professional fees	115,303	127,044	73,525	151,939	130,894
Advertising	67,195	88,772	83,724	81,856	80,926
Data processing	147,808	154,340	148,071	134,463	136,335
Other	470,567	471,560	458,443	452,282	445,110
Total non-interest expense	2,893,535	2,669,071	2,665,080	2,697,809	2,675,166
Income before federal income tax expense	1,586,072	1,721,855	1,929,834	1,738,378	1,665,585
Federal income tax expense	321,784	344,542	394,616	352,887	338,506
Net income	$1,264,288	$1,377,313	$1,535,218	$1,385,491	$1,327,079

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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.