

NEWS RELEASE

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FIRST RESOURCE BANCORP, INC. ANNOUNCES SECOND QUARTER RESULTS; NET INTEREST MARGIN EXPANDS, LOANS GREW 21% AND DEPOSITS GREW 14% OVER THE PAST 12 MONTHS

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

Glenn B. Marshall, CEO, stated, “Our successful results in the first half of the year can be attributed to the sustained expansion of loans and deposits. Despite the challenges of rising deposit costs, our net interest income has continued to rise, primarily fueled by the significant growth of our loan portfolio. Loan pricing has improved to offset deposit pricing pressures and credit quality remains very strong.”

Highlights for the second quarter of 2023 included:

- Net income of \$1.5 million, exceeding the prior quarter by 15%
- Total interest income grew 50% over the prior year second quarter
- Net interest income grew 12% over the prior year second quarter
- The net interest margin expanded from 3.57% in the first quarter to 3.64% in the second quarter
- Total loans grew 4% during the second quarter and 10% year-to-date
- Total deposits grew 2% during the second quarter and 10% year-to-date
- Noninterest-bearing deposits grew 16% during the second quarter and 20% year-to-date
- Total assets grew \$26 million, or 5%, ending the quarter at \$565 million
- Nonperforming assets to total assets remained low at 0.14%
- Completed a 5% stock dividend in June 2023
- Named a “Best Places to Work” company by the [Philadelphia Business Journal](#)
- Named Best Commercial Bank and Best Community Bank by the readers of the [Main Line Times](#)
- Recognized as one of the top 200 performing bank holding companies under \$2 billion in assets in the US by [American Banker](#)

President and Chief Financial Officer, Lauren C. Ranalli, stated, “The net interest margin expansion we experienced during the second quarter is largely attributed to the 16% growth in noninterest-bearing deposits we achieved during that timeframe. Growing deposits at this point in the rate cycle in an incredibly competitive, well-banked, market is a significant accomplishment. Our year-to-date net income remains level with the previous year, which is noteworthy considering that there has been no swap referral fee income or gains on sales of SBA loans in 2023 so far, mainly due to less attractive pricing of these products.”

Net income for the quarter ended June 30, 2023 was \$1.5 million, or \$0.47 per common share, compared to \$1.3 million, or \$0.41 per common share, for the previous quarter and \$1.4 million, or \$0.45 per common share, for the second quarter of the prior year. Annualized return on average assets was 1.08% for the second quarter of 2023 compared to 1.19% for the second quarter of 2022. Annualized return on average equity was 13.78% for the second quarter of 2023 compared to 15.03% for the same period a year prior.

Total interest income increased \$728 thousand, or 11%, from \$6.4 million for the first quarter of 2023 to \$7.1 million for the second quarter of 2023. This increase was driven by a 4% growth in loans, coupled with an increased rate environment, favorably affecting interest-earning assets.

Total interest income increased \$2.4 million, or 50%, from \$4.7 million for the second quarter of 2022 to \$7.1 million for the second quarter of 2023. This increase was the result of a 21% growth in loans when comparing June 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 19% when comparing the second quarter of 2023 to the first quarter of 2023. This increase was the result of a 38 basis point increase in the cost of money market accounts and a 53 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 decreased 49% due to a decrease in the average balance and cost of advances during the second quarter. During the second quarter of 2023 the Federal Reserve increased interest rates by 25 basis points.

Total interest expense increased 340% from \$551 thousand for the second quarter of 2022 to \$2.4 million for the second quarter of 2023. The majority of this increased expense was related to a 211 basis point increase in the cost of money market deposits along with a higher volume of money market accounts, and a 188 basis point increase in the cost of time deposits as well as a higher volume of time deposits year over year. During the twelve months ended June 30, 2023, the Federal Reserve increased interest rates by 350 basis points.

Net interest income increased \$343 thousand, or 8%, to \$4.7 million in the second quarter of 2023 as compared to the previous quarter. The net interest margin increased 7 basis points from 3.57% in the first quarter of 2023 to 3.64% in the second quarter of 2023. The overall yield on interest-earning assets increased 27 basis points during the second quarter, primarily due to a 27 basis point increase in yield as well as a higher volume of loans, and an increase in yield on 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 41 basis points during the second quarter to 2.44%. The total cost of deposits increased 26 basis points from 1.66% during the first quarter of 2023 to 1.92% during the second quarter of 2023.

Net interest income for the six months ended June 30, 2023 was \$9.0 million, an 11% improvement over net interest income of \$8.2 million for the six months ended June 30, 2022. This growth was driven by a \$4.1 million, or 46%, increase in loan interest income, offset by a \$3.3 million, or 407%, increase in deposit interest expense.

The provision for credit losses decreased to \$17 thousand in the second quarter of 2023 compared to \$64 thousand in the first quarter of 2023. Year over year the provision for credit losses decreased from \$19 thousand in the second quarter of 2022 to \$17 thousand in the second quarter of 2023. The second quarter of 2023 benefitted from a \$71 thousand loan recovery which lowered the required provision for credit losses that quarter.

The allowance for loan losses to total loans was 0.89% at June 30, 2023, compared to 0.92% at December 31, 2022, and 0.87% at June 30, 2022. Non-performing assets consisted of non-performing loans of \$780 thousand at June 30, 2023, and \$898 thousand at December 31, 2022. Non-performing assets to total assets were 0.14% at June 30, 2023 and 0.17% at December 31, 2022.

Non-interest income for the second quarter of 2023 was \$213 thousand compared to \$200 thousand for the previous quarter and \$266 thousand for the second quarter of the prior year. No swap referral fee income or gain on the sale of SBA loans was received in either the second quarter of 2023 or the first quarter of 2023. In the second quarter of 2022, swap referral fee income was \$85 thousand, and no gain on the sale of SBA loans was received.

Non-interest income for the six months ended June 30, 2023 was \$413 thousand as compared to \$649 thousand for the same period in the prior year. Swap referral fee income of \$187 thousand was received in the first six months of 2022 as compared to none in the first six months of 2023. Gain on sale of SBA loans was \$94 thousand for the first six months of 2022 as compared to none in the first six months of 2023.

Non-interest expense increased \$171 thousand, or 6%, in the second quarter of 2023 compared to the prior quarter. 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 increased \$367 thousand, or 14%, when comparing the second quarter of 2023 to the second 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 second and first quarters of 2023 compared to 2.32% for the second quarter of the prior year.

Deposits increased a net \$9.5 million, or 2%, from \$466.2 million at March 31, 2023 to \$475.7 million at June 30, 2023. During the second quarter, non-interest-bearing deposits increased \$14.6 million, or 16%, from \$91.0 million at March 31, 2023 to \$105.6 million at June 30, 2023. Interest-bearing checking balances increased \$193 thousand, from \$45.0 million at March 31, 2023 to \$45.2 million at June 30, 2023. Money market deposits decreased \$12.6 million, or 6%, from \$215.6 million at March 31, 2023 to \$203.0 million at June 30, 2023. Certificates of deposit increased \$7.3 million, or 6%, from \$114.6 million at March 31, 2023 to \$121.9 million at June 30, 2023. Between June 30, 2022 and June 30, 2023, total deposits grew 14%, with strong interest-bearing checking, money market, and time deposit growth partially offset by a decline in non-interest-bearing checking. At June 30, 2023, approximately 81% of total deposits were insured or otherwise collateralized.

With strong growth across all loan categories, the loan portfolio increased \$21.6 million during the second quarter of 2023 to \$504.7 million, compared to \$483.1 million during the previous quarter.

The following table illustrates the composition of the loan portfolio:

	Jun. 30, 2023	Dec. 31, 2022	Jun. 30, 2022
Commercial real estate	\$ 390,330,435	\$ 364,523,848	\$ 344,077,132
Commercial construction	50,482,296	35,120,763	23,651,993
Commercial business	46,023,011	43,005,663	36,531,634
Consumer	<u>17,843,210</u>	<u>16,035,503</u>	<u>14,400,492</u>
Total loans	<u>\$ 504,678,952</u>	<u>\$ 458,685,777</u>	<u>\$ 418,661,251</u>

Investment securities totaled \$18.7 million at June 30, 2023 as compared to \$19.4 million at March 31, 2023. At June 30, 2023, the held-to-maturity investment portfolio book value was \$8.9 million, with a fair market value of \$7.8 million, resulting in an unrealized loss of \$1.0 million. This unrealized loss, net of tax, of \$824 thousand is less than 2% of total equity at June 30, 2023. The remainder of the investment portfolio was classified as available for sale with a book value of \$11.3 million and a fair value of \$9.8 million, resulting in an unrealized loss of \$1.4 million. This unrealized loss, net of tax, of \$1.1 million is included in accumulated other comprehensive loss on the balance sheet.

Total stockholders' equity increased \$1.3 million, or 3%, from \$41.4 million at March 31, 2023 to \$42.8 million at June 30, 2023, primarily due to net income generated. At June 30, 2023, book value per share was \$13.85.

Selected Financial Data:
Balance Sheets (unaudited)

	June 30, 2023	December 31, 2022
Cash and due from banks	\$ 24,208,417	\$ 5,600,869
Time deposits at other banks	100,000	100,000
Investments	18,710,916	34,781,542
Loans	504,678,952	458,685,777
Allowance for loan losses	(4,483,275)	(4,238,927)
Premises & equipment	7,892,354	7,967,246
Other assets	<u>13,864,454</u>	<u>13,828,477</u>
Total assets	<u>\$ 564,971,818</u>	<u>\$ 516,724,984</u>
Noninterest-bearing deposits	\$ 105,614,112	\$ 87,888,933
Interest-bearing checking	45,181,430	46,526,732
Money market	202,993,441	207,184,086
Time deposits	<u>121,911,865</u>	<u>89,364,726</u>
Total deposits	<u>475,700,848</u>	<u>430,964,477</u>
Short term borrowings	28,000,000	27,196,000
Long term borrowings	9,530,000	9,530,000
Subordinated debt	5,971,886	5,965,639
Other liabilities	<u>2,993,396</u>	<u>2,972,488</u>
Total liabilities	<u>522,196,130</u>	<u>476,628,604</u>
Common stock	3,088,019	2,936,756
Surplus	19,711,472	18,156,784
Accumulated other comprehensive loss	(1,126,166)	(1,108,493)
Retained earnings	<u>21,102,363</u>	<u>20,111,333</u>
Total stockholders' equity	<u>42,775,688</u>	<u>40,096,380</u>
Total liabilities & stockholders' equity	<u>\$ 564,971,818</u>	<u>\$ 516,724,984</u>

Performance Statistics
(unaudited)

	Qtr Ended Jun. 30, 2023	Qtr Ended Mar. 31, 2023	Qtr Ended Dec. 31, 2022	Qtr Ended Sep. 30, 2022	Qtr Ended Jun. 30, 2022
Net interest margin	3.64%	3.57%	3.81%	3.79%	3.73%
Nonperforming loans/ total loans	0.15%	0.16%	0.20%	0.04%	0.06%
Nonperforming assets/ total assets	0.14%	0.14%	0.17%	0.04%	0.05%
Allowance for loan losses/ total loans	0.89%	0.91%	0.92%	0.85%	0.87%
Average loans/average assets	91.6%	91.6%	90.8%	87.8%	88.0%
Non-interest expenses*/ average assets	2.29%	2.29%	2.11%	2.14%	2.32%
Efficiency ratio	62.6%	63.7%	55.2%	56.0%	60.6%
Earnings per share – basic and diluted**	\$0.47	\$0.41	\$0.45	\$0.50	\$0.45
Book value per share**	\$13.85	\$13.43	\$13.00	\$12.54	\$12.14
Total shares outstanding**	3,088,019	3,085,576	3,083,654	3,081,555	3,079,338
Weighted average shares outstanding**	3,086,782	3,084,634	3,082,556	3,080,540	3,078,183

* Annualized

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

Income Statements (unaudited)

	Qtr. Ended Jun. 30, 2023	Qtr. Ended Mar. 31, 2023	Qtr. Ended Dec. 31, 2022	Qtr. Ended Sep. 30, 2022	Qtr. Ended Jun. 30, 2022
INTEREST INCOME					
Loans, including fees	\$6,923,177	\$6,223,153	\$5,855,969	\$5,218,510	\$4,597,848
Securities	120,133	131,350	138,544	116,783	115,791
Other	67,207	28,174	32,055	107,483	26,483
Total interest income	<u>7,110,517</u>	<u>6,382,677</u>	<u>6,026,568</u>	<u>5,442,776</u>	<u>4,740,122</u>
INTEREST EXPENSE					
Deposits	2,267,015	1,819,643	1,210,800	749,425	412,378
Borrowings	64,267	126,620	93,773	41,337	45,690
Subordinated debt	93,123	93,124	93,124	93,123	93,125
Total interest expense	<u>2,424,405</u>	<u>2,039,387</u>	<u>1,397,697</u>	<u>883,885</u>	<u>551,193</u>
Net interest income	<u>4,686,112</u>	<u>4,343,290</u>	<u>4,628,871</u>	<u>4,558,891</u>	<u>4,188,929</u>
Provision for credit losses	<u>17,129</u>	<u>63,957</u>	<u>444,833</u>	<u>167,671</u>	<u>19,150</u>
Net interest income after provision for credit losses	4,668,983	4,279,333	4,184,038	4,391,220	4,169,779
NON-INTEREST INCOME					
Service charges and other fees	107,841	99,570	97,480	103,253	83,102
BOLI income	49,281	47,691	47,849	48,413	47,100
Referral fee income	-	-	-	-	84,725
Gain on sale of SBA loans	-	-	-	-	-
Other	55,740	53,013	61,559	52,028	51,481
Total non-interest income	<u>212,862</u>	<u>200,274</u>	<u>206,888</u>	<u>203,694</u>	<u>266,408</u>
NON-INTEREST EXPENSE					
Salaries & benefits	1,844,356	1,834,921	1,590,948	1,647,461	1,643,403
Occupancy & equipment	260,284	257,741	236,407	253,856	233,866
Professional fees	119,447	115,303	127,044	73,525	151,939
Advertising	65,917	67,195	88,772	83,724	81,856
Data processing	159,795	147,808	154,340	148,071	134,463
Other	614,534	470,567	471,560	458,443	452,282
Total non-interest expense	<u>3,064,333</u>	<u>2,893,535</u>	<u>2,669,071</u>	<u>2,665,080</u>	<u>2,697,809</u>
Income before federal income tax expense	1,817,512	1,586,072	1,721,855	1,929,834	1,738,378
Federal income tax expense	<u>366,371</u>	<u>321,784</u>	<u>344,542</u>	<u>394,616</u>	<u>352,887</u>
Net income	<u>\$1,451,141</u>	<u>\$1,264,288</u>	<u>\$1,377,313</u>	<u>\$1,535,218</u>	<u>\$1,385,491</u>

Income Statements (unaudited)

	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022
INTEREST INCOME		
Loans, including fees	\$ 13,146,330	\$ 8,998,899
Securities	251,483	228,254
Other	95,381	38,182
Total interest income	<u>13,493,194</u>	<u>9,265,335</u>
INTEREST EXPENSE		
Deposits	4,086,658	806,810
Borrowings	190,887	103,827
Subordinated debt	186,247	186,248
Total interest expense	<u>4,463,792</u>	<u>1,096,885</u>
Net interest income	<u>9,029,402</u>	<u>8,168,450</u>
Provision for credit losses	<u>81,086</u>	<u>40,710</u>
Net interest income after provision for credit losses	8,948,316	8,127,740
NON-INTEREST INCOME		
Service charges and other fees	207,411	180,392
BOLI income	96,972	93,691
Referral fee income	-	186,699
Gain on sale of SBA loans	-	94,392
Other	108,753	94,024
Total non-interest income	<u>413,136</u>	<u>649,198</u>
NON-INTEREST EXPENSE		
Salaries & benefits	3,679,277	3,272,216
Occupancy & equipment	518,025	486,954
Professional fees	234,750	282,833
Advertising	133,112	162,782
Data processing	307,603	270,798
Other	1,085,101	897,392
Total non-interest expense	<u>5,957,868</u>	<u>5,372,975</u>
Income before federal income tax expense	3,403,584	3,403,963
Federal income tax expense	<u>688,155</u>	<u>691,393</u>
Net income	<u>\$ 2,715,429</u>	<u>\$ 2,712,570</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.