

NEWS RELEASE

For Immediate Release
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**FIRST RESOURCE BANCORP, INC. ANNOUNCES 2024 SECOND QUARTER RESULTS;
NET INTEREST MARGIN EXPANDS,
LOANS GREW 14% 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 June 30, 2024.

Lauren C. Ranalli, President and CEO, stated, “Our strategy of consistent balance sheet expansion delivered strong results in the second quarter. Loan growth surpassed our original expectations as our markets continue to thrive and competitors scale back on lending. Deposit growth is keeping pace with funding needs, and we continue to win new customers with our free banking services and award-winning customer service. Our net interest margin appears to have reached an inflection point due to pricing discipline implemented across the balance sheet.”

Highlights for the second quarter of 2024 included:

- Net income of \$1.3 million, exceeding prior quarter by 1%
- Total interest income grew 27% over the prior year second quarter
- The net interest margin expanded from 3.35% in the first quarter to 3.43% in the second quarter
- Total loans grew 4% during the second quarter, or 17% annualized (8% year-to-date)
- Total deposits grew 5% during the second quarter, or 18% annualized (7% year-to-date)
- Swap loan referral income was \$62 thousand during the second quarter, totaling \$245 thousand year-to-date, more than triple the entire prior year
- There were no loans past due greater than 30 days, non-accrual loans or non-performing assets as of June 30, 2024
- Book value per share grew 3% during the second quarter to \$15.78
- 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 100 performing community banks in 2023 with under \$2 billion in assets in the US by American Banker

Net income for the quarter ended June 30, 2024 was \$1.3 million, or \$0.44 per common share, compared to \$1.3 million, or \$0.43 per common share, for the previous quarter and \$1.5 million, or \$0.47 per common share, for the second quarter of the prior year. Annualized return on average assets was 0.89% for the second quarter of 2024, down from 1.08% for the second quarter of 2023. Similarly, the annualized return on average equity was 11.27% for the second quarter of 2024 compared to 13.78% for the same period last year.

Total interest income rose by \$636 thousand, or 8%, from \$8.4 million for the first quarter of 2024 to \$9.0 million in the second quarter of 2024. This increase was driven by 4% growth in loans during the second quarter.

Total interest income increased \$1.9 million, marking a 27% rise from \$7.1 million in the second quarter of 2023 to \$9.0 million in the corresponding period of 2024. This growth was driven by a 14% expansion in loans compared to the previous year, complemented by an increased rate environment, positively impacting interest-earning assets.

Total interest income grew \$3.9 million, or 29%, from \$13.5 million for the six months ended June 30, 2023 to \$17.4 million for the corresponding period in 2024. The increase was directly related to the expansion of loans and increased rate environment as mentioned above.

Total interest expense rose by 8% in the second quarter of 2024 compared to the first quarter. This increase stemmed from a 3 basis point rise in the cost of money market accounts and an 11 basis point increase in the cost of time deposits, alongside a higher volume of money market accounts and time deposits quarter over quarter. Additionally, interest expense on FHLB borrowings increased by 64% due to an increase in the average balance of overnight advances during the second quarter of 2024 compared to the first quarter.

Total interest expense increased by 66%, climbing from \$2.4 million in the second quarter of 2023 to \$4.0 million in the second quarter of 2024. The primary driver of this increased expense was a 79 basis point rise in the cost of money market deposits and a 156 basis point increase in the cost of time deposits, coupled with a greater volume of money market accounts and time deposits year over year.

Total interest expense increased by 74%, growing from \$4.5 million for the six months ended June 30, 2023 to \$7.8 million for the same period in 2024. Primary factors of this increase include a 96 basis point rise in the cost of money market deposits and a 176 basis point increase in the cost of time deposits, along with greater volume in money market accounts, time deposits, and overnight FHLB borrowings when comparing the first six months of this year to the same period in the prior year.

In the second quarter of 2024, net interest income increased by \$321 thousand, or 7%, compared to the previous quarter. Additionally, the net interest margin expanded by 8 basis points, increasing from 3.35% in the first quarter of 2024 to 3.43% in the second quarter. The overall yield on interest-earning assets rose by 18 basis points during the second quarter, primarily driven by an 18 basis point increase in the yield on loans and an expanded loan volume, resulting in a total yield on loans of 6.32% for the second quarter of 2024. Conversely, due to increases in costs for money market and time deposit accounts, alongside a rise in the volume of money market and time deposit accounts, the cost of interest-bearing deposits increased by 10 basis points to 3.55% during the second quarter. Consequently, the total cost of deposits increased by 9 basis points, climbing from 2.77% in the first quarter of 2024 to 2.86% in the second quarter.

Net interest income for the six months ended June 30, 2024 was \$9.6 million, reflecting a 7% increase from \$9.0 million for the same period in 2023. This growth was fueled by a \$3.9 million, or 30%, increase in loan interest income, offset by a \$3.2 million, or 78%, increase in deposit interest expense.

The provision for credit losses was \$246 thousand in the second quarter of 2024, up from \$64 thousand in the first quarter. Year over year, the provision for credit losses rose \$226 thousand from \$20 thousand in the second quarter of 2023 to \$246 thousand in the second quarter of 2024. This increase included a \$204 thousand charge-off for one loan relationship, contributing to the higher provision for credit losses in the second quarter of 2024.

As of June 30, 2024, the allowance for credit losses to total loans stood at 0.77%, down from the 0.81% recorded on December 31, 2023, and lower than the 0.89% reported on June 30, 2023. As of both June 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 June 30, 2024.

“Credit quality remains excellent, despite the charge-off recorded during the second quarter. This specific charge-off is considered an anomaly as the loan transitioned from current to charge-off within a quarter. Originating in 2006 as a second-lien home equity loan, it had occasionally shown signs of stress over the years, finally concluding with a sheriff sale in the second quarter. Our current exposure to similar loans is minimal, as we exited this line of business over a decade ago.” commented Ranalli.

Non-interest income in the second quarter of 2024 amounted to \$291 thousand, compared to \$396 thousand in the previous quarter and \$213 thousand in the second quarter of the prior year. Specifically, swap referral fee income totaled \$62 thousand in the second quarter of 2024, compared to \$182 thousand in the first quarter of 2024 and none in the second quarter of 2023.

Non-interest income for the six months ended June 30, 2024, totaled \$687 thousand, up from \$413 thousand for the same period in the previous year. Swap referral fee income was \$245 thousand in the first half of 2024, whereas there was none in the first half of 2023.

Non-interest expenses increased \$22 thousand, or 1%, in the second quarter of 2024 compared to the prior quarter. Decreases in salaries & employee benefits and professional fees were partially offset by increases in occupancy & equipment, data processing, and other costs.

“Our outstanding results over the past several years have put us on a growth trajectory. As the bank grows, so does our need for additional office space to support our expanding team. We are excited to share that in April, we relocated our corporate headquarters to a larger space, which we believe will meet our needs for many years to come,” commented Ranalli. “This move contributed to the increase in occupancy and equipment for the second quarter; however, we fully expect this number to decline and level out by the end of the fourth quarter with the satisfaction of our former lease.”

Non-interest expenses increased \$276 thousand, or 9%, when comparing the second quarter of 2024 to the second quarter of 2023. Non-interest expenses to average assets were 2.21% for the second quarter of 2024, down from 2.28% for the previous quarter and 2.29% for the second quarter of the prior year.

Non-interest expenses for the six months ended June 30, 2024 were \$6.7 million compared to \$6.0 million for the same period in the prior year. The increase of \$700 thousand, or 12%, was mostly attributed to increases in salaries and employee benefits, occupancy costs, and other expenses.

Deposits increased a net \$23.4 million, or 5%, from \$513.2 million on March 31, 2024, to \$536.6 million on June 30, 2024. During the second quarter, non-interest-bearing deposits grew by \$8.3 million, or 9%, from \$96.4 million on March 31, 2024, to \$104.7 million on June 30, 2024. Interest-bearing checking balances decreased \$331 thousand, or 1%, from \$36.5 million on March 31, 2024, to \$36.2 million on June 30, 2024. Money market deposits increased \$393 thousand, or 0%, from \$234.9 million on March 31, 2024, to \$235.3 million on June 30, 2024. Certificates of deposit increased \$15.0 million, or 10%, from \$145.4 million on March 31, 2024, to \$160.4 million on June 30, 2024. Between June 30, 2023 and June 30, 2024, total deposits grew 13%, driven by strong growth in money markets and time deposits, which was partially offset by declines in non-interest-bearing checking and interest-bearing checking. As of June 30, 2024, approximately 81% of total deposits were insured or otherwise collateralized, consistent with the prior quarter.

With robust growth across all loan categories, the loan portfolio expanded by \$23.6 million, representing a 4% increase, from \$550.0 million on March 31, 2024, to \$573.6 million on June 30, 2024.

The following table illustrates the composition of the loan portfolio:

	Jun. 30, 2024	Dec. 31, 2023	Jun. 30, 2023
Commercial real estate	\$ 457,437,009	\$ 413,221,898	\$ 390,330,435
Commercial construction	42,138,883	48,838,199	50,482,296
Commercial business	55,316,506	50,224,869	46,023,011
Consumer	<u>18,697,974</u>	<u>19,099,155</u>	<u>17,843,210</u>
Total loans	<u>\$ 573,590,372</u>	<u>\$ 531,384,121</u>	<u>\$ 504,678,952</u>

Investment securities totaled \$17.0 million on June 30, 2024, compared to \$17.4 million on March 31, 2024. As of June 30, 2024, the held-to-maturity investment portfolio had a book value of \$8.7 million and a fair market value of \$7.6 million, resulting in an unrealized loss of \$1.1 million, compared to an unrealized loss of \$998 thousand as of March 31, 2024. This unrealized loss, net of tax, amounts to \$832 thousand, which is approximately 1.7% of total equity as of June 30, 2024. The remainder of the investment portfolio was classified as available for sale with a book value of \$9.6 million and a fair value of \$8.3 million, resulting in an unrealized loss of \$1.3 million, compared to an unrealized loss of \$1.3 million as of March 31, 2024. This unrealized loss, net of tax, of \$1.0 million is included in accumulated other comprehensive loss on the balance sheet.

Total stockholders' equity increased by \$1.4 million, or 3%, from \$47.5 million on March 31, 2024, to \$48.9 million on June 30, 2024, largely driven by net income generated. During the quarter ended June 30, 2024, book value per share increased by 44 cents, or 3%, reaching \$15.78.

Selected Financial Data:
Balance Sheets (unaudited)

	June 30, 2024	December 31, 2023
Cash and due from banks	\$ 28,564,047	\$ 23,820,615
Time deposits at other banks	100,000	100,000
Investments	16,956,492	25,840,840
Loans	573,590,372	531,384,121
Allowance for credit losses	(4,430,320)	(4,311,306)
Premises & equipment	7,724,875	7,639,939
Other assets	<u>18,180,562</u>	<u>18,142,682</u>
Total assets	<u>\$ 640,686,028</u>	<u>\$ 602,616,891</u>
Noninterest-bearing deposits	\$ 104,706,183	\$ 95,384,366
Interest-bearing checking	36,162,105	39,760,054
Money market	235,266,392	231,407,653
Time deposits	<u>160,425,520</u>	<u>132,738,973</u>
Total deposits	<u>536,560,200</u>	<u>499,291,046</u>
Short term borrowings	33,000,000	35,000,000
Long term borrowings	9,530,000	9,530,000
Subordinated debt	5,984,381	5,978,134
Other liabilities	<u>6,733,643</u>	<u>6,682,220</u>
Total liabilities	<u>591,808,224</u>	<u>556,481,400</u>
Common stock	3,098,431	3,093,414
Surplus	19,824,098	19,767,634
Accumulated other comprehensive loss	(1,037,024)	(1,038,486)
Retained earnings	<u>26,992,299</u>	<u>24,312,929</u>
Total stockholders' equity	<u>48,877,804</u>	<u>46,135,491</u>
Total liabilities & stockholders' equity	<u>\$ 640,686,028</u>	<u>\$ 602,616,891</u>

Performance Statistics
(unaudited)

	Qtr Ended Jun. 30, 2024	Qtr Ended Mar. 31, 2024	Qtr Ended Dec. 31, 2023	Qtr Ended Sep. 30, 2023	Qtr Ended Jun. 30, 2023
Net interest margin	3.43%	3.35%	3.39%	3.57%	3.64%
Nonperforming loans/ total loans	0.00%	0.00%	0.00%	0.14%	0.15%
Nonperforming assets/ total assets	0.00%	0.00%	0.00%	0.13%	0.14%
Allowance for credit losses/ total loans	0.77%	0.80%	0.81%	0.88%	0.89%
Average loans/average assets	92.7%	92.4%	91.1%	92.2%	91.6%
Non-interest expenses*/ average assets	2.21%	2.28%	2.15%	2.19%	2.29%
Efficiency ratio	63.3%	65.5%	63.1%	60.1%	62.5%
Earnings per share – basic/ and diluted**	\$0.44	\$0.43	\$0.53	\$0.51	\$0.47
Book value per share**	\$15.78	\$15.34	\$14.91	\$14.31	\$13.85
Total shares outstanding**	3,098,431	3,096,138	3,093,414	3,090,838	3,088,019
Weighted average shares outstanding**	3,097,433	3,094,951	3,092,277	3,089,441	3,086,782

* 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, 2024	Qtr. Ended Mar. 31, 2024	Qtr. Ended Dec. 31, 2023	Qtr. Ended Sep. 30, 2023	Qtr. Ended Jun. 30, 2023
INTEREST INCOME					
Loans, including fees	\$8,859,695	\$8,228,102	\$7,941,483	\$7,633,163	\$6,923,177
Securities	122,082	120,713	133,125	125,882	120,133
Other	34,964	31,735	105,679	33,221	67,207
Total interest income	<u>9,016,741</u>	<u>8,380,550</u>	<u>8,180,287</u>	<u>7,792,266</u>	<u>7,110,517</u>
INTEREST EXPENSE					
Deposits	3,767,011	3,519,176	3,277,096	2,696,301	2,267,015
Borrowings	173,198	105,860	98,901	195,150	64,267
Subordinated debt	93,124	93,124	93,124	93,124	93,123
Total interest expense	<u>4,033,333</u>	<u>3,718,160</u>	<u>3,469,121</u>	<u>2,984,575</u>	<u>2,424,405</u>
Net interest income	<u>4,983,408</u>	<u>4,662,390</u>	<u>4,711,166</u>	<u>4,807,691</u>	<u>4,686,112</u>
Provision for credit losses	<u>246,273</u>	<u>63,651</u>	<u>(263,073)</u>	<u>71,017</u>	<u>20,327</u>
Net interest income after provision for credit losses	4,737,135	4,598,739	4,974,239	4,736,674	4,665,785
NON-INTEREST INCOME					
Service charges and other fees	104,748	100,164	94,656	109,894	107,841
BOLI income	59,613	51,356	50,730	50,237	49,281
Swap referral fee income	62,460	182,060	-	75,649	-
Other	64,085	62,548	62,701	61,527	55,740
Total non-interest income	<u>290,906</u>	<u>396,128</u>	<u>208,087</u>	<u>297,307</u>	<u>212,862</u>
NON-INTEREST EXPENSE					
Salaries & benefits	1,944,755	2,045,083	1,873,831	1,893,558	1,844,356
Occupancy & equipment	362,850	289,202	289,361	282,025	260,284
Professional fees	130,767	137,482	123,336	119,258	119,447
Advertising	81,510	81,745	83,506	58,354	65,917
Data processing	180,257	176,685	167,921	172,288	159,795
Other	636,589	584,926	567,428	543,465	611,336
Total non-interest expense	<u>3,336,728</u>	<u>3,315,123</u>	<u>3,105,383</u>	<u>3,068,948</u>	<u>3,061,135</u>
Income before federal income tax expense	1,691,313	1,679,744	2,076,943	1,965,033	1,817,512
Federal income tax expense	<u>342,880</u>	<u>348,807</u>	<u>429,920</u>	<u>401,490</u>	<u>366,371</u>
Net income	<u>\$1,348,433</u>	<u>\$1,330,937</u>	<u>\$1,647,023</u>	<u>\$1,563,543</u>	<u>\$1,451,141</u>

Income Statements (unaudited)

	Six Months Ended Jun. 30, 2024	Six Months Ended Jun. 30, 2023
INTEREST INCOME		
Loans, including fees	\$ 17,087,797	\$ 13,146,330
Securities	242,795	251,483
Other	<u>66,699</u>	<u>95,381</u>
Total interest income	<u>17,397,291</u>	<u>13,493,194</u>
INTEREST EXPENSE		
Deposits	7,286,187	4,086,658
Borrowings	279,058	190,887
Subordinated debt	<u>186,248</u>	<u>186,247</u>
Total interest expense	<u>7,751,493</u>	<u>4,463,792</u>
Net interest income	<u>9,645,798</u>	<u>9,029,402</u>
Provision for credit losses	<u>309,924</u>	<u>86,626</u>
Net interest income after provision for credit losses	9,335,874	8,942,776
NON-INTEREST INCOME		
Service charges and other fees	204,912	207,411
BOLI income	110,969	96,972
Swap referral fee income	244,520	-
Other	<u>126,633</u>	<u>108,753</u>
Total non-interest income	687,034	413,136
NON-INTEREST EXPENSE		
Salaries & benefits	3,989,838	3,679,277
Occupancy & equipment	652,052	518,025
Professional fees	268,249	234,750
Advertising	163,255	133,112
Data processing	356,942	307,603
Other	<u>1,221,515</u>	<u>1,079,561</u>
Total non-interest expense	<u>6,651,851</u>	<u>5,952,328</u>
Income before federal income tax expense	3,371,057	3,403,584
Federal income tax expense	<u>691,687</u>	<u>688,155</u>
Net income	<u>\$ 2,679,370</u>	<u>\$ 2,715,429</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.