

NEWS RELEASE

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FIRST RESOURCE BANCORP, INC. ANNOUNCES TWELFTH CONSECUTIVE YEAR OF RECORD ANNUAL EARNINGS; NET INCOME GREW 35% OVER THE PRIOR YEAR

EXTON, PA – First Resource Bancorp, Inc. (OTCQX: FRSB), the holding company for First Resource Bank, announced financial results for the three months and year ended December 31, 2022.

Glenn B. Marshall, CEO, stated, “2022 marked another year of tremendous growth with total assets exceeding \$500 million. This accelerated growth is the result of careful management and successful execution of our strategic plan. We were able to increase the loan portfolio despite the payoff of all Paycheck Protection Program (“PPP”) loans and achieve high levels of overall growth, while also achieving high levels of profitability as measured by record annual return on equity of 14.91%.”

Highlights for the year ended December 31, 2022 included:

- Net income grew 35%
- Total loans grew 18%
- Total deposits grew 8%
- Total interest income grew 14%
- Net interest margin expanded 13 basis points, growing from 3.61% to 3.74%
- Book value per share grew 12%
- Earnings per share improved 34% to \$1.92
- Efficiency ratio improved to 58%, as compared to 65% in the prior year
- Return on average assets improved to 1.17%
- Return on average equity improved to 14.91%

President and Chief Financial Officer, Lauren C. Ranalli, stated, “Managing overhead costs has always been a top priority which is evidenced by the improvement in our efficiency ratio in 2022. Controlling overhead expenses becomes even more important in light of rising deposit costs. Another notable accomplishment this year was our ability to grow book value per share despite rising interest rates causing increased unrealized losses in the bond portfolio. This has been a challenge for the entire banking industry this year.”

Net income for the quarter ended December 31, 2022 was \$1.4 million, or \$0.48 per common share, compared to \$1.5 million, or \$0.52 per common share, for the previous quarter and \$916 thousand, or \$0.32 per common share, for the fourth quarter of the prior year. Annualized return on average assets was 1.09% for the fourth quarter of 2022 compared to 0.76% for the fourth quarter of 2021. Annualized return on average equity was 13.87% for the fourth quarter of 2022 compared to 10.27% for the same period a year prior.

Net income for the year ended December 31, 2022 was \$5.6 million, or \$1.92 per common share, compared to \$4.2 million, or \$1.43 per common share, for the previous year, an increase of 35%. For the year ended December 31, 2022, return on average assets was 1.17%, as compared to 0.92% for the prior year. Return on average equity for 2022 was 14.91% as compared to 12.38% in the prior year.

Total interest income increased \$584 thousand, or 11%, from \$5.4 million for the third quarter of 2022 to \$6.0 million for the fourth quarter of 2022. This increase was driven by a 2% growth in loans, coupled with an increased rate environment, favorably affecting interest earning assets.

Total interest income increased \$1.5 million, or 33%, from \$4.5 million for the fourth quarter of 2021 to \$6.0 million for the fourth quarter of 2022. This increase was the result of 18% loan growth when comparing December 31, 2022 to a year prior. Traditional loan growth year-over-year increases to 19% when excluding PPP loans for both periods. Increased interest income from loan growth was coupled with an increased rate environment, favorably affecting interest earning assets.

The Bank recognized \$238 thousand in PPP fees in the fourth quarter of 2021, compared to none in the fourth quarter of 2022, and none in the third 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 had been fully recognized as of June 30, 2022.

Total interest expense increased 58% when comparing the fourth quarter of 2022 to the third quarter of 2022. This increase was the result of a 67 basis point increase in the rate as well as a higher volume of money market accounts and a 21 basis point increase in rate in addition to a higher volume of time deposits quarter over quarter. Additionally, interest expense on FHLB borrowings increased 127% due to an increase in advances during the fourth quarter. During the fourth quarter of 2022 the Federal Reserve increased interest rates by 125 basis points.

Total interest expense increased 131% from \$604 thousand for the fourth quarter of 2021 to \$1.4 million for the fourth quarter 2022. The majority of this increased expense was related to a 114 basis point increase in the rate along with a higher volume of money market accounts and a 53 basis point increase in rate as well as a higher volume of time deposits year over year. During the year ended December 31, 2022, the Federal Reserve increased interest rates by 425 basis points.

Ranalli noted, "Loan rates are rising slower than deposit rates as we expected in our asset liability modeling. A key priority for us will be to continue to grow checking balances to insulate us from rising deposit rates as much as possible."

Net interest income increased \$70 thousand, or 2%, to \$4.6 million in the fourth quarter of 2022 as compared to the previous quarter. The net interest margin increased 2 basis points from 3.79% in the third quarter of 2022 to 3.81% in the fourth quarter of 2022. The overall yield on interest earning assets increased 44 basis points during the fourth quarter primarily due to a 32

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. The cost of interest-bearing deposits increased 46 basis points during the fourth quarter to 1.39%, with the majority of that increase attributed to increased volume and higher cost of money market accounts and time deposits. The total cost of deposits increased from 0.68% during the third quarter of 2022 to 1.09% during the fourth quarter of 2022.

Net interest income for the year ended December 31, 2022 was \$17.4 million, an 11% improvement over net interest income of \$15.6 million for the year ended December 31, 2021. This growth was driven by a 13% increase in loan interest income and a 42% decrease in borrowings interest expense, partially offset by a 52% increase in deposit interest expense. The net interest margin grew from 3.61% for the year ended December 31, 2021 to 3.74% for the year ended December 31, 2022.

The provision for loan losses increased to \$445 thousand in the fourth quarter of 2022 compared to \$168 thousand in the third quarter of 2022. Year over year the provision for loan losses increased from \$60 thousand in the fourth quarter of 2021 to \$445 thousand in the fourth quarter of 2022.

The provision for loan losses increased 13% from \$577 thousand for the year ended December 31, 2021 to \$653 thousand for the year ended December 31, 2022.

Marshall stated, "We had minimal charge-offs in 2022 of \$11 thousand with large recoveries totaling \$274 thousand resulting in net recoveries of \$263 thousand. Current credit issues consist of a couple of borrowers that suffer from poor business management as opposed to a broader negative economic trend. We continue to customize our approach to collections to resolve challenges quickly and to minimize charge-offs."

The allowance for loan losses to total loans was 0.92% at December 31, 2022, compared to 0.86% at December 31, 2021. Non-performing assets consisted of non-performing loans of \$898 thousand at December 31, 2022 and \$183 thousand at September 30, 2022. Non-performing assets to total assets were 0.17% at December 31, 2022 and 0.04% at September 30, 2022. There were no non-performing assets at December 31, 2021.

Non-interest income for the fourth quarter of 2022 was \$207 thousand compared to \$204 thousand for the previous quarter and \$180 thousand for the fourth quarter of the prior year. No swap referral fee income or gain on sale of SBA loans was received in either the fourth quarter of 2022, the third quarter of 2022, or the fourth quarter of 2021.

Non-interest income for the year ended December 31, 2022 was \$1.1 million compared to \$718 thousand for the year ended December 31, 2021. Swap referral fee income of \$187 thousand was received in 2022 compared to none in 2021. Gain on sale of SBA loans was \$94 thousand for 2022 compared to none in 2021.

Non-interest expense increased \$4 thousand in the fourth quarter of 2022 compared to the prior quarter. Increases in professional fees, advertising, data processing, and other costs were partially offset by decreases in salaries and employee benefits and occupancy & equipment.

Non-interest expense decreased \$248 thousand, or 8%, when comparing the fourth quarter of 2022 to the fourth quarter of 2021. This decrease was primarily attributed to \$277 thousand of FHLB advance prepayment penalty fees incurred in the fourth quarter of 2021. Excluding the FHLB advance prepayment penalty fees, non-interest expense increased \$29 thousand, or 1%, when comparing the fourth quarter of 2022 to the fourth quarter of 2021. Non-interest expenses to average assets were 2.11% for the fourth quarter of 2022 compared to 2.14% for the previous quarter and 2.43% for the fourth quarter of the prior year.

Deposits decreased a net \$5.8 million, or 1%, from \$436.8 million at September 30, 2022 to \$431.0 million at December 31, 2022. During the fourth quarter, noninterest-bearing deposits decreased \$4.2 million, or 5%, from \$92.1 million at September 30, 2022 to \$87.9 million at December 31, 2022. Interest-bearing checking balances decreased \$3.5 million, or 7%, from \$50.0 million at September 30, 2022 to \$46.5 million at December 31, 2022. Money market deposits decreased \$548 thousand, from \$207.7 million at September 30, 2022 to \$207.2 million at December 31, 2022. Certificates of deposit increased \$2.4 million, or 3%, from \$86.9 million at September 30, 2022 to \$89.4 million at December 31, 2022. Between December 31, 2021 and December 31, 2022, total deposits grew 8%, with strong checking, money market, and time deposit growth partially offset by a decline in non-interest bearing deposits. This decline in non-interest bearing deposits is attributed to the rising rate environment.

Ranalli added, “We saw seasonal deposit outflows during the fourth quarter as businesses paid bills prior to year-end, made tax payments and paid year end distributions. The deposit pipeline is robust and we have added business development staff in this area to support our continued growth. Loan growth has been significant and we continue to maximize opportunities in the market to continue our momentum.”

With strong growth in commercial business loans, commercial real estate loans, and construction loans, partially offset by a decline in consumer loans, the loan portfolio increased \$10.2 million during the fourth quarter of 2022 to \$458.7 million, compared to \$448.5 million during the previous quarter. 2022 loan growth was \$70.5 million, or 18%. Excluding PPP loan activity, year-to-date loan growth was \$73.7 million, or 19%.

The following table illustrates the composition of the loan portfolio:

	Dec. 31, 2022	Dec. 31, 2021
Commercial real estate	\$ 364,523,848	\$ 312,736,636
Commercial construction	35,120,763	22,167,820
Commercial business	43,005,663	39,273,664
Consumer	<u>16,035,503</u>	<u>14,052,015</u>
Total loans	<u>\$ 458,685,777</u>	<u>\$ 388,230,135</u>

Total stockholders' equity increased \$1.5 million, or 4%, from \$38.6 million at September 30, 2022 to \$40.1 million at December 31, 2022, primarily due to net income generated. During the quarter ended December 31, 2022, book value per share grew 49 cents, or 4%, to \$13.65. Book value has grown by 12% in 2022, despite the increase in unrealized losses in the investment

portfolio related to rising interest rates this year. Total stockholders' equity increased \$4.5 million, or 13%, from \$35.6 million at December 31, 2021 to \$40.1 million at December 31, 2022, primarily due to net income generated, partially offset by an increase in unrealized losses in the investment portfolio.

Selected Financial Data:
Balance Sheets (unaudited)

	December 31, 2022	December 31, 2021
Cash and due from banks	\$ 5,600,869	\$ 10,545,913
Time deposits at other banks	100,000	100,000
Investments	34,781,542	53,419,674
Loans	458,685,777	388,230,135
Allowance for loan losses	(4,238,927)	(3,322,979)
Premises & equipment	7,967,246	8,075,525
Other assets	<u>13,828,477</u>	<u>12,016,270</u>
Total assets	<u>\$ 516,724,984</u>	<u>\$ 469,064,538</u>
Noninterest-bearing deposits	\$ 87,888,933	\$ 113,175,651
Interest-bearing checking	46,526,732	31,251,216
Money market	207,184,086	184,581,051
Time deposits	<u>89,364,726</u>	<u>70,978,824</u>
Total deposits	<u>430,964,477</u>	<u>399,986,742</u>
Short term borrowings	27,196,000	9,000,000
Long term borrowings	9,530,000	15,280,000
Subordinated debt	5,965,639	5,953,144
Other liabilities	<u>2,972,488</u>	<u>3,293,450</u>
Total liabilities	<u>476,628,604</u>	<u>433,513,336</u>
Common stock	2,936,756	2,928,166
Surplus	18,156,784	18,067,622
Accumulated other comprehensive (loss) income	(1,108,493)	69,182
Retained earnings	<u>20,111,333</u>	<u>14,486,232</u>
Total stockholders' equity	<u>40,096,380</u>	<u>35,551,202</u>
Total liabilities & stockholders' equity	<u>\$ 516,724,984</u>	<u>\$ 469,064,538</u>

Performance Statistics
(unaudited)

	Qtr Ended Dec. 31, 2022	Qtr Ended Sep. 30, 2022	Qtr Ended June 30, 2022	Qtr Ended Mar. 31, 2022	Qtr Ended Dec. 31, 2021
Net interest margin	3.81%	3.79%	3.73%	3.62%	3.40%
Nonperforming loans/ total loans	0.20%	0.04%	0.06%	0.06%	0.00%
Nonperforming assets/ total assets	0.17%	0.04%	0.05%	0.05%	0.00%
Allowance for loan losses/ total loans	0.92%	0.85%	0.87%	0.89%	0.86%
Average loans/average assets	90.8%	87.8%	88.0%	85.2%	80.0%
Non-interest expenses*/ average assets	2.11%	2.14%	2.32%	2.35%	2.43%
Efficiency ratio	55.2%	56.0%	60.6%	61.3%	70.8%
Earnings per share – basic and diluted	\$0.48	\$0.52	\$0.47	\$0.45	\$0.32
Book value per share	\$13.65	\$13.16	\$12.75	\$12.40	\$12.14
Total shares outstanding	2,936,756	2,934,657	2,932,440	2,930,134	2,928,166
Weighted average shares outstanding	2,935,658	2,933,642	2,931,285	2,929,243	2,927,008

* Annualized

	Year Ended Dec. 31, 2022	Year Ended Dec. 31, 2021
Net interest margin	3.74%	3.61%
Return on average assets	1.17%	0.92%
Return on average equity	14.91%	12.38%
Earnings per share-basic and diluted	\$1.92	\$1.43

Income Statements (unaudited)

	Qtr. Ended Dec. 31, 2022	Qtr. Ended Sep. 30, 2022	Qtr. Ended June 30, 2022	Qtr. Ended Mar. 31, 2022	Qtr. Ended Dec. 31, 2021
INTEREST INCOME					
Loans, including fees	\$5,855,969	\$5,218,510	\$4,597,848	\$4,401,051	\$4,426,009
Securities	138,544	116,783	115,791	112,463	98,387
Other	32,055	107,483	26,483	11,699	19,496
Total interest income	<u>6,026,568</u>	<u>5,442,776</u>	<u>4,740,122</u>	<u>4,525,213</u>	<u>4,543,892</u>
INTEREST EXPENSE					
Deposits	1,210,800	749,425	412,378	394,432	414,096
Borrowings	93,773	41,337	45,690	58,137	96,950
Subordinated debt	93,124	93,123	93,125	93,123	93,124
Total interest expense	<u>1,397,697</u>	<u>883,885</u>	<u>551,193</u>	<u>545,692</u>	<u>604,170</u>
Net interest income	<u>4,628,871</u>	<u>4,558,891</u>	<u>4,188,929</u>	<u>3,979,521</u>	<u>3,939,722</u>
Provision for loan losses	<u>444,833</u>	<u>167,671</u>	<u>19,150</u>	<u>21,560</u>	<u>59,554</u>
Net interest income after provision for loan losses	4,184,038	4,391,220	4,169,779	3,957,961	3,880,168
NON-INTEREST INCOME					
Service charges and other fees	97,480	103,253	83,102	97,290	86,213
BOLI income	47,849	48,413	47,100	46,591	47,390
Referral fee income	-	-	84,725	101,974	-
Gain on sale of SBA loans	-	-	-	94,392	-
Other	61,559	52,028	51,481	42,543	46,729
Total non-interest income	<u>206,888</u>	<u>203,694</u>	<u>266,408</u>	<u>382,790</u>	<u>180,332</u>
NON-INTEREST EXPENSE					
Salaries & benefits	1,590,948	1,647,461	1,643,403	1,628,813	1,584,108
Occupancy & equipment	236,407	253,856	233,866	253,088	247,547
Professional fees	127,044	73,525	151,939	130,894	139,071
Advertising	88,772	83,724	81,856	80,926	92,159
Data processing	154,340	148,071	134,463	136,335	150,659
Other	471,560	458,443	452,282	445,110	703,462
Total non-interest expense	<u>2,669,071</u>	<u>2,665,080</u>	<u>2,697,809</u>	<u>2,675,166</u>	<u>2,917,006</u>
Income before federal income tax expense	1,721,855	1,929,834	1,738,378	1,665,585	1,143,494
Federal income tax expense	<u>344,542</u>	<u>394,616</u>	<u>352,887</u>	<u>338,506</u>	<u>227,367</u>
Net income	<u>\$1,377,313</u>	<u>\$1,535,218</u>	<u>\$1,385,491</u>	<u>\$1,327,079</u>	<u>\$ 916,127</u>

Income Statements (unaudited)

	Year Ended December 31, 2022	Year Ended December 31, 2021
INTEREST INCOME		
Loans, including fees	\$ 20,073,378	\$ 17,803,943
Securities	483,581	379,409
Other	<u>177,720</u>	<u>47,083</u>
Total interest income	<u>20,734,679</u>	<u>18,230,435</u>
INTEREST EXPENSE		
Deposits	2,767,035	1,819,109
Borrowings	238,937	415,127
Subordinated debt	<u>372,495</u>	<u>372,495</u>
Total interest expense	<u>3,378,467</u>	<u>2,606,731</u>
Net interest income	<u>17,356,212</u>	<u>15,623,704</u>
Provision for loan losses	<u>653,214</u>	<u>576,994</u>
Net interest income after provision for loan losses	16,702,998	15,046,710
NON-INTEREST INCOME		
Service charges and other fees	381,125	346,670
BOLI income	189,953	186,973
Referral fee income	186,699	-
Gain on sale of SBA loans	94,392	-
Other	<u>207,611</u>	<u>184,667</u>
Total non-interest income	1,059,780	718,310
NON-INTEREST EXPENSE		
Salaries & benefits	6,510,625	6,168,585
Occupancy & equipment	977,217	1,018,934
Professional fees	483,402	431,287
Advertising	335,278	323,419
Data processing	573,209	649,483
Other	<u>1,827,395</u>	<u>1,961,482</u>
Total non-interest expense	<u>10,707,126</u>	<u>10,553,190</u>
Income before federal income tax expense	7,055,652	5,211,830
Federal income tax expense	<u>1,430,551</u>	<u>1,040,067</u>
Net income	<u>\$ 5,625,101</u>	<u>\$ 4,171,763</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.