

NEWS RELEASE

For Immediate Release
January 30, 2024

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FIRST RESOURCE BANCORP, INC. ANNOUNCES THIRTEENTH CONSECUTIVE YEAR OF RECORD ANNUAL EARNINGS; NET INCOME GREW 5% OVER THE PRIOR YEAR

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

Glenn B. Marshall, CEO, stated, “2023 was a very challenging year to grow net income with net interest margin compression experienced across the industry. Strong balance sheet growth helped us offset that margin compression to grow the bottom line. I’m incredibly proud of the results generated by the First Resource Bank team this year.”

Highlights for the year ended December 31, 2023 included:

- Net income grew 5%
- Total loans grew 16%
- Total deposits grew 16%
- Total assets exceeded \$600 million
- Total interest income grew 42%
- Book value per share grew 15% to \$14.91 per share.
- Earnings per share improved 5% to \$1.92
- Completed a 5% stock dividend in June 2023
- There were no non-accrual or non-performing loans as of December 31, 2023

Lauren C. Ranalli, President, stated, “Credit quality improvement in 2023 was another tailwind to growing annual net income over the prior year. All non-accrual loans were resolved in 2023 with a net recovery for the year. Working with borrowers in stressed situations over the years has allowed the Bank to minimize credit losses.”

Net income for the quarter ended December 31, 2023 was \$1.6 million, or \$0.53 per common share, compared to \$1.6 million, or \$0.51 per common share, for the previous quarter and \$1.4 million, or \$0.45 per common share, for the fourth quarter of the prior year. Annualized return on average assets was 1.14% for the fourth quarter of 2023 compared to 1.09% for the fourth quarter of 2022. Annualized return on average equity was 14.43% for the fourth quarter of 2023 compared to 13.87% for the same period a year prior.

Net income for the year ended December 31, 2023 was \$5.9 million, or \$1.92 per common share, compared to \$5.6 million, or \$1.83 per common share, for the previous year, an increase of 5%. For the year ended December 31, 2023, return on average assets was 1.09%, as compared to 1.17% for the prior year. Return on average equity for 2023 was 13.77% as compared to 14.91% in the prior year.

Total interest income increased quarterly by \$388 thousand, or 5%, from \$7.8 million for the third quarter of 2023 to \$8.2 million for the fourth quarter of 2023. This increase was driven by a 3% growth in loans during the fourth quarter.

Total interest income increased annually by \$2.2 million, or 36%, from \$6.0 million for the fourth quarter of 2022 to \$8.2 million for the fourth quarter of 2023. This increase was the result of a 16% growth in loans when comparing December 31, 2023 to the year prior. Increased interest income from loans and cash and due from banks was coupled with an increased rate environment, favorably affecting interest-earning assets.

Total interest expense increased 16% when comparing the fourth quarter of 2023 to the third quarter of 2023. This increase was the result of a 33 basis point increase in the cost of money market accounts and a 57 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 fourth quarter of 2023 from the third quarter of 2023. The Federal Reserve did not change interest rates during the fourth quarter of 2023.

Total interest expense increased 148% from \$1.4 million for the fourth quarter of 2022 to \$3.5 million for the fourth quarter of 2023. The majority of this increased expense was related to a 168 basis point increase in the cost of money market deposits along with a higher volume of money market accounts, and a 250 basis point increase in the cost of time deposits as well as a higher volume of time deposits year over year. During the year ended December 31, 2023, the Federal Reserve increased interest rates by 100 basis points.

Net interest income decreased \$97 thousand, or 2%, to \$4.7 million in the fourth quarter of 2023 as compared to the previous quarter. The net interest margin decreased 18 basis points from 3.57% in the third quarter of 2023 to 3.39% in the fourth quarter of 2023. The overall yield on interest-earning assets increased 10 basis points during the fourth quarter, primarily due to an 11 basis point increase in yield on loans as well as a higher volume of loans, and an increase in both volume and yield on interest-earning cash equivalents and investments. With an increase in both volume and costs for money market accounts and time deposit accounts, the cost of interest-bearing deposits increased 40 basis points during the fourth quarter to 3.25%. The total cost of deposits increased 36 basis points from 2.23% during the third quarter of 2023 to 2.59% during the fourth quarter of 2023.

Net interest income for the year ended December 31, 2023 was \$18.5 million, a 7% improvement over net interest income of \$17.4 million for the year ended December, 2022. This growth was driven by an \$8.6 million, or 43%, increase in loan interest income, offset by a \$7.3 million, or 264%, increase in deposit interest expense and a \$246 thousand, or 103%, increase in borrowings interest expense. The net interest margin decreased 20 basis points from 3.74% for the year ended December 31, 2022, to 3.54% for the year ended December 31, 2023. The overall yield on interest-earning assets increased 116 basis points during 2023, primarily due to a 101 basis point increase in yield on loans as well as a higher volume of loans, and an increase in yield on interest-earning cash equivalents and investments. With an increase in both volume and costs for money market accounts and time deposit accounts, the cost of interest-bearing

deposits increased 177 basis points during 2023 to 2.66%. The total cost of deposits increased 146 basis points from 0.66% during 2022 to 2.11% during 2023. The cost of FHLB borrowings increased 121 basis points during 2023 to 3.09% during 2023. The total cost of interest-bearing liabilities increased 171 basis points from 1.02% during 2022 to 2.73% during 2023.

The provision for credit losses decreased to a negative \$263 thousand in the fourth quarter of 2023 compared to \$71 thousand in the third quarter of 2023. Year over year, the provision for credit losses decreased from \$445 thousand in the fourth quarter of 2022 to a credit of \$263 thousand in the fourth quarter of 2023.

The provision for credit losses decreased 116% from \$653 thousand for the year ended December 31, 2022 to a credit of \$105 thousand for the year ended December 31, 2023. The negative provision for 2023 was attributable in part to specific reserves totaling \$304 thousand at December 31, 2022 which were for credits that reached resolution during 2023 and were no longer needed as of December 31, 2023, and net recoveries of \$80 thousand during the year.

The allowance for credit losses to total loans was 0.81% at December 31, 2023, compared to 0.92% at December 31, 2022. There were no non-performing assets at December 31, 2023. Non-performing assets consisted of non-performing loans of \$735 thousand at September 30, 2023, and \$898 thousand at December 31, 2022. Non-performing assets to total assets were 0.00% at December 31, 2023, 0.13% at September 30, 2023 and 0.17% at December 31, 2022.

Non-interest income for the fourth quarter of 2023 was \$208 thousand compared to \$297 thousand for the previous quarter and \$207 thousand for the fourth quarter of the prior year. Swap referral fee income was \$76 thousand for the third quarter of 2023 compared to none in the fourth quarter of 2023. No gain on the sale of SBA loans was received in either the fourth quarter of 2023 or the third quarter of 2023. In the fourth quarter of 2022, no swap referral fee income and no gain on the sale of SBA loans was received.

Non-interest income for the year ended December 31, 2023 was \$919 thousand as compared to \$1.1 million for the prior year. Swap referral fee income of \$187 thousand was received in 2022 as compared to \$76 thousand in 2023. Gain on sale of SBA loans was \$94 thousand in 2022 as compared to none in 2023.

Non-interest expenses increased \$36 thousand, or 1%, in the fourth quarter of 2023 compared to the prior quarter. Increases in occupancy & equipment, professional fees, advertising, and other costs were partially offset by decreases in salaries & employee benefits and data processing costs.

Non-interest expenses increased \$436 thousand, or 16%, when comparing the fourth quarter of 2023 to the fourth 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 costs when comparing the fourth quarter of 2023 to the fourth quarter of 2022. Non-interest expenses to average assets were 2.15% for the fourth quarter of 2023 compared to 2.19% for the previous quarter and 2.11% for the fourth quarter of the prior year.

Deposits increased a net \$13.3 million, or 3%, from \$486.0 million at September 30, 2023 to \$499.3 million at December 31, 2023. During the fourth quarter, non-interest-bearing deposits decreased \$5.9 million, or 6%, from \$101.3 million at September 30, 2023 to \$95.4 million at December 31, 2023. Interest-bearing checking balances decreased \$1.7 million, or 4%, from \$41.5 million at September 30, 2023 to \$39.8 million at December 31, 2023. Money market deposits increased \$11.6 million, or 5%, from \$219.8 million at September 30, 2023 to \$231.4 million at December 31, 2023. Certificates of deposit increased \$9.3 million, or 8%, from \$123.4 million at September 30, 2023 to \$132.7 million at December 31, 2023. Between December 31, 2022 and December 31, 2023, total deposits grew 16%, with strong non-interest-bearing checking, money market, and time deposit growth partially offset by a decline in interest-bearing checking. At December 31, 2023, approximately 80% of total deposits were insured or otherwise collateralized, slightly down from 81% in the prior quarter.

The loan portfolio increased \$13.1 million, or 3%, from \$518.3 million at September 30, 2023 to \$531.4 million at December 31, 2023. Strong growth in commercial real estate loans, commercial business loans, and consumer loans was partially offset by a decrease in construction loans when comparing loan balances at September 30, 2023 to loan balances at December 31, 2023. Loan growth in 2023 was \$72.7 million, or 16%.

The following table illustrates the composition of the loan portfolio:

	Dec. 31, 2023	Dec. 31, 2022
Commercial real estate	\$ 413,221,898	\$ 364,523,848
Commercial construction	48,838,199	35,120,763
Commercial business	50,224,869	43,005,663
Consumer	<u>19,099,155</u>	<u>16,035,503</u>
Total loans	<u>\$ 531,384,121</u>	<u>\$ 458,685,777</u>

Investment securities totaled \$25.8 million at December 31, 2023 as compared to \$18.0 million at September 30, 2023. At December 31, 2023, the held-to-maturity investment portfolio book value was \$8.8 million, with a fair market value of \$7.8 million, resulting in an unrealized loss of \$988 thousand. This unrealized loss, net of tax, of \$780 thousand is less than 1.7% of total equity at December 31, 2023. The remainder of the investment portfolio was classified as available for sale with a book value of \$18.4 million and a fair value of \$17.1 million, resulting in an unrealized loss of \$1.3 million. 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 \$1.9 million, or 4%, from \$44.2 million at September 30, 2023 to \$46.1 million at December 31, 2023, primarily due to net income generated. During the quarter ended December 31, 2023, book value per share grew 60 cents, or 4%, to \$14.91. Book value has grown by 15% in 2023. Total stockholders' equity increased \$6.0 million, or 15%, from \$40.1 million at December 31, 2022 to \$46.1 million at December 31, 2023, primarily due to net income generated.

Selected Financial Data:
Balance Sheets (unaudited)

	December 31, 2023	December 31, 2022
Cash and due from banks	\$ 23,820,615	\$ 5,600,869
Time deposits at other banks	100,000	100,000
Investments	25,840,840	34,781,542
Loans	531,384,121	458,685,777
Allowance for credit losses	(4,311,306)	(4,238,927)
Premises & equipment	7,639,939	7,967,246
Other assets	<u>18,142,682</u>	<u>13,828,477</u>
Total assets	<u>\$ 602,616,891</u>	<u>\$ 516,724,984</u>
Noninterest-bearing deposits	\$ 95,384,366	\$ 87,888,933
Interest-bearing checking	39,760,054	46,526,732
Money market	231,407,653	207,184,086
Time deposits	<u>132,738,973</u>	<u>89,364,726</u>
Total deposits	<u>499,291,046</u>	<u>430,964,477</u>
Short term borrowings	35,000,000	27,196,000
Long term borrowings	9,530,000	9,530,000
Subordinated debt	5,978,134	5,965,639
Other liabilities	<u>6,682,220</u>	<u>2,972,488</u>
Total liabilities	<u>556,481,400</u>	<u>476,628,604</u>
Common stock	3,093,414	2,936,756
Surplus	19,767,634	18,156,784
Accumulated other comprehensive loss	(1,038,486)	(1,108,493)
Retained earnings	<u>24,312,929</u>	<u>20,111,333</u>
Total stockholders' equity	<u>46,135,491</u>	<u>40,096,380</u>
Total liabilities & stockholders' equity	<u>\$ 602,616,891</u>	<u>\$ 516,724,984</u>

Performance Statistics
(unaudited)

	Qtr Ended Dec. 31, 2023	Qtr Ended Sep. 30, 2023	Qtr Ended Jun. 30, 2023	Qtr Ended Mar. 31, 2023	Qtr Ended Dec. 31, 2022
Net interest margin	3.39%	3.57%	3.64%	3.57%	3.81%
Nonperforming loans/ total loans	0.00%	0.14%	0.15%	0.16%	0.20%
Nonperforming assets/ total assets	0.00%	0.13%	0.14%	0.14%	0.17%
Allowance for credit losses/ total loans	0.81%	0.88%	0.89%	0.91%	0.92%
Average loans/average assets	91.1%	92.2%	91.6%	91.6%	90.8%
Non-interest expenses*/ average assets	2.15%	2.19%	2.29%	2.29%	2.11%
Efficiency ratio	63.1%	60.1%	62.5%	63.6%	55.2%
Earnings per share – basic and diluted**	\$0.53	\$0.51	\$0.47	\$0.41	\$0.45
Book value per share**	\$14.91	\$14.31	\$13.85	\$13.43	\$13.00
Total shares outstanding**	3,093,414	3,090,838	3,088,019	3,085,576	3,083,654
Weighted average shares outstanding**	3,092,277	3,089,441	3,086,782	3,084,634	3,082,556

* Annualized

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

	Year Ended Dec. 31, 2023	Year Ended Dec. 31, 2022
Net interest margin	3.54%	3.74%
Return on average assets	1.09%	1.17%
Return on average equity	13.77%	14.91%
Earnings per share-basic and diluted	\$1.92	\$1.83

Income Statements (unaudited)

	Qtr. Ended Dec. 31, 2023	Qtr. Ended Sep. 30, 2023	Qtr. Ended Jun. 30, 2023	Qtr. Ended Mar. 31, 2023	Qtr. Ended Dec. 31, 2022
INTEREST INCOME					
Loans, including fees	\$7,941,483	\$7,633,163	\$6,923,177	\$6,223,153	\$5,855,969
Securities	133,125	125,882	120,133	131,350	138,544
Other	105,679	33,221	67,207	28,174	32,055
Total interest income	<u>8,180,287</u>	<u>7,792,266</u>	<u>7,110,517</u>	<u>6,382,677</u>	<u>6,026,568</u>
INTEREST EXPENSE					
Deposits	3,277,096	2,696,301	2,267,015	1,819,643	1,210,800
Borrowings	98,901	195,150	64,267	126,620	93,773
Subordinated debt	93,124	93,124	93,123	93,124	93,124
Total interest expense	<u>3,469,121</u>	<u>2,984,575</u>	<u>2,424,405</u>	<u>2,039,387</u>	<u>1,397,697</u>
Net interest income	<u>4,711,166</u>	<u>4,807,691</u>	<u>4,686,112</u>	<u>4,343,290</u>	<u>4,628,871</u>
Provision for credit losses	<u>(263,073)</u>	<u>71,017</u>	<u>20,327</u>	<u>66,299</u>	<u>444,833</u>
Net interest income after provision for credit losses	4,974,239	4,736,674	4,665,785	4,276,991	4,184,038
NON-INTEREST INCOME					
Service charges and other fees	94,656	109,894	107,841	99,570	97,480
BOLI income	50,730	50,237	49,281	47,691	47,849
Referral fee income	-	75,649	-	-	-
Other	62,701	61,527	55,740	53,013	61,559
Total non-interest income	<u>208,087</u>	<u>297,307</u>	<u>212,862</u>	<u>200,274</u>	<u>206,888</u>
NON-INTEREST EXPENSE					
Salaries & benefits	1,873,831	1,893,558	1,844,356	1,834,921	1,590,948
Occupancy & equipment	289,361	282,025	260,284	257,741	236,407
Professional fees	123,336	119,258	119,447	115,303	127,044
Advertising	83,506	58,354	65,917	67,195	88,772
Data processing	167,921	172,288	159,795	147,808	154,340
Other	567,428	543,465	611,336	468,225	471,560
Total non-interest expense	<u>3,105,383</u>	<u>3,068,948</u>	<u>3,061,135</u>	<u>2,891,193</u>	<u>2,669,071</u>
Income before federal income tax expense	2,076,943	1,965,033	1,817,512	1,586,072	1,721,855
Federal income tax expense	<u>429,920</u>	<u>401,490</u>	<u>366,371</u>	<u>321,784</u>	<u>344,542</u>
Net income	<u>\$1,647,023</u>	<u>\$1,563,543</u>	<u>\$1,451,141</u>	<u>\$1,264,288</u>	<u>\$1,377,313</u>

Income Statements (unaudited)

	Year Ended December 31, 2023	Year Ended December 31, 2022
INTEREST INCOME		
Loans, including fees	\$ 28,720,976	\$ 20,073,378
Securities	510,490	483,581
Other	234,281	177,720
Total interest income	<u>29,465,747</u>	<u>20,734,679</u>
INTEREST EXPENSE		
Deposits	10,060,055	2,767,035
Borrowings	484,938	238,937
Subordinated debt	372,495	372,495
Total interest expense	<u>10,917,488</u>	<u>3,378,467</u>
Net interest income	<u>18,548,259</u>	<u>17,356,212</u>
Provision for credit losses	<u>(105,430)</u>	<u>653,214</u>
Net interest income after provision for credit losses	18,653,689	16,702,998
NON-INTEREST INCOME		
Service charges and other fees	411,961	381,125
BOLI income	197,939	189,953
Referral fee income	75,649	186,699
Gain on sale of SBA loans	-	94,392
Other	232,981	207,611
Total non-interest income	918,530	1,059,780
NON-INTEREST EXPENSE		
Salaries & benefits	7,446,666	6,510,625
Occupancy & equipment	1,089,411	977,217
Professional fees	477,344	483,402
Advertising	274,972	335,278
Data processing	647,812	573,209
Other	2,190,454	1,827,395
Total non-interest expense	<u>12,126,659</u>	<u>10,707,126</u>
Income before federal income tax expense	7,445,560	7,055,652
Federal income tax expense	<u>1,519,565</u>	<u>1,430,551</u>
Net income	<u>\$ 5,925,995</u>	<u>\$ 5,625,101</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.