



NEWS RELEASE

For Immediate Release
January 26, 2012

Media Contact:
Glenn Marshall,
President & CEO
610-561-6013

FIRST RESOURCE BANK ANNOUNCES 2011 RESULTS

EXTON, PA - First Resource Bank (OTC Bulletin Board: FRSB) announced net income for the twelve months ended December 31, 2011 was \$843,499 as compared to \$490,360 for the prior year. This increase is primarily attributed to higher net interest income. Net income of \$232,982 for the quarter ended December 31, 2011 compared to net income of \$259,350 for the quarter ended September 30, 2011 and net income of \$108,861 for the quarter ended December 31, 2010.

Glenn B. Marshall, President & CEO, stated, "We are thrilled to announce these record results for the year ended December 31, 2011. During this year we achieved a significant increase in earnings, repaid the TARP Capital Purchase Plan preferred stock, qualified and issued preferred stock under the Small Business Lending Fund and decreased exposure to distressed loans."

Net interest income was \$1,301,422 for the quarter ended December 31, 2011 as compared to \$1,271,686 for the previous quarter. The net interest margin widened 13 basis points, from 3.77% for the three months ended September 30, 2011 to 3.90% for the three months ended December 31, 2011. This net interest margin improvement resulted from lower deposit interest costs and a reduction in low yielding average cash and short term investments held during the fourth quarter. The loan portfolio yield increased 4 basis points, while the deposit cost of funds declined 2 basis points.

The allowance for loan losses to total loans was 1.24% at December 31, 2011, September 30, 2011 and December 31, 2010. Non-performing assets, which include non-performing loans of \$1.8 million and other real estate owned of \$1.2 million, totaled \$3.0 million at December 31, 2011. Non-performing assets to total assets decreased from 2.71% at September 30, 2011 to 2.20% at December 31, 2011 due to one loan paid off in full, one partial charge-off and the sale of two other real estate owned properties during the quarter.

The loan portfolio grew \$3.0 million, or 2.7%, during the fourth quarter from \$114.4 million at September 30, 2011 to \$117.5 million at December 31, 2011. Total loans increased a net \$4.5 million during the twelve months ended December 31, 2011,

growing from \$113.0 million at December 31, 2010 to \$117.5 million at December 31, 2011.

The following table illustrates the composition of the loan portfolio:

	Dec. 31, 2011	Dec. 31, 2010
Commercial real estate	\$ 71,300,163	\$ 71,538,599
Commercial construction	7,165,979	2,840,605
Commercial business	13,507,058	12,276,455
Consumer	<u>25,483,053</u>	<u>26,331,755</u>
Total loans	<u>\$117,456,253</u>	<u>\$112,987,414</u>

Deposits increased \$838 thousand, or 0.7% from \$119.1 million at September 30, 2011 to \$119.9 million at December 31, 2011. During the fourth quarter, certificates of deposit increased \$2.0 million, or 2.9%, from \$68.7 million at September 30, 2011 to \$70.6 million at December 31, 2011. Money market deposits declined \$407 thousand, or 1.0%, from \$42.4 million at September 30, 2011 to \$42.0 million at December 31, 2011. During the year ended December 31, 2011, total deposits increased \$10.5 million, or 9.6%, with significant growth in the certificate of deposit portfolio offset by a decline in money market deposits. Certificates of deposit have been used to provide longer term funding at low current interest rates.

The Bank issued preferred stock in three different series in 2009 as part of the United States Department of the Treasury's Capital Purchase Program (CPP). Preferred stock

dividends are accrued monthly and all dividend payments have been made in accordance with the terms of the preferred stock issued. On September 15, 2011, the Bank redeemed all CPP preferred stock outstanding and issued a new series of preferred stock under the United States Department of the Treasury's Small Business Lending Fund (SBLF).

After accounting for preferred stock dividends, net income available to common shareholders for the quarter ended December 31, 2011 was \$168,740. This compares to net income available to common shareholders of \$126,895 for the quarter ended September 30, 2011 and \$36,723 for the quarter ended December 31, 2010.

Non-interest income for the quarter ended December 31, 2011 was \$38,944, as compared to \$39,849 for the previous quarter. Non-interest income for the year ended December 31, 2011 of \$170,061 was \$80,678, or 90.3% higher than non-interest income of \$89,383 for the year ended December 31, 2010. This increase was primarily due to rental income on other real estate owned properties as well as income from the increase in cash surrender value on bank owned life insurance that was purchased during the fourth quarter of 2011.

Non-interest expense increased \$79,763, or 10.1% in the three months ended December 31, 2011 as compared to the three months ended September 30, 2011. This increase was primarily due to an increase in employment expenses and higher other real

estate owned expenses. Non-interest expense for the year ended December 31, 2011 of \$3.3 million was \$210 thousand, or 6.8% higher than non-interest expense of \$3.1 million for the year ended December 31, 2010. This increase was due to higher salaries and benefits associated with a higher headcount, losses on sales of other real estate owned properties and increased expenses of other real estate owned properties. During the year ended December 31, 2011, eight other real estate owned properties were disposed of and two were added.

Chairman James B. Griffin stated, "I am pleased to see growth in stockholders equity during 2011 by \$641,107, from \$14,575,892 at the end of 2010 to \$15,216,299 at December 31, 2011. I would like to thank our customers, employees and shareholders for their continued support of First Resource Bank."

Selected Financial Data:

Balance Sheets (unaudited)

	December 31, 2011	December 31, 2010
Cash and due from banks	\$ 1,554,676	\$ 1,968,246
Investments	12,904,792	9,333,483
Loans	117,456,253	112,987,414
Allowance for loan losses	(1,458,824)	(1,399,993)
Premises & equipment	162,080	127,419
Other assets	<u>5,400,055</u>	<u>3,341,266</u>
Total assets	<u>\$ 136,019,032</u>	<u>\$ 126,357,835</u>
Non-interest bearing deposits	\$ 5,799,857	\$ 4,393,823
Interest-bearing checking	1,499,933	1,168,134
Money market	42,006,348	51,075,527
Time deposits	70,637,139	52,821,057
Total deposits	<u>119,943,277</u>	<u>109,458,541</u>
Borrowings	-	1,928,000
Other liabilities	<u>859,456</u>	<u>395,402</u>
Total liabilities	<u>120,802,733</u>	<u>111,781,943</u>
Preferred stock	5,083,000	5,066,833
Common stock	1,453,094	1,453,094
Surplus	9,629,144	9,635,586
Accumulated other comprehensive income (loss)	96,174	(31,982)
Accumulated deficit	<u>(1,045,113)</u>	<u>(1,547,639)</u>
Total stockholders' equity	<u>15,216,299</u>	<u>14,575,892</u>
Total Liabilities & Stockholders' Equity	<u>\$ 136,019,032</u>	<u>\$ 126,357,835</u>

Performance Statistics (unaudited)

	Qtr Ended Dec. 31, 2011	Qtr Ended Sept. 30, 2011	Qtr Ended June 30, 2011	Qtr Ended Mar. 31, 2011	Qtr Ended Dec. 31, 2010
Net interest margin	3.90%	3.77%	3.75%	3.91%	3.77%
Nonperforming loans/total loans	1.56%	2.23%	2.77%	2.35%	2.21%
Nonperforming assets/ Total assets	2.20%	2.71%	2.95%	3.32%	3.42%
Allowance for loan losses/ Total loans	1.24%	1.24%	1.28%	1.27%	1.24%
Average loans/Average assets	84.4%	84.9%	84.9%	88.0%	87.8%
Non interest expenses*/ Average assets	2.55%	2.32%	2.52%	2.58%	2.83%
Earnings per share - basic and diluted	\$0.12	\$0.09	\$0.07	\$0.07	\$0.03

* Annualized

Income Statements (unaudited)

	Qtr Ended Dec. 31, 2011	Qtr Ended Sept. 30, 2011	Qtr Ended June 30, 2011	Qtr Ended Mar. 31, 2011	Qtr Ended Dec. 31, 2010
INTEREST INCOME					
Loans	\$1,651,201	\$1,628,005	\$1,587,688	\$1,585,435	\$1,594,093
Investments	63,897	71,048	63,007	55,056	28,027
Federal funds sold	-	-	-	147	704
Other	2,563	3,644	1,899	1,016	5,047
Total interest income	<u>1,717,661</u>	<u>1,702,697</u>	<u>1,652,594</u>	<u>1,641,654</u>	<u>1,627,871</u>
INTEREST EXPENSE					
Borrowings	-	2,338	8,867	13,973	23,060
Checking	881	877	743	708	817
Money Market	101,429	111,541	128,543	137,358	145,307
Time deposits	313,929	316,255	306,267	281,783	270,011
Total interest expense	<u>416,239</u>	<u>431,011</u>	<u>444,420</u>	<u>433,822</u>	<u>439,195</u>
Net interest income	<u>1,301,422</u>	<u>1,271,686</u>	<u>1,208,174</u>	<u>1,207,832</u>	<u>1,188,676</u>
Provision for loan losses	<u>119,904</u>	<u>126,065</u>	<u>151,933</u>	<u>179,756</u>	<u>120,888</u>
Net interest income after provision for loan losses	1,181,518	1,145,621	1,056,241	1,028,076	1,067,788
NON INTEREST INCOME	38,944	39,849	39,053	52,215	22,428
NON INTEREST EXPENSE					
Salaries & benefits	408,677	357,253	346,362	343,817	313,127
Occupancy & equipment	83,108	79,946	74,442	78,339	75,080
Data processing	55,301	53,041	51,552	50,909	49,154
Professional fees	77,539	87,042	103,308	91,089	99,816
Advertising	9,799	8,476	8,045	16,203	2,903
Other real estate owned expenses	90,149	52,502	97,676	71,806	237,791
Other non interest Expenses	<u>147,168</u>	<u>153,718</u>	<u>143,943</u>	<u>162,796</u>	<u>146,188</u>
Total non interest Expense	<u>871,741</u>	<u>791,978</u>	<u>825,328</u>	<u>814,959</u>	<u>924,059</u>
Pre-tax income	348,721	393,492	269,966	265,332	166,157
Tax expense	<u>(115,739)</u>	<u>(134,142)</u>	<u>(92,919)</u>	<u>(91,212)</u>	<u>(57,296)</u>
Net income	<u>\$ 232,982</u>	<u>\$ 259,350</u>	<u>\$ 177,047</u>	<u>\$ 174,120</u>	<u>\$ 108,861</u>
Preferred stock dividends and accretion	<u>(64,242)</u>	<u>(132,455)</u>	<u>(72,138)</u>	<u>(72,138)</u>	<u>(72,138)</u>
Net income available to common shareholders	<u>\$ 168,740</u>	<u>\$ 126,895</u>	<u>\$ 104,909</u>	<u>\$ 101,982</u>	<u>\$ 36,723</u>

Income Statements (unaudited)

	Year Ended Dec. 31, 2011	Year Ended Dec. 31, 2010
INTEREST INCOME		
Loans	\$6,452,329	\$6,201,861
Investments	253,008	278,576
Federal funds sold	147	2,844
Other	9,122	19,668
Total interest income	<u>6,714,606</u>	<u>6,502,949</u>
INTEREST EXPENSE		
Borrowings	25,178	125,334
Checking	3,209	3,265
Money Market	478,871	751,763
Time deposits	1,218,234	1,299,857
Total interest expense	<u>1,725,492</u>	<u>2,180,219</u>
Net interest income	<u>4,989,114</u>	<u>4,322,730</u>
Provision for loan losses	<u>577,658</u>	<u>570,696</u>
Net interest income after provision for loan losses	4,411,456	3,752,034
NON INTEREST INCOME	170,061	89,383
NON INTEREST EXPENSE		
Salaries & benefits	1,456,109	1,267,300
Occupancy & equipment	315,835	314,011
Data processing	210,803	198,344
Professional fees	358,978	424,714
Advertising	42,523	20,825
Other real estate owned expenses	312,133	257,757
Other non interest expense	607,625	611,043
Total non interest expense	<u>3,304,006</u>	<u>3,093,994</u>
Pre-tax income	1,277,511	747,423
Tax expense	<u>(434,012)</u>	<u>(257,063)</u>
Net income	<u>\$ 843,499</u>	<u>\$ 490,360</u>
Preferred stock dividends and accretion	<u>(340,973)</u>	<u>(288,550)</u>
Net income available to common shareholders	<u>\$ 502,526</u>	<u>\$ 201,810</u>

###

About First Resource Bank

First Resource Bank is a locally owned and operated Pennsylvania state-chartered bank, serving the banking needs of businesses, professionals and individuals in Chester County, Pennsylvania. 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.