# First Resource Bank

### NEWS RELEASE

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### 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 Commercial construction Commercial business Consumer	\$ 71,300,163 7,165,979 13,507,058 25,483,053	\$ 71,538,599 2,840,605 12,276,455 26,331,755
Total loans	\$117,456,253	<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)

	Decemb 20	•	December 2010	31,	
Cash and due from banks Investments Loans Allowance for loan losses Premises & equipment Other assets	12,90 117,45 (1,45	4,676 4,792 6,253 8,824) 2,080 0,055	\$ 1,968, 9,333, 112,987, (1,399, 127, 3,341,	483 414 993) 419	
Total assets	\$ 136,01	9,032	<u>\$ 126,357,</u>	835	
Non-interest bearing deposits Interest-bearing checking Money market Time deposits Total deposits Borrowings Other liabilities	1,49 42,00 70,63 119,94	9,857 9,933 6,348 7,139 3,277 - 9,456	\$ 4,393, 1,168, 51,075, 52,821, 109,458, 1,928, 395,	134 527 057 541 000	
Total liabilities	120,80	2,733	111,781,	943	
Preferred stock Common stock Surplus Accumulated other comprehensive income (loss) Accumulated deficit Total stockholders' equity	1,45 9,62 9 (1,04	3,000 3,094 9,144 6,174 5,113) 6,299	5,066, 1,453, 9,635, (31, (1,547, 14,575,	094 586 982)	
Total Liabilities & Stockholders' Equity	\$ 136,01	9 <b>,</b> 032	<u>\$ 126,357,</u>	<u>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 Nonperforming loans/total loans Nonperforming assets/ Total assets	3.90% 1.56% 2.20%	3.77% 2.23% 2.71%	3.75% 2.77% 2.95%	3.91% 2.35% 3.32%	3.77% 2.21% 3.42%
Allowance for loan losses/ Total loans	1.24%	1.24%	1.28%	1.27%	1.24%
Average loans/Average assets Non interest expenses*/ Average assets Earnings per share - basic and	84.4% 2.55% \$0.12	84.9% 2.32% \$0.09	84.9% 2.52% \$0.07	88.0% 2.58% \$0.07	87.8% 2.83% \$0.03
diluted					

<sup>\*</sup> 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 Investments	\$1,651,201 63,897	\$1,628,005 71,048	\$1,587,688 63,007	\$1,585,435 55,056	\$1,594,093 28,027
Federal funds sold Other Total interest income	2,563 1,717,661	3,644 1,702,697	1,899 1,652,594	147 1,016 1,641,654	704 5,047 1,627,871
INTEREST EXPENSE Borrowings Checking	- 881	2 <b>,</b> 338 877	8,867 743	13 <b>,</b> 973 708	23 <b>,</b> 060 817
Money Market Time deposits Total interest expense	101,429 313,929 416,239	111,541 316,255 431,011	128,543 306,267 444,420	137,358 281,783 433,822	145,307 270,011 439,195
Net interest income	1,301,422	1,271,686	1,208,174	1,207,832	_1,188,676
Provision for loan losses	119,904	126,065	<u>151,933</u>	179,756	120,888
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 <b>,</b> 253	346,362	343 <b>,</b> 817	313,127
Occupancy & equipment Data processing	83,108 55,301	79,946 53,041	74,442 51,552	78,339 50,909	75,080 49,154
Professional fees Advertising Other real estate owned	77,539 9,799 90,149	87,042 8,476 52,502	103,308 8,045 97,676	91,089 16,203 71,806	99,816 2,903 237,791
expenses Other non interest Expenses	147,168	153,718	143,943	162,796	146,188
Total non interest Expense	<u>871,741</u>	791,978	825,328	814,959	924,059
Pre-tax income	348,721	393,492	269,966	265,332	166,157
Tax expense	(115,739)	(134,142)	(92,919)	(91,212)	(57,296)
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	(64,242)	(132, 455)	(72,138)	(72,138)	(72,138)
Net income available to common shareholders	<u>\$ 168,740</u>	<u>\$ 126,895</u>	\$ 104,909	\$ 101 <b>,</b> 982	<u>\$ 36,723</u>

Income Statements (unaudited)

	Year Ended	Year Ended
	Dec. 31, 2011	Dec. 31, 2010
INTEREST INCOME		
Loans	\$6,452,329	\$6,201,861
Investments	253,008	278 <b>,</b> 576
Federal funds sold	147	2,844
Other	9,122	19,668
Total interest income	6,714,606	6,502,949
INTEREST EXPENSE	05.450	105.004
Borrowings	25,178	125,334
Checking	3 <b>,</b> 209	3 <b>,</b> 265
Money Market	478,871	751,763
Time deposits Total interest expense	1,218,234 1,725,492	1,299,857 2,180,219
iotai interest expense	1,725,492	2,100,219
Net interest income	4,989,114	4,322,730
Provision for loan losses	577,658	570,696
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 <b>,</b> 978	424,714
Advertising	42,523	20,825
Other real estate owned expenses	312,133	257 <b>,</b> 757
Other non interest expense	607,625	611,043
Total non interest expense	3,304,006	3,093,994
Pre-tax income	1,277,511	747,423
Tax expense	(434,012)	(257,063)
Net income	\$ 843,499	\$ 490,360
Preferred stock dividends and accretion	(340,973)	(288,550)
Net income available to common shareholders	\$ 502,526	\$ 201,810

#### 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 forwardlooking 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. 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.