

NEWS RELEASE

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FIRST RESOURCE BANK ANNOUNCES RECORD ANNUAL EARNINGS; NET INCOME GREW 28% OVER THE PRIOR YEAR

EXTON, PA – First Resource Bank (OTCQX: FRSB) announced financial results for the three months and year ended December 31, 2018.

Highlights for the year ended December 31, 2018 included:

- Net income grew 28%
- Earnings per share grew 17%
- Non-interest bearing deposits grew 27%
- Total deposits grew 12%
- Loans grew 13%
- Total assets grew to over \$300 million
- Acquired the site for the third branch location in Wayne, Pennsylvania

Glenn B. Marshall, President & CEO, stated, “2018 was a record year for First Resource Bank in numerous ways. The fact that we achieved record net income in 2018 was significant as we took advantage of tax savings to invest in the Bank’s infrastructure which will benefit us for years to come. 2018 marked the 5th consecutive year with loan growth of 10% or greater. Our strategic focus on checking deposit growth was highly successful as total deposits grew 12% during the year with non-interest bearing deposits up 27% for the year. ”

Net income for the quarter ended December 31, 2018 was \$608,737, which compares to \$554,653 for the previous quarter and \$401,757 for the fourth quarter of the prior year.

Net income for the year ended December 31, 2018 was \$2,165,207, a 28% increase as compared to the prior year. The increase in net income is primarily attributable to an 11% increase in net interest income and lower income tax expense as a result of the passage of the Tax Cuts and Jobs Act in 2017, partially offset by lower non-interest income, a higher provision for loan losses and higher non-interest expense. Gains on sales of SBA loans totaled \$96 thousand in 2018 as compared to \$197 thousand in 2017.

Net interest income was \$2,543,645 for the quarter ended December 31, 2018 as compared to \$2,492,896 for the previous quarter, an improvement of 2%. The net interest margin decreased 7 basis points from 3.85% for the quarter ended September 30, 2018 to 3.78% for the quarter ended December 31, 2018. The overall yield on interest earning assets increased 2 basis points during the fourth quarter led by a 6 basis point increase in loan yields to 5.48%. The cost of deposits increased 10 basis points during the fourth quarter to 1.27%.

Net interest income for the year ended December 31, 2018 was \$9,927,714 as compared to \$8,960,606 for the year ended December 31, 2017, an 11% improvement. The net interest margin for the year ended December 31, 2018 was 3.89% as compared to 3.86% for the prior year. Loan yields increased 20 basis points to 5.38% in 2018, as compared to 5.18% in the prior year, and the cost of deposits increased 26 basis points to 1.07% in 2018, as compared to 0.81% in 2017.

Non-interest income for the quarter ended December 31, 2018 was \$178,337 as compared to \$127,457 for the previous quarter and \$93,721 for the fourth quarter of the prior year. There were \$55,075 in gains on sales of SBA loans recognized during the fourth quarter of 2018, as compared to \$12,631 in the prior quarter and none in the fourth quarter of 2017.

Non-interest income for the year ended December 31, 2018 was \$561,266 as compared to \$590,349 for the prior year. The decrease is mainly attributed to a decrease in gains on the sale of SBA loans, which were \$96 thousand during 2018 and \$197 thousand in 2017.

Non-interest expense increased \$63 thousand, or 3%, in the three months ended December 31, 2018 as compared to the prior quarter. The increase was primarily due to an increase in salaries and benefits, professional fees, data processing and other costs, partially offset by a decrease in advertising costs.

Non-interest expense increased \$731 thousand, or 11%, in the year ended December 31, 2018 as compared to the prior year. This increase was due to higher salaries and benefits expense associated with a higher headcount and higher advertising, data processing and other costs, partially offset by lower occupancy costs and professional fees. Marshall stated, "Included in the increased employee headcount was a dedicated compliance officer and chief credit officer, both of whom will generate long term benefits to the bank. These staff additions are important investments in our infrastructure to help grow the Bank to the next level."

Deposits grew \$13.6 million from \$222.6 million at September 30, 2018 to \$236.2 million at December 31, 2018. During the fourth quarter, non-interest bearing deposits increased \$3.4 million, or 12%, from \$28.4 million at September 30, 2018 to \$31.8 million at December 31, 2018. Interest-bearing checking balances increased \$679 thousand, or 7%, from \$10.4 million at September 30, 2018 to \$11.1 million at December 31, 2018. Money market deposits increased \$7.5 million, or 8%, from \$94.4 million at September 30, 2018 to \$101.9 million at December 31, 2018. Certificates of deposit increased \$2.0 million, or 2%, from \$89.5 million at September 30, 2018 to \$91.5 million at December 31, 2018.

During 2018, total deposits increased \$25.3 million, or 12%, from \$210.9 million at December 31, 2017 to \$236.2 million at December 31, 2018. During 2018, non-interest bearing deposits grew 27%, interest checking deposits grew 14%, money market deposits declined 6% and certificates of deposit grew 35%.

Marshall stated, "We are very excited about opening our third branch in 2019 in Wayne, Pennsylvania. The addition of this large deposit market will enhance our ability to grow core deposits. The site has been acquired and the existing building on the site has been completely removed already. We expect a late third quarter opening for this location, dependent on construction timing and possible weather delays as we are building a new structure from the ground up."

The loan portfolio grew \$10.3 million during the fourth quarter from \$234.4 million at September 30, 2018 to \$244.7 million at December 31, 2018, with growth in commercial business loans, commercial real estate loans, and construction loans, partially offset by a decline in consumer loans.

During 2018, the loan portfolio grew \$27.2 million, or 13%, from \$217.5 at December 31, 2017 to \$244.7 million at December 31, 2018, with the majority of that growth in commercial real estate loans.

The following table illustrates the composition of the loan portfolio:

	Dec. 31, 2018	Dec. 31, 2017
Commercial real estate	\$ 170,738,479	\$ 147,895,320
Commercial construction	20,377,108	19,794,234
Commercial business	31,738,443	28,315,241
Consumer	<u>21,843,647</u>	<u>21,459,111</u>
Total loans	<u>\$ 244,697,677</u>	<u>\$ 217,463,906</u>

The allowance for loan losses to total loans was 0.81% at December 31, 2018 as compared to 0.85% at September 30, 2018 and 0.81% at December 31, 2017. Non-performing assets consisted of non-performing loans of \$2.8 million at December 31, 2018, an 8% decrease as compared to the prior quarter primarily due to the sale of other real estate owned during the fourth quarter. Non-performing assets to total assets improved 18% from 1.12% at September 30, 2018 to 0.92% at December 31, 2018.

During the year ended December 31, 2018, total stockholder's equity increased \$2.1 million, or 9%, from \$23.2 million at December 31, 2017 to \$25.3 million at December 31, 2018, primarily due to net income generated. During the year ended December 31, 2018 book value per share has grown 79 cents, or 9%, to \$9.62.

During the year ended December 31, 2018, total assets grew \$33.9 million, or 13%. This growth was primarily the result of \$27.2 million in loan growth funded by a \$25.3 million increase in deposits and a \$6.2 million increase in borrowings.

Selected Financial Data:
Balance Sheets (unaudited)

	December 31, 2018	December 31, 2017
Cash and due from banks	\$ 5,734,677	\$ 2,998,367
Time deposits at other banks	599,000	599,000
Investments	37,762,190	36,219,930
Loans	244,697,677	217,463,906
Allowance for loan losses	(1,990,253)	(1,751,953)
Premises & equipment	6,647,166	5,671,763
Other assets	<u>8,996,941</u>	<u>7,353,942</u>
Total assets	<u>\$ 302,447,398</u>	<u>\$ 268,554,955</u>
Non-interest bearing deposits	\$ 31,788,359	\$ 24,987,354
Interest-bearing checking	11,069,325	9,755,198
Money market	101,887,847	108,500,566
Time deposits	<u>91,456,365</u>	<u>67,658,995</u>
Total deposits	<u>236,201,896</u>	<u>210,902,113</u>
Short term borrowings	17,000,400	17,997,000
Long term borrowings	18,515,500	11,287,500
Subordinated debt	3,986,097	3,977,603
Other liabilities	<u>1,466,037</u>	<u>1,227,099</u>
Total liabilities	<u>277,169,930</u>	<u>245,391,315</u>
Total stockholders' equity	<u>25,277,468</u>	<u>23,163,640</u>
Total liabilities & stockholders' equity	<u>\$ 302,447,398</u>	<u>\$ 268,554,955</u>

Performance Statistics
(unaudited)

	Qtr Ended Dec. 31, 2018	Qtr Ended Sept. 30, 2018	Qtr Ended June 30, 2018	Qtr Ended Mar. 31, 2018	Qtr Ended Dec. 31, 2017
Net interest margin	3.78%	3.85%	3.97%	3.98%	3.90%
Nonperforming loans/ Total loans	1.14%	1.21%	1.42%	1.35%	1.39%
Nonperforming assets/ Total assets	0.92%	1.12%	1.30%	1.17%	1.13%
Allowance for loan losses/ Total loans	0.81%	0.85%	0.87%	0.85%	0.81%
Average loans/Average assets	84.9%	86.1%	86.6%	86.1%	84.3%
Non-interest expenses*/ Average assets	2.67%	2.68%	2.72%	2.84%	2.57%
Earnings per share – basic and diluted	\$0.23	\$0.21	\$0.20	\$0.18	\$0.15
Book value per share	\$9.62	\$9.35	\$9.15	\$8.97	\$8.83
Total shares outstanding	2,628,316	2,626,633	2,625,130	2,623,575	2,621,887

* Annualized

	Year Ended Dec. 31, 2018	Year Ended Dec. 31, 2017
Net interest margin	3.89%	3.86%
Return on assets	0.81%	0.69%
Return on equity	9.02%	8.08%
Earnings per share-basic and diluted	\$0.82	\$0.70

Income Statements (unaudited)

	Qtr. Ended Dec. 31, 2018	Qtr. Ended Sept. 30, 2018	Qtr. Ended June 30, 2018	Qtr. Ended Mar. 31, 2018	Qtr. Ended Dec. 31, 2017
INTEREST INCOME					
Loans, including fees	\$3,297,459	\$3,179,807	\$3,076,950	\$2,849,596	\$2,768,463
Securities	124,207	115,250	126,632	130,141	113,230
Other	37,950	20,705	1,733	2,563	15,593
Total interest income	<u>3,459,616</u>	<u>3,315,762</u>	<u>3,205,315</u>	<u>2,982,300</u>	<u>2,897,286</u>
INTEREST EXPENSE					
Deposits	739,464	655,163	513,174	441,063	433,287
Borrowings	108,664	99,856	130,785	76,810	47,575
Subordinated debt	67,843	67,847	67,486	67,124	67,843
Total interest expense	<u>915,971</u>	<u>822,866</u>	<u>711,445</u>	<u>584,997</u>	<u>548,705</u>
Net interest income	<u>2,543,645</u>	<u>2,492,896</u>	<u>2,493,870</u>	<u>2,397,303</u>	<u>2,348,581</u>
Provision for loan losses	<u>78,051</u>	<u>109,544</u>	<u>191,321</u>	<u>134,322</u>	<u>89,233</u>
Net interest income after provision for loan losses	2,465,594	2,383,352	2,302,549	2,262,981	2,259,348
NON-INTEREST INCOME					
BOLI income	38,315	38,163	37,564	35,040	28,258
Gain on sale of SBA loans	55,075	12,631	28,725	-	-
Other	84,947	76,663	73,441	80,702	65,463
Total non-interest income	<u>178,337</u>	<u>127,457</u>	<u>139,730</u>	<u>115,742</u>	<u>93,721</u>
NON-INTEREST EXPENSE					
Salaries & benefits	1,121,757	1,089,077	1,055,702	1,028,005	923,583
Occupancy & equipment	179,256	178,176	178,119	194,772	175,539
Professional fees	94,756	84,445	99,919	87,452	90,275
Advertising	34,689	52,808	45,638	62,222	24,802
Data processing	121,363	107,734	111,828	105,617	102,435
Other	337,137	313,657	309,324	317,187	309,388
Total non-interest expense	<u>1,888,958</u>	<u>1,825,897</u>	<u>1,800,530</u>	<u>1,795,255</u>	<u>1,626,022</u>
Income before income tax expense	754,973	684,912	641,749	583,468	727,047
Federal income tax expense	<u>146,236</u>	<u>130,259</u>	<u>120,924</u>	<u>102,476</u>	<u>325,290</u>
Net income	<u>\$ 608,737</u>	<u>\$ 554,653</u>	<u>\$ 520,825</u>	<u>\$ 480,992</u>	<u>\$ 401,757</u>

Income Statements (unaudited)

	Year Ended December 31, 2018	Year Ended December 31, 2017
INTEREST INCOME		
Loans	\$ 12,403,812	\$ 10,601,912
Investments	496,230	423,450
Other	<u>62,951</u>	<u>62,180</u>
Total interest income	<u>12,962,993</u>	<u>11,087,542</u>
INTEREST EXPENSE		
Deposits	2,348,864	1,661,999
Borrowings	416,115	194,637
Subordinated debt	<u>270,300</u>	<u>270,300</u>
Total interest expense	<u>3,035,279</u>	<u>2,126,936</u>
Net interest income	<u>9,927,714</u>	<u>8,960,606</u>
Provision for loan losses	<u>513,238</u>	<u>353,316</u>
Net interest income after provision for loan losses	9,414,476	8,607,290
NON-INTEREST INCOME		
BOLI income	149,082	113,623
Gain on sale of SBA loans	96,431	196,873
Other	<u>315,753</u>	<u>279,853</u>
Total non-interest income	561,266	590,349
NON-INTEREST EXPENSE		
Salaries & benefits	4,294,541	3,630,324
Occupancy & equipment	730,323	742,960
Professional fees	366,572	431,138
Advertising	195,357	156,899
Data processing	446,542	390,185
Other non-interest expense	<u>1,277,305</u>	<u>1,228,459</u>
Total non-interest expense	<u>7,310,640</u>	<u>6,579,965</u>
Pre-tax income	2,665,102	2,617,674
Tax expense	<u>499,895</u>	<u>929,959</u>
Net income	<u>\$ 2,165,207</u>	<u>\$ 1,687,715</u>

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About First Resource Bank

First Resource Bank is a locally owned and operated Pennsylvania state-chartered bank with two full-service branches, 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.