

Dear Shareholder:

2016 was a tremendous year for First Resource Bank. The Bank achieved a record Net Income to Common Shareholders of \$1,278,656 which represents a 12% increase year over year. We are seeing the positive results of the investments made over the last few years in the Bank's future including hiring quality staff and expanding the branch system. The record balance sheet growth experienced in 2016 has built a recurring revenue stream that will continue to benefit the Bank in the future.

Highlights for the year ended December 31, 2016 included:

- Total interest income grew **16%** over the prior year.
- Achieved record net income, **8%** higher than the prior year.
- Deposits grew **22%**, to end the year at a record high, \$202.7 million.
- Loans outstanding grew **12%**, to end the year at a record high, \$197.8 million.
- Total assets grew **16%**, to end the year at a record high, \$240.9 million.
- Asset quality improved significantly, with nonperforming assets to total assets declining from 1.17% at December 31, 2015 to **0.63%** at December 31, 2016.
- Redeemed the remaining 25% of the Bank's Small Business Lending Fund preferred stock.
- Issued a 5% stock dividend

First Resource Bank's story of growth has not changed but became amplified in 2016. By our own admission we had work to do on the deposit generation side of the balance sheet to fund consistent asset growth. For the last few years, we set out to focus on our retail funding mix. This change was not an overnight project. In opening the West Chester location plus relocating and enhancing the Exton branch, we embarked on a 180 degree change in our delivery and processes for the retail side of the institution. We anticipated that these efforts in combination with staff enhancements and disruption in the market would produce quality retail deposit growth in 2016. On a year to year view, our total deposits increased 22%. In the future, we are positioned to take advantage of this strengthened retail deposit generation capability to enable us to eliminate wholesale funding on our balance sheet and improve our cost of deposited funds.

Even with the current market's intensely competitive loan pricing and structure, which seems almost reckless by our competitors at times, First Resource Bank has carefully increased total loans, improved credit quality and increased our yield on loans. The 2016 performance marks the third year in a row of 12% increases in net loan growth for the Bank. This loan growth produced a 16% increase in total interest income in 2016 as compared to 2015.

The full earnings press release appears on our website under the News button. The second page of this Newsletter provides the highlights of the Balance Sheet and Income Statement as of December 31, 2016.

As always, if you have any questions about our Bank, please feel free to call me on my cell at 610-996-6661.

Sincerely,



Glenn B. Marshall, President and CEO
First Resource Bank

Balance Sheet

	Dec. 31, 2016	Dec. 31, 2015
Cash and due from banks	\$ 3,210,601	\$ 1,254,982
Investments	28,959,596	19,543,548
Loans	197,838,848	176,102,467
Allowance for loan losses	(1,579,068)	(1,450,836)
Premises & equipment	5,955,748	6,223,326
Other assets	6,530,305	6,378,550
Total assets	\$ 240,916,030	\$ 208,052,037
Deposits	\$ 202,655,151	\$ 165,983,561
Borrowings	15,607,500	19,586,500
Subordinated debt	3,969,108	3,960,615
Other liabilities	1,065,532	966,129
Total liabilities	223,297,291	190,496,805
Preferred stock	-	1,271,000
Common stock	2,100,299	1,977,328
Surplus	12,136,088	11,484,125
Accumulated other comprehensive income (loss)	(73,849)	32,207
Retained earnings/ (accumulated deficit)	3,456,201	2,790,572
Total stockholders' equity	17,618,739	17,555,232
Total Liabilities & Stockholder's Equity	\$ 240,916,030	\$ 208,052,037

Income Statement

	Quarter Ended Dec. 31, 2016	Quarter Ended Dec. 31, 2015	Year Ended Dec. 31, 2016	Year Ended Dec. 31, 2015
Interest income	\$ 2,587,916	\$ 2,214,964	\$ 9,669,679	\$ 8,329,493
Interest expense	537,356	461,754	2,005,708	1,614,050
Net interest income	2,050,560	1,753,210	7,663,971	6,715,443
Provision for loan losses	91,061	110,446	223,784	282,375
Non interest income	139,274	75,825	370,897	702,904
Non interest expense	1,522,221	1,356,947	5,932,128	5,262,729
Pre-tax income	576,552	361,642	1,878,956	1,873,243
Tax expense	185,562	109,298	597,723	687,474
Net income	\$ 390,990	\$ 252,344	\$ 1,281,233	\$ 1,185,769
Preferred stock dividends	-	(8,047)	(2,577)	(46,171)
Net income available to common shareholders	\$ 390,990	\$ 244,297	\$ 1,278,656	\$ 1,139,598

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