



Dear Shareholder:

We are pleased to report our 2018 financial results and provide an update on ongoing progress at First Resource Bank. Our year over year financial highlights included:

- Net income was \$2,165,207 which was 28% higher than the prior year.
- Total interest income grew 17%.
- Total loans grew 13%.
- Total deposits grew 12%.
- Non-interest bearing deposits grew 27%.
- Our percentage of checking increased to 18% of total deposits at year-end.
- Earnings per share grew by 17%.
- Total assets grew to over \$300 million.

Please visit www.FirstResourceBank.com under the Investor Relations button to review the full earnings press release for our fiscal year ended December 31, 2018.

Looking just at the 4th quarter of 2018, net income of \$608,737 was the best quarter in the Bank's history with a 10% increase over the 3rd quarter's net income. Deposits grew \$13.6 million in the quarter with loans growing by \$10.3 million. Loans had solid net growth in the quarter overcoming our typical level of payoffs with a good closure rate from our backlog. Deposit interest rates continued to be pressured as other institutions positioned their balance sheets for year-end. We continue to focus on "smart growth" rather than growth at any cost that could hurt banks down the road.

It appears that the Fed has signaled that they will increase interest rates at a slower pace in the future. In last 26 months, the Fed increased interest rates 8 times for a total of 2.00%. The deposit market was slow to react at first but the 2018 deposit interest rate market was as crazy as I have ever seen in my 39 years of banking. The good news is that we saw good deposit growth at 12% for the year with a nice pick up in the 4th quarter. The interest margin saw some erosion over the course of the year but remained at a more than acceptable 3.78% in the 4th quarter. The net interest margin was 3.89% for 2018 as a whole which was an improvement over the 3.86% margin for 2017.

The deposit mix improvement in my opinion is the big take away from the year. Checking grew 23% which exceeded the overall deposit growth rate. The percentage of interest and non-interest bearing checking to total deposits grew from 16% at the end of last year to 18% for this year-end. If you're an active reader of these newsletters, you will know that our push has been checking, checking, checking over the last few years. The overall percentage of checking at 12-31-15 was 12%. Checking has more than doubled over the last three years from \$20.6 million at 12-31-15 to \$42.9 million at the 2018 year-end. I love seeing the results of our team's focused efforts in this area.

The latest rendering of our third branch in Wayne, Pennsylvania is on the flip side of the newsletter. We acquired the property in the fall of 2018 and have since started site improvement work. Pending weather and the construction schedules, we expect to be open in fall of 2019. This third location and the triangle that it creates with Exton and West Chester will only help with our checking and deposit growth in the coming years.

If you are not already receiving emails from me and would like to be added to our shareholders email contact list, please email me at gmarshall@firstresourcebank.com

Please give us an opportunity to earn your business, if you're not already banking with us, so we can demonstrate why First Resource Bank is **Where Customer Satisfaction Comes First.**

Sincerely,

Glenn B. Marshall, President & CEO

First Resource Bank



First Resource Bank supporting the Exton Chamber of Commerce Casino Night.

Balance Sheet

	Dec. 31, 2018	Dec. 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	8,996,941	7,353,942
Total assets	\$ 302,447,398	\$ 268,554,955
Deposits	\$ 236,201,896	\$ 210,902,113
Borrowings	35,515,900	29,284,500
Subordinated debt	3,986,097	3,977,603
Other liabilities	1,466,037	1,227,099
Total liabilities	277,169,930	245,391,315
Common stock	2,628,316	2,621,887
Surplus	15,535,963	15,472,980
Accumulated other comprehensive loss	(210,735)	(89,944)
Retained earnings	7,323,924	5,158,717
Total stockholders' equity	25,277,468	23,163,640
Total Liabilities & Stockholder's Equity	\$ 302,447,398	\$ 268,554,955

Income Statement

	Quarter Ended Dec. 31, 2018	Quarter Ended Dec. 31, 2017	Year Ended Dec. 31, 2018	Year Ended Dec. 31, 2017
Interest income	\$ 3,459,616	\$ 2,897,286	\$ 12,962,993	\$ 11,087,542
Interest expense	915,971	548,705	3,035,279	2,126,936
Net interest income	2,543,645	2,348,581	9,927,714	8,960,606
Provision for loan losses	78,051	89,233	513,238	353,316
Non interest income	178,337	93,721	561,266	590,349
Non interest expense	1,888,958	1,626,022	7,310,640	6,579,965
Pre-tax income	754,973	727,047	2,665,102	2,617,674
Tax expense	146,236	325,290	499,895	929,959
Net income	\$ 608,737	\$ 401,757	\$ 2,165,207	\$ 1,687,715



This is a rendering of our new Wayne Branch located on Lancaster Avenue, coming this fall.

**Visit Us in Exton or
West Chester Today!**

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