



Dear Shareholder:

Please visit www.FirstResourceBank.com under the Investor Relations button to review the full earnings press release for the third quarter of 2018. Highlights for the third quarter included:

- Net income of \$554,653 was the highest quarterly profit in the Bank's history
- Net income grew 6% over the quarter ended June 30, 2018 and 20% over the quarter ended September 30, 2017
- Total interest income grew 3% over the quarter ended June 30, 2018 and 17% over the quarter ended September 30, 2017
- Total loans grew \$17.0 million, or 8%, in the first nine months of 2018 to a total of \$234.4 million at September 30, 2018
- Total deposits grew \$11.7 million, or 6%, in the first nine months of 2018 to a total of \$222.6 million at September 30, 2018
- Finalist nominated for "Best Investor Relations by a Micro-Cap Company" hosted by IR Magazine and in association with OTC Markets Group
- Acquired the site for the third branch location in Wayne, Pennsylvania

While the third quarter of 2018 was our most profitable quarter to date, we are not content unless our balance sheet growth continues to drive increasing profitability. Growth has always been our focus and that is currently challenged by high levels of loan payoffs offsetting strong current loan production and rising interest rates for deposits. We focus on "smart growth" rather than growth at any cost that could hurt banks down the road.

As deposit costs soar it is incredibly important to maintain the Bank's net interest margin as much as possible. While there was some margin attrition during the third quarter, the net interest margin is still very strong at 3.88%. Checking deposit growth is the best possible insulator from margin compression and that continues to be a primary focus every single day at the Bank.

We are very excited about the opportunity to open our third branch in an incredible market along the Main Line in Wayne, Pennsylvania. This new market significantly enhances the Bank's market area and creates a \$12 billion deposit market when combined with our existing branches. Construction will begin in November and the branch is expected to open in mid-2019. We have hired experienced bankers each with a long standing presence in the Main Line community to run the new branch.

Since the publication of our earnings release we were awarded 2018 Best Bank of Chester County by the readers of our local paper, The Daily Local. We are incredibly proud of this award which we have now won two years in a row. When you consider how many banks there are in Chester County and how some of them have such larger customer bases, it really is a testament to the superior service our employees provide to our customers every day. If you are not already banking with us, please give us an opportunity to earn your business and demonstrate why First Resource Bank is Where Customer Satisfaction Comes First.

Sincerely,

Glenn B. Marshall, President and CEO

First Resource Bank



Photo by True Vine Photography

First Resource Bank employees held a "blue-out" to celebrate winning the Best Bank of Chester County.

Balance Sheet

	Sept. 30, 2018	Dec. 31, 2017
Cash and due from banks	\$ 5,596,444	\$ 2,998,367
Time deposits at other banks	599,000	599,000
Investments	18,295,328	36,219,930
Loans	234,445,972	217,463,906
Allowance for loan losses	(1,997,080)	(1,751,953)
Premises & equipment	5,694,165	5,671,763
Other assets	8,378,420	7,353,942
Total assets	\$ 271,012,249	\$ 268,554,955
Deposits	\$ 222,646,776	\$ 210,902,113
Borrowings	18,515,500	29,284,500
Subordinated debt	3,983,973	3,977,603
Other liabilities	1,296,703	1,227,099
Total liabilities	246,442,952	245,391,315
Common stock	2,626,633	2,621,887
Surplus	15,519,242	15,472,980
Accumulated other comprehensive loss	(291,765)	(89,944)
Retained earnings	6,715,187	5,158,717
Total stockholders' equity	24,569,297	23,163,640
Total Liabilities & Stockholder's Equity	\$ 271,012,249	\$ 268,554,955

Income Statement

	Quarter Ended Sept. 30, 2018	Quarter Ended Sept. 30, 2017	9 Months Ended Sept. 30, 2018	9 Months Ended Sept. 30, 2017
Interest income	\$ 3,315,762	\$ 2,837,532	\$ 9,503,377	\$ 8,190,256
Interest expense	822,866	525,583	2,119,308	1,578,231
Net interest income	2,492,896	2,311,949	7,384,069	6,612,025
Provision for loan losses	109,544	123,974	435,187	264,083
Non interest income	127,457	135,806	382,929	496,628
Non interest expense	1,825,897	1,646,114	5,421,682	4,953,943
Pre-tax income	684,912	677,667	1,910,129	1,890,627
Tax expense	130,259	215,963	353,659	604,669
Net income	\$ 554,653	\$ 461,704	\$ 1,556,470	\$ 1,285,958



Awarded 2018 Best Bank of Chester County for the second year in a row!

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