

NEWS RELEASE

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FIRST RESOURCE BANK ANNOUNCES MOST PROFITABLE QUARTER TO DATE; 2017 FIRST QUARTER NET INCOME GREW 60% OVER THE PRIOR YEAR

EXTON, PA – First Resource Bank (OTCQX: FRSB) announced financial results for the three months ended March 31, 2017.

Highlights for the first quarter of 2017 included:

- Net income of \$406,553, which was 60% higher than the prior year first quarter and 4% higher than the fourth quarter of 2016
- Total interest income and net interest income grew 15% over the prior year
- Gains of \$155,337 on the sale of SBA loans were recognized
- Cost of interest bearing deposits declined 4 basis points
- Book value per share grew \$0.22 to \$8.61

Glenn B. Marshall, President & CEO, stated, “The first quarter of 2017 was the fifth consecutive quarter of increasing profitability. We remain focused on growing the balance sheet in an efficient way, avoiding short term pricing decisions to attract loan volume on terms that will hurt us down the road. Our funding mix has improved with organic deposit growth replacing certificates of deposit and non-core sources of funds as they mature. We continue to focus on growing checking deposits to improve our deposit mix and lower our cost of funds.”

Net income for the quarter ended March 31, 2017 was \$406,553, which compares to \$390,990 for the previous quarter and \$254,119 for the first quarter of the prior year. The first quarter of 2016 was the last quarter to incur preferred stock dividends due to the redemption of all preferred stock during that quarter.

Net interest income was \$2,096,391 for the quarter ended March 31, 2017 as compared to \$2,050,560 for the previous quarter, an improvement of 2%. The net interest margin decreased 1 basis point from 3.71% for the quarter ended December 31, 2016 to 3.70% for the quarter ended March 31, 2017. The overall yield on interest earning assets decreased 6 basis points during the first quarter, however loan yields held steady at 5.11%. The decline in asset yield is attributed to an increase in cash and securities during the first quarter. The total cost of interest bearing liabilities declined 5 basis points during the first quarter, led by a 4 basis point decline in the cost of interest bearing deposits, to 0.90%.

Non-interest income for the quarter ended March 31, 2017 was \$261,270, as compared to \$139,274 for the previous quarter and \$72,934 for the first quarter of the prior year. There were \$155

thousand in gains on sales of SBA loans recognized during the first quarter of 2017, as compared to \$55 thousand in gains in the prior quarter and no gains in the first quarter of 2016.

Non-interest expense increased \$117 thousand, or 8%, in the three months ended March 31, 2017 as compared to the prior quarter. The increase was primarily due to growth in salaries and benefits expense, advertising, professional fees and other expense. Growth in other expenses is primarily attributable to costs associated with SBA loans sold during the first quarter.

Deposits grew \$1.4 million, or 1%, from \$202.7 million at December 31, 2016 to \$204.1 million at March 31, 2017. During the first quarter, non-interest bearing deposits increased \$1.2 million, or 6%, from \$18.8 million at December 31, 2016 to \$20.0 million at March 31, 2017. Interest-bearing checking balances increased \$406 thousand, or 5%, from \$8.1 million at December 31, 2016 to \$8.5 million at March 31, 2017. Money market deposits grew \$3.4 million, or 4%, from \$92.0 million at December 31, 2016 to \$95.4 million at March 31, 2017. Certificates of deposit decreased \$3.5 million, or 4%, from \$83.7 million at December 31, 2016 to \$80.2 million at March 31, 2017. Total deposits grew from \$168.9 million at March 31, 2016 to \$204.1 million at March 31, 2017, an increase of \$35.2 million, or 20.9%, with growth in non-interest bearing checking, interest checking and money markets offset by a decline in certificates of deposit.

The loan portfolio grew \$4.2 million, or 2%, during the first quarter from \$197.8 million at December 31, 2016 to \$202.0 million at March 31, 2017, with the majority of that growth in commercial real estate and construction loans. The loan portfolio grew from \$179.8 million at March 31, 2016 to \$202.0 million at March 31, 2017, an increase of \$22.3 million or 12.4%, with growth in the commercial real estate, commercial business and construction portfolios offset by a decline in the consumer portfolio.

The following table illustrates the composition of the loan portfolio:

	Mar. 31, 2017	Dec. 31, 2016	Mar. 31, 2016
Commercial real estate	\$ 133,235,684	\$ 130,284,708	\$ 118,587,106
Commercial construction	19,716,986	17,024,921	17,506,108
Commercial business	26,727,194	26,435,709	19,406,578
Consumer	<u>22,347,176</u>	<u>24,093,510</u>	<u>24,271,503</u>
Total loans	<u>\$ 202,027,040</u>	<u>\$ 197,838,848</u>	<u>\$ 179,771,295</u>

The allowance for loan losses to total loans was 0.81% at March 31, 2017 as compared to 0.80% at December 31, 2016 and 0.79% at March 31, 2016. Non-performing assets consisted solely of non-performing loans of \$1.4 million at March 31, 2017, a 4% decrease as compared to the prior quarter. Non-performing assets to total assets decreased from 0.63% at December 31, 2016 to 0.60% at March 31, 2017. This decrease at March 31, 2017 was due to the sale of the final other real estate owned property that remained at December 31, 2016.

Total stockholder's equity increased 3% from \$17.6 million at December 31, 2016 to \$18.1 million at March 31, 2017, primarily due to net income generated.

Selected Financial Data:
Balance Sheets (unaudited)

	March 31, 2017	December 31, 2016
Cash and due from banks	\$ 8,096,173	\$ 3,210,601
Investments	19,999,954	28,959,596
Loans	202,027,040	197,838,848
Allowance for loan losses	(1,633,246)	(1,579,068)
Premises & equipment	5,908,898	5,955,748
Other assets	<u>6,380,250</u>	<u>6,530,305</u>
Total assets	<u>\$ 240,779,069</u>	<u>\$ 240,916,030</u>
Non-interest bearing deposits	\$ 19,995,762	\$ 18,849,933
Interest-bearing checking	8,512,378	8,106,745
Money market	95,423,938	91,971,538
Time deposits	<u>80,177,023</u>	<u>83,726,935</u>
Total deposits	<u>204,109,101</u>	<u>202,655,151</u>
Short term borrowings	-	-
Long term borrowings	13,387,500	15,607,500
Subordinated debt	3,971,232	3,969,108
Other liabilities	<u>1,209,161</u>	<u>1,065,532</u>
Total liabilities	<u>222,676,994</u>	<u>223,297,291</u>
Common stock	2,102,476	2,100,299
Surplus	12,150,497	12,136,088
Accumulated other comprehensive income (loss)	(13,652)	(73,849)
Retained earnings	<u>3,862,754</u>	<u>3,456,201</u>
Total stockholders' equity	<u>18,102,075</u>	<u>17,618,739</u>
Total Liabilities & Stockholders' Equity	<u>\$ 240,779,069</u>	<u>\$ 240,916,030</u>

Performance Statistics
(unaudited)

	Qtr Ended Mar. 31, 2017	Qtr Ended Dec. 31, 2016	Qtr Ended Sept. 30, 2016	Qtr Ended June 30, 2016	Qtr Ended Mar. 31, 2016
Net interest margin	3.70%	3.71%	3.69%	3.86%	3.85%
Nonperforming loans/ Total loans	0.71%	0.73%	1.39%	1.28%	1.71%
Nonperforming assets/ Total assets	0.60%	0.63%	1.21%	1.16%	1.57%
Allowance for loan losses/ Total loans	0.81%	0.80%	0.79%	0.77%	0.79%
Average loans/Average assets	82.3%	83.9%	85.2%	88.5%	87.7%
Non-interest expenses*/ Average assets	2.75%	2.61%	2.67%	2.80%	2.99%
Earnings per share – basic and diluted**	\$0.19	\$0.19	\$0.16	\$0.15	\$0.12
Book value per share**	\$8.61	\$8.39	\$8.30	\$8.13	\$7.98
Total shares outstanding	2,102,476	2,100,299	2,082,721	2,080,360	1,979,234

* Annualized

** Per share data has been adjusted retroactively for all periods presented to reflect the 5% stock dividend paid in May 2016.

Income Statements (unaudited)

	Qtr. Ended Mar. 31, 2017	Qtr. Ended Dec. 31, 2016	Qtr. Ended Sept. 30, 2016	Qtr. Ended June 30, 2016	Qtr. Ended Mar. 31, 2016
INTEREST INCOME					
Loans, including fees	\$2,503,577	\$2,497,685	\$2,378,314	\$2,288,773	\$2,215,684
Securities	98,823	78,237	61,203	61,264	64,186
Other	<u>21,723</u>	<u>11,994</u>	<u>11,099</u>	<u>132</u>	<u>1,108</u>
Total interest income	<u>2,624,123</u>	<u>2,587,916</u>	<u>2,450,616</u>	<u>2,350,169</u>	<u>2,280,978</u>
INTEREST EXPENSE					
Deposits	409,673	412,849	396,349	362,111	354,627
Borrowings	50,935	56,665	56,907	52,197	43,343
Subordinated debt	<u>67,124</u>	<u>67,842</u>	<u>67,847</u>	<u>67,486</u>	<u>67,485</u>
Total interest expense	<u>527,732</u>	<u>537,356</u>	<u>521,103</u>	<u>481,794</u>	<u>465,455</u>
Net interest income	<u>2,096,391</u>	<u>2,050,560</u>	<u>1,929,513</u>	<u>1,868,375</u>	<u>1,815,523</u>
Provision for loan losses	<u>120,024</u>	<u>91,061</u>	<u>43,737</u>	<u>64,125</u>	<u>24,861</u>
Net interest income after provision for loan losses	1,976,367	1,959,499	1,885,776	1,804,250	1,790,662
NON-INTEREST INCOME					
BOLI income	28,370	29,129	29,528	29,330	29,281
Gain on sale of SBA loans	155,337	54,708	-	-	-
Other	<u>77,563</u>	<u>55,437</u>	<u>48,418</u>	<u>51,413</u>	<u>43,653</u>
Total non-interest income	261,270	139,274	77,946	80,743	72,934
NON-INTEREST EXPENSE					
Salaries & benefits	863,822	840,314	830,995	809,699	832,994
Occupancy & equipment	190,781	193,331	190,840	192,932	194,695
Professional fees	113,494	92,623	73,631	72,489	76,851
Advertising	42,475	23,352	35,394	38,667	42,048
Data processing	96,278	88,497	91,782	87,968	86,514
Other	<u>332,733</u>	<u>284,104</u>	<u>250,501</u>	<u>239,039</u>	<u>262,868</u>
Total non-interest expense	<u>1,639,583</u>	<u>1,522,221</u>	<u>1,473,143</u>	<u>1,440,794</u>	<u>1,495,970</u>
Income before income tax expense	598,054	576,552	490,579	444,199	367,626
Federal Income Tax expense	<u>191,501</u>	<u>185,562</u>	<u>158,570</u>	<u>140,084</u>	<u>113,507</u>
Net income	<u>\$ 406,553</u>	<u>\$ 390,990</u>	<u>\$ 332,009</u>	<u>\$ 304,115</u>	<u>\$ 254,119</u>
Preferred stock dividends	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,577)</u>
Net income available to common shareholders	<u>\$ 406,553</u>	<u>\$ 390,990</u>	<u>\$ 332,009</u>	<u>\$ 304,115</u>	<u>\$ 251,542</u>

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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 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.