



NEWS RELEASE

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FIRST RESOURCE BANK ANNOUNCES SECOND QUARTER RESULTS

EXTON, PA - First Resource Bank (OTC Bulletin Board: FRSB) announced net income for the three months ended June 30, 2013 was \$261,407 as compared to \$239,704 for the quarter ended March 31, 2013 and net income of \$213,254 for the quarter ended June 30, 2012. After accounting for preferred stock dividends, net income available to common shareholders for the quarter ended June 30, 2013 was \$248,700. This compares to net income available to common shareholders of \$226,997 for the quarter ended March 31, 2013 and \$161,030 for the quarter ended June 30, 2012.

Glenn B. Marshall, President & CEO, stated, "Second quarter 2013 results had the highest net income and net income to common shareholders in the Bank's history. These record results combined with 2014's branching plans has made for an exciting time at First Resource Bank. We are incredibly grateful for the

support of our customers and the hard work of our employees and directors."

Preferred stock dividends continue to accrue at the lowest rate possible, 1%, under the Small Business Lending Fund due to the Bank's strong loan growth over the past few years. Preferred stock dividend costs declined 76% from \$52,224 for the quarter ended June 30, 2012 to \$12,707 for the quarter ended June 30, 2013.

Net interest income was \$1,370,837 for the quarter ended June 30, 2013 as compared to \$1,320,752 for the previous quarter. The net interest margin improved 10 basis points from 3.79% for the quarter ended March 31, 2013 to 3.89% for the quarter ended June 30, 2013. The overall yield on interest earning assets increased 8 basis points during the second quarter, with loan yields unchanged from the prior quarter. Loan yields continue to experience pressure from intense competition for new loans as well as the scheduled re-pricing of existing loans during a time of historically low interest rates. The cost of interest bearing liabilities declined 1 basis point during the second quarter, led by a 3 basis point decline in the cost of certificates of deposit.

The allowance for loan losses to total loans was 1.04% at June 30, 2013, as compared to 1.02% at March 31, 2013, 1.12% at December 31, 2012 and 1.16% at June 30, 2012. Non-performing

assets, which include non-performing loans of \$2.9 million and other real estate owned of \$941 thousand, totaled \$3.9 million at June 30, 2013. Non-performing assets to total assets decreased from 2.59% at March 31, 2013 to 2.55% at June 30, 2013 due to a decrease in non-accrual loans partially offset by an increase in other real estate owned, coupled with an increase in total assets.

The loan portfolio grew \$2.8 million, or 2.1%, during the second quarter from \$131.3 million at March 31, 2013 to \$134.0 million at June 30, 2013. The majority of the loan growth was in the commercial real estate loan portfolio.

The following table illustrates the composition of the loan portfolio:

	June 30, 2013	Dec. 31, 2012	June 30, 2012
Commercial real estate	\$ 86,395,687	\$ 80,500,799	\$ 75,867,916
Commercial construction	9,277,161	8,863,677	9,583,465
Commercial business	13,456,844	14,874,480	13,927,399
Consumer	<u>24,908,415</u>	<u>24,433,976</u>	<u>24,547,488</u>
Total loans	<u>\$134,038,107</u>	<u>\$128,672,932</u>	<u>\$123,926,268</u>

Deposits increased \$2.7 million, or 2.1% from \$127.7 million at March 31, 2013 to \$130.4 million at June 30, 2013. During the second quarter, certificates of deposit increased \$4.4 million, or 5.9%, from \$74.1 million at March 31, 2013 to \$78.5 million at June 30, 2013. Money market deposits decreased \$2.5 million, or 5.4%, from \$45.6 million at March 31, 2013 to

\$43.1 million at June 30, 2013. Non-interest bearing deposits increased \$772 thousand, or 13.6% from \$5.7 million at March 31, 2013 to \$6.4 million at June 30, 2013.

Non-interest income for the quarter ended June 30, 2013 was \$88,030, as compared to \$93,033 for the previous quarter.

Non-interest income for the six months ended June 30, 2013 was \$181,063, as compared to \$114,884 for the same period in the prior year. This increase was due to the addition of rental income on a building acquired in August 2012 to house a future branch location.

Non-interest expense increased \$24,084, or 2.6%, in the three months ended June 30, 2013 as compared to the three months ended March 31, 2013. This increase was due to higher other real estate owned expenses and higher advertising expenses, offset by lower salaries and benefits expenses, lower occupancy expenses, lower professional fees and lower other non-interest expenses.

Non-interest expense increased \$142,524, or 8.2%, for the six months ended June 30, 2013 as compared to the six months ended June 30, 2012. This increase was mainly due to higher salaries and benefits associated with a higher headcount.

Selected Financial Data:

Balance Sheets (unaudited)

	June 30, 2013	December 31, 2012
Cash and due from banks	\$ 2,032,863	\$ 5,633,237
Investments	8,692,769	10,688,356
Loans	134,038,107	128,672,932
Allowance for loan losses	(1,389,870)	(1,439,935)
Premises & equipment	3,347,758	2,671,344
Other assets	4,966,715	4,825,042
Total assets	\$ 151,688,342	\$ 151,050,976
Non-interest bearing deposits	\$ 6,449,980	\$ 5,236,362
Interest-bearing checking	2,254,297	6,921,675
Money market	43,140,296	43,363,298
Time deposits	78,514,196	75,567,700
Total deposits	130,358,769	131,089,035
Borrowings	4,295,000	3,420,000
Other liabilities	551,719	481,168
Total liabilities	135,205,488	134,990,203
Preferred stock	5,083,000	5,083,000
Common stock	1,606,677	1,528,243
Surplus	9,496,800	9,565,547
Accumulated other comprehensive income (loss)	116,592	179,324
Accumulated deficit	179,785	(295,341)
Total stockholders' equity	16,482,854	16,060,773
Total Liabilities & Stockholders' Equity	\$ 151,688,342	\$ 151,050,976

Performance Statistics (unaudited)

	Qtr Ended June 30, 2013	Qtr Ended Mar. 31, 2013	Qtr Ended Dec. 31, 2012	Qtr Ended Sept. 30, 2012	Qtr Ended June 30, 2012
Net interest margin	3.89%	3.79%	3.85%	3.85%	3.76%
Nonperforming loans/total loans	2.19%	2.34%	2.34%	2.61%	2.75%
Nonperforming assets/ Total assets	2.55%	2.59%	2.45%	3.02%	3.04%
Allowance for loan losses/ Total loans	1.04%	1.02%	1.12%	1.21%	1.16%
Average loans/Average assets	88.5%	86.7%	87.2%	86.2%	84.9%
Non interest expenses*/ Average assets	2.57%	2.55%	2.47%	2.43%	2.52%
Earnings per share - basic and Diluted	\$0.16	\$0.15	\$0.14	\$0.12	\$0.11

* Annualized

Income Statements (unaudited)

	Qtr Ended June 30, 2013	Qtr Ended Mar. 31, 2013	Qtr Ended Dec. 31, 2012	Qtr Ended Sept. 30, 2012	Qtr Ended June 30, 2012
INTEREST INCOME					
Loans	\$1,677,372	\$1,617,539	\$1,671,869	\$1,668,250	\$1,640,648
Investments	41,480	49,815	53,718	56,433	58,312
Federal funds sold	-	-	-	-	-
Other	464	1,513	88	2,414	2,383
Total interest income	<u>1,719,316</u>	<u>1,668,867</u>	<u>1,725,675</u>	<u>1,727,097</u>	<u>1,701,343</u>
INTEREST EXPENSE					
Borrowings	10,450	9,589	10,974	8,358	6,925
Checking	637	772	565	801	1,398
Money Market	82,420	84,065	82,226	87,113	101,368
Time deposits	254,972	253,689	267,497	276,164	287,276
Total interest expense	<u>348,479</u>	<u>348,115</u>	<u>361,262</u>	<u>372,436</u>	<u>396,967</u>
Net interest income	<u>1,370,837</u>	<u>1,320,752</u>	<u>1,364,413</u>	<u>1,354,661</u>	<u>1,304,376</u>
Provision for loan losses	<u>119,002</u>	<u>131,787</u>	<u>174,979</u>	<u>206,403</u>	<u>149,677</u>
Net interest income after provision for loan losses	1,251,835	1,188,965	1,189,434	1,148,258	1,154,699
NON INTEREST INCOME	88,030	93,033	91,209	73,267	59,705
NON INTEREST EXPENSE					
Salaries & benefits	469,194	483,200	438,058	454,317	420,646
Occupancy & equipment	90,158	95,357	88,799	80,580	85,686
Data processing	65,009	63,400	35,430	57,384	55,748
Professional fees	64,576	76,786	50,791	59,616	87,868
Advertising	31,735	15,311	15,978	19,071	12,952
Other real estate owned expenses	62,075	20,000	117,646	36,866	71,100
Other non interest Expenses	<u>174,718</u>	<u>179,327</u>	<u>176,983</u>	<u>181,174</u>	<u>170,476</u>
Total non interest Expense	<u>957,465</u>	<u>933,381</u>	<u>923,685</u>	<u>889,008</u>	<u>904,476</u>
Pre-tax income	382,400	348,617	356,958	332,517	309,928
Tax expense	<u>(120,993)</u>	<u>(108,913)</u>	<u>(122,703)</u>	<u>(106,207)</u>	<u>(96,674)</u>
Net income	<u>\$ 261,407</u>	<u>\$ 239,704</u>	<u>\$ 234,255</u>	<u>\$ 226,310</u>	<u>\$ 213,254</u>
Preferred stock dividends and accretion	<u>(12,707)</u>	<u>(12,707)</u>	<u>(12,797)</u>	<u>(38,811)</u>	<u>(52,224)</u>
Net income available to common shareholders	<u>\$ 248,700</u>	<u>\$ 226,997</u>	<u>\$ 221,458</u>	<u>\$ 187,499</u>	<u>\$ 161,030</u>

Income Statements (unaudited)

	Six Months Ended June 30, 2013	Six Months Ended June 30, 2012
INTEREST INCOME		
Loans	\$3,294,911	\$3,283,214
Investments	91,295	119,884
Federal funds sold	-	-
Other	1,977	3,400
Total interest income	<u>3,388,183</u>	<u>3,406,498</u>
INTEREST EXPENSE		
Borrowings	20,039	11,572
Checking	1,409	2,362
Money Market	166,485	203,110
Time deposits	508,661	582,171
Total interest expense	<u>696,594</u>	<u>799,215</u>
Net interest income	<u>2,691,589</u>	<u>2,607,283</u>
Provision for loan losses	<u>250,789</u>	<u>309,668</u>
Net interest income after provision for loan losses	2,440,800	2,297,615
NON INTEREST INCOME	181,063	114,884
NON INTEREST EXPENSE		
Salaries & benefits	952,394	855,671
Occupancy & equipment	185,515	163,541
Data processing	128,409	111,462
Professional fees	141,362	181,437
Advertising	47,046	26,221
Other real estate owned expenses	82,075	86,343
Other non interest expense	354,045	323,647
Total non interest expense	<u>1,890,846</u>	<u>1,748,322</u>
Pre-tax income	731,017	664,177
Tax expense	<u>(229,906)</u>	<u>(207,185)</u>
Net income	<u>\$ 501,111</u>	<u>\$ 456,992</u>
Preferred stock dividends and accretion	<u>(25,414)</u>	<u>(115,762)</u>
Net income available to common shareholders	<u>\$ 475,697</u>	<u>\$ 341,230</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.