

NEWS RELEASE

For Immediate Release
July 27, 2016

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FIRST RESOURCE BANK ANNOUNCES 15% YEAR TO DATE REVENUE GROWTH; LOANS AND DEPOSITS REACH RECORD HIGHS

EXTON, PA – First Resource Bank (OTCQX: FRSB) announced financial results for the three months ended June 30, 2016.

Highlights for the second quarter of 2016 included:

- Net income of \$304,115, which was 20% higher than the prior quarter
- Loans outstanding grew 4% to a record high of \$187 million at June 30, 2016
- Deposits grew 2% to a record high of \$172 million at June 30, 2016
- Net interest margin grew to 3.86%, as compared to 3.85% in the prior quarter
- Paid a 5% stock dividend, the sixth 5% stock dividend in the Bank's history
- This quarter was the first without preferred stock dividends impacting earnings since the fourth quarter of 2008

Glenn B. Marshall, President & CEO, stated, "We are thrilled to have just completed our first quarter without preferred stock dividends in almost 8 years. Our participation in the TARP and SBLF programs allowed us to continue to grow the Bank during a time of extreme economic uncertainty when the capital markets were closed to community banks. Strong top line revenue growth continues to support operations and balance sheet growth. Our retail deposit gathering strategies are starting to generate solid results and we are excited to see that continue in the second half of 2016."

After accounting for preferred stock dividends, net income available to common shareholders for the quarter ended June 30, 2016 was \$304,115. This compares to net income available to common shareholders of \$251,542 for the quarter ended March 31, 2016 and \$316,592 for the quarter ended June 30, 2015.

Net income for the six months ended June 30, 2016 was \$558,234, an 11% decline from the same period in the prior year. This decline in net income is due to a \$389 thousand gain on sale of an SBA loan in the second quarter of 2015, where there were none in the first half of 2016. Net income available to common shareholders declined 8% as compared to the prior year, decreasing from \$604,920 for the six months ended June 30, 2015 to \$555,657 for the six months ended June 30, 2016.

Net interest income was \$1,868,375 for the quarter ended June 30, 2016 as compared to \$1,815,523 for the previous quarter, an improvement of 3%. The net interest margin increased 1 basis point from 3.85% for the quarter ended March 31, 2016 to 3.86% for the quarter ended June 30, 2016. The overall yield on interest earning assets increased 1 basis point during the second quarter, to 4.85%, with loan yields down 1 basis point to 5.04%. The total cost of interest bearing liabilities decreased 1 basis point during the second quarter, led by a 25 basis point decrease in the cost of borrowings as a result of increased use of overnight borrowings during the second quarter. The deposit cost of funds remained steady quarter over quarter at 0.95%.

Net interest income for the six months ended June 30, 2016 was \$3,683,898, a 12% improvement over net interest income of \$3,282,652 for the six months ended June 30, 2015.

Non-interest income for the quarter ended June 30, 2016 was \$80,743, as compared to \$72,934 for the previous quarter and \$463,864 for the second quarter of the prior year. Second quarter results in the prior year include \$389 thousand in SBA loan sale income, of which there were none during the current quarter.

Non-interest income for the six months ended June 30, 2016 was \$153,677 as compared to \$540,154 for the same period in the prior year. There was \$389 thousand in SBA loan sale income in the first six months of 2015 and none in the first six months of 2016.

Non-interest expense decreased \$55 thousand, or 4%, in the three months ended June 30, 2016 as compared to the prior quarter. All expense categories decreased quarter over quarter, except for data processing and other real estate owned expense which increased slightly.

Non-interest expense increased \$292,476, or 11%, in the six months ended June 30, 2016 as compared to the same period in the prior year. This increase was due to higher salaries and benefits expense, higher occupancy, data processing, software, training and deposit expenses, primarily related to the expansion into the West Chester branch beginning in April 2015, partially offset by lower professional fees and other real estate owned expenses.

Deposits increased \$3.3 million, or 2%, from \$168.9 million at March 31, 2016 to \$172.2 million at June 30, 2016. During the second quarter, non-interest bearing deposits increased \$284 thousand, or 2%, from \$16.5 million at March 31, 2016 to \$16.8 million at June 30, 2016. Interest-bearing checking balances increased \$1.1 million, or 19%, from \$5.9 million at March 31, 2016 to \$7.0 million at June 30, 2016. Money market deposits decreased \$2.9 million, or 5%, from \$61.5 million at March 31, 2016 to \$58.6 million at June 30, 2016. Certificates of deposit increased \$4.9 million, or 6%, from \$84.9 million at March 31, 2016 to \$89.7 million at June 30, 2016. The deposit portfolio grew \$6.2 million, or 4%, in the first six months of 2016.

The loan portfolio increased \$7.1 million, or 4%, during the second quarter from \$179.8 million at March 31, 2016 to \$186.9 million at June 30, 2016. Most of that growth was in the commercial real estate and commercial business portfolios. Year-to-date net loan growth in 2016 was \$10.8 million, or 6%.

The following table illustrates the composition of the loan portfolio:

	June 30, 2016	Dec. 31, 2015	June 30, 2015
Commercial real estate	\$ 126,009,639	\$ 115,857,098	\$ 105,614,061
Commercial construction	15,242,006	16,703,701	12,436,796
Commercial business	22,447,349	18,620,360	20,878,866
Consumer	<u>23,207,672</u>	<u>24,921,308</u>	<u>24,618,746</u>
Total loans	<u>\$ 186,906,666</u>	<u>\$ 176,102,467</u>	<u>\$ 163,548,469</u>

The allowance for loan losses to total loans was 0.77% at June 30, 2016 as compared to 0.82% at December 31, 2015 and 0.83% at June 30, 2015. Non-performing assets, which include non-performing loans of \$2.4 million and other real estate owned of \$56 thousand, totaled \$2.4 million at June 30, 2016, a 23% decrease as compared to the prior quarter. Non-performing assets to total assets decreased from 1.57% at March 31, 2016 to 1.16% at June 30, 2016 due to a decline in non-performing loans and an increase in total assets. Non-performing assets to total assets at June 30, 2016 were at the lowest level it has been since December 31, 2007.

Total stockholder's equity increased \$326 thousand primarily due to net income generated during the second quarter. Second quarter results include the payment of a 5% stock dividend which resulted in the issuance of 98,918 common shares. This was the sixth 5% stock dividend in the Bank's history.

Total assets increased 4% from \$203 million at March 31, 2016 to \$210 million at June 30, 2016 due to strong loan growth during the second quarter. Total assets increased 1% from \$208 million at December 31, 2015 to \$210 million at June 30, 2016 with \$10.8 million in loan growth offset by an \$8.8 million decline in investments.

Selected Financial Data:

Balance Sheets (unaudited)

	June 30, 2016	December 31, 2015
Cash and due from banks	\$ 1,580,353	\$ 1,254,982
Investments	10,794,529	19,543,548
Loans	186,906,666	176,102,467
Allowance for loan losses	(1,450,849)	(1,450,836)
Premises & equipment	6,128,770	6,223,326
Other assets	<u>6,299,856</u>	<u>6,378,550</u>
Total assets	<u>\$ 210,259,325</u>	<u>\$ 208,052,037</u>
Non-interest bearing deposits	\$ 16,797,926	\$ 14,200,995
Interest-bearing checking	7,018,960	6,392,765
Money market	58,636,325	60,453,093
Time deposits	<u>89,748,753</u>	<u>84,936,708</u>
Total deposits	<u>172,201,964</u>	<u>165,983,561</u>
Short term borrowings	711,000	10,177,000
Long term borrowings	15,607,500	9,409,500
Subordinated debt	3,964,862	3,960,615
Other liabilities	<u>854,532</u>	<u>966,129</u>
Total liabilities	<u>193,339,858</u>	<u>190,496,805</u>
Preferred stock	-	1,271,000
Common stock	2,080,360	1,977,328
Surplus	12,020,318	11,484,125
Accumulated other comprehensive income	85,588	32,207
Retained earnings	<u>2,733,201</u>	<u>2,790,572</u>
Total stockholders' equity	<u>16,919,467</u>	<u>17,555,232</u>
Total Liabilities & Stockholders' Equity	<u>\$ 210,259,325</u>	<u>\$ 208,052,037</u>

Performance Statistics
(unaudited)

	Qtr Ended June 30, 2016	Qtr Ended Mar. 31, 2016	Qtr Ended Dec. 31, 2015	Qtr Ended Sept. 30, 2015	Qtr Ended June 30, 2015
Net interest margin	3.86%	3.85%	3.68%	3.66%	3.89%
Nonperforming loans/ Total loans	1.28%	1.71%	1.31%	1.53%	1.66%
Nonperforming assets/ Total assets	1.16%	1.57%	1.17%	1.34%	1.56%
Allowance for loan losses/ Total loans	0.77%	0.79%	0.82%	0.83%	0.83%
Average loans/Average assets	88.5%	87.7%	85.1%	83.4%	88.5%
Non-interest expenses*/ Average assets	2.80%	2.99%	2.69%	2.57%	3.07%
Earnings per share – basic and diluted	\$0.15	\$0.13	\$0.12	\$0.15	\$0.19
Book value per share	\$8.13	\$8.38	\$8.24	\$8.13	\$8.34
Total shares outstanding	2,080,360	1,979,234	1,977,328	1,975,520	1,613,592

* Annualized

Income Statements (unaudited)

	Qtr. Ended June 30, 2016	Qtr. Ended Mar. 31, 2016	Qtr. Ended Dec. 31, 2015	Qtr. Ended Sept. 30, 2015	Qtr. Ended June 30, 2015
INTEREST INCOME					
Loans, including fees	\$2,288,773	\$2,215,684	\$2,149,344	\$2,045,914	\$1,999,455
Securities	61,264	64,186	60,049	42,312	37,383
Other	<u>132</u>	<u>1,108</u>	<u>5,571</u>	<u>6,983</u>	<u>1,198</u>
Total interest income	<u>2,350,169</u>	<u>2,280,978</u>	<u>2,214,964</u>	<u>2,095,209</u>	<u>2,038,036</u>
INTEREST EXPENSE					
Deposits	362,111	354,627	365,375	358,649	346,228
Borrowings	52,197	43,343	33,950	34,170	34,729
Subordinated debt	<u>67,486</u>	<u>67,485</u>	<u>62,429</u>	<u>22,809</u>	<u>-</u>
Total interest expense	<u>481,794</u>	<u>465,455</u>	<u>461,754</u>	<u>415,628</u>	<u>380,957</u>
Net interest income	<u>1,868,375</u>	<u>1,815,523</u>	<u>1,753,210</u>	<u>1,679,581</u>	<u>1,657,079</u>
Provision for loan losses	<u>64,125</u>	<u>24,861</u>	<u>110,446</u>	<u>62,090</u>	<u>92,217</u>
Net interest income after provision for loan losses	1,804,250	1,790,662	1,642,764	1,617,491	1,564,862
NON-INTEREST INCOME					
BOLI income	29,330	29,281	29,890	30,000	30,098
Gain on sale of SBA loans	-	-	-	-	389,160
Gain on sale of securities	-	-	-	-	-
Other	<u>51,413</u>	<u>43,653</u>	<u>45,935</u>	<u>56,925</u>	<u>44,606</u>
Total non-interest income	80,743	72,934	75,825	86,925	463,864
NON-INTEREST EXPENSE					
Salaries & benefits	809,699	832,994	704,372	704,651	688,885
Occupancy & equipment	192,932	194,695	186,665	179,855	190,100
Professional fees	72,489	76,851	83,234	64,368	89,414
Advertising	38,667	42,048	39,203	31,117	63,304
Data processing	87,968	86,514	83,772	78,694	82,476
Other real estate	6,830	1,551	9,960	(18,034)	44,113
Other	<u>232,209</u>	<u>261,317</u>	<u>249,741</u>	<u>220,843</u>	<u>237,545</u>
Total non-interest expense	<u>1,440,794</u>	<u>1,495,970</u>	<u>1,356,947</u>	<u>1,261,494</u>	<u>1,395,837</u>
Income before income tax expense	444,199	367,626	361,642	442,922	632,889
Federal Income Tax expense	<u>140,084</u>	<u>113,507</u>	<u>109,298</u>	<u>139,833</u>	<u>303,589</u>
Net income	<u>\$ 304,115</u>	<u>\$ 254,119</u>	<u>\$ 252,344</u>	<u>\$ 303,089</u>	<u>\$ 329,300</u>
Preferred stock dividends	<u>-</u>	<u>(2,577)</u>	<u>(8,047)</u>	<u>(12,708)</u>	<u>(12,708)</u>
Net income available to common shareholders	<u>\$ 304,115</u>	<u>\$ 251,542</u>	<u>\$ 244,297</u>	<u>\$ 290,381</u>	<u>\$ 316,592</u>

Income Statements (unaudited)

	Six Months Ended June 30, 2016	Six Months Ended June 30, 2015
INTEREST INCOME		
Loans	\$ 4,504,457	\$ 3,922,729
Investments	125,450	95,330
Other	<u>1,240</u>	<u>1,261</u>
Total interest income	<u>4,631,147</u>	<u>4,019,320</u>
INTEREST EXPENSE		
Deposits	716,738	679,100
Borrowings	95,540	57,568
Subordinated debt	<u>134,971</u>	<u>-</u>
Total interest expense	<u>947,249</u>	<u>736,668</u>
Net interest income	<u>3,683,898</u>	<u>3,282,652</u>
Provision for loan losses	<u>88,986</u>	<u>109,839</u>
Net interest income after provision for loan losses	3,594,912	3,172,813
NON-INTEREST INCOME		
BOLI income	58,611	60,170
Gain on sale of SBA loans	-	389,160
Gain on sale of securities	-	15,641
Other	<u>95,066</u>	<u>75,183</u>
Total non-interest income	153,677	540,154
NON-INTEREST EXPENSE		
Salaries & benefits	1,642,693	1,362,601
Occupancy & equipment	387,627	341,901
Professional fees	149,340	171,841
Advertising	80,715	86,480
Data processing	174,482	157,433
Other real estate owned expenses	8,381	69,474
Other non-interest expense	<u>493,526</u>	<u>454,558</u>
Total non-interest expense	<u>2,936,764</u>	<u>2,644,288</u>
Pre-tax income	811,825	1,068,679
Tax expense	<u>253,591</u>	<u>438,343</u>
Net income	<u>\$ 558,234</u>	<u>\$ 630,336</u>
Preferred stock dividends	<u>(2,577)</u>	<u>(25,416)</u>
Net income available to common shareholders	<u>\$ 555,657</u>	<u>\$ 604,920</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.