



***NEWS RELEASE***

For Immediate Release  
October 22, 2012

Media Contact:  
Glenn Marshall,  
President & CEO  
610-561-6013

***FIRST RESOURCE BANK ANNOUNCES THIRD QUARTER RESULTS***

**EXTON, PA** - First Resource Bank (OTC Bulletin Board: FRSB) announced net income for the three months ended September 30, 2012 was \$226,310 as compared to \$213,254 for the quarter ended June 30, 2012 and net income of \$259,350 for the quarter ended September 30, 2011. After accounting for preferred stock dividends, net income available to common shareholders for the quarter ended September 30, 2012 was \$187,499. This compares to net income available to common shareholders of \$161,030 for the quarter ended June 30, 2012 and \$126,895 for the quarter ended September 30, 2011.

Net income for the nine months ended September 30, 2012 of \$683,302 compares to net income of \$610,517 for the same period in the prior year. After accounting for preferred stock dividends, net income available to common shareholders for the

nine months ended September 30, 2012 was \$528,729, as compared to \$333,786 for the same period in the prior year.

Glenn B. Marshall, President & CEO, stated, "One of the largest contributors to the year over year increase in net income available to common shareholders is the preferred stock dividend savings. Due to our strong loan growth over the past twelve months, the Small Business Lending Fund preferred stock has proven to be a far less expensive capital source and our shareholders have seen the benefits in 2012."

Net interest income was \$1,354,661 for the quarter ended September 30, 2012 as compared to \$1,304,376 for the previous quarter. The net interest margin expanded from 3.76% during the second quarter of 2012 to 3.85% during the third quarter of 2012. The overall yield on interest earning assets was unchanged despite falling loan yields due to the deployment of lower yielding excess cash balances into loans. 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 9 basis points during the third quarter. Deposits costs were down across every segment of the deposit portfolio during the third quarter.

The allowance for loan losses to total loans was 1.21% at September 30, 2012 as compared to 1.16% at June 30, 2012, 1.24%

at December 31, 2011 and 1.24% at September 30, 2011. Non-performing assets, which include non-performing loans of \$3.3 million and other real estate owned of \$1.1 million, totaled \$4.4 million at September 30, 2012. Non-performing assets to total assets decreased from 3.04% at June 30, 2012 to 3.02% at September 30, 2012.

The loan portfolio grew \$4.0 million, or 3.2%, during the third quarter from \$123.9 million at June 30, 2012 to \$127.9 million at September 30, 2012. The majority of this loan growth was experienced in the commercial real estate loan portfolio. During the first nine months of 2012, the loan portfolio grew \$10.5 million, or 8.9%, from \$117.5 million at December 31, 2011 to \$127.9 million at September 30, 2012.

The following table illustrates the composition of the loan portfolio:

	Sept. 30, 2012	Dec. 31, 2011	Sept. 30, 2011
Commercial real estate	\$ 79,138,808	\$ 71,300,163	\$ 69,723,326
Commercial construction	9,343,766	7,165,979	5,867,000
Commercial business	14,274,151	13,507,058	12,723,271
Consumer	<u>25,187,745</u>	<u>25,483,053</u>	<u>26,108,408</u>
Total loans	<u>\$127,944,470</u>	<u>\$117,456,253</u>	<u>\$114,422,005</u>

Consistent with the goals of the Small Business Lending Fund, the Bank has grown qualified small business loans over the baseline by 22%. This growth will bring the preferred stock dividend cost down to 1.00% for the first quarter of 2013 and

1.007% for the fourth quarter of 2012, as compared to 3.054% for the third quarter and 4.11% for the second quarter.

Deposits decreased \$4.1 million, or 3.2% from \$129.8 million at June 30, 2012 to \$125.7 million at September 30, 2012. During the third quarter, certificates of deposit decreased \$610 thousand, or 0.8%, from \$74.9 million at June 30, 2012 to \$74.3 million at September 30, 2012. Money market deposits decreased \$3.9 million, or 8.6%, from \$45.7 million at June 30, 2012 to \$41.8 million at September 30, 2012. During the first nine months of 2012, total deposits grew \$5.8 million, or 4.8%, from \$120.0 million at December 31, 2011 to \$125.7 million at September 30, 2012.

Premises and equipment increased from \$162 thousand at December 31, 2011 to \$2.7 million at September 30, 2012, primarily due to the purchase of a second branch site during the third quarter. This site located in West Chester, PA, is currently leased back to the seller with the second branch anticipated to open in mid-2014. Rental income from this site during the lease back period will be used to defray branch development costs.

Non-interest income for the quarter ended September 30, 2012 was \$73,267, as compared to \$59,705 for the previous quarter. This increase was primarily due to rental income on the Bank's second branch site which is currently being leased back

by the seller. Non-interest income for the nine months ended September 30, 2012 was \$188,151, as compared to \$131,117 for the same period in the prior year. This increase was primarily due to the income associated with the increase in cash surrender value of bank owned life insurance which was purchased during the fourth quarter of 2011.

Non-interest expense decreased \$15,468, or 1.7% in the three months ended September 30, 2012 as compared to the three months ended June 30, 2012. This decrease was due to lower other real estate owned expenses and lower professional fees. Non-interest expense for the nine months ended September 30, 2012 was \$2.6 million, an increase of \$205 thousand, or 8.4%, as compared to the same period in the prior year. This increase was primarily due to an increase in salaries and benefits expenses associated with the expansion of the employee base, offset by lower other real estate owned expenses.

## Selected Financial Data:

### Balance Sheets (unaudited)

	September 30, 2012	December 31, 2011
Cash and due from banks	\$ 1,033,224	\$ 1,554,676
Investments	11,290,499	12,904,792
Loans	127,944,470	117,456,253
Allowance for loan losses	(1,542,264)	(1,458,824)
Premises & equipment	2,692,341	162,080
Other assets	5,346,102	5,400,055
<b>Total assets</b>	<b>\$ 146,764,372</b>	<b>\$ 136,019,032</b>
Non-interest bearing deposits	\$ 7,263,605	\$ 5,799,857
Interest-bearing checking	2,367,079	1,499,933
Money market	41,757,748	42,006,348
Time deposits	74,324,082	70,637,139
Total deposits	125,712,514	119,943,277
Borrowings	4,760,000	-
Other liabilities	434,039	859,456
<b>Total liabilities</b>	<b>130,906,553</b>	<b>120,802,733</b>
Preferred stock	5,083,000	5,083,000
Common stock	1,527,385	1,453,094
Surplus	9,562,183	9,629,144
Accumulated other comprehensive income (loss)	202,055	96,174
Accumulated deficit	(516,804)	(1,045,113)
<b>Total stockholders' equity</b>	<b>15,857,819</b>	<b>15,216,299</b>
<b>Total Liabilities &amp; Stockholders' Equity</b>	<b>\$ 146,764,372</b>	<b>\$ 136,019,032</b>

### Performance Statistics (unaudited)

	Qtr Ended Sept. 30, 2012	Qtr Ended June 30, 2012	Qtr Ended Mar. 31, 2012	Qtr Ended Dec. 31, 2011	Qtr Ended Sept. 30, 2011
Net interest margin	3.85%	3.76%	3.91%	3.90%	3.77%
Nonperforming loans/total loans	2.61%	2.75%	2.48%	1.56%	2.23%
Nonperforming assets/ Total assets	3.02%	3.04%	2.93%	2.20%	2.71%
Allowance for loan losses/ Total loans	1.21%	1.16%	1.17%	1.24%	1.24%
Average loans/Average assets	86.2%	84.9%	84.4%	84.4%	84.9%
Non interest expenses*/ Average assets	2.43%	2.52%	2.45%	2.55%	2.32%
Earnings per share - basic and diluted	\$0.12	\$0.11	\$0.12	\$0.12	\$0.09

\* Annualized

Income Statements (unaudited)

	Qtr Ended Sept. 30, 2012	Qtr Ended June 30, 2012	Qtr Ended Mar. 31, 2012	Qtr Ended Dec. 31, 2011	Qtr Ended Sept. 30, 2011
<b>INTEREST INCOME</b>					
Loans	\$1,668,250	\$1,640,648	\$1,642,566	\$1,651,201	\$1,628,005
Investments	56,433	58,312	61,572	63,897	71,048
Federal funds sold	-	-	-	-	-
Other	2,414	2,383	1,017	2,563	3,644
Total interest income	<u>1,727,097</u>	<u>1,701,343</u>	<u>1,705,155</u>	<u>1,717,661</u>	<u>1,702,697</u>
<b>INTEREST EXPENSE</b>					
Borrowings	8,358	6,925	4,647	-	2,338
Checking	801	1,398	964	881	877
Money Market	87,113	101,368	101,742	101,429	111,541
Time deposits	276,164	287,276	294,895	313,929	316,255
Total interest expense	<u>372,436</u>	<u>396,967</u>	<u>402,248</u>	<u>416,239</u>	<u>431,011</u>
Net interest income	<u>1,354,661</u>	<u>1,304,376</u>	<u>1,302,907</u>	<u>1,301,422</u>	<u>1,271,686</u>
Provision for loan losses	<u>206,403</u>	<u>149,677</u>	<u>159,991</u>	<u>119,904</u>	<u>126,065</u>
Net interest income after provision for loan losses	1,148,258	1,154,699	1,142,916	1,181,518	1,145,621
NON INTEREST INCOME	73,267	59,705	55,179	38,944	39,849
<b>NON INTEREST EXPENSE</b>					
Salaries & benefits	454,317	420,646	435,025	408,677	357,253
Occupancy & equipment	80,580	85,686	77,855	83,108	79,946
Data processing	57,384	55,748	55,714	55,301	53,041
Professional fees	59,616	87,868	93,569	77,539	87,042
Advertising	19,071	12,952	13,269	9,799	8,476
Other real estate owned expenses	36,866	71,100	15,243	90,149	52,502
Other non interest Expenses	<u>181,174</u>	<u>170,476</u>	<u>153,171</u>	<u>147,168</u>	<u>153,718</u>
Total non interest Expense	<u>889,008</u>	<u>904,476</u>	<u>843,846</u>	<u>871,741</u>	<u>791,978</u>
Pre-tax income	332,517	309,928	354,249	348,721	393,492
Tax expense	<u>(106,207)</u>	<u>(96,674)</u>	<u>(110,511)</u>	<u>(115,739)</u>	<u>(134,142)</u>
Net income	<u>\$ 226,310</u>	<u>\$ 213,254</u>	<u>\$ 243,738</u>	<u>\$ 232,982</u>	<u>\$ 259,350</u>
Preferred stock dividends and accretion	<u>(38,811)</u>	<u>(52,224)</u>	<u>(63,538)</u>	<u>(64,242)</u>	<u>(132,455)</u>
Net income available to common shareholders	<u>\$ 187,499</u>	<u>\$ 161,030</u>	<u>\$ 180,200</u>	<u>\$ 168,740</u>	<u>\$ 126,895</u>

Income Statements (unaudited)

	Nine Months Ended Sept. 30, 2012	Nine Months Ended Sept. 30, 2011
INTEREST INCOME		
Loans	\$4,951,464	\$4,801,128
Investments	176,317	189,111
Federal funds sold	-	147
Other	5,814	6,559
Total interest income	<u>5,133,595</u>	<u>4,996,945</u>
INTEREST EXPENSE		
Borrowings	19,930	25,178
Checking	3,163	2,328
Money Market	290,223	377,443
Time deposits	858,335	904,304
Total interest expense	<u>1,171,651</u>	<u>1,309,253</u>
Net interest income	<u>3,961,944</u>	<u>3,687,692</u>
Provision for loan losses	<u>516,071</u>	<u>457,754</u>
Net interest income after provision for loan losses	3,445,873	3,229,938
NON INTEREST INCOME	188,151	131,117
NON INTEREST EXPENSE		
Salaries & benefits	1,309,988	1,047,432
Occupancy & equipment	244,121	232,727
Data processing	168,846	155,502
Professional fees	241,053	281,439
Advertising	45,292	32,724
Other real estate owned expenses	123,209	221,984
Other non interest expense	504,821	460,457
Total non interest expense	<u>2,637,330</u>	<u>2,432,265</u>
Pre-tax income	996,694	928,790
Tax expense	<u>(313,392)</u>	<u>(318,273)</u>
Net income	<u>\$ 683,302</u>	<u>\$ 610,517</u>
Preferred stock dividends and accretion	<u>(154,573)</u>	<u>(276,731)</u>
Net income available to common shareholders	<u>\$ 528,729</u>	<u>\$ 333,786</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](http://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.