

NEWS RELEASE

For Immediate Release
October 25, 2016

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FIRST RESOURCE BANK ANNOUNCES RECORD HIGH QUARTERLY NET INCOME; NET INCOME GROWS 10% OVER THIRD QUARTER OF 2015

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

Highlights for the third quarter of 2016 included:

- Net income of \$332,009, grew 9% higher than the prior quarter and 10% higher than the third quarter of the prior year
- Net interest income grew 3% higher than the prior quarter and 15% higher than the third quarter of the prior year
- Deposits grew 7% during the three months ended September 30, 2016, to a record high of \$184 million, with year over year growth of 11%
- Loans outstanding grew 1% during the three months ended September 30, 2016, to a record high of \$189 million, with year over year growth of 13%

Glenn B. Marshall, President & CEO, stated, “The third quarter of 2016 was not only our most profitable quarter, but that profitability was driven completely by core earnings, without any gains on sales of SBA loans. Gains on sales of SBA loans are unpredictable; however the core earnings power of the Bank continues to deliver strong results. Deposit growth during the third quarter was very strong and we are now seeing the results of numerous strategies implemented to improve our funding mix.”

After accounting for preferred stock dividends, net income available to common shareholders for the quarter ended September 30, 2016 was \$332,009. This compares to net income available to common shareholders of \$304,115 for the quarter ended June 30, 2016 and \$290,381 for the quarter ended September 30, 2015. Preferred stock dividends were eliminated in March 2016 with the redemption of all preferred stock outstanding.

Net income for the nine months ended September 30, 2016 was \$890,243, a 5% 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 recorded in the second quarter of 2015, versus not having any SBA loan sales in the first nine months of 2016. Additionally, the Bank experienced growth in operating expenses, partially offset by 13% higher net interest income in the first nine months of 2016 as compared to the same period in the prior year. Net income available to common shareholders declined 1% as compared to the prior year, decreasing from \$895,301 for the nine months ended September 30, 2015 to \$887,666 for the nine months ended September 30, 2016.

Net interest income was \$1,929,513 for the quarter ended September 30, 2016 as compared to \$1,868,375 for the previous quarter, an improvement of 3%. The net interest margin decreased 17 basis points from 3.86% for the quarter ended June 30, 2016 to 3.69% for the quarter ended September 30, 2016. The overall yield on interest earning assets decreased 16 basis points during the third quarter, to 4.69%, as a result of significantly higher levels of low yielding cash balances due to significant deposit growth, as compared to the prior quarter. The total cost of interest bearing liabilities increased 2 basis points during the third quarter, led by a 19 basis point increase in the cost of borrowings as a result of decreased use of overnight borrowings during the third quarter. The deposit cost of funds increased 1 basis point during the third quarter, to 0.96%.

Net interest income for the nine months ended September 30, 2016 was \$5,613,411, a 13% improvement over net interest income of \$4,962,233 for the nine months ended September 30, 2015.

Non-interest income for the quarter ended September 30, 2016 was \$77,946, as compared to \$80,743 for the previous quarter and \$86,925 for the third quarter of the prior year.

Non-interest income for the nine months ended September 30, 2016 was \$231,623 as compared to \$627,079 for the same period in the prior year. There was \$389 thousand in gains on sale of SBA loans in the first nine months of 2015 and none in the first nine months of 2016.

Non-interest expense increased \$32 thousand, or 2%, in the three months ended September 30, 2016 as compared to the prior quarter. The increase was primarily due to growth in salaries and benefits expense and other expense.

Non-interest expense increased \$504,125, or 13%, in the nine months ended September 30, 2016 as compared to the same period in the prior year. This increase was due to growth in 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, supplies expense and other real estate owned expenses.

Deposits grew \$11.6 million, or 7%, from \$172.2 million at June 30, 2016 to \$183.8 million at September 30, 2016. During the third quarter, non-interest bearing deposits increased \$456 thousand, or 3%, from \$16.8 million at June 30, 2016 to \$17.3 million at September 30, 2016. Interest-bearing checking balances decreased \$475 thousand, or 7%, from \$7.0 million at June 30, 2016 to \$6.5 million at September 30, 2016. Money market deposits grew \$16.0 million, or 27%, from \$58.6 million at June 30, 2016 to \$74.7 million at September 30, 2016. Certificates of deposit decreased \$4.4 million, or 5%, from \$89.7 million at June 30, 2016 to \$85.3 million at September 30, 2016. The money market and certificate of deposit fluctuations include the migration of \$6.3 million from certificate of deposit accounts to money market accounts for one customer during the third quarter. The deposit portfolio grew \$17.8 million, or 11%, in the first nine months of 2016, with the majority of that growth in non-interest bearing and money market deposits.

The loan portfolio increased \$2.1 million, or 1%, during the third quarter from \$186.9 million at June 30, 2016 to \$189.0 million at September 30, 2016. All loan categories contributed to the growth during the quarter. Year-to-date net loan growth in 2016 was \$12.9 million, or 7%, with the majority of that growth in commercial business and commercial real estate loans.

The following table illustrates the composition of the loan portfolio:

	Sept. 30, 2016	Dec. 31, 2015	Sept. 30, 2015
Commercial real estate	\$ 126,629,295	\$ 115,857,098	\$ 106,284,578
Commercial construction	15,788,799	16,703,701	15,104,204
Commercial business	22,499,290	18,620,360	20,908,519
Consumer	<u>24,123,818</u>	<u>24,921,308</u>	<u>24,886,179</u>
Total loans	<u>\$ 189,041,202</u>	<u>\$ 176,102,467</u>	<u>\$ 167,183,480</u>

The allowance for loan losses to total loans was 0.79% at September 30, 2016 as compared to 0.82% at December 31, 2015 and 0.83% at September 30, 2015. Non-performing assets, which include non-performing loans of \$2.6 million and other real estate owned of \$54 thousand, totaled \$2.7 million at September 30, 2016, a 10% increase as compared to the prior quarter. Non-performing assets to total assets increased from 1.16% at June 30, 2016 to 1.21% at September 30, 2016. This increase at September 30, 2016 was due to one credit relationship that had \$1.2 million over 90 days past due at quarter end pending sale of a property that closed on October 5, 2016 and those loans were then brought current.

Total stockholder's equity increased \$368 thousand during the three months ended September 30, 2016, primarily due to net income generated. Total stockholder's equity decreased \$268 thousand in the first nine months of 2016 as net

income available to common shareholders of \$887,666 was offset by the redemption of \$1.3 million in preferred stock in March of 2016.

Total assets increased 5% from \$210 million at June 30, 2016 to \$222 million at September 30, 2016 due to strong deposit growth during the third quarter. Total assets increased 7% from \$208 million at December 31, 2015 to \$222 million at September 30, 2016 with \$12.9 million in loan growth and an \$8.5 million increase in short term investments offset by a \$7.8 million decline in investments. This growth was supported by a \$17.8 million increase in deposits.

Selected Financial Data:
Balance Sheets (unaudited)

	September 30, 2016	December 31, 2015
Cash and due from banks	\$ 10,037,080	\$ 1,254,982
Investments	11,859,957	19,543,548
Loans	189,041,202	176,102,467
Allowance for loan losses	(1,484,874)	(1,450,836)
Premises & equipment	6,030,382	6,223,326
Other assets	<u>6,226,638</u>	<u>6,378,550</u>
 Total assets	 <u>\$ 221,710,385</u>	 <u>\$ 208,052,037</u>
 Non-interest bearing deposits	 \$ 17,253,854	 \$ 14,200,995
Interest-bearing checking	6,543,782	6,392,765
Money market	74,654,069	60,453,093
Time deposits	<u>85,339,591</u>	<u>84,936,708</u>
Total deposits	<u>183,791,296</u>	<u>165,983,561</u>
Short term borrowings	-	10,177,000
Long term borrowings	15,607,500	9,409,500
Subordinated debt	3,966,985	3,960,615
Other liabilities	<u>1,056,938</u>	<u>966,129</u>
 Total liabilities	 <u>204,422,719</u>	 <u>190,496,805</u>
 Preferred stock	 -	 1,271,000
Common stock	2,082,721	1,977,328
Surplus	12,033,806	11,484,125
Accumulated other comprehensive income	105,928	32,207
Retained earnings	<u>3,065,211</u>	<u>2,790,572</u>
Total stockholders' equity	<u>17,287,666</u>	<u>17,555,232</u>
 Total Liabilities & Stockholders' Equity	 <u>\$ 221,710,385</u>	 <u>\$ 208,052,037</u>

Performance Statistics
(unaudited)

	Qtr Ended Sept. 30, 2016	Qtr Ended June 30, 2016	Qtr Ended Mar. 31, 2016	Qtr Ended Dec. 31, 2015	Qtr Ended Sept. 30, 2015
Net interest margin	3.69%	3.86%	3.85%	3.68%	3.66%
Nonperforming loans/ Total loans	1.39%	1.28%	1.71%	1.31%	1.53%
Nonperforming assets/ Total assets	1.21%	1.16%	1.57%	1.17%	1.34%
Allowance for loan losses/ Total loans	0.79%	0.77%	0.79%	0.82%	0.83%
Average loans/Average assets	85.2%	88.5%	87.7%	85.1%	83.4%
Non-interest expenses*/ Average assets	2.67%	2.80%	2.99%	2.69%	2.57%
Earnings per share – basic and diluted	\$0.16	\$0.15	\$0.13	\$0.12	\$0.15
Book value per share	\$8.30	\$8.13	\$8.38	\$8.24	\$8.13
Total shares outstanding	2,082,721	2,080,360	1,979,234	1,977,328	1,975,520

* Annualized

Income Statements (unaudited)

	Qtr. Ended Sept. 30, 2016	Qtr. Ended June 30, 2016	Qtr. Ended Mar. 31, 2016	Qtr. Ended Dec. 31, 2015	Qtr. Ended Sept. 30, 2015
INTEREST INCOME					
Loans, including fees	\$2,378,314	\$2,288,773	\$2,215,684	\$2,149,344	\$2,045,914
Securities	61,203	61,264	64,186	60,049	42,312
Other	11,099	132	1,108	5,571	6,983
Total interest income	<u>2,450,616</u>	<u>2,350,169</u>	<u>2,280,978</u>	<u>2,214,964</u>	<u>2,095,209</u>
INTEREST EXPENSE					
Deposits	396,349	362,111	354,627	365,375	358,649
Borrowings	56,907	52,197	43,343	33,950	34,170
Subordinated debt	67,847	67,486	67,485	62,429	22,809
Total interest expense	<u>521,103</u>	<u>481,794</u>	<u>465,455</u>	<u>461,754</u>	<u>415,628</u>
Net interest income	<u>1,929,513</u>	<u>1,868,375</u>	<u>1,815,523</u>	<u>1,753,210</u>	<u>1,679,581</u>
Provision for loan losses	<u>43,737</u>	<u>64,125</u>	<u>24,861</u>	<u>110,446</u>	<u>62,090</u>
Net interest income after provision for loan losses	1,885,776	1,804,250	1,790,662	1,642,764	1,617,491
NON-INTEREST INCOME					
BOLI income	29,528	29,330	29,281	29,890	30,000
Gain on sale of SBA loans	-	-	-	-	-
Gain on sale of securities	-	-	-	-	-
Other	48,418	51,413	43,653	45,935	56,925
Total non-interest income	<u>77,946</u>	<u>80,743</u>	<u>72,934</u>	<u>75,825</u>	<u>86,925</u>
NON-INTEREST EXPENSE					
Salaries & benefits	830,995	809,699	832,994	704,372	704,651
Occupancy & equipment	190,840	192,932	194,695	186,665	179,855
Professional fees	73,631	72,489	76,851	83,234	64,368
Advertising	35,394	38,667	42,048	39,203	31,117
Data processing	91,782	87,968	86,514	83,772	78,694
Other real estate	5,898	6,830	1,551	9,960	(18,034)
Other	244,603	232,209	261,317	249,741	220,843
Total non-interest expense	<u>1,473,143</u>	<u>1,440,794</u>	<u>1,495,970</u>	<u>1,356,947</u>	<u>1,261,494</u>
Income before income tax expense	490,579	444,199	367,626	361,642	442,922
Federal Income Tax expense	<u>158,570</u>	<u>140,084</u>	<u>113,507</u>	<u>109,298</u>	<u>139,833</u>
Net income	<u>\$ 332,009</u>	<u>\$ 304,115</u>	<u>\$ 254,119</u>	<u>\$ 252,344</u>	<u>\$ 303,089</u>
Preferred stock dividends	-	-	(2,577)	(8,047)	(12,708)
Net income available to common shareholders	<u>\$ 332,009</u>	<u>\$ 304,115</u>	<u>\$ 251,542</u>	<u>\$ 244,297</u>	<u>\$ 290,381</u>

Income Statements (unaudited)

	Nine Months Ended September 30, 2016	Nine Months Ended September 30, 2015
INTEREST INCOME		
Loans	\$ 6,882,771	\$ 5,968,643
Investments	186,653	137,642
Other	<u>12,339</u>	<u>8,244</u>
Total interest income	<u>7,081,763</u>	<u>6,114,529</u>
INTEREST EXPENSE		
Deposits	1,113,087	1,037,749
Borrowings	152,447	91,738
Subordinated debt	<u>202,818</u>	<u>22,809</u>
Total interest expense	<u>1,468,352</u>	<u>1,152,296</u>
Net interest income	<u>5,613,411</u>	<u>4,962,233</u>
Provision for loan losses	<u>132,723</u>	<u>171,929</u>
Net interest income after provision for loan losses	5,480,688	4,790,304
NON-INTEREST INCOME		
BOLI income	88,139	90,170
Gain on sale of SBA loans	-	389,160
Gain on sale of securities	-	15,641
Other	<u>143,484</u>	<u>132,108</u>
Total non-interest income	231,623	627,079
NON-INTEREST EXPENSE		
Salaries & benefits	2,473,688	2,067,252
Occupancy & equipment	578,467	521,756
Professional fees	222,971	236,209
Advertising	116,109	117,597
Data processing	266,264	236,127
Other real estate owned expenses	14,279	51,440
Other non-interest expense	<u>738,129</u>	<u>675,401</u>
Total non-interest expense	<u>4,409,907</u>	<u>3,905,782</u>
Pre-tax income	1,302,404	1,511,601
Tax expense	<u>412,161</u>	<u>578,176</u>
Net income	<u>\$ 890,243</u>	<u>\$ 933,425</u>
Preferred stock dividends	<u>(2,577)</u>	<u>(38,124)</u>
Net income available to common shareholders	<u>\$ 887,666</u>	<u>\$ 895,301</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.