

NEWS RELEASE

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*FIRST RESOURCE BANK ANNOUNCES MOST PROFITABLE QUARTER TO DATE;
QUARTERLY NET INCOME INCREASED 39% OVER THE PRIOR YEAR THIRD QUARTER*

EXTON, PA – First Resource Bank (OTCQX: FRSB) announced financial results for the three months ended September 30, 2017.

Highlights for the third quarter of 2017 included:

- Net income was \$461,704, an increase of 11% over the second quarter of 2017 and 39% over the third quarter of 2016
- Non-interest bearing deposits grew 8%
- The net interest margin expanded from 3.87% in the second quarter to 3.96% in the third quarter
- \$42 thousand in gains on sales of SBA loans were recognized

Glenn B. Marshall, President & CEO, stated, “The third quarter of 2017 was the seventh consecutive quarter with increasing profitability. In the first nine months of 2017 we have already surpassed net income for the entire year in 2016. Our deposit growth has been focused on business checking and strategies implemented are yielding solid results. We are very happy with the performance of our West Chester branch which has grown in excess of \$55 million in deposits since opening in April 2014.”

Net income for the quarter ended September 30, 2017 was \$461,704, which compares to \$417,701 for the previous quarter and \$332,009 for the third quarter of the prior year.

Net income for the nine months ended September 30, 2017 was \$1,285,958, a 44% increase over the same period in the prior year. The increase in net income is primarily attributable to a \$999 thousand, or 18%, increase in net interest income as well as \$197 thousand in gains on sales of SBA loans in the first nine months of 2017, where there were none in the same period of 2016. Net income available to common shareholders increased 45% as compared to the prior year, increasing from \$887,666 for the nine months ended September 30, 2016 to \$1,285,958 for the nine months ended September 30, 2017. 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 \$2,311,949 for the quarter ended September 30, 2017 as compared to \$2,203,685 for the previous quarter, an improvement of 5%. The net interest margin increased 9 basis points from 3.87% for the quarter ended June 30, 2017 to 3.96% for the quarter ended September 30,

2017. The overall yield on interest earning assets increased 7 basis points during the third quarter led by a 4 basis point improvement in loan yields to 5.22%. The total cost of interest bearing liabilities was unchanged from the prior quarter at 0.91%.

Net interest income for the nine months ended September 30, 2017 was \$6,612,025, an 18% improvement over net interest income of \$5,613,411 for the nine months ended September 30, 2016. This growth was driven by a 14% increase in loan interest income.

Non-interest income for the quarter ended September 30, 2017 was \$135,806, as compared to \$99,552 for the previous quarter and \$77,946 for the third quarter of the prior year. There were \$42 thousand in gains on sales of SBA loans recognized during the third quarter of 2017, as compared to no gains in the prior quarter and the third quarter of 2016.

Non-interest income for the nine months ended September 30, 2017 was \$496,628 as compared to \$231,623 for the same period in the prior year. There was \$197 thousand in gains on sales of SBA loans in the first nine months of 2017 and none in the first nine months of 2016.

Non-interest expense decreased \$22 thousand, or 1%, in the three months ended September 30, 2017 as compared to the prior quarter. The decrease was primarily due to a decline in professional fees, advertising and data processing costs, partially offset by an increase in salaries and benefits expense.

Non-interest expense increased \$544 thousand, or 12%, in the nine months ended September 30, 2017 as compared to the same period in the prior year. This increase was due to higher salaries and benefits expense associated with a higher headcount, as well as higher professional fees, advertising, data processing, software and SBA loan expenses, partially offset by lower occupancy costs.

Deposits grew a net \$5.3 million from \$204.2 million at June 30, 2017 to \$209.5 million at September 30, 2017. During the third quarter, non-interest bearing deposits increased \$1.9 million, or 8%, from \$23.0 million at June 30, 2017 to \$24.9 million at September 30, 2017. Interest-bearing checking balances decreased \$1.2 million, or 14%, from \$9.1 million at June 30, 2017 to \$7.9 million at September 30, 2017. Money market deposits grew \$7.3 million, or 7%, from \$98.4 million at June 30, 2017 to \$105.7 million at September 30, 2017. Certificates of deposit decreased \$2.6 million, or 4%, from \$73.8 million at June 30, 2017 to \$71.1 million at September 30, 2017. The deposit portfolio grew \$6.9 million, or 3%, in the first nine months of 2017, with a \$5.8 million increase in total checking balances and a \$13.7 million increase in money market deposits offset by a \$12.6 million decline in certificates of deposit. Strong growth in checking and money market deposit balances have allowed the Bank to strategically shed higher cost certificates of deposit throughout the first nine months of 2017.

The loan portfolio grew \$3.1 million, or 2%, during the third quarter from \$205.1 million at June 30, 2017 to \$208.2 million at September 30, 2017, with growth in commercial business loans, commercial real estate loans, and construction loans, partially offset by a decline in consumer loans. Year-to-date net loan growth in 2017 was \$10.4 million, or 5%, led by increases in commercial business, commercial real estate and construction lending, offset by a decline in consumer lending.

The following table illustrates the composition of the loan portfolio:

	Sept. 30, 2017	Dec. 31, 2016	Sept. 30, 2016
Commercial real estate	\$ 139,790,700	\$ 130,284,708	\$ 126,629,295
Commercial construction	20,762,572	17,024,921	15,788,799
Commercial business	27,041,481	26,435,709	22,499,290
Consumer	<u>20,604,959</u>	<u>24,093,510</u>	<u>24,123,818</u>
Total loans	<u>\$ 208,199,712</u>	<u>\$ 197,838,848</u>	<u>\$ 189,041,202</u>

The allowance for loan losses to total loans was 0.86% at September 30, 2017 as compared to 0.80% at June 30, 2017, 0.80% at December 31, 2016 and 0.79% at September 30, 2016. Non-performing assets consisted of non-performing loans of \$3.2 million at September 30, 2017, a 58% increase as compared to the prior quarter. This increase is due to two loan relationships being placed on non-accrual during the quarter. Non-performing assets to total assets increased from 0.83% at June 30, 2017 to 1.28% at September 30, 2017.

Marshall stated, "While non-performing loans increased during the third quarter, the specific credits involved have action plans in place to minimize losses and exit the relationships in an efficient manner. The vast majority of the increase in non-performing assets is due to one loan relationship that was underwritten 10+ years ago and we do not believe it is indicative of a trend. The provision for loan losses increased significantly during the third quarter as a result of the increase in non-performing loans, and the Bank still achieved record quarterly profitability."

Total stockholder's equity increased 2.1% from \$22.4 million at June 30, 2017 to \$22.8 million at September 30, 2017, primarily due to net income generated. Book value per share increased 17 cents during the third quarter of 2017 to \$8.72.

Selected Financial Data:
Balance Sheets (unaudited)

	September 30, 2017	December 31, 2016
Cash and due from banks	\$ 8,621,596	\$ 3,210,601
Time deposits at other banks	599,000	599,000
Investments	21,189,896	28,360,596
Loans	208,199,712	197,838,848
Allowance for loan losses	(1,780,771)	(1,579,068)
Premises & equipment	5,745,523	5,955,748
Other assets	<u>6,394,773</u>	<u>6,530,305</u>
Total assets	<u>\$ 248,969,729</u>	<u>\$ 240,916,030</u>
Non-interest bearing deposits	\$ 24,850,203	\$ 18,849,933
Interest-bearing checking	7,860,027	8,106,745
Money market	105,688,464	91,971,538
Time deposits	<u>71,132,930</u>	<u>83,726,935</u>
Total deposits	<u>209,531,624</u>	<u>202,655,151</u>
Long term borrowings	11,287,500	15,607,500
Subordinated debt	3,975,479	3,969,108
Other liabilities	<u>1,327,178</u>	<u>1,065,532</u>
Total liabilities	<u>226,121,781</u>	<u>223,297,291</u>
Common stock	2,619,773	2,100,299
Surplus	15,456,912	12,136,088
Accumulated other comprehensive income (loss)	29,103	(73,849)
Retained earnings	<u>4,742,160</u>	<u>3,456,201</u>
Total stockholders' equity	<u>22,847,948</u>	<u>17,618,739</u>
Total Liabilities & Stockholders' Equity	<u>\$ 248,969,729</u>	<u>\$ 240,916,030</u>

Performance Statistics
(unaudited)

	Qtr Ended Sept. 30, 2017	Qtr Ended June 30, 2017	Qtr Ended Mar. 31, 2017	Qtr Ended Dec. 31, 2016	Qtr Ended Sept. 30, 2016
Net interest margin	3.96%	3.87%	3.70%	3.71%	3.69%
Nonperforming loans/ Total loans	1.54%	0.99%	0.71%	0.73%	1.39%
Nonperforming assets/ Total assets	1.28%	0.83%	0.60%	0.63%	1.21%
Allowance for loan losses/ Total loans	0.86%	0.80%	0.81%	0.80%	0.79%
Average loans/Average assets	84.6%	84.3%	82.3%	83.9%	85.2%
Non-interest expenses*/ Average assets	2.68%	2.78%	2.75%	2.61%	2.67%
Earnings per share – basic and diluted	\$0.18	\$0.18	\$0.19	\$0.19	\$0.16
Book value per share	\$8.72	\$8.55	\$8.61	\$8.39	\$8.30
Total shares outstanding	2,619,773	2,617,596	2,102,476	2,100,299	2,082,721

* Annualized

Income Statements (unaudited)

	Qtr. Ended Sept 30, 2017	Qtr. Ended June 30, 2017	Qtr. Ended Mar. 31, 2017	Qtr. Ended Dec. 31, 2016	Qtr. Ended Sept. 30, 2016
INTEREST INCOME					
Loans, including fees	\$2,714,301	\$2,615,571	\$2,503,577	\$2,497,685	\$2,378,314
Securities	109,255	102,142	98,823	78,237	61,203
Other	<u>13,976</u>	<u>10,888</u>	<u>21,723</u>	<u>11,994</u>	<u>11,099</u>
Total interest income	<u>2,837,532</u>	<u>2,728,601</u>	<u>2,624,123</u>	<u>2,587,916</u>	<u>2,450,616</u>
INTEREST EXPENSE					
Deposits	410,731	408,308	409,673	412,849	396,349
Borrowings	47,005	49,122	50,935	56,665	56,907
Subordinated debt	<u>67,847</u>	<u>67,486</u>	<u>67,124</u>	<u>67,842</u>	<u>67,847</u>
Total interest expense	<u>525,583</u>	<u>524,916</u>	<u>527,732</u>	<u>537,356</u>	<u>521,103</u>
Net interest income	<u>2,311,949</u>	<u>2,203,685</u>	<u>2,096,391</u>	<u>2,050,560</u>	<u>1,929,513</u>
Provision for loan losses	<u>123,974</u>	<u>20,085</u>	<u>120,024</u>	<u>91,061</u>	<u>43,737</u>
Net interest income after provision for loan losses	2,187,975	2,183,600	1,976,367	1,959,499	1,885,776
NON-INTEREST INCOME					
BOLI income	28,473	28,522	28,370	29,129	29,528
Gain on sale of SBA loans	41,536	-	155,337	54,708	-
Other	<u>65,797</u>	<u>71,030</u>	<u>77,563</u>	<u>55,437</u>	<u>48,418</u>
Total non-interest income	135,806	99,552	261,270	139,274	77,946
NON-INTEREST EXPENSE					
Salaries & benefits	947,285	895,634	863,822	840,314	830,995
Occupancy & equipment	188,968	187,672	190,781	193,331	190,840
Professional fees	82,922	144,447	113,494	92,623	73,631
Advertising	41,717	47,905	42,475	23,352	35,394
Data processing	93,119	98,353	96,278	88,497	91,782
Other	<u>292,103</u>	<u>294,235</u>	<u>332,733</u>	<u>284,104</u>	<u>250,501</u>
Total non-interest expense	<u>1,646,114</u>	<u>1,668,246</u>	<u>1,639,583</u>	<u>1,522,221</u>	<u>1,473,143</u>
Income before income tax expense	677,667	614,906	598,054	576,552	490,579
Federal Income Tax expense	<u>215,963</u>	<u>197,205</u>	<u>191,501</u>	<u>185,562</u>	<u>158,570</u>
Net income	<u>\$ 461,704</u>	<u>\$ 417,701</u>	<u>\$ 406,553</u>	<u>\$ 390,990</u>	<u>\$ 332,009</u>

Income Statements (unaudited)

	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2016
INTEREST INCOME		
Loans	\$ 7,833,449	\$ 6,882,771
Investments	310,220	186,653
Other	<u>46,587</u>	<u>12,339</u>
Total interest income	<u>8,190,256</u>	<u>7,081,763</u>
INTEREST EXPENSE		
Deposits	1,228,712	1,113,087
Borrowings	147,062	152,447
Subordinated debt	<u>202,457</u>	<u>202,818</u>
Total interest expense	<u>1,578,231</u>	<u>1,468,352</u>
Net interest income	<u>6,612,025</u>	<u>5,613,411</u>
Provision for loan losses	<u>264,083</u>	<u>132,723</u>
Net interest income after provision for loan losses	6,347,942	5,480,688
NON-INTEREST INCOME		
BOLI income	85,365	88,139
Gain on sale of SBA loans	196,873	-
Other	<u>214,390</u>	<u>143,484</u>
Total non-interest income	496,628	231,623
NON-INTEREST EXPENSE		
Salaries & benefits	2,706,741	2,473,688
Occupancy & equipment	567,421	578,467
Professional fees	340,863	222,971
Advertising	132,097	116,109
Data processing	287,750	266,264
Other non-interest expense	<u>919,071</u>	<u>752,408</u>
Total non-interest expense	<u>4,953,943</u>	<u>4,409,907</u>
Pre-tax income	1,890,627	1,302,404
Tax expense	<u>604,669</u>	<u>412,161</u>
Net income	<u>\$ 1,285,958</u>	<u>\$ 890,243</u>
Preferred stock dividends	<u>-</u>	<u>(2,577)</u>
Net income available to common shareholders	<u>\$ 1,285,958</u>	<u>\$ 887,666</u>

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About First Resource Bank

First Resource Bank is a locally owned and operated Pennsylvania state-chartered bank with two full-service branches, 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.