



NEWS RELEASE

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FIRST RESOURCE BANK ANNOUNCES RECORD ANNUAL RESULTS

EXTON, PA - First Resource Bank (OTC Bulletin Board: FRSB) announced net income for the three months ended December 31, 2012 was \$234,255 as compared to \$226,310 for the quarter ended September 30, 2012 and net income of \$232,982 for the quarter ended December 31, 2011. After accounting for preferred stock dividends, net income available to common shareholders for the quarter ended December 31, 2012 was \$221,458. This compares to net income available to common shareholders of \$187,499 for the quarter ended September 30, 2012 and \$168,740 for the quarter ended December 31, 2011.

Net income for the year ended December 31, 2012 of \$917,557 compares to net income of \$843,499 for the prior year. After accounting for preferred stock dividends, net income available to common shareholders for the year ended December 31, 2012 was

\$750,187, an increase of 49% over the \$502,526 in net income available to common shareholders recorded for the prior year.

Glenn B. Marshall, President & CEO, stated, "We are pleased to have achieved a primary strategic goal for 2012 in lowering the preferred stock dividend rate to 1% due to strong growth in small business loans. Preferred stock dividends were reduced by over 50% in 2012 and the benefit of the 1% dividend rate will be beneficial to 2013 results as well."

Preferred stock dividend costs declined 67% in the fourth quarter, from \$38,811 for the three months ended September 30, 2012 to \$12,797 for the three months ended December 31, 2012. Year over year, preferred stock dividend costs declined 51% from \$340,973 for the year ended December 31, 2011 to \$167,370 for the year ended December 31, 2012.

Net interest income was \$1,364,413 for the quarter ended December 31, 2012 as compared to \$1,354,661 for the previous quarter. The net interest margin held steady at 3.85% for both the third and fourth quarters of 2012. The overall yield on interest earning assets fell 4 basis points during the fourth quarter, led by a 14 basis point decline in loan yields. 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 6 basis points during

the fourth quarter. Deposits costs were down across every segment of the deposit portfolio during the fourth quarter.

The allowance for loan losses to total loans was 1.12% at December 31, 2012 as compared to 1.21% at September 30, 2012, and 1.24% at December 31, 2011. Non-performing assets, which include non-performing loans of \$3.0 million and other real estate owned of \$690 thousand, totaled \$3.7 million at December 31, 2012. Non-performing assets to total assets decreased from 3.02% at September 30, 2012 to 2.45% at December 31, 2012.

The loan portfolio grew \$728 thousand, or 0.6%, during the fourth quarter from \$127.9 million at September 30, 2012 to \$128.7 million at December 31, 2012. Growth in the commercial and commercial real estate loan portfolios were offset by declines in the commercial construction and consumer portfolios during the fourth quarter. During the year ended December 31, 2012, the loan portfolio grew \$11.2 million, or 9.5%, from \$117.5 million at December 31, 2011 to \$128.7 million at December 31, 2012. Mr. Marshall stated, "We continue to shift resources from consumer lending to focus on commercial business and commercial rental properties. Our 2012 loan growth reflects this change from earlier years at the Bank."

The following table illustrates the composition of the loan portfolio:

	Dec. 31, 2012	Dec. 31, 2011
Commercial real estate	\$ 80,500,799	\$ 71,300,163
Commercial construction	8,863,677	7,165,979
Commercial business	14,874,480	13,507,058
Consumer	<u>24,433,976</u>	<u>25,483,053</u>
Total loans	<u>\$128,672,932</u>	<u>\$117,456,253</u>

Deposits increased \$5.4 million, or 4.3% from \$125.7 million at September 30, 2012 to \$131.1 million at December 31, 2012. During the fourth quarter, certificates of deposit increased \$1.2 million, or 1.7%, from \$74.3 million at September 30, 2012 to \$75.6 million at December 31, 2012. Money market deposits increased \$1.6 million, or 3.8%, from \$41.8 million at September 30, 2012 to \$43.4 million at December 31, 2012. During the year ended December 31, 2012, total deposits grew \$11.1 million, or 9.3%, from \$120.0 million at December 31, 2011 to \$131.1 million at December 31, 2012.

Premises and equipment increased from \$162 thousand at December 31, 2011 to \$2.7 million at December 31, 2012, primarily due to the purchase of a second branch site during the third quarter. This former bank branch building is 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 December 31, 2012 was \$91,209, as compared to \$73,267 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 year ended December 31, 2012 was \$279,360, as compared to \$170,061 for 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 as well as rental income from the branch site acquired in the third quarter of 2012.

Non-interest expense increased \$34,677, or 3.9% in the three months ended December 31, 2012 as compared to the three months ended September 30, 2012. This increase was due to higher other real estate owned expenses. Non-interest expense for the year ended December 31, 2012 was \$3.6 million, an increase of \$257 thousand, or 7.8%, as compared to 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)

	December 31, 2012	December 31, 2011
Cash and due from banks	\$ 5,633,237	\$ 1,554,676
Investments	10,688,356	12,904,792
Loans	128,672,932	117,456,253
Allowance for loan losses	(1,439,935)	(1,458,824)
Premises & equipment	2,671,344	162,080
Other assets	4,825,042	5,400,055
Total assets	\$ 151,050,976	\$ 136,019,032
Non-interest bearing deposits	\$ 5,236,362	\$ 5,799,857
Interest-bearing checking	6,921,675	1,499,933
Money market	43,363,298	42,006,348
Time deposits	75,567,700	70,637,139
Total deposits	131,089,035	119,943,277
Borrowings	3,420,000	-
Other liabilities	481,168	859,456
Total liabilities	134,990,203	120,802,733
Preferred stock	5,083,000	5,083,000
Common stock	1,528,243	1,453,094
Surplus	9,565,547	9,629,144
Accumulated other comprehensive income (loss)	179,324	96,174
Accumulated deficit	(295,341)	(1,045,113)
Total stockholders' equity	16,060,773	15,216,299
Total Liabilities & Stockholders' Equity	\$ 151,050,976	\$ 136,019,032

Performance Statistics (unaudited)

	Qtr Ended Dec. 31, 2012	Qtr Ended Sept. 30, 2012	Qtr Ended June 30, 2012	Qtr Ended Mar. 31, 2012	Qtr Ended Dec. 31, 2011
Net interest margin	3.85%	3.85%	3.76%	3.91%	3.90%
Nonperforming loans/total loans	2.34%	2.61%	2.75%	2.48%	1.56%
Nonperforming assets/ Total assets	2.45%	3.02%	3.04%	2.93%	2.20%
Allowance for loan losses/ Total loans	1.12%	1.21%	1.16%	1.17%	1.24%
Average loans/Average assets	87.2%	86.2%	84.9%	84.4%	84.4%
Non interest expenses*/ Average assets	2.47%	2.43%	2.52%	2.45%	2.55%
Earnings per share - basic and diluted	\$0.14	\$0.12	\$0.11	\$0.12	\$0.12

* Annualized

Income Statements (unaudited)

	Qtr Ended Dec. 31, 2012	Qtr Ended Sept. 30, 2012	Qtr Ended June 30, 2012	Qtr Ended Mar. 31, 2012	Qtr Ended Dec. 31, 2011
INTEREST INCOME					
Loans	\$1,671,869	\$1,668,250	\$1,640,648	\$1,642,566	\$1,651,201
Investments	53,718	56,433	58,312	61,572	63,897
Federal funds sold	-	-	-	-	-
Other	88	2,414	2,383	1,017	2,563
Total interest income	<u>1,725,675</u>	<u>1,727,097</u>	<u>1,701,343</u>	<u>1,705,155</u>	<u>1,717,661</u>
INTEREST EXPENSE					
Borrowings	10,974	8,358	6,925	4,647	-
Checking	565	801	1,398	964	881
Money Market	82,226	87,113	101,368	101,742	101,429
Time deposits	267,497	276,164	287,276	294,895	313,929
Total interest expense	<u>361,262</u>	<u>372,436</u>	<u>396,967</u>	<u>402,248</u>	<u>416,239</u>
Net interest income	<u>1,364,413</u>	<u>1,354,661</u>	<u>1,304,376</u>	<u>1,302,907</u>	<u>1,301,422</u>
Provision for loan losses	<u>174,979</u>	<u>206,403</u>	<u>149,677</u>	<u>159,991</u>	<u>119,904</u>
Net interest income after provision for loan losses	1,189,434	1,148,258	1,154,699	1,142,916	1,181,518
NON INTEREST INCOME	91,209	73,267	59,705	55,179	38,944
NON INTEREST EXPENSE					
Salaries & benefits	438,058	454,317	420,646	435,025	408,677
Occupancy & equipment	88,799	80,580	85,686	77,855	83,108
Data processing	35,430	57,384	55,748	55,714	55,301
Professional fees	50,791	59,616	87,868	93,569	77,539
Advertising	15,978	19,071	12,952	13,269	9,799
Other real estate owned expenses	117,646	36,866	71,100	15,243	90,149
Other non interest Expenses	<u>176,983</u>	<u>181,174</u>	<u>170,476</u>	<u>153,171</u>	<u>147,168</u>
Total non interest Expense	<u>923,685</u>	<u>889,008</u>	<u>904,476</u>	<u>843,846</u>	<u>871,741</u>
Pre-tax income	356,958	332,517	309,928	354,249	348,721
Tax expense	<u>(122,703)</u>	<u>(106,207)</u>	<u>(96,674)</u>	<u>(110,511)</u>	<u>(115,739)</u>
Net income	<u>\$ 234,255</u>	<u>\$ 226,310</u>	<u>\$ 213,254</u>	<u>\$ 243,738</u>	<u>\$ 232,982</u>
Preferred stock dividends and accretion	<u>(12,797)</u>	<u>(38,811)</u>	<u>(52,224)</u>	<u>(63,538)</u>	<u>(64,242)</u>
Net income available to common shareholders	<u>\$ 221,458</u>	<u>\$ 187,499</u>	<u>\$ 161,030</u>	<u>\$ 180,200</u>	<u>\$ 168,740</u>

Income Statements (unaudited)

	Year Ended Dec. 31, 2012	Year Ended Dec. 31, 2011
INTEREST INCOME		
Loans	\$6,623,333	\$6,452,329
Investments	230,035	253,008
Federal funds sold	-	147
Other	5,902	9,122
Total interest income	<u>6,859,270</u>	<u>6,714,606</u>
INTEREST EXPENSE		
Borrowings	30,904	25,178
Checking	3,728	3,209
Money Market	372,449	478,871
Time deposits	1,125,832	1,218,234
Total interest expense	<u>1,532,913</u>	<u>1,725,492</u>
Net interest income	<u>5,326,357</u>	<u>4,989,114</u>
Provision for loan losses	<u>691,050</u>	<u>557,658</u>
Net interest income after provision for loan losses	4,635,307	4,411,456
NON INTEREST INCOME	279,360	170,061
NON INTEREST EXPENSE		
Salaries & benefits	1,748,046	1,456,109
Occupancy & equipment	332,920	315,835
Data processing	204,276	210,803
Professional fees	291,844	358,978
Advertising	61,270	42,523
Other real estate owned expenses	240,855	312,133
Other non interest expense	681,804	607,625
Total non interest expense	<u>3,561,015</u>	<u>3,304,006</u>
Pre-tax income	1,353,652	1,277,511
Tax expense	<u>(436,095)</u>	<u>(434,012)</u>
Net income	<u>\$ 917,557</u>	<u>\$ 843,499</u>
Preferred stock dividends and accretion	<u>(167,370)</u>	<u>(340,973)</u>
Net income available to common shareholders	<u>\$ 750,187</u>	<u>\$ 502,526</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.