

NEWS RELEASE

For Immediate Release
January 29, 2014

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

FIRST RESOURCE BANK ANNOUNCES RECORD ANNUAL RESULTS

EXTON, PA - First Resource Bank (OTC Bulletin Board: FRSB) announced net income grew 15% in 2013, to \$1,055,658 for the year ended December 31, 2013 as compared to \$917,557 for the prior year. After accounting for preferred stock dividends, net income available to common shareholders grew 34% in 2013, to \$1,004,828 for the year ended December 31, 2013, as compared to \$750,187 for the prior year. Preferred stock dividends declined \$116,540, or 70% when comparing 2013 to 2012.

Glenn B. Marshall, President & CEO, stated, "2013 was the most profitable year in the Bank's history and the year we achieved the milestone of positive retained earnings. These record results have increased shareholder's equity and strengthened the Bank's foundation as we take on our retail expansion in 2014 with our entry into the West Chester market.

We are looking forward to an exciting year that will virtually transform the entire look and feel of First Resource Bank.”

Net income for the three months ended December 31, 2013 was \$291,181 as compared to \$263,366 for the quarter ended September 30, 2013 and net income of \$234,255 for the quarter ended December 31, 2012. After accounting for preferred stock dividends, net income available to common shareholders for the quarter ended December 31, 2013 was \$278,472. This compares to net income available to common shareholders of \$250,659 for the quarter ended September 30, 2013 and \$221,458 for the quarter ended December 31, 2012.

Net interest income was \$1,426,007 for the quarter ended December 31, 2013 as compared to \$1,392,110 for the previous quarter. The net interest margin declined 1 basis point from 3.66% for the quarter ended September 30, 2013 to 3.65% for the quarter ended December 31, 2013. The overall yield on interest earning assets decreased 4 basis points during the fourth quarter, with loan yields down 1 basis point. The cost of interest bearing liabilities declined 3 basis points during the fourth quarter, led by a 2 basis point decline in the cost of money market deposits.

Net interest income for the year ended December 31, 2013 was \$5,509,706, as compared to \$5,326,357 in the prior year, an increase of \$183 thousand or 3.4%. The net interest margin for

2013 was 3.74%, which was 11 basis points lower than the prior year net interest margin of 3.85%. This margin compression was driven by a 26 basis point decline in loan yields, offset by an 18 basis point decline in deposit costs.

Deposits increased \$1.5 million, or 1.1% from \$138.4 million at September 30, 2013 to \$139.9 million at December 31, 2013. During the fourth quarter, certificates of deposit decreased \$2.1 million, or 2.7%, from \$77.8 million at September 30, 2013 to \$75.7 million at December 31, 2013. Money market deposits increased \$3.6 million, or 7.2%, from \$50.4 million at September 30, 2013 to \$54.0 million at December 31, 2013. Non-interest bearing deposits decreased \$856 thousand, or 11.7% from \$7.3 million at September 30, 2013 to \$6.4 million at December 31, 2013. Interest checking balances increased \$826 thousand, or 27.7% from \$3.0 million at September 30, 2013 to \$3.8 million at December 31, 2013.

Total deposits grew \$8.8 million, or 6.7% in 2013, from \$131.1 million at December 31, 2012 to \$139.9 million at December 31, 2013. Money market deposits increased \$10.6 million, or 24.4% in 2013 due to strong deposit growth efforts across the organization. Non-interest bearing deposits grew \$1.2 million, or 22.8% during 2013. Interest checking balances were down in 2013 due to temporary growth in one existing large deposit account at the 2012 year end. Absent that account

fluctuation, interest checking balances increased \$767 thousand, or 25.2% in 2013.

The loan portfolio grew \$5.6 million, or 4.2%, during the fourth quarter from \$134.4 million at September 30, 2013 to \$140.0 million at December 31, 2013. The vast majority of this growth was in the commercial real estate portfolio.

During 2013 the loan portfolio grew \$11.3 million, or 8.8%. Virtually all of this growth was in the commercial real estate portfolio, offset by small declines in the commercial business and construction loan portfolios.

The following table illustrates the composition of the loan portfolio:

	Dec. 31, 2013	Dec. 31, 2012
Commercial real estate	\$ 92,435,418	\$ 80,500,799
Commercial construction	8,119,740	8,863,677
Commercial business	14,199,765	14,874,480
Consumer	<u>25,243,538</u>	<u>24,433,976</u>
Total loans	<u>\$139,998,461</u>	<u>\$128,672,932</u>

The allowance for loan losses to total loans was 0.89% at December 31, 2013 as compared to 0.93% at September 30, 2013 and 1.12% at December 31, 2012. Non-performing assets, which include non-performing loans of \$2.1 million and other real estate owned of \$663 thousand, totaled \$2.7 million at December 31, 2013. Non-performing assets to total assets decreased from 2.25% at September 30, 2013 to 1.51% at December 31, 2013 due to a

decline in non-accrual loans as well as an increase in total assets. Non-performing assets to total assets decreased from 2.45% at December 31, 2012 to 1.51% at December 31, 2013.

Non-interest income for the quarter ended December 31, 2013 was \$99,077, as compared to \$86,876 for the previous quarter.

Non-interest income for the year ended December 31, 2013 was \$367,016, as compared to \$279,360 for the prior year. This increase was due to the addition of rental income on a building acquired in August 2012 to house the future branch location in West Chester. A full 12 months of rent was received in 2013 but only 4 months in 2012.

Non-interest expense increased \$32 thousand, or 3.2%, in the three months ended December 31, 2013 as compared to the three months ended September 30, 2013. This increase was due to higher professional fees and higher salaries and benefits expenses, offset by lower advertising expenses.

Non-interest expense increased \$375 thousand, or 10.5%, for the year ended December 31, 2013 as compared to the year ended December 31, 2012. This increase was mainly due to higher salaries and benefits associated with a higher headcount, higher depreciation due to the purchase of two buildings over the past 18 months, higher data processing fees and higher advertising expenses offset by lower other real estate owned expenses.

Selected Financial Data:

Balance Sheets (unaudited)

	December 31, 2013	December 31, 2012
Cash and due from banks	\$ 606,230	\$ 5,633,237
Investments	16,317,779	10,688,356
Loans	139,998,461	128,672,932
Allowance for loan losses	(1,252,853)	(1,439,935)
Premises & equipment	3,515,038	2,671,344
Other assets	<u>6,458,705</u>	<u>4,825,042</u>
 Total assets	 <u>\$ 165,643,360</u>	 <u>\$ 151,050,976</u>
 Non-interest bearing deposits	 \$ 6,429,207	 \$ 5,236,362
Interest-bearing checking	3,809,040	6,921,675
Money market	53,960,919	43,363,298
Time deposits	75,672,226	75,567,700
Total deposits	<u>139,871,392</u>	<u>131,089,035</u>
Short term borrowings	2,555,000	-
Long term borrowings	5,599,000	3,420,000
Other liabilities	<u>610,372</u>	<u>481,168</u>
 Total liabilities	 <u>148,635,764</u>	 <u>134,990,203</u>
 Preferred stock	 5,083,000	 5,083,000
Common stock	1,608,595	1,528,243
Surplus	9,505,069	9,565,547
Accumulated other comprehensive income	102,015	179,324
Retained earnings/ (accumulated deficit)	<u>708,917</u>	<u>(295,341)</u>
Total stockholders' equity	<u>17,007,596</u>	<u>16,060,773</u>
 Total Liabilities & Stockholders' Equity	 <u>\$ 165,643,360</u>	 <u>\$ 151,050,976</u>

Performance Statistics

(unaudited)

	Qtr Ended Dec. 31, 2013	Qtr Ended Sept. 30, 2013	Qtr Ended June 30, 2013	Qtr Ended Mar. 31, 2013	Qtr Ended Dec. 31, 2012
Net interest margin	3.65%	3.66%	3.87%	3.78%	3.85%
Nonperforming loans/total loans	1.31%	2.11%	2.19%	2.34%	2.34%
Nonperforming assets/ Total assets	1.51%	2.25%	2.55%	2.59%	2.45%
Allowance for loan losses/ Total loans	0.89%	0.93%	1.04%	1.02%	1.12%
Average loans/Average assets	83.5%	84.4%	88.5%	86.7%	87.2%
Non-interest expenses*/ Average assets	2.53%	2.52%	2.57%	2.55%	2.47%
Earnings per share - basic and Diluted	\$0.17	\$0.16	\$0.16	\$0.15	\$0.14

* Annualized

Income Statements (unaudited)

	Qtr Ended Dec. 31, 2013	Qtr Ended Sept. 30, 2013	Qtr Ended June 30, 2013	Qtr Ended Mar. 31, 2013	Qtr Ended Dec. 31, 2012
INTEREST INCOME					
Loans	\$1,727,215	\$1,701,342	\$1,677,372	\$1,617,539	\$1,671,869
Investments	57,162	48,632	41,480	49,815	53,718
Other	5,729	4,436	464	1,513	88
Total interest income	<u>1,790,106</u>	<u>1,754,410</u>	<u>1,719,316</u>	<u>1,668,867</u>	<u>1,725,675</u>
INTEREST EXPENSE					
Borrowings	17,947	14,527	10,450	9,589	10,974
Checking	851	695	637	772	565
Money Market	97,839	92,181	82,420	84,065	82,226
Time deposits	247,462	254,897	254,972	253,689	267,497
Total interest expense	<u>364,099</u>	<u>362,300</u>	<u>348,479</u>	<u>348,115</u>	<u>361,262</u>
Net interest income	<u>1,426,007</u>	<u>1,392,110</u>	<u>1,370,837</u>	<u>1,320,752</u>	<u>1,364,413</u>
Provision for loan losses	<u>57,640</u>	<u>87,064</u>	<u>119,002</u>	<u>131,787</u>	<u>174,979</u>
Net interest income after provision for loan losses	1,368,367	1,305,046	1,251,835	1,188,965	1,189,434
NON-INTEREST INCOME	99,077	86,876	88,030	93,033	91,209
NON-INTEREST EXPENSE					
Salaries & benefits	500,167	486,315	469,194	483,200	438,058
Occupancy & equipment	96,881	96,004	90,158	95,357	88,799
Data processing	64,230	61,136	65,009	63,400	35,430
Professional fees	93,486	63,585	64,576	76,786	50,791
Advertising	22,794	34,268	31,735	15,311	15,978
Other real estate owned expenses	69,025	68,514	62,075	20,000	117,646
Other non-interest Expenses	<u>192,127</u>	<u>197,043</u>	<u>174,718</u>	<u>179,327</u>	<u>176,983</u>
Total non-interest Expense	<u>1,038,710</u>	<u>1,006,865</u>	<u>957,465</u>	<u>933,381</u>	<u>923,685</u>
Pre-tax income	428,734	385,057	382,400	348,617	356,958
Tax expense	<u>(137,553)</u>	<u>(121,691)</u>	<u>(120,993)</u>	<u>(108,913)</u>	<u>(122,703)</u>
Net income	<u>\$ 291,181</u>	<u>\$ 263,366</u>	<u>\$ 261,407</u>	<u>\$ 239,704</u>	<u>\$ 234,255</u>
Preferred stock dividends	<u>(12,709)</u>	<u>(12,707)</u>	<u>(12,707)</u>	<u>(12,707)</u>	<u>(12,797)</u>
Net income available to common shareholders	<u>\$ 278,472</u>	<u>\$ 250,659</u>	<u>\$ 248,700</u>	<u>\$ 226,997</u>	<u>\$ 221,458</u>

Income Statements (unaudited)

	Year Ended Dec. 31, 2013	Year Ended Dec. 31, 2012
INTEREST INCOME		
Loans	\$6,723,468	\$6,623,333
Investments	197,089	230,035
Other	<u>12,142</u>	<u>5,902</u>
Total interest income	<u>6,932,699</u>	<u>6,859,270</u>
INTEREST EXPENSE		
Borrowings	52,513	30,904
Checking	2,955	3,728
Money Market	356,505	372,449
Time deposits	<u>1,101,020</u>	<u>1,125,832</u>
Total interest expense	<u>1,422,993</u>	<u>1,532,913</u>
Net interest income	<u>5,509,706</u>	<u>5,326,357</u>
Provision for loan losses	<u>395,493</u>	<u>691,050</u>
Net interest income after provision for loan losses	5,114,213	4,635,307
NON-INTEREST INCOME	367,016	279,360
NON-INTEREST EXPENSE		
Salaries & benefits	1,938,876	1,748,046
Occupancy & equipment	378,400	332,920
Data processing	253,775	204,276
Professional fees	298,433	291,844
Advertising	104,108	61,270
Other real estate owned expenses	219,614	240,855
Other non-interest expense	<u>743,215</u>	<u>681,804</u>
Total non-interest expense	<u>3,936,421</u>	<u>3,561,015</u>
Pre-tax income	1,544,808	1,353,652
Tax expense	<u>(489,150)</u>	<u>(436,095)</u>
Net income	<u>\$1,055,658</u>	<u>\$ 917,557</u>
Preferred stock dividends	<u>(50,830)</u>	<u>(167,370)</u>
Net income available to common shareholders	<u>\$1,004,828</u>	<u>\$ 750,187</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.