

NEWS RELEASE

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FIRST RESOURCE BANK ANNOUNCES RECORD ANNUAL RESULTS; 12% LOAN GROWTH IN 2015

EXTON, PA – First Resource Bank (OTCQX: FRSB) announced fourth quarter and full year financial results through December 31, 2015. Net income for the year ended December 31, 2015 was \$1,185,769, as compared to \$1,105,693 for the prior year.

Significant accomplishments for the year ended December 31, 2015 included:

- Completed a \$2.3 million common equity raise and the issuance of \$4 million in subordinated debt
- Redeemed \$3.8 million, or 75%, of the Bank's Small Business Lending Fund preferred stock
- Opened our second branch location in the largest deposit market in Chester County
- Achieved record net income, 7% higher than the prior year
- Paid the Bank's second cash dividend to date
- Total interest income grew 10% over the prior year
- Total assets grew 15% to end the year at \$208.1 million
- Total loans grew 12% to a record high of \$176.1 million

Net income for the three months ended December 31, 2015 of \$252,344 compares to net income of \$303,089 for the three months ended September 30, 2015 and \$256,007 for the three months ended December 31, 2014. After accounting for preferred stock dividends, net income available to common shareholders for the three months ended December 31, 2015 was \$244,297. This compares to net income available to common shareholders of \$290,381 for the three months ended September 30, 2015 and \$243,299 for the quarter ended December 31, 2014.

Glenn B. Marshall, President & CEO, stated, "2015 was a year of growth in the balance sheet, physical locations and employee team, while also achieving the sixth

consecutive year of record net income. The growth in fee income on the sale of SBA guaranteed loans was a significant contributing factor to the bottom line this year. We are thrilled with the successful completion of our internal capital plan in 2015 and resulting reduction in preferred stock outstanding. The significant balance sheet growth experienced over the past year has established a solid foundation for 2016.”

Net interest income was \$1,753,210 for the quarter ended December 31, 2015 as compared to \$1,679,581 for the previous quarter, an improvement of 4%. The net interest margin increased 2 basis points from 3.66% for the quarter ended September 30, 2015 to 3.68% for the quarter ended December 31, 2015. The overall yield on interest earning assets increased 9 basis points during the fourth quarter, to 4.65%, mainly due to a lower level of low yielding cash and a higher level of loans. The total cost of interest bearing liabilities increased 7 basis points during the fourth quarter, led by an 85 basis point increase in the cost of borrowings, as a result of the issuance of \$2 million in subordinated debt on October 15. The deposit cost of funds decreased 1 basis point to 0.96%.

Net interest income for the year ended December 31, 2015 was \$6,715,443, an improvement of \$561 thousand, or 9% over the prior year. The net interest margin for 2015 was 3.80%, which was 10 basis points lower than the prior year. This margin movement is mainly attributed to higher cash and short term investments as well as higher cost of borrowings as a result of the subordinated debt issuance in 2015.

During the year ended December 31, 2015, total deposits increased \$22.6 million, or 16%, with all deposit categories experiencing significant growth.. Deposits increased \$592 thousand, or 0.4%, from \$165.4 million at September 30, 2015 to \$166.0 million at December 31, 2015. During the fourth quarter, money market deposits increased \$2.2 million, or 4%, from \$58.3 million at September 30, 2015 to \$60.5 million at December 31, 2015. Interest-bearing checking balances increased \$2.1 million, or 47%, from \$4.3 million at September 30, 2015 to \$6.4 million at December 31, 2015. Non-interest bearing deposits decreased \$1.8 million, or 11%, from \$16.0 million at September 30, 2015 to \$14.2 million at December 31, 2015. Certificates of deposit decreased \$1.8 million, or 2%, from \$86.8 million at September 30, 2015 to \$84.9 million at December 31, 2015.

During the year ended December 31, 2015, the loan portfolio grew \$18.8 million, or 12%. Most of this growth was in the commercial real estate portfolio which grew \$13.6 million, or 13% in 2015. The loan portfolio increased \$8.9 million, or 5%, during the fourth quarter from \$167.2 million at September 30, 2015 to \$176.1 million at December 31, 2015. Strong growth in the commercial real estate and construction categories was partially offset by a decline in the commercial portfolio during the fourth quarter.

The following table illustrates the composition of the loan portfolio:

	Dec. 31, 2015	Dec. 31, 2014
Commercial real estate	\$ 115,857,098	\$ 102,290,962
Commercial construction	16,703,701	12,235,078
Commercial business	18,620,360	17,483,708
Consumer	<u>24,921,308</u>	<u>25,316,420</u>
Total loans	<u>\$ 176,102,467</u>	<u>\$ 157,326,168</u>

The allowance for loan losses to total loans was 0.82% at December 31, 2015 as compared to 0.84% at December 31, 2014. Non-performing assets, which include non-performing loans of \$2.3 million and other real estate owned of \$117 thousand, totaled \$2.4 million at December 31, 2015, a 9% decline as compared to the prior quarter. Non-performing assets to total assets decreased from 1.34% at September 30, 2015 to 1.17% at December 31, 2015 due to a decline in non-performing loans and an increase in total assets.

Non-interest income for the quarter ended December 31, 2015 was \$75,825, as compared to \$86,925 for the previous quarter and \$218,705 for the fourth quarter of the prior year. Fourth quarter 2014 results include \$104 thousand in SBA loan sale income, of which there were none during the current quarter or in the prior quarter of this year.

Non-interest income for the year ended December 31, 2015 was \$702,904 as compared to \$528,962 for the prior year. SBA loan sale income was \$285 thousand higher in 2015 than the prior year.

Non-interest expense increased \$95 thousand, or 8%, in the three months ended December 31, 2015 as compared to the prior quarter. All expense categories increased quarter over quarter, except for salaries and benefits.

Non-interest expense increased \$729 thousand, or 16%, in the year ended December 31, 2015 as compared to the prior year. All expense categories increased year over year, except for other real estate owned expense. Much of the increase is associated with the opening of the West Chester branch in April 2015.

Selected Financial Data:

Balance Sheets (unaudited)

	December 31, 2015	December 31, 2014	
Cash and due from banks	\$ 1,254,982	\$ 817,026	
Investments	19,543,548	11,711,637	
Loans	176,102,467	157,326,168	
Allowance for loan losses	(1,450,836)	(1,317,363)	
Premises & equipment	6,223,326	5,517,252	
Other assets	<u>6,378,550</u>	<u>6,472,819</u>	
Total assets	<u>\$ 208,052,037</u>	<u>\$ 180,527,539</u>	
Non-interest bearing deposits	\$ 14,200,995	\$ 9,355,013	
Interest-bearing checking	6,392,765	4,349,552	
Money market	60,453,093	51,400,506	
Time deposits	<u>84,936,708</u>	<u>78,243,292</u>	
Total deposits	<u>165,983,561</u>	<u>143,348,363</u>	
Short term borrowings	10,177,000	12,000,000	
Long term borrowings	9,409,500	6,499,000	
Subordinated debt	3,960,615	-	
Other liabilities	<u>966,129</u>	<u>654,739</u>	
Total liabilities	<u>190,496,805</u>	<u>162,502,102</u>	
Preferred stock	1,271,000	5,083,000	
Common stock	1,977,328	1,612,283	
Surplus	11,484,125	9,523,083	
Accumulated other comprehensive income	32,207	91,577	
Retained earnings	<u>2,790,572</u>	<u>1,715,494</u>	
Total stockholders' equity	<u>17,555,232</u>	<u>18,025,437</u>	
Total Liabilities & Stockholders' Equity	<u>\$ 208,052,037</u>	<u>\$ 180,527,539</u>	

Performance Statistics (unaudited)

	Qtr Ended Dec. 31, 2015	Qtr Ended Sept. 30, 2015	Qtr Ended June 30, 2015	Qtr Ended Mar. 31, 2015	Qtr Ended Dec. 31, 2014
Net interest margin	3.68%	3.66%	3.89%	4.01%	3.97%
Nonperforming loans/total loans	1.31%	1.53%	1.66%	1.95%	1.64%
Nonperforming assets/ Total assets	1.17%	1.34%	1.56%	1.86%	1.57%
Allowance for loan losses/ Total loans	0.82%	0.83%	0.83%	0.84%	0.84%
Average loans/Average assets	85.1%	83.4%	88.5%	89.5%	88.1%
Non-interest expenses*/ Average assets	2.69%	2.57%	3.07%	2.89%	2.71%
Earnings per share – basic and diluted	\$0.12	\$0.15	\$0.19	\$0.18	\$0.15
Book value per share	\$8.24	\$8.13	\$8.34	\$8.16	\$8.03
Total shares outstanding	1,977,328	1,975,520	1,613,592	1,613,009	1,612,283

* Annualized

Income Statements (unaudited)

	Qtr. Ended Dec. 31, 2015	Qtr. Ended Sept. 30, 2015	Qtr. Ended June 30, 2015	Qtr. Ended Mar. 31, 2015	Qtr. Ended Dec. 31, 2014
INTEREST INCOME					
Loans, including fees	\$2,149,344	\$2,045,914	\$1,999,455	\$1,923,274	\$1,940,824
Securities	60,049	42,312	37,383	57,947	63,004
Other	<u>5,571</u>	<u>6,983</u>	<u>1,198</u>	<u>63</u>	<u>60</u>
Total interest income	<u>2,214,964</u>	<u>2,095,209</u>	<u>2,038,036</u>	<u>1,981,284</u>	<u>2,003,888</u>
INTEREST EXPENSE					
Deposits	365,375	358,649	346,228	332,872	329,895
Borrowings	33,950	34,170	34,729	22,839	25,173
Subordinated debt	<u>62,429</u>	<u>22,809</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total interest expense	<u>461,754</u>	<u>415,628</u>	<u>380,957</u>	<u>355,711</u>	<u>355,068</u>
Net interest income	<u>1,753,210</u>	<u>1,679,581</u>	<u>1,657,079</u>	<u>1,625,573</u>	<u>1,648,820</u>
Provision for loan losses	<u>110,446</u>	<u>62,090</u>	<u>92,217</u>	<u>17,622</u>	<u>296,205</u>
Net interest income after provision for loan losses	1,642,764	1,617,491	1,564,862	1,607,951	1,352,615
NON-INTEREST INCOME					
BOLI income	29,890	30,000	30,098	30,072	30,740
Gain on sale of SBA loans	-	-	389,160	-	103,661
Gain on sale of securities	-	-	-	15,641	50,286
Other	<u>45,935</u>	<u>56,925</u>	<u>44,606</u>	<u>30,577</u>	<u>34,018</u>
Total non-interest income	75,825	86,925	463,864	76,290	218,705
NON-INTEREST EXPENSE					
Salaries & benefits	704,372	704,651	688,885	673,716	565,894
Occupancy & equipment	186,665	179,855	190,100	151,801	196,056
Professional fees	83,234	64,368	89,414	82,427	60,069
Advertising	39,203	31,117	63,304	23,176	29,792
Data processing	83,772	78,694	82,476	74,957	76,368
Other real estate	9,960	(18,034)	44,113	25,361	42,789
Other	<u>249,741</u>	<u>220,843</u>	<u>237,545</u>	<u>217,013</u>	<u>222,717</u>
Total non-interest expense	<u>1,356,947</u>	<u>1,261,494</u>	<u>1,395,837</u>	<u>1,248,451</u>	<u>1,193,685</u>
Income before income tax expense	361,642	442,922	632,889	435,790	377,635
Federal Income Tax expense	<u>109,298</u>	<u>139,833</u>	<u>303,589</u>	<u>134,754</u>	<u>121,628</u>
Net income	<u>\$ 252,344</u>	<u>\$ 303,089</u>	<u>\$ 329,300</u>	<u>\$ 301,036</u>	<u>\$ 256,007</u>
Preferred stock dividends	<u>(8,047)</u>	<u>(12,708)</u>	<u>(12,708)</u>	<u>(12,708)</u>	<u>(12,708)</u>
Net income available to common shareholders	<u>\$ 244,297</u>	<u>\$ 290,381</u>	<u>\$ 316,592</u>	<u>\$ 288,328</u>	<u>\$ 243,299</u>

Income Statements (unaudited)

	Twelve Months Ended December 31, 2015	Twelve Months Ended December 31, 2014
INTEREST INCOME		
Loans	\$ 8,117,987	\$ 7,294,265
Investments	197,691	241,939
Other	<u>13,815</u>	<u>2,920</u>
Total interest income	<u>8,329,493</u>	<u>7,539,124</u>
INTEREST EXPENSE		
Deposits	1,403,124	1,302,540
Borrowings	125,688	82,120
Subordinated debt	<u>85,238</u>	<u>-</u>
Total interest expense	<u>1,614,050</u>	<u>1,384,660</u>
Net interest income	<u>6,715,443</u>	<u>6,154,464</u>
Provision for loan losses	<u>282,375</u>	<u>536,901</u>
Net interest income after provision for loan losses	6,433,068	5,617,563
NON-INTEREST INCOME		
BOLI income	120,060	123,999
Gain on sale of SBA loans	389,160	103,661
Gain on sale of securities	15,641	50,286
Other	<u>178,043</u>	<u>251,016</u>
Total non-interest income	702,904	528,962
NON-INTEREST EXPENSE		
Salaries & benefits	2,771,624	2,228,129
Occupancy & equipment	708,421	606,882
Professional fees	319,443	319,324
Advertising	156,800	131,797
Data processing	319,899	280,532
Other real estate owned expenses	61,400	180,208
Other non-interest expense	<u>925,142</u>	<u>786,720</u>
Total non-interest expense	<u>5,262,729</u>	<u>4,533,592</u>
Pre-tax income	1,873,243	1,612,933
Tax expense	<u>687,474</u>	<u>507,240</u>
Net income	<u>\$ 1,185,769</u>	<u>\$ 1,105,693</u>
Preferred stock dividends	<u>(46,171)</u>	<u>(50,830)</u>
Net income available to common shareholders	<u>\$ 1,139,598</u>	<u>\$ 1,054,863</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.