

## NEWS RELEASE

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*FIRST RESOURCE BANK ANNOUNCES RECORD ANNUAL RESULTS;  
8% NET INCOME GROWTH, 12% LOAN GROWTH AND 22% DEPOSIT GROWTH IN 2016*

EXTON, PA – First Resource Bank (OTCQX: FRSB) announced fourth quarter and full year financial results through December 31, 2016. Net income for the year ended December 31, 2016 was \$1,281,233, as compared to \$1,185,769 for the prior year.

Highlights for the year ended December 31, 2016 included:

- Achieved record net income, 8% higher than the prior year.
- Net income available to common shareholders grew 12% over the prior year.
- Total interest income grew 16% over the prior year.
- Deposits grew 22%, to end the year at a record high, \$202.7 million.
- Loans outstanding grew 12%, to end the year at a record high, \$197.8 million.
- Total assets grew 16%, to end the year at \$240.9 million.
- Asset quality improved significantly, with nonperforming assets to total assets declining from 1.17% at December 31, 2015 to 0.63% at December 31, 2016.
- Redeemed the remaining 25% of the Bank's preferred stock issued to the Small Business Lending Fund.
- Issued a 5% stock dividend.

Glenn B. Marshall, President & CEO, stated, "2016 was a tremendous year for First Resource Bank. We are seeing the positive results of the investments made over the last few years in the Bank's future including hiring quality staff and expanding the branch system. The record balance sheet growth experienced in 2016 has built a recurring revenue stream that will continue to benefit the Bank in the future."

Net income for the quarter ended December 31, 2016 was \$390,990, which compares to \$332,009 for the previous quarter and \$252,344 for the fourth quarter of the prior year. After accounting for preferred stock dividends, net income available to common shareholders for the quarter ended December 31, 2016 was \$390,990. This compares to net income available to common shareholders of \$332,009 for the quarter ended September 30, 2016 and \$244,297 for the quarter ended December 31, 2015. Preferred stock dividends were eliminated in March 2016 with the redemption of all preferred stock outstanding.

Net income for the year ended December 31, 2016 was \$1,281,233, an 8% increase as compared to the prior year. This increase in net income is due to 14% higher net interest income

in 2016 as compared to 2015, partially offset by lower SBA loan sale gains and higher operating expenses as compared to the prior year. Gains on sales of SBA loans totaled \$55 thousand in 2016 as compared to \$389 thousand in 2015. Marshall noted, "Gains on SBA loans can be unpredictable and we are incredibly proud that the Bank's annual net income rose 8% in 2016 despite this decline in SBA loan sales." Net income available to common shareholders increased 12% as compared to the prior year, increasing from \$1,139,598 for the year ended December 31, 2015 to \$1,278,656 for the year ended December 31, 2016.

Net interest income was \$2,050,560 for the quarter ended December 31, 2016 as compared to \$1,929,513 for the previous quarter, an improvement of 6%. The net interest margin increased 2 basis points from 3.69% for the quarter ended September 30, 2016 to 3.71% for the quarter ended December 31, 2016. The overall yield on interest earning assets remained unchanged at 4.69%. The total cost of interest bearing liabilities declined 3 basis points during the fourth quarter. The deposit cost of funds decreased 2 basis points during the fourth quarter, to 0.94%.

Net interest income for the year ended December 31, 2016 was \$7,663,971, as compared to \$6,715,443 for the year ended December 31, 2015, an improvement of 14%. The net interest margin for the year ended December 31, 2016 was 3.78% as compared to 3.80% for the prior year. This margin compression is attributed to \$4 million in subordinated debt that was issued in September and October of 2015 which had a full year impact in 2016. Loan yields increased to 5.06% in 2016, as compared to 4.98% in the prior year, while the deposit cost of funds declined from 0.97% in 2015 to 0.95% in 2016.

Non-interest income for the quarter ended December 31, 2016 was \$139,274, as compared to \$77,946 for the previous quarter and \$75,825 for the fourth quarter of the prior year. There were \$55 thousand in gains on sales of SBA loans recognized during the fourth quarter of 2016, as compared to no gains in the prior quarter or the fourth quarter of 2015.

Non-interest income for the year ended December 31, 2016 was \$370,897 as compared to \$702,904 for the prior year. Gains on sale of SBA loans were \$55 thousand during 2016 and \$389 thousand during 2015.

Non-interest expense increased \$49 thousand, or 3%, in the three months ended December 31, 2016 as compared to the prior quarter. The increase was primarily due to growth in salaries and benefits expense, professional fees and other expense, partially offset by a decrease in advertising expenses.

Non-interest expense increased \$669,399, or 13%, in the year ended December 31, 2016 as compared to 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, advertising expense, supplies expense and other real estate owned expenses.

Deposits grew \$18.9 million, or 10%, from \$183.8 million at September 30, 2016 to \$202.7 million at December 31, 2016. During the fourth quarter, non-interest bearing deposits increased \$1.5 million, or 9%, from \$17.3 million at September 30, 2016 to \$18.8 million at December 31, 2016. Interest-bearing checking balances increased \$1.6 million, or 24%, from

\$6.5 million at September 30, 2016 to \$8.1 million at December 31, 2016. Money market deposits grew \$17.3 million, or 23%, from \$74.7 million at September 30, 2016 to \$92.0 million at December 31, 2016. Certificates of deposit decreased \$1.6 million, or 2%, from \$85.3 million at September 30, 2016 to \$83.7 million at December 31, 2016.

During 2016, total deposits increased \$36.7 million, or 22%, from \$166.0 million at December 31, 2015 to \$202.7 million at December 31, 2016, with the majority of that growth in money market accounts. During 2016, non-interest bearing deposits grew 33%, interest checking deposits grew 27%, money market deposits grew 52% and certificates of deposit declined 1.4%.

The loan portfolio increased \$8.8 million, or 5%, during the fourth quarter from \$189.0 million at September 30, 2016 to \$197.8 million at December 31, 2016. All loan categories, except for consumer, contributed to the growth during the quarter.

During 2016, the loan portfolio grew \$21.7 million, or 12%, from \$176.1 million at December 31, 2015 to \$197.8 million at December 31, 2016, with the majority of that growth in commercial business and commercial real estate loans.

The following table illustrates the composition of the loan portfolio:

	Dec. 31, 2016	Dec. 31, 2015
Commercial real estate	\$ 130,284,708	\$ 115,857,098
Commercial construction	17,024,921	16,703,701
Commercial business	26,435,709	18,620,360
Consumer	<u>24,093,510</u>	<u>24,921,308</u>
Total loans	<u>\$ 197,838,848</u>	<u>\$ 176,102,467</u>

The allowance for loan losses to total loans was 0.80% at December 31, 2016 as compared to 0.82% at December 31, 2015 and 0.79% at September 30, 2016. Non-performing assets, which include non-performing loans of \$1.5 million and other real estate owned of \$54 thousand, totaled \$1.5 million at December 31, 2016, a 44% decrease as compared to the prior quarter. Non-performing assets to total assets decreased from 1.21% at September 30, 2016 to 0.63% at December 31, 2016. This decrease at December 31, 2016 was due to one credit relationship that had \$1.2 million over 90 days past due at September 30, 2016 pending sale of a property that closed on October 5, 2016 and those loans were then brought current.

During the year ended December 31, 2016, total stockholder's equity increased \$64 thousand as net income available to common shareholders of \$1.3 million was offset by the redemption of \$1.3 million in preferred stock in March of 2016. Total stockholder's equity increased 2% from \$17.3 million at September 30, 2016 to \$17.6 million at December 31, 2016, primarily due to net income generated.

During the year ended December 31, 2016, total assets grew \$33 million, or 16%. This growth was the result of \$21.7 million in loan growth and \$9.4 million in investment securities growth, funded by a \$36.7 million increase in deposits, partially offset by a \$4 million decrease in borrowings. Total assets increased 9% from \$222 million at September 30, 2016 to \$241 million at December 31, 2016 supported by strong deposit growth during the fourth quarter.

Selected Financial Data:  
Balance Sheets (unaudited)

	December 31, 2016	December 31, 2015
Cash and due from banks	\$ 3,210,601	\$ 1,254,982
Investments	28,959,596	19,543,548
Loans	197,838,848	176,102,467
Allowance for loan losses	(1,579,068)	(1,450,836)
Premises & equipment	5,955,748	6,223,326
Other assets	<u>6,530,305</u>	<u>6,378,550</u>
Total assets	<u>\$ 240,916,030</u>	<u>\$ 208,052,037</u>
Non-interest bearing deposits	\$ 18,849,933	\$ 14,200,995
Interest-bearing checking	8,106,745	6,392,765
Money market	91,971,538	60,453,093
Time deposits	<u>83,726,935</u>	<u>84,936,708</u>
Total deposits	<u>202,655,151</u>	<u>165,983,561</u>
Short term borrowings	-	10,177,000
Long term borrowings	15,607,500	9,409,500
Subordinated debt	3,969,108	3,960,615
Other liabilities	<u>1,065,532</u>	<u>966,129</u>
Total liabilities	<u>223,297,291</u>	<u>190,496,805</u>
Preferred stock	-	1,271,000
Common stock	2,100,299	1,977,328
Surplus	12,136,088	11,484,125
Accumulated other comprehensive income (loss)	(73,849)	32,207
Retained earnings	<u>3,456,201</u>	<u>2,790,572</u>
Total stockholders' equity	<u>17,618,739</u>	<u>17,555,232</u>
Total Liabilities & Stockholders' Equity	<u>\$ 240,916,030</u>	<u>\$ 208,052,037</u>

Performance Statistics  
(unaudited)

	Qtr Ended Dec. 31, 2016	Qtr Ended Sept. 30, 2016	Qtr Ended June 30, 2016	Qtr Ended Mar. 31, 2016	Qtr Ended Dec. 31, 2015
Net interest margin	3.71%	3.69%	3.86%	3.85%	3.68%
Nonperforming loans/ Total loans	0.73%	1.39%	1.28%	1.71%	1.31%
Nonperforming assets/ Total assets	0.63%	1.21%	1.16%	1.57%	1.17%
Allowance for loan losses/ Total loans	0.80%	0.79%	0.77%	0.79%	0.82%
Average loans/Average assets	83.9%	85.2%	88.5%	87.7%	85.1%
Non-interest expenses*/ Average assets	2.61%	2.67%	2.80%	2.99%	2.69%
Earnings per share – basic and diluted**	\$0.19	\$0.16	\$0.15	\$0.12	\$0.12
Book value per share**	\$8.39	\$8.30	\$8.13	\$7.98	\$7.84
Total shares outstanding	2,100,299	2,082,721	2,080,360	1,979,234	1,977,328

\* Annualized

\*\* Per share data has been adjusted retroactively for all periods presented to reflect the 5% stock dividend paid in 2016.

Income Statements (unaudited)

	Qtr. Ended Dec. 31, 2016	Qtr. Ended Sept. 30, 2016	Qtr. Ended June 30, 2016	Qtr. Ended Mar. 31, 2016	Qtr. Ended Dec. 31, 2015
<b>INTEREST INCOME</b>					
Loans, including fees	\$2,497,685	\$2,378,314	\$2,288,773	\$2,215,684	\$2,149,344
Securities	78,237	61,203	61,264	64,186	60,049
Other	11,994	11,099	132	1,108	5,571
Total interest income	<u>2,587,916</u>	<u>2,450,616</u>	<u>2,350,169</u>	<u>2,280,978</u>	<u>2,214,964</u>
<b>INTEREST EXPENSE</b>					
Deposits	412,849	396,349	362,111	354,627	365,375
Borrowings	56,665	56,907	52,197	43,343	33,950
Subordinated debt	67,842	67,847	67,486	67,485	62,429
Total interest expense	<u>537,356</u>	<u>521,103</u>	<u>481,794</u>	<u>465,455</u>	<u>461,754</u>
Net interest income	<u>2,050,560</u>	<u>1,929,513</u>	<u>1,868,375</u>	<u>1,815,523</u>	<u>1,753,210</u>
Provision for loan losses	<u>91,061</u>	<u>43,737</u>	<u>64,125</u>	<u>24,861</u>	<u>110,446</u>
Net interest income after provision for loan losses	1,959,499	1,885,776	1,804,250	1,790,662	1,642,764
<b>NON-INTEREST INCOME</b>					
BOLI income	29,129	29,528	29,330	29,281	29,890
Gain on sale of SBA loans	54,708	-	-	-	-
Other	55,437	48,418	51,413	43,653	45,935
Total non-interest income	<u>139,274</u>	<u>77,946</u>	<u>80,743</u>	<u>72,934</u>	<u>75,825</u>
<b>NON-INTEREST EXPENSE</b>					
Salaries & benefits	840,314	830,995	809,699	832,994	704,372
Occupancy & equipment	193,331	190,840	192,932	194,695	186,665
Professional fees	92,623	73,631	72,489	76,851	83,234
Advertising	23,352	35,394	38,667	42,048	39,203
Data processing	88,497	91,782	87,968	86,514	83,772
Other	284,104	250,501	239,039	262,868	259,701
Total non-interest expense	<u>1,522,221</u>	<u>1,473,143</u>	<u>1,440,794</u>	<u>1,495,970</u>	<u>1,356,947</u>
Income before income tax expense	576,552	490,579	444,199	367,626	361,642
Federal Income Tax expense	<u>185,562</u>	<u>158,570</u>	<u>140,084</u>	<u>113,507</u>	<u>109,298</u>
Net income	<u>\$ 390,990</u>	<u>\$ 332,009</u>	<u>\$ 304,115</u>	<u>\$ 254,119</u>	<u>\$ 252,344</u>
Preferred stock dividends	-	-	-	(2,577)	(8,047)
Net income available to common shareholders	<u>\$ 390,990</u>	<u>\$ 332,009</u>	<u>\$ 304,115</u>	<u>\$ 251,542</u>	<u>\$ 244,297</u>

Income Statements (unaudited)

	Twelve Months Ended December 31, 2016	Twelve Months Ended December 31, 2015
<b>INTEREST INCOME</b>		
Loans	\$ 9,380,456	\$ 8,117,987
Investments	264,890	197,691
Other	<u>24,333</u>	<u>13,815</u>
Total interest income	<u>9,669,679</u>	<u>8,329,493</u>
<b>INTEREST EXPENSE</b>		
Deposits	1,525,936	1,403,124
Borrowings	209,112	125,688
Subordinated debt	<u>270,660</u>	<u>85,238</u>
Total interest expense	<u>2,005,708</u>	<u>1,614,050</u>
Net interest income	<u>7,663,971</u>	<u>6,715,443</u>
Provision for loan losses	<u>223,784</u>	<u>282,375</u>
Net interest income after provision for loan losses	7,440,187	6,433,068
<b>NON-INTEREST INCOME</b>		
BOLI income	117,268	120,060
Gain on sale of SBA loans	54,708	389,160
Gain on sale of securities	-	15,641
Other	<u>198,921</u>	<u>178,043</u>
Total non-interest income	370,897	702,904
<b>NON-INTEREST EXPENSE</b>		
Salaries & benefits	3,314,002	2,771,624
Occupancy & equipment	771,798	708,421
Professional fees	315,594	319,443
Advertising	139,461	156,800
Data processing	354,761	319,899
Other non-interest expense	<u>1,036,512</u>	<u>986,542</u>
Total non-interest expense	<u>5,932,128</u>	<u>5,262,729</u>
Pre-tax income	1,878,956	1,873,243
Tax expense	<u>597,723</u>	<u>687,474</u>
Net income	<u>\$ 1,281,233</u>	<u>\$ 1,185,769</u>
Preferred stock dividends	<u>(2,577)</u>	<u>(46,171)</u>
Net income available to common shareholders	<u>\$ 1,278,656</u>	<u>\$ 1,139,598</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](http://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.