

NEWS RELEASE

For Immediate Release
January 31, 2018

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

FIRST RESOURCE BANK ANNOUNCES RECORD ANNUAL EARNINGS; NET INCOME GREW 32% OVER THE PRIOR YEAR

EXTON, PA – First Resource Bank (OTCQX: FRSB) announced financial results for the three months and year ended December 31, 2017.

Highlights for the year ended December 31, 2017 included:

- Net income grew 32%
- Total interest income grew 15%
- Non-interest bearing deposits grew 33%
- NIM was 3.86% in 2017 as compared to 3.78% in 2016
- Sold \$4.1 million in common stock
- Named to 2018 OTCQX Best 50 list based on 2017 stock performance

Glenn B. Marshall, President & CEO, stated, “2017 was an amazing year for First Resource Bank, led by record profitability progressively improving year after year. We exceeded our budget for the year and have built a balance sheet that is well positioned for 2018. The improvement in our deposit mix is ongoing, however we made tremendous headway in 2017 as non-interest bearing deposits grew 33% during the year. Our focus on growing shareholder value was rewarded with First Resource Bank being ranked #11 in the OTCQX Best 50 ranking due to strong stock price appreciation and improved liquidity in our common stock in 2017.”

Net income for the quarter ended December 31, 2017 was \$401,757, which compares to \$461,704 for the previous quarter and \$390,990 for the fourth quarter of the prior year. Included in fourth quarter results was \$110,547 in additional Federal income tax expense recorded due to the revaluation of the Bank’s deferred tax asset in connection with lower corporate tax rates enacted via the Tax Cuts and Jobs Act on December 22, 2017. Excluding the one-time tax charge of \$110,547, adjusted net income for the three months ended December 31, 2017 would have been \$512,304, an 11% increase over the previous quarter. (Adjusted net income is a non-GAAP measure.)

Net income for the year ended December 31, 2017 was \$1,687,715, a 32% increase as compared to the prior year. This increase in net income is due to 17% higher net interest income and higher SBA loan sale gains in 2017 as compared to 2016, partially offset by higher operating expenses as compared to the prior year. Gains on sales of SBA loans totaled \$197 thousand in 2017 as compared to \$55 thousand in 2016. Net income available to common shareholders increased 32% as compared to the

prior year, increasing from \$1,278,656 for the year ended December 31, 2016 to \$1,687,715 for the year ended December 31, 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. 2017 results include the previously mentioned \$110,547 additional Federal income tax expense related to the revaluation of the Bank's deferred tax asset due to lower corporate tax rates in effect in the future. Excluding the one-time tax charge of \$110,547, adjusted net income for the year ended December 31, 2017 would have been \$1,798,262, a 40% increase over the prior year. (Adjusted net income is a non-GAAP measure.)

Net interest income was \$2,348,581 for the quarter ended December 31, 2017 as compared to \$2,311,949 for the previous quarter, an improvement of 2%. The net interest margin decreased 6 basis points from 3.96% for the quarter ended September 30, 2017 to 3.90% for the quarter ended December 31, 2017. The overall yield on interest earning assets decreased 5 basis points during the fourth quarter led by a 2 basis point decrease in loan yields to 5.20%. The cost of interest bearing deposits increased 2 basis points during the fourth quarter to 0.93%.

Net interest income for the year ended December 31, 2017 was \$8,960,606 as compared to \$7,663,971 for the year ended December 31, 2016, an improvement of 17%. The net interest margin for the year ended December 31, 2017 was 3.86% as compared to 3.78% for the prior year. Loan yields increased 12 basis points to 5.18% in 2017, as compared to 5.06% in the prior year, and the cost of interest bearing deposits declined from 0.95% in 2016 to 0.91% in 2017.

Non-interest income for the quarter ended December 31, 2017 was \$93,721, as compared to \$135,806 for the previous quarter and \$139,274 for the fourth quarter of the prior year. There were no gains on sales of SBA loan recognized during the fourth quarter of 2017, as compared to \$42 thousand in gains on sales of SBA loans recognized during the third quarter of 2017 and \$55 thousand in the fourth quarter of 2016.

Non-interest income for the year ended December 31, 2017 was \$590,349 as compared to \$370,897 for the prior year. This increase is mainly attributed to an increase in gains on the sale of SBA loans, which were \$197 thousand during 2017 and \$55 thousand during 2016.

Non-interest expense decreased \$20 thousand, or 1%, in the three months ended December 31, 2017 as compared to the prior quarter. The decrease was primarily due to a decline in salaries and benefits, occupancy and advertising costs, partially offset by an increase in professional fees, data processing costs and other expenses.

Non-interest expense increased \$648 thousand, or 11%, in the year ended December 31, 2017 as compared to 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 and equipment costs.

Deposits grew a net \$1.4 million from \$209.5 million at September 30, 2017 to \$210.9 million at December 31, 2017. During the fourth quarter, non-interest bearing deposits increased \$137 thousand, or 1%, from \$24.9 million at September 30, 2017 to \$25.0 million at December 31, 2017. Interest-bearing checking balances increased \$1.9 million, or 24%, from \$7.9 million at September 30, 2017 to \$9.8 million at December 31, 2017. Money market deposits grew \$2.8 million, or 3%, from \$105.7 million at September 30, 2017 to \$108.5 million at December 31, 2017. Certificates of deposit decreased \$3.5 million, or 5%, from \$71.1 million at September 30, 2017 to \$67.7 million at December 31, 2017.

During 2017, total deposits increased \$8.2 million, or 4%, from \$202.7 million at December 31, 2016 to \$210.9 million at December 31, 2017. During 2017, non-interest bearing deposits grew 33%, interest checking deposits grew 20%, money market deposits grew 18% and certificates of deposit declined 19%. Strong growth in checking and money market deposit balances have allowed the Bank to strategically shed higher cost certificates of deposit throughout the year ended December 31, 2017.

The loan portfolio grew \$9.3 million, or 4%, during the fourth quarter from \$208.2 million at September 30, 2017 to \$217.5 million at December 31, 2017, with growth in commercial business loans, commercial real estate loans, and consumer loans, partially offset by a decline in construction loans.

During 2017, the loan portfolio grew \$19.6 million, or 10%, from \$197.8 million at December 31, 2016 to \$217.5 million at December 31, 2017, with the majority of that growth in commercial real estate loans.

The following table illustrates the composition of the loan portfolio:

	Dec. 31, 2017	Dec. 31, 2016
Commercial real estate	\$ 147,895,320	\$ 130,284,708
Commercial construction	19,794,234	17,024,921
Commercial business	28,315,241	26,435,709
Consumer	<u>21,459,111</u>	<u>24,093,510</u>
Total loans	<u>\$ 217,463,906</u>	<u>\$ 197,838,848</u>

The allowance for loan losses to total loans was 0.81% at December 31, 2017 as compared to 0.86% at September 30, 2017 and 0.80% at December 31, 2016. Non-performing assets consisted of non-performing loans of \$3.0 million at December 31, 2017, a 5% decrease as compared to the prior quarter. Non-performing assets to total assets decreased from 1.28% at September 30, 2017 to 1.13% at December 31, 2017.

During the year ended December 31, 2017, total stockholder's equity increased \$5.5 million, or 31%, from \$17.6 million at December 31, 2016 to \$23.2 million at December 31, 2017. This growth is primarily due to 513,100 shares of common stock sold during the second quarter of 2017 with net proceeds of \$3.8 million and net income for the year of \$1.7 million. Total stockholder's equity increased 1% from \$22.8 million at September 30, 2017 to \$23.2 million at December 31, 2017, primarily due to net income generated. Book value per share increased 11 cents during the fourth quarter of 2017 to \$8.83.

During the year ended December 31, 2017, total assets grew \$27.6 million, or 11%. This growth was the result of \$19.6 million in loan growth and \$7.9 million in investment securities growth, funded by an \$8.2 million increase in deposits, a \$13.7 million increase in borrowings and \$4.1 million in new capital raised.

Selected Financial Data:
Balance Sheets (unaudited)

	December 31, 2017	December 31, 2016
Cash and due from banks	\$ 2,998,367	\$ 3,210,601
Time deposits at other banks	599,000	599,000
Investments	36,219,930	28,360,596
Loans	217,463,906	197,838,848
Allowance for loan losses	(1,751,953)	(1,579,068)
Premises & equipment	5,671,763	5,955,748
Other assets	<u>7,353,942</u>	<u>6,530,305</u>
Total assets	<u>\$ 268,554,955</u>	<u>\$ 240,916,030</u>
Non-interest bearing deposits	\$ 24,987,354	\$ 18,849,933
Interest-bearing checking	9,755,198	8,106,745
Money market	108,500,566	91,971,538
Time deposits	<u>67,658,995</u>	<u>83,726,935</u>
Total deposits	<u>210,902,113</u>	<u>202,655,151</u>
Short term borrowings	17,997,000	-
Long term borrowings	11,287,500	15,607,500
Subordinated debt	3,977,603	3,969,108
Other liabilities	<u>1,227,099</u>	<u>1,065,532</u>
Total liabilities	<u>245,391,315</u>	<u>223,297,291</u>
Total stockholders' equity	<u>23,163,640</u>	<u>17,618,739</u>
Total Liabilities & Stockholders' Equity	<u>\$ 268,554,955</u>	<u>\$ 240,916,030</u>

Performance Statistics
(unaudited)

	Qtr Ended Dec. 31, 2017	Qtr Ended Sept. 30, 2017	Qtr Ended June 30, 2017	Qtr Ended Mar. 31, 2017	Qtr Ended Dec. 31, 2016
Net interest margin	3.90%	3.96%	3.87%	3.70%	3.71%
Nonperforming loans/ Total loans	1.39%	1.54%	0.99%	0.71%	0.73%
Nonperforming assets/ Total assets	1.13%	1.28%	0.83%	0.60%	0.63%
Allowance for loan losses/ Total loans	0.81%	0.86%	0.80%	0.81%	0.80%
Average loans/Average assets	84.3%	84.6%	84.3%	82.3%	83.9%
Non-interest expenses*/ Average assets	2.57%	2.68%	2.78%	2.75%	2.61%
Earnings per share – basic and diluted	\$0.15	\$0.18	\$0.18	\$0.19	\$0.19
Book value per share	\$8.83	\$8.72	\$8.55	\$8.61	\$8.39
Total shares outstanding	2,621,887	2,619,773	2,617,596	2,102,476	2,100,299

* Annualized

Income Statements (unaudited)

	Qtr. Ended Dec. 31, 2017	Qtr. Ended Sept 30, 2017	Qtr. Ended June 30, 2017	Qtr. Ended Mar. 31, 2017	Qtr. Ended Dec. 31, 2016
INTEREST INCOME					
Loans, including fees	\$2,768,463	\$2,714,301	\$2,615,571	\$2,503,577	\$2,497,685
Securities	113,230	109,255	102,142	98,823	78,237
Other	15,593	13,976	10,888	21,723	11,994
Total interest income	<u>2,897,286</u>	<u>2,837,532</u>	<u>2,728,601</u>	<u>2,624,123</u>	<u>2,587,916</u>
INTEREST EXPENSE					
Deposits	433,287	410,731	408,308	409,673	412,849
Borrowings	47,575	47,005	49,122	50,935	56,665
Subordinated debt	67,843	67,847	67,486	67,124	67,842
Total interest expense	<u>548,705</u>	<u>525,583</u>	<u>524,916</u>	<u>527,732</u>	<u>537,356</u>
Net interest income	<u>2,348,581</u>	<u>2,311,949</u>	<u>2,203,685</u>	<u>2,096,391</u>	<u>2,050,560</u>
Provision for loan losses	<u>89,233</u>	<u>123,974</u>	<u>20,085</u>	<u>120,024</u>	<u>91,061</u>
Net interest income after provision for loan losses	2,259,348	2,187,975	2,183,600	1,976,367	1,959,499
NON-INTEREST INCOME					
BOLI income	28,258	28,473	28,522	28,370	29,129
Gain on sale of SBA loans	-	41,536	-	155,337	54,708
Other	65,463	65,797	71,030	77,563	55,437
Total non-interest income	<u>93,721</u>	<u>135,806</u>	<u>99,552</u>	<u>261,270</u>	<u>139,274</u>
NON-INTEREST EXPENSE					
Salaries & benefits	923,583	947,285	895,634	863,822	840,314
Occupancy & equipment	175,539	188,968	187,672	190,781	193,331
Professional fees	90,275	82,922	144,447	113,494	92,623
Advertising	24,802	41,717	47,905	42,475	23,352
Data processing	102,435	93,119	98,353	96,278	88,497
Other	309,388	292,103	294,235	332,733	284,104
Total non-interest expense	<u>1,626,022</u>	<u>1,646,114</u>	<u>1,668,246</u>	<u>1,639,583</u>	<u>1,522,221</u>
Income before income tax expense	727,047	677,667	614,906	598,054	576,552
Federal income tax expense	<u>325,290</u>	<u>215,963</u>	<u>197,205</u>	<u>191,501</u>	<u>185,562</u>
Net income	<u>\$ 401,757</u>	<u>\$ 461,704</u>	<u>\$ 417,701</u>	<u>\$ 406,553</u>	<u>\$ 390,990</u>

Income Statements (unaudited)

	Year Ended December 31, 2017	Year Ended December 31, 2016
INTEREST INCOME		
Loans	\$ 10,601,912	\$ 9,380,456
Investments	423,450	264,890
Other	<u>62,180</u>	<u>24,333</u>
Total interest income	<u>11,087,542</u>	<u>9,669,679</u>
INTEREST EXPENSE		
Deposits	1,661,999	1,525,936
Borrowings	194,637	209,112
Subordinated debt	<u>270,300</u>	<u>270,660</u>
Total interest expense	<u>2,126,936</u>	<u>2,005,708</u>
Net interest income	<u>8,960,606</u>	<u>7,663,971</u>
Provision for loan losses	<u>353,316</u>	<u>223,784</u>
Net interest income after provision for loan losses	8,607,290	7,440,187
NON-INTEREST INCOME		
BOLI income	113,623	117,268
Gain on sale of SBA loans	196,873	54,708
Other	<u>279,853</u>	<u>198,921</u>
Total non-interest income	590,349	370,897
NON-INTEREST EXPENSE		
Salaries & benefits	3,630,324	3,314,002
Occupancy & equipment	742,960	771,798
Professional fees	431,138	315,594
Advertising	156,899	139,461
Data processing	390,185	354,761
Other non-interest expense	<u>1,228,459</u>	<u>1,036,512</u>
Total non-interest expense	<u>6,579,965</u>	<u>5,932,128</u>
Pre-tax income	2,617,674	1,878,956
Federal income tax expense	<u>929,959</u>	<u>597,723</u>
Net income	<u>\$ 1,687,715</u>	<u>\$ 1,281,233</u>
Preferred stock dividends	<u>-</u>	<u>(2,577)</u>
Net income available to common shareholders	<u>\$ 1,687,715</u>	<u>\$ 1,278,656</u>

###

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. 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.