

NEWS RELEASE

For Immediate Release
April 25, 2016

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

FIRST RESOURCE BANK ANNOUNCES STRONG FIRST QUARTER RESULTS; LOANS AND DEPOSITS REACH RECORD HIGHS

EXTON, PA – First Resource Bank (OTCQX: FRSB) announced financial results for the three months ended March 31, 2016.

Highlights for the first quarter of 2016 included:

- Net income of \$254,119, which was 3% higher than the prior quarter
- Completely exited the Small Business Lending Fund by redeeming the last 25% of preferred stock outstanding
- Loans outstanding grew 2% to a record high of \$180 million at March 31, 2016
- Deposits grew 2% to a record high of \$169 million at March 31, 2016
- Net interest margin grew to 3.85%, as compared to 3.68% in the prior quarter

Glenn B. Marshall, President & CEO, stated, "During the first quarter we saw both loans and deposits continue to grow to record levels and our pipelines continue to be strong as we enter the second quarter. We operate in a very competitive loan and deposit market and our continued growth is a testament to the hard work of our team. Our net interest margin has improved to due to the deployment of excess cash balances into loans during the first quarter."

After accounting for preferred stock dividends, net income available to common shareholders for the quarter ended March 31, 2016 was \$251,542. This compares to net income available to common shareholders of \$244,297 for the quarter ended December 31, 2015 and \$288,328 for the quarter ended March 31, 2015.

Net interest income was \$1,815,523 for the quarter ended March 31, 2016 as compared to \$1,753,210 for the previous quarter, an improvement of 4%. The net

interest margin increased 17 basis points from 3.68% for the quarter ended December 31, 2015 to 3.85% for the quarter ended March 31, 2016. The overall yield on interest earning assets increased 19 basis points during the first quarter, to 4.84%, mainly due to a lower level of low yielding cash and a higher level of loans. The total cost of interest bearing liabilities increased 1 basis point during the first quarter due to a Federal Home Loan Bank term advance executed. The deposit cost of funds decreased 1 basis point to 0.95%.

Non-interest income for the quarter ended March 31, 2016 was \$72,934, as compared to \$75,825 for the previous quarter and \$76,290 for the first quarter of the prior year.

Non-interest expense increased \$139 thousand, or 10%, in the three months ended March 31, 2016 as compared to the prior quarter. This increase was mainly due to higher salaries & benefits expense.

Deposits increased \$2.9 million, or 2%, from \$166.0 million at December 31, 2015 to \$168.9 million at March 31, 2016. During the first quarter, non-interest bearing deposits increased \$2.3 million, or 16%, from \$14.2 million at December 31, 2015 to \$16.5 million at March 31, 2016. Money market deposits increased \$1.1 million, or 2%, from \$60.5 million at December 31, 2015 to \$61.5 million at March 31, 2016. Interest-bearing checking balances decreased \$468 thousand, or 7%, from \$6.4 million at December 31, 2015 to \$5.9 million at March 31, 2016. Certificates of deposit decreased \$39 thousand, or 0%, almost unchanged from the prior quarter, at \$84.9 million at March 31, 2016.

The loan portfolio increased \$3.7 million, or 2%, during the first quarter from \$176.1 million at December 31, 2015 to \$179.8 million at March 31, 2016. Most of that growth was in the commercial real estate portfolio.

The following table illustrates the composition of the loan portfolio:

	Mar. 31, 2016	Dec. 31, 2015
Commercial real estate	\$ 118,587,106	\$ 115,857,098
Commercial construction	17,506,108	16,703,701
Commercial business	19,406,578	18,620,360
Consumer	<u>24,271,503</u>	<u>24,921,308</u>
Total loans	<u>\$ 179,771,295</u>	<u>\$ 176,102,467</u>

The allowance for loan losses to total loans was 0.79% at March 31, 2016 as compared to 0.82% at December 31, 2015 and 0.84% at March 31, 2015. Non-performing assets, which include non-performing loans of \$3.1 million and other real estate owned of \$117 thousand, totaled \$3.2 million at March 31, 2016, a 31% increase as compared to the prior quarter. This increase was due to one credit relationship

placed on nonaccrual during the first quarter. Non-performing assets to total assets increased from 1.17% at December 31, 2015 to 1.57% at March 31, 2016 due to an increase in non-performing loans and a decline in total assets.

Total stockholder's equity declined \$962 thousand due to the redemption of \$1.3 million in preferred stock, offset by net income generated during the first quarter.

Total assets declined from \$208 million at December 31, 2015 to \$203 million at March 31, 2016 due to the maturity of \$9 million in short term Treasury securities held over year end. The \$9 million short term Treasury investment temporarily increased both investments and short term borrowings at December 31, 2015.

Selected Financial Data:

Balance Sheets (unaudited)

	March 31, 2016	December 31, 2015
Cash and due from banks	\$ 1,093,407	\$ 1,254,982
Investments	11,262,612	19,543,548
Loans	179,771,295	176,102,467
Allowance for loan losses	(1,419,900)	(1,450,836)
Premises & equipment	6,200,597	6,223,326
Other assets	<u>6,165,871</u>	<u>6,378,550</u>
Total assets	<u>\$ 203,073,882</u>	<u>\$ 208,052,037</u>
Non-interest bearing deposits	\$ 16,513,612	\$ 14,200,995
Interest-bearing checking	5,924,462	6,392,765
Money market	61,534,272	60,453,093
Time deposits	<u>84,897,729</u>	<u>84,936,708</u>
Total deposits	<u>168,870,075</u>	<u>165,983,561</u>
Short term borrowings	1,097,000	10,177,000
Long term borrowings	11,607,500	9,409,500
Subordinated debt	3,962,738	3,960,615
Other liabilities	<u>943,240</u>	<u>966,129</u>
Total liabilities	<u>186,480,553</u>	<u>190,496,805</u>
Preferred stock	-	1,271,000
Common stock	1,979,234	1,977,328
Surplus	11,494,839	11,484,125
Accumulated other comprehensive income	77,142	32,207
Retained earnings	<u>3,042,114</u>	<u>2,790,572</u>
Total stockholders' equity	<u>16,593,329</u>	<u>17,555,232</u>
Total Liabilities & Stockholders' Equity	<u>\$ 203,073,882</u>	<u>\$ 208,052,037</u>

Performance Statistics (unaudited)

	Qtr Ended Mar. 31, 2016	Qtr Ended Dec. 31, 2015	Qtr Ended Sept. 30, 2015	Qtr Ended June 30, 2015	Qtr Ended Mar. 31, 2015
Net interest margin	3.85%	3.68%	3.66%	3.89%	4.01%
Nonperforming loans/total loans	1.71%	1.31%	1.53%	1.66%	1.95%
Nonperforming assets/ Total assets	1.57%	1.17%	1.34%	1.56%	1.86%
Allowance for loan losses/ Total loans	0.79%	0.82%	0.83%	0.83%	0.84%
Average loans/Average assets	87.7%	85.1%	83.4%	88.5%	89.5%
Non-interest expenses*/ Average assets	2.99%	2.69%	2.57%	3.07%	2.89%
Earnings per share – basic and diluted	\$0.13	\$0.12	\$0.15	\$0.19	\$0.18
Book value per share	\$8.38	\$8.24	\$8.13	\$8.34	\$8.16
Total shares outstanding	1,979,234	1,977,328	1,975,520	1,613,592	1,613,009

* Annualized

Income Statements (unaudited)

	Qtr. Ended Mar. 31, 2016	Qtr. Ended Dec. 31, 2015	Qtr. Ended Sept. 30, 2015	Qtr. Ended June 30, 2015	Qtr. Ended Mar. 31, 2015
INTEREST INCOME					
Loans, including fees	\$2,215,684	\$2,149,344	\$2,045,914	\$1,999,455	\$1,923,274
Securities	64,186	60,049	42,312	37,383	57,947
Other	1,108	5,571	6,983	1,198	63
Total interest income	<u>2,280,978</u>	<u>2,214,964</u>	<u>2,095,209</u>	<u>2,038,036</u>	<u>1,981,284</u>
INTEREST EXPENSE					
Deposits	354,627	365,375	358,649	346,228	332,872
Borrowings	43,343	33,950	34,170	34,729	22,839
Subordinated debt	67,485	62,429	22,809	-	-
Total interest expense	<u>465,455</u>	<u>461,754</u>	<u>415,628</u>	<u>380,957</u>	<u>355,711</u>
Net interest income	<u>1,815,523</u>	<u>1,753,210</u>	<u>1,679,581</u>	<u>1,657,079</u>	<u>1,625,573</u>
Provision for loan losses	<u>24,861</u>	<u>110,446</u>	<u>62,090</u>	<u>92,217</u>	<u>17,622</u>
Net interest income after provision for loan losses	1,790,662	1,642,764	1,617,491	1,564,862	1,607,951
NON-INTEREST INCOME					
BOLI income	29,281	29,890	30,000	30,098	30,072
Gain on sale of SBA loans	-	-	-	389,160	-
Gain on sale of securities	-	-	-	-	15,641
Other	43,653	45,935	56,925	44,606	30,577
Total non-interest income	<u>72,934</u>	<u>75,825</u>	<u>86,925</u>	<u>463,864</u>	<u>76,290</u>
NON-INTEREST EXPENSE					
Salaries & benefits	832,994	704,372	704,651	688,885	673,716
Occupancy & equipment	194,695	186,665	179,855	190,100	151,801
Professional fees	76,851	83,234	64,368	89,414	82,427
Advertising	42,048	39,203	31,117	63,304	23,176
Data processing	86,514	83,772	78,694	82,476	74,957
Other real estate	1,551	9,960	(18,034)	44,113	25,361
Other	261,317	249,741	220,843	237,545	217,013
Total non-interest expense	<u>1,495,970</u>	<u>1,356,947</u>	<u>1,261,494</u>	<u>1,395,837</u>	<u>1,248,451</u>
Income before income tax expense	367,626	361,642	442,922	632,889	435,790
Federal Income Tax expense	<u>113,507</u>	<u>109,298</u>	<u>139,833</u>	<u>303,589</u>	<u>134,754</u>
Net income	<u>\$ 254,119</u>	<u>\$ 252,344</u>	<u>\$ 303,089</u>	<u>\$ 329,300</u>	<u>\$ 301,036</u>
Preferred stock dividends	<u>(2,577)</u>	<u>(8,047)</u>	<u>(12,708)</u>	<u>(12,708)</u>	<u>(12,708)</u>
Net income available to common shareholders	<u>\$ 251,542</u>	<u>\$ 244,297</u>	<u>\$ 290,381</u>	<u>\$ 316,592</u>	<u>\$ 288,328</u>

###

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.