

NEWS RELEASE

For Immediate Release
July 24, 2018

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

***FIRST RESOURCE BANK ANNOUNCES MOST PROFITABLE QUARTER TO DATE;
NET INCOME GREW 8% OVER THE PRIOR QUARTER AND
25% OVER THE PRIOR YEAR SECOND QUARTER***

EXTON, PA – First Resource Bank (OTCQX: FRSB) announced financial results for the three months ended June 30, 2018.

Highlights for the second quarter of 2018 included:

- Net income of \$520,825 was the highest quarterly profit in the Bank's history
- Net income grew 8% over the quarter ended March 31, 2018 and 25% over the quarter ended June 30, 2017
- Total interest income grew 7% over the quarter ended March 31, 2018 and 17% over the quarter ended June 30, 2017
- Total loans grew \$10.3 million, or 5%, to a total of \$233.6 million at June 30, 2018
- Total deposits grew \$12.3 million, or 6%, to a total of \$223.8 million at June 30, 2018
- Non-interest bearing deposits increased 19% during the second quarter
- Attracting key personnel at the management level to enhance the Bank's growth opportunities
- Navigating through the township planning commission process for the opening of our third branch in the spring of 2019

Glenn B. Marshall, President & CEO, stated, "We continue to see the Bank's profitability increase as we continue our growth as an organization. As loans and deposits continue double digit annual growth, the Bank has allocated current year tax savings to add key personnel in the second quarter to ensure the Bank's continued success. The third branch site development plans are moving forward on schedule and we anticipate opening our Wayne, PA branch in mid-2019."

Net income for the quarter ended June 30, 2018 was \$520,825, which compares to \$480,992 for the previous quarter and \$417,701 for the second quarter of the prior year.

Net income for the six months ended June 30, 2018 was \$1,001,817, a 22% increase over the same period in the prior year. The increase in net income is primarily attributable to a 14% increase in net interest income and lower income tax expense as a result of the passage of the Tax Cuts and Jobs Act in 2017, partially offset by lower non-interest income and a higher provision for loan losses and higher non-interest expense.

Net interest income was \$2,493,870 for the quarter ended June 30, 2018 as compared to \$2,397,303 for the previous quarter, an improvement of 4%. The net interest margin decreased 1 basis point from 3.98% for the quarter ended March 31, 2018 to 3.97% for the quarter ended June 30, 2018.

The overall yield on interest earning assets increased 14 basis points during the second quarter led by a 13 basis point increase in loan yields to 5.36%. The cost of interest bearing deposits increased 16 basis points during the second quarter to 1.12%.

Net interest income for the six months ended June 30, 2018 was \$4,891,173, a 14% improvement over net interest income of \$4,300,076 for the six months ended June 30, 2017. This growth was driven by a 16% increase in loan interest income.

Non-interest income for the quarter ended June 30, 2018 was \$139,730, as compared to \$115,742 for the previous quarter and \$99,552 for the second quarter of the prior year. There were \$28,725 in gains on sales of SBA loans recognized during the second quarter of 2018, as compared to none in the prior quarter or the second quarter of 2017.

Non-interest income for the six months ended June 30, 2018 was \$255,472 as compared to \$360,822 for the same period in the prior year. There was \$28,725 in SBA loan sale income in the first six months of 2018 as compared to \$155,337 in the first six months of 2017.

Non-interest expense increased a nominal \$5 thousand in the three months ended June 30, 2018 as compared to the prior quarter. The increase was primarily due to an increase in salaries and benefits, professional fees and data processing costs, partially offset by a decrease in occupancy, advertising and other costs.

Non-interest expense increased \$288 thousand, or 9%, in the six months ended June 30, 2018 as compared to the same period in the prior year. This increase was due to higher salaries and benefits expense, advertising, and data processing costs, partially offset by lower occupancy costs and professional fees.

Deposits grew a net \$12.3 million from \$211.5 million at March 31, 2018 to \$223.8 million at June 30, 2018. During the second quarter, non-interest bearing deposits increased \$4.7 million, or 19%, from \$25.0 million at March 31, 2018 to \$29.8 million at June 30, 2018. Interest-bearing checking balances increased \$1.2 million, or 14%, from \$8.6 million at March 31, 2018 to \$9.8 million at June 30, 2018. Money market deposits decreased \$13.7 million, or 13%, from \$107.7 million at March 31, 2018 to \$93.9 million at June 30, 2018. Certificates of deposit increased \$20.1 million, or 29%, from \$70.2 million at March 31, 2018 to \$90.3 million at June 30, 2018. The deposit portfolio grew \$12.9 million, or 6%, in the first six months of 2018, with a \$4.8 million increase in total checking balances and a \$22.7 million increase in certificates of deposit, partially offset by a \$14.6 million decline in money market balances. The deposit portfolio experienced year-over-year growth of \$20 million, or 10%, from June 30, 2017 to June 30, 2018.

The loan portfolio grew \$10.3 million, or 5%, during the second quarter from \$223.3 million at March 31, 2018 to \$233.6 million at June 30, 2018, with the majority of that growth in commercial real estate loans. Year-to-date net loan growth in 2018 was \$16.2 million, or 7%, with increases in all loan categories, with the vast majority of that growth in commercial real estate loans. Year-over-year net loan growth was \$28.5 million, or 14%.

The following table illustrates the composition of the loan portfolio:

	June 30, 2018	Dec. 31, 2017	June 30, 2017
Commercial real estate	\$ 160,356,631	\$ 147,895,320	\$ 138,997,879
Commercial construction	20,853,766	19,794,234	19,925,026
Commercial business	30,942,553	28,315,241	25,350,384
Consumer	<u>21,487,555</u>	<u>21,459,111</u>	<u>20,829,024</u>
Total loans	<u>\$ 233,640,505</u>	<u>\$ 217,463,906</u>	<u>\$ 205,102,313</u>

The allowance for loan losses to total loans was 0.87% at June 30, 2018 as compared to 0.81% at December 31, 2017 and 0.80% at June 30, 2017. Non-performing assets, which include non-performing loans of \$3.3 million and other real estate owned of \$199 thousand, totaled \$3.5 million at June 30, 2018, a 17% increase as compared to the prior quarter due to one loan relationship being placed on non-accrual during the quarter. Non-performing assets to total assets increased from 1.17% at March 31, 2018 to 1.30% at June 30, 2018.

Total stockholder's equity increased 2% from \$23.5 million at March 31, 2018 to \$24.0 million at June 30, 2018, primarily due to net income generated. Book value per share increased 18 cents during the second quarter of 2018 to \$9.15 per share at June 30, 2018.

Total assets increased \$13.7 million, or 5% during the second quarter of 2018. This increase was primarily the result of strong loan growth funded by deposits.

Selected Financial Data:
Balance Sheets (unaudited)

	June 30, 2018	December 31, 2017
Cash and due from banks	\$ 5,530,776	\$ 2,998,367
Time deposits at other banks	599,000	599,000
Investments	19,525,126	36,219,930
Loans	233,640,505	217,463,906
Allowance for loan losses	(2,034,295)	(1,751,953)
Premises & equipment	5,747,450	5,671,763
Other assets	<u>8,460,218</u>	<u>7,353,942</u>
Total assets	<u>\$ 271,468,780</u>	<u>\$ 268,554,955</u>
Non-interest bearing deposits	\$ 29,770,431	\$ 24,987,354
Interest-bearing checking	9,798,555	9,755,198
Money market	93,927,020	108,500,566
Time deposits	<u>90,312,104</u>	<u>67,658,995</u>
Total deposits	<u>223,808,110</u>	<u>210,902,113</u>
Short term borrowings	-	17,997,000
Long term borrowings	18,515,500	11,287,500
Subordinated debt	3,981,850	3,977,603
Other liabilities	<u>1,141,561</u>	<u>1,227,099</u>
Total liabilities	<u>247,447,021</u>	<u>245,391,315</u>
Total stockholders' equity	<u>24,021,759</u>	<u>23,163,640</u>
Total liabilities & stockholders' equity	<u>\$ 271,468,780</u>	<u>\$ 268,554,955</u>

Performance Statistics
(unaudited)

	Qtr Ended June 30, 2018	Qtr Ended Mar. 31, 2018	Qtr Ended Dec. 31, 2017	Qtr Ended Sept. 30, 2017	Qtr Ended June 30, 2017
Net interest margin	3.97%	3.98%	3.90%	3.96%	3.87%
Nonperforming loans/ Total loans	1.42%	1.35%	1.39%	1.54%	0.99%
Nonperforming assets/ Total assets	1.30%	1.17%	1.13%	1.28%	0.83%
Allowance for loan losses/ Total loans	0.87%	0.85%	0.81%	0.86%	0.80%
Average loans/Average assets	86.6%	86.1%	84.3%	84.6%	84.3%
Non-interest expenses*/ Average assets	2.72%	2.84%	2.57%	2.68%	2.78%
Earnings per share – basic and diluted	\$0.20	\$0.18	\$0.15	\$0.18	\$0.18
Book value per share	\$9.15	\$8.97	\$8.83	\$8.72	\$8.55
Total shares outstanding	2,625,130	2,623,575	2,621,887	2,619,773	2,617,596

* Annualized

Income Statements (unaudited)

	Qtr. Ended June 30, 2018	Qtr. Ended Mar. 31, 2018	Qtr. Ended Dec. 31, 2017	Qtr. Ended Sept 30, 2017	Qtr. Ended June 30, 2017
INTEREST INCOME					
Loans, including fees	\$3,076,950	\$2,849,596	\$2,768,463	\$2,714,301	\$2,615,571
Securities	126,632	130,141	113,230	109,255	102,142
Other	<u>1,733</u>	<u>2,563</u>	<u>15,593</u>	<u>13,976</u>	<u>10,888</u>
Total interest income	<u>3,205,315</u>	<u>2,982,300</u>	<u>2,897,286</u>	<u>2,837,532</u>	<u>2,728,601</u>
INTEREST EXPENSE					
Deposits	513,174	441,063	433,287	410,731	408,308
Borrowings	130,785	76,810	47,575	47,005	49,122
Subordinated debt	<u>67,486</u>	<u>67,124</u>	<u>67,843</u>	<u>67,847</u>	<u>67,486</u>
Total interest expense	<u>711,445</u>	<u>584,997</u>	<u>548,705</u>	<u>525,583</u>	<u>524,916</u>
Net interest income	<u>2,493,870</u>	<u>2,397,303</u>	<u>2,348,581</u>	<u>2,311,949</u>	<u>2,203,685</u>
Provision for loan losses	<u>191,321</u>	<u>134,322</u>	<u>89,233</u>	<u>123,974</u>	<u>20,085</u>
Net interest income after provision for loan losses	2,302,549	2,262,981	2,259,348	2,187,975	2,183,600
NON-INTEREST INCOME					
BOLI income	37,564	35,040	28,258	28,473	28,522
Gain on sale of SBA loans	28,725	-	-	41,536	-
Other	<u>73,441</u>	<u>80,702</u>	<u>65,463</u>	<u>65,797</u>	<u>71,030</u>
Total non-interest income	139,730	115,742	93,721	135,806	99,552
NON-INTEREST EXPENSE					
Salaries & benefits	1,055,702	1,028,005	923,583	947,285	895,634
Occupancy & equipment	178,119	194,772	175,539	188,968	187,672
Professional fees	99,919	87,452	90,275	82,922	144,447
Advertising	45,638	62,222	24,802	41,717	47,905
Data processing	111,828	105,617	102,435	93,119	98,353
Other	<u>309,324</u>	<u>317,187</u>	<u>309,388</u>	<u>292,103</u>	<u>294,235</u>
Total non-interest expense	<u>1,800,530</u>	<u>1,795,255</u>	<u>1,626,022</u>	<u>1,646,114</u>	<u>1,668,246</u>
Income before income tax expense	641,749	583,468	727,047	677,667	614,906
Federal income tax expense	<u>120,924</u>	<u>102,476</u>	<u>325,290</u>	<u>215,963</u>	<u>197,205</u>
Net income	<u>\$ 520,825</u>	<u>\$ 480,992</u>	<u>\$ 401,757</u>	<u>\$ 461,704</u>	<u>\$ 417,701</u>

Income Statements (unaudited)

	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
INTEREST INCOME		
Loans	\$ 5,926,546	\$ 5,119,148
Investments	256,773	200,965
Other	<u>4,296</u>	<u>32,611</u>
Total interest income	<u>6,187,615</u>	<u>5,352,724</u>
INTEREST EXPENSE		
Deposits	954,237	817,981
Borrowings	207,595	100,057
Subordinated debt	<u>134,610</u>	<u>134,610</u>
Total interest expense	<u>1,296,442</u>	<u>1,052,648</u>
Net interest income	<u>4,891,173</u>	<u>4,300,076</u>
Provision for loan losses	<u>325,643</u>	<u>140,109</u>
Net interest income after provision for loan losses	4,565,530	4,159,967
NON-INTEREST INCOME		
BOLI income	72,604	56,892
Gain on sale of SBA loans	28,725	155,337
Other	<u>154,143</u>	<u>148,593</u>
Total non-interest income	255,472	360,822
NON-INTEREST EXPENSE		
Salaries & benefits	2,083,707	1,759,456
Occupancy & equipment	372,891	378,453
Professional fees	187,371	257,941
Advertising	107,860	90,380
Data processing	217,445	194,631
Other non-interest expense	<u>626,511</u>	<u>626,968</u>
Total non-interest expense	<u>3,595,785</u>	<u>3,307,829</u>
Pre-tax income	1,225,217	1,212,960
Tax expense	<u>223,400</u>	<u>388,706</u>
Net income	<u>\$ 1,001,817</u>	<u>\$ 824,254</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.