



NEWS RELEASE

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Folsom Lake Bank Reports Third Quarter Earnings

FOLSOM CA. Folsom Lake Bank (OTC Markets: FOLB), announced unaudited financial results for the quarter and nine month periods ending September 30, 2014. For the first nine months of 2014, the Bank reported net income of \$721,816, an increase of 6.6% compared to earnings of \$677,342 for the first nine months of 2013. The Bank increased its string of consecutive profitable quarters to 19 with net income of \$245,030, down 4.9% compared to \$257,781 for the third quarter of 2013.

The Bank, a locally owned and operated financial institution opened in 2007, continues to show moderate and steady growth with a focus on earnings and efficiency. Total assets as of September 30, 2014 were \$146.9 million, up \$10.0 million, or 7.3%, compared to the year earlier quarter ending September 30, 2013 and down \$0.3 million or 0.2% over the prior quarter ending June 30, 2014. Total deposits were \$120.9 million as of September 30, 2014, up \$1.9 million or 1.6% compared to the prior year and up \$1.4 million or 1.2% over the prior quarter. Loans were \$87.1 million at quarter end, up \$12.0 million or 16.0% compared to the prior year and down slightly by \$1.4 million or 1.6% over the prior quarter. With the increase in loans, the Bank was able to reduce its investment portfolio by 13.0% or \$6.6 million dollars. "We are pleased to see continued growth in both assets and earnings as envisioned in our original business plan for a classic community bank," said Robert J. Flautt, President and Chief Executive Officer. "We are also very excited to report the opening of our third branch in Rancho Cordova"

Net interest income for the quarter was \$1,299,777, up \$158,173 or 13.9% from \$1,141,604 for the third quarter of 2013 and up \$122,104 or 10.4% compared to \$1,177,674 for the second quarter of 2014. Net Interest Income for the first nine months of 2014 was \$3,659,611, up \$335,948 or 10.1% compared to \$3,323,663 for nine months in 2013. The substantial increases in both quarterly and year to date net interest income results primarily from an increase in loans outstanding, coupled with an overall increase in earning assets compared to 2013. Additionally, net interest income was helped by a continuing lower level of interest expense, down \$24,306, or 6.2% for the nine months in 2014 compared to 2013.

Non interest income was \$196,889 for the first nine months of 2014 compared to \$249,418 for 2013 a decrease of \$52,529 or 21.1%. 2013 results included a gain on sale of securities of \$115,847 which was only \$10,902 in 2014. For the quarter non interest income was \$68,914, a decrease of \$13,370 or 16.2% compared to the year earlier quarter and up \$6,763 or 10.9% compared to the second quarter of 2014. Non-interest expense for the first nine months of 2014 was \$3,174,684 compared to \$2,855,740 for 2013, an increase of \$318,944 or 11.2%.

Non interest expense for the third quarter of 2014 was \$1,123,661, up \$157,555 or 16.3% compared to the 2013 third quarter and up \$88,022 or 8.5% compared to the second quarter of 2014. The Bank opened its third branch in September on Sunrise Blvd in Rancho Cordova and much of the increased expenses represent opening costs, tenant improvements and overhead for the new branch.

The Bank's net interest margin improved to 3.65% for the first nine months of 2014, compared to 3.61% for the first nine months of 2013. The Bank benefited from a higher level of average earning assets, \$134.1 million in 2014 compared to \$123.0 million in 2013, an increase of \$11.1 million or 9.0%. Also benefiting the Bank were lower interest expenses, down \$24,306 or 6.2% as well as a lower level of provision for loan losses. Offsetting these improvements were higher non-interest expenses, primarily centered in occupancy, technology and salaries, all related to the opening of the third branch in Rancho Cordova. We expect to continue to see higher levels of earning assets as deposits flow into the new Rancho Cordova location. The Bank continues to benefit from a substantial deferred tax asset. Previously the Bank recognized tax benefits for 2011, 2012 and 2013, offsetting losses recognized during the Bank's organizational period and first three years of operation. As of December 31, 2013, the Bank had \$974,499 in remaining deferred tax assets to recognize and will recognize an income tax benefit for 2014 as well.

The Bank did not make a provision to the Allowance for Loan & Lease Losses (ALLL) in the first nine months of 2014, compared to \$40,000 for the first nine months of 2013. The ALLL totals \$1,640,611, as of September 30, 2014, equating to 1.88% of total loans outstanding, and is considered adequate to absorb the inherent risk of credit loss in the Bank's loan portfolio. The Bank had no credit losses in 2013, no credit losses for the first nine months of 2014, and expects no significant credit losses for the rest of 2014. Non accrual loans declined significantly from \$4.5 million at September 30, 2013 (3.3% of assets) to \$1.8 million at September 30, 2014 (1.2% of assets).

The Bank continues to pursue shareholder value for our stockholders. The Bank has not issued additional shares of common stock since opening, has no preferred stock outstanding and did not participate in either the TARP or SBLF capital programs. The 1,593,111 shares outstanding are the same since opening the Bank in 2007. Earnings per share for the first nine months of 2014 were \$0.45 compared to \$0.43 per share for 2013. Per share earnings increases were helped with higher levels of earning assets and the corresponding increase in net interest income, lower interest expense on deposits and a lower provision for loan losses. ROA for the first nine months (on average assets of \$144.0 million) was 0.67% compared to 0.68% for the first nine months of 2013. ROE for the first nine months (on average equity of \$14.2 million) was 6.8% the same as 2013.

At September 30, 2014, Tier 1 Capital totaled \$14,730,862, an increase of \$1,142,569 or 8.4% compared to \$13,588,293 at September 30, 2013. The Bank's Tier 1 Capital Ratio is 10.00% as of September 30, 2014 and the Total Risk Based Capital ratio is 15.81%. Both capital ratios are well above minimum regulatory standards to be considered a well-capitalized bank. Liquidity remains healthy at \$36.3 million as of September 30, 2014, and the Bank maintained a moderate loan to deposit ratio of 72.1%. The Bank's investment portfolio consists primarily of U.S. Government agency bonds & mortgage-backed securities.

The Bank continues to be involved heavily in the community. Among the many organizations the Bank supports are: Mercy Hospital Foundation, Sutter Roseville Medical Center Foundation, Folsom Lake College Foundation and the Harris Center for Performing Arts, Eureka Schools Foundation, Folsom Economic Development Corporation, Folsom, Roseville, Rancho Cordova & El Dorado Hills Chambers, Rotary International, Kiwanis, Placer County SPCA, Folsom Pro Rodeo & the Folsom Historical Society.

Folsom Lake Bank has three locations, our first location is in the heart of Folsom's historic district on Sutter Street, our second location is on Douglas Boulevard in Roseville and our third location is located on Sunrise Boulevard, Rancho Cordova. The Bank is a locally owned and locally operated full service commercial bank focused on small business owners, professionals and individuals in the communities surrounding Folsom Lake. If you would like to receive periodic updates via e-mail, please e-mail RFlautt@FolsomLakeBank.com and we will add you to our e-mail list or call Robert Flautt direct at 916-235-4570.

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