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Folsom Lake Bank Reports 2015 Second Quarter Results

FOLSOM CA. Folsom Lake Bank (OTCQB:FOLB), announced pre-tax earnings of \$382,488 for the second quarter of 2015, an 87.3% increase over second quarter 2014 earnings of \$178,302, and the Bank's 22nd consecutive quarter of profitability. Assets, loans and deposits all reached new record levels for the Bank, net interest income was up 22.0%, and loans surpassed \$100 million for the first time. "A strong increase in lending activity over the past four quarters has improved our earning assets resulting in increased growth of net interest income compared to the second quarter of last year." said Robert J. Flautt, President and Chief Executive Officer. "We continue to see positive improvements in the local economy with increased borrowing by local businesses for investment and expansion."

Pre-tax earnings for the first six months of 2015 were \$640,473, up \$203,688 or 46.6% compared to first six months of 2014. Overall, the Bank's pre-tax income was helped by strong growth in earning assets as well as a better asset mix. Net income for the second quarter of 2015 was \$244,548 compared to \$244,185 in the second quarter of 2014. Although relatively unchanged from 2014, the results are noteworthy in that the 2015 results include a \$137,940 provision for taxes, the first year that the Bank has begun accruing for taxes. For the first six months of 2015, net income was \$407,760 compared to \$476,785 in 2014, a decrease of \$69,025 or 14.5%. During the first half of 2015, the Bank recorded \$232,713 in tax provisions compared to a \$40,000 tax benefit recorded in the first half of 2014. Earnings per share for the second quarter were \$0.15 unchanged from \$0.15 per share in the second quarter of 2014. Earnings per share for the first six months of 2015 were \$0.26 compared to \$0.30 per share in the first half of 2014.

Total assets were \$160.3 million at June 30, 2015, up 8.9% or \$13.1 million compared \$147.2 million at June 31, 2014. Assets increased \$5.6 million or 3.6% from March 31, 2015 to June 30, 2015. Total loans were \$100.3 million at June 30, 2015, up \$11.8 million or 13.4% from 2014. Total deposits were \$129.8 million, up \$10.4 million, or 8.7% from 2014. The Bank's new branch in Rancho Cordova has reached \$11 million in deposits after 8 months in operation. The Bank continues to show solid growth with a focus on local core deposit growth as a key to maintaining a lower cost of funds and maintaining an adequate net interest margin in the continuing low rate interest environment.

Net interest income for the second quarter of 2015 was \$1,436,188 compared to \$1,177,674 in the second quarter of 2014, an increase of \$258,514 or 21.9% over last year. The Bank's net interest margin was 3.64% in the second quarter of 2015 up from 3.29% during the second quarter of 2014. Net interest income for the six month period ending June 30, 2015 was \$2,731,479 up \$371,645 or 15.7% over the same period in 2014. Overall, the Bank's net interest income was helped by strong growth in earning assets as well as a better asset mix, primarily a higher percentage of loan assets, as the Bank's loan to deposit ratio improved from 74.1% at June 30 2014 to 77.3% at June 30, 2015. Non-interest income for the second quarter ending June 2015 was \$111,646, an increase of \$49,496 or 79.6% over the second quarter of 2014. On a year to date basis the Bank earned \$200,069 in non-interest income up 56.3% from the same six month period in 2014. The Bank had positive increases in all areas of non-interest income with significant increases in fee income.

Non-Interest expense for the first six months of 2015 was \$2,366,075, an increase of \$315,051 or 15.4% over the first six months of 2014, with the bulk of the increase due to operating costs for the new branch in Rancho Cordova. Non-Interest expense for the second quarter of 2015 was \$1,165,346, an increase of \$129,707 or 12.5% over the second quarter of 2014. The Bank's efficiency ratio increased to 86.8% for the second quarter from 81.4% in 2014, The Bank's efficiency ratio improved to 80.7% for the first six months of 2015 from 82.4% in 2014, however it is expected to continue to improve as the new branch turns profitable later this year.

The Bank had a negative provision to the allowance for loan and lease losses of \$75,000 in the first quarter, adjusting the loss reserve from \$1,635,054 at June 30, 2014 to \$1,516,920 as of June 30, 2015, due to continually improving credit conditions. There have been no credit losses in the first six months of 2015 or 2014. Non accrual loans declined from \$1,846,297 at June 30, 2014 to \$1,655,826 at June 30, 2015. OREO also declined from \$334,000 to \$293,000, a reduction of \$41,000 or 12.3% as the Bank continued to reduce non performing assets in an orderly fashion. The Bank's Allowance for Loan & Lease Losses (ALLL) was 1.51% of loans as of June 30, 2015 compared to 1.85% as of June 30, 2014. The balance in the Bank's loan loss reserve stands is considered adequate to absorb the inherent risk of credit loss in the Bank's loan portfolio.

Return on average assets was 0.56% for 2015 compared to 0.72% in 2014, a decrease of 22% from one year ago. Return on average equity was 5.2% for the first half of 2015 and 6.1% for the first half of 2014. The lower levels in ROA and ROE were due to the tax provisions that began in 2015. The Bank also had higher expenses from the opening of our new branch in Rancho Cordova.

Tier 1 Capital at June 30, 2015 was \$15,678,000, up from \$14,267,000 at June 30, 2014, an increase of \$1,411,000 or 9.97%. At June 30, 2015, the Bank's Tier 1 Capital Ratio was 10.00% compared to 10.08% at June 30, 2014. Total Risk Based Capital to Risk Weighted Assets was 14.14% compared to 15.75% at quarter end 2015 and 2014, respectively. Both capital ratios are well above minimum regulatory standards to be considered a well-capitalized bank by the FDIC. Liquidity remains healthy at \$53.6 million as of June 30, 2015, and the Bank maintained a moderate loan to deposit ratio of 77.3%. The Bank's investment portfolio consists primarily of safe U.S. Government agency bonds and 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 Foundation, Folsom Lake College Foundation, Harris Center at Three Stages, Eureka Schools Foundation, Folsom Economic Development Corporation, Folsom, Roseville, Rancho Cordova & El Dorado Hills Chambers, Rotary International, Kiwanis, Placer County SPCA, Folsom Cordova Community Partnership, Folsom Pro Rodeo & the Folsom Historical Society. Folsom Lake Bank has three locations, one in the heart of the Folsom's historic district on Sutter Street, one in Roseville on Douglas Boulevard and our new branch in Rancho Cordova on Sunrise just south of Hwy 50. 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.

This correspondence may contain "forward-looking statements" within the meaning of Section 27A of the Securities Act. All of the statements contained in this correspondence, other than statements of historical fact, should be considered forward-looking statements. Although the Bank believes the expectations reflected in those forward-looking statements are reasonable, it can give no assurance that those expectations will prove to have been correct. Investors are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof and are not intended to give any assurance as to future results.