



NEWS RELEASE

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Folsom Lake Bank 2014 Earnings Up 16.5%

FOLSOM CA. Folsom Lake Bank (OTCMARKETS:FOLB), announced financial results for the fourth quarter and the year ending December 31, 2014. The Bank reported net income of \$1,214,559 for the twelve months ending December 31, 2014, an increase of 16.5% compared to 2013. The Bank completed its 20th consecutive profitable quarter with earnings of \$492,744 for the three month period ending December 31, 2014, up 34.9% compared to \$365,374 for the fourth quarter of 2013. Earnings per share increased to \$0.76 for 2014 from \$0.65 in 2013.

After almost eight years of operation and the recent opening of a third branch in nearby Rancho Cordova, steady growth in assets has pushed the Bank to over \$150 million in assets. Total assets ended 2014 at \$154.4 million, up 11.1% or \$15.4 million compared to 2013 year end assets of \$139.0 million. Assets also increased during the fourth quarter, growing \$7.5 million or 5.1%. Total loans increased significantly, growing \$15.5 million or 20.0%, from \$77.7 million at 12/31/13 to \$93.2 million at 12/31/14. Loans also showed strong growth for the quarter, increasing \$6.1 million or 7.0% over the third quarter of 2014. Total deposits grew to \$125.1 million as of 12/31/14, an increase of \$13.8 million or 12.4% compared to \$111.3 million as of 12/31/13. Investment securities were down \$6.4 million or 12.3% as the Bank redeployed funds to loans, improving yields. And Shareholder Common Equity, benefiting from both a strong income year as well as significant improvement in accumulated other comprehensive income, increased \$2.5 million or 18.8% to reach \$15.7 million. "Overall, the Bank experienced solid growth in loans, deposits and overall assets, which have shown steady and consistent increases since the Bank opened in 2007" said Robert J. Flautt, President and Chief Executive Officer. "The improving economy, increased real estate values and improved loan demand in our local market area have all helped to produce another successful year of operations for Folsom Lake Bank."

Net interest income for 2014 was \$4,959,808, up \$479,105 or 10.7% compared to \$4,480,703 for 2013. For the fourth quarter, net interest income was \$1,300,197, up \$143,157 or 12.4% compared to the fourth quarter of 2013. Interest income for 2014 was \$5,465,506, up \$472,057 or 9.5%, compared to \$4,993,449 for 2013. For the quarter ending 12/31/14, interest income was \$1,436,427, up \$160,414 or 12.6% compared to \$1,276,013 for the fourth quarter of 2013. Interest expense was down for the year, and declined \$7,048 or 1.4% from \$512,746 in 2013 to \$505,698 in 2014. For the quarter, interest expense grew 14.5% or \$17,257, increasing from \$118,973 in the fourth quarter of 2013 to \$136,230 for the fourth quarter of 2014. The improvement in the Bank's net interest income came from a combination of strong increases in earning assets, a better asset mix and continued low interest expense.

Non-interest income for 2014 was \$280,848, down \$116,939 or 29.4% compared to \$397,787 in 2013. Excluding gains on sales of securities, \$34,113 in 2014 and \$192,919 in 2013, the core non interest income improved \$41,867 from \$204,868 to \$246,735. The Bank showed increases in service charge income, and BOLI income, and a decline in gain on sale of securities.

Non-Interest expense for 2014 was \$4,378,357, up 12.2% or \$478,461 compared to \$3,899,896 in 2013. The Bank dedicated additional resources in staffing and occupancy to open the third branch in Rancho Cordova in 2014. For the quarter, expenses were \$1,203,672, up \$189,641 or 18.7% compared to the fourth quarter of 2013. Salaries and employee benefit expenses showed a \$412,715 increase for the year, technology increased \$89,826 and occupancy increased \$32,078. As a result the Bank's efficiency ratio grew from 79.9% in 2013 to 83.5% in 2014. We expect expense growth to moderate in 2015 which should reduce the efficiency ratio back below 80%.

The Bank made no provision for credit losses in either 2013 or 2014. There were no credit losses in 2013 and \$53,895 in losses in 2014, equating to 0.06% of average outstanding loans. Non Accrual Loans declined from \$3,779,103 at December 31, 2013 to \$1,711,299 at December 31, 2014, 1.1% of assets and a reduction of \$2,067,804 or 54.7% compared to 2013. The Bank has one large remaining loan that is still on non-accrual, however the Bank expects to collect the full balance on this credit, as all payments have been made under the terms of the loan. OREO was unchanged at \$340,000. The Bank's Allowance for Loan & Lease Losses (ALLL) was 1.70% of loans as of December 31, 2014 compared to 2.10% as of December 31, 2013. The December 31, 2014 balance in the Bank's loan loss reserve stands at \$1,579,530 and is considered adequate to absorb the inherent risk of credit loss in the Bank's loan portfolio.

Earnings per share for 2014 were \$0.76 for 2014, an increase of 16.5% compared to earnings per share of \$0.65 for 2013. For the fourth quarter earnings per share were \$0.31, an increase of 34.9% compared to earnings per share of \$0.23 for the fourth quarter of 2013. Return on average assets was 0.83% for 2014 compared to 0.77% in 2013, an improvement of 8.3% for the year. Return on average equity was 8.4% for 2014. Earnings increases were primarily due to a higher level of earning assets, a better mix of assets, lower interest expense and improved credit quality resulting in a lower provision for loan losses.

The Bank recognized income tax benefits in both 2014 and 2013, based on prior year operating losses incurred during our startup phase. For 2014 the tax benefit was \$352,260 and for 2013 it was \$64,121. For the years ending 2014 and 2013, the Bank recorded net deferred tax assets of \$641,619 and 489,950 respectively.

Tier 1 Capital at December 31, 2014 was \$15,234,503, up from \$13,967,769 at year end 2013, an increase of \$1,266,734. At December 31, 2014 the Bank's Tier 1 Capital Ratio was 10.17% compared to 10.06% at December 31, 2013. Total Risk Based Capital to Risk Weighted Assets at December 31, 2014 was 15.47% compared to 16.49% at year end 2013. Both capital ratios are well above minimum regulatory standards to be considered a well-capitalized bank by the FDIC. Liquidity remains healthy at \$65.5 million as of December 31, 2014 and the Bank maintained a moderate loan to deposit ratio of 74.5%. The Bank's investment portfolio consists primarily of safe 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 Foundation, Folsom Lake College Foundation and The Harris Center, 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, 905 Sutter Street in Folsom, 2233 Douglas Boulevard in Roseville, and 2865 Sunrise Boulevard in 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.

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