



NEWS RELEASE

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Folsom Lake Bank Second Quarter Earnings Up 65%

FOLSOM CA. Folsom Lake Bank (OTC Bulletin Board: FOLB), announced unaudited financial results for the quarter and six months periods ending June 30, 2013. The Bank reported its fourteenth consecutive profitable quarter with net income of \$266,478, up 64.7% compared to \$161,784 for the 2nd quarter of 2012. For the first six months of 2013, the Bank reported net income of \$419,560, an increase of 53.5% compared to earnings of \$273,381 for the first half of 2012. "We are pleased to see the improved economic outlook which has had a positive impact on the bank's trend toward higher earnings," said Robert J. Flautt, President and Chief Executive Officer. "The continued recovery in the real estate and housing markets should help the regional economy to return to a more normal level of activity and allow local banks to continue improving their financial performance."

The Bank, which celebrated its sixth anniversary in April, continues to show steady & moderate growth in assets, deposits, loans and investments. Total assets as of June 30, 2013 were \$134.4 million up \$14.3 million, or 11.9%, compared to the year earlier quarter ending June 30, 2012 and up \$2.1 million or 1.6% over the prior quarter ending March 31, 2013. Total deposits were \$116.7 million as of June 30, 2013, up \$16.0 million or 15.9% compared to the prior year and up \$2.7 million or 2.4% over the prior quarter. Loans were \$77.0 million at quarter end, up \$0.9 million or 1.2% compared to the prior year and up \$4.2 million or 5.8% over the prior quarter. Investment securities showed a substantial increase, growing to \$45.2 million at quarter end, an increase of \$16.5 million or 57.7%. Checking, Savings and Money Market balances increased by \$19.1 million or 29.6% year over year. Non-interest DDA increased \$7.8 million or 35.2% compared to 2012.

Net interest income for the quarter was \$1,141,389, down \$2,585 or -0.2% from \$1,143,974 for the 2nd quarter of 2012 and up \$100,719 or 9.7% compared to \$1,040,670 for the 1st quarter of 2013. Interest income was less in 2013, declining from \$1,316,996 for the 2nd quarter of 2012 to \$1,271,681 for the current quarter, a decline of \$45,314 or 3.4%. However the Bank benefitted from reduced interest expense, which declined \$42,730 or 24.7%, substantially offsetting the decline in interest income. Net interest income for the 1st half of 2013 was \$2,182,059, down \$112,897 or -4.9% from \$2,294,956 for the 1st half of 2012. The Bank was challenged by lower asset yields on both loans and investments and benefited from a higher level of earning assets (up 9.0%) as well as a continued reduction in interest costs.

Non interest income for the quarter was \$122,726, down \$7,214 or -5.6% from \$129,939 for the 2nd quarter of 2012 and up \$78,317 or 176.4% compared to \$44,409 for the 1st quarter of 2013. Non interest income for the 1st half of 2013 was \$167,134, up \$15,566 or 10.3% from the 1st half of 2012. Non-interest expense for the quarter was \$977,637, up \$40,509 or 4.3% from \$937,129 for the 2nd quarter of 2012 and up \$65,641, or 7.2% compared to \$911,996 for the 1st quarter of 2013. Non interest expense for the 1st half of 2013 was \$1,889,634, down \$48,509 or -2.5% from the 1st half of 2012. Staffing, occupancy and OREO expenses were lower in 2013 and benefit expenses were higher.

The Bank's net interest margin was squeezed by lower yields on both investments and loans, declining from 4.17% for the 1st half of 2012 to 3.64% for the 1st half of 2013, and resulting in an overall decline in interest income of \$195,383 or 7.4%. However, the Bank benefited from a higher level of average earning assets (\$120.8 million for 2013 compared to \$110.8 million for 2012), a substantial decrease in interest costs (\$82,486 less than 2012), a reduction in expenses (\$48,509 less than 2012) and a lower loan loss provision (\$195,000 less than 2012). The net result was earnings for the first half of 2013 increasing \$146,179 or 53.5%. With the recent increase in interest rates, the Bank should see an improved margin and higher asset yields, and we expect the level of earning assets to continue to grow, both of which will help the operating results of the Bank. The Bank continues to benefit from a substantial deferred tax asset. Previously the Bank recognized tax benefits for both 2011 and 2012, offsetting losses recognized during the Bank's organizational period and first three years of operation. As of December 31, 2012, the Bank had \$932,598 in remaining deferred tax assets to recognize and will likely recognize an income tax benefit for 2013 as well.

The Bank provisioned \$20,000 to the Allowance for Loan & Lease Losses (ALLL) in the 2nd quarter, compared to \$175,000 in the prior year 2nd quarter. For the 1st half of 2013 the Bank provisioned \$40,000 compared to \$235,000 for the 1st half of 2012. There have been no credit losses for the 1st half of 2013 and the Bank has no past due loans as of June 30, 2013. The ALLL totals \$1,672,254 as of June 30, 2013, equating to 2.17% of total loans outstanding, and is considered adequate to absorb the inherent risk of credit loss in the Bank's loan portfolio.

The Bank has pursued and 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 2nd quarter were \$0.17 compared to \$0.10 per share for the 2nd quarter of 2012, a growth of 70%. ROA for the quarter (on average assets of \$132.8 million) was 0.80% compared to 0.55% for the 2nd quarter 2012. ROE for the quarter (on average equity of \$13.3 million) was 8.0% compared to 4.9% for the 2nd quarter of 2012. ROA for the first half was 0.64% and ROE was 6.3%. Per share earnings increases were helped with higher levels of earning assets, lower interest expense, lower provision for loan losses, increased fee income and expenses.

At June 30, 2013 Tier 1 Capital totaled \$13,316,422, an increase of \$841,864 or 6.7% compared to \$12,474,558 at the end of 2nd quarter 2012. The Bank's Tier 1 Capital Ratio is 10.03% as of June 30, 2013 and the Total Risk Based Capital ratio is 15.85%. Both capital ratios are well above minimum regulatory standards to be considered a well-capitalized bank by the FDIC. Liquidity remains healthy at \$32.7 million as of June 30, 2013 and the Bank maintained a moderate loan to deposit ratio of 66.0%. The Bank's investment portfolio consists primarily of safe U.S. Government agency bonds, mortgage-backed securities and high grade corporate bonds.

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 two locations, one in the heart of Folsom's historic district on Sutter Street, and one in Roseville on Douglas Boulevard. 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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