



## NEWS RELEASE

**FOR IMMEDIATE RELEASE**  
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### **Folsom Lake Bank Nine Month Earnings up 73%**

FOLSOM CA. Folsom Lake Bank (OTC Bulletin Board: FOLB), announced unaudited financial results for the third quarter and nine months ending September 30, 2013. For the first nine months of 2013, the Bank reported net income of \$677,342, an increase of 73.3% compared to earnings of \$390,791 for the first nine months of 2012. The Bank increased its string of consecutive profitable quarters with net income of \$257,781, up 119.6% compared to \$117,410 for the third quarter of 2012. "As Folsom Lake Bank generates higher levels of earning assets and improved efficiencies, we continue to see positive trends in earnings," said Robert J. Flautt, President and Chief Executive Officer. "The Bank has consistently reported higher levels of earnings now for 15 consecutive quarters of operation."

The Bank, a locally owned and operated banking institution opened in 2007, continues a path of steady & moderate growth along with a focus on earnings and efficiency. Total assets as of September 30, 2013 were \$136.9 million, up \$9.5 million, or 7.5%, compared to the year earlier quarter ending September 30, 2012 and up \$2.5 million or 1.9% over the prior quarter ending June 30, 2013. Total deposits were \$118.9 million as of September 30, 2013, up \$11.3 million or 10.5% compared to the prior year and up \$2.3 million or 1.9% over the prior quarter. Loans were \$75.1 million at quarter end, up \$0.5 million or 0.7% compared to the prior year and down slightly from the prior quarter. Investment securities showed a substantial increase, growing to \$50.6 million at quarter end, an increase of \$12.9 million or 34.2%. Checking, Savings and Money Market balances increased by \$19.1 million or 27.4% year over year while non-interest DDA increased \$9.1 million or 33.8% compared to 2012.

Net interest income for the quarter was \$1,141,604, up 79,922 or 7.5% from \$1,061,682 for the 3<sup>rd</sup> quarter of 2012 and up \$214 or 0.02% compared to \$1,141,389 for the 2<sup>nd</sup> quarter of 2013. Net Interest Income for the first nine months of 2013 was \$3,323,663, down \$32,975 or 1.0% compared to 2012. Interest income was less in 2013, declining from \$3,884,194 for the first nine months of 2012 to \$3,717,436 for nine months in 2013, a decline of \$166,758 or 4.3%. The decline is due to a combination of lower yields on earning assets as well as a change in earning asset mix, as the Bank's loan to deposit ratio declined from 69.4% at September 30, 2012 63.2% as of September 30, 2013. However the Bank benefitted from reduced interest expense, which declined \$133,783 or 25.4% year to date 2013 compared to 2012. These decreased expenses for interest costs offset approximately 80% of the decline in interest income. The Bank continues to be challenged with lower asset yields and has benefited from a higher level of earning assets (up 9.0%) as well as a continued reduction in interest costs.

Non interest income was \$249,418 for the first nine months of 2013 compared to \$249,070 for 2012, an increase of \$348 or 0.1%. For the quarter non interest income was \$82,284, a decrease of \$15,218 compared to 2012, and a decrease of \$40,442 compared to the prior quarter. Non-interest expense for the first nine months of 2013 was \$2,855,740 compared to \$2,814,917 for 2012, an increase of \$40,823 or 1.5%. Occupancy and OREO expenses were lower in 2013 while staffing and benefit expenses were higher.

The Bank's net interest margin was squeezed by lower yields on both investments and loans, declining from 4.02% for nine months in 2012 to 3.61% for 2013. In spite of a higher level of earning assets the overall decline in net interest income was \$32,975 or 1.0%. However, the Bank benefited from a higher level of average earning assets (\$122.9 million in 2013 compared to \$111.3 million in 2012), a substantial decrease in interest costs (\$133,783 less than 2012), and a lower loan loss provision (\$360,000 less than 2012). Coupled with only a modest increase in expenses (up only 1.5%), the net result was earnings for the first nine months of 2013 increasing \$286,551 or 73.3%. 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 \$1,358,427 in remaining deferred tax assets to recognize and may also recognize an income tax benefit for 2013.

The Bank has had no credit losses for the past 12 months and has no past due loans as of September 30, 2013. Non accrual loans declined from \$5,975,608 as of September 30, 2012 to \$4,526,786 as of September 30, 2013, a decline of \$1,448,822 or 24.2%. OREO also declined over the same period from \$642,000 to \$373,768, a decrease of \$268,232 or 41.8%. The Allowance for Loan & Lease Losses (ALLL) totals \$1,672,843 as of September 30, 2013, equating to 2.23% 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 need to provision to the ALLL in the third quarter of 2013, and a \$40,000 provision was made during the first nine months of 2013.

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 3<sup>rd</sup> quarter were \$0.16 compared to \$0.07 per share for the 3<sup>rd</sup> quarter of 2012, a growth of 129%. ROA for the quarter (on average assets of \$127.4 million) was 0.80% compared to 0.41% for the 3<sup>rd</sup> quarter 2012. ROE for the quarter (on average equity of \$12.9 million) was 8.0% compared to 3.6% for the 3<sup>rd</sup> quarter of 2012. Per share earnings increases were helped with higher levels of earning assets, lower interest expense, lower provision for loan losses, increased fee income and only a modest increase in expenses.

At September 30, 2013 Tier 1 Capital totaled \$13,588,293, an increase of \$991,055 or 7.9% compared to \$12,597,238 at the end of 3<sup>rd</sup> quarter 2012. The Bank's Tier 1 Capital Ratio is 9.82% as of September 30, 2013 and the Total Risk Based Capital ratio is 16.58%. Both capital ratios are well above minimum regulatory standards to be considered a well-capitalized bank by the FDIC. 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](mailto: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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