



NEWS RELEASE

FOR IMMEDIATE RELEASE
April 17, 2014

Contact: Robert J. Flautt
President & CEO
(916) 235-4570

Folsom Lake Bank First Quarter 2014 Earnings Up 52%

FOLSOM CA. Folsom Lake Bank (OTCMarkets:FOLB), announced first quarter earnings of \$232,600 for 2014, an increase of 51.9% compared to \$153,083 for the first quarter of 2013 and the 17th consecutive quarter of profitability. Earnings per share increased to \$0.15 for the first quarter of 2014 from \$0.10 in the first quarter of 2013, an increase of 50.0%. "The Bank had another solid quarter in earnings growth and also showed a strong increase in net interest income. We continue to benefit from the improving economy both at the local and regional level." said Robert J. Flautt, President and Chief Executive Officer. "We are seeing businesses somewhat more inclined to borrow for expansion and investment, and our own underwriting on loans is less difficult due to improving financial results for our borrowers. As these improving fundamentals continue, we expect our positive earning trends to continue."

Folsom Lake Bank, a locally owned independent banking institution opened in 2007, continues a path of steady & moderate growth along with a focus on earnings and efficiency. Total assets were \$140.5 million at March 31, 2014, up 6.2% or \$8.2 million compared \$132.3 million at the end of the first quarter 2013. Assets also increased 1.0% during the first quarter, growing \$1.5 million over December 31, 2013 totals. Total loans were \$77.6 million at March 31, 2014, up \$4.8 million or 6.5% from March 31, 2013. Total deposits were \$113.3 million, down \$672 thousand from the first quarter of 2013, however deposits are up \$2.0 million from the December 31, 2013 year end balances. Although total deposits were down slightly year over year, the Bank continues to make significant progress in increasing relationship deposits (checking, savings and money market), as they were up \$8.0 million or 10.0% on a year over year basis. The Bank plans to continue to focus on increasing core deposit account relationships and maintaining a lower cost of funds to help support the Bank's net interest margin.

Net interest income for the first quarter of 2014 was \$1,182,160 compared to \$1,040,670 in the first quarter of 2013. This represents an increase of \$141,489 or 13.6% over last year. Total interest income for the first quarter increased \$110,359 or 9.3%, while interest expense declined \$31,131 or 21.8%, which combined to produce a strong increase in net interest income for the quarter. The Bank's net-interest-margin improved to 3.68% in the first quarter of 2014 compared to 3.56% during the first quarter of 2013. Overall, the Bank's net interest income was helped by strong growth in earning assets coupled with a higher net interest margin.

Non-interest income for the first quarter ending March 31, 2014 was \$65,825, an increase of \$21,417 or 48.2% over the first quarter of 2013. The Bank had positive increases in all areas of non-interest income with a significant increase in dividends from correspondent banks.

Non-Interest expense for the first quarter of 2014 was \$1,015,385, an increase of \$103,389 or 11.3% over the first quarter of 2013. The increase over last year was primarily due to increases in employee expenses and technology. Employee expenses increased due to increases in salaries as well as significant increases in group insurance costs. Technology costs were incurred primarily to enhance and replace part of the Bank's computer hardware. The Bank's efficiency ratio improved to 81.4% in 2014 from 84.1% in 2013.

The Bank did not make any provision for credit losses in the first quarter of 2014 compared to \$20,000 in the first quarter of 2013. There were no net credit losses in the first quarter of either 2014 or 2013. Non accrual loans declined from \$4,684,574 at March 31, 2013 to \$3,579,098 at March 31, 2014, a reduction of \$1,105,476 or 23.6%. OREO also declined from \$642,000 to \$334,000, a reduction of \$240,000 or 41.8% as the Bank continued to reduce non performing assets in an orderly fashion. The Bank's Allowance for Loan & Lease Losses (ALLL) was 2.11% of loans as of March 31, 2014 compared to 2.27% as of March 31, 2013. The March 31, 2014 balance in the Bank's loan loss reserve stands at \$1,634,353 and is considered adequate to absorb the inherent risk of credit loss in the Bank's loan portfolio.

Earnings per share for the first quarter of 2014, was \$0.15, an increase of 50% compared to earnings per share of \$0.10 for the first quarter of 2013. Return on average assets was 0.66% for 2014 compared to 0.47% in the first quarter of 2013, an improvement of 40% from one year ago. Return on average equity was 6.7% for the first quarter of 2014 and 4.55% for the first quarter of 2013. Earnings increases were primarily due to increased interest income, lower interest expense, and a higher level of earning assets, offset somewhat by higher levels of non-interest expense.

For the years ending 2013 and 2012, the Bank recorded net deferred tax assets of \$489,950 and \$425,829, respectively. The Bank reported a valuation allowance of \$974,499 at the end of 2013 which is available to offset future earnings of the Bank. At December 31, 2013, the Bank had Federal and State net operating loss carryforwards of \$880,277 and \$1,237,954 respectively.

Tier 1 Capital at March 31, 2014 was \$14,214,470, up from \$12,973,095 at March 31, 2013, an increase of \$1,241,375. At March 31, 2014, the Bank's Tier 1 Capital Ratio was 10.10% compared to 9.87% at March 31, 2013. Total Risk Based Capital to Risk Weighted Assets was 16.83% compared to 15.78% at quarter end 2014 and 2013, respectively. Both capital ratios are well above minimum regulatory standards to be considered a well-capitalized bank by the FDIC. Liquidity remains healthy at \$58.1 million as of March 31, 2014, and the Bank maintained a moderate loan to deposit ratio of 68.5%. 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 and Three Stages, 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 the 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.

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.