



NEWS RELEASE

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

Folsom Lake Bank Earnings Up 13.6%

FOLSOM CA. Folsom Lake Bank (OTC Markets: FOLB), announced unaudited financial results for the six month period ending June 30, 2014. For the first six months of 2014, the Bank reported net income of \$476,225, an increase of 13.6% over the same six month period of 2013. This is the Bank's eighteenth consecutive profitable quarter with net income for the second quarter 2014 of \$244,185, down 8.4% from the 2013 second quarter results but up 5.0% from the first quarter 2014 results. Net income for the second quarter of 2014 was impacted by higher expenses associated with preopening costs for the new branch in Rancho Cordova. "The continuing improvement in the local economy is helping to propel significant growth in the Bank's revenue compared to 2013," said Robert J. Flautt, President and Chief Executive Officer. "We are seeing increased lending opportunities for the first time in years, and this increased activity bodes well for continued improvement in local economic activity. "

The Bank, which celebrated its seventh anniversary in April, continues to show steady and consistent growth in assets, deposits and loans. Total assets as of June 30, 2014 were \$147.3 million up \$12.9 million, or 9.6%, compared to the quarter ending June 30, 2013 and up \$6.8 million or 4.8% over the most recent quarter ending March 31, 2014. Total deposits were \$119.4 million as of June 30, 2014, up \$6.2 million or 5.4% compared to the prior year and up \$2.8 million or 2.4% over the previous quarter. Loans, the Bank's highest earning asset, showed a substantial increase. Total loans were \$88.5 million at June 30, 2014, up \$11.5 million or 14.9% compared to the prior year and up \$10.9 million or 14.1% over the prior quarter. Checking account balances were up significantly, growing from \$32.1 million to \$39.4 million, an increase of \$7.3 million or 22.7%.

The growth in loans produced a strong increase in net interest income. Net interest income for the first six months of 2014 was \$2,359,834, up \$177,774 or 8.1% from \$2,182,060 for 2013. Net interest income for the second quarter of 2014 was \$1,177,674 which is up \$36,285 or 3.2% compared to the second quarter of 2013. Interest income was up 5.8% for the first six months of 2014 and totaled \$2,598,239, an increase of \$143,285 for the period. For the second quarter, interest income was \$1,304,608, an increase of \$32,927 or 2.6% for the three months ending June 30, 2014. In addition to growing interest income, the Bank was able to reduce interest expense, which declined \$34,489 or 12.6%, for the six month period. Overall, the Bank benefited from a combination of both growth in earning assets as well as lower interest expense.

Non interest income for the first six months of 2014 was \$127,975, down \$39,159 or 23.4% from 2013. For the second quarter, non interest income was \$62,150, down \$60,575 from the second quarter of 2013. This decline in non interest income in 2014 from 2013 was the result of fewer gains on the sales of investment securities during 2014. Non interest expense for the first half of 2014 was \$2,051,024, up \$161,390 or 8.5% from the first half of 2013. Non interest expense for the second quarter was \$1,035,639, up \$58,001 or 5.9% from \$977,637 for the second quarter of 2013. Staffing expenses in preparation of our new Rancho Cordova branch were the primary reason non interest costs were up over last year.

The continued extraordinary low level of interest rates continues to prevent the Bank from achieving an acceptable net interest margin. The entire banking industry is challenged by this problem, and there is no expectation that rates will be normalized anytime soon. The Bank's net interest margin was 3.61% for the first half of 2014 down slightly from 3.64% for the first six months of 2013. However, the Bank benefited from a higher level of average earning assets (\$131.8 million for 2013 compared to \$120.8 million for 2013), and a decrease in interest costs (\$34,489 less than 2013), while increasing core deposit balances. The net result was earnings for the first half of 2014 increasing \$57,225 or 13.6%. We expect the level of earning assets to continue to grow, which along with close management of expenses will likely continue to result in improved operating results of the Bank. The Bank also continues to benefit from a substantial deferred tax asset. Previously, the Bank recognized tax benefits for 2013 (a result of losses recognized during the Bank's organizational period and first three years of operation). As of December 31, 2013, the Bank had \$974,499 in remaining deferred tax assets to recognize and will recognize an income tax benefit for 2014 as well.

The Bank did not make a provision to the Allowance for Loan & Lease Losses (ALLL) in the first six months of 2014, compared to \$40,000 for the first six months of 2013. The ALLL totals \$1,635,054, as of June 30, 2014, equating to 1.85% 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 credit losses in 2013, no credit losses for the first half of 2014, and expects no significant credit losses for the rest of 2014. . Non accrual loans declined significantly from \$4.6 million at June 30, 2013 (3.4% of assets) to \$1.8 million at June 30, 2014 (1.3% of assets).

The Bank 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 first six months of 2014 were \$0.30 compared to \$0.26 per share for 2013 a growth of 13.6%. ROA for the quarter (on average assets of \$142.3 million) was 0.67% compared to 0.63% for the first six months of 2013. ROE for the quarter (on average equity of \$14.2 million) was 6.7% compared to 6.5% for 2013. Per share earnings increases were helped with higher levels of earning assets and the corresponding increase in net interest income, lower interest expense on deposits and a lower provision for loan losses.

At June 30, 2014, Tier 1 Capital totaled \$14,472,812, an increase of \$1,156,390 or 8.7% compared to \$13,316,422 at June 30, 2013. The Bank's Tier 1 Capital Ratio is 9.87% as of June 30, 2014. The Bank's capital ratio is well above minimum regulatory standards to be considered a well-capitalized bank. Liquidity remains healthy at \$35.1 million as of June 30, 2014, and the Bank maintained a moderate loan to deposit ratio of 74.1%. 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 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 soon to be three, one in the heart of Folsom's historic district on Sutter Street, and one in Roseville on Douglas Boulevard and the newest to be on Sunrise Blvd. 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. 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

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.

Folsom Lake Bank

Financial Highlights - Second Quarter 2014

(Unaudited)

Balance Sheet Highlights (000)	2014	2013	\$ Change	% Change
June 30,				
Total Assets	\$147,247	\$134,391	12,856	9.6%
Total Loans	88,513	77,001	11,512	15.0%
Total Deposits	119,423	116,661	2,762	2.4%
Securities & TCD Investments	45,824	45,174	650	1.4%
Capital (Tier 1)	14,473	13,316	1,157	8.7%

Earnings Summary

For the Three Months Ended Jun 30,

Interest Income	\$1,304,608	\$1,271,681	32,927	2.6%
Interest Expense	\$126,934	\$130,292	(3,358)	-2.6%
Net Interest Income	\$1,177,674	\$1,141,389	36,285	3.2%
Provision for Loan Losses	\$0	\$20,000	(20,000)	-100.0%
Fees & Svc Charges	\$62,150	\$122,726	(60,576)	-49.4%
Expenses	\$1,035,639	\$977,637	58,002	5.9%
Net Profit (Loss)	\$244,185	\$266,478	(22,293)	-8.4%

For the Six Months Ended Jun 30,

Interest Income	\$2,598,239	\$2,454,953	143,286	5.8%
Interest Expense	\$238,405	\$272,894	(34,489)	-12.6%
Net Interest Income	\$2,359,834	\$2,182,059	177,775	8.1%
Provision for Loan Losses	\$0	\$40,000	(40,000)	-100.0%
Fees & Svc Charges	\$127,975	\$167,134	(39,159)	-23.4%
Expenses	\$2,051,024	\$1,889,634	161,390	8.5%
Net Profit (Loss)	\$476,785	\$419,560	57,225	13.6%

Period End Data

June 30,

Tier I Capital to Average Assets	10.08%	10.03%
Tier I Capital to Risk Weighted Assets	14.50%	14.59%
Total Capital to Risk Weighted Assets	15.75%	15.85%
Allowance for Loan Losses as a Percentage of Loans	1.85%	2.17%
Loans to Total Deposits and Short Term Funding	74.10%	66.00%
Net Interest Margin (YTD)	3.61%	3.64%

