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Folsom Lake Bank 2013 Earnings Up 73%

FOLSOM CA. Folsom Lake Bank (OTC markets:FOLB), announced financial results for the fourth quarter and the year ending December 31, 2013. The Bank reported net income of \$1,042,715 for the twelve months ending December 31, 2013, an increase of 72.9% compared to 2012. The Bank completed its 16th consecutive profitable quarter with earnings of \$365,374 for the three month period ending December 31, 2013, up 72.2% compared to \$212,213 for the fourth quarter of 2012. . Earnings per share increased to \$0.65 for 2013 from \$0.38 in 2012, an increase of 71.1%. "The Bank had another solid year with a record increase in earnings coupled with strong growth in assets compared to the previous year," said Robert J. Flautt, President and Chief Executive Officer. "As Folsom Lake Bank continues to grow assets and improve efficiencies, we expect these positive earnings trends to continue."

Folsom Lake Bank, a locally owned independent banking institution opened in 2007, continues a path of steady and moderate growth along with a focus on earnings and efficiency. Total assets were \$139.0 million at December 31, 2013, up 6.2% or \$8.1 million compared to year end totals of \$130.9 million for 2012. Assets also increased during the quarter, growing \$2.1 million or 1.5%. Total loans were \$77.7 million at December 31, 2013, up \$2.7 million or 3.6% from the year end 2012 totals. Total deposits were \$111.3 million, up \$1.2 million or 1.1% from the previous year end total of \$110.1. Although overall deposit increases were modest, the Bank continues to make significant progress in increasing relationship deposits (checking, savings and money market), up \$9.6 million or 12.4% for the year. 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 fourth quarter and full year of 2013 were \$1,157,040 and \$4,480,703 respectively. For the full year net interest income was up \$67,973 or 1.5% compared to 2012, and for the fourth quarter net interest income was up \$100,947 or 9.6%. Overall interest income for the year declined \$117,297 or 2.3%, however interest expense declined \$185,270 or 26.5%, offsetting the interest decline and producing the positive change in net interest income. For the quarter interest income was up \$49,461, or 4.0% compared to 2012, and interest expense was down \$51,487, or 30.2%, with both components contributing to the increased net interest income. The margin compression continued in 2013 with the Bank's net interest margin decreasing to 3.61% compared to 3.89% in 2012, however the Bank's margin improved near the end of 2013, with the fourth quarter net interest margin improving 10 basis points compared to the third quarter.

Non-interest income for the fourth quarter and the twelve months ending December 31, 2013 were \$118,244 and \$367,662, respectively. For the fourth quarter, non-interest income was down \$22,020, or 15.7% compared to 2012 and for the full year 2013, was off \$21,673 or 5.6%. The Bank had a decrease in gain on sale of investment securities of \$46,270, and increases in dividends (\$22,615), BOLI (\$31,440) and mortgage referral fees (\$2,546).

For the fourth quarter and the full year 2013 interest expense was \$118,973 and \$512,746, respectively, a decrease of 30.2% over the fourth quarter of 2012 and a decrease of 26.5% for the year 2013 over 2012. As interest rates have continued at historically low levels, the Bank has been able to reduce interest expense by focusing on growing low cost core deposits and lowering deposit rates. Especially noteworthy is the \$8.4 million decline in high cost Certificate of Deposit accounts and the increase of \$9.6 million in low cost core deposit account balances.

Non-Interest expense for the fourth quarter and year ending December 31, 2013 was \$1,014,031 and \$3,869,771 respectively, an increase of \$94,887 or 10.3% over the fourth quarter of 2012 and an increase of \$135,708 or 3.6% over 2012 expenses of \$3,734,063. Occupancy, OREO and legal expenses were down significantly, while salaries, benefits and technology expenses were higher. The Bank's efficiency ratio grew from 77.7% in 2012 to 79.8% in 2013.

The Bank made no provision for credit losses in 2013 compared to \$465,000 in 2012. There were no credit losses in 2013 compared to \$524,673 for 2012. Non Accrual Loans declined from \$6,092,622 at December 31, 2012 to \$3,779,103 at December 31, 2013, a reduction of \$2,313,519 or 38.0%. OREO also declined from \$574,000 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 2.10% of loans as of December 31, 2013 compared to 2.18% as of December 31, 2012. The December 31, 2013 balance in the Bank's loan loss reserve stands at \$1,633,425 and is considered adequate to absorb the inherent risk of credit loss in the Bank's loan portfolio.

Earnings per share for 2013 were \$0.65 for 2013, an increase of 71.1% compared to earnings per share of \$0.38 for 2012. For the fourth quarter earnings per share were \$0.23, an increase of 76.9% compared to earnings per share of \$0.13 for the fourth quarter of 2012. Return on average assets was 0.77% for 2013 compared to 0.50% in 2012, an improvement of 54% for the year. Return on average equity was 7.8% for 2013. Earnings increases were primarily due to a higher level of earning assets, lower interest expense and improved credit quality resulting in a lower provision for loan losses.

For the years ending 2013 and 2012, the Bank recorded net deferred tax assets of \$470,366 and \$425,829 respectively. The Bank reported a valuation allowance of \$994,083 at the end of 2013 which is available to offset future earnings of the Bank.

Tier 1 Capital at December 31, 2013 was \$13,967,769, up from \$12,814,724 at year end 2012, an increase of \$1,153,045. At December 31, 2013 the Bank's Tier 1 Capital Ratio was 10.06% compared to 9.79% at December 31, 2012. Total Risk Based Capital to Risk Weighted Assets was 15.23% compared to 14.06% at year end 2012. Both capital ratios are well above minimum regulatory standards to be considered a well-capitalized bank by the FDIC. Liquidity remains healthy at \$37.1 million as of December 31, 2013 and the Bank maintained a moderate loan to deposit ratio of 68.1%. 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 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 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.

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