Senior Bank Officers

John G. (Jack) Briner
Chairman of the Board
Chief Executive Officer

Dennis R. Saunders
President
Chief Financial Officer

Jodie M. Jenkins
Executive Vice President
Chief Operating Officer

Michael J. Curran
Executive Vice President
Chief Credit Officer

FIRST MOUNTAIN BANK OFFICE LOCATIONS

MAIN OFFICE
40865 Big Bear Blvd.
P. O. Box 6868
Big Bear Lake, CA 92315
(909) 866-5861

INTERLAKEN OFFICE
42142 Big Bear Blvd.
P. O. Box 6868
Big Bear Lake, CA 92315
(909) 866-1933

LUCERNE VALLEY OFFICE
32946 D Highway 18
P. O. Box 2100
Lucerne Valley, CA 92356
(760) 248-2717

RUNNING SPRINGS OFFICE
2625 Whispering Pines Dr.
P. O. Box 90
Running Springs, CA 92382
(909) 867-4242

Member FDIC

EQUAL HOUSING LENDER

FIRST MOUNTAIN BANK

FINANCIAL HIGHLIGHTS

FIRST QUARTER 2013

FIRST MOUNTAIN BANK

Dear Shareholders:

The Board of Directors and Management of First Mountain Bank report herewith the results of operations and financial position of the Bank for the three months ended March 31, 2013.

Important initiatives were completed or begun during the first quarter of 2013. On January 24, 2013, the holding company, First Mountain Bancorp, was merged into and became a part of First Mountain Bank. The merger saves the Bank operating costs associated with the holding company and provides additional liquidity for the Bank's stock. In February the Bank issued a Private Placement Memorandum designed to raise additional capital. The capital to be raised through this placement will allow the Bank to increase regulatory capital ratios even higher than at present and also will allow for expansion into new market areas, particularly into Northern California. Our Chairman/CEO is very familiar with the targeted area and once the capital raise is complete, the Bank will be in a position to move into a very dynamic area of California. The capital will also enable the Bank to maintain its strong market presence in the Mountain and Desert communities of Southern California. Because of cost-prohibitive lease terms, the Bank also made the decision to consolidate its two Big Bear office locations into its main office, which is a bank owned facility. The Consolidation will be completed in July and will save the Bank approximately $15,000 a month in occupancy costs while maintaining the same level and types of services to all of Big Bear Lake.

Subsequent to quarter end the Bank sold the guaranteed portion of a loan that was included in the non-accrual loan category at March 31, 2013. The sale reduces the non-accrual loans total by $4.2 million and results in a gain of approximately $430,000 being recorded in April. With this sale the Bank has moved well ahead of its earnings budget target for the first four months of the year.

At March 31, 2013, First Mountain Bank continued to exceed all regulatory capital levels that have been established for a "well capitalized" institution with a Tier 1 leverage capital ratio of 8.17%. The Bank also maintained a reserve against possible loan losses of 3.00% of outstanding loans at quarter end. The capital and loan loss reserve levels provide significant insulation to assist in managing asset quality issues that may arise in the future.

The Bank reported a net loss of $69,885, or $0.04 per basic share for the first quarter ended March 31, 2013, compared to a net loss of $122,111, or $0.08 per share, for the first quarter of 2012.

Total Assets were $143,147,445 at March 31, 2013, compared to $138,472,116 in total assets at December 31, 2012. Total deposits were $130,443,264, at March 31, 2013, compared to $125,916,198 at year end 2012. The Board and management have been pleased with the strong deposit growth of the Bank in spite of increased local competition and in light of the Bank's continuing policy to not accept brokered or institutional deposits and to offer only market interest rates. Loan growth has become an important focus of the Bank along with continuing efforts to reduce the level of non-performing assets. Loan levels remained fairly stable during the quarter, increasing from $93,602,065 to $94,225,211 in outstanding loans between year-end 2012 and March 31, 2013. Loans designated as non-accrual stood at $15,370,000 at quarter end and foreclosed properties (OREO) totaled $788,440. All but two of the loans designated as non-accrual are paying as agreed and one of the three foreclosed properties was in escrow at March 31. When the escrow closes, remaining OREO balances will be below $500,000.

Although credit quality issues remain with respect to our "legacy" portfolio of loans, the Board and Management are confident that the initiatives announced will bring renewed profitability and capital strength to your Bank. We are committed to make continuing improvements in asset quality, operating efficiencies, and bottom line profitability as we move forward through 2013.

John G. "Jack" Briner
Chairman and CEO

Dennis R. Saunders
President and CFO

STATEMENT OF CONDITION - *(Unaudited)*

	March 31, 2013	December 31, 2012
Assets		
Cash and due from banks	$ 30,917,395	$ 30,771,031
Fed funds	467,377	466,985
Investment securities	11,995,794	8,386,728
Gross loans	94,225,211	93,602,065
Less: Allowance for loan losses	(2,828,351)	(2,860,700)
Net loans	91,396,860	90,741,365
Bank premises and equipment	2,151,486	2,220,780
Other assets	6,218,533	5,885,227
Total Assets	$ 143,147,445	$ 138,472,116
Liabilities		
Noninterest-bearing deposits	$ 45,929,201	$ 42,249,570
Interest-bearing deposits	84,514,063	83,666,628
Total deposits	130,443,264	125,916,198
Other liabilities	1,209,696	975,788
Total Liabilities	131,652,960	126,891,986
Stockholders' Equity		
Common stock	12,062,959	12,051,011
Retained earnings\(Accumulated Deficit)	(602,486)	(532,601)
Accumulated other comprehensive income	34,012	61,720
Total Stockholders' Equity	11,494,485	11,580,130
Total Liabilities and Stockholders' Equity	$ 143,147,445	$ 138,472,116

STATEMENT OF INCOME - *(Unaudited)*

	For the three months ended	
	03/31/13	03/31/12
Interest income	$ 1,434,197	$ 1,528,523
Interest expense	85,133	117,730
Net interest income before provision for loan losses	1,349,064	1,410,793
Provision for loan losses	45,000	315,000
Net interest income	1,304,064	1,095,793
Other operating income	244,820	360,376
Operating expenses	1,618,769	1,680,280
(Loss) income before income taxes	(69,885)	(224,111)
Provision (benefit) for income taxes	-	(102,000)
Net (Loss) Income	$ (69,885)	$ (122,111)
(Loss) earnings per share - basic	$ (0.04)	$ (0.08)
(Loss) earnings per share - dilutive	$ (0.04)	$ (0.08)