



For further information contact:
Bob Washburn
(336) 246-4344
PO Box 26
West Jefferson, NC 28694
mmiller@golifestore.com

LifeStore Financial Group Reports Earnings

West Jefferson, NC, June 19, 2013 – LifeStore Financial Group (LSFG), the holding company for LifeStore Bank and LifeStore Insurance Services, Inc., today reported a net income of \$189,036 for the third quarter of year ending June 30, 2013. Through the first nine months of the year ended June 30, 2013, the company had net income of \$605,547 compared to net income of \$555,203 for the same nine month period a year earlier.

“Overall I am happy with our progress,” said Robert E. Washburn, President and CEO. “We are continuing to perform well but are also hampered by the sluggish economy locally. Our net interest income is down for the quarter but we have been successful in generating home mortgages, with over \$12 million closed from January through March. Our earnings have also been impeded by an increase in loan loss reserves but we have compensated for that in part by controlling non-interest expenses. We have also continued to increase our capital ratios.”

LifeStore Bank’s capital ratios at March 31, 2013 were 9.29% Tier 1 Leveraged Capital, 13.62% Tier 1 Risk Based Capital, and 14.88% Total Risk Based Capital. All were improvements over the June 30, 2012 levels, which were 8.75%, 12.40% and 13.65%, respectively.

Washburn goes on to point out that LifeStore Insurance has had a strong year, with growth in revenue of 16.2% for the year to date.

Detailed financial highlights follow this release.

LifeStore Financial Group, headquartered in West Jefferson, provides banking, investment and insurance services. It is a federally chartered thrift holding company that owns 100% of the common stock of LifeStore Bank (Member FDIC and Equal Housing Lender) and operates branches in Boone, Jefferson, Warrentonville and West Jefferson. LifeStore Insurance is an independent insurance agency that serves these markets along with Elkin, Lenoir, North Wilkesboro and Sparta.

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(In thousands)	March 31, 2013	June 30, 2012
Selected Financial Condition Data:		
Total assets	\$268,391	\$279,865
Loans receivable, net ¹	182,318	192,741
Investment securities ²	34,798	35,464
Cash and cash equivalents	29,580	26,070
Deposits	190,699	202,609
Borrowings	57,774	57,804
Equity	17,076	16,553

(In thousands)	Quarter ended March 31, 2013	Quarter ended March 31, 2012
Selected Operating Data:		
Interest income and dividends	\$2,746	\$3,217
Interest expense	669	865
Net interest income	2,077	2,352
Provision for loan losses	495	191
Net interest income after provision for loan losses	1,582	2,161
Non-interest income	1,497	1,430
Non-interest expense	2,869	3,194
Income before income tax expense	210	397
Income tax expense	21	72
Net income	\$189	\$325

(In thousands)	9 months ended March 31, 2013	9 months ended March 31, 2012
Selected Operating Data:		
Interest income and dividends	\$8,591	\$9,862
Interest expense	2,126	2,691
Net interest income	6,465	7,171
Provision for loan losses	1,427	1,263
Net interest income after provision for loan losses	5,038	5,908
Non-interest income	4,564	3,977
Non-interest expense	8,893	9,357
Income before income tax expense	709	528
Income tax expense (benefit)	103	-27
Net income	\$606	\$555

¹Loans receivable, net is comprised of total loans less allowance for loan losses, loans sold, undisbursed loan funds and deferred loan fees.

²Includes FHLB stock and investment securities