



On Track

FOLSOM LAKE BANK

Volume Three, Number One, May 2010

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Folsom, CA 95630
916.985.8700

2233 Douglas Boulevard
Roseville, CA 95661
916.784.0300

www.FolsomLakeBank.com
www.OTCBB.com
Ticker symbol: FOLB

Our Mission

To provide excellence in banking services to the communities that we serve, produce a superior return for our shareholders and offer our employees the best workplace of any bank in our community.



President's Message



Robert J. Flaut
President & CEO

To Our Friends of Folsom Lake Bank

For the 1st Quarter of 2010, Folsom Lake Bank reached another milestone, reporting our first full quarter of profitability. We appreciate the great amount of support provided by you, our shareholders, clients and other Friends of Folsom Lake Bank over the past three years. As we begin our fourth year of operation, the Bank has over \$100 million in assets, two outstanding branch locations and a profitable operation going forward.

Our profitable operation comes 33 months after opening the Bank. The Bank actually had its first full month of profitability in June of 2009; however we made the strategic decision to open in Roseville after we were presented with an extremely attractive opportunity to open near the corner of Eureka and Douglas Boulevard. The extra expenses for the Roseville branch put the Bank back in the red for six months and then the entire Bank was back in the black as of January 2010.

The profit reported for the first quarter was \$44,727, much improved from the loss of \$461,803 for the first quarter of 2009. Total assets grew to \$104.1 million, an increase of \$32.9 million or 46.2% from the first quarter of 2009. Total deposits were \$89.3 million, up \$34.1 million or 61.8% from one year ago. Total loans ended the quarter at \$66.1 million, an increase of \$27.7 million or 52.3% from the prior year. Investments were \$32.7 million, up \$11.3 million compared to the year earlier total of \$21.4 million.

We are very proud of our conservative and steady growth pattern, and how closely we have followed our original business plan. Over our 36 months of operation, we have grown an average of \$2.8 million a month in assets. We have been careful and cautious in our lending activities with loan growth averaging \$1.8 million per month. In spite of the poor economic climate, we have still been able to grow loans more than \$25 million in 2009. The Allowance for Loan and Lease Losses (ALLL) now totals \$1,534,940, or 2.32% of loans outstanding which provides a more than adequate reserve for problem loans.

Our Roseville branch is approaching the first year anniversary and has been a huge success. We are near \$20 million in deposits, have covered our operating expenses and have a wonderful staff on board to help continue to grow the branch. We could not have had this rapid success without the tremendous support we have received from the community and our wonderful shareholders.

The Bank continues to be an active lender in the community for consumer, commercial and real estate loans with a loan portfolio of \$66 million. Our focus has always been and will continue to be on quality banking relationships and conservative lending arrangements. We are diligently looking for clients with quality loan requests to be added to our loan portfolio. Although we are not untouched by the worst recession in 75 years, overall the Bank has fared relatively better than most of our peer group.

Our Home Loan Division is doing very well, helping many of our clients with residential loan products. We remain convinced that there is a flight to safety which makes residential lending through your local community bank a very attractive alternative for most folks. Our mortgage operation is a bright spot for the Bank, generating almost \$300,000 in gross fee income.

President's Message continued

For our investments, a source of liquidity as well as basic interest income, we have invested only in United States Treasuries & Agencies and Freddie Mac and Fannie Mae Bonds that have the implicit backing of the U.S. government. We have no Freddie Mac or Fannie Mae preferred or common stock and have not invested in CDO, CMO or other mortgage-backed securities that do not have the government's implicit guarantee.

As always, we are active in the community, belonging to all the local chambers; our staff belongs to multiple Rotary clubs, and our Bank supports a host of local organizations, including the Folsom Pro Rodeo, Folsom Lake College, Mercy and Sutter Hospitals, Placer SPCA and Eureka Schools Foundation, our local Historical District and our local Historical Railroad Association. I am honored to currently sit as the Chair of the Mercy Folsom Community Leadership Council and am also a board member of the Folsom Chamber of Commerce.

Our staff receives compliments daily on the extraordinary customer service that we provide to every client. We are fortunate to have such a talented group of banking professionals helping us maintain our "Classic Community Banking" franchise. It is interesting to note all the publicity about how to fix all the banking problems that plague the country. For my two cents, I would recommend that all the banks return to plain vanilla banking offered with extraordinarily friendly and personal customer service – something we have been doing consistently since opening our doors.

This past year has been a roller coaster ride, the likes of which we have not seen in a while. As we continue to return to a normal state of affairs, I believe the prospects for our local community bank remain very bright. We look to succeed based on solid operating fundamentals including conservative lending, knowledge of the community and strong client relationships. We have enjoyed all of these key advantages and used them to help build a strong company. We will remain focused on relationships, personal attention and understanding each customer's needs – and basically being the best bank possible. Thanks for bringing us your banking business, and a special thanks to all of you that have referred customers to the Bank. We are proud to be your locally owned and operated community bank.

Sincerely,

Robert J. Flautt
President & CEO

Opening of our Roseville Branch July 2009



Members of our Roseville Team: Frank Huck, Nate Wasulko, Shawna Thibado, Paul Schweiger, Gene Zundel and Michelle Dante.

Please visit our Roseville location at:

2233 Douglas Boulevard
Roseville, CA 95661
(916) 784-0300



Open Monday through Friday, 9 a.m. - 5 p.m.

FOLSOM LAKE BANK Home Loan Division

Contact Frank at 916.235.4616 or frankhuck@FolsomLakeBank.com for rates and information.

- Conforming loans
- Non-conforming loans
- Jumbo loans
- Single family, up to 4 units
- Owner/ Non-owner
- Second homes
- Construction financing

Classic Community Banking - Building Relationships First

In banking, "relationship" is a popular term. Relationship banking is best described as servicing our customers needs by developing a genuine trust that the job will be done. We do this by developing a complete understanding of our customers and their business.

Our primary goal is to help our customers take advantage of all the products we have specifically designed to provide financial security and convenience.

At Folsom Lake Bank, our entire staff is committed to providing more value than expected – especially when it comes to personal service. We strive to go the extra mile and provide you with an array of financial products, services and conveniences as well as experienced personal bankers who offer the assistance and service you deserve.

With our experienced staff, two convenient locations and strong community involvement we hope you will enjoy classic community banking at its finest for years to come!



Doreen Stevens, Vice President, Business Banking Manager

In the Community...A Look Back



FLB staff helps break ground for Folsom's FIDO dog park.



Chancellor Brice Harris, College President Dr. Thelma Scott-Skillman, FLB President Bob Flautt with \$25K check for Folsom Lake College.



Participation in Folsom Pro Rodeo including President & CEO, Bob Flautt, as Grand Marshall.



Folsom Lake Bank was honored as the 2007 Start Up Business of the Year by both the Folsom and El Dorado Hills Chambers of Commerce.

FLB wins Sac Biz Journal A+ Employer Award in October 2008.



Get to know your community bank!

FOLSOM LAKE BANK



Thank You!

Folsom Lake Bank would like to thank all of our clients, shareholders and Friends of Folsom Lake Bank for the wonderful support and referrals you have provided the Bank. Our success these past three years, and our expansion to Roseville could not have been achieved without your help.



Supporters from our Folsom Grand Opening party in 2007.

Board of Directors

- | | |
|-------------------------------------|-----------------------------------|
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