



On Track

FOLSOM LAKE BANK

Volume Two, Number One, March 2009

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905 Sutter Street
Folsom, CA 95630
916.985.8700

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. Flautt
President & CEO

To Our Friends of Folsom Lake Bank

We have now completed our 7th quarter of operations and continue to show steady and rapid growth, just as we had planned when our dream of a classic community bank was originally discussed. For 2008, we more than doubled the assets of the Bank, reaching \$60.5 million as of 12/31/08. The Bank has followed a conservative path since inception, with "careful" and "watchful" being the key words to describe our lending and investing activities. We have enjoyed tremendous support from the community, our board of directors and shareholders in helping the Bank grow.

We are truly fortunate that we had such a talented group of founding organizers plan our classic community bank. Our common vision for the Bank is based on sound banking fundamentals, a talented and experienced staff and a focus on local customer relationships. Our clear vision was to attract local neighbors, friends and business associates to join in supporting and growing a local financial institution that would serve the banking needs of our local communities. It is interesting to note all the banking articles written nowadays about the need to return to simple and basic commercial banking. We focused on being a "plain vanilla" bank since inception and it has served us well.

As our staff has grown from 12 on opening day, to the 20 dedicated professionals we have on board today, we still enjoy an average of more than 20 years banking experience across our staff. We have had no turnover in either our senior management staff or our board since opening the Bank. Last year, we were recognized by the Sacramento Business Journal as one of the Top 10 Employers in the small company category. We also received awards for Start-up Business of the Year from both the Folsom and El Dorado Hills Chambers of Commerce.

We take a lot of pride in supporting and becoming involved in the communities we serve; our employees, officers, directors and founding organizers are involved in numerous local organizations and events including the Mercy Hospital Foundation, the Folsom Lake College Foundation, Folsom Chamber of Commerce, Rotary International, Kiwanis and the Placer County SPCA. I was honored to be the Grand Marshall for last year's Folsom Pro Rodeo. We were also proud sponsors for the Folsom Pro Rodeo, the Folsom Historical Society, the Folsom, El Dorado & Sacramento Historical Railroad Association, Stage 9 and the Folsom Lake College Visual & Performing Arts Center.

Board Profile



Paul D. Reiken, Director

Mr. Reiken is the Senior Partner and President of Owen, McGinty & Reiken, Certified Public Accountants, with 35 years of accounting experience. He specializes in general and specialty contractor accounting, income tax and financial statements, trust and estate tax, estate planning and trustee services. He is the Chief Financial Officer and a member of the board of the Capital Area Youth Tennis Outreach.

Mark Your Calendar



Join us for our

ANNUAL FOUNDERS PARTY

May 6, 2009

5:30 - 7:30 pm

Folsom Lake Bank

Drinks, appetizers & mingling!

President's Message continued from page 1

In spite of difficult economic times, we anticipate a good year ahead and a continued focus on the strengths inherent in our community banking model. In 2008, deposits almost tripled, from \$15 million to \$43.8 million, a growth of 191%. Our loan growth was also strong, up 138% from \$15.9 million at year end 2007 to \$38 million as of 12/31/08. Core deposits, a measure of how effective a bank has been in attracting quality customers, comprise 67% of our deposits. The Bank has no brokered deposits.

In addition to strong growth in assets, the Bank improved operating results. Our net interest income was up 143%, climbing from \$846,233 in 2007 to \$1,849,009 in 2008. The Bank also showed strong growth in non-interest income, increasing from \$6,668 in 2007 to \$146,804 in 2008. The success of the Bank's home loan division, which produced \$83,185 in loan fees, was the main factor in growing non-interest income to six figures in less than two years in operation. Our 4th quarter loss of \$320,375 was down 32% from the 2007 4th quarter loss of \$468,256. The Bank has no sub-prime residential mortgage loans and has never had a sub-prime lending program. We know each loan client extremely well and are very proud of our conservative lending standards.

For our investments, a source of liquidity and basic interest income, we have invested only in U.S. treasuries and 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.

2008 was an interesting potpourri of regulatory activities. We saw the increase in the basic FDIC insurance limits from \$100,000 to \$250,000 per depositor through 12/31/09. The Bank also participates in the Debt Guarantee Program which insures Fed Funds purchases. Additionally, we elected to participate in the Transaction Account Guarantee Program, which provides unlimited FDIC coverage on business transaction accounts through 12/31/09. The Bank did not apply for, or accept any TARP money under the Capital Purchase Program as we are already well capitalized.

This past year has seen the onset of recession, an increase in unemployment, declining home prices and severe problems in the banking industry. In spite of this, most community banks have fared well 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 to all of you that have brought us your banking business, and a special thanks to all of you that have referred customers to the Bank. We continue to see strong interest in local banks that can understand their client's needs, provide full service banking and top it all off with a strong emphasis on customer service. We are proud to be your locally owned and operated community bank.

Robert J. Flautt
President & CEO

Customer Spotlight: Karen's Bakery Café

"I believe in the power of community, and to have such a great group here within our community is lucky, lucky, lucky. I love that the bankers at Folsom Lake Bank are going to be the same people I can develop a relationship with to help continue growing my business."



Chef and Owner, Karen Holmes
705 Gold Lake Dr # 340 Folsom, CA
916.985.2665

When chef and business owner, Karen Holmes, is asked about her official culinary training, the answer is a little more organic than expected. The phrase she prefers is "the school of my mother's knee." Armed with a teaching degree at the University of Denver, and a few swings through the Midwest, Karen and her family landed in Sacramento in 1990.

In 2000, Karen opened Karen's Bakery Café on a busy little corner in Orangevale, with a big dream, two employees, one dry case and 12 seats. After two years, it was clear that this location wasn't big enough for this growing business and the community demand, so she relocated to Folsom.

Folsom not only embraced Holmes and her growing shop, but it has become a solid part of the community, and a virtual destination spot for foodies, coffee addicts and bike riders. Karen's Bakery Café serves breakfast and lunch daily, as well as a full range of bakery specialties. In addition, Karen has developed a high-end catering arm that caters to exclusive customers and businesses throughout the area. The business has provided catering for clients as diverse as Folsom Lake Bank, Nordstrom, Westfield Corporation, Elliott Homes and national TV shows filmed in the area.



No Malarkey!



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Get to know your community bank!

FOLSOM LAKE BANK



Friends of Folsom Lake Bank

Frontline Builders



Dave Shurtz & Diane Williams of Frontline Builders
www.frontlinebuildersinc.com

At a time when so many businesses are struggling to make ends meet, **Frontline Builders** is growing steadily. Excellent customer service, experience and sound business planning go a long way in this economy, and their customers appreciate the difference.

Owner Dave Shurtz and Senior Project Manager Diane Williams have over 40 years combined experience. This experience pays off as they use their networks and value engineering knowledge to get their customers exactly what they want for a fair price. Their attention to detail and customer service mirrors the way they are treated at Folsom Lake Bank.

Shurtz says, "The courteous, knowledgeable and professional service at Folsom Lake Bank is unsurpassed. Their courier service, which is performed at no additional charge, is necessary with our busy schedules. We appreciate that Folsom Lake Bank makes doing business easier."

Board of Directors

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President & CEO

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