



NEWS RELEASE

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Folsom Lake Bank Reports Solid Growth and Higher Earnings

FOLSOM CA. Folsom Lake Bank (OTC Bulletin Board: FOLB), announced unaudited financial results for the third quarter and nine month period ending September 30, 2012. The Bank reported net income of \$390,791, an increase of 61.9% compared to earnings of \$241,421 for the first nine months of 2011. The Bank reported its eleventh consecutive profitable quarter with net income of \$117,410 compared to \$157,228 for the third quarter of 2011. The Bank also had a strong increase in deposits, up over 10% compared to the prior year. "We are pleased with our third quarter performance, with both assets and deposits at new record levels, and a continued string of profitable quarters", said Robert J. Flautt, President and Chief Executive Officer.

For the quarter ending September 30, 2012, total assets were \$127.4 million, up 9.5% from \$116.3 million at the end of the third quarter of 2011, an increase of \$11.1 million. Total deposits were \$107.6 million, an increase of \$10.1 million or 10.4% from the prior year quarter ending September 30, 2011. The Bank continued to show strong increases in core deposits (checking, savings & money market), up \$13.4 million or 23.8% to \$69.7 million compared to \$56.3 million at the end of third quarter 2011. Loans declined from \$75.1 million to \$73.0 million due primarily to continued sluggish loan demand; however investment securities increased from \$29.1 million to \$38.6 million. The Bank attributes this continued growth to the strong interest clients have for the personal service and flexibility that is provided by community banks.

Net-Interest Income for the nine month period ending September 30, 2012 was \$3,365,804, up \$32,006 or 1.0% compared to the first nine months of 2011. Non-interest income was \$239,904 for the first nine months of 2012 compared to \$253,637 for the same period of 2011, a decrease of \$13,733. Overall revenue, net-interest income and non-interest income, was up only slightly compared to 2011. In spite of the increased asset base, the Bank continues to face margin pressures, negatively impacting revenue generation, with the net interest margin declining from 4.14% to 4.03% over the past twelve months. The Bank eliminated its mortgage division in the first quarter of 2011, reducing fee income by approximately \$60 thousand. However, expenses were also reduced with the closing of the mortgage division, and the Bank's non-interest expense is lower by \$221,097 for nine months in 2012 compared to nine months in 2011. As a result, earnings for nine months have increased by \$149,370 or 61.9% compared to 2011.

On a per share basis, the Bank earned \$.07 per share for the quarter and \$.25 for the nine month period. Total shareholder's equity was \$13,422,208 or \$8.43 per share. The annualized return on equity equates to 3.9%. The Bank has 1,593,111 shares outstanding, unchanged

since opening, did not participate in the government TARP program and has no preferred stock that will need to be repaid and replaced with new capital.

“The Bank continues to operate in a challenging industry negatively impacted by low interest rates, lack of loan demand, sluggish economic growth and increased regulatory pressures. Offsetting these negatives are a strong business model and a continued exodus of customers from large banking institutions to the community banks. Overall, our Bank continues to show solid progress with a profitable operation, strong capital and a high quality balance sheet. I expect we will continue to attract quality new customer relationships for the foreseeable future”, concluded Flautt.

For quarter end, the Bank continued to have very strong capital ratios. As of September 30, 2012, the Tier 1 Capital Ratio stands at 10.39% and the total capital to risk-weighted assets is 15.27%. Both ratios are well above minimum regulatory standards to be considered a well-capitalized bank. Liquidity also remained healthy while maintaining a moderate loan to deposit ratio of 69.4%. Liquidity remained strong at \$47.4 million at September 30, 2012. The Bank's investment portfolio consists primarily of safe U.S. Government agency bonds and mortgage-backed securities. The Allowance for Loan and Lease Losses (ALLL) was \$1,565,179, or 2.10% of loans outstanding as of September 30, 2012, providing an adequate reserve for problem loans.

The Bank continues to be involved heavily in the community and in turn enjoys great support from the local customer base. Among the many organizations the Bank supports are: Mercy Hospital Foundation, Sutter Roseville Medical Center Foundation, Folsom Lake College Foundation and Three Stages at Folsom Lake College, Eureka Schools Foundation, Folsom Chamber of Commerce, Roseville Chamber of Commerce, Rotary International, Kiwanis, Placer County SPCA, Folsom Pro Rodeo, Folsom Historical Society, the Folsom, El Dorado & Sacramento Historical Railroad Association

Folsom Lake Bank has two locations, one in the heart of the 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. Folsom Lake Bank is publicly traded on the Over-the-Counter Bulletin Board. For information please call Robert Flautt at 916-235-4570.

This correspondence may contain "forward-looking statements" within the meaning of Section 27A of the Securities Act. All of the statements contained in this correspondence, other than statements of historical fact, should be considered forward-looking statements. Although the Bank believes the expectations reflected in those forward-looking statements are reasonable, it can give no assurance that those expectations will prove to have been correct. Investors are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof and are not intended to give any assurance as to future results.