



October 31, 2011

Friend of Community National Bank:

The news has been full of attacks on the bigger banks for the fees they are charging. We at CNBLA decided to take advantage of that. We started and advertising campaign which tells our communities that we are not going to charge those fees. In fact, our ads say that we don't charge our customers **ENUF**. **ENUF stands for Expensive Never-ending Unwanted Fees**. The ads have been well received and have generated a lot of discussion. We are starting to see several checking and savings accounts moved to our bank as a result. We believe that will continue as people get their bank statements from the bigger banks.

Grading has begun on a large, new industry, which will employ several hundred people. Several announcements of plant expansions for our existing industries give us cause for hope.

We continue to have a strong capital position—Tier 1 Leverage Capital Ratio of close to 10% and a Total Capital Ratio above 18%.

The Bank reported an unaudited profit of \$47 thousand pretax for the first nine months ended September 30, 2011. Absent the write-down of foreclosed property, and one-time charges related to our updating our computer core processor, the Bank actually would have experienced an unaudited profit of \$344 thousand. We hope the trend upward continues. We continue to build operating profitability, net interest margin, and reduce operating expenses. The one fly in the ointment is real estate values.

The banking industry as a whole is in a state of flux. New financial regulations seem to fall from Washington, D.C. like rain. Now, we have a much higher regulatory burden as a community bank, and the management team is hard at work making the necessary adjustments to operate in the new environment in which we find ourselves.

Cautious optimism would be a fair way to describe the feeling of our board and management team. The recession has stayed with us for a long time and continues. Small businesses, our focus in the past, seem to be the hardest hit. This is not good for loan demand in the near future.

Banking has changed forever, and perhaps the profit numbers of years past will never be seen again. All banks will need to be leaner to survive the future, and your bank is no exception. The management team pledges to make that happen. We welcome a visit from you any time. Hopefully, all of you will bring more business to us and help us make the turn to profitability. **We have plenty of money to loan, and checking and debit cards with no fees! Come by or call and let us tell you about our products. Thank you for your loyal support!**

Sincerely,

Handwritten signature of Sam F. Grigsby, Jr.

Sam F. Grigsby, Jr.
Chairman & CEO

Handwritten signature of Charles A. Hughes.

Charles A. Hughes
President