

October 13, 2006

Dear Shareholder:

We are pleased to provide you with our first quarterly financial update since our opening on August 1st. In the future, quarterly updates will be posted on our web-site and e-mailed to our shareholders during the third week of the month following the end of a calendar quarter. We invite you to review the report by visiting our website at www.capstonebank.com and clicking on "Shareholder Relations" or, if you prefer, we will be glad to send it to you via e-mail. If you would like to receive the update by e-mail, please return the enclosed reply card or simply e-mail Susan Tannery, Corporate Secretary, at stannery@capstonebank.com with your request.

The financial results for our first two full months of operation have been positive. We finished the quarter ended September 30, 2006 with \$33.6 million in total assets, \$13.9 million in total loans and \$10.6 million in total deposits. All of these categories exceeded our budgeted projections. Our capital account at the end of the period was \$23 million. We raised \$23.7 million in capital which was 20% more than originally planned. Of this amount, \$2.2 million was allocated for organizational expense and our net cost to open the bank was only \$489,000 allowing us to return the difference to capital.

The number of registered shareholders on September 30, 2006, was three hundred and fifty-two. This is well under the five hundred maximum shareholders allowed by the Securities and Exchange Commission to retain our status as a private company. This was a primary strategic goal in our business plan and should enable us to maintain our operating expenses at a lower level than many of our peer banks.

Thank you to all of our shareholders who have opened accounts and referred customers to us. You have played a significant role in our growth to date and we encourage you to continue to refer business to your bank. If you have not opened an account with us, we hope you will do so in the near future. We also want to recognize our associates at CapStone Bank who have worked extremely hard to get our bank open and in providing exemplary service to our customers.

As you are aware, there is a special called shareholders' meeting on October 19th. You are welcome to attend this meeting. However, only administrative items outlined in the proxy will be addressed since we only have two months of operating results. At our annual meeting in 2007, we will have a full presentation on our operating results for 2006, in addition to addressing administrative matters.

If you have questions regarding our financial performance or the bank in general, please feel free to contact us. And as always, we appreciate your investment and confidence in CapStone Bank.

Sincerely,



Michael S. Patterson
Executive Chairman



Steven R. Ogburn
President and CEO