CAPSTONE BANK

April 15, 2009

Dear Shareholder:

CapStone Bank is pleased to report positive operating results for the first quarter of 2009 in spite of a very challenging economic environment. Total assets were $158.9 million on March 31, 2009 compared to $120.1 million on March 31, 2008, an increase of $38.8 million or 32.3%. Loans grew from $95.2 million at the end of the first quarter of 2008 to $114.3 million on March 31, 2009, an increase of $19.1 million or 20.1%. During the same comparative period, total deposits grew by $29.2 million or 39.8%.

Net income for the first quarter of 2009 was $208,945 compared to $43,309 for the same quarter in 2008, an increase of $165,636 or 382.4%. The growth in net income was primarily the result of net interest income increasing by $303,294. The growth in net interest income was the result of earning assets increasing by $39.6 million and the net interest spread improving by 20 basis points.

We are also pleased to report our loan quality continues to be very good. As of March 31, 2009, we had no loans ninety days or more delinquent, no non-performing loans, no non-accruing loans and no other real estate owned. We also had no loan charge-offs during the quarter and were able to increase our allowance for loan losses by $79,000, bringing it to 1.62% of outstanding loans compared to 1.54% of loans on December 31, 2008.

When comparing the fourth quarter of 2008 to the first quarter of 2009, assets grew by 4.4% from $152.3 million to $158.9 million. Loans declined from $115.2 million to $114.3 million, or 0.8%, while deposits grew by 5.8% from $97.0 million to $102.6 million. The decline in loans was the result of weaker loan demand due to the poor economy, along with larger than normal payoffs in our portfolio. However, we anticipate returning to positive loan growth during the remainder of 2009. Additionally, net income improved from $84,383 for the fourth quarter of 2008 to $208,945 for the first quarter of 2009, an increase of 147.6%.

We are very satisfied with these operating results given the difficult economic environment. It is likely the economy will continue to be sluggish during the remainder of this year as the economic stimulus programs take hold. During this time, CapStone will continue to focus on building shareholder value by making quality loans, growing our core deposit base and providing a superior customer experience.

Thank you for your continued support. We encourage you to use the services of your bank and hope you will ask your friends and business associates to do the same. You will be pleased to know that we offer some of the highest yielding deposit products in the market and have money to lend! For more information on our product offerings please call us or go to our web site www.capstonebank.com.

Sincerely,

Michael S. Patterson
Executive Chairman

Steven R. Ogburn
President and CEO

CAPSTONE BANK

Balance Sheet - Unaudited

	Actual Mar 09	Actual Mar 08	$ Change	% Change
Assets				
Cash and due from banks	3,989,232	658,168	3,331,064	506.1
Fed funds sold & repos	56,976	93,848	-36,872	-39.3
Interest bearing deposits with banks	12,035,000	0	12,035,000	0
Investment Securities - Taxable	27,278,609	24,054,001	3,224,608	13.4
Investment Securities - Tax-exempt	1,285,000	0	1,285,000	0
Loans, net of unearned income	114,342,368	95,167,315	19,175,053	20.1
Less: Allowance for loan losses	-1,854,000	-1,190,000	-664,000	-55.8
Premises and equipment, net	481,989	534,014	-52,025	-9.7
Accrued interest receivable	610,525	505,577	104,948	20.8
Other assets	750,646	321,400	429,246	133.6
Total Assets	**158,976,346**	**120,144,323**	**38,832,023**	**32.3**
Liabilities				
Non-Interest Bearing Deposits	7,475,512	5,644,993	1,830,519	32.4
Interest bearing demand deposits	14,703,608	5,267,740	9,435,868	179.1
Savings and Money Market Deposits	22,500,009	20,541,493	1,958,515	9.5
Time Deposits - Retail	34,605,939	28,202,900	6,403,038	22.7
Time Deposits - Wholesale	23,267,217	13,719,000	9,548,217	69.6
Total Deposits	102,552,285	73,376,128	29,176,157	39.8
Accrued expenses and other liabilities	1,689,256	662,369	1,026,887	155
FHLB Advances	17,000,000	18,000,000	-1,000,000	-5.6
Other Borrowings	13,376,931	4,858,945	8,517,986	175.3
Total Liabilities	134,618,472	96,897,442	37,721,030	38.9
Equity				
Common stock	10,812,000	10,812,000	0	0
Capital surplus	13,393,243	13,045,926	347,317	2.7
Retained earnings	-623,525	-910,941	287,416	31.6
Accumulated other comprehensive income (loss)	567,211	256,587	310,624	121.1
Net Income	208,945	43,309	165,636	382.4
Total Equity	24,357,874	23,246,881	1,110,993	4.8
Total Liabilities & Equity	**158,976,346**	**120,144,323**	**38,832,023**	**32.3**

CAPSTONE BANK

Income Statement - Unaudited

	YTD Actual Mar 09	YTD Actual Mar 08	$ Change	% Change
Interest Income				
Interest on Loans	1,580,482	1,469,639	110,844	7.5
Fees on Loans	28,583	14,726	13,857	94.1
Interest on federal funds sold	491	905	-415	-45.8
Interest on deposits with banks	76,522	0	76,522	0
Investment Securities - Taxable	339,437	282,801	56,636	20
Investment Securities - Tax-exempt	8,584	0	8,584	0
Total Interest Income	2,034,098	1,768,071	266,027	15
Interest Expense				
Interest bearing demand deposits	62,510	6,729	55,780	828.9
Savings and Money Market Deposits	81,691	152,434	-70,743	-46.4
Time Deposits - Retail	242,705	319,637	-76,932	-24.1
Time Deposits - Wholesale	203,884	94,780	109,104	115.1
FHLB Advances	138,374	140,363	-1,989	-1.4
Interest on other borrowings	7,695	60,182	-52,487	-87.2
Total Interest Expense	736,859	774,126	-37,267	-4.8
Net Interest Income	**1,297,240**	**993,945**	**303,294**	**30.5**
Provision for loan losses	79,000	143,000	-64,000	-44.8
Net Int. Inc. After Prov. for Loan Losses	**1,218,240**	**850,945**	**367,294**	**43.2**
Non Interest Income				
Service charges and fees	9,683	4,286	5,397	125.9
Securities gains (losses), net	0	13,537	-13,537	-100
Mortgage loan and related fees	4,132	6,928	-2,796	-40.4
Other noninterest income	9,384	10,507	-1,123	-10.7
Total Non Interest Income	23,200	35,258	-12,058	-34.2
Non Interest Expense				
Salaries and employee benefits	626,191	540,707	85,484	15.8
Occupancy	90,782	66,117	24,665	37.3
Other noninterest expense	315,522	236,070	79,451	33.7
Total Non Interest Expense	1,032,494	842,894	189,600	22.5
Income Before Taxes	**208,945**	**43,309**	**165,636**	**382.4**
Net Income	**208,945**	**43,309**	**165,636**	**382.4**