CAPSTONE BANK

July 15, 2009

Dear Shareholder:

We are pleased to report our operating results for the second quarter of 2009. Total assets were $168.0 million on June 30, 2009 compared to $132.9 million on June 30, 2008, an increase of $35.1 million or 26.4%. Loans grew from $106.1 million on June 30, 2008 to $121.1 million, an increase of $15.0 million or 14.2%. During the same comparative period, deposits grew from $89.4 million to $107.8 million, an increase of $18.5 million or 20.7%. For the first six months of 2009, total assets grew from $152.3 million to $168.0 million, an increase of $15.7 million or 10.3%. Loans grew from $115.2 million to $121.1 million, an increase of $5.9 million or 5.1%. During the same comparative period, deposits grew by $10.9 million or 11.2%

Net income for the first six months was $386,032 versus $122,906 for the same period in 2008, an increase of $263,126 or 214.1%. Net income for the quarter ended June 30, 2009 was $177,087 compared to $79,597 for the same period in 2008, an increase of $97,491 or 122.5%. The increase in net income for both the quarter and first six months of the year is primarily attributable to a significant increase in net interest income resulting from our balance sheet growth combined with an increase in our net interest rate spread.

CapStone's loan quality continues to be very good. As of June 30, 2009, we had no loans ninety days or more past due and incurred no charged off loans during the first six months of 2009. As of June 30, 2009, we have one non accruing loan with an outstanding balance of $345,011. This equates to 0.21% of total assets and 0.28% of total loans. During the second quarter of 2009, we increased our provision for loan losses by $201,000, which resulted in a total allowance for loan losses of $2.06 million or 1.70% of total loans.

For the remainder of this year, we will continue to look for opportunities to grow our bank by expanding existing relationships and creating new core relationships with companies and individuals who value exceptional personal service combined with innovative products and the latest technology. We encourage you to use the services of your bank and hope you will encourage your friends and associates to do the same.

Thank you for your continued support of CapStone Bank.

Sincerely,

Michael S. Patterson
Executive Chairman

Steven R. Ogburn
President and CEO

CAPSTONE BANK

Balance Sheet - Unaudited

	Actual Jun 09	Actual Jun 08	$ Change	% Change
Assets				
Cash and due from banks	1,169,663	1,541,219	-371,556	-24.1
Fed funds sold & repos	3,543,894	2,619,976	923,918	35.3
Interest bearing deposits with banks	13,580,000	0	13,580,000	0
Investment Securities - Taxable	26,054,363	22,597,961	3,456,402	15.3
Investment Securities - Tax-exempt	2,515,000	0	2,515,000	0
Loans, net of unearned income	121,099,087	106,066,718	15,032,369	14.2
Less: Allowance for loan losses	-2,055,000	-1,523,000	-532,000	-34.9
Premises and equipment, net	435,797	538,649	-102,852	-19.1
Accrued interest receivable	578,339	540,193	38,146	7.1
Other assets	1,095,067	556,777	538,290	96.7
Total Assets	**168,016,209**	**132,938,493**	**35,077,716**	**26.4**
Liabilities				
Non-Interest Bearing Deposits	8,355,771	5,991,584	2,364,186	39.5
Interest bearing demand deposits	15,420,127	8,889,606	6,530,521	73.5
Savings and Money Market Deposits	20,159,131	20,726,196	-567,065	-2.7
Time Deposits - Retail	34,472,214	26,103,500	8,368,714	32.1
Time Deposits - Wholesale	29,425,752	27,650,980	1,774,772	6.4
Total Deposits	107,832,995	89,361,866	18,471,129	20.7
Accrued expenses and other liabilities	1,674,099	564,956	1,109,143	196.3
FHLB Advances	21,000,000	17,000,000	4,000,000	23.5
Other Borrowings	13,006,029	3,060,924	9,945,105	324.9
Total Liabilities	143,513,123	109,987,746	33,525,377	30.5
Equity				
Common stock	10,812,000	10,812,000	0	0
Capital surplus	13,488,340	13,132,356	355,984	2.7
Retained earnings	-623,525	-910,941	287,416	31.6
Accumulated other comprehensive income (loss)	440,240	-205,573	645,813	314.2
Net Income	386,032	122,906	263,126	214.1
Total Equity	24,503,087	22,950,747	1,552,339	6.8
Total Liabilities & Equity	**168,016,209**	**132,938,493**	**35,077,716**	**26.4**

CAPSTONE BANK

Income Statement - Unaudited

	YTD Actual Jun 09	YTD Actual Jun 08	$ Change	% Change
Interest Income				
Interest on Loans	3,218,993	3,025,674	193,319	6.4
Fees on Loans	54,010	40,265	13,745	34.1
Interest on federal funds sold	770	4,843	-4,073	-84.1
Interest on deposits with banks	172,670	0	172,670	0
Investment Securities - Taxable	653,260	605,519	47,740	7.9
Investment Securities - Tax-exempt	32,103	0	32,103	0
Total Interest Income	4,131,806	3,676,302	455,504	12.4
Interest Expense				
Interest bearing demand deposits	121,853	24,045	97,808	406.8
Savings and Money Market Deposits	163,625	270,056	-106,431	-39.4
Time Deposits - Retail	484,327	608,724	-124,396	-20.4
Time Deposits - Wholesale	353,070	306,732	46,338	15.1
FHLB Advances	292,151	275,096	17,055	6.2
Interest on other borrowings	15,510	89,603	-74,093	-82.7
Total Interest Expense	1,430,537	1,574,255	-143,719	-9.1
Net Interest Income	**2,701,269**	**2,102,047**	**599,223**	**28.5**
Provision for loan losses	280,000	476,000	-196,000	-41.2
Net Int. Inc. After Prov. for Loan Losses	**2,421,269**	**1,626,047**	**795,223**	**48.9**
Non Interest Income				
Service charges and fees	21,773	15,937	5,836	36.6
Securities gains (losses), net	0	13,537	-13,537	-100
Mortgage loan and related fees	11,475	7,866	3,609	45.9
Other noninterest income	14,465	15,163	-698	-4.6
Total Non Interest Income	47,713	52,502	-4,789	-9.1
Non Interest Expense				
Salaries and employee benefits	1,253,188	926,084	327,104	35.3
Occupancy	180,347	135,258	45,089	33.3
Other noninterest expense	649,415	494,302	155,114	31.4
Total Non Interest Expense	2,082,950	1,555,643	527,307	33.9
Income Before Taxes	**386,032**	**122,906**	**263,126**	**214.1**
Net Income	**386,032**	**122,906**	**263,126**	**214.1**