

# **COMMUNITY NATIONAL BANK**

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**FOR IMMEDIATE RELEASE**

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## **COMMUNITY NATIONAL BANK ANNOUNCES 2011 EARNINGS FOR THE FOURTH QUARTER AND FULL YEAR**

**Great Neck, N.Y. – January 26, 2012 – Community National Bank (SYMBOL: CBNY.OB)** today announced fourth quarter and year end results for 2011. Highlights include:

- Total assets of \$531.8 million at December 31, 2011, an increase of \$55.0 million or 12% compared to prior year;
- Commercial loan growth of \$56.0 million, an increase of 29% compared to the end of 2010;
- Deposits increased \$65.6 million or 18% year over year;
- Demand deposits grew \$28 million or 42%, due to increased business relationships;
- The Bank opened its eighth and ninth branch locations in Bayside and Melville;
- Net interest income grew \$2.4 million or 17% from the prior year;
- \$2.8 million in gains from the sale of SBA loans;
- Net income increased \$0.8 million or 57% to \$2.3 million for the year compared to \$1.5 million in 2010;
- Strong asset quality, with total non-performing loans of 0.32% of total loans;
- Tier 1 Leverage Capital, in excess of 12%; and
- #1 Small Business Administration (SBA) lender on Long Island for 2011.

Chairman, President and CEO, Stuart Lubow commented "We are proud of the growth achieved in 2011. During the year the Bank increased its banking relationships with small businesses, providing loan and depository services to meet their needs. As part of our commitment to small businesses, the Bank was the number one Small Business Administration lender on Long Island. Our focus on core earnings and deposit growth was evident by the significant increase in commercial loans, demand deposits and net interest income during the year. Additionally, we continued to increase our geographic footprint as we opened two new branch locations in Bayside, Queens and Melville, New York and increased our commercial lending staff for Long Island and New York City, positioning the Bank for a strong 2012."

### **Net Earnings and Net Interest Income**

Net income for the year ended December 31, 2011 was \$2.3 million or \$0.35 basic earnings per share compared to net income of \$1.5 million or \$0.25 basic earnings per share for the twelve months ended December 31, 2010.

For the year ended December 31, 2011, net interest income was \$16.8 million compared to \$14.4 million for the prior year period. The \$2.4 million or 17% increase in net interest income was primarily due to the growth in our commercial and residential loan portfolios, which were funded by strong deposit growth from our expanding branch network. The net interest margin increased 21 basis points to 3.58% for the year ended December 31, 2011 from 3.37% for the prior year due to a reduction in the cost of funds on deposits and growth in higher yielding commercial loans.

Net income for the fourth quarter of 2011 was \$447 thousand or \$.07 per share, compared to net income of \$612 thousand or \$.09 per share for the fourth quarter of 2010. The decrease in fourth quarter income was primarily due to higher provision for loan losses related to significant commercial loan growth, the charge-off of one commercial loan and increased compensation and occupancy expenses associated with the expansion of the branch network and lending personnel.

### **Non-Interest Income**

Non-Interest income increased \$2.0 million or 81% to \$4.4 million for the year ended December 31, 2011 compared to \$2.4 million for the prior year period. The increase in non-interest income was mostly attributable to gains on the sale of SBA loans and income from Bank Owned Life Insurance ("BOLI"). The SBA modified their recourse provisions in 2011 and expanded the eligibility requirements to encourage lending to small businesses. The SBA has since ended the expanded eligibility program and as a result we expect lower SBA loan originations and gains in 2012.

### **Non-Interest Expense**

Non-interest expense increased \$2.1 million or 16% to \$15.1 million for the year ended December 31, 2011 compared to \$12.9 million for the prior year. The increase was

the result of the branch expansion, an increase in the number of commercial lenders and additional operational and compliance personnel.

### **Loans and Asset Quality**

Loans held-for-investment increased \$71.2 million or 22% to \$395.8 million at December 31, 2011 compared to \$324.5 million at December 31, 2010. The commercial loan portfolio increased \$56.0 million or 29% when compared to the prior year. The residential loan portfolio increased \$15.3 million or 12% compared to the prior year.

Non-Performing loans, consisting of loans past due 90 days or more decreased \$2.9 million or 69% to \$1.3 million or 0.32% of total loans at December 31, 2011 from \$4.2 million or 1.30% at December 31, 2010. The decrease in non-performing loans was mostly attributable to the payoff of a \$2.4 million commercial mortgage from proceeds received from an auction sale on a building that collateralized the loan. There were no loans 60 to 89 days past due at December 31, 2011 or 2010, respectively. The Bank had \$410 thousand and \$20 thousand in loans 30 to 59 days past due at December 31, 2011 and 2010, respectively. The Bank had two SBA loans totaling approximately \$280 thousand which were classified as troubled debt restructurings at December 31, 2011. There were no trouble debt restructurings at December 31, 2010.

The Bank had \$2.6 million in provision for loan losses offset by net charge-offs of \$1.8 million in 2011. The increase in the provision for loan losses from the prior year was due to higher general valuation allowances attributable to loan growth and additional specific reserves on SBA and commercial loans charged off during the year. The allowance for loan losses was \$4.8 million or 1.20% of total loans at December 31, 2011, an increase of \$0.8 million from \$4.0 million or 1.22% at December 31, 2010.

The Bank had two properties classified as other real estate owned which totaled \$0.6 million at December 31, 2011. The Bank had no other real estate owned at December, 31, 2010. We expect to sell these two properties in 2012.

Mr. Lubow commented further "The Bank's asset quality remains strong, non-performing and delinquent loan trends are at low levels and our ratios are well below our peer group average. We did have an increase in loan charge-off activity during the year as we looked to aggressively resolve any problem credits. We continue to be vigilant in monitoring the Bank's loan portfolio for any signs of weakness as the continued slow economic growth and uncertainty in both the political and regulatory environment has resulted in a tough business climate."

### **Deposits**

Total deposits increased \$65.6 million or 18% to \$425.2 million at December 31, 2011 compared to \$359.6 million at December 31, 2010. Demand deposits grew \$28 million or 42%, to \$94.5 million at December 31, 2011, when compared to the prior year. Mr. Lubow commented "We remained committed to the old fashion banking model of gathering core deposits through our branches and making loans to our community. As a commercial bank,

we remain steadfast in developing business relationships as demonstrated by the significant growth in demand deposits this past year.

Further information about the financial condition and performance of Community National Bank is available from its Call Reports filed by the Bank with the FDIC and available on the FDIC website at: [http://www2.fdic.gov/idasp/main\\_bankfind.asp](http://www2.fdic.gov/idasp/main_bankfind.asp). The Bank expects to file its December 31, 2011 Call Report on or around January 30, 2012.

### **ABOUT COMMUNITY NATIONAL BANK**

Community National Bank is a Long Island based independent commercial bank and operates nine locations in Nassau, Suffolk and Queens County. We offer a full range of modern financial services, backed by state-of-the-art technology. In addition to commercial loans, commercial mortgages, small business loans and lines of credit and residential mortgages, CNB also provides a complete selection of traditional personal and commercial deposit products such as no fee individual and business checking accounts, IRA accounts and statement savings.

### **Cautionary Statement about Forward-Looking Statements**

This release contains certain forward looking statements about CNB which, to the extent applicable, are intended to be covered by the safe harbor for forward looking statements provided under the Federal securities laws and, regardless of such coverage, you are cautioned about. Examples of forward-looking statements include but are not limited to, CNB's financial condition, capital ratios, results of operations and outlook. Forward-looking statements are not historical facts. Such statements may be identified by the use of such words as "may," "believe," "expect," "anticipate," "plan," "continue," or similar terminology. These statements relate to future events or our future financial performance and involve risks and uncertainties that may cause our actual results, levels of activity, performance or achievements to differ materially from those expressed or implied by these forward-looking statements. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we caution you not to place undue reliance on these forward-looking statements. Factors which may cause our forward looking statements to be materially inaccurate include, but are not limited to, a unexpected deterioration in our loan portfolio, unexpected increases in our expenses, greater than anticipated growth, unanticipated regulatory action, unexpected changes in interest rates, a loss of key personnel, an unanticipated loss of existing customers, competition from other institutions causing us unanticipated changes in our deposit or loan rates, increases in FDIC insurance costs and unanticipated adverse changes in our customers' economic conditions or economic conditions in our local area generally.

Forward-looking statements speak only as of the date of this press release. We do not undertake any obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

**COMMUNITY NATIONAL BANK**  
**STATEMENTS OF INCOME**  
**Unaudited**

	<b>For The Three Months Ended</b>		<b>For The Twelve Months Ended</b>	
	<b>December 31, 2011</b>	<b>December 31, 2010</b>	<b>December 31, 2011</b>	<b>December 31, 2010</b>
<b>Interest Income:</b>				
Commercial Loans	\$3,444,917	\$2,910,143	\$12,591,969	\$10,645,404
Residential and Consumer Loans	1,674,388	1,583,430	6,730,776	6,433,098
Securities	563,730	680,427	2,511,308	3,111,866
Money Market Investments	9,258	5,916	33,780	44,743
Total Interest Income	<u>5,692,293</u>	<u>5,179,916</u>	<u>21,867,833</u>	<u>20,235,111</u>
<b>Interest Expense:</b>				
NOW, Savings & Money Market	176,588	152,376	599,564	743,996
Certificates of Deposit	865,295	1,046,475	3,716,771	4,288,220
Borrowed Funds	154,795	226,753	698,441	782,936
Total Interest Expense	<u>1,196,678</u>	<u>1,425,604</u>	<u>5,014,776</u>	<u>5,815,152</u>
Net Interest Income	<u>4,495,615</u>	<u>3,754,312</u>	<u>16,853,057</u>	<u>14,419,959</u>
Provision For Loan Losses	785,000	300,000	2,628,000	1,602,000
Net Interest Income After Provision for Loan Losses	<u>3,710,615</u>	<u>3,454,312</u>	<u>14,225,057</u>	<u>12,817,959</u>
<b>Non-Interest Income:</b>				
Service Charges	116,268	120,992	468,091	374,693
Loan Fees & Servicing Income	84,421	61,917	336,237	260,774
Gain on Sale of Investments	-	215,228	130,829	499,368
Gain on Sale of Loans	329,743	159,106	2,832,716	1,025,284
BOLI Income	160,155	108,306	612,085	260,005
Total Non-Interest Income	<u>690,587</u>	<u>665,549</u>	<u>4,379,958</u>	<u>2,420,124</u>
<b>Non-Interest Expense:</b>				
Compensation and Benefits	1,933,852	1,559,078	7,407,481	5,879,056
Occupancy and Equipment	1,029,566	911,585	3,899,986	3,628,254
Advertising	62,139	60,199	186,905	157,885
Other Expenses	772,346	702,532	3,566,102	3,273,529
Total Non-Interest Expense	<u>3,797,903</u>	<u>3,233,394</u>	<u>15,060,474</u>	<u>12,938,724</u>
Income Before Income Taxes	<u>603,299</u>	<u>886,467</u>	<u>3,544,541</u>	<u>2,299,359</u>
Provision For Income Taxes	156,000	274,007	1,228,600	826,369
Net Income	<u>\$447,299</u>	<u>\$612,460</u>	<u>\$2,315,941</u>	<u>\$1,472,990</u>
<b>Earnings Per Share:</b>				
Basic	\$0.07	\$0.09	\$0.35	\$0.25
Diluted	\$0.07	\$0.09	\$0.35	\$0.25
Weighted Average Shares Outstanding ó Basic	6,673,181	6,673,181	6,673,181	5,854,800
Weighted Average Shares Outstanding ó Diluted	6,686,691	6,681,994	6,698,905	5,863,613

**COMMUNITY NATIONAL BANK**  
**STATEMENTS OF INCOME**  
**Unaudited**

	<b>For the Three Months Ended</b>			
	<b>December 31, 2011</b>	<b>September 30, 2011</b>	<b>June 30, 2011</b>	<b>December, 31 2010</b>
<b>Interest Income:</b>				
Commercial Loans	\$3,444,917	\$3,224,839	\$2,994,023	\$2,910,143
Residential and Consumer Loans	1,674,388	1,766,392	1,724,763	1,583,430
Securities	563,730	576,097	685,455	680,427
Money Market Investments	9,258	18,762	2,970	5,916
Total Interest Income	<u>5,692,293</u>	<u>5,586,090</u>	<u>5,407,211</u>	<u>5,179,916</u>
<b>Interest Expense:</b>				
NOW, Savings & Money Market	176,588	146,285	132,960	152,376
Certificates of Deposit	865,295	933,213	950,174	1,046,475
Borrowed Funds	154,795	159,332	165,868	226,753
Total Interest Expense	<u>1,196,678</u>	<u>1,238,830</u>	<u>1,249,002</u>	<u>1,425,604</u>
Net Interest Income	<u>4,495,615</u>	<u>4,347,260</u>	<u>4,158,209</u>	<u>3,754,312</u>
Provision For Loan Losses	785,000	610,000	473,000	300,000
Net Interest Income After Provision for Loan Losses	<u>3,710,615</u>	<u>3,737,260</u>	<u>3,685,209</u>	<u>3,454,312</u>
<b>Non-Interest Income:</b>				
Service Charges	116,268	112,896	123,880	120,992
Loan Fees & Servicing Income	84,421	70,620	111,319	61,917
Gain on Sale of Investments	-	99,447	21,597	215,228
Gain on Sale of Loans	329,743	565,406	598,101	159,106
BOLI Income	160,155	159,713	156,972	108,306
Total Non-Interest Income	<u>690,587</u>	<u>1,008,082</u>	<u>1,011,869</u>	<u>665,549</u>
<b>Non-Interest Expense:</b>				
Compensation and Benefits	1,933,852	1,821,239	1,797,948	1,559,078
Occupancy and Equipment	1,029,566	984,176	951,748	911,585
Advertising	62,139	35,222	27,838	60,199
Other Expenses	772,346	941,942	927,290	702,532
Total Non-Interest Expense	<u>3,797,903</u>	<u>3,782,579</u>	<u>3,704,824</u>	<u>3,233,394</u>
Income Before Income Taxes	<u>603,299</u>	<u>962,763</u>	<u>992,254</u>	<u>886,467</u>
Provision For Income Taxes	156,000	351,800	357,302	274,007
Net Income	<u>\$447,299</u>	<u>\$610,963</u>	<u>\$634,952</u>	<u>\$612,460</u>
<b>Earnings Per Share:</b>				
Basic	\$0.07	\$0.09	\$0.10	\$0.09
Diluted	\$0.07	\$0.09	\$0.09	\$0.09
Weighted Average Shares Outstanding ó Basic	6,673,181	6,673,181	6,673,181	6,673,181
Weighted Average Shares Outstanding ó Diluted	6,686,691	6,709,187	6,701,982	6,681,994

**COMMUNITY NATIONAL BANK**  
**STATEMENTS OF CONDITION**  
**Unaudited**

	<b>December 31, 2011</b>	<b>September 30, 2011</b>	<b>June 30, 2011</b>	<b>December, 31 2010</b>
<b>Assets:</b>				
Cash and Due From Banks	\$6,758,552	\$4,754,537	\$4,308,554	\$3,690,489
Money Market Investments	6,703,973	8,067,065	46,961,011	2,215,083
Securities - Available-for-Sale	90,516,272	85,004,338	83,719,729	110,857,926
Restricted Stock	4,279,500	4,028,000	4,140,100	4,472,200
Total Securities	<u>94,795,772</u>	<u>89,032,338</u>	<u>87,859,829</u>	<u>115,330,126</u>
Loans Held-For-Sale	-	510,000	-	7,518,629
Commercial Loans	250,444,848	223,355,521	208,386,201	194,518,041
Residential & Consumer Loans	145,310,058	148,764,403	146,673,520	130,020,381
Gross Loans Held-For-Investment	395,754,906	372,119,924	355,059,721	324,538,422
Less: Allowance For Loans Losses	(4,759,124)	(4,329,596)	(4,784,505)	(3,956,864)
Net Loans Held-For-Investment	<u>390,995,782</u>	<u>367,790,328</u>	<u>350,275,216</u>	<u>320,581,558</u>
Premises and Equipment, net	8,722,455	8,280,874	8,126,007	7,620,331
Bank Owned Life Insurance (öBOLIö)	15,872,091	15,711,935	15,552,223	10,260,005
Other Assets	7,959,080	8,017,628	7,295,841	9,628,576
Total Assets	<u>\$531,807,705</u>	<u>\$502,164,705</u>	<u>\$520,378,681</u>	<u>\$476,844,797</u>
<b>Liabilities and Stockholders' Equity:</b>				
Deposits:				
Demand	\$94,531,309	\$87,948,946	\$100,564,404	\$66,609,198
NOW, Savings & Money Market	134,268,269	117,004,236	108,291,294	106,383,448
Certificates of Deposit	196,452,756	195,792,324	209,563,822	186,611,547
Total Deposits	<u>425,252,334</u>	<u>400,745,506</u>	<u>418,419,520</u>	<u>359,604,193</u>
FHLB Borrowings	34,973,678	30,467,164	32,957,800	42,930,582
Secured Borrowings - SBA Loans	-	-	-	6,570,004
Accrued Expenses and Other Liabilities	3,198,516	3,207,408	2,329,922	2,978,842
Total Liabilities	<u>463,424,528</u>	<u>434,420,078</u>	<u>453,707,242</u>	<u>412,083,621</u>
<b>Stockholders' Equity:</b>				
Common Stock, par value \$5.00; authorized 10,000,000 shares; issued 6,673,181 shares at December 31, 2011 and 2010, respectively	33,365,905	33,365,905	33,365,905	33,365,905
Additional Paid in Capital	33,872,063	33,823,722	33,775,379	33,693,112
Retained Earnings (Deficit)	604,031	156,732	(454,231)	(1,711,910)
Unrealized (Loss)/Gain on Securities	541,178	398,268	(15,614)	(585,931)
Total Stockholders' Equity	<u>68,383,177</u>	<u>67,744,627</u>	<u>66,671,439</u>	<u>64,761,176</u>
Total Liabilities and Stockholders' Equity	<u>\$531,807,705</u>	<u>\$502,164,705</u>	<u>\$520,378,681</u>	<u>\$476,844,797</u>

**COMMUNITY NATIONAL BANK**  
**SELECTED FINANCIAL DATA & BALANCE SHEET COMPONENTS**  
**Unaudited**

	<b>For The Three Months Ended</b>		<b>For The Twelve Months Ended</b>	
	<b>December 31, 2011</b>	<b>December 31, 2010</b>	<b>December 31, 2011</b>	<b>December 31, 2010</b>
<b>Per Share:</b>				
Net Income-Basic	\$0.07	\$0.09	\$0.35	\$0.25
Average Shares Outstanding ó Basic	6,673,181	6,673,181	6,673,181	5,854,800
Net Income ó Diluted	\$0.07	\$0.09	\$0.35	\$0.25
Average Shares Outstanding ó Diluted	6,686,691	6,681,994	6,698,905	5,863,613
Tangible Book Value	\$10.25	\$9.70	\$10.25	\$9.70
<b>Performance:</b>				
Return on Average Assets	0.35%	0.52%	0.46%	0.33%
Return on Average Equity	2.62%	3.76%	3.49%	2.61%
Efficiency Ratio	73.23%	73.16%	70.93%	76.83%
Yield on Average Earning Assets	4.69%	4.63%	4.65%	4.72%
Cost on Average Interest Bearing Liabilities	1.36%	1.69%	1.44%	1.74%
Cost of Deposits	1.00%	1.16%	1.09%	1.40%
Net Interest Spread	3.33%	2.94%	3.21%	2.98%
Net Interest Margin	3.70%	3.36%	3.58%	3.37%
	<b>December 31, 2011</b>	<b>September 30, 2011</b>	<b>June 30, 2011</b>	<b>December 31, 2010</b>
<b>Risk Based Capital:</b>				
Leverage Ratio	12.75%	12.79%	13.19%	13.45%
Tier 1	17.50%	18.68%	19.50%	20.54%
Total Risk Based	18.75%	19.92%	20.75%	21.79%
<b>Asset Quality:</b>				
Allowance for Loan Losses to Total Loans	1.20%	1.16%	1.35%	1.22%
Allowance for Loan Losses to Non-Performing Loans	374%	276%	97%	94%
Non-Performing Loans to Total Loans	0.32%	0.42%	1.39%	1.30%
Non-Performing Assets to Total Assets	0.36%	0.31%	0.95%	0.88%
Annualized Quarterly Net Charge offs to Avg. Loans	0.37%	1.16%	0.42%	0.01%