

# COMMUNITY NATIONAL BANK

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FOR IMMEDIATE RELEASE

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## COMMUNITY NATIONAL BANK REPORTS SECOND QUARTER 2010 RESULTS HIGHLIGHTED BY AN INCREASE IN EARNINGS PER SHARE AND COMPLETION OF ITS \$18 MILLION COMMON STOCK OFFERING

Great Neck, N.Y. 6 July 23, 2010 6 Community National Bank (OTC BB: CBNY.OB) today reported performance achievements for the quarter ended June 30, 2010, highlighted by the Bank's increase in earnings, improved capital position and growth in commercial loans and demand deposits.

### Net Earnings

Net income for the quarter ended June 30, 2010 was \$323 thousand or \$0.06 earnings per share as compared to a net loss of \$56 thousand or loss per share of \$(0.01) for the comparable period in 2009.

### Net Interest Income

For the quarter ended June 30, 2010, net interest income and net interest margin were \$3.5 million and 3.28%, respectively, compared to \$2.9 million and 3.14% for the same period in 2009. The increases were primarily due to the growth in commercial lending, increased demand deposits and a significant decline in the cost of funds on deposits. The Bank will continue its efforts to expand the number of small-to-medium sized business customers and utilize core deposits from these relationships to fund future loan growth.

On a linked quarter basis, the Bank's net interest income decreased slightly and the net interest margin declined 36 basis points from 3.64% at March 31, 2010 to 3.28% at June 30, 2010, respectively. The decline in our net interest margin was due to the significant increase in lower yielding money market investments during the quarter. The increase in money market investments was due to significant deposit growth, residential loan payoffs and the Bank's secondary equity offering. Mr. Stuart Lubow, Chairman, President and CEO commented "The Bank's increased liquidity position coincided with a decline in interest rates during the quarter. With the yield on the 10-year U.S Treasury bond below 3.00%, we have made a decision to slowly invest the excess liquidity through loan originations and possible deleveraging of deposits."

## **Loans and Asset Quality**

The Bank had \$5.1 million in loans held-for-sale at June 30, 2010. Approximately \$3.1 million of these loans represented Small Business Association (SBA) loans which were sold during the second quarter of 2010. However, due to the adoption of a new accounting standard on January 1, 2010, the transfer of the guaranteed portion of the SBA loan does not meet the condition of "a sale" until a 90-day recourse provision expires. Until the expiration of this recourse period, the transfer of the guaranteed portion of the SBA loan must be accounted for as a \$3.1 million secured borrowing on the balance sheet at June 30, 2010. The 90-day recourse provision has resulted in the Bank recording deferred loan gains of approximately \$300 thousand at June 30, 2010. The Bank expects to recognize these deferred gains into income during the third quarter of 2010. The Bank recognized approximately \$500 thousand in gains during the second quarter of 2010 from SBA loans sold in the first quarter of 2010.

Loans held-for-investment decreased \$4.9 million to \$290.0 million at June 30, 2010 compared to \$294.9 million at March 31, 2010. The commercial loan portfolio increased \$6.2 million on a linked quarter. The significant growth in commercial loans was offset by \$11.1 million decline in the residential loan portfolio from March 31, 2010. "The commercial loan portfolio and pipeline continue to expand dramatically as demonstrated by the \$18 million increase since December 31, 2009. The development of commercial lending relationships with small and medium sized business is the key reason for the loan and demand deposit growth during the year. The \$18 million in additional capital raised during the quarter will allow us to increase our legal lending limits, attract larger customers and expand the commercial lending area" stated Mr. Lubow. "The decline in the residential loan portfolio was the result of increased mortgage refinance activity in 2010, as noted in our March 31, 2010 earnings release, we have made a strategic decision not to actively compete with the extremely low fixed rate residential mortgage products offered by other financial institutions" said Mr. Lubow.

Non-Performing loans to total loans decreased to 0.02% at June 30, 2010 from 1.95% at March 31, 2010. The significant decrease was due to the sale of two non-accrual loans which resulted in charge-offs of approximately \$675,000 during the quarter. Mr. Lubow stated that "Certain opportunities allowed management to quickly dispose of two non-accrual loans and reinvest the proceeds into interest earning assets. We believe that the opportunity costs outweighed the potential savings had the Bank foreclosed on the properties." The Bank's allowance for loan losses to total loans was 1.13% at June 30, 2010. Due to the uncertainty in the economy and sustained high unemployment levels, the Bank will look to provide additional loan loss reserves in 2010.

## **ABOUT COMMUNITY NATIONAL BANK**

Community National Bank is a Long Island based independent commercial bank and operates seven locations in Nassau and Suffolk counties. 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, 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, estimates with respect to our 2010 earnings, CNB's financial condition and capital ratios, results of operations and the CNB's outlook and business. 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)

	For The Three Months Ended		For The Six Months Ended	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
<b>Interest Income:</b>				
Commercial Loans	\$2,645,591	\$2,168,902	\$5,067,096	\$4,338,091
Residential and Consumer Loans	1,590,295	1,788,406	3,306,109	3,715,197
Securities	781,066	643,153	1,644,523	1,235,799
Money Market Investments	13,771	10,635	18,960	16,574
Total Interest Income	5,030,723	4,611,096	10,036,688	9,305,661
<b>Interest Expense:</b>				
NOW, Savings & Money Market	207,256	287,628	426,227	615,515
Certificates of Deposit	1,101,180	1,456,055	2,158,943	3,072,455
Borrowed Funds	202,800	582	342,023	3,985
Total Interest Expense	1,511,236	1,744,265	2,927,193	3,691,955
Net Interest Income	3,519,487	2,866,831	7,109,495	5,613,706
Provision For Loan Losses	410,000	315,000	717,000	805,000
Net Interest Income After Provision for Loan Losses	3,109,487	2,551,831	6,392,495	4,808,706
<b>Non-Interest Income:</b>				
Service Charges	132,012	88,605	203,795	151,664
Loan Fees & Servicing Income	24,245	41,441	89,387	76,012
Gain on Sale of Investments	52,915	177,042	54,983	258,708
Gain on Sale of Loans	517,409	67,073	522,121	144,789
Total Non-Interest Income	726,581	374,161	870,286	631,173
<b>Non-Interest Expense:</b>				
Compensation and Benefits	1,490,136	1,216,160	2,893,372	2,480,132
Occupancy and Equipment	901,056	871,738	1,828,066	1,735,699
Advertising	39,885	40,602	53,679	113,703
Other Expenses	866,416	852,948	1,725,644	1,459,536
Total Non-Interest Expense	3,297,493	2,981,448	6,500,761	5,789,070
Income Before Income Taxes	538,575	(55,456)	762,020	(349,191)
Provision For Income Taxes	215,701	-	305,062	-
Net Income	\$322,874	(\$55,456)	\$456,958	(\$349,191)
<b>Earnings Per Share:</b>				
Basic	\$0.06	(\$0.01)	\$0.09	(\$0.07)
Diluted	\$0.06	(\$0.01)	\$0.09	(\$0.07)

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

	Quarter Ended June 30, 2010	Quarter Ended March 31, 2010	Quarter Ended December 31, 2009	Quarter Ended June 30, 2009
<b>Interest Income:</b>				
Commercial Loans	\$2,645,591	2,421,505	\$2,643,210	\$2,168,902
Residential and Consumer Loans	1,590,295	1,715,814	1,668,252	1,788,406
Securities	781,066	863,457	900,699	643,153
Money Market Investments	13,771	5,189	11,902	10,635
Total Interest Income	5,030,723	5,005,965	5,224,063	4,611,096
<b>Interest Expense:</b>				
NOW, Savings & Money Market	207,256	218,971	214,778	287,628
Certificates of Deposit	1,101,180	1,057,763	1,186,576	1,456,055
Borrowed Funds	202,800	139,223	115,191	\$582
Total Interest Expense	1,511,236	1,415,957	1,516,545	1,744,265
Net Interest Income	3,519,487	3,590,008	3,707,518	2,866,831
Provision For Loan Losses	410,000	307,000	860,000	\$315,000
Net Interest Income After Provision for Loan Losses	3,109,487	3,283,008	2,847,518	2,551,831
<b>Non-Interest Income:</b>				
Service Charges	132,012	71,783	94,515	\$88,605
Loan Fees & Servicing Income	24,245	65,141	58,883	41,441
Gain on Sale of Investments	52,915	2,068	352,085	177,042
Gain on Sale of Loans	517,409	4,712	246,346	67,073
Total Non-Interest Income	726,581	143,704	751,829	374,161
<b>Non-Interest Expense:</b>				
Compensation and Benefits	1,490,136	1,403,236	1,305,650	1,216,160
Occupancy and Equipment	901,056	927,010	908,670	871,738
Advertising	39,885	13,794	9,681	40,602
Other Expenses	866,416	859,228	863,037	852,948
Total Non-Interest Expense	3,297,493	3,203,268	3,087,038	2,981,448
Income Before Income Taxes	538,575	223,444	512,309	(55,456)
Provision For Income Taxes	215,701	89,360	(1,833,650)	-
Net Income	\$322,874	\$134,084	2,345,959	(\$55,456)
<b>Earnings Per Share:</b>				
Basic	\$0.06	\$0.03	\$0.48	(\$0.01)
Diluted	\$0.06	\$0.03	\$0.48	(\$0.01)

**COMMUNITY NATIONAL BANK**  
**BALANCE SHEETS**  
(Unaudited)

<b>Assets:</b>	<b>June 30, 2010</b>	<b>March 31, 2010</b>	<b>December 31, 2009</b>	<b>June 30, 2009</b>
Cash and Due From Banks	\$4,654,965	\$5,283,123	\$4,335,020	\$2,499,145
Money Market Investments	42,477,882	19,220,548	9,051,659	14,244,010
Securities - Available-for-Sale	107,508,416	91,941,813	91,863,141	75,748,596
Restricted Stock	3,367,750	2,871,350	2,711,100	1,837,050
Total Securities	110,876,166	94,813,163	94,574,241	77,585,646
Loans Held-For-Sale	5,065,700	6,723,547	-	-
Commercial Loans	174,102,694	167,863,863	155,145,009	158,198,937
Residential & Consumer	115,901,584	127,040,465	129,076,051	127,680,332
Less: Allowance For Loans Losses	(3,263,027)	(3,528,142)	(3,281,793)	(2,668,424)
Net Loans Held-For-Investment	286,741,251	291,376,186	280,939,267	283,210,845
Premises and Equipment	8,024,599	8,159,687	8,348,810	8,589,143
Other Assets	16,752,671	7,414,816	6,842,718	4,275,266
Total Assets	<u>\$474,593,234</u>	<u>\$432,991,070</u>	<u>\$404,091,715</u>	<u>\$390,404,055</u>
<b>Liabilities and Stockholders' Equity:</b>				
Deposits:				
Demand	\$67,506,715	\$49,845,751	\$46,821,171	\$42,983,337
NOW, Savings & Money Market	107,530,296	107,497,425	104,404,401	106,915,611
Certificates of Deposit	197,718,233	199,869,688	185,867,790	195,003,401
Total Deposits	372,755,244	357,212,864	337,093,362	344,902,349
FHLB Borrowings	30,892,157	21,368,782	19,842,652	-
Secured Borrowings - SBA Loans	3,060,000	5,853,547	-	-
Accrued Expenses and Other Liabilities	3,494,005	2,438,977	1,520,650	2,922,059
Total Liabilities	410,201,406	386,874,170	358,456,664	347,824,408
<b>Stockholders' Equity:</b>				
Common Stock, par value \$5.00; authorized 10,000,000 shares; issued 6,627,981 shares at June 30, 2010 and 4,871,041 shares at March 31, 2010, December 31, 2009 and June 30, 2009.	33,139,905	24,355,205	24,355,205	24,355,205
Additional Paid in Capital	33,421,447	24,666,653	24,637,796	24,568,259
Retained Deficit	(2,727,942)	(3,050,816)	(3,184,900)	(5,868,102)
Unrealized Gain/(Loss) on Securities	558,418	145,858	(173,050)	(475,715)
Total Stockholders' Equity	64,391,828	46,116,900	45,635,051	42,579,647
Total Liabilities and Stockholders' Equity	<u>\$474,593,234</u>	<u>\$432,991,070</u>	<u>\$404,091,715</u>	<u>\$390,404,055</u>

**COMMUNITY NATIONAL BANK**  
**SELECTED FINANCIAL DATA AND BALANCE SHEET COMPONENTS**  
(Unaudited)

**SELECTED FINANCIAL DATA:**

	For The Three Months Ended		For The Six Months Ended	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
<b>Per Share:</b>				
Net Income - Basic	\$0.06	(\$0.01)	\$0.09	(\$0.07)
Average Shares Outstanding - Basic	5,179,954	4,871,041	5,026,351	4,871,041
Book Value	\$9.72	\$8.74	\$9.72	\$8.74
<b>Performance:</b>				
Return on Average Total Assets	0.29%	(0.06)%	0.21%	(0.19)%
Return on Average Equity	2.61%	(0.51)%	1.92%	(1.61)%
Efficiency Ratio	77.66%	91.99%	81.47%	92.70%
Yield on Average Earning Assets	4.70%	5.04%	4.88%	5.23%
Yield on Average Interest Bearing Liabilities	1.77%	2.35%	1.77%	2.55%
Net Interest Spread	2.93%	2.70%	3.10%	2.68%
Net Interest Margin	3.28%	3.14%	3.45%	3.16%

	Quarter Ended			
	June 30, 2010	March 31, 2010	December 31, 2009	June 30, 2009
<b>Risk Based Capital:</b>				
Leverage Ratio	14.06%	10.95%	10.94%	11.36%
Tier 1	21.79%	16.32%	17.33%	17.11%
Total	22.91%	17.57%	18.59%	18.17%

<b>Asset Quality:</b>				
Allowance for Loan Losses to Total Loans	1.13%	1.20%	1.15%	0.93%
Allowance for Loan Losses to Non-Performing Loans	5516%	61%	55%	37%
Non-performing Loans to Total Loans	0.02%	1.95%	2.11%	2.50%
Non-performing Assets to Total Assets	0.01%	1.33%	1.48%	1.83%
Annualized Quarterly Net Charge-offs to Average Loans	0.91%	0.08%	0.60%	0.05%
<b>Performance:</b>				
Yield on Average Earning Assets	4.70%	5.07%	5.26%	5.04%
Yield on Average Interest Bearing Liabilities	1.77%	1.78%	1.90%	2.35%
Net Interest Spread	2.93%	3.29%	3.35%	2.70%
Net Interest Margin	3.28%	3.64%	3.73%	3.14%