



CEO CFO

Interviews & News!

ceocfointerviews.com – All rights reserved. – Issue: October 12, 2007

Community National Bank Of The Lakeway Area Is Focused On Getting Back To The Old Way Of Banking - Being Local And Friendly



COMMUNITY National Bank

Financial
Regional-Southeast Banks
(CNLA-NASDAQ)

Community National Bank
of the Lakeway Area

225 West First North Street
Morristown, TN 37814
Phone: 423-587-2345



Samuel F. Grigsby, Jr.
Chief Executive Officer

Company Profile:

Community National Bank of the Lakeway Area is a national bank headquartered in Morristown, Tennessee, that opened for business on April 9, 2003, with a branch in Jefferson City, fifteen

miles south of Morristown. Community National Bank is one of the four independent banks headquartered in the Morristown Metropolitan Statistical Area.

Interview conducted by:
Lynn Fosse, Senior Editor
CEO CFOinterviews.com

CEO CFO: Mr. Grigsby, what was the vision when Community National Bank was started and how has that developed?

Mr. Grigsby: "I was CEO of one of the community banks under the Union Planters family. They started to consolidate all of their functions and banking became impersonal. Our group, several of us from Union Planters decided we wanted to start a new community bank. We resigned from there and chartered a national bank and started that five years ago. We just wanted to be a local, friendly, back to the old way of banking kind of bank and that is what we have done."

CEO CFO: What is back to the old way?

Mr. Grigsby: "It is person-to-person. When you call us, a person answers the phone, when you come in the door you are greeted with a warm friendly smile. We have the electronic stuff if you want to do electronic banking. We think there is a niche for the person-to-person banking that maybe is lost in the bigger banks."

CEO CFO: What is the economy in the area you service?

Mr. Grigsby: "We have a very active Chamber of Commerce. We have thirteen foreign companies that have industries here in Morristown, Tennessee. Most of them are automobile components and we are close to interstate network, so we can be in Detroit in four to five hours and we

can be in west Tennessee and Kentucky where a lot of automobiles are now manufactured. Our economy has been good. Morristown used to be a furniture town, and you know what happened to the furniture industry, it has mostly gone to the Far East, so we have converted to other things and we are very diversified. The economy has been really good, our loan growth has been tremendous. Up until a couple of weeks ago the housing market was good. I really do not think we have a housing crisis here. I think we were influenced by just the news and what the media had to say about the housing crunch. A lot of our people that we sold loans to are now pulling back and we have lot of product on the market now. Housing sales have slowed down dramatically, but as far as our commercial and small business we are still growing and doing well."

CEO CFO: Is real estate a big part of the business for the bank?

Mr. Grigsby: "It is. When real estate is involved, we try to get other collateral but real estate is a big part. We have not experienced that boon that Florida has experienced; that real inflationary boon in prices. We have been just slow and steady. We have a lot of people moving here because of the hurricanes in Florida about three years ago. That bad year, we had a lot of people moving back from Florida to Tennessee. What attracts them here is the lake system, there are a lot of lakes here and they are building homes on the lakes. We have people moving here because the cost of living is a lot cheaper than in the north and they do not want to go to the bad weather. We have a lot of things going for us here; we have the beautiful mountains here which attract a lot of older folks."

CEOCFO: Who is your typical customer?

Mr. Grigsby: "Because of what I just said, one of our major customers bases are the sixty and older group. We built this bank around small businesses, that is what Morristown is, and we are mainly a commercial bank, commercial loans, and commercial real estate loans. We do make several home loans, but we sell those off because those are long-term fixed rate loans; we sell those in the secondary market. Our number-one is small business and number-two is older people which bring a lot of cash and a lot of deposits that would turn around and be loaned out on the commercial side."

CEOCFO: How do you reach customers?

Mr. Grigsby: "Word of mouth. We spend a lot for advertising, but word of mouth is the best. If you give good service and it is a pleasant experience, well that word gets around. We do newspaper and radio and TV ads. When we ask our customers why they came here, around 75% of them say my friend said that you are a friendly bank or you all give a good rate."

CEOCFO: Most people know the difference between the bigger banks and the local, but compared to some of the other community banks, what makes your organization different?

Mr. Grigsby: "We detest having lines and we may have slightly too many employees at the teller line but we do not want our customers to wait. Our tellers are right at the front door and are trained to greet everyone who walks through the door with a smile. They take them where they need to go. You do not get that at most big banks, you just come into a cold atmosphere and you are on your own."

CEOCFO: Will you tell us about the expansion?

Mr. Grigsby: "We started in two cities. We just opened a loan production office in Dandridge, which is the fastest grow-

ing bedroom community in the city Knoxville. It is on Douglas Lake and is part of this move of seniors from Florida and the north that I mentioned. In addition, we are going to expand into some underbanked counties surrounding us in the near future and we just were approved for another branch here in Morristown. We will probably open another one here, which will be a total of three. We are going to the county north of us, which only has one bank. We have several stockholders from that county and we will move into there in 2008. That is as far as our vision is now and we will wait to see how fast we grow and how that reacts. We may go into the Knoxville market. We are fifty miles from Knoxville. The problem is there is already 35 banks in Knoxville so we are not rushing out to do it."

CEOCFO: How is business?

Mr. Grigsby: "We have been really

"We just wanted to be a local, friendly, back to the old way of banking kind of bank and that is what we have done." - Samuel F. Grigsby, Jr.

pleased with our growth. We are on a 17% growth as far as loans. This year it has grown about 7%. Deposits have been kind of flat. We would like to have more deposits, but that comes with more branches and convenient locations. People do not want to travel too far to do their banking and it is kind of like wanting to go to the nearest grocery store. That is the way it is in our part of the country. Deposits will come with the new branches. We have been pleased and we are right on target. Our margin is not as good as we would have hoped. We started at the bottom of the rate cycle and margins have been squeezed ever since so we have fought an uphill battle."

CEOCFO: Are there services you would like to offer that you do not currently offer your customers?

Mr. Grigsby: "There is some more automation. The small businesses are now instead of wanting to come to the bank they now want to run their checks through the merchant capture machines. They are cutting back on their employees and trying to be more efficient. More automation is what we are looking at. We have stayed away from being the first to do that, trying to build our base, but that is something we are going to do. We will offer an overdraft protection product that our customers seem to want and we are beginning to sell term life insurance, but our plans are to stick with the basics."

CEOCFO: Tell us about community involvement for the bank.

Mr. Grigsby: "We stressed that, I am active in United Way and so is our president. All of our officers are asked to be in either a civic club or some organization. I think that is vital to be out in the community. That is one of the ways we get customers, is to be involved. It is an expense but it is also rewarding to help the community."

CEOCFO: In closing, why should potential investors be interested in Community National Bank of the Lakeway Area?

Mr. Grigsby: "Our growth potential. I think we are in a growing market. We have plenty of cheap labor. Industry is going to be attracted more to east Tennessee, so the potential is there. We are not over banked like the Knoxville or the Nashvilles. We have an experienced team; we have 600 years of experience here and the average is 19 years of experience. We have some experienced bankers and lenders who know what they are doing. They have done this before and worked in high performing banks. The bank I left, we were over 3.00% ROA, so we know how to make money and take care of the customers."

**Community National Bank of the Lakeway Area
225 West First North Street
Morristown, TN 37814
Phone: 423-587-2345**