



MICHAEL R. RHODES
President & CEO

January 4, 2011

Dear Shareholder,

An unlikely artist, Charlie Chaplin, composed the music for the popular standard song "Smile" in 1936. The prophetic lyrics which came later in 1954 encouraged the listener to cheer up, there is always a bright tomorrow, just as long as they smile.

During the course of 2009, our industry was rocked by 140 bank closures from coast to coast. As we cautiously entered 2010 with an uncertain economy and a new regulatory environment, it was becoming more and more difficult to smile – yet smile we did and challenged ourselves to continue keeping "our eye on the ball". I have never been more proud of our banking team than throughout this year. In spite of the challenges we have faced, our staff was able to achieve the most successful year in our bank's history.

Our total assets have grown to nearly 130 million dollars, profitability continues to strengthen our capital base to 14 million dollars, loan losses have been nearly negligible, and our rating as of mid-year was 34th out of 605 Texas banks, which places us in the top 5%.

While no one knows exactly what this uncertain economy and new regulatory environment holds for banks across the country, I can tell you that Lamar National Bank continues to enjoy solid performance and a bright outlook. We are excited about the prospects for the future, and believe that we are well-positioned for opportunities that tend to arise in such times. We are also keenly aware that we are in this position for three primary reasons:

1. As I have stated numerous times, our senior management has seen times like this before and has developed a business model and philosophy to weather these and similar cycles in the future.
2. From top to bottom, we have what I believe to be the best staff and board of directors in the industry.
3. Without question, we have the best customers, shareholders, and friends in the state. Your support continues to provide us with the strength and stability needed to remain your trusted Texas independent bank.

On behalf of our entire "team" here at Lamar National Bank, let me wish you a prosperous 2011, thank you for your continued support and remind you that "you'll find that life is still worthwhile, if you'll just smile".

Sincerely,

Michael R. Rhodes
President/CEO

MRR/mj