

**THIRD STREET BANCSHARES, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
AS OF SEPTEMBER 30, 2010 AND 2011**

| | 2010 | 2011 |
|---------------------------------------------------------------------------------|----------------------------|-----------------------------|
| ASSETS | (Audited) | (Unaudited) |
| Cash and Due from Banks | \$9,059,482 | \$ 10,396,871 |
| FF Sold / COD With Other Banks | 608,000 | 126,000 |
| Investment Securities: | | |
| Held to Maturity, at Amortized Costs (Market Values: 2010 - \$0; 2011 - \$0) | 0 | 0 |
| Available-for-Sale, at Fair Value | 4,481,250 | 4,846,638 |
| Loans – Net | 80,963,609 | 84,720,626 |
| LESS: Allowance for Loan Losses | (1,142,000) | (1,151,000) |
| Premises and Equipment – Net | 1,688,117 | 1,634,680 |
| Accrued Interest Receivable | 285,930 | 291,870 |
| Deferred Tax Benefits | 442,051 | 481,440 |
| Other Real Estate Owned / Repossessed | | |
| Property | 130,000 | 0 |
| Other Assets | 3,196,495 | 3,300,484 |
| TOTAL ASSETS | <u>\$99,712,934</u> | <u>\$104,647,609</u> |

LIABILITIES AND SHAREHOLDERS' EQUITY

DEPOSITS

| | | |
|------------------------------|-------------------|-------------------|
| Demand - Noninterest Bearing | \$ 9,726,019 | \$ 12,168,479 |
| Demand - Interest Bearing | 12,730,997 | 14,768,849 |
| Savings | 14,705,639 | 16,549,143 |
| Time Deposits | <u>43,397,212</u> | <u>44,640,447</u> |

TOTAL DEPOSITS **\$80,559,867** **\$88,126,918**

| | | |
|----------------------------|----------------|----------------|
| FHLB Advances | 7,744,704 | 4,550,024 |
| Fed Funds Purch | 0 | 0 |
| Accrued Interest Payable | 110,144 | 91,857 |
| Federal Income Tax Payable | 480,775 | 383,651 |
| Other Liabilities | <u>144,194</u> | <u>330,407</u> |

TOTAL LIABILITIES **\$89,039,684** **\$93,482,857**

SHAREHOLDERS' EQUITY

| | | |
|-------------------------------------------|---------------|---------------|
| Common Stock | \$ 7,931,388 | \$ 8,015,488 |
| Retained Earnings (Deficit) | 2,662,562 | 3,108,456 |
| Accumulated Other Comprehensive Income | <u>79,300</u> | <u>40,808</u> |

TOTAL SHAREHOLDERS' EQUITY **\$ 10,673,250** **\$ 11,164,752**

TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY **\$99,712,934** **\$104,647,609**

**THIRD STREET BANCSHARES, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME
FOR THE PERIODS ENDED SEPTEMBER 30, 2010 AND 2011**

| | 2010 | 2011 |
|------------------------------------------------------------|----------------------------|----------------------------|
| | (Audited) | (Unaudited) |
| INTEREST INCOME | | |
| Interest and Fees on Loans | \$ 3,286,358 | \$3,302,608 |
| Interest and Dividends on Securities | 157,662 | 115,927 |
| Interest on Federal Funds Sold | 667 | 485 |
| Interest on Deposits with Other Banks | <u>15,071</u> | <u>15,333</u> |
| TOTAL INTEREST INCOME | <u>\$ 3,459,758</u> | <u>\$ 3,434,353</u> |
| INTEREST EXPENSE | | |
| Interest on Deposits | \$848,241 | \$ 711,287 |
| Interest on Federal Funds Purchased | 209 | 80 |
| Interest on Other Borrowings | <u>120,042</u> | <u>104,627</u> |
| TOTAL INTEREST EXPENSE | <u>\$ 968,492</u> | <u>\$815,994</u> |
| NET INTEREST INCOME | <u>\$ 2,491,266</u> | <u>\$ 2,618,359</u> |
| Provision for Loan Losses | <u>127,157</u> | <u>99,043</u> |
| NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES | <u>\$ 2,364,109</u> | <u>\$ 2,519,316</u> |
| NONINTEREST INCOME | | |
| Service Charges, and Fees on Deposits | \$ 211,006 | \$ 210,931 |
| Other Income | 74,293 | 77,467 |
| Gain (Loss) Sale of Secur/Other Assets | <u>63,887</u> | <u>19,281</u> |
| TOTAL NONINTEREST INCOME | <u>\$ 349,186</u> | <u>\$ 307,679</u> |
| NONINTEREST EXPENSES | | |
| Employee Compensation and Benefits | \$ 898,593 | \$ 989,347 |
| Occupancy Expense, Net of Revenues | 97,102 | 90,175 |
| Furniture and Equipment Expense | 73,256 | 55,910 |
| Internet and Data Processing Fees | 202,128 | 219,641 |
| Other Operating Expenses | <u>480,967</u> | <u>480,504</u> |
| TOTAL NONINTEREST EXPENSES | <u>\$1,752,046</u> | <u>\$ 1,835,577</u> |
| INCOME BEFORE INCOME TAXES | <u>\$ 961,249</u> | <u>\$ 991,418</u> |
| Applicable Income Taxes | <u>388,000</u> | <u>356,500</u> |
| NET INCOME | <u>\$ 573,249</u> | <u>\$ 634,918</u> |

To Our Shareholders, Customers and Friends:

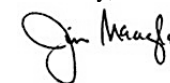
We are pleased to provide the consolidated Balance Sheets and the Consolidated Statements of Income of Third Street Bancshares, Inc., and its subsidiary, Settlers Bank, as of the quarter ended September 30, 2010 (audited) and September 30, 2011 (un-audited).

Net Income increased \$61,669 or 10.76% compared to 2010. Total Interest Expense decreased \$152,498 or 15.75% and Total Interest Income decreased \$25,405 or 0.73%. Management continues to focus on maintaining or improving our Net Interest Income and is pleased to report an increase over the past year. Management feels this has been an accomplishment considering the investment and lending environment. Total Non Interest Expenses increased \$85,531 or 4.77% compared to last year. Total Employee Compensation and Benefits increased by \$90,754 or 10.10% while Total Non Interest Income decreased \$41,507 or 11.89%. You will also note a decrease of \$28,114 or 22.11% in the Provision for Loan Losses.

The Consolidated Balance Sheet reflects an increase in Assets of \$4,934,675 or 4.95%. The majority of the increase was in Loans-Net of \$3,757,017 or 4.64%. Also, of significance, is an increase of \$1,337,389 or 14.76% in Cash and Cash Due from Banks. On the Liability side, Total Deposits increased \$7,567,051 or 9.39%. FHLB Advances decreased \$3,194,680 or 41.25% from the prior year as management chose to reduce borrowed funds during the past nine months given the low loan demand and liquid position of the bank. Noninterest Bearing Demand Deposits increased \$2,442,460 or 25.11% which has helped improve Net Interest Income.

The Board of Directors of Third Street Bancshares Inc. announced a dividend of \$0.31 per share for the third quarter of 2011 which is an increase of 3.33% compared to the same period for 2010. The bid price per share of your stock is \$46.85 and the ask price is currently \$51.05. We expect those prices to change upward by October 30th. You can contact the market maker for our stock, Community Banc Investments, Inc., at 1-800-224-1013. If I can be of any assistance, please do not hesitate to contact me.

Sincerely,



Jim Meagle
President and CEO

THIRD STREET BANCSHARES, INC.

DIRECTORS

| | |
|----------------------|----------------------|
| Neil R. Wynn | C. Fred Hunter, Jr. |
| Robert G. Kelly | Dan S. Stephan, Jr. |
| James A. Meagle, Jr. | Richard A. Spindler |
| John J. Hadley | Louis G. Stephan III |

OFFICERS

| | |
|----------------------|-----------------------------------------------------------------|
| James A. Meagle, Jr. | <i>Chairman of the Board</i> \President\Chief Executive Officer |
| Donn R. Schafer | Vice President\Chief Financial Officer |
| Carolyn A. Ewart | Corporate Secretary\Human Resource Officer |

SETTLERS BANK

DIRECTORS

| | |
|----------------------|------------------------------|
| James A. Meagle, Jr. | <i>Chairman of the Board</i> |
| C. Fred Hunter, Jr. | John J. Hadley |
| Robert G. Kelly | Dan S. Stephan, Jr. |
| Richard A. Spindler | Neil R. Wynn |
| Louis G. Stephan III | Donn R. Schafer |

OFFICERS

| | |
|----------------------|----------------------------------------------------|
| James A. Meagle, Jr. | Chairman of the Board and CEO |
| Donn R. Schafer | President and CFO |
| Donna L. Perine | Sr. VP\Chief Operations Officer\Compliance Officer |
| Steven C. Hall | Sr. VP\Chief Lending Officer |
| Carolyn A. Ewart | Sr. VP\Corporate Secretary\Human Resource Officer |
| Jeffrey D. Welch | Sr. VP |
| William F. O'Connor | VP\Loan Officer |
| Martha K. Kellar | AVP Accounting |
| Sherry Maston | AVP Operations |
| Jeremiah L. Kuhn | AVP Lending |
| Megan Freeman | AVP Loan Review |

OTHER INFORMATION

Visit our Web Site at www.settlersbank.com

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Settlers Bank
115 Third Street
Marietta, Ohio 45750

Third Street Bancshares, Inc.

September 30, 2011 Quarterly Report



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