

**THIRD STREET BANCSHARES, INC. AND SUBSIDIARY  
CONSOLIDATED BALANCE SHEETS  
AS OF SEPTEMBER 30, 2009 AND 2010**

	<b>2009</b>	<b>2010</b>
<b>ASSETS</b>	<b>(Audited)</b>	<b>(Unaudited)</b>
Cash and Due from Banks	\$3,418,252	\$ 9,059,482
FF Sold / COD With Other Banks	687,000	608,000
Investment Securities:		
Held to Maturity, at Amortized Costs (Market Values: 2009 - \$0; 2010 - \$ 0)	0	0
Available-for-Sale, at Fair Value	5,673,629	4,481,250
Loans – Net	78,333,021	80,963,609
LESS: Allowance for Loan Losses	(949,000)	(1,142,000)
Premises and Equipment – Net	1,775,693	1,688,117
Accrued Interest Receivable	328,476	285,930
Deferred Tax Benefits	373,148	442,051
Other Real Estate Owned / Repossessed		
Property	377,500	130,000
Other Assets	2,795,626	3,196,495
<b>TOTAL ASSETS</b>	<b><u>\$92,813,345</u></b>	<b><u>\$99,712,934</u></b>

**LIABILITIES AND SHAREHOLDERS' EQUITY**

**DEPOSITS**

Demand - Noninterest Bearing	\$ 9,982,056	\$ 9,726,019
Demand - Interest Bearing	11,884,450	12,730,997
Savings	11,340,937	14,705,639
Time Deposits	<u>41,340,623</u>	<u>43,397,212</u>

**TOTAL DEPOSITS** **\$75,548,066** **\$80,559,867**

FHLB Advances	7,651,164	7,744,704
Fed Funds Purch	0	0
Accrued Interest Payable	130,216	110,144
Federal Income Tax Payable	198,984	480,775
Other Liabilities	<u>155,916</u>	<u>144,194</u>

**TOTAL LIABILITIES** **\$82,684,346** **\$89,039,684**

**SHAREHOLDERS' EQUITY**

Common Stock	\$ 7,822,343	\$ 7,931,388
Retained Earnings (Deficit)	2,295,191	2,662,562
Accumulated Other Comprehensive Income	<u>11,465</u>	<u>79,300</u>

**TOTAL SHAREHOLDERS' EQUITY** **\$ 10,128,999** **\$10,673,250**

**TOTAL LIABILITIES AND  
SHAREHOLDERS' EQUITY** **\$92,813,345** **\$99,712,934**

**THIRD STREET BANCSHARES, INC. AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF INCOME  
FOR THE PERIODS ENDED SEPTEMBER 30, 2009 AND 2010**

	<b>2009</b>	<b>2010</b>
	<b>(Audited)</b>	<b>(Unaudited)</b>
<b>INTEREST INCOME</b>		
Interest and Fees on Loans	\$ 3,374,424	\$3,286,358
Interest and Dividends on Securities	195,739	157,662
Interest on Federal Funds Sold	454	667
Interest on Deposits with Other Banks	<u>26,504</u>	<u>15,071</u>
<b>TOTAL INTEREST INCOME</b>	<b><u>\$ 3,597,121</u></b>	<b><u>\$ 3,459,758</u></b>
<b>INTEREST EXPENSE</b>		
Interest on Deposits	\$1,119,995	\$ 848,241
Interest on Federal Funds Purchased	863	209
Interest on Other Borrowings	<u>111,412</u>	<u>120,042</u>
<b>TOTAL INTEREST EXPENSE</b>	<b><u>\$ 1,232,270</u></b>	<b><u>\$ 968,492</u></b>
<b>NET INTEREST INCOME</b>	<b><u>\$ 2,364,851</u></b>	<b><u>\$ 2,491,266</u></b>
Provision for Loan Losses	<u>164,098</u>	<u>127,157</u>
<b>NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES</b>	<b><u>\$ 2,200,753</u></b>	<b><u>\$ 2,364,109</u></b>
<b>NONINTEREST INCOME</b>		
Service Charges, and Fees on Deposits	\$ 212,252	\$ 211,006
Other Income	73,838	74,293
Gain (Loss) Sale of Secur/Other Assets	<u>5,438</u>	<u>63,887</u>
<b>TOTAL NONINTEREST INCOME</b>	<b><u>\$ 291,528</u></b>	<b><u>\$ 349,186</u></b>
<b>NONINTEREST EXPENSES</b>		
Employee Compensation and Benefits	\$ 892,568	\$ 898,593
Occupancy Expense, Net of Revenues	95,685	97,102
Furniture and Equipment Expense	76,470	73,256
Internet and Data Processing Fees	201,812	202,128
Other Operating Expenses	<u>495,434</u>	<u>480,967</u>
<b>TOTAL NONINTEREST EXPENSES</b>	<b><u>\$ 1,761,969</u></b>	<b><u>\$ 1,752,046</u></b>
<b>INCOME BEFORE INCOME TAXES</b>	<b><u>\$ 730,312</u></b>	<b><u>\$ 961,249</u></b>
Applicable Income Taxes	<u>251,000</u>	<u>388,000</u>
<b>NET INCOME</b>	<b><u>\$ 479,312</u></b>	<b><u>\$ 573,249</u></b>

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, 2009 (audited) and September 30, 2010 (unaudited).

You will note from the accompanying Consolidated Balance Sheets that the Total Assets of Third Street Bancshares increased \$6,899,589, or 7.43%, from \$92,813,345 as of September 30, 2009 to \$99,712,934 as of September 30, 2010. During that same time period, Net Loans increased \$2,630,588, or 3.36%, to \$80,963,609. Also, Cash and Cash Due From Banks increased by \$5,641,230 to \$9,059,482. On the Liability side, Total Deposits increased \$6,011,801, or 8.06%, to \$80,559,867 as of September 30, 2010 and Shareholders Equity increased \$544,251, or 5.37%.

As you can see from the Consolidated Statements of Income, Net Interest Income After The Provision for Loan Losses increased from September 30, 2009 by \$163,356, or 7.42%, as of September 30, 2010. Total Non-Interest Income for the same period increased by \$57,658, attributable to a Gain on Sale of Securities taken during third quarter 2010. Net Income increased \$93,937, or 19.60%, from September 30, 2009 to September 30, 2010.

The Directors, Officers and Employees of Third Street Bancshares, Inc., are pleased to announce a dividend payment of \$0.30 per share to the Shareholders of Third Street Bancshares for the third quarter ended September 30, 2010. This dividend represents a 3.45% increase from the third quarter 2009 dividend. The bid price per share of your stock is \$47.15 and the ask price is currently \$49.50. You may contact the market maker for our stock, Community Banc Investments, at 1-800-224-1013.

If we can be of assistance to you, please do not hesitate to contact us.

Sincerely,



Donn Schafer  
Chief Financial Officer