

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

Call us at 1-740-373-9200

Toll Free 1-877-798-2265

Fax 1-740-373-9962

Bank by Phone: 1-877-965-1115



Settlers Bank
115 Third Street
Marietta, Ohio 45750

Third Street Bancshares, Inc.

June 30, 2011 Quarterly Report



115 Third Street • Marietta, Ohio 45750 • 740-373-9200 • www.settlersbank.com

member FDIC

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

	2010	2011
ASSETS	(Audited)	(Unaudited)
Cash and Due from Banks	\$8,088,541	\$ 8,732,482
FF Sold / COD With Other Banks	358,000	380,000
Investment Securities:		
Held to Maturity, at Amortized Costs (Market Values: 2010 - \$0; 2011 - \$0)	0	0
Available-for-Sale, at Fair Value	4,523,566	4,419,218
Loans – Net	80,704,791	83,665,305
LESS: Allowance for Loan Losses	(1,123,000)	(1,116,000)
Premises and Equipment – Net	1,709,192	1,641,900
Accrued Interest Receivable	297,932	303,840
Deferred Tax Benefits	435,401	468,351
Other Real Estate Owned / Repossessed		
Property	213,900	4,500
Other Assets	3,201,491	3,242,944
TOTAL ASSETS	<u>\$98,409,814</u>	<u>\$101,742,540</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
DEPOSITS		
Demand - Noninterest Bearing	\$ 9,506,239	\$ 10,411,651
Demand - Interest Bearing	12,580,291	12,952,307
Savings	14,206,063	17,471,761
Time Deposits	43,112,576	42,480,365
TOTAL DEPOSITS	<u>\$79,405,169</u>	<u>\$83,316,084</u>
FHLB Advances	7,829,288	6,625,247
Fed Funds Purch	0	0
Accrued Interest Payable	112,616	100,649
Federal Income Tax Payable	431,315	505,435
Other Liabilities	130,125	227,715
TOTAL LIABILITIES	<u>\$87,908,513</u>	<u>\$90,775,130</u>
SHAREHOLDERS' EQUITY		
Common Stock	\$ 7,915,288	\$ 7,964,238
Retained Earnings (Deficit)	2,506,344	2,992,086
Accumulated Other Comprehensive Income	79,669	11,086
TOTAL SHAREHOLDERS' EQUITY	<u>\$ 10,501,301</u>	<u>\$ 10,967,410</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$98,409,814</u>	<u>\$101,742,540</u>

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

	2010	2011
	(Audited)	(Unaudited)
INTEREST INCOME		
Interest and Fees on Loans	\$ 2,171,524	\$2,195,533
Interest and Dividends on Securities	108,113	79,086
Interest on Federal Funds Sold	405	436
Interest on Deposits with Other Banks	8,886	10,308
TOTAL INTEREST INCOME	<u>\$ 2,288,928</u>	<u>\$ 2,285,363</u>
INTEREST EXPENSE		
Interest on Deposits	\$572,528	\$ 484,551
Interest on Federal Funds Purchased	114	17
Interest on Other Borrowings	80,588	73,893
TOTAL INTEREST EXPENSE	<u>\$ 653,230</u>	<u>\$ 558,461</u>
NET INTEREST INCOME	<u>\$ 1,635,698</u>	<u>\$ 1,726,902</u>
Provision for Loan Losses	97,180	59,083
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	<u>\$ 1,538,518</u>	<u>\$ 1,667,819</u>
NONINTEREST INCOME		
Service Charges, and Fees on Deposits	\$ 139,277	\$ 134,916
Other Income	49,947	52,174
Gain (Loss) Sale of Secur/Other Assets	0	19,281
TOTAL NONINTEREST INCOME	<u>\$ 189,224</u>	<u>\$ 206,371</u>
NONINTEREST EXPENSES		
Employee Compensation and Benefits	\$ 585,054	\$ 652,898
Occupancy Expense, Net of Revenues	65,884	59,994
Furniture and Equipment Expense	48,222	38,112
Internet and Data Processing Fees	135,705	147,074
Other Operating Expenses	307,245	318,570
TOTAL NONINTEREST EXPENSES	<u>\$ 1,142,110</u>	<u>\$ 1,216,648</u>
INCOME BEFORE INCOME TAXES	<u>\$ 585,632</u>	<u>\$ 657,542</u>
Applicable Income Taxes	257,500	231,500
NET INCOME	<u>\$ 328,132</u>	<u>\$ 426,042</u>

To Our Shareholders, Customers and Friends:

We are pleased to provide the consolidated financial statements of Third Street Bancshares, Inc., and its subsidiary, Settlers Bank, as of the quarter ended June 30, 2010 (audited) and June 30, 2011 (un-audited).

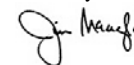
June 30, 2011 Net Income increased \$97,910 or 29.84% from the same date in 2010. You will note a decrease from 2010 of (\$38,097) or (-39.20%) in the Provision for Loan Losses. Total Interest Expense as of June 30, 2011 decreased (\$-94,769 or -14.51%) from June 30, 2010 and Total Interest Income has decreased (\$-3,565 or -.16%). Management continues to focus on maintaining or improving the bank's Net Interest Income. Total Non Interest Expenses increased \$74,538 or 6.53% at quarter end 2011 compared to the same period in 2010. Total Employee Compensation and Benefits increased overall by \$67,844 or 11.60% from June 30, 2010 to June 30, 2011. Total Non Interest Income as of June 30, 2011 increased \$17,147 or 9.06% from the same date in 2010.

The Balance Sheet reflects an increase in Assets of \$3,332,726 or 3.39%. The majority of the increase was in Loans-Net in the amount of \$2,960,514 or 3.67%. Also, of significance, is an increase of \$643,941 or 7.96% in Cash and Cash Due from Banks. On the Liability side, Deposits increased \$3,910,915 or 4.93%. FHLB Advances decreased \$1,204,041 or 15.38% from the prior year as management chose to reduce borrowed funds during the past six months and decrease Time Deposits by offering conservative deposit pricing in our market area given the soft loan environment and liquid position of the bank.

I am extremely pleased to inform you that Donn R. Schafer was elected President of Settlers Bank at the annual meeting of the Board of Directors on May 23, 2011. Donn will remain as Chief Financial Officer and I will remain as Chairman and CEO. He will become much more active in the day-to-day operation during the year.

The Board of Directors announced a dividend of \$0.31 per share for the second quarter of 2011 which is an increase of 3.33% compared to the dividend paid during the same period for 2010. The bid price of your stock is \$48.65 and the ask price is \$51.05. 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