

**THIRD STREET BANCSHARES, INC. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2009 AND 2010**

ASSETS	2009	2010
	(Audited)	(Unaudited)
Cash and Due from Banks	\$4,849,290	\$ 9,972,541
FF Sold / COD With Other Banks	0	309,000
Investment Securities:		
Held to Maturity, at Amortized Costs (Market Values: 2009 - \$0; 2010 - \$0)	0	0
Available-for-Sale, at Fair Value	5,544,376	3,666,219
Loans – Net	78,941,831	82,829,375
LESS: Allowance for Loan Losses	(927,000)	(1,075,000)
Premises and Equipment – Net	1,751,341	1,668,132
Accrued Interest Receivable	327,936	283,312
Deferred Tax Benefits	270,981	464,972
Other Real Estate Owned / Repossessed		
Property	467,950	115,500
Other Assets	3,289,165	3,172,263
TOTAL ASSETS	<u>\$94,515,870</u>	<u>\$101,406,314</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
DEPOSITS		
Demand - Noninterest Bearing	\$10,485,130	\$ 9,081,553
Demand - Interest Bearing	11,938,211	13,557,427
Savings	11,784,018	15,866,042
Time Deposits	<u>41,185,447</u>	<u>43,755,190</u>
TOTAL DEPOSITS	<u>\$75,392,806</u>	<u>\$82,260,212</u>
FHLB Advances	8,452,792	7,701,604
Fed Funds Purch	0	0
Accrued Interest Payable	127,525	108,486
Federal Income Tax Payable	148,414	451,495
Other Liabilities	<u>122,171</u>	<u>222,307</u>
TOTAL LIABILITIES	<u>\$84,243,708</u>	<u>\$90,744,104</u>
SHAREHOLDERS' EQUITY		
Common Stock	\$ 7,910,733	\$ 7,940,760
Retained Earnings (Deficit)	2,350,040	2,730,864
Accumulated Other Comprehensive Income	<u>11,389</u>	<u>(9,414)</u>
TOTAL SHAREHOLDERS' EQUITY	<u>\$ 10,272,162</u>	<u>\$10,662,210</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$94,515,870</u>	<u>\$101,406,314</u>

**THIRD STREET BANCSHARES, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME
FOR THE PERIODS ENDED DECEMBER 31, 2009 AND 2010**

	2009	2010
	(Audited)	(Unaudited)
INTEREST INCOME		
Interest and Fees on Loans	\$ 4,488,612	\$4,425,431
Interest and Dividends on Securities	259,656	202,464
Interest on Federal Funds Sold	562	1,075
Interest on Deposits with Other Banks	<u>31,992</u>	<u>21,289</u>
TOTAL INTEREST INCOME	<u>\$ 4,780,822</u>	<u>\$ 4,650,259</u>
INTEREST EXPENSE		
Interest on Deposits	\$1,426,929	\$ 1,110,170
Interest on Federal Funds Purchased	919	280
Interest on Other Borrowings	<u>154,957</u>	<u>159,024</u>
TOTAL INTEREST EXPENSE	<u>\$ 1,582,805</u>	<u>\$ 1,269,474</u>
NET INTEREST INCOME	<u>\$ 3,198,017</u>	<u>\$ 3,380,785</u>
Provision for Loan Losses	<u>309,141</u>	<u>195,977</u>
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	<u>\$ 2,888,876</u>	<u>\$ 3,184,808</u>
NONINTEREST INCOME		
Service Charges, and Fees on Deposits	\$ 283,767	\$ 276,474
Other Income	77,156	86,579
Gain (Loss) Sale of Secur/Other Assets	<u>5,438</u>	<u>63,887</u>
TOTAL NONINTEREST INCOME	<u>\$ 366,361</u>	<u>\$ 426,940</u>
NONINTEREST EXPENSES		
Employee Compensation and Benefits	\$ 1,195,645	\$ 1,187,608
Occupancy Expense, Net of Revenues	125,636	127,765
Furniture and Equipment Expense	102,742	92,499
Internet and Data Processing Fees	239,137	271,030
Other Operating Expenses	<u>704,803</u>	<u>644,226</u>
TOTAL NONINTEREST EXPENSES	<u>\$ 2,367,963</u>	<u>\$ 2,323,128</u>
INCOME BEFORE INCOME TAXES	<u>\$ 887,274</u>	<u>\$ 1,288,620</u>
Applicable Income Taxes	<u>267,772</u>	<u>469,000</u>
NET INCOME	<u>\$ 619,502</u>	<u>\$ 819,620</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 December 31, 2009 (audited) and December 31, 2010 (unaudited).

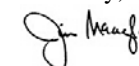
Total assets increased \$6,890,449, or 7.29%, from \$94,515,870 as of December 31, 2009 to \$101,406,314 as of December 31, 2010. During that same time period, net loans increased \$3,887,544 or 4.92% to \$82,829,375. Also, cash and cash due from banks increased by \$5,123,251 to \$9,972,541. On the liability side, total deposits increased \$6,867,406 or 9.11%, to \$82,260,212 as of December 31, 2010. Shareholders' equity increased \$390,048, or 3.80% in 2010.

Net income increased \$200,118 or 32.30% from year end 2009 to year end 2010. Key elements that drove this improvement were net interest income after provision for loan losses (up \$295,932, or 10.24%), total non-interest income (up by \$60,579, or 16.54%, mainly attributable to a gain on sale of securities during the third quarter of 2010) and noninterest expenses (down \$44,835, or 1.89%).

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 fourth quarter ended December 31, 2010. This represents a 3.45% increase from the fourth quarter 2009 dividend. The bid price per share of your stock is \$47.60 and the ask price is currently \$50.00. 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,



Jim Meagle
Chairman, President and CEO