

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

	2009	2010
ASSETS	(Audited)	(Unaudited)
Cash and Due from Banks	\$3,261,542	\$ 7,411,119
FF Sold / COD With Other Banks	1,256,000	644,000
Investment Securities:		
Held to Maturity, at Amortized Costs (Market Values: 2009 - \$0; 2010 - \$ 0)	0	0
Available-for-Sale, at Fair Value	5,547,239	5,529,735
Loans – Net	75,094,751	79,211,352
LESS: Allowance for Loan Losses	(945,000)	(1,006,000)
Premises and Equipment – Net	1,821,695	1,730,267
Accrued Interest Receivable	331,560	343,476
Deferred Tax Benefits	407,237	411,499
Other Real Estate Owned / Repossessed		
Property	235,000	210,000
Other Assets	2,782,287	3,232,850
TOTAL ASSETS	<u>\$89,792,311</u>	<u>\$97,718,298</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
DEPOSITS		
Demand - Noninterest Bearing	\$10,185,474	\$ 10,243,563
Demand - Interest Bearing	11,183,238	11,615,250
Savings	11,992,143	14,251,270
Time Deposits	<u>42,324,127</u>	<u>42,832,117</u>
TOTAL DEPOSITS	<u>\$75,684,982</u>	<u>\$78,942,200</u>
FHLB Advances	3,795,275	7,867,654
Fed Funds Purch	0	0
Accrued Interest Payable	168,144	120,141
Federal Income Tax Payable	216,249	287,274
Other Liabilities	<u>128,370</u>	<u>123,814</u>
TOTAL LIABILITIES	<u>\$79,993,020</u>	<u>\$87,341,083</u>
SHAREHOLDERS' EQUITY		
Common Stock	\$ 7,711,643	\$ 7,913,011
Retained Earnings (Deficit)	2,144,995	2,415,357
Accumulated Other Comprehensive Income	<u>(57,347)</u>	<u>48,847</u>
TOTAL SHAREHOLDERS' EQUITY	<u>\$ 9,799,291</u>	<u>\$10,377,215</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>\$89,792,311</u>	<u>\$97,718,298</u>

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

	2009	2010
	(Audited)	(Unaudited)
INTEREST INCOME		
Interest and Fees on Loans	\$ 1,132,960	\$1,066,454
Interest and Dividends on Securities	66,154	54,330
Interest on Federal Funds Sold	201	175
Interest on Deposits with Other Banks	<u>12,635</u>	<u>3,618</u>
TOTAL INTEREST INCOME	<u>\$ 1,211,950</u>	<u>\$ 1,124,577</u>
INTEREST EXPENSE		
Interest on Deposits	\$426,015	\$ 291,536
Interest on Federal Funds Purchased	129	55
Interest on Other Borrowings	<u>33,627</u>	<u>40,594</u>
TOTAL INTEREST EXPENSE	<u>\$ 459,771</u>	<u>\$ 332,185</u>
NET INTEREST INCOME	<u>\$ 752,179</u>	<u>\$ 792,392</u>
Provision for Loan Losses	<u>36,669</u>	<u>59,634</u>
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	<u>\$ 715,510</u>	<u>\$ 732,758</u>
NONINTEREST INCOME		
Service Charges, and Fees on Deposits	\$ 70,645	\$ 65,438
Other Income	23,885	24,326
Gain (Loss) Sale of Secur/Other Assets	<u>0</u>	<u>0</u>
TOTAL NONINTEREST INCOME	<u>\$ 94,530</u>	<u>\$ 89,764</u>
NONINTEREST EXPENSES		
Employee Compensation and Benefits	\$ 288,362	\$ 282,492
Occupancy Expense, Net of Revenues	33,037	33,929
Furniture and Equipment Expense	28,600	22,711
Internet and Data Processing Fees	68,696	68,262
Other Operating Expenses	<u>145,691</u>	<u>151,902</u>
TOTAL NONINTEREST EXPENSES	<u>\$ 564,386</u>	<u>\$ 559,296</u>
INCOME BEFORE INCOME TAXES	<u>\$ 245,654</u>	<u>\$ 263,226</u>
Applicable Income Taxes	<u>83,000</u>	<u>112,000</u>
NET INCOME	<u>\$ 162,654</u>	<u>\$ 151,226</u>

To Our Shareholders, Customers and Friends:

We are pleased to announce the Consolidated Balance Sheet and Statement of Income for Third Street Bancshares, Inc. and its subsidiary, Settlers Bank, as of the quarter ending March 31, 2009 (audited) and March 31, 2010 (un-audited).

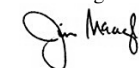
As expected, 2010 Net Income decreased (\$11,428) or (-7.03%) from the same date in 2009. You will note an increase from 2009 of \$22,965 or 62.63% in the Provision for Loan Losses. The Board of Directors continues to respond in a very conservative manner for possible loan losses given the improving, but still weak, economy. Impaired loans have been charged down to realistic levels and the Allowance for Loan Losses Balance has been increased \$61,000 or 6.46% from March 31, 2009. Of significance is an increase of \$40,213 or 5.35% in Net Interest Income. Management continues to focus on maintaining or improving the bank's interest rate margin. Total Non Interest Expenses decreased (\$5,090) or -.90% at quarter end 2010 compared to the same period in 2009. Total Employee Compensation and Benefits decreased overall by (\$5,870) or -2.04% from March 31, 2009 to March 31, 2010.

The Consolidated Balance Sheet reflects an increase in Assets of \$7,925,987 or 8.83% from 2009 to 2010. The majority of the increase was in Loans-Net in the amount of \$4,116,601 or 5.48%. Also, of significance, is an increase of \$4,149,577 or 127.23% in Cash and Cash Due from Banks. On the Liability side, Deposits increased \$3,257,218 or 4.30%. FHLB Advances increased \$4,072,379 or 107.30% from the prior year as management chose to borrow funds during the past year at a lower rate versus increasing deposits by matching the aggressive deposit pricing in our market area. However, present market deposit rates have been steady during the first quarter at reasonable interest rates and management anticipates interest rates will remain relatively flat in calendar year 2010. This will continue to make managing Interest Rate Margins especially challenging. Management also feels unemployment levels throughout the year will continue to be troublesome.

I am extremely pleased to inform you that Jeffrey D. Welch has joined Settlers Bank as a Senior Vice President with primary responsibility for Business Development. Jeff brings 28 years of banking experience to Settlers. He is a graduate of Marietta College with a B.A. in accounting and received his Masters of Business Administration from Ohio University. Jeff also holds the designation of Certified Public Accountant. A life-long resident of Marietta, he has a distinguished record of community service. The Directors and employees of Settlers Bank feel fortunate to have a banking professional with the depth and breadth of Jeff Welch's experience and history of service to the community as part of the bank's management team

The Directors of Third Street Bancshares Inc. have announced a dividend payment of \$0.29 per share for the first quarter of 2010 which is an increase of 3.57% compared to the dividend paid during the same period for 2009. The bid price per share of your stock is \$46.00 and the ask price is currently \$48.30. 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