

To Our Shareholders, Clients and Friends:

Looking at the comparative financials in this report, you will see that 2009 was a very good year for our bank. Loans grew 25.8% in the first six months of the year, and 17.5% during the last six months. Our year over year increase was 47.8%. Loans grew by \$18,849,757 to \$58,275,951. When you hear that banks aren't lending money, you can safely say that you know one bank that has definitely not stopped lending. As a matter of fact the financial uncertainty in the market has worked in our favor. Many other banks have been pre-occupied with internal asset quality issues. As a result, we have been able to move quality relationships to our bank. Loan growth tells only part of the story. Asset quality is equally, if not more, important. Past dues at year end totaled .88%. Charge-offs for the year were 0.2% of year-end loans. We are very pleased with both metrics. Foreclosed properties we hold as a result of loan defaults remained fairly flat over the last six months of the year, ending the year at \$1,070,539, or 1.81% of loans. This inventory consists of three finished houses, four residential building lots, and a 35 acre tract with a home on it. All are listed for sale. At year end we had two non-accrual loans totaling \$1,097,059. Subsequent to year end, we reached agreement with one borrower, and funds are in escrow, to reduce that figure by approximately 85%. We expect a satisfactory resolution of the second situation as well, as the matter works its way through the bankruptcy court.

Total Asset growth for the year was almost \$22 million, or 45 percent.

Deposit growth has also been good as we have supported new loan growth with very little new wholesale deposit funding during the past six months. Deposits grew 64.7% year over year, outpacing loans, and allowing us to reduce our dependence on borrowed funds by almost \$3.2 million.

With balance sheet comments out of the way, I want to comment on two very significant milestones for our bank.

First, our focus on loan growth, asset quality, and expense management allowed us to report our first monthly profit in 2009. In spite of the economic collapse and real estate market debacle, we missed our 2005 "pre-opening" budgeted breakeven month by only six months! We have enjoyed a good working relationship with our primary regulatory agencies, the Federal Deposit Insurance Corporation and the Mississippi Department of Banking and Consumer Finance. We recognize that they are partners to our success and our sensitivity to their guidance has paid dividends for us in this relationship.

Second, as this newsletter reaches you, construction on our second location in Southaven is underway. The Southaven Branch will enhance our growth as we are located in an area that will naturally provide added convenience and deposit growth from area residents, retail establishments, and professional offices in the immediate area. A few minor delays will likely move our opening from second quarter to third quarter.

The favorable vote at the special shareholders meeting held in December, 2009, allowed us to receive our second allocation of TARP funds from the US Treasury. Prior to year end we added another \$1.6 million in capital. Total Shareholders Equity now stands at \$9,835,868, up \$2,620,428 from the end of 2008, most of which was generated from our participation in two TARP allocations in 2009. As a result, we will continue to be well capitalized for the foreseeable future. The Board of Directors believes this to be a prudent option in light of the continued uncertainty in the economy, as well as in our local market. Again a reminder for those that want more information about our institution you may log on to FDIC.gov. Our bank number is 58154. Information on this web site is normally available in the second month after the end of each quarter.

The Annual Shareholders meeting for 2010 will be held the evening of April 20, 2010, at which time an annual audit will be made available to those that are interested. If you are unable to attend and want a copy, please let me know and I will see that you get one. I can be reached by e-mail at brenovich@desotobank.com or by phone at 662-393-3977. I would appreciate your comments and suggestions, and look forward to hearing from you about anything that is on your mind.

Sincerely,

Bill Renovich
President and Chief Executive Officer



Balance Sheet December 31, 2009

Statement of Progress

	December 31, 2009 (Audited)	June 30, 2009 (Unaudited)	December 31, 2008 (Audited)	June 30, 2008 (Unaudited)
ASSETS				
Cash and balances due from banks	\$ 885,838	\$ 1,106,240	\$ 769,976	\$ 1,255,041
Federal Funds Sold	1,923,521	3,757,059	283,968	266,095
Securities	6,072,934	5,673,103	5,874,480	6,203,381
Loans, net of allowance for loan losses	58,275,952	49,613,763	39,426,194	31,988,512
Premises and fixed assets, net	515,250	544,486	577,994	629,831
Foreclosed properties	1,070,539	1,012,880	361,623	560,144
Other assets	1,045,531	650,664	581,413	655,243
Total Assets	<u>\$69,789,565</u>	<u>\$62,358,195</u>	<u>\$47,875,648</u>	<u>\$41,558,247</u>
LIABILITIES AND STOCKHOLDERS' EQUITY				
Deposits	\$ 57,258,807	\$ 51,343,164	\$ 34,765,593	\$ 29,819,832
Federal funds and other borrowed money	2,540,000	2,540,000	5,718,000	3,972,000
Other liabilities	154,890	209,049	176,615	158,043
Stockholders' equity	9,835,868	8,265,982	7,215,440	7,608,372
Total liabilities & stockholders' equity	<u>\$69,789,565</u>	<u>\$62,358,195</u>	<u>\$47,875,648</u>	<u>\$41,558,247</u>