



## Balance Sheet December 31, 2010

### Statement of Progress

	December 31, 2010 (Unaudited)	June 30, 2010 (Unaudited)	December 31, 2009 (Audited)	December 31, 2008 (Audited)
<b>ASSETS</b>				
Cash and balances due from banks	\$ 1,346,066	\$ 1,065,165	\$ 885,838	\$ 769,976
Federal Funds Sold	839,639	—	1,923,521	283,968
Securities	5,676,204	6,503,107	6,072,934	5,874,480
Loans, net of allowance for loan losses	66,294,745	61,852,286	58,275,952	39,426,194
Premises and fixed assets, net	1,721,138	809,303	515,250	577,994
Foreclosed properties	496,106	496,956	1,070,539	361,623
Other assets	1,054,895	984,095	1,045,531	581,413
<b>Total Assets</b>	<b><u>\$77,428,793</u></b>	<b><u>\$71,710,912</u></b>	<b><u>\$69,789,565</u></b>	<b><u>\$47,875,648</u></b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>				
Deposits	\$ 63,141,411	\$ 58,092,273	\$ 57,258,807	\$ 34,765,593
Federal funds and other borrowed money	3,900,000	3,398,173	2,540,000	5,718,000
Other liabilities	167,687	132,931	154,890	176,615
Stockholders' equity	10,219,695	10,087,535	9,835,868	7,215,440
<b>Total liabilities &amp; stockholders' equity</b>	<b><u>\$77,428,793</u></b>	<b><u>\$71,710,912</u></b>	<b><u>\$69,789,565</u></b>	<b><u>\$47,875,648</u></b>



DeSoto County Bank enjoyed a very solid performance in 2010 with net income of more than double the amount budgeted for the year. This performance was achieved in spite of a sluggish economy and the depressed local housing market. The housing market historically has been a major economic component of Desoto County growth. It is also significant that our very favorable profit performance compared to budget occurred in a year in which we wrote down the value of certain investment securities, and adjusted downward the value of properties held in Other Real Estate Owned.

Total Assets over the six month period ending December 31, 2010 grew by just under 8% or \$5.7 million dollars. That was a material improvement over the 2.7% experienced during the first half of 2010. Growth in Total Assets for the year was nearly 11% or \$7.6 million. Loan growth for the year totaled \$8.4 million, a 14.2% increase over year-end 2009. Even though loan and asset growth were less than budget, we are pleased with this performance in an economy that can, at best, be described as sluggish. Loan charge-offs were .16% of total loans which was less than the .40% budgeted. Past dues and non-accrual loans of 2.35% at December 31, 2010 compare favorably with our peer group.

Deposit growth of \$5.8 million mirrored loan growth and provided a nice match for the increase in loans. With the opening of our Southaven Branch in late October, the growth in core deposits has improved, resulting in less dependence on non-local funding sources. This trend should continue, driven by further economic expansion along the Getwell Road corridor, and as people in the area of the new branch recognize the higher level of personal service we offer as an alternative to the "one size fits all" approach offered by big banks.

Overall, during the past year your bank has done well with sustained monthly profitability, quality loan growth, a healthy loan loss reserve, a manageable number of problem loans, and a new presence in a growth market like Southaven. We feel the prospects for continued growth in 2011 are bright as we continue to capitalize on the opportunities afforded us by customers interested in a bank that offers what we like to describe as an "aggressive" level of personal attention.

Please join us at our Annual Shareholders meeting, which has been tentatively scheduled for Thursday evening, March 17<sup>th</sup>, to hear more about the bank's challenges and opportunities for 2011. If you would like to receive more detailed information about the bank's performance you can access that information by going to [FDIC.gov](http://FDIC.gov). Use bank number 58154 to access information about us. Information is normally available about thirty days after each quarter end. If your would like to make a suggestion about how the bank can better serve its customers and the community, commend an employee for outstanding service, or issue a complaint you may do so by e-mailing me at [brenovich@desotobank.com](mailto:brenovich@desotobank.com) or by calling me at 662 996 1320.