

**SOUTH STREET FINANCIAL CORP. AND SUBSIDIARY**  
**Consolidated Statement of Income (Unaudited)**

	Three Months Ended 9/30/2011 (Dollars in thousands) (Unaudited)	Nine Months Ended 9/30/2011 (Dollars in thousands) (Unaudited)
<b>INTEREST INCOME</b>		
Loans	3,113	9,601
Investment securities	117	350
Other interest-bearing deposits	0	5
	<u>3,230</u>	<u>9,956</u>
<b>INTEREST EXPENSE</b>		
Deposit accounts	859	2,784
Borrowings	116	424
	<u>975</u>	<u>3,208</u>
	<u>2,255</u>	<u>6,748</u>
<b>PROVISION FOR LOSSES ON LOANS</b>		
	<u>1,528</u>	<u>1,603</u>
	<u>727</u>	<u>5,145</u>
<b>NON-INTEREST INCOME</b>		
Service charges and fees	192	536
Income form bank-owned life insurance	84	229
Other	-25	24
	<u>251</u>	<u>789</u>
<b>NON-INTEREST EXPENSES</b>		
Compensation and benefits	1,201	3,665
Net occupancy	192	553
Federal Insurance premiums	56	272
Data processing	116	356
Other	286	772
	<u>1,851</u>	<u>5,618</u>
	<u>-873</u>	<u>316</u>
<b>INCOME TAXES</b>		
	<u>-337</u>	<u>122</u>
	<u>\$ (536)</u>	<u>\$ 194</u>
<b>BASIC AND DILUTED NET INCOME PER COMMON SHARE</b>		
	<u>\$ (0.208)</u>	<u>\$ 0.075</u>
<b>WEIGHTED AVERAGE COMMON SHARES OUTSTANDING, BASIC AND DILUTED</b>		
	2,576,119	2,576,119

**SOUTH STREET FINANCIAL CORP. AND SUBSIDIARY**  
**Consolidated Statements of Financial Condition**

	June 30, 2011 (Unaudited)	December 31, 2010 *
(Dollars in thousands)		
<b>ASSETS</b>		
Cash and cash equivalents:		
Non-interest-bearing deposits	5,524	3,790
Interest-bearing deposits	20,066	22,861
Securities held to maturity	11,503	16,589
Securities available for sale	5,473	199
Federal Home Loan Bank stock	1,903	2,209
Loans receivable, net	221,017	232,218
Real estate held for investment	560	560
Foreclosed real estate	5,108	2,910
Properties and equipment, net	9,878	9,857
Bank owned life insurance	9,647	9,419
Prepaid expenses and other assets	5,304	5,159
	<u>295,983</u>	<u>305,771</u>
<b>Total assets</b>	<u>295,983</u>	<u>305,771</u>
 <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Liabilities:		
Deposits	244,214	252,302
Borrowings	22,576	25,063
Advance payments by borrowers for taxes and insurance	173	195
Accrued expenses and other liabilities	6,909	6,067
	<u>273,872</u>	<u>283,627</u>
<b>Total liabilities</b>	<u>273,872</u>	<u>283,627</u>
 <b>STOCKHOLDERS' EQUITY</b>		
Series A Preferred stock, non-cumulative, non-voting, no par value; authorized 500,000 shares; issued 55,342 shares at June 30, 2011 and 55,342 at December 31, 2010.	50	50
Preferred stock, no par value: authorized 4,500,000 shares; none issued	0	0
Common stock, no par value: authorized 20,000,000 shares; issued 2,520,777 shares June 30, 2011 and 2,520,777 shares at December 31, 2010	2,615	2,615
Retained earnings, substantially restricted	20,385	20,423
Accumulated other comprehensive (loss)	(939)	(944)
	<u>22,111</u>	<u>22,144</u>
<b>Total stockholder's equity</b>	<u>22,111</u>	<u>22,144</u>
<b>Total liabilities and stockholder's equity</b>	<u>295,983</u>	<u>305,771</u>
Book value per share	\$ 8.58	\$ 8.60
Number of shares outstanding	2,576,119	2,576,119
(Common 2,520,777; Preferred 55,342)		

\* Derived from audited financial statements

# **SOUTH STREET FINANCIAL CORP. AND SUBSIDIARY**

## **Notes to Financial Statements**

During the quarter, the FDIC completed its periodic examination of the Bank. Although the Bank has experienced immaterial loan charge offs over its history, because of current economic conditions in our market the FDIC requested, and we agreed to enter into, an informal agreement providing that the Bank allocated an additional \$1,488,000 to our loan loss reserves. This was a general provision relating to the economy in general and not specific provisions relating to any one or more loan relationships of the Bank. The net after tax effect of the general provision resulted in a quarterly loss of \$535,778, and a year to date profit through September 30, 2011 of \$194,121. The Bank's core earnings remain strong and we believe that the Company will report positive earnings for the fourth quarter and 2011 as a whole.