

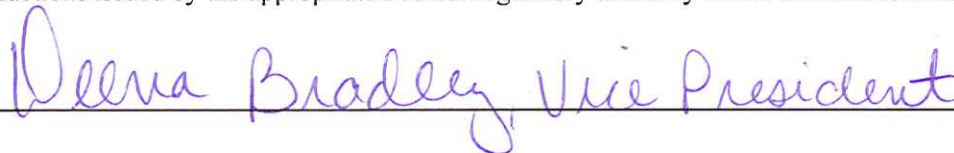
YEAR-TO-DATE DISCLOSURE STATEMENT
As of December 31, 2009

Magnolia Bank
794 Old Elizabethtown Road
Hodgenville, KY 42748

Notice and Availability

The annual disclosure statement may be obtained
upon request.

I, the undersigned officer, attest to the correctness of this statement and declare that it has been examined by me and to the best of my knowledge and belief has been prepared in accordance with instructions issued by the appropriate Federal regulatory authority and is true and correct.



Deena Bradley, Vice President

This statement has not been reviewed, or confirmed for accuracy or relevancy,
by the Federal Deposit Insurance Corporation or any other regulatory agency.

CONSOLIDATED REPORT OF CONDITION
For December 31, 2009

Dollar Amounts in Thousands	Current Year	Prior Year
Assets		
Cash and balances due from depository institutions:		
Noninterest-bearing balances and currency and coin.....	1,999	2,040
Interest-bearing balances.....	199	172
Securities:		
Held-to-maturity securities.....	0	0
Available-for-sale securities.....	21,783	22,991
Federal funds sold and securities purchased under agreements to resell.....	6,308	526
Loans and lease financing receivables:		
Loans and leases held for sale.....	8,083	0
Loans and leases, net of unearned income.....	82,692	84,220
LESS: Allowance for loan and lease losses.....	827	827
Loans and leases, net of unearned income and allowances.....	81,865	83,393
Trading assets.....	0	0
Premises and fixed assets (including capitalized leases).....	2,155	2,296
Other real estate owned.....	0	8
Investments in unconsolidated subsidiaries and associated companies.....	0	0
Direct and indirect investments in real estate ventures	0	n/a
Intangible assets:		
Goodwill.....	0	0
Other intangible assets.....	0	0
Other assets.....	3,257	2,499
Total assets.....	125,649	113,925
Liabilities		
Deposits In domestic offices.....	97,059	87,319
Noninterest-bearing.....	12,017	9,151
Interest-bearing.....	85,043	78,168
Federal funds purchased and securities sold under agreements to repurchase.....	0	0
Trading liabilities.....	0	0
Other borrowed money.....	16,983	16,612
Subordinated notes and debentures.....	0	0
Other liabilities.....	758	668
Total liabilities.....	114,800	104,599
Equity Capital		
Perpetual preferred stock and related surplus.....	0	0
Common stock.....	100	100
Surplus.....	6,600	6,600
Retained earnings.....	3,856	2,904
Accumulated other comprehensive income.....	293	-278
Other equity capital components.....	0	0
Total bank equity capital.....	10,849	9,326
Noncontrolling (minority) interests in consolidated subsidiaries.....	0	0
Total equity capital.....	10,849	n/a
Total liabilities and equity capital.....	125,649	113,925

CONSOLIDATED REPORT OF INCOME
For December 31, 2009

	Dollar Amounts in Thousands	Current Year	Prior Year
Interest income:			
Interest and fee income on loans.....		6,185	6,207
Income from lease financing receivables.....		1	7
Interest income on balances due from depository institutions.....		0	1
Interest and dividend income on securities:			
U.S. Treasury securities and U.S. Government agency obligations (excluding mortgage-backed securities).....		255	199
Mortgage-backed securities.....		202	330
All other securities.....		411	381
Total interest and dividend income on securities.....		868	910
Interest income from trading assets.....		0	0
Interest income on federal funds sold and securities purchased			
under agreements to resell.....		3	32
Other interest income.....		66	75
Total interest income.....		7,123	7,232
Interest expense:			
Interest on deposits:			
Transaction accounts:			
NOW, ATS, and telephone and preauthorized transfer accounts..		306	290
Nontransaction accounts:			
Savings deposits, including money market deposit accounts.....		288	348
Time deposits of \$100,000 or more.....		617	383
Time deposits of less than \$100,000.....		977	1,306
Expense of federal funds purchased			
and securities sold under agreements to repurchase.....		9	15
Interest on trading liabilities and other borrowed money.....		717	689
Interest on subordinated notes and debentures.....		0	0
Total interest expense.....		2,914	3,031
Net interest income.....		4,209	4,201
Provision for loan and lease losses.....		126	56
Noninterest income:			
Income from fiduciary activities.....		0	0
Service charges on deposit accounts.....		496	477
Trading revenue.....		0	0
Investment banking, advisory, brokerage, and underwriting fees & commissions.....		0	0
Venture capital revenue.....		0	0
Net servicing fees.....		0	0
Net securitization income.....		0	0
Insurance commissions and fees.....		0	0
Net gains (losses) on sales of loans.....		0	0
Net gains (losses) on sales of other real estate owned.....		0	-25
Net gains (losses) on sales of other assets (excluding securities).....		-2	-37
Other noninterest income.....		772	425
Total noninterest income.....		1,266	840
Realized gains (losses) on held-to-maturity securities.....		0	0
Realized gains (losses) on available-for-sale securities.....		41	-623
Noninterest expense:			
Salaries and employee benefits.....		2,157	1,998
Expenses of premises and fixed assets (net of rental income)			
(excluding salaries, employee benefits and mortgage interest).....		633	592
Amortization expense and asset impairment losses.....		0	0
Other noninterest expense.....		1,364	966
Total noninterest expense.....		4,154	3,556
Income (loss) before income taxes and extraordinary items and other adjustments.....		1,236	806
Applicable income taxes.....		0	-1
Income (loss) before extraordinary items and other adjustments.....		1,236	807
Extraordinary items and other adjustments, net of income taxes.....		0	0
Net (income) attributable to bank and noncontrolling (minority) interests.....		1,236	n/a
LESS: Net income (loss) attributable to noncontrolling (minority) interests.....		0	n/a
Net income (loss).....		1,236	807

CONSOLIDATED REPORT OF INCOME
For December 31, 2009

Dollar Amounts in Thousands	Current Year	Prior Year
MEMORANDA		
Interest expense incurred to carry tax-exempt securities, loans, and leases acquired after August 7, 1986 that is not deductible for federal income tax purposes.....	0	0
<i>Completed by banks with \$1 billion or more in total assets</i>		
Income from the sale and servicing of mutual funds and annuities.....	0	0
Income on tax-exempt loans and leases to states and political subdivisions in the U.S.....	1	1
Income on tax-exempt securities issued by states and political subdivisions in the U.S.....	411	355
Number of full-time equivalent employees at end of current period.....	43	41
Interest and fee income on loans to finance agricultural production and other loans to farmers <i>Completed by banks with \$300 million or more in total assets, and by banks with less than \$300 million in total assets, that have loans to finance agricultural production and other loans to farmers exceeding five percent of total loans.....</i>	0	0
Trading revenue (from cash instruments and derivative instruments): <i>Completed by banks that reported trading assets of \$2 million or more for any quarter of the preceding calendar year.</i>		
Interest rate exposures.....	0	0
Foreign exchange exposures.....	0	0
Equity security and index exposures.....	0	0
Commodity and other exposures.....	0	0
Credit exposures.....	0	0
Net gains (losses) recognized in earnings on credit derivatives that economically hedge credit exposures held outside the trading account		
Net gains (losses) on credit derivatives held for trading.....	0	0
Net gains (losses) on credit derivatives held for purposes other than trading.....	0	0
Credit losses on derivatives <i>Completed by banks with \$300 million or more in total assets.....</i>	0	0
Noncash income from negative amortization on closed-end loans secured by 1-4 family residential properties.....	0	0
Net gains (losses) recognized in earnings on assets and liabilities that are reported at fair value under a fair value option <i>Completed by banks that have elected to account for assets and liabilities under a fair value option.</i>		
Net gains (losses) on assets	0	0
Estimated net gains (losses) on loans attributable to changes in instrument-specific credit risk	0	0
Net gains (losses) on liabilities	0	0
Estimated net gains (losses) on liabilities attributable to changes in instrument-specific credit risk	0	0
CHANGES IN EQUITY CAPITAL		
Total equity capital originally reported at the end of the previous calendar year.....	9,326	9,031
Restatements due to corrections of material accounting errors and changes in accounting principals.....	0	0
Balance end of previous calendar year as restated.....	9,326	9,031
Net Income (loss) for the calendar year-to-date.....	1,236	807
Sale, conversion, acquisition, or retirement of capital stock, net.....	0	0
Treasury stock transactions, net.....	0	0
Changes incident to business combinations, net.....	0	0
LESS:Cash dividends declared on preferred stock.....	0	0
LESS:Cash dividends declared on common stock.....	284	311
Other comprehensive income.....	571	-201
Other transactions with parent holding company (not included above).....	0	0
Total equity capital end of current period.....	10,849	9,326
CHANGES IN ALLOWANCE FOR FOR LOAN AND LEASE LOSSES		
Balance originally reported at the end of the previous calendar year.....	827	775
Recoveries.....	45	42
LESS: Charge-offs and write-downs.....	171	46
Provision for loan and lease losses.....	126	56
Adjustments.....	0	0
Balance at end of current period.....	827	827

CONSOLIDATED REPORT OF INCOME
For December 31, 2009

	Current Year		Prior Year	
	Past due 90 days or more still accruing	Nonaccrual	Past due 90 days or more still accruing	Nonaccrual
	Dollar Amounts in Thousands			
PAST DUE AND NONACCRUAL LOANS, LEASES, AND OTHER ASSETS				
Loans secured by real estate:				
Construction, land development and other land loans.....	0	0	0	0
Secured by farmland.....	139	0	0	0
Secured by 1-4 family residential properties.....	179	123	0	50
Secured by 5 or more unit multifamily residential loans.....	0	0	0	0
Secured by nonfarm nonresidential properties.....	0	249	0	0
Loans to depository institutions and acceptances of other banks.....	0	0	0	0
Commercial and industrial loans.....	0	19	0	0
Loans to individuals for household, family, and other personal expenditures:				
Credit cards.....	0	0	0	0
Other (includes single payment, installment, all student loans, and revolving credit plans other than credit cards).....	3	10	0	57
Loans to foreign governments and official institutions.....	0	0	0	0
All other loans.....	4	0	1	0
Lease financing receivables.....	0	0	0	0
Debt securities and other assets				
(excludes other real estate owned and other repossessed assets)....	0	0	0	0