

**INDEPENDENT AUDITOR'S REPORT**

The Shareholders and  
Board of Directors  
MNB Holdings Corporation

We have audited the accompanying consolidated balance sheet of MNB Holdings Corporation and subsidiary as of December 31, 2008 and 2007 and the related consolidated statements of income, changes in shareholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provided a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of MNB Holdings Corporation and subsidiary as of December 31, 2008 and 2007 and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

*Perry-Smith LLP*

March 26, 2009

**MNB HOLDINGS CORPORATION AND SUBSIDIARY**

**CONSOLIDATED BALANCE SHEET**

**December 31, 2008 and 2007**

	<u>2008</u>	<u>2007</u>
<b>ASSETS</b>		
Cash and cash equivalents:		
Cash and due from banks	\$ 13,197,128	\$ 10,221,027
Federal funds sold	4,850,000	5,850,000
Interest-bearing deposits in banks	<u>339,566</u>	<u>435,268</u>
Cash and cash equivalents	18,386,694	16,506,295
Investment securities:		
Available-for-sale investment securities	5,160,463	5,280,225
Other investments	949,950	901,250
Loans, less allowance for loan losses of \$1,922,042 in 2008 \$1,269,121 in 2007	136,022,645	111,271,049
Account receivable from related party	1,511,483	1,515,942
Premises and equipment, net	1,127,193	1,176,990
Accrued interest receivable and other assets	<u>3,207,062</u>	<u>2,898,338</u>
Total assets	<u>\$ 166,365,490</u>	<u>\$ 139,550,089</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Deposits:		
Non-interest bearing	\$ 25,658,771	\$ 19,267,838
Interest bearing	<u>117,693,559</u>	<u>103,340,302</u>
Total deposits	143,352,330	122,608,140
Accrued interest payable and other liabilities	2,158,187	1,811,546
Short-term borrowings	5,000,000	1,000,000
Long-term debt	1,976,250	1,976,250
Junior subordinated debentures	<u>3,093,000</u>	<u>3,093,000</u>
Total liabilities	<u>155,579,767</u>	<u>130,488,936</u>
Commitments and contingencies (Note 7)		
Shareholders' equity:		
Common stock - no par value; 10,000,000 shares authorized, issued and outstanding – 457,773 shares in 2008 and 452,773 shares in 2007	4,683,783	4,570,194
Retained earnings	5,983,441	4,496,140
Accumulated other comprehensive income (loss), net of taxes	<u>118,499</u>	<u>(5,181)</u>
Total shareholders' equity	<u>10,785,723</u>	<u>9,061,153</u>
Total liabilities and shareholders' equity	<u>\$ 166,365,490</u>	<u>\$ 139,550,089</u>

The accompanying notes are an integral part of these consolidated financial statements.

**MNB HOLDINGS CORPORATION AND SUBSIDIARY**

**CONSOLIDATED STATEMENT OF INCOME**

**For the Years Ended December 31, 2008 and 2007**

	<u>2008</u>	<u>2007</u>
Interest income:		
Interest and fees on loans	\$ 10,048,752	\$ 9,208,434
Interest on investment securities	269,821	292,557
Interest on federal funds sold	77,638	284,122
Interest on deposits in banks	<u>5,753</u>	<u>22,461</u>
Total interest income	<u>10,401,964</u>	<u>9,807,574</u>
Interest expense:		
Deposits	3,422,456	3,776,094
Borrowings	279,677	261,691
Junior subordinated debentures	<u>174,347</u>	<u>241,124</u>
Total interest expense	<u>3,876,480</u>	<u>4,278,909</u>
Net interest income	6,525,484	5,528,665
Provision for loan losses	<u>706,500</u>	<u>203,000</u>
Net interest income after provision for loan losses	<u>5,818,984</u>	<u>5,325,665</u>
Non-interest income:		
Service charges	1,420,770	880,940
Gain on sale of loans	277,442	140,805
Fees on accounts receivable	156,333	196,359
Other income	<u>126,634</u>	<u>117,075</u>
Total non-interest income	<u>1,981,179</u>	<u>1,335,179</u>
Other expenses:		
Salaries and employee benefits	2,465,793	2,252,272
Occupancy and equipment	856,159	786,521
Other expenses	<u>1,959,997</u>	<u>1,563,619</u>
Total other expenses	<u>5,281,949</u>	<u>4,602,412</u>
Income before provision for income taxes	2,518,214	2,058,432
Provision for income taxes	<u>971,000</u>	<u>710,000</u>
Net income	<u>\$ 1,547,214</u>	<u>\$ 1,348,432</u>
Earnings per share	<u>\$ 3.41</u>	<u>\$ 2.98</u>

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part of these consolidated financial statements.

**MNB HOLDINGS CORPORATION AND SUBSIDIARY**  
**CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
For the Years Ended December 31, 2008 and 2007

	<u>Common Stock</u>		<u>Retained Earnings</u>	<u>Accumulated Other Comprehensive Income (Loss), Net of Taxes</u>	<u>Total Shareholders' Equity</u>
	<u>Shares</u>	<u>Amount</u>			
Balance, January 31, 2007	452,773	\$ 4,497,605	\$ 3,147,708	\$ (91,037)	\$ 7,554,276
Comprehensive income:					
Net income			1,348,432		1,348,432
Other comprehensive income, net of tax:					
Net change in unrealized losses on available-for-sale investment securities				85,856	<u>85,856</u>
Total comprehensive income					<u>1,434,288</u>
Share-based compensation		<u>72,589</u>			<u>72,589</u>
Balance, December 31, 2007	452,773	4,570,194	4,496,140	(5,181)	9,061,153
Cumulative effect of adoption of EITF 06-4			(59,913)		(59,913)
Comprehensive income:					
Net income			1,547,214		1,547,214
Other comprehensive income, net of tax:					
Net change in unrealized gains on available-for-sale investment securities				123,680	<u>123,680</u>
Total comprehensive income					<u>1,670,894</u>
Exercise of stock options	5,000	41,000			41,000
Share-based compensation		<u>72,589</u>			<u>72,589</u>
Balance, December 31, 2008	<u>457,773</u>	<u>\$ 4,683,783</u>	<u>\$ 5,983,441</u>	<u>\$ 118,499</u>	<u>\$10,785,723</u>

The accompanying notes are an integral part of these consolidated financial statements.

**MNB HOLDINGS CORPORATION AND SUBSIDIARY**

**CONSOLIDATED STATEMENT OF CASH FLOWS**

**For the Years Ended December 31, 2008 and 2007**

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities:		
Net income	\$ 1,547,214	\$ 1,348,432
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and accretion, net	200,948	108,290
Provision for loan losses	706,500	203,000
Dividends on FHLB stock	(33,400)	(31,400)
Provision for deferred income taxes	(312,000)	(13,000)
Decrease in deferred loan origination fees, net	(25,289)	(7,809)
Increase in cash surrender value of life insurance policies	(33,308)	(32,576)
Share-based compensation	72,589	72,589
Increase in accrued interest receivable and other assets	(49,363)	(142,166)
Increase in accrued interest payable and other liabilities	<u>286,728</u>	<u>417,549</u>
Net cash provided by operating activities	<u>2,360,619</u>	<u>1,922,909</u>
Cash flows from investing activities:		
Proceeds from matured and called available-for-sale investment securities	700,000	2,073,996
Principal payments received from available-for-sale mortgage-backed securities	646,021	504,432
Purchase of available-for-sale investment securities	(1,012,500)	(1,916,574)
Purchase of other investment securities	(15,300)	
Net increase in loans	(25,432,807)	(14,232,423)
Decrease in account receivable from related party	4,459	904
Purchase of premises and equipment, net	<u>(155,283)</u>	<u>(119,602)</u>
Net cash used in investing activities	<u>(25,265,410)</u>	<u>(13,689,267)</u>
Cash flows from financing activities:		
Net increase in demand, interest bearing and savings deposits	1,718,745	9,513,175
Net increase in time deposits	19,025,445	12,167,351
Net increase (decrease) increase in borrowings	4,000,000	(4,000,000)
Proceeds from exercise of stock options	<u>41,000</u>	
Net cash provided by financing activities	<u>24,785,190</u>	<u>17,680,526</u>
Increase in cash and cash equivalents	1,880,399	5,914,168
Cash and cash equivalents at beginning of year	<u>16,506,295</u>	<u>10,592,125</u>
Cash and cash equivalents at end of year	<u>\$ 18,386,694</u>	<u>\$ 16,506,295</u>

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**MNB HOLDINGS CORPORATION AND SUBSIDIARY**

**CONSOLIDATED STATEMENT OF CASH FLOWS**

(Continued)

**For the Years Ended December 31, 2008 and 2007**

	<u>2008</u>	<u>2007</u>
Supplemental disclosure of cash flow information:		
Cash paid during the year for:		
Interest expense	\$ 3,974,287	\$ 4,155,027
Income taxes	\$ 1,307,000	\$ 759,000
Non-cash investing activities:		
Net change in unrealized gains on available-for-sale investment securities	\$ 209,627	\$ 145,519

The accompanying notes are an integral  
part of these consolidated financial statements.