



Beach Community
Bancshares, Inc.

Statement of Condition

March 31, 2006

Dear Shareholders and Friends,

We are pleased to report to you the unaudited results of Beach Community Bancshares, Inc.'s operations for the first quarter beginning January 1, 2006 and concluding March 31, 2006. Beach Community Bancshares, Inc is the parent of Beach Community Bank. Included with this report is our Statement of Condition as of March 31, 2006 and March 31, 2005; our Statement of Operations for the quarter ended March 31, 2006 and 2005; Changes in the Allowance for Loan Loss Reserves; and the Statement of Loans Past Due over 90 days and Non-Accruing.

We continued to experience strong Balance Sheet and Income growth for the first quarter of 2006. Total Assets increased \$24.6 million during the quarter and \$159.7 million from 3/31/05. Asset growth was lead primarily by growth in our loan portfolio totaling over \$44 million for the quarter and \$157.7 million over the last twelve trailing months. Deposit growth for the quarter gave the appearance of being anemic but that was actually not the case. We received a very large temporary deposit just prior to the close of the 4th quarter in 2005. We essentially replaced this large deposit during the 1st quarter. Over the last twelve trailing months Deposits are up \$123 million, an increase of 43%.

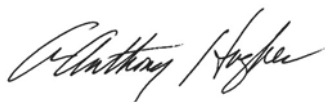
Earnings were again very strong this quarter. Net Income (after tax) of \$1,596,000 represented a 92% increase compared to the first quarter of 2005. On a per share basis, net earnings increased 63% from the first quarter of 2005. Earnings have been positively impacted by a 66.3% increase in Net Interest Income and continued control of non-interest expense.

Earnings per share did not increase on the same percentage as Net Income due to the increase in the number of shares outstanding as the result of our successful \$6 million stock offering which began in December 2005 and concluded in the first quarter of 2006. The stock offering contributed to an increase of over \$11.6 million in new capital compared to the first quarter a year ago. An increase in Retained Earnings of \$5.75 million for the last twelve months represented the balance of that increase.

In February we opened our newest office on Mary Esther Cutoff in Fort Walton Beach. We now have eight full service banking offices located throughout Northwest Florida. This past quarter we also welcomed Donna Stader as a new Vice President and Manager of our Mortgage Loan Department and Michelle Johnson as Assistant Vice President and Manager of our Blue Mountain Beach Office in South Walton County. We continue to explore opportunities for more locations in the Northwest Florida market.

On behalf of the Board of Directors and the Officers and Staff of Beach Community Bancshares, we thank you again for your business, your investment and your continued support.

Sincerely,

A handwritten signature in blue ink, appearing to read "Anthony Hughes". The signature is fluid and cursive, written in a professional style.

A. Anthony Hughes
President & Chief Executive Officer
Director

Assets

(unaudited)

	<u>March 31, 2006</u>	<u>March 31, 2005</u>
Cash & Due from Banks . . . \$	8,197,000	14,174,000
Securities	77,470,000	44,457,000
Federal Funds sold	0	28,681,000
Other Short Term Investments	0	0
Loans Receivable	393,961,000	236,270,000
Less: Allowance for Loan Losses	(3,968,000)	(2,843,000)
Loans Net of Unearned Income and Allowance	389,993,000	233,427,000
Premises and Fixed Assets, net	9,639,000	7,953,000
Other Real Estate Owned	0	0
Other Assets	<u>6,809,000</u>	<u>3,726,000</u>
 Total Assets \$	 492,108,000	 332,418,000

Liabilities

(unaudited)

Non-interest-Bearing Deposits \$	37,200,000	29,590,000
Interest-Bearing Deposits	<u>370,020,000</u>	<u>254,661,000</u>
Total Deposits	407,220,000	284,251,000
Federal Funds Purchased	7,231,000	0
Other Borrowed Money	35,494,000	19,542,000
Other Liabilities	<u>2,884,000</u>	<u>1,001,000</u>
Total Liabilities \$	452,809,000	304,794,000
 Minority Interest	 51,000	 0

Equity Capital

(unaudited)

Common Stock \$	11,835,000	10,198,000
Surplus	20,699,000	15,964,000
Retained Earnings	7,623,000	1,872,000
Unrealized Gain (Loss) on Securities Available for Sale	<u>(909,000)</u>	<u>(410,000)</u>
Total Equity Capital \$	39,248,000	27,624,000
 Total Liabilities, Minority Interest and Equity Capital \$	 492,108,000	 332,418,000

Statement of Operations
For the quarter ended March 31
(unaudited)

Interest Income	2006	2005
Securities	\$ 769,000	\$ 401,000
Short Term Investments	144,000	66,000
Loans and Loan Fees	<u>7,946,000</u>	<u>4,054,000</u>
Total Interest Income	\$ 8,859,000	4,521,000
Interest Expense		
Int. Bearing Trans. Accts.	\$1,385,000	608,000
Certificates of Deposit	2,203,000	707,000
Short Term Borrowings	<u>224,000</u>	<u>172,000</u>
Total Interest Expense	\$ 3,812,000	1,487,000
Net Interest Income	\$ 5,047,000	3,034,000
Less: Provision for Loan Losses	\$ 512,000	359,000
Add: Non Interest Income	\$ 436,000	154,000
Less: Non Interest Expense	<u>\$ 2,392,000</u>	<u>1,504,000</u>
Net Income Before Tax	\$ 2,579,000	1,325,000
Income Taxes	<u>\$ 983,000</u>	<u>495,000</u>
Net Income	\$ 1,596,000	830,000
Per Share	\$.67	.41



www.beachcommunitybank.com

Member FDIC

Changes in Allowance for Loan Losses

Balance January 1, 2006	\$ 3,453,000
Recoveries	3,000
Loans Charged Off	-0-
Provision for Loan Losses	<u>\$ 512,000</u>
Balance March 31, 2006	\$ 3,968,000

Loans 90 days Past Due and Non-accrual Loans

	<u>Accruing</u>	<u>Non-accruing</u>
Real Estate Loans	\$ 644,000	0
Installment Loans	0	0
Commercial and All Other Loans	<u>0</u>	<u>0</u>
Total	\$ 644,000	0

The financial information contained in this report has not been audited, nor has it been reviewed or approved by the Federal Reserve.

Officers

A. Anthony Hughes	President & Chief Executive Officer
Kathleen A. Pritchard	Executive Vice President & Senior Lending Officer
William E. Bassett	Executive Vice President & Pensacola Area President
Gary E. Johns	Executive Vice President & Chief Financial Officer
Kimberly A. Cox	Senior Vice President
John Keith	Senior Vice President
Scott McCormick	Senior Vice President
Keith D. Parks	Senior Vice President
Karen Bennett	Vice President
Richard G. Dalehite	Vice President
Karen Donaldson	Vice President
Richard Grant, Jr.	Vice President
Matthew S. Hamilton	Vice President
Caroline Hartnett	Vice President
F. Randall Kealer	Vice President
Suzanne B. Kelly	Vice President
Donna M. Stader	Vice President
Judith L. Winter	Vice President
Allison M. Cochran	Assistant Vice President
Karen Helms	Assistant Vice President
Michael Howell	Assistant Vice President
Michelle Johnson	Assistant Vice President
Cecilia McAdams	Assistant Vice President
Gary Pelham	Assistant Vice President
Cathy Ricks	Assistant Vice President

Mailing Address

P.O. Box 4400 Fort Walton Beach, FL 32549

**Toll free 866-36BEACH
(866-362-3224)**

Email: contact_us@beachcommunitybank.com

Directors

W. Todd Schweizer	<i>Chairman of the Board, Real Estate Investments</i>
Senator Charles W. Clary, III	<i>Principal, DAG Architects Florida State Senator</i>
Julian B. MacQueen	<i>Chairman and CEO Innisfree Hotels</i>
A. Anthony Hughes	<i>President & Chief Executive Officer Beach Community Bank</i>
Dr. James R. "Bob" Richburg	<i>President Okaloosa-Walton College</i>
Kathleen A. Pritchard	<i>Executive Vice President & Senior Lending Officer Beach Community Bank</i>
Art Schweizer	<i>Art's Appliance Superstore</i>
Joseph W. Henderson	<i>Vice-Chairman of the Board Partner, O'Sullivan, Creel, LLP CPA's</i>
Major General A. Bowen Ballard (ret.)	<i>United States Air Force Reserve CEO ,The Ballard Companies</i>
C. LeDon Anchors	<i>Partner, Anchors, Smith, Grimsley</i>

Office Locations

17 SE Eglin Parkway Fort Walton Beach FL 32548 (850)244-9900
412 Mary Esther Cutoff Fort Walton Beach, FL 32548 (850)244-9160
33 West Garden Street Pensacola, FL 32502 (850)202-9900
4465 Bayou Blvd. Pensacola, FL 32503 (850)202-9000
60 Northcliff Drive Gulf Breeze, FL 32561 (850)916-5100
9329 N. Palafox Hwy. Pensacola, FL 32534 (850)202-9109
601 Harbor Blvd. Destin, FL 32541 (850)650-9041
3925 W. Hwy 30A, Suite J Santa Rosa Beach, FL 32459 (850)267-9910

New Offices Coming Soon to:

***Niceville, Florida
Crestview, Florida
Navarre, Florida***

