



Beach Community  
Bancshares, Inc.

Statement of Condition

March 31, 2007

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, 2007 and concluding March 31, 2007. Beach Community Bancshares, Inc is the parent company of Beach Community Bank. Included with this report is our Statement of Condition as of March 31, 2007 and March 31, 2006; our Statement of Operations for the quarter ended March 31, 2007 and 2006; Changes in the Allowance for Loan Loss Reserves; and the Statement of Loans Past Due over 90 days and Non-Accruing.

The first quarter of 2007 was another good quarter for the Company. Total Assets increased 27.3% over the first quarter of 2006 and grew \$16.48 million over 12/31/2006. Total Deposits also grew significantly, increasing \$109.23 million over the year and \$24.8 million from 12/31. Earnings for the first quarter of 2007 totaled \$1.783 million compared to \$1.596 million in the same quarter of 2006. Earnings per share were 11.9% higher than last year's same quarter results. While we earned more than the first quarter of 2006 and last quarter (fourth quarter 2006), our earnings are being negatively impacted by slower growth in our loan portfolio and net interest margin pressures caused by the inverted yield curve.

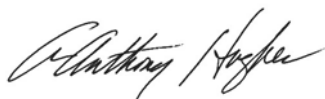
We are reporting an increased level of non-performing loans this quarter, with loans past due more than 90 days totaling \$2.9 million and non-accruing loans totaling \$3.9 million. These totals primarily represent two borrowing relationships. We have reviewed both situations very closely and believe both loans to be fully secured with marketable real estate collateral. We are working hard to gain control of the assets securing our loans so that the properties can be sold and our funds returned to accrual status.

Given the current state of the real estate market, the insurance market and the negative effects of the flat to inverted yield curve, 2007 will be a challenging year. The good news is that we have gotten the year off to a respectable beginning. We are going to work very hard to continue that good start.

Our branch expansion continues. We are well underway on construction of new offices in Niceville and on Racetrack Road in Fort Walton Beach. As I write this letter to you, we have just awarded the construction contract for our Navarre office and expect to break ground there very soon. We have also begun our site work on the Crestview office and expect to go vertical with the new office in a few months. New locations give us access to new borrowing customers and retail core deposits.

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, with a large initial "A" and "H".

A. Anthony Hughes  
President & Chief Executive Officer

## Assets

(unaudited)

	<u>March 31, 2007</u>	<u>March 31, 2006</u>
Cash & Due from Banks . . . \$	12,462,000	8,197,000
Securities . . . . .	138,124,000	77,470,000
Federal Funds sold . . . . .	10,222,000	0
Other Short Term Investments	0	0
Loans Receivable . . . . .	449,444,000	393,961,000
Less: Allowance for Loan Losses	(4,357,000)	(3,968,000)
Loans Net of Unearned Income and Allowance . . . . .	445,087,000	389,993,000
Premises and Fixed Assets, net	11,597,000	9,639,000
Other Real Estate Owned . . . .	0	0
Other Assets . . . . .	<u>8,996,000</u>	<u>6,809,000</u>
 Total Assets . . . . . \$	 626,488,000	 492,108,000

## Liabilities

(unaudited)

Non-interest-Bearing Deposits . . . . . \$	26,829,000	37,200,000
Interest-Bearing Deposits	<u>489,622,000</u>	<u>370,020,000</u>
Total Deposits	516,451,000	407,220,000
Federal Funds Purchased	0	7,231,000
Other Borrowed Money . . . .	45,833,000	35,494,000
Subordinated Debentures . . .	12,372,000	0
Other Liabilities . . . . .	<u>4,157,000</u>	<u>2,884,000</u>
Total Liabilities . . . . . \$	578,813,000	452,809,000
 Minority Interest	 15,000	 51,000

## Equity Capital

(unaudited)

Common Stock . . . . . \$	11,883,000	11,835,000
Surplus . . . . .	20,870,000	20,699,000
Retained Earnings . . . . .	15,003,000	7,623,000
Unrealized Gain (Loss) on Securities Available for Sale	<u>(96,000)</u>	<u>(909,000)</u>
Total Equity Capital . . . . . \$	47,660,000	39,248,000
 Total Liabilities, Minority Interest and Equity Capital . . . . . \$	 626,488,000	 492,108,000

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

<b>Interest Income</b>	<b>2007</b>	<b>2006</b>
Securities	\$ 1,608,000	\$ 769,000
Short Term Investments	202,000	144,000
Loans and Loan Fees	<u>10,121,000</u>	<u>7,946,000</u>
<b>Total Interest Income</b>	<b>\$ 11,931,000</b>	<b>8,859,000</b>
<b>Interest Expense</b>		
Int. Bearing Trans. Accts.	\$ 1,773,000	1,385,000
Certificates of Deposit	4,132,000	2,203,000
Short Term Borrowings	<u>747,000</u>	<u>224,000</u>
<b>Total Interest Expense</b>	<b>\$ 6,652,000</b>	<b>3,812,000</b>
<b>Net Interest Income</b>	<b>\$ 5,279,000</b>	<b>5,047,000</b>
Less: Provision for Loan Losses	\$ 0	512,000
Add: Non Interest Income	\$ 427,000	436,000
Less: Non Interest Expense	<u>\$ 2,957,000</u>	<u>2,392,000</u>
<b>Net Income Before Tax</b>	<b>\$ 2,749,000</b>	<b>2,579,000</b>
Income Taxes	<u>\$ 966,000</u>	<u>983,000</u>
<b>Net Income</b>	<b>\$ 1,783,000</b>	<b>1,596,000</b>
<b>Per Share</b>	<b>\$ .75</b>	<b>.67</b>



[www.beachcommunitybank.com](http://www.beachcommunitybank.com)

**Member FDIC**

### **Changes in Allowance for Loan Losses**

Balance January 1, 2007	\$ 4,508,000
Recoveries	17,000
Loans Charged Off	168,000
Provision for Loan Losses	<u>\$ 0</u>
Balance March 31, 2007	\$ 4,357,000

### **Loans 90 days Past Due and Non-accrual Loans**

	<u>Accruing</u>	<u>Non-accruing</u>
Real Estate Loans	\$ 2,895,000	3,907,000
Installment Loans	0	0
Commercial and All Other Loans	<u>0</u>	<u>103,000</u>
Total	\$ 2,895,000	4,010,000

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

## ***Officers***

<b>A. Anthony Hughes</b>	<b>President &amp; Chief Executive Officer</b>
<b>Kathleen A. Pritchard</b>	<b>Executive Vice President &amp; Senior Lending Officer</b>
<b>William E. Bassett</b>	<b>Executive Vice President &amp; Pensacola Area President</b>
<b>Gary E. Johns</b>	<b>Executive Vice President &amp; Chief Financial Officer</b>
<b>Kimberly A. Cox</b>	<b>Executive Vice President/Branch Administration</b>
<b>Brian P. Bell</b>	<b>Senior Vice President</b>
<b>W. Scott McCormick</b>	<b>Senior Vice President</b>
<b>J. Scott McManus</b>	<b>Senior Vice President</b>
<b>Keith D. Parks</b>	<b>Senior Vice President</b>
<b>Karen J. Bennett</b>	<b>Vice President</b>
<b>Allison M. Cochran</b>	<b>Vice President</b>
<b>Richard G. Dalehite</b>	<b>Vice President</b>
<b>Matthew S. Hamilton</b>	<b>Vice President</b>
<b>Caroline A. Hartnett</b>	<b>Vice President</b>
<b>Suzanne B. Kelly</b>	<b>Vice President</b>
<b>Daniel L. Kenan</b>	<b>Vice President</b>
<b>Elayne E. Jones</b>	<b>Vice President</b>
<b>Judith L. Winter</b>	<b>Vice President</b>
<b>Karen J. Helms</b>	<b>Assistant Vice President</b>
<b>Michael W. Howell</b>	<b>Assistant Vice President</b>
<b>Laura Michelle Johnson</b>	<b>Assistant Vice President</b>
<b>Cecilia M. McAdams</b>	<b>Assistant Vice President</b>
<b>Deborah A. Patzig</b>	<b>Assistant Vice President</b>
<b>Gary A. Pelham</b>	<b>Assistant Vice President</b>
<b>Cathy V. Ricks</b>	<b>Assistant Vice President</b>
<b>Angela M. Cameron</b>	<b>Banking Officer</b>
<b>Erin C. Charpentier</b>	<b>Banking Officer</b>
<b>Cheryl J. Corsten</b>	<b>Banking Officer</b>
<b>Linda G. Walker</b>	<b>Banking Officer</b>
<b>Malinda E. Ritter</b>	<b>Accounting Officer</b>

### **Mailing Address**

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

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

**Email: [contact\\_us@beachcommunitybank.com](mailto:contact_us@beachcommunitybank.com)**

## ***Directors***

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

## ***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  
90 Trista Terrace Ct. Destin, FL 32541 (850)269-2585  
3925 W. Hwy 30A, Suite J Santa Rosa Beach, FL 32459 (850)267-9910

### ***New Offices Coming Soon to:***

***Racetrack Road, Fort Walton Beach, FL  
John Sims Parkway, Niceville, FL  
Highway 98, Navarre, FL  
Highway 85, Crestview, FL***



