

A scenic view of a tropical beach. In the foreground, a large, textured orange starfish lies on the sand, partially submerged in shallow, clear water. The water is gently rippling around the starfish. The beach extends into the distance, meeting a vibrant turquoise ocean under a bright blue sky with scattered white clouds. The overall atmosphere is serene and idyllic.

*Statement of Condition
March 31, 2008*

Beach Community Bancshares, Inc. and Subsidiary

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 of 2008, beginning January 1, 2008 and concluding March 31, 2008. Beach Community Bancshares, Inc. is the parent company of Beach Community Bank.

This report includes our Statement of Condition as of March 31, 2008 and March 31, 2007; our Statement of Operations for the year to date through March 31, 2008 and 2007; Changes in the Allowance for Loan Loss Reserves; the Statement of Loans Past Due over 90 days and Non-Accruing; and our Capital Ratios for both the bank and the parent company as of March 31, 2008.

Those of you who live in the Northwest Florida Panhandle area already know that our local economy continues to struggle, but we are seeing some bright spots. Tourism so far this spring seems to be doing very well, despite the record high gasoline prices. Also, some pockets of the residential real estate market within our area appear to have bottomed out and seem to be holding steady, although still at reduced activity levels compared to previous years. Unfortunately, a few areas in our market appear to still be very soft and we are monitoring our credit exposure in those areas very closely.

Year over year, we saw an increase in our Total Assets of almost \$35 million, a 5.57% increase. Total Assets declined during the quarter from \$729.36 million on 12/31/07 to \$661.43 million on 3/31/08 due to a large temporary deposit from a local governmental agency that dispersed its funds as planned in the first quarter of the year. Due to the nature of this account, this will most likely be a reoccurring event in the first quarter of future years. Loans (excluding mortgage loans held for resale) increased \$27.4 million year over year, a 6.1% increase. We earned \$222,000 after taxes for the first quarter, which was significantly below our first quarter's earnings in 2007 of \$1,783,000, but was an improvement over the loss of \$495,000 we posted in the 4th quarter of 2007 due to the large provision for loan losses we took that quarter. Our first quarter's earnings were negatively impacted by the

continuing loss of interest revenue on non-performing loans and Other Real Estate Owned (OREO), a \$750,000 provision to our allowance for loan losses, and higher interest costs for our deposits which have primarily been brought about by the ongoing turmoil in the credit and capital markets. The Bank continues to exceed all “well-capitalized” definitions used by the banking regulatory authorities.

We made some good progress on our non-performing assets during the first quarter of 2008. Non-performing loans plus OREO declined 9.6% from last quarter. We are working these problem assets very hard, in some cases working with our borrowers when we can and in other cases vigorously pursuing litigation and/or foreclosure when we can't. We are also aggressively marketing properties for sale as soon as we get ownership or control of them. While the first quarter's results were good, much more work remains.

So, as I reported to you in our 2007 annual report, we are still in a challenging environment with the primary headwinds being the interest rate environment, the local economy and asset quality issues. All areas where we have any control are being worked and progress is being made. We will continue to closely monitor the loan portfolio for any further deterioration and will take action as needed. These situations take time to resolve but be assured that no one is more impatient about making progress than we are.

As always, on behalf of the Directors, the Officers and the Staff of Beach Community Bancshares and Beach Community Bank, we thank you for your business, your investment, your patience and your continued support.

Sincerely,

A handwritten signature in cursive script, appearing to read "A. Anthony Hughes".

A. Anthony Hughes
President & Chief Executive Officer

Assets

(unaudited)

	<u>March 31, 2008</u>	<u>March 31, 2007</u>
Cash & Due from Banks	\$ 8,554,000	\$ 12,462,000
Securities	139,469,000	138,124,000
Federal Funds sold	353,000	10,222,000
Investment in Equity Securities . . .	372,000	372,000
Loans Held for Sale	6,665,000	-
Loans Receivable	\$ 476,882,000	\$ 449,444,000
Less: Allowance for Loan Losses . . .	<u>(6,181,000)</u>	<u>(4,357,000)</u>
Loans Net of Unearned Income and Allowance	470,701,000	445,087,000
Premises and Fixed Assets, net. . . .	17,920,000	11,597,000
Other Real Estate Owned	7,671,000	0
Other Assets	<u>9,728,000</u>	<u>8,624,000</u>
Total Assets	\$ 661,433,000	\$ 626,488,000

Liabilities

(unaudited)

Non-interest-Bearing Deposits.	\$ 23,353,000	\$ 26,829,000
Interest-Bearing Deposits.	<u>505,042,000</u>	<u>489,622,000</u>
Total Deposits.	\$ 528,395,000	\$ 516,451,000
Federal Funds Purchased.	0	0
Other Borrowed Money.	65,107,000	45,833,000
Subordinated Debentures.	12,372,000	12,372,000
Other Liabilities.	<u>3,085,000</u>	<u>4,157,000</u>
Total Liabilities	\$ 608,959,000	\$ 578,813,000
Minority Interest	\$ 20,000	\$ 15,000

Equity Capital

(unaudited)

Common Stock	\$ 11,903,000	\$ 11,883,000
Surplus	20,971,000	20,870,000
Retained Earnings.	17,268,000	15,003,000
Unrealized Gain (Loss) on Securities Available for Sale.	<u>2,312,000</u>	<u>(96,000)</u>
Total Equity Capital.	\$ 52,454,000	\$ 47,660,000
Total Liabilities and Equity Capital .	\$ 661,433,000	\$ 626,488,000

Statement of Operations

For the Year to Date Ended, March 31, 2008 and March 31, 2007
(unaudited)

	2008		2007
Interest Income			
Securities	\$ 2,011,000	\$	1,608,000
Short Term Investments	138,000		202,000
Loans and Loan Fees	<u>8,763,000</u>		<u>10,121,000</u>
Total Interest Income	\$ 10,912,000	\$	11,931,000
Interest Expense			
Int. Bearing Trans. Accts.	\$ 1,261,000	\$	1,773,000
Certificates of Deposit	4,298,000		4,132,000
Other Borrowed Money	<u>841,000</u>		<u>747,000</u>
Total Interest Expense	\$ 6,400,000	\$	6,652,000
Net Interest Income	\$ 4,512,000	\$	5,279,000
Less: Provision for Loan Losses	750,000		0
Add: Non Interest Income	731,000		427,000
Less: Non Interest Expense	<u>4,220,000</u>		<u>2,942,000</u>
Minority Interest	20,000		15,000
Net Income Before Tax	\$ 253,000	\$	2,749,000
Income Taxes	<u>31,000</u>		<u>966,000</u>
Net Income	\$ 222,000	\$	1,783,000
Per Share	\$.09	\$.75

Capital Ratios

As of March 31, 2008

	Actual		Minimum Capital Requirement		Minimum to be well capitalized under prompt corrective action provisions	
	<u>Amount</u>	<u>Ratio</u>	<u>Amount</u>	<u>Ratio</u>	<u>Amount</u>	<u>Ratio</u>
Total Capital (to risk weighted assets)						
Consolidated	\$ 67,929	13.03%	\$ 41,700	8%	N/A	N/A
Bank	\$ 65,162	12.50%	\$ 41,694	8%	\$52,117	10%
Tier I Capital (to risk weighted assets)						
Consolidated	\$ 61,748	11.85%	\$ 20,850	4%	N/A	N/A
Bank	\$ 58,981	11.32%	\$ 20,847	4%	\$ 31,270	6%
Tier I Capital (to average assets)						
Consolidated	\$ 61,748	8.93%	\$ 27,663	4%	N/A	N/A
Bank	\$ 58,581	8.53%	\$ 27,663	4%	\$34,578	5%

Changes in Allowance for Loan Losses

Balance January 1, 2008	\$	6,556,000
Recoveries		20,000
Loans Charged Off		1,145,000
Provision for Loan Lossees	\$	<u>750,000</u>
Balance March 31, 2008	\$	6,181,000

Loans 90 days Past Due and Non-accrual Loans

	<u>Accruing</u>	<u>Non-accruing</u>
Real Estate Loans	\$ 122,000	\$ 30,325,000
Installment Loans	\$ 37,000	0
Commercial and All Other Loans	\$ <u>0</u>	\$ <u>537,000</u>
Balance March 31, 2008	\$ 159,000	\$ 30,862,000

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

Mailing Address

P.O Box 4400, Fort Walton Beach, FL 32549
Toll Free 866.36BEACH
(866.362.3224)
www.beachcommunitybank.com

Office Locations

17 SE Eglin Parkway, Fort Walton Beach, FL 32548 850.244.9900
3 NE Racetrack Road, Fort Walton Beach, FL 32547 850.315.3500
412 Mary Esther Cutoff, Fort Walton Beach, FL 32548 850.244.9160
100 Armstrong Avenue, Niceville, FL 32578 850.678.3990
661 Harbor Boulevard, Destin, FL 32541 850.650.9041
90 Trista Terrace Court, Destin, FL 32541 850.269.2585
3925 W Hwy 30A, Suite J, Santa Rosa Beach, FL 32459 850.267.9910
33 West Garden Street, Pensacola, FL 32502 850.202.9900
4465 Bayou Boulevard, Pensacola, FL 32503 850.202.9000
9329 N Palafox Highway, Pensacola, FL 32534 850.202.9109
7828 N Davis Highway, Pensacola, FL 32514 850.475.7840
60 Northcliff Drive, Gulf Breeze, FL 32561 850.916.5100

New Offices Coming Soon to:

9290 Navarre Parkway, Navarre, FL 32566 850.515.1344
Highway 85, Crestview, FL

Directors

Joseph W. Henderson
Chairman of the Board
Partner, O'Sullivan, Creel, LLP CPA's

A. Anthony Hughes
President & CEO
Beach Community Bank

Kathleen A. Pritchard
Executive Vice President &
Senior Lending Officer
Beach Community Bank

Charles W. Clary, III
Principal, DAG Architects

Art Schweizer
Retired Former Owner, Art's Appliances

Major General A. Bowen Ballard, USAF (Ret.)
Reserves/CEO,
The Ballard Companies

Dr. James R. "Bob" Richburg
President, Okaloosa-Walton College

C. LeDon Anchors
Partner, Anchors, Smith, Grimsley

Julian B. MacQueen
Chairman & CEO Innisfree Hotels

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
Executive Vice President
Branch Administration

Brian P. Bell
Senior Vice President

W. Scott McCormick
Senior Vice President

Keith D. Parks
Senior Vice President

Karen J. Bennett
Vice President

Allison M. Cochran
Vice President

Richard G. Dalehite
Vice President

Matthew S. Hamilton
Vice President

Caroline A. Hartnett
Vice President

Suzanne B. Kelly
Vice President

Daniel L. Kenan
Vice President

Elayne E. Jones
Vice President

Judith L. Winter
Vice President

Karen J. Helms
Assistant Vice President

Michael W. Howell
Assistant Vice President

L. Michelle Johnson
Assistant Vice President

Cecilia M. McAdams
Assistant Vice President

Deborah A. Patzig
Assistant Vice President

Gary A. Pelham
Assistant Vice President

Cathy V. Ricks
Assistant Vice President

Mia Saunders
Assistant Vice President

Charles L. Wilbur
Assistant Vice President

Malinda E. Ritter
Accounting Officer

Terra Joplin
Finance/ HR Officer

Wanda J. Wallace
Loan Operations Officer

Jennifer M. Bartz
Banking Officer

Angela M. Cameron
Banking Officer

Erin C. Charpentier
Banking Officer

Rachael Doan
Banking Officer

Vicky D. Tucker
Banking Officer

Linda G. Walker
Banking Officer