



Beach Community
Bancshares, Inc.

Statement of Condition

June 30, 2006

Dear Shareholders and Friends,

We are pleased to report to you the unaudited results of Beach Community Bancshares, Inc.'s operations for the year to date beginning January 1, 2006 and concluding June 30, 2006. Included with this report is our Statement of Condition as of June 30, 2006 and June 30, 2005; our Statement of Operations for the year to date through June 30, 2006 and 2005; Changes in the Allowance for Loan Loss Reserves; and the Statement of Loans Past Due over 90 days and Non-Accruing. Beach Community Bancshares, Inc. is the parent company of Beach Community Bank.

We continued to enjoy strong growth and financial success during the second quarter of the year. Assets increased \$39.9 million since March 31, 2006 and have increased a total of \$150.6 million for the last twelve trailing months. Our loan portfolio has driven the majority of this increase, rising \$20.4 million for the quarter and \$128.1 million in the last twelve months. Asset growth has been funded predominately by our deposit base which increased \$34.2 million for the quarter and \$135.6 million in the last twelve months.

Earnings continue to be strong. Net Income for the second quarter totaled \$1.922 million compared to \$1.596 million last quarter and for the first six months of the year totaled \$3.518 million compared to \$1.885 million for the same period last year, an increase of \$1.633 million. Earnings per share for the first six months came in at \$1.49 per weighted average share compared to \$.92 per share through 6 months in 2005, an increase of 62%. Earnings continue to be favorably impacted by our strong interest margins and expense control. For the first six months of 2005 we operated only four banking offices while for the first six months of 2006 we have operated eight banking offices.

Our asset quality remains very strong with only \$115,000 in 90+ day past due loans and no loans in non-accrual. For the first six months of the year we added \$702,000 to the Allowance for Loan Losses to account for the growth in the loan portfolio.

In June we closed out a \$12 million trust preferred offering. This is a debt instrument that allows us to push down capital funds to the Bank without having to raise potentially dilutive equity from our shareholders. You will see this in our financial statement as a subordinated debenture.

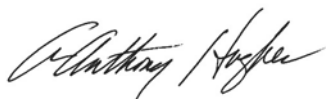
During the past quarter we relocated our Deposit Operations, Accounting and Compliance functions to a new office on Racetrack Road in Fort Walton Beach. This has created new space in the Main Office that we plan to renovate to house additional lending and support staff. We have also received regulatory approval to open a full service branch office at the Racetrack location, which we believe will open either later this quarter or early in the fourth quarter. Additionally, we are opening a new branch office in Destin just east of Destin Commons. The “Destin East” office will include a very strong commercial lending function to support our operations in the Destin and South Walton County markets. We continue to work on building plans and permits for our other offices planned for Niceville, Navarre and Crestview. We believe we will be under construction on all three of these offices by year end.

Our four new banking offices have performed well, bringing in much needed lower cost core deposits.

We also welcomed two new officers to our family. Dan Kenan joined the Bank as Vice President in Commercial Lending. He works out of our Garden Street office in downtown Pensacola. Debbie Patzig joined us as Assistant Vice President. She is the Branch Manager for our Main Office in Fort Walton Beach.

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 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

Assets

(unaudited)

	<u>June 30, 2006</u>	<u>June 30, 2005</u>
Cash & Due from Banks . . . \$	5,635,000	27,873,000
Securities	90,773,000	52,814,000
Federal Funds sold	7,630,000	4,435,000
Investment in Equity Securities	372,000	0
Loans Receivable	414,328,000	286,219,000
Less: Allowance for Loan Losses	(4,156,000)	(3,160,000)
Loans Net of Unearned Income and Allowance	410,172,000	283,059,000
Premises and Fixed Assets, net	9,863,000	8,540,000
Other Real Estate Owned	0	0
Other Assets	<u>7,596,000</u>	<u>4,747,000</u>
Total Assets \$	532,041,000	381,468,000

Liabilities (unaudited)

Non-interest-Bearing Deposits \$	41,908,000	34,415,000
Interest-Bearing Deposits	<u>399,558,000</u>	<u>271,394,000</u>
Total Deposits	441,466,000	305,809,000
Federal Funds Purchased	0	5,000,000
Other Borrowed Money	35,170,000	40,208,000
Subordinated Debentures	12,372,000	0
Other Liabilities	<u>2,258,000</u>	<u>1,141,000</u>
Total Liabilities \$	491,266,000	352,158,000
Minority Interest	69,000	0

Equity Capital (unaudited)

Common Stock \$	11,852,000	10,424,000
Surplus	20,753,000	16,218,000
Retained Earnings	9,545,000	2,926,000
Unrealized Gain (Loss) on Securities Available for Sale	<u>(1,444,000)</u>	<u>(258,000)</u>
Total Equity Capital \$	40,706,000	29,310,000
Total Liabilities and Equity Capital \$	532,041,000	381,468,000

Statement of Operations
For the Year to Date ended June 30, 2006
(unaudited)

Interest Income	2006	2005
Securities	\$ 1,756,000	\$ 899,000
Short Term Investments	223,000	192,000
Loans and Loan Fees	<u>16,926,000</u>	<u>9,110,000</u>
Total Interest Income	\$ 18,905,000	10,201,000
Interest Expense		
Int. Bearing Trans. Accts.	\$ 2,883,000	1,442,000
Certificates of Deposit	4,997,000	1,671,000
Short Term Borrowings	<u>635,000</u>	<u>360,000</u>
Total Interest Expense	\$ 8,515,000	3,473,000
Net Interest Income	\$ 10,390,000	6,728,000
Less: Provision for Loan Losses	\$ 702,000	896,000
Add: Non Interest Income	\$ 846,000	320,000
Less: Non Interest Expense	<u>\$ 5,026,000</u>	<u>3,147,000</u>
Net Income Before Tax	\$ 5,508,000	3,005,000
Income Taxes	<u>\$ 1,990,000</u>	<u>1,120,000</u>
Net Income	\$ 3,518,000	1,885,000
Per Share	\$ 1.49	.92



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Member FDIC

Changes in Allowance for Loan Losses

Balance January 1, 2006	\$ 3,453,000
Recoveries	18,000
Loans Charged Off	17,000
Provision for Loan Losses	<u>\$ 702,000</u>
Balance June 30, 2006	\$ 4,156,000

Loans 90 days Past Due and Non-accrual Loans

	<u>Accruing</u>	<u>Non-accruing</u>
Real Estate Loans	\$ 0	\$ 0
Installment Loans	0	0
Commercial and All Other Loans	<u>\$ 115,000</u>	<u>\$ 0</u>
Total	\$ 115,000	\$ 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
Richard Grant, Jr.	Vice President
Matthew S. Hamilton	Vice President
Caroline Hartnett	Vice President
Suzanne B. Kelly	Vice President
Dan Kenan	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
Deborah Patzig	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>Retired Local Businessman</i>
Joseph W. Henderson	<i>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:

***Destin, Florida
Fort Walton Beach, Florida
Niceville, Florida
Navarre, Florida
Crestview, Florida***

