



Beach Community
Bancshares, Inc.

Statement of Condition

June 30, 2007

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, 2007 and concluding June 30, 2007. Included with this report is our Statement of Condition as of June 30, 2007 and June 30, 2006; our Statement of Operations for the year to date through June 30, 2007 and 2006; 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.

From a year over year basis, we continue to report good increases in Total Loans, Total Assets and Total Deposits. Since January 1st, our Total Loans have grown an anemic 1.3%, Total Assets are up 5.9% and Total Deposits have increased 9.9% (all annualized). This is directly the result of the slowness we have seen in our markets. While we are still active in approving and booking new loans, unfortunately we are just keeping up with the runoff that normally pays down in our Loan portfolio.

Non-performing Assets increased again this quarter, primarily as the result of three credits that went into non-accrual. Legal action has commenced against all of these borrowers. We have also evaluated all of the properties securing these loans in the light of the current real estate market and believe our debt is adequately protected by the value of the collateral. In the cases where we are not comfortable with our valuations, we have already charged down the debt to reflect any potential loss. At this point, the most significant result of this increased level of non-performing assets is the lost interest revenue and the resulting impact on our net interest margin. The net interest margin continues to also be negatively impacted by the inverted yield curve. This obviously has a direct impact on earnings as can be seen from the decline from our YTD 2006 numbers.

On a positive note, despite these issues, we still returned a 1.06% on Average Assets and a 14.02% on Average Equity so far this year.

While we had a better year last year from an earnings standpoint, the reality is that our markets are feeling the effects of the nationwide downturn in real estate. A bank that calls itself a "community" bank cannot and should not diversify itself away from the community it serves.

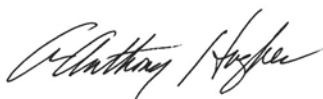
Beach Community Bank has certainly not diversified itself away from the markets we serve and we have no intention of doing so going forward. If our markets move sideways for awhile, then we will move sideways right along with them.

Along those lines, I am very happy to report that our branch office on Racetrack Road in Fort Walton Beach will open in mid-August of this year. We have also broken ground and construction has commenced on our branch office in Navarre, FL. We have entered into a contract with Regions Bank to purchase their Northcross Office on Davis Highway in Pensacola with an expected opening date in the 4th Quarter of this year. Construction continues to progress on our location in Niceville, and we continue to work through our construction plans for the office in Crestview.

In the meantime, we are going to work as hard as we ever have to take care of our existing customers and to impress our potential customers with unprecedented levels of service and value.

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 dark blue ink, appearing to read "Anthony Hughes". The signature is fluid and cursive, written over a light blue horizontal line.

A. Anthony Hughes
President & Chief Executive Officer

Assets
(unaudited)

	<u>June 30, 2007</u>	<u>June 30, 2006</u>
Cash & Due from Banks . . . \$	6,392,000	5,635,000
Securities	145,104,000	90,773,000
Federal Funds sold	1,830,000	7,630,000
Investment in Equity Securities	372,000	372,000
Loans Receivable	456,090,000	414,328,000
Less: Allowance for Loan Losses	(4,235,000)	(4,156,000)
Loans Net of Unearned Income and Allowance	451,855,000	410,172,000
Premises and Fixed Assets, net 9,863,000	12,708,000	
Other Real Estate Owned	0	0
Other Assets	<u>9,691,000</u>	<u>7,596,000</u>
Total Assets \$	627,952,000	532,041,000

Liabilities
(unaudited)

Non-interest-Bearing Deposits \$	31,899,000	41,908,000
Interest-Bearing Deposits	<u>484,170,000</u>	<u>399,558,000</u>
Total Deposits	516,069,000	441,466,000
Federal Funds Purchased	0	0
Other Borrowed Money	47,557,000	35,170,000
Subordinated Debentures	12,372,000	12,372,000
Other Liabilities	<u>3,814,000</u>	<u>2,258,000</u>
Total Liabilities \$	579,812,000	491,266,000
Minority Interest	62,000	69,000

Equity Capital
(unaudited)

Common Stock \$	11,914,000	11,852,000
Surplus	20,916,000	20,753,000
Retained Earnings	16,553,000	9,545,000
Unrealized Gain (Loss) on Securities Available for Sale	(1,305,000)	<u>(1,444,000)</u>
Total Equity Capital \$	48,078,000	40,706,000
Total Liabilities and Equity Capital \$	627,952,000	532,041,000

Statement of Operations
For the Year to Date ended June 30, 2007
(unaudited)

Interest Income	2007	2006
Securities	\$ 3,336,000	\$ 1,756,000
Short Term Investments	338,000	223,000
Loans and Loan Fees	<u>20,167,000</u>	<u>16,926,000</u>
Total Interest Income	\$ 23,841,000	18,905,000
Interest Expense		
Int. Bearing Trans. Accts.	\$ 3,544,000	2,883,000
Certificates of Deposit	8,456,000	4,997,000
Other Borrowings	<u>1,555,000</u>	<u>635,000</u>
Total Interest Expense	\$13,555,000	8,515,000
Net Interest Income	\$10,286,000	10,390,000
Less: Provision for Loan Losses	\$ 22,000	702,000
Add: Non Interest Income	\$ 935,000	846,000
Less: Non Interest Expense	<u>\$ 6,112,000</u>	<u>5,026,000</u>
Net Income Before Tax	\$ 5,087,000	5,508,000
Income Taxes	<u>\$ 1,755,000</u>	<u>1,990,000</u>
Net Income	\$ 3,332,000	3,518,000
Per Share	\$ 1.40	1.49



www.beachcommunitybank.com

Member FDIC

Changes in Allowance for Loan Losses

Balance January 1, 2007	\$ 4,508,000
Recoveries	67,000
Loans Charged Off	362,000
Provision for Loan Losses	<u>\$ 22,000</u>
Balance June 30, 2007	\$ 4,235,000

Loans 90 days Past Due and Non-accrual Loans

	<u>Accruing</u>	<u>Non-accruing</u>
Real Estate Loans	\$ 0	\$10,975,000
Installment Loans	0	0
Commercial and All Other Loans	<u>\$ 0</u>	<u>\$ 116,000</u>
Total	\$ 0	\$11,091,000

Email: contact_us@beachcommunitybank.com

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	Executive Vice President/Branch Administration
Brian P. Bell	Senior Vice President
W. Scott McCormick	Senior Vice President
J. Scott McManus	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
Laura 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
Charles L. Wilbur	Assistant Vice President
Angela M. Cameron	Banking Officer
Erin C. Charpentier	Banking Officer
Cheryl J. Corsten	Banking Officer
Linda G. Walker	Banking Officer
Malinda E. Ritter	Accounting Officer

Mailing Address

**P.O. Box 4400 Fort Walton Beach, FL 32549
Toll free 866-36BEACH
(866-362-3224)**

Directors

W. Todd Schweizer	<i>Chairman of the Board, Real Estate Investments</i>
Senator Charles W. Clary, III	<i>Principal, DAG Architects Former 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, Former Owner Art's TV & Appliance</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 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
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
Davis Highway, Pensacola, FL
John Sims Parkway, Niceville, FL
Highway 98, Navarre, FL
Highway 85, Crestview, FL***