



Beach Community  
Bancshares, Inc.

Statement of  
Condition  
September 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 September 30, 2006. Included with this report is our Statement of Condition as of September 30, 2006 and September 30, 2005; our Statement of Operations for the year to date ended September 30, 2006 and 2005; Changes in the Allowance for Loan Loss Reserves; and the Statement of Loans Past Due over 90 days and Non-Accruals. Beach Community Bancshares, Inc. is the parent company of Beach Community Bank.

We continued to experience good growth in the third quarter of the year. Total Assets grew \$38.88 million for the quarter, a 29.23% annualized increase. This growth was centered in the Loan Portfolio, which grew \$14.78 million and in our Securities Portfolio which grew \$28.23 million. Our growth for the quarter was funded by an increase in Total Deposits in the amount of \$16.5 million and in Other Borrowed Money which grew \$18.57 million. We earned \$1.967 million after tax for the quarter, or \$.83 per share. This was an increase of \$45 thousand over last quarter. We benefited primarily from increases in Net Interest Income and decreases in Non-Interest Expense.

Over the last nine months, Total Assets have increased over \$103 million, driven by a \$79.2 million increase in Total Loans and \$56.3 million increase in Securities. This growth in Assets has been funded by a \$63.02 million increase in Deposits and a \$40.54 million increase in Other Borrowed Money and Subordinated Debentures. Our Year to Date Net Income totaled \$5.485 million, an increase of \$2.13 million over the same period in 2005, representing a 63% increase over last year.

Our asset quality remains strong with no loans charged off, none over 90 days past due, and only \$193,000 in non-accrual. Through nine months we have added a total of \$897 thousand to the Allowance for Loan Losses to account for growth in the Loan Portfolio.

On October 2nd we opened our ninth office at the intersection of Hwy 98 and Trista Terrace Ct. in Destin. This office is just east of Destin Commons. We have regulatory approvals to open additional offices in Fort Walton Beach, Niceville, Navarre and Crestview. Construction on all of these offices will begin soon.

This past quarter we welcomed Ricky J. Tillman to our family. Ricky joins us as a Vice President and Commercial Lending Officer working out of the main office in Fort Walton Beach.

As everyone knows, the real estate market in Northwest Florida is suffering the same slowdown currently being experienced in many other areas of Florida and across the country. However, all of the ingredients that made our area such a wonderful location to live are still in place. We believe we properly anticipated the slowdown back when the market was still very strong and believe we are prepared as we move into this slower period. We have very experienced bankers on our team who have worked in this market and the surrounding markets for many years and we have seen these markets ebb and flow before. In fact, our experience has been that often the large out of town banks restrict their lending activities in smaller markets such as ours in times like these. This potentially creates excellent opportunities for us to showcase the sharp differences in how a real community bank operates versus an institution headquartered hundreds or thousands of miles away from Northwest Florida. We will take advantage of these opportunities as they appear.

As always, we thank you again for your business, your investment and your continued support of Beach Community Bancshares and Beach Community Bank.

Sincerely,

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

A. Anthony Hughes  
President & Chief Executive Officer

## Statement of Condition

### Assets (unaudited)

	<u>September 30, 2006</u>	<u>September 30, 2005</u>
Cash & Due from Banks . . . \$	4,199,000	7,683,000
Securities . . . . .	119,007,000	56,438,000
Fed Funds sold . . . . .	3,963,000	0
Other Investments . . . . .	372,000	0
Loans Receivable . . . . .	429,108,000	318,577,000
Less: Allowance for Loan Losses	(4,352,000)	(3,281,000)
Loans Net of Unearned Income and Allowance . . . . .	424,756,000	315,296,000
Premises and Fixed Assets, net	10,178,000	10,429,000
Other Real Estate Owned . . . .	0	19,000
Other Assets . . . . .	<u>8,446,000</u>	<u>4,862,000</u>
 Total Assets . . . . . \$	 570,921,000	 394,727,000

### Liabilities (unaudited)

Non-interest-Bearing Deposits . . . . . \$	30,636,000	35,755,000
Interest-Bearing Deposits	<u>427,350,000</u>	<u>295,866,000</u>
Total Deposits	457,986,000	331,621,000
Fed Funds Purchased . . . . .	0	516,000
Other Borrowed Money . . . . .	53,742,000	30,556,000
Subordinated Debentures . . . .	12,372,000	0
Other Liabilities . . . . .	<u>2,861,000</u>	<u>1,333,000</u>
Total Liabilities . . . . . \$	526,961,000	364,026,000
Minority Interest . . . . .	153,000	0

### Equity Capital (unaudited)

Common Stock . . . . . \$	11,880,000	10,424,000
Surplus . . . . .	20,793,000	16,218,000
Retained Earnings . . . . .	11,511,000	4,397,000
Unrealized Gain (Loss) on Securities Available for Sale	<u>(377,000)</u>	<u>(338,000)</u>
Total Equity Capital . . . . . \$	43,807,000	30,701,000
 Total Liabilities and Equity Capital . . . . . \$	 570,921,000	 394,727,000

**Statement of Operations**  
**For the Year to Date ended September 30, 2006 and 2005**  
(unaudited)

<b>Interest Income</b>	<b>2006</b>	<b>2005</b>
Securities	\$ 3,102,000	\$ 1,429,000
Short Term Investments	198,000	270,000
Loans and Loan Fees	<u>26,652,000</u>	<u>15,155,000</u>
<b>Total Interest Income</b>	<b>\$ 29,952,000</b>	<b>16,854,000</b>
<b>Interest Expense</b>		
Deposits	\$ 12,637,000	5,393,000
Other	<u>1,430,000</u>	<u>608,000</u>
<b>Total Interest Expense</b>	<b>\$14,067,000</b>	<b>6,001,000</b>
<b>Net Interest Income</b>	<b>\$15,885,000</b>	<b>10,853,000</b>
Less: Provision for Loan Losses	897,000	1,021,000
Add: Non Interest Income	\$ 1,480,000	497,000
Less: Non Interest Expense	<u>\$ 7,853,000</u>	<u>4,973,000</u>
<b>Net Income Before Tax</b>	<b>\$ 8,615,000</b>	<b>5,356,000</b>
Income Taxes	<u>\$ 3,130,000</u>	<u>2,001,000</u>
<b>Net Income</b>	<b>\$ 5,485,000</b>	<b>3,355,000</b>
<b>Per Share</b>	<b>\$ 2.31</b>	<b>.92</b>



**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>\$ 897,000</u>
Balance September 30, 2006	\$4,352,000

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

	<u>Accruing</u>	<u>Non-accruing</u>
Real Estate Loans	\$ 0	\$ 0
Installment Loans	0	17,000
Commercial and All Other Loans	<u>0</u>	<u>176,000</u>
Total	\$ 0	\$ 193,000

The financial information contained in this report has not been audited, nor has it been reviewed or approved by the Federal Deposit Insurance Corporation, the Federal Reserve or the Florida Office of Financial Regulation.

## ***Directors***

<b>W. Todd Schweizer, Chairman</b>	<b><i>Real Estate Investments</i></b>
<b>Senator Charles W. Clary, III,</b>	<b><i>Principal, DAG Architects; 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>Art Schweizer</b>	<b><i>Retired, Former Owner, Art's TV &amp; Appliance</i></b>
<b>Kathleen A. Pritchard</b>	<b><i>Executive Vice President &amp; Senior Lending Officer Beach Community Bank</i></b>
<b>Joseph W. Henderson, Vice Chairman</b>	<b><i>Partner, O'Sullivan, Creel, LLP CPA's</i></b>
<b>Major General A. Bowen Ballard (ret.)</b>	<b><i>United States Air Force Reserve; 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  
33 West Garden Street Pensacola, FL 32501 (850) 202-9900  
4465 Bayou Blvd. Pensacola, FL 32503 (850) 202-9000  
60 Northcliff Drive Gulf Breeze, FL 32561 (850) 916-5100  
3925 W. Hwy 30-A Suite J Santa Rosa Beach, FL 32549 (850) 267-9910  
9329 N. Palafox Hwy. Pensacola, FL 32534 (850) 202-9109  
412 Mary Esther Cutoff Fort Walton Beach, FL 32548 (850)244-9160  
601 Harbor Blvd. Destin, FL 32541 (850)650-9041  
90 Trista Terrace Court Destin , FL 32541 (850) 269-2585

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

***John Sims Parkway Niceville, Florida***

***Hwy 85 Crestview, Florida***

***Hwy 98 Navarre, Florida***

***Racetrack Road Fort Walton Beach, FL***

## ***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>Senior Vice President</b>
<b>John Keith</b>	<b>Senior Vice President</b>
<b>Scott McCormick</b>	<b>Senior Vice President</b>
<b>Keith D. Parks</b>	<b>Senior Vice President</b>
<b>Karen Bennett</b>	<b>Vice President</b>
<b>Richard G. Dalehite</b>	<b>Vice President</b>
<b>Richard Grant, Jr.</b>	<b>Vice President</b>
<b>Matthew S. Hamilton</b>	<b>Vice President</b>
<b>Caroline Hartnett</b>	<b>Vice President</b>
<b>Suzanne B. Kelly</b>	<b>Vice President</b>
<b>Dan Kenan</b>	<b>Vice President</b>
<b>Ricky J. Tillman</b>	<b>Vice President</b>
<b>Judith L. Winter</b>	<b>Vice President</b>
<b>Allison M. Cochran</b>	<b>Assistant Vice President</b>
<b>Karen Helms</b>	<b>Assistant Vice President</b>
<b>Michael Howell</b>	<b>Assistant Vice President</b>
<b>Michelle Johnson</b>	<b>Assistant Vice President</b>
<b>Cecilia McAdams</b>	<b>Assistant Vice President</b>
<b>Deborah Patzig</b>	<b>Assistant Vice President</b>
<b>Gary Pelham</b>	<b>Assistant Vice President</b>
<b>Cathy Ricks</b>	<b>Assistant Vice President</b>

## **Mailing Address**

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

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