



We're The Local Bank That's *Truly* Local.

July 26, 2010

Dear Shareholder:

Community Bank of Broward continued to fight the headwinds of the economic slump in Florida during the second quarter of 2010. Net earnings for the quarter ending June 30, 2010 totaled \$243,000, essentially flat with the first quarter earnings of \$248,000, and substantially less than the second quarter of 2009 which were \$516,000. The continuing drag on earnings is due to the funding of our loan loss provision (\$1,501,000 for the quarter) and the associated expenses related to the collection of loans. The Bank's allowance for loan and lease losses (ALLL) as a percentage of loans was 1.79% at quarter's end, up from 1.60% on March 31, 2010.

Unfortunately, asset quality continued to deteriorate during the period, with total non-performing assets to total assets growing to 6.39%, compared to 4.28% as of March 31, 2010. I expect to see a continuation of asset quality challenges for the remainder of 2010, or until our local economy improves and real estate valuations reach their low point. Despite the increase in our non-performing loans this quarter, our net-interest margin held up quite well, at 4.05%, compared to 4.08% in the first quarter. If we can maintain our margin in the 4.00% range, the core earnings for the Bank will be excellent and, once we reduce the provisions fundings, respectable earnings can be achieved.

Regarding balance sheet growth, loan balances were essentially level for the quarter, ending at \$405.9 million versus \$406.5 million as of March 31 of this year. Deposit growth, likewise, was modest for this period, going from \$420.3 million in March to \$423.8 million in June. I was very pleased, however, with our change in deposit mix, as more costly certificates of deposit decreased by \$13 million and our demand deposit accounts grew by \$10 million. On a year-to-date basis, deposits have grown by \$37.3 million, which equates to an annual growth rate of 20%, which is quite positive!

The Bank's liquidity position has also improved this year, as our deposit growth has outperformed our loan growth.

Congratulations from the entire Community Bank of Broward family to Matt Korshoff on his recent promotion to Senior Vice President. Matt has assumed the duties of the Bank's Sales Manager, as well as continuing his responsibilities as the Manager of our "Branch #1" located in Dania Beach on Stirling Road. In addition to Matt being one of our initial employees, he has grown from his junior days at Family Bank to the upper management level that he has rightfully earned today. As well as his participation in several committees within the Bank, he is also involved in various leadership activities, including Leadership Broward and Junior Achievement. His abilities, dedication, enthusiasm and skills make him a tremendous asset to our Bank, as well as the community that we serve. Keep up the fantastic work, Matt!

Some more good news! In an effort to increase and diversify our customer base we will be broadening our loan products to include more SBA (Small Business Administration) loans. These loans are an excellent source of fee income and can be safe if they are underwritten conservatively and be instrumental in helping with the rebuilding of the economy in our community. In the news, we all read or hear about the economic plights of the small business owner and at CBB we want to do our part in helping our local Broward County economy to prosper. If you, or someone you know, might benefit from SBA assistance, please get in touch with us.

In closing, I want to express my optimism for the continuing success of Community Bank of Broward. It is evident that, by building on a base of core relationships, conservative lending, talented directors and top-notch employees, we have built a bank that is going to weather the economic storm and emerge strong, resilient and profitable. We haven't reached this point with gimmicks, television, radio or newspaper advertising. We have achieved it through hard work, leading to referrals from those core relationships that give us the stability that is leading to our success and our ability to outperform our banking peers. Please continue your support by letting your friends, families and acquaintances know that Community Bank of Broward lives up to its motto, "*We're the local bank that's truly local.*" Please call at anytime or visit us on the Web at [www.cbob.com](http://www.cbob.com) and our page on Facebook.

Sincerely,

Bruce M. Keir  
President and Chief Executive Officer