



January 29, 2010

Dear Shareholder:

The year 2009 was the most challenging one that I have experienced in my 33 years of banking. Florida's economy has been in recession for almost three years and, unfortunately, the federal government's stimulus package has yet to achieve the goals that could eventually reduce the area's unemployment. Recent data on unemployment rates show Florida at 11.6% and Broward County at 10.1%. Until there is a material change in these figures, the banking industry is like to continue to struggle.

With this backdrop, Community Bank of Broward had net income of \$377,000 for the fourth quarter and \$1,883,000 for the year of 2009. This compares to net income of \$621,000 for the fourth quarter of 2008 and \$2,385,000 for all of 2008. While I am not pleased with this level of performance for 2009, we were one of only a handful of banks in South Florida that achieved profitability for the year, as 85% of all Florida banks experienced losses in 2009.

As you can see from the enclosed Statement of Condition, there were two major expense areas that contributed to this decline in earnings. First of all, our FDIC insurance premiums increased from \$220,000 in 2008 to \$804,000 in 2009. This increase, of \$584,000, represents a 265% increase over 2008. The other significant expense increase was in loan provision expenses, which increased from \$1,094,000 in 2008 to \$2,925,000 in 2009. While a portion of this related to increased charge-offs, the majority of the loan provision funding was to increase our reserve for loan losses, which rose from 0.96% of loans at year-end 2008 to 1.34% at year-end 2009. Until the economy begins showing signs of improvement, I anticipate continuing this trend of growing the Bank's allowance for loan losses.

I was reasonably pleased with Community Bank of Broward's balance sheet growth during 2009. Total deposits grew by almost 10% to \$386 million, despite the runoff of \$20 million in pricey certificates of deposit at year-end.

Loan growth for 2009 was 5.2% as we ended the year at \$406 million in loans. The primary reason for the slowing loan growth from prior years was the negative economic environment which resulted in fewer quality loan opportunities.

I anticipate 2010 to be equally as challenging as 2009. My hope would be that, by the third or fourth quarter, there will be signs of progress for the general economy and businesses will have become confident enough to begin rehiring.

Our budget for 2010 anticipates a higher net interest margin than 2009 (very positive), higher provision expense as we continue to increase our loan loss reserve, and higher overall profits as our increased margin offsets our higher provision expense. Obviously, the largest question mark in these projections is asset quality, and whether real estate values have finally reached their bottom. Only time will tell as we proceed through 2010.

As I recently advised you in my last correspondence, we ended our Preferred Stock Offering earlier this week and I am pleased to report that we raised an additional \$525,000 from our year-end balance of \$2,820,000. This additional capital will provide us more flexibility to pursue growth opportunities and I want to thank all of you who participated for the confidence that you have shown in Community Bank of Broward.

On a similar note, I want to again express my appreciation to those of you who continue to show your support by sending referral business our way. Community Bank of Broward does not have a budget for expensive advertising in newspapers or on television. Instead, we have built this successful institution by creating a bank where the customer comes first. We rely on top-notch employees, the latest technology and our knowledge that our service and products are second to none. This mission has led us to the successful state where we find ourselves now, despite the challenges of unprecedented economic times. There is a wonderful opportunity for us now, as people realize that large banks often do not have the flexibility to adapt to everyone's needs. Here at Community Bank of Broward, decisions are made at the local level and we are determined to make every customer's interaction a positive one.

As always, never hesitate to contact me with any questions or comments about the Bank and your investment with us.

Yours truly,

A handwritten signature in black ink, appearing to read "Bruce M. Keir". The signature is fluid and cursive, with a small dot above the 'i' at the end.

Bruce M. Keir
President and Chief Executive Officer