

GRAND BANKSHARES, INC.

GRAND
BANK & TRUST
of Florida[®]

10th Anniversary
1999 - 2009

2008 ANNUAL REPORT

February 1, 2009, Marks the Tenth Anniversary of Grand Bank & Trust of Florida!

A BRIEF HISTORY

- **February 1, 1999**
Grand Bank of Florida commenced operations
- **February 4, 2000**
Lantana Banking Center opened
- **August 27, 2001**
Grand Bank & Trust of Florida is approved for trust powers, and Trust and Investment Services Division is operational
- **January 1, 2002**
Grand Bankshares, Inc., a bank holding company, is formed
- **February 25, 2002**
Palm Beach Gardens Banking Center opened
- **February 18, 2003**
Jupiter Banking Center opened
- **May 15, 2006**
St. Lucie West Banking Center opened
- **March 15, 2007**
Fort Pierce Banking Center opened
- **January 22, 2008**
Vero Beach Banking Center opened
- **February 1, 2009**
Our Tenth Anniversary!

As we celebrate our tenth anniversary, it seems appropriate to reflect briefly on how far we have come during the past ten years and, despite challenging times ahead, project our vision for the future.



From the beginning, our goal has been to deliver the finest in service and financial products to businesses, families and individuals throughout our community. Shortly after we opened our doors as Grand Bank of Florida, we responded to our customers' needs by adding trust and investment services and "Trust" to our name to reflect the increased level of services available.

Focused on that goal, we carefully developed a network of convenient offices beginning in West Palm Beach, traveling first south to Lantana, then expanding north to Palm Beach Gardens, Jupiter and thereafter the Treasure Coast with offices in Port St. Lucie, Fort Pierce and Vero Beach.

Even as our branch network has grown, so has our investment in the latest technology to make your banking easier, faster, and more convenient: Online Cash Management, Remote Deposit Capture and Lockbox Services for business customers; Online Banking, Online Bill Pay, and e-Statements for all.

Grand Bank & Trust of Florida is prepared to support its clients in the navigation of the unpredictable financial and economic challenges ahead. With our exceptional staff - many of whom recently celebrated their tenth anniversary as Grand Bankers - committed to your financial success, we face the future with confidence and expectation of brighter days ahead.

P R E S I D E N T ' S M E S S A G E

Whether 2008 will be referred to as the the beginning of "The Great Recession" in future years is yet to be determined. It was certainly a year of severe adverse economic events which are continuing into 2009 and likely 2010. The year 2008 was the most difficult and challenging in our ten year history as it has been for virtually all financial institutions worldwide, large and small.

The assets of Grand Bankshares, Inc., grew 9.3% from \$478.7 million to \$523.1 million, primarily due to growth in the loan portfolio of 7.5%. Despite this growth in assets, net income after taxes for the year is \$215,035 as compared to \$2.5 million earned in 2007. This reduction of profitability is the result of adding \$4.97 million to the Allowance for Loan and Lease Losses. This amount includes \$2.7 million expensed during the fourth quarter due to the period's dramatic economic events. This resulted in an after tax loss for the quarter of \$781,711, our first quarterly loss since the start-up period in 1999.

Deposits grew nearly 16% year-over-year due to the 'flight to quality' by many investors desiring the safety of increased federal deposit insurance approved on October 3, 2008. The focus of the Bank's 2009 and future years' business development plan is to continue deposit growth, particularly deposits described as "core", as such deposits are stable and sustainable. In the new banking environment, we expect that safety will be given enhanced value in investment decisions. More than ever before, the stability of community banking is being recognized by users of financial institution services due to the events on Wall Street having impacted several of the nation's largest banks and investment houses.

P R E S I D E N T ' S M E S S A G E

The key regulatory ratios at December 31, 2008, for Grand Bank & Trust of Florida, were Tier 1 Capital of 9.76%, Total Capital of 12.41% and Leverage Ratio of 11.16%, all of which are above the "well capitalized" regulatory minimums of 6%, 10% and 5%, respectively. At these levels, Grand Bank & Trust of Florida has significant amounts of excess capital which, coupled with our reserves, will allow us to remain strong during this period of economic uncertainty. On the other hand, positive things are also taking place. For example, while market forces have driven down the value of clients' assets significantly, the amount of assets managed by the Trust and Investment Services Division only declined to \$317 million on December 31, 2008, from \$333 million at year-end 2007. This modest overall decline results from the increase in the Division's client base.

With each passing year, the Bank has increased in local prominence and stature. Our management is recognized for its depth of experience, knowledge and integrity. While there will be some pain in the months, perhaps even years, ahead, we are determined to get through the recession and emerge strong and healthy.

The business that our depositors, borrowers and clients are doing with us during these momentous times is very much appreciated. Thank you.



J. Russell Greene
President and CEO

CONSOLIDATED RESULTS (UNAUDITED)

	Consolidated December 31, 2007 (12 months)	Consolidated December 31, 2008 (12 months)	% Increase (Decrease)
Total Assets	\$478,706,542	\$523,066,918	9.3 %
Cash, Cash Equivalents & Securities	\$82,676,918	\$97,756,890	18.2 %
Total Loans	\$380,230,778	\$408,875,281	7.5 %
Total Deposits	\$363,225,855	\$421,131,428	15.9 %
Shareholders' Equity	\$44,473,957	\$45,350,697	2.0 %
Trust Preferred Securities	\$7,000,000	\$7,000,000	————
Reserve for Loan Losses	\$4,800,000	\$5,600,000	16.7 %
Net Interest Income	\$15,472,033	\$16,539,440	6.9 %
Non Interest Income	\$2,634,871	\$2,652,046	0.7 %
Non Interest Expense	\$13,841,701	\$14,132,731	2.1 %
Addition to Loan Loss Reserve	\$716,717	\$4,974,589	594.1 %
Income Before Taxes	\$3,548,486	\$84,166	(97.6 %)
Income Taxes (Benefit)	\$1,027,296	(\$130,869)	(112.7 %)
Net Income	\$2,521,190	\$215,035	(91.5 %)
Earnings Per Weighted Average Share	\$1.23	\$0.10	(91.7 %)
Return on Average Assets	.56%	0.04%	(92.2 %)
Return on Shareholders Equity	5.90%	0.48%	(91.9 %)
Book Value Per Share	\$21.24	\$21.60	1.7 %
Number of Shares Outstanding	2,094,033	2,099,368	0.3 %
Trust Assets Under Administration	\$333,170,000	\$316,825,000	(4.9%)

FINANCIAL STATEMENTS (UNAUDITED)

ASSETS

	December 31, 2007	December 31, 2008
Cash and due from banks	\$7,964,445	\$13,900,524
Securities available for sale	65,890,852	75,031,366
Securities held to maturity	8,821,621	8,825,000
Loans	380,230,778	408,875,281
Less: Allowance for loan losses	(4,800,000)	(5,600,000)
Unearned loan fees	(514,554)	(533,957)
Net Loans	374,916,224	402,741,324
Property and equipment	8,955,738	7,241,142
Bank-owned life insurance	6,145,286	6,394,315
Deferred income tax	2,301,369	2,207,124
Other real estate owned	347,998	3,178,595
Other assets	3,363,009	3,547,528
Total Assets	\$478,706,542	\$523,066,918

LIABILITIES & SHAREHOLDERS' EQUITY

Deposits:		
Non interest-bearing demand	53,831,482	49,902,731
Savings, NOW and Money Market	192,328,635	168,741,877
Time deposits	117,065,738	202,486,820
Total Deposits	363,225,855	421,131,428
Short-term borrowings	21,403,357	5,430,284
FHLB Borrowings	40,000,000	41,000,000
Long-term debt	7,217,000	7,217,000
Other liabilities	2,386,373	2,937,509
Total Liabilities	434,232,585	477,716,221
Preferred stock	2,374	2,354
Common stock	18,566	18,639
Additional paid in capital	33,494,929	33,667,179
Retained earnings	11,050,602	11,224,637
Accumulated other comprehensive income (loss)	(92,514)	437,888
Total Shareholders' Equity	44,473,957	45,350,697
Total Liabilities and Shareholders' Equity	\$478,706,542	\$523,066,918

INTEREST INCOME

	December 31, 2007	December 31, 2008
Loans	\$27,436,409	\$25,021,227
Securities	3,204,392	3,982,694
Federal funds sold	167,695	142,481
Total Interest Income	30,808,496	29,146,402

INTEREST EXPENSE

Deposits	12,869,858	10,518,325
Short-term borrowings	373,689	146,691
FHLB borrowings	1,669,248	1,517,116
Long-term debt	423,668	424,830
Total Interest Expense	15,336,463	12,606,962

Net Interest Income

Net Interest Income	15,472,033	16,539,440
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Provision For Loan Losses	(716,717)	(4,974,589)
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Net Interest Income after Provision for Loan Losses	14,755,316	11,564,851
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NON INTEREST INCOME

Income from trust services	1,630,670	1,796,202
Service charges and fees	673,781	937,500
Gain (loss) on sale of other assets	0	(390,843)
Gain on sale of loans	98,459	16,515
Gain (loss) on sale of securities	(23,923)	6,355
Other income	255,884	286,317
Total Non Interest Income	2,634,871	2,652,046

NON INTEREST EXPENSE

Salaries and employee benefits	7,774,657	7,728,624
Occupancy expenses	1,698,397	1,794,493
Equipment expenses	748,169	743,644
Other operating expenses	3,620,478	3,865,970
Total Non Interest Expense	13,841,701	14,132,731

Income Before Income Tax	3,548,486	84,166
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Income Tax Provision (Benefit)	1,027,296	(130,869)
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Net Income	\$2,521,190	\$215,035
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DIRECTORS & OFFICERS

BOARD OF DIRECTORS

Gerard A. Arsenault
David H. Baker
Michael W. Bubis
Alfred J. Cinque

Sandy L. Costello
Donald H. Cunningham
J. Russell Greene

Leighan R. Rinker
Daniel J. Shepherd
James A. Vander Woude
Larry E. Wright

GRAND BANKSHARES, INC., OFFICERS

Chairman

David H. Baker

Vice Chairman

Donald H. Cunningham

Vice President

Gerald F. Martens

President and Chief Executive Officer

J. Russell Greene

Secretary and Treasurer

James R. Odza

GRAND BANK & TRUST OF FLORIDA OFFICERS

President and Chief Executive Officer

J. Russell Greene

Executive Vice Presidents

L. Joseph Covas, Jr., Chief Fiduciary Officer
Gerald F. Martens, Chief Operating Officer
James R. Odza, Chief Financial Officer
John C. Patten, Jr., Senior Trust Officer

Senior Vice Presidents

Ari L. Bodner, Director of Operations
Jack Buell, Jr., Senior Lender
Kim Burns-Donnell, Chief Credit Officer
Jacqueline Chiodo, Senior Trust Officer
Mark Ciotti, Commercial Loan Officer
Jo-Ann Copeland, Chief Compliance Officer

Keith A. Girten, Commercial Loan Officer
William R. Haines, Chief Information Officer
William Pomeroy, Trust Officer
Mark Silverstein, Marketing /Business Development
Eric Wetzig, Treasure Coast Executive

Vice Presidents

John Bayer, Trust Investment Officer
Dena Felico Perez, Director of Human Resources
Harry Gribbin, Commercial Loan Officer
Rosemary Harris, Loan Operations Officer

Manfred Liebsch, Controller
Daryl D. Lyon, Commercial Loan Officer
David Sand, Branch Administration
Phillip A. Woodall, Business Development Officer

Assistant Vice Presidents

Lonnie Blake, Commercial Loan Officer
Danielle Brooks, Deposit Operations Manager
Gene Joyce, Credit Analyst
Tara Lester, Credit Analyst

Jo Ann Minor, Lending Portfolio Manager
Michelle Pelletier, Lending Portfolio Manager
Anand Persaud, Credit Analyst
Celia Warren, Business Development Officer

Branch Managers

Sharon S. Benedict
Donna Hey

Brenda Keeney
Erin J. Martens

Margarita Ponte
Eva Shaw

Our commitment to the communities we serve is unwavering. We recognize this has never been more important than in these challenging economic times.

From Palm Beach County to the Treasure Coast, we support a broad spectrum of not-for-profit organizations: educational, cultural, and charitable. We are helping to fund medical research; feed and clothe the homeless and underprivileged; bring theatre and music to life; care for the elderly; and so much more.

This commitment to the communities we serve, to our customers who are truly our friends and neighbors, is an essential part of who we are. We live here, we work here, our roots and our headquarters are here. We are proudly a Community Bank, and proud to serve our communities!

A partial listing of the groups and associations supported by Grand Bank & Trust of Florida in 2008:

- A.E. Backus Museum & Gallery
- Amanda J. Buckley "Give a Smile to a Child" Foundation
- Arthritis Foundation
- Boynton Beach Chamber of Commerce
- Boys & Girls Club of St. Lucie County
- Comprehensive Alcoholism Rehabilitation Program
- Chamber of Commerce of the Palm Beaches
- Children's Home Society
- Downtown Business Association of Fort Pierce
- Ducks Unlimited of Vero Beach
- Economic Development Council of St. Lucie County
- Economic Development Research Institute
- Economic Forum of Palm Beach County
- Educational Gallery Group
- F. Malcolm Cunningham, Sr. Bar Association
- Fern House
- Friends of the Environmental Academy
- Gulf Stream Council, Boy Scouts of America
- Habitat for Humanity
- Heathcote Royal Palm Society
- Hispanic Chamber of Commerce of Palm Beach County
- Indian River County Chamber of Commerce
- JFK Medical Center Foundation
- Junior Achievement
- Kappa Alpha Psi Foundation of West Palm Beach, Inc.
- Kiwanis Club of Lake Worth
- Leukemia & Lymphoma Society
- Music On the Plaza at Marina Square
- New Horizon Service Dogs, Inc.
- Northern Palm Beach County Chamber of Commerce
- Oakwood Center of the Palm Beaches, Inc.
- Oceanside Business Association
- Palm Beach Community College Foundation
- Palm Beach County Bar Association
- Palm Beach County Justice Association
- PGA Corridor Association
- Rotary Club of Jupiter - Palm Beach Gardens
- St. Jude Childrens Research Hospital
- St. Lucie County Bar Association
- Sunrise Theatre
- Susan G. Komen for the Cure
- Twisty Pines Playground
- Youth Recreation Association

The very latest in Banking Services in tandem with superior personal service is the hallmark of Grand Bank & Trust. We invest in technology that enhances your banking experience while strengthening the personal service you expect and deserve.

Business Banking Services

- 24-Hour Telephone Banking
- Business Checking Accounts
- Commercial Loans
- Certificates of Deposit
- Commercial Real Estate Loans
- Credit Cards
- eStatements
- Equipment Leasing
- IOTA Accounts
- Lockbox Services
- Merchant Credit Card Services
- Online Banking and Bill Pay
- Online Cash Management Services
- Remote Deposit Services
- Savings and Money Market Accounts
- Stand-by Letters of Credit
- Totally Free Small Business Checking

Personal Banking Services

- 24-Hour Telephone Banking
- Auto Loans
- Boat Loans
- Certificates of Deposit
- Credit Cards
- eStatements
- Equity Lines of Credit
- Home Mortgages
- Individual Retirement Accounts
- Interest Checking Accounts
- Money Market Accounts
- Savings Accounts
- Online Banking and Bill Pay
- Personal Check Cards
- Professional Lines of Credit
- Totally Free 50+ Interest Checking
- Totally Free Checking

Trust and Investment Services

- Escrow Services
- Estate Settlement
- Securities Custody Service
 - Self Directed IRA's
- Trust Administration
- Trust and Investment Services

Reasons to Bank with Your Community Bank

- ▶ Community banks focus attention on the needs of local families and businesses. On the other hand, large banks place a priority on serving large corporations and focus on community businesses only when they see quick and easy profit.
- ▶ Community banks make most of their loans where their customers live and work, helping to keep local communities vibrant and growing. Large banks take deposits in one state and lend in others.
- ▶ Community bank owners, directors and officers are generally accessible to their customers in the communities where the bank does business. Senior bank officers at large banks are typically headquartered away from daily customer dealings and the directors and owners are unknown to the customers.
- ▶ Community bank officers and directors are typically deeply involved in local community affairs, while large bank officers and directors are likely to be detached physically and emotionally from the communities where their branches are located.
- ▶ Community banks are willing to consider character, family history and discretionary spending in making loans. Large banks, on the other hand, often apply impersonal qualification criteria, such as credit scoring, to all loan decisions without regard to individual circumstances.
- ▶ Community banks offer nimble decision-making on business loans, because decisions are made locally by people who know you and people you know.
- ▶ Community banks are themselves small businesses; they understand the needs of small business owners. Big banks are after big deals.
- ▶ Community banks didn't cause the crash of 2008 - 2009. Wall Street and large banks did!

Thank you to the customers, shareholders and communities of
Grand Bank & Trust of Florida.

WE ARE YOUR BANK

BANKING CENTERS

PALM BEACH COUNTY

PALM BEACH LAKES

2055 Palm Beach Lakes Boulevard
West Palm Beach, Florida 33409
561.615.5000
Fax: 561.684.1298

LANTANA

2000 Lantana Road
Lantana, Florida 33462
561.582.2310
Fax: 561.582.3023

PALM BEACH GARDENS

3601 PGA Boulevard
Palm Beach Gardens, Florida 33410
561.207.6700
Fax: 561.207.6920

JUPITER

6736 West Indiantown Road
Jupiter, Florida 33458
561.744.4260
Fax: 561.741.8140

TRUST AND INVESTMENT SERVICES

3601 PGA Boulevard
Palm Beach Gardens, Florida 33410
561.207.6730
Fax: 561.207.6929

ST. LUCIE COUNTY

ST. LUCIE WEST

1722 SW St. Lucie West Boulevard
Port St. Lucie, Florida 34986
772.807.7000
Fax: 772.807.8477

FORT PIERCE

200 S. Indian River Drive
Ft. Pierce, Florida 34950
772.462.8820
Fax: 772.464.4374

INDIAN RIVER COUNTY

VERO BEACH

3240 Cardinal Drive
Vero Beach, Florida 32963
772.234.7880
Fax: 772.234.2379

TRUST AND INVESTMENT SERVICES

3240 Cardinal Drive
Vero Beach, Florida 32963
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24-HOUR TELEPHONE BANKING

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