



GULFSTREAM
BANCSHARES, INC.

2010 ANNUAL REPORT

LETTER TO SHAREHOLDERS

Dear Shareholders:

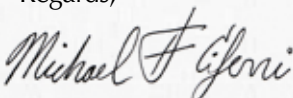
Gulfstream Business Bank showed solid improvement over 2009. However, as you likely realize, it was another challenging year for the bank and the banking industry in general. Our performance, while improving, remains consistent with the overall Florida and national economies. The fourth quarter showed signs of improvement and stability in the national economy. However, here in Florida we are still experiencing value declines, although at a slower pace. Additionally, the local economies continue to struggle to gain any positive momentum from the worst economic times in over 75 years. Therefore, given a murky view of any recovery, we maintained our aggressive posture on reserves in 2010 and again substantially increased our Allowance for Loan and Lease Losses (ALLL). Our ALLL now stands at over 5% of loans and is one of the strongest reserve positions of all banks in Florida. We remain well positioned for any extension of these very challenging economic times. Despite the very aggressive reserve posture and the challenging environment (similar to 2009), we are pleased to report the bank made a profit of \$1,441,000.

The business environment in 2010 and the very low client demand for new business led to the second year of a smaller balance sheet. A smaller balance sheet generally creates less revenue, but our much stronger net-interest-margin actually contributed to an increase in overall net revenue from 2009 to 2010. Additionally, we were able to increase all of our capital ratios and substantially decrease our non-performing assets (NPA's) and OREO by over 30%. The decrease in NPA's led to an improved NPA/capital ratio over 2009 and places us in the top quartile of banks in Florida.

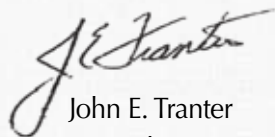
On the business side, we continue to acquire new relationships and opened over 975 new DDA/NOW accounts in our four markets. Core deposit growth, deposit mix, liquidity and our net-interest-margin all showed substantial improvement over 2009, primarily due to the positive impact of new business. Additionally, our positive earnings enabled us to increase our capital and maintain some of the highest capital ratios of all banks in the country.

As always, we look forward to any questions or comments you may have on this report. We would also like to thank all of our shareholders, clients, associates and friends for their support during the past year.

Regards,



Michael F. Ciferri
Chairman of the Board



John E. Tranter
Vice-Chairman & CEO

- Assets ended the year at \$547.9 million, a decrease of \$14.7 million or 2.6% year-over-year.
- Ended the year at \$397.2 million in loan outstandings, a decrease of 5.5%.
- Deposits ended the year at \$439.6 million, a decrease of \$3.2 million or 0.7% year-over-year.
- Earnings for the year totaled \$1.4 million, an increase of \$5.1 million year-over-year.
- Gulfstream Investment Management Services (GIMS) net income declined 15.6% for 2010 to \$190,973 as compared to \$226,349 in 2009.
- Improved deposit mix by growing DDA/IOTA totals from 26% to 29% of total deposits.
- Closed 101 loans, totaling \$46.1 million in commitments.
- Initiated approximately 234 new niche relationships in our medical, legal, affluent investor, business bank and professional segments.
- Expanded our Lock Box client base by 20% and Remote Deposit Capture client base by 48% servicing over 347 HOA/POA's and 172 clients respectively.
- Total capital increased by \$660,000 or 1.3%.
- During 2010, Gulfstream had the honor of being named 2010 "Best Places to Work" in both Martin (October 29) and St. Lucie (November 9) Counties.



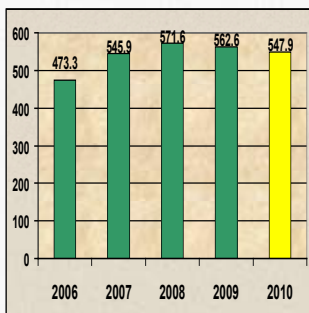
FINANCIAL HIGHLIGHTS

Unaudited (Dollars in thousands except per share data)

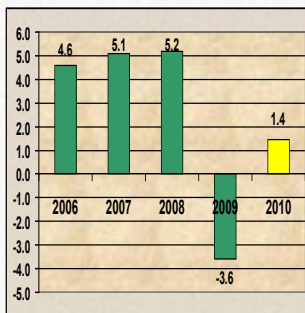
Balance Sheet	2010	2009	2008	2007	2006
Total Assets	\$547,938	\$562,604	\$571,628	\$545,866	\$473,281
Loans	397,219	420,436	456,939	424,560	370,285
Deposits	439,651	442,868	451,563	422,158	381,760
Shareholders' Equity	51,050	50,390	42,450	36,148	30,323
Income Statement					
Net Income	\$1,441	-\$3,610	\$5,242	\$5,070	\$4,550
Key Performance Ratios					
Return on Average Assets	0.26%	-0.61%	0.93%	0.99%	1.06%
Return on Average Common Equity	2.84%	-7.12%	13.52%	15.28%	16.53%
Net Interest Margin	3.81%	3.42%	3.31%	3.35%	3.57%
Efficiency Ratio	51.1%	58.5%	49.1%	51.1%	49.1%
Per Share					
Earnings Per Share	\$0.85	-\$2.15	\$3.38	\$3.35	\$3.05
Book Value at Year-end	25.70	25.57	27.40	23.88	20.31

More detailed financial information, including audited financial statements, is available upon request.

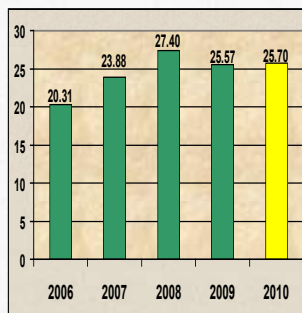
TOTAL ASSETS
(in millions)



NET INCOME
(in millions)



BOOK VALUE PER SHARE
(in dollars)



BOARD OF DIRECTORS



Standing Left to Right:

James F. Mondello, *Retired Banking Executive*
J. Michael Callaway, *Partner, Weekes & Callaway*
John E. Tranter, *Vice-Chairman & CEO, Gulfstream Business Bank*
Robert S. Kramer, Esq., *Partner, Kramer, Sopko & Levenstein, PA*
Douglas B. Porter, *President, Praxair Distribution, SE*

Seated Left to Right:

Thomas P. Lucido, *Owner, Lucido & Associates*
Gene B. Goldin, *CPA/Partner, Roegiers, Goldin, Chappel, Nall & Associates*
Michael F. Ciferri, *President & CEO, John Donovan Enterprises*
Daniel R. Richey, *CEO, Riverfront Packing Corporation*

SENIOR MANAGEMENT TEAM



Standing Left to Right:

Roy M. Warren, *SVP, Senior Lending Officer*
John E. Tranter, *Vice-Chairman & CEO*
Brian Avril, *EVP/COO/CFO*

Seated Left to Right:

George E. Haley, *SVP, Business Banking/Market CEO*
Jocelyn Lane, *SVP, Private & Executive Banking*
Joyce Chen, *EVP, Palm Beach County CEO*
Leo A. Bondi, *SVP, Operations*



MANAGEMENT DISCUSSION

CAPITAL

Year-over-year, the Bank's capital improved marginally due primarily to the net earnings of \$1.4 million. The Bank continued to maintain and benefit from the Treasury's Capital Purchase Plan (CPP) infusion of \$7.5 million of capital acquired in mid-2009. Managed reduction in the overall size of the Bank continued to enhance the Bank's capital ratios. As of year end, all capital ratios remained in excess of the "well capitalized" standards: Total Risk Based Capital Ratio at 154%, Tier 1 Risk Based Capital Ratio at 234% and the tier 1 Leverage Ratio at 217%. These ratios continue to position us well for any economic challenges ahead.

FDICIA Capital Categories			
	Total Risk-Based Ratio	Tier 1 Risk-Based Ratio	Tier 1 Leverage Ratio
Well Capitalized	≥ 10.00	≥ 6.00	≥ 5.00
Adequately	≥ 8.00	≥ 4.00	≥ 4.00
Undercapitalized	< 8.00	< 4.00	< 4.00
Significantly Under	< 6.00	< 3.00	< 3.00
As of 12/31/2010 % to Regulatory:	15.36% 154%	14.06% 234%	10.87% 217%

EARNINGS

Earnings for 2010 of \$1,441,000 were a significant improvement over 2009's loss of \$3,610,000. The major driver in the improved earnings was a \$5,742,000 or 39.3% decline in provision expense year-over-year. The net interest margin also showed solid improvement by increasing 8.4% to \$20,842,000. This was due primarily to reduced funding costs as liabilities continued to re-price at lower rates. Due in large part to net gains taken on sale of foreclosed property, non-interest income improved marginally. Because of reductions in credit-quality related expenses, non-interest expenses remained in check during 2010 declining by 5.8% or \$712,000 as compared to 2009. The combination of these results drove the Bank's operating income (net interest margin plus non interest income less non interest expense) up by nearly \$2.4 million or 27.2% over 2009 results.

Torres Electrical Supply Company, Inc. of Stuart demonstrates Gulfstream Business Bank's focus on operating companies. This company is celebrating their 40th Anniversary. Pictured are Jocelyn Lane, SVP (left), Oscar L. Torres (center) & Jack Tusinski (right).



MANAGEMENT DISCUSSION

LOANS

Loans outstanding declined 5.5% over prior year results as a result of the continued softness in the area's economy. The lack of new loans was the primary reason for the decline as the overall economy restricted growth in existing customers and prospects; thus the Bank was unable to offset the continued portfolio amortization and payoffs. The niche markets that we focus on continue to be very slow as our business clients remain cautious on any new business expansion or real estate investment plans. Total new loan commitments were down in 2010 as a result of the aforementioned market softness. There continues to be a great deal of liquidity on the sideline. As liquidity begins to reappear in the market, there will likely be a renewed emphasis on corporate expansion which will lead to additional quality lending opportunities.

DEPOSITS

Deposit runoff of 0.7% over prior year results is largely due to our decision to liquidate wholesale (non-core) deposits during the latter half of 2010. As loan demand weakened and loans outstanding declined by 5.5%, there was no need for excess deposits. However, core transaction account balances grew 10.3% over prior year-end. This growth is occurring primarily in our business demand deposit accounts and money market account balances as we added over 975 checking and money market accounts to our core group of niche clients during the year. The Bank's overall cost of funds declined from 1.36% to .90% during the year as the mix of transaction deposits as a percentage of total deposits increased from 26% to 29% and higher priced CD's and other borrowings were priced downward or liquidated.

GULFSTREAM INVESTMENT MANAGEMENT SERVICES

This year was clearly a challenge. A volatile economy, low interest rates, financial hardships and staffing caused a decline in the overall assets and revenue of the department. For the year 2010, assets held under management decreased by \$23.8 million to \$52.8 million. Net revenue for 2010 was \$190,000 or 33% under plan.

We realize, now more than ever, that clients need solid financial planning. Whether it's for their own personal retirement, retirement plans for their employees, college savings or funding for the succession plans of their companies, Gulfstream Business Bank provides the solutions and resources for successful planning.



MANAGEMENT DISCUSSION

CREDIT QUALITY

Credit Quality during 2010 continued to be a major challenge as the overall market deterioration continued. The Bank's credit quality ratios improved in the fourth quarter; however, it is still too early to be positive or to call it a trend, given the continued negative overall economic signals. The key indicators high unemployment, foreclosure rates, and further declines in asset values throughout property types, showed no improvement during the past quarter. In fact, real estate values do cause concern into 2011. Despite these issues, the Bank was successful during 2010 in reducing non-performing assets (NPA's), which include non-accrual loans, loans past due 90 days or more and OREO, from \$17,968,862 as of 12/31/09 to \$11,303,891 as of 12/31/10.

The outlook for 2011 is mixed as the Bank has seen a real slowdown in the growth in new problem loans. However, the existing loans which have been identified as troubled will continue to be effected by a weak economy and the further decline in commercial real estate values. The economic conditions and associated impact on credit quality resulted in the Bank funding increases to the ALLL of an additional \$8.9 million during the year. As of year-end, the Bank had a strong ALLL of \$21,700,000 which represents 5.46% of loans outstanding and 192.0% of NPA's. Non-performing assets amounted to 2.8% of total loans as of year-end. Please note that not all NPA's are losses. Some loans which exhibit difficulty in paying under the original terms and conditions are noted as such.

TECHNOLOGY

In 2010, the Bank continued to service its niches with various cash management solutions, such as Remote Deposit Capture, Automated Lockbox, Business Bill Pay and Corporate ACH. Late in 2010, we introduced our online property management payment solution "eLockbox Online Property Pay" for Homeowner/Property Owners Associations.

Gulfstream Business Bank remains extremely conscious about the protection of customer information and also implemented a new encrypted file transfer system "SecurTransfer" and e-mail system "ZixMail". These systems provide further protection to our clients and employees when corresponding via the internet.

In 2011, the Bank will continue to expand our cash management presence to further service our medical niche as well as offer additional solutions to maximize our service to our existing and potential clients.



MARKET HIGHLIGHTS

Martin County

- Opened 364 new DDA/MM accounts.
- Total deposits ended the year at \$216.1 million.
- Initiated 68 new niche relationships: 16 physician, 5 attorney, 43 HOA/POA and 4 operating companies.

St. Lucie County

- Opened 250 new DDA/MM accounts.
- Total deposits ended the year at \$90.0 million.
- Initiated 66 new niche relationships: 8 physician, 13 attorney, 23 HOA/POA, 18 operating companies, 3 investor and 1 professional.

North Palm Beach County

- Opened 52 new DDA/MM accounts.
- Total deposits ended the year at \$13.9 million.
- Initiated 12 new niche relationships: 4 attorney, 1 HOA/POA, 5 operating companies and 2 professional.

South Palm Beach County

- Opened 310 new DDA/MM accounts.
- Total deposits ended the year at \$93.0 million.
- Initiated 88 new niche relationships: 19 physician, 2 attorney, 57 HOA/POA, 5 operating companies, 2 investor and 3 professional.



Founded in 1902, East Coast Lumber & Supply Company is one of the oldest lumber and building material dealers serving the east central Florida market. Gulfstream's use of Remote Deposit Technology allows us to service clients with locations throughout the state. Pictured (left to right) Allen Osteen, Tammy Roncaglione, SVP and Don Osteen.



MARTIN COUNTY ADVISORY BOARD

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Richard Creech, Creech Engineers, Inc., Stuart

Scott Eccleston, Stryker Electrical Contracting, Inc., Palm City

Peter Engle, Joy Communications, Stuart

Dr. Linda Kardos, Martin Memorial Health Systems, Stuart

Ryan Strom, Team Parks, Inc., Stuart



During 2010, The Council on Aging celebrated the expansion of their organization into this new 34,256 Sq. Ft. commercial building in Stuart, financed by Gulfstream Business Bank.

PALM BEACH COUNTY ADVISORY BOARD

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Jose Olivella, M.D., Bethesda Pathology Group, Boynton Beach

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Robert Rex, Esq., Dickenson, Murphy, Rex and Sloan, Boca Raton

Leon Weekes, Weekes & Callaway, Inc., Delray Beach

Michael Weiner, Esq., Michael Weiner & Associates, P.A., Delray Beach





Riverfront Packing Company is a family owned Fresh-Florida Citrus Packing House located in Vero Beach. The Bank's primary focus on well established operating companies allows for a more tailored approach to credit facilities.

ST. LUCIE COUNTY ADVISORY BOARD

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P. Allen Osteen, East Coast Lumber, Fort Pierce



Financing for South Florida Radiation Oncology is representative of our credit focus on owner-occupied professional buildings for the medical community.





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2400 S.E. Monterey Road, Stuart, FL 34996



NORTH PALM BEACH COUNTY 561-354-4200
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SOUTH PALM BEACH COUNTY 561-665-4200
909 S.E. Fifth Avenue, Delray Beach, FL 33483



ST. LUCIE COUNTY 772-408-5940
9815 S. U.S. Highway One, Port St. Lucie, FL 34952

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