



ANNUAL MESSAGE

Proud to be a Community Banker

Who else could deal with problem assets, a congress who has broad brushed us with Wall Street, a harsh regulatory environment, and a misplaced public perception of greed with an unwillingness to lend? Community Bankers! That's who. We community bankers who pay taxes, lend to our communities when the demand is there, and replenish our self funded insurance fund due to the misdeeds of others are the ones who chant, "Row! Row"! I've come to accept that while there is little glory or appreciation of our contributions- it's just what we do and we do it with pride.

No other country in the world has a community banking system like ours. Our community banking system provides access of capital to the little guy, creates jobs with small businesses, and continually reinvests in our communities. Here at ACBB, while our challenges remain strong, we remain committed to our mission- "Helping community financial institutions compete more effectively."

In 2009, we faced challenges within our loan portfolio, and like you, building our loan loss reserves while reducing expenses was a top priority along with managing asset quality.

ACBB was fortunate in that we experienced one of our strongest years ever as relates to core earnings. The interest rate environment was very favorable to our balance sheet and we were able to build loan loss reserves while remaining profitable. In addition, our liquidity and capital remain strong.

Income for the year ending December 31, 2009 of \$1,693,387 was down 16% from the prior year primarily due to increased loan loss provisions, bringing our coverage on non-performing loans to 72%. Our allowance for loan loss reserves as a percentage of total loans equaled 4.84%. This healthy level of reserves also placed us above the midpoint within our ALLL methodology.

Assets for the year ending December 31, 2009 grew by 17% with the bulk of the increase evidenced in federal funds sold with a 109% increase. These are overnight funds which we rebundle and sell in the federal funds market. In other major asset categories, loans were down approximately 14% while our reserve balances with the Federal Reserve Bank were up 68%. Both the Federal Reserve Bank balances and the increase in our federal funds sold were due to our respondents highly liquid positions. The decrease in our loan portfolio was driven by our reduction in Commercial Real Estate (CRE) exposure and we

were able to replace a portion of the decrease with non-CRE product. At December 31, 2009 ACBB maintained commitments of \$58.7 million with \$24.5 million in outstandings in lines of credit to holding companies. This was the result of a strategic decision in 2008 to diversify our loan portfolio while remaining focused on our mission to support shareholder needs.

Fortunately, we experienced no significant deterioration within our investment portfolio (which is plain vanilla) and our federal funds hedge, which we executed in the fall of 2008, became a positive contributor for us.

We added 21 new shareholders during 2009 representing additional capital of \$1.1 million. We remain well capitalized and it should be noted that our leverage ratio fell slightly during the year only because of the additional DDAs and federal funds we took in from our respondent banks. Our premium federal funds and earnings credit rates attributed to the increase in DDAs and principal federal funds. The premiums above market rates exceeded \$900 million and turned out to be one of our largest benefits to shareholders. Our total risk based capital exceeded 15%. Below is a recap of these and other ratios. These ratios and our annual report are also available on our website www.atlanticcentral.com.

December 31, 2009

Income – \$ 1,693,387

Assets – \$681,687,000

Asset Quality

Loan Loss Reserves / Total Loans – 4.84%

Loan Loss Reserve / Non Performing Loans - 75.68%

Non-performing Assets / Total Assets – 3.38%

Equity – \$ 51,877,098

Capital Ratios:

Leverage – 7.26%

Tier 1 Risked Based – 14.30%

Total Risk Based – 15.58%

In 2009, our management team grew with the addition of John Hurlbutt, Chief Financial Officer and Tony Renzo, Vice President Commercial Lending. John is a seasoned veteran and Tony will be assisting us with loan portfolio management as well as new business.

We also were proud to announce that our technology subsidiary BITS became a profitable company.


BITS is now profitable with over 70 community financial institutions signed on the network located in a ten state footprint. With \$45 million in signed contract value, of which \$32 million remains outstanding, ACBB will receive the benefits from BITS for years to come. BITS is currently handling over 1 million calls per month within the network as well as an equal amount off the network. BITS received its second SAS 70 and is the only managed communications provider to have such certifications. With the cost savings, added security benefits, and enhanced capabilities, BITS has been a 'WIN (ACBB), WIN (Customers), WIN (Regulatory).'

For 2010, we will continue to add value aligned with our mission. Please look for the following:

- A new image cash letter product through JP Morgan Chase
- Extended wire room hours
- New BITS products
- Increased benefits through our aggregation model

In addition, we will continue to focus on providing additional benefits for those customers who utilize our services. This means we will continue to offer our premium rates on overnight federal funds and your account analysis earnings credits. While these initiatives coupled with loan participation sales enhance revenue, our aggregation model and BITS are offered to significantly reduce expenses.

All of these initiatives are designed solely for community financial institutions in order that we may assist you in helping your communities..... with *Pride!*



Jon S. Evans
President & CEO