



FINANCIAL HIGHLIGHTS
June 30, 2010

“Community Banking – Continuing to stand the test of time.”

Since Allegiance Community Bank’s inception in May of 2000, we have had our challenges – the 9/11 tragedy, changing regulatory environment, economic downturn, global financial meltdown, higher unemployment, and lower real estate values - but we have stood the test of time. Going back to 2007, we recorded a loss of \$1,038,000. In 2008, we were able to reduce our loss to \$795,000. As of the end of 2009, we recorded our first year of income since 2005 – ending the year with an \$11,000 profit. For the six months ended June 30, 2010, Allegiance Community Bank (“ACB”) continues this positive trend by recording a profit of \$226,000. With the additional profit of \$126,000 in the second quarter, ACB has been profitable four consecutive quarters. Times are still difficult for banks for many reasons - the economy, real estate values and unemployment, but we remain committed to meet the challenges head on and win the battle without the use of taxpayer monies from the TARP Capital Purchase Programs or other government assistance.

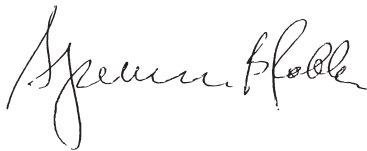
During the first six months of 2010, ACB continued focusing on remaining well-capitalized with controlled growth. ACB ended the second quarter at \$117.4 million in assets compared to \$116.0 million at June 30, 2009; an increase of \$1.4 million or 1.2%. The measured growth in assets was planned in conjunction with our strategy of restructuring our deposit portfolio. As of the end of the second quarter in 2009, total deposits included approximately \$23.7 million in brokered deposits compared to \$8.4 million at June 30, 2010 – a decrease of \$15.3 million or 64.6%. To replace the planned outflow of brokered deposits, we focused on building core deposits, such as checking, savings, money market and NOW accounts. These accounts increased \$14.8 million or 40.1% - ending the second quarter 2010 at \$51.8 million or 54.0% of ACB’s deposit base. As of June 30, 2009, core deposits accounted for approximately 38.7% of our deposit base. In addition, by strategically restructuring the deposit base, interest expense has continued to decrease – going from \$1,762,000 for the six months ended June 30, 2009 to \$1,078,000 for the six months ended June 30, 2010 – a decrease of approximately \$684,000 or 38.8%. The decrease in interest expense also drove the increase in net interest income from \$1,031,000 for the six months ended June 30, 2009 to \$1,670,000 for the six months ended June 30, 2010 – an increase of \$639,000 or 62.0%.

To further understand our core earnings, during the first six months of 2009 ACB recorded approximately \$446,000 in security gains, a \$50,000 recovery on the sale of an OREO property and an additional assessment of \$79,000 in FDIC Insurance. Exclusive of those non-core items, ACB would have recorded a loss of \$518,000 for the first six months of 2009. As of the end of the first six months 2010, ACB recorded approximately \$61,000 in security gains and an \$8,000 recovery on the sale of an OREO property. Exclusive of those items, ACB would have recorded a core-profit of approximately \$157,000 for the six months ended June 30, 2010. The change from year to year, exclusive of the non-core items, is an increase in net income of \$675,000, bringing the Bank to a core profit for the first six months of 2010. In addition, operating expenses decreased \$119,000 or 6.9% from the six months ended June 30, 2009 to the six months ended June 30, 2010. The decrease in expenses was attributable to cost cutting measures taken throughout 2009 and continuing into 2010, including the elimination of three positions in the second quarter of 2009 and pay cuts implemented in the third quarter of 2009.

The loan portfolio also showed an increase from comparable periods year to year – increasing from \$77.2 million to \$82.9 million – up \$5.7 million or 7.4%. As indicated earlier, ACB’s primary focus is to remain well-capitalized and in control of our growth. Due to our relationships with other community banks, we continue to originate loans from both our existing and new customers without impacting our well-capitalized position. As of June 30, 2010, ACB had participations with other community banks of approximately \$16.5 million – an increase of \$3.0 million or 22.2% over the same period in 2009. While our loan growth on the balance sheet was only 7.4%, we were able to serve our customers with net originations of \$8.7 million or an increase of 11.3% of our loan portfolio at June 30, 2009. ACB continues to have a strong pipeline of new loans. As of the end of the second quarter 2010, we closed approximately \$7.7 million in new loans. We currently have committed loans in the aggregate amount of \$1.2 million. In addition, we have approximately \$2.0 million of loans in underwriting. As a community bank, our goal is to serve our customers and remain committed to *“Investing in the hopes and dreams of our local communities.”*

Real estate values continue to remain depressed and unemployment is still high; as a result, we have enhanced our underwriting standards for new loans and we continue to monitor our portfolio for any signs of distress. As of the end of the second quarter 2010, we had approximately \$2.1 million in nonperforming assets – up approximately \$400,000 from year end. Nonperforming assets amount to 2.52% of gross loans and 1.78% of total assets as of the end of the second quarter. Note, that while we showed an increase in nonperforming loans since year end, the loan to value ratio, based on the discounted net realizable value of the classified loans, is approximately 63%, which emphasizes our substantial equity in the properties. During 2009 and continuing into 2010, ACB also expanded its SBA/USDA portfolio by acquiring the fully guaranteed portion of these loans. This enabled us to increase our loan income without adding stress to our loan portfolio. As of the end of the second quarter 2010, the allowance for loan loss amounted to approximately 1.15% of gross loans and 1.29% of our gross loans net of the fully guaranteed SBA/USDA loans. In addition, to further mitigate our risk, we focus on first lien multi-family loans and owner-occupied mixed use properties. Current regulations require a bank to maintain less than 100% of capital, in construction loans. Also, if a bank should grow in excess of 50% year to year, it is required to maintain less than 300% of capital invested in non-owner occupied commercial real estate. Based on our growth year over year (7.4%), our focus will continue to be in maintaining less than 100% of capital invested in construction loans. Our current percentage of construction loans outstanding to capital is 71% and if the unadvanced portion is included, the ratio increases to 85% - still lower than the required regulatory limits. Non-owner occupied commercial real estate combined with construction loans amounts to approximately 359% of capital - while it is in excess of 300% of capital, based on regulations concerning bank growth this metric does not apply to us, however we continue to analyze this loan portfolio to mitigate associated risks.

We continue to make progress on many fronts – strategic growth in assets, loans and deposits; a \$806,000 increase in profits from 2008 to 2009; and net income of \$226,000 in the first six months of 2010 – an increase of \$327,000 from year to year. Many challenges – regulatory and economic – will continue to face us and other community banks for the foreseeable future. We are determined to continue serving the South Orange/Maplewood and Woodbridge areas, as well as to enhance our shareholder value. At this time, the Board of Directors and Management of the Bank would like to take this opportunity to thank the staff for their contributions over the past year, our customers for maintaining their relationship with us and our shareholders for your continued confidence in our organization.

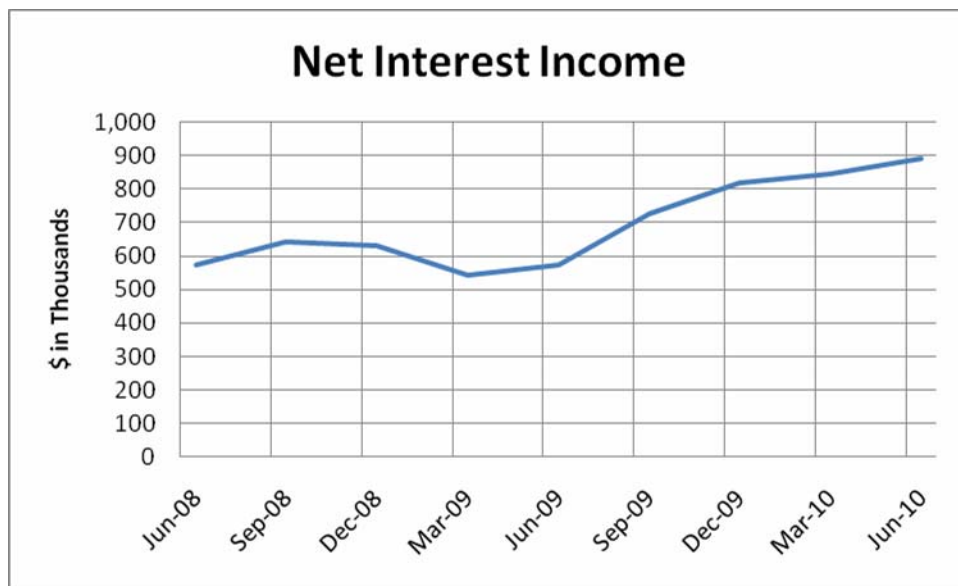


Spencer B. Robbins
Chairman of the Board of Directors



David J. Onderko
President and Chief Executive Officer

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Allegiance Community Bank
Financial Highlights
For the six months ended June 30, 2010 and 2009 and
the years ended December 31, 2009, 2008 and 2007

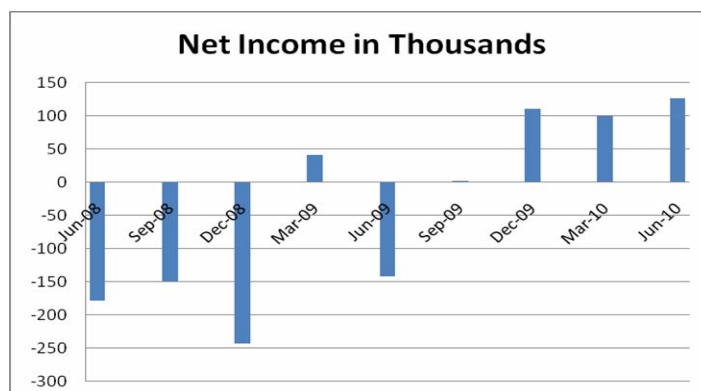
(dollars in thousands, except per share data)

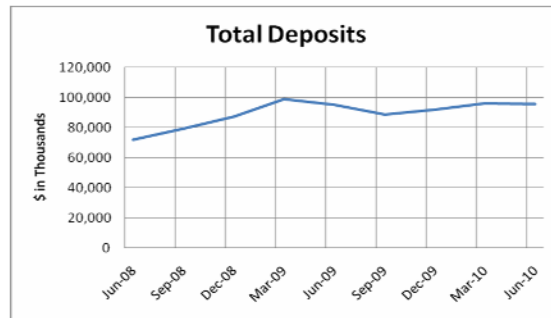
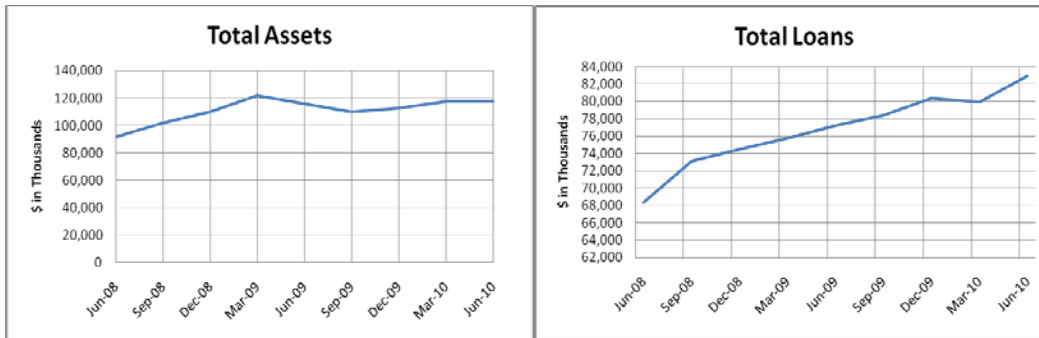
	Quarter Ended		December 31,		
	June 30, 2010(2)	June 30, 2009(2)	2009	2008	2007
Net interest income after provision	\$ 1,670	\$ 1,031	\$ 2,706	\$ 2,356	\$ 1,907
Non-interest income	\$ 157	\$ 589	\$ 837	\$ 146	\$ 32
Non-interest expense	\$ 1,601	\$ 1,720	\$ 3,413	\$ 3,090	\$ 2,775
Net income	\$ 226	\$ (101)	\$ 11	\$ (795)	\$ (1,038)
Earnings per share (1)	\$ 0.12	\$ (0.05)	\$ 0.01	\$ (0.48)	\$ (0.70)
Avg Shs issued and outstanding (1)	1,841,538	1,841,538	1,841,538	1,660,901	1,476,273
Efficiency ratio	87.6%	106.2%	96.3%	123.5%	143.1%
Total assets	\$ 117,405	\$ 115,967	\$112,719	\$109,922	\$ 85,957
Total loans	\$ 82,914	\$ 77,218	\$ 80,402	\$ 74,506	\$ 61,855
Total deposits	\$ 95,864	\$ 95,393	\$ 91,922	\$ 87,158	\$ 73,821
Other borrowings	\$ 14,000	\$ 14,000	\$ 14,000	\$ 15,500	\$ 6,000
Total equity	\$ 7,148	\$ 6,331	\$ 6,555	\$ 6,927	\$ 5,846
Book value per share (1)(3)	\$ 3.88	\$ 3.44	\$ 3.56	\$ 4.17	\$ 3.96
Annualized return on average assets	0.39%	-0.17%	0.01%	-0.81%	-1.37%
Annualized return on average equity	6.69%	-3.01%	0.17%	-12.29%	-24.25%
Total capital (to risk weighted assets)	10.45%	10.10%	10.30%	10.16%	9.66%
Tier I capital (to risk weighted assets)	9.19%	8.85%	9.05%	8.92%	8.46%
Tier I capital (to average assets)	5.51%	4.97%	5.58%	5.89%	6.48%

(1) Share and per share information includes 365,265 shares issued through the private placement offering on June 30, 2008 reflected in the average shares outstanding for December 31, 2008.

(2) Financial information for June 30, 2010 and June 30, 2009 is unaudited.

(3) Includes the effect of other comprehensive income.





South Orange Branch

200 Valley Street
 South Orange, New Jersey 07079
 Phone – 973-761-5553 Fax – 973-761-5119

Lobby Hours

Monday through Thursday – 9:00 AM to 4:00 PM
 Friday – 9:00 AM to 6:00 PM
 Saturday – 9:00 AM to Noon

Drive – up Hours

Monday through Friday – 9:00 AM to 6:00 PM
 Saturday – 9:00 AM to Noon

Woodbridge Branch

34 Main Street, Suite 1
 Woodbridge, New Jersey 07095
 Phone – 732-636-0077 Fax – 732-636-9108

Lobby Hours

Monday through Friday – 9:00 AM to 5:00 PM
 Saturday – 9:00 AM to Noon

***“Investing in the hopes and dreams
 of our local communities.”***

24 Hour ATM Machines at all locations

www.allegiancebank.com