

April 10, 2006

Dear Shareholder,

During the first quarter of 2006, Old Harbor Bank experienced strong loan demand. We closed over \$22 million in new loans resulting in a net increase in loan outstandings of \$12 million, bringing total loans to \$98 million. To fund these loans we were successful in attracting net new deposits of \$ 20 million bringing total deposits to \$118 million. Total assets now stand at \$137 million, a \$19 million increase.

We posted a net operating loss for the quarter of \$92,000, which was in line with our forecasts. Contributing to this loss were increased operating expenses associated with the opening of our Trinity office on February 6, the \$149,000 provision for loan losses resulting from the strong loan growth and the expense recorded to recognize the value of stock option grants as newly required under generally accepted accounting principals.

During the month of March, our Palm Harbor office, in only its eighth month in operation, reached a break-even point, as determined by our internal criteria, and that office will now be contributing to our bottom line going forward. Since our Dunedin office achieved break-even in its fifth month, our Trinity office has some high standards to meet. Construction on our Belleair Bluffs office is progressing on schedule and it should open early in the third quarter of 2006.

In order to support our continuing growth and expansion, we are planning a common stock offering for later in this second quarter of 2006. You will receive an offering circular when it becomes available.

As always, we thank you for your continuing support.

Sincerely,



Barry K. Miller
Chairman
Chief Executive Officer

OLD HARBOR BANK

Clearwater, Florida

FINANCIAL HIGHLIGHTS

(Dollars in thousands, except per share figures)

	At	
	March 31, 2006	March 31, 2005
Total assets	\$ 136,739	95,680
Loans, net	\$ 97,743	65,482
Deposits	\$ 117,548	80,329
Stockholders' equity	\$ 13,816	13,862
Book value per share	\$ 9.67	9.70
Number of common shares outstanding	1,428,800	1,428,800
	Three Months Ended 3/31/2006	Three Months Ended 3/31/2005
Interest income	\$ 1,963	1,151
Interest expense	<u>898</u>	<u>445</u>
Net interest income	1,065	706
Provision for loan losses	<u>149</u>	<u>191</u>
Net interest income after provision	916	515
Noninterest income	48	15
Noninterest expense	<u>1,106</u>	<u>660</u>
Earnings (loss) before income taxes	(142)	(130)
Income tax expense (benefit)	<u>(50)</u>	<u>(48)</u>
Net earnings (loss)	\$ <u>(92)</u>	<u>(82)</u>
Per Diluted Share	\$ <u>(.06)</u>	<u>(.06)</u>