

April 18, 2007

Dear Shareholder,

During the first quarter of 2007, the Bank experienced significant asset growth due to a heavy inflow of time deposits in January. Management decided to reduce the rates being paid for these deposits three times in order to slow down the inflow. Time deposits increased by \$16.7 million in the quarter. Total deposits at quarter end were \$172.2 million, a \$25.2 increase for the quarter. This deposit activity is attributed in large part to seasonal factors. The deposit growth was used to fund loans which grew by \$13.4 million and investment securities which grew by \$10.1 million. Total assets at quarter end were \$196.3 million a \$25.4 million increase.

The Bank recorded net earnings for the quarter of \$37,000 a \$129,000 improvement over the \$92,000 first quarter loss in 2006. This is the first time in the Bank's brief history that it has reported year-to-date profits. During the quarter a loan in which the Bank has a \$1.5 million participation interest went over 90 days delinquent and the Bank had to remove \$69,000 from interest income thus negatively impacting earnings for the quarter. This loan is currently being foreclosed by the lead lender. Since the loan is well collateralized, Bank management has not found it necessary to record a specific loss reserve and a near term resolution is anticipated. As has been the case for well over a year, interest margins continue to be very tight.

Based on the first quarter 2007 results, your Bank management is optimistic that it can attain its growth and earnings targets for the year.

Sincerely,



Barry K. Miller
Chairman
Chief Executive Officer



William W. Short
President
Chief Operating Officer

OLD HARBOR BANK

Clearwater, Florida

FINANCIAL HIGHLIGHTS

(Dollars in thousands, except per share figures)
(Unaudited)

	At	
	March 31, 2007	March 31, 2006
Total assets	\$ 196,284	136,739
Loans, net	\$ 144,778	97,743
Deposits	\$ 172,250	117,548
Stockholders' equity	\$ 23,096	13,816
Book value per share	\$ 11.61	9.67
Number of common shares outstanding	1,989,224	1,428,800
	Three Months Ended 3/31/2007	Three Months Ended 3/31/2006
Interest income	\$ 3,289	1,963
Interest expense	<u>1,908</u>	<u>898</u>
Net interest income	1,381	1,065
Provision for loan losses	<u>172</u>	<u>149</u>
Net interest income after provision	1,209	916
Noninterest income	51	48
Noninterest expense	<u>1,193</u>	<u>1,106</u>
Earnings (loss) before income taxes	67	(142)
Income tax expense (benefit)	<u>30</u>	<u>(50)</u>
Net earnings (loss)	\$ <u>37</u>	<u>(92)</u>
Per Share	\$ <u>.02</u>	<u>(.06)</u>