

July 10, 2007

Dear Shareholder,

The Bank recorded net earnings for the second quarter of \$149,000 a \$234,000 improvement over the \$85,000 second quarter loss in 2006. Year to date 2007 earnings are \$186,000 a \$363,000 improvement over the \$177,000 loss in 2006. These earnings improvements are attributable to the ability of the Bank to significantly grow the balance sheet over the past year thereby increasing net interest income while keeping operating expenses under control.

Net outstanding loans grew by \$9 million for the quarter from \$145 million to \$154 million. For the twelve-month period ending June 30, 2007 loans have grown a strong 41%. The Bank has seen a slowdown in loan demand resulting from several factors including borrowers concerns over the level of real estate taxes and property insurance premiums as well as the side effects of the significant slowdown in residential real estate market. On the liability side, management took advantage of this slowdown in asset growth to lower its offering rates on time deposits in an effort to slow down the continuing squeeze on interest margins. Total deposits decreased from \$172 million to \$166 million. Total assets at quarter end were \$198 million compared to \$196 at prior quarter end.

For those of you that did not see our May 24, 2007 press release, we repeat it below:

“Old Harbor Bank has announced today the retirement of Barry K. Miller as the Bank’s Chairman and CEO effective January 1, 2008. Under Mr. Miller’s leadership the Bank has grown from a start-up to a \$200 million bank in less than 4 years. He will continue to serve as a Director of the Bank.

The Board of Directors has promoted William W. Short to the Bank’s Chief Executive Officer and President effective January 1, 2008. Mr. Short has served as the Bank’s President and Chief Operating Officer since January 2006. Prior to 2006 he served as Executive Vice President/ Chief Operating Officer since the Bank’s opening in July 2003. He is a founding Director of the Bank.

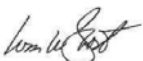
The Board has elected Gregory A. Mohr as Chairman of the Board and Robert P. Symanski as Vice Chairman. Mr. Mohr is Executive Vice President of Financial Transaction Services, LLC and Mr. Symanski is a partner of Symanski & McKnight, P.A. CPA’s. Mr. Mohr is a founding Director of Old Harbor Bank and Mr. Symanski joined the Board shortly after the Bank’s opening.

These announced changes are part of the succession plan that has been in place since the bank’s inception.”

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)

	At	
	June 30, 2007	June 30, 2006
Total assets	\$ 197,878	148,263
Loans, net	\$ 154,313	109,060
Deposits	\$ 165,759	116,150
Stockholders' equity	\$ 22,970	13,610
Book value per share	\$ 11.55	9.53
Number of common shares outstanding	1,989,224	1,428,800
	Three Months Ended 6/30/2007	Three Months Ended 6/30/2006
Interest income	\$ 3,508	2,288
Interest expense	<u>1,946</u>	<u>1,170</u>
Net interest income	1,562	1,118
Provision for loan losses	<u>119</u>	<u>146</u>
Net interest income after provision	1,443	972
Noninterest income	69	52
Noninterest expense	<u>1,264</u>	<u>1,156</u>
Earnings (loss) before income taxes	248	(132)
Income tax expense (benefit)	<u>99</u>	<u>(47)</u>
Net earnings (loss)	\$ <u>149</u>	<u>(85)</u>
Per Share	\$ <u>.07</u>	<u>(.06)</u>
	Six Months Ended 6/30/2007	Six Months Ended 6/30/2006
Interest income	\$ 6,797	4,251
Interest expense	<u>3,854</u>	<u>2,068</u>
Net interest income	2,943	2,183
Provision for loan losses	<u>291</u>	<u>295</u>
Net interest income after provision	2,652	1,888
Noninterest income	120	100
Noninterest expense	<u>2,457</u>	<u>2,262</u>
Earnings (loss) before income taxes	315	(274)
Income tax expense (benefit)	<u>129</u>	<u>(97)</u>
Net earnings (loss)	\$ <u>186</u>	<u>(177)</u>
Per Share	\$ <u>.09</u>	<u>(.12)</u>