

October 15, 2006

OLD HARBOR BANK  
Clearwater, Florida

Dear Shareholder,

FINANCIAL HIGHLIGHTS

(Dollars in thousands, except per share figures)

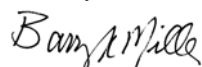
After 90 days of construction delays, we finally opened our Belleair Bluffs office at 715 Indian Rocks Road North, Pinellas County on October 10, 2006. We are the only locally owned and managed bank in this community. The manager of this office is Denine Barham, who is an established community leader with more than 18 years of experience. This new location is our fifth office, giving us a nice footprint in northern Pinellas and southwest Pasco counties. Another location under development in Pasco county, which I first told you about in the September 2005 Quarterly Report, will probably not open until late 2007, due to delays the developer has experienced in receiving site plan and permitting approvals.

During the quarter, we added to our menu of services by initiating our on-line bill payment service. In the fourth quarter we will be rolling out our "Commercial Banking Solutions" product which will allow our business customers to conduct more of their banking on-line including the ability to initiate ACH transfers. These recent products, in addition to other services under consideration, will allow us to be more competitive in trying to generate lower-cost deposit accounts.

We posted a net operating profit for the quarter of \$28,000, reducing our year-to-date loss to \$149,000, a 28% improvement over our budgeted loss of \$208,000. As with the overall banking industry, we have been challenged this year with maintaining our interest margins because of the flat to inverted yield curve.

Net loans increased by \$8 million, bringing the total to \$117 million while deposits increased by \$13 million to \$129 million. We believe that the difficulties in obtaining property insurance coverage in Florida have contributed to a slow-down in lending opportunities for our Bank and for all banks throughout the state. In addition, the slow-down in home sales in Florida and throughout the country will have an impact on lending opportunities for the near future. With deposit growth exceeding loan growth, and with the proceeds of the stock offering, we were able to reduce short-term borrowings from \$18 million to \$7 million. Total assets now stand at \$159 million, an \$11 million increase.

Sincerely,



Barry K. Miller  
Chairman  
Chief Executive Officer

	At	
	September 30, 2006	September 30, 2005
Total assets	\$ 159,074	114,874
Loans, net	\$ 117,361	77,960
Deposits	\$ 128,848	95,479
Stockholders' equity	\$ 22,918	13,980
Book value per share	\$ 11.53	9.78
Number of common shares outstanding	1,987,578	1,428,800
	Three Months Ended 9/30/2006	Three Months Ended 9/30/2005
Interest income	\$ 2,657	1,626
Interest expense	<u>1,416</u>	<u>673</u>
Net interest income	1,241	953
Provision for loan losses	<u>102</u>	<u>31</u>
Net interest income after provision	1,139	922
Noninterest income	82	28
Noninterest expense	<u>1,170</u>	<u>866</u>
Earnings before income taxes	51	84
Income tax expense	<u>23</u>	<u>33</u>
Net earnings	\$ <u>28</u>	<u>51</u>
Per Share	\$ <u>.01</u>	<u>.04</u>
	Nine Months Ended 9/30/2006	Nine Months Ended 9/30/2005
Interest income	\$ 6,908	4,198
Interest expense	<u>3,484</u>	<u>1,674</u>
Net interest income	3,424	2,524
Provision for loan losses	<u>397</u>	<u>371</u>
Net interest income after provision	3,027	2,153
Noninterest income	182	69
Noninterest expense	<u>3,432</u>	<u>2,250</u>
Earnings (loss) before income taxes	(223)	(28)
Income tax expense (benefit)	<u>(74)</u>	<u>(7)</u>
Net earnings (loss)	\$ <u>(149)</u>	<u>(21)</u>
Per Share	\$ <u>(.07)</u>	<u>(.01)</u>