

Old Harbor[®]

BANK

"We Know You"[®]



2005

..... ANNUAL REPORT

CORPORATE PROFILE



Old Harbor Bank is a locally owned and operated community bank with offices in Clearwater, Dunedin, Palm Harbor and Trinity. An Equal Housing Lender and FDIC member, Old Harbor Bank was founded on the simple principle that banking should not have to be a chore for our customers. We want to know our customers, what their expectations are from their banking relationship, and surpass those expectations whenever possible. We accomplish this goal by committing our staff to one-on-one banking and personalized service. Where so many other banks are cold and impersonal, providing so many products and services that customers are confused more than helped, we try to keep banking warm, friendly, and as simple as possible.

MISSION

Old Harbor Bank strives to be the outstanding financial institution in the communities it serves by providing:

- *A high level of personalized service and attention to our customers*
- *Competitive deposit and loan products*
- *A challenging and rewarding work environment for our staff of professional bankers*
- *Attractive and convenient banking quarters*
- *Maximum returns on investment to shareholders commensurate with safe and sound banking practices*



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March 1, 2006

Dear Shareholder,



We are pleased to report to you on a highly successful 2005. We were able to squeeze out a net profit of \$353 which was a dramatic improvement over the budgeted loss of \$305,000. These results were accomplished despite the additional operating expenses associated with the opening of our new offices and the pressure on net interest margins due to the flat yield curve. During the year assets increased by \$32 million to \$117 million, loans by \$36 million to \$86 million, and deposits by \$32 million to \$98 million. We did not have any non-performing loans at year end.

Our Dunedin Community Office, which opened on December 27, 2004, has been hugely successful with total deposits exceeding \$27 million at year end 2005. The Palm Harbor Office, which opened on July 5, 2005, has performed quite well with deposits in excess of \$9 million. After many delays, our Trinity Office opened in its temporary facility at 1320 Little Road, Pasco County on February 6, 2006. We expect this office to be very successful under the leadership of Jack Smith. As previously communicated to you, we will be opening our Belleair Bluffs Community Office in mid 2006 and our second Pasco County location, in the River Crossings area, in late 2006 or early 2007.

On January 1, 2006 William W. Short assumed his new responsibilities as President and Chief Operating Officer. I will continue as Chairman and Chief Executive Officer. This change is part of the formal management succession plan that was adopted by our Board of Directors to ensure for the orderly continuity of management of the Bank. In his new position Bill assumes responsibility for the day-to-day operations of the Bank. I will continue to remain active in the oversight of senior management, and will continue to coordinate relations between the bank, its regulatory agencies, and the investment community.

We are optimistic about the prospects for the Bank in 2006 and likewise extend to you our wishes for a healthy and prosperous year ahead.

Sincerely,

Barry K. Miller
Chairman
Chief Executive Officer

FINANCIAL HIGHLIGHTS

(Dollars in thousands, except per share figures)

At Year End:		2005	2004	2003
Total Assets	\$	117,353	84,950	30,001
Nonperforming assets	\$	0	0	0
Loans, net	\$	86,018	50,437	15,677
Deposits	\$	97,938	66,140	22,957
Stockholders' equity	\$	13,916	14,174	7,017
Book value per share	\$	9.74	9.92	9.02
Number of common shares outstanding		1,428,800	1,428,400	778,400

For the Year:		2005	2004	2003 (1)
Interest Income	\$	<u>5,953</u>	<u>2,554</u>	<u>251</u>
Interest expense		<u>2,440</u>	<u>962</u>	<u>87</u>
Net interest income		<u>3,513</u>	<u>1,592</u>	<u>164</u>
Provision for loan losses		<u>443</u>	<u>441</u>	<u>177</u>
Net interest income after provision		<u>3,070</u>	<u>1,151</u>	<u>(13)</u>
Noninterest income		<u>115</u>	<u>50</u>	<u>6</u>
Noninterest expense		<u>3,175</u>	<u>1,577</u>	<u>573</u>
Earnings (loss) before income taxes		<u>10</u>	<u>(376)</u>	<u>(580)</u>
Income tax expense (benefit)		<u>10</u>	<u>(140)</u>	<u>(218)</u>
Net earnings (loss)	\$	<u>0</u>	<u>(236)</u>	<u>(362)</u>
Per Share	\$	<u>.00</u>	<u>(.17)</u>	<u>(.47)</u>

Yield and Rates:		2005	2004	2003
Loan portfolio rate at 12/31		7.29%	6.11%	5.31%
All interest-earning assets rate at 12/31		6.54%	5.23%	4.31%
Deposits and borrowings cost at 12/31		3.14%	2.31%	1.73%
Interest-rate spread at 12/31 (2)		3.40%	2.92%	2.58%
Net interest margin for the year (3)		3.50%	2.88%	2.60%

(1) For the period from July 14, 2003 through December 31, 2003.

(2) Average yield on all interest-earning assets less average rate paid on all interest-bearing liabilities.

(3) Net interest income divided by average interest-earning assets.



Above listed from Left to Right:
 Robert P. Symanski, Carl H. Keltner, Brian M. Jones, Barry K. Miller, Gregory A. Mohr, James C. Hill, Jr., Gary F. Queen, Michael J. Dean, and William W. Short

BOARD OF DIRECTORS

Michael J. Dean	<i>CPA/Consultant</i>
James C. Hill, Jr.	<i>President - Sunshine Youth Services, Inc.</i>
Brian M. Jones	<i>Management Consultant</i>
Carl H. Keltner	<i>Retired Banker</i>
Barry K. Miller	<i>Chairman & Chief Executive Officer - Old Harbor Bank</i>
Gregory A. Mohr	<i>Executive Vice President - iPayment, Inc.</i>
Gary F. Queen	<i>President - Carrollwood Development Corp.</i>
William W. Short	<i>President and Chief Operating Officer - Old Harbor Bank</i>
Robert P. Symanski	<i>CPA/Consultant - Symanski & McKnight P.A.</i>

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LOBBY HOURS

Monday - Thursday 9:00 AM - 4:00 PM
Friday 9:00 AM - 5:00 PM

DRIVE - THRU HOURS

Monday - Thursday 8:30 AM - 5:00 PM
Friday 8:30 AM - 6:00 PM

VISIT OUR WEBSITE

www.OLDHARBORBANK.com