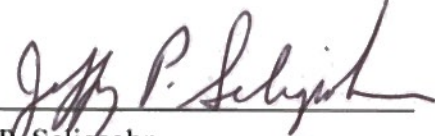




**ANNUAL DISCLOSURE STATEMENT
DECEMBER 31, 2005**

This statement has not been reviewed, or confirmed for accuracy or relevance, by the Federal Deposit Insurance Corporation.



Jeffrey R. Seligsohn
Executive Vice President
Chief Financial Officer

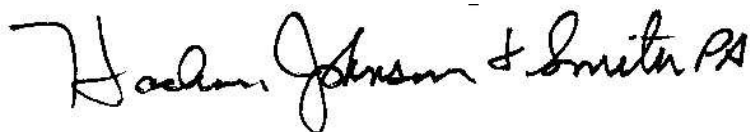
Independent Auditors' Report

Old Harbor Bank
Clearwater, Florida:

We have audited the accompanying balance sheets of Old Harbor Bank (the "Bank") at December 31, 2005 and 2004, and the related statements of operations, stockholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards as established by the Auditing Standards Board (United States) and in accordance with the auditing standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Bank is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Bank at December 31, 2005 and 2004, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

A handwritten signature in black ink that reads "Hacker, Johnson & Smith PA". The signature is written in a cursive, flowing style.

HACKER, JOHNSON & SMITH PA
Tampa, Florida
February 1, 2006

OLD HARBOR BANK

Balance Sheets (In thousands)

	At December 31,	
	2005	2004
Assets		
Cash and due from banks	\$ 1,390	570
Interest-bearing deposits	346	24
Federal funds sold	3,112	17
Total cash and cash equivalents	4,848	611
Securities available for sale	21,999	31,061
Loans, net of allowance for loan losses of \$1,061 and \$618	86,018	50,437
Premises and equipment, net	2,695	1,599
Accrued interest receivable	520	313
Deferred income taxes	693	545
Federal Home Loan Bank stock	395	137
Other assets	185	247
Total assets	\$ 117,353	84,950
Liabilities and Stockholders' Equity		
Liabilities:		
Noninterest-bearing demand deposits	8,098	5,421
Savings, NOW and money-market deposits	42,416	52,108
Time deposits	47,424	8,611
Total deposits	97,938	66,140
Federal Home Loan Bank advances	5,000	1,400
Federal funds purchased	-	3,140
Other liabilities	499	96
Total liabilities	103,437	70,776
Commitments and contingencies (Notes 4, 7 and 16)		
Stockholders' equity:		
Common stock, \$5.00 par value; 4,000,000 shares authorized, 1,428,800 and 1,428,400 shares issued and outstanding	7,144	7,142
Additional paid-in capital	7,942	7,939
Accumulated deficit	(877)	(877)
Accumulated other comprehensive loss	(293)	(30)
Total stockholders' equity	13,916	14,174
Total liabilities and stockholders' equity	\$ 117,353	84,950

See Accompanying Notes to Financial Statements.

OLD HARBOR BANK

Statements of Operations (In thousands)

	<u>Year Ended December 31,</u>	
	<u>2005</u>	<u>2004</u>
Interest income:		
Loans	\$ 4,988	1,807
Securities	887	653
Other	<u>78</u>	<u>94</u>
Total interest income	<u>5,953</u>	<u>2,554</u>
Interest expense:		
Deposits	2,296	947
Borrowings	<u>144</u>	<u>15</u>
Total interest expense	<u>2,440</u>	<u>962</u>
Net interest income	3,513	1,592
Provision for loan losses	<u>443</u>	<u>441</u>
Net interest income after provision for loan losses	<u>3,070</u>	<u>1,151</u>
Noninterest income:		
Service charges and fees on deposit accounts	67	21
Gain on sale of securities available for sale	2	-
Other	<u>46</u>	<u>29</u>
Total noninterest income	<u>115</u>	<u>50</u>
Noninterest expenses:		
Salaries and employee benefits	1,983	985
Occupancy and equipment	583	273
Advertising	149	63
Data processing	135	81
Other	<u>325</u>	<u>175</u>
Total noninterest expenses	<u>3,175</u>	<u>1,577</u>
Earnings (loss) before income tax expense (benefit)	10	(376)
Income tax expense (benefit)	<u>10</u>	<u>(140)</u>
Net earnings (loss)	\$ <u>-</u>	<u>(236)</u>

See Accompanying Notes to Financial Statements.

OLD HARBOR BANK

Statements of Stockholders' Equity

Year Ended December 31, 2005 and 2004

(\$ in thousands)

	<u>Common Stock</u>		Additional	Accumulated	Other	Total
	<u>Shares</u>	<u>Amount</u>	Paid-In	Accumulated	Comprehensive	Stockholders'
			<u>Capital</u>	<u>Deficit</u>	<u>Income (Loss)</u>	<u>Equity</u>
Balance at December 31, 2003	778,400	\$ 3,892	3,802	(641)	(36)	<u>7,017</u>
Comprehensive income (loss):						
Net loss	-	-	-	(236)	-	(236)
Net change in unrealized loss on securities available for sale, net of tax of \$3	-	-	-	-	6	<u>6</u>
Comprehensive (loss)						<u>(230)</u>
Sale of common stock	<u>650,000</u>	<u>3,250</u>	<u>4,137</u>	<u>-</u>	<u>-</u>	<u>7,387</u>
Balance at December 31, 2004	1,428,400	7,142	7,939	(877)	(30)	<u>14,174</u>
Comprehensive income (loss):						
Net earnings	-	-	-	-	-	-
Net change in unrealized loss on securities available for sale, net of tax of \$158	-	-	-	-	(263)	<u>(263)</u>
Comprehensive (loss)						<u>(263)</u>
Stock options exercised	<u>400</u>	<u>2</u>	<u>3</u>	<u>-</u>	<u>-</u>	<u>5</u>
Balance at December 31, 2005	<u>1,428,800</u>	<u>\$ 7,144</u>	<u>7,942</u>	<u>(877)</u>	<u>(293)</u>	<u>13,916</u>

See Accompanying Notes to Financial Statements.

OLD HARBOR BANK

Statements of Cash Flows (In thousands)

	<u>Year Ended December 31,</u>	
	<u>2005</u>	<u>2004</u>
Cash flows from operating activities:		
Net earnings (loss)	\$ -	(236)
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities:		
Depreciation and amortization	220	111
Provision for loan losses	443	441
Premium and discount amortization on investments	89	56
Deferred income taxes (benefit)	10	(140)
Gain on sale of securities and loans available for sale	(2)	-
Increase in accrued interest receivable	(207)	(251)
Decrease in other assets	62	14
Increase in other liabilities	<u>403</u>	<u>69</u>
Net cash provided by operating activities	<u>1,018</u>	<u>64</u>
Cash flows from investing activities:		
Purchase of securities available for sale	-	(25,064)
Principal repayments of securities available for sale	3,844	2,611
Proceeds from sale of securities available for sale	4,710	-
Net increase in loans	(36,024)	(35,201)
Purchase of premises and equipment	(1,316)	(1,132)
Purchase of Federal Home Loan Bank stock	<u>(258)</u>	<u>(136)</u>
Net cash used in investing activities	<u>(29,044)</u>	<u>(58,922)</u>
Cash flows from financing activities:		
Net increase in deposits	31,798	43,183
Sale of common stock	-	7,387
Net increase in Federal Home Loan Bank advances	3,600	1,400
(Decrease) increase in federal funds purchased	(3,140)	3,140
Proceeds from stock options exercised	<u>5</u>	<u>-</u>
Net cash provided by financing activities	<u>32,263</u>	<u>55,110</u>
Net increase (decrease) in cash and cash equivalents	4,237	(3,748)
Cash and cash equivalents at beginning of year	<u>611</u>	<u>4,359</u>
Cash and cash equivalents at end of year	\$ <u>4,848</u>	<u>611</u>
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest	\$ <u>2,204</u>	<u>942</u>
Income taxes	\$ <u>-</u>	<u>-</u>
Noncash transaction-		
Accumulated other comprehensive (loss) income, net change in unrealized loss on securities available for sale, net of tax	\$ <u>(263)</u>	<u>6</u>

See Accompanying Notes to Financial Statements.

OLD HARBOR BANK

Notes to Financial Statements

At December 31, 2005 and 2004 and the Years Then Ended

(1) Summary of Significant Accounting Policies

Organization. Old Harbor Bank (the "Bank") is a state (Florida)-chartered commercial bank. The Bank's deposits are insured by the Federal Deposit Insurance Corporation. The Bank offers a variety of community banking services to individual and corporate customers through its three banking offices located in Pinellas County, Florida.

The following is a description of the significant accounting policies and practices followed by the Bank, which conform to U.S. generally accepted accounting principles and prevailing practices within the banking industry.

Use of Estimates. In preparing financial statements in conformity with U.S. generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for loan losses and deferred tax assets.

Cash and Cash Equivalents. For purposes of the statements of cash flows, cash and cash equivalents include cash and balances due from banks, interest-bearing deposits and federal funds sold, all of which mature within ninety days. Banks are required to maintain cash reserves in the form of vault cash or in a noninterest-earning account with the Federal Reserve Bank or in noninterest-earning accounts with other qualified banks based on the balances of their transaction deposit accounts. The Bank's reserve requirements at December 31, 2005 and 2004 were \$214,000 and \$43,000, respectively.

Securities. Securities may be classified as either trading, held to maturity or available for sale. Trading securities are held principally for resale and recorded at their fair values. Unrealized gains and losses on trading securities are included immediately in operations. Held-to-maturity securities are those which the Bank has the positive intent and ability to hold to maturity and are reported at amortized cost. Available-for-sale securities consist of securities not classified as trading securities nor as held-to-maturity securities. Unrealized holding gains and losses, net of tax, on available-for-sale securities are reported as a net amount in accumulated other comprehensive income (loss). Gains and losses on the sale of available-for-sale securities are determined using the specific-identification method. Premiums and discounts on securities available for sale are recognized in interest income using the interest method over the period to maturity.

(continued)

OLD HARBOR BANK

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

Loans. Loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off are reported at their outstanding principal adjusted for any charge-offs, the allowance for loan losses, and any deferred fees or costs.

Commitment fees, loan origination fees are deferred and certain direct origination costs are capitalized; both are recognized as an adjustment of the yield of the related loan.

The accrual of interest on loans is discontinued at the time the loan is ninety days delinquent unless the loan is well-collateralized and in process of collection. In all cases, loans are placed on nonaccrual or charged-off at an earlier date if collection of principal or interest is considered doubtful.

All interest accrued but not collected for loans that are placed on nonaccrual or charged-off is reversed against interest income. The interest on these loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Allowance for Loan Losses. The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to operations. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectibility of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

A loan is considered impaired when, based on current information and events, it is probable that the Bank will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan by loan basis for commercial and commercial real estate loans by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price, or the fair value of the collateral if the loan is collateral dependent.

Large groups of smaller balance homogeneous loans are collectively evaluated for impairment. Accordingly, the Bank does not separately identify individual consumer and residential loans for impairment disclosures.

(continued)

OLD HARBOR BANK

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

Premises and Equipment. Land is stated at cost. Buildings, leasehold improvements and furniture, fixtures and equipment are stated at cost, less accumulated depreciation and amortization. Depreciation and amortization expense are computed using the straight-line method basis over the shorter of the lease term or estimated useful life of each type of asset.

Transfer of Financial Assets. Transfers of financial assets are accounted for as sales, when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Bank, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (3) the Bank does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

Income Taxes. Deferred income tax assets and liabilities are recorded to reflect the tax consequences on future years of temporary differences between revenues and expenses reported for financial statement and those reported for income tax purposes. Deferred tax assets and liabilities are measured using the enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be realized or settled. Valuation allowances are provided against assets which are not likely to be realized.

Fair Values of Financial Instruments. The fair value of a financial instrument is the current amount that would be exchanged between willing parties, other than in a forced liquidation. Fair value is best determined based upon quoted market prices. However, in many instances, there are no quoted market prices for the Bank's various financial instruments. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument. Also certain financial instruments and all nonfinancial instruments are excluded from disclosure requirements. Accordingly, the aggregate fair value amounts presented may not necessarily represent the underlying fair value of the Bank. The following methods and assumptions were used by the Bank in estimating fair values of financial instruments:

Cash and Cash Equivalents. The carrying amounts of cash and cash equivalents approximate their fair value.

Securities. Fair values for securities available for sale are based on quoted market prices, where available. If quoted market prices are not available, fair values are based on quoted market prices of comparable instruments. The carrying value of Federal Home Loan Bank stock approximates fair value.

Loans. For variable-rate loans that reprice frequently and have no significant change in credit risk, fair values are based on carrying values. Fair values for fixed-rate loans are estimated using discounted cash flow analyses, using interest rates currently being offered for loans with similar terms to borrowers of similar credit quality. Fair values for impaired loans are estimated using discounted cash flow analyses or underlying collateral values, where applicable.

(continued)

OLD HARBOR BANK

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

Fair Values of Financial Instruments, Continued.

Accrued Interest Receivable. Book value approximates fair value.

Deposits. The fair values disclosed for demand, savings, NOW and money-market deposits are, by definition, equal to the amount payable on demand at the reporting date (that is, their carrying amounts). Fair values for fixed-rate time deposits are estimated using a discounted cash flow calculation that applies interest rates currently being offered on time deposits to a schedule of aggregated expected monthly maturities of time deposits.

Federal Home Loan Bank Advances. Fair value of the advances from the Federal Home Loan Bank (“FHLB”) are estimated using a discounted cash flow analysis based on the Bank’s current incremental borrowing rate for similar types of borrowings.

Off-Balance-Sheet Financial Instruments. Fair values of off-balance-sheet lending commitments are based on fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the counterparties’ credit standings.

Off-Balance-Sheet Instruments. In the ordinary course of business the Bank has entered into off-balance-sheet financial instruments consisting of unfunded loan commitments, undisbursed loans in process, unfunded lines of credit and standby letters of credit. Such financial instruments are recorded in the financial statements when they are funded.

Stock Compensation Plan. Statement of Financial Accounting Standards (SFAS) No. 123, *Accounting for Stock-Based Compensation*, as amended by SFAS 148, *Accounting for Stock-Based Compensation Transition and Disclosure* (collectively “SFAS No. 123”) encourages all entities to adopt a fair value based method of accounting for employee stock compensation plans, whereby compensation cost is measured at the grant date based on the value of the award and is recognized over the service period, which is usually the vesting period. However, it also allows an entity to continue to measure compensation cost for those plans using the intrinsic value based method of accounting prescribed by Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees* (“APB No. 25”), whereby compensation cost is the excess, if any, of the quoted market price of the stock at the grant date (or other measurement date) over the amount an employee must pay to acquire the stock. Stock options issued under the Bank’s stock option plan have no intrinsic value at the grant date, and under APB No. 25 no compensation cost is recognized for them. The Bank has elected to continue with the accounting methodology in APB No. 25.

(continued)

OLD HARBOR BANK

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

Stock Compensation Plan, Continued. The following table illustrates the effect on net (loss) if the Bank had applied the fair value recognition provisions of SFAS No. 123 to stock-based employee compensation (in thousands):

	<u>Year Ended December 31,</u>	
	<u>2005</u>	<u>2004</u>
Net earnings (loss), as reported	\$ -	(236)
Deduct: Total stock-based employee compensation Determined using Black Scholes method all awards, net of related tax effect	(219)	(107)
Proforma net loss	\$(219)	(343)

The fair value of each option grant is estimated on the date of grant using the Black Scholes method with the following assumptions (\$ in thousands):

	<u>Year Ended December 31,</u>	
	<u>2005</u>	<u>2004</u>
Risk-free interest rate	3.78-4.43%	4.47-4.88%
Expected life in years	5.50-6.50	10
Stock volatility	7.00-8.00%	7.00%
Estimated aggregate fair value of options granted	\$ <u>332</u>	\$ <u>24</u>

Advertising. The Bank expenses all media advertising as incurred.

Comprehensive Income (Loss). Generally accepted accounting principles require that recognized revenues, expenses, gains and losses be included in net earnings (loss). Although certain changes in assets and liabilities, such as unrealized gains and losses on available-for-sale securities, are reported as a separate component of the equity section of the balance sheet, such items, along with net earnings (loss), are components of comprehensive income (loss). The components of other comprehensive income (loss) and related tax effects are as follows (in thousands):

	Before <u>Tax</u>	Tax <u>Effect</u>	After <u>Tax</u>
Year Ended December 31, 2005:			
Net holding losses	\$(423)	(159)	(264)
Gains included in net earnings	<u>2</u>	<u>1</u>	<u>1</u>
Net unrealized holding losses	\$(<u>421</u>)	(<u>158</u>)	(<u>263</u>)
Year Ended December 31, 2004:			
Net holding gain	9	3	6
Gains included in net loss	<u>-</u>	<u>-</u>	<u>-</u>
Net unrealized holding gains	\$ <u>9</u>	<u>3</u>	<u>6</u>

(continued)

OLD HARBOR BANK

Notes to Financial Statements, Continued

(1) Summary of Significant Accounting Policies, Continued

Recent Accounting Pronouncements. In December 2003, the American Institute of Certified Public Accountants (“AICPA”) issued Statement of Position (“SOP”) 03-3, *Accounting for Certain Loans or Debt Securities Acquired in a Transfer*. This SOP requires acquired impaired loans for which it is probable that the investor will be unable to collect all contractually required payments receivable to be recorded at the present value of amounts expected to be received. The SOP also prohibits carrying over or creation of valuation allowances in the initial accounting for these loans. The SOP was effective for loans acquired in fiscal years beginning after December 15, 2004. The adoption of this SOP did not impact the Bank’s financial position or results of operations.

In December 2004, the Financial Accounting Standards Board (“FASB”) issued Statement of Financial Accounting Standards (“SFAS”) No. 123 (Revised), *Share-Based Payment* (“SFAS No. 123(R)”). This Statement replaces SFAS No. 123, *Accounting for Stock-Based Compensation* (“SFAS No. 123”), Opinion No. 25. SFAS No. 123(R) clarifies and expands SFAS No. 123’s guidance in several areas, including measuring fair value, classifying an award as equity or as a liability, accounting for non-substantive vesting provisions, and attributing compensation cost to reporting periods. Under the provisions of SFAS No. 123(R), the alternative to use Opinion No. 25’s intrinsic value method of accounting that was provided in SFAS No. 123, as originally issued, is eliminated. Effective January 1, 2006, the Bank will begin expensing the fair value of unvested stock options and any future grants of stock options. Based on the amount of unvested stock options as of December 31, 2005, the Bank will record compensation expense of approximately \$138,000 and \$44,000 in 2006 and 2007, respectively.

In May 2005, the FASB issued SFAS 154, *Accounting Changes and Error Corrections*, which replaces APB Opinion No. 20, *Accounting Changes*, and SFAS 3, *Reporting Accounting Changes in Interim Financial Statements An Amendment of APB Opinion No. 28*. SFAS 154 changes the requirements for the accounting and reporting of a change in accounting principle. SFAS 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005.

(continued)

OLD HARBOR BANK

Notes to Financial Statements, Continued

(2) Securities Available for Sale

Securities have been classified according to management's intention. The carrying amount of securities and their approximate fair values are as follows (in thousands):

	<u>Amortized Cost</u>	<u>Unrealized Gains</u>	<u>Unrealized Losses</u>	<u>Fair Value</u>
<i>At December 31, 2005:</i>				
U.S. Agency obligations	\$ 8,018	-	(121)	7,897
Mortgage-backed securities	<u>14,450</u>	<u>-</u>	<u>(348)</u>	<u>14,102</u>
Total	<u>\$ 22,468</u>	<u>-</u>	<u>(469)</u>	<u>21,999</u>
<i>At December 31, 2004:</i>				
U.S. Agency obligations	8,049	-	(72)	7,977
Mortgage-backed securities	<u>23,060</u>	<u>113</u>	<u>(89)</u>	<u>23,084</u>
Total	<u>\$ 31,109</u>	<u>113</u>	<u>(161)</u>	<u>31,061</u>

At December 31, 2005 and 2004, securities with a carrying value of \$5.2 million and \$1.8 million, respectively, were pledged as collateral for FHLB advances.

Maturities of securities at amortized cost and fair value are as follows at December 31, 2005 (in thousands):

	<u>Securities Available for Sale</u>	
	<u>Amortized Cost</u>	<u>Fair Value</u>
Due in one to five years	\$ 6,996	6,886
Due beyond five years	1,022	1,011
Mortgage-backed securities	<u>14,450</u>	<u>14,102</u>
Total	<u>\$ 22,468</u>	<u>21,999</u>

Sales of securities available for sale during the year ended December 31, 2005 are summarized as follows (in thousands):

Gross proceeds	\$ <u>4,710</u>
Gross realized gains	14
Gross realized losses	<u>12</u>
Net realized gain	\$ <u><u>2</u></u>

There were no security sales during 2004.

(continued)

OLD HARBOR BANK

Notes to Financial Statements, Continued

(2) Securities Available for Sale, Continued

Securities with gross unrealized losses at December 31, 2005, aggregated by investment category and length of time that individual securities have been in a continuous loss position, is as follows (in thousands):

	<u>Less Than Twelve Months</u>		<u>Over Twelve Months</u>	
	<u>Gross Unrealized Losses</u>	<u>Value</u>	<u>Gross Fair Losses</u>	<u>Unrealized Value</u>
U.S. Agency obligations	\$ -	-	121	7,897
Mortgage-backed securities of U.S. government agencies	134	<u>134</u>	<u>8,126</u>	<u>214</u> <u>5,976</u>
Total securities available for sale		\$ <u>134</u>	<u>8,126</u>	<u>335</u> <u>13,873</u>

Management evaluates securities for other-than-temporary impairment at least on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Bank to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

The unrealized losses on investment securities available for sale were caused by interest rate changes. It is expected that the securities would not be settled at a price less than the par value of the investments. Because the decline in fair value is attributable to changes in interest rates and not credit quality, and because the Bank has the ability and intent to hold these investments until a market price recovery or maturity, these investments are not considered other-than-temporarily impaired.

(3) Loans

The components of loans are as follows (in thousands):

	<u>At December 31,</u>	
	<u>2005</u>	<u>2004</u>
Commercial	\$ 14,640	9,763
Commercial real estate	69,119	39,706
Installment	298	114
Home equity	<u>3,251</u>	<u>1,586</u>
	87,308	51,169
Add (deduct): Net deferred loan fees	(229)	(114)
Allowance for loan losses	<u>(1,061)</u>	<u>(618)</u>
Loans, net	\$ <u>86,018</u>	<u>50,437</u>

(continued)

OLD HARBOR BANK

Notes to Financial Statements, Continued

(3) Loans, Continued

An analysis of the change in the allowance for loan losses follows (in thousands):

	<u>Year Ended December 31,</u>	
	<u>2005</u>	<u>2004</u>
Beginning balance	\$ 618	177
Provision for loan losses	<u>443</u>	<u>441</u>
Ending balance	\$ <u>1,061</u>	<u>618</u>

The Bank had no impaired loans, nonaccrual loans or loans past due greater than 90 days still accruing interest in 2005 or 2004.

(4) Premises and Equipment

A summary of premises and equipment follows (in thousands):

	<u>At December 31,</u>	
	<u>2005</u>	<u>2004</u>
Land	\$ 283	283
Buildings	580	552
Leasehold improvements	1,195	294
Furniture, fixtures and equipment	<u>1,014</u>	<u>627</u>
Total, at cost	3,072	1,756
Less accumulated depreciation and amortization	<u>377</u>	<u>157</u>
Premises and equipment, net	\$ <u>2,695</u>	<u>1,599</u>

The Bank leases some of its facilities. The leases expire between 2006 and 2025 and include renewal options. Most of the leases contain escalation clauses during the term of the leases. Rent expense for the years ended December 31, 2005 and 2004 was \$242,000 and \$125,000, respectively. The future minimum lease payments at December 31, 2005 are approximately as follows (in thousands):

<u>Year Ending</u> <u>December 31,</u>	<u>Amount</u>
2006	\$ 368
2007	432
2008	440
2009	414
2010	377
Thereafter	<u>2,552</u>
	\$ <u>4,583</u>

(continued)

OLD HARBOR BANK

Notes to Financial Statements, Continued

(4) Premises and Equipment, Continued

The Bank will be leasing land for a temporary banking facility in Pasco County while permanent facilities are being constructed and expects to open the temporary facility in the first quarter of 2006. The Bank has entered into a contract to construct a banking facility in Bellair Bluffs for approximately \$685,000 and expects to open the facility in the second quarter of 2006.

(5) Deposits

The aggregate amount of time deposits with a minimum denomination of \$100,000, was approximately \$23,312,000 and \$5,051,000 at December 31, 2005 and 2004, respectively.

A schedule of maturities of time deposits follows (in thousands):

<u>Year Ending December 31,</u>	<u>Amount</u>
2006	\$ 34,426
2007-2008	10,674
2009-2010	<u>2,324</u>
	<u>\$ 47,424</u>

(6) Federal Home Loan Bank Advance

The maturity and interest rate of the advance from the Federal Home Loan Bank of Atlanta ("FHLB") is as follows (\$ in thousands):

<u>Maturity Year Ending December 31,</u>	<u>Interest Rate</u>		<u>Balance</u>	
	<u>At December 31,</u>	<u>At December 31,</u>	<u>At December 31,</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Daily	-	2.44%	\$ -	1,400
2015 *	3.14%	-	<u>5,000</u>	<u>-</u>
			<u>\$ 5,000</u>	<u>1,400</u>

* In May of 2006 the advance may be converted into a three (3) month LIBOR-based floating rate advance. If the FHLB elects to convert the advance, the Bank may elect to repay the advance.

At December 31, 2005, securities available for sale with a fair value of approximately \$5.16 million are pledged as collateral.

(7) Off-Balance-Sheet Financial Instruments

The Bank is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments are commitments to extend credit, undisbursed loans in process, unfunded lines of credit and standby letters of credit and may involve, to varying degrees, elements of credit and interest-rate risk in excess of the amount recognized in the balance sheet. The contract amounts of these instruments reflect the extent of involvement the Bank has in these financial instruments.

(continued)

OLD HARBOR BANK

Notes to Financial Statements, Continued

(7) Off-Balance-Sheet Financial Instruments, Continued

The Bank's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit is represented by the contractual amount of those instruments. The Bank uses the same credit policies in making commitments as it does for on-balance-sheet instruments.

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since some of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Bank evaluates each customer's credit worthiness on a case-by-case basis. The amount of collateral obtained if deemed necessary by the Bank upon extension of credit is based on management's credit evaluation of the counterparty.

Standby letters-of-credit are conditional lending commitments issued by the Bank to guarantee the performance of a customer to a third party and to support private borrowings arrangements. Essentially all letters of credit issued have expiration dates within one year. The credit risk involved in issuing letters-of-credit is essentially the same as that involved in extending credit. The Bank may hold collateral supporting those commitments. Newly issued or modified guarantees that are not derivative contracts have been recorded on the Bank's balance sheet at their fair value at inception.

Commitments to extend credit typically result in loans with a market interest rate when funded. A summary of the amounts of the Bank's financial instruments, with off-balance-sheet risk follows at December 31, 2005 (in thousands):

	<u>Amount</u>
Unfunded loan commitments	\$ <u>14,163</u>
Undisbursed loans in process	\$ <u>4,613</u>
Unfunded lines of credit	\$ <u>11,852</u>
Standby letters of credit	\$ <u>248</u>

(continued)

OLD HARBOR BANK

Notes to Financial Statements, Continued

(8) Fair Value of Financial Instruments

The estimated fair values of the Bank's financial instruments were as follows (in thousands):

	<u>At December 31,</u>	
	<u>2005</u>	
	<u>Carrying</u>	<u>Fair</u>
	<u>Amount</u>	<u>Value</u>
Financial assets:		
Cash and cash equivalents	\$ 4,848	4,848
Securities available for sale	21,999	21,546
Loans	86,018	85,659
Accrued interest receivable	520	520
Federal Home Loan Bank stock	395	395
Financial liabilities:		
Deposits	97,938	95,618
Federal Home Loan Bank advance	5,000	5,000
Off-balance-sheet financial instrument	-	-

(9) Credit Risk

The Bank grants the majority of its loans to borrowers in Pinellas, Pasco and Hillsborough Counties, Florida. Although the Bank has a diversified loan portfolio, a significant portion of its borrowers' ability to honor their contracts is dependent upon the economy in those three Florida counties.

(10) Income Taxes

Income taxes (benefit) consisted of the following (in thousands):

	<u>Year Ended December 31,</u>	
	<u>2005</u>	<u>2004</u>
Deferred:		
Federal	\$ 8	(119)
State	<u>2</u>	<u>(21)</u>
Total deferred	\$ <u>10</u>	<u>(140)</u>

(continued)

OLD HARBOR BANK

Notes to Financial Statements, Continued

(10) Income Taxes, Continued

The reasons for the differences between the statutory federal income tax rate and the effective tax rate are summarized as follows (\$ in thousands):

	Year Ended December 31,			
	2005		2004	
	Amount	% of Pretax Earnings	Amount	% of Pretax Loss
Income taxes (benefit) at statutory rate	\$ 3	34.0%	\$(128)	(34.0)%
Increase resulting from:				
State taxes, net of federal tax benefit	1	10.0	(12)	(3.3)
Nondeductible expenses	<u>6</u>	<u>56.0</u>	<u>-</u>	<u>-</u>
	<u>\$ 10</u>	<u>100.0%</u>	<u>\$(140)</u>	<u>(37.3)%</u>

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are presented below (in thousands):

	At December 31,	
	2005	2004
Deferred tax assets:		
Net operating loss carryforward	\$ 409	585
Organizational and start-up costs	87	122
Unrealized losses on securities available for sale	176	18
Allowance for loan losses	<u>209</u>	<u>56</u>
Deferred tax assets	<u>881</u>	<u>781</u>
Deferred tax liabilities:		
Depreciation	(112)	(107)
Deferred loan costs	(56)	(42)
Accrual to cash conversion	<u>(20)</u>	<u>(87)</u>
Deferred tax liabilities	<u>(188)</u>	<u>(236)</u>
Net deferred tax asset	<u>\$ 693</u>	<u>545</u>

At December 31, 2005, the Bank has net operating loss carryforwards of approximately \$1,087,000 available to offset future taxable income which is due to expire beginning in 2023.

(continued)

OLD HARBOR BANK

Notes to Financial Statements, Continued

(11) Related Party Transactions

In the ordinary course of business, the Bank has granted loans to and accepts deposits from principal officers and directors and their affiliates. These loans and deposits are summarized as follows (in thousands):

	<u>At December 31,</u>	
	<u>2005</u>	<u>2004</u>
Beginning loan balance	\$ 1,570	2,057
Additions	1,894	419
Paydowns	(855)	(155)
Net increase in loans with credit lines	1,559	-
Sales	<u>-</u>	<u>(751)</u>
Ending loan balance	\$ <u>4,168</u>	<u>1,570</u>
Deposits at end of period	\$ <u>2,983</u>	<u>3,815</u>

(12) Stock Option Plan

In 2003, the Bank adopted a stock option plan for certain key employees and directors of the Bank. A total of 20% of the outstanding shares of common stock have been reserved under this plan. At December 31, 2005, 34,994 shares remain available for grant. The exercise price of the stock options granted under this plan must at least equal the fair market value of the common stock at the date of grant. The options have ten year terms and vest between three and five years. A summary of stock option transactions follows (\$ in thousands, except per share amounts):

	<u>Number of</u>	<u>Range of</u>	<u>Weighted-</u>	<u>Aggregate</u>
	<u>Shares</u>	<u>Per Share</u>	<u>Average</u>	<u>Option</u>
		<u>Option Price</u>	<u>Per Share</u>	<u>Price</u>
			<u>Price</u>	
Outstanding at December 31, 2003	109,386	\$ 10.00	10.00	1,094
Granted	7,250	12.00	12.00	87
Forfeited	<u>(5,170)</u>	10.00	10.00	<u>(52)</u>
Outstanding at December 31, 2004	111,466	10.00-12.00	10.13	1,129
Granted	139,500	15.40-16.80	15.71	2,192
Exercised	(400)	10.00	10.00	(4)
Forfeited	<u>(200)</u>	12.00	12.00	<u>(3)</u>
Outstanding at December 31, 2005	<u>250,366</u>	\$ <u>10.00-16.80</u>	<u>13.24</u>	<u>3,314</u>

(continued)

OLD HARBOR BANK

Notes to Financial Statements, Continued

(12) Stock Option Plan, Continued

The weighted-average remaining contractual life of the outstanding stock options at December 31, 2005 and 2004 was 8.5 years and 8.7 years, respectively. These options are exercisable as follows:

<u>Year Ending December 31,</u>	<u>Number of Shares</u>	<u>Weighted Average Per Share Price</u>
Currently	81,403	\$ 12.70
2006	73,122	13.20
2007	73,826	13.18
2008	11,015	15.10
2009	8,900	15.84
2010	<u>2,100</u>	16.50
	<u>250,366</u>	\$ <u>13.24</u>

(13) Warrants

The Bank adopted a warrant plan for certain nonemployee shareholders that helped provide initial capital for the organizational activities. The plan allows for a maximum of 1,200 warrants. All warrants have been issued. The warrants were issued for no consideration. At December 31, 2005, there were 1,200 warrants outstanding. Each warrant entitles the holder to purchase one share of common stock for \$10 until August 2008.

(14) Regulatory Matters

The Bank is subject to various regulatory capital requirements administered by the regulatory banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Bank's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of their assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and percentages (set forth in the following table) of total and Tier 1 capital (as defined in the regulations) to risk-weighted assets (as defined) and of Tier 1 capital (as defined) to average assets (as defined). Management believes, as of December 31, 2005, the Bank met all capital adequacy requirements to which it is subject.

(continued)

OLD HARBOR BANK

Notes to Financial Statements, Continued

(14) Regulatory Matters, Continued

As of December 31, 2005, the most recent notification from the regulatory authorities categorized the Bank as well capitalized as defined under the regulatory framework for prompt corrective action. To be categorized as well capitalized, an institution must maintain minimum total risk-based, Tier I risk-based, and Tier I leverage percentages as set forth in the following table. There are no conditions or events since that notification that management believes have changed the Bank's category. The Bank's actual capital amounts and percentages as of December 31, 2005 are also presented in the table (\$ in thousands).

	<u>Actual</u>		<u>For Capital Adequacy Purposes:</u>		<u>Minimum To Be Well Capitalized Under Prompt Corrective Action Provisions:</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
<i>As of December 31, 2005:</i>						
Total Capital to Risk-Weighted Assets	\$ 14,576	15.42%	\$ 7,562	8.00%	\$ 9,452	10.00%
Tier I Capital to Risk-Weighted Assets	13,516	14.30	3,781	4.00	5,671	6.00
Tier I Capital to Total Assets	13,516	11.91	4,541	4.00	5,676	5.00
<i>As of December 31, 2004:</i>						
Total Capital to Risk-Weighted Assets	14,297	25.93	4,411	8.00	5,514	10.00
Tier I Capital to Risk-Weighted Assets	13,679	24.81	2,206	4.00	3,309	6.00
Tier I Capital to Total Assets	13,679	16.84	3,249	4.00	4,061	5.00

(15) Dividends

The Bank is limited in the amount of cash dividends that may be paid. The amount of cash dividends that may be paid is based on the Bank's net earnings of the current year combined with the Bank's retained earnings of the preceding two years, as defined by state banking regulations. However, for any dividend declaration, the Bank must consider additional factors such as the amount of current period net earnings, liquidity, asset quality, capital adequacy and economic conditions. It is likely that these factors would further limit the amount of dividend which the Bank could declare. In addition, bank regulators have the authority to prohibit banks from paying dividends if they deem such payment to be an unsafe or unsound practice.

(continued)

OLD HARBOR BANK

Notes to Financial Statements, Continued

(16) Legal Contingencies

Various legal claims also arise from time to time in the normal course of business which, in the opinion of management, will not have a material effect on the Bank's financial statements.

(17) Profit Sharing

The Bank sponsors a 401(k) savings plan for all eligible employees. The Bank is required to make matching contributions to the plan. The Bank made approximately \$34,000 and \$10,000 in matching contributions in 2005 and 2004, respectively.