

July 17, 2008

Dear Shareholder,

During the second quarter of 2008, balance sheet growth slowed considerably to \$1.0 million for the quarter as management aggressively addressed the asset and liability mix of the Bank. Total deposits at quarter end were \$203.7 million, a \$6.5 million decrease for the quarter. This shrinkage was almost entirely in maturing high cost time deposits. Net loans grew \$15.4 million for the quarter under strong demand. Balance sheet growth measured from the end of the second quarter of the last year was 22% while deposits increased 23% and loans were up 25%. Stockholder equity remains strong at the end of the period at \$22.4 million. Your Bank is well capitalized.

The Bank recorded a net loss for the quarter of \$448,000 which was slightly lower than the prior quarter loss but well behind earnings for the second quarter of 2007, which were \$149,000. The net loss continued to be attributed to three major components; a narrowing of the Bank's net interest margin due to the rapid decrease in the Prime Rate earlier this year, non-performing loans, and an increased provision against possible loan losses.

Management continues to address the interest margin using various methods on a modest and incremental basis that has led to continued improvement in that area. Non-performing assets decreased \$1.5 million to \$13.2 million in the second quarter from \$14.7 million in the first quarter. It should be noted that \$9.7 million of the non-performing assets are centered in two relationships, and another \$2.7 million are in participations (loans that were purchased from others rather than originated by the Bank). Our remaining credit problems are few by number and we do not view our credit issues as systemic. We remain confident in our underwriting polices and procedures and would remind everyone that we are still in the business of lending money.

As stewards of your investment, we are obligated to share our perception of recent downward pressure on our stock with you. Understand that we cannot control the perception of the financial sector by the public. We cannot control the price at which our investors seek to buy or sell our stock. We cannot control prevailing economic market conditions. What we can do is to know the pressures facing our institution and our industry. We can aggressively work to fix those things that we can, and we will not divert our focus to those things that we can't.

Sincerely,



Gregory A. Mohr  
Chairman



William W. Short  
President  
Chief Executive Office

OLD HARBOR BANK  
Clearwater, Florida

FINANCIAL HIGHLIGHTS

(Dollars in thousands, except per share figures)

	At	
	June 30,	June 30,
	<u>2008</u>	<u>2007</u>
Total assets	\$ 241,560	197,878
Loans, net	\$ 192,615	154,313
Deposits	\$ 203,671	165,759
Stockholders' equity	\$ 22,416	22,970
Book value per share	\$ 11.27	11.55
Number of common shares outstanding	1,989,224	1,989,224
	<hr/>	<hr/>
	Three Months	Three Months
	Ended	Ended
	<u>6/30/2008</u>	<u>6/30/2007</u>
Interest income	\$ 3,404	3,508
Interest expense	<u>1,960</u>	<u>1,946</u>
Net interest income	1,444	1,562
Provision for loan losses	<u>494</u>	<u>119</u>
Net interest income after provision	950	1,443
Noninterest income	85	69
Noninterest expense	<u>1,745</u>	<u>1,264</u>
Earnings (loss) before income taxes	(710)	248
Income tax expense (benefit)	<u>(262)</u>	<u>99</u>
Net earnings (loss)	\$ <u>(448)</u>	<u>149</u>
Per Share	\$ <u>(.23)</u>	<u>.07</u>
	<hr/>	<hr/>
	Six Months	Six Months
	Ended	Ended
	<u>6/30/2008</u>	<u>6/30/2007</u>
Interest income	\$ 6,718	6,797
Interest expense	<u>4,073</u>	<u>3,854</u>
Net interest income	2,645	2,943
Provision for loan losses	<u>968</u>	<u>291</u>
Net interest income after provision	1,677	2,652
Noninterest income	170	120
Noninterest expense	<u>3,292</u>	<u>2,457</u>
Earnings (loss) before income taxes	(1,445)	315
Income tax expense (benefit)	<u>(533)</u>	<u>129</u>
Net earnings (loss)	\$ <u>(912)</u>	<u>186</u>
Per Share	\$ <u>(.46)</u>	<u>.09</u>