

**HARBOR
NATIONAL
BANK**

Charles F. Rivers, III
President and Chief Executive Officer

October 26, 2007

Dear Shareholder:

I am proud to report to you on the progress of Harbor Bank Group, Inc. through September 30, 2007. As you can see below, we continue to grow our Company and are on track to meet our budget by year end. The following will provide a brief synopsis of the Company's performance through September 30, 2007.

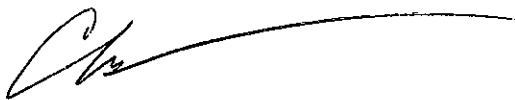
	Total Assets	Total Loans	Total Deposits
Quarter End 9/30/07	\$122 million	\$102 million	\$93 million
Quarter End 6/30/07	\$108 million	\$88 million	\$80 million
Quarter End 3/31/07	\$86 million	\$70 million	\$58 million
Year End 12/31/06	\$74 million	\$52 million	\$46 million

In addition to these growth numbers, I am pleased to report that our Bank made a profit of \$49,754 for the quarter ending September 30, 2007. This is another milestone for our Bank!

We are moving forward with our plans to relocate our downtown retail branch located at 134 Meeting Street from the second floor to the ground floor in order to give us more visibility and to be more convenient for our customers. This move should be completed in early 2008. Additionally, after a lengthy search, we have found a suitable branch site in Mount Pleasant. Currently we have signed a Letter of Intent and are moving forward with our due diligence on the property. Although these moves will be expensive, we believe the investment will be worth while in building market share and the balance sheet of the Bank.

I would like to thank all of you for your continued support and ask you to continue to do business with your Bank and send us your friends and neighbors.

Sincerely,



Charles F. Rivers, III
President / Chief Executive Officer
crivers@harborbankgroup.com

CFR/alg

yes!