



PARK STERLING BANK

July 28, 2008

Dear Stockholder:

We are very pleased with the progress your bank has achieved in its sixth full quarter of operation during one of the most challenging times we can remember for the banking industry.

Board of Directors

*Larry W. Carroll
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We continue to make tremendous progress in developing our deposit and loan business. However, with net interest margins for the banking industry at a 20-year low, coupled with our \$770 thousand non-cash allocation for our robust new loan growth, we experienced an operating loss for the second quarter of 2008 of \$177 thousand. This compares quite favorably with the \$519 thousand loss during last year's second quarter.

At June 30, 2008, total assets were \$341 million, total loans were \$314 million, and total deposits were \$258 million, up from June 30, 2007 totals of \$147 million in assets, \$133 million in loans and \$104 million in deposits. Asset quality remains excellent, with total past due and problem loans at approximately \$500 thousand, or less than 2/10 of 1% of total loans. We have had no loan losses since inception.

We are also very excited to announce that our SouthPark branch, located at 6816 Morrison Boulevard, is open for business, under the capable leadership of veteran banker Bill Gibson. Bill has assembled an excellent team, and they stand ready to help you with any banking needs. Please drop by and visit our new facility – we know you'll be pleased and proud!

As we mentioned in our first quarter update, the remainder of 2008 will be challenging, with compressed net margins and continued economic weakness. This has obviously been felt, even as Charlotte and Wilmington fare better than most of our country. We continue to believe that our experienced banking team is well positioned to take advantage of opportunities in our markets. Please continue to refer your friends and business associates to us, as we need to add good full-service clients to our base.

Thank you for your continued support. As always, we welcome your comments and suggestions.

Sincerely,

Larry W. Carroll
Chairman

Bryan F. Kennedy, III
President & CEO