

**MEMBER FEDERAL DEPOSIT
INSURANCE CORPORATION**

EACH DEPOSITOR INSURED TO \$100,000.00



Park State Bank & Trust

2003 ANNUAL REPORT

Dear Shareholder

This year has been a challenge for us. Even with less than desirable loan interest rates and economic conditions, we still continued to grow and had a profitable year. However, 2004 will prove to be equally challenging with the added costs of our new facility and a somewhat uncertain economy.

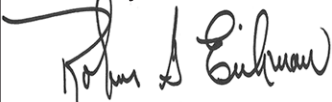
As you review the financial statements, we grew by 5%, although prior to the holidays our total assets were over \$79 million. Profitability increased over 2002 by the sale of our old facility. By taking depreciation on our new banking facility and equipment, we were able to decrease our total tax liability.

Our scheduled annual shareholders' meeting is set for Wednesday, January 28th. If you are unable to attend, please review, sign, and return the enclosed proxy materials prior to the 28th. A self addressed stamped envelope is enclosed for your convenience.

Also enclosed, you will find a dividend check for \$6.50 a share that represents an increase from previous dividends. Materials will be forwarded to you shortly, concerning a conversion from a "C" corporation to a "Sub S" corporation. This will result in a tax advantage to you.

As we look forward to 2004, we offer a thank you for allowing us to serve you this past year. Your continued support is much appreciated.

Sincerely,



Robert G. Eichman
President

NET INCOME

2003	\$838,179
2002	\$511,080

CASH DIVIDENDS

2003	\$276,000
2002	\$240,000

BOOK VALUE

2003	\$280.05
2002	\$267.35

CAPITAL ACCOUNTS

2003	\$6,721,226
2002	\$6,416,308

RECONCILEMENT OF LOAN LOSS RESERVES

	<u>2002</u>	<u>2003</u>
Balance Beginning of Year	\$334,368	\$377,298
Additions -Recoveries Credited to Reserve	\$11,910	\$21,528
-Provisions Charged to Operating Income	\$135,000	\$60,000
Deductions -Losses Charged to Reserve	(\$103,980)	(\$60,634)
Balance at End of Year	\$377,298	\$398,192

RECONCILEMENT OF CAPITAL ACCOUNTS

	<u>2002</u>	<u>2003</u>
Balance Beginning of Year	\$5,922,483	\$6,416,308
Additions - Net Income	\$511,080	\$838,179
Deductions - Dividends Declared	(\$240,000)	(\$276,000)
Unrealized Gain/Loss on Securities	\$299,158	\$41,897
Adjust Prior Year Unrealized Gain/Loss	(\$76,413)	(\$299,158)
Balance at End of Year	\$6,416,308	\$6,721,226

TRUST ASSETS

Securities and other property held by the Trust Division in a fiduciary or agency capacity are not included in the consolidated financial statements as such items are not assets of the bank. Values are approximate.	2003	\$40,492,651
	2002	\$41,174,062
	2001	\$36,596,291
Revenues for the Trust Division services are reported on the cash basis in accordance with customary banking practice.	2000	\$39,201,010
	1999	\$36,602,995

COMPARATIVE BALANCE SHEET

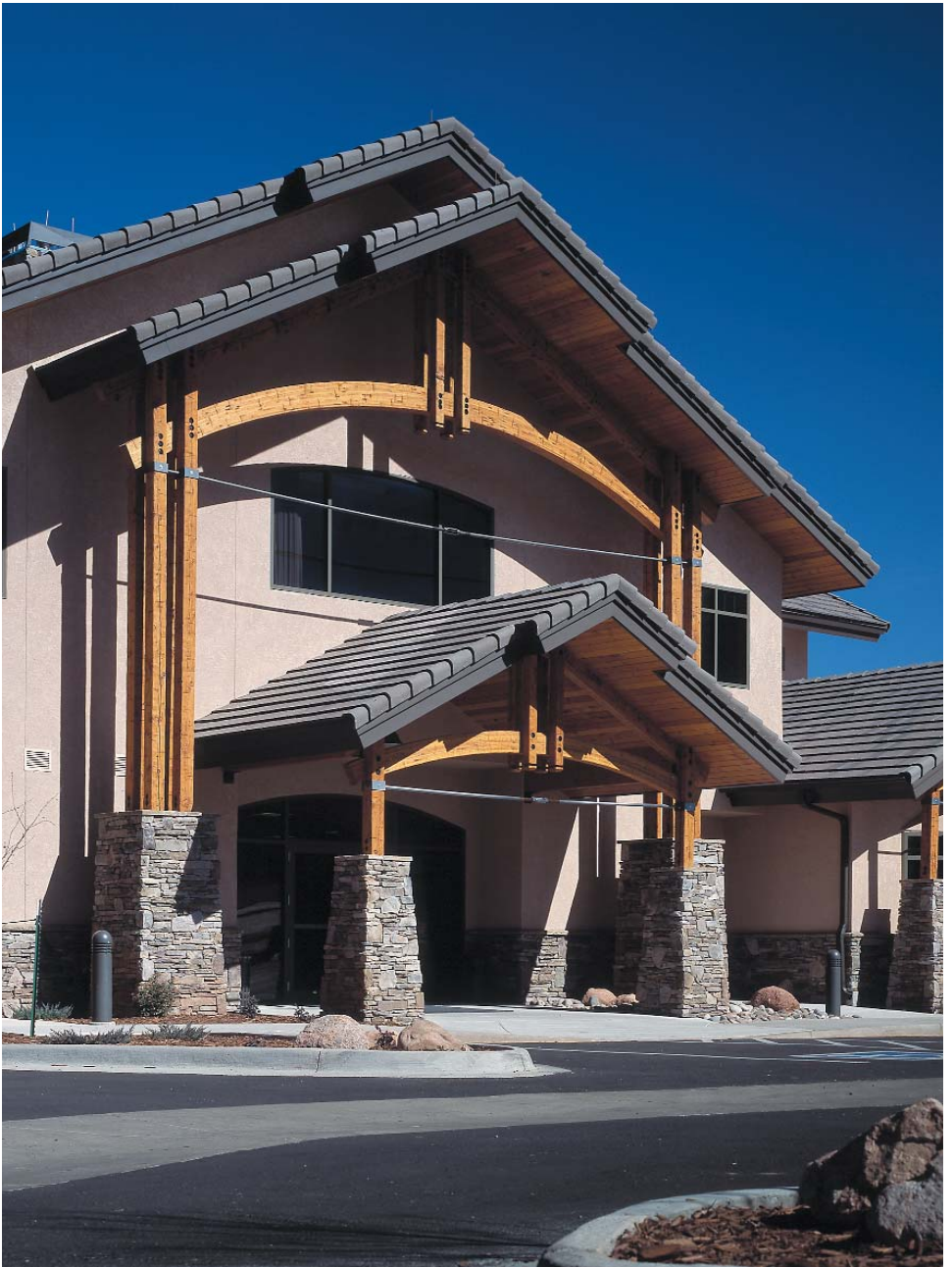
ASSETS:	<u>December 31, 2002</u>	<u>December 31, 2003</u>
Cash and Due from Banks	\$2,686,856	\$2,456,533
U.S. Treasury Securities	\$0	\$0
U.S. Government Agencies and Corporations	\$19,940,052	\$25,001,219
Obligations of State and Political Subdivisions	\$3,653,292	\$3,133,433
Other Securities	\$1,396,801	\$1,373,569
Federal Funds Sold	\$4,000,000	\$1,100,000
Loans	\$36,637,952	\$36,238,030
Bank Equipment	\$257,646	\$857,973
Bank Premises	\$1,130,607	\$5,253,727
Other Assets	\$2,823,338	\$679,473
TOTAL ASSETS	\$72,526,544	\$76,093,957
LIABILITIES:		
Demand Deposits	\$7,796,900	\$8,771,936
Interest Bearing Deposits	\$24,263,084	\$25,595,538
Time Deposits	\$33,139,283	\$34,069,276
TOTAL DEPOSITS	\$65,199,267	\$68,436,750
Federal Funds Purchased	\$0	\$0
Mortgage Indebtedness	\$0	\$0
Other Liabilities	\$910,969	\$935,981
TOTAL LIABILITIES	\$66,110,236	\$69,372,731
Capital Stock	\$1,200,000	\$1,200,000
Surplus	\$2,400,000	\$2,400,000
Undivided Profits	\$2,517,150	\$3,079,329
Unrealized Gain/Loss on Securities	\$299,158	\$41,897
TOTAL CAPITAL ACCOUNTS	\$6,416,308	\$6,721,226
TOTAL LIABILITIES, RESERVE AND CAPITAL ACCOUNTS	\$72,526,544	\$76,093,957

UNAUDITED STATEMENT

COMPARATIVE EARNINGS STATEMENT

OPERATING INCOME:	<u>December 31, 2002</u>	<u>December 31, 2003</u>
Interest and Fees on Loans	\$3,015,523	\$2,995,906
Income on Federal Funds Sold	\$103,081	\$60,364
Interest on U.S. Government Securities	\$0	\$0
Interest on Securities of U.S. Gov. Agencies & Corp.	\$888,209	\$554,945
Interest on Obligations of State & Political Subdivisions	\$163,305	\$167,183
Interest on Other Securities	\$23,051	\$82,517
Service Charges on Deposit Accounts	\$338,049	\$387,888
Other Service Charges, Collection Fees,		
Commissions & Trust Income	\$606,775	\$523,557
TOTAL	\$5,137,993	\$4,772,360
OPERATING EXPENSES:		
Salaries and Wages	\$1,310,116	\$1,250,416
Employee Benefits	\$381,497	\$379,857
Interest on Deposits	\$1,218,690	\$809,418
Occupancy Expense	\$116,771	\$203,696
Furniture & Equipment/Depreciation/Rental/Service	\$182,599	\$249,087
Provision for Loan Losses	\$135,000	\$60,000
Other Operating Expenses	\$1,071,490	\$1,192,095
TOTAL	\$4,416,163	\$4,144,569
OTHER EXPENSES:		
Income Before Income Taxes & Securities Losses	\$721,830	\$627,791
Provisions for Income Taxes	(\$210,750)	(\$384,725)
Deferred Tax Expense	\$0	\$0
TOTAL	\$511,080	\$243,066
EXTRAORDINARY ITEMS:		
Fixed Assets Losses or Gains	\$0	\$31,945
Securities Losses or Gains	\$0	\$563,168
NET INCOME	\$511,080	\$838,179

UNAUDITED STATEMENT



Mission Statement

As an independent, locally-owned and professionally managed financial institution, Park State Bank & Trust shall continue to provide personal, dependable, and innovative financial services to our community. Our goal is to remain safe, secure and profitable for our customers, employees and shareholders.