

**MEMBER FEDERAL DEPOSIT  
INSURANCE CORPORATION**

**EACH DEPOSITOR INSURED TO \$100,000.00**



# **Park State Bank & Trust**

**2004 ANNUAL REPORT**

# Dear Shareholder

With the anticipation of the bank converting to a "Sub S" corporation in 2005, your dividend has been increased by the Board of Directors. As it was mentioned a year ago, it has taken a lot of time, effort and expense to accomplish this task. Finalization must occur by mid March 2005 to be effective for the 2005 tax year. Your positive response has been appreciated.

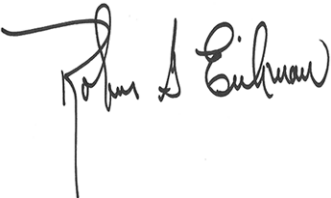
Just recently we were examined by the State of Colorado. The examination went well, which can be attributed to our dedicated staff and officers. Whether it is a successful examination, audit or providing our customers with the highest level of satisfaction, we take pride in our accomplishments.

Our annual shareholders' meeting is scheduled for Wednesday, January 26th at the bank facility. Various materials are enclosed for your review. Please sign and return the proxy materials prior to the 26th, should you not be able to attend. A self-addressed, stamped envelope is enclosed for your convenience.

Our bank continues to grow. Even though our assets as of year-end indicate a slight increase for 2004, our average assets for the fourth quarter were \$78 million. Hopefully we will be able to surpass \$80 million for 2005. Profitability of the bank remains strong. The outlook for 2005 is good, but cautious. The Federal Reserve will be increasing rates in the future, which might affect our profitability.

In closing, the directors, officers and staff wish you a new year filled with happiness, prosperity and peace.

Robert G. Eichman  
President

A handwritten signature in black ink, appearing to read "Robert G. Eichman". The signature is written in a cursive style with a large initial "R" and "E".

**NET INCOME**

2004 \$678,131

2003 \$838,179

**BOOK VALUE**

2004 \$301.86

2003 \$280.05

**CASH DIVIDENDS**

2004 \$324,000

2003 \$276,000

**CAPITAL ACCOUNTS**

2004 \$7,244,723

2003 \$6,721,226

**RECONCILEMENT OF LOAN LOSS RESERVES**

	<u>2003</u>	<u>2004</u>
Balance Beginning of Year	\$377,298	\$398,192
Additions -Recoveries Credited to Reserve	\$21,528	\$958
-Provisions Charged to Operating Income	\$60,000	\$20,000
Deductions -Losses Charged to Reserve	(\$60,634)	(\$28,834)
<b>Balance at End of Year</b>	<b>\$398,192</b>	<b>\$390,316</b>

**RECONCILEMENT OF CAPITAL ACCOUNTS**

	<u>2003</u>	<u>2004</u>
Balance Beginning of Year	\$6,416,308	\$6,721,226
Additions - Net Income	\$838,179	\$678,131
Deductions - Dividends Declared	(\$276,000)	(\$324,000)
Unrealized Gain/Loss on Securities	\$41,897	\$55,264
Adjust Prior Year Unrealized Gain/Loss	(\$299,158)	\$114,102
<b>Balance at End of Year</b>	<b>\$6,721,226</b>	<b>\$7,244,723</b>

**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.	2004	\$43,742,812
	2003	\$40,492,651
	2002	\$41,174,062

Revenues for the Trust Division services are reported on the cash basis in accordance with customary banking practice.	2001	\$36,596,291
	2000	\$39,201,010

## COMPARATIVE BALANCE SHEET

<b>ASSETS:</b>	<u>December 31, 2003</u>	<u>December 31, 2004</u>
Cash and Due from Banks	\$2,456,533	\$3,081,102
U.S. Treasury Securities	\$0	\$0
U.S. Government Agencies and Corporations	\$25,001,219	\$15,444,211
Obligations of State and Political Subdivisions	\$3,133,433	\$4,323,454
Other Securities	\$1,373,569	\$1,872,509
Federal Funds Sold	\$1,100,000	\$0
Loans	\$36,238,030	\$45,260,127
Bank Equipment	\$857,973	\$773,299
Bank Premises	\$5,253,727	\$5,176,000
Other Assets	\$679,473	\$827,339
<b>TOTAL ASSETS</b>	<b>\$76,093,957</b>	<b>\$76,758,041</b>
<b>LIABILITIES:</b>		
Demand Deposits	\$8,771,936	\$10,030,420
Interest Bearing Deposits	\$25,595,538	\$28,746,471
Time Deposits	\$34,069,276	\$29,643,644
<b>TOTAL DEPOSITS</b>	<b>\$68,436,750</b>	<b>\$68,420,535</b>
Federal Funds Purchased	\$0	\$835,000
Mortgage Indebtedness	\$0	\$0
Other Liabilities	\$935,981	\$257,783
<b>TOTAL LIABILITIES</b>	<b>\$69,372,731</b>	<b>\$69,513,318</b>
Capital Stock	\$1,200,000	\$1,200,000
Surplus	\$2,400,000	\$2,400,000
Undivided Profits	\$3,079,329	\$3,589,459
Unrealized Gain/Loss on Securities	\$41,897	\$55,264
<b>TOTAL CAPITAL ACCOUNTS</b>	<b>\$6,721,226</b>	<b>\$7,244,723</b>
<b>TOTAL LIABILITIES, RESERVE AND CAPITAL ACCOUNTS</b>	<b>\$76,093,957</b>	<b>\$76,758,041</b>

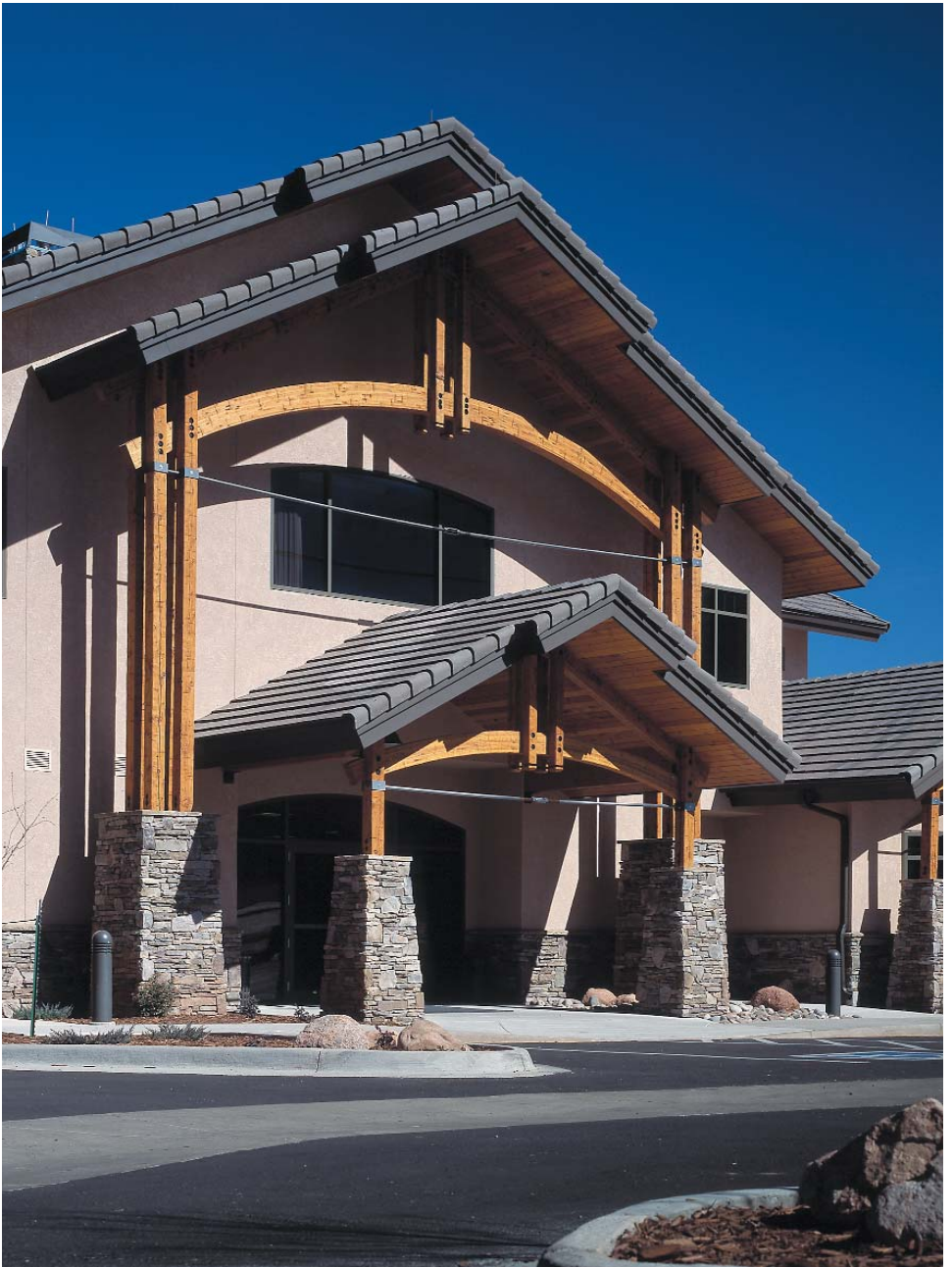
UNAUDITED STATEMENT

## COMPARATIVE EARNINGS STATEMENT

<b>OPERATING INCOME:</b>	<u>December 31, 2003</u>	<u>December 31, 2004</u>
Interest and Fees on Loans	\$2,995,906	\$3,185,467
Income on Federal Funds Sold	\$60,364	\$21,956
Interest on U.S. Government Securities	\$0	\$0
Interest on Securities of U.S. Gov. Agencies & Corp.	\$554,945	\$636,638
Interest on Obligations of State & Political Subdivisions	\$167,183	\$170,819
Interest on Other Securities	\$82,517	\$53,667
Service Charges on Deposit Accounts	\$387,888	\$385,849
Other Service Charges, Collection Fees,		
Commissions & Trust Income	\$523,557	\$595,504
<b>TOTAL</b>	<b>\$4,772,360</b>	<b>\$5,049,900</b>
<b>OPERATING EXPENSES:</b>		
Salaries and Wages	\$1,250,416	\$1,400,406
Employee Benefits	\$379,857	\$438,035
Interest on Deposits	\$809,418	\$502,480
Occupancy Expense	\$203,696	\$351,323
Furniture & Equipment/Depreciation/Rental/Service	\$249,087	\$270,485
Provision for Loan Losses	\$60,000	\$20,000
Other Operating Expenses	\$1,192,095	\$1,158,454
<b>TOTAL</b>	<b>\$4,144,569</b>	<b>\$4,141,183</b>
<b>OTHER EXPENSES:</b>		
Income Before Income Taxes & Securities Losses	\$627,791	\$908,717
Provisions for Income Taxes	(\$384,725)	(\$281,282)
Deferred Tax Expense	\$0	\$0
<b>TOTAL</b>	<b>\$243,066</b>	<b>\$627,435</b>
<b>EXTRAORDINARY ITEMS:</b>		
Fixed Assets Losses or Gains	\$563,168	\$50,146
Securities Losses or Gains	\$31,945	\$550
<b>NET INCOME</b>	<b>\$838,179</b>	<b>\$678,131</b>

**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.