

**MEMBER FEDERAL DEPOSIT
INSURANCE CORPORATION**

EACH DEPOSITOR INSURED TO \$100,000.00



Park State Bank & Trust

2005 ANNUAL REPORT

Dear Shareholder

Thanks to your assistance and cooperation we were successful in the first quarter of 2005 in obtaining our "Sub S" corporation. As a result of this change sizeable distributions were made during the year.

Please find enclosed a distribution of \$8.13 per share as authorized by your Board of Directors for the first quarter of 2006. Other distributions will be made throughout the year as determined by the bank's profitability.

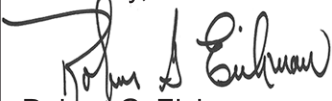
In reviewing the Comparative Balance Sheet & Earnings Statement you will note significant increases not only in assets but income as well. The Investment & Trust Division also showed a significant increase on total assets. This can be attributed to the hard work and dedication of the officers and staff. We are quite proud of this accomplishment.

Our goals for 2006 include continuous increases in assets and income. This could be affected by the Federal Reserve continuing to increase rates. By year end we should have our new branch facility in Florissant operational.

The annual shareholders' meeting is scheduled at the bank facility in Woodland Park on Wednesday, January 25, 2006 at 8:00 a.m. After reviewing the enclosed materials, please sign and return the proxy prior to the 25th should you not be able to attend. A self addressed, stamped envelope is enclosed for your convenience.

The friendship and support of those we serve is the foundation of our progress.

Sincerely,



Robert G. Eichman
President

NET INCOME

2005 \$1,184,953

2004 \$678,131

CASH DIVIDENDS

2005 \$584,474

2004 \$324,000

BOOK VALUE

2005 \$313.00

2004 \$301.86

CAPITAL ACCOUNTS

2005 \$7,500,667

2004 \$7,244,723

RECONCILEMENT OF LOAN LOSS RESERVES

	<u>2004</u>	<u>2005</u>
Balance Beginning of Year	\$398,192	\$390,316
Additions -Recoveries Credited to Reserve	\$958	\$10,420
-Provisions Charged to Operating Income	\$20,000	\$100,000
Deductions -Losses Charged to Reserve	(\$28,834)	\$204,356
Balance at End of Year	\$390,316	\$296,380

RECONCILEMENT OF CAPITAL ACCOUNTS

	<u>2004</u>	<u>2005</u>
Balance Beginning of Year	\$6,721,226	\$7,244,723
Additions - Net Income	\$678,131	\$1,184,953
Deductions - Dividends Declared	(\$324,000)	(\$584,474)
Unrealized Gain/Loss on Securities	\$55,264	(\$243,546)
Adjust Prior Year Unrealized Gain/Loss	\$114,102	(\$100,989)
Balance at End of Year	\$7,244,723	\$7,500,667

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.	2005	\$49,648,369
	2004	\$43,742,812
	2003	\$40,492,651
Revenues for the Trust Division services are reported on the cash basis in accordance with customary banking practice.	2002	\$41,174,062
	2001	\$36,596,291

COMPARATIVE BALANCE SHEET

ASSETS:	<u>December 31, 2004</u>	<u>December 31, 2005</u>
Cash and Due from Banks	\$3,081,102	\$3,258,786
U.S. Treasury Securities	\$0	\$0
U.S. Government Agencies and Corporations	\$15,444,211	\$13,684,825
Obligations of State and Political Subdivisions	\$4,323,454	\$3,598,620
Other Securities	\$1,872,509	\$1,306,283
Federal Funds Sold	\$0	\$900,000
Loans	\$45,260,127	\$52,900,756
Bank Equipment	\$773,299	\$655,036
Bank Premises	\$5,176,000	\$5,061,794
Other Assets	\$827,339	\$1,038,028
TOTAL ASSETS	\$76,758,041	\$82,404,128
LIABILITIES:		
Demand Deposits	\$10,030,420	\$11,560,317
Interest Bearing Deposits	\$28,746,471	\$30,362,472
Time Deposits	\$29,643,644	\$32,808,641
TOTAL DEPOSITS	\$68,420,535	\$74,731,430
Federal Funds Purchased	\$835,000	\$0
Mortgage Indebtedness	\$0	\$0
Other Liabilities	\$257,783	\$172,031
TOTAL LIABILITIES	\$69,513,318	\$74,903,461
Capital Stock	\$1,200,000	\$1,197,500
Surplus	\$2,400,000	\$2,356,775
Undivided Profits	\$3,589,459	\$4,189,938
Unrealized Gain/Loss on Securities	\$55,264	(\$243,546)
TOTAL CAPITAL ACCOUNTS	\$7,244,723	\$7,500,667
TOTAL LIABILITIES, RESERVE AND CAPITAL ACCOUNTS	\$76,758,041	\$82,404,128

UNAUDITED STATEMENT

COMPARATIVE EARNINGS STATEMENT

OPERATING INCOME:	<u>December 31, 2004</u>	<u>December 31, 2005</u>
Interest and Fees on Loans	\$3,185,467	\$3,947,702
Income on Federal Funds Sold	\$21,956	\$49,551
Interest on U.S. Government Securities	\$0	\$0
Interest on Securities of U.S. Gov. Agencies & Corp.	\$636,638	\$617,770
Interest on Obligations of State & Political Subdivisions	\$170,819	\$183,690
Interest on Other Securities	\$53,667	\$68,889
Service Charges on Deposit Accounts	\$385,849	\$429,502
Other Service Charges, Collection Fees,		
Commissions & Trust Income	\$595,504	\$799,746
TOTAL	\$5,049,900	\$6,096,850
OPERATING EXPENSES:		
Salaries and Wages	\$1,400,406	\$1,418,805
Employee Benefits	\$438,035	\$501,803
Interest on Deposits	\$502,480	\$1,020,119
Occupancy Expense	\$351,323	\$365,955
Furniture & Equipment/Depreciation/Rental/Service	\$270,485	\$308,357
Provision for Loan Losses	\$20,000	\$100,000
Other Operating Expenses	\$1,158,454	\$1,280,828
TOTAL	\$4,141,183	\$4,995,867
OTHER EXPENSES:		
Income Before Income Taxes & Securities Losses	\$908,717	\$1,100,983
Provisions for Income Taxes	(\$281,282)	\$0
Deferred Tax Expense	\$0	\$50,894
TOTAL	\$627,435	\$1,151,877
EXTRAORDINARY ITEMS:		
Fixed Assets Losses or Gains	\$50,146	\$33,076
Securities Losses or Gains	\$550	\$0
NET INCOME	\$678,131	\$1,184,953

UNAUDITED STATEMENT

DIRECTORS

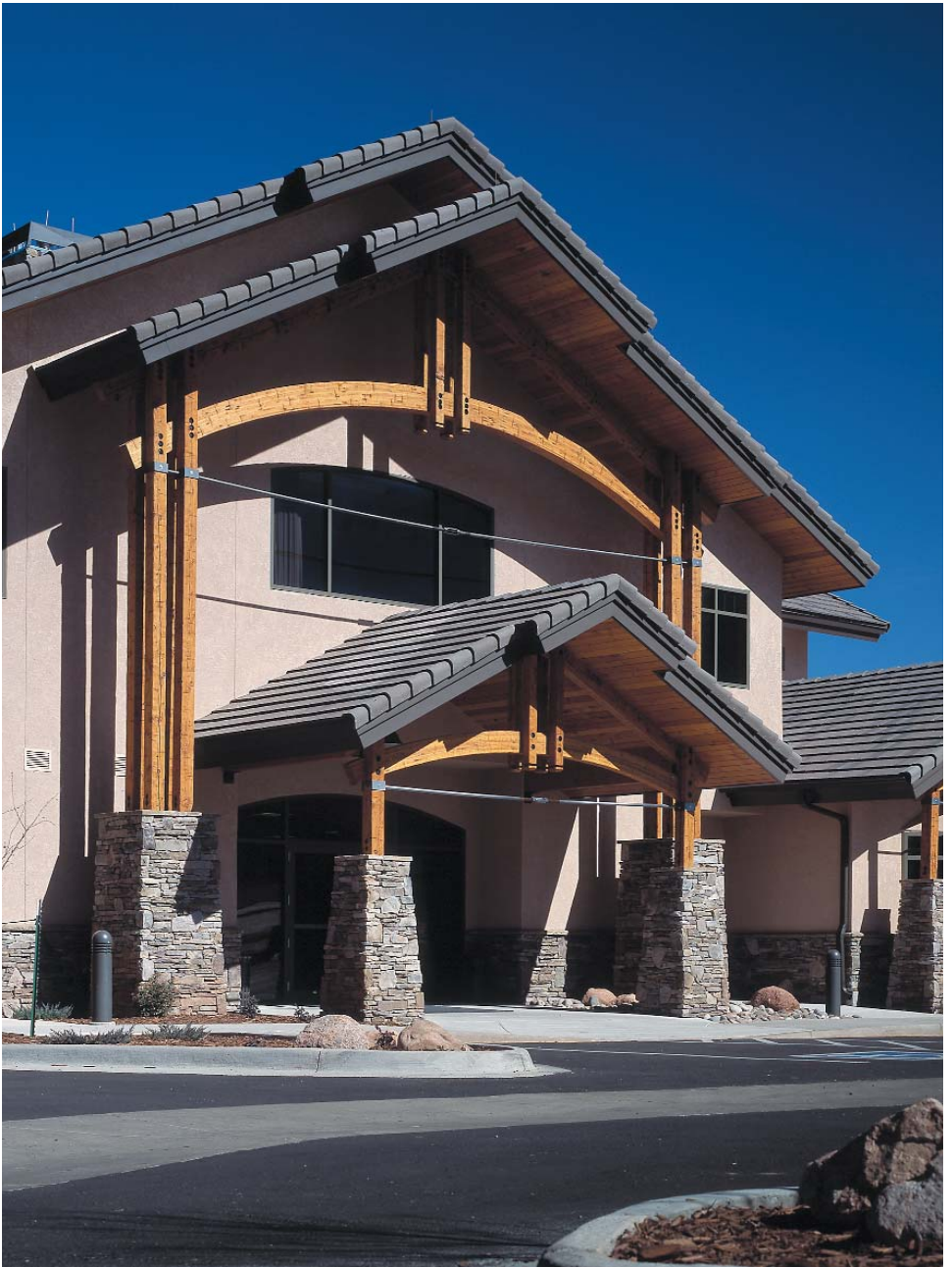
M. Louise Bauer	Investments, Woodland Park, CO
A.E. Born	Business Owner, Woodland Park, CO
Derrick L. Carpenter	Business Owner, Woodland Park, CO
Robert G. Eichman	President of Park State Bank & Trust, Woodland Park, CO
Lucile Fehn	Retired Public Official, Woodland Park, CO
Martin H. Lays	Business Chief Financial Officer, Manitou Springs, CO
M.E. MacDougall	Attorney, Colorado Springs, CO
Peter R. Spahn	Investments, Colorado Springs, CO

OFFICERS

Robert G. Eichman	President
Tony L. Perry	VP Loans / Operations
Joseph E. Walnofer	VP Investment & Trust
Scott E. Hughes	VP Loans
Keith Waggoner	VP Loans
Marcie Zurek	AVP Operations / Cashier
Judi Nootbaar	AVP Internal Auditor
Crystal Blunt	AVP Loans
Robin Thompson	AVP Compliance Officer

EMPLOYEES

Kathy Adkins	Teller	Jamie Lindholm	Support Specialist
Brenda Alvarez	Receptionist/Switchboard	Neil Massey	Teller
Marilyn Barkley	Support Specialist	Ann McCann	Personal Banker
Tony Carnelli	Facility Manager	Debbie McKenna	Loan Specialist
Lisa Carpentier	Teller	Allyson Outlaw	Teller
Francis Chandler	Teller	Susan Plotner	Loan Administrator
Fran Chaney	Teller	Gabi Price	Teller
Chris Davis	Personal Banker	Diane Ripley	Teller
Terry Freeman	Loan Administration Manager	Molly Schroeder	Teller
Barb Fritz	Teller Manager	Jan Selby	Support Specialist
Lyn Glugla	Support Specialist	Jim Stofa	Teller / IT Support Specialist
Jocey Goodloe	Teller		
Gayle Gross	Relationship Development	FLORISSANT BRANCH	
Kimberly Hamilton	Teller	Darla Crippen	Personal Banker
Tara Hanlon	Receptionist/Switchboard	Linda McCormack	Personal Banker
Rena Harris	Personal Banker / Trust	Petra Nott	Personal Banking Manager
Shannon Harrison	Personal Banker	Penny Wallin	Personal Banker
Debbie Johnson	Support Specialist		
Liz Kusterle	Support Services Manager		



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.