

**MEMBER FEDERAL DEPOSIT  
INSURANCE CORPORATION**

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



# **Park State Bank & Trust**

**2006 ANNUAL REPORT**

# Dear Shareholder

After forty plus years in finance and banking, of which twenty seven were with Park State Bank & Trust, it is time to proceed to another step in life's cycle.

I've been very blessed in a lot of ways and am very appreciative of all the opportunities that have come my way. I also appreciate the faith, trust and support that have been given to me by the board, officers, staff and shareholders over the years. Without this, the bank would not be as successful as it is today.

I thank everyone for the opportunity to serve in the capacity of your President.

I feel very comfortable with the succession plan in place. Under the direction of Mr. Tony Perry as incoming President, the leadership, loyalty and team effort will take the bank to a new plateau of growth and prosperity. The safety and soundness of the bank, which is vital, will remain intact.

With your continued support, Park State Bank & Trust is set for the future.

May you enjoy many successes.

Sincerely,

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".

Robert G. Eichman  
President

**NET INCOME**2006 

\$845,668
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2005 

\$1,184,953
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**CASH DIVIDENDS**2006 

\$801,128
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2005 

\$584,474
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**BOOK VALUE**2006 

\$323.57
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2005 

\$313.00
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**CAPITAL ACCOUNTS**2006 

\$7,749,402
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2005 

\$7,500,667
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**RECONCILEMENT OF LOAN LOSS RESERVES**

	<u>2005</u>	<u>2006</u>
Balance Beginning of Year	\$390,316	\$296,380
Additions -Recoveries Credited to Reserve	\$10,420	\$10,657
-Provisions Charged to Operating Income	\$100,000	\$165,000
Deductions -Losses Charged to Reserve	\$204,356	(\$64,330)
<b>Balance at End of Year</b>	<b>\$296,380</b>	<b>\$407,707</b>

**RECONCILEMENT OF CAPITAL ACCOUNTS**

	<u>2005</u>	<u>2006</u>
Balance Beginning of Year	\$7,244,723	\$7,500,667
Additions - Net Income	\$1,184,953	\$845,668
Deductions - Dividends Declared	(\$584,474)	(\$801,128)
Unrealized Gain/Loss on Securities	(\$243,546)	(\$39,352)
Adjust Prior Year Unrealized Gain/Loss	(\$100,989)	\$243,546
<b>Balance at End of Year</b>	<b>\$7,500,667</b>	<b>\$7,749,402</b>

**TRUST ASSETS**

Securities and other property held by the Investment & 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.	2006	<table border="1"><tr><td>\$69,911,780</td></tr></table>	\$69,911,780
\$69,911,780			
	2005	<table border="1"><tr><td>\$49,648,369</td></tr></table>	\$49,648,369
\$49,648,369			
	2004	<table border="1"><tr><td>\$43,742,812</td></tr></table>	\$43,742,812
\$43,742,812			
Revenues for Investment & Trust Division services are reported on the cash basis in accordance with customary banking practice.	2003	<table border="1"><tr><td>\$40,492,651</td></tr></table>	\$40,492,651
\$40,492,651			
	2002	<table border="1"><tr><td>\$41,174,062</td></tr></table>	\$41,174,062
\$41,174,062			

## COMPARATIVE BALANCE SHEET

<b>ASSETS:</b>	<u>December 31, 2005</u>	<u>December 29, 2006</u>
Cash and Due from Banks	\$3,258,786	\$4,387,335
U.S. Treasury Securities	\$0	\$0
U.S. Government Agencies and Corporations	\$13,684,825	\$13,521,407
Obligations of State and Political Subdivisions	\$3,598,620	\$4,087,588
Other Securities	\$1,306,283	\$818,936
Federal Funds Sold	\$900,000	\$0
Loans	\$52,900,756	\$68,461,016
Bank Equipment	\$655,036	\$581,151
Bank Premises	\$5,061,794	\$4,947,588
Other Assets	\$1,038,028	\$1,288,947
<b>TOTAL ASSETS</b>	<b>\$82,404,128</b>	<b>\$98,093,968</b>
<b>LIABILITIES:</b>		
Demand Deposits	\$11,560,317	\$11,959,709
Interest Bearing Deposits	\$30,362,472	\$34,741,674
Time Deposits	\$32,808,641	\$39,667,322
<b>TOTAL DEPOSITS</b>	<b>\$74,731,430</b>	<b>\$86,368,705</b>
Federal Funds Purchased	\$0	\$3,695,000
Mortgage Indebtedness	\$0	\$0
Other Liabilities	\$172,031	\$280,861
<b>TOTAL LIABILITIES</b>	<b>\$74,903,461</b>	<b>\$90,344,566</b>
Capital Stock	\$1,197,500	\$1,197,500
Surplus	\$2,356,775	\$2,356,775
Undivided Profits	\$4,189,938	\$4,234,479
Unrealized Gain/Loss on Securities	(\$243,546)	(\$39,352)
<b>TOTAL CAPITAL ACCOUNTS</b>	<b>\$7,500,667</b>	<b>\$7,749,402</b>
<b>TOTAL LIABILITIES, RESERVE AND CAPITAL ACCOUNTS</b>	<b>\$82,404,128</b>	<b>\$98,093,968</b>

UNAUDITED STATEMENT

## COMPARATIVE EARNINGS STATEMENT

<b>OPERATING INCOME:</b>	<u>December 31, 2005</u>	<u>December 29, 2006</u>
Interest and Fees on Loans	\$3,947,702	\$4,885,486
Income on Federal Funds Sold	\$49,551	\$191,957
Interest on U.S. Government Securities	\$0	\$0
Interest on Securities of U.S. Gov. Agencies & Corp.	\$617,770	\$713,066
Interest on Obligations of State & Political Subdivisions	\$183,690	\$174,562
Interest on Other Securities	\$68,889	\$40,722
Service Charges on Deposit Accounts	\$429,502	\$449,330
Other Service Charges, Collection Fees,		
Commissions & Trust Income	\$799,746	\$832,010
<b>TOTAL</b>	<b>\$6,096,850</b>	<b>\$7,287,133</b>
<b>OPERATING EXPENSES:</b>		
Salaries and Wages	\$1,418,805	\$1,579,740
Employee Benefits	\$501,803	\$515,951
Interest on Deposits	\$1,020,119	\$1,875,225
Occupancy Expense	\$365,955	\$359,982
Furniture & Equipment/Depreciation/Rental/Servicing	\$308,357	\$296,434
Provision for Loan Losses	\$100,000	\$165,000
Other Operating Expenses	\$1,280,828	\$1,646,297
<b>TOTAL</b>	<b>\$4,995,867</b>	<b>\$6,438,629</b>
<b>OTHER EXPENSES:</b>		
Income Before Income Taxes & Securities Losses	\$1,100,983	\$848,504
Provisions for Income Taxes	\$0	\$0
Deferred Tax Expense	\$50,894	(\$2,836)
<b>TOTAL</b>	<b>\$1,151,877</b>	<b>\$845,668</b>
<b>EXTRAORDINARY ITEMS:</b>		
Fixed Assets Losses or Gains	\$33,076	\$0
Securities Losses or Gains	\$0	\$0
<b>NET INCOME</b>	<b>\$1,184,953</b>	<b>\$845,668</b>

**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	Executive Vice President
Joseph E Walnofer	VP Investments & Trust
Marcie Zurek	VP Cashier
Doug Gross	VP Chief Credit Officer
Scott E Hughes	VP Loans
Keith Waggoner	VP Loans
Crystal Blunt	VP Loans
Gil Winter	Information Technology Officer

## EMPLOYEES

Brenda Alvarez	Receptionist / Switchboard	Debbie Johnson	Support Specialist
Leann Baber	Teller	Liz Kusterle	Support Services Manager
Marilyn Barkley	Support Specialist	Jamie Lindholm	Support Specialist
Tony Carnelli	Facility Manager	Petra Nott	Compliance/Training Coordinator
Lisa Carpentier	Personal Banker	Susan Plotner	Loan Administrator
Frances Chandler	Teller	Gabi Price	Loan Clerk
Lindsey Clark	Teller	Diane Ripley	Teller
Jean Cowman	Teller	Jan Selby	Support Specialist
Chris Davis	Personal Banker	Leah Steiner	Teller Manager -WP
Cynthia Eden	Teller	Jim Stofa	IT Specialist
Terry Freeman	Loan Administration Manager	Richard Tzudiker	Account Administrator
Barbara Fritz	Customer Service Manager		
Jocey Goodloe	Teller		
Giselle Goossen	Personal Banker		
Gayle Gross	Relationship Development Professional	FLORISSANT BRANCH	
Angela Harris	Operations Specialist	Kathy Adkins	Personal Banking Manager Florissant
Shannon Harrison	Personal Banking Manager Woodland Park	Ann McCann	Personal Banker
		Cindy Rohrer	Teller
		Penny Wallin	Personal Banker

# Dear Shareholder

As the New Year begins, I would like to take a moment to reflect on the past, and look forward to the time ahead. In reflecting on the past year I can not help but think about the career of "Bob" Eichman. Bob was at the helm of our community bank for 27 years. During that period of time there were many changes to our bank and the community. What did not change is Bob's and the bank's commitment to serve the community and our customers. Bob led with passion and compassion. Those of us who worked with Bob knew him as a kind, patient, and supportive leader. Although Bob is looking forward to retirement, I know he has left a piece of his heart and soul with the bank. I am fortunate to have worked with Bob for the past six years. He has been a mentor, confidant, and friend.

As I look to the future, I am honored and excited about becoming the next president of Park State Bank & Trust. I look forward to the challenges and opportunities that lie ahead. As we move forward there are some things I would like you to know:

- I am very confident in our banking team, and I am proud to be part of the team.
- You can expect that we will stay current with business, regulatory, and technology issues so that we protect your investment in the bank.
- We will stay committed to serving the community and our customers with the best service possible so that we can provide the best possible return on your investment.

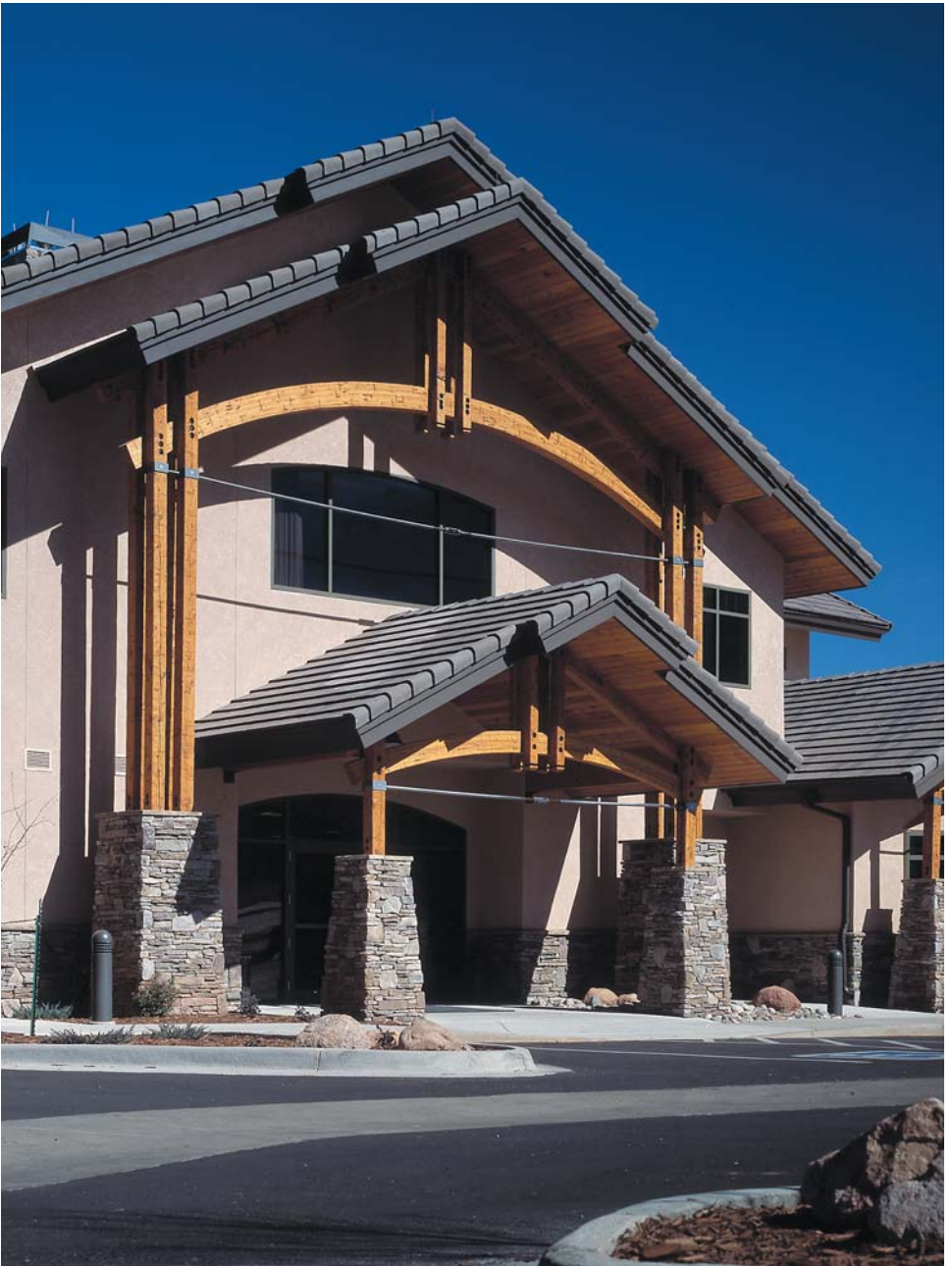
Our goal in the coming years will be to maximize the return on your investment, while maintaining safety & security in the bank. I am confident our banking team will attain that goal.

Sincerely,

*Tony L. Perry*

Tony L. Perry

Executive Vice President



## **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.