

**MEMBER FEDERAL DEPOSIT
INSURANCE CORPORATION**

EACH DEPOSITOR INSURED TO \$100,000.00



Park State Bank & Trust

2007 ANNUAL REPORT

Dear Shareholder

The past year has been a challenging transition year for the bank. During a period of economic slow down when many firms in the sub prime market went out of business and large corporate banks were being bailed out, I am happy to report that we met our profitability target. We did not escape the impact of the changing environment, but we adapted our internal processes so that we could stay ahead of any issues, and we worked hard to minimize the impact to the bottom line.

In July, our accounting software provider of twenty years installed a major update to our software systems. Although the update was needed, we have been working through the typical issues associated with any software change. We believe that most of the issues have been resolved and we look forward to maximizing the software to better serve our customers' needs.

October brought a change to our Internet banking system. Our Internet banking provider was no longer able to service the bank and we were forced to acquire a different system. After completing our due diligence, we chose a provider that we feel will meet our customers' needs for years to come. We experienced significant issues converting from the old system due to the provider's lack of cooperation, and we had challenges implementing a brand new interface with our accounting software. We are thankful for our customers' patience and cooperation. We appreciate all of the feedback, positive and negative, and feel we are very close to having most of the issues resolved. We are very fortunate to have customers who care enough to take the time to provide constructive feedback on how we are serving them.

There may be difficult times ahead with the economy. Our goal is always to remain safe, secure, and profitable for our customers, employees, and shareholders. With that in mind, I believe our job as a community bank is to do all that we can to help our customers, particularly our small business owners, in tough economic conditions. We will not deviate from our mission, and we will judiciously put forth the effort to make a difference.

I am optimistic that we will increase profitability and I believe that we are poised to dramatically improve our product and service offerings as a result of last years hard work. Also, I am committed to communicating the status and progress of our initiatives more frequently.

I encourage you to contact me with any questions or concerns, and invite you to attend our annual shareholders' meeting January 23, 2008 at our Woodland Park location.

Sincerely,

Tony L. Perry
President

NET INCOME2007

\$20,465

2006

\$845,668

CASH DIVIDENDS2007

\$435,890

2006

\$801,128

BOOK VALUE2007

\$311.74

2006

\$323.57

CAPITAL ACCOUNTS2007

\$7,466,223

2006

\$7,749,402

RECONCILEMENT OF LOAN LOSS RESERVES

	<u>2006</u>	<u>2007</u>
Balance Beginning of Year	\$296,380	\$407,707
Additions -Recoveries Credited to Reserve	\$10,657	\$13,194
-Provisions Charged to Operating Income	\$165,000	\$1,230,803
Deductions -Losses Charged to Reserve	(\$64,330)	(\$1,174,102)
Balance at End of Year	\$407,707	\$477,602

RECONCILEMENT OF CAPITAL ACCOUNTS

	<u>2006</u>	<u>2007</u>
Balance Beginning of Year	\$7,500,667	\$7,749,402
Additions - Net Income	\$845,668	\$20,465
Deductions - Dividends Declared	(\$801,128)	(\$435,890)
Unrealized Gain/Loss on Securities	(\$39,352)	\$92,894
Adjust Prior Year Unrealized Gain/Loss	\$243,546	\$39,352
Balance at End of Year	\$7,749,402	\$7,466,223

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.	2007	<table border="1"><tr><td>\$74,442,249</td></tr></table>	\$74,442,249
\$74,442,249			
	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			
Revenues for Investment & Trust Division services are reported on the cash basis in accordance with customary banking practice.	2004	<table border="1"><tr><td>\$43,742,812</td></tr></table>	\$43,742,812
\$43,742,812			
	2003	<table border="1"><tr><td>\$40,492,651</td></tr></table>	\$40,492,651
\$40,492,651			

COMPARATIVE BALANCE SHEET

ASSETS:	<u>December 29, 2006</u>	<u>December 31, 2007</u>
Cash and Due from Banks	\$4,387,335	\$5,976,346
U.S. Treasury Securities	\$0	\$0
U.S. Government Agencies and Corporations	\$13,521,407	\$9,884,299
Obligations of State and Political Subdivisions	\$4,087,588	\$3,985,603
Other Securities	\$818,936	\$1,083,219
Federal Funds Sold	\$0	\$3,100,000
Loans	\$68,461,016	\$66,821,076
Bank Equipment	\$581,151	\$546,785
Bank Premises	\$4,947,588	\$4,833,383
Other Assets	\$1,288,947	\$3,041,585
TOTAL ASSETS	\$98,093,968	\$99,272,294
LIABILITIES:		
Demand Deposits	\$11,959,709	\$11,647,322
Interest Bearing Deposits	\$34,741,674	\$31,177,324
Time Deposits	\$39,667,322	\$48,431,877
TOTAL DEPOSITS	\$86,368,705	\$91,256,524
Federal Funds Purchased	\$3,695,000	\$0
Mortgage Indebtedness	\$0	\$0
Other Liabilities	\$280,861	\$549,548
TOTAL LIABILITIES	\$90,344,566	\$91,806,072
Capital Stock	\$1,197,500	\$1,197,500
Surplus	\$2,356,775	\$2,356,775
Undivided Profits	\$4,234,479	\$3,819,053
Unrealized Gain/Loss on Securities	(\$39,352)	\$92,894
TOTAL CAPITAL ACCOUNTS	\$7,749,403	\$7,466,222
TOTAL LIABILITIES, RESERVE AND CAPITAL ACCOUNTS	\$98,093,969	\$99,272,294

UNAUDITED STATEMENT

COMPARATIVE EARNINGS STATEMENT

OPERATING INCOME:	<u>December 29, 2006</u>	<u>December 31, 2007</u>
Interest and Fees on Loans	\$4,885,486	\$6,050,189
Income on Federal Funds Sold	\$191,957	\$39,770
Interest on U.S. Government Securities	\$0	\$0
Interest on Securities of U.S. Gov. Agencies & Corp.	\$713,066	\$634,585
Interest on Obligations of State & Political Subdivisions	\$174,562	\$170,834
Interest on Other Securities	\$40,722	\$49,812
Service Charges on Deposit Accounts	\$449,330	\$451,599
Other Service Charges, Collection Fees,		
Commissions & Trust Income	\$832,010	\$826,402
TOTAL	\$7,287,133	\$8,223,191
OPERATING EXPENSES:		
Salaries and Wages	\$1,579,740	\$1,579,325
Employee Benefits	\$515,951	\$512,568
Interest on Deposits	\$1,875,225	\$2,461,622
Occupancy Expense	\$359,982	\$376,766
Furniture & Equipment/Depreciation/Rental/Servicing	\$296,434	\$311,200
Provision for Loan Losses	\$165,000	\$1,230,804
Other Operating Expenses	\$1,646,297	\$1,731,054
TOTAL	\$6,438,629	\$8,203,339
OTHER EXPENSES:		
Income Before Income Taxes & Securities Losses	\$848,504	\$19,852
Provisions for Income Taxes	\$0	\$0
Deferred Tax Expense	(\$2,836)	\$13,363
TOTAL	\$845,668	\$33,215
EXTRAORDINARY ITEMS:		
Fixed Assets Losses or Gains	\$0	\$0
Securities Losses or Gains	\$0	\$12,750
NET INCOME	\$845,668	\$20,465

UNAUDITED STATEMENT

DIRECTORS

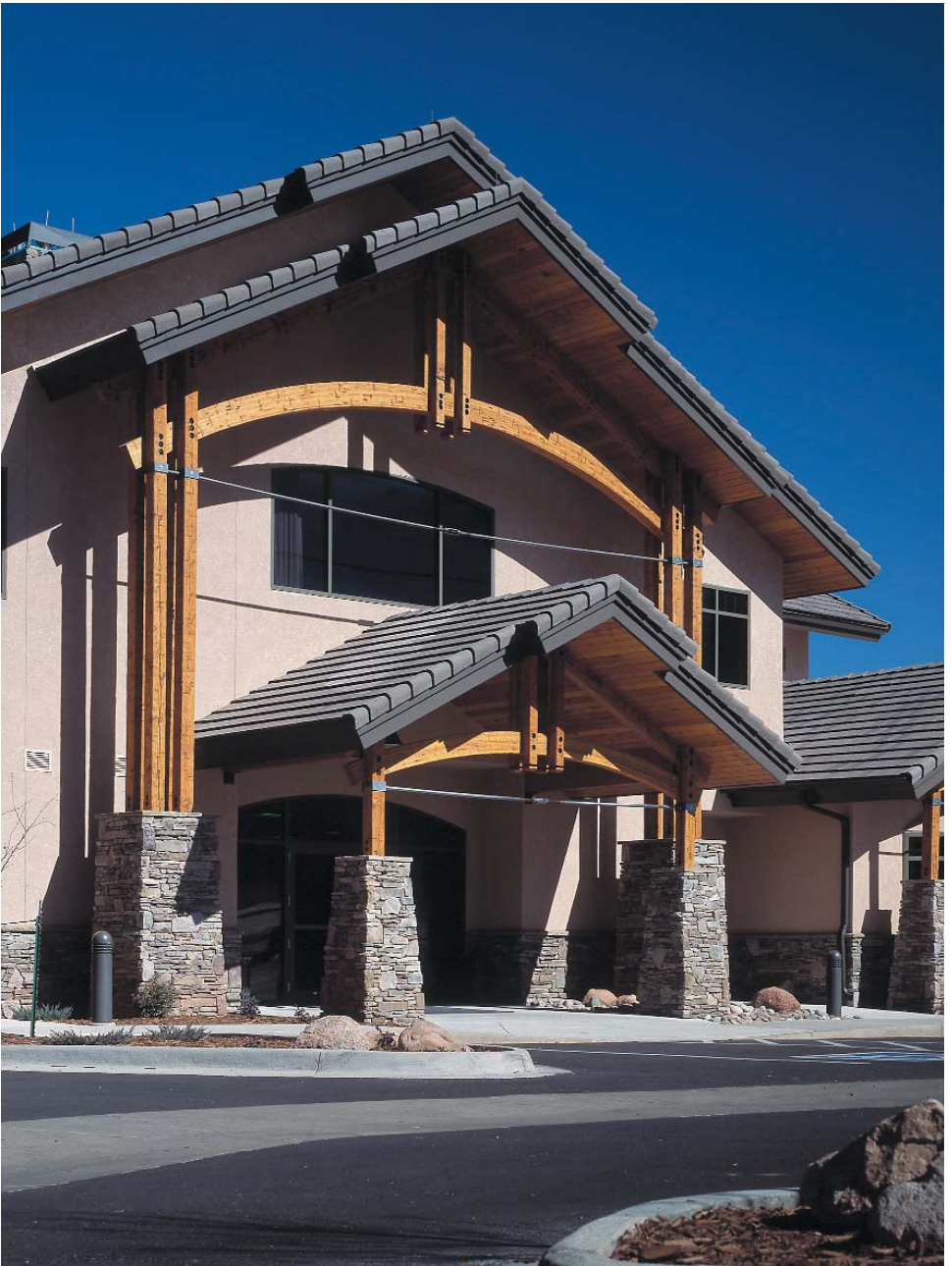
M. Louise Bauer	Investments, Woodland Park, CO
A.E. Born	Business Owner, Woodland Park, CO
Derrick L. Carpenter	Business Owner, Woodland Park, CO
Lucile Fehn	Retired Public Official, Woodland Park, CO
Martin H. Lays	Business Chief Financial Officer, Manitou Springs, CO
M.E. MacDougall	Attorney, Colorado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

OFFICERS

Tony L Perry	President
Joseph E Walnofer	VP Investments & Trust
Marcie Zurek	VP Cashier
Crystal Blunt	VP Loans
Scott E Hughes	VP Loans
Doug Gross	VP Loans
Gil Winter	Information Technology Officer

EMPLOYEES

Brenda Alvarez	Receptionist / Switchboard	Jamie Lindholm	Support Specialist
Leann Baber	Teller	Marcus Meston	Teller
Marilyn Barkley	Support Specialist	Petra Nott	Training / Compliance Coordinator
Tony Carnelli	Facilities Manager	Susan Plotner	Loan Administrator
Lisa Carpentier	Personal Banker	Gabi Price	Loan Administrator
Frances Chandler	Teller	Diane Ripley	Teller
Jean Cowman	Teller	Jan Selby	Support Specialist
Chris Davis	Personal Banker	Leah Steiner	Teller Manager
Cynthia Eden	Teller	Jim Stofa	IT Support
Pamella Franklin	Teller	Richard Tzudiker	Account Administrator Trust Dept
Terry Freeman	Loan Administration Manager	Lorene Wolf	Operations Specialist Trust Dept
Barbara Fritz	Customer Service Manager		
Giselle Goossen	Personal Banker		
Gayle Gross	Relationship Development Professional		
Shannon Harrison	Personal Banking Manager	FLORISSANT BRANCH	
Debbie Johnson	Support Specialist	Kathy Adkins	Personal Banking Manager
Terri Kay	Loan Administrator	Jocey Goodloe	Personal Banker
Liz Kusterle	Support Services Manager	Ann McCann	Personal Banker
Gary Lays	Credit Analysis II	Penny Wallin	Personal Banker



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.