## PARKWAY BANK ARIZONA

### OFFICERS

**Rocco Suspenzi**
*Chairman of the Board & C.E.O.*

**Gregory Lovette**
*President*

**Michael L. Wenstrup**
*Executive Vice President &*
*Chief Credit Officer*

**Gregory T. Bear**
*Executive Vice President*

**Kathleen T. Bruno**
*Executive Vice President*

**Mark A. Shekerjian**
*Senior Vice President*

**Kathryn Bosco**
*Vice President*
*Business Development*
*& Branch Manager*

**Timothy McLarty**
*Vice President*
*Business Development*

**Debra Cherry**
*Assistant Vice President*
*Branch Manager*

**Kathleen DeBenedictis**
*Assistant Vice President*
*Branch Manager*

**Darcy Phillips**
*Assistant Vice President*
*Branch Manager*

**Scott Gibson**
*Commercial Loan Officer*

**Linda Rojas**
*Officer & Branch Manager*

**Jeanne Upton**
*Personal Banking Officer*

### DIRECTORS

**Rocco Suspenzi**
*Chairman of the Board & C.E.O.*

**Gregory T. Bear**
*Executive Vice President*

**Robert Lorenz**
*President*
*R.C. Lorenz Contracting, Inc.*

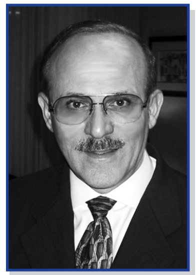
**Gregory Lovette**
*President Parkway Bank Arizona*

**Robert F. Lussier**
*Director &*
*President, Parkway Bancorp, Inc.*

**Richard M. Murphy**
*First Vice President*
*Brokerage Services*
*CB Richard Ellis*

**Michael L. Wenstrup**
*Executive Vice President &*
*Chief Credit Officer*

## MESSAGE FROM THE CHAIRMAN



The year 2007 will not be remembered fondly by those in the financial services industry. The continuing "correction" in the real estate market coupled with the much publicized subprime meltdown contributed to a disappointing performance for the banking industry as a whole and some truly eye popping losses for several of its major players, at least one of whom made the rather unsettling announcement that it couldn't quantify the extent of its losses related to mortgage-backed securities. Investors learned that "structured investment vehicles" could be more dangerous than anything rolling off Detroit's assembly lines, and energy prices soared to record heights. As if these developments weren't discouraging enough, the "r" word (recession) was invoked with increasing frequency both in the media and in Washington as the year drew to a close.

Fortunately, neither the crisis in the mortgage market nor expectations of a weakening economy seriously impacted our 2007 results, but ripple effects clearly made business conditions difficult for our borrowers in the construction and development community, who suffered from swollen inventories, lower sales prices, longer marketing times and associated evils in the form of higher carrying costs and vanishing profit margins. The impact of the residential real estate market slump on builders and developers was softened to some extent by the Federal Reserve, which lowered its Discount Rate four times in 2007; these measures reduce carrying costs, but had no immediate effect on real estate prices or sales velocity. This correction is apparently going to take its time.

Despite all of the gloomy developments at the macroeconomic level, Parkway Bancorp enjoyed yet another year of record earnings in dollar terms, generating net income of $21,924,578. This represents a solid 1.12% return on average assets and strong 13.2% return on average equity. Dividends reached unprecedented heights in 2007, climbing $185 to $7,290 per share ($7,865,880 in total). Shareholders' equity increased nearly 10% to $172,697,125 or 8.5% of total assets, thus maintaining our well-capitalized position and contributing to risk-based capital ratio of 11.8%.

The increasing efficiency and dedicated efforts of our exceptional staff have allowed us to reduce our non-interest expenses as a percentage of total income from 34.8% to 23.7% over the past four years, but not enough to offset the higher costs of deposits. These continued to rise, resulting in further compression of our net interest margin, which fell from 3.7% to 3.3% last year.

Asset growth of 7.5% propelled Parkway Bancorp past the $2,000,000,000 mark in 2007, principally driven by a 13.3% increase in loans. With $2,031,301,174 in total assets, Parkway Bancorp has doubled in size over the past eight years of its 44-year history, achieving a compound annual growth rate in excess of 9%. Other remarkable financial accomplishments of the past year include the virtual elimination of other real estate owned-pared to a negligible 0.01% of total assets-and the fifth consecutive reduction of non-performing assets, which dropped to only 0.24% of total loans.

On the other side of the balance sheet, our expanding network of branches help generate $60,276,900 in deposit growth last year. The opening of three new branches in 2007 brought greater banking convenience and our incomparable customer service to residents of Elmwood Park, Illinois as well as Surprise and Scottsdale (Raintree Road) in Arizona. In keeping with our strategic objectives, five more branches will be unveiled in 2008 to serve the West Loop, Orland Park and Carol Stream in Illinois; and both North Scottsdale and Chandler Arizona.

Looking ahead, it is evident that caution, perspective and some measure of flexibility will be required to neutralize the threats and maximize the opportunities that await us in 2008. With the collective talents of our directors, officers and employees together with the unwavering loyalty of our customers, I am confident that we'll continue to provide a safe haven for our depositors, a stable funding source for our borrowers and a prudent investment for our shareholders, whatever the economic climate.

Rocco Suspenzi
Chairman & CEO

PARKWAY BANCORP, INC.

PARKWAY BANCORP, INC.

PARKWAY BANCORP, INC.

# Consolidated Statement of Condition

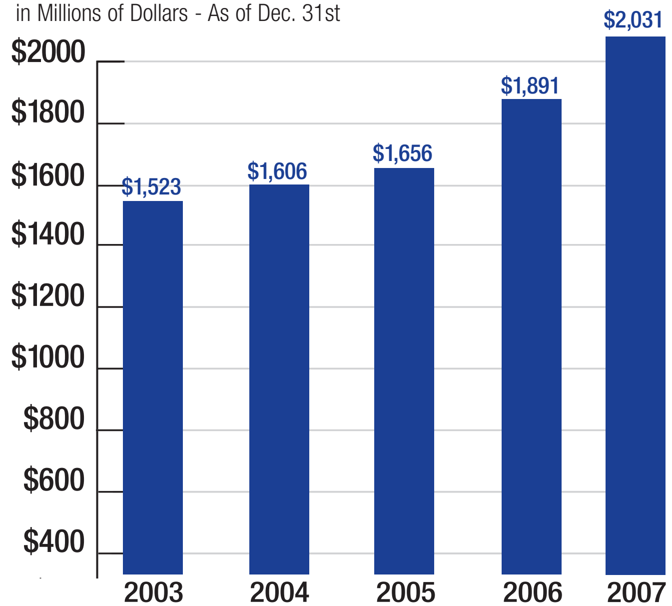
December 31, 2007

## CONSOLIDATED STATEMENT OF CONDITION

| ASSETS | Dec. 31, 2007 | Dec. 31, 2006 |
|---|---|---|
| Cash Equivalents | $ 40,333,553 | $ 107,971,615 |
| Investment Securities | $ 331,156,384 | $ 314,983,055 |
| Loans (Net of Reserves) | $1,576,777,042 | $ 1,388,480,812 |
| Bank Premises & Other Assets | $ 83,034,195 | $ 79,349,574 |
| **TOTAL ASSETS** | **$ 2,031,301,174** | **$ 1,890,785,056** |
| **LIABILITIES & CAPITAL** | | |
| Total Deposits | $1,659,178,880 | $ 1,598,901,980 |
| Other Liabilities | $ 199,425,169 | $ 134,144,543 |
| Total Capital | $ 172,697,125 | $ 157,738,533 |
| **Total Liabilities & Capital** | **$2,031,301,174** | **$ 1,890,785,056** |

## TOTAL ASSETS

in Millions of Dollars - As of Dec. 31st




## PARKWAY BANCORP, INC.

### BOARD OF DIRECTORS

**Rocco Suspenzi**
*Chairman of the Board, C.E.O. & Secretary*

**Isaac Degen**
*Partner, Degen & Rosato Construction Co.*

**Gregg Kobelinski**
*President, Mid-Europe Trade & Investment Co.*

**Robert F. Lussier**
*President & Treasurer*

**Scott M. Potter**
*Private Investor*

**Dennis Zizzo**
*Account Exec. Midwest Visual Equipment Co.*

**James Zizzo**
*Business Development, Parkway Bank*

### EXECUTIVE OFFICERS

**Rocco Suspenzi**
*Chairman of the Board, C.E.O. & Secretary*

**Robert F. Lussier**
*President*

**Kathleen T. Bruno**
*Executive Vice President & Chief Operating Officer*

**Frank J. Lis**
*Executive Vice President & Chief Financial Officer*

**Gregory T. Bear**
*Executive Vice President*

**Mark A. Shekerjian**
*Executive Vice President*

## PARKWAY BANK & TRUST COMPANY

### BOARD OF DIRECTORS

**Rocco Suspenzi**
*Chairman of the Board & C.E.O.*

**Carmelo Blacconeri**
*Partner, Mid America Realty*

**Kathleen T. Bruno**
*Executive Vice President & Chief Operating Officer*

**Lance M. Chody**
*President, Lance M. Chody, Ltd.*

**Isaac Degen**
*Partner, Degen & Rosato Construction Co.*

**Paul Goldberg**
*Consultant, RSM McGladry, Inc.*

**Gregg Kobelinski**
*President, Mid-Europe Trade & Investment Co.*

**Thomas Kotel**
*President, Mid-America Tile Co.*

**Demetrios Kozonis**
*President, Delko Construction Co.*

**Robert F. Lussier**
*President – Northwest*

**Dennis Zizzo**
*Account Exec. Midwest Visual Equipment Co.*

**Ted Szywala**
*Chairman Emeritus*

### EXECUTIVE OFFICERS

**Rocco Suspenzi**
*Chairman of the Board & C.E.O.*

**Robert F. Lussier**
*President – Northwest*

**Kathleen T. Bruno**
*Executive Vice President & Chief Operating Officer*

**Frank J. Lis**
*Executive Vice President & Chief Financial Officer*

**Gregory T. Bear**
*Executive Vice President*

**Mark A. Shekerjian**
*Executive Vice President*

### ACCOUNTING

**Frank J. Lis**
*Executive Vice President & Chief Financial Officer*

**Salvador R. Gonzalez**
*Vice President & Controller*

**Krystyna Stoklosa**
*Assistant Vice President & Assistant Controller*

**Romeo Bolda**
*Assistant Vice President*

**Michele Cernuska**
*Purchasing Officer*

### BUSINESS DEVELOPMENT

**Robert F. Lussier**
*President – Northwest*

**Sandra Punda**
*Vice President*

**Izabela Sadowska**
*Vice President*

**George S. Dimitrakopoulos**
*Assistant Vice President*

**Michael Laidley**
*Business Development Officer*

**Christian Villarreal**
*Business Development Officer*

**James Zizzo**
*Business Development Officer*

### COMPLIANCE & AUDITING

**Raymond Berowski**
*Vice President & Compliance Officer*

**Wayne Waitches**
*Vice President & Auditor*

### CUSTOMER SERVICE/ PERSONAL BANKING

**Kathleen T. Bruno**
*Executive Vice President & Chief Operating Officer*

**Karen Franciere**
*Regional Vice President*

**Joel H. Raynes**
*Regional Vice President*

**Robert Bret Rusk**
*Regional Vice President*

**Steven Alexander**
*Assistant Vice President*

**Christine Celik**
*Assistant Vice President*

**Evelyn Contursi**
*Assistant Vice President*

**Charles Cramer**
*Assistant Vice President*

**Walter Davidson**
*Assistant Vice President*

**Angeline Loftus**
*Assistant Vice President*

**Robert Makanoeich**
*Assistant Vice President*

**Frank Oberlander**
*Assistant Vice President*

**Grace Popovic**
*Assistant Vice President*

**Shannon Ryan**
*Assistant Vice President*

**Beata Santarsieri**
*Assistant Vice President*

**Carmela Sautariello**
*Assistant Vice President*

**Milos Sekulic**
*Assistant Vice President*

**Sandra Severin-Svizzero**
*Assistant Vice President*

**Michael Swinford**
*Assistant Vice President*

**Andrea Pilipuf**
*Officer & Branch Manager*

**Carmen Torres**
*Officer & Assistant Branch Manager*

**Rosalie Levine**
*Personal Banking Officer*

**Sharon Napolitano**
*Personal Banking Officer*

**Ritamarie Ritter**
*Personal Banking Officer*

**Freeman Riles**
*Merchant Services Officer*

**Judith Verdin**
*Personal Banking Officer*

**Gwen Ward**
*Operations Officer*

**Norma Hernandez**
*Assistant Branch Manager*

**Lauren Suspenzi**
*Assistant Branch Manager*

### HUMAN RESOURCES

**Barbara Buscemi**
*Senior Vice President & Human Resources Director*

**Elaine Au**
*Human Resources Officer*

### LENDING

**Rocco Suspenzi**
*Chairman of the Board & C.E.O.*

**Gregory T. Bear**
*Executive Vice President*

**Mark A. Shekerjian**
*Executive Vice President*

**Guy D'Oronzo**
*Vice President*

**David F. Hyde**
*Vice President*

**Douglas Jirka**
*Vice President*

**Daniel J. Tomasetti**
*Vice President*

**Paige Van Vorst**
*Vice President Loan Review*

**Marianne Wagener**
*Vice President*

**Michael Cappetta**
*Assistant Vice President*

**Anna M. Cornwall**
*Assistant Vice President*

**Laura A. D'Amato**
*Assistant Vice President*

**Janet Hoiberg**
*Assistant Vice President*

**Lucia Scoufis**
*Assistant Vice President*

**Michelle Connors**
*Mortgage Loan Officer*

**Damian Guzman**
*Commercial Loan Officer*

**Marliene Krogstad**
*Mortgage Operations Officer*

**Loukas A. Rogaris**
*Commercial Loan Officer*

### MARKETING

**Erin A. Durkalski**
*Marketing Officer*

### OPERATIONS

**Kathleen T. Bruno**
*Executive Vice President & Chief Operating Officer*

**Alan R. Gunnerson**
*Senior Vice President & Cashier*

**Matthew Janoski**
*Vice President*

**Vicki Peloquin**
*Vice President*

**Richard Evans**
*Assistant Vice President*

**Judy Niklos**
*Assistant Vice President*

**Kurt Kuester**
*Assistant Vice President & Security Officer*

**Tracy Santagata**
*Retail Support Officer*

### TRUST

**Diane Peszynski**
*Vice President*

**Jo Ann Kubinski**
*Assistant Trust Officer*

## PARKWAY BANCORP, INC.