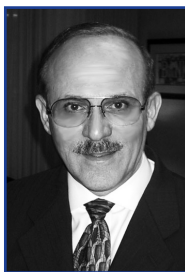


MESSAGE FROM THE CHAIRMAN



As we all know, 2008 was marked by unprecedented financial turmoil. Credit markets froze and stock prices were battered as the financial atmosphere became increasingly clouded by fear and uncertainty. The loss of confidence following the mortgage-backed securities meltdown fueled a financial firestorm that consumed titans of the investment banking world along with several commercial banks, both large and small. Real estate was no longer the safe haven from volatile markets; it was at the center of the financial crisis, with residential property bearing the brunt of the damage, as evidenced by soaring home foreclosure rates. The decline in individual wealth

reached staggering levels.

As the year waned, government intervention on an unprecedented scale dampened what might have been a wider financial panic, but could not readily reverse the global decline in values across broad categories of assets, nor could it stem the rising tide of unemployment. Clearly--as the news media repeatedly reminded us--these were the worst economic conditions most of us had seen in our lifetimes.

In light of these challenging conditions, it is no surprise that 2008 did not rank among Parkway Bank's best years from an earnings standpoint. Net income for the year was \$15,039,000, down approximately \$6,886,000 from 2007. As a result of this decrease in our net income, return on average assets fell to .64% and return on average equity declined to 8.53% from the previous year's levels of 1.12% and 13.22%, respectively. The declines in performance are largely attributable to two factors: First, the Fed's efforts to revive the economy with interest rate cuts compressed our net interest margin, which shrank 23% in 2008 as lower yields on loans and investments continued to outpace reductions in our cost of funds. Second, difficult times for our borrowers in the real estate industry made a sizable increase in our provision for loan losses inevitable, reducing potential net income by \$8,270,000. A related sign of the times was a spike in other real estate owned, which grew from a negligible \$275,000 in 2007 to \$8,249,000 (0.3% of total assets) in 2008. Though these results are well below the Company's original forecast for 2008, in light of the current economic environment and the overall performance of the financial sector the Company views 2008 as an overall successful year during these uncertain times.

To maintain our strong capital position under such trying circumstances, we took several difficult but crucial steps entailing sacrifices from shareholders and employees alike. Among these were a cut in dividends and an aggressive cost containment plan across all areas of the Company.

Even in these disheartening times, though, there was cause for optimism. The silver lining in the dark cloud that was fiscal 2008 took the form of surprisingly robust asset growth. Although excess inventory and declining values in the real estate market dictated some constriction of our underwriting standards, the credit market drought provided us with an unexpected opportunity to make a series of unusually high quality mortgages on stabilized, income producing commercial properties, leading to a remarkable 32% increase in net outstanding loans. As of year-end, our total assets had increased nearly 29% to \$2,614,206,358, representing our highest year over year growth in recent history.

If 2008 was a financial "perfect storm", there doesn't appear to be much picnic weather in the forecast for 2009 either. But we face the coming year with confidence. With our sound balance sheet, the steady guidance of our directors, and the skillful determination of our officers and employees, we are well poised to face the challenges ahead. Nothing inspires us more, though, than the continuing trust of our customers and shareholders, and for that we are especially grateful.

Rocco Suspenzi
Chairman & CEO



Consolidated Statement of Condition

December 31, 2008

CONSOLIDATED STATEMENT OF CONDITION

ASSETS	Dec. 31, 2008	Dec. 31, 2007
Cash Equivalents	\$ 96,153,204	\$ 40,333,553
Investment Securities	\$ 343,150,999	\$ 331,156,384
Loans (Net of Reserves)	\$ 2,081,972,644	\$ 1,576,777,042
Bank Premises & Other Assets	\$ 92,929,511	\$ 83,034,195
TOTAL ASSETS	\$2,614,206,358	\$ 2,031,301,174

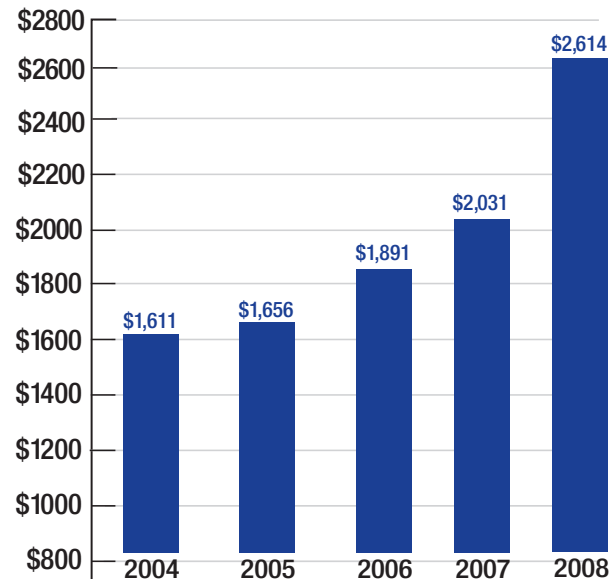
LIABILITIES & CAPITAL

Total Deposits	\$ 2,221,496,741	\$ 1,659,178,880
Other Liabilities	\$ 208,804,011	\$ 199,425,169
Total Capital	\$ 183,905,606	\$ 172,697,125
Total Liabilities & Capital	\$2,614,206,358	\$ 2,031,301,174

This document has not been reviewed for accuracy or relevance by the FDIC.

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 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.

Kathleen Bruno

Executive Vice President &
Chief Operating Officer

Lance M. Chody

President, Lance M. Chody, Ltd.

Paul Goldberg

Director, RSM McGladrey, 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 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

Romeo Bolda

Assistant Vice President

Michele Cernuska

Purchasing Officer

BUSINESS DEVELOPMENT

Robert F. Lussier

President – Northwest

Kathryn Bosco

Vice President

Sandra Punda

Vice President

Izabela Sadowska

Vice President

Christian Villarreal

Business Development Officer

COMPLIANCE & AUDITING

Raymond Berowski

Vice President &
Compliance Officer

Wayne Waitches

Vice President & Auditor

CUSTOMER SERVICE/ PERSONAL BANKING

Kathleen Bruno

Executive Vice President &
Chief Operating Officer

Karen Franciere

Regional Vice President

Frank McGava

Regional Vice President

Robert Bret Rusk

Regional Vice President

Cynthia Adam

Assistant Vice President

Christine Celik

Assistant Vice President

Debra Cherry

Assistant Vice President

Evelyn Contursi

Assistant Vice President

Charles Cramer

Assistant Vice President

Walter Davidson

Assistant Vice President

Kathleen DeBenedictis

Assistant Vice President

Anna Kadzielawa

Assistant Vice President

Angeline Loftus

Assistant Vice President

Robert Makanoieich

Assistant Vice President

Frank Oberlander

Assistant Vice President

Darcy Phillips

Assistant Vice President

Grace Popovic

Assistant Vice President

Beata Santarsieri

Assistant Vice President

Carmela Sautariello

Assistant Vice President

Milos Sekulic

Assistant Vice President

Sandra Severin-Svizzero

Assistant Vice President

Tina Skumlien

Assistant Vice President

Michael Swinford

Assistant Vice President

Anna Koscielniak

Officer & Branch Manager

Andrea Pilipuf

Officer & Branch Manager

Linda Rojas

Officer & Branch Manager

Lauren Suspenzi

Officer & Branch Manager

Craig Vacca

Officer & Branch Manager

Norma Hernandez

Officer & Assistant 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

HUMAN RESOURCES

Barbara Buscemi

Senior Vice President &
Human Resources Director

Elaine Au

Human Resources Officer

LENDING

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Chairman of the Board & C.E.O.

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Executive Vice President

Mark A. Shekerjian

Executive 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

Michelle Connors

Mortgage Loan Officer

Scott Gibson

Commercial Loan Officer

Damian Guzman

Commercial Loan Officer

Marlene Krogstad

Mortgage Operations Officer

Loukas A. Rogaris

Commercial Loan Officer

MARKETING

Charlene Augustine

Marketing Officer

OPERATIONS

Kathleen Bruno

Executive Vice President &
Chief Operating Officer

Alan R. Gunnerson

Senior Vice President & Cashier

Vicki Peloquin

Vice President

Richard Evans

Assistant Vice President

Kurt Kuester

Assistant Vice President
& Security Officer

Judy Niklos

Assistant Vice President

Tracy Santagata

Retail Support Officer

TRUST

Diane Peszynski

Vice President

Jo Ann Kubinski

Assistant Trust Officer



PARKWAY BANCORP, INC.