



2015 ANNUAL REPORT





VISION STATEMENT

Our vision is to become the community bank of choice for people in Putnam, Bureau, and surrounding counties by:

- *Building relationships with our customers and other citizens in the region.*
- *Being a responsible corporate citizen of, and effective partner with, the communities we serve.*
- *Maintaining a reputation for financial strength, stability, and integrity.*

MISSION STATEMENT

- *Our bank exists to exceed the expectations of our customers by providing financial services and resources that enable them to achieve their financial goals.*
- *Our bank exists to be the catalyst for building and sustaining thriving communities and to be a key participant in community reinvestment and philanthropic activity.*
- *Our bank exists to provide opportunities for learning and financial rewards for its employees in a workplace in which employees are treated fairly and with respect.*
- *Our bank exists to augment the value of shareholder investment by resolutely striving for long-term profitability and by enhancing franchise value in accordance with sound banking principles and ethical standards.*



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CONTACT INFORMATION

HENNEPIN LOBBY HOURS

Monday, Tuesday, Wednesday
8:00 am – 5:00 pm

Thursday
8:00 am – 12:00 pm

Friday
8:00 am – 5:00 pm

Saturday
8:00 am – 12:00 pm

DRIVE-UP HOURS

Monday, Tuesday,
Wednesday, Thursday
7:30 am – 5:00 pm

Friday
7:30 am – 6:00 pm

Saturday
7:30 am – 12:00 pm

CONTACT INFORMATION

815.925.7373

Toll Free
877-788.7373

Fax
815.925.7375

LADD LOBBY HOURS

Monday, Tuesday, Wednesday
8:30 am – 4:00 pm

Thursday
8:30 am – 12:00 pm

Friday
8:30 am – 5:00 pm

Saturday
8:30 am – 12:00 pm

DRIVE-UP HOURS

Monday, Tuesday,
Wednesday, Thursday
7:30 am – 5:00 pm

Friday
7:30 am – 6:00 pm

Saturday
7:30 am – 12:00 pm

CONTACT INFORMATION

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STAFF

HENNEPIN STAFF

Linda Beiler	Teller
Jessica Brouwer	Teller
Reid Clary	Loan Officer
Deb Doyle	Information Systems Manager
Amy Fay	New Accounts Representative
Diana Gibson	Teller – Part Time
Kate Gibson	General Ledger Accountant/Internal Auditor
Haley Guisti	Compliance/Loan Officer
Mary Jane Gunderson	Bookkeeping
Todd McKey	Cashier/Ag Loan Officer/CFO
Nita O'Neill	Teller Supervisor
Clarissa Salinas	IT Support / Bookkeeping
Kathy Spratt	Teller – Part Time - Retired December 2015
Becki Trainor	Teller – Part Time
Dave Ward	President

LADD STAFF

Gina Atkins	Loan Processor/ Technology Services Administrator
JoAnna Engels	Loan Officer
Amy Golightly	New Accounts/Marketing Assistant
Amanda Helm	Office Support – Part Time
Tricia Jones	Teller/Bookkeeping
Rebecca Kubly	Teller/Bookkeeping
Kim McKee	Vice-President/Branch Manager/COO
Shelli Merkel	Teller/Bookkeeping
Deb Schultz	Assistant Vice President/Loan Officer/ Assistant Branch Manager
Luanne Vescogni	Teller Supervisor - Retired May 2015
Aubrie Wall	Teller Supervisor
Lou Wasilewski	Financial Advisor
Dan Wujek	Vice-President/Commercial Loan Officer/CCO
Elizabeth Zemanek	Bookkeeping – Part Time

BOARD

BOARD OF DIRECTORS

Glen Brandner
Terry Judd
Ryan Linnig
Harold Read
Eric Swartz
Bill Urnikis – Chairman
Dave Ward

LADD ADVISORY BOARD

Joe Bernardi - Retired 2015
Glen Brandner
Brandy Cattani
Jim Manning
Kathy Martin
Kim McKee
Gene Merkel
Tony Michels
Deb Schultz
Dan Wujek





AGENDA

STOCKHOLDERS MEETING JANUARY 20, 2016

1. *Elect Meeting Chairman And Secretary*
2. *Secretary: Report Of Quorum*
3. *Update Of Stockholders*
4. *Minutes Of Last Stockholder's Meeting*
5. *Financial Report For 2015*
6. *Management Report*
7. *Old Business*
8. *Election Of Directors To Serve For The Year 2016*
9. *Other Business*
10. *Recognition Of Employees*
11. *Adjournment*

MINUTES

The Stockholders of the Putnam County Bancorp, Inc. met at 6:30 P.M. on January 21, 2015 at the Galleria in Princeton, IL for their annual dinner meeting.

It was moved by Terry Judd, seconded by Ola Mae Urnikis to appoint Bill Urnikis as Chairman and Todd McKey as Secretary of the Stockholders meeting. Motion carried.

The Secretary tabulated the sign-in sheets and the proxies and there were 6,855 shares represented in person and 3,932 shares by proxy for a total of 10,787 shares (69.99%). A quorum is present.

Terry Judd introduced the new Stockholders acquired during the year and they were as follows: Sami Balestri and Rae Winkler.

Terry Judd took a moment to acknowledge the deceased Stockholders since the last meeting and they are as follows: Ernie Bassi, Eric Ciucci, Bob Clausen, Della Maulfair and Ron Wink. Terry talked about the NCB Mission Statement.

The minutes of the last Stockholders meeting of 1/15/2014 were presented to the Stockholders and it was moved by John Petersen, seconded by Charles Judd that the minutes be approved as submitted. Motion carried.

The Financial Reports were presented to the Stockholders showing the Consolidated Balance Sheet of the Bank and the Holding Company on December 31, 2014 and also the Consolidated Income Statement of the Bank and the Holding Company for the year ended December 31, 2014. Copies attached.

It was moved by Christian Cyr, seconded by Charles Judd that the Financial Reports be approved as submitted. Motion carried.

Dave Ward presented to the Stockholders his 2014 Management Report as follows:

MANAGEMENT REPORT

JANUARY 2015

We are privileged tonight to feature in our agenda booklet an array of hometown photographs by Hennepin native Quentin Buffington. These pictures help capture the heritage, the vibrancy, the beauty... that we enjoy in our local community. This should serve as a reminder to us that we have much to be thankful for, even though times may seem difficult and the challenges daunting. Pulling together and keeping the faith can go a long way in seeing us through the tough times. And to some extent, that is what has occurred at your bank this past year. In the final accounting however, there are many reasons to be grateful.

First off, net income at the North Central Bank reached \$1,516,000 for the year. That number represents a \$114,000 improvement over the year before, and the third highest income figure in our bank's history. Net earnings were up 8% over that of the prior year and return on stockholder equity climbed to 9.67%. Of significance was an increase in income attributable to the interest earned from agriculture related loans. That component of income increased \$122,000; reflecting a higher utilization of credit from borrowers in that particular sector. Other factors were a \$100,000 profit increase realized from gains in the investment portfolio, and a \$54,000 improvement in gross income generated by our investment division, North Central Investment Services.

Over the course of 2014 outstanding loan balances rose nearly \$3.3 million, despite a decline in mortgage loan activity in the form of originations. Again, reflecting a higher usage of established credit lines

by existing customers. Loan department personnel did an excellent job again this year in being attentive to customer needs. They also did an admirable job in managing troubled credits and holding loan delinquency rates at reasonable levels. And to their credit, they continue to do so in demanding and arduous circumstances.

A very important strategic decision was made by the Board of Directors this past year. It was resolved to move our internal technology infrastructure into the Cloud Computing environment. That means outsourcing our entire computer network to a specialized third party vendor. This arrangement will provide the bank with cutting edge expertise in the field of technology and the safeguarding of customer data, along with expedited hardware availability, around the clock security monitoring and tech support, coupled with enhanced disaster recovery capability. A business partner was selected that specializes in banking industry applications, has facilities that can withstand an F5 Tornado, and has full data and computing redundancy at a secondary remote location. The final conversion phase will not be completed until later this year, but the bank IT staff has already made great strides in getting this important objective accomplished.

At this point, I would like to call on Chief Operations Officer Kim McKee to give her update report on other bank operations activities and enhancements. Kim.....

Thank you Dave.... In 2014, we continued on with our focus towards providing additional services that would overall enhance our customers experience with North Central Bank. These new services were built and designed around providing a more efficient platform for daily banking needs.

As mentioned in last year's report, NCB had been working with LKCS to develop a new dynamic website. I am pleased to report that our website has been completely redesigned and it offers many new experiences for us and our customers. A few of the points that you might notice is the clean and modern web design that better represents our bank and address the future needs of our customers. There is improved navigation with interactive pages, on-line banking login on the home page and additional space for alert messages and advertisements. The new site is also mobile-responsive; this feature allows our visitors to access our site via all devices, including smart phones, iPads, tablets, laptops and desktops. Additionally, our customers now have access to many on-line applications and forms. Anyone can now apply for a mortgage or consumer loan, complete a financial statement, or email us through any device and then securely submit the information back to NCB. I encourage you to visit and explore it for yourself!

To broaden our menu of technological enhancements, I am pleased to share that we have developed and added the NCB iPad app to our product offerings. This free app is very similar to our mobile banking app that was launched in 2013. In addition to all of the features offered in our mobile app, the iPad application allows for a larger dashboard with a monthly cash in/cash out graph, along with all recent activity. You can easily transfer funds between accounts; pay bills and map our locations.

News of additional breaches, fraud cases and compromised debit cards continued to plague our national headlines. To put this in perspective, the Home Depot breach allowed for 56 million card holders to have their card information stolen. This is the single largest breach on record. Locally, at NCB, 71 cards were replaced and none of our cardholders experienced any fraud on their accounts. In an effort

MINUTES, *cont.*

to keep our customers account information safe, we are continuing to offer FalconWatch to all of our debit card holders. This is a free customer service that provides 24/7 monitoring of all debit cards, and contacts a cardholder should suspicious activity be detected. Should the debit card need to be replaced, I am pleased to share that we have now contracted with a new debit card issuing vendor that is able to mail out new cards within 72 hours. This is critical to many of our customers who do not carry cash or write checks.

Our efforts continue to be focused on being fully mobile, available 24/7, and socially responsible. With those thoughts in mind, I am happy to report that NCB's Facebook page currently has 453 followers. In December, NCB hosted their first Facebook contest. A jar was filled with coins and everyone was encouraged to guess the dollar value in the jar. The person with the winning guess also won the opportunity to share matching funds to a local charity of their choice. This contest was viewed by over 16,000 Facebook users. It is easy to see the power of social media. Again, we are pleased to be able to offer the opportunity to share community events, offer an effective communication tool and create conversation relative to the activities that NCB participates in. I encourage you to find our page and "like us" today!

Recognizing and appreciating the challenges of funding advanced education, NCB is proud to continue to participate in the statewide essay writing contest that is sponsored by Community Bankers Association of Illinois, Foundation for Community Banking. High school seniors were encouraged to write a one page essay on "The Importance of Community Banking". NCB had five local winners, three from Putnam County High School and two from Hall High School. They each received a plaque and monetary award from NCB. Their essays were then judged at the state level, Amelia Lindstrom and Shelby Yepsen were chosen as finalists. Shelby Yepsen won second-place and received a \$500 check for her accomplishment.

Although much of this report has focused on how we are able to better serve our customers when they are not within our bank buildings...I want to share that we were able to expand and build a new teller-supervisor office in our Ladd location. We are also encouraging hands-on training for our on-line banking, e-statements, bill-pay and other web based products through our new customer friendly work station in our Ladd lobby. We will always strive to provide a top-quality customer experience whether it is face-to-face, over the phone, through email or any of the other various ways we have to communicate with our customers.

Thank you for allowing me the opportunity to share a brief update of our technological and operational enhancements.

Thank you Kim, and thank you for your leadership in implementing those endeavors.

One other major achievement this past year worthy of note was the transition to a new broker/dealer affiliation with our Investment Services Division. Under the direction of Vice President Lou Wasilewski, the bank was able to negotiate a favorable contract with Investment Centers of America, or ICA. This new broker offers many enhanced customer service benefits, including access to a specialized expert advisory team. I'm pleased to report Lou's division increased assets under management this past year by nearly 11% to \$53 million in total.

On a more somber note, I must acknowledge with great sorrow the passing of two individuals that have left an enduring mark upon our organization. Ernest Bassi and Eric Ciucci have left a void in our presence

and in our hearts. They each contributed mightily to this enterprise and they will always be fondly remembered. (Please take note of their memorial tribute found in the back of your annual report booklet).

In every yearly management report I always make a point – deservedly so – to acknowledge the dedication and hard work of the bank staff. The success of our organization ultimately rests with them as they execute the directives of the board and management, and through the performance of their daily duties. Let me assure you, a major computer conversion is no small undertaking. Likewise, implementing a plethora of new regulatory mandates from the Consumer Financial Protection Bureau has been a monumental task. Place on top of that the challenges inherently caused by changes in personnel, and you can understand this has been a demanding year on our people. To their credit they have stood together with courage and unselfishly supported one another in helping to get us through this rough period of time. Admittedly, we have some work yet to do, but I'm confident that we have the strength of character and the fortitude of faith to see us through. In the end, we shall be stronger for it.

In the final analysis, I think you could say 2014 has been a year of contradictions. Much good has been accomplished. The results have been gratifying. But we also feel a sense of loss on a human level. And so it is now our duty to carry on, and that is what we shall do. As our people show their character and their leadership and their faith, we look forward to a fresh and promising new year. And we do so with thankfulness to all of you as stockholders who have been unwavering in your support of our efforts.

It is fitting tonight that we should celebrate being a part of such a fine community – like Hennepin. We are equally privileged to be a part of an organization (your bank) that has been built on proven hometown principles and values. We shall be undaunted in striving to uphold that tradition going forward.

Thank you.

Old Business: None.

Bill Urnikis introduced to the Stockholders the seven nominees that the Board of Directors recommends to be Directors for the year 2015. The nominees are Glen Brandner, Terry Judd, Ryan Linnig, Harold Read, Eric Swartz, William G. Urnikis and David Ward.

It was moved by Nicholas Keegan, seconded by Charles Taliani to place into nomination the seven nominees that the Board of Directors recommended to be Directors for the year 2015, to close the nominations and instruct the secretary to cast a unanimous ballot for the slate of Directors nominated. Motion carried.

Other New Business:

Bill Urnikis took the opportunity to recognize the staff and to introduce our new employees: Kate Gibson and Tara Hinckley.

Dave Ward and Bill Urnikis acknowledged the 2013/2014 CBAI Education award (6th consecutive year).

There being no further business it was moved by John Petersen, seconded by Michael Holmes that the Stockholders meeting be adjourned at 8:04 P.M. Motion carried.

Todd F. McKey
Secretary



CONSOLIDATED BALANCE SHEET

DECEMBER 31, 2015

ASSETS	BANK	HOLDING COMPANY	ELIMINATIONS	CONSOLIDATED 2015	CONSOLIDATED 2014
Cash and due from banks	\$ 3,929,705	\$ 476,339	\$ (476,339)	\$ 3,929,705	\$ 3,537,510
Federal funds sold	0	-	-	0	0
Investment securities	50,243,365	16,587,431	(16,587,431)	50,243,365	47,297,896
Loans, less allowance for loan losses	70,397,220	-	-	70,397,220	78,114,148
Premises and equipment	693,579	-	-	693,579	704,031
Goodwill	2,596,136	-	-	2,596,136	2,596,136
Other assets	1,217,974	157	(157)	1,217,974	1,919,185
Total assets	\$ 129,077,979	\$ 17,063,927	\$ (17,063,927)	\$ 129,077,979	\$ 134,168,906
LIABILITIES AND STOCKHOLDERS' EQUITY					
LIABILITIES					
Deposits:					
Non-interest bearing deposits	\$ 11,570,306	\$ -	\$ (476,339)	\$ 11,093,967	\$ 11,138,633
Interest bearing deposits	94,135,342	-	-	94,135,342	97,312,711
Total deposits	105,705,648	\$0	(476,339)	105,229,309	108,451,344
Federal funds purchased	1,000,000	-	-	1,000,000	500,000
FHLB borrowings	2,400,000	-	-	2,400,000	5,400,000
Repurchase agreements	2,116,258	-	-	2,116,258	2,205,868
Other liabilities	1,268,642	462,390	(157)	1,730,875	1,644,439
Total liabilities	\$ 112,490,548	\$ 462,390	\$ (476,496)	\$ 112,476,442	\$ 118,201,651
STOCKHOLDERS' EQUITY					
Common stock	\$ 790,000	\$ 385,325	\$ (790,000)	\$ 385,325	\$ 385,325
Additional paid-in capital	7,502,310	3,087,489	(7,502,310)	3,087,489	3,087,489
Retained earnings	8,102,850	12,936,452	(8,102,850)	12,936,452	12,139,031
Net unrealized gain (loss) on afs securities	192,271	192,271	(192,271)	192,271	355,410
Total stockholders' equity	16,587,431	16,601,537	(16,587,431)	16,601,537	15,967,255
Total liabilities and stockholders' equity	\$ 129,077,979	\$ 17,063,927	\$ (17,063,927)	\$ 129,077,979	\$ 134,168,906
Number of shares outstanding at year-end				15,413	15,413
Total book value per share, adjusted for unrealized gain (loss)				\$ 1,064.64	\$ 1,012.90
Total book value per share				\$ 1,077.11	\$ 1,035.96

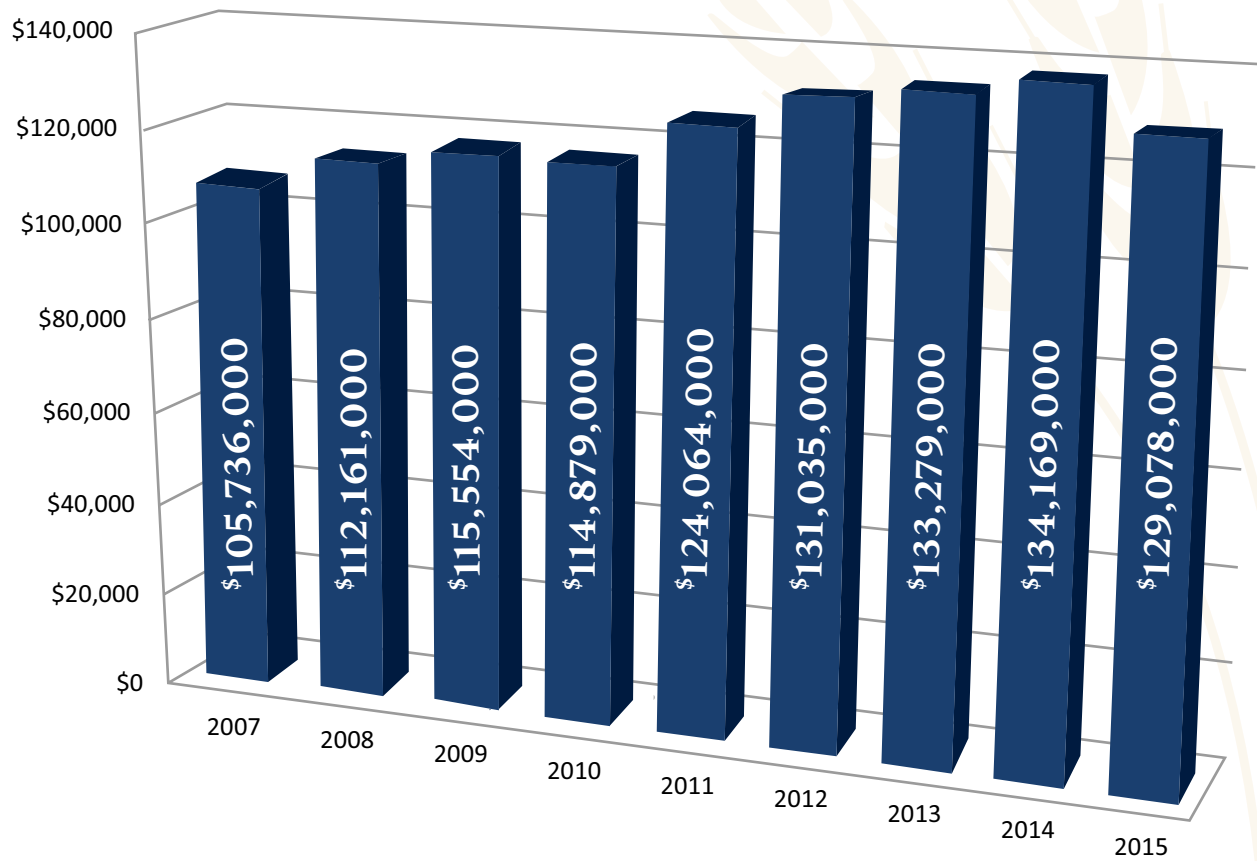
CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2015

INTEREST AND DIVIDEND INCOME	BANK	HOLDING COMPANY	ELIMINATIONS	CONSOLIDATED 2015	CONSOLIDATED 2014
Interest on loans	\$ 3,514,592	\$ -	\$ -	\$ 3,514,592	\$ 3,588,345
Interest and dividends on investment securities:	-	-	-	-	-
Taxable	664,292	-	-	664,292	693,250
Exempt from federal income taxes	185,904	-	-	185,904	210,068
Other interest and dividend income	19,938	-	-	19,938	17,247
Total interest and dividend income	\$ 4,384,726	\$ -	\$ -	\$ 4,384,726	\$ 4,508,910
INTEREST EXPENSE					
Interest on deposits	\$ 439,723	\$ -	\$ -	\$ 439,723	\$ 508,657
Interest, other	97,035	-	-	97,035	104,853
Total interest expense	536,758	-	-	536,758	613,510
Net interest income	3,847,968	-	-	3,847,968	3,895,400
Provision for loan losses	129,931	-	-	129,931	114,305
Net interest income after provision for loan losses	\$ 3,718,037	\$ -	\$ -	\$ 3,718,037	\$ 3,781,095
OTHER INCOME					
Service charges	\$ 307,832	\$ -	\$ -	\$ 307,832	\$ 352,755
Gain (loss) on security transactions	14,295	-	-	14,295	114,086
Other operating income	1,150,307	-	-	1,150,307	411,343
Total other income	\$ 1,472,434	\$ -	\$ -	\$ 1,472,434	\$ 878,184
OTHER EXPENSES					
Salaries and employee benefits	\$ 1,655,986	\$ -	\$ -	\$ 1,655,986	\$ 1,659,979
Net occupancy expense	110,433	-	-	110,433	138,437
Equipment rentals, depreciation and maintenance	214,021	-	-	214,021	204,777
Stationary and supplies	61,797	-	-	61,797	62,546
Computer services	164,460	-	-	164,460	149,880
Professional services	41,427	-	-	41,427	34,291
Advertising	90,537	-	-	90,537	60,214
Other operating expense	1,065,862	10,429	0	1,076,291	824,589
Total other expenses	3,404,523	10,429	0	3,414,952	3,134,713
Income from operations	1,785,948	(10,429)	0	1,775,519	1,524,566
Equity in income of subsidiary	0	1,773,460	(1,773,460)	0	0
Income before income taxes	1,785,948	1,763,031	(1,773,460)	1,775,519	1,524,566
Income tax expense (benefit)	12,488	(168)	0	12,320	18,420
Net income	\$ 1,773,460	\$ 1,763,199	\$ (\$1,773,460)	\$ 1,763,199	\$ 1,506,146

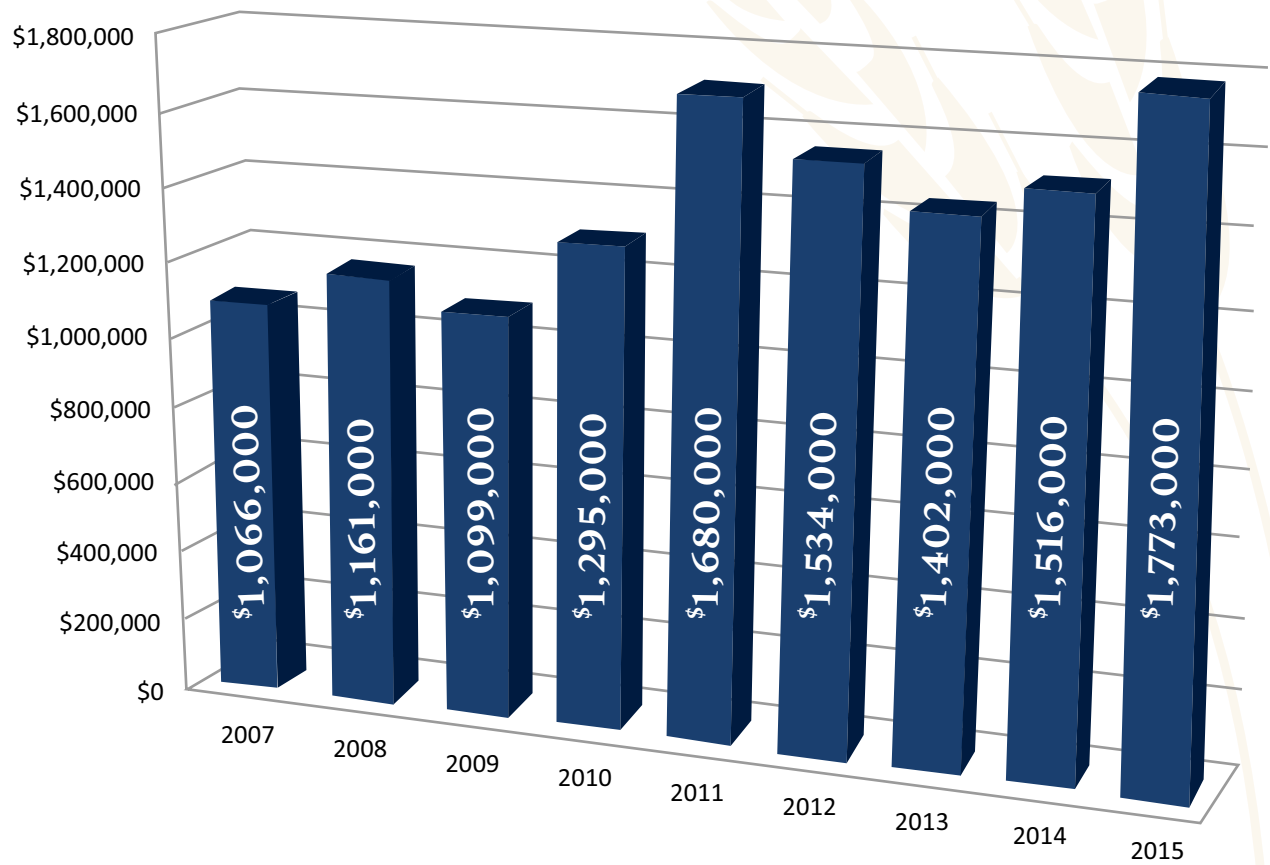


ASSETS





HISTORICAL NET INCOME







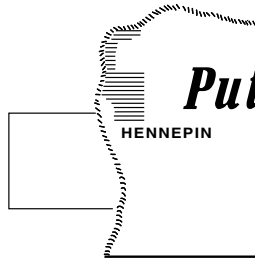
MEET RYAN ANDERSON

Ryan Anderson is an attorney in Henry, Illinois, practicing in Marshall, Putnam, Bureau, and LaSalle Counties. He earned his Bachelor's degree in Industrial Computer Systems from Illinois State University in 2003 and his Juris Doctorate degree from Southern Illinois University in 2006. His practice focuses on Real Estate, Probate, Estate Planning, Wills, Trusts, Transactional Law, and Title Insurance.

Ryan is a member of the Illinois State Bar Association, Marshall County Bar Association, American Land Title Association, Illinois Land Title Association, and is an agent for Attorney's Title Guarantee Fund, Inc. Locally Ryan is active in the Henry Rotary Club and the Henry Chamber of Commerce.



Ryan and his wife Erika are both lifelong residents of Henry and are actively involved in community and church activities. They have three children, ages 8, 6 and 2. In his free time Ryan enjoys coaching his children's summer sports activities, playing golf, hunting, and fishing.



Putnam County
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