



Annual Report 2007

2007
TIME AFTER TIME

PUTNAM COUNTY
BANCORP, INC.



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VISION STATEMENT



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

1) Building relationships with our customers and other citizens in the region

2) Being a responsible corporate citizen of, and effective partner with, the communities we serve

3) Maintaining a reputation for financial strength, stability, and integrity

MISSION STATEMENTS



- 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.

STAFF LISTING

BOARD OF DIRECTORS

Jack Grant - Chairman
Terry Judd
Harold Read
Alex Rolando
Eric Swartz
Bill Urnikis
Dave Ward

LADD ADVISORY BOARD

Haley Andersen - Secretary
Joe Bernardi
Glen Brandner
Brandy Cattani
Jay Knauf
Jim Manning
Kim McKee
Gene Merkel
Terri Neill
Dave Ward

HENNEPIN STAFF

Eric Ciucci	Assistant Vice-President/ Loan Officer
Deb Doyle	Information Systems Manager
Amy Fay	New Accounts Representative
Diana Gibson	Teller – Part Time
Mary Jane Gunderson	Bookkeeping – Part Time
Karen Ladzinski	Bookkeeping/ Computer Support
Todd McKey	Cashier/Ag Loan Officer
Marie Miller	Assistant Vice-President/ Loan Officer
Pat Morine	Teller
Nita O'Neill	Teller
Sandra Palm	Teller
Alex Rolando	Vice-President/Loan Officer (Retired December 2007)
Kathy Spratt	Teller
Carianne Thrasher	Bookkeeping/ Computer Support
Dave Ward	President

LADD STAFF

Jenny Acamovic	Teller
Haley Andersen	Compliance/ Marketing Officer
Carol Elmore	Teller/Bookkeeping
Ann Fiocchi	Bookkeeping – Part Time
Denis Krzeminski	Vice-President/ Commercial Loan Officer
Kim McKee	Assistant Vice-President/ Branch Manager
Evelyn McLane	Teller – Part Time
Marilee Meuser	Teller Supervisor (Retired May 2007)
Erin Pinter	Loan Officer
Brenda Rossmann	Teller
Deb Schultz	Loan Officer
Luanne Vescogni	Teller Supervisor
Gina Williamson	Loan Processor / Technology Services Administrator

HOURS OF OPERATION & 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 – 6:00 pm
Saturday
8:00 am – 12:00 pm

HENNEPIN 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

HENNEPIN 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 – 6:00 pm
Saturday
8:30 am – 12:00 pm

LADD 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

LADD CONTACT INFORMATION

815.894.2386
Toll Free
866.894.2265
Fax
815.894.2265

www.ncb-ebanc.com

MEET GLEN BRANDNER



It is with great pleasure that the Board of Directors recommend to the shareholders Glen Brandner for the open seat on the Putnam County Bancorp, Inc. Board. Mr. Brandner is a prominent farmer from the Ladd, Illinois area. He is actively involved with all aspects of the farming operation and has an extensive knowledge of the agricultural industry.

Mr. Brandner is a 1972 graduate of Hall High School. He currently sits on North Central Bank's Ladd Advisory Board and is a member, and former Governor, of the Ladd Moose Lodge. Formally, Brandner served on the Ladd District 94 School Board and Bureau County Farm Bureau Board. His interests include collecting antique John Deere Tractors and toy farm machinery. Mr. Brandner also enjoys participating in projects or events that are for the betterment of the Ladd community.

Growing up on a farm East of Ladd, Brandner has been working in the agricultural industry all of his life. He purchased his first farm in 1975 at the age of 22, and farmed 700 acres.

From 1972-1990, he operated Brandner Shelling and Trucking. He then became a Sales Representative for Pioneer Hybrids until 2005. Today, Brandner and his sons farm 2300 acres of land.

Brandner married his wife, Carolyn, in 1974. They have two grown sons, Joe and Chris, and two granddaughters. His son Joe owns Brandner Mapping. With this business, Joe sells and installs G.P.S. systems for farm equipment. Chris works as an iron worker.

Sharing the same vision of growth and community for Putnam, Bureau, and the surrounding counties, along with his close ties to the greater Ladd area, and solid background in farming and agriculture, Glen Brandner would be an excellent fit for the Putnam County Bancorp, Inc. Board.

STOCKHOLDERS MEETING AGENDA

January 16, 2008

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 2007
6. MANAGEMENT REPORT
7. OLD BUSINESS
8. ELECTION OF DIRECTORS TO SERVE FOR
THE YEAR 2008
9. RECOGNITION OF EMPLOYEES
10. OTHER BUSINESS
11. ADJOURNMENT



MINUTES

Hennepin, Illinois
January 17, 2007

The Stockholders of the Putnam County Bancorp, Inc. met at 6:30 P.M. on January 17, 2007 at the Galleria in Princeton, IL for their annual dinner meeting.

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

The Secretary tabulated the sign-in sheets and the proxies and there were 6,796 shares represented in person and 5,275 shares by proxy for a total of 12,071 shares (75.3%).

Terry Judd introduced the new Stockholders acquired during the year and they were as follows: Andrea Ahmed-Zaid, Larry Boggio, Gayla Charles, Cathy Hunt, James Read, Steven L. Swengel and Jeanne Workman.

Terry Judd took a moment to acknowledge the deceased Stockholders since the last meeting and they are as follows: Theodore Boggio, Esther Monier, Mary Orlandi, Charlotte Swengel and Patrick Shevokas.

The minutes of the last Stockholders meeting of 1/18/2006 were presented to the Stockholders and it was moved by Karl Fivek, seconded by John Petersen 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, 2006 and also the Consolidated Income Statement of the Bank and the Holding Company for the year ended December 31, 2006. Copies attached.

It was moved by Karl Fivek, seconded by Albert Brady that the Financial Reports be approved as submitted. Motion carried.

Dave Ward presented to the Stockholders his Management Report as follows: Just twelve months ago, as the new year of 2006 was beginning to unfold, we were very optimistic about the prospects for the upcoming year. Our organization had already attained the much sought after Subchapter S corporate tax status, and the bank had just completed its most successful year for profitability ever. The economy was strong and local loan demand was very brisk. One of our strategic goals was to deploy more bank assets into the loan portfolio to enhance earning potential and the scenarios were starting to play out very nicely.

As the year progressed, however, economic dynamics changed somewhat. Loan demand softened as the result of a slowing housing market and a slump in automobile



MINUTES cont.

sales. Crude oil prices skyrocketed in April further hindering the economy. And the Fed continued to raise short term interest rates, 4 times in 2006 – 17 straight rate hikes in all. At the beginning, Treasury yields tracked the Fed moves, reaching a peak at midyear. But then treasury rates began a steady decline – causing a yield curve inversion....with short term interest rates at higher levels than long term rates. In August the stock market began to climb and has been trending upward ever since. Stock market appeal can cause what economists call disintermediation - when consumers move funds out of bank deposit accounts and into other investments, like equity markets, for example. And as treasury rates rose, bank customers moved idle funds into higher yielding certificates of deposit. All of these factors have contributed to a narrowing of net interest margins throughout the banking industry. The North Central Bank was no exception. Earnings were negatively impacted as interest costs increased rapidly on the deposit side while interest income on the asset side of the ledger rose at a more moderate pace.

The good news is that the bank did enjoy favorable loan growth for the year, increasing balances from \$52,166,000 to \$53,946,000 for a net increase of over 1.7 million dollars. More significantly, the overall loan portfolio experienced no net losses for the year. That, coupled with low delinquency rates and the satisfactory resolution of some tough loan workouts, the overall portfolio performed very admirably. The improved credit quality helped to augment profitability and is a tribute to the fine work of our loan officers and staff.

Throughout the course of the year 2006, several new initiatives were undertaken at the bank level. In the spring, we introduced



a new tiered pricing structure on our Insured Money Market Account (or IMMA) program. Now those account holders that maintain larger deposit balances will receive a higher rate of return. Then, later in the year, we significantly increased those rates to compete head on with non-bank competition. This past year we expanded our comprehensive internal audit and loan review function with the addition of Deb Schultz to our staff. And Phase I of our new employee Incentive Compensation plan was fully implemented. In addition, we changed the search engine on our bank web site to GoodSearch, which will generate ongoing monetary donations directed to the Putnam County Education Foundation.

Marketing activities, under the direction of Marketing Officer Haley Andersen have been intensified this past year. A new bank services and product brochure was developed – copies of which were available to you at the front door this evening. In addition, we are now able to produce, in house, top quality marketing materials for advertising purposes. The new shareholder report booklet you have tonight is a prime example of the quality of marketing pieces we can now generate. Doing so internally comes

MINUTES cont.

with the advantage of quick production time and the ability to make quantity and content adjustments as necessary.

Another popular initiative was the, community wide, American Flag promotion in Ladd over the Independence Day holiday. There are plans to expand sponsorship of that activity into Putnam County this coming year. And finally, as a result of our recent marketing survey assessment, and acknowledging the need to develop our bank's name recognition (or brand) in the larger LaSalle/Peru market area, a fresh, new radio jingle has been developed. The jingle tells a musical story about who we are and what our bank is all about. Before unveiling this production to the public, we have it here for you tonight. A sneak preview, if you will. As you enjoy the musical setting, please listen to the story that is told.....centered on our new bank slogan.....TIME AFTER TIME, NORTH CENTRAL BANK AND YOU!

We are currently putting together a finalized marketing plan and budget for 2007 that will incorporate both radio and bill board advertising to promote the bank and enhance brand name recognition.

Other new initiatives that we will be working on this coming year include technological enhancements centered around Check 21 image capabilities and electronic check clearing technologies. Incorporating these activities will speed up the business transaction processing by replacing paper document transport with electronic data transmissions.

As we face challenges to realize sustained deposit growth, we plan on participating in a new Capital Market CD program. This program will provide a new source of flexible and manageable funding, which will be crucial in supporting anticipated loan growth

and will help the bank achieve overall asset growth goals that have been so elusive over the past several years.

At the Ladd branch location, we are currently working on a territorial expansion in the Ag sector to the north – trying to capitalize on the exciting revitalization of the farming economy. We also continue to see significant commercial activity along Interstate 80 corridor. And this will be the second full year we have the opportunity and privilege to work with our Ladd Advisory Board. We hope, among other things, to facilitate the development of a new residential subdivision within the community.

And yet another challenge before us this coming year is to prepare for the impending retirement of some of our key people and ensure a smooth transition within the organization in the process. Speaking of staffing, and of challenges – this past year did feature a series of unfortunate events that we hope never to repeat. Let's see now..... Debbie had an extended stay in the hospital and put a good scare in us all, Kathy and Nita were both out for surgeries, Carol and Marilee were out with illnesses; Kim's family was displaced after a major fire in her home, and Todd was involved in a serious automobile accident. Other than that, I think we are okay. Seriously though, we are very thankful that the Lord has watched over us all during these times of trial and all outcomes have been good.

In conclusion, I would like to offer my heartfelt thanks to the staff for all their hard work this past year. As always, there have been challenges along the way, and you have always risen to meet those challenges. I'm truly proud to be associated with such a fine group of individuals. Also my thanks go out to the bank board of directors and

MINUTES cont.



to the Ladd advisory board as well. Your efforts, leadership and support for the organization are invaluable. And finally, of course, our thanks go out to each of the stockholders for whom we have the privilege to serve. You are continually a source of moral support for the staff and myself. We appreciate your loyalty, AND your business, and the many kindnesses you extend to us and the organization as a whole.

Knowing that we face a new year **“together”** always gives me a sense of grateful reflection on past accomplishments and quiet anticipation for the future ahead. It is the **“together”** that really makes the difference. Just as we said earlier.....North Central Bank and YOU.....Time after Time. Thank you.

Jack Grant introduced to the Stockholders the seven nominees that the Board of Directors recommends to be Directors for the year 2007. The nominees are Jack Grant, Terry Judd, Harold Read, Alex F. Rolando, Eric Swartz, William G. Urnikis and David Ward.

It was moved by Greg Boggio seconded by Albert Brady to nominate the seven nomi-

nees that the Board of Directors recommend to be Directors for the year 2007 and nominations be closed and the secretary be instructed to cast a unanimous ballot for the slate of Directors nominated. Motion carried.

Jack Grant introduced the members of the Ladd Advisory Board who are Glen Brandner, Jay Knauf, Jim Manning, Gene Merkel, Terri Niell and Joe Bernardi (who is in Florida).

Jack Grant took the opportunity to recognize the employees and to acknowledge Debra Doyle on her 30 years of service with the bank (2005). Pat Morine was also recognized on her 25 years with the bank (2006). David Ward presented Pat Morine with a 25 year plaque.

There being no further business it was moved by Eric Ciucci, seconded by Harold Read that the Stockholders meeting be adjourned. Motion carried.

Todd F. McKey
Secretary

Putnam County Bancorp, Inc.

CONSOLIDATED FINANCIAL STATEMENT

December 31, 2007

Assets	Bank	Holding Company	Eliminations	Consolidated 2007	Consolidated 2006
Cash and due from banks	\$ 4,011,665	\$ 1,273	\$ (1,273)	\$ 4,011,665	\$ 2,319,968
Federal Funds Sold	\$ 8,100,000	\$ -	\$ -	\$ 8,100,000	\$ 1,300,000
Investment Securities	\$ 31,968,562	\$ 13,526,074	\$ (13,526,074)	\$ 31,968,562	\$ 32,859,671
Loans, less allowance for loan loss	\$ 57,034,795	\$ -	\$ -	\$ 57,034,795	\$ 53,946,623
Premises and equipment	\$ 612,468	\$ -	\$ -	\$ 612,468	\$ 670,859
Goodwill	\$ 2,596,136	\$ -	\$ -	\$ 2,596,136	\$ 2,596,136
Other Assets	\$ 1,412,086	\$ -	\$ -	\$ 1,412,086	\$ 1,399,041
Total Assets	\$ 105,735,712	\$ 13,527,347	\$ (13,527,347)	\$ 105,735,712	\$ 95,092,298
Liabilities and Stockholder's Equity					
Liabilities					
Non-interest bearing deposits	\$ 6,844,373	\$ -	\$ (1,273)	\$ 6,843,100	\$ 6,326,452
Interest bearing deposits	\$ 81,863,780	\$ -	\$ -	\$ 81,863,780	\$ 72,242,253
Total Deposits	\$ 88,708,153	\$ -	\$ (1,273)	\$ 88,706,880	\$ 78,568,705
Federal Funds Purchased	\$ -	\$ -	\$ -	\$ -	\$ -
FHLB Borrowings	\$ -	\$ -	\$ -	\$ -	\$ -
Repurchase agreements	\$ 2,956,835	\$ -	\$ -	\$ 2,956,835	\$ 2,927,767
Other Liabilities	\$ 544,650	\$ -	\$ -	\$ 544,650	\$ 447,069
Total Liabilities	\$ 92,209,638	\$ -	\$ (1,273)	\$ 92,208,365	\$ 81,943,541
Stockholder's Equity					
Common Stock	\$ 790,000	\$ 390,475	\$ (790,000)	\$ 390,475	\$ 400,725
Additional Paid-In Capital	\$ 7,502,310	\$ 3,262,088	\$ (7,502,310)	\$ 3,262,088	\$ 3,591,908
Retained Earnings	\$ 5,087,327	\$ 9,728,347	\$ (5,087,327)	\$ 9,728,347	\$ 9,356,189
Net unrealized gain (loss) on AFS Securities***	\$ 146,437	\$ 146,437	\$ (146,437)	\$ 146,437	\$ (200,065)
Total Stockholder's Equity	\$ 13,526,074	\$ 13,527,347	\$ (13,526,074)	\$ 13,527,347	\$ 13,148,757
Total Liabilities and Stock. Equity	\$ 105,735,712	\$ 13,527,347	\$ (13,527,347)	\$ 105,735,712	\$ 95,092,298
Total Number of Shares Outstanding at Year-End				\$ 15,619	\$ 16,029
Total Book Value Per Share, Adjusted for Unrealized Gain/Loss***				\$ 856.71	\$ 832.79
Total Book Value Per Share				\$ 866.08	\$ 820.31

Putnam County Bancorp, Inc.

CONSOLIDATED INCOME STATEMENT

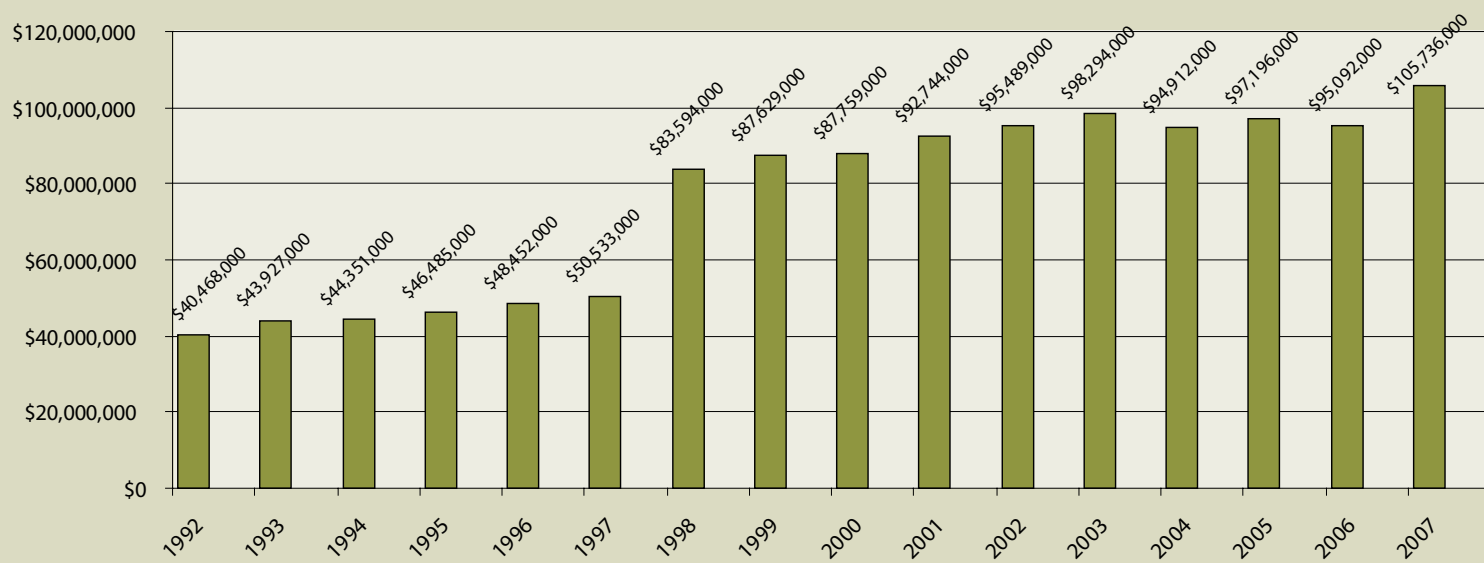
For the year ended December 31, 2007

Interest and dividend income	Bank	Holding Company	Eliminations	Consolidated 2007	Consolidated 2006
Interest & fee income on loans	\$ 3,763,719	\$ -	\$ -	\$ 3,763,719	\$ 3,495,340
Interest & dividends on investment securities					
Taxable	\$ 1,474,617	\$ -	\$ -	\$ 1,474,617	\$ 1,422,008
Exempt from federal income taxes	\$ 66,271	\$ -	\$ -	\$ 66,271	\$ 68,686
Other interest and dividend income	\$ 266,515	\$ -	\$ -	\$ 266,515	\$ 77,666
Total interest and dividend income	\$ 5,571,122	\$ -	\$ -	\$ 5,571,122	\$ 5,063,700
Interest expense					
Interest on deposits	\$ 2,759,328	\$ -	\$ -	\$ 2,759,328	\$ 2,195,120
Interest, other	\$ 112,720	\$ -	\$ -	\$ 112,720	\$ 106,632
Total interest expense	\$ 2,872,048	\$ -	\$ -	\$ 2,872,048	\$ 2,301,752
Net interest income	\$ 2,699,074	\$ -	\$ -	\$ 2,699,074	\$ 2,761,948
Provision for loan losses	\$ -	\$ -	\$ -	\$ -	\$ -
Net income after provision for loan losses	\$ 2,699,074	\$ -	\$ -	\$ 2,699,074	\$ 2,761,948
Other income					
Service charges	\$ 357,527	\$ -	\$ -	\$ 357,527	\$ 282,995
Gain (loss) on security transactions	\$ -	\$ -	\$ -	\$ -	\$ 32,271
Other operating income	\$ 116,872	\$ -	\$ -	\$ 116,872	\$ 71,248
Total other income	\$ 474,399	\$ -	\$ -	\$ 474,399	\$ 386,514
Other expenses					
Salaries and employee benefits	\$ 1,338,100	\$ -	\$ -	\$ 1,338,100	\$ 1,209,464
Net occupancy expense	\$ 97,770	\$ -	\$ -	\$ 97,770	\$ 103,002
Equipment rentals, depreciation, and maintenance	\$ 170,916	\$ -	\$ -	\$ 170,916	\$ 191,123
Stationary and supplies	\$ 72,667	\$ -	\$ -	\$ 72,667	\$ 63,165
Computer services	\$ 29,281	\$ -	\$ -	\$ 29,281	\$ 20,104
Professional fees	\$ 15,291	\$ -	\$ -	\$ 15,291	\$ 24,589
Advertising	\$ 69,429	\$ -	\$ -	\$ 69,429	\$ 71,601
Other operating expenses	\$ 312,469	\$ 9,701	\$ -	\$ 322,170	\$ 327,440
Total other expenses	\$ 2,105,923	\$ 9,701	\$ -	\$ 2,115,624	\$ 2,010,488
Income from operations	\$ 1,067,550	\$ (9,701)	\$ -	\$ 1,057,849	\$ 1,137,974
Equity in income of subsidiary	\$ -	\$ 1,065,903	\$ (1,065,903)	\$ -	\$ -
Income before income taxes	\$ 1,067,550	\$ 1,056,202	\$ (1,065,903)	\$ 1,057,849	\$ 1,137,974
Income tax expense (benefit)	\$ 1,647	\$ -	\$ -	\$ 1,647	\$ 3,651
Net Income	\$ 1,065,903	\$ 1,056,202	\$ (1,065,903)	\$ 1,056,202	\$ 1,134,323

HISTORICAL NET INCOME



NORTH CENTRAL BANK ASSET SIZE



FUTURE BOARD STOCK CONSIDERATION

Shareholders,

You are now used to getting a form K-1 each year that reports your share of the Bank's net income that you must report on your individual tax returns each year. We want to take this opportunity to discuss a couple of the tax decisions your Board of Directors and Management has made or is now considering and how those decisions affect you.

As you know, the shareholder group elected the Subchapter S corporate status to protect bank earnings from double taxation. One, at the corporate level in the form of income taxes; and second, at the individual level in the form of taxes on qualified dividends. The Subchapter S pushes the income tax liability to the individual level, and taxes on dividends can be avoided entirely. The taxes pushed to the shareholder level are then completely reimbursed by the Holding Company. Any other distribution of current taxable earnings for any given year can be paid to shareholders tax free.

Another decision the Board made two years ago was to elect the cash method of accounting for tax purposes. Without getting too technical, that means the bank has changed the way it reports income on corporate tax returns. This particular tax election resulted in the deferral of approximately \$500,000 in taxable income. That, in turn, has resulted in a collective tax savings to shareholders of roughly \$100,000.

Generally, your Board of Directors closely monitors distributions to shareholders to make sure that none of your payments are subject to double taxation as described

above. That said, there is a unique tax planning opportunity for the next three years that your Board is considering. Tax law as it currently stands (unless changed by Congress) provides that qualified dividends are subject to a maximum tax rate of 15% and a minimum tax rate of 0% for the next three years. For taxpayers whose marginal tax bracket is 15% or less, capital gains and qualified dividends are taxed at 0% in 2008, 2009 and 2010.

These tax provisions provide a unique opportunity for the Holding Company to distribute to shareholders some of the retained earnings held by the bank from prior years. And as the political climate now seems to indicate a desire to increase taxes, this favorable tax environment may not exist for long. Consequently, the Board is seriously considering payments to shareholders of what is considered to be excess capital in the bank. Indeed, that is what has happened with the larger than normal distribution to you in early January.

The Board will be looking at possibly making additional capital payments to shareholders over the next few months and years. In considering distribution / dividend options, the Board will have to balance that decision with regulatory capital requirements of the Bank - particularly as they relate to any future growth or acquisition opportunities that may be available to the Bank.

It should also be noted that stock book value is based on Bank retained earnings (or capital). As that capital is paid out in cash to shareholders, the stock book value would drop accordingly.



2007

TIME AFTER TIME

