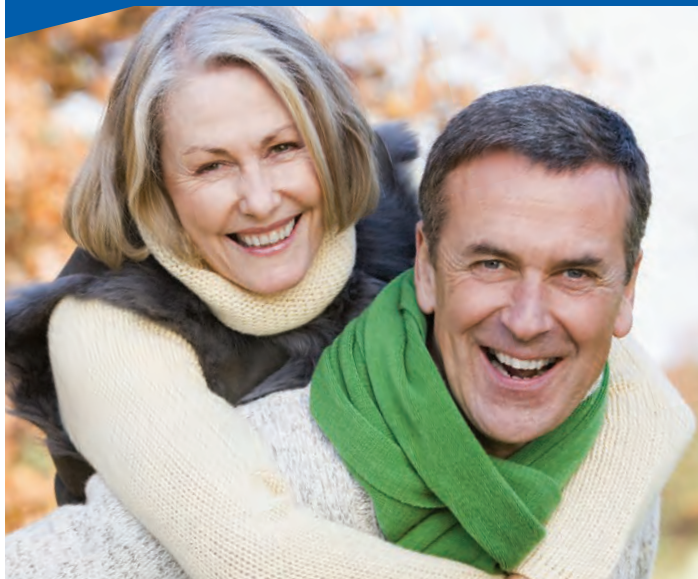




Time *after* Time



Annual Report 2008

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

Glen Brandner
 Jack Grant - Chairman
 Terry Judd
 Harold Read
 Eric Swartz
 Bill Urnikis
 Dave Ward

Ladd Advisory Board

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

Hennepin Staff

Haley Andersen	Compliance/ Marketing Officer
Katy Bernard	Teller
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 (Retired June 2008)
Kathy Spratt	Teller– Part Time
Carianne Thrasher	Bookkeeping/ Computer Support
Dave Ward	President

Ladd Staff

Molly Aughenbaugh	Teller/Bookkeeping
Jenny Acamovic	Teller
Carol Elmore	Teller/Bookkeeping (Retired December 2008)
Ann Fiocchi	Bookkeeping – Part Time
Amanda Helm	Office Support – Part Time
Denis Krzeminski	Vice-President/ Commercial Loan Officer
Kim McKee	Assistant Vice-President/ Branch Manager
Evelyn McLane	Teller
Erin Pinter	Loan Officer
Deb Schultz	Loan Officer
Jen Talbot	Teller-Part Time
Luanne Vescogni	Teller Supervisor
Gina Williamson	Loan Processor / Technology Services Administrator
Dan Wujek	Vice-President/ Commercial Loan Officer

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

Stockholders Meeting Agenda

January 21, 2009



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 2008
6. Management Report
7. Old Business
8. Election Of Directors To Serve For The Year 2009
9. Other Business
10. Recognition Of Employees
11. Adjournment

Minutes

Hennepin, Illinois
January 16, 2008

The Stockholders of the Putnam County Bancorp, Inc. met at 6:30 P.M. on January 16, 2008 at the Galleria in Princeton, IL for their annual dinner meeting.

It was moved by Terry Judd, seconded by Bill Urnikis 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 5,786 shares represented in person and 4,319 shares by proxy for a total of 10,105 shares (64.70%).

Terry Judd introduced the new Stockholders acquired during the year and they were as follows: Lisa & Robert Bean, Emelia Boussein, Ralph Joseph Gensini JR, Angela Heckman and William & Judy Mecozzi.

Terry Judd took a moment to acknowledge the deceased Stockholders since the last meeting and they are as follows: Reta Hochlan, Carolyn Larson and Betty Mecozzi.

The minutes of the last Stockholders meeting of 1/17/2007 were presented to the Stockholders and it was moved by Karl Fivek, seconded by Jon Boussein 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, 2007 and

also the Consolidated Income Statement of the Bank and the Holding Company for the year ended December 31, 2007. Copies attached.

It was moved by John Morine, seconded by John Petersen that the Financial Reports be approved as submitted. Motion carried.

Dave Ward presented to the Stockholders his Management Report as follows: As has been my custom, I want to address my report this evening to the performance of the bank and the activities of the staff over the course of this past year. But there are also several important additional topics that I feel merit discussion as well. Consequently, I will be touching on a variety of pertinent subjects – some that concern the bank, and others that will be of special interest to you as shareholders. So please bear with me this evening, as I bounce around just a little bit with our subject matter.

First and foremost, we need to begin with the 2007 performance of the North Central Bank. Lots of good news here. The bank experienced *solid growth* for the year, attaining \$105,700,000 in assets as of December 31. This is the first time in our history that the bank finished the year over the \$100 million mark. Deposits were up significantly by just over \$10,000,000; and loans were also up over \$3,000,000. That loan growth figure does not include an additional \$2.6 million in fixed rate mortgages originated and then sold over the course of the year. Loan activity at



Minutes Cont.

the Ladd branch in particular was robust, achieving loan portfolio growth of almost 20%. Loan credit quality continues to be a strongpoint at the bank; with very modest delinquency levels and zero net charge-offs.

Earnings, on the other hand, were down slightly. Consolidated net income dropped from \$1,134,000 to \$1,056,000. Earnings were particularly sluggish at the beginning of the year. Largely external factors such as intense competition and a flat yield curve contributed to compressed net interest margins – a carryover from the end of the year before – and a condition common throughout the banking industry for this time period.

However, by mid-2007 stable interest rates and a steeper Treasury yield curve helped to improve the net interest margins, and earnings started to rebound nicely. Our return on average assets climbed to 1.07% by the end of the year. Looking ahead, our current economic outlook appears to be a cause for concern. As you know, the national and global financial markets are experiencing significant turmoil, which leads me into Topic #2.

Subprime mortgage lending.

I'm happy to report that the North Central Bank is NOT a subprime niche mortgage lender and, therefore, this situation has no DIRECT impact on your bank. However, the subprime crisis has sufficiently roiled the financial markets that the Fed has aggressively used monetary policy to artificially push interest rates lower. In so doing, the value of the dollar has plummeted and the threat of serious inflation has become a real danger.

Despite lower interest rates, the economy seems to be slowing. Certainly the housing market has already weakened significantly. Ultimately, this market volatility, and potential risk for inflation present some real challenges for banks as they attempt to balance their asset / liability positions going forward.

Topic # 3: Bank Activities and New Services:

Several exciting new services on the deposit side were introduced this past year. A new ACH (or Automated Clearing House) origination service has been implemented. That program, under the administration of Gina Williamson, allows us to process monetary transactions electronically in a safe and efficient manner. Now we can initiate loan payments from an account in another bank, or help a commercial client process payroll electronically, or assist in the collection of taxes or utility bills. In addition, the bank has now joined the national CDARS network. This network allows us to place customer CD investments with other banks to expand FDIC deposit insurance protection. Other banks in the network then reciprocate by placing equivalent deposits back into our bank. Under the supervision of Marie Miller, we are now pleased to offer Health Savings Accounts. These HSA's are becoming a very popular vehicle to help people save for their future medical expenses in a tax favored environment. We have also introduced a new value-added check program called Elite Checking.

On the loan side, we have initiated a new financing program especially for Woodhaven Lakes near Sublette, IL. This program is designed to meet unique financing needs of residents for the vast 1800 acre recreational development that features 7 lakes. We are also working on a retail financing package for a local dealer in the sale of ATV's and snowmobiles. And one of the most exciting projects this year has been laying ground work that may lead to a new residential subdivision in the community of Ladd.



Minutes Cont.

A concerted effort was made this past year to focus our marketing efforts on brand name recognition. Utilizing our new radio jingle, and incorporating billboard advertising, we have begun to build a progressive reputation in the public's eye beyond our immediate geographic service area. This "market image" is extremely important as we build the influence of the bank and, hence our book of business.

In the area of technology, your bank has made a giant stride forward. In December we began installation of a new Check 21 Image solution. This electronic image package upgrades our old report archival system, establishes electronic clearing of paper check items, expedites check clearing to reduce fraud, enables remote branch capture of documents, and allows secure delivery of electronic images via email. This program will present the bank with significant savings in equipment costs, delivery charges, and opportunity costs resulting from check float. In the future, it will provide teller workstations with images of signature card documents and customer photo identifications. It should also allow us to eventually move back our daily business cut-off times.

Topic #4 – Bank Robbery & Fraud:

As I'm sure you know, on Friday, December 7th, our Ladd office was robbed by an armed gunman – the first such incident in our bank's history. Thankfully..... No one was physically harmed and no customers were present. The resulting loss was limited in scope, and was absorbed completely by the bank. Consequently, there was no impact whatsoever to customers or their deposits. We are anticipating a report soon from law enforcement authorities as to the status of their ongoing investigation.

On a related front, unfortunately, we are seeing a rising incidence of all types of fraud activity. Everyone should be cautioned about the exposure we all have to the criminal element. Even in our small, rural communities. Situations we have witnessed just this past year included: credit card numbers stolen from a major retailer in another state, individuals sending money out of the country from bogus contest winnings, elderly folks duped into trusting the wrong people, computer attacks originating in China, and dishonest employees stealing confidential information from their employer.



Fortunately, none of those incidents have had any impact upon our bank or our customers. But the lesson is undeniable. As criminals become more emboldened and sophisticated, we will undoubtedly have to incorporate more and more technological safeguards in this industry as time goes on. In fact, I predict that that will become a major operational expense item for all banks in the future. A necessary cost of simply doing business.

Topic #5 – Holding Company Distributions:

At the end of last year, the Board of Directors assessed the current capital position of the bank. Bank capital represents the original investment put into the formation of the bank, plus the accumulated retained earnings since then. Bank capital is retained for a variety of good reasons. Equity capital is required by regulators to be sustained at certain minimum levels for the bank to remain in business. It makes a bank stronger in times of economic or financial downturns. It is also used to leverage growth, or to acquire other business entities. It can also be used to repurchase outstanding stock. If excess capital cannot be effectively deployed for strategic business reasons, it can be paid out in the form of cash to shareholders. In addition, current tax laws that are set to expire within the next three years, appear to make this an ideal time to distribute excess capital back to stockholders. And that is why the Board felt that a \$50 per share distribution was appropriate this year. In any event, a more thorough discus-

Minutes Cont.

sion of this decision is provided in the form of a letter on page 17 of your agenda booklet. One final notation – you need to know that any cash distribution of excess capital to shareholders would result in a proportionate decline in the book value of your shares.

Finally, in closing, I would like to thank the Board and the staff for all their hard work this past year. There is a lot to attend to in the operation of a \$100 million dollar enterprise. And they do a very commendable job. It is a privilege to work side by side with these fine people as, together; we face the challenges and opportunities that come our way. I know that I can convey to you on their behalf, that we are honored to serve you, in the capacity as stewards of your bank. That is a solemn responsibility that we do not take lightly. And we are definitely grateful for your continuing support.

Thank you.

Old Business: None.

Jack Grant introduced to the Stockholders the seven nominees that the Board of Directors recommends to be Directors for the year 2008. The nominees are Glen Brandner, Jack Grant, Terry Judd, Harold Read, Eric Swartz, William G. Urnikis and David Ward.

It was moved by Ernest Bassi, seconded by Charles Judd to nominate the seven nominees that the Board of Directors recommend to be Directors for the year 2008 and nominations be closed and the secretary be instructed to cast a unanimous ballot for the slate of Directors nominated. Motion carried.

Other New Business: None.

Jack Grant acknowledged the CBAI Education Award that the Bank received and read what the plaque said to the stockholders.

Jack Grant took the opportunity to recognize the employees and to acknowledge the retirements of Marilee Meuser and Alex Rolando. Jack read the inscriptions on each plaque that were presented to the retiring employees.

There being no further business it was moved by Jamie Cyr, seconded by Ola Mae Urnikis that the Stockholders meeting be adjourned at 8:20 P.M. Motion carried.

Todd F. McKey
Secretary



Putnam County Bancorp, Inc.

Consolidated Financial Statement

December 31, 2008

Assets	Bank	Holding Company	Eliminations	Consolidated 2008	Consolidated 2007
Cash and due from banks	\$ 3,983,000	\$ 7,566	\$ (7,566)	\$ 3,983,000	\$ 4,011,000
Federal Funds Sold	\$ 4,760,000	\$ -	\$ -	\$ 4,760,000	\$ 8,100,000
Investment Securities	\$ 37,497,000	\$ 13,465,809	\$ (13,465,809)	\$ 37,497,000	\$ 31,969,000
Loans, less allowance for loan loss	\$ 61,127,000	\$ -	\$ -	\$ 61,127,000	\$ 57,035,000
Premises and equipment	\$ 593,000	\$ -	\$ -	\$ 593,000	\$ 612,000
Goodwill	\$ 2,596,000	\$ -	\$ -	\$ 2,596,000	\$ 2,596,000
Other Assets	\$ 1,606,000	\$ 468,700	\$ (468,700)	\$ 1,606,000	\$ 1,413,000
Total Assets	\$ 112,162,000	\$ 13,942,075	\$ (13,942,075)	\$ 112,162,000	\$ 105,736,000
Liabilities and Stockholder's Equity					
Liabilities					
Non-interest bearing deposits	\$ 7,545,000	\$ -	\$ (476,000)	\$ 7,069,000	\$ 6,844,000
Interest bearing deposits	\$ 87,960,000	\$ -	\$ -	\$ 87,960,000	\$ 81,924,000
Total Deposits	\$ 95,505,000	\$ 0	\$ (476,000)	\$ 95,029,000	\$ 88,768,000
Federal Funds Purchased	\$ 0	\$ -	\$ -	\$ 0	\$ 0
FHLB Borrowings	\$ 0	\$ -	\$ -	\$ 0	\$ 0
Repurchase agreements	\$ 2,735,000	\$ -	\$ -	\$ 2,735,000	\$ 2,957,000
Other Liabilities	\$ 456,000	\$ 469,000	\$ 0	\$ 925,000	\$ 1,266,000
Total Liabilities	\$ 98,696,000	\$ 469,000	\$ (476,000)	\$ 98,689,000	\$ 92,991,000
Stockholder's Equity					
Common Stock	\$ 790,000	\$ 390,000	\$ (790,000)	\$ 390,000	\$ 390,000
Additional Paid-In Capital	\$ 7,502,000	\$ 3,262,000	\$ (7,502,000)	\$ 3,262,000	\$ 3,262,000
Retained Earnings	\$ 4,636,000	\$ 9,284,000	\$ (4,636,000)	\$ 9,284,000	\$ 8,947,000
Net unrealized gain (loss) on AFS Securities***	\$ 537,000	\$ 537,000	\$ (537,000)	\$ 537,000	\$ 146,000
Total Stockholder's Equity	\$ 13,465,000	\$ 13,473,000	\$ (13,465,000)	\$ 13,473,000	\$ 12,745,000
Total Liabilities and Stock. Equity	\$ 112,161,000	\$ 13,942,000	\$ (\$13,941,000)	\$ 112,162,000	\$ 105,736,000
Total Number of Shares Outstanding at Year-End				\$ 15,619	\$ 15,619
Total Book Value Per Share, Adjusted for Unrealized Gain/Loss***				\$ 828.22	\$ 806.65
Total Book Value Per Share				\$ 862.60	\$ 815.99

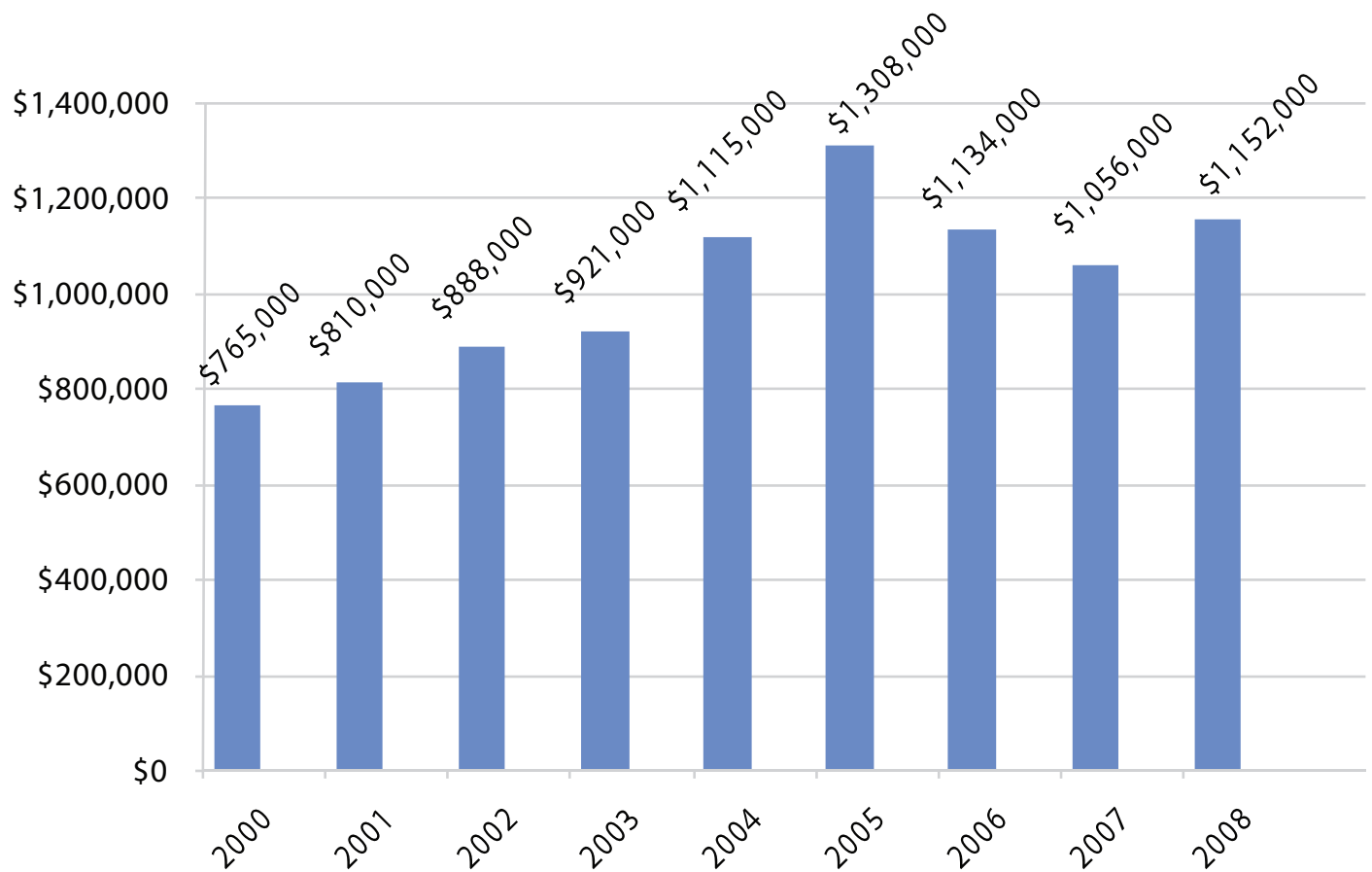
Putnam County Bancorp, Inc.

Consolidated Income Statement

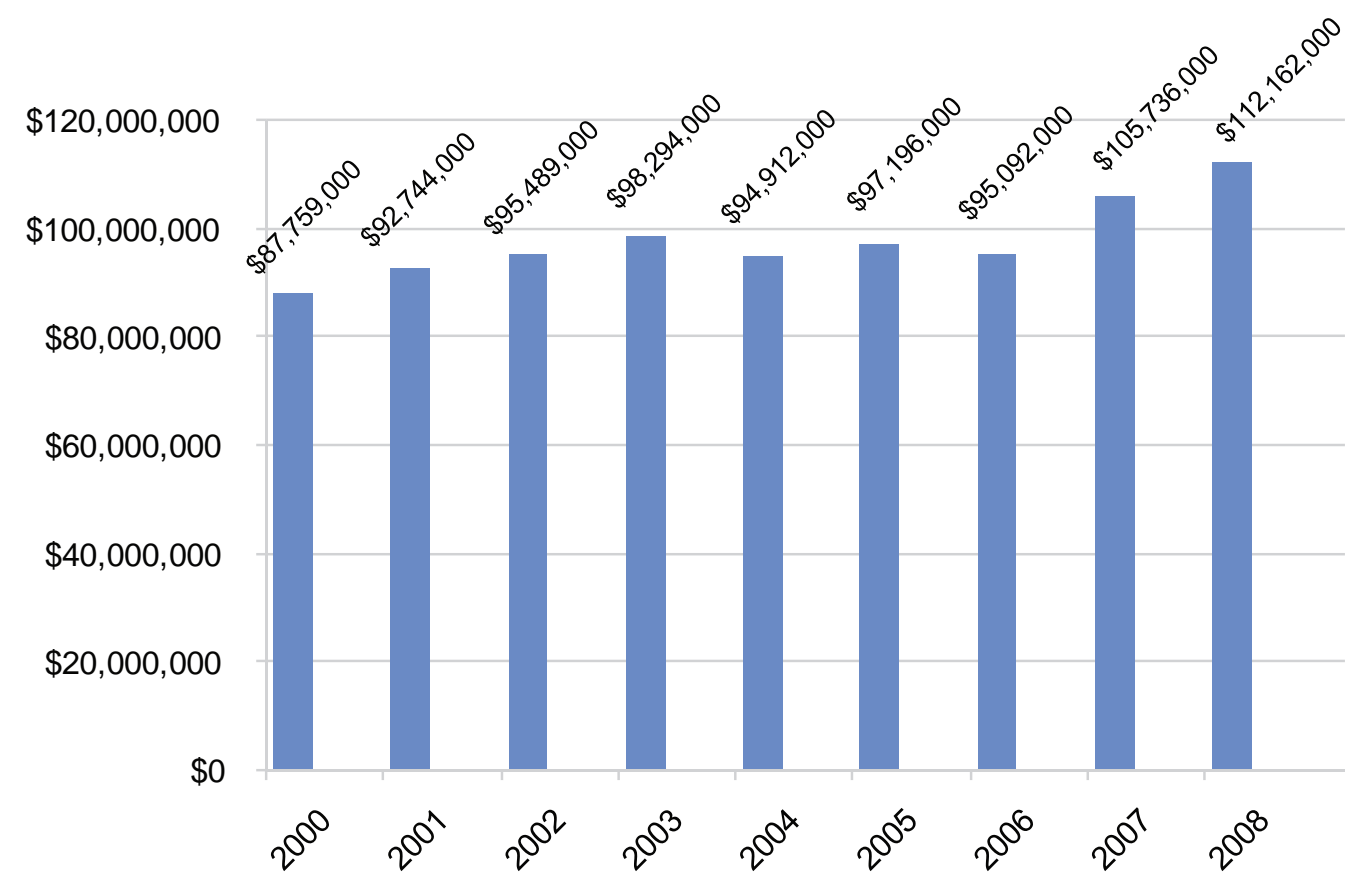
For the year ended December 31, 2008

Interest and dividend income	Bank	Holding Company	Eliminations	Consolidated 2008	Consolidated 2007
Interest & fee income on loans	\$ 3,903,000	\$ -	\$ -	\$ 3,903,000	\$ 3,878,000
Interest & dividends on investment securities					
Taxable	\$ 1,600,000	\$ -	\$ -	\$ 1,600,000	\$ 1,518,000
Exempt from federal income taxes	\$ 74,000	\$ -	\$ -	\$ 74,000	\$ 66,000
Other interest and dividend income	\$ 191,000	\$ -	\$ -	\$ 191,000	\$ 206,000
Total interest and dividend income	\$ 5,768,000	\$ 0	\$ 0	\$ 5,768,000	\$ 5,668,000
Interest expense					
Interest on deposits	\$ 2,642,000	\$ -	\$ -	\$ 2,642,000	\$ 2,758,000
Interest, other	\$ 119,000	\$ -	\$ -	\$ 119,000	\$ 112,000
Total interest expense	\$ 2,761,000	\$ 0	\$ 0	\$ 2,761,000	\$ 2,870,000
Net interest income	\$ 3,007,000	\$ 0	\$ 0	\$ 3,007,000	\$ 2,798,000
Provision for loan losses	\$ 27,000	\$ -	\$ -	\$ 27,000	\$ 0
Net income after provision for loan losses	\$ 2,980,000	\$ -	\$ -	\$ 2,980,000	\$ 2,798,000
Other income					
Service charges	\$ 288,000	\$ -	\$ -	\$ 288,000	\$ 274,000
Gain (loss) on security transactions	\$ 37,000	\$ -	\$ -	\$ 37,000	\$ 4,000
Other operating income	\$ 112,000	\$ -	\$ -	\$ 112,000	\$ 100,000
Total other income	\$ 437,000	\$ 0	\$ 0	\$ 437,000	\$ 378,000
Other expenses					
Salaries and employee benefits	\$ 1,387,000	\$ -	\$ -	\$ 1,387,000	\$ 1,266,000
Net occupancy expense	\$ 157,000	\$ -	\$ -	\$ 157,000	\$ 165,000
Equipment rentals, depreciation, and maintenance	\$ 106,000	\$ -	\$ -	\$ 106,000	\$ 99,000
Stationary and supplies	\$ 78,000	\$ -	\$ -	\$ 78,000	\$ 73,000
Computer services	\$ 39,000	\$ -	\$ -	\$ 39,000	\$ 29,000
Professional services	\$ 27,000	\$ -	\$ -	\$ 27,000	\$ 15,000
Advertising	\$ 75,000	\$ -	\$ -	\$ 75,000	\$ 69,000
Other operating expenses	\$ 378,292	\$ 8,708	\$ 0	\$ 387,000	\$ 402,000
Total other expenses	\$ 2,247,292	\$ 8,708	\$ 0	\$ 2,256,000	\$ 2,118,000
Income from operations	\$ 1,169,708	\$ (8,708)	\$ -	\$ 1,161,000	\$ 1,058,000
Equity in income of subsidiary	\$ 0	\$ 1,160,220	\$ (1,160,220)	\$ 0	\$ 0
Income before income taxes	\$ 1,169,708	\$ 1,151,512	\$ (1,160,220)	\$ 1,161,000	\$ 1,058,000
Income tax expense (benefit)	\$ 9,131	\$ (131)	\$ 0	\$ 9,000	\$ 2,000
Net Income	\$ 1,160,577	\$ 1,151,643	\$ (1,160,220)	\$ 1,152,000	\$ 1,056,000

Historical Net Income



North Central Bank Asset Size



Hennepin Office



Ladd Office

