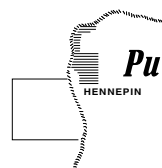


Putnam County Bancorp, Inc.

ANNUAL REPORT 2009



Putnam County
BANCORP, INC.

HENNEPIN, ILLINOIS 61327 / PH. 815 - 925-7373

Time After Time



Time After Time

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Time After Time



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.



Time After Time



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.



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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
 Ryan Linnig
 Jim Manning
 Kim McKee
 Gene Merkel
 Dave Ward

Hennepin Staff

Haley Andersen	Compliance/Loan Processor
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
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 Supervisor
Kathy Spratt	Teller – Part Time
Carianne Thrasher	Bookkeeping/Computer Support
Aubrie Wall	Teller
Dave Ward	President

Ladd Staff

Jenny Acamovic	Teller
Amanda Helm	Office Support – Part Time
Lori Hilgart	Teller/Bookkeeping
Kim McKee	Assistant Vice-President/Branch Manager
Evelyn McLane	Teller
Deb Schultz	Loan Officer
Jen Talbot	Teller – Part Time
Luanne Vescogni	Teller Supervisor
Gina Williamson	Loan Processor/ Technology Services Administrator
Lou Wasilewski	Financial Advisor
Dan Wujek	Vice-President/Commercial Loan Officer
Elizabeth Zemanek	Bookkeeping – Part Time



Time After Time

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 Louis J. Wasilewski

It is with great pleasure that Putnam County Bancorp introduces the newest member of the staff, Louis J. "Lou" Wasilewski. Lou will be working out of the Ladd office and his primary responsibility will be to head up the bank's new investment services division. North Central Investment Services offers traditional brokerage products such as stocks, bonds and mutual funds, financial planning, Individual Retirement Accounts including traditional, Roth and rollover IRAs, group retirement accounts including 401(k), profit sharing and pension plans, Simple IRAs and SEP IRAs, insurance products and services including life, disability, long-term care insurance, variable and fixed annuities, and fee-based investment advisory services.

Mr. Wasilewski grew up in Peru and attended St. Bede Academy. To further his education, Lou attended the University of Illinois in Champaign and graduated in 1987 with a Bachelor of Science degree in Finance.

Wasilewski has spent his whole career, 23 years, in the Financial Services industry. His first position was as a Trust Officer Trainee with a regional bank headquartered in Princeton. From 1990-2006, he climbed the corporate ladder at ABN AMRO Asset Management (formerly Chicago Title & Trust Co.) in Chicago and became Vice President & Retirement Specialist, Manager of Distribution Services Unit which helped develop overall strategy for client retention as well as competing in the marketplace and creating opportunities for growth. He also served on ABN AMRO's Executive Committee in their 401(k) and retirement plan practice. His retirement experience includes advising companies on structuring their plans and investments. In addition, he has instructed thousands of individuals on the art of investing for retirement in their 401(k) plans and Individual Retirement Accounts. Prior to accepting the position with North Central Investment Services, Lou worked as a Financial Advisor at Raymond James Financial Services, Inc. in Naperville.

Lou married his wife, Lisa, in 1991. They have four young children, Grace (9), John (7), Emma (5), and Kate (2), that keeps the family busy all year long. The Wasilewski's currently live in Oswego, but are looking to relocate back to our area.

Being an accomplished, client-focused professional within the Financial Services and Employee Benefit marketplace, Putnam County Bancorp is proud to have Mr. Wasilewski on our team. His exceptional history of successful relationship-building and leadership skills work well with the North Central Bank vision and the Board of Directors has complete confidence that Lou will be an excellent fit for the organization and lead North Central Investment Services to great success.



Stockholders Meeting Agenda

January 20, 2010

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 2009
6. Management Report
7. Old Business
8. Election Of Directors To Serve For The Year 2010
9. Other Business
10. Recognition Of Employees
11. Adjournment

Minutes

Hennepin, Illinois
January 21, 2009



The Stockholders of the Putnam County Bancorp, Inc. met at 6:30 P.M. on January 21, 2009 at the Galleria in Princeton, IL for their annual dinner meeting.

It was moved by Karl Fivek, seconded by Paul Miskowiec to appoint Jack Grant 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 8,639 shares represented in person and 3,997 shares by proxy for a total of 12,636 shares (80.91%).

Terry Judd introduced the new Stockholders acquired during the year and they were as follows: Glen Brandner, Jessica Heiberger, Kailee Larson, Lilliya Larson, Nicole Larson, Sharon Read, William Read, Courtney Wink, Matthew Wink, Megan Wink and Ryan Wink.

Terry Judd took a moment to acknowledge the deceased Stockholders since the last meeting and they are as follows: Florence (Flossy) Morine and Frances Pletsch.

The minutes of the last Stockholders meeting of 1/16/2008 were presented to the Stockholders and it was moved by John Petersen, seconded by Eugene Litherland 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, 2008 and also the Consolidated Income Statement of the Bank and the Holding Company for the year ended December 31, 2008. Copies attached.

It was moved by Wayne Skutt, seconded by William Petersen that the Financial Reports be approved as submitted. Motion carried.

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

Where do you begin when you try to assess the financial events of 2008? It will surely go down as one of the most economically challenging years in the history of our great nation. In order to adequately describe the activities and performance of your bank, we first need to put everything into a proper historical context.

The financial crisis actually began in 2007, with its root causes long before that. But already in 2007 the Subprime mortgage market was in trouble, with sharply higher delinquencies and defaults. Countrywide Financial, the country's largest mortgage lender, nearly collapsed in August of that year and ultimately had to be acquired by Bank of America. Bear Stearns' hedge funds collapsed and the securitization, auction rate, and structured markets seized up. Then in 2008, the bad news in the financial sector never seemed to end. Municipal Bond Insurers were dramatically downgraded by the Rating Agencies – bringing into question the validity of their guarantees. The Federal

Reserve of New York brokered a deal for JPMorgan Chase to acquire Bear Stearns, lending \$29 billion against \$30 billion of questionable assets. Indy Mac Bank was closed by the Office of Thrift Supervision in July. In September, the Federal Housing Finance Agency placed Fannie Mae and Freddie Mac into government conservatorship. At the time, those two government sponsored enterprises either owned or guaranteed about half of the U.S.'s \$12 trillion mortgage market. Later that same month, Lehman Brothers filed for Chapter 11 protection (the largest bankruptcy in U.S. history). Shortly thereafter, the Federal Reserve had to lend \$85 billion to AIG, the world's largest insurer, because of a liquidity crisis caused by escalating liabilities in Credit Default Swaps.

Then Reserve Primary Fund, a large money market mutual fund "broke the buck" as its share price fell below \$1, primarily as a result of heavy exposure to Lehman Brothers commercial paper. Later that same month, the last two major investment banks on Wall Street, Goldman Sachs and Morgan Stanley each applied to become Commercial bank holding companies after their share prices plunged and their borrowing costs soared. On September 25th, the nation's largest Savings & Loan - Washington Mutual (known as WaMu) was closed and banking operations transferred to JPMorgan Chase after a \$16 billion run on deposits over a 10-day period. Four days later, on September 29th, a similar deal was announced whereby Citigroup acquired Wachovia Corporation, which was subsequently challenged by Wells Fargo, who – in a strange turn of events – claimed that they had acquired Wachovia.

September was obviously a bad month! And the saga continues. Is it any wonder that the American public is perplexed by the changes in the financial landscape over this past year?

Forgive me for belaboring the point. However, you will note that I have made no mention at all of the impact on international financial markets, the collapse of commodity prices, record mortgage foreclosures, rapidly rising unemployment, the Madoff ponzi scandal, or the horrific losses suffered in global stock exchanges. These are indeed perilous times!

Unfortunately, I do not believe there will be any meaningful improvement any time soon. I say that because of the absolutely overwhelming efforts by our federal government to stabilize our financial markets and prop up the economy. I'm not saying these activities are not warranted, I'm just saying these actions will have repercussions going forward. Our federal government is taking on a huge ownership interest in American commerce. Will that mean that private investors will get short shrift? How much will regulatory or political directives intrude upon free market enterprise? And what are the implications for fair and open competition? Then there is the Federal Reserve, and its unprecedented monetary policy actions. The Fed has already pushed short term interest rates to nearly zero and has injected vast amounts of liquidity into the economy. These "emergency" stimulus activities are sure to have inflationary ramifications long term. Perhaps severe.

To say that these are challenging times and circumstances for the banking industry is a gross understatement. Nevertheless, I have to say, our organization has been richly blessed. Earnings remain strong, with year-end profits at just over \$1,160,000; for a healthy return on average assets of 1.08% and a return on equity of just over 9%. The bank has also experienced asset growth of 6% over the course of the year... to over \$112 million. We saw phenomenal growth of market share at the Ladd office facility, where the loan portfolio grew at that location by over 34% and deposits by nearly 12%.

Asset quality is absolutely critical in times of stress, such as these. And although the economic downturn will no doubt have an adverse effect on loan portfolio performance, we are actively pursuing a proactive approach to mitigate potential problems. Loan officer underwriting standards remain strong and conservative. A comprehensive loan review process attempts to identify possible concerns by monitoring changes in financial status of individual borrowers. And marginal borrowers have been allowed to move on to other lenders.

Throughout the course of this past year, the Board and management have concentrated efforts on sustaining long-term bank profitability and franchise value. All asset growth experienced is considered sustainable and of high quality. Work is underway to develop a new loan pricing model to balance risk / reward factors and to improve net interest margins. Operational efficiency has been enhanced through the implementation of our new computerized electronic image system. Last year's budget was significantly increased to address funding shortfalls in an old employee retirement program, and action set into motion to bring that plan to a close. Employee health insurance programs have been updated to become more efficient and provide the potential, at least, for workers to accumulate funds for future medical expenditures. And staffing configurations have had to be adjusted to accommodate several retirements. In that regard, I'm very happy to introduce to you the newest member to our management team, Vice President, Commercial & Ag Loan Officer Daniel Wujek.

Over the course of this past year, significant emphasis has also been placed on Security. New policies have been developed that deal with customer identity theft prevention. These so called "Red Flag" regulations involved a detailed analysis and risk assessment concerning all our customer relationships, and how to determine where early intervention can be prudently exercised. Criminal fraudulent activity never takes a holiday, and all banks have seen a nationwide escalation of counterfeit plastics in debit and credit card programs. Law enforcement experts believe there has been a major data breach, but at this time have been unable to isolate the source. We have instituted lower card transaction limits and subscribed to a fraud detection network called "Falcon" to help limit exposure to these kinds of losses. In addition, a major technological upgrade to the security surveillance systems at the Ladd office have been completed and we will be looking at doing the same in Hennepin very soon.

Marketing continues to be a core emphasis for our bank. Brand name recognition and organizational reputation have to be carefully nurtured and effectively promoted. In the competitive market place – the bank constantly needs to set itself apart from the competition. Several marketing campaigns were rolled out in 2008, including introduction of our sponsorship for the Community Bankers Association Scholarship

Program. But without question, no NCB marketing program has created more of a stir, than our Super Star Savers Kid's Club. That campaign was recently expanded to include school children attending the Putnam County Unit School District. As a matter of fact, just this month, the national magazine *Independent Banker (IB)*, ran a three page feature article about the North Central Bank and our Super Star Savers Kid's Club. That feature is entitled "Saluting Young Savers" and a copy of the article is reprinted in the back of your annual report booklet. I could not be more pleased about the recognition this project has received, and I congratulate all the employees that have worked so hard to develop and implement this highly successful endeavor. We have already heard from several banks across the country that have expressed interest in emulating our program.

In this time of extreme economic turmoil, I am particularly grateful for our capable and hard working staff. They demonstrate their dedication to the causes of this organization every day by being diligent in their duty and unwavering in their principles. The Board of Directors too have provided strong leadership, charting a course for the long-term success and viability of this organization. Together, they have done a tremendous job in shepherding your bank. You should be proud of them. I know that I am.

As we enter a new year in 2009, it doesn't look to get much easier. What with local layoffs, industrial plant closures, and financial uncertainty all around us. That is where our bank comes in. Offering financial stability to those who depend on us, and providing leadership and support for our communities. That is our mission. And never before has that mission been more clear or more needed.

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 2009. The nominees are Glen Brandner, Jack Grant, Terry Judd, Harold Read, Eric Swartz, William G. Urnikis and David Ward.

It was moved by Patricia Fivck, seconded by John Petersen to nominate the seven nominees that the Board of Directors recommend to be Directors for the year 2009 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 Carol Elmore and Sandra Palm. Dave Ward and Kim McKee came forward to present the retirement plaques to each retiree. The inscription on each retiree's plaque was read to the stockholders and dinner guests.

There being no further business it was moved by Craig Jessen, seconded by Megan Wink that the Stockholders meeting be adjourned at 8:12 P.M. Motion carried.

Todd F. McKey

Secretary

Consolidated Financial Statement

December 31, 2009

Assets	Bank	Holding Company	Eliminations	Consolidated 2009	Consolidated 2008
Cash and Due from Banks	\$ 8,476,000	\$ 12,000	\$ (12,000)	\$ 8,476,000	\$ 3,983,000
Federal Funds Sold	\$ 0	\$ -	\$ -	\$ 0	\$ 4,760,000
Investment Securities	\$ 38,457,000	\$ 13,815,320	\$ (13,815,320)	\$ 38,457,000	\$ 37,497,000
Loans, Less Allowance for Loan Losses	\$ 63,421,000	\$ -	\$ -	\$ 63,421,000	\$ 61,127,000
Premises and Equipment	\$ 559,000	\$ -	\$ -	\$ 559,000	\$ 593,000
Goodwill	\$ 2,596,000	\$ -	\$ -	\$ 2,596,000	\$ 2,596,000
Other Assets	\$ 2,045,000	\$ 468,000	\$ (468,000)	\$ 2,045,000	\$ 1,606,000
Total Assets	\$ 115,554,000	\$ 14,295,320	\$ (14,295,320)	\$ 115,554,000	\$ 112,162,000

Liabilities and Stockholder's Equity

Liabilities					
Non-Interest Bearing Deposits	\$ 6,882,000	\$ -	\$ (480,000)	\$ 6,402,000	\$ 7,069,000
Interest Bearing Deposits	\$ 91,696,000	\$ -	\$ -	\$ 91,696,000	\$ 87,960,000
Total Deposits	\$ 98,578,000	\$ -	\$ (480,000)	\$ 98,098,000	\$ 95,029,000
Federal Funds Purchased	\$ 0	\$ -	\$ -	\$ 0	\$ 0
FHLB Borrowings	\$ 0	\$ -	\$ -	\$ 0	\$ 0
Repurchase Agreements	\$ 2,235,000	\$ -	\$ -	\$ 2,235,000	\$ 2,735,000
Other Liabilities	\$ 926,000	\$ 468,000	\$ 0	\$ 1,394,000	\$ 925,000
Total Liabilities	\$ 101,739,000	\$ 468,000	\$ (480,000)	\$ 101,727,000	\$ 98,689,000
Stockholder's Equity					
Common Stock	\$ 790,000	\$ 374,000	\$ (790,000)	\$ 374,000	\$ 390,000
Additional Paid-In Capital	\$ 7,502,000	\$ 3,262,000	\$ (7,502,000)	\$ 3,262,000	\$ 3,262,000
Retained Earnings	\$ 4,887,000	\$ 9,555,000	\$ (4,887,000)	\$ 9,555,000	\$ 9,284,000
Net Unrealized Gain (Loss) on AFS Securities	\$ 636,000	\$ 636,000	\$ (636,000)	\$ 636,000	\$ 537,000
Total Stockholder's Equity	\$ 13,815,000	\$ 13,827,000	\$ (13,815,000)	\$ 13,827,000	\$ 13,473,000
Total Liabilities and Stockholders' Equity	\$ 115,554,000	\$ 14,295,000	\$ (14,295,000)	\$ 115,554,000	\$ 112,162,000
Total Number of Shares Outstanding at Year-End				\$ 15,600	\$ 15,619
Total Book Value Per Share, Adjusted for Unrealized Gain/Loss				\$ 845.58	\$ 828.22
Total Book Value Per Share				\$ 886.35	\$ 862.60

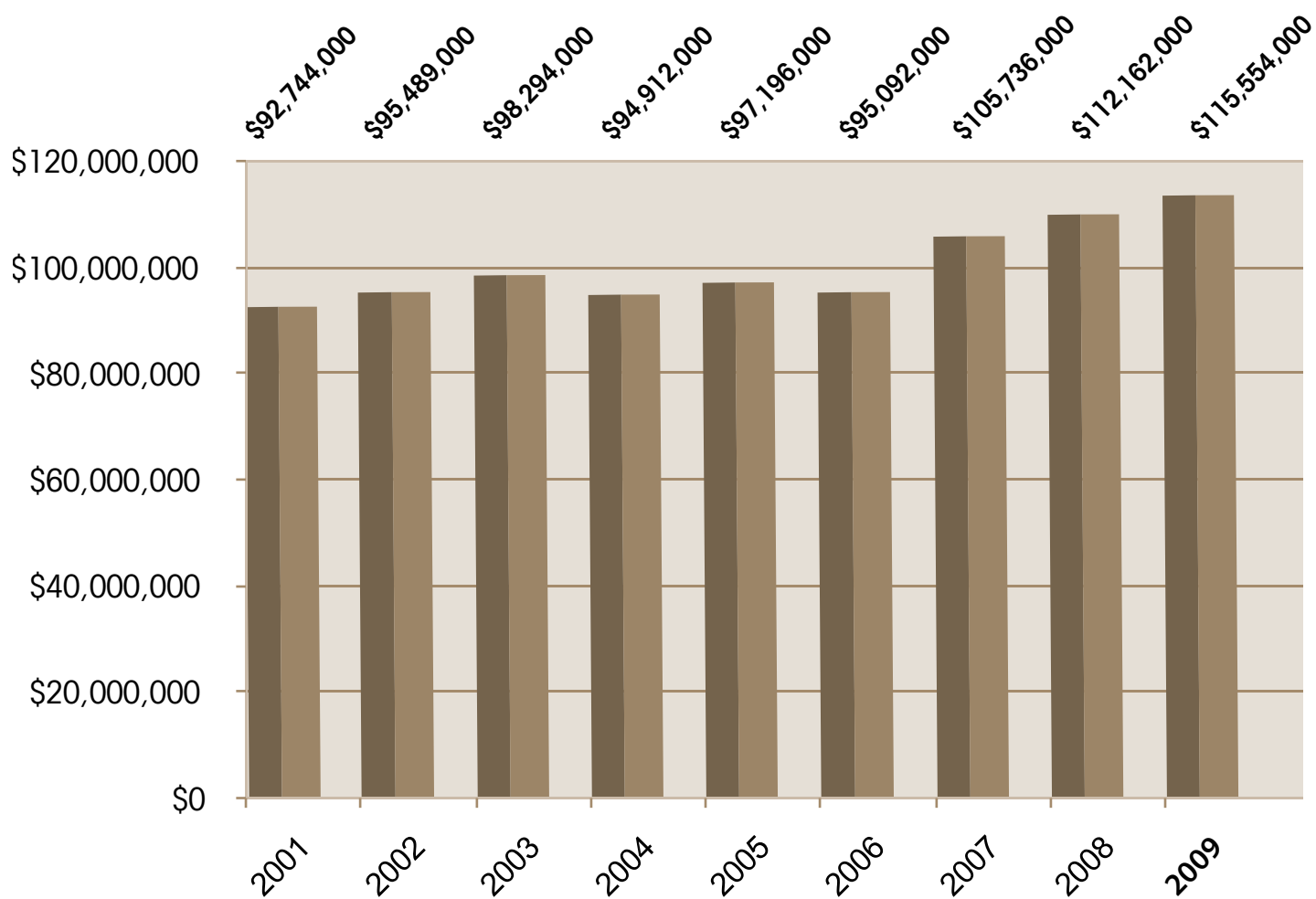
Consolidated Income Statement

For the Year Ended December 31, 2009

Interest and Dividend Income	Bank	Holding Company	Eliminations	Consolidated 2009	Consolidated 2008
Interest on Loans	\$ 3,936,000	\$ -	\$ -	\$ 3,936,000	\$ 3,903,000
Interest & Dividends on Investment Securities					
Taxable	\$ 1,407,000	\$ -	\$ -	\$ 1,407,000	\$ 1,600,000
Exempt from Federal Income Taxes	\$ 97,000	\$ -	\$ -	\$ 97,000	\$ 74,000
Other Interest and Dividend Income	\$ 20,000	\$ -	\$ -	\$ 20,000	\$ 191,000
Total Interest and Dividend Income	\$ 5,460,000	\$ 0	\$ 0	\$ 5,460,000	\$ 5,768,000
Interest Expense					
Interest on Deposits	\$ 2,097,000	\$ -	\$ -	\$ 2,097,000	\$ 2,642,000
Interest, Other	\$ 108,000	\$ -	\$ -	\$ 108,000	\$ 119,000
Total Interest Expense	\$ 2,205,000	\$ 0	\$ 0	\$ 2,205,000	\$ 2,761,000
Net Interest Income	\$ 3,255,000	\$ 0	\$ 0	\$ 3,255,000	\$ 3,007,000
Provision for Loan Losses	\$ 391,000	\$ -	\$ -	\$ 391,000	\$ 27,000
Net Income After Provision for Loan Losses	\$ 2,864,000	\$ 0	\$ 0	\$ 2,864,000	\$ 2,980,000
Other Income					
Service Charges	\$ 279,000	\$ -	\$ -	\$ 279,000	\$ 288,000
Gain (Loss) on Security Transactions	\$ 24,000	\$ -	\$ -	\$ 24,000	\$ 37,000
Other Operating Income	\$ 225,000	\$ -	\$ -	\$ 225,000	\$ 112,000
Total Other Income	\$ 528,000	\$ 0	\$ 0	\$ 528,000	\$ 437,000
Other Expenses					
Salaries and Employee Benefits	\$ 1,276,000	\$ -	\$ -	\$ 1,276,000	\$ 1,387,000
Net Occupancy Expense	\$ 153,000	\$ -	\$ -	\$ 153,000	\$ 157,000
Equipment Rentals, Depreciation, and Maintenance	\$ 104,000	\$ -	\$ -	\$ 104,000	\$ 106,000
Stationary and Supplies	\$ 63,000	\$ -	\$ -	\$ 63,000	\$ 78,000
Computer Services	\$ 29,000	\$ -	\$ -	\$ 29,000	\$ 39,000
Professional Services	\$ 25,000	\$ -	\$ -	\$ 25,000	\$ 27,000
Advertising	\$ 64,000	\$ -	\$ -	\$ 64,000	\$ 75,000
Other Operating Expenses	\$ 566,349	\$ 10,651	\$ 0	\$ 577,000	\$ 387,000
Total Other Expenses	\$ 2,280,349	\$ 10,651	\$ 0	\$ 2,291,000	\$ 2,256,000
Income from Operations	\$ 1,111,651	\$ (10,651)	\$ 0	\$ 1,101,000	\$ 1,161,000
Equity in Income of Subsidiary	\$ 0	\$ 1,099,492	\$ (1,099,492)	\$ 0	\$ 0
Income Before Income Taxes	\$ 1,111,651	\$ 1,088,841	\$ (1,099,492)	\$ 1,101,000	\$ 1,161,000
Income Tax Expense (Benefit)	\$ 12,159	\$ (159)	\$ 0	\$ 12,000	\$ 9,000
Net Income	\$ 1,099,492	\$ 1,089,000	\$ (1,099,492)	\$ 1,089,000	\$ 1,152,000

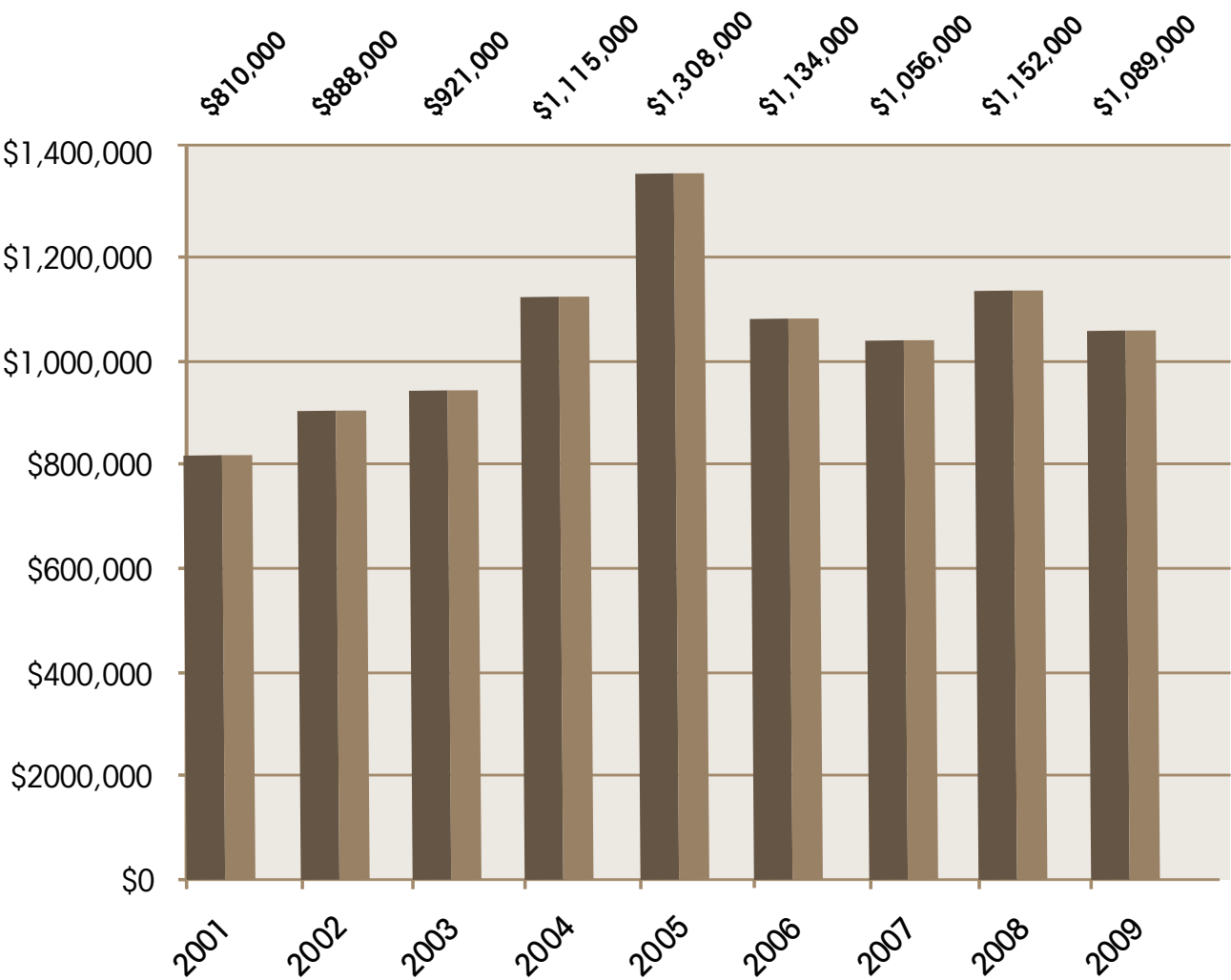


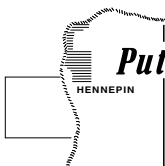
North Central Bank Assets





Historical Net Income





Putnam County

BANCORP, INC.

HENNEPIN, ILLINOIS 61327 / PH. 815 - 925-7373

