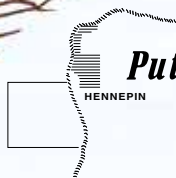




2012 ANNUAL REPORT

Strength
& Growth



Putnam County

BANCORP, INC

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

JACK C. GRANT

1945-2012

A LOYAL, DEDICATED & DEVOTED PROFESSIONAL

Jack was elected to the Board of the Putnam County Bancorp on January 20, 1988 at the annual stockholder's meeting. He served as Chairman of the Board for the North Central Bank from January 18, 1996 until his passing in December 2012. Jack was committed to his roles within our organization and the local communities that we serve. His guidance and contributions to the leadership of our bank has proven invaluable.



You took each day and challenge

Exactly as it came

Your spirit remained steadfast

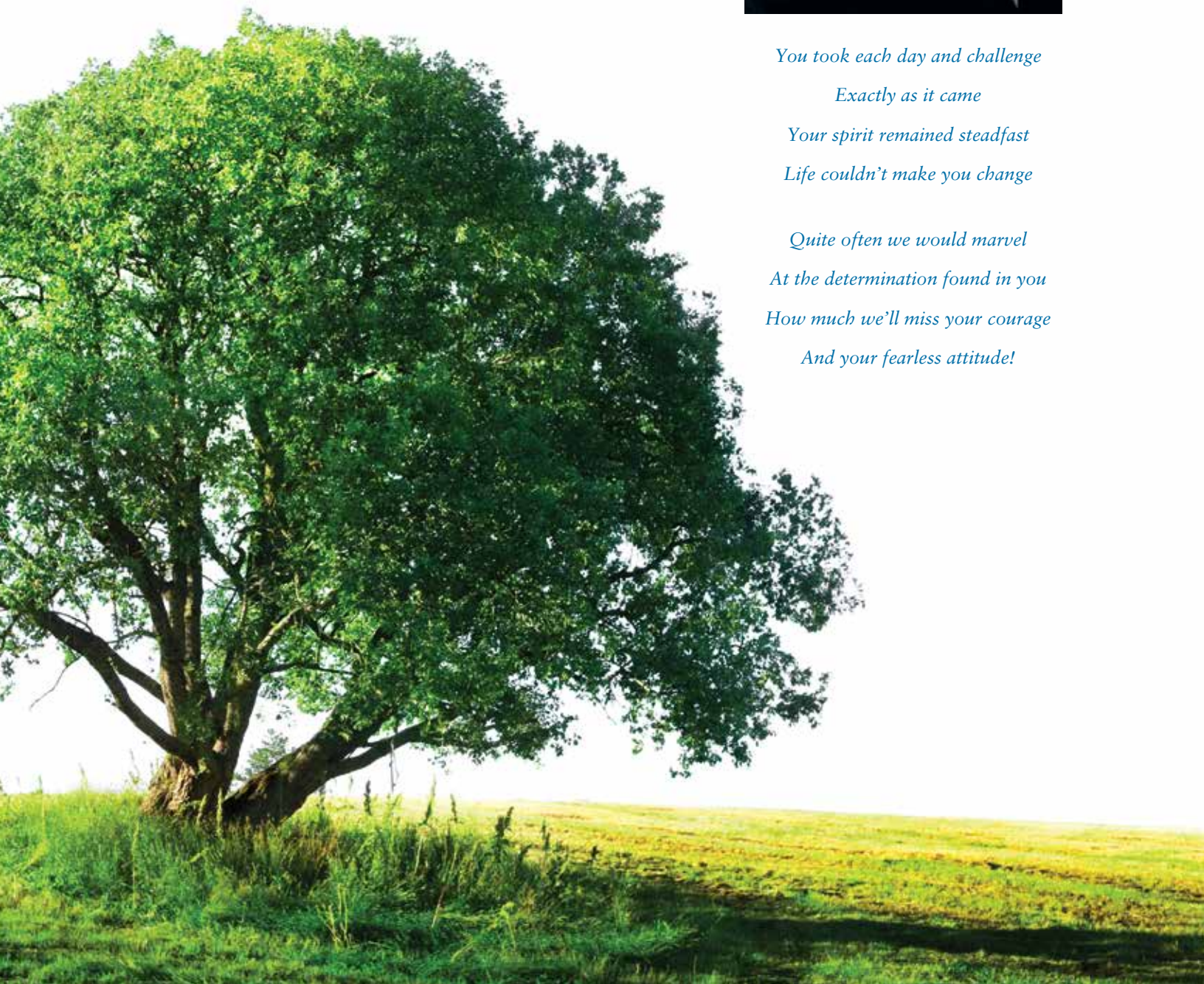
Life couldn't make you change

Quite often we would marvel

At the determination found in you

How much we'll miss your courage

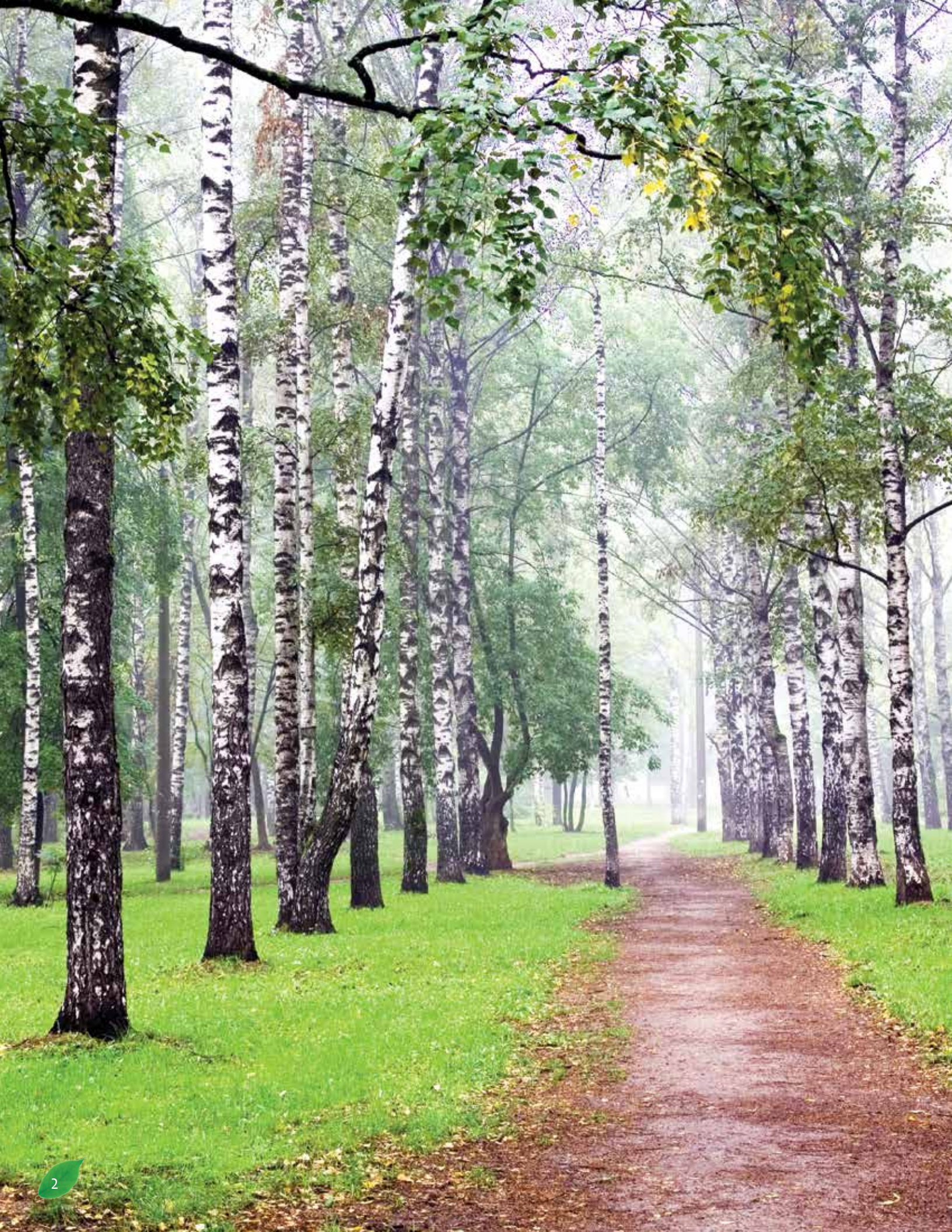
And your fearless attitude!





Contents

Vision Statement and Mission Statements	3
Board & Staff Listing	5
Hours of Operation and Contact Information	7
Stockholders Meeting Agenda	9
Minutes.....	10-11
Consolidated Financial Statement.....	12
Consolidated Income Statement.....	13
North Central Bank Assets.....	14
Historical Net Income	15
Kim McKee.....	17





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 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.





Board & Staff

Hennepin Staff

Eric Ciucci	Assistant Vice-President/Loan Officer
Deb Doyle	Information Systems Manager
Amy Fay	New Accounts Representative
Diana Gibson	Teller – Part Time
Haley Guisti	Compliance/Loan Processor
Mary Jane Gunderson	Bookkeeping
Todd McKey	Cashier/Ag Loan Officer
Marie Miller	Assistant Vice-President/Loan Officer
Nita O'Neill	Teller Supervisor
Clarissa Salinas	Teller
Kristi Smith	Bookkeeping/Computer Support
Kathy Spratt	Teller – Part Time
Carianne Thrasher	Bookkeeping/Computer Support
Aubrie Wall	Teller
Dave Ward	President

Board of Directors

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

Ladd Staff

JoAnna Engels	Loan Officer
Andy Esposito	Loan Officer
Jen Fabish	Assistant Teller Supervisor
Amy Golightly	Teller/Marketing Assistant
Amanda Helm	Office Support – Part Time
Lori Hilgart	Teller/Bookkeeping
Kim McKee	Vice-President/Branch Manager
Evelyn McLane	Teller
Deb Schultz	Loan Officer/Assistant Branch Manager
Luanne Vescogni	Teller Supervisor
Tanya Vescogni	Teller – Part Time
Gina Williamson	Loan Processor/Technology Services Administrator
Lou Wasilewski	Financial Advisor
Dan Wujek	Vice-President/Commercial Loan Officer
Elizabeth Zemanek	Bookkeeping – Part Time

Ladd Advisory Board

Joe Bernardi
Glen Brandner
Brandy Cattani
Jim Manning
Kathy Martin
Kim McKee
Gene Merkel
Tony Michels
Dan Wujek





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 – 5:00 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 – 5:00 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

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Receive special messages and offers!*

www.ncb-ebanc.com







Stockholders Meeting Agenda

January 16, 2013

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 2012
6. Management Report
7. Old Business
8. Election Of Directors To Serve For The Year 2013
9. Other Business
10. In Memoriam, Jack C. Grant
11. Recognition Of Employees
12. Adjournment



Minutes

The Stockholders of the Putnam County Bancorp, Inc. met at 6:30 P.M. on January 18, 2012 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 McKey as Secretary of the Stockholders meeting. Motion carried.

The Secretary tabulated the sign-in sheets and the proxies and there were 7,933 shares represented in person and 3,530 shares by proxy for a total of 11,463 shares (74.27%). A quorum is present.

Terry Judd introduced the new Stockholders acquired during the year and they were as follows: Benjamin D. Clausen, Eli A. Clausen, Amy Golightly, Christina Judd Mennie, John O'Neill, Deborah & Kevin Schultz, Bryce Smith, Drake Smith, Kristi Smith and Carianne & Chad Thrasher.

Terry Judd took a moment to acknowledge the deceased Stockholders since the last meeting and they are as follows: Harold Maulfair Sr. and Roger Monier.

The minutes of the last Stockholders meeting of 1/19/2011 were presented to the Stockholders and it was moved by Paul Miskowicz, seconded by Craig Jessen 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, 2011 and also the Consolidated Income Statement of the Bank and the Holding Company for the year ended December 31, 2011. Copies attached.

It was moved by Nicholas Keegan, seconded by Ron Wink that the Financial Reports be approved as submitted. Motion carried.

Dave Ward presented to the Stockholders his 2011 Management Report as follows:

MANAGEMENT REPORT January 2012

The theme for tonight, as depicted in the Annual Report booklet is so appropriate. Banking – like life itself – is comparable to running a race. To be successful, it takes planning. It takes preparation and conditioning. It takes fortitude and determination. And certainly, it takes confidence and faith.

In the course of a race, it is to be anticipated that there will be surprises and unexpected challenges along the way. Banking is no different. In an environment of great turmoil, the financial markets have experienced tremendous volatility and the U.S. and global economies continue to struggle. Let's just recap for a moment some of the major events of 2011, along with the economic significance of each.

- Many parts of our country experienced devastating floods while other areas experienced record drought conditions – leading to huge agricultural losses.

- A monumental earthquake and tsunami devastated Japan, causing extensive loss of life and economic reverberations around the globe.

- Civil unrest in the Middle East – the so called “Arab Spring” – has led to several regime changes, with ensuing consequences on oil production and prices.

- Political gridlock in Washington D.C. ultimately caused Standard & Poor's to downgrade the credit rating of the United States of America – for the first time in history.

- And perhaps most disconcerting of all, several European countries are faced with massive sovereign debt, a lack of leadership to effectively address the real problems, and social resistance to accept necessary change. All of this, of course, has potentially serious implications to their entire banking system.

Closer to home, local economic activity is still struggling to gain a foothold. Unemployment remains too high, many businesses are either under strain or retrenching, and our State government is fiscally dysfunctional. All of these factors can have detrimental influences upon financial institutions – that many times are a mirror reflection of the economic environment around them.

Contrary to that assertion, however, - or perhaps in spite of it – your bank was blessed with tremendous good fortune last year. Net interest margins held steady, non-interest income improved, and provisions for loan losses dropped significantly. In fact, earnings tracked so strong all year long, that bank performance far exceeded elevated budget projections. By the end of the year, North Central Bank registered a net profit of \$1,680,000; setting a new record, and far exceeding our previous record earnings of \$1.3 million set back in 2005. Net income was up nearly 30% from that of a year ago, and included a one-time profit of over \$109,000 realized from Mortgage Servicing activities. In the final analysis, return on average assets was a very solid 1.37%, and return on equity reached a commendable 11.5%.

The bank also enjoyed a successful year with regard to asset growth. Total assets as of December 31 were at \$124 million, up \$9.2 million from a year ago. As the economy falters, many banks find it difficult to grow a good quality loan portfolio. But, here again, things turned out well. Total loans increased from \$62 million to nearly \$65 million as the bank's market share continued to expand – particularly at our Ladd branch location. In addition, secondary mortgage market lending activity continued to excel – producing 44 new loans totaling another \$5 million – while contributing significantly to the bottom line.

Realizing healthy growth within a loan portfolio while maintaining strong credit quality is a tough balancing act. It is actually the life blood of a safe and sound financial institution. Our loan officers have done an admirable job in accomplishing this objective in a tough competitive marketplace. But there is more to the story. As a responsible community bank, we sometimes have to be creative to meet a particular borrower's need. As one example, our loan staff helped design a complex debt restructure

for an area business that most likely saved dozens of local jobs. We also facilitated the construction of a major expansion for an important area agribusiness with unique financing terms. In addition, we closed our first Rural Development Housing loan and our first Reverse Mortgage this past year. Recently, a new in-house 10 year fixed rate loan program was established. That initiative is designed to bring in more new loan business while limiting credit and interest rate risk exposure. Finally, I'm pleased to report that loan delinquencies are extremely low, we enjoyed some significant recoveries of past charged off loans, and we just sold off the last residential property owned by the bank.

Any proactive organization with an eye to growth needs to pay attention to product development and marketing. This past year a new deposit account was developed called Independence Checking. This account was designed specifically to bridge the gap between our youngest customers as they track into young adulthood. (If you have a young person in high school or college, I encourage you to inquire about this opportunity). Additionally, we continue to make new products and innovative ideas available to customers through the North Central Investment Services division under the leadership of financial advisor Lou Wasilewski.

In today's world, effective Marketing is critical in expanding market share as we continue to build the North Central Bank "brand". Similarly, given current economic hardship and the weakened status of some institutions, there could be significant opportunity to grow market share through potential bank acquisitions. In order to efficiently coordinate that effort, the board has formed an internal Acquisition Committee, which includes senior officers Dan Wujek and Kim McKee. That committee is charged with the responsibility to investigate opportunities to grow through the acquisition of other banks or branches. As a matter of fact, that committee has explored one such opportunity already this past year.

Throughout the course of 2011, there were numerous activities undertaken at the bank. First of all, several improvements were completed at our office facilities. In Hennepin, all indoor lighting was completely replaced with energy efficient illumination, and a fresh air ventilation system was installed in our computer room. In Ladd, a new ATM machine was acquired and the drive-up lanes were completely renovated with a new concrete driveway and canopy upgrade. Several enhancements have been added from a technological perspective as well, including the installation of two sophisticated internet firewalls and a workstation monitoring system. A computer network server was also purchased to accommodate our new loan and deposit software platform. And recently, a text messaging club was launched to broaden our ability to communicate with customers directly. Soon, we will introduce some exciting new enhancements on our internet website and online banking service. Stay tuned for these!

As I said earlier, when it comes to competing in a race, you need to have adequate planning and preparation to be successful. But, just as importantly, you need to surround yourself with a winning team. I can tell you first hand, that the individuals working at North Central Bank are quality people, and I am in awe to witness what they are able to accomplish together – as a team. To all of them, both individually and collectively, I offer my compliments and my gratitude for a job well done.

In closing, I would like to refer to a passage in the book of Hebrews that includes the following phrase:

"...and let us run with perseverance the race marked out for us."

And that is what we are doing. Forging ahead with determination to meet the challenges ahead. But we do that together – each doing our part. The board of directors diligently striving to provide guidance and vision. The tireless endurance of the staff to move forward in the face of every obstacle. The dedication of the Ladd Advisory Board to promote the ideals of our organization. And of course, the devotion shown by you, the stockholders, as you support and encourage us to stay the course. The race never ends. But the journey is rewarding and fulfilling. It is gratifying to see so many blessings unfold through the people around us, and through the accomplishments achieved along the way. It's been a great year, and a great run. We have so much to be thankful for. And now we look forward to preparing ourselves for the next leg of the race.

Thank you very much!

Old Business: None.

Jack Grant introduced to the Stockholders the seven nominees that the Board of Directors recommends to be Directors for the year 2012. The nominees are Glen Brandner, Jack Grant, Terry Judd, Harold Read, Eric Swartz, William G. Urnikis and David Ward.

It was moved by Wayne Skutt, seconded by Theresa Judd to nominate the seven nominees that the Board of Directors recommended to be Directors for the year 2012. Motion carried. It was moved by Sharon Clausen, seconded by Wayne Skutt to close the nominations and instruct the secretary to cast a unanimous ballot for the slate of Directors nominated. Motion carried.

Other New Business: None.

Jack Grant took the opportunity to recognize the staff and to introduce the new employees: Clarissa Salinas and Amy Golightly.

Dave Ward and Jack Grant acknowledged the 2010/2011 CBAI Education award (3rd year running) and the Patron of Community Banking award for 2011.

There being no further business it was moved by Bill Urnikis, seconded by Terry Judd that the Stockholders meeting be adjourned at 8:00 P.M. Motion carried.

Todd F. McKey

Secretary

Consolidated Balance Sheet

December 31, 2012:

ASSETS	Bank	Holding Company	Eliminations	Consolidated 2012	Consolidated 2011
Cash and due from banks	\$ 4,148,010	\$ 549,903	\$ (549,903)	\$ 4,148,010	\$ 3,724,278
Federal funds sold	\$ 2,000,000	\$ -	\$ -	\$ 2,000,000	\$ 6,000,000
Investment securities	\$ 52,255,970	\$ 15,273,396	\$ (15,273,396)	\$ 52,255,970	\$ 44,322,817
Loans, less allowance for loan losses	\$ 67,220,596	\$ -	\$ -	\$ 67,220,596	\$ 64,391,818
Premises and equipment	\$ 644,610	\$ -	\$ -	\$ 644,610	\$ 574,049
Goodwill	\$ 2,596,136	\$ -	\$ -	\$ 2,596,136	\$ 2,596,136
Other assets	\$ 2,169,461	\$ 520	\$ (520)	\$ 2,169,461	\$ 2,455,020
Total assets	\$ 131,034,783	\$ 15,823,819	\$ (15,823,819)	\$ 131,034,783	\$ 124,064,118

Liabilities and Stockholder's Equity

Liabilities					
Deposits:					
Non-interest bearing deposits	\$ 10,468,976	\$ -	\$ (549,903)	\$ 9,919,073	\$ 8,235,168
Interest bearing deposits	\$ 99,987,503	\$ -	\$ -	\$ 99,987,503	\$ 95,096,647
Total deposits	\$ 110,456,479	\$ 0	\$ 0	\$ 109,906,576	\$ 103,331,815
Federal funds purchased	\$ 0	\$ -	\$ -	\$ 0	\$ 0
FHLB borrowings	\$ 2,400,000	\$ -	\$ -	\$ 2,400,000	\$ 2,400,000
Repurchase agreements	\$ 2,205,868	\$ -	\$ -	\$ 2,205,868	\$ 2,234,936
Other liabilities	\$ 699,040	\$ 540,225	\$ (520)	\$ 1,238,745	\$ 1,223,237
Total liabilities	\$ 115,761,387	\$ 540,225	\$ (550,423)	\$ 115,751,189	\$ 109,189,988
Stockholder's Equity					
Common stock	\$ 790,000	\$ 385,875	\$ (790,000)	\$ 385,875	\$ 385,875
Additional paid-in capital	\$ 7,502,310	\$ 3,108,634	\$ (7,502,310)	\$ 3,108,634	\$ 3,108,634
Retained earnings	\$ 6,343,429	\$ 11,151,428	\$ (6,343,429)	\$ 11,151,428	\$ 10,684,369
Net unrealized gain (loss) on AFS Securities	\$ 637,657	\$ 637,657	\$ (637,657)	\$ 637,657	\$ 695,252
Total stockholders' equity	\$ 15,273,396	\$ 15,283,594	\$ (15,273,396)	\$ 15,283,594	\$ 14,874,130
Total liabilities and stockholders' equity	\$ 131,034,783	\$ 15,823,819	\$ (15,823,819)	\$ 131,034,783	\$ 124,064,118
Number of shares outstanding at year-end				\$ 15,435	\$ 15,435
Total book value per share, adjusted for unrealized gain				\$ 948.88	\$ 918.62
Total book value per share				\$ 990.19	\$ 963.67

Consolidated Income Statement

For the Year Ended December 31, 2012

INTEREST AND DIVIDEND INCOME	Bank	Holding Company	Eliminations	Consolidated 2012	Consolidated 2011
Interest on loans	\$ 3,544,491	\$ -	\$ -	\$ 3,544,491	\$ 3,870,117
Interest and dividends on investment securities:					
Taxable	\$ 821,531	\$ -	\$ -	\$ 821,531	\$ 873,796
Exempt from federal income taxes	\$ 187,954	\$ -	\$ -	\$ 187,954	\$ 189,665
Other interest and dividend income	\$ 17,927	\$ -	\$ -	\$ 17,927	\$ 13,526
Total interest and dividend income	\$ 4,571,903	\$ 0	\$ 0	\$ 4,571,903	\$ 4,947,104
Interest expense					
Interest on deposits	\$ 946,576	\$ -	\$ -	\$ 946,576	\$ 1,222,511
Interest, other	\$ 105,689	\$ -	\$ -	\$ 105,689	\$ 82,796
Total interest expense	\$ 1,052,265	\$ 0	\$ 0	\$ 1,052,265	\$ 1,305,307
Net interest income	\$ 3,519,638	\$ 0	\$ 0	\$ 3,519,638	\$ 3,641,797
Provision for loan losses	\$ 106,322	\$ -	\$ -	\$ 106,322	\$ 172,436
Net interest income after provision for loan losses	\$ 3,413,316	\$ 0	\$ 0	\$ 3,413,316	\$ 3,469,361
Other income					
Service charges	\$ 399,862	\$ -	\$ -	\$ 399,862	\$ 349,007
Gain (loss) on security transactions	\$ 7,125	\$ -	\$ -	\$ 7,125	\$ 43,187
Other operating income	\$ 463,708	\$ -	\$ -	\$ 463,708	\$ 408,118
Total other income	\$ 870,695	\$ 0	\$ 0	\$ 870,695	\$ 800,312
Other expenses					
Salaries and employee benefits	\$ 1,537,261	\$ -	\$ -	\$ 1,537,261	\$ 1,440,288
Net occupancy expense	\$ 106,739	\$ -	\$ -	\$ 106,739	\$ 105,955
Equipment rentals, depreciation, and maintenance	\$ 151,087	\$ -	\$ -	\$ 151,087	\$ 128,597
Stationary and supplies	\$ 70,627	\$ -	\$ -	\$ 70,627	\$ 79,413
Computer services	\$ 61,655	\$ -	\$ -	\$ 61,655	\$ 56,821
Professional services	\$ 27,246	\$ -	\$ -	\$ 27,246	\$ 31,161
Advertising	\$ 57,420	\$ -	\$ -	\$ 57,420	\$ 71,848
Other operating expenses	\$ 718,419	\$ 14,439	\$ 0	\$ 732,858	\$ 662,309
Total other expenses	\$ 2,730,454	\$ 14,439	\$ 0	\$ 2,744,893	\$ 2,576,392
Income from operations	\$ 1,553,557	\$ (14,439)	\$ 0	\$ 1,539,118	\$ 1,693,281
Equity in income of subsidiary	\$ 0	\$ 1,533,953	\$ (1,533,953)	\$ 0	\$ 0
Income before income taxes	\$ 1,553,557	\$ 1,519,514	\$ (1,533,953)	\$ 1,539,118	\$ 1,693,281
Income tax expense (benefit)	19,604	(212)	0	19,392	23,871
Net income	\$ 1,533,953	\$ 1,519,726	\$ (1,533,953)	\$ 1,519,726	\$ 1,669,410

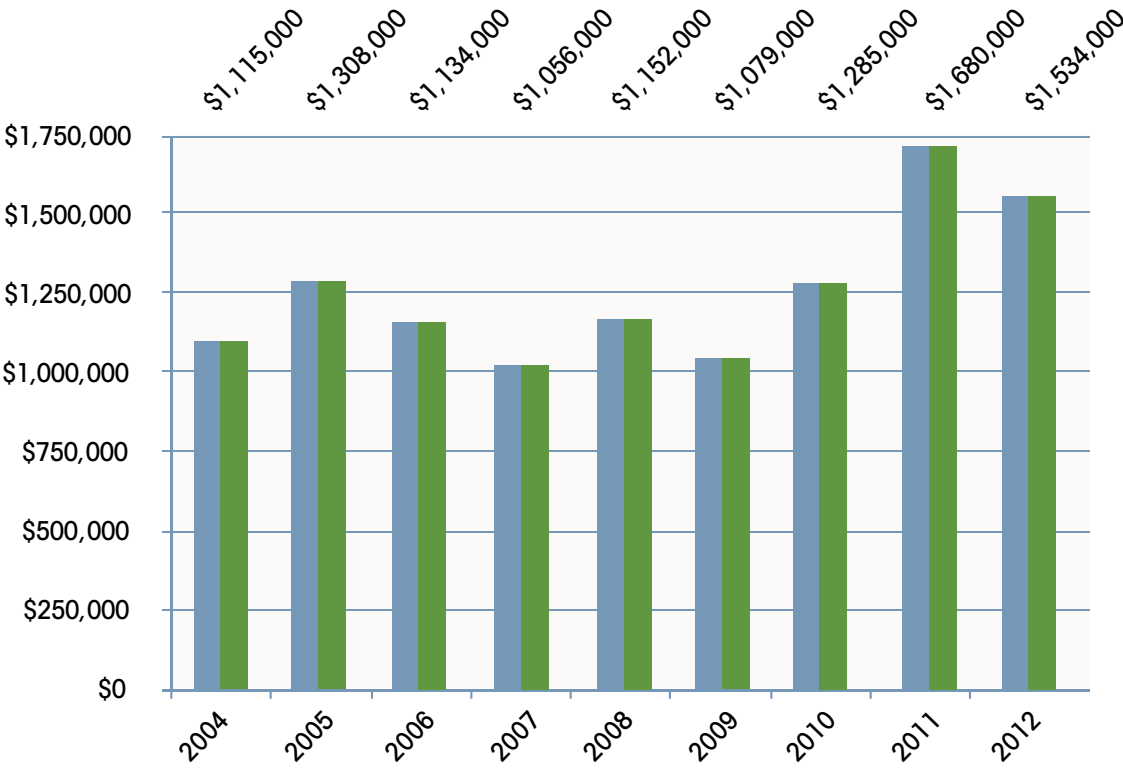


North Central Bank Assets





Historical Net Income







McKee Promoted to Vice-President

In January of 2012, the Board of Directors of the North Central Bank promoted Kimberly McKee to the position of bank Vice-President. McKee joined the bank in 1998 and has served as the Branch Manager of the Ladd location since 2000. Kim was previously promoted to Assistant Vice-President in 2006. In addition to managing the Ladd office, she heads the Marketing department of the bank, is active in managing bank operations, and serves as loan officer. She is a member of the bank's Asset/ Liability Committee (ALCO), Loan Committee and Acquisition Committee. She also leads the Ladd Advisory Board. Her hard work and dedication to North Central Bank are evident when considering the success of the Ladd office during her tenure. Since taking over in 2000, the Ladd office deposit base has grown by \$10.4 million and the loan portfolio has more than doubled to \$41.7 million (with another \$7.8 million in mortgage loans originated and sold). The Ladd loan portfolio totals now surpass those of the main office.

Kim is a graduate of Illinois State University with a degree in Economics and also graduated from the Community Bankers School through Community Bankers Association of Illinois. In August of 2012, she completed the rigorous three year program of the prestigious Graduate School of Banking at the University of Wisconsin-Madison. The Graduate School of Banking was established in 1945 to provide bankers with an opportunity for advanced study and research in banking, economics and leadership. The curriculum focuses on the management of strategic issues faced by banking executives and financial services industry professionals.

McKee is also extremely involved with the premiere banker trade association in our state, the Community Bankers Association of Illinois. She currently serves as a CBAI Board Member, CBAI Education Foundation Director, Career Development Division (CDD) Chairwoman, and Marketing Group Sub-Committee member. She is a two time winner of the CBAI Career Development Division Economic Educator of the Year Award (in 2009 and 2012). In addition, McKee participated in CBAI's 30th Annual Call on Washington in April 2012. The group lobbied on Capitol Hill and met with members of congress to discuss key legislation and issues.

Kim and her husband, Russ reside in Peru with their twin children Blake and Madelyne. She is the daughter of Bruce and Bev Lamps. McKee also serves as the Vice-President of the Ladd Community Improvement Association, as a board member of Project Success-Hall Township Food Pantry and a Junior Achievement volunteer teacher at the Ladd Grade School. She also enjoys coaching softball, running, fishing and following all of her children's sporting events.



**KIM
McKEE**
Vice-President

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