



# A Product of Knowledge

2009 ANNUAL REPORT



pcb  
PutnamCountyBank

# Shareholders

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## **ANNUAL MEETING**

The annual meeting of shareholders of  
Putnam Bancshares, Inc. will be

**Thursday, June 10, 2010**

**10:30 a.m.**

**Putnam County Bank Boardroom**

**2761 Main Street**

**Hurricane, West Virginia**

All shareholders are invited to attend.

## **SHAREHOLDER SERVICES**

Please call **(304) 562-9931**

or write

**Putnam Bancshares, Inc.**

**Shareholder Services**

**P. O. Box 308**

**Hurricane, WV 25526**

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## **Officers and Employees**

### **Board of Directors**

## Letter to Shareholders



We present to you the financial results of Putnam Bancshares, Inc. and its wholly-owned subsidiary, Putnam County Bank for 2009. While the Bank's earnings were lower than desired, earnings throughout the banking industry have generally been lower than normal. The Company showed moderate asset growth. While asset quality has come under some stress in 2009, our percentages are within those of our peer banks.

Lending continued to grow in 2009 as net loans advanced \$12 million or 4%. This is representative of the continued loan demand in our market. The Company's capital base held steady at nearly \$70 million in 2009 considering the Bank had a reduction in earnings and a decline in the market value of investment securities.

Our earnings in 2009 were impacted on two fronts. One from tightening net interest margins faced by what we pay for funding as compared to our asset yields. The existing low-rate environment has caused assets to reprice lower. Management will continue to focus on margins to minimize declines. Second, the allowance for loan losses increased substantially in 2009. This was compared to 2008 where the allowance was reduced due to factors concerning the loan portfolio at that time, including increased recoveries. The majority of this increase in provisions was related to a local construction real estate project. In 2010, management is optimistic of recovery in the local economy; however understand some weakness is still evident.



Putnam County Bank will continue to serve its customers  
with the products and services they have come to expect.

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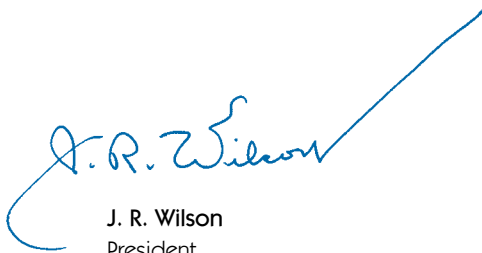
During 2009, we continued to deal with a crisis in the banking industry which was precipitated by the effects of subprime lending. The federal government moved rapidly to stabilize markets by providing capital to large institutions and liquidity to financial markets to avoid further adverse effects. As some markets were devastated by extreme drops in real estate values, rising unemployment and reduced consumer spending has served to hamper any immediate relief. This has resulted in rising foreclosure rates nationwide. In addition, the FDIC has directed insured depositories to prepay three years of their insurance premiums, in addition to a special assessment in 2009. This was necessary to keep the deposit insurance fund at an acceptable level given the increased number of bank failures in 2009. The bank failure rate has raised from 26 banks in 2008 to 140 banks in 2009. Indications in early 2010 lead to the belief that the failure rate may exceed that of 2009. Lawmakers have aggressively worked to reform banking regulation in order to address what is perceived to be the causal effects of the banking crisis. The challenge will be if any legislation will truly address issues, or only result in increased expenses to the banking industry.

The extreme effects of this crisis have not been as evident in our state, as compared to other states. Largely, community banks, such as Putnam County Bank, missed the extreme ill effects of this issue. Nonetheless, the effects of increased unemployment and reduced consumer spending have affected all areas of the nation. Additionally, increased scrutiny upon mortgage lending nationally has led to a tightening of available mortgage lending throughout the nation.


Putnam County Bank will continue to serve its customers with the products and services they have come to expect. While the Bank may not provide every service imaginable, we feel the services we provide are cost-effective and secure. Putnam County Bank is proud that it has not required any borrowing from the government's Troubled Asset Relief Program (known as TARP).

We continue to be confident of the future of Putnam Bancshares, Inc. and Putnam County Bank. While the future holds many challenges, there continues to be a place for a local, community-minded institution which works hard every day to satisfy its customers. We expect to meet these challenges with a helpful and knowledgeable staff of professionals that provide services that are timely and meet customer expectations.

If you should any questions or comments, please call us at (304) 562-9931.



J. R. Wilson  
President



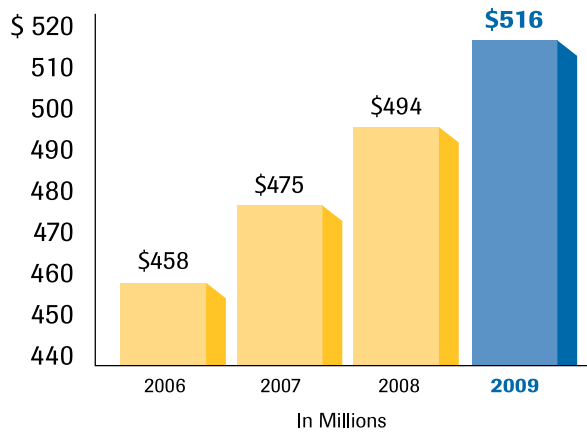
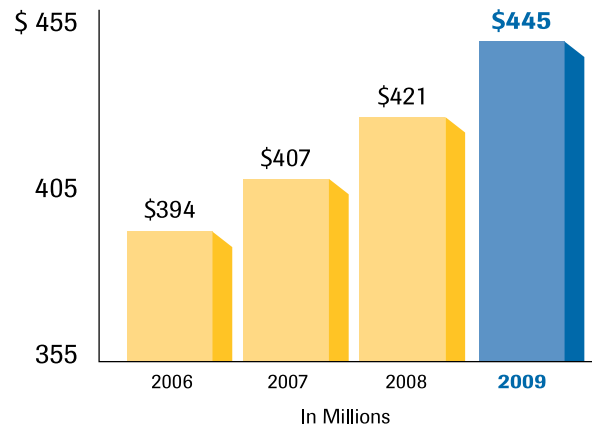
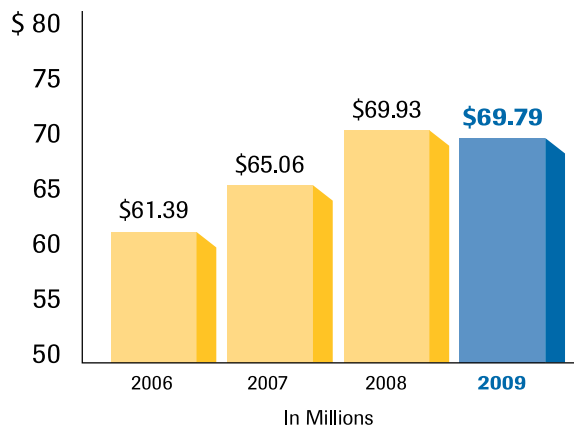
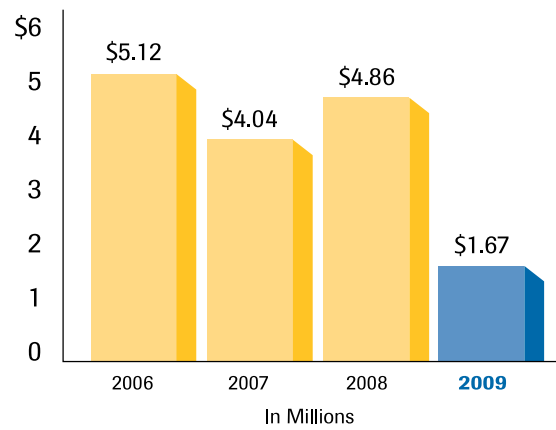
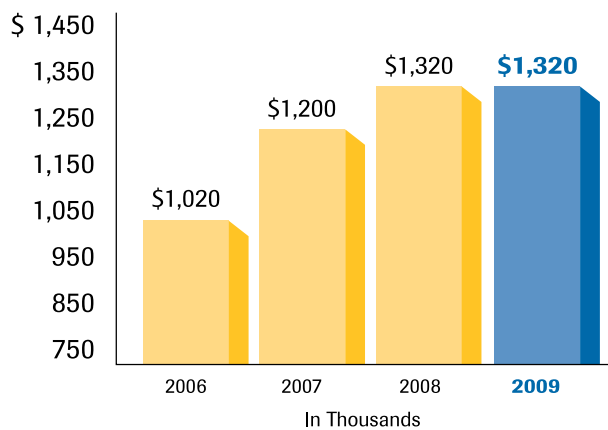
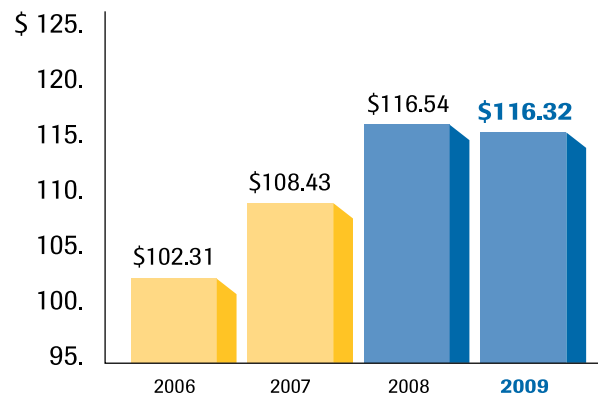
John R. Wilson, Jr.  
Vice President



## Selected Financial Summary

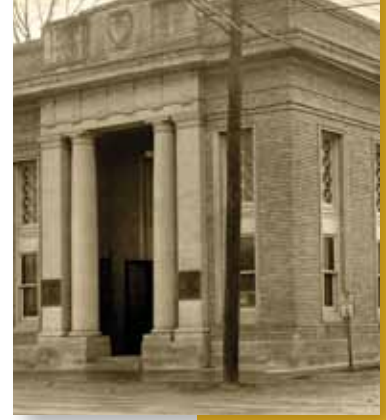
### Four-Year Summary

	2009	2008	2007	2006
<b>YEAR-END BALANCE SHEET SUMMARY</b>				
Loans, Net	\$ 344,612	\$ 332,596	\$ 309,509	\$ 287,262
Investment Securities	111,062	121,175	107,093	123,781
Total Assets	515,918	493,762	474,575	457,871
Deposits	444,735	421,163	407,038	394,486
Shareholders' Equity	69,789	69,926	65,057	61,387
<b>AVERAGE BALANCE SHEET SUMMARY</b>				
Loans, Net	\$ 337,081	\$ 317,911	\$ 300,557	\$ 271,773
Investment Securities	117,694	111,538	112,806	123,966
Total Assets	510,885	487,971	466,570	453,242
Deposits	437,495	418,402	400,834	391,377
Shareholders' Equity	70,451	67,092	63,237	59,915
<b>SELECTED RATIOS</b>				
Return On Average Assets	0.33%	1.00%	0.87%	1.13%
Return On Average Equity	2.37%	7.24%	6.39%	8.54%
Dividends Declared As a Percentage Of Net Income	79.05%	27.17%	29.71%	19.93%
<b>SUMMARY OF OPERATIONS</b>				
Interest Income	\$ 24,123	\$ 26,376	\$ 28,552	\$ 27,006
Interest Expense	9,075	11,737	13,815	11,369
Net Interest Income	15,048	14,639	14,737	15,637
Provision for Loan Losses	3,164	(1,138)	1,120	150
Noninterest Income	513	366	405	287
Noninterest Expense	9,923	8,626	7,751	7,807
Net Income	1,670	4,858	4,039	5,118
<b>PER SHARE DATA</b>				
Net Income	\$ 2.78	\$ 8.10	\$ 6.73	\$ 8.53
Cash Dividends	2.20	2.20	2.00	1.70
Book Value	116.32	116.54	108.43	102.31

**TOTAL ASSETS****TOTAL DEPOSITS****TOTAL SHAREHOLDERS' EQUITY****NET INCOME****DIVIDENDS PAID****BOOK VALUE PER SHARE**







## A Product of Knowledge



**Nobel Prize winning physicist Albert Einstein**, one of the world's most famous geniuses, once said that "The only source of knowledge is experience." If that's the case, Putnam County Bank has surely garnered a deep understanding of the banking industry in its 109 years of existence.

But this experience, and therefore knowledge, is not limited to checking

accounts, home loans and other financial products. Putnam County Bank is a true community bank, having planted its roots firmly in the soil of the area it has served for over a century. This "knowledge" extends to the people and businesses, the culture and histories of Hurricane and Winfield, Teays Valley and Scott Depot. Putnam County Bank is a product of knowledge. ■





## A Product of **Growth**

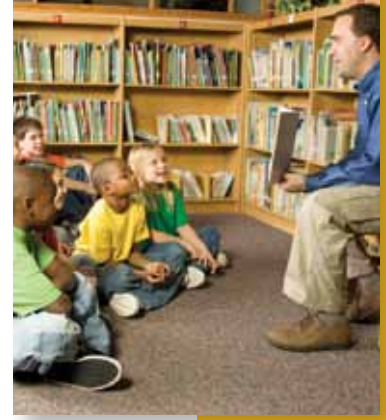


**Putnam County has seen a lot of growth in the past couple of decades.**

For this period of time, it has either led or been runner-up in terms of being the fastest growing county in the state. Putnam County Bank has not only grown along with its community, but has also played a major role in its growth.

Affordable mortgage and business loans have realized more homes, families and

commerce to the region. These loans were generated by Putnam County Bank in Putnam County without the delay of response from out-of-state entities. And PCB itself has grown over the years from a home base on Hurricane's Main Street to an Interstate branch, an office in Teays Valley and, most recently, the World Wide Web. ■



## A Product of **Community**



**It's become cliché in a lot of ways, using the word 'community' to promote a local business or organization.** But it's effective in the case of Putnam County Bank because the ideals conjured up by that singular word are constantly on display. Whether lending a hand to Habitat for Humanity or working with local schools on reading and achievement projects, PCB is, in fact, a product of its community.

And it's also worth mentioning that for the entirety of the bank's 100+ year existence, one local family has been in charge of its day-to-day operations. The Wilson name is synonymous with Putnam County Bank, and they are both inherently part of their community. ■





## A Product of **Responsibility**



**The recession of 2007-09 has come to an end.** The housing market is improving, consumer spending is up and stocks are the highest they've been in over a year. But the devastation of the worst recession since the Great Depression left a tremendous wake: 150+ banks failed, millions of jobs were lost and the distribution of credit screeched to a halt.

During the financial crisis, Putnam County Bank did not freeze credit or accept, let alone apply for, a TARP (Troubled Asset Relief Fund) bail out. Instead, due to its historically responsible banking practices, PCB continued to loan money to credit-worthy applicants – both consumers and small businesses – just as it has for over a century. ■



## A Product of Convenience



**Part of the joy of living and working in a small town** is that our version of “hustle and bustle” actually lends itself to movement and getting things done, unlike larger towns and cities where it’s just a euphemism for being stuck in line or traffic. The quicker we can finish our various “to-do” lists, the sooner we can spend time with our friends and families.

Banking at PCB is hardly a task at all, with three physical locations and multiple drive-thru lanes, not to mention extended Friday hours. Then there’s the stand-alone Loan Center, Automated Teller Machines and both Tele- and On-line banking options. Convenience in banking – one of Putnam County Bank’s more popular products. ■





## A Product of **Loyalty**



**It has been said that loyalty is a treasure more precious than gold.**

And in a region where one's word is their bond, where neighbors still look out for one another, this saying certainly rings true. For over one hundred years, Putnam County Bank has remained a locally-owned and operated community bank.

But it's not just the bank that's well practiced in the act of loyalty. Customers and employees alike share an allegiance to PCB that is on display every time a customer's child opens his or her first account or a teller celebrates another year on the job. This product of loyalty is passed down from one generation to the next and helps define the spirit of Putnam County. ■



## A Product of Tradition



**A lot has changed in the banking industry since 1901**, the year Putnam County Bank first opened its doors for service. From the Great Depression and the creation of the Federal Deposit Insurance Corporation to ATMs and internet banking, the industry has constantly evolved to offer better consumer protections, products and conveniences.

There is one thing, however, that has not changed at Putnam County Bank. And that is the personal service and attention to detail provided to its customers. It's this product of tradition that sets the bank apart from the competition and ensures continued success for our region, our customers and our bank. ■



## Putnam County Bank Officers and Employees

Jack R. Wilson .....	President & Chief Executive Officer	Donna J. Stowers .....	Paying & Receiving
John R. Wilson, Jr. ....	Vice President & Chief Operations Officer	Marsha D. Eggleton.....	Paying & Receiving
Daniel M. Roberts .....	Vice President & Senior Lending Officer	Rebecca J. Foster .....	Paying & Receiving
David B. Sampson .....	Vice President & Chief Financial Officer	Barbara C. Harper .....	Paying & Receiving
Jerry P. Brown .....	Cashier	Tammy J. Sovine.....	Data Process Verification
Joni M. Cavender .....	Auditor	Tina M. Ellison.....	Bank Secrecy Assistant
Richard M. Jordan .....	Assistant Vice President & Security Officer	Kelly L. Shaw.....	Paying & Receiving
Gayle M. Berry .....	Assistant Cashier & Proof Operations Manager	Joy M. Persinger .....	Paying & Receiving
Clara B. Carmichael .....	Assistant Cashier & Loan Officer	Rita K. Thomasson.....	Bookkeeping Manager
Phyllis J. Canterbury.....	Assistant Vice President	Betty J. Morris .....	Paying & Receiving
Lora Virginia Hart .....	Branch Manager	Loraine S. Rappold .....	Bookkeeping
Floyd L. Reynolds .....	Credit Review Officer	Nancy A. Chapman .....	Loan Operations
George E. Wallace .....	Collections Officer	Suzanne A. Craigo.....	Proof Operations
Don C. Chapman .....	Bank Secrecy Officer	Margie M. Shirkey .....	Electronic Banking
Karolee K. Burton .....	Compliance Officer	Gregory M. Mick.....	Paying & Receiving
Joyce A. Weiskircher .....	Human Resource Officer	Beth J. Carnefix.....	Paying & Receiving
Allison B. Willis .....	Controller	Barbara G. Estep.....	Bookkeeping
Lisa A. Rutherford .....	Assistant Auditor	Leigh A. Breeden.....	Paying & Receiving
George E. Woodward .....	Branch Manager	Thomas P. Schmader, IV .....	Loan Officer
Tyrone Y. Perry .....	Information Technology Manager	John E. Childers.....	Building Manager
Angela G. Melton .....	Assistant Branch Manager	Carrie M. Parsons .....	Paying & Receiving
Debra G. Casey.....	Paying & Receiving	Kera D. Taylor.....	Proof Operations
Rebecca L. Foster .....	Vault Manager	Sherry L. McClure.....	Paying & Receiving
Tina M. Leadmon .....	Paying & Receiving	Cheryl L. Halstead.....	Paying & Receiving
Claudia S. Leadman.....	Loan Operations	Trisa K. Radcliffe.....	Bookkeeping
Denise D. Edwards.....	Electronic Banking	Bryan J. McCallister.....	Bookkeeping
Linda M. Runion.....	Loan Operations Manager	Robin C. Nicely .....	Loan Assistant
Teresa K. White .....	Paying & Receiving	James E. Gordon.....	Loan Officer
Marilou McKinney.....	Paying & Receiving	Retha A. Lemon .....	Paying & Receiving
Hope A. Story .....	Paying & Receiving	Keisha B. Dunn.....	Paying & Receiving
Jeffrey R. Davis.....	Loan Officer	Kimberly M. Helper .....	Paying & Receiving
Linda L. Bird.....	Paying & Receiving	Cathy M. Lippert .....	Loan Operations
Arnold L. Rollins .....	Accounting	Jenna M. DeVoss.....	Bookkeeping
Rhonda L. Cunningham.....	Electronic Banking	Holly M. Rooper .....	Paying and Receiving
Penny L. Collier .....	Proof Operations	Amanda A. Hodges .....	Bookkeeping
Diana L. Handley.....	Paying & Receiving	Sandra S. Engle.....	Paying and Receiving
Deborah R. Milton.....	Paying & Receiving	Whitney B. Fewell .....	Bookkeeping
Toni L. Davis.....	Paying & Receiving	Tabatha K. Rexroad.....	Accounting
John B. Lawman .....	Operations	A. Kaye Turley.....	Proof Operations



## Board of Directors

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**Standing, left to right**

Gary D. Young  
John R. Wilson, Jr.  
Tim Hayslett  
Stephen Hodges, Jr.  
Boyd Meadows  
Roger K. Randolph

G & G Builders, Inc.  
Vice President and Chief Operations Officer  
Hayslett Construction Company, Inc.  
Stephen Hodges Home Builders, Inc.  
Half-Way Markets, Inc.  
Randolph Engineering Company, Inc.

**Seated, left to right**

J.R. Wilson  
Robert F. Hatfield  
Okey M. Landers, Jr.  
Robert S. Duckworth

President and Chief Executive Officer  
Hatfield Enterprises, Inc.  
A & C Corporation  
RSD, Inc.