

SBC UPDATE

First Quarter 2008 – A quarterly publication by State Bank of Countryside
“The Family Owned Bank for Families and Their Businesses”

Tom's Thoughts... By Thomas P. Boyle, President

THE BRIGHTSIDE OF 2008

I had hoped to be able to begin this new year with a raft of good news—not only because I am, temperamentally, a fairly optimistic person, but because the end of 2007 was so bad that things could only improve. Surely the worst of the weak housing-market and the sub-prime mortgage crisis were beyond us, right? Unfortunately, the beginning of 2008 suggests that entirely sunny days are not in the immediate future.

First, Christmas sales were weak. Many retailers experienced what industry-insiders refer to as “trading-down”: consumers who normally shop at Macy's shopped at Sears; consumers who normally shop at Sears turned to Wal-Mart. Second, job-growth was stagnant. Unemployment actually came in at 5%. And the housing market continued its slide, which continued to take its toll on banks nationwide. Bank of America, in fact, found itself forced to buy Countrywide Mortgage simply in order to protect its investment.

So where is the good news? I think that there are at least three bright spots, and, in somewhat uncertain times, they are worth remembering.

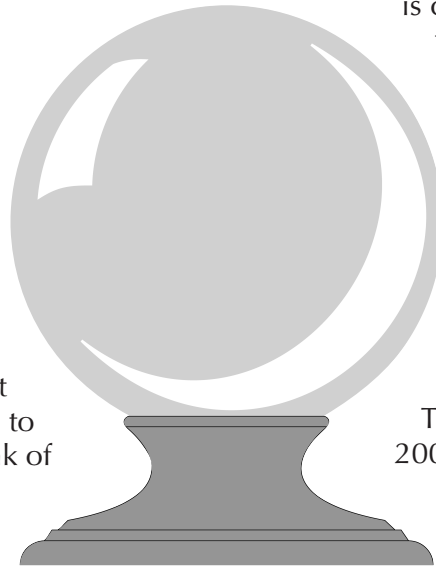
First, though the economy has faltered, it has still posted 24 quarters of consecutive growth. What's more, inflation looks to be under control. And

although homes are not selling anywhere nearly as quickly as they did in 2005, I think that a new 6% 30-year mortgage might be enough to restart the housing sector. I can't be certain, but I am optimistic.

Second, the election of a new president should give the economy a boost (Not that the election is coming anytime soon. It seems like this thing goes on forever!). I've been wrong before, but of the five horses in the race at the moment—Obama, Clinton, McCain, Huckabee, and Romney—I think that Obama and McCain are the ones to beat. I'm looking for McCain's experience to edge out Obama's enthusiasm and charisma in November.

Third, and perhaps most important, 2008 marks the 100th anniversary of the Cubs' last World Series. They have added several key players in the off-season and look to mark the anniversary in fine style. If this isn't a reason to be optimistic, I don't know what is.

Finally, if you like predicting, I encourage you to enter our annual Rates of the Future Contest. It is very simple to enter and the winner will be announced in early December. And if it is any help I predict the Dow to be 14,000 by year-end 2008.



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COMING MARCH 1, 2008

THE NEW, MORE SECURE \$5 NOTE

On March 13, the new \$5 note will begin circulation. The redesign of U.S. currency began with the introduction of a new \$20 bill in 2003, followed by a \$50 bill in 2004 and a \$10 bill in 2006. A redesigned \$100 bill is scheduled to follow the new \$5 bill. The redesign is part of an ongoing effort by the United

States government to protect the economy and your money. The new \$5 note will retain two of the most important security features that were first introduced in the 1990s and are easy for consumers and merchants to check: **security thread and watermarks.**



Watermark

Hold your five up to the light and look for a large number "5" watermark located to the right of the portrait. A blank window has been incorporated into the background design to highlight the watermark's location.



Watermark

Hold the bill up to the light and look for a column of three smaller "5"s positioned to the left of the portrait. Both watermarks are part of the paper itself and can be seen from both sides of the bill.

Security Thread

Hold the bill up to the light and look for the security strip that is embedded in the paper and runs vertically to the right of the portrait. The letters "USA" followed by the number "5" in an alternating pattern are visible along the thread from both sides of the bill. The thread glows blue when held under ultraviolet light.

IRA TIME AGAIN

It's the time to visit State Bank of Countryside to make your 2007 and 2008 IRA contributions! From now until April 15, you can still make your 2007 IRA contributions.

State Bank of Countryside offers both Traditional and Roth IRAs. We have numerous terms and investment rates for you to choose from depending on your needs. Our financial counselors are highly experienced in rollovers, transfers, and distributions of IRAs.

Once you make a contribution, you will earn interest right away! Also, you will be able to take advantage of new tax benefits*, as the IRS has raised the contribution limits for 2008!

For more information about IRAs, please contact a financial counselor at any of our locations.

*Please consult your tax advisor

HOMER GLEN BRANCH UPDATE...OPENING SOON!

Construction on our Homer Glen branch was completed in January 2008. The branch is scheduled to be open in mid-February 2008. Our Homer Glen branch is located at 15980 S. Parker Road (at the corner of 159th and Parker Road). Stop by and visit us. We look forward to seeing you!



HOME MORTGAGES



**Thinking About Refinancing...
or Purchasing a New Home...
Mortgage Rates are Low...
Contact Dan Dunton,
our Home Mortgage Specialist,
at 708-485-9981**



TO EXCHANGE OR NOT EXCHANGE – THAT IS THE TAX QUESTION

I recently heard that you could coordinate tax-deferred like-kind exchanges* at State Bank of Countryside. I wanted to learn more about this type of service so I went to State Bank of Countryside to ask a few questions. Here is what I found out...

SSS – What is a tax-deferred like-kind exchange?

SBC – A like-kind exchange is a way to defer money gained from a sale of property by re-investing the money into a “like-kind” property. This means that if you sell your property and roll over the money to invest in a new like-kind property, tax should not accrue on the amount earned from the sale of the old property since no economic gain was realized in a way that produces the cash to pay the tax.

SSS – Will I always avoid paying tax?

SBC – No, because the like-kind exchange is a tax-deferral process. When you sell your new property, your original deferred amount plus any new amount earned from the sale of the new property, is subject to tax. Of course, you can sell your new property as part of another like-kind exchange and continue to defer tax.

SSS – What happens upon my death?

SBC – Upon death, any tax deferred is turned into permanent tax savings. Your property is moved to fair market value and the capital gain is never taxed. Anyone who inherits your property can sell it at market value and is not taxed on their gain.

SSS – What qualifies as like-kind property?

SBC – Virtually any real estate is like-kind to any other real estate. For example, vacant land for a strip mall or an office building for an apartment building is considered like-kind properties. Long term leases of real estate, such as thirty year leases, can qualify as real estate for purposes of an exchange.

SSS – Are there any types of property that cannot be exchanged?

SBC – Yes. Personal residences and personal use property cannot be exchanged. Also, you cannot exchange foreign property for U.S. property. Although your primary residence cannot be exchanged, your secondary or vacation home may be. This is a big plus because if you sell your vacation home, unlike your primary residence, you will have

to pay tax on the capital gains. If you use the exchange and reinvest the monies in another vacation home, your tax will be deferrable.

SSS – What about non-real estate?

SBC – You can exchange many types of non-real estate property, as long as it is held for investment or used in your business. However, your non-real estate property must be the same type of asset purchased as sold. This means a dump truck for a dump truck is acceptable, while a truck for office space is not. Franchise rights and certain types of licenses can also be exchanged.

SSS – What about developers?

SBC – A real estate developer generally cannot exchange something he or she builds with the intent to sell when it is done. Inventory is not exchangeable.

SSS – How is an exchange different from a sale and purchase?

SBC – Both the sale and the purchase must be part of an “interdependent” transaction to be an exchange. There are only a few steps to follow to combine the two so that they are specifically treated as an exchange. With the use of an independent agent that coordinates the exchange, the buyer of the old property or the seller of the new property do not need to be involved (and may hardly know) of your exchange.

SSS – Do you offer a service for tax-deferred like-kind exchanges?

SBC – Yes. State Bank of Countryside has partnered with Nationwide Exchange Services (NES), a leading provider of qualified intermediary services for taxpayers executing like-kind exchanges under Section 1031 of the IRS code, to offer this service. This service is available for both businesses and consumers.

SSS – Who can I contact for more information on this type of exchange?

SBC – You can contact Bill Wheeler at 708-485-9951 for more information or if you have any questions.

SSS – Thanks for the information! I look forward to coordinating my tax-deferred like-kind exchange with State Bank of Countryside and NES.

*Always consult with your attorney or tax advisor



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(708) 599-9884 Fax

DARIEN

7380 S. Route 83
(630) 655-3113
(630) 655-3159 Fax

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16250 S. LaGrange Rd.
(708) 873-1485
(708) 873-1508 Fax

CHICAGO

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(773) 755-2500
(773) 755-0373 Fax

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