



2014 Annual Report



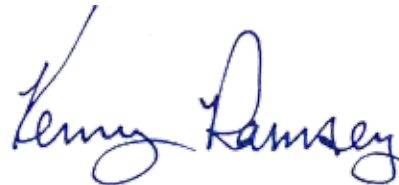
Letter to Shareholders

The events of 2014 brought many significant changes and opportunities to Monticello Bankshares, Inc. (MBI) and its subsidiary the Monticello Banking Company (MBC). Of the goals established by our Board of Directors, the most significant achievement was a Return on Assets in excess of 1.00%. This was the highest level of profitability at year end since December, 2006 and can be contributed to several factors. Most importantly, MBC continues to be an active part of the communities we serve because of the efforts of our dedicated employees.

The bank recognized significant improvements in Asset Quality that resulted in lower provisions to the Allowance for Loan and Lease Losses. The percentage was also impacted by a reduction in our Total Assets from repaying the borrowings at the Federal Home Loan Bank through the conversion of lower yielding assets. A benefit of the reduction is that MBI was able to retire its debt completely, while maintaining strong capital ratios. Economic conditions and competitive forces throughout the year continued to compress rates on loans. However, MBC saw an increase in Loans Outstanding which helped support a higher asset yield when compared to the peer average. Our interest expense, as a percentage, was flat year over year and is an area of opportunity to be explored in 2015.

Since the beginning of 2015, MBC has focused on growth and is pleased to announce our newest office which is located near the intersection of Fairview Avenue and Nashville Road in Bowling Green. This is an area of high visibility and commerce that we believe will be an important part of our future success in that market. To further enhance our product offerings, we have begun issuing the MBC MasterCard for individuals and business customers. This offers a convenient credit card solution for existing customers, as well as the ability to attract new clients. MBC began offering online account opening for consumer loans at the beginning of 2014 and is committed to adding our new credit card and deposit products this year. Year to date, our markets have gathered additional deposits that brings our Total Assets near the December 2013 level.

On behalf of the Board of Directors and staff, we want to express our gratitude to our shareholders. Your continued support is important to us and we welcome comments and recommendations from you. Together we can do greater things.



Kenny Ramsey, President & CEO



Kenneth L. Ramsey, Chairman



Board of Directors and Shareholders
Monticello Bankshares, Inc.
Monticello, Kentucky

The Audit Committee of the Board of Directors is composed of four members which are all independent directors. Those members are Bob Hayden – Chairman, Charles Fletcher, Dr. James K. Phillips, Jr., and Rick Drake.

The committee held four meetings during 2014.

The Audit Committee oversees the company's financial reporting process on behalf of the Board of Directors. In fulfilling its responsibility, the committee recommended selection of the company's independent public accountants, Mountjoy Chilton Medley, LLP, 1000 Bluegrass Corporate Center, 333 West Vine Street, Lexington, Kentucky 40507.

The Audit Committee discussed with the internal auditor and the independent public accountants the overall scope and specific plans for their respective audits. The committee also discussed the company's consolidated financial statements and the adequacy of the company's internal controls.

The committee met regularly with the company's internal auditor and independent public accountants to discuss the results of their audit, their evaluations of the company's internal controls, and the overall quality of the company's financial reporting.

The meetings also were designed to facilitate any private communication with the committee that the internal auditor or independent public accountants desired.



Bob Hayden, Chairman
Audit Committee



Balance Sheet

Consolidated for the Year Ended December 31, 2014

ASSETS	2014	2013
Cash and due from Banks	\$33,078,000	\$16,745,000
Federal funds sold	<u>1,000</u>	<u>3,000</u>
Total Cash and Cash Equivalents	\$33,079,000	\$16,748,000
Securities - Available for Sale	\$99,011,000	\$152,763,000
Securities - Held to Maturity	0	30,000
Restricted Investments	<u>3,105,000</u>	<u>3,105,000</u>
Total Securities	\$102,116,000	\$155,898,000
Net Loans	\$364,505,000	\$332,810,000
Bank premises and equipment	14,288,000	13,756,000
Goodwill, Net	1,000,000	1,038,000
Other assets	<u>17,790,000</u>	<u>26,690,000</u>
Total Assets	<u>\$532,778,000</u>	<u>\$546,940,000</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Non-interest bearing deposits	\$84,604,000	\$74,847,000
Interest-bearing deposits	<u>389,727,000</u>	<u>386,042,000</u>
Total Deposits	\$474,331,000	\$460,889,000
FHLB Borrowings	\$ 0	\$30,000,000
Line of Credit	<u>0</u>	<u>3,758,000</u>
Total Other Borrowed Funds	\$ 0	\$33,758,000
Other Liabilities	<u>\$1,755,000</u>	<u>\$1,650,000</u>
Total Liabilities	\$476,086,000	\$496,297,000
STOCKHOLDERS' EQUITY		
Preferred stock: \$5 Par Value, 50,000 shares		
Authorized: (2014) 28,676 (2013) 30,717 shares Issued & Outstanding	\$ 143,000	\$ 154,000
Common stock: \$5 Par Value, 8,000,000 shares		
Shares Authorized & Issued: (2014) 3,962,018 (2013) 3,962,018 respectively		
Shares Outstanding: (2014) 3,831,479 (2013) 3,828,813 respectively	19,158,000	19,144,000
Surplus	3,276,000	3,269,000
Retained earnings	33,159,000	29,379,000
Accumulated Other Comprehensive Income (Loss)	<u>956</u>	<u>(1,303,000)</u>
Total Shareholders' Equity	\$ 56,692,000	\$ 50,643,000
Total Liabilities and Shareholders' Equity	<u>\$532,778,000</u>	<u>\$546,940,000</u>



Statement of Income

Consolidated for the Year Ended December 31, 2014

	2014	2013
Interest Income on Loans	\$19,562,000	\$19,179,000
Interest Income on Securities	3,344,000	3,987,000
Interest Income on Federal Funds Sold & Other Interest Income	<u>197,000</u>	<u>184,000</u>
Total Interest Income	\$23,103,000	\$23,350,000
Interest Expense on Deposits	\$2,996,000	\$3,818,000
Interest Expense on Other Borrowed Funds	<u>298,000</u>	<u>207,000</u>
Total Interest Expense	\$3,294,000	\$4,025,000
Net Interest Income	\$19,809,000	\$19,325,000
Provision for Loan Losses	\$1,500,000	\$2,628,000
Service Charges on Deposit Accounts	\$3,117,000	\$2,943,000
Gain (Loss) on Sale of Securities	460,000	269,000
Secondary Market Mortgage Fees	298,000	512,000
Other Income	<u>1,211,000</u>	<u>1,229,000</u>
Total Non-Interest Income	\$5,086,000	\$4,953,000
Salaries & Employee Benefit Expense	\$9,685,000	\$9,087,000
Occupancy Expense	2,241,000	\$2,143,000
Other Non-Interest Expense	<u>4,678,000</u>	<u>4,853,000</u>
Total Non-Interest Expense	\$16,604,000	\$16,083,000
Net Income Before Income Taxes	\$6,791,000	\$5,567,000
Income Tax Expense	<u>\$1,313,000</u>	<u>\$1,118,000</u>
Net Income	<u>\$5,478,000</u>	<u>\$4,449,000</u>



Corporate Profile

Monticello Bankshares' principal operating subsidiary is The Monticello Banking Company, a Kentucky commercial bank chartered in 1895 with its corporate office located in Monticello. The bank has operated under the same name and at the same location since its inception 119 years ago.

The Monticello Banking Company operates thirteen full service community banking centers surrounding Lake Cumberland and in the Barren River region. Product offerings include traditional banking services, such as commercial and consumer deposit and loan products, investment services, as well as a variety of electronic banking services including Internet banking, eStatements, bill payment, and cash management at www.mbcbank.com.

Management and the Boards believe strongly in the values of traditional community banking, that the Monticello Banking Company is defined not by size or location, rather by the reputation it has earned for serving and being of service, by taking an active role for the betterment of the community, and by building relationships and retaining these relationships with customers that keep them coming back. We remain dedicated to our vision of focusing on our customer as our primary reason for being.

Boards of Directors

Monticello Bankshares, Inc. & Monticello Banking Company

Kenneth Ramsey, Chairman MBI & MBC

Kenny Ramsey, President & CEO MBI & MBC

D. Mack Butler, MBI & MBC

Roger Dalton, MBI

Marilyn Drake, MBI & MBC

Rick Drake, MBI & MBC

Bob Hayden, MBI & MBC

Dr. James K. Phillips, Jr., MBI & MBC

Van Phillips, MBI

Mike Blevins, MBC

Sam Brown, MBC

Lyle Denney, MBC

Charles Fletcher, MBC



mbc
MONTICELLO BANK

**President/
Chief Executive Officer**

Ramsey, Kenny

Chief Operations Officer

Brinson, Regina

Chief Financial Officer

Frost, Sandra

Accounting

Adkins, Brittany
Crabtree, Crystal
Watson, Frances

Auditor

Harmon, Dawn

Audit

Wells, Natoshia

Chief Credit Officer

Weaver, Rodney

Underwriting & Loan Servicing

Alexander, Zackery
Burnette, Nicole
Decker, Norma
Dunnington, Brandon
Goley, Jonathan
King, Lena
McGinnis, Amanda
Morrow, Brian
Parmley, Christy
Reagan, Jamie
Willis, Charity

Collections

McClendon, Rick
Nelson, Tommy
Parmley, Heather

Chief Technology Officer

Parsons, Randy

Information Technology

Asberry, Kyle
Coffey, Garrett
Dennis, Jackie
Lowhorn, Amie
Lyons, Kenny
Rader, Kelley

Information Security

Piercy, Melissa
Ramsey, Becky

Item Processing

Bunch, Renee
Nelson, Debbie
Phipps, Elissa

Deposit Operations

Bertram, Sue
Carlton, Judy
Coffey, Mildred
Decker, Tabatha
Dobbs, Tabitha
Guffey, Leverne
Lozano, Angela
McGinnis, Sylvia

Maintenance & Courier

Gehring, Austin
Harmon, David
Norfleet, Eddie

Chief Human Resource Officer

Dolen, Becky

Human Resource

Jones, Jamie
Lester, Barbara

Compliance

Corder, Pattie
Gardner, Sherry
Goley, Misty

Marketing

Edwards, Natalie
Gehring, Barbara
Troxell, Sandra



Monticello



50 N. Main Street, PO Box 421, Monticello, KY 42633 • (606) 348-8411

Sr. Executive Officer, Jean Hicks

Main Office

Receptionist

Lair, Mary

New Accounts

Adams, Renee

Tellers

Ayearst, Susan

Gregory, Kista

Keith, Patty

Loans

Bertram, Elaine

Dalton, Tim

Dolen, Helen

Hurd, Billy

Rednour, Jayma

Business Development

Elam, Perry

DOWNTOWN BRANCH

Loans

Rose, Kevin

Foster, Wendy

New Accounts

Simpson, Nadine

Tellers

Barrier, Brenda

Bell, Janet

Bell, Amy

Martin, Beulah

Carrender, Casey

Massengale, Stephanie

Meadors, Crystal



95 N. Main Street

TRADEWAY BRANCH

Branch Manager/Loans

Weston, Angela

New Accounts

Folster, Linda

Loans

Roberts, Mary Lois

Tellers

Ellis, JaKeilla

Gehring, Ashley

Hicks, Whitney

Humble, Peggy

Hurd, Amy

Stinson, Tiffany

Tradeway Shopping Center



WALMART BRANCH

Branch Manager/Loans

Duke, Misty

New Accounts

Stearns, Johnna

Tellers

Bertram, Elizabeth

Corder, DeLesia

Keith, Haley

Staples, Shanyn



Walmart Supercenter, Cumberland Crossing Shopping Center

Albany

310 N. Cross St.



Albany Advisory Board Rick Drake-Chairman, Jeff Choate, Paula Little, Steve Tallent, Tuddy Stockton, Gene Dunnington

Regional Executive Officer, Anita Tucker

Sr. Executive Officer

Johnson, Willard

Receptionist

Means, Rebecca

New Accounts

Boles, Leslie

Smith, Rebecca

Loans

Brown, Debbie

Vitaoe, Stuart

Tellers

Adams, Rachel

Jones, Kendra

Owens, Ashley

Smith, Barbara

Stockton, Kimberly

Events Coordinator

Branham, Alice

Appraiser

Summers, Joe

Chief Operations Officer, Regina Brinson

Sr. Executive Officer

Meece, Tonya

New Accounts

Cochran, Melissa

Loans

Leigh, Anne

Minton, Karen

Tellers

Hansford, Gregory

Jeffries, Kelcie

Lawhorn, Joan

Weddle, Brittany

Wethington, Teresa

Wright, Nanette

611 N. Wallace Wilkinson Blvd.



Casey County Advisory Board

Lyle Denney-Chairman, Bryan Woodrum, Garland Sharp

Bowling Green



1050 Wilkinson Trace

Regional Executive Officer, Lanny Loague, Jr.

Sr. Executive Officer, Joe Taylor

Bowling Green Advisory Board

Dr. J. K. Phillips-Chairman, Adam Burden, Dr. Kirk Fee,
Laura Spencer, Buster Stewart, Ben Thornton,
Gayla Warner, Mike Vitale

HARTLAND

Executive Assistant

Brown, Jennifer

New Accounts

Tompkins, Tammy

Tellers

Delk, Shelby

Sharaf, Amy

Valles, Adriana

MBC Consulting

Hall, Bill

FAIRVIEW

Branch Manager/Loans

Yowell, Lynette

Loans

Neal, Brandon

Teller

England, Beverly

Giorgio, Sherry



651 US 31 W Bypass, Suite 212

CAVE MILL

Branch Manager/Loans

Pierce, Janet

New Accounts

Engler, Ashley

Tellers

Haynes, David

Nelson, M'Rae

Poteet, Amy



1840 Cave Mill Rd.

Glasgow

Regional Executive Officer, Lanny Loague, Jr.

1414 Happy Valley Rd.

Sr. Executive Officer

Witty, Leigh

Customer Service

Bowles, Amber

Loans

Redford, Tonya

Tellers

Adwell, Lisa D.

Cannon, Kim

Carter, Tiffany

Lutzen, Elizabeth



Glasgow Advisory Board

Van Phillips-Chairman, Sheila Dishman, Bobby Hurt,
T. Richard Alexander

Russell County

2554 S. Hwy. 127



Russell County Advisory Board

Michael Blevins-Chairman, Rick Mann, David Smith,
Fred Tarter, Steve Bledsoe

Regional Executive Officer, Anita Tucker

Executive Assistant

Money, Nancy

New Accounts

Smith, Angela

Loans

Hoover, Belinda

Matney, Christin

Tellers

Coppage, Marsha

Melson, Nancy

Roy, Lisa L.

Smith, Ginger

Tucker, Sharon

Somerset

Chief Operations Officer, Regina Brinson

Sr. Executive Officer, Wally Hudson

475 E. Hwy. 80



Somerset Advisory Board

Sam Brown-Chairman, Mack Butler, Danny Ford, Matt Ford,
Mark Haney, Bruce Orwin, Dr. Keith Sinclair,
Terri Tuttle, Lynette Wright

SOMERSET MAIN

Receptionist

Parkey, Lisa

New Accounts

Gover, Beverly

Loans

Dungan, Debbie

Reynolds, Valerie

Salmons, Matt

Tellers

Harden, Mazetta

Harper, Jeff

McClendon, Megan

Phelps, Shanoah

Price, Glenda

Russell, Krista

Smith, Pat

Trust Assistant

Beshears, Amanda

3653 S. Hwy. 27



SOMERSET SOUTH

Branch Manager/Loans

Compton, Sheila

Executive Assistant to COO

Greene, Judy

Loans

King, Kelly

New Accounts

Price, Matthew

Tellers

Baugh, Patricia

Luke, Stephanie

Hale, Sheila

McQueen, Donna

Roy, Lisa

25 Plus Years of Service



Patty Keith
Asst. Vice President
Head Teller
45 Years



Alice Branham
Vice President
Events/Activities Coordinator
41 Years



Frances Watson
Sr. Vice President
Controller
38 Years



Sandra Troxell
Asst. Vice President
Events/Activities Coordinator
38 Years



Jean Hicks
Sr. Executive Officer
37 Years



Helen Dolen
Vice President
Commercial Banker
37 Years



Janet Bell
Vice President
Head Teller
36 Years



Barbara Gehring
Sr. Vice President
Marketing Director
35 Years



Becky Dolen
Sr. Vice President
Chief HR Officer
34 Years



Debbie Nelson
Asst. Vice President
Item Processing Mgr.
34 Years



Renee' Adams
Vice President
Personal Banker
33 Years



Sue Bertram
Vice President
Deposit Operations Rep.
33 Years



Barbara Lester
Vice President
Human Resources Asst. Mgr.
32 Years



Elissa Phipps
Item Processing
Operator
32 Years



Mildred Coffey
Deposit Operations Rep.
31 Years



Mary Lois Roberts
Vice President
Sr. Loan Officer
26 Years



Sandra Frost
Chief Financial Officer
25 Years



Kevin Rose
VP/Mortgage Lender
25 Years

Shareholder Information

Shareholder Inquiries, Stock Transfer or Dividend Payments

If you have inquiries or questions regarding your Monticello Bankshares shareholder account, please call Helen Dolen at (606) 348-8411 or 1-800-909-3420 or write
Monticello Bankshares, Inc. • P.O. Box 421 • Monticello, KY 42633

Internet

For information on financial results, products and services please visit our website: www.mbcbank.com

Corporate Headquarters

Monticello Bankshares, Inc. • 50 N. Main St., P.O. Box 421
Monticello, Kentucky 42633 • (606) 348-8411 or 1-800-909-3420

Annual Meeting

The annual meeting of shareholders will be held on Thursday, April 9th, 2015 at the Historic Wayne Theater, 30 N. Main Street, Monticello, Kentucky at 3:30 p.m. EDT.

Dividend Calendar

Dividends, as declared by the Board of Directors, are customarily paid to shareholders of record as follows:
March 1 – payable March 10
June 1 – payable June 10
September 1 – payable September 10
December 1 – payable December 10

Financial Information

For a copy of our audit report, please contact Frances Watson, Sr. Vice President at (606) 348-8411 or 1-800-909-3420 or email at fwatson@mbcbank.com.

Independent Auditors

Mountjoy Chilton Medley, LLP
Certified Public Accountants
333 West Vine Street, Suite 1000
Lexington, KY 40507



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MONTICELLO BANK