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Annual Report

MONTICELLO BANKSHARES, INC.



Note to Shareholders

In 2016, Monticello Bankshares, Inc. (MBI) was afforded the opportunity, through merging with Banco Harlan, Inc., to acquire the Bank of Harlan (BOH). This action brought immediate growth to our organization and increased earning potential from their existing operations and the expansion of our market footprint to include Harlan and surrounding counties. By the end of the first quarter of 2017, BOH will merge into Monticello Banking Company (MBC) and bring additional depth to our banking family.

MBC continued to have strong financial performance in 2016, experiencing growth in Loans Outstanding and Net Income from the efforts of our outstanding employees. We continue to work toward having an increased presence in each of our markets which impacts a significant part of Southern Kentucky.

As shareholders, we invite your questions about our bank and its products. Please remember to ask friends and family to consider MBC for all of their banking needs.

Corporate Profile

Monticello Bankshares, Inc. was established in 1982 to provide strength and oversight for its wholly owned subsidiary, the Monticello Banking Company (MBC). MBC is 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. MBC operates sixteen full service community banking offices in 8 counties in Southern Kentucky. MBC offers a wide range of banking and investment services which are provided through our branch offices and our growing internet presence. We would like the opportunity to serve all of your financial needs. Please call or visit our offices at your convenience and visit us online at www.mbcbank.com.

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) 348-1202 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 13th, 2017 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

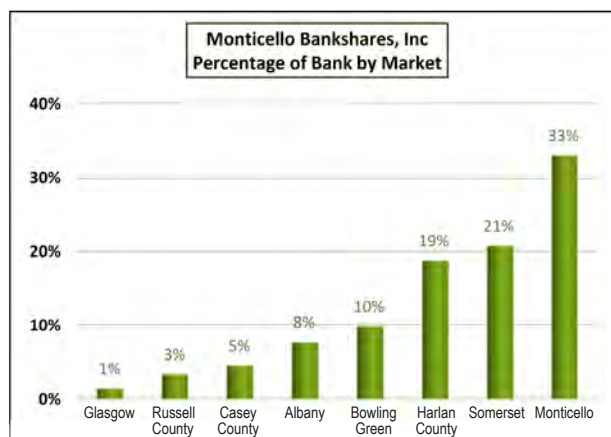
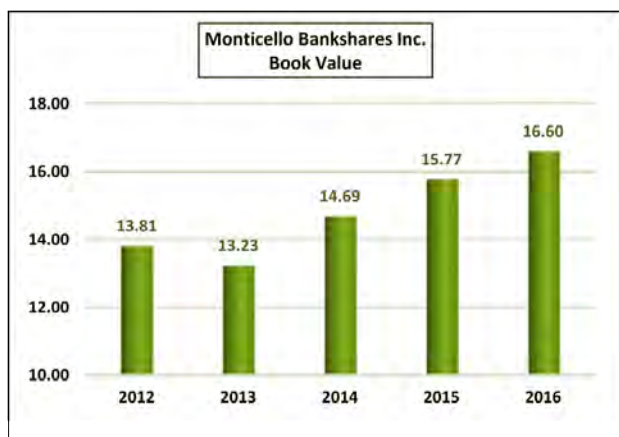
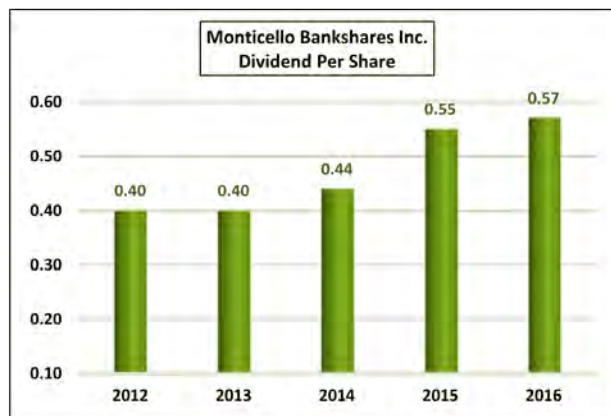
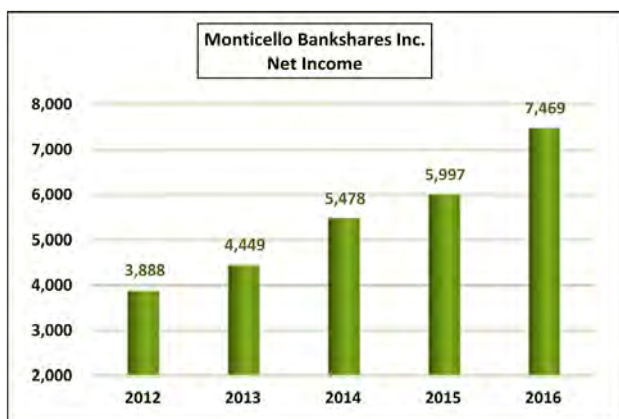
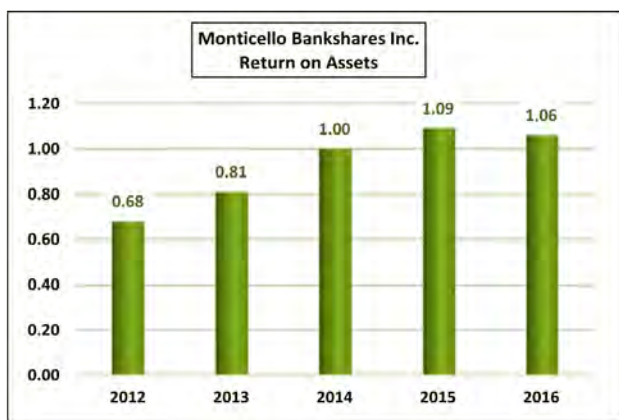
December 1 – payable December 10

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

Crowe Horwath LLP
144 N Broadway Lexington KY, 40507
Office: 859-280-5156



Statement of Financial Condition

Consolidated for the Year Ended December 31, 2016

ASSETS	2016	2015
Cash and due from Banks	\$ 30,596,000	\$ 17,835,000
Federal funds sold	<u>7,475,000</u>	<u>1,000</u>
Total Cash and Cash Equivalents	\$ 38,071,000	\$ 17,836,000
Interest Bearing Time Deposits in Other Financial Institutions	\$ 1,984,000	\$ 0
Securities - Available for Sale	175,122,000	138,291,000
Securities - Held to Maturity	0	0
Restricted Investments	<u>5,062,000</u>	<u>3,105,000</u>
Total Securities	\$182,168,000	\$141,396,000
Net Loans	\$438,739,000	\$366,449,000
Bank premises and equipment	15,821,000	14,623,000
Goodwill, Net	1,000,000	1,000,000
Other assets	<u>25,977,000</u>	<u>19,713,000</u>
Total Assets	<u>\$701,776,000</u>	<u>\$561,017,000</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Non-interest bearing deposits	\$ 97,572,000	\$105,748,000
Interest-bearing deposits	<u>512,014,000</u>	<u>392,733,000</u>
Total Deposits	\$609,586,000	\$498,481,000
FHLB Borrowings	\$ 21,371,000	\$ 0
Line of Credit	<u>0</u>	<u>0</u>
Total Other Borrowed Funds	<u>21,371,000</u>	0
Other Liabilities	<u>\$2,025,000</u>	<u>\$1,678,000</u>
Total Liabilities	\$632,982,000	\$500,159,000
STOCKHOLDERS' EQUITY		
Preferred stock: \$5 Par Value, 50,000 shares		
Authorized: (2016) 26,736 (2015) 27,716 shares Issued & Outstanding	\$ 134,000	\$ 139,000
Common stock: \$5 Par Value, 8,000,000 shares		
Shares Authorized & Issued: (2016) 4,250,627 (2015) 3,965,644 respectively		
Shares Outstanding: (2016) 4,117,422 (2015) 3,832,439 respectively	20,587,000	19,162,000
Surplus	7,569,000	3,275,000
Retained earnings	42,259,000	37,033,000
Accumulated Other Comprehensive Income (Loss)	<u>(1,755,000)</u>	<u>1,249,000</u>
Total Shareholders' Equity	\$ 68,794,000	\$ 60,858,000
Total Liabilities and Shareholders' Equity	<u>\$701,776,000</u>	<u>\$561,017,000</u>

Statement of Income

Consolidated for the Year Ended December 31, 2016

	2016	2015
Interest Income on Loans	\$18,983,000	\$18,964,000
Interest Income on Securities	3,503,000	3,229,000
Interest Income on Federal Funds Sold & Other Interest Income	<u>264,000</u>	<u>182,000</u>
Total Interest Income	\$22,750,000	\$22,375,000
Interest Expense on Deposits	\$2,797,000	\$ 2,946,000
Interest Expense on Other Borrowed Funds	<u>12,000</u>	<u>0</u>
Total Interest Expense	\$2,809,000	\$ 2,946,000
Net Interest Income	\$19,941,000	\$19,429,000
Provision for Loan Losses	\$ 475,000	\$ 729,000
Service Charges on Deposit Accounts	\$ 2,721,000	\$ 2,731,000
Gain (Loss) on Sale of Securities	291,000	575,000
Secondary Market Mortgage Fees	485,000	487,000
Other Income	<u>3,609,000</u>	<u>1,952,000</u>
Total Non-Interest Income	\$ 7,106,000	\$ 5,745,000
Salaries & Employee Benefit Expense	\$10,001,000	\$ 9,963,000
Occupancy Expense	2,283,000	2,309,000
Other Non-Interest Expense	<u>5,611,000</u>	<u>4,594,000</u>
Total Non-Interest Expense	\$17,895,000	\$16,866,000
Net Income Before Income Taxes	\$ 8,677,000	\$ 7,579,000
Income Tax Expense	<u>\$ 1,208,000</u>	<u>\$ 1,582,000</u>
Net Income	<u><u>\$ 7,469,000</u></u>	<u><u>\$ 5,997,000</u></u>

Board of Directors

Monticello Bankshares, Inc.

Kenneth Ramsey, Chairman
Kenny Ramsey, President & CEO
Dr. James K. Phillips, Jr., Vice Chairman
D. Mack Butler
Earl Croushorn
Roger Dalton
Marilyn Drake
Rick Drake
Bob Hayden
Van Phillips

Monticello Banking Company

Kenneth Ramsey, Chairman
Kenny Ramsey, President & CEO
Dr. James K. Phillips, Jr., Vice Chairman
Mike Blevins
Sam Brown
D. Mack Butler
Lyle Denney
Marilyn Drake
Rick Drake
Charles Fletcher
Mark Goss
Bob Hayden

Corporate Management

President/Chief Executive Officer

Kenny Ramsey*

Chief Operations Officer/EVP

Regina Brinson

Chief Financial Officer

Sandra Frost*

Chief Credit Officer

Rodney Weaver

Chief Human Resource Officer

Becky Dolen*

Chief Technology Officer

Randy Parsons

Compliance

Pattie Corder*

Marketing

Barbara Gehring*

Auditor

Dawn Harmon

Information & Security Officer

Melissa Piercy

Advisory Boards

Albany Advisory Board

Rick Drake - Chairman, D. Jeff Choate, Gene Dunnington, Paula Little, Steve Tallent, E. Howard Stockton

Bowling Green Advisory Board

Dr. J. K. Phillips, Jr. - Chairman, Adam Burden, Laura Spencer, Ben Thornton, Gayla Warner, Marc Lovell, David Tarter, Rodney Rogers

Casey County Advisory Board

Lyle Denney - Chairman, Todd Hoskins, Garland Sharp, Brian Woodrum

Glasgow Advisory Board

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

Harlan Advisory Board

Earl Croushorn - Chairman, Don Parsons, Rayburn Doss, Wayne Greene, Rick Fox, Mark David Goss

Russell County Advisory Board

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

Somerset Advisory Board

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

Staff

CORPORATE

Human Resource
Jones, Jamie
Lester, Barbara*

Compliance
Gardner, Sherry
Goley, Misty*

Marketing
Edwards, Nataliee

Accounting
Watson, Frances,*
SVP/Controller
Crabtree, Crystal*
McGinnis, Amanda

Underwriting & Loan Servicing
Dunnington, Brandon,
AVP/Underwriting Mgr.
Reagan, Jamie,
AVP/Loan Processing Mgr.
Morrow, Brian, AVP/
Loan Operations Mgr.
Alexander, Zackary
Burnette, Nicole
Decker, Norma
Goley, Jonathan
King, Lena
Parnley, Christy
Stearns, Johnna
Willis, Charity

Appraiser
Summers, Joe

Collections
McClendon, Rick,*
SVP/Special Assets Mgr.
Nelson, Tommy
Parmley, Heather

Information Technology
Brown, Rickey
Information Technology Mgr.
Asberry, Kyle
Coffey, Garrett
Dennis, Jackie
Lowhorn, Amie
Lyons, Kenny

Information Security
Ramsey, Becky

Deposit Operations
Decker, Tabatha,*
VP/Deposit Operations Mgr.
Bunch, Renee*
Carlton, Judy*
Dobbs, Tabitha
Guffey, Leverne*
Lozano, Angela
McGinnis, Sylvia
Nelson, Debbie*
Phipps, Elissa*

Maintenance & Courier
Harmon, David,
Norfleet, Eddie

MONTICELLO

Main Office

Sr. Exec. Officer
Jean Hicks*
Receptionist
Lair, Mary*
New Accounts
Adams, Renee*
Tellers
Gregory, Kista
Keith, Patty*
Troxell, Sandra*
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, Amy
Bell, Janet*
Martin, Beulah
Carrender, Casey
Massengale, Stephanie*

TRADEWAY BRANCH

Branch Manager/Loans
Weston, Angela*
New Accounts
Foister, Linda*
Loans
Roberts, Mary Lois*
Tellers
Ellis, JaKella
Humble, Peggy
Hurd, Amy
Lucia, Jared
Stinson, Tiffany

WALMART BRANCH

Branch Mgr./Loans
New Accounts
Duke, Misty
Tellers
Bertram, Elizabeth
Corder, DeLesia
Hicks, Whitney
Staples, Shanyn

ALBANY

Regional Exec. Officer
Anita Tucker
Sr. Exec. Officer
Johnson, Willard
New Accounts
Smith, Rebecca
Loans
Brown, Debbie*
Tellers
Adams, Rachel
Jones, Kendra
Norris, Ashley
Owens, Ashley
Stockton, Kimberly

BOWLING GREEN

HARTLAND

Sr. Exec. Officer/Loans
Joe Taylor
New Accounts
Froggett, Haley
Tellers
Minton, Tammy
Phillips, Madison
Valles, Adriana

CAVE MILL

Branch Mgr./Loans
Pierce, Janet
New Accounts
Engler, Ashley
Loans
Yates, Shanda
Tellers
Lutzen, Elizabeth
Vespa, Sabina
Walters, Ann

FAIRVIEW

Exec. Assistant
Brown, Jennifer
New Accounts
Howard, Stephanie
Teller
Cole, Dianne
Feldman, Rachel
Giorgio, Sherry

GLASGOW

Sr. Exec. Officer
Witty, Leigh
New Accounts
Bowles, Amber
Loans
Redford, Tonya
Tellers
Adwell, Lisa D.
Cannon, Kim
Carter, Tiffany

CASEY

Sr. Exec. Officer
Meece, Tonya
New Accounts
Downs, Kristi
Loans
McClendon, Melissa
Hansford, Gregory
Leigh, Anne
Tellers
Cochran, Melissa
Evans, Bobbi
Hatter, Sherri
Sandusky, Kendra
Wright, Nanette

RUSSELL

Regional Exec. Officer
Anita Tucker
Executive Assistant
Money, Nancy
New Accounts
Smith, Angela
Loans
Hoover, Belinda
Matney, Christin
Tellers
Antle, Paula
Coppage, Marsha
Roy, Lisa L.
Smith, Ginger
Tucker, Sharon

SOMERSET

NORTH

Sr. Exec. Officer
Wally Hudson
Receptionist
Parkey, Lisa
New Accounts
Price, Glenda
Loans
Dungan, Debbie
Reynolds, Valerie
Salmons, Matt
Tellers
Baugh, Patricia
Harden, Mazetta
Harper, Jeff
McClendon, Megan
McGrew, Kayla
Trust Assistant
Beshears, Amanda

SOUTH

Branch Mgr./Loans
Compton, Sheila
Exec. Asst. to COO/EVP
Greene, Judy
Loans
Daniel, Amanda
New Accounts
Price, Matthew

SOUTH (CONTINUED)

Tellers
Hale, Sheila
Hatfield, Brooklyn
Loutre, Florian
McQueen, Donna
Roy, Lisa A.

HARLAN

MANSION

Sr. Exec. Officer
Tolliver, Steve
Executive Assistant
Browning, Brandi
New Accounts
Burkhardt, Tiffany
Loans
Henson, Garry
Loan Processing
Milwee, Mary
Miller, Whitney
Tellers
Chasteen, Jaid
Stanley, Teresa
White, Samantha
Whitehead, Ashley

MAIN

New Accounts
Browning, Judith*
White, Sheila*
Operations Mgr.
Estep, Ashley
Underwriting & Loan Servicing
Browning, Austen
Dean, Bill
Tellers
Jones, Tina
Roark, Londa
Stewart, Megan
Customer Call Center
Fee, Amber
Howard, Kay*
White, Kim*
White, Rhonda*
Thompson, Shirley*

VILLAGE

Receptionist
Clem, Melissa
New Accounts
Cavins, Kevin
Loans
Browning, Lisa,*
Sr. Lender
Enix, Eugene
Tellers
Cohelia, Katharine
Collett, Samantha
Farmer, Rhonda
Forester, Alicia*
Noah, Katelyn

