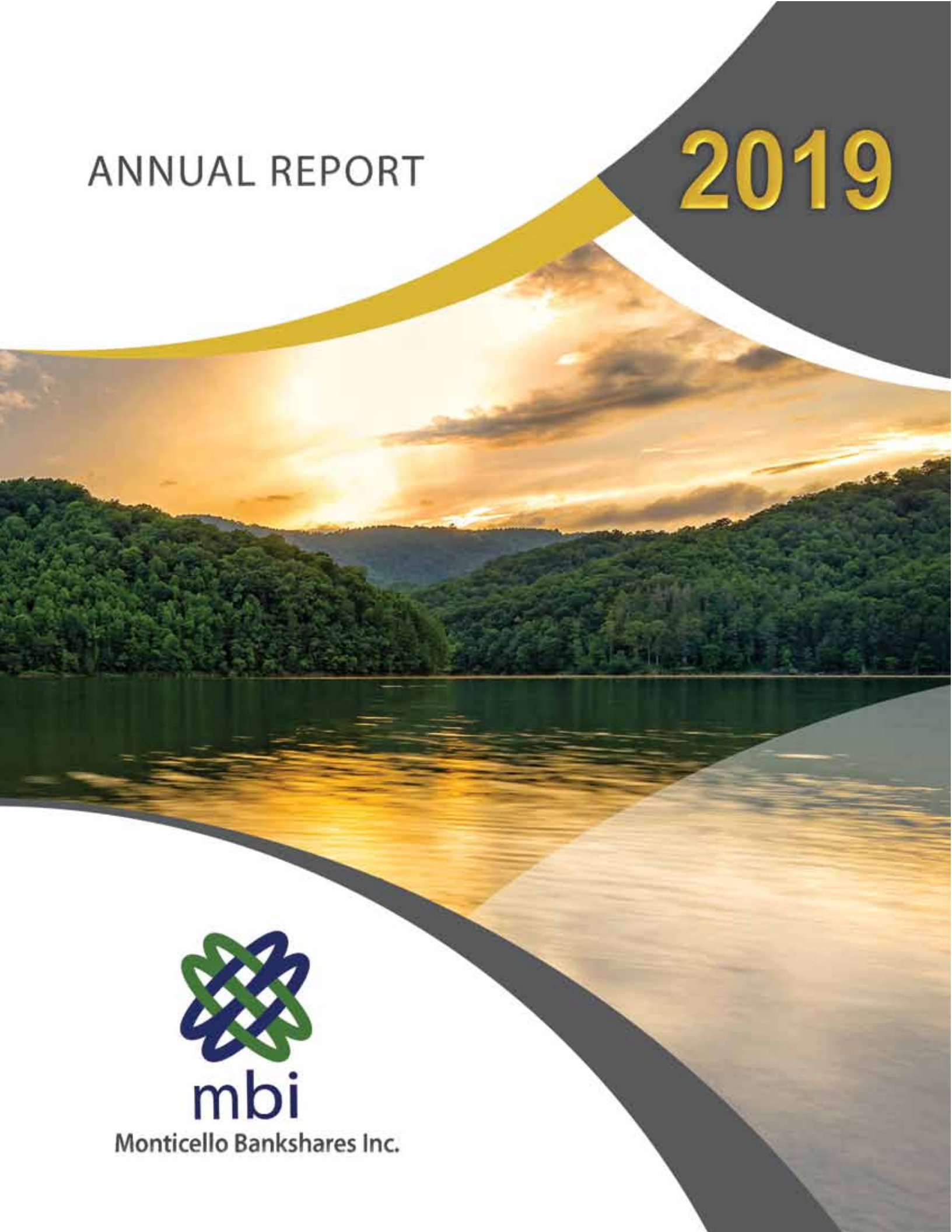


ANNUAL REPORT

2019



**mbi**

Monticello Bankshares Inc.

## *note to shareholders*

Our company had a vibrant 2019 with continued expansion in the Commonwealth of Kentucky. MBC relocated into our newly completed office in Glasgow and opened two new offices in the Bluegrass, 997 Governors Ln, Suite 125 in Lexington and 104 Springdale Dr in Nicholasville. We were pleased with the resulting growth in all three of these markets. However, we did experience an office closure in Perryville but have subsequently showed our support of the city by allowing them to utilize the facility to provide vital local services. The established markets continue to have successful performance and maintain MBC's reputation as a community bank. To meet customer demand, we continue to provide onsite service, while investing in technology to offer mobile access and online convenience.

Please visit one of our nineteen locations or [www.mbcbank.com](http://www.mbcbank.com) to learn more about our many products and services.

## *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 nineteen full service community banking offices in eleven counties in Central and 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](http://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-Richardson 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](http://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 9<sup>th</sup>, 2020 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

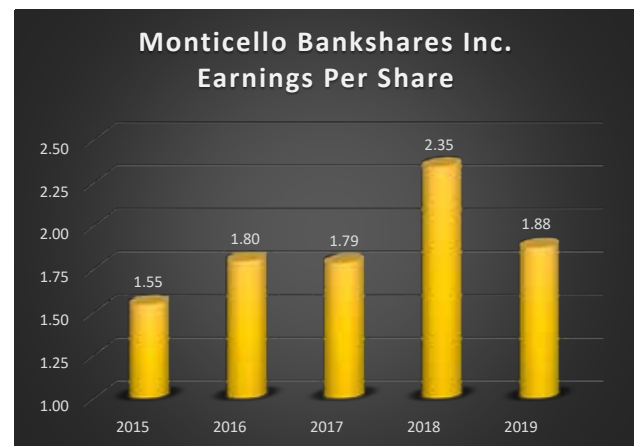
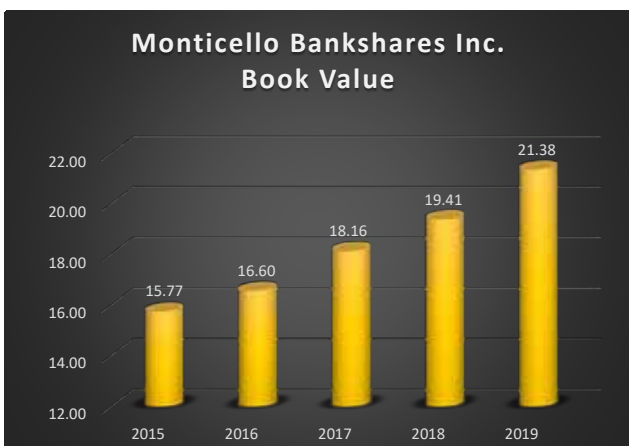
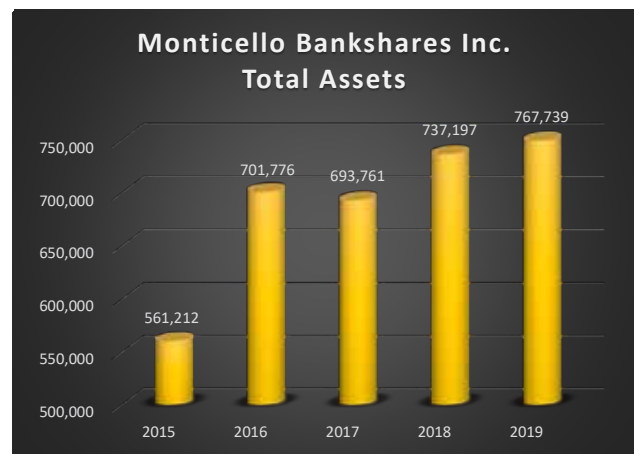
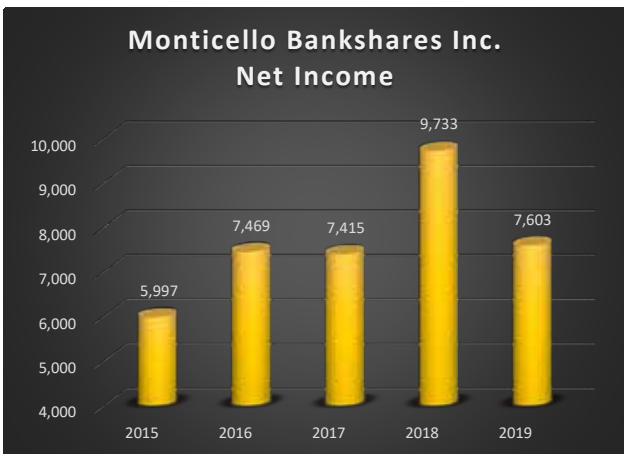
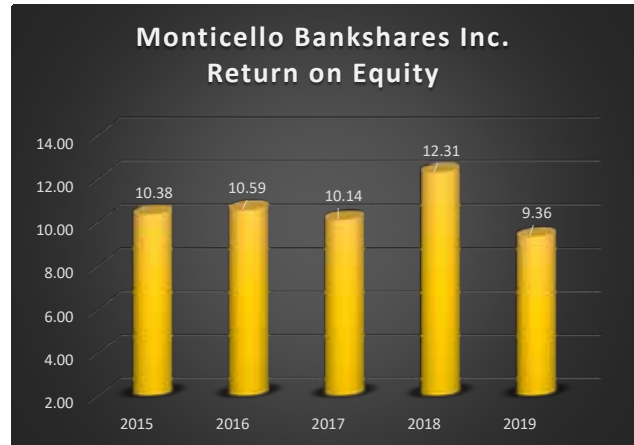
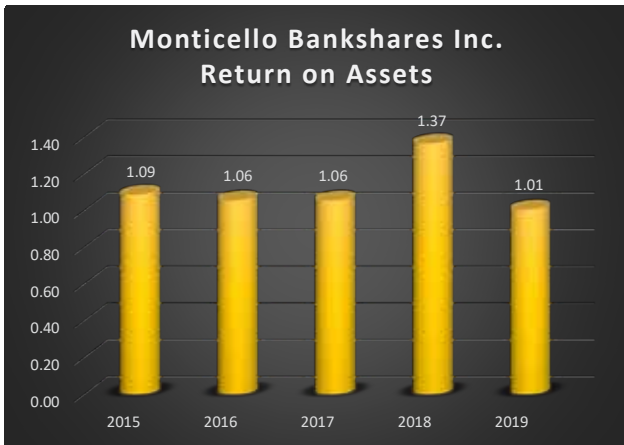
September 1 – payable Sept. 10      December 1 – payable Dec. 10

### **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 [fwatson@mbcbank.com](mailto:fwatson@mbcbank.com).

### **Independent Auditors**

Crowe LLP, 9600 Brownsboro Road, Suite 400, Louisville, KY 40241  
(502) 326-3996



# Statement of Financial Condition

Consolidated for the Year Ended December 31, 2019

(Dollar amounts in thousands except for per share data)

| Assets   | <u>2019</u>       | <u>2018</u>       |
|--|-------------------|-------------------|
| Cash and due from financial institutions   | \$ 6,246          | \$ 4,812          |
| Interest bearing deposits in other financial institutions  | 23,806            | 18,724            |
| Federal funds sold   | 1                 | 1                 |
| Total Cash and Equivalents   | <u>30,053</u>     | <u>23,537</u>     |
| Interest bearing time deposits in other financial institutions   | 992               | 2,256             |
| Securities available-for-sale  | 97,777            | 119,451           |
| Loans, net of allowance of \$5,968 and \$5,271   | 584,225           | 537,232           |
| Restricted investments   | 4,755             | 4,754             |
| Accrued interest receivable  | 2,939             | 3,107             |
| Other real estate owned  | 1,349             | 1,316             |
| Premises and equipment, net  | 20,256            | 20,420            |
| Goodwill   | 1,000             | 1,000             |
| Bank owned life insurance  | 18,755            | 18,282            |
| Core deposit intangible  | 1,242             | 1,538             |
| Other assets   | <u>4,396</u>      | <u>4,304</u>      |
| Total Assets   | <u>\$ 767,739</u> | <u>\$ 737,197</u> |
| <b>Liabilities and Stockholders' Equity</b>  |                   |                   |
| Non-interest bearing   | \$ 55,373         | \$ 79,395         |
| Interest bearing   | 588,053           | 570,598           |
| Total Deposits   | <u>643,426</u>    | <u>649,993</u>    |
| Federal Home Loan Bank advances  | 37,742            | 4,431             |
| Long term debt   | 4,800             | -                 |
| Accrued interest payable   | 560               | 466               |
| Other liabilities  | <u>1,977</u>      | <u>1,809</u>      |
| Total Liabilities  | 688,505           | 656,699           |
| <b>Stockholders' Equity</b>  |                   |                   |
| Preferred stock, \$5 par value; 50,000 shares authorized; 22,286 and 23,200 issued in 2019 and 2018, respectively; 21,481 and 23,200 outstanding in 2019 and 2018 respectively             | 107               | 116               |
| Common stock, \$5 par value; 8,000,000 shares authorized; 4,273,077 and 4,269,163 issued in 2019 and 2018 respectively; 3,684,024 and 4,123,958 outstanding in 2019 and 2018, respectively | 18,420            | 20,620            |
| Additional paid-in capital   | 734               | 7,633             |
| Retained earnings  | 58,570            | 54,208            |
| Accumulated other comprehensive gain (loss)  | <u>1,403</u>      | <u>(2,079)</u>    |
| Total Stockholders' Equity   | 79,234            | 80,498            |
| Total Liabilities and Stockholders' Equity   | <u>\$ 767,739</u> | <u>\$ 737,197</u> |

# Statement of Income

Consolidated for the Year Ended December 31, 2019

(Dollar amounts in thousands except for per share data)

|  | <u>2019</u>     | <u>2018</u>    |
|--|-----------------|----------------|
| Interest Income  |                 |                |
| Loans, including fees  | \$ 29,069       | \$ 25,450      |
| Taxable investment securities  | 522             | 818            |
| Tax-exempt investment securities   | 2,035           | 2,561          |
| Federal funds sold and other   | 787             | 817            |
| Total Interest Income  | <u>32,413</u>   | <u>29,646</u>  |
| Interest Expense   |                 |                |
| Deposits   | 4,803           | 3,667          |
| Other borrowed funds   | 347             | 195            |
| Total interest expense   | <u>5,150</u>    | <u>3,862</u>   |
| Net interest income  | 27,263          | 25,784         |
| Provision for Loan Losses  | 1,450           | 925            |
|  | <u>25,813</u>   | <u>24,859</u>  |
| Non-Interest Income  |                 |                |
| Service charges and fees on deposits   | 2,734           | 2,960          |
| Net gain on sale of securities   | 176             | 48             |
| Mortgage banking income  | 333             | 340            |
| Increase in cash value of life insurance   | 473             | 468            |
| Interchange fees   | 1,268           | 1,139          |
| Bargain purchase gain  | -               | 1,951          |
| Loss on sale of asset  | (7)             | (13)           |
| Other income   | 905             | 673            |
| Total non-interest income  | <u>5,882</u>    | <u>7,566</u>   |
| Non-Interest Expense   |                 |                |
| Salaries and employee benefits   | 13,824          | 12,207         |
| Furniture, fixtures and occupancy  | 2,992           | 3,023          |
| Legal and professional   | 360             | 324            |
| Advertising and marketing  | 466             | 378            |
| Franchise taxes  | 1,039           | 930            |
| Directors fees   | 482             | 477            |
| FDIC insurance   | 100             | 199            |
| Write down and loss on sale of other real estate owned   | 12              | 13             |
| Acquisition related expenses   | -               | 432            |
| Other operating expenses   | 3,801           | 3,435          |
| Total non-interest expense   | <u>23,076</u>   | <u>21,418</u>  |
| Income before income taxes   | 8,619           | 11,007         |
| Income tax expense   | 1,016           | 1,274          |
| Net income   | <u>7,603</u>    | <u>9,733</u>   |
| Other comprehensive income   |                 |                |
| Change in unrealized gain (loss) on available-for-sale securities,<br>net of income taxes of \$982 for 2019 and \$486 for 2018 | 3,614           | (1,827)        |
| Less: realized gains on available for sale securities, net of income taxes<br>taxes of \$37 for 2019 and \$10 for 2018         | <u>\$ (132)</u> | <u>\$ (38)</u> |
| Comprehensive income   | <u>\$11,085</u> | <u>\$7,868</u> |
| Earnings per share   |                 |                |
| Basic and diluted  | \$1.88          | \$2.35         |















## 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  
Dr. Mack Drake  
Marilyn Drake  
Rick Drake  
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  
Mark Goss  
Frank Phillips

## Corporate Management

### President/Chief Executive Officer

Kenny Ramsey\*

### Chief Operations Officer/EVP

Regina Brinson\*

### Chief Financial Officer

Sandra Frost\*

### Chief Human Resource Officer

Becky Dolen\*

### Chief Technology Officer

Randy Parsons

### Senior Credit Officer

Rick McClendon\*

### Compliance

Pattie Corder\*

### Marketing

Barbara Gehring\*

### Auditor

Dawn Harmon

### Information & Security Officer

Melissa Piercy

### Albany Advisory Board

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

### Bowling Green Advisory Board

Dr. J. K. Phillips, Jr. - Chairman, Jody Allen, Barrett Hammer, Renee Isaacs, Rodney Rogers, David Tarter, Ben Thornton Gayla Warner, Dr. Michael Zachek

### Casey County Advisory Board

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

### Danville Advisory Board

Mark Goss - Chairman, Lowery Anderson, Beth Coyle, Wyatt (Butch) Godfrey, Bill Ruth, Joseph Sharpe, John Stomberger

### Glasgow Advisory Board

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

### Harlan Advisory Board

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

### Lexington/Nicholasville Advisory Board

Mark Goss - Chairman, Bruce Davis, James "Cam" Rose, Chad Helm, Jane Phillips Harris

### Russell County Advisory Board

Michael Blevins - Chairman, Randy Baird, Steve Bledsoe, 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

