

ANNUAL REPORT
2016

Bank of Edmonson County



To our Customers, Stockholders, Associates, and Friends:

We are proud to report to you Bank of Edmonson County's progress for the year 2016. Our return on assets was 1.5 and our year-end capital ratio was 11.1. We are pleased to report this a record breaking year for earnings in the history of the Bank, as well as setting record breaking asset size.

We wish to express our appreciation to our stockholders and board of directors. It is through their leadership and unwavering support that we have been able to continue our ambition. Without our stockholders assurance, from both their investment and trust, success at this level would be impossible. It is with the guidance of our board of directors we continue to serve our communities while maintaining the traditions upon which we were founded.

We are fortunate to employ the best and brightest in south central Kentucky and are so thankful for our Bank family. Our knowledgeable management, dedicated employees, and loyal customers and friends have made our community bank successful for generations and we want to extend our gratitude to each one.

Bank of Edmonson County is a home-owned and operated community bank that is still in the business of helping our neighbors and friends. As Bank of Edmonson County continues to grow in the coming years, our philosophy of people being our first priority will continue.

Michelle Coleman
Chief Executive Officer

Alexander Ulm
President



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Bank of Edmonson County



91 Years of Service is a Very Good Start

Consistent growth and an emphasis on service have been the trademarks of the Bank since it was established in October of 1925.

In 2015 Bank of Edmonson County celebrated 90 years of serving Edmonson County, Warren County and the surrounding areas. 90 years is a great milestone for any business and at Bank of Edmonson County it was a year filled with reflection on the values and visions that created and sustained the bank. It was also a year filled with planning and growth for the future including the opening of the Bank's second branch to serve our neighbors in Smiths Grove and record financial earnings.

From Bold Beginnings

Bank of Edmonson County was established on October 5, 1925. On that day the dreams of five men came to life as the doors of the bank were opened and the people of Edmonson County were given a choice of where they conducted their banking. The planning of founders Jesse T. Alexander, his brothers Luther F. Alexander and David W. Alexander, George W. Woodcock and N.E. (Ed) Vincent had paid off. The leadership of these men would be pivotal in the coming years as the Great Depression hit our nation in 1929. Although a young institution, Bank of Edmonson County was able to keep its doors open. In 1933 Bank of Edmonson County became a member of the Federal Deposit Insurance Corporation, thus reinforcing the trust of the Bank's customers. As the lean years of the Depression from 1929 to 1937 came to a close, Bank of Edmonson County's resources began to climb. This



Marcia S. Lindsey
RETIRED
BANK OF EDMONSON COUNTY

Phyllis Woodcock Miller
RETIRED
EDMONSON COUNTY SCHOOLS

Alexander Ulm
PRESIDENT

Jeanne Alexander Patton
CHAIRMAN OF THE BOARD

Michelle Coleman
CHIEF EXECUTIVE OFFICER

David Houchin
VICE PRESIDENT

Jerry L. Meredith
MAYOR OF BROWNSVILLE

Larry L. Skaggs
RETIRED
KENTUCKY STATE WATER PATROL

Sara M. Gray
DIRECTOR EMERITUS
(NOT PICTURED)

Bank of Edmonson County



trend continued over the next couple of decades and by 1954 the Bank's assets had reached \$1 million. Growth continued and assets again doubled by the end of that decade.

Progress created the need for facilities

With the continued steady growth of the bank came the need for larger facilities. In 1969, Bank of Edmonson County purchased the south side of the Brownsville public square and after the State Banking Commissioner and FDIC granted permission, construction began on the new bank that still serves as the headquarters of our operation. The new building would be a two story building, but only the first floor would be finished and utilized at the time of completion. The doors to the new facility were opened on June 26, 1971, and the steady growth the bank had been experiencing would continue at the new location. By 1977 Bank of Edmonson County had reached the \$10 million mark in assets; and as the decade came to a close, the upstairs of the bank would need to be finished to accommodate continued, successful growth.

Throughout the 1980s the Bank continued to grow as customers continued to put trust in the institution. Assets grew from \$15 million to \$50 million by the end of the decade. This growth led to the need for another expansion in 1989. The 1989 expansion included the building of five new offices on the west side of the building that would serve as the loan department.

A remarkable milestone

During the 1990s the American economy experienced tremendous growth and Bank of Edmonson County was no different. By 1997 the Bank would reach another great milestone as assets surpassed the \$100 million mark. The tremendous growth through the 90s led to the need for yet another physical expansion. Plans were made and in 2001 Bank of Edmonson County completed this expansion which added eight new offices, extra storage space and a new



Downtown Brownsville has changed drastically since the Bank was founded on October 5, 1925.



The vision of founders Jesse T. Alexander, Luther F. Alexander, David W. Alexander, George W. Woodcock and N.E. (Ed) Vincent was revealed in the Bank's first office in Brownsville.



The Bank purchased the south side of the Brownsville public square in 1969 and built the main office, which opened June 26, 1971.

Bank of Edmonson County



conference room. Growth in Brownsville had been steady for well over half of a century and this success led to the the Bank looking for opportunities to better serve its customers and grow its market area.

Expansion to Bowling Green

After much thought and planning, Bank of Edmonson County announced plans to build its very first branch which would be located on the north side of Bowling Green. It was a decision that had been carefully studied by the board of directors and management and would prove to be a good fit into the Warren County market. The doors of the branch were opened on October 24, 2004 and it has experienced steady growth since its first day of business. Along with market expansions and physical growth, customers began looking for new, cutting edge technologies and Bank of Edmonson County invested in technologies including five convenient ATMs, a 24-hour automated 1-800 number, Internet Banking and Internet Bill Pay.

Expansion of facilities was again needed and in 2009 the bank completed construction of a new operations center on the northeast corner of the square in Brownsville. This facility is a state of the art building that houses the Bookkeeping and Loan Operations Departments. The building also houses the banks computer servers and technology equipment.

Smiths Grove presents opportunity

2014 was a successful year for Bank of Edmonson County. The year began with a successful transition to new leadership with another record year of earnings for the bank's shareholders and came to a close with the bank purchasing property on Main Street in Smiths Grove and applying to the FDIC for a new branch location to serve the needs of Smiths Grove and its citizens.

Though plans were started in late 2014 for the new Smiths Grove branch, 2015 would see the development of



The Bank's first branch opened in Bowling Green on October 24, 2004 and has experienced steady growth since its first day of business.



The new Operations Center opened in 2009 to prepare for the technological demands of a growing customer base.



The most recent branch opened in neighboring Smiths Grove with a ribbon cutting ceremony on September 24, 2015.

Bank of Edmonson County



those plans. In early 2015 architects completed drawings for the new office and the bidding process began. After awarding the contract to a local contractor, directors, officers and employees of the bank were joined by community leaders, citizens and customers to break ground for the new facility on April 23 and the project was completed with a Ribbon Cutting and Grand Opening Ceremony that was attended by over 200 on September 24. The employees at the Smiths Grove branch opened their first accounts that afternoon and the office has seen steady growth in both loans and deposits since that very first day.

Innovation in technology

2016 was a year of new innovation for Bank of Edmonson County. With the addition of our Mobile Banking App with Remote Deposit Capture to our Online Banking services, it shows just another way we continue to strive for customer convenience and satisfaction.

After 90 years Bank of Edmonson County remains committed to providing the citizens in our area with the finest customer service, competitive products and convenient locations to conduct their business while focusing on strengthening and giving back to the communities we serve.



The Brounville office experienced an interior flood on President's Day weekend, 2016



Banking has changed dramatically since 1925, but the spirit of service at the Bank has remained. Mobile Banking and Remote Deposit Capture take the bank to the customer, providing more convenience than ever before.

Saying Thanks

Two women were honored for 40 years of service to the Bank and to this community, and somehow "thanks" wasn't enough.



Chairman Jeanne Patton presented Jo Ann (left) and Judy (right) pins to honor their 40 years of service.

Jo Ann Cassidy was 17-years-old on her first day at Bank of Edmonson County, and she remembers it well.

"It was August 16, 1976 and even then I was impressed with the family atmosphere of this workplace," she recalled. "That hasn't changed, either. We think we're a big family. We've been here for weddings, births, baptisms, you name it; we've been here for each other."

What has changed?

"Regulations, no doubt. We have so much more today to document and report. I understand it, and it's good for the security of our customers, but the amount of paperwork in banking today is staggering."

Her strongest memory from the early days?

"No question, it was Christmas bonus time. I think I was earning about \$300 a month when Mr. Alexander handed me \$100 in cash as a bonus. I had only been working about four months, so that bonus made me feel like the richest girl in the world. He made my Christmas, that's for sure."

Judy Russell was hired 40 years ago to complete a staff of thirteen employees – a staff that has now grown to four times that size.

"It was September 13, 1976 and I left a job I loved at the Mammoth Cave Hotel," she remembered. "I was barely 22 and I instantly adored my new job. Being a teller appealed to me because of the people I had the pleasure of speaking

with each day. I couldn't imagine a better work setting."

What has changed in 40 years?

"Automation. In those days we did everything manually. We entered, we added, we balanced a number at a time. Today's technology has been a good friend to banking."

Judy also speaks of the close-knit nature of her "work family."

"I like the mix of younger workers with those of us who have more experience. I learn just about every day from the people around me – young and old – and I have found the value in a healthy sense of humor. If you can laugh a little and practice The Golden Rule every single day, life is better."

It was fitting that Jo Ann and Judy were presented their 40-year pins by close friend **Jeanne Patton**.

"These are two very special women and friends, and we all have Sara (Gray) to thank for this moment," she said. "Sara was a great mentor to us. She was pretty much responsible for raising Jo Ann, Judy and me in the bank. I can't say enough good about her."

TIMELINE FOR BANK OF EDMONSON COUNTY / SERVING SOUTH CENTRAL KENTUCKY FOR 91 YEARS ... AND COUNTING

- 1925** Jesse, Luther and David Alexander, George Woodcock and Ed Vincent founded the bank on October 5.
- 1929** America suffers its worst depression to date, posing challenges for the new bank.
- 1933** Bank of Edmonson County becomes a member of the FDIC, instilling confidence in a struggling community.
- 1949** Weathering the financial storm, the bank reaches a milestone: \$1,000,000 in assets.
- 1954** The bank purchases the south side of the Brounville square for a main office.
- 1969** Doors open on the new office on June 26.
- 1971** The Bank reaches \$10 million in assets and finishes the upper level to accommodate the growth.
- 1977** Another milestone: the bank reaches \$50 million in assets by the end of the decade.
- 1987** Five new offices are built on the west side of the building to house a loan department.
- 1989** Phenomenal growth helps the bank surpass \$100 million in assets.
- 1997** More physical growth: eight offices, storage and conference space are added.
- 2001** History is made as the bank opens an office in Bowling Green on Oct. 24.
- 2004** A brand-new operations center is opened on the NE corner of the Brounville square.
- 2009** The bank purchases a state-of-the-art message board for the main office.
- 2012** The Bank opens a third branch on Main Street in Smiths Grove.
- 2015** The Bank achieves the highest earnings in its 92-year history and adds Mobile Banking app to Online Banking services.
- 2016**

Staff Christmas Party / December 2016

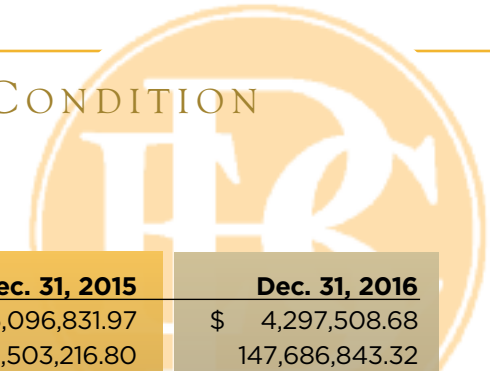


 2016 STAFF LISTING


VALERIE ANTLECOLLECTIONS OFFICER
 DONNA BAGSHAW SVP/DEPOSIT COMPLIANCE & OPERATIONS OFFICER
 WHITNEY BARTHBOOKKEEPER
 REBECCA BASHAMMORTGAGE LOAN PROCESSOR
 DANIEL BOLTONLOAN OFFICER
 LISA BOOTHAVP/BRANCH MANAGER
 KATLYN BULLOCKTELLER
 MARGARET CAMPBELLTELLER
 JENA CARROLLTELLER
 BEATRICE CASSADYVP & AUDITOR
 JO ANN CASSADYSVP/SENIOR LOAN OFFICER
 DORIS CASTCRA OFFICER
 HAYLEY CHILDRESSPART-TIME FLOATING TELLER
 RENEE CHILDRESSAVP/BRANCH MANAGER
 MICHELLE COLEMANCHIEF EXECUTIVE OFFICER
 MELISSA COLLINSMORTGAGE LOAN PROCESSOR
 TIFFANY COOTSTELLER
 LISA COWLESMARKETING OFFICER
 SANDRA COWLESLOAN ASSISTANT
 HALEY GARMONPART-TIME TELLER (SEASONAL)
 LATRENIA GRIMESLOAN OPERATIONS ASSISTANT
 MARY BETH HAYESCUSTOMER SERVICE REPRESENTATIVE
 SHAINA HENNIONBOOKKEEPER
 AMBER HOGANPART-TIME FLOATING TELLER
 DAVID HOUCHINVP & HEAD TELLER
 ERICA KESSINGERPART-TIME CREDIT ADMIN. ASSISTANT
 LOU ANN LANGDONAVP & TELLER OPERATIONS OFFICER

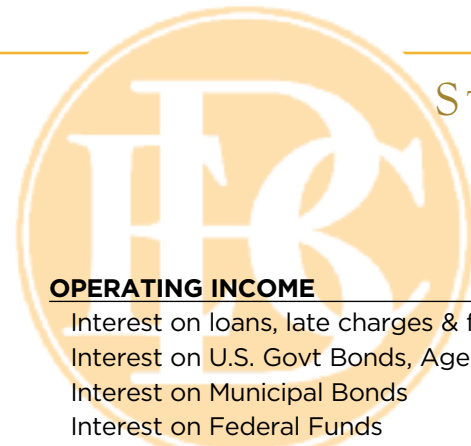
LAURA LINDSEYMORTGAGE LOAN PROCESSOR
 MANDEE MCDUGLECUSTOMER SERVICE REPRESENTATIVE
 DANIELLE MEREDITHLOAN ASSISTANT
 MICHAEL MEREDITHLOAN OFFICER
 RHONDA MEREDITHHUMAN RESOURCES OFFICER
 PATRICK MERRITTCREDIT ADMIN/IT ASSISTANT
 ANDREA MILLERPART-TIME TELLER (SEASONAL)
 KANDI MINTONLOAN COMPLIANCE OFFICER
 TRICIA PRIDYLOAN REVIEW OFFICER
 ROBIN RENFROAVP & LOAN OFFICER
 TERESA RICHBSA/DEPOSIT COMPLIANCE ASSISTANT
 JUDY RUSSELLSVP & OPERATIONS OFFICER
 LESLIE SALINGLOAN OPERATIONS ASSISTANT
 LINDA SALINGPART TIME LOAN OPERATIONS
 MEGAN SALINGCUSTOMER SERVICE REPRESENTATIVE
 ANGELA SALINGSTELLER
 HANNAH SANDERSTELLER
 PAIGE SANDERSPART-TIME FLOATING TELLER
 MARIA SPAINHOWARDBOOKKEEPER
 MICHAEL THOMPSONVP/SENIOR LOAN OFFICER
 JESSICA TURNERHEAD TELLER/CUSTOMER SERVICE REPRESENTATIVE
 ALEXANDER ULMPRESIDENT
 MELINDA VAN METERDEPOSIT OPERATIONS OFFICER
 MELISSA VINCENTNEW ACCOUNTS OFFICER
 MELISSA WHOBREYLOAN OPERATIONS OFFICER
 MICHELLE WHOBREYLOAN OPERATIONS ASSISTANT
 JUDY WILSONTELLER

CONDENSED STATEMENT OF CONDITION



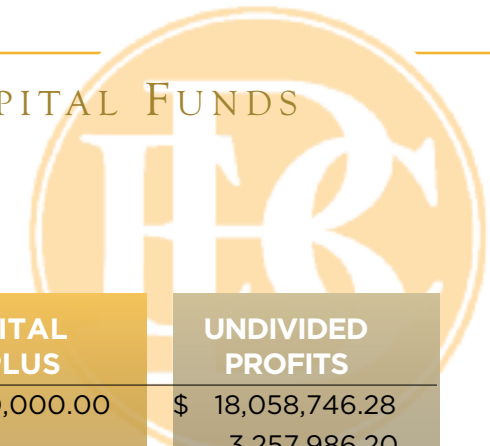
ASSETS	Dec. 31, 2014	Dec. 31, 2015	Dec. 31, 2016
Cash and Due from Banks	\$ 4,227,327.68	\$ 6,096,831.97	\$ 4,297,508.68
Loans and Discounts	144,151,737.99	150,503,216.80	147,686,843.32
U.S. Government Securities	24,401,072.20	26,431,569.09	39,488,329.50
Other Bonds and Securities	21,352,663.54	17,222,306.69	15,493,349.17
Federal Funds Sold	-	3,581,000.00	1,288,000.00
Accrued Interest Receivable	973,690.86	951,082.34	1,039,998.11
Banking House and Lot	3,779,871.80	4,505,294.57	4,430,942.81
Furniture and Fixtures	313,480.91	560,274.66	556,532.48
Other Assets	87,480.92	184,797.29	216,852.64
TOTAL ASSETS	\$199,286,863.90	\$210,036,373.41	\$ 214,498,356.71
LIABILITIES			
Capital	\$ 400,000.00	\$ 400,000.00	\$ 400,000.00
Surplus	5,850,000.00	5,850,000.00	6,300,000.00
Undivided Profits	17,454,385.46	18,058,746.28	18,226,732.48
Reserve for Securities	94,894.91	164,480.13	(1,089,958.38)
Officers Checks	1,075,479.59	1,682,632.56	1,557,702.97
Accrued Interest Payable	53,809.02	50,090.89	50,090.89
Demand Deposits	49,983,535.59	57,975,630.49	63,254,651.06
Savings Deposits	10,120,303.19	11,535,523.31	13,044,757.05
Certificates of Deposit	107,843,684.63	107,425,090.03	106,783,337.47
Borrowings: FHLB	1,746,551.16	6,207,589.08	5,109,663.79
Federal Funds Purchased	-	4,049,000.00	-
Other Liabilities	615,220.35	686,590.64	861,379.38
TOTAL STOCKHOLDER'S EQUITY AND LIABILITIES	\$199,286,863.90	\$210,036,373.41	\$ 214,498,356.71

	2014	2015	2016
			
TOTAL ASSETS	\$ 199,286,864	\$ 210,036,373	\$ 214,498,357



STATEMENT OF INCOME

	2014	2015	2106
OPERATING INCOME			
Interest on loans, late charges & fees	\$ 7,885,944.13	\$ 8,061,676.95	\$ 8,156,322.25
Interest on U.S. Govt Bonds, Agencies	323,991.22	304,856.16	420,102.59
Interest on Municipal Bonds	578,885.98	442,049.59	345,536.31
Interest on Federal Funds	1,953.97	4,011.79	25,697.05
Interest on FHLB	84,648.41	83,029.45	83,453.40
Other Income; service charges, club fees, credit life, lock boxes	803,849.62	933,543.47	1,093,231.55
TOTAL INCOME	\$ 9,679,273.33	\$ 9,829,167.41	\$ 10,124,343.15
OPERATING EXPENSE			
Salaries, directors' fees, committee fees	\$ 1,947,546.04	\$ 2,126,639.81	\$ 2,191,732.38
Employee benefits			
Profit sharing, insurance, etc.	555,566.28	598,278.03	659,690.45
Interest - CDs, IRAs, Passbook & DDA	1,343,148.04	1,168,309.13	1,198,985.25
Interest on FHLB advances	101,754.87	66,601.70	139,911.42
Interest on Federal Funds	3,871.76	17,887.44	24.33
Occupancy			
Taxes, repairs, utilities & depreciation	449,163.68	470,944.05	560,629.14
Loan loss provision	220,000.00	90,000.00	-
Legal, examinations & audit	311,606.53	245,672.61	254,015.40
FDIC insurance	108,759.10	109,113.65	109,070.37
Estimated Federal Income Tax	-	-	-
Data processing	651,384.25	680,748.16	646,634.56
Other operating expense; advertising, supplies, insurance, telephone, travel, seminars, postage, equipment service	978,024.04	1,010,612.01	1,105,663.65
TOTAL EXPENSES	\$ 6,670,824.59	\$ 6,584,806.59	\$ 6,866,356.95
NET INCOME	\$ 3,008,448.74	\$ 3,244,360.82	\$ 3,257,986.20



STATEMENT OF CHANGE IN CAPITAL FUNDS

	CAPITAL STOCK	CAPITAL SUPLUS	UNDIVIDED PROFITS
Balance Dec. 31, 2015	\$ 400,000.00	\$ 5,850,000.00	\$ 18,058,746.28
Net Income for the year 2016			3,257,986.20
Cash Dividends (March, June, September, December = \$22.00/share)			(2,640,000.00)
Transfer to Surplus		450,000.00	(450,000.00)
Balance Dec. 31, 2016	\$ 400,000.00	\$ 6,300,000.00	\$ 18,226,732.48
Capital Funds			
Capital stock authorized shares \$10.00 par value - 40,000 shares issued and outstanding			\$ 400,000.00
Capital Surplus			6,300,000.00
Undivided Profits			18,226,732.48
Total Capital Funds			\$ 24,926,732.48

BOOK VALUE PER SHARE

EDMONSON BANCSHARES, INC.
 $\$24,926,732.48 / 120,000 = \207.72

Book Value 12/31/15
 $\$24,308,746.28 / 120,000 = \202.57
 Book Value 12/31/14
 $\$23,704,385.46 / 120,000 = \197.54
 Book Value 12/31/13
 $\$23,095,936.72 / 120,000 = \192.47



The entire Bank staff took a trip to Paducah in October.



Alex and Michelle represented the Bank at Edmonson County High School Career Day.



Smiths Grove staff members celebrated the branch's one year anniversary in September.



The Bank staff honored Doris Cast with our very own Pink Out Day in October.



The activities committee for Relay for Life mixed fun and work for a great cause.



Two of our favorite characters – Santa and Moola – got together at Christmas time.



The Bank of Edmonson County float was a popular part of the Fair Day Parade.



The Fair Day Parade is a highlight for the Bank staff members and their families.



CHARITABLE CONTRIBUTIONS AND COMMUNITY ACTIVITIES

- American Cancer Society Relay for Life
- Barren River Area Safe Space
- Bowling Green Area Chamber of Commerce
- Briarwood Elementary Dollars and Cents Program
- CHC Hospitality House Sponsor
- ECHS Veterans Day Program
- ECMS Reality Store
- ECMS Veterans Day Patriot Pen Essay Contest
- Edmonson County Anti-Drug Coalition
- Edmonson County Chamber of Commerce
- Edmonson County Community Education Council
- Edmonson County Lions Club
- Edmonson County Lions Club Christmas Parade
- Edmonson County Lions Club Fair Day Parade
- Edmonson County Parks and Recreation Freedom Fest
- Edmonson County Saddle Club Spring Horse Show
- Edmonson County Schools Back to School Bash
- Edmonson County Schools Sports Booster Clubs
- Edmonson County Tourism Board
- Feeding America Edmonson County Backpack Program
- Junior Achievement
- KBA Banking Schools
- Kentucky State Gospel Singing Convention
- Kyrock Elementary School Career Day
- Leadership Edmonson County
- Lifeskills, Inc. Board of Directors
- Newspaper in Education
- North Warren Elementary School Community Day
- S.T.O.P. (Students Targeting Outside Pressures – ECMS)
- Santa's Secret Hands
- SKyPac
- Smiths Grove Days
- Smiths Grove Lions Club Car Show
- Smiths Grove Womens Club
- South Central Kentucky Kids on the Block Inc.
- South Edmonson Elementary School Leadership Night
- Teach Children to Save
- Warren East Schools Sports Booster Clubs
- Washington Meredith Lodge Car Show
- YANKA (You Are Not a Kid Anymore - ECHS)
- Youth Service Center/FRC Advisory Board



Bank of Edmonson County

MEMBER FDIC / EQUAL HOUSING LENDER 

109 North Main Street
Brownsville, Kentucky 42210
(270) 597-2175

6780 Louisville Road
Bowling Green, Kentucky 42101
(270) 793-0033

156 South Main Street
Smiths Grove, Kentucky 42171
(270) 563-0001