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# Kentucky

*Bancshares, Inc.*

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# Financial Highlights...

Kentucky Bancshares, Inc.	2009	2008	2007	2006
Assets (\$ thousands)	\$ <b>675,231</b>	\$ 678,775	\$ 630,939	\$ 629,542
Net Income (\$ thousands)	\$ <b>4,848</b>	\$ 3,713	\$ 6,586	\$ 6,486
Per Share Results				
Earnings (assuming dilution)	\$ <b>1.77</b>	\$ 1.33	\$ 2.30	\$ 2.34
Dividend	\$ <b>0.80</b>	\$ 1.12	\$ 1.08	\$ 1.00

## ANNUAL MEETING

The annual meeting of Kentucky Bancshares, Inc. will be held Wednesday, May 19, 2010 at 11:00 A.M. in the corporate headquarters.

## INVESTOR INFORMATION

Any individual may request a copy of the Corporation's 2009 Form 10-K Report by writing to Investor Relations at the Corporate Headquarters.

## SHAREHOLDER INFORMATION

### CORPORATE HEADQUARTERS

Kentucky Bancshares, Inc.  
339 Main Street  
Paris, Kentucky 40361  
859-987-1795  
www.kybank.com

### TRANSFER, REGISTRAR AND DIVIDEND AGENT

Registrar and Transfer Company  
10 Commerce Drive  
Cranford, New Jersey 07016  
800-368-5948  
rtco.com

## ACQUIRING STOCK

Kentucky Bancshares, Inc. common stock is available through your broker or Kentucky Bank's Wealth Management Department. We are listed on the Over-The-Counter Bulletin Board, symbol KTYB.OB.

# Call It



# Dear Shareholders...

We are pleased to report that for the year ended December 31, 2009, Kentucky Bancshares, Inc. showed a net income increase of 30.6% over prior year, from \$3.7 million to \$4.8 million. As a result our earnings per share, on a diluted basis, increased from \$1.33 to \$1.77, a 33% increase. The book value per share increased from \$20.77 per share to \$22.25 per share; a 7.1% improvement.

Your company experienced a 0.5% decline in assets as we ended the year at \$675.2 million compared to \$678.8 million at year end 2008. Our loans were up 0.3% and ended the year at \$425.4 million versus the \$424.3 million for December 31, 2008. Deposits grew 3.0% and increased from \$520.8 million to \$536.4 million. Most of the increase we experienced in deposits was in the demand deposit and savings account areas.

Without a doubt, 2008 and 2009 have been the most challenging years for the national, state, and local economies. Last year at this same time we anticipated that 2009 would be a continuation of the difficulties experienced in 2008, and unfortunately that has been the case. Just to cite a recent example, the unemployment rate in all 120 Kentucky counties has increased in 2009. In 95 of those counties, the unemployment rate is over 10%. This unemployment issue will not be quickly resolved. There have been some signs that the economy may have now bottomed out, but the most significant lingering question is how long will we be facing these difficult times.

The impact on the banking industry has been serious. In the fourth quarter of 2009, 32.7% of banks reported losses, which is a slight improvement over 2008. The good news is that for the full year, banks reported an overall increase in earnings. Also reflective of the continuing 2009 recession is the fact that loan growth declined 1.7% in the fourth quarter, which is the sixth consecutive quarter in which the banking industry has experienced declining loan balances.

Banks are also dealing with issues beyond the economy and those are primarily regulatory in nature. Congress has introduced reform legislation in 2009 that will no doubt demand that the industry find creative ways to generate revenue. On the expense side, the Federal Deposit Insurance Corporation has imposed on all banks a three year prepayment of deposit insurance premiums. For Kentucky Bank, this amounted to approximately \$1.0 million annually. Two years ago this premium was approximately \$180,000.

Despite these challenges, we were pleased to be able to have an increase in earnings in 2009. We have now put in place many of our cost control efforts that we have mentioned throughout the year. We continue to focus vigorously on credit issues as they arise. However, we also feel that this is a time for us to redouble our efforts in providing our customers and clients with Premier Customer Service. Additionally, we believe that this is an opportune time to focus on building business. There are many people and businesses to whom we can provide excellent banking services, and in difficult times often they are overlooked or underserved by their current financial institutions. We want to take advantage of this opportunity and as a result, we have put into place business development strategies to capitalize on our strengths as a bank.

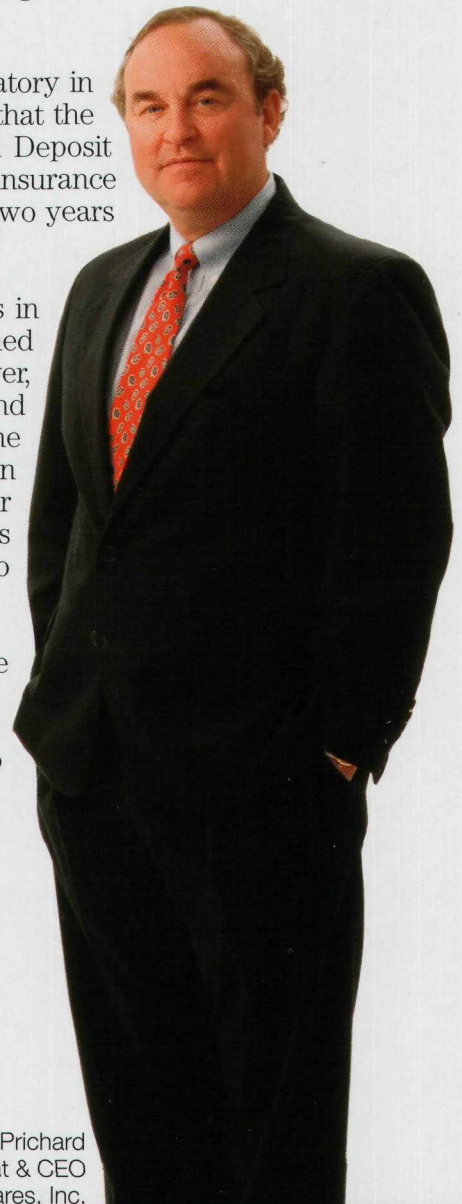
Repeatedly we have said that these are the most difficult economic times that we have faced in 75 years. To recover from these difficulties it will take time, perseverance, and hard work. We are dedicating ourselves to accomplishing our goals so that when the economy does in fact recover, Kentucky Bancshares, Inc. will be in a strong position to enjoy the benefits of our efforts.

As always, we appreciate your support.

*Louis Prichard*

*Home!*

Louis Prichard  
President & CEO  
Kentucky Bancshares, Inc.





# Opportunity...

## **Kentucky Bank at a glance**

Kentucky Bancshares, Inc. is a regional community bank offering an array of financial products delivered with a high degree of personal service. The company's focus is to provide Premier Customer Service. We build relationships with our customers by being accessible and offering solutions to their financial and investment needs. With this platform, Kentucky Bank is able to continually build the value of our long-term franchise. Kentucky Bank provides a full range of financial products including brokerage and Wealth Management services; Commercial Lending as well as Agricultural Lending; Certificate of Deposit Account Registry Service (CDARS); payment processing; remote deposit for businesses; and mortgage services including in-house, secondary market, and government mortgage programs.

## **Market stability**

Kentucky Bank's offices are located primarily in Central Kentucky with three additional offices in Rowan and Elliott Counties. Our communities represent fairly diverse economies; however, along with the rest of the state and country, all may have experienced substantial slow-downs and declines in housing, employment, and sales. While we have been aggressive in pursuing business opportunities, it has been a time for caution. We remain optimistic about our long range opportunities in these communities, and feel it is part of our responsibility to help support the economies of these markets. We support hundreds of community organizations either through contributions, advertisements, or through employee involvement.

## **Branch image capture**

In 2009 we expanded our use of check image processing to enable all of our locations to convert paper checks to electronic images for faster, more efficient processing. As a result, processing costs are being reduced and items are being cleared much faster, allowing us to push back the hour of our business day cut-off time.

## **Small business banking**

Our Market Presidents are working directly with local businesses to offer the most viable financial solutions for their needs. We feel we are well positioned to pursue our goal of being the bank of choice for this important business segment. Use of our remote deposit service, which allows business customers to deposit their paper checks directly into their deposit account from their office is growing. We are working with the Small Business Administration (SBA) to expand our lending capabilities to small businesses. We look forward to continued growth with this market.

## **About the cover**

The headquarters of Kentucky Bancshares, Inc. is located in Paris, Kentucky. We have offices on three of the four corners of 4<sup>th</sup> and Main Streets. One corner houses the administration offices, another houses our operations facilities, and the third corner is one of our busiest banking offices. Upon approaching the Bourbon Banking Center, look up toward the northeast to catch a glimpse of Bourbon County's beautiful and historic Courthouse. Like the Courthouse, we have a strong and extraordinary history.



# Officers 2009...

## **Senior Management**

Louis Prichard, President and CEO  
Brenda Bragonier, Sr. VP, Director of Marketing and Human Resources  
Gregory J. Dawson, Sr. VP, Chief Financial Officer  
Norman J. Fryman, Sr. VP, Director of Sales & Service  
Clark Nyberg, Sr. VP, Director of Wealth Management  
Martha Woodford, Sr. VP, Director of Operations

## **Accounting**

Gregory J. Dawson, Sr. VP, Chief Financial Officer  
Brenda Berry, AVP, Sr. Accountant  
Brandon Gilliam, AVP, Controller  
Janice Hash, AVP, Sr. Accountant/Purchasing

## **Commercial Lending**

Darren Henry, VP, Director of Commercial Lending  
Benjamin Caudill, VP, Commercial Lender  
Ken DeVasher, VP, Commercial Lender  
Shane Foley, VP, Commercial Lender

## **Compliance**

Lydia Sosby, VP, Compliance Officer  
Sherry Griffith, BSA/Security Officer

## **Credit Administration**

Norman J. Fryman, Sr. VP, Director of Sales & Service  
Catherine Hill, VP, Collections Manager  
Shawn King, VP, Credit Manager/Sr. Credit Analyst  
Arnita Willoughby, AVP, Secondary Market Professional

## **Human Resources**

Brenda Bragonier, Sr. VP, Director of Marketing & Human Resources  
Christopher J. LeMaster, AVP, Director of Training  
Judith Taylor, VP, Human Resources Manager

## **Operations**

Martha Woodford, Sr. VP, Director of Operations  
Karen Anderson, AVP, Exception Item and Data Officer  
Melinda Biddle, AVP, Core Business Officer  
Perry Ingram, VP, Information Systems Manager  
Brandon Sumpter, Sr. Software Administrator

## **Risk Management**

Mark Bond, Interim Director of Risk Management

## **Wealth Management**

Clark Nyberg, Sr. VP, Director of Wealth Management  
James Gray, Investment Advisor  
Quin Swiney, Personal Trust Administrator  
Jan Worth, VP, Sr. Trust Officer

## **Bourbon County**

Nancye Fightmaster, Market President  
Wallis Brooks, AVP, Branch Manager/CRA Officer  
Rhonda Brown, AVP, Consumer/Mortgage Lender  
Lisa Highley, AVP, Consumer/Mortgage Lender  
Susan Lemons, Sr. Consumer Lender

## **Clark County**

Darryl Terry, Market President  
Linda Johnson, Mortgage Originator  
Kathy Newkirk, AVP, Consumer/Mortgage Lender  
Teresa Shimfessel, AVP, Branch Manager/Consumer Lender

## **East Kentucky**

William Hough, Market President  
Jeremy Brown, Mortgage Originator  
Eulah Gray, Consumer Lender  
Connie Ingram, Consumer Lender  
Sherry Mathis, AVP, Branch Manager/Consumer Lender  
Tammy Stegall, Consumer Lender

## **Harrison County**

Pam Slone, Market President  
Dreama Harris, AVP, Consumer Lender

## **Jessamine County**

Brandon Eason, Market President  
Debbie Hamilton, Consumer Lender

## **Scott County**

Pamela Jessie, Market President  
Ben Fryman, Mortgage Originator

## **Woodford County**

Duncan Gardiner, Market President  
Alberta Carmickle, Consumer Lender



# Board of Directors...

William M. Arvin  
Attorney  
Law Offices of William Miles Arvin

B. Proctor Caudill, Jr.  
Special Projects Manager  
Kentucky Bank

Henry Hinkle  
President  
Hinkle Contracting Corporation

Betty J. Long  
Retired President  
First Federal Savings of Cynthiana

Theodore Kuster  
CEO  
Hillside Farm/Shawhan Place, LLC

Ted McClain  
President  
Hopewell Insurance Company

Louis Prichard  
President, CEO  
Kentucky Bank  
Kentucky Bancshares, Inc.

Robert G. Thompson  
Farmer, Thoroughbred Breeder  
Snowhill Farm

Woodford Van Meter  
Professor of Ophthalmology  
University of Kentucky

Edwin S. Saunier  
President  
Saunier North American, Inc.

Buckner Woodford IV  
Chairman  
Kentucky Bank  
Kentucky Bancshares, Inc.

## REGIONAL DIRECTORS

### BOURBON

Proctor W. Blair  
Partner  
Ludwig, Blair and Busch, PLLC

Lonnie Conley  
Businessman

Allyson Eads  
Co-owner, Eads Hardware

Rodes Shackelford Parrish  
President  
The Clay Ward Agency, LLC

### CLARK

Mary Beth Hendricks  
Director, Clark County  
Child Support Services

Donald Pace  
Retired Executive Director  
Central Kentucky  
Educational Co-op with UK

John G. Roche  
Optician, Inc.

Edwin S. Saunier  
President  
Saunier North American, Inc.

### EAST KENTUCKY

Rep. Rocky Adkins  
Majority Floor Leader  
House of Representatives

G.R. (Sonny) Jones  
VP, CFO  
St. Claire Regional Medical Center

William H. Redwine  
AVP, Auxiliary Services  
Morehead State University

Madonna Weathers  
VP, Student Life  
Morehead State University

### HARRISON

K. Bruce Florence  
Director  
Licking Valley College

Betty J. Long  
Retired President  
First Federal Savings of Cynthiana

Brad Marshall  
Farmer, Owner  
Marshall's Tractor Supply

Joel Techau  
CEO, Techau, Inc.

Gerry Whalen  
Broker  
Whalen and Company

### JESSAMINE

William M. Arvin  
Attorney  
Law Offices of William Miles Arvin

Dan Brewer  
President, CEO  
Blue Grass Energy

Tom Buford  
Kentucky State Senator

Eva McDaniel  
Jessamine County Clerk

Jonah Mitchell  
President  
Jonah Mitchell Real Estate and Auction

### SCOTT

Dr. Gus Bynum  
Physician

Mike Hockensmith  
Owner and President  
The Hockensmith Agency, Inc.

R. C. Johnson, Jr.  
Owner and President  
Johnson's Funeral Home

George Lusby  
County Judge Executive

Everette Varney  
Former Mayor Georgetown

### WOODFORD

Loren Carl  
District Coordinator  
Congressman Ben Chandler

James Kay  
Businessman, Farmer

Tricia N. Kittinger  
Circuit Clerk  
Woodford County



# Office Locations...

## **BOURBON COUNTY**

**Bourbon Banking Center** 859-987-1795  
401 Main Street  
Paris, KY 40361

**Lexington Road Office** 859-988-1300  
2021 S. Main Street  
Paris, KY 40361

## **CLARK COUNTY**

**Colby Road Office** 859-744-3825  
1975 Bypass Rd.  
Winchester, KY 40391

**Winchester Main Office** 859-744-1632  
24 W. Lexington Ave.  
Winchester, KY 40391

## **ELLIOTT AND ROWAN COUNTIES**

**Morehead Downtown Office** 606-780-0535  
400 W. First Street  
Morehead, KY 40351

**Flemingsburg Road Office** 606-784-6973  
1500 Flemingsburg Rd.  
Morehead, KY 40351

**Sandy Hook Office** 606-738-5163  
Main and Jane Streets  
Sandy Hook, KY 41171

## **HARRISON COUNTY**

**Cynthiana US 27 Office** 859-234-3363  
939 US Hwy. 27 South  
Cynthiana, KY 41031

## **JESSAMINE COUNTY**

**Nicholasville Office** 859-885-6028  
920 N. Main Street  
Nicholasville, KY 40356

**Wilmore Office** 859-858-3993  
108 E. Main Street  
Wilmore, KY 40390

## **SCOTT COUNTY**

**Cherry Blossom Office** 502-863-5522  
260 Blossom Park Dr.  
Georgetown, KY 40324

**Showalter Office** 502-863-9400  
103 W. Showalter Dr.  
Georgetown, KY 40324

## **WOODFORD COUNTY**

**Versailles Office** 859-873-9400  
520 Marsailles Rd.  
Versailles, KY 40383

**Kentucky**  
  
**Bancshares, Inc.**



P.O. Box 157 • Paris, Kentucky 40362-0157

[www.kybank.com](http://www.kybank.com)