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# 2010 ANNUAL REPORT



**Kentucky**  
*Bancshares, Inc.*



# Financial Highlights

	2010	2009	2008	2007
Assets (\$ thousands)	\$ 658,943	\$ 675,231	\$ 678,775	\$ 630,939
Net income	\$ 4,939	\$ 4,848	\$ 3,713	\$ 6,586
Per Share:				
Earnings (assuming dilution)	\$ 1.81	\$ 1.77	\$ 1.33	\$ 2.30
Dividend	\$ .84	\$ 0.80	\$ 1.12	\$ 1.08

## Annual Meeting

The annual meeting of Kentucky Bancshares, Inc. will be held Wednesday, May 18, 2011 at 11:00 in the corporate headquarters.

## Investor Information

Any individual requesting a copy of the Corporation's 2010 Form 10-K Report may obtain these by visiting our website at [www.kybank.com](http://www.kybank.com) or 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](http://www.kybank.com)

### Transfer, Registrar and Dividend Agent

Registrar and Transfer Company  
10 Commerce Drive  
Cranford, New Jersey 07016  
800-368-5948  
[rtco.com](http://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.



# Dear Shareholders:

We are pleased to report for the year ended December 31, 2010, earnings for your company were up 1.9% when compared to December 31, 2009. On a year to date basis, we earned \$4.9 million for the year ended December 31, 2010 as compared to \$4.8 million for the same period in 2009. For the fourth quarter 2010, our earnings were \$1.2 million compared to \$1.4 million for the same period in 2009. Additionally, I am pleased to announce that our earnings per share for the year increased from \$1.77 per share on a fully diluted basis, to \$1.81 which is a 2.26% increase.

Total assets at December 31, 2010 were \$658.9 million compared to \$675.2 million for 2009, which represented a 2.4% decrease in total assets. The main contributor to the decline in assets was represented by a 3.2% decline in loans from \$425.4 million at December 31, 2009, to \$411.8 million at December 31, 2010. Deposits were virtually flat from the previous year as reflected by the \$537.4 million total at December 31, 2010 versus the \$536.4 million figure at December 31, 2009.

Economically, 2010 was for the most part a continuation of 2009. Nationally as well as locally, unemployment continues to be a lingering and significant issue. Kentucky's unemployment rate hovers above 10% and is higher than the national unemployment rate of around 9%. The primary markets that we serve are reflective of this trend, but typically experience lower unemployment percentages than does Kentucky.

The housing market continues to be a drag on our national and local economies, with high levels of unsold homes as well as a significant number of foreclosures to be resolved. Even though Kentucky and our markets are not as negatively impacted as others, in relative terms it is still having an impact on real estate values.

Despite these conditions, there also seems to be some slight improvement in the overall economy. Businesses are investing in equipment and other resources that will increase efficiencies. The stock market has demonstrated some recent strength, which is historically an indicator of future economic growth. One major factor that could have some impact on the future of any recovery could be the price of oil. Many economists are predicting that if gasoline goes to \$4.00 a gallon, we will experience another setback to any recovery.

Another factor facing the banking industry is increased regulatory burdens. The recently passed Dodd-Frank Bill will certainly add increased burdens that will impact both the revenue and expense sides of our operations.

Your management has been implementing strategies to deal with these circumstances. We implemented a strategy to improve our net interest margins, and in the latter part of the year we saw significant improvement in that area. We expect that to continue in 2011. We have been aggressively addressing credit issues and will continue to do so in 2011.

We have begun to expand our abilities to provide electronic access to banking services to our customers and clients. Soon customers will be able to open accounts via the Internet, and we intend to have "mobile banking" available by the third quarter of 2011.

Beyond that, we have placed major emphasis on moving market share in the communities where people have not been served, or are underserved by their current banks. We are continuing to focus on our abilities and commitment to deliver Premier Customer Service. We were pleased to be named in June 2010 as one of the Top 200 Community Banks in the nation, by US Banker magazine.

Recently, we hired Jim Braden as the head of our Risk Management Department. He has had ten years of experience with the accounting firm Crowe-Horwath in providing banks with accounting and consulting advice. His addition adds even more depth to our Senior Management team.

The financial year of 2010, as has been the case for the last several years, has been challenging to say the least. We will continue to do everything possible to meet those challenges so that we can accomplish what is in the long term best interest of our shareholders, customers, and employees.

As always, we appreciate your support.

*James Prichard*



## QR Code | Kentucky Bank

This square is a Quick Response or QR code. It is the printed equivalent of an online link. Instead of clicking on a link on the Internet, the code can be scanned by a smart phone with a QR reader app. The phone reads the code and leads you to the message. Our QR code takes you to a video of Mr. Prichard and his remarks on the progress of the bank.



# Kentucky Bank at a Glance

## Community

Kentucky Bank serves nine communities in Kentucky with over 200 employees that are active throughout our markets. We also benefit from the guidance of our regional directors in each market. Through the involvement of both our employees and directors, we are able to identify and respond to the needs of the people we serve.

In 2010 we contributed resources to hundreds of organizations, school programs, charities, and other community programs, but our support goes beyond just financial resources. Our employees are involved with schools as guest speakers, coaches, and volunteers at all levels. They serve as officers and directors of our local chambers of commerce, build homes with Habitat for Humanity, raise funds and organize activities for American Cancer Society - Relay for Life, assist Big Brothers Big Sisters of the Bluegrass with events, and are active in their local churches. A few of our larger contribution recipients include: Black Stallion Literacy Foundation, Bluegrass Tomorrow, Bluegrass Chapter American Red Cross, Center for Women in Racing, Commonwealth Fund for KET, Hopewell Museum, Harrison Memorial Hospital Building Fund, Junior Achievement, Kentucky Historical Society, Livestock Improvement Associations, MSU Foundation, Paris – Bourbon County YMCA, St. Claire Foundation, and United Way of the Bluegrass. We want to help build strong communities in all of our markets.

## Premier Customer Service

The focus on providing Premier Customer Service has been an emphasis of Kentucky Bank's for some time. It is our primary goal each time we interact with a customer to provide Premier Customer Service. We have developed an employee program that recognizes those who provide service over and above expectation. Jan Worth, VP, Sr. Trust Officer, received the top award for Premier Customer Service in 2010. We appreciate the efforts and attention our employees give to our customers.

## Technology

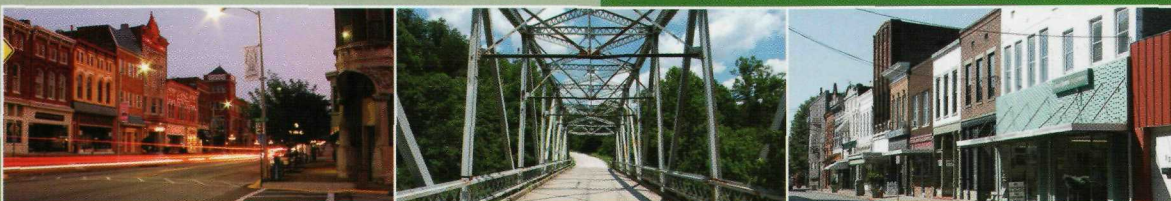
The business of banking is changing rapidly with new developments in technology, as is the way customers wish to have their services and information delivered to them. Remote deposit enables businesses to deposit checks electronically from their desktop scanner connected to a PC and the Internet. This allows checks received from customers to be scanned and electronically deposited anytime day or night. We have experienced a new interest from customers in receiving e-statements. In an effort to maximize our presence on the Internet, we have increased our Search Engine Optimization (SEO) for financial services in our markets. In 2011 we will be adding mobile banking to our delivery options. We have also joined Facebook. Visit our website and become a fan of Kentucky Bank's Facebook page by clicking the "Like" button!

While we are embracing the possibilities of new technology, we realize there is no replacement for meeting our customers face to face. More than ever before we are committed to a stronger effort to call on and visit our clients. In these challenging financial times, personal discussions are essential in gaining understanding and providing service.

## Wealth Management

Our Wealth Management Department grew in size and scope in 2010. In our Trust Department, assets under management increased and we expanded the department, adding additional personnel. We are now helping more clients with their investment portfolios and trust relationships. Our brokerage division is now called Investment Services at Kentucky Bank, a title that better reflects our community bank roots. In conjunction with this name change, we began a new affiliation with Investment Professionals, Inc. to serve as our broker-dealer in this area. We are pleased to be able to offer these additional investment options.

Winchester | Sandy Hook | Cynthiana





# Officers

## Senior Management

Louis Prichard, President and CEO  
James Braden, Sr. VP, Director of Risk Management  
Brenda Bragonier, Sr. VP, Director of Marketing  
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 and 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  
John Hamilton, VP, Commercial Lender

## Credit Administration

Norman J. Fryman, Sr. VP, Director of Sales and Service  
Catherine Hill, VP, Collections Manager  
Shawn King, VP, Credit Manager, Sr. Credit Analyst

## Human Resources

Judith Taylor, VP, Human Resources Manager

## Marketing

Brenda Bragonier, Sr. VP, Director of Marketing  
Christopher J. LeMaster, AVP, Director of Training

## Mortgage Lending

Lisa R. Highley, VP, Director of Mortgage Lending  
Jeremy Brown, Mortgage Originator  
Linda Johnson, Mortgage Originator

## Operations

Martha Woodford, Sr. VP, Director of Operations  
Karen Anderson, AVP, Exception Item and Data Officer  
Melinda Biddle, AVP, Core Business Processing Officer  
Dixie Fite, Quality Control Officer  
Brandon Sumpter, Sr. Software Administrator

## Risk Management

James Braden, Sr. VP, Director of Risk Management  
Sherry Griffith, AVP, BSA and Security Officer  
Lydia Sosby, VP, Compliance Officer

## Wealth Management

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

## Bourbon County

Nancye Fightmaster, Market President  
Wallis Brooks, AVP, Branch Manager, CRA Officer  
Rhonda Brown, AVP, Small Business, Mortgage Lender  
Benson Fryman, AVP, Small Business, Mortgage Lender

## Clark County

Darryl Terry, Market President  
Kathy Newkirk, AVP, Small Business, Mortgage Lender  
Teresa Shimfessel, AVP, Branch Manager, Consumer Lender

## East Kentucky

William Hough, Market President  
Tom James, Branch Manager, Consumer Lender  
Sherry Mathis, AVP, Branch Manager, Consumer Lender

## Harrison County

Pam Slone, Market President  
Dreama Harris, AVP, Small Business, Mortgage Lender

## Jessamine County

Brandon Eason, Market President

## Scott County

Mark Sulski, Market President

## Woodford County

Duncan Gardiner, Market President

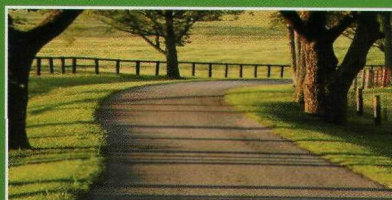


Brenda Bragonier, Norman J. Fryman, Martha Woodford, Clark Nyberg, Louis Prichard, James Braden, and Gregory J. Dawson.

Paris

Georgetown

Morehead





# 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 Bush, PLLC

Lonnie Conley  
Businessman

Allyson Eads  
Co-owner  
Eads Hardware

Rodes Shackelford Parrish,  
President  
The Clay Ward Agency, LLC

**Bobby Shiflet**

Owner  
Frames on Main

**CLARK**

Mary Beth Hendricks  
Director  
Clark County Child Support Services

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

John Roche  
John G. Roche Optician, Inc.

Edwin S. Saunier  
President  
Saunier North American, Inc.

Kevin Welsh  
Alltech Maintenance/Facilities  
Manager, Winchester Site

**EAST KENTUCKY**

Representative Rocky Adkins  
Majority Floor Leader  
House of Representatives

Trent Hamilton  
Owner  
Hamilton, Inc.

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  
Branch Campus Director  
Maysville Community and Technical  
College  
Licking Valley Campus and Kiser  
Center

Ann Getting  
Plant Manager  
3 M

Betty J. Long  
Retired President  
First Federal Savings of Cynthiana

Brad Marshall  
Farmer, Former Owner  
Marshall's Tractor Supply

Joel Techau  
CEO  
Techau, Inc.

Gerry Whalen  
Appraiser, Broker  
Whalen and Company

**JESSAMINE**

William M. Arvin  
Attorney  
Law Offices of William Miles Arvin

Michael R. Bishop  
Michael R. Bishop, DMD, and  
Associates, PSC

Tom Buford  
Kentucky State Senator

Jonah Mitchell  
President  
Jonah Mitchell Real Estate and  
Auction

Eva McDaniel  
Jessamine County Clerk

**SCOTT**

Dr. Gus Bynum  
Physician

Mike Hockensmith  
Owner and President  
The Hockensmith Agency, Inc.

George Lusby  
Scott County Judge Executive

Katy Prather  
Realtor  
Keller Williams Bluegrass Realty

Everette Varney  
Mayor of Georgetown

**WOODFORD**

James Kay  
Businessman, Farmer

Tricia N. Kittinger  
Circuit Clerk  
Woodford County

Carolyn McDonald  
Realtor  
Rector Hayden Realtors



# Office Locations

## **BOURBON COUNTY**

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

Lexington Road Office  
2021 S. Main Street  
Paris, KY 40361 859-987-1795

## **CLARK COUNTY**

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

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

## **ELLIOTT COUNTY**

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

## **HARRISON COUNTY**

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

## **JESSAMINE COUNTY**

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

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

## **ROWAN COUNTY**

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

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

## **SCOTT COUNTY**

Cherry Blossom Office  
260 Blossom Park Drive  
Georgetown, KY 40324 502-863-5522

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

## **WOODFORD COUNTY**

Versailles Office  
520 Marsailles Road  
Versailles, KY 40383 859-873-9400



KENTUCKY BANCSHARES, INC.

P.O. BOX 157

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*Paris Image - Courtesy Bobby Shiflet, Photographer*