

Kentucky

 *Bancshares, Inc.*



ANNUAL REPORT 2011

Financial Highlights

	2011	2010	2009	2008
Assets (\$ thousands)	\$ 659,453	\$ 658,943	\$ 675,231	\$ 678,775
Net income	\$ 5,687	\$ 4,939	\$ 4,848	\$ 3,713
Per Share:				
Earnings (assuming dilution)	\$ 2.09	\$ 1.81	\$ 1.77	\$ 1.33
Dividend	\$.88	\$.84	\$ 0.80	\$ 1.12

Annual Meeting

The annual meeting of Kentucky Bancshares, Inc. will be held Wednesday May 16, 2012 at 11:00 in the corporate headquarters.

Investor Information

Any individual requesting a copy of the Corporation's 2011 Form 10-K Report may obtain these by visiting our website at 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

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**.

Investor Relations

We have a new page on our website that will bring you up to date information about your Kentucky Bank stock. To see investor information go to www.kybank.com, click on the about us tab, then investor relations. We offer you company highlights, dividend history, SEC filings, historical graphs and other helpful information related to our company and your stock.

Kentucky Bank
Investor Relations

Company Information
Kentucky Bancshares, Inc. is a financial services holding company and the parent of Kentucky Bank, a full-service bank and trust company. Kentucky Bank is headquartered in Paris, Kentucky and has branches in Louisville, Lexington, Ashland, Richmond, Barlow, Morehead, Whitesburg and Mt Vernon.

Officers and Directors

Position	Name
Chairman, President and Chief Executive Officer	William H. Arvin
Chief Executive Officer and Chief Financial Officer	Robert A. Thurgood
President and Chief Operating Officer	Robert A. Thurgood
President	Robert A. Thurgood
Chief Executive Officer	Robert A. Thurgood
Chief Financial Officer	Robert A. Thurgood
Chief Operating Officer	Robert A. Thurgood
Chief Risk Officer	Robert A. Thurgood
Chief Compliance Officer	Robert A. Thurgood
Chief Information Officer	Robert A. Thurgood
Chief Legal Officer	Robert A. Thurgood
Chief Marketing Officer	Robert A. Thurgood
Chief Human Resources Officer	Robert A. Thurgood
Chief Environmental, Social and Governance Officer	Robert A. Thurgood

Dividend History

Quarter	Dividend	Pay Date	Announced	Frequency
3/31/2012	\$0.88	5/15/2012	3/20/2012	Quarterly
12/31/2011	\$0.88	2/15/2012	12/20/2011	Quarterly
9/30/2011	\$0.88	11/15/2011	9/20/2011	Quarterly
6/30/2011	\$0.88	8/15/2011	6/20/2011	Quarterly
3/31/2011	\$0.88	5/15/2011	3/20/2011	Quarterly
12/31/2010	\$0.88	2/15/2011	12/20/2010	Quarterly
9/30/2010	\$0.88	11/15/2010	9/20/2010	Quarterly
6/30/2010	\$0.88	8/15/2010	6/20/2010	Quarterly
3/31/2010	\$0.88	5/15/2010	3/20/2010	Quarterly

Common Stock Dividend

Branch Locations

Map showing branch locations in Kentucky.

Stock Statistics

Stat	Value
High Volume Traders (Last 6 months)	1,450
Low Volume Traders (Last 6 months)	1,450
High Volume Traders (Last 6 months)	1,450
Low Volume Traders (Last 6 months)	1,450
High Volume Traders (Last 6 months)	1,450
Low Volume Traders (Last 6 months)	1,450

Stock Price Performance

Dear Shareholders:

We are pleased to report for the year ended December 31, 2011, earnings for your company were up 15.1% when compared to December 31, 2010. On a year to date basis, we earned \$5.7 million for the year ended December 31, 2011 as compared to \$4.9 million for the same period in 2010. For the fourth quarter 2011, our earnings at \$1.2 million remained level, when compared to the same period in 2010. Additionally, I am pleased to announce that our earnings per share for the year increased from \$1.81 per share on a fully diluted basis to \$2.09, which is a 15.5% increase.

Total assets at December 31, 2011 were \$659.5 million compared to \$658.9 million for 2010. Remaining virtually flat in asset growth is primarily the result of the continued instability of our local, regional, and state economies. Deposits were up 1% from the previous year as reflected by the \$542.9 million total at December 31, 2011 versus the \$537.4 million figure at December 31, 2010.

The economy in 2011 did show some signs of improvement. In last year's letter to our shareholders, we expressed concern about how much longer we would be experiencing the already four year old recession. The national unemployment rate has dropped from above 9.0% to 8.3%. In Kentucky, 114 of 120 counties have shown lower unemployment rates, and fortunately, most all the markets we serve reflect lower unemployment numbers than the state as a whole.

The housing market, on the national and regional levels, continues to be sluggish. Home sales, both new and existing, are not increasing and home values are flat, if not continuing to decline slightly. Low interest rates have encouraged significant refinancing of homes, but have not spurred any major activity.

Business activity however, is starting to show some signs of improvement as evidenced by slight increases in commercial lending. The manufacturing industries have been relatively stable and car sales have shown healthy gains. The improvement in the stock market is also encouraging as an indicator of a recovering economy that is predicted to grow at a less than 3% rate in 2012. Rising oil prices, however, and events outside our country could still be impediments to the recovery.

The regulatory burdens placed on the banking industry by the Dodd-Frank Bill are becoming increasingly challenging in cost, time, and energy. Heretofore, only 25% of the legislation has been implemented, and the limitations it has placed on community banks and ultimately to the consumer are being felt. Despite these burdens, your bank will continue to deal with these issues and adapt, so as to remain successful.

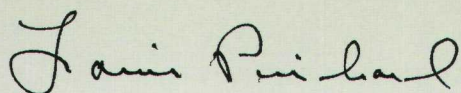
Our commitment to Premier Customer Service has never been stronger, as we focus on ensuring that we maintain and grow existing relationships at every opportunity. As an example, our Corporate Services Department has increased relationships by over 70%, as we provide electronic banking services that our customers expect.

We have initiated an effort to enhance our abilities to offer Small Business Administration (SBA) loans to commercial customers and prospects that can benefit from these kinds of programs. Other enhancements to lending services include residential real estate loans in cooperation with governmental programs like Federal Housing Administration (FHA), Rural Housing Service (RHS), Veterans Affairs (VA), and Kentucky Housing Corporation (KHC).

We are also very pleased to announce that your company was recognized by the Kentucky Chamber of Commerce and the Kentucky Society for Human Resource Management as one of the Best Places to Work. There are two reasons to be especially excited about this award. First, because this was the first year in our effort for recognition, we were not expecting this designation. Second, and most importantly, this award is a representation of the quality of the people who work at Kentucky Bank.

These have been challenging times for our economy and our industry. We believe, despite these challenges, that your company is in a position to continue to grow and prosper.

As always, we appreciate your interest and support.



Louis Prichard
President, CEO

Kentucky Bank at a Glance

Kentucky Bank Group Photo

Kentucky Bank holds a training day at least once a year that includes all employees. The opportunity for the photo on our cover presented itself on Presidents' Day, February 20, 2012, a day that the bank offices are closed for business. We gather offsite to share current information about our strategic direction and results of recent efforts. Kentucky Bank employs 219 employees in the eight counties in which we serve.

It is our dedication to our employees, and their dedication to you, that has enabled us to be among the winners of Best Places to Work in Kentucky for 2012. It is through the efforts of our employees that we are able to deliver the level of service and commitment that our shareholders and customers receive. We are proud of our employees and we believe they are proud to represent Kentucky Bank.

Premier Customer Service

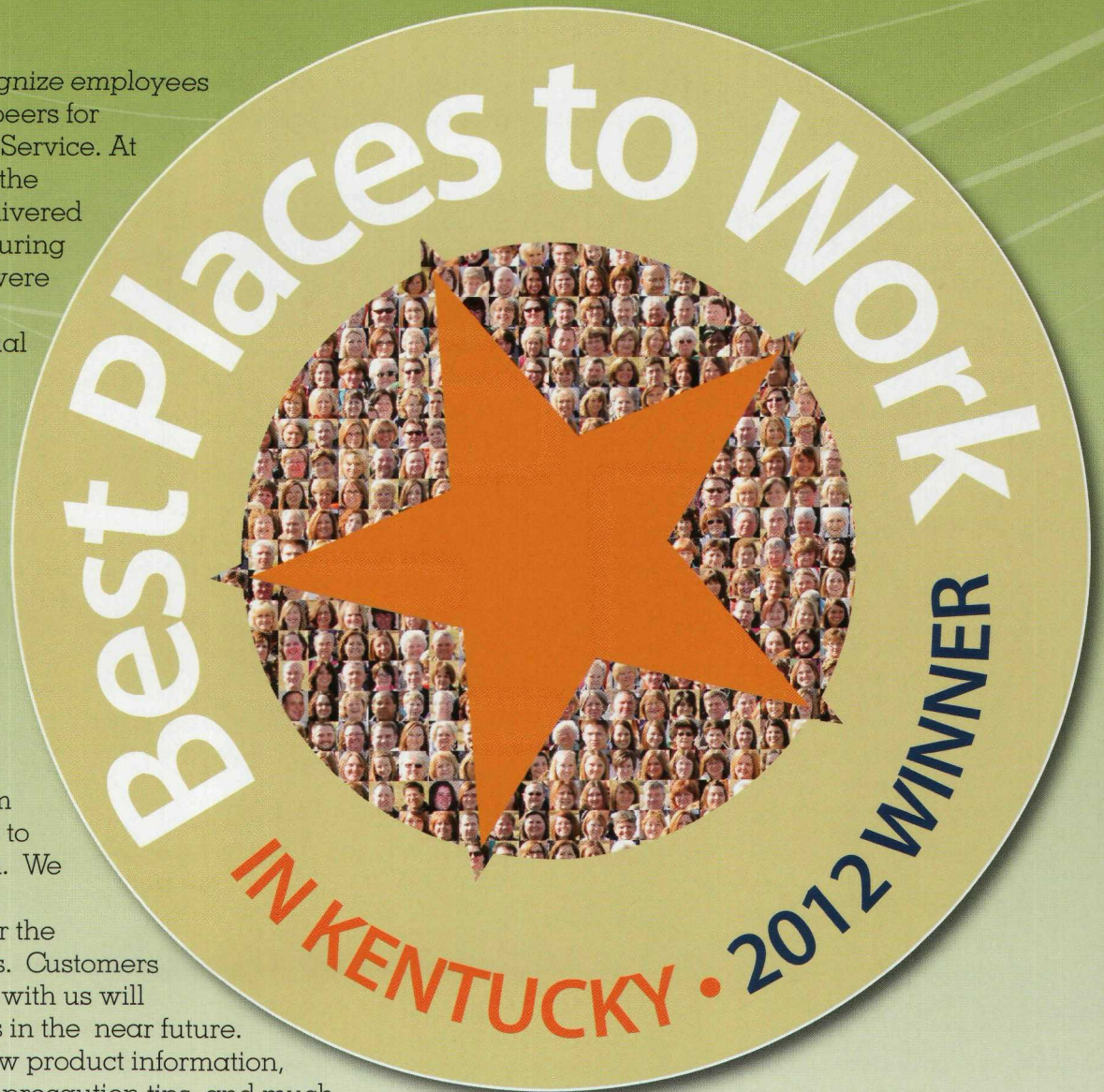
Throughout the year we recognize employees who are nominated by their peers for delivering Premier Customer Service. At the end of the year we honor the employee that we believe delivered the highest level of service. During our annual training day, we were pleased to recognize not one, but three winners of the annual Premier Customer Service award. The award winners were Renee Fowler of Cynthiana, Renee Conn of Morehead, and Amy White of Nicholasville. All three winners exemplified, by their respective actions, our commitment to Premier Customer Service.

Electronic

This year we will introduce Mobile Banking with a custom app that will allow customers to access their bank information. We will also be adding online applications to our website for the convenience of our customers. Customers with an email address on file with us will begin receiving e-newsletters in the near future. The newsletters will share new product information, industry trends, identity theft precaution tips, and much more.

Commercials

We have developed two new commercials that we thought you might enjoy watching, as both commercials feature several of our customers. One commercial promotes our Wealth Management Department. The other is a loan commercial that features customers working alongside our Market Presidents. Inside our back cover, you will see two QR codes. Using your smart phone, you can download an app that reads the QR codes. This will allow you to click and view our newest commercials. We hope you enjoy seeing your bank in action.



Officers

Senior Management

Louis Prichard, President and CEO
James Braden, SVP, Director of Risk Management
Brenda Bragonier, SVP, Director of Marketing
Carol Caskey, SVP, Director of Human Resources
Gregory J. Dawson, SVP, Chief Financial Officer
Norman J. Fryman, EVP, Chief Credit Officer
William Hough, SVP, Director of Sales & Service
Clark Nyberg, SVP, Director of Wealth Management
Martha Woodford, SVP, Director of Operations

Accounting

Gregory J. Dawson, SVP, 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, EVP, Chief Credit Officer
Priscilla Hampton, AVP, Commercial Loan Processing Manager
Lisa Highley, VP, Director of Mortgage Lending
Catherine Hill, VP, Collections Manager
Shawn King, VP, Credit Manager, Sr. Credit Analyst
Kay Wilson, DE Underwriter

Human Resources

Carol Caskey, SVP, Director of Human Resources
Christopher J. LeMaster, AVP, Director of Training

Marketing

Brenda Bragonier, SVP, Director of Marketing

Operations

Martha Woodford, SVP, Director of Operations
Karen Anderson, AVP, Exception Items and Data Officer
Melinda Biddle, AVP, Operations Officer
Dixie Fite, Quality Control Officer
Jeff Lehmann, Mortgage Servicing Manager
Brandon Sumpter, Senior Software Advisor

Risk Management

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

Wealth Management

Clark Nyberg, SVP, Director of Wealth Management
James Gray, Investment Advisor
Jason Gresham, VP, Business Development and Trust Officer
Eric McAnallen, 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 and Mortgage Lender
Benson Fryman, AVP, Small Business and Mortgage Lender

Clark County

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

Elliott County

Sherry Mathis, Market President

Harrison County

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

Jessamine County

Brandon Eason, Market President
Teague Sims, AVP, Small Business and Mortgage Lender

Rowan County

Jeremy Brown, Market President
Connie Ingram, AVP, Small Business and Mortgage Lender
Tom James, Branch Manager, Consumer Lender

Scott County

Mark Sulski, Market President
Karin Buchanan, AVP, Small Business and Mortgage Lender

Woodford County

Duncan Gardiner, Market President
Jeremy Gray, AVP, Small Business and Mortgage 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 Company, LLC

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

Dr. 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
Co-Owner, Paris Machining

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 G. Roche
John G. Roche Opticians, Inc.

Edwin S. Saunier
President
Saunier North American, Inc.

Kevin E. Welsh
Manager
Alltech, Winchester Operations

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

Dr. 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
Family 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

Tommy Haggard
CEO, Bluegrass Community Hospital

James Kay
Businessman, Farmer

Tricia N. Kittinger
Circuit Clerk, Woodford County

Carolyn H. McDonald
Realtor, Rector Hayden Realtors

Office Locations

CUSTOMER SERVICE NUMBER 800-467-1939

BOURBON COUNTY

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

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

CLARK COUNTY

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

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

ELLIOTT COUNTY

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

ROWAN COUNTY

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

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

SCOTT COUNTY

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

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

WOODFORD COUNTY

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

Commercial Services



Wealth Management



Download an app to read QR codes and view our newest commercials.

Kentucky Bancshares, Inc.

P.O. Box 157

Paris, KY 40362-0157

www.kybank.com

800-467-1939

