

KENTUCKY BANCSHARES, INC.



2012 ANNUAL REPORT

Financial Highlights

	2012	2011	2010	2009
Assets (\$ thousands)	\$701,010	\$659,453	\$658,943	\$675,231
Net income	\$ 7,008	\$ 5,687	\$ 4,939	\$ 4,848
Per Share:				
Earnings (assuming dilution)	\$ 2.59	\$ 2.09	\$ 1.81	\$ 1.77
Dividend	\$.92	\$.88	\$.84	\$.80

Annual Meeting

The annual meeting of Kentucky Bancshares, Inc. will be held Wednesday, May 15, 2013 at 11:00 in the corporate headquarters.

Investor Information

Any individual requesting a copy of the Corporation's 2012 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
800-467-1939
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. Our stock symbol is listed as KTYB.

Investor Relations

For more information about your investment in Kentucky Bancshares, Inc., please visit www.kybank.com, click on About Us, 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. In addition, you can sign up for email alerts of daily stock updates and public announcements.



Dear Shareholders:

We are pleased to report for the year ended December 31, 2012, your company had record earnings of \$7.0 million. This represents a 23.2% increase over the year ended December 31, 2011 total of \$5.7 million. For the fourth quarter 2012, net income is \$1.9 million. When compared to the same period in 2011, earnings are up 55.6% over the \$1.2 million figure. Additionally, I am pleased to announce that our earnings for the year increased from \$2.09 per share on a fully diluted basis to \$2.59, which is a 23.9% increase.

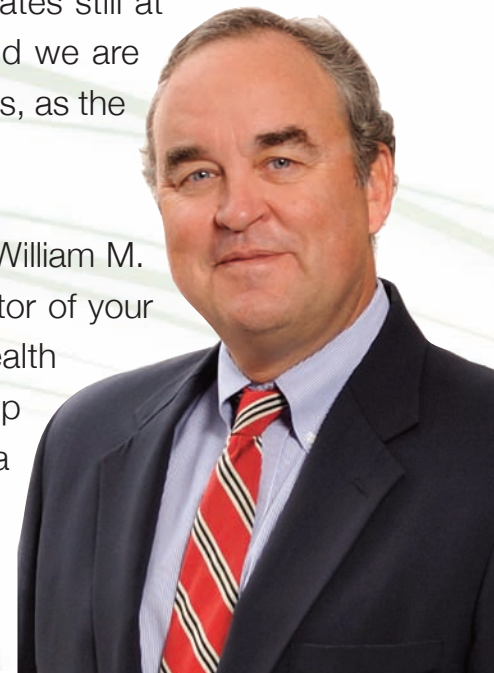
We are also pleased to announce that total assets reached a record high at December 31, 2012 of \$701 million compared to \$659 million for 2011. This represents a 6.3% increase.

The national and local economies are showing some improvement, but there is still a bit of uncertainty facing the country. At the date of this letter, the so called “sequestration” deadline has passed. The cuts in the federal budget that are to automatically take place will start at the end of March. There has been much speculation as to its potential impact on the economy if Congress does not approve alternative measures to those required cuts.

Beyond those economic uncertainties, we as an industry are still facing regulatory concerns. In meeting with our regulators, we do know that the writing of the rules associated with the Dodd-Frank bill is still being issued, with many of the rules still being considered for implementation. Until all of this legislation is put into practice, we as an industry, and individually at Kentucky Bank, can only do our best to prepare for the ultimate challenges associated with such a comprehensive bill.

The markets in which we operate are showing economic improvement. Business activity is picking up as reflected in recent commercial loan activity. With rates still at historic lows, refinancing of residential mortgages is continuing and we are starting to see a small increase in home purchases. This is good news, as the value of homes is showing increases as well.

As was mentioned in our Fourth Quarter Report, we want to thank William M. Arvin, who has retired from the board after sixteen years as a director of your company. He has served on our Compensation, Audit, Wealth Management, Loan, and Strategic Planning Committees. His leadership and contributions have been significant in helping us grow in a profitable manner.



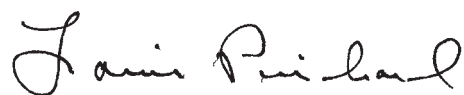
In that same report we indicated that, because of our strong balance sheet and the financial success we have enjoyed, there would be opportunities for both organic and acquisitive growth. We are pleased to announce that the board approved management to apply for regulatory approval to expand into Lexington and Fayette County. We submitted our application with the FDIC on February 25, 2013 and have recently received regulatory approval. The Lexington office will be located in downtown Lexington and, barring any delays, our intent is to be open by the middle of May.

We are also pleased to announce that, for the second year in a row, 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 in Kentucky. This designation continues to reflect the quality of people that make up Kentucky Bank.

We are pleased also to note that the market value of your stock has increased since the end of the year. Additionally, the board and management are pleased to be able to increase the quarterly dividend to 24 cents per share, up from 23 cents over the previous quarter, for those shareholders as of Record on March 20, 2013.

With our financial success and growth in 2012, our prospects for continued growth, combined with the high quality of people that represent us, point toward a future that is indeed bright. Certainly there are challenges that face our industry, but we believe that Kentucky Bank is in a position to grow and prosper to meet those challenges.

As always, we appreciate your interest and support.



Louis Prichard
President and CEO



Our Customers:

“STRONG LEADERSHIP AND SOUND BUSINESS PRACTICES AFFORD US THE OPPORTUNITY TO RISE ABOVE EVERY CHALLENGE.”

- Louis Prichard

Over 30,000 customers call Kentucky Bank Home! It is important to us that, alongside a full suite of electronic banking options, we deliver the high level of personal service our customers have come to expect since 1851. We asked some of our customers to share how Kentucky Bank has helped them achieve their financial goals.

JIM FRIESS



Claiborne Farm is one of the world's premier horse farms. Jim Friess, Chief Financial Officer at Claiborne, is accustomed to dealing with professionals and champions. He expects no less when it comes to banking. Jim Friess shares his experience. "Kentucky Bank and Claiborne Farm have enjoyed a very long relationship; the people at Kentucky Bank make my job easier! With a quick call I can accomplish what I need, there is no red tape. Kentucky Bank's staff has the expertise to handle all kinds of complex banking. Their team is first-rate when it comes to customer service and they handle our business and personal banking like true professionals. We have utilized just about every service Kentucky Bank offers: Wealth Management, deposits, loans, remote deposit capture, ACH, payroll, employee 401(k) plans, wires, and even their program that offers our employees special banking benefits. Kentucky Bank is also a great member of the community."

LAURA AND VICTOR TORRES



Gabe, Lance, Laura, Lena, Joe and Victor Torres

There is never a dull moment with two veterinarians, four children, and a farm with resident dogs, cats, horses, chickens, and a goat. The Torres family certainly knows animals; they needed a bank that knew banking and that would help them with their financial plans. Laura explained, "We have moved around a lot and wanted a friendly bank that could handle all of our needs. Having an experienced banker and direct access to the decision makers, is a huge advantage in working with a bank. What impressed us most about Kentucky Bank is that they took the time to get to know us. We love the convenience of having everything in one place. Kentucky Bank helps us with everything - business and rental accounts, farm loans, CDs, and all the kids have their own savings accounts, too. We use online banking and we even have a scanner to make deposits by remote capture when it is not convenient to go to the bank to deposit checks for our business. Kentucky Bank is the bank we call home!"

ALONZO AND TONYA ALLEN



As experienced home buyers Alonzo and Tonya Allen know how important professionalism and service are when working through the mortgage process. Tonya and Alonzo told us about their mortgage experiences. "When we got our first mortgage in 1989 we were nervous, we had never taken out a loan. Kentucky Bank was great to work with and they took very good care of us. Over the years we have gotten into the rental home business and dealt with a few other banks in the mortgage process, but they just did not offer the care and hometown feel that Kentucky Bank gives us. When we called the other banks we would talk to a different person each time; we want to talk to someone who knows our business. The staff at Kentucky Bank provided outstanding service by researching answers to my questions concerning lines of credit, escrow accounts, and mortgage options. We recently consolidated all of our mortgages to Kentucky Bank, their responsiveness is unsurpassed." The Allens have such confidence in Kentucky Bank that they have also referred their friends.

DONALD SMOTHERS



J. Donald Smothers is Vice President of Financial Services & Chief Financial Officer of Blue Grass Energy, which serves more than 55,000 customers in 23 Kentucky counties. He needs a bank he can count on. "Kentucky Bank and Blue Grass Energy enjoy a very good working relationship. Kentucky Bank has the expertise to provide all types of banking solutions. They have been excellent when it comes to customer service and are helpful and professional in accommodating our requests. We truly depend on Kentucky Bank for our banking in all areas. Kentucky Bank is a great asset to the communities that we serve and we hope to continue this excellent working relationship into the future."

"WHEN YOU FIND SOMETHING THAT WORKS, YOU STICK WITH IT. KENTUCKY BANK - A GREAT PLACE TO START, A GREAT PLACE TO STAY."

- Colonel George Shackelford Robinson

COLONEL GEORGE SHACKLEFORD ROBINSON

"In 1951, when I was five years old, my mother opened a passbook savings account for me at the Bourbon Agricultural Deposit Bank and Trust Company in Paris, Kentucky. In the sixty-two years since then, I have lived in four countries, eight states, and spent more than eighteen years overseas. I have spent 27 years on Active Duty with the United States Army. Throughout those six decades, my family and I have had accounts at that bank, now Kentucky Bank, and it has always served us well.

"Kentucky Bank may be a hometown bank, but it has an international reach. Whether I'm in Paris, Kentucky or Paris, France, I can always depend on Kentucky Bank to provide me with the banking services I need. The thing that makes Kentucky Bank the best in the business is its personal service, its responsiveness, its careful and concerned management, and its fair and equitable practices and policies. I have the greatest confidence in their state-of-the-art security procedures and privacy policies for their on-line banking services. Kentucky Bank is there for you when you need them; always on time and on target. It is a rock-solid institution and I am totally pleased with my bank and the way they treat me. When you find something that works, you stick with it. Kentucky Bank - a Great Place to Start, a Great Place to Stay."



Board of Directors

Buckner Woodford IV

Chairman, Kentucky Bancshares, Inc., Kentucky Bank

Louis Prichard

President, CEO, Kentucky Bancshares, Inc.
Kentucky Bank

William M. Arvin

Attorney, Law Offices of William Miles Arvin

B. Proctor Caudill, Jr.

Special Projects Manager, Kentucky Bank

Henry Hinkle

Senior Vice-President, Hinkle Contracting Company, LLC

Theodore Kuster

CEO, Hillside Farm/Shawhan Place, LLC

Betty J. Long

Retired President, First Federal Savings of Cynthiana

Ted McClain

President, Hopewell Insurance Company

Edwin S. Saunier

President, Saunier North American, Inc.

Robert G. Thompson

Farmer, Thoroughbred Breeder, Snowhill Farm

Woodford Van Meter

Professor of Ophthalmology, University of Kentucky

REGIONAL DIRECTORS

BOURBON REGION

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 L. Shiflet

Owner, Frames on Main

CLARK REGION

Mary Beth Hendricks

Owner, Beech Springs Garden Barn
and Beech Springs Farm Market

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

HARRISON REGION

K. Bruce Florence

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

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 REGION

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

Eva McDaniel

Jessamine County Clerk

Jonah Mitchell

President
Jonah Mitchell Real Estate and
Auction

SCOTT REGION

Dr. Gus Bynum

Family Physician

Mike Hockensmith

Owner and President
The Hockensmith Agency, Inc.

Katy Prather

Realtor, Keller Williams Bluegrass
Realty

Ryan Quarles

Kentucky House of Representatives
Attorney, Farmer

WOODFORD REGION

Tommy Haggard

CEO, Bluegrass Community Hospital

James Kay

Businessman, Farmer

Tricia N. Kittinger

Retired Circuit Clerk
Woodford County

Carolyn H. McDonald

Realtor, Rector Hayden Realtors

EAST KENTUCKY REGION

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

Aaron S. Roberts

Owner, Best One Tire

Madonna Weathers

VP, Student Life
Morehead State
University



Leadership Team

Senior Management

Louis Prichard

President and Chief Executive Officer

Norman J. Fryman

EVP, Chief Credit Officer

James Braden

SVP, Chief Administrative Officer

Brenda Bragonier

SVP, Director of Marketing

Carol Caskey

SVP, Director of Human Resources

Gregory J. Dawson

SVP, Chief Financial Officer

William Hough

SVP, Director of Sales and Service

Clark Nyberg

SVP, Director of Wealth Management

Martha Woodford

SVP, Director of Operations

“LEADERSHIP IS NOT A TERM WE LIMIT TO OUR BOARD OF DIRECTORS AND SENIOR MANAGEMENT. WE EXPECT LEADERSHIP FROM OUR MARKET PRESIDENTS AND MANAGERS.”

- Louis Prichard

Accounting

Gregory Dawson, SVP, Chief Financial Officer

Brenda Berry, AVP, Senior Accountant

Brandon Gilliam, AVP, Controller

Janice Hash, AVP, Senior Accountant/Purchasing Agent

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/Senior Credit Analyst

Patricia Wilson, Direct Endorsement Underwriter

Human Resources

Carol Caskey, SVP, Director of Human Resources

Deanna Foley, Human Resources Supervisor

Carol Raskin, AVP, Director of Education and

Development

Marketing

Brenda Bragonier, SVP, Director of Marketing

Carol Norton, Corporate Services Manager

Operations

Martha Woodford, SVP, Director of Operations

Karen Anderson, AVP, Exception Item and Data Officer

Melinda Biddle, Bank Support Specialist

Dixie Fite, AVP, Quality Control Officer

Eric Hash, Manager of Electronic Services

Jeffrey Lehmann, AVP, Mortgage Servicing Manager

James B. Sumpter, Senior Software Administrator

Wanda Thomas, AVP, Product Development Manager

Risk Management

James Braden, SVP, Chief Administrative Officer

Lydia Sosby, VP, Compliance Officer

Sherry Griffith, AVP, Bank Secrecy Act/Security Officer

Wealth Management

Clark Nyberg, SVP, Director of Wealth Management

James Elliott, SVP, Wealth Management

James Gray, Investment Advisor

Jason Gresham, VP, Business Development/Trust Officer

Chad Kobes, Investment Advisor

Janice Worth, VP, Senior Trust Officer

Regions

William Hough, SVP, Director of Sales and Service

Bourbon Region

Nancye Fightmaster, Market President

Wallis Brooks, AVP, Branch Manager/CRA Officer

Rhonda Franklin, AVP, Small Business/Mortgage Lender

Benson Fryman, AVP, Small Business/Mortgage Lender

Clark Region

Darryl Terry, Market President

Christopher J. LeMaster, AVP, Small Business/

Mortgage Lender

Agnes Newkirk, AVP, Small Business/Mortgage Lender

Teresa Shimfessel, AVP, Branch Manager, Consumer Lender

Elliott Region

Sherry Mathis, Market President

Harrison Region

Pamela Slone, Market President

Allen Johnson, AVP, Small Business/Mortgage Lender

Jessamine Region

Brandon Eason, Market President

Michael Foley, VP, Commercial Lender

Teague Sims, AVP, Small Business/Mortgage Lender

Rowan Region

Jeremy Brown, Market President

Benjamin Caudill, VP, Commercial Lender

Connie Ingram, AVP, Small Business/Mortgage Lender

Tom James, AVP, Small Business/Mortgage Lender

Scott Region

Mark Sulski, Market President

Karin Buchanan, AVP

Small Business/Mortgage Lender

Woodford Region

Duncan Gardiner, Market President

Jeremy Gray, AVP

7 Small Business/Mortgage Lender



Office Locations

CUSTOMER SERVICE NUMBER 800-467-1939

BOURBON REGION

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

Wealth Management & Administration 800-467-1939
339 Main Street
Paris, KY 40361

CLARK REGION

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 REGION

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

FAYETTE REGION

Coming May 2013 800-467-1939

HARRISON REGION

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

JESSAMINE REGION

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 REGION

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 REGION

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 REGION

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





**WE'VE GONE
MOBILE!**

Kentucky Bancshares, Inc.

P.O. Box 157

Paris, KY 40362-0157

www.kybank.com

800-467-1939