

2013 ANNUAL REPORT



INDIANA

HENRYVILLE

JASPER

MILTON

LA GRANGE

71

64

65

42

421

FR

LOUISVILLE

64

MT WASHINGTON

TAYLORSVILLE LAKE

65

31E

55

BG PARKWAY

RADCLIFF

BARDSTOWN

OWENSBORO

60

150

SPRING

FORDSVILLE

ELIZABETHTOWN

31E

ROLLING RIVER

68

NATCHER PARKWAY

ROUGH RIVER LAKE

WK PARKWAY

HODGENVILLE

81

GREEN RIVER

BEAVER DAM

WK PARKWAY

LEITCHFIELD

NOLIN LAKE

65

CAMPBELLSVILLE

GREEN RIVER LAKE

LE

GREENVILLE

MORGANTOWN

BROWNSVILLE

MAMMOTH CAVE NATIONAL PARK

CAVE CITY

68

JAMESTOWN

BOWLING GREEN

GLASGOW

RUSSELVILLE

68

BARREN RIVER LAKE

90

CUMBERLAND RIVER

LE

68

79

431

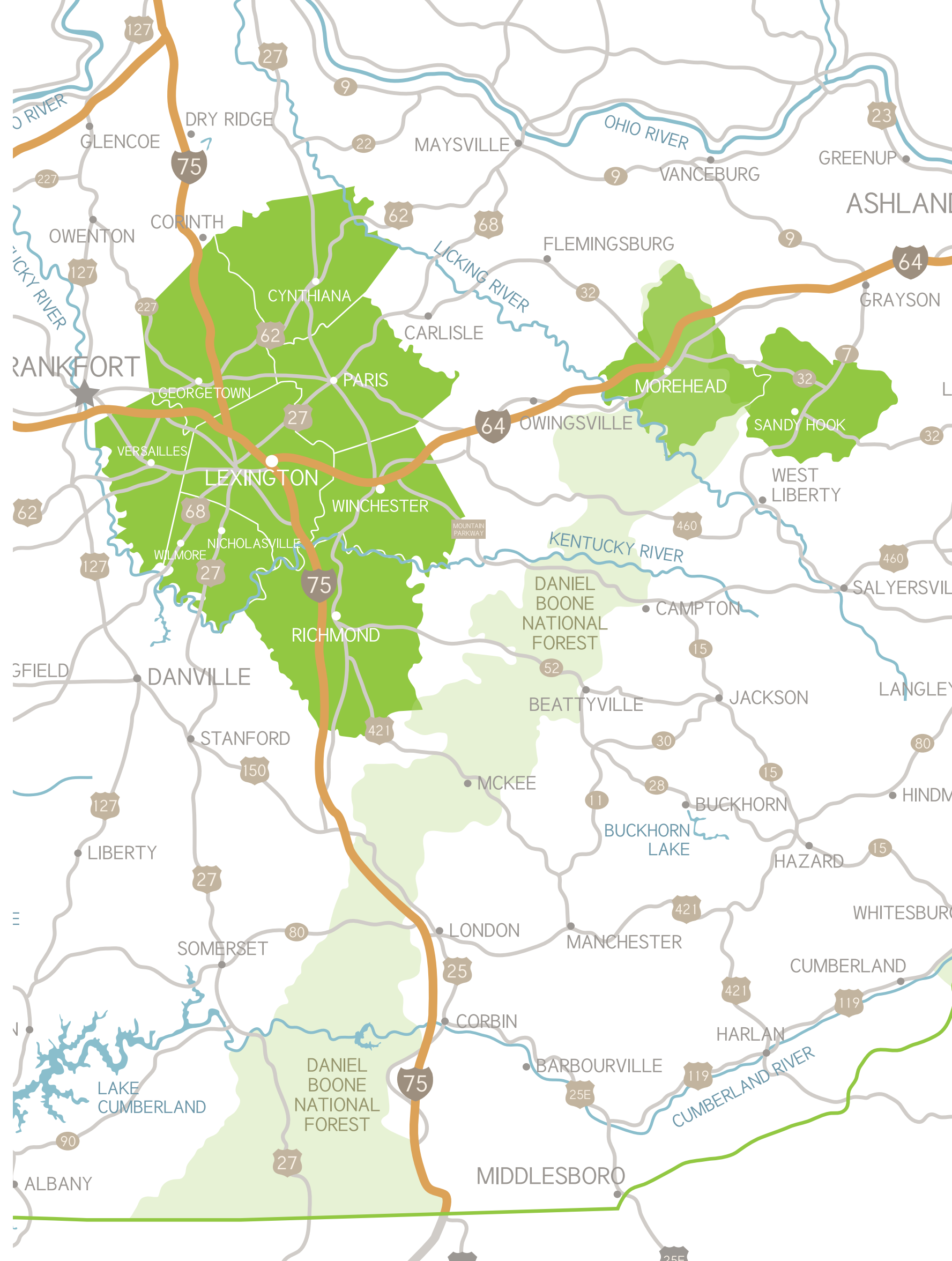
FRANKLIN

SCOTSVILLE

231

TOMPKINSVILLE

100



FINANCIAL HIGHLIGHTS

	2013	2012	2011	2010
Assets (\$ thousands)	\$770,579	\$701,010	\$659,453	\$658,943
Net income	\$ 5,822	\$ 7,008	\$ 5,687	\$ 4,939
Per Share:				
Earnings (assuming dilution)	\$ 2.15	\$ 2.59	\$ 2.09	\$ 1.81
Dividend	\$.96	\$.92	\$.88	\$.84

ANNUAL MEETING

The annual meeting of Kentucky Bancshares, Inc. will be held Wednesday, May 21, 2014 at 11:00 am in the corporate headquarters.

INVESTOR INFORMATION

Any individual requesting a copy of the Corporation's 2013 Form 10-K Report may obtain these by visiting our website at www.kybank.com/investor or writing to Investor Relations at the Corporate Headquarters.

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/investor. 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 announce the total assets of your company, Kentucky Bancshares, Inc., reached a record high at \$770.6 million as of December 31, 2013. That figure represents a \$70 million or 9.9% increase from the period ended December 31, 2012. Loans increased by 9.3% and investment securities increased by 19.5% and both were funded by a 4.6% increase in deposits and a 158% increase in other borrowings. Borrowings increased dramatically in an effort to strategically lock in longer term funding at fixed rates for anticipated growth and to minimize rate sensitivity in anticipation of an increasing rate environment.

Year to date net income was \$5.82 million as of December 31, 2013 compared to \$7.01 million as of December 31, 2012. The year ending December 31, 2012 was a record year in earnings. Year to date diluted earnings per share was \$2.15 and \$2.59 for 2013 and 2012, respectively. The decrease in year to date earnings is largely attributable to lower gains on investment sales, higher compensation expense, and an increase in pension expense. These changes were partially offset by lower provision expense. The decline in investment gains is a result of increasing interest rates. The increase in compensation expense is due to additional full time employees hired in association with our new branches, as well as the loan and deposit growth reflected on our balance sheet and increased incentive compensation. The increase in pension expense was associated with an accrual relating to the termination of the Company's pension plan in 2008. Provision for loan loss expense is lower due to continued improving loan quality.

Our current strategic plan has called upon management to look for an additional market in Fayette County in 2013 and to continue to look for opportunities in other markets. The recent opening of our Richmond office follows that plan and now completes our strategic encircling of Lexington, Kentucky. John Hamilton, a Richmond native and experienced banker in that market, is leading our initiatives in Madison County as Market President.

Our recent expansions and our action to increase our borrowings at longer term, fixed rates will have a short term impact on expenses. However, these strategic decisions are an investment in our future.

As we continue to be future focused, we are pleased about our efforts to grow our next generation of bankers. Much of our Senior Management team and those who hold other leadership positions have tremendous banking experience, which has been very helpful through these turbulent economic times. Yet, we have also been working with our newer talent through mentoring programs, succession

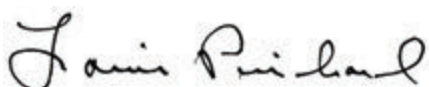


planning, and a strong focus on education and professional development. We believe these efforts will ensure that your company will continue its past successes.

In addition, we will continue to pursue strategic growth through effective relationship management and new products and services. As an example, we released our tablet banking “app” on November 15, 2013, our mobile deposit service on December 12, 2013, and our online “chat” support on January 6, 2014. These services increase customer convenience and highlight some of our recent efforts to enhance customer experience.

We continue to see an increase in lending opportunities which is reflected in the increase in net loans compared to the same period last year. While this increase is encouraging, the outlook on loan demand and overall economic conditions remain uncertain which, when combined with heightened regulatory pressure, continue to make for a challenging banking environment. That said, we are moving forward with strategic opportunities such as branch expansion, loan growth, and increased service offerings in a measured manner to build and reaffirm a strong foundation for future growth. We will do everything possible to accomplish what is in the long term best interest of our shareholders, customers, and employees.

As always, we appreciate your support.

A handwritten signature in black ink that reads "Louis Prichard". The signature is written in a cursive, flowing style.

Louis Prichard, President and CEO

YEAR IN REVIEW 2013

Excellent banking is a result of the relationships and experiences we create by taking care of our clients' and customers' financial needs throughout their life-cycles. We at Kentucky Bank give the utmost importance to adding value to those relationships.

While we have always emphasized personal, face to face banking, we also want to deliver Premier Customer Service through the variety of distribution channels our customers desire. We have invested in technology that makes it easier to stay connected and perform banking in whatever manner is preferred. As an example, our newly introduced mobile phone app, iPad app, and mobile deposit are all quite popular with our customers. A new edition to our convenience services is live chat, which enables customers to chat on-line with our customer service representatives and our corporate business service department. This service even allows customers to share their computer screen with us, offering support with technical difficulties. We believe that these technologically driven services are really a means to an end ... delivering Premier Customer Service.

Kentucky Bank is an integral part of each of the communities we call home. We want to help build a strong, vibrant community in each market we serve. For example, last year we helped partner with area bankers to develop a matching fund to support the Good Giving Challenge. This challenge, fostered by the Bluegrass Community Foundation, benefited 108 nonprofit charities that operate in all of our regions. In just one day, contributions reached a total of \$229,615 in additional donations.

In 2014, Kentucky Bank will become the title sponsor of the USTA Pro Circuit Tennis Event in Lexington. This event, the only one of its kind in Kentucky, will take place July 19 through July 27. The championships are important not only to tennis enthusiasts, but also to virtually all of us in this region. This Challenger Event brings national and international attention to Central Kentucky and to our entire state. Throughout our history, Kentucky Bank has been committed to projects that support our communities and region, and that is why we are so pleased to be able to help keep this tournament in Kentucky. We hope many of you will be able to visit us during this event.

We are very pleased that, for the third year in a row, we have been recognized by the Kentucky Chamber of Commerce as a "Best Places to Work in Kentucky." This achievement is a testament to our philosophy as a company and an employer. We strive to provide our employees with a positive, healthy work environment that encourages personal growth. We believe this has contributed greatly to our company's success, as well as our success in exceeding the expectations of our customers. We believe this designation reflects those efforts.



BOARD OF DIRECTORS

Buckner Woodford IV
Chairman, Kentucky Bank
Kentucky Bancshares, Inc.

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

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

Dr. Woodford Van Meter
Professor of Ophthalmology
University of Kentucky

REGIONAL DIRECTORS

BOURBON

Proctor W. Blair
Partner, Ludwig, Blair & 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

Mary Beth Hendricks
Owner, Beech Springs Garden Barn
and Beech Springs Farm Market

Donald Pace
Retired Executive Director
Central Kentucky Educational Co-op
University of Kentucky

John G. Roche
John G. Roche Opticians, Inc.

Edwin S. Saunier
President
Saunier North American, Inc.

Kevin E. Welsh
Alltech
Winchester Operations Manager

FAYETTE

William Miles Arvin, Jr.
Attorney
Law Offices of William Miles Arvin

Rose Mary Stamler Dow
President & Secretary
Signal Investments, Inc.

George Hoskins
Managing Director, Wimbledon Farm

Greg Ladd
Founder, Cross Gate Gallery

HARRISON

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

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

Dr. Gus Bynum
Family Physician, Retired

Mike Hockensmith
Owner & President
The Hockensmith Agency, Inc.

Katy Prather
Realtor
Keller Williams Bluegrass Realty

Ryan Quarles
Kentucky House of Representatives
Attorney, Farmer

WOODFORD
Tommy Haggard
CEO, Bluegrass Community Hospital

James Kay
Businessman, Farmer

Tricia N. Kittinger
Retired, Circuit Clerk
Woodford County

Carolyn McDonald
Realtor, Rector Hayden Realtors

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

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

Jim 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

James L. Elliott
SVP, Director of Wealth Management
Market President, Fayette County

Chris Gorley
SVP, Director of Operations

William H. Hough
SVP, Director of Sales and Service

ACCOUNTING

Gregory J. 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

A. J. Gullett
Small Business Administration
Guaranty Officer

John Hamilton
VP, Commercial Lender

Matt Joefreda
VP, Commercial Lender

CREDIT ADMINISTRATION

Norman J. Fryman
EVP, Chief Credit Officer

Lisa Highley
VP, Director of Mortgage Lending

Catherine Hill
VP, Collections Manager

Sonya Kincade
AVP, Loan Data Entry
Escrow Supervisor

Shawn King
VP, Credit Manager
Senior Credit Analyst

Jeff Lehmann
AVP, Mortgage Servicing Manager

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

LEADERSHIP TEAM continued

OPERATIONS

Chris Gorley
SVP, Director of Operations

Karen Anderson
AVP, Exception Item and
Data Officer

Melinda Biddle
AVP, Bank Support Specialist

Dixie Fite
AVP, Quality Control Officer

Eric Hash
AVP, Product Development Manager

Cate Milburn
Manager Electronic Services

James B. Sumpter
Senior Software Administrator

RISK MANAGEMENT

Jim Braden
SVP, Chief Administrative Officer

Sherry Griffith
AVP, Bank Secrecy Act
Security Officer

Lydia Sosby
VP, Compliance Officer

Jennifer Stivers
VP, Audit Manager

WEALTH MANAGEMENT

James L. Elliott
SVP, Director of Wealth Management
Market President, Fayette County

James Gray
Financial Consultant

Jason Gresham
VP, Business Development
Trust Officer

Chris Menser
Financial Advisor

Clark Nyberg
VP, Director of Portfolio Management

Selina Shepherd
Personal Trust Officer

REGIONS

William H. Hough
SVP, Director of Sales and Service

BOURBON REGION

Nancye Fightmaster
Market President

Wallis Brooks
AVP, Branch Manager, CRA Officer

Benson Fryman
AVP, Small Business, Mortgage Lender

CLARK REGION

Darryl Terry
Market President

Christopher J. LeMaster
AVP, Small Business, Mortgage Lender

Teresa Shimfessel
AVP, Branch Manager
Consumer Lender

ELLIOTT REGION

Sherry Mathis
Market President

FAYETTE REGION

James L. Elliott
Market President
SVP, Director of Wealth Management

Glenda Featherston
Branch Manager, Consumer Lender

Jeff Rowland
VP, Private Banking

HARRISON REGION

Pam Slone
Market President

Allen Johnson
AVP, Small Business, Mortgage Lender

JESSAMINE REGION

Brandon Eason
Market President

Teague Sims
AVP, Small Business, Mortgage Lender

MADISON REGION

John Hamilton
Market President

Nichole Goodson
Branch Manager, Consumer Lender

ROWAN REGION

Jeremy Brown
Market President

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

Tamara Maybury
AVP, Small Business, Mortgage Lender

WOODFORD REGION

Duncan Gardiner
Market President

Justin Carroll
AVP, Small Business, Mortgage Lender

OFFICE LOCATIONS

BOURBON REGION

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

Wealth Management &
Administration Office
339 Main Street
Paris, KY 40361 800.467.1939

CLARK REGION

Colby Road Office
1975 Bypass Road
Winchester, KY 40391 859.744.3825

Winchester Main Office
24 W. Lexington Ave.
Winchester, KY 40391 859.744.1632

ELLIOTT REGION

Sandy Hook Office
144 South KY 7
Sandy Hook, KY 41171 606.738.5163

FAYETTE REGION

Vine Street Office
360 E. Vine Street, Suite 100
Lexington, KY 40507 859.469.7374

HARRISON REGION

Cynthiana US 27 Office
939 US Hwy. 27 South
Cynthiana, KY 41031 859.234.3363

JESSAMINE REGION

Nicholasville Office
920 N. Main Street
Nicholasville, KY 40356 859.885.6028

Wilmore Office
108 E. Main Street
Wilmore, KY 40390 859.858.3993

MADISON REGION

Richmond Office
5008 Atwood Drive, Suite 3
Richmond, KY 40475 859.575.6370

ROWAN REGION

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 REGION

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 REGION

Versailles Office
520 Marsailles Road
Versailles, KY 40383 859.873.9400



BOURBON
Banking Office Since 1851



JESSAMINE
Banking Office Since 1995



CLARK
Banking Office Since 1994



MADISON
Banking Office Since 2014



ELLIOTT
Banking Office Since 2006



ROWAN
Banking Office Since 2006



FAYETTE
Banking Office Since 2013



SCOTT
Banking Office Since 1990



HARRISON
Banking Office Since 1991



WOODFORD
Banking Office Since 1993



JANUARY



Announced as a 2013
Best Places to Work
in Kentucky company

FEBRUARY



Deposits
reached
\$600 million

FEBRUARY



Quarterly
dividend increased
to \$0.24

APRIL



Reached goal
of under 2%
past due loans

MAY

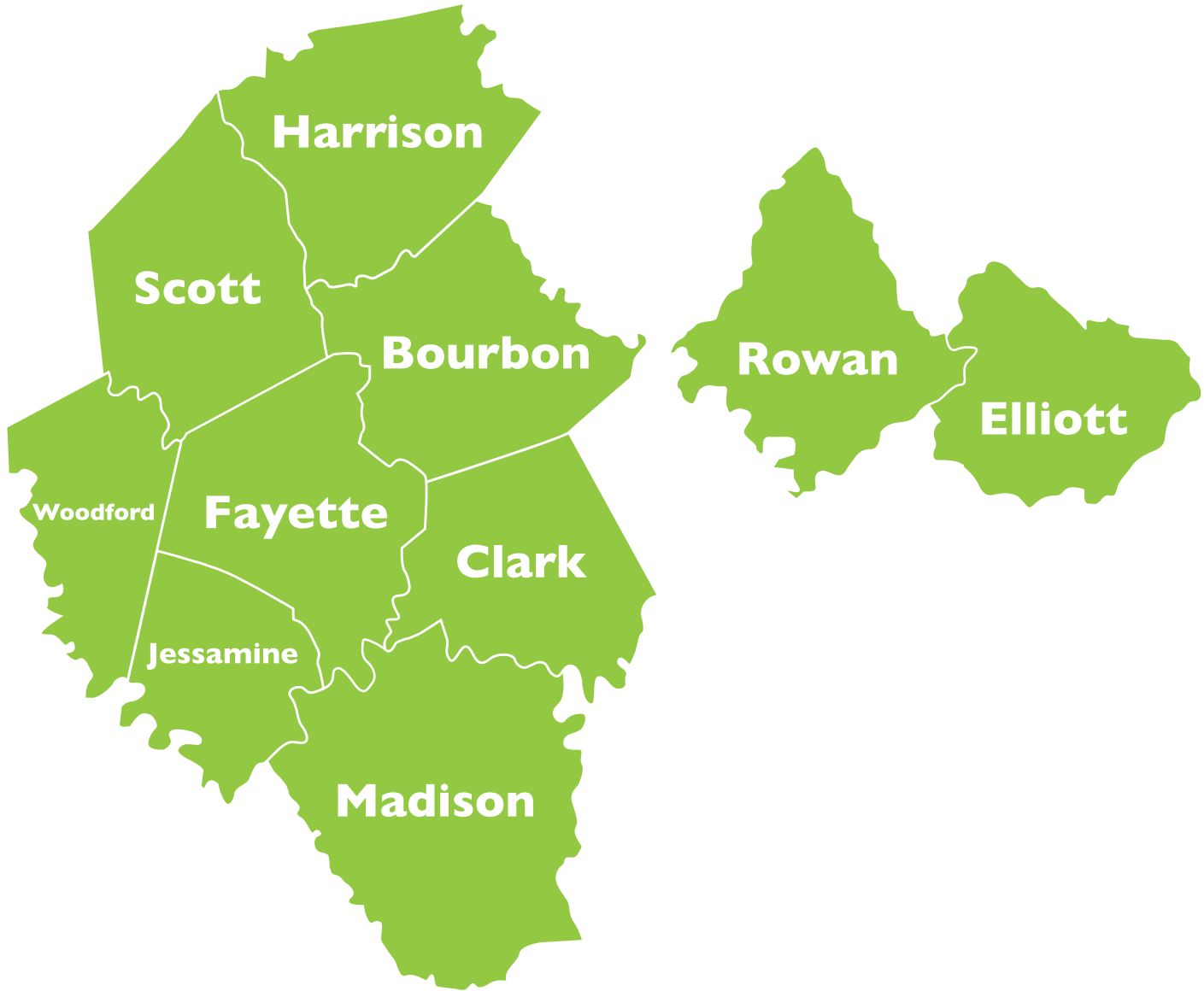


Fayette County
branch opened

JUNE



Loans reached
\$450 million



OCTOBER

NOVEMBER

NOVEMBER

DECEMBER

DECEMBER



Announced expansion into Madison County



Assets reached \$750 million



Launched the Kentucky Bank iPad App



Launched Mobile Deposit



11,814 Mobile Banking Users

MEET OUR MARKET PRESIDENTS



BOURBON

Nancye Fightmaster
Market President Since 2004
23 Years of Banking Experience



JESSAMINE

Brandon Eason
Market President Since 2007
11 Years of Banking Experience



CLARK

Darryl Terry
Market President Since 2009
26 Years of Banking Experience



MADISON

John Hamilton
Market President Since 2014
39 Years of Banking Experience



ELLIOTT

Sherry Mathis
Market President Since 2011
30 Years of Banking Experience



ROWAN

Jeremy Brown
Market President Since 2011
16 Years of Banking Experience



FAYETTE

James L. Elliott
Market President Since 2013
30 Years of Banking Experience



SCOTT

Mark Sulski
Market President Since 2010
26 Years of Banking Experience



HARRISON

Pam Slone
Market President Since 2007
25 Years of Banking Experience



WOODFORD

Duncan Gardiner
Market President Since 1997
25 Years of Banking Experience





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