

THE 2014 ANNUAL REPORT



 **Kentucky Bank**

From the Barn to the Winners Circle, Call Kentucky Bank Home!

THE FINANCIAL HIGHLIGHTS

	2014	2013	2012	2011	2010
ASSETS (\$ THOUSANDS)	\$855,209	\$770,579	\$701,010	\$659,453	\$658,943
NET INCOME (\$ THOUSANDS)	\$7,071	\$5,822	\$7,008	\$5,687	\$4,939
PER SHARE EARNINGS (ASSUMING DILUTION)	\$2.60	\$2.15	\$2.59	\$2.09	\$1.81
PER SHARE DIVIDEND	\$1.00	\$0.96	\$0.92	\$0.88	\$0.84

ANNUAL MEETING

The annual meeting of Kentucky Bancshares, Inc. will be held Wednesday, May 27, 2015 at 11:00 a.m. in the Corporate Headquarters.

INVESTOR INFORMATION

Any individual requesting a copy of the Corporation's 2014 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 - KTYB

Kentucky Bancshares, Inc. common stock is available through your broker or Kentucky Bank's Wealth Management Department.

INVESTOR RELATIONS

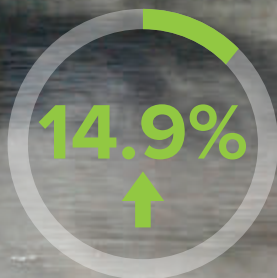
For more information about your investment in Kentucky Bancshares, Inc., please visit www.kybank.com/investor. Here you will find company highlights, dividend history, SEC filings, historical graphs, and other helpful information related to our company and your stock. In addition, you can sign up for email alerts of daily stock updates and public announcements.



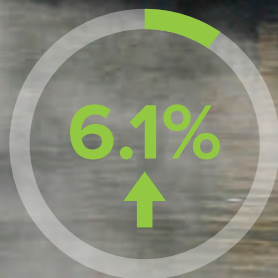
JOHN CRAIG



NET INCOME EARNINGS



LOAN GROWTH



DEPOSITS



NEW MOBILE USERS



TO OUR SHAREHOLDERS



We are pleased to report Kentucky Bancshares, Inc. increased both earnings and assets to record levels. Net income and earnings per share increased by over 20% in 2014 compared to 2013. Dividends per share also increased from \$0.96 in 2013 to \$1.00 in 2014. Earnings growth drives share-price appreciation as well as dividend growth, so we are proud of these accomplishments in light of the challenges associated with a still fragile economy, a prolonged low interest rate environment, and increasing costs associated with heavier regulatory burdens.

Total assets increased to \$855 million as of December 31, 2014. During the past 24 months we have opened two branches - one in Lexington and one in Richmond. These branch openings, targeted marketing efforts, and a refinement of and focus on our commitment to Premier Customer Service have all contributed to the growth of our total assets, loans, and deposits.

The overall increase in total assets was led by an increase in total loans, which was funded by an increase in deposits and borrowed funds. Similar to 2013, borrowings increased in an effort to strategically lock in longer term funding at fixed rates for anticipated growth and to minimize rate sensitivity in an increasing rate environment. One of our driving principles is to enhance shareholder value by disciplined growth on both sides of the balance sheet, resulting in stable asset quality, manageable interest rate risk, and sustainable earnings.

We are pleased with the record results in 2014 and we are excited about the prospects for the future. The effort and resources invested in recent years in the development of our employees, branch expansion, product redesigns, and technology improvements have solidified our foundation and created a tremendous platform for the future. This platform includes a great team of bankers using a diverse suite of services including trust and wealth management, consumer banking, commercial lending, and corporate and cash management products, to meet the financial needs and exceed the expectations of our customers.

As we enter 2015, we will be working on the previously announced acquisition of Madison Bank which is anticipated to close in the second or third quarter and is subject to regulatory approval. This merger will bring additional branches to our franchise, and we are looking forward to expanding our presence in the growing Madison County market. Although we must address many challenges as we go forward, we have a talented management team, appropriate risk management processes, and growing momentum; all of which position Kentucky Bancshares, Inc. to have another successful year in 2015.

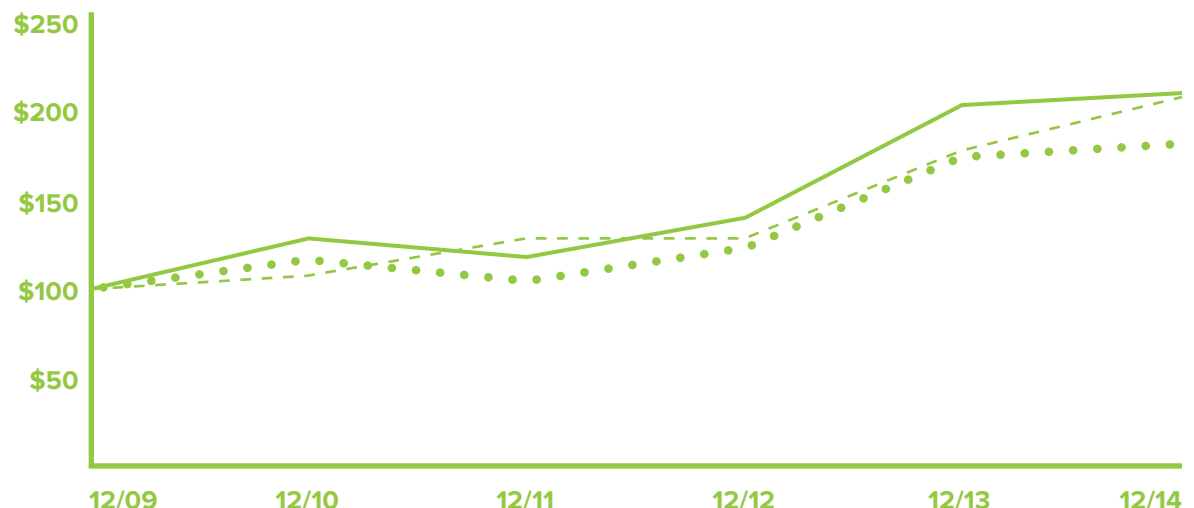
As always, we appreciate your support.

Louis Prichard, President and Chief Executive Officer

5 YEAR CUMULATIVE TOTAL RETURN COMPARISON*

- Kentucky Bancshares, Inc. ———
- Russell Microcap - - - - -
- NASDAQ Bank

*100 Invested on 12/31/09 in stock or index, including reinvestment of dividends. Fiscal year ending 12/31.



DOING WHAT

This was a year of remarkable progress and accomplishment for Kentucky Bank. We demonstrated leadership through our financial results, our pending acquisition of Madison Bank, and by sustaining and building new customer relationships across our markets. Kentucky Bank delivered exceptional operating performance and we are proud of the gains in financial strength. We are confident that significant opportunities exist for us as we enter 2015.

While customers can now access their accounts electronically from many platforms, we feel personal service is still very important. Our team goes far beyond what is expected, in order to deliver Premier Customer Service. As an example of this we would like to share a story that demonstrates our culture. On a snowy Friday night, just before 5 p.m. a large employer (that did not bank with Kentucky Bank) announced that they were having payroll problems and up to 6,000 of their employees might not receive their pay that evening. One of our employees spent the next few hours putting a plan into place that would help the employer and employees. Working with the employer and other Kentucky Bank personnel, she created notifications for the public of a special offer to help their employees. She received approval to extend a \$200 cash advance (without interest) to employees, both customers and non-customers of Kentucky Bank. On Saturday morning, the payroll was still not available in the account. Our employee spent the next 3 hours working with the company to manually

add payroll funds to 169 Kentucky Bank customer accounts. We are very proud to have employees that unselfishly give their time and effort to assist other families. Our employee knew that since this was a check at the first of the month, with a winter storm coming, employees would need their pay to buy necessities for their families. Caring for others is the driving force behind our Premier Customer Service commitment at Kentucky Bank.

Last year, Kentucky Bank was pleased to become the title sponsor of the USTA Pro Circuit Tennis Championships in Lexington. The tournament was a huge success! Public participation in 2014 created the first year that the attendance at the challenge doubled. Along with the challenger event, we held kids' clinics in nearly all of our communities. The free kids' clinics allow many children that may not otherwise have an opportunity to have a personal, professional tennis lesson. Throughout our history, Kentucky Bank has been committed to projects that support our communities and regions, 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 again this year during the Championships, July 26th through August 2nd.

For the fourth year in a row, we have been recognized by the Kentucky Chamber of Commerce as one of the Best Places to Work in Kentucky. This is quite an achievement and a testament to our philosophy as a company and an employer.

WE DO BEST

Kentucky Bank has also earned a 5-Star rating from Bauer Financial, Inc., the nation's leading independent banking rating firm. The 5-Star award recognizes Kentucky Bank's continuous superior performance and strength.

We support personal banking with innovative solutions that strive to keep pace with the latest in banking technology. Our goal is to give customers the choice of how they would like to access their bank in the most secure environment. The options in new technology continue to grow and improve. We are providing smartphone and iPad apps, mobile deposit, faster person-to-person (POP) payments, and more. In 2014, we began offering rewards points on our credit and debit cards. This makes us extremely competitive with any financial provider. We have also begun the process of redesigning our website, which receives over one million visits per year, to reflect a responsive web design. In an effort to provide a more user-friendly atmosphere, we are striving to create a virtual branch that will not only enhance the mobile user's experience but be just as informative for our current and prospective customers as before.

We have just released an app called KY Bank Agent which is designed for Real Estate professionals. It is pre-loaded with area specific closing costs, tax rates, and monthly payments. The app generates buyer estimates and seller net sheets quickly and easily from any mobile device.

Tools that we will release in 2015 will help increase security and reduce fraud. We also look forward to issuing EMV (chip) credit and debit cards and partnering with Apple Pay. EMV is named after its original developers (Europay, MasterCard® and Visa®) and the chip cards are becoming the global standard for bank cards. These cards are embedded with micro-computer chips that store and protect cardholder data. A cardholder's confidential data is more secure on a chip-enabled payment card than on a magnetic strip card. With the new Apple Pay process, your payments are private. Instead of using your actual credit and debit card numbers, a unique device account number is assigned, encrypted, and securely stored in a dedicated chip in iPhone, iPad, and Apple Watch. These numbers are never stored on Apple servers. Thus, when you make a purchase, the device account number, along with a transaction-specific security code, is used to process your payment. Your actual credit or debit card numbers are never shared by Apple with merchants or transmitted with payment. We want to ensure that your banking is accessible, secure, and fun.

This was a year marked by important progress for our clients. We achieved strong results and gained market share by seizing opportunities and delivering on our promises. Our passion for our business, our clients, and in driving results for our shareholders was clear. We will continue that dedication by delivering quality solutions, building lasting relationships, and generating results to drive shareholder value.



BOARD OF DIRECTORS

BUCKNER WOODFORD IV

Chairman, Kentucky Bank, Kentucky Bancshares, Inc.

LOUIS PRICHARD

President and Chief Executive Officer
Kentucky Bank, Kentucky Bancshares, Inc.

B. PROCTOR CAUDILL, JR.

Special Projects Manager, Kentucky Bank

HENRY HINKLE

President, Hinkle Contracting Company, LLC

THEODORE KUSTER

Chief Executive Officer, 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 Gallery

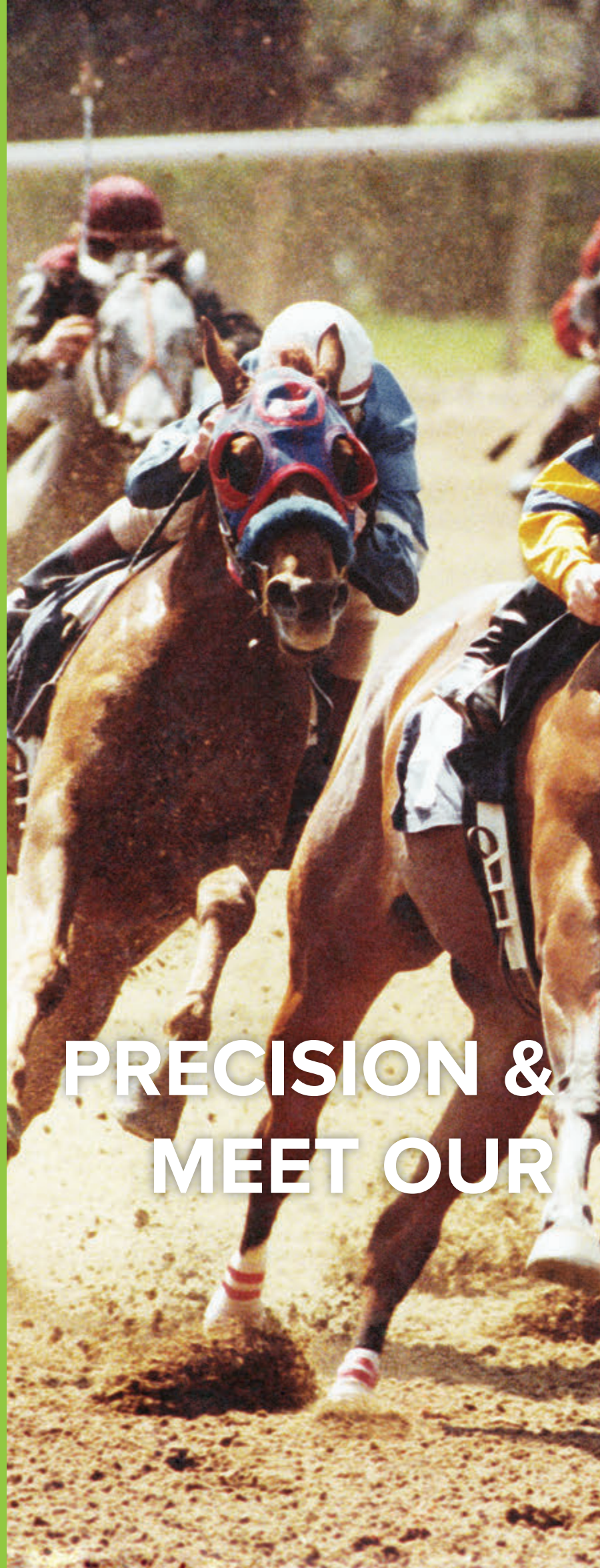
CLARK

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



**PRECISION &
MEET OUR**



HARD WORK TEAM

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 and Secretary, Signal Investments, Inc.

GEORGE HOSKINS

Managing Director, Wimbledon Farm

GREG LADD

Founder, Cross Gate Gallery

WES OMOHUNDRO

Senior Manager, Blue & Company, LLC

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 Cynthiaana

BRAD MARSHALL

Farmer, Former Owner Marshall's Tractor Supply

JOEL TECHAU

Chief Executive Officer, 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

Retired, Jessamine County Clerk

JONAH MITCHELL

President, Jonah Mitchell Real Estate and Auction

SCOTT

DR. GUS BYNUM

Family Physician, Retired

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

Tommy Haggard

Chief Executive Officer, 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

Vice President, Chief Financial Officer

St. Claire Regional Medical Center

WILLIAM H. REDWINE

Assistant Vice President, Auxiliary Services

Morehead State University

AARON S. ROBERTS

Owner, Best One Tire

MADONNA WEATHERS

Vice President, Student Life, Morehead State University

LEADERSHIP TEAM

SENIOR MANAGEMENT

LOUIS PRICHARD

President and Chief Executive Officer

NORMAN J. FRYMAN

Executive Vice President, Chief Credit Officer

JAMES BRADEN

Senior Vice President, Chief Administrative Officer

BRENDA BRAGONIER

Senior Vice President

Director of Marketing and Corporate Services

CAROL CASKEY

Senior Vice President, Director of Human Resources

GREGORY J. DAWSON

Senior Vice President, Chief Financial Officer

JAMES L. ELLIOTT

Senior Vice President, Director of Wealth Management

Market President, Fayette County

CHRIS GORLEY

Senior Vice President, Director of Operations

WILLIAM H. HOUGH

Senior Vice President, Director of Sales and Service

ACCOUNTING

GREGORY J. DAWSON

Senior Vice President, Chief Financial Officer

BRENDA BERRY

Assistant Vice President, Senior Accountant

BRANDON GILLIAM

Assistant Vice President, Controller

JANICE HASH

Assistant Vice President

Senior Accountant/Purchasing Agent

COMMERCIAL LENDING

DARREN HENRY

Vice President, Director of Commercial Lending

BENJAMIN CAUDILL

Vice President, Commercial Lender

KEN DEVASHER

Vice President, Commercial Lender

SHANE FOLEY

Vice President, Commercial Lender



A. J. GULLETT
Small Business Administration Guaranty Officer

MATTHEW JOEFREDA
Vice President, Commercial Lender

CREDIT ADMINISTRATION

NORMAN J. FRYMAN
Executive Vice President, Chief Credit Officer

LISA HIGHLEY
Vice President, Director of Mortgage Lending

CONNIE FOLEY
Administrative Assistant/Consumer Lender

CATHERINE HILL
Vice President, Collections Manager

SONYA KINCADE
Assistant Vice President
Loan Data Entry/Escrow Supervisor

SHAWN KING
Vice President, Loan Operations Director

JEFF LEHMANN
Assistant Vice President, Mortgage Servicing Manager

KAY WILSON
Direct Endorsement Underwriter

HUMAN RESOURCES

CAROL CASKEY
Senior Vice President, Director of Human Resources

DEANNA FOLEY
Human Resources Supervisor

CAROL RASKIN
Assistant Vice President
Director of Education and Development

MARKETING

BRENDA BRAGONIER
Senior Vice President
Director of Marketing and Corporate Services

CAROL NORTON
Corporate Sales Manager

OPERATIONS

CHRIS GORLEY
Senior Vice President, Director of Operations

KAREN ANDERSON
Assistant Vice President
Exception Item and Data Management Officer

MELINDA BIDDLE
Assistant Vice President, Bank Support Specialist

ANDREW BIDDLE
Senior Software Administrator

DIXIE FITE
Assistant Vice President, Quality Control Officer

ERIC HASH
Assistant Vice President
Product Development Manager

CATE MILBURN
Manager of Electronic Services

RISK MANAGEMENT

JAMES BRADEN
Senior Vice President, Chief Administrative Officer

CYNTHIA CRISWELL
Community Reinvestment Act Officer
Assistant Bank Secrecy Act Officer

SHERRY GRIFFITH
Assistant Vice President
Bank Secrecy Act/Security Officer

LYDIA SOSBY
Vice President, Compliance Officer

JENNIFER STIVERS
Vice President, Audit Manager

WEALTH MANAGEMENT

JAMES L. ELLIOTT
Senior Vice President, Director of Wealth Management
Market President, Fayette County

JAMES GRAY
Financial Consultant

JASON GRESHAM
Vice President
Business Development/Trust Officer

CHRISTOPHER MENSER
Financial Advisor

CLARK NYBERG
Vice President, Portfolio Manager

MELISSA RITCHIE
Certified Securities Operations Specialist

SELINA SHEPHERD
Personal Trust Officer

REGIONS

WILLIAM H. HOUGH
Senior Vice President
Director of Sales and Service

BOURBON REGION

NANCYE FIGHTMASTER
Market President

WALLIS BROOKS

Assistant Vice President, Branch Manager

BENSON FRYMAN

Assistant Vice President
Small Business/Mortgage Lender

CLARK REGION

DARRYL M. TERRY
Market President

CHRISTOPHER J. LEMASTER

Assistant Vice President
Small Business/Mortgage Lender

TERESA SHIMFESSEL

Assistant Vice President
Branch Manager/Consumer Lender

ELLIOTT REGION

SHERRY MATHIS
Market President

FAYETTE REGION

JAMES L. ELLIOTT
Market President
Senior Vice President
Director of Wealth Management

GLENDIA FEATHERSTON

Banking Officer, Branch Manager

LINDA G. HELM

Vice President, Mortgage Loan Originator

JEFF ROWLAND

Vice President, Commercial Lender/Private Banker

HARRISON REGION

ALLEN JOHNSON
Market President

FRED CAUDILL

Assistant Vice President
Small Business/Mortgage Lender

JESSAMINE REGION

BRANDON EASON
Market President

TEAGUE SIMS

Assistant Vice President
Small Business/Mortgage Lender

MADISON REGION

JOHN HAMILTON
Market President

DOUG EVERSOLE

Assistant Vice President
Mortgage Lender

NICHOLE GOODSON

Branch Manager/Consumer Lender

ROWAN REGION

JEREMY BROWN
Market President

GABE BROWN

Branch Manager/Consumer Lender

CONNIE INGRAM

Assistant Vice President
Small Business/Mortgage Lender

TOM JAMES

Assistant Vice President
Small Business/Mortgage Lender

SCOTT REGION

MARK SULSKI
Market President

KARIN BUCHANAN

Assistant Vice President
Small Business
Mortgage Lender

TAMARA MAYBURY

Assistant Vice President
Small Business
Mortgage Lender



WOODFORD REGION

DUNCAN GARDINER

Market President

JUSTIN CARROLL

Assistant Vice President

Small Business

Mortgage Lender



COMMUNITY

ENRICHMENT





EXPANSION

Our expansion into Richmond during 2014 has carried over into 2015. In January we announced the acquisition of Madison Bank, approximately \$120 million in assets with three locations in Richmond. This acquisition will take Kentucky Bank's assets to just under \$1 billion.

COMMUNITY

In October 2014, Kentucky Bank announced the continued titled sponsorship of the Lexington Challenger. The Lexington Challenger is a \$50,000 Pro-Circuit USTA tennis event with a non-profit status. All gains from the tournament are used to support local charities that promote healthy activity among kids. It is the only USTA event in the state of Kentucky.



TECHNOLOGY

In January 2015, Kentucky Bank announced the release of the new KY Bank Agent, Real Estate's #1 net sheet and closing costs app. This technology will be available to Realtors and each market's Mortgage Lender will have a customized "My Sales Executive" feature. This will be a great tool for both Realtors and Mortgage Lenders assisting their customers.

PHOTO CREDITS

Bobby Shiflet, Frames on Main Gallery: Front Cover; Pages 1 & 2; 5 & 6; and 13 & 14.

The Tony Leonard Collection: Pages 7 & 8

Charlie Baglan: Pages 3 & 12.



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