

2015

ANNUAL REPORT

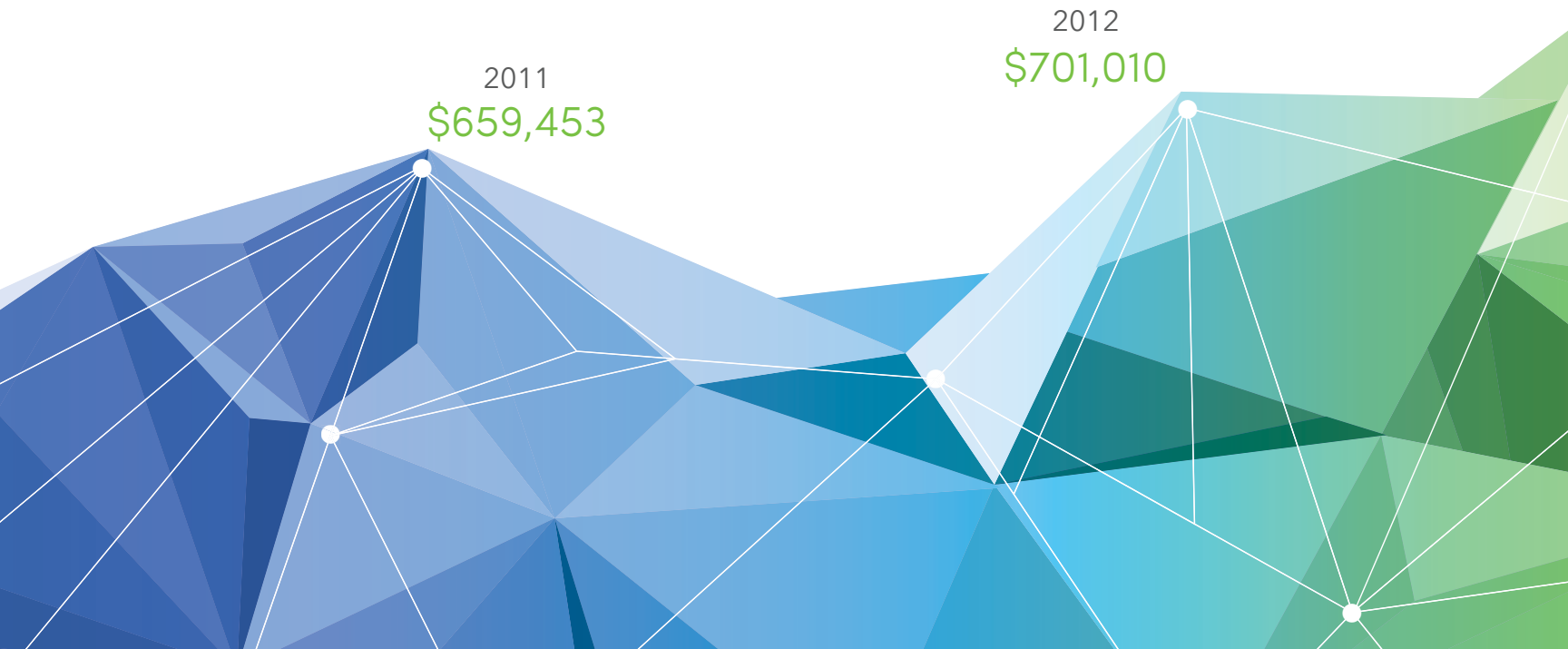
“Growth is never by chance, it is
the result of forces working together.”

– James Cash Penney



ASSETS

(\$ thousands)



ANNUAL MEETING

The annual meeting of Kentucky Bancshares, Inc. will be held Thursday, May 26, 2016 at 11:00 a.m. in the Corporate Headquarters.

INVESTOR INFORMATION

Any individual may obtain a copy of the Corporation's 2015 Form 10-K Report by visiting our website at www.kybank.com or writing to Investor Relations at the Corporate Headquarters.

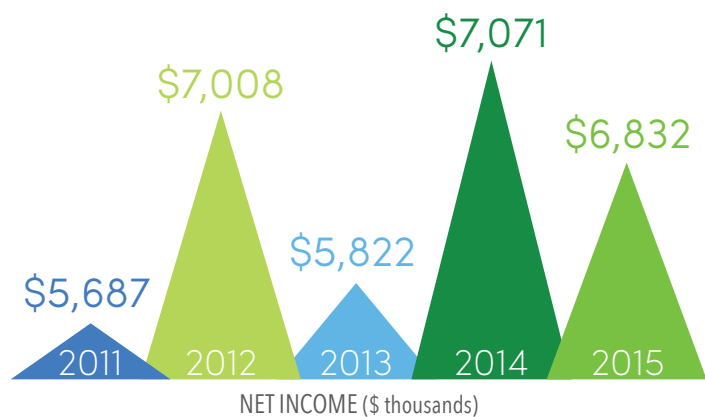
ACQUIRING STOCK - KTYB

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

INVESTOR RELATIONS

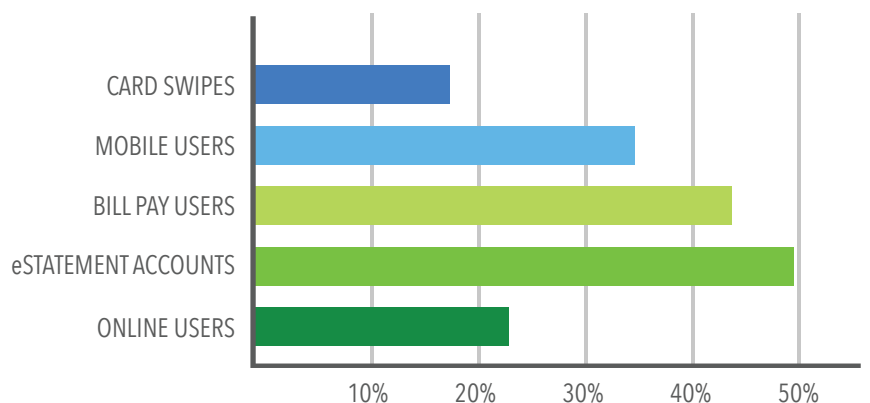
For more information about your investment in Kentucky Bancshares, Inc., please visit www.kybank.com. Here you will find company highlights, dividend history, SEC filings, historical graphs, and other helpful information related to our company and your stock. In addition, you can sign up for email alerts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

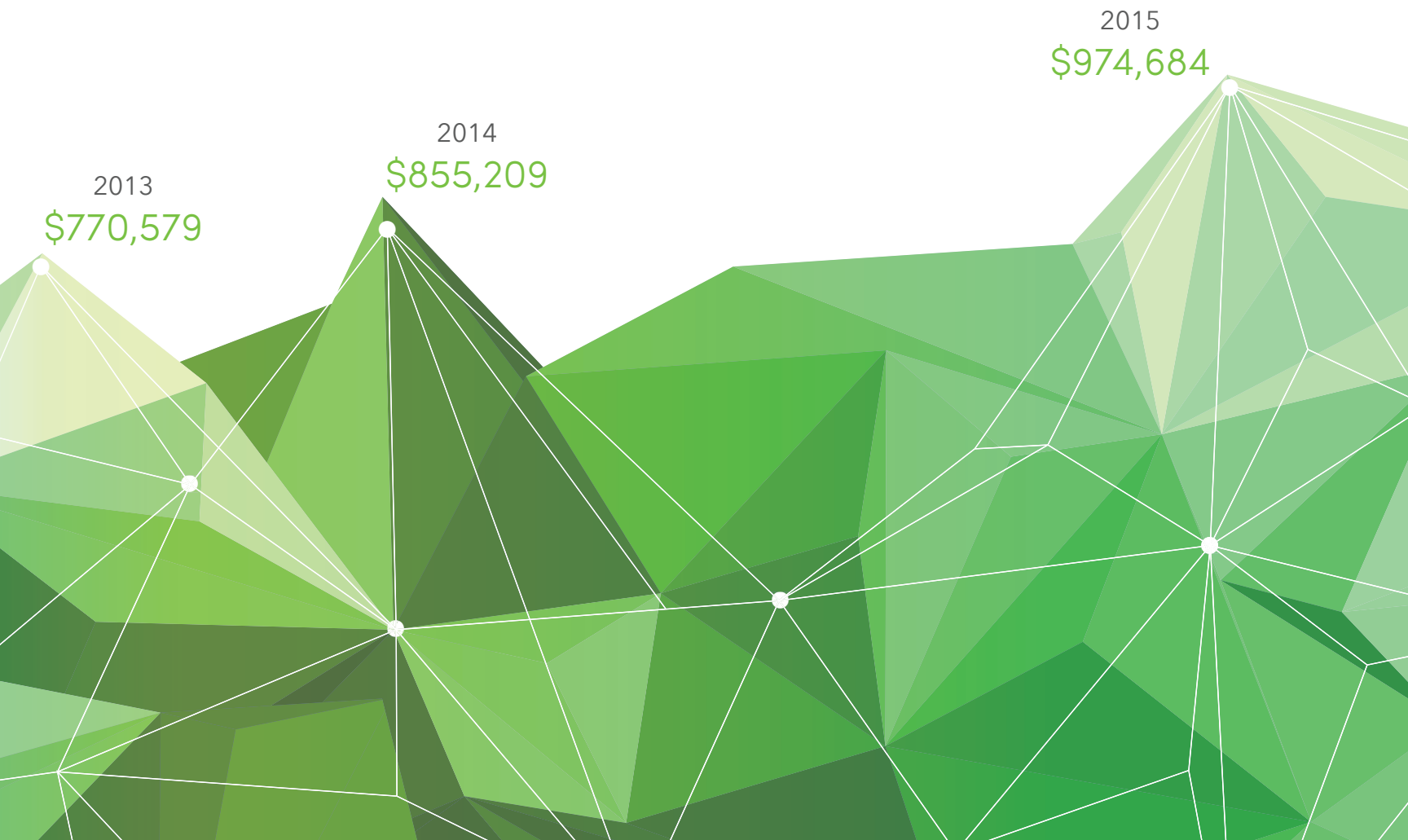
NET INCOME



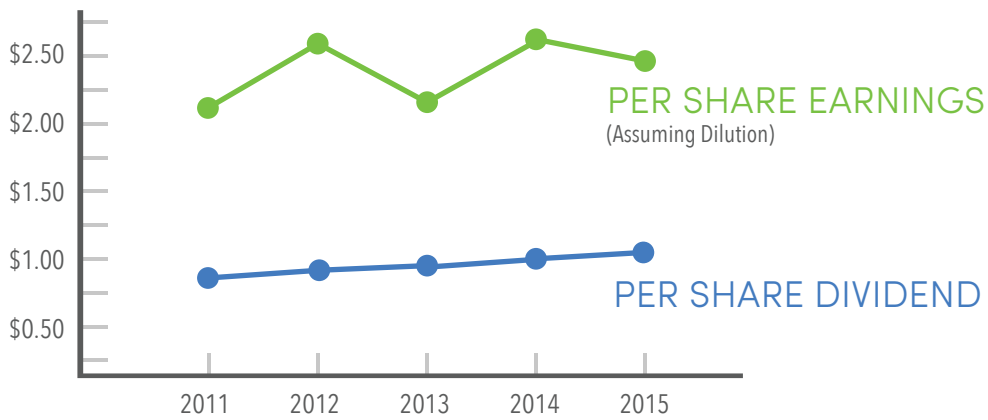
TECHNOLOGY GROWTH

(from 2014 to 2015)



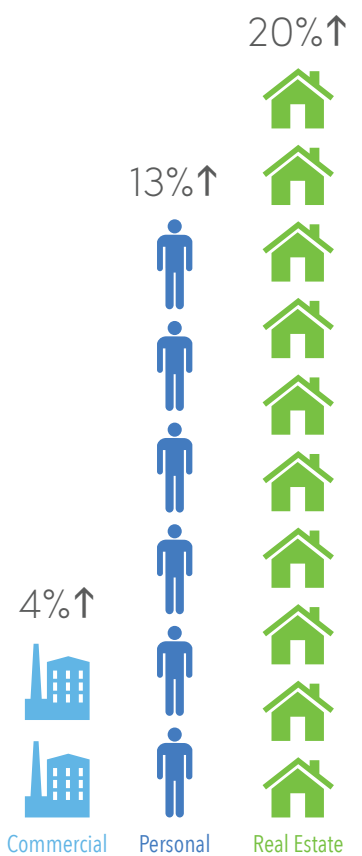


PER SHARE DATA



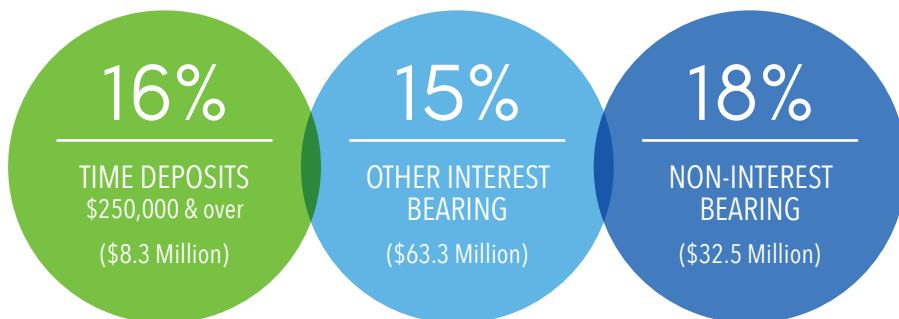
LOAN GROWTH

(from 2014 to 2015)



DEPOSIT GROWTH

(from 2014 to 2015)



TOTAL - \$104.1 Million (16%)

TOTAL - \$85.8 Million (16%)



TO OUR SHAREHOLDERS

We are pleased to report another record year for Kentucky Bancshares, Inc. with nearly \$975 million in total assets as

of December 31, 2015, reflecting an increase from 2014 of over \$119 million. Further, we anticipate surpassing \$1 billion in total assets in 2016!

This balance sheet growth was driven by the acquisition of Madison Bank in 2015 but also includes our multi-year organic growth strategies coming to fruition. Over the past few years we have expanded our geographic footprint by adding branches, enhanced our market penetration by adding seasoned bankers, and improved our delivery channels by updating our suite of product offerings. These efforts have resulted in increased loans, reduced non-performing assets, and improved profitability.

In addition to the balance sheet growth and expansion, we have concentrated on making internal and external improvements. Throughout the year we added exceptional talent to our team of bankers, making our current team even stronger. In November of 2015 we announced our new PaySmart Checking Plan, which enhances our suite of mobile and digital delivery solutions and allows us to make fully compliant consumer loans in just minutes. In January of 2016 we rolled out a new website design which is responsive to all screen sizes, is easier to navigate, and improves our customers' online experience.

It was certainly with mixed feelings that we announced the retirement of Kentucky Bank and Holding Company director Theodore R. "Ted" Kuster, as of the end of December. Ted joined the board of Peoples Deposit Bank in 1979, continuing as a director through our mergers and acquisitions to the present day Kentucky Bank. With his valuable advice and guidance, our service area grew from a single county to ten, and grew in size to just under \$1 billion in assets. Ted has always been a constant and enthusiastic promoter of Kentucky Bank, and we are pleased that he will continue his service as a member of our Bourbon County Advisory Board of Directors for the Bank.

Wes Omohundro, who is a member of on our Fayette County Advisory Board of Directors, has been named to the Kentucky Bank and Kentucky Bancshares, Inc. Board of Directors. Omohundro is currently the Controller for The Allen Company, Inc. in Winchester. Prior to that he worked as a Senior Audit Manager for eleven years for an accounting firm. He has served on the board of the Kentucky Society of CPA's and as a Trustee on its Educational Foundation. Wes will add strength and diversity to our Board of Directors. His commitment to our company, knowledge of the markets, and financial experience will help keep us responsive to the best interests and financial needs of our customers.

We are pleased with the results of 2015 and are excited about the prospects for the future. 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,

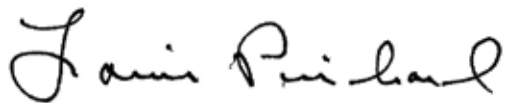


"We anticipate
surpassing \$1 billion
in total assets
in 2016!"

and sustainable earnings. We intend to continue pursuing profitable loan and deposit growth through effective relationship management, targeted solicitation efforts, new product offerings, and enhancements to our delivery distribution system. We will also be focused on growing noninterest income and expanding our diversity of revenue sources to meet the financial needs and exceed the expectations of our customers.

As we pursue our strategies for 2016, the banking industry continues to be faced with new and complex regulatory requirements and enhanced supervisory oversight. These factors are exerting downward pressure on revenues and upward pressure on required capital levels and the cost of doing business. Despite these challenges, we will continue to explore opportunities for profitable growth and efficiency improvements to accomplish what is in the long term best interest of our shareholders, customers, and employees.

As always, we appreciate your support.



Louis Prichard
President and Chief Executive Officer



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

President, Retired
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 S. VAN METER, MD

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

Executive Director, Retired
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 and Secretary, Signal Investments, Inc.

GEORGE HOSKINS

Managing Director, Wimbledon Farm

GREG LADD

Founder, Cross Gate Gallery

WES OMOHUNDRO

Controller, The Allen Company, Inc.

HARRISON

K. BRUCE FLORENCE

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

BETTY J. LONG

President, Retired
First Federal Savings of Cynthiana

BRAD MARSHALL

Farmer, Former Owner Marshall's Tractor Supply

JOEL TECHAU

Chief Executive Officer, Techau, Inc.

GERRY WHALEN

Appraiser, Broker, Whalen and Company

JESSAMINE

MICHAEL R. BISHOP, DMD

Michael R. Bishop, DMD and Associates, PSC

TOM BUFORD

Kentucky State Senator

EVA MCDANIEL

Jessamine County Clerk, Retired

JONAH MITCHELL

President, Jonah Mitchell Real Estate and Auction

MICHAEL I. WILLIAMS

President, CEO, Blue Grass Energy

SCOTT

GUS BYNUM, MD

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

LOREN CARL

U.S. Marshall, Retired

TOMMY HAGGARD

Chief Executive Officer
Bluegrass Community Hospital

JAMES KAY

Businessman, Farmer

TRICIA N. KITTINGER

Circuit Clerk, Woodford County, Retired

CAROLYN MCDONALD

Realtor, Rector Hayden Realtors

EAST KENTUCKY

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, Customer Service Center,
and Treasury Management

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, Contoller

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

SUSAN DEAN

Vice President, Commercial Lender

KEN DEVASHER

Vice President, Commercial Lender

SHANE FOLEY

Vice President, Commercial Lender

MATTHEW JOEFREDA

Vice President, Commercial Lender

CREDIT ADMINISTRATION

NORMAN J. FRYMAN

Executive Vice President, Chief Credit Officer

CONNIE FOLEY

Administrative Assistant/Consumer Lender

LISA HIGHLEY

Vice President, Director of Mortgage Lending

CATHERINE HILL

Vice President, Collections Manager

SONYA KINCADE

Assistant Vice President

Loan Data Entry/Escrow Supervisor

SHAWN KING

Vice President, Loan Operations Director

KATHY KUEHNEMAN

Direct Endorsement Underwriter

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, Customer Service Center,
and Treasury Management

CAROL NORTON

Assistant Vice President

Treasury Management Officer

OPERATIONS

CHRIS GORLEY

Senior Vice President, Director of Operations

KAREN ANDERSON

Assistant Vice President

Exception Item and Data Management Officer

ANDREW BIDDLE

Senior Software Administrator

MELINDA BIDDLE

Assistant Vice President, Bank Support Specialist

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

MIKE ESTES

Financial Advisor

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 Officer

SELINA SHEPHERD

Assistant Vice President

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
Business Banker

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

GLENDA 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
Mortgage Lender

JESSAMINE REGION

BRANDON EASON
Market President

TEAGUE SIMS
Assistant Vice President
Mortgage Lender

MADISON REGION

JOHN HAMILTON
Market President

NICHOLE EADS-GOODSON
Assistant Vice President
Retail Manager/Consumer Lender

DOUG EVERSOLE
Assistant Vice President
Mortgage Lender

ALAN LUNSFORD
Assistant Vice President
Mortgage Lender

SHAWNA MCWILLIAMS
Business Banker

ROWAN REGION

JEREMY BROWN
Market President

GABE BROWN
Branch Manager/Consumer Lender

CONNIE INGRAM
Assistant Vice President
Mortgage Lender

SCOTT REGION

MARK SULSKI
Market President

TAMARA MAYBURY
Assistant Vice President
Business Banker

JOHN (JR) SCHORNICK
Assistant Vice President
Mortgage Lender

WOODFORD REGION

DUNCAN GARDINER
Market President

JUSTIN CARROLL
Assistant Vice President
Small Business/Mortgage Lender



"We are proud of our recent accomplishments, driven to achieve more, and we look forward to delivering strong results in 2016 and beyond."



FOR THE 5TH
CONSECUTIVE YEAR



5-STAR RATING
BAUER FINANCIAL



DOING WHAT WE DO BEST

We are fortunate to have multiple paths available to us to create value for our shareholders and customers.

The tributaries to Kentucky Bank began in 1851.

We would like to think our ancestors would be proud of the decisions we have made and the business we have developed that have led us to this point. The culture of doing things the right way has always been a mantra for this company. Our core

business continues to be quite strong as we remain determined to deliver Premier Customer Service for our customers.

Our Wealth Management Department is one vital component of our business. Kentucky Bank specializes in delivering exceptional relationship based service, with a solid commitment to responsiveness and action. That assurance with respect to our wealth management, private banking, trust, and brokerage services resulted in a very strong year in 2015.

Our wealth management offerings are quite robust, as demonstrated by our strong client approval rating.

Developing a loan portfolio with the right balance of loans and risk is a goal that always has our highest attention. Learning from the economic lessons of the recent past,

while being poised to take advantage of upcoming economic opportunities, is a path we plot carefully. We strive to be very competitive for loans with the right balance of risk and reward.

In recent years we have grown considerably. We are very close to reaching a key milestone of \$1 billion in assets. In July 2015, the acquisition of Madison Bank gave us a strong presence in Madison County. The \$116 million dollar addition added three new Kentucky Bank offices in Richmond. With the completion of the transaction, the total assets of Kentucky Bancshares, Inc. were approximately \$975 million.

Developing and offering the technology that our customers need is an important vehicle for delivering Premier Customer Service. Our website, www.kybank.com, had over a million visitors in 2015, which is more than a 24% increase over 2014. Approximately one-fourth of our visitors use mobile devices to access their banking information. We introduced our redesigned website in 2016, making our site responsive to any electronic device. Our site will continue to bring you information about new products and services as we roll them out.

As we enter our 165th year, we are in pursuit of a great number of opportunities. Our strategic plan calls for stronger relationships with our customers, a higher level of profitability, greater efficiency, and a particular focus on quality assets and wealth management growth. We will face our challenges head on and are putting the action plans in place to meet these goals.

We believe that banking is a relationship and service business, versus a product business. This philosophy has led us to focus on meeting as many of our clients' needs as possible. This results in a high number of services per client and strong relationships. Our successful growth will accrue primarily from deep relationships and high client satisfaction. These attributes provide both an expansion of relationships with existing clients and a successful referral business.

We are proud of our recent accomplishments, driven to achieve more, and we look forward to delivering strong results in 2016 and beyond.



165 Years of
Doing Things the
Right Way

PHOTOS COPYRIGHTED

BOBBY SHIFLET - FRAMES ON MAIN GALLERY (pp. 2, 3, 8, 9)

LEE THOMAS (inset p. 2)



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