

2016
ANNUAL
REPORT

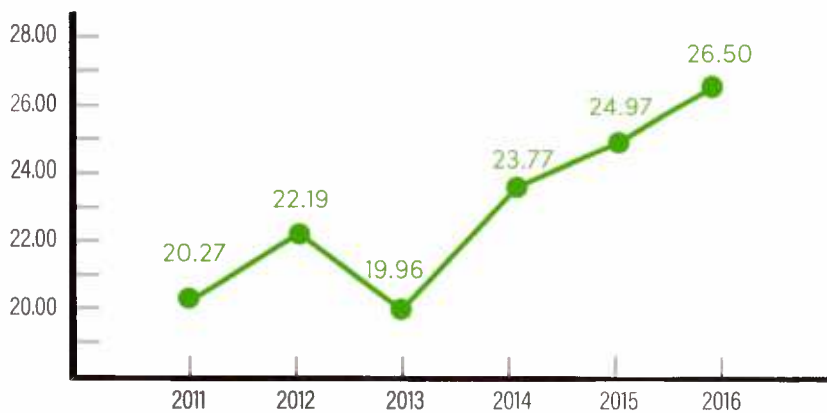
Kentucky
 *Bancshares, Inc.*

ASSETS



ASSETS (\$ thousands)

TANGIBLE BOOK VALUE/SHARE



ANNUAL MEETING

The annual meeting of Kentucky Bancshares, Inc. will be held Wednesday, May 17, 2017 at 11:00 a.m. in the Corporate Headquarters.

INVESTOR INFORMATION

Any individual may obtain a copy of the Corporation's 2016 Form 10-K Report by visiting our website at www.kybank.com or writing to Investor Relations at the Corporate Headquarters.

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.

KTYB

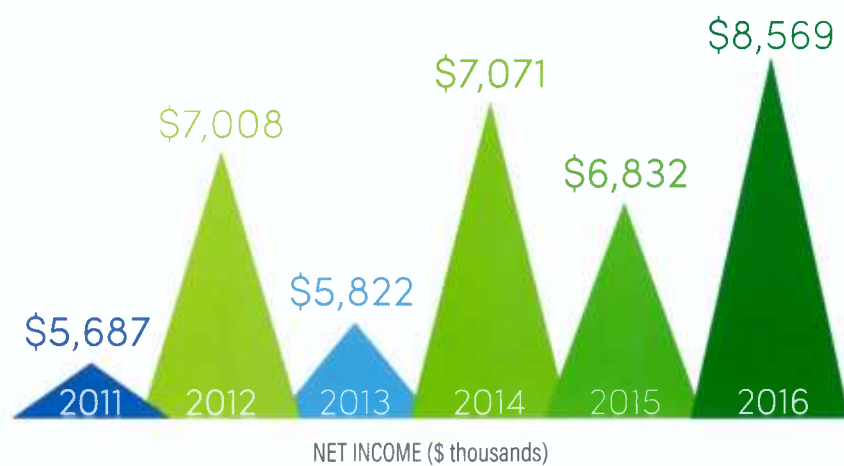
TRADING STOCK

Kentucky Bancshares, Inc. common stock is publicly traded and is available for purchase through your broker or Kentucky Bank's Wealth Management Department at 800-467-1939.

PER SHARE DATA



NET INCOME





TO OUR SHAREHOLDERS

The year of 2016 was certainly a very active and successful year for your company. We were able to attain not only record earnings of \$8.6 million, a 25.4% increase over 2015, but also record earnings per share, on a diluted basis, of \$2.87. This was a 19.6% improvement over our previous year-end.

Our assets totaled \$1.03 billion as of December 31, 2016; again, another record high for your company. While we are pleased with these results, we must remain focused on the future. Our goal is to have a strategy of disciplined and profitable growth, and as we undertake that strategy for 2017, we would like to highlight some of our efforts.

- We are currently investing in our Clark County market by building a new branch which will include a more efficient design. This will allow us to serve more customers while also providing for more growth. We expect the new branch to be open mid-2017.
- We recently updated our suite of business checking products to provide an emphasis on electronic services and enhanced security features. We anticipate offering "Positive Pay" by mid-2017, which is a service that protects business customers from check and electronic transactional fraud.
- We just introduced CardValet, which is a fraud management "app" for smart phones. This allows our personal and business customers, through their own initiative, more control over their Kentucky Bank cards.
- We recently announced the sale of one of our branches in Clark County to a non-bank real estate developer. This branch building was larger than we needed, resulting in unused space and higher maintenance costs. Through this transaction, we have recognized a pre-tax gain of approximately \$1.2 million, which will allow us to reinvest in the Bank to continue to pursue strategic growth opportunities.

Over the past few years, we have expanded our geographic footprint and enhanced our market penetration, in spite of increasing regulatory burden and rising business costs. Those successes would not be possible without the great team we have at Kentucky Bank and the opportunities to provide financial services in the communities that we serve. We remain optimistic about our ability to overcome the persistent challenges in our industry, and look forward to continuing to grow with our communities.

As always, we appreciate your support.

Louis Prichard
President and Chief Executive Officer

SHARE PRICE AND VOLUME

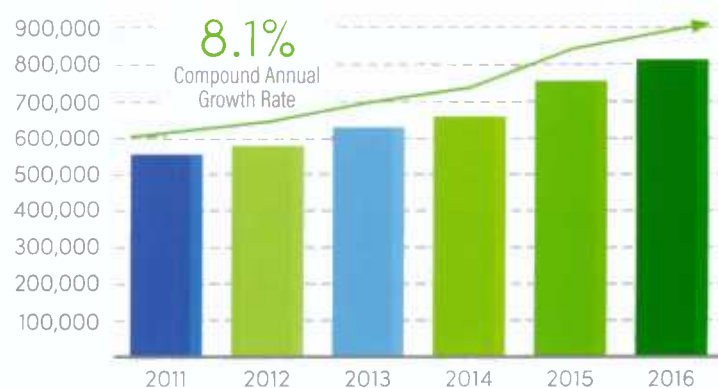
(November 2016 - February 2017)



TOTAL NET LOANS (\$ thousands)



TOTAL DEPOSITS (\$ thousands)



KENTUCKY BANCSHARES, INC. (KTYB) STOCK ACTIVITY

Since January of 2016, we have experienced an increased volume of stock trades, along with an increased price per share. Much of this activity is a result of our increased profitability, our increased dividends, our asset size, and the market capitalization of your company. The benefit of this is that there appears to be more demand for our stock, which creates a more liquid and orderly market for both larger and smaller blocks of shares.

Please feel free to contact any one of our investment advisors in the Wealth Management Department at (800) 467-1939. Mike Estes, James Gray, or Chris Menser will be glad to assist in any way possible.

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
Chief Executive Officer
Hinkle Holding Company, LLC



BETTY J. LONG
President, Retired
First Federal Savings of Cynthiana



TED MCCLAIN
President, Hopewell Insurance Company



WES OMOHUNDRO
Controller, The Allen Company, Inc.



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

THEODORE KUSTER

Chief Executive Officer
Hillside Farm/Shawhan Place, LLC

RODES SHACKELFORD PARRISH

President, The Clay Ward Agency, LLC

BOBBY L. SHIFLET

Owner, Frames on Main Gallery

CENTRAL KENTUCKY

WILLIAM MILES ARVIN, JR.

Attorney, Law Offices of William Miles Arvin
Fayette County

MICHAEL R. BISHOP, DMD

Michael R. Bishop, DMD & Associates, PSC
Jessamine County

LOREN CARL

U.S. Marshal, Retired
Woodford County

GEORGE HOSKINS

Managing Director, Wimbledon Farm
Fayette County

JAMES KAY

Businessman, Farmer
Woodford County

JOHN G. ROCHE

John G. Roche Opticians, Inc.
Clark County

KEVIN E. WELSH

Alltech, Winchester Operations Manager
Clark County

MICHAEL I. WILLIAMS

President, CEO, Blue Grass Energy
Jessamine County

EAST KENTUCKY (ROWAN / ELLIOTT)

ROCKY ADKINS

Minority 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

HARRISON

K. BRUCE FLORENCE

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

BRAD MARSHALL

Farmer, Former Owner, Marshall's Tractor Supply

JOEL TECHAU

Chief Executive Officer, Techau, Inc.

GERRY WHALEN

Appraiser, Broker, Whalen and Company

MADISON

KEITH DANIEL

Owner, KDA Office Furniture

MARK GENTRY

President & CEO, Precision Tube, Inc.

CHRIS HORNSBY

Owner & Agency Manager
Madison County Farm Bureau

AMANDA MARCUM

Realtor, Berkshire Hathaway
HomeServices Foster, Realtors

DEBRA NEAL

Interim President, COO & CFO
Former Madison Bank

MARC ROBBINS

Madison County Attorney

SCOTT

ANDREW BROWN

Lead Pastor, Grace Christian Church

GUS BYNUM, MD

Family Physician, Retired

MIKE HOCKENSMITH

Owner and President
The Hockensmith Agency, Inc.

KATY PRATHER

Realtor, Keller Williams Bluegrass Realty

WILLIAM (CHIP) RICHARDSON, MD

Ophthalmologist, Georgetown Eye Care

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

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

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
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

SUSAN DEAN
Vice President, Commercial Lender

KEN DEVASHER
Vice President, Commercial Lender

SHANE FOLEY
Vice President, Commercial Lender

BEN FRYMAN
Vice President, Commercial Lender

CHRIS JACKSON
Vice President, Small Business Administrator
Guarantor Officer

MARA MAYBRY
Vice President, Commercial Lender

SHAWNA MCWILLIAMS
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

BECKY LYONS
Mortgage Servicing Manager

JOSH TUCKER
Senior Software Administrator

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

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
IRA Specialist

ERIC HASH
Assistant Vice President
Electronic Banking Manager

CATE MILBURN
Fraud and Dispute Specialist

CAROL NORTON
Assistant Vice President
Treasury Management Officer

RISK MANAGEMENT

JAMES BRADEN
Senior Vice President, Chief Administrative Officer

CYNTHIA CRISWELL
Assistant Vice President
Community Reinvestment Act Officer
Assistant Bank Secrecy Act Officer, Vendor Management

SHERRY GRIFFITH
Assistant Vice President
Bank Secrecy Act/Security Officer

LYDIA SOSBY
Vice President, Compliance Officer

JENNIFER STIVERS
Vice President, Risk Manager

WEALTH MANAGEMENT

JAMES L. ELLIOTT
Senior Vice President
Director of Wealth Management

ROD BROTHERTON
Vice President, Wealth Advisor

MIKE ESTES
Financial Consultant



JAMES GRAY
Financial Advisor

JASON GRESHAM, CFP
Vice President, Wealth Advisor

CHRISTOPHER MENSER
Financial Advisor

CLARK NYBERG
Director of Portfolio Management

MELISSA RITCHIE
Trust Operations Officer

JEFF ROWLAND
Vice President, Private Banker

SELINA SHEPHERD, CTFA
Assistant Vice President, Trust Officer

REGIONAL BANKING CENTERS

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

JEREMY BROWN
Vice President, Branch Administration

DARRYL M. TERRY
Central Kentucky Regional President
Clark, Fayette, Jessamine, and Woodford Counties

BRANDON EASON
Bourbon County Market President

JOHN HAMILTON
Madison County Market President

ALLEN JOHNSON
Harrison County Market President

ALEX LYTTLE
Jessamine County Market President

SHERRY MATHIS
East Kentucky Market President
Elliott and Rowan Counties

MARK SULSKI
Scott County Market President

BOURBON REGION

BRANDON EASON
Market President

WALLIS BROOKS
Assistant Vice President, Branch Manager

KARIN BUCHANAN
Assistant Vice President, Mortgage Lender

CLARK REGION

DARRYL M. TERRY
Central Kentucky Regional President

CHRISTOPHER J. LEMASTER
Business Development Officer

TERESA SHIMFESSEL
Assistant Vice President
Branch Manager/Consumer Lender

FAYETTE REGION

DARRYL M. TERRY
Central Kentucky Regional President

LINDA G. HELM
Vice President, Mortgage Loan Originator

HARRISON REGION

ALLEN JOHNSON
Market President

FRED CAUDILL
Assistant Vice President, Mortgage Lender

JESSAMINE REGION

DARRYL M. TERRY
Central Kentucky Regional President

ALEX LYTTLE
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

EAST KENTUCKY REGION (ROWAN / ELLIOTT)

SHERRY MATHIS
Market President

GABE BROWN
Branch Manager/Consumer Lender

CONNIE INGRAM
Assistant Vice President, Mortgage Lender

SCOTT REGION

MARK SULSKI
Market President

JOHN (JR) SCHORNICK
Assistant Vice President, Mortgage Lender

WOODFORD REGION

DARRYL M. TERRY
Central Kentucky Regional President

JUSTIN CARROLL
Market Manager, Business Development Officer



DOING THINGS THE RIGHT WAY

Call It Home has been our slogan for 23 years. It still holds true today! We provide a high level of customer service to establish and maintain long term relationships. Our consistent focus on the needs of our clients and the communities we call home, allows us to compete effectively. We build value for shareholders by providing relationship-based financial services to the people in the communities we serve, as well as the businesses in those same ten markets.

We offer our clients a wide variety of products and services, along with methods for using our services. Our banking, technology, lending, and wealth management products and services are designed to meet the financial needs of our customers, establish new relationships, and expand our business opportunities. We strive for opportunities to expand our relationships with our customers.

TECHNOLOGY

We are in a dynamic and intensely competitive industry, and information security in a digital age continues to be a major focus and priority for us.

More and more consumers are embracing electronic payments and mobile banking. The continued adoption of digital and mobile solutions creates opportunities and aligns very well with Kentucky Bank's vision to provide the type of banking access that customers desire, while providing personal banking options for our clients.

WEALTH MANAGEMENT

The strength of our Wealth Management team continues to grow, as does our client base. Whether our clients need an Investment Advisor, assistance in putting together an estate plan, or evaluating the value of a business, we will be there to offer advice and strategies. As it relates to those abilities, we will soon be offering a new "app" that will allow our clients the ability to aggregate and track their entire net worth electronically.

LENDING

Commercial lending is an extremely competitive business. Our lenders assist our clients in structuring their loans in the most advantageous way. We offer commercial loans for virtually any type of business including SBA, Agricultural, Commercial, and Real Estate loans. Our commercial team of 9 lenders has over 130 collective years of experience, which offers us a unique ability to understand the business needs of our clients.

MORTGAGE

Kentucky Bank is a leading provider of mortgage loans in our communities. Providing home loans to the families in our communities is an important service to our markets. In 2016, we originated a record 568 mortgages, which is a 16% increase over 2015, resulting in more than \$89 million in mortgage loans. We hope to continue a strong mortgage business, as the housing market and interests rates may be influencing factors in future mortgage growth. Kentuckians **Call It Home** with a home loan from Kentucky Bank.

NEW DESIGN OF BRANCH BANKING

We are changing with the times. When the new Colby Road office in Winchester opens, we think customers will enjoy the new, exciting, friendly, bright look. Rather than having the more traditional teller windows, the branch will have four concierge style stations. While utilizing this structure, customers will have greater access to our representatives. As important as the physical layout will be, our people will be going through a very thorough and rigorous educational process to ensure that we will be able not only to meet but exceed customer expectations. Of course, customers can still conduct all the usual transactions they are accustomed to at the branch, but with new innovative touches.

To a greater extent, customers are utilizing online banking, mobile devices, and ATMs to complete their everyday transactions. However, we know that branches will continue to remain essential to serving our customers. We encourage you to visit our new branch when it is completed this summer.

