

May 14, 2007

**Quarterly Report
First Quarter 2007**

We are pleased to report that our net income for the first quarter ended March 31, 2007 was \$1.6 million, which represented a 20.8% increase over the \$1.3 million earned for the first quarter ended March 31, 2006. After the effects of dilution, earnings per share for the quarter equaled 54 cents, which represented a 12.5% increase over the 48 cents per share for the same quarter in 2006. Because our merger with Peoples Bancorp involved the issuance of Kentucky Bancshares stock, our earnings per share was slightly impacted.

As of March 31, 2007, total assets reached \$641 million, a 15% increase when compared to the \$558 million as of March 31, 2006. Through the help of the merger as well as internal growth, loans totaled \$441 million or a 16.4% increase over the loans outstanding as of March 31, 2006. Deposits were up 18.5% over the quarter ended March 31, 2006, and totaled \$484 million as of March 31, 2007.

Currently in Paris, construction is under way on the former Fifth-Third building, which we purchased in 2006. It is anticipated that within four months that work will be completed, and will provide additional space that is much needed as a result of our recent growth.

In Nicholasville we have just completed the purchase of a lot with the anticipation that we will build an additional full service office on the north end of that community. We have been considering the need for an additional facility for quite some time, and as a result of the growth of that community coupled with our own growth within Jessamine County, we felt that this was an opportune time to add a facility that would enhance our market presence there.

Finally, in Morehead we have recently sent out bids to contractors who might have an interest in constructing an additional facility in Rowan County. It is expected that we should receive those bids in early May and decide upon a contractor by the end of that month. It is anticipated that it will take approximately eight to ten months to construct this new full service facility.

We are pleased to announce that Edwin Saunier has agreed to serve as a director on both our Kentucky Bank and Holding Company boards. Ed is president of Saunier North American, Inc. in Winchester and has served on our Clark Advisory Board since 1989. We look forward to his continued contributions to the growth of the bank.

As you can see we have a lot on our plate, but we are pleased with the opportunities for growth that exist for Kentucky Bancshares, Inc. As always, we thank you for your investment in your company, and we will work hard to provide the appropriate return on your investment.

Louis Prichard
President, CEO