

July 24, 2007

**Quarterly Report
Second Quarter 2007**

We are pleased to report that our net income through the second quarter ended June 30, 2007 was \$3.5 million, which represented a 15.6% increase over the \$3.0 million earned through the second quarter ended June 30, 2006. After the effects of dilution, earnings per share for the year to date equaled \$1.21, which represented an 8.0% increase over the \$1.12 earnings per share for the second quarter of 2006. Because our 2006 merger with Peoples Bancorp involved the issuance of Kentucky Bancshares stock, our earnings per share was slightly impacted.

Net income for the three month period ended June 30, 2007 was \$1.9 million which represented an 11.8% increase over the \$1.7 million earned for the three month period ended June 30, 2006.

As of June 30, 2007 total assets reached \$642.3 million, a 16.1% increase when compared to the \$553.3 million as of June 30, 2006. Of that increase in assets, loans totaled \$430.5 million compared to \$384.2 million or a 12.1% increase over loan balances at the end of June 30, 2006. Total deposits were up 26.6% over the quarter ended June 30, 2006, and totaled \$492.0 million as of June 30, 2007.

As was mentioned in our prior quarterly report, construction is under way on our new retail banking center in Paris, which we purchased in 2006. This work is coming along well, and we still anticipate that we will be able to open this facility to our customers within the third quarter of this year.

In Jessamine County we are continuing to move forward on our newly purchased lot as we believe that the eventual new facility there will certainly enhance our market presence in that community.

In Morehead we have recently begun construction, along with an official groundbreaking for that particular site. We still expect that it will take eight to ten months to construct this new full-service facility, and we look forward to the impact it will have on our growth in Rowan County.

Additionally, we are very excited about the creation and communication of a set of premier customer service standards with all of our representatives. By all of us being committed to these standards, we can distinguish ourselves from our competition while fulfilling the financial needs of our customers.

As always, we thank you for your investment in your company and we will work hard to reward your confidence in us.

Louis Prichard
President, CEO