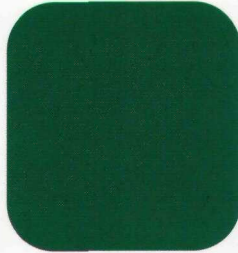


7674871-1

Filings Services
April 22, 2008
SNL Financial, LC
1-800-969-4121



FINANCIAL HIGHLIGHTS

Kentucky Bancshares, Inc.	2007	2006	2005	2004
Assets (\$ thousands)	\$ 630,939	\$ 629,542	\$ 572,750	\$ 528,544
Net Income (\$ thousands)	\$ 6,586	\$ 6,486	\$ 5,820	\$ 5,762
Per Share Results				
Earnings (assuming dilution)	\$ 2.30	\$ 2.34	\$ 2.16	\$ 2.07
Dividend	\$ 1.08	\$ 1.00	\$.92	\$.84

ANNUAL MEETING

The annual meeting of Kentucky Bancshares, Inc. will be held Wednesday, May 14, 2008 at 11:00 A.M. in the corporate headquarters.

INVESTOR INFORMATION

Any individual may request a copy of the Corporation's 2007 Form 10-K Report by writing to Investor Relations at the Corporate Headquarters.

SHAREHOLDER INFORMATION

CORPORATE HEADQUARTERS

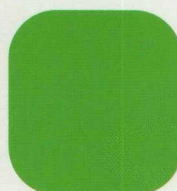
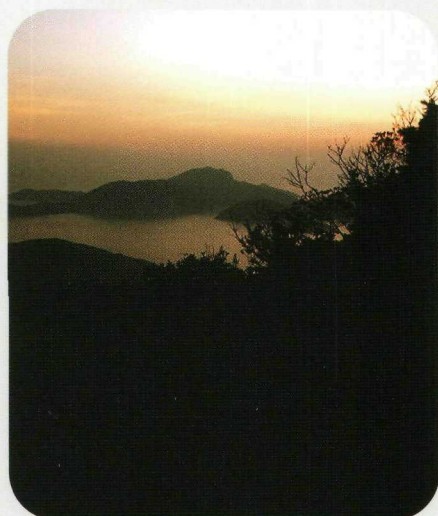
Kentucky Bancshares, Inc.
339 Main Street
Paris, Kentucky 40361
859-987-1795
www.kybank.com

TRANSFER, REGISTRAR AND DIVIDEND AGENT

Registrar and Transfer Company
10 Commerce Drive
Cranford, New Jersey 07016
800-368-5948
rtco.com

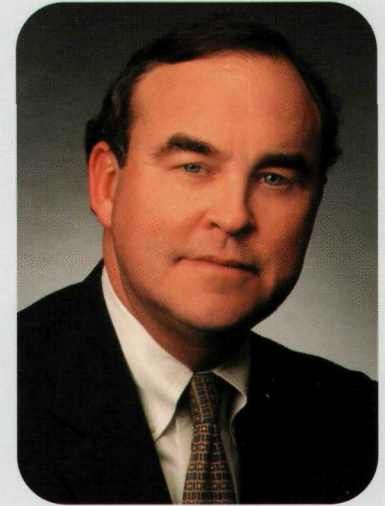
ACQUIRING STOCK

Kentucky Bancshares common stock is available through your broker or Kentucky Bank's Wealth Management Department. We are listed on the Over-The-Counter Bulletin Board, symbol KTYB.



DEAR SHAREHOLDERS:

This past year has brought a magnitude of changes to the banking industry. Following several years of solid growth in the national economy, significant issues developed in 2007. Sub-prime mortgage loans received quite a bit of press coverage. These are loans made to individuals with a substandard credit rating. Although we do not engage in the practice of sub-prime lending, the decline in the mortgage industry has broad reaching economic effects. Falling real estate prices, foreclosures on residential mortgage loans, decreased opportunity for real estate agents, builders and developers all caused additional strain on the economy. When these types of difficulties impact our economy, the financial institutions that provide financing to these customers can sometimes be affected as well.



The Federal Deposit Insurance Corporation reports statistics for the entire U.S. banking industry. In the third quarter of 2007, loan loss provisions by all banks in aggregate surged to a 20 year high. For the fourth quarter, industry earnings fell nearly 25% from the prior year. Return on assets was the lowest industry wide since 1992. By year-end bank stocks traded on national exchanges had fallen significantly. All of these factors are indicative of the above mentioned trends in our economy.

It is important to understand this very difficult environment and its effect on the 2007 financial results of Kentucky Bancshares. Earnings per share (fully diluted) fell slightly to \$2.30 from \$2.34 the prior year. Our loan loss provision was \$1 million last year vs. \$475,000 in 2006. Asset size was essentially unchanged at \$630 million. As the economy stagnated in 2007, we placed extra emphasis on credit quality. As a result, the size of our loan portfolio shrank from \$444 million to \$417 million. During this challenging time, management feels it is important to stress caution and careful business practices.

The foundation of our business is strong, and because of that strength we are planning ahead to a time when our growth opportunities will return to our normal expectations. In Paris, we moved our downtown bank lobby into a renovated facility with ample customer parking and drive-in capacity. Construction is complete on our new building in Morehead. This office opened in March 2008, giving us a second location in this growing market. Plans are being made to construct a new branch office in Nicholasville in 2008. These new offices combined with our other current branches, reinforce our belief that we are well located in key communities and likely to prosper in the long run. By offering premier customer service, attractive facilities, a multitude of loan products and a full array of convenient, electronic services, we will continue to be a strong financial institution.

Your board of directors has been a great source of direction and counsel to our management team. Additionally, your company has a regional advisory board of directors in each of our communities that provides invaluable insight into those markets.

We believe that Kentucky Bancshares, Inc. is positioned to deal with the short term challenges that face our economy, and as a result we will be poised to take advantage of the long term opportunities that will present themselves in the future.

As always we thank you, the shareholders, for your continued investment and support.

A handwritten signature in dark ink that reads "Louis Prichard".

Louis Prichard
President & CEO
Kentucky Bancshares, Inc.



OPPORTUNITY

FOOTPRINT

We continue to build upon the elements that have contributed to our success for over 150 years. As we have grown and pursued new markets and opportunities, we have remained committed to delivering a consistent level of service with each customer opportunity. Delivering exceptional, timely service will allow us to fully develop our client base and establish an increased presence in the markets we serve. Serving our clients extends well beyond financial transactions. In the markets we serve, it means being active, contributing members of those communities. Currently we are located in eight Kentucky Counties with fifteen branch offices.



FUTURE

Our goals include not only acquiring new clients and expanding market share, but also enhancing our relationships with our current client base. By making more products and services available to our clients, we are adding value to their banking experience. This approach will focus on increasing our household penetration with our clients, improving retention, and helping them achieve their specific financial goals. Providing premier customer service also means providing the most up to date advances in technology. We were able to offer new products and services to our clients and plan to continue developing this important delivery option for our markets.

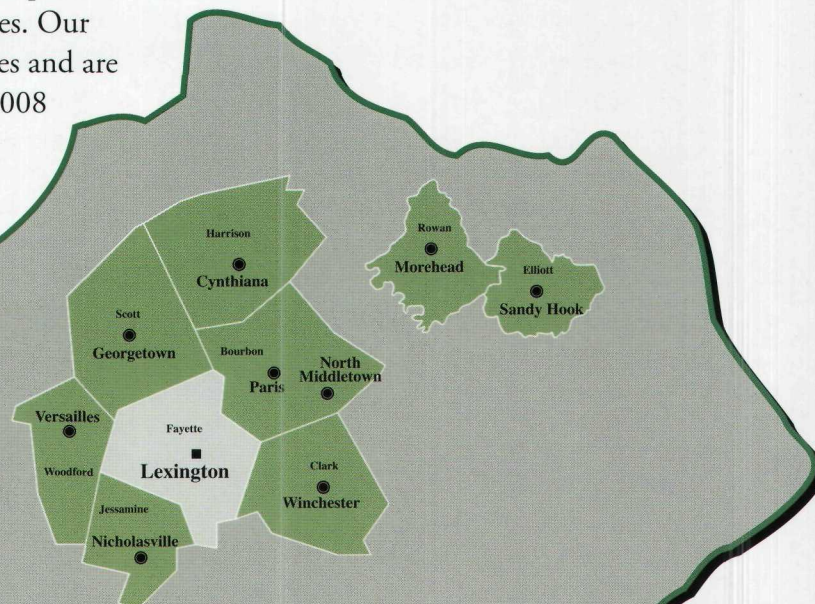


WEALTH MANAGEMENT

Our Wealth Management business continues to grow its revenues and assets under management. We have a very capable team of professionals who understand that our goal is to provide investment management, estate planning, trust, and full service brokerage services in a fiduciary manner that focuses on the long term best interest of our clients.

LENDING

The past year was a time to be cautious and proceed with extra diligence in lending decisions. That time allowed us the opportunity to develop new loan products and procedures. We believe the adjustments we made in 2007 will allow us to deliver a better lending environment for our borrowers in the future. Our Commercial Lending department is an experienced team with varied specialties, which allow us to provide the best resources and options for specific and unique opportunities. Our Consumer Lenders are involved in their respective communities and are very responsive to our customers' needs. We look forward to 2008 and our involvement in development in every community we serve.



● Kentucky Bank Communities

OFFICERS - 2007

Senior Management

Louis Prichard, President, CEO
Brenda Bragonier, VP, Director of Marketing and Human Resources
Gregory J. Dawson, VP, Chief Financial Officer
Norman J. Fryman, Sr. VP, Director of Sales and Service
Clark Nyberg, VP, Director of Wealth Management
Martha Woodford, VP, Director of Operations

Accounting

Gregory J. Dawson, VP, Chief Financial Officer
Brenda Berry, AVP, Senior Accountant
Janice Hash, AVP, Senior Accountant/Purchasing

Commercial Lending

Darren Henry, VP, Director of Commercial Lending
Benjamin Caudill, VP, Commercial Lender
R.W. Collins, VP, Commercial Lender
Ken DeVasher, VP, Commercial Lender
Shane Foley, VP, Commercial Lender
A. J. Gullett, VP, Commercial Lender
George Wilder, VP, Commercial Lender

Compliance

Lydia Sosby, VP, Compliance Officer
Sherry Griffith, BSA/Security Officer

Credit Administration

Norman J. Fryman, Sr. VP, Director of Sales and Service
Catherine Hill, VP, Head of Collections
Shawn King, Sr. Credit Analyst
Carolyn Wilkins, AVP, Overdraft Management Officer
Arnita Willoughby, AVP, Secondary Market Professional

Human Resources

Brenda Bragonier, VP, Director of Marketing and Human Resources
Christopher J. LeMaster, Director of Training
Judith Taylor, VP, Human Resources Manager

Operations

Martha Woodford, VP, Director of Operations
Karen Anderson, Electronic Banking Officer
Melinda Biddle, AVP, Core Business Officer
Patricia Carpenter, AVP, Software Administrator
Cynthia Criswell, Data Processing Officer
Perry Ingram, VP, Network Manager
Jane Mogge, Document Management Officer
Donald Roe, AVP, Sr. Data Processing Officer

Risk Management

Heather Barger, VP, Director of Risk Management
Robbie Cox, Senior Auditor

Wealth Management

Clark Nyberg, VP, Director of Wealth Management
Rebecca Combs, Financial Consultant
James Gray, Financial Consultant
Dixie Fite, Personal Trust Officer
Jan Worth, VP, Sr. Personal Trust Officer

Bourbon County

Nancye Fightmaster, VP, Regional Manager
Wallis Brooks, AVP, Branch Manager/CRA
Rhonda Brown, Sr. Consumer Lender
Lisa Highley, Consumer Lender
Susan Lemons, AVP, Branch Manager/Consumer Lender

Clark County

Nicholas Carter, VP, Regional Manager
Kathy Newkirk, Sr. Consumer Lender
Teresa Shimfessel, AVP, Branch Manager/Consumer Lender
Brandon Sumpter, Sr. Consumer Lender

East Kentucky

William Hough, VP, Regional Manager
Cynthia Faulkner, AVP, Branch Manager/Consumer Lender
Eulah Gray, Consumer Lender
Sherry Mathis, AVP, Branch Manager/Consumer Lender
Tammy Stegall, Consumer Lender

Harrison County

Pam Slone, VP, Regional Manager
Dreama Harris, AVP, Sr. Consumer Lender
Joyce Rainey, Consumer Lender

Jessamine County

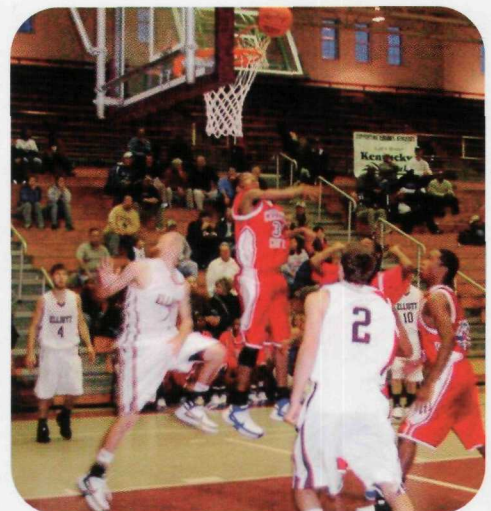
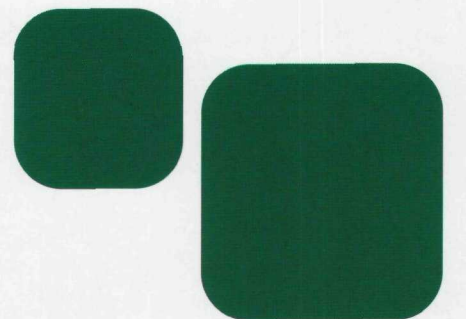
Brandon Eason, VP, Regional Manager
Deborah Hamilton, Consumer Lender

Scott County

Pamela Jessie, VP, Regional Manager
Sharon Whitlock, Branch Manager/Consumer Lender

Woodford County

Duncan Gardiner, VP, Regional Manager
Alberta Carmickle, Consumer Lender



BOARD OF DIRECTORS

William M. Arvin
Attorney

B. Proctor Caudill, Jr.
Special Projects Manager,
Kentucky Bank

Henry Hinkle
President,
Hinkle Contracting Corporation

Theodore Kuster
Westview-Hillside Farms

Betty J. Long
Retired President,
First Federal Savings of Cynthiana

Ted McClain
Agent,
Hopewell Insurance Company

Louis Prichard
President, CEO,
Kentucky Bank

Edwin S. Saunier
President,
Saunier North American, Inc.

Robert G. Thompson
Farmer, Thoroughbred Breeder,
Snowhill Farm

Woodford Van Meter
Ophthalmologist

Buckner Woodford IV
Chairman,
Kentucky Bank

REGIONAL DIRECTORS

BOURBON

Proctor W. Blair
Partner,
Ludwig, Blair and Bush,
PLLC

Lonnie Conley
Businessman

Allyson Eads
Co-owner, Eads Hardware

Rodes Shackelford Parrish
President,
Clay Ward Agency

CLARK

Mary Beth Hendricks
Director, Clark County
Child Support Services

Donald Pace
Executive Director,
Central Kentucky
Educational Co-op
with UK

John Roche
Optician

Edwin S. Saunier
President,
Saunier North American,
Inc.

EAST KENTUCKY

Rep. Rocky Adkins
Majority Floor Leader,
House of Representatives

Tod A. Barhorst
President,
Abner Construction

G.R. (Sonny) Jones
VP, CFO,
St. Claire Regional
Medical Center

Madonna Weathers
VP, Student Life
Morehead State
University

HARRISON

K. Bruce Florence
Director,
Licking Valley College

Betty J. Long
Retired President,
First Federal Savings of
Cynthiana

Brad Marshall
Farmer, Owner,
Marshall's Tractor Supply

Joel Techau
CEO, Techau, Inc.

Gerry Whalen
Broker,
Whalen and Company

JESSAMINE

William M. Arvin
Attorney

Dan Brewer
President, CEO,
Blue Grass Energy

Tom Buford
State Senator

Eva McDaniel
Jessamine County Clerk

Jonah Mitchell
President,
Jonah Mitchell Real
Estate and Auction

SCOTT

Dr. Gus Bynum
Physician

Mike Hockensmith
Owner and President,
The Hockensmith
Agency, Inc.

R. C. Johnson, Jr.
Owner and President,
Johnson's Funeral
Home

George Lusby
County Judge Executive

Everette Varney
Former Mayor

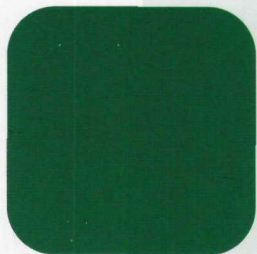
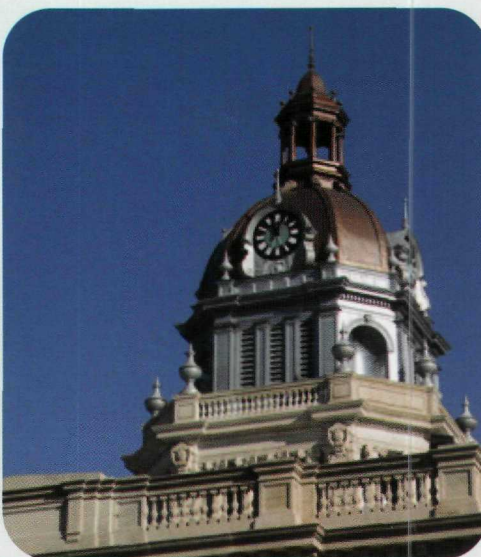
WOODFORD

Loren Carl
District Coordinator,
Congressman Ben
Chandler

James Kay
Businessman, Farmer

Tricia N. Kittinger
Circuit Clerk,
Woodford County

Robert Richardson
Farmer



KENTUCKY BANK'S COMMITMENT TO CUSTOMERS

- We will treat you with courtesy and respect.
- We will provide you with consistent, outstanding service throughout the bank.
- We will treat your personal information with the highest degree of confidentiality and privacy.
- We will always look for ways to exceed your expectations.



OFFICE LOCATIONS:

Bourbon Banking Center 859-987-1795
401 Main Street
Paris, KY 40361

Lexington Road Office 859-988-1300
2021 S. Main Street
Paris, KY 40361

North Middletown Office 859-362-4554
3287 N. Middletown Rd.
North Middletown, KY 40357

Versailles Office 859-873-9400
520 Marsailles Rd.
Versailles, KY 40383

Winchester Main Office 859-744-1632
24 W. Lexington Ave.
Winchester, KY 40391

Colby Road Office 859-744-3825
1975 Bypass Rd.
Winchester, KY 40391

Nicholasville Office 859-885-6028
714 S. Main Street
Nicholasville, KY 40356

Wilmore Office 859-858-3993
108 E. Main Street
Wilmore, KY 40390

Blossom Park Office 502-863-5522
260 Blossom Park Dr.
Georgetown, KY 40324

Showalter Office 502-863-9400
103 W. Showalter Dr.
Georgetown, KY 40324

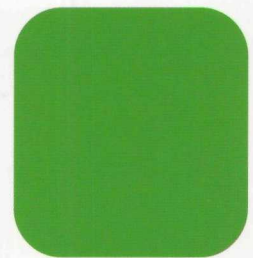
Cynthiana Downtown Office 859-234-1440
308 N. Main Street
Cynthiana, KY 41031

Cynthiana US 27 Office 859-234-3363
939 US Hwy. 27 South
Cynthiana, KY 41031

Flemingsburg Road Office 606-784-6973
1500 Flemingsburg Rd.
Morehead, KY 40351

Downtown Morehead Office 606-780-0535
400 W. First Street
Morehead, KY 40351

Sandy Hook Office 606-738-5163
Main and Jane Streets
Sandy Hook, KY 41171



*2007
Annual
Report*

