

April 30, 2008

**Quarterly Report
First Quarter 2008**

For the first quarter of 2008, earnings for your company were down 23.6%. We reported a \$1.19 million profit for the first quarter of 2008 compared with \$1.56 million in the first quarter of 2007. Assets totaled \$633.5 million on March 31, 2008, a 1.2% drop from the March 31, 2007 \$641.3 million figure.

Loan demand has softened since the last quarter of 2007. As we have been made aware through the media, our national economy has weakened considerably and our regional economy has felt those same effects. Loans are down 6.9% when compared to the first quarter of 2007. The real question at this point is how long and how deep this slowdown will subsist. The longer the downturn takes place the greater the likelihood that credit quality issues may arise. Because of this unknown, management has decided to increase the bank's contribution to the loan loss reserve in the first quarter of 2008, which represents an increase of \$250 thousand over the contribution for the first quarter of 2007. By taking this action now, we will be positioning ourselves to grow our earnings when this period of economic weakness ends.

With an eye on the above mentioned strategy, our new Morehead banking office is open and heretofore we are very pleased by its level of business activity. Additionally, we are on track to open a new office in Nicholasville by the end of 2008. With this new facility we will be in a highly visible location in a very strong market.

In today's economic world, our goal is to approach this environment in a very cautious manner. Yet, we will always keep an eye on the future by introducing new products and services, examining appropriate growth opportunities, and providing premier customer service. By doing these things, we will be able to provide good returns for our shareholders. As always we appreciate your support.

Louis Prichard
President, CEO

UNAUDITED

CONSOLIDATED BALANCE SHEET

	3/31/2008	3/31/2007	Percentage Change
Assets			
Cash & Due From Banks	\$ 15,413,464	\$ 13,124,989	17.4%
Securities	153,589,900	131,576,630	16.7
Loans	410,840,108	441,488,191	-6.9
Reserve for Loan Losses	5,090,872	5,043,453	0.9
Net Loans	405,749,236	436,444,738	-7.0
Federal Funds Sold	13,451,000	17,363,000	-22.5
Other Assets	45,303,571	42,821,311	5.8
Total Assets	\$ 633,507,171	\$ 641,330,668	-1.2%
Liabilities & Stockholders' Equity			
Deposits			
Demand	\$ 91,843,124	\$ 86,967,443	5.6%
Savings & Interest Checking	154,230,032	160,465,529	-3.9
Certificates of Deposit	242,833,593	236,923,706	2.5
Total Deposits	488,906,749	484,356,678	0.9
Repurchase Agreements	7,412,755	8,771,336	-15.5
Other Borrowed Funds	70,886,714	85,548,933	-17.1
Other Liabilities	6,746,394	6,574,181	2.6
Total Liabilities	573,952,612	585,251,128	-1.9
Stockholders' Equity	59,554,559	56,079,540	6.2
Total Liabilities & Stockholders' Equity	\$ 633,507,171	\$ 641,330,668	-1.2%

CONSOLIDATED INCOME STATEMENT

	Three Months Ending		Percentage Change
	3/31/2008	3/31/2007	
Interest Income	\$ 9,252,859	\$ 9,806,563	-5.6%
Interest Expense	4,357,184	4,834,455	-9.9
Net Interest Income	4,895,675	4,972,108	-1.5
Loan Loss Provision	400,000	150,000	166.7
Net Interest Income After Provision	4,495,675	4,822,108	-6.8
Other Income	2,022,161	1,896,190	6.6
Other Expenses	5,008,446	4,598,097	8.9
Income Before Taxes	1,509,390	2,120,201	-28.8
Income Taxes	316,428	558,632	-43.4
Net Income	\$ 1,192,962	\$ 1,561,569	-23.6
Net Change in Unrealized Gain (loss) on Securities	491,883	(41,068)	1297.7
Comprehensive Income	\$ 1,684,845	\$ 1,520,501	10.8%
Selected Ratios			
Return on Average Assets	0.75%	0.97%	
Return on Average Equity	8.0	11.1	
Earnings Per Share	\$ 0.42	\$ 0.55	
Earnings Per Share - assuming dilution	0.42	0.54	
Cash Dividends Per Share	0.28	0.27	
Book Value Per Share	20.91	19.53	

Market Price	High	Low	Close
First Quarter '08	\$31.75	\$29.50	\$29.50
Fourth Quarter '07	\$34.00	\$31.75	\$31.75