

**Quarterly Report
Third Quarter 2009**

For the third quarter of 2009, we reported a \$1.35 million profit, compared with \$1.36 million for the third quarter of 2008, a decline of 0.2%. On a year to date basis, earnings for the nine months ended September 30, 2009, were \$3.42 million as compared to the \$4.03 million earned through September 30, 2008. This represented a 15.1% decline in earnings on a year to date basis. Assets totaled \$655.0 million on September 30, 2009, a 2.9% increase over the September 30, 2008 figure of \$636.7 million.

There are a few items that are noteworthy relating to our year to date net income. As has been mentioned in earlier communications, the bank made a determination to terminate our pension plan. This one time termination expense in 2009 was \$874 thousand. Additionally, the Federal Deposit Insurance Corporation placed on all banks a special assessment, and this negatively impacted us in the amount of slightly over \$300 thousand. If not for those one time expenses, combined with several other miscellaneous one time expenses throughout the year, our earnings would have been virtually flat with last year's year to date earnings.

Total loans have increased from \$418 million as of June 30, 2009 to \$428 million as of September 30, 2009. While we do not know that this trend will continue considering the economy, we are pleased by this increase in loan demand. The global, national, and regional economies continue to face serious challenges. As we have all been made aware by the media, the economy is still facing serious issues, particularly in the employment area as nationally we are experiencing 10% unemployment and in Kentucky we are well over 11%.

The markets that Kentucky Bank serves are certainly impacted by these times, as well. Home sales are still negligible, retail sales are still on the decline, and unemployment numbers continue to increase. The management of the bank continues to be very aggressive in working on credit issues as they arise. As a prudent bank, it is imperative that we take this posture during these uncertain economic times.

We always want to ensure that our bank is positioned to accommodate future growth when the economy does rebound. In this regard, we are encouraged with the success of our new Nicholasville office. As always, we continue to look at new products and services, as well as focusing on the delivery of premier customer service. By continuing to add value to our banking customer relationships, we will provide the appropriate return to our shareholders.

As we look to the end of 2009 and the beginning of 2010, we can see that the economy is going to continue to struggle. However, we believe that when the economy does turn around, we will have a strong balance sheet to help us grow our bank as we have done in the past.

As always, we appreciate your support and confidence.

/s/Louis Prichard
Louis Prichard
President, CEO

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CONSOLIDATED BALANCE SHEET

	9/30/2009	9/30/2008	Percentage Change
<s>	<c>	<c>	<c>
Assets			
Cash & Due From Banks	\$ 11,483,550	\$ 14,191,970	-19.1%
Securities	169,558,408	145,135,199	16.8
Loans Held For Sale	0	40,000	n/m
Loans	427,920,730	420,552,066	1.8
Reserve for Loan Losses	6,337,802	5,757,658	10.1
Net Loans	421,582,928	414,794,408	1.6
Federal Funds Sold	102,000	14,676,000	-99.3
Other Assets	52,266,443	47,841,582	9.2
Total Assets	\$ 654,993,329	\$ 636,679,159	2.9%
Liabilities & Stockholders' Equity			
Deposits			
Demand	\$ 91,338,800	93,859,909	-2.7%
Savings & Interest Checking	149,056,904	145,482,377	2.5
Certificates of Deposit	256,187,535	232,236,700	10.3
Total Deposits	496,583,239	471,578,986	5.3
Repurchase Agreements	10,055,688	8,656,381	16.2
Other Borrowed Funds	78,765,682	95,173,186	-17.2
Other Liabilities	6,725,119	5,558,139	21.0
Total Liabilities	592,129,728	580,966,692	1.9
Stockholders' Equity	62,863,601	55,712,467	12.8
Total Liabilities & Stockholders' Equity	\$ 654,993,329	636,679,159	2.9%

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CONSOLIDATED INCOME STATEMENT

	Nine Months Ending			Three Months Ending		
	9/30/2009	9/30/2008	Percentage Change	9/30/2009	9/30/2008	Percentage Change
<s>	<c>	<c>	<c>	<c>	<c>	<c>
Interest Income	\$ 24,016,153	\$ 26,716,449	-10.1%	\$ 7,911,425	\$ 8,788,176	-10.0%
Interest Expense	9,665,872	11,682,880	-17.3	2,986,380	3,688,165	-19.0
Net Interest Income	14,350,281	15,033,569	-4.5	4,925,045	5,100,011	-3.4
Loan Loss Provision	1,350,000	1,500,000	-10.0	450,000	600,000	-25.0
Net Interest Income After Provision	13,000,281	13,533,569	-3.9	4,475,045	4,500,011	-0.6
Other Income	6,976,241	6,011,025	16.1	2,357,134	1,976,361	19.3
Other Expenses	16,274,152	14,352,348	13.4	5,370,437	4,736,201	13.4
Income Before Taxes	3,702,370	5,192,246	-28.7	1,461,742	1,740,171	-16.0
Income Taxes	277,511	1,157,308	-76.0	107,867	383,821	-71.9
Net Income	\$ 3,424,859	\$ 4,034,938	-15.1	\$ 1,353,875	\$ 1,356,350	-0.2
Net Change in Unrealized Gain (loss)						
on Securities	4,108,818	(1,589,827)	358.4	3,289,941	(739,557)	544.9
Comprehensive Income	\$ 7,533,677	\$ 2,445,111	208.1%	\$ 4,643,816	\$ 616,793	652.9%

Selected Ratios

Return on Average Assets	0.68%	0.85%	0.82%	0.85%
Return on Average Equity	7.8	9.3	9.1	9.4
Earnings Per Share	\$ 1.25	\$ 1.44	\$ 0.49	\$ 0.49
Earnings Per Share - assuming dilution	1.25	1.44	0.49	0.49
Cash Dividends Per Share	0.60	0.84	0.20	0.28
Book Value Per Share	22.94	20.28		

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Market Price	High	Low	Close
Third Quarter '09	\$18.00	\$15.20	\$15.99
Second Quarter '09	\$17.95	\$15.50	\$16.75