

February 4, 2008

**Quarterly Report
Fourth Quarter 2007**

For the fourth quarter of 2007, earnings for your company were down somewhat. We reported a \$1.44 million profit for the fourth quarter of 2007 compared with \$1.76 million during the fourth quarter of 2006. For the full year, earnings rose to \$6.59 million from \$6.49 million the prior year, a modest 1.5% increase. Strong earnings growth during the first half of 2007 fell due to market pressure during the last six months.

Our regional economy has been weakening, much like our national economy. The sudden and unexpected problems of major financial institutions have been widely publicized, particularly the problems tied to sub-prime mortgage loans and a decline in the value of residential real estate. Unlike these institutions, we do not have any sub-prime loan exposure. However, we do finance residential construction, and newly-built homes are not moving as quickly as they did a year ago. Therefore, this is a more difficult time for builders generally. Additionally, it is a more challenging time for some of our other customers and therefore, for us. We have seen a drop in loan demand and some increase in late payments. For example, our loan portfolio is 6% smaller than it was a year ago. Our hope is for this period of economic weakness to be brief and we look forward to a time when it will be less challenging for Kentucky Bank to grow and for the earnings of our company to grow.

We are still actively improving our facilities. We are proud to announce the opening of our newly refurbished Bourbon Banking Center. This new building consolidates our main office and a small branch building in Paris. The building provides plenty of customer parking on site, and expanded drive-through capacity.

Our new main office in Morehead is nearing completion and we believe this development will help us to continue to build market share in this attractive region. We have also purchased a new site in Nicholasville and are planning a new branch office in this growing market.

We named two new Regional Managers in the fourth quarter. Pam Slone assumed the responsibility of managing our Harrison Region. Brandon Eason was promoted to become Jessamine Regional Manager. Shane Foley and Ben Caudill moved into the Commercial Lending Group. We believe that we can best ensure our future success by developing and promoting employees and officers whenever possible.

In the near term we face a challenging environment. Our plans are to address today's marketplace conservatively, while we prepare for a stronger economy in the future typically enjoyed in Central Kentucky. That preparation is evidenced by our attractive new facilities, our expanded offering of electronic convenience services and the training of our employees to offer premier customer service. We remain dedicated to building our business and producing good returns for our shareholders.

Louis Prichard
President, CEO

UNAUDITED

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CONSOLIDATED BALANCE SHEET

	12/31/2007	12/31/2006	Percentage
<s>	<c>	<c>	Change
			<c>
Assets			
Cash & Due From Banks	\$ 15,445,596	\$ 14,905,672	3.6%
Securities	147,749,546	127,890,612	15.5
Loans Held For Sale	-	-	n/m
Loans	417,388,048	444,150,390	-6.0
Reserve for Loan Losses	4,878,732	4,991,277	-2.3
Net Loans	412,509,316	439,159,113	-6.1
Federal Funds Sold	10,361,000	4,106,000	152.3
Other Assets	44,873,383	43,480,906	3.2
Total Assets	\$ 630,938,841	\$ 629,542,303	0.2%
Liabilities & Stockholders' Equity			
Deposits			
Demand	\$ 88,520,944	\$ 87,503,263	1.2%
Savings & Interest Checking	158,228,869	159,240,794	-0.6
Certificates of Deposit	239,255,404	222,063,862	7.7
Total Deposits	486,005,217	468,807,919	3.7
Repurchase Agreements	5,976,986	9,627,533	-37.9
Other Borrowed Funds	71,968,116	88,946,663	-19.1
Other Liabilities	8,318,665	6,035,134	37.8
Total Liabilities	572,268,984	573,417,249	-0.2
Stockholders' Equity	58,669,857	56,125,054	4.5
Total Liabilities & Stockholders' Equity	\$ 630,938,841	\$ 629,542,303	0.2%

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CONSOLIDATED INCOME STATEMENT

	Twelve Months Ending			Three Months Ending		
	12/31/2007	12/31/2006	Percentage	12/31/2007	12/31/2006	Percentage
<s>	<c>	<c>	Change	<c>	<c>	Change
			<c>			<c>
Interest Income	\$39,219,086	\$35,592,847	10.2%	\$9,577,575	\$9,803,621	-2.3%
Interest Expense	19,034,105	16,718,208	13.9	4,659,213	4,765,854	-2.2
Net Interest Income	20,184,981	18,874,639	6.9	4,918,362	5,037,767	-2.4
Loan Loss Provision	1,000,000	475,000	110.5	350,000	141,000	148.2
Net Interest Income After Provision	19,184,981	18,399,639	4.3	4,568,362	4,896,767	-6.7
Other Income	8,150,125	7,471,110	9.1	2,011,523	2,071,043	-2.9
Other Expenses	18,345,022	16,916,884	8.4	4,648,492	4,585,737	1.4
Income Before Taxes	8,990,084	8,953,865	0.4	1,931,393	2,382,073	-18.9
Income Taxes	2,404,132	2,467,810	-2.6	495,094	618,848	-20.0
Net Income	6,585,952	6,486,055	1.5	1,436,299	1,763,225	-18.5
Net Change in Unrealized Gain (loss)						
on Securities	564,706	462,645	22.1	676,705	(30,721)	2302.7
Comprehensive Income	\$ 7,150,658	\$ 6,948,700	2.9%	\$2,113,004	\$1,732,504	22.0%

Selected Ratios

Return on Average Assets	1.04%	1.09%	1.00%	1.11%
Return on Average Equity	11.6	12.8	11.0	12.7

Earnings Per Share	\$ 2.31	\$ 2.35	\$ 0.51	\$ 0.62
Earnings Per Share - assuming dilution	2.30	2.34	0.51	0.62
Cash Dividends Per Share	1.08	1.00	0.27	0.25
Book Value Per Share	20.59	19.59		

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Market Price	High	Low	Close
Fourth Quarter '07	\$34.00	\$31.75	\$31.75
Third Quarter '07	\$34.00	\$30.50	\$33.50