UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT
Pursuant to Section 13 OR 15(d) of
The Securities Exchange Act of 1934

For the quarterly period ended September 30, 2008

Farmers Capital Bank Corporation

(Exact name of registrant as specified in its charter)

Kentucky	0-14412	61-1017851
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

P.O. Box 309 Frankfort, KY	40602
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code – (502)-227-1668

Not Applicable

(Former name or former address, if changed since last report.)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes x No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ¨ Accelerated filer x

Non-accelerated filer ¨ (Do not check if a smaller reporting company) Smaller reporting company ¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ¨ No x

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common stock, par value $0.125 per share
7,354,223 shares outstanding at November 5, 2008

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Unaudited Consolidated Balance Sheets

(In thousands, except share data)	September 30, 2008	December 31, 2007
Assets		
Cash and cash equivalents:		
Cash and due from banks	$ 106,177	$ 44,896
Interest bearing deposits in other banks	7,025	2,290
Federal funds sold and securities purchased under agreements to resell	52,141	31,954
Total cash and cash equivalents	165,343	79,140
Investment securities:		
Available for sale, amortized cost of $519,491 (2008) and $542,259 (2007)	516,114	542,633
Held to maturity, fair value of $2,306 (2008) and $3,863 (2007)	2,539	3,844
Total investment securities	518,653	546,477
Loans, net of unearned income	1,303,419	1,291,985
Allowance for loan losses	(15,602)	(14,216)
Loans, net	1,287,817	1,277,769
Premises and equipment, net	41,108	38,663
Company-owned life insurance	35,084	34,171
Goodwill	52,405	52,408
Other intangibles, net	7,591	9,543
Other assets	46,456	30,076
Total assets	$ 2,154,457	$ 2,068,247
Liabilities		
Deposits:		
Noninterest bearing	$ 244,316	$ 192,432
Interest bearing	1,303,160	1,281,665
Total deposits	1,547,476	1,474,097
Federal funds purchased and other short-term borrowings	83,247	80,755
Securities sold under agreements to repurchase and other long-term borrowings	286,821	267,339
Subordinated notes payable to unconsolidated trusts	48,970	48,970
Dividends payable	2,425	2,436
Other liabilities	24,900	26,159
Total liabilities	1,993,839	1,899,756
Shareholders' Equity		
Preferred stock, no par value; 1,000,000 shares authorized; none issued		
Common stock, par value $.125 per share 9,608,000 shares authorized; 7,354,223 and 7,384,865 shares issued and outstanding at September 30, 2008 and December 31, 2007, respectively	919	923
Capital surplus	48,156	48,176
Retained earnings	116,843	122,498
Accumulated other comprehensive loss	(5,300)	(3,106)
Total shareholders' equity	160,618	168,491
Total liabilities and shareholders' equity	$ 2,154,457	$ 2,068,247

See accompanying notes to unaudited consolidated financial statements.

Unaudited Consolidated Statements of Operations

(In thousands, except per share data)	Three Months Ended September 30, 2008	2007	Nine Months Ended September 30, 2008	2007
Interest Income				
Interest and fees on loans	$ 21,458	$ 24,402	$ 66,194	$ 71,154
Interest on investment securities:				
Taxable	5,411	2,721	17,242	8,242
Nontaxable	795	826	2,446	2,527
Interest on deposits in other banks	20	18	44	47
Interest of federal funds sold and securities purchased under agreements to resell	175	527	1,005	2,437
Total interest income	27,859	28,494	86,931	84,407
Interest Expense				
Interest on deposits	9,082	11,478	29,791	33,683
Interest on federal funds purchased and other short-term borrowings	453	995	1,606	3,494
Interest on securities sold under agreements to repurchase and other long-term borrowings	2,879	737	8,523	2,099
Interest on subordinated notes payable to unconsolidated trusts	671	662	2,131	1,564
Total interest expense	13,085	13,872	42,051	40,840
Net interest income	14,774	14,622	44,880	43,567
Provision for loan losses	1,780	595	3,365	429
Net interest income after provision for loan losses	12,994	14,027	41,515	43,138
Noninterest Income				
Service charges and fees on deposits	2,539	2,627	7,403	7,744
Allotment processing fees	1,199	1,114	3,530	3,239
Other service charges, commissions, and fees	1,098	1,067	3,324	3,087
Data processing income	258	283	843	867
Trust income	535	516	1,585	1,489
Investment securities gains, net	5		585	
Other-than-temporary impairment of investment securities	(13,962)		(13,962)	
Gains on sale of mortgage loans, net	128	141	354	433
Income from company-owned life insurance	310	304	923	972
Other	25	67	128	63
Total noninterest income	(7,865)	6,119	4,713	17,894
Noninterest Expense				
Salaries and employee benefits	7,411	7,536	22,519	22,665
Occupancy expenses, net	1,140	1,055	3,340	3,144
Equipment expenses	824	851	2,291	2,393
Data processing and communication expenses	1,417	1,251	3,980	3,577
Bank franchise tax	574	528	1,470	1,567
Correspondent bank fees	259	194	767	539
Amortization of intangibles	651	848	1,952	2,514
Other	2,603	2,093	7,332	6,604
Total noninterest expense	14,879	14,356	43,651	43,003
(Loss) income before income taxes	(9,750)	5,790	2,577	18,029
Income tax (benefit) expense	(2,865)	1,633	186	4,350
Net (loss) income	$ (6,885)	$ 4,157	$ 2,391	$ 13,679
Per Common Share				
Net (loss) income, basic and diluted	$ (.94)	$ .54	$ .32	$ 1.75
Cash dividends declared	.33	.33	.99	.99
Weighted Average Shares Outstanding				
Basic and diluted	7,349	7,672	7,358	7,816

See accompanying notes to unaudited consolidated financial statements.

Unaudited Consolidated Statements of Comprehensive Income/Loss

(In thousands)	Three Months Ended September 30, 2008	2007	Nine Months Ended September 30, 2008	2007
Net (Loss) Income	$ (6,885)	$ 4,157	$ 2,391	$ 13,679
Other comprehensive income:				
Net unrealized holding (loss) gain on available for sale securities arising during the period, net of tax of $267, $1,340, $1,228 and $456, respectively	(496)	2,488	(2,280)	846
Reclassification adjustment for prior period unrealized (gain) loss recognized during current period, net of tax of $47, $85, and $5, respectively	88		(158)	10
Change in unfunded portion of postretirement benefit obligation, net of tax of $43, $35 $131, and $104, respectively	81	64	244	192
Other comprehensive (loss) income	(327)	2,552	(2,194)	1,048
Comprehensive (Loss) Income	$ (7,212)	$ 6,709	$ 197	$ 14,727

See accompanying notes to unaudited consolidated financial statements.

Unaudited Consolidated Statements of Cash Flows

Nine months ended September 30, (In thousands)	2008	2007
Cash Flows from Operating Activities		
Net income	$ 2,391	$ 13,679
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	4,853	5,532
Net amortization of investment security premiums and (discounts):		
Available for sale	(94)	(799)
Held to maturity		1
Provision for loan losses	3,365	429
Noncash compensation expense	41	42
Mortgage loans originated for sale	(13,525)	(16,960)
Proceeds from sale of mortgage loans	12,812	16,359
Deferred income tax (benefit) expense	(3,249)	3,096
Gain on sale of mortgage loans, net	(354)	(433)
Loss on disposal of premises and equipment, net	12	104
Loss (gain) on sale of repossessed assets	87	(352)
Gain on sale of available for sale investment securities, net	(585)	
Other-than-temporary impairment of investment securities	13,962	
Increase (decrease) in accrued interest receivable	340	(1,613)
Income from company-owned life insurance	(913)	(935)
Decrease in other assets	(3,364)	(1,050)
(Decrease) increase in accrued interest payable	(955)	1,074
Increase (decrease) in other liabilities	71	(5,218)
Net cash provided by operating activities	14,895	12,956
Cash Flows from Investing Activities		
Proceeds from maturities and calls of investment securities:		
Available for sale	185,925	246,282
Held to maturity	1,305	2,318
Proceeds from sale of available for sale investment securities	30,672	21,007
Purchase of available for sale investment securities	(207,112)	(246,149)
Loans originated for investment, net of principal collected	(25,448)	(69,049)
Purchase of PNC Military Allotment operations, net of cash acquired		(1,916)
Purchase price refinements of previous acquisitions		51
Investment in unconsolidated trust		(696)
Additions to mortgage servicing rights, net	(65)	(62)
Purchase of premises and equipment	(7,596)	(4,241)
Proceeds from sale of repossessed assets	4,040	3,377
Proceeds from sale of equipment	2,356	315
Net cash used in investing activities	(15,923)	(48,763)
Cash Flows from Financing Activities		
Net increase in deposits	73,379	20,810
Net increase (decrease) in federal funds purchased and other short-term borrowings	2,492	(1,514)
Proceeds from long-term debt issued to unconsolidated trusts		23,196
Proceeds from other long-term debt	27,000	26,000
Repayments of long-term debt	(7,518)	(9,703)
Dividends paid	(7,295)	(8,685)
Purchase of common stock	(1,048)	(18,649)
Shares issued under Employee Stock Purchase Plan	191	195
Stock options exercised	30	1,546
Net cash provided by financing activities	87,231	33,196
Net increase (decrease) in cash and cash equivalents	86,203	(2,611)
Cash and cash equivalents at beginning of year	79,140	156,828
Cash and cash equivalents at end of period	$ 165,343	$ 154,217
Supplemental Disclosures		
Cash paid during the period for:		

Interest	$ 43,006	$ 39,766
Income taxes	5,600	8,800
Transfers from loans to repossessed assets	13,105	1,263
Cash dividend declared and unpaid	2,425	2,433

See accompanying notes to unaudited consolidated financial statements.

Unaudited Consolidated Statements of Changes in Shareholders' Equity

(In thousands, except per share data) Nine months ended September 30, 2008 and 2007	Common Stock Shares	Common Stock Amount	Capital Surplus	Retained Earnings	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
Balance at January 1, 2008	7,385	$ 923	$ 48,176	$ 122,498	$ (3,106)	$ 168,491
Net income				2,391		2,391
Other comprehensive income					(2,194)	(2,194)
Cash dividends declared, $.99 per share				(7,284)		(7,284)
Purchase of common stock	(43)	(5)	(281)	(762)		(1,048)
Stock options exercised, including related tax benefits	1		30			30
Shares issued pursuant to Employee Stock Purchase Plan	11	1	190			191
Noncash compensation expense attributed to Employee Stock Purchase Plan			41			41
Balance at September 30, 2008	7,354	$ 919	$ 48,156	$ 116,843	$ (5,300)	$ 160,618
Balance at January 1, 2007	7,895	$ 988	$ 53,201	$ 128,652	$ (5,778)	$ 177,063
Net income				13,679		13,679
Other comprehensive income					1,048	1,048
Cash dividends declared, $.99 per share				(7,646)		(7,646)
Purchase of common stock	(584)	(73)	(6,877)	(11,699)		(18,649)
Stock options exercised, including related tax benefits	63	7	1,540			1,547
Shares issued pursuant to Employee Stock Purchase Plan	8	1	194			195
Noncash compensation expense attributed to stock option and Employee Stock Purchase Plan grants			42			42
Balance at September 30, 2007	7,382	$ 923	$ 48,100	$ 122,986	$ (4,730)	$ 167,279

See accompanying notes to unaudited consolidated financial statements.

Notes to Unaudited Consolidated Financial Statements

1. Basis of Presentation and Nature of Operations

The consolidated financial statements include the accounts of Farmers Capital Bank Corporation (the "Company"), a financial holding company, and its bank and nonbank subsidiaries. Bank subsidiaries and their significant nonbank subsidiaries include Farmers Bank & Capital Trust Co. ("Farmers Bank") in Frankfort, KY and its wholly-owned subsidiaries Leasing One Corporation ("Leasing One") and Farmers Capital Insurance Corporation. Leasing One is a commercial leasing company in Frankfort, KY and Farmers Insurance is an insurance agency in Frankfort, KY; Farmers Bank and Trust Company in Georgetown, KY; First Citizens Bank in Elizabethtown, KY; United Bank & Trust Co. in Versailles, KY; The Lawrenceburg Bank and Trust Company in Harrodsburg, KY; Citizens Bank of Northern Kentucky, Inc. in Newport, KY; and Citizens Bank of Jessamine County in Nicholasville, KY. The Company has four active nonbank subsidiaries, FCB Services, Inc. ("FCB Services"), Kentucky General Holdings, LLC ("Kentucky General"), FFKT Insurance Services, Inc. ("FFKT Insurance"), and EKT Properties, Inc. ("EKT"). FCB Services is a data processing subsidiary located in Frankfort, KY, which provides services to the Company's banks as well as other unaffiliated entities. Kentucky General holds a 50% voting interest in KHL Holdings, LLC, which is the parent company of Kentucky Home Life Insurance Company. FFKT Insurance is a captive property and casualty insurance company insuring primarily deductible exposures and uncovered liability related to properties of the Company. EKT is involved in real estate management and liquidation for certain properties repossessed by subsidiary banks of the Company. All significant intercompany transactions and balances are eliminated in consolidation.

The Company provides financial services at its 37 locations in 23 communities throughout Central and Northern Kentucky to individual, business, agriculture, government, and educational customers. Its primary deposit products are checking, savings, and term certificate accounts. Its primary lending products are residential mortgage, commercial lending and leasing, and installment loans. Substantially all loans and leases are secured by specific items of collateral including business assets, consumer assets, and commercial and residential real estate. Commercial loans and leases are expected to be repaid from cash flow from operations of businesses. Farmers Bank has served as the general depository for the Commonwealth of Kentucky for over 70 years and also provides investment and other services to the Commonwealth. Other services include, but are not limited to, cash management services, issuing letters of credit, safe deposit box rental, and providing funds transfer services. Other financial instruments, which potentially represent concentrations of credit risk, include deposit accounts in other financial institutions and federal funds sold.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates used in the preparation of the financial statements are based on various factors including the current interest rate environment and the general strength of the local economy. Changes in the overall interest rate environment can significantly affect the Company's net interest income and the value of its recorded assets and liabilities. Actual results could differ from those estimates used in the preparation of the financial statements.

The financial information presented as of any date other than December 31 has been prepared from the books and records without audit. The accompanying condensed consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X and do not include all of the information and the footnotes required by accounting principles generally accepted in the United States of America for complete statements. In the opinion of management, all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of such financial statements, have been included. The results of operations for the interim periods are not necessarily indicative of the results to be expected for the full year.

For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2007.

2. Reclassifications

Certain reclassifications have been made to the consolidated financial statements of prior periods to conform to the current period presentation. These reclassifications do not affect net income or total shareholders' equity as previously reported.

3. Recently Issued But Not Yet Effective Accounting Standards

In December 2007, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 141 (revised 2007), *"Business Combinations"* and SFAS No. 160, *"Noncontrolling Interests in Consolidated Financial Statements"*. In March 2008, the FASB issued SFAS No. 161, *"Disclosures about Derivative Instruments and Hedging Activities"*. During May 2008, the FASB issued SFAS No. 162, "*The Hierarchy of Generally Accepted Accounting Principles*" and SFAS No. 163, "*Accounting for Financial Guarantee Insurance Contracts*".

SFAS No. 141(R) establishes principals and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, liabilities assumed, and any noncontrolling interest in an acquiree. The statement also provides guidance for recognizing and measuring goodwill or gain from a bargain purchase in a business combination and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. SFAS No. 141(R) is to be applied prospectively for fiscal years beginning after December 15, 2008. The Company does not expect this statement to have a material impact on the Company's consolidated results of operations or financial position upon adoption.

SFAS No. 160 amends Accounting Research Bulletin ("ARB") No. 51, *"Consolidated Financial Statements"* to establish accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. The statement also amends certain of ARB No. 51's consolidation procedures for consistency with the requirements of SFAS No. 141(R). This statement is effective for the fiscal years beginning after December 15, 2008 and is to be applied prospectively as of the beginning of the fiscal year in which the statement is initially adopted, except for presentation and disclosure requirements which are to be applied retrospectively for all periods presented. The Company does not expect this statement to have a material impact on the Company's consolidated results of operations or financial position upon adoption.

SFAS No. 161 amends and expands the disclosure requirements of SFAS No. 133, *"Accounting for Derivative Instruments and Hedging Activities"* to provide enhanced disclosures about 1) how and why an entity uses derivative instruments; 2) how derivative instruments and related hedged items are accounted for under SFAS No. 133 and related interpretations; and 3) how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. This statement is effective for fiscal years and interim periods beginning after November 15, 2008, with early adoption encouraged. The Company does not expect this statement to have a material impact on the Company's consolidated results of operations or financial position upon adoption.

SFAS No. 162 is intended to improve financial reporting by identifying a consistent framework, or hierarchy, for selecting accounting principles to be used in preparing financial statements that are presented in conformity with U.S. generally accepted accounting principles (GAAP) for nongovernmental entities. The hierarchy under Statement 162 is as follows:

- FASB SFAS and Interpretations, FASB Statement 133 Implementation Issues, FASB Staff Positions, AICPA Accounting Research Bulletins and Accounting Principles Board Opinions that are not superseded by actions of the FASB, and Rules and interpretive releases of the SEC for SEC registrants.

- FASB Technical Bulletins and, if cleared by the FASB, AICPA Industry Audit and Accounting Guides and Statements of Position.

- AICPA Accounting Standards Executive Committee Practice Bulletins that have been cleared by the FASB, consensus positions of the EITF, and Appendix D EITF topics.

- Implementation guides (Q&As) published by the FASB staff, AICPA Accounting Interpretations, AICPA Industry Audit and Accounting Guides and Statements of Position not cleared by the FASB, and practices that are widely recognized and prevalent either generally or in the industry.

SFAS No. 162 is effective 60 days following the Securities and Exchange Commission's approval of the Public Company Accounting Oversight Board amendments to AU Section 411, "*The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles*". The Company does not expect this statement to have a material impact on the Company's consolidated results of operations or financial position upon adoption.

SFAS No. 163 clarifies how SFAS No. 60, "*Accounting and Reporting by Insurance Enterprises*", applies to financial guarantee insurance contracts issued by insurance enterprises, including the recognition and measurement of premium revenue and claim liabilities. It also requires expanded disclosures about financial guarantee insurance contracts. This statement is effective for financial statements issued for fiscal years and interim periods beginning after December 15, 2008. Early application is not permitted. The Company does not expect this statement to have a material impact on the Company's consolidated results of operations or financial position upon adoption.

4. Adoption of New Accounting Standards

Effective January 1, 2008 the Company adopted SFAS No. 157, "*Fair Value Measurements*" and SFAS No. 159, "*The Fair Value Option for Financial Assets and Financial Liabilities*". Please refer to Note 6 for additional information related to the impact of adopting these Statements.

Effective January 1, 2008, the Company adopted FASB Emerging Issues Task Force ("EITF") 06-4, "*Accounting for Deferred Compensation and Postretirement Benefit Aspects of Endorsement Split-Dollar Life Insurance Arrangements*". This EITF Issue addresses accounting for separate agreements which split life insurance policy benefits between an employer and employee. The Issue requires the employer to recognize a liability for future benefits payable to the employee under these agreements. The effects of applying this issue must be recognized through either a change in accounting principle through an adjustment to equity or through the retrospective application to all prior periods. The Company currently does not have split-dollar life insurance policies. The adoption of this EITF Issue did not have an impact on the Company's consolidated financial position or results of operations.

5. Net Income Per Common Share

Basic net income per common share is determined by dividing net income by the weighted average total number of shares of common stock outstanding. Diluted net income per common share is determined by dividing net income by the total weighted average number of shares of common stock outstanding, plus the total weighted average number of shares that would be issued upon exercise of dilutive stock options assuming proceeds are used to repurchase shares pursuant to the treasury stock method. Net income per common share computations were as follows at September 30, 2008 and 2007.

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In thousands, except per share data)	2008	2007	2008	2007
Net (loss) income, basic and diluted	$ (6,885)	$ 4,157	$ 2,391	$ 13,679
Average shares outstanding, basic and diluted	7,349	7,672	7,358	7,816
Net (loss) income per share, basic and diluted	$ (.94)	$ .54	$ .32	$ 1.75

6. Fair Value Measurements

Effective January 1, 2008 the Company adopted SFAS No. 157 and SFAS No. 159. SFAS No. 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. SFAS No. 157 applies whenever other standards require or permit assets or liabilities to be measured at fair value, but does not require any new fair value measurements. The Company applied SFAS No. 157 prospectively as of the beginning of the year. SFAS No. 159 permits entities to choose to measure certain financial assets and liabilities at fair value. The Company has not elected the fair value option for any financial assets or liabilities.

In February 2008, the FASB issued Staff Position ("FSP") 157-2, "*Effective Date of FASB Statement No. 157*". This FSP delays the effective date of SFAS No. 157 for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value on a recurring basis (at least annually) to fiscal years beginning after November 15, 2008, and interim periods within those fiscal years.

SFAS No. 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. SFAS No. 157 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices for identical assets or liabilities in active markets that the entity has the ability to access at the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability.

Following is a description of the valuation method used for instruments measured at fair value on a recurring basis. For this disclosure, the Company only has available for sale investment securities that meet the requirement.

<u>Available for sale investment securities</u>
Valued primarily by independent third party pricing services under the market valuation approach that include, but not limited to, the following inputs:

- U.S. Treasury securities are priced using dealer quotes from active market makers and real-time trading systems.
- Marketable equity securities are priced utilizing real-time data feeds from active market exchanges for identical securities.
- Government-sponsored agency debt securities, obligations of states and political subdivisions, corporate bonds, and other similar investment securities are priced with available market information through processes using benchmark yields, matrix pricing, prepayment speeds, cash flows, live trading data, and market spreads sourced from new issues, dealer quotes, and trade prices, among others sources.
- Investments in the Federal Reserve Bank, Federal Home Loan Bank, and other similar stock totaling $9.9 million at September 30, 2008 is carried at cost and not included in the table below, as they are outside the scope of SFAS No. 157.

Available for sale investment securities are the Company's only balance sheet item that meets the disclosure requirements for instruments measured at fair value on a recurring basis. Disclosures are as follows in the table below.

(In thousands)		Fair Value Measurements at September 30, 2008 Using		
Description	Fair Value September 30, 2008	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Available for sale investment securities	$ 507,016	$ 1,344	$ 505,672	$ 0

The Company may be required to measure and disclose certain other assets and liabilities at fair value on a nonrecurring basis to comply with GAAP, primarily to adjust assets to fair value under the application of lower of cost or fair value accounting. Disclosures may also include financial assets and liabilities acquired in a business combination, which are initially measured at fair value and evaluated periodically for impairment.

For disclosures about assets and liabilities measured at fair value on a nonrecurring basis, the Company's only current disclosure obligation consists of impaired loans. Loans are considered impaired when full payment under the contractual terms is not expected. In general, impaired loans are also on nonaccrual status. Impaired loans are measured at the present value of expected future cash flows discounted at the loan's effective interest rate, at the loan's observable market price, or at the fair value of the collateral if the loan is collateral dependent. If the value of an impaired loan is less than the unpaid balance, the difference is credited to the allowance for loan losses with a corresponding charge to provision for loan losses. Loan losses are charged against the allowance for loan losses when management believes the uncollectibility of a loan is confirmed.

Impaired loans in the amount of $39.7 million have been written down to their estimated fair value of $37.0 million at September 30, 2008. At December 31, 2007 impaired loans of $30.0 million had an estimated fair value of $28.2 million. The provision for loans losses for the nine months ended September 30, 2008 includes $911 thousand related to the higher impaired loans. Impaired loans are measured at fair value based on the underlying collateral and are considered level 3 inputs.

7. Other-Than-Temporary Impairment of Securities

The Company regularly evaluates its investment securities with significant declines in fair value to determine whether losses are other-than-temporary under the principles of SFAS No. 115, FSP No. 115, and Staff Accounting Bulletin ("SAB") No. 59. A decline in the market value of any available for sale or held to maturity security below cost that is deemed other-than-temporary results in a charge to earnings and the establishment of a new cost basis for the security. In estimating other-than-temporary losses, management considers each of the following: the length of time and extent that fair value has been less than cost, the financial condition and near term prospects of the issuer, and the Company's ability and intent to hold the security for a period sufficient to allow for any anticipated recovery in fair value.

During the third quarter of 2008 the Company determined that its collective investments in Federal National Mortgage Association ("Fannie") and Federal Home Loan Mortgage Corporation ("Freddie") preferred stock exceeded its fair value. The value of the Fannie and Freddie preferred stocks decreased significantly following the announcement on September 7 that Fannie and Freddie were suspending dividend payments and being placed into conservatorship by the Federal Housing Finance Agency. These preferred stocks were also downgraded by the rating agencies to below investment grade. As a result, the Company recorded a $14.0 million pre-tax non-cash other-than-temporary impairment ("OTTI") charge during the current quarter. The Company had $1.1 million combined market value of Fannie and Freddie preferred stock following the impairment charge at September 30, 2008.

The Company recorded a tax benefit from the non-cash OTTI charge in the third quarter of 2008 as a result of identifying sufficient capital gains from the previous sale of a subsidiary and from other tax planning strategies.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements under the Private Securities Litigation Reform Act of 1995 that involve risks and uncertainties. In general, forward-looking statements relate to a discussion of future financial results or projections, future economic performance, future operational plans and objectives, and statements regarding the underlying assumptions of such statements. Although the Company believes that the assumptions underlying the forward-looking statements contained herein are reasonable, any of the assumptions could be inaccurate, and therefore, there can be no assurance that the forward-looking statements included herein will prove to be accurate. Factors that could cause actual results to differ from the results discussed in the forward-looking statements include, but are not limited to: economic conditions (both generally and more specifically in the markets in which the Company and its subsidiaries operate) and lower interest margins; competition for the Company's customers from other providers of financial services; deposit outflows or reduced demand for financial services and loan products; government legislation, regulation, and changes in monetary and fiscal policies (which changes from time to time and over which the Company has no control); changes in interest rates; changes in prepayment speeds of loans or investment securities; inflation; material unforeseen changes in the liquidity, results of operations, or financial condition of the Company's customers; changes in the level of non-performing assets and charge-offs; changes in the number of common shares outstanding; the capability of the Company to successfully enter into a definitive agreement for and close anticipated transactions; the possibility that acquired entities may not perform as well as expected; unexpected claims or litigation against the Company; technological or operational difficulties; the impact of new accounting pronouncements and changes in policies and practices that may be adopted by regulatory agencies; acts of war or terrorism; and other risks or uncertainties detailed in the Company's filings with the Securities and Exchange Commission, all of which are difficult to predict and many of which are beyond the control of the Company. The Company expressly disclaims any intent or obligation to update any forward-looking statements after the date hereof to conform such statements to actual results or to changes in the Company's opinions or expectations.

RESULTS OF OPERATIONS

Third Quarter 2008 Compared to Third Quarter 2007

The Company reported a net loss of $6.9 million or $.94 per share for the quarter ended September 30, 2008 compared to net income of $4.2 million or $.54 per share for the same three-month period a year ago. Results of the current quarter were driven mainly by a non-cash other-than-temporary impairment ("OTTI") charge of $14.0 million ($1.33 per share, net of tax) related to the Company's investments in preferred stock of Federal National Mortgage Association and Federal Home Loan Mortgage Corporation (collectively, the "GSE's"). The value of these investments decreased sharply in September soon after the announcement that the GSE's were suspending dividend payments and being placed into conservatorship by the Federal Housing Finance Agency. The rating agencies also downgraded the preferred stocks of the GSE's to below investment grade. A summary of the quarterly comparison follows.

- The $1.48 decrease in per share earnings for the third quarter of 2008 compared to the same period a year ago is attributed to the $14.0 million or $1.33 per share OTTI charge related to the GSE's and a higher provision for loan losses of $1.2 million.
- Excluding the non-cash OTTI charge, net income for the current quarter was $2.9 million or $.39 per share. This represents a $1.3 million or $.15 per share decrease compared to the same period a year earlier driven in large part to a $1.2 million higher provision for loan losses.
- Net interest income increased $152 thousand or 1.0%, helped by the Company's leverage transaction that occurred during the fourth quarter of 2007.
- Noninterest expenses increased $523 thousand or 3.6% driven by higher net expenses related to properties acquired through foreclosure.
- Income tax expense decreased $4.5 million due mainly to the OTTI charge.
- Return on average assets ("ROA") and equity ("ROE") was -1.30% and -16.45%, respectively compared to .90% and 9.43% for the previous-year third quarter.

- § Net interest spread and margin for the current quarter was 3.03% and 3.27%, respectively compared to 3.31% and 3.73% a year earlier. The 2007 balance sheet leverage transaction negatively impacted net interest margin by 27 basis points in the current three months.

Net Interest Income

Net interest income was $14.8 million for the third quarter of 2008, an increase of $152 thousand or 1.0% from $14.6 million in the same quarter a year earlier. The increase in net interest income is attributed to the Company's $200 million balance sheet leverage transaction during the fourth quarter of 2007. This transaction added $825 thousand to net interest income in the current quarter compared to none in the same quarter a year ago since the transaction occurred late in the year of 2007.

With the exception of the balance sheet leverage transaction from 2007, interest related to most of the Company's earning assets and interest paying liabilities have declined in the comparison. These declines are due almost entirely to a lower interest rate environment in the current period compared to a year earlier. The Company is generally earning and paying less interest from its earning assets and funding sources as rates have dropped. This includes repricing of variable and floating rate assets and liabilities that have reset since the prior year as well as activity related to new earning assets and funding sources that reflect the overall lower interest rate environment.

Total interest income was $27.9 million in the third quarter of 2008, a decrease of $635 thousand or 2.2%. Interest on taxable investment securities nearly doubled to $5.4 million primarily from the leverage transaction, but was outpaced by lower interest income of $3.3 million from other sources, mainly loans. Interest and fees on loans was $21.5 million, a decrease of $2.9 million or 12.1% from a year ago as the impact of lower rates earned offset a $43.7 million or 3.5% increase in volume. Interest on short-term investments declined $350 thousand or 64.2% due mainly to a lower average rate earned and a modest $1.0 million or 2.4% lower average outstanding balances.

Total interest expense was $13.1 million in the current quarter, a decrease of $787 thousand or 5.7% from the same quarter year ago. Interest expense on securities sold under agreements to repurchase and other long-term borrowings increased $2.1 million in the current quarter compared to a year ago due mainly to the leverage transaction in late 2007. Interest expense on deposit accounts and short-term borrowings declined $2.4 million or 20.9% and $542 thousand or 54.5%, respectively. The decline of interest expense on deposit accounts is attributed to lower average rates paid, which offset a $41.5 million or 3.3% increase in average balances outstanding. For short-term borrowings, the lower interest expense is attributed mainly to a decline in the average rate paid of 250 basis points and, to a lesser extent, a $925 thousand or 1.1% lower average outstanding balances.

The net interest margin on a taxable equivalent basis decreased 46 basis points to 3.27% during the third quarter of 2008 compared to 3.73% in the same quarter of 2007. The lower net interest margin is attributed in part to a 28 basis point decrease in the spread between rates earned on earning assets and the rates paid on interest bearing liabilities to 3.03% in the current quarter from 3.31% in the third quarter of 2007. In addition, the impact of noninterest bearing sources of funds reduced net interest margin by an additional 18 basis points. The impact of noninterest bearing sources of funds on net interest margin typically decreases as the cost of funds decline. The Company expects continued margin compression in the near term as many earning assets, particularly loans, and funding sources reprice downward to reflect the overall lower market interest rate environment.

The following tables present an analysis of net interest income for the quarterly periods ended September 30.

Distribution of Assets, Liabilities and Shareholders' Equity: Interest Rates and Interest Differential

Quarter Ended September 30,	2008			2007		
(In thousands)	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate
Earning Assets						
Investment securities						
Taxable	$ 418,043	$ 5,411	5.15%	$ 220,135	$ 2,721	4.90%
Nontaxable[1]	85,489	1,148	5.34	87,746	1,179	5.33
Time deposits with banks, federal funds sold and securities purchased under agreements to resell	41,782	195	1.86	42,788	545	5.05
Loans[1,2,3]	1,308,192	21,583	6.56	1,264,490	24,622	7.73
Total earning assets	1,853,506	$ 28,337	6.08%	1,615,159	$ 29,067	7.14%
Allowance for loan losses	(14,911)			(11,239)		
Total earning assets, net of allowance for loan losses	1,838,595			1,603,920		
Nonearning Assets						
Cash and due from banks	66,765			75,762		
Premises and equipment, net	41,221			39,041		
Other assets	165,172			123,845		
Total assets	$ 2,111,753			$ 1,842,568		
Interest Bearing Liabilities						
Deposits						
Interest bearing demand	$ 246,453	$ 346	.56%	$ 249,231	$ 881	1.40%
Savings	267,191	895	1.33	239,744	1,329	2.20
Time	774,127	7,841	4.03	757,294	9,268	4.86
Federal funds purchased and other short-term borrowings	83,929	453	2.15	84,854	995	4.65
Securities sold under agreements to repurchase and other long-term borrowings	333,796	3,550	4.23	105,086	1,399	5.28
Total interest bearing liabilities	1,705,496	$ 13,085	3.05%	1,436,209	$ 13,872	3.83%
Noninterest Bearing Liabilities						
Commonwealth of Kentucky deposits	34,144			32,324		
Other demand deposits	176,388			175,827		
Other liabilities	29,186			23,240		
Total liabilities	1,945,214			1,667,600		
Shareholders' equity	166,539			174,968		
Total liabilities and shareholders' equity	$ 2,111,753			$ 1,842,568		
Net interest income		15,252			15,195	
TE basis adjustment		(478)			(573)	
Net interest income		$ 14,774			$ 14,622	
Net interest spread			3.03%			3.31%
Impact of noninterest bearing sources of funds			.24			.42
Net interest margin			3.27%			3.73%

[1]Income and yield stated at a fully tax equivalent basis using the marginal corporate Federal tax rate of 35%.
[2]Loan balances include principal balances on nonaccrual loans.

[3]Loan fees included in interest income amounted to $567 thousand and $737 thousand in 2008 and 2007, respectively.

Analysis of Changes in Net Interest Income (tax equivalent basis)

(In thousands) Quarter Ended September 30,	Variance 2008/2007[1]	Variance Attributed to Volume	Rate
Interest Income			
Taxable investment securities	$ 2,690	$ 2,546	$ 144
Nontaxable investment securities[2]	(31)	(46)	15
Time deposits with banks, federal funds sold and securities purchased under agreements to resell	(350)	(13)	(337)
Loans[2]	(3,039)	4,935	(7,974)
Total interest income	(730)	7,422	(8,152)
Interest Expense			
Interest bearing demand deposits	(535)	(10)	(525)
Savings deposits	(434)	839	(1,273)
Time deposits	(1,427)	1,283	(2,710)
Federal funds purchased and other short-term borrowings	(542)	(11)	(531)
Securities sold under agreements to repurchase and other long-term borrowings	2,151	3,992	(1,841)
Total interest expense	(787)	6,093	(6,880)
Net interest income	$ 57	$ 1,329	$ (1,272)
Percentage change	100.0%	2,331.6%	(2,231.6)%

[1]The changes that are not solely due to rate or volume are allocated on a percentage basis using the absolute values of rate and volume variances as a basis for allocation.
[2]Income stated at fully tax equivalent basis using the marginal corporate Federal tax rate of 35%.

Provision and Allowance for Loan Losses

The provision for loan losses for the quarter ended September 30, 2008 was $1.8 million, an increase of $1.2 million compared to $595 thousand for the same quarter of 2007. Net charge-offs were $1.1 million in the current quarter compared to $386 thousand a year earlier. Higher net charge-offs in the current quarter were boosted mainly by $651 thousand in charge-offs relating to three larger-balance credits. Of these credits one is secured by commercial real estate property, one by inventory and other assets, and other is related to a commercial lease customer. On an annualized basis, quarterly net charge-offs were .35% of average loans outstanding at September 30, 2008. This compares to .20%, .11% and .12% at June 30, 2008, year-end 2007, and September 30, 2007.

In general, the provision for loan losses and related allowance increases as the level of nonperforming and impaired loans, as a percentage of loans outstanding, increases. Nonperforming loans were $24.0 million at September 30, 2008, an increase of $2.9 million compared to year-end 2007 and unchanged compared to June 30, 2008. At September 30 a year ago, nonperforming loans were $12.4 million. Nonperforming loans began to spike upward during the third quarter of 2007 and peaked at $29.9 million during the first quarter of 2008. The upward trend in nonperforming loans beginning during the last half of 2007 and into early 2008 was driven by overall weaknesses in the general economy, including a softer housing market and significant credit tightening throughout the financial services industry. For the Company, this resulted in the real estate development portion of its lending portfolio that has shown the most signs of stress.

The Company's nonperforming loan levels at September 30, 2008 were flat compared to June 30, 2008 as a result of a $3.7 million increase in loans past due 90 days or more and still accruing interest was offset by lower nonaccrual loans of the same amount. The decrease in nonaccrual loans in the linked quarters is due mainly to acquiring through foreclosure a residential real estate development securing a small group of related credits.

The allowance for loan losses was $15.6 million or 1.20% of net loans at September 30, 2008. This compares to $15.0 million or 1.15% of net loans and $14.2 million or 1.10% of net loans outstanding at June 30, 2008 and year-end 2007, respectively. A year earlier, the allowance was $11.5 million or .91% of net loans outstanding. As a percentage of nonperforming loans, the allowance for loan losses was 65.1%, 62.5%, 67.5%, and 92.4% at September 30, 2008, June 30, 2008, December 31, 2007, and September 30, 2007, respectively.

Noninterest Income

Noninterest income was a negative $7.9 million for the third quarter of 2008 compared to $6.1 million for the same period a year ago. The $14.0 million decrease in noninterest income was driven by the non-cash OTTI charge of the same amount attributed to the Company's GSE investments. Excluding the non-cash OTTI charge, noninterest income was unchanged at $6.1 million.

Increases from allotment processing fees of $85 thousand or 7.6%, non-deposit service charges of $31 thousand or 2.9% and trust income of $19 thousand or 3.7% were mostly offset by lower service charges and fees on deposits of $88 thousand or 3.3%, data processing fees of $25 thousand or 8.8%, and gains on sale of loans of $13 thousand or 9.2%

Noninterest Expense

Total noninterest expenses were $14.9 million for the third quarter of 2008, up $523 thousand or 3.6% compared to the third quarter a year earlier. Salaries and employee benefits, the largest component of noninterest expenses, was $7.4 million, a decrease of $125 thousand or 1.7% as the average number of full time equivalent employees declined to 580 from 587. Employee benefits expense declined $92 thousand and was the primary driver of the lower expense amount in the current period.

Intangible amortization expense decreased $197 thousand or 23.2% in the quarterly comparison which helped to offset increases in other expense line items. Amortization of intangible assets, which relate to customer lists and core deposits from prior acquisitions, is decreasing as a result of actuarially determined schedules that allocate a higher amount of amortization in the earlier periods following an acquisition.

Correspondent bank fees increased $65 thousand or 33.5% due mainly to a change in billing method of an upstream correspondent bank in the current year. The billing method included switching from the requirement to maintain a certain minimum balance with the correspondent to a set fee-based structured arrangement. The $166 thousand or 13.3% increase in data processing and communication expenses is attributed primarily to higher transaction volumes. The $510 thousand or 24.4% net increase in other expenses was driven mainly by higher expenses associated with other real estate owned.

Income Taxes

The Company recorded an income tax benefit for the third quarter of 2008 of $2.9 million. This compares to income tax expense of $1.6 million for the same quarter a year earlier. The $4.5 million change in income tax expense is due mainly to the non-cash OTTI charge in the current quarter. The effective federal income tax rate increased 118 basis points to 29.4% from 28.2% in the comparison.

The Company recorded a tax benefit from the OTTI charge in the current period as a result of identifying sufficient capital gains from the previous sale of a subsidiary and from other tax planning strategies.

First Nine Months of 2008 Compared to First Nine Months of 2007

Net income for the first nine months of 2008 was $2.4 million or $.32 per share compared to $13.7 million or $1.75 per share for the same nine-month period of 2007. Results for the current nine-month period were driven mainly by the non-cash OTTI charge of $14.0 million ($1.33 per share, net of tax) during September of the current year related to the Company's investments in preferred stock of the GSE's. A summary of the quarterly comparison follows.

§ The $1.43 decrease in per share earnings for the nine-month period ended September 30, 2008 compared to the same period for 2007 is due mainly to the impact of the $14.0 million or $1.33 per share OTTI charge related to the GSE's and a higher provision for loan losses of $2.9 million.

- § Net income for the current nine months was $12.2 million or $1.65 per share excluding the OTTI charge, a decline of $1.5 million or $.10 per share compared to the same period a year earlier impacted primarily by the $2.9 million increase in the provision for loan losses.
- § Net interest income increased $1.3 million or 3.0%, driven by the Company's leverage transaction that occurred during the fourth quarter of 2007.
- § Excluding investment securities related transactions, noninterest income increased $196 thousand or 1.1%.
- § Noninterest expenses increased $648 thousand or 1.5% driven by higher net expenses related to properties acquired through foreclosure.
- § Income tax expense decreased $4.2 million due mainly to the OTTI charge. The effective income tax rate declined to 7.2% compared to 24.1% a year earlier.
- § ROA and ROE was .15% and 1.87%, respectively compared to .99% and 10.26% for the previous-year third quarter.
- § Net interest spread and margin for the current quarter was 3.06% and 3.33%, respectively compared to 3.29% and 3.73% a year earlier. The 2007 balance sheet leverage transaction negatively impacted net interest margin by 25 basis points in the current nine months.

Net Interest Income

Net interest income was $44.9 million for the first nine months of 2008, an increase of $1.3 million or 3.0% from $43.6 million for the same period during 2007. The increase in net interest income is driven mainly by the Company's $200 million balance sheet leverage transaction during the fourth quarter of 2007. This transaction added $2.6 million to net interest income in the current nine months compared to zero in the same nine-month period a year ago since the transaction occurred late in the year of 2007.

Interest related to many of the Company's earning assets and interest paying liabilities have declined in the comparison. These declines are due almost entirely to a lower interest rate environment in the current period compared to a year earlier. The Company is generally earning and paying less interest from its earning assets and funding sources as rates have dropped. This includes repricing of variable and floating rate assets and liabilities that have reset since the prior year as well as activity related to new earning assets and funding sources that reflect the overall lower interest rate environment.

Total interest income was $86.9 million for the current nine months, an increase of $2.5 million or 3.0%. Interest on taxable investment securities increased $9.0 million or 109%, boosted primarily from the leverage transaction that offset lower interest income of $6.5 million from other sources, mainly loans and short-term investments. Interest and fees on loans was $66.2 million, a decrease of $5.0 million or 7.0% from a year ago as the impact of an 87 basis point decline in the average rate earned offset a $60.6 million or 4.9% increase in average outstanding balances. Interest on short-term investments decreased $1.4 million or 58% due to a 241 basis point lower average rate earned combined with $11.3 million or 16.5% lower average outstanding balances.

Total interest expense was $42.1 million in the current period, an increase of $1.2 million or 3.0% from a year ago. Interest expense on securities sold under agreements to repurchase and other long-term borrowings increased $6.4 million in the current nine months compared to a year ago due mainly to the leverage transaction in late 2007. Interest expense on deposit accounts and short-term borrowings declined $3.9 million or 11.6% and $1.9 million or 54%, respectively. The lower interest expense on deposit accounts is attributed to a 57 basis point net decrease in average rates paid for the entire deposit portfolio to 3.1% from 3.6%, which more than offset a volume increase of $58.8 million or 4.9%. The $1.9 million decrease in interest expense on short-term borrowings is attributed mainly to a 218 basis point drop in the average rate paid and, to a lesser extent, a $14.3 million or 14.5% decrease in the average balance outstanding. Interest expense on the Company's subordinated notes payable increased $567 thousand or 36.3% due mainly to interest expense related to Farmers Capital Bank Trust III, which was established during the third quarter of the prior year to facilitate the Company's purchase of a portion of its outstanding shares through a modified Dutch Auction.

The net interest margin on a taxable equivalent basis decreased 40 basis points to 3.33% during the first nine months of 2008 compared to 3.73% in the same period of 2007. The lower net interest margin is attributed in part to a 23 basis point decrease in the spread between rates earned on earning assets and the rates paid on interest bearing liabilities to 3.06% in the current period from 3.29% in the comparable nine months of 2007. In addition, the impact of noninterest bearing sources of funds reduced net interest margin by an additional 17 basis points. The impact of noninterest bearing sources of funds on net interest margin typically decreases as the cost of funds decline. The Company expects continued margin compression in the near term as many earning assets, particularly loans, and funding sources continue to reprice downward to reflect the overall lower market interest rate environment.

The following tables present an analysis of net interest income for the nine months ended September 30.

Distribution of Assets, Liabilities and Shareholders' Equity: Interest Rates and Interest Differential

Nine Months Ended September 30,	2008			2007		
(In thousands)	Average Balance	Interest	Average Rate	Average Balance	Interest	Average Rate
Earning Assets						
Investment securities						
Taxable	$ 425,650	$ 17,242	5.41%	$ 226,292	$ 8,242	4.87%
Nontaxable[1]	87,747	3,520	5.36	88,838	3,611	5.43
Time deposits with banks, federal funds sold and securities purchased under agreements to resell	57,102	1,049	2.45	68,388	2,484	4.86
Loans[1,2,3]	1,300,659	66,904	6.87	1,240,029	71,810	7.74
Total earning assets	1,871,158	$ 88,715	6.33%	1,623,547	$ 86,147	7.09%
Allowance for loan losses	(14,518)			(11,511)		
Total earning assets, net of allowance for loan losses	1,856,640			1,612,036		
Nonearning Assets						
Cash and due from banks	76,856			80,020		
Premises and equipment, net	40,327			38,939		
Other assets	154,134			113,833		
Total assets	$ 2,127,957			$ 1,844,828		
Interest Bearing Liabilities						
Deposits						
Interest bearing demand	$ 260,393	$ 1,520	.78%	$ 258,164	$ 2,832	1.47%
Savings	264,622	2,803	1.41	243,572	4,117	2.26
Time	778,160	25,468	4.37	742,674	26,734	4.81
Federal funds purchased and other short-term borrowings	84,791	1,606	2.53	99,115	3,494	4.71
Securities sold under agreements to repurchase and other long-term borrowings	328,716	10,654	4.33	93,673	3,663	5.23
Total interest bearing liabilities	1,716,682	$ 42,051	3.27%	1,437,198	$ 40,840	3.80%
Noninterest Bearing Liabilities						
Commonwealth of Kentucky deposits	37,811			37,889		
Other demand deposits	175,771			175,562		
Other liabilities	27,255			15,859		
Total liabilities	1,957,519			1,666,508		
Shareholders' equity	170,438			178,320		
Total liabilities and shareholders' equity	$ 2,127,957			$ 1,844,828		
Net interest income		46,664			45,307	
TE basis adjustment		(1,784)			(1,740)	
Net interest income		$ 44,880			$ 43,567	
Net interest spread			3.06%			3.29%
Impact of noninterest bearing sources of funds			.27			.44
Net interest margin			3.33%			3.73%

[1]Income and yield stated at a fully tax equivalent basis using the marginal corporate Federal tax rate of 35%.
[2]Loan balances include principal balances on nonaccrual loans.
[3]Loan fees included in interest income amounted to $1.9 million and $2.1 million in 2008 and 2007, respectively.

Analysis of Changes in Net Interest Income (tax equivalent basis)

(In thousands) Nine Months Ended September 30,	Variance 2008/2007[1]	Variance Attributed to Volume	Rate
Interest Income			
Taxable investment securities	$ 9,001	$ 7,995	$ 1,006
Nontaxable investment securities[2]	(91)	(44)	(47)
Time deposits with banks, federal funds sold and securities purchased under agreements to resell	(1,435)	(358)	(1,077)
Loans[2]	(4,906)	5,053	(9,959)
Total interest income	2,569	12,646	(10,077)
Interest Expense			
Interest bearing demand deposits	(1,312)	41	(1,353)
Savings deposits	(1,314)	528	(1,842)
Time deposits	(1,266)	1,808	(3,074)
Federal funds purchased and other short-term borrowings	(1,888)	(449)	(1,439)
Securities sold under agreements to repurchase and other long-term borrowings	6,991	8,120	(1,129)
Total interest expense	1,211	10,048	(8,837)
Net interest income	$ 1,358	$ 2,598	$ (1,240)
Percentage change	100.0%	191.3%	(91.3)%

[1]The changes that are not solely due to rate or volume are allocated on a percentage basis using the absolute values of rate and volume variances as a basis for allocation.

[2]Income stated at fully tax equivalent basis using the marginal corporate Federal tax rate of 35%.

Provision and Allowance for Loan Losses

The provision for loan losses for the nine months ended September 30, 2008 was $3.4 million, an increase of $2.9 million compared to $429 thousand for the same period of 2007. Net charge-offs were $2.0 million in the current nine-month period compared to $967 thousand a year earlier. This represents an increase of $1.0 million in the comparison. Higher net charge-offs in the current year were driven by $1.1 million of charge-offs relating to a small number of larger-balance credits. Net charge-offs in the current year were helped by an $828 thousand recovery in the second quarter of a previously charged-off credit initiated during 2001. On an annualized basis, year-to-date net charge-offs were .20% of average loans outstanding at September 30, 2008. Excluding the unusually large recovery in the current year, the annualized amount was .29%. This compares to .26%, .11% and .11% at June 30, 2008, year-end 2007, and September 30, 2007.

In general, the provision for loan losses and related allowance increases as the level of nonperforming and impaired loans, as a percentage of loans outstanding, increases. Nonperforming loans were $24.0 million at September 30, 2008, an increase of $2.9 million compared to year-end 2007. At September 30, 2007 nonperforming loans were $12.4 million. Nonperforming loans began to spike upward during the third quarter of 2007 and peaked at $29.9 million during the first quarter of 2008. The upward trend in nonperforming loans beginning during the last half of 2007 and into early 2008 was driven by overall weaknesses in the general economy, including a softer housing market and significant credit tightening throughout the financial services industry. For the Company, this resulted in the real estate development portion of its lending portfolio that has shown the most signs of stress. The $11.6 million increase in nonperforming loan levels at September 30, 2008 compared to the same time a year ago is attributed to the factors identified above.

The allowance for loan losses was $15.6 million or 1.20% of net loans at September 30, 2008. This compares to $14.2 million or 1.10% of net loans outstanding at year-end 2007. At September 30, 2007, the allowance was $11.5 million or .91% of net loans outstanding. As a percentage of nonperforming loans, the allowance for loan losses was 65.1%, 67.5%, and 92.4% at September 30, 2008, December 31, 2007, and September 30, 2007, respectively.

Noninterest Income

Noninterest income for the nine months ended September 30, 2008 was $4.7 million, a decrease of $13.2 million or 74% compared to a year ago. The decrease in noninterest income in the comparison was primarily the result of the $14.0 million non-cash OTTI charge on the Company's GSE investments in the third quarter of 2008. Excluding the non-cash OTTI charge, noninterest income grew $781 thousand or 4.4%. Significant line item increases include net gains on the sale of investment securities of $585 thousand; allotment processing fees of $291 thousand or 9.0%; and non-deposit service charges of $237 thousand or 7.7%. Significant line items that partially offset these increases were lower service charges and fees on deposits of $341 thousand or 4.4%; lower net gains on sale of loans of $79 thousand or 18.2%; and lower income from company owned life insurance of $49 thousand or 5.0%

Securities gains include $207 thousand attributed to the mandatory redemption of part of the Visa, Inc. common stock received during the first quarter of 2008 and $85 thousand attributed to the reversal of previously accrued litigation representing the Company's share of the litigation reserve escrow account established by Visa related to its IPO. Remaining securities gains of $293 thousand are attributed to normal asset and liability management.

Allotment processing fees were up $291 thousand or 9.0% due partially to the timing of the acquisition of the Military Allotment operations of PNC Bank during the first quarter a year ago and increased volumes. The $237 thousand increase in non-deposit service charges, commissions, and fees was due to higher volume related interchange and ATM fees of $207 thousand and $72 thousand, respectively. Lower service charges and fees on deposits of $341 thousand were driven by a decrease in dormant account fees of $884 thousand, which offset higher overdraft charges of $644 thousand. The decrease in dormant account fees is related to a change in the dormant account policy of one of the Company's subsidiary banks during 2007. The change in policy lengthened the period of transaction inactivity of some deposit accounts required to consider them dormant. The policy changed the dormant period of certain deposit accounts to 12 months from six months. This resulted in a decrease in the number of dormant accounts and the related fee income. The $79 thousand decrease in gains on sale of loans is attributed to lower loan sales volume in the current nine-month period compared to the same period a year ago. The decrease in company-owned life insurance is due to the expiration of certain trailing commissions earned. The Company earned $73 thousand in commissions during the nine-month period of the prior year and only nine thousand during 2008.

Noninterest Expense

Total noninterest expenses were $43.7 million for the nine months ended September 30, 2008, up $648 thousand or 1.5% from $43.0 million for the same period in 2007. Salaries and employee benefits, the largest component of noninterest expenses, decreased $146 thousand as the average number of full time equivalent employees decreased to 577 from 585. Salary and related payroll taxes inched up $48 thousand, but was offset by lower benefit costs of $192 thousand.

Intangible amortization and equipment expense decreased $562 thousand or 22.4% and $102 thousand or 4.3%, respectively, in the comparison which nearly offset increases in other expense line items. Amortization of intangible assets, which relate to customer lists and core deposits from prior acquisitions, is decreasing as a result of actuarially determined schedules that allocate a higher amount of amortization in the earlier periods following an acquisition. The decrease in equipment expense is mainly attributed to lower depreciation in the comparable periods.

Data processing and communications expense increased $403 thousand or 11.3% in the current period primarily due to higher transaction volumes. Correspondent bank fees increased $228 thousand or 42.3% due mainly to a change in billing method of an upstream correspondent bank in the current year. The billing method included switching from the requirement to maintain a certain minimum balance with the correspondent to a set fee-based structured arrangement. Net occupancy expense increased $196 thousand or 6.2% due mainly to higher depreciation and utilities. The $728 thousand or 11.0% increase in other expenses was driven mainly by higher net expenses associated with other real estate owned of $672 thousand. The increase in expenses of other real estate owned was magnified as a result of overall net gains from other real estate in the prior year of $193 thousand.

Income Taxes

Income tax expense for the first nine months of 2008 was $186 thousand, a decrease of $4.2 million or 96% compared to $4.4 million for the same period a year earlier. The decrease in income tax expense is due mainly to the non-cash OTTI charge that occurred in the current year. The effective federal income tax rate was 7.2% in the current period compared to 24.1% a year earlier. The lower effective federal income tax rate was driven by the OTTI charge, which significantly reduced taxable income. A substantial amount of the remaining pre-tax revenues after the OTTI charge were nontaxable and, therefore, resulted in the lower effective federal income tax rate in the current period.

The Company recorded a tax benefit from the OTTI charge in the current period as a result of identifying sufficient capital gains from the previous sale of a subsidiary and from other tax planning strategies.

FINANCIAL CONDITION

Total assets were $2.2 billion at September 30, 2008, an increase of $86.2 million or 4.2% from the prior year-end. The most significant changes in the Company's assets from year-end were an $86.2 million or 109% increase in cash and cash equivalents, an increase in net loans of $10.0 million or .8%, higher real estate acquired through foreclosure of $10.2 million, partially offset by lower investment securities of $27.8 million or 5.1%.

Total liabilities increased $94.1 million or 5.0% at September 30, 2008 compared to December 31, 2007. Higher deposit balances account for $73.4 million of the increase in liabilities; borrowed funds, primarily long-term, increased $22.0 million. Shareholders' equity decreased $7.9 million or 4.7% to $161 million at the end of the period due mainly to the after-tax impact of the $14.0 million OTTI charge.

The increase in current end of period cash and cash equivalents compared to year-end 2007 was driven by an additional $50.5 million in deposits from the Commonwealth of Kentucky ("Commonwealth"). Increases from other sources of funds, such as interest bearing deposits and net proceeds from matured, called, or sold investment securities, have generally been reinvested in loans and temporary investments. The modest increase in net loans from year-end 2007 is representative of a more cautious and measured lending strategy. This is a result of continuing signs of general economic weaknesses and tighter loan underwriting standards.

Management of the Company considers it noteworthy to understand the relationship between the Company's principal subsidiary, Farmers Bank & Capital Trust Co. ("Farmers Bank"), and the Commonwealth. Farmers Bank provides various services to state agencies of the Commonwealth. As the depository for the Commonwealth, checks are drawn on Farmers Bank by these agencies, which include paychecks and state income tax refunds. Farmers Bank also processes vouchers of the WIC (Women, Infants and Children) program for the Cabinet for Human Resources. The Bank's investment department provides services to the Teacher's Retirement systems. As the depository for the Commonwealth, significant fluctuations in deposits are likely to occur on a daily basis. Therefore, reviewing average balances is important to understanding the financial condition of the Company.

On an average basis, total assets were $2.1 billion for the first nine months of 2008, an increase of $242 million or 12.8% from year-end 2007. The increase in average assets is attributed mainly to higher earning asset balances. Average investment securities were up $171 million, boosted by the $200 million balance sheet leverage transaction that occurred during the fourth quarter of 2007. Average loans were up $50.2 million or 4.0% compared to the average year-end balance. Deposits averaged $1.5 billion for the nine months ended September 30, 2008, an increase of $50.1 million or 3.4% from year-end. Average deposits from the Commonwealth were up $692 thousand or 1.9% in the comparison. Average earning assets were 87.9% of total average assets at September 30, 2008 compared to 88.1% at year-end 2007.

Temporary Investments

Temporary investments consist of interest bearing deposits in other banks and federal funds sold and securities purchased under agreements to resell. The Company uses these funds in the management of liquidity and interest rate sensitivity. At September 30, 2008, temporary investments were $59.2 million, an increase of $24.9 million or

73% compared to $34.2 million at year-end 2007. Temporary investments averaged $57.1 million during the first nine months of 2008, a decrease of $13.0 million or 18.5% from year-end 2007. The decrease is a result of the Company's overall net funding position. Temporary investments are reallocated to loans or other investments as market conditions and Company resources warrant.

Investment Securities

The investment securities portfolio is comprised primarily of U.S. government-sponsored agency securities, mortgage-backed securities, and tax-exempt securities of states and political subdivisions. During the first half of 2008, the Company purchased $15.5 million principal amount of fixed rate preferred stocks of U.S. government-sponsored agencies. During the third quarter of 2008, the Company recorded a non-cash OTTI charge of $14.0 million related to its investments in these GSE's. The value of these investments decreased sharply in September soon after the announcement that the GSE's were suspending dividend payments and being placed into conservatorship by the Federal Housing Finance Agency. The rating agencies also downgraded the preferred stocks of the GSE's to below investment grade. The Company had $1.1 million market value in GSE preferred stock following the impairment charge at September 30, 2008.

The Company also holds $16.4 million amortized cost amounts of single-issuer trust preferred capital securities of global and national financial services firms with an estimated fair value of $12.8 million. In addition, the Company holds $2.4 million amortized cost amounts of debentures issued by global and national financial services firms with an estimated fair value of $1.9 million. The Company evaluated these securities under the applicable accounting guidance, SFAS No. 115, FSP No. 115, and SAB No. 59. Each of these securities are currently performing and are rated as investment grade by the major rating agencies. The Company has the intent and ability to hold these securities for the foreseeable future and believes these securities are not impaired due to reasons of credit quality, but rather the unrealized losses are primarily attributed to general uncertainties in the financial markets and extraordinary market volatility. The Company currently believes that it will be able to collect all amounts due according to the contractual terms of these securities and that the fair values of these securities will recover as they approach their maturity dates.

Total investment securities were $519 million on September 30, 2008, a decrease of $27.8 million or 5.1% compared to year-end 2007. Net amortized cost amounts declined $24.1 million or 4.4% coupled with a net decrease in market values of $3.8 million related to investments carried in the available for sale portfolio. The decrease in the amortized cost amounts was led by the $14.0 million OTTI charge related to the GSE investments in the current quarter followed by matured, sold, or called investments that exceeded new purchased amounts. The $3.8 million lower market values of the available for sale investment securities is mainly attributed to the $4.2 million unrealized loss related to the trust preferred and corporate debentures identified above. Market values of fixed rate investments in much of the remaining portfolio edged higher compared to the prior year-end mainly as a result of a lower overall interest rate environment as reflected in the yield curves of the comparable periods.

Unrealized losses within the Company's investment securities portfolio have not been included in income since they are identified as temporary. The securities' fair values are expected to recover as they approach their maturity dates and the Company has the intent and ability to hold to recovery. With the exception of its GSE's, all investment securities in the Company's portfolio are currently performing.

The Company does not have direct exposure to the subprime mortgage market. The Company does not originate subprime mortgages nor has it invested in bonds that are secured by such mortgages.

Total investment securities averaged $513 million for the first nine months of 2008, an increase of $171 million or 50.1% from year-end 2007. The increase in average investment securities is mainly due to the GNMA mortgage-backed bonds that were purchased in the balance sheet leverage transaction during the fourth quarter of 2007.

Loans

Loans, net of unearned income, totaled $1.3 billion at September 30, 2008, relatively unchanged from year-end 2007. The Company is taking a more measured and cautious approach to loan growth in the near term as a result of continued weaknesses in the general economy, including a softer housing market and significant credit tightening throughout the financial services industry.

The composition of the loan portfolio is summarized in the table below.

(Dollars in thousands)	September 30, 2008 Amount	%	December 31, 2007 Amount	%
Commercial, financial, and agriculture	$ 147,632	11.3%	$ 154,015	11.9%
Real estate - construction	247,005	19.0	254,788	19.7
Real estate mortgage - residential	439,571	33.7	405,992	31.5
Real estate mortgage - farmland and other commercial enterprises	394,355	30.3	394,900	30.6
Installment	46,914	3.6	52,028	4.0
Lease financing	27,942	2.1	30,262	2.3
Total	$ 1,303,419	100.0%	$ 1,291,985	100.0%

On average, loans represented 69.5% of earning assets during the current nine-month period, a decrease of 571 basis points compared to 75.2% for year-end 2007. Average loans represent a lower percentage of earning assets mainly as a result of the $200 million balance sheet leverage transaction late in 2007, which was the primary driver of increased investment securities and earning assets. As loan demand fluctuates, the available funds are reallocated between loans and temporary investments or investment securities, which typically involve a decrease in credit risk and lower yields.

The Company does not have direct exposure to the subprime mortgage market. The Company does not originate subprime mortgages nor has it invested in bonds that are secured by such mortgages.

Nonperforming Loans

Nonperforming loans consist of nonaccrual loans and loans past due ninety days or more on which interest is still accruing. Nonperforming loans were unchanged at the end of the current quarter compared to the linked-quarter, but have increased since year-end 2007. Overall economic conditions continue to stress certain portions of the Company's lending portfolio, particularly real estate development. Nonperforming loans were as follows at September 30, 2008, June 30, 2008, and December 31, 2007.

(In thousands)	September 30, 2008	June 30, 2008	Change	%	September 30, 2008	December 31, 2007	Change	%
Nonaccrual	$ 15,780	$ 19,479	$ (3,699)	(19.0)%	$ 15,780	$ 18,073	$ (2,293)	(12.7)%
Past due 90 days or more and still accruing	8,204	4,482	3,722	83.1%	8,204	2,977	5,227	175.6%
Total nonperforming loans	$ 23,984	$ 23,961	$ 23	0.1%	$ 23,984	$ 21,050	$ 2,934	13.9%

The $15.8 million balance of nonaccrual loans outstanding at September 30, 2008 is comprised mainly of 9 credits totaling $11.6 million, substantially all of which is secured by real estate.

The decrease in linked-quarter nonaccrual loans of $3.7 million or 19.0% is attributed mainly as a result of acquiring through foreclosure a residential real estate development securing a small group of related credits previously classified as nonaccrual loans in the amount of $6.2 million. Partially offsetting this decrease was the addition of $2.5 million of nonaccrual loans, of which $1.5 million was previously classified as past due 90 days or more and still accruing interest. The increase in loans past due 90 days or more of $3.7 million is due mainly to a $4.6 million commercial real estate development credit that was added during the current quarter. The Company believes it is probable that it will collect all amounts of principal and interest on loans past due 90 days or more and still accruing interest based on information available at the reporting date.

The $2.3 million decrease in nonaccrual loans since year-end 2007 is attributed mainly to two larger balance residential real estate nonaccrual credits totaling $8.7 million at year-end that were transferred to the Company through foreclosure. This was partially offset by a relatively small number of larger balance real estate loans placed in nonaccrual status during 2008. The $5.2 million increase in loans past due 90 days or more since year-end 2007 is due mainly to the $4.6 million commercial real estate development credit that was added during the third quarter of 2008.

Other Real Estate

Other real estate owned ("OREO") includes real estate properties acquired by the Company through foreclosure. At September 30, 2008 OREO was $16.3 million, up $5.1 million or 45.2% and $10.2 million or 169% from the second quarter of 2008 and year-end 2007, respectively. The increase in linked-quarter OREO is attributed to the Company taking possession of the $6.2 million residential real estate development securing a small group of related credits previously classified as nonaccrual loans. The increase in OREO in the year-to-date period is also attributed to this event along with the foreclosure of a $4.1 million real estate development property that previously secured outstanding loans to one individual credit during the second quarter.

Deposits

A summary of the Company's deposits are as follows for the periods indicated.

	End of Period			Average		
(In thousands)	September 30, 2008	December 31, 2007	Difference	September 30, 2008	December 31, 2007	Difference
Noninterest Bearing						
Commonwealth	$ 65,862	$ 15,367	$ 50,495	$ 37,811	$ 37,119	$ 692
Other	178,454	177,065	1,389	175,771	177,304	(1,533)
Total	$ 244,316	$ 192,432	$ 51,884	$ 213,582	$ 214,423	$ (841)
Interest Bearing						
Demand	$ 233,552	$ 261,642	$ (28,090)	$ 260,393	$ 258,992	$ 1,401
Savings	261,342	250,002	11,340	264,622	244,299	20,323
Time	808,266	770,021	38,245	778,160	748,939	29,221
Total	$ 1,303,160	$ 1,281,665	$ 21,495	$ 1,303,175	$ 1,252,230	$ 50,945
Total Deposits	$ 1,547,476	$ 1,474,097	$ 73,379	$ 1,516,757	$ 1,466,653	$ 50,104

Deposit balances of the Commonwealth can fluctuate significantly from day to day. The Company believes average balances are important when analyzing its deposit balances. Both end of period and average savings account deposit balances were fueled by promotional efforts beginning in the fourth quarter of 2007. Average time deposits increased mainly as a result of higher shorter-term certificates of deposit balances and increased individual retirement account balances. Lower end of period interest bearing demand deposit balances at quarter-end in relation to the prior year end were impacted mainly by a net decrease in larger-balance public funds and certain other deposits that can have large fluctuations on any particular day.

Borrowed Funds

Total borrowed funds were $419 million at September 30, 2008, an increase of $22.0 million or 5.5% from $397 million at year-end 2007. Long-term borrowings increased $19.5 million resulting from additional FHLB borrowings of $27.0 million during the current period partially offset by repayments of $7.5 million. Short-term borrowings increased $2.5 million or 3.1% due to higher federal funds purchases and securities sold under agreements to repurchase balances. These sources of short-term funding fluctuate as the overall net funding position of the Company changes.

LIQUIDITY

The Parent Company's primary use of cash consists of dividend payments to its common shareholders, purchases of its common stock, corporate acquisitions, interest expense on borrowings, and other general operating purposes. Liquidity of the Parent Company depends primarily on the receipt of dividends from its subsidiary banks, cash balances maintained, and borrowings from nonaffiliated sources. As of September 30, 2008 combined retained earnings of the subsidiary banks was $43.4 million, of which $4.6 million was available for the payment of dividends to the Parent Company without obtaining prior approval from bank regulatory agencies. As a practical matter, payment of future dividends is also subject to the maintenance of other capital ratio requirements.

Management expects that in the aggregate, its subsidiary banks will continue to have the ability to pay dividends in order to provide funds to the Parent Company to meet its near-term liquidity needs. In addition, the Parent

Company has a $15.0 million unsecured line of credit with an unrelated financial institution available for general corporate purposes. This line of credit matures in June 2009 and bears interest at the three-month LIBOR rate plus 140 basis points.

The Parent Company had cash balances of $8.0 million at September 30, 2008, a decrease of $6.9 million or 46.3% from $15.0 million at year-end 2007. Significant cash flows during the current nine-month period for the Parent Company include the following: management fees received from subsidiaries of $2.1 million; dividends received from subsidiaries of $7.7 million; payment of dividends to shareholders of $7.3 million; the purchase and subsequent sale of $1.0 million of common shares in two unaffiliated banks; interest payments on borrowed funds of $2.1 million; a $4.0 million capital injection into EKT; and the repurchase of the Company's common stock in the amount of $1.0 million.

The Company's objective as it relates to liquidity is to ensure that its subsidiary banks have funds available to meet deposit withdrawals and credit demands without unduly penalizing profitability. In order to maintain a proper level of liquidity, the subsidiary banks have several sources of funds available on a daily basis that can be used for liquidity purposes. Those sources of funds include the subsidiary banks' core deposits, consisting of business and nonbusiness deposits, cash flow generated by repayment of principal and interest on loans and investment securities, FHLB and other borrowings, and federal funds purchased and securities sold under agreements to repurchase. While maturities and scheduled amortization of loans and investment securities are generally a predictable source of funds, deposit outflows and mortgage prepayments are influenced significantly by general interest rates, economic conditions, and competition in the Company's local markets. As of September 30, 2008 the Company had approximately $182 million in additional borrowing capacity under various FHLB, federal funds, and other borrowing agreements. However, there is no guarantee that these sources of funds will continue to be available to the Company, or that current borrowings can be refinanced upon maturity, although the Company is not aware of any events or uncertainties that are likely to cause a decrease in the Company's liquidity from these sources.

For the longer term, the liquidity position is managed by balancing the maturity structure of the balance sheet. This process allows for an orderly flow of funds over an extended period of time. The Company's Asset and Liability Management Committee, both at the bank subsidiary level and on a consolidated basis, meets regularly and monitors the composition of the balance sheet to ensure comprehensive management of interest rate risk and liquidity.

Liquid assets consist of cash, cash equivalents, and available for sale investment securities. At September 30, 2008, consolidated liquid assets were $681 million, an increase of $59.7 million or 9.6% from year-end 2007. The increase in liquid assets is mainly attributed to $86.2 million higher cash and equivalents, partially offset by lower available for sale investment securities of $26.5 million. The increase in cash and equivalents is due mainly to higher deposit activity of the Commonwealth and the overall funding position of the Company, which changes as loan demand, deposit levels, and other sources and uses of funds fluctuate. The decrease in available for sale investments securities was led by the $14.0 million OTTI charge related to the GSE investments in the current quarter coupled with matured, sold, or called investments that exceeded new purchased amounts.

Net cash provided by operating activities was $14.9 million in the first nine months of 2008, an increase of $1.9 million or 15.0% compared to the same period a year earlier. Net cash used in investing activities was $15.9 million in the current nine months of 2008 compared to $48.8 million a year ago. The $32.8 million improvement in cash flows is mainly due to lower net outflows related to loan activity in the current nine months of $43.6 million compared to a year ago, partially offset by lower net inflows related to investment securities transactions of $12.7 million. Net cash provided by financing activities was $87.2 million in the current nine months, up $54.0 million. The higher cash provided by financing activities in the current period is due mainly to a $52.6 million increase in net deposit activity.

Commitments to extend credit are considered in addressing the Company's liquidity management. The Company does not expect thes commitments to significantly effect the liquidity position in future periods. The Company has not entered into any contracts for financia derivative instruments such as futures, swaps, options, or similar instruments.

Subsequent to September 30, 2008, the U.S. Treasury announced a voluntary Capital Purchase Program ("Program") designed to inject $250 billion directly into U.S. financial institutions to build additional capital and encourage the flow of financing to U.S. businesses and consumers in response to a weakening economy. The Company is carefully considering the details of the Program and its decision on whether to participate. Under the Program the Treasury will purchase, within a pre-established minimum and maximum limit of 1% and 3% of regulatory defined risk-weighted assets, senior non-voting preferred shares that will qualify as Tier 1 capital. The Program calls for a 5% cumulative dividend during the first five years the shares are outstanding, resetting to 9% thereafter and includes certain restrictions on dividend payments of lower ranking equity.

The Program includes other rights and restrictions including the Treasury's right to receive warrants to purchase Company common stock, restrictions on redeeming the preferred shares, and executive compensation limits, among others. The Treasury will receive warrants to purchase Company common stock having an aggregate market price equal to 15% of the preferred shares issued on the date of the investment, subject to certain other adjustments. If the Company elects to participate and is granted funds under the Program, it estimates the dollar amount of additional capital raised to range between $14 million and $42 million and issue warrants to purchase between 93 thousand and 279 thousand shares of Company common stock.

CAPITAL RESOURCES

Shareholders' equity was $161 million on September 30, 2008, a decrease of $7.9 million or 4.7% from $168 million at December 31, 2007. The decrease in shareholders' equity is due mainly to lower retained earnings of $5.7 million or 4.6% that was driven by the non-cash OTTI charge of $14.0 million related to the Company's GSE investments in the current quarter. Other comprehensive income declined by $2.2 million since year-end 2007 due mainly to a $2.4 million (after tax) lower market value of certain investments in trust preferred capital securities of global and national financial services firms. Excluding the impact from the trust preferred capital securities, the net fair value of the available for sale investment securities portfolio generally increased as a result of an overall decline in market interest rates.

Consistent with the objective of operating a sound financial organization, the Company's goal is to maintain capital ratios well above the regulatory minimum requirements. The Company's capital ratios as of September 30, 2008 and the regulatory minimums are as follows.

	Farmers Capital Bank Corporation	Regulatory Minimum
Tier 1 risk based	11.11%	4.00%
Total risk based	12.24%	8.00%
Leverage	7.48%	4.00%

As of September 30, 2008, each of the Company's subsidiary banks exceeded the regulatory minimum ratio requirements as calculated under guidelines established by federal banking agencies. Five of the Company's seven subsidiary banks exceeded the well-capitalized regulatory ratio requirements.

Two of the Company's subsidiary banks fell below the well-capitalized status during the current quarter, but remain in excess of the regulatory minimum. The lower capital ratio of the two subsidiary banks are attributed to the non-cash OTTI charge related to the GSE investments. The Company expects these two subsidiary banks to meet or exceed well-capitalized status by year-end 2008. This is expected to be accomplished through earnings growth at the impacted banks or, alternatively, with a capital injection from the Parent Company.

The Company is considering its option of participating in the recently announced $250 billion Capital Purchase Program by the U.S. Treasury. Please see additional information under the preceding heading of "Liquidity".

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The Company uses a simulation model as a tool to monitor and evaluate interest rate risk exposure. The model is designed to measure the sensitivity of net interest income and net income to changing interest rates over future time periods. Forecasting net interest income and its sensitivity to changes in interest rates requires the Company to make assumptions about the volume and characteristics of many attributes, including assumptions relating to the replacement of maturing earning assets and liabilities. Other assumptions include, but are not limited to, projected prepayments, projected new volume, and the predicted relationship between changes in market interest rates and changes in customer account balances. These effects are combined with the Company's estimate of the most likely rate environment to produce a forecast of net interest income and net income. The forecasted results are then adjusted for the effect of a gradual increase and decrease in market interest rates on the Company's net interest income and net income. Because assumptions are inherently uncertain, the model cannot precisely estimate net interest income or net income or the effect of interest rate changes on net interest income and net income. Actual results could differ significantly from simulated results.

At September 30, 2008, the model indicated that if rates were to gradually increase by 75 basis points during the remainder of the calendar year, then net interest income and net income would increase .09% and .92%, respectively for the year ending December 31, 2008 when compared to the forecasted results for the most likely rate environment. The model indicated that if rates were to gradually decrease by 75 basis points over the same period, then net interest income and net income would decrease .36% and 3.0%, respectively.

Item 4. Controls and Procedures

The Company's Chief Executive Officer and Chief Financial Officer have reviewed and evaluated the effectiveness of the Company's disclosure controls and procedures as of the end of the period covered by this report, and have concluded that the Company's disclosure controls and procedures were adequate and effective to ensure that all material information required to be disclosed in this report has been made known to them in a timely fashion.

The Company's Chief Executive Officer and Chief Financial Officer have also concluded that there were no significant changes during the quarter ended September 30, 2008 in the Company's internal control over financial reporting or in other factors that have materially affected, or are reasonably likely to materially affect, the registrant's internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

As of September 30, 2008, there were various pending legal actions and proceedings against the Company arising from the normal course of business and in which claims for damages are asserted. Management, after discussion with legal counsel, believes that these actions are without merit and that the ultimate liability resulting from these legal actions and proceedings, if any, will not have a material effect upon the consolidated financial statements of the Company.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

At various times, the Company's Board of Directors has authorized the purchase of shares of the Company's outstanding common stock. No stated expiration dates have been established under any of the previous authorizations. There were no Company shares purchased during the quarter ended September 30, 2008. There are 84,971 shares that may still be purchased under the various authorizations.

Item 6. Exhibits

List of Exhibits	
3i.	Amended and Restated Articles of Incorporation of Farmers Capital Bank Corporation (incorporated by reference to Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2006).
3ii.	Amended and Restated By-Laws of Farmers Capital Bank Corporation (incorporated by reference to Annual Report of Form 10-K for the fiscal year ended December 31, 1997).
3iia	Amendments to By-Laws of Farmers Capital Bank Corporation (incorporated by reference to Quarterly Report of Form 10-Q for the quarterly period ended March 31, 2003).

4.1	Junior Subordinated Indenture, dated as of July 21, 2005, between Farmers Capital Bank Corporation and Wilmington Trust Company, as Trustee, relating to unsecured junior subordinated deferrable interest notes that mature in 2035.*
4.2	Amended and Restated Trust Agreement, dated as of July 21, 2005, among Farmers Capital Bank Corporation, as Depositor, Wilmington Trust Company, as Property and Delaware Trustee, the Administrative Trustees (as named therein), and the Holders (as defined therein).*
4.3	Guarantee Agreement, dated as of July 21, 2005, between Farmers Capital Bank Corporation, as Guarantor, and Wilmington Trust Company, as Guarantee Trustee.*
4.4	Junior Subordinated Indenture, dated as of July 26, 2005, between Farmers Capital Bank Corporation and Wilmington Trust Company, as Trustee, relating to unsecured junior subordinated deferrable interest notes that mature in 2035.*
4.5	Amended and Restated Trust Agreement, dated as of July 26, 2005, among Farmers Capital Bank Corporation, as Depositor, Wilmington Trust Company, as Property and Delaware Trustee, the Administrative Trustees (as named therein), and the Holders (as defined therein).*
4.6	Guarantee Agreement, dated as of July 26, 2005, between Farmers Capital Bank Corporation, as Guarantor, and Wilmington Trust Company, as Guarantee Trustee.*
4.7	Indenture, dated as of August 14, 2007 between Farmers Capital Bank Corporation, as Issuer, and Wilmington Trust Company, as Trustee, relating to fixed/floating rate junior subordinated debt due 2037.*
4.8	Amended and Restated Declaration of Trust, dated as of August 14, 2007, by Farmers Capital Bank Corporation, as Sponsor, Wilmington Trust Company, as Delaware and Institutional Trustee, the Administrative Trustees (as named therein), and the Holders (as defined therein).*
4.9	Guarantee Agreement, dated as of August 14, 2007, between Farmers Capital Bank Corporation, as Guarantor, and Wilmington Trust Company, as Guarantee Trustee.*
10.1	Agreement and Plan of Merger, Dated July 1, 2005, as Amended, by and among Citizens Bancorp, Inc., Citizens Acquisition Subsidiary Corp, and Farmers Capital Bank Corporation incorporated by reference to Appendix A of Registration Statement filed on Form S-4 on October 11, 2005).
10.2	Amended and Restated Plan of Merger of Citizens National Bancshares, Inc. with and into FCBC Acquisition Subsidiary, LLC (incorporated by reference to Appendix A of Proxy Statement for Special Meeting of Shareholders of Citizens National Bancshares, Inc. and Prospectus in connection with an offer of up to 600,000 shares of its common stock of Farmers Capital Bank Corporation filed on Form 424B3 on August 7, 2006).
10.3	Stock Purchase Agreement Dated June 1, 2006 by and among Farmers Capital Bank Corporation, Kentucky Banking Centers, Inc. and Citizens First Corporation.
31.1	CEO Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	CFO Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32	CEO & CFO Certifications Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

* Exhibit not included pursuant to Item 601(b)(4)(iii) and (v) of Regulation S-K. The Company will provide a copy of such exhibit to the Securities and Exchange Commission upon request.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date:	*November 7, 2008*	*/s/ G. Anthony Busseni* G. Anthony Busseni, President and CEO (Principal Executive Officer)
Date:	*11-7-08*	*/s/ Doug Carpenter* C. Douglas Carpenter, Senior Vice President, Secretary, and CFO (Principal Financial and Accounting Officer)

Exhibit 10.3
Stock Purchase Agreement Dated June 1, 2006 by and among Farmers Capital Bank Corporation, Kentucky Banking Centers, Inc. and Citizens First Corporation.

STOCK PURCHASE AGREEMENT

THIS STOCK PURCHASE AGREEMENT (the "Agreement") is made and entered into as of the 1st day of June, 2006, by and among (i) **FARMERS CAPITAL BANK CORPORATION**, a Kentucky corporation with its principal executive offices located at 202 West Main Street, Frankfort, Kentucky 40601 ("Farmers"); (ii) **KENTUCKY BANKING CENTERS, INC**., a Kentucky banking corporation with its principal executive offices located at 1530 South Green Street, Glasgow, Kentucky 42141 ("Bank"); and (iii) **CITIZENS FIRST CORPORATION**, a Kentucky corporation with its principal executive offices located at 1065 Ashley Street, Bowling Green, Kentucky 42101 ("Citizens").

PREAMBLE

Farmers is the owner of all of the issued and outstanding shares of capital stock (the "Shares") of Bank. Farmers desires to sell the Shares to Citizens, and Citizens desires to purchase the Shares from Farmers, for the consideration and on the terms and conditions set forth herein.

NOW THEREFORE, in consideration of the premises and the mutual and dependent covenants and undertakings contained in this Agreement, and for other good and valuable consideration, the mutuality, receipt and sufficiency of which is hereby acknowledged, and intending to be legally bound, the parties hereby agree as follows:

ARTICLE 1

DEFINITIONS

1.1. Certain Defined Terms. The words listed in this Article 1 when used and capitalized in this Agreement shall have the meanings set forth for each by this Article 1. Certain other capitalized terms when used in this Agreement shall have the meanings ascribed to them when first encountered elsewhere in this Agreement:

(a) "Acquisition Proposal" shall mean with respect to Bank any bona fide written proposal or offer from any Person relating to any (i) direct or indirect acquisition or purchase of a business that constitutes 50% or more of the net revenues, net income or the Assets of Bank, (ii) direct or indirect acquisition or purchase of equity securities of Bank representing 50% or more of the combined voting power of Bank, (iii) any tender offer or exchange offer that if consummated would result in any Person beneficially owning equity securities of such Party representing 50% or more of the combined voting power of Bank, or (iv) any merger, consolidation, business combination, recapitalization, liquidation, dissolution or similar transaction involving Bank, other than the transactions contemplated by this Agreement.

(b) "Adverse Consequences" shall mean all Proceedings, charges, claims, demands, injunctions, Orders, damages, dues, assessments, expenditures, outlays, awards, penalties, fines, costs, interest, amounts paid in settlement, liabilities, obligations, payments, premiums, taxes, liens, losses, reduction in value, loss of use, injuries, expenses and fees of whatever nature, including without limitation response, restoration, investigative, removal, remedial, monitoring or inspection costs and court costs and reasonable attorneys' fees and expenses.

(c) "Affiliate" means, as applied to any Person, (i) any director, executive officer, or general partner of such Person, (ii) any other Person directly or indirectly controlling, controlled by or under common control with or by such Person or (iii) any other Person that directly or indirectly owns or controls, whether beneficially or as a trustee, guardian or other fiduciary, ten percent (10%) or more of the equity capital of such Person. For purposes of this definition, "control" (including the terms "controlling," "controlled by" and "under common control with") shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities or by Contract or otherwise.

(d) "Agreement" shall mean this Agreement and the Schedules, Exhibits and other certificates or documents delivered pursuant hereto.

(e) "Assets" of a Person shall mean all of the assets, properties, businesses, and rights of such Person of every kind, nature, character and description, whether real, personal or mixed, tangible or intangible, accrued or contingent, or otherwise, wherever located.

(f) "Bankruptcy Event" shall mean, with respect to a Person, if such Person shall (i) discontinue business, or cease doing business for more than ten (10) days; (ii) make a general assignment for the benefit of creditors; (iii) apply for or consent to the appointment of a custodian, receiver, trustee or liquidator of all or a substantial part of its assets; (iv) be adjudicated bankrupt or insolvent; (v) file a voluntary petition in bankruptcy or file a petition or an answer seeking a composition, reorganization or an arrangement with creditors or seek to take advantage of any other Law (whether federal or state) relating to relief for debtors, or admit (by answer, default or otherwise) the material allegations of any petition filed against it in any bankruptcy, reorganization, composition, insolvency or other Proceeding (whether federal or state) relating to relief for debtors; (vi) suffer the filing of any involuntary petition in any bankruptcy, reorganization, insolvency or other Proceeding (whether federal or state), if the same is not dismissed within sixty (60) days after the date of such filing; (vii) suffer or permit to continue any judgment, decree or order entered by a court which assumes control of its business or financial affairs or approves a petition seeking a reorganization, composition or arrangement of its business or financial affairs or any other judicial modification of the rights of any of its creditors, or appoints a receiver, trustee or liquidator for it, or for all or a substantial part of any of its businesses or assets or financial affairs; (viii) be enjoined or restrained from conducting all or a material part of any of its businesses as then conducted or as hereafter conducted and the same is not dismissed and dissolved within thirty (30) days after the entry thereof; (ix) not be paying its debts generally as they become due; or (x) admit in writing its inability, or is unable, to pay its debts generally as they become due.

(g) "Benefit Plans" shall have the meaning assigned such term in Section 3.18(a) hereof.

(h) "BHC Act" shall mean the federal Bank Holding Company Act of 1956, as amended.

(i) "Bank Common Stock" shall mean the common stock, $20,000 par value per share, of Bank.

(j) "Bank Financial Statements" shall have the meaning assigned such term in Section 3.5 hereof.

(k) "Change in Control" shall mean (i) any merger, consolidation, share exchange or other reorganization or recapitalization to which a Party or any of its Subsidiaries is a party or subject, (ii) the sale, lease or exchange following the date of this Agreement (either in one (1) transaction or a series of transactions) of five percent (5%) or more of the Assets of a Party or any of its Subsidiaries within a one (1) year period, (iii) the issuance of equity interests in a Party or any of its Subsidiaries following the date of this Agreement (either in one (1) transaction or a series of transactions) which increases by five percent (5%) or more the equity of a Party or any of its Subsidiaries or (iv) the issuance of voting interests in a Party or any of its Subsidiaries following the date of this Agreement (either in one (1) transaction or a series of transactions) equal to five percent (5%) or more of the voting interests of a Party or any of its Subsidiaries prior to such issuance.

(l) "Citizens Indemnified Persons" shall have the meaning assigned such term in Section 9.2 hereof.

(m) "Claim Notice" shall have the meaning assigned such term in Section 9.5 hereof.

(n) "Closing" shall mean the consummation of the Contemplated Transactions and the satisfaction of all other conditions precedent thereto as set forth hereinafter.

(o) "Closing Date" shall have the meaning assigned such term in Section 2.3 hereof.

(p) "Code" shall mean the Internal Revenue Code of 1986, as amended, or any successor thereto and all rulings and regulations issued pursuant thereto or any successor thereto.

(q) "Consent" shall mean any consent, approval, authorization, clearance, exemption, waiver or similar affirmation by any Person pursuant to any Contract, Law, Order or Governmental Authorization.

(r) "Contemplated Transactions" shall mean all of the transactions contemplated by this Agreement, apart from the Bank Merger, including the sale of the Shares by Farmers to Citizens.

(s) "Contract" shall mean any legally binding written or oral agreement, arrangement, authorization, commitment, contract, indenture, instrument, lease, obligation, plan, practice, restriction, order, permit, understanding or undertaking of any kind or character, or other document to which any Person is a party or that is binding on any Person or its equity capital, assets or business.

(t) "Covered Claim" shall have the meaning assigned such term in Section 9.5 hereof.

(u) "Default" shall mean (i) any breach or violation of or default under any Contract, (ii) any occurrence or event that with the passage of time or the giving of notice or both would constitute a breach or violation of or default under any Contract or (iii) any occurrence or event that with or without the passage of time or the giving of notice would give rise to a right to terminate, revoke, modify, cancel, amend, change the current terms of, renegotiate, or to accelerate, increase or impose any liability under, any Contract.

(v) "Disclosure Memorandum" shall mean the written Memorandum entitled "Disclosure Memorandum" delivered to Citizens by Farmers describing in reasonable detail the matters contained therein and, with respect to each disclosure made therein, Farmers shall make reasonable efforts to specifically reference each Section of this Agreement under which such disclosure is being made.

(w) "Encumbrance" shall mean any claim, lien, security interest (or other security arrangement), charge, equity, mortgage, pledge, community property interest, condition, equitable interest, option, right of first refusal, conditional sale agreement, default of title, hypothecation, reservation, title retention or encumbrance of any nature whatsoever, other than liens for Taxes accrued but not yet payable, and, as to real property, such imperfections of title and encumbrances, if any, as do not materially detract from the value or interfere with the present use or sale of any of the real property of Bank.

(x) "Environment" means soil, land surface or subsurface strata, surface waters (including navigable waters, ocean waters, streams, ponds, drainage basins and wetlands), groundwaters, drinking water supply, stream sediments, ambient air (including indoor air), plant and animal life and any other environmental medium or natural resource.

(y) "Environmental Laws" means any Laws that require or relate to: (a) advising appropriate authorities, employees and the public of intended or actual releases of pollutants or Hazardous Materials, violations of discharge limits or other prohibitions and of the commencements of activities, such as resource extraction or construction, that could have significant impact on the Environment; (b) preventing or reducing to acceptable levels the release of pollutants or Hazardous Materials into the Environment; (c) reducing the quantities, preventing the release or minimizing the hazardous characteristics of wastes that are generated; (d) assuring that products are designed, formulated, packaged and used so that they do not present unreasonable risks to human health or the Environment when used or disposed of; (e) protecting resources, species or ecological amenities; (f) reducing to acceptable levels the risks inherent in the transportation of Hazardous Materials or other potentially harmful substances; (g) cleaning up pollutants that have been released preventing the threat of release or paying the costs of such clean up or prevention; or (h) making responsible parties pay private parties, or groups of them, for damages done to their health or the Environment, or permitting self-appointed representatives of the public interest to recover for injuries done to public assets. “Environmental Laws” shall include, without limitation, the Comprehensive Environmental Response Compensation and Liability Act, as amended, §§42 U.S.C. 9601 et seq. (“CERCLA”) or any successor law, and regulations and rules issued pursuant thereto or any successor, and the Resource Conservation and Recovery Act, as amended §§ 42 U.S.C. 6901 et seq. (“RCRA”) or any successor law, and regulations and rules issued pursuant thereto or any successor.

(z) “ERISA” shall mean the Employee Retirement Income Security Act of 1974, as amended, or any successor thereto, and regulations and rules issued pursuant thereto or any successor thereto.

(aa) “ERISA Affiliate” shall mean any trade or business, whether or not incorporated, that together with the Person under consideration would be deemed a “single employer” within the meaning of Section 4001(b) of ERISA.

(bb) “ERISA Plan” shall mean any Benefit Plan which is an “employee pension benefit plan” as defined in Section 3(2) of ERISA.

(cc) “Exhibits” shall mean the exhibits so marked and attached to this Agreement, which Exhibits are hereby incorporated herein by reference and made a part hereof.

(dd) “Farmers” shall mean Farmers Capital Bank Corporation, a Kentucky corporation.

(ee) “Farmers Indemnified Persons” shall have the meaning assigned such term in Section 9.3 hereof.

(ff) “FDIC” shall mean the Federal Deposit Insurance Corporation.

(gg) ”FRB” shall mean the Board of Governors of the Federal Reserve System.

(hh) “Funded Debt” shall mean, at any date, all indebtedness for borrowed money issued, incurred, assumed or guaranteed of or by a Person which would, in accordance with GAAP, be classified as funded indebtedness, but in any event “Funded Debt” shall include all indebtedness for borrowed money, whether secured or unsecured. However, notwithstanding the foregoing, “Funded Debt” shall not include, with respect to the subject Person, any liability or obligation of the subject Person incurred in the Ordinary Course of the subject Person’s banking or trust business with respect to (i) any deposits held by the subject Person or funds collected by the subject Person; (ii) any banker’s acceptance or letter of credit issued by the subject Person; (iii) any check, note, certificate of deposit, money order, traveler’s check, draft or bill of exchange accepted or endorsed by the subject Person; (iv) any lease of real or personal property, purchase money security agreement or similar instrument not involving an obligation of the subject Person for borrowed money other than purchase money indebtedness; (v) any guarantee or similar obligation incurred by the subject Person in such circumstances as are incidental or usual in carrying on the banking or trust business; (vi) any transaction in the nature of an extension of credit, whether in the form of a commitment or otherwise, undertaken by the subject Person for the account of a third party after the application by the subject Person of the same banking considerations and legal lending limits that would otherwise be applicable if the transaction were a loan to such party; (vii) any transaction in which the subject Person acts solely in a fiduciary or agency capacity; and (viii) FHLB borrowings and Federal Funds transactions in the Ordinary Course of Business.

(ii) "GAAP" shall mean generally accepted accounting principles applicable to banks and bank holding companies as set forth in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants, in statements and pronouncements of the Financial Accounting Standards Board, or in such other statements by such other Person as may be approved by a significant segment of the accounting profession, in each case which are applicable to the circumstances as of the date of determination.

(jj) "Governmental Authorization" shall mean any approval, Consent, license, permit, waiver, or other authorization issued, granted, given or otherwise made available by or under the authority of any Governmental Body or pursuant to any Law.

(kk) "Governmental Body" shall mean any: (a) nation, state, county, city, town, village, district or other jurisdiction of any nature; (b) federal, state, local, municipal, foreign or other government; (c) governmental or quasi-governmental authority of any nature (including any self-regulatory organization, governmental agency, branch, department, official or entity and any court or other tribunal); (d) multi-national organization or body; or (e) body exercising, or entitled to exercise, any administrative, executive, judicial, legislative, police, regulatory or taxing authority or power of any nature.

(ll) "Hazardous Materials" shall mean any waste or other substance that is listed, defined, designated or classified as, or otherwise determined to be, hazardous, radioactive or toxic or a pollutant or a contaminant or otherwise regulated under or pursuant to any Environmental Law, including any admixture or solution thereof, and specifically including (without limitation) petroleum and all derivatives thereof or synthetic substitutes therefor, asbestos or asbestos-containing materials and polychlorinated biphenyls, substances containing polychlorinated biphenyls, nitrate, perchloroethylene, 1,1,1-trichloroethane, trichloroethylene, tetrachloroethylene, 1,1-dichloroethane, 1, 1-dichloroethene, cis-1, 2-dichloroethene, trans-1, 2-dichloroethene, copper, chromium, zinc, cadmium, lead, mercury, nickel, iron, magnesium, nitrite and aluminum.

(mm) "Indemnified Person" shall have the meaning assigned such term in Section 9.5 hereof.

(nn) "Intellectual Property" shall mean any copyrights (in both published and unpublished works), patents, trademarks (registered and unregistered), service marks, service names, fictional business names and trade names, technology rights and licenses, computer software (including any source or object codes therefore or documentation relating thereto), trade secrets, confidential information, customer lists, technical information, research and development information and records, data processing technology, plans, drawings, blueprints, franchises, know-how, inventions and discoveries (whether or not patentable), any applications for any of the foregoing and any other intellectual property rights of whatever nature.

(oo) "Knowledge:" a Person who is an individual will be deemed to have "Knowledge" of a particular fact or other matter if: (a) such individual is actually aware of such fact or other matter; or (b) a prudent individual would be expected to discover or otherwise become aware of such fact or other matter in the course of conducting reasonably comprehensive investigation concerning the existence of such fact or other matter. A Person (other than an individual) will be deemed to have "Knowledge" of a particular fact or other matter if any individual who is serving as a director or executive officer of such Person (or in any similar capacity) as of the date of this Agreement or as of the Closing Date has, or at any time had, Knowledge of such fact or other matter.

(pp) "Law" shall mean any code, law, constitution, ordinance, regulation, principle of common law, reporting or licensing requirement, rule, treaty or statute applicable to a Person or its Assets, Liabilities or business, including, without limitation, those promulgated, interpreted or enforced by any Governmental Body wherever located.

(qq) "Liability" shall mean any direct or indirect, primary or secondary, liability, indebtedness, obligation, penalty, cost, or expense (including costs of investigation, collection, and defense), claim, deficiency, guaranty, or endorsement of or by any Person (other than endorsements of notes, bills, checks, and drafts presented for collection or deposit in the ordinary course of business) of any type, whether accrued, absolute or contingent, liquidated or unliquidated, matured or unmatured, or otherwise.

(rr) "Material Adverse Effect" shall mean that the Adverse Consequences from an event, change, or occurrence, individually or together with any other event, change or occurrence, have had or can reasonably be expected to have a material adverse impact (financial or otherwise) on (i) the financial condition, business, results of operations or properties of the subject Person or (ii) the ability of the subject Person to perform its obligations under this Agreement or to consummate other transactions contemplated by this Agreement in accordance with applicable Law; provided that "Material Adverse Effect" shall not be deemed to include the impact of (a) changes in banking and similar Laws of general applicability or interpretations thereof by Governmental Bodies, (b) changes in GAAP or regulatory accounting principles generally applicable to banks and their holding companies, (c) actions or omissions of a Party (or any of its Subsidiaries) taken with the prior written consent of the other Parties pursuant to Section 10.4 hereof, (d) changes in economic conditions or interest rates generally affecting financial institutions, or (e) the direct effects of compliance with this Agreement on the operating performance of the Parties, including expenses incurred by the Parties in consummating the transactions contemplated by the Agreement.

(ss) "1933 Act" shall mean the Securities Act of 1933, as amended.

(tt) "1934 Act" shall mean the Securities Exchange Act of 1934, as amended.

(uu) “Office” shall mean the Kentucky Office of Financial Institutions.

(vv) “Operating Property” shall mean any property owned (or previously owned) by the Party in question or any of its Subsidiaries or in which the Party in question or any of its Subsidiaries holds (or previously held) a security interest and, where required by Contract, include the owner or operator of the said property, but only with respect to such property.

(ww) “Order” shall mean any administrative decision or award, directive, decree, judgment, order, quasi-judicial decision or award, ruling, subpoena, injunction, decision, verdict or writ of any court, arbitrator, mediator, tribunal or Governmental Body.

(xx) “Ordinary Course” or “Ordinary Course of Business” - an action taken by a Person will be deemed to have been taken in the “Ordinary Course” or the “Ordinary Course of Business” only if: (a) such action is consistent with the past practices of such Person and is taken in the ordinary course of the normal day-to-day operations of such Person; (b) such action is not required to be authorized by the board of directors or the shareholders of such Person (or by any Person or group of Persons exercising similar authority); and (c) such action is similar in nature and magnitude to actions customarily taken, without any authorization by the board of directors or the shareholders (or by any Person or group of Persons exercising similar authority), in the ordinary course of the normal day-to-day operations of other Persons that are in the same line of business as such Person.

(yy) ”Participation Facility” shall mean any facility or property in which the Party in question or any of its Subsidiaries participates (or previously participated) in the management of such facility or property and, where required by the Contract, such term means the owner or operator of said facility or property, but only with respect to said facility or property.

(zz) “Party” shall mean Citizens, Farmers or Bank and “Parties” shall mean, collectively, Citizens, Farmers and Bank.

(aaa) “Permit” shall mean any federal, state, local or foreign Governmental Authorization, certificate, easement, filing, franchise, license, notice, permit or right to which any Person is a party or that is or may be binding upon or inure to the benefit of any Person or its securities, assets or business.

(bbb) “Person” shall mean any individual, association, corporation (including without limitation any non-profit corporation) estate, general partnership, limited liability partnership, limited partnership, limited liability company, joint stock association, joint venture, firm, trust, business trust, cooperative, executor, administrator, nominee or entity in a representative capacity, group acting in concert, Governmental Body, unincorporated association or other legal entity or organization.

(ccc) “Proceeding” shall mean any action, arbitration, adjudication, case, cause of action, audit claim, litigation, suit, complaint, citation, criminal prosecution, demand letter, governmental or other examination or investigation, hearing, inquiry, notice of violation, administrative or other proceeding of whatever nature, or notice (written or oral) by any Person alleging potential Liability or requesting information relating to or affecting any Person, its business, Assets or the transactions contemplated by this Agreement, but shall not include regular, periodic examinations of depository institutions and their Affiliates by Regulatory Authorities.

(ddd) "Purchase Price" shall have the meaning set forth in Section 2.2.

(eee) "Real Property" shall have the meaning assigned such term in Section 3.11(b) hereof.

(fff) "Regulatory Authorities" shall mean, collectively, the FRB, the Office, all state regulatory agencies having jurisdiction over any of the Parties or their respective Subsidiaries, the NASD, and the SEC.

(ggg) "Representative" shall mean any investment banker, financial advisor, attorney, accountant, consultant, or other representative of a Person.

(hhh) "Rights" shall mean all arrangements, calls, commitments, Contracts, options, rights to subscribe to, scrip, options, purchase rights, warrants or other binding obligations of any character whatsoever by which a Person is or may be bound to issue additional shares of its capital stock or other equity interests of whatever nature or other rights, or securities or rights convertible into or exchangeable for, shares of the capital stock of a Person or other equity interests of whatever nature, or by which a Person is or may be bound to repurchase, redeem or otherwise acquire any of its outstanding shares of capital stock.

(iii) "Schedules" shall mean any schedules so marked and attached to this Agreement, which Schedules are hereby incorporated herein by reference and made a part hereof.

(jjj) "SEC" shall mean the Securities and Exchange Commission.

(kkk) "Securities Laws" shall mean the 1933 Act, the 1934 Act, the Investment Company Act of 1940, as amended, the Investment Advisors Act of 1940, as amended, the Trust Indenture Act of 1939, as amended, and the rules and regulations of any Regulatory Authority promulgated thereunder.

(lll) "Subsidiaries" shall mean all those Persons of which the entity in question owns or controls 5% or more of the outstanding equity securities either directly or through an unbroken chain of entities as to each of which 5% or more of the outstanding equity securities is owned directly or indirectly by its parent; provided, there shall not be included any such entity acquired through foreclosure or any such entity the equity securities of which are owned or controlled in a fiduciary capacity.

(mmm) "Taxes" shall mean all taxes, charges, fees, levies, imposts or other assessments, including, without limitation, all net income, gross income, gross receipts, sales, use, goods and services, ad valorem, transfer, alternative, net worth, value added, franchise, profits, license, withholding, payroll, employment, employer health, excise, estimated, severance, stamp, occupation, real property and personal property taxes, and any other taxes, customs duties, fees, assessments or charges of any kind whatsoever, together with any interest, fines and penalties, additions to tax or additional amounts imposed by any Governmental Body and whether disputed or not.

(nnn) “Tax Returns” shall mean all returns and reports of or with respect to any Tax, which are required to be filed by or with respect to the applicable Person.

(ooo) “Termination Date” shall mean the date eighteen (18) months after the Closing Date.

ARTICLE 2

SALE AND TRANSFER OF SHARES; CLOSING

2.1. Purchase and Sale of Shares. Subject to the terms and conditions of this Agreement, at the Closing, Farmers will sell and transfer the Shares to Citizens, and Citizens will purchase the Shares from Farmers.

2.2. Purchase Price. In consideration for the sale of the Shares, Citizens shall pay to Farmers Twenty Million Dollars ($20,000,000) (the “Purchase Price”). The parties intend for the transactions contemplated by this Agreement to be treated as an asset acquisition under Section 338(h)(10) of the Code (and any similar state law) for Federal Tax (and any similar state Tax) purposes and agree to assist and cooperate with each other in doing or causing to be done all things necessary, proper or advisable to consummate and make effective such tax treatment to the mutual satisfaction of the Parties, including without limitation making and filing the election described in Section 338(h)(10) of the Code and any similar provision of state Law.

2.3. Closing. Unless otherwise mutually agreed to by the chief executive officers of Farmers and Citizens, the purchase and sale of the Shares (the “Closing”) provided for in this Agreement will take place at the offices of Citizens counsel at 500 West Jefferson Street, Suite 2800, Louisville, Kentucky, 40202, at 10:00 a.m. (local time) as soon as is reasonably practicable on the date (the “Closing Date”) five (5) days following the last to occur of (i) the effective date of the last required Consent of any Regulatory Authority having authority over and approving or exempting the Contemplated Transactions (taking into account any requisite waiting period in respect thereto), and (ii) the date on which all other conditions precedent (other than those conditions which relate to actions to be taken at the Closing) to each Party’s obligations hereunder shall have been satisfied or waived (to the extent waivable by such Party). Subject to the provisions of Section 9, failure to consummate the purchase and sale provided for in this Agreement on the date and time and at the place determined pursuant to this Section 2.3 will not result in the termination of this Agreement and will not relieve any party of any obligation under this Agreement.

2.4. Closing Obligations. At the Closing:

(a) Farmers will deliver to Citizens:

(i) certificates representing the Shares, duly endorsed (or accompanied by duly executed stock powers), with signatures guaranteed by a commercial bank or by a member firm of the New York Stock Exchange, for transfer to Citizens;

(ii) the minutes books, stock records, bylaws and other corporate records of Bank;

(iii) the resignations of each of the existing directors and officers of Bank;

(iv) the certificates contemplated in Section 7.2(c) hereof; and

(v) such other instruments and documents as are reasonably necessary to effect the transactions contemplated hereby; and

(b) Citizens will deliver to Farmers:

(i) the Purchase Price by wire transfer in immediately available funds to an account specified by Farmers at least two (2) business days prior to the Closing;

(ii) the certificate contemplated in Section 7.3(c) hereof; and

(iii) such other instruments and documents as are reasonably necessary to effect the transactions contemplated hereby.

2.5. Bank Merger. If and as requested by Citizens, each of Farmers and Bank agrees to cooperate with Citizens and take all action necessary and appropriate, including causing the entering into of an appropriate merger agreement (the “Bank Merger Agreement”), to cause the Bank to merge with and into Citizens First Bank, Inc. (the “Bank Merger”), at or promptly after the Closing and in accordance with applicable Laws and regulations and the terms of the Bank Merger Agreement.

ARTICLE 3

REPRESENTATIONS AND WARRANTIES

OF FARMERS

Farmers hereby represents and warrants to Citizens, except as set forth in the Disclosure Memorandum, as follows (which representations and warranties are made as of the date hereof and as of all times throughout the term of this Agreement):

3.1. Organization, Standing and Power.

(a) Farmers is a corporation duly organized, validly existing and in good standing under the Laws of the Commonwealth of Kentucky and has the corporate power and authority to carry on its business as now conducted and to perform all of its obligations under this Agreement. Farmers is duly qualified or licensed to transact business as a foreign corporation in good standing in each of the States of the United States and in each foreign jurisdiction where the character of its assets or the nature or conduct of its business requires it to be so qualified or licensed, except for such jurisdictions in which the failure to be so qualified or licensed is not reasonably likely to have, individually or in the aggregate, a Material Adverse Effect on Farmers.

(b) Bank is a corporation duly organized, validly existing and in good standing under the laws of the Commonwealth of Kentucky and has the corporate power and authority to carry on its business as now conducted and to own, lease and operate its Assets. Bank is duly qualified or licensed to transact business as a foreign corporation in good standing in each of the States of the United States and in each foreign jurisdiction where the character of its assets or the nature or conduct of its business requires it to be so qualified or licensed, except for such jurisdictions in which the failure to be so qualified or licensed is not reasonably likely to have, individually or in the aggregate, a Material Adverse Effect on Bank. Bank is an "insured depository institution" as defined in Section 3(c)(2) of the Federal Deposit Insurance Act, as amended, and applicable regulations thereunder, the deposits in which are insured by the FDIC to the maximum extent permitted by the Federal Deposit Insurance Act, as amended, and applicable regulations thereunder and Bank is a member in good standing with the FDIC. Bank is a member of the Bank Insurance Fund.

3.2. Authority; No Conflict.

(a) Each of Farmers and Bank has the corporate power and authority necessary to execute, deliver and perform its obligations under this Agreement and all other agreements, documents or instruments contemplated hereunder and to consummate the transactions contemplated hereby and thereby. The execution, delivery and performance of this Agreement, and the consummation of the Contemplated Transactions, have been duly and validly authorized by all necessary corporate action (including valid authorization and adoption of this Agreement by Farmers' and Bank's duly constituted Boards of Directors and by Farmers, as the sole shareholder of Bank) in respect thereof on the part of Farmers and Bank and this Agreement constitutes the legal, valid and binding obligation of Farmers and Bank, enforceable against Farmers and Bank in accordance with its terms. Subject to the required approvals of Regulatory Authorities, each of Farmers and Bank has the absolute and unrestricted right, power, authority and capacity to execute and deliver this Agreement, and to perform its obligations under this Agreement.

(b) Neither the execution and delivery of this Agreement by Farmers or Bank nor the consummation of the transactions contemplated hereby, nor compliance by Farmers or Bank with any of the provisions hereof, will (i) conflict with or result in a breach of any provision of the Articles of Incorporation or Bylaws of Farmers or Bank, (ii) constitute or result in a Default under, or require any Consent apart from necessary consents from Regulatory Authorities pursuant to, or result in the creation of any Encumbrance on any Asset of Farmers or Bank under, any Contract or Governmental Authorization of or applicable to Farmers or Bank, or (iii) subject to receipt of the requisite Consents referred to in Section 7.1(a) hereof, violate any Law or Order applicable to Farmers or Bank or any of their Assets.

(c) Other than notice to and filings with, and Consent of, the Regulatory Authorities, no notice to, filing with, or Consent of, any Governmental Body is necessary for the consummation by Farmers or Bank of the transactions contemplated in this Agreement.

3.3. Capital Stock. The authorized capital stock of Bank consists solely of fifteen (15) shares of Bank Common Stock, of which fifteen (15) shares are issued and outstanding and constitute the Shares. All of the issued and outstanding shares of Bank Common Stock are duly authorized and validly issued and outstanding, and are fully paid and non-assessable under applicable Law and the Articles of Incorporation and Bylaws of Bank. None of the shares of Bank Common Stock has been issued in violation of any preemptive rights of any current or past shareholder of Bank. There are no outstanding Rights with respect to Bank Common Stock. Farmers is, and on the Closing Date will be, the sole record and beneficial owner and holder of the Shares, free and clear of all Encumbrances.

3.4. Subsidiaries. Bank has no Subsidiaries and has had no Subsidiaries since January 1, 2001.

3.5. Financial Statements. Farmers has delivered to Citizens (or will deliver, when available, with respect to periods ended after the date of this Agreement) complete copies of (i) the unaudited balance sheets (including related notes and schedules, if any) of Bank as of December 31, 2005 and 2004, and the related statements of operations, stockholders' equity, and cash flows (including related notes and schedules, if any) for the fiscal years ended December 31, 2005, 2004 and 2003, (ii) the unaudited balance sheets of Bank (including related notes and schedules, if any) as of and for March 31, 2006, and related statements of operations, stockholders' equity, and cash flows (including related notes and schedules, if any) for the three-months ended March 31, 2006 and 2005, (iii) the unaudited statements of financial position of Bank (including related notes and schedules, if any) and related statements of operations, stockholders' equity, and cash flows (including related notes and schedules, if any) with respect to any period ending subsequent to March 31, 2006, and prior to the Closing Date, and (iv) all Consolidated Reports of Condition and Income (or similar reports, regardless of name), including any amendments thereto, filed with any Regulatory Authorities by Bank for the years ended December 31, 2005, 2004, and 2003, and for the period ended March 31, 2006, and with respect to any period ending subsequent to March 31, 2006, together with any correspondence with any Regulatory Authorities concerning any of the aforesaid financial statements and reports (collectively, the "Bank Financial Statements"). Such Financial Statements (i) were (or will be) prepared from the records of Bank; (ii) were (or will be) prepared in all material respects in accordance with GAAP (or, where applicable, regulatory accounting principles) consistently applied; (iii) accurately present (or, when prepared, will present), in all material respects, Bank's financial condition and the results of its operations, changes in stockholders' equity and cash flows at the relevant dates thereof and for the periods covered thereby, except that the unaudited interim Financial Statements were or are subject to normal and recurring year-end adjustments which were not expected to be material in amount or effect; (iv) do contain or reflect (or, when prepared, will contain and reflect) all necessary adjustments and accruals for an accurate presentation of Bank's financial condition and the results of Bank's operations and cash flows for the periods covered by such financial statements; (v) do contain and reflect (or, when prepared, will contain and reflect) adequate provisions or allowance, as reasonably determined by Bank management, for loan losses, for OREO reserves, and for all reasonably anticipatable liabilities and Taxes, with respect to the periods then ended; (vi) do contain and reflect (or, when prepared, will contain and reflect) adequate provisions for all reasonably anticipated Liabilities for Post Retirement Benefits Other Than Pensions pursuant to SFAS Nos. 106 and 112, (vii) except as set forth therein, do not (or will not) contain any of items of special or nonrecurring income or any other income not earned in the Ordinary Course of Business and (viii) do not (or, when prepared, will not) contain any untrue statement of a material fact or omit to state a fact required to be stated therein or necessary to make the statements therein, in light of the circumstances in which they were made, not misleading.

3.6. Absence of Undisclosed Liabilities. Apart from Liabilities described in the last sentence of this Section 3.6, Bank does not have any Liabilities that are reasonably likely to have, individually or in the aggregate, a Material Adverse Effect on Bank, except Liabilities which are required under GAAP to be accrued or reserved against and which are accrued or reserved against in the balance sheet of Bank as of March 31, 2006 included in the Bank Financial Statements made available prior to the date of this Agreement or reflected in the notes thereto. Bank has not incurred or paid any Liability since March 31, 2006, except for such Liabilities (i) incurred or paid in the Ordinary Course of Business consistent with past business practice or (ii) which are not reasonably likely to have, individually or in the aggregate, a Material Adverse Effect on Bank.

3.7. Regulatory Reports; Corporate Records. Farmers has delivered to Citizens (except when such delivery is prohibited by law) true and complete copies of (i) any and all material reports which Bank has filed with any Governmental Body since January 1, 2001, (ii) the Articles of Incorporation and Bylaws of Bank and (iii) corporate minutes for the past five (5) years of Bank. All of the foregoing are current, complete and correct in all material respects.

3.8. Loans; Allowance for Loan and Lease Losses.

(a) Each of the allowances for loan and lease losses shown on the Bank Financial Statements is adequate to provide for all known and probable incurred credit losses of Bank as of the respective dates of the Bank Financial Statements, in accordance with the requirements of GAAP and standard banking practice to provide for losses, net of recoveries relating to loans and leases previously charged off, on loans outstanding or lease receivables (including, without limitation, accrued interest receivable).

(b) All outstanding Bank loans, discounts and lease financings (as well as those reflected on the Bank Financial Statements) have been (a) made for good, valuable and adequate consideration in the Ordinary Course of Business and (b) evidenced by notes or other evidences of indebtedness which are true, genuine, what they purport to be and enforceable in all material respects in accordance with their terms (except in all cases as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar Law affecting the enforcement of creditors' rights generally and except that the availability of the equitable remedy of specific performance or injunctive relief is subject to the discretion of the court before which any Proceeding may be brought). No Bank loan, discount or lease financing is subject to any defense with respect to the enforceability of same (except in all cases as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar Law affecting the enforcement of creditors' rights generally and except that the availability of the equitable remedy of specific performance or injunctive relief is subject to the discretion of the court before which any Proceeding may be brought). The signature of any party appearing on any note or instrument evidencing any Bank loan, discount or lease financing, or on any instrument evidencing any security therefor, is valid and the balances for Bank loans, discounts or lease financings, as reflected on the books and records of the Bank, are accurate.

(c) Bank is not a party to any written or oral loan agreement, note or borrowing arrangement, including any loan guaranty, that was, as of the dates identified by the subject reports in the Disclosure Memorandum (i) delinquent by more than 30 days in the payment of principal or interest, (ii) known by Bank to be otherwise in Default for more than 30 days, (iii) classified as "substandard," "doubtful," "loss," "other assets especially mentioned" or any comparable classification by Bank, the FDIC or the Office, or (iv) an obligation of any director, executive officer of Bank who is subject to Regulation O of the Federal Reserve Board (12 C.F.R. Part 215), or any Person controlling, controlled by or under common control with any of the foregoing. Any Bank loan made under, or in conjunction with, any Governmental Body program (including, without limitation, the Farm Services Administration) was made, and has been serviced and administered, in compliance with any applicable requirements of Law.

(d) Except for such noncompliances which could not be reasonably expected to have, individually or in the aggregate, a Material Adverse Effect on Bank, any Bank loan which has been assigned by Bank (including, without limitation, Bank loans assigned to the secondary market) was made in accordance with applicable Law and in accordance with the requirements (including, without limitation, underwriting standards and documentation requirements) of the subject assignee and no such assignment is subject to any defense with respect to the enforceability of same (except in all cases as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar Law affecting the enforcement of creditors' rights generally and except that the availability of the equitable remedy of specific performance or injunctive relief is subject to the discretion of the court before which any Proceeding may be brought) or subject to revocation by the assignee whereby the assignee could require Bank to repurchase any subject loan.

(e) Except for such secured loans the default of which would not have, individually or in the aggregate, a Material Adverse Effect on Bank, (i) each of Bank's secured loans is secured with the collateral and priority indicated on the books and records of Bank and (ii) each such Encumbrance is evidenced by a security agreement or mortgage that is true, genuine and enforceable in accordance with its terms (except in all cases as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar Law affecting the enforcement of creditors' rights generally and except that the availability of the equitable remedy of specific performance or injunctive relief is subject to the discretion of the court before which any Proceeding may be brought). There are no material uncured violations or violations with respect to which material refunds or restitution may be required with respect to Bank loans that have been cited in any compliance report to Bank as a result of examination by any Governmental Body and the loan documentation with respect to all Bank loans, discounts or lease financings, complies in all material respects with applicable Law.

(f) No borrower or obligor under any Bank loan has requested, and Bank has not allowed, any relief pursuant to the Soldiers and Sailors Civil Relief Act of 1940.

3.9. Repurchase Agreements. With respect to all repurchase agreements to which Bank is a party, (i) where Bank has the obligation to sell securities, it has a valid, perfected first Encumbrance in the government securities or other collateral securing the repurchase agreement, and the value of the collateral securing each such repurchase agreement equals or exceeds the amount of the debt secured by such collateral under such agreement, and (ii) where Bank has the obligation to buy securities, the value of the collateral securing such obligation does not materially exceed the amount of the obligation.

3.10. Absence of Changes. Since December 31, 2005, the business of Bank has been conducted in the Ordinary Course and Bank has not otherwise:

(a) experienced or suffered any change constituting a Material Adverse Effect or events or transactions reasonably likely to result in a Material Adverse Effect;

(b) incurred any Funded Debt or (apart from such actions as are described in the second sentence of Section 1.1(hh) hereof) incurred, or become subject to, any other absolute or contingent obligation or liability, or guaranteed any liabilities or obligations of any other Person;

(c) created or suffered any Encumbrance with respect to its properties, business or assets;

(d) sold, pledged, transferred or otherwise disposed of, or agreed to sell, transfer or otherwise dispose of any portion of its assets, properties or rights, except in the Ordinary Course of Business and not exceeding in the aggregate $25,000;

(e) conveyed or agreed to convey any property to any Affiliate or entered into any non-arm’s length transaction with any Affiliate;

(f) experienced any general work stoppage, labor dispute or other employee disturbance;

(g) incurred or become subject to any claim or liability for any damages which could have a Material Adverse Effect on it, for negligence or any other tort, or for breach of Contract;

(h) entered into any Contract, or otherwise operated its business, other than in the Ordinary Course of Business;

(i) committed any act or omitted to do any act which would cause a Default under any Contract to which it is a party or by which it is bound on the date hereof, which Default is reasonably likely to result in a Material Adverse Effect on Bank;

(j) issued, sold, purchased or redeemed any stock, bonds, debentures, notes, or other securities of Bank, or issued, sold or granted any Right in respect thereof;

(k) waived, released or canceled any debts owed to it, claims, rights of value or suffered any extraordinary loss, or paid any of its non-current obligations or liabilities, or written down the value of any assets or written down or off any receivable except for loan charge-offs and writedowns in other real estate owned in the Ordinary Course of Business;

(l) declared, set aside or paid any dividend or distributions on any shares of Bank Common Stock;

(m) made any capital expenditures or capital additions or betterments (or commitment therefor) in excess of $10,000 for any single item or in excess of $25,000 in the aggregate;

(n) suffered any casualty, damage, destruction or loss to any of its assets not covered by insurance in excess of $10,000 in the aggregate;

(o) terminated, placed on probation, disciplined, warned, or experienced any resignation of (other than resignations for retirement) any employee;

(p) paid or obligated itself to pay any bonuses, extra compensation or extraordinary compensation to, pensions or severance pay, or made any increase (except increases in the Ordinary Course of Business) in the compensation payable (or to become payable by it) to, any present or former officer, director or employee, or entered into any contract of employment;

(q) terminated or amended or suffered the termination or amendment of (i) any lease, bids, Contracts, commitments or other agreements, or (ii) any Permits, licenses, concessions, Governmental Authorizations, franchises and similar rights granted to or held by it, which are necessary or related to its operations;

(r) failed to use reasonable efforts to preserve its business or preserve the goodwill of its customers and others with which it has business relations;

(s) taken (or failed to take) any action which action or failure if taken after the date of this Agreement, would represent or result in a breach or violation of Sections 5.1 or 5.2 hereof;

(t) experienced any change that would have a Material Adverse Effect with respect to Asset concentrations as to customers or industries or in the nature and source of its Liabilities or in the mix of interest-bearing versus noninterest-bearing deposits; or

(u) entered into any Contract to do any of the foregoing.

3.11. Assets.

(a) Except as disclosed or reserved against in the Bank Financial Statements made available prior to the date of this Agreement, Bank has good, marketable and indefeasible title, free and clear of all Encumbrances, to all of its Assets. All tangible properties used in the businesses of Bank are in good condition, reasonable wear and tear excepted, and are usable in the Ordinary Course of Business of Bank. All Assets which are material to Bank's business held under leases or subleases by Bank, are held under valid Contracts enforceable in accordance with their respective terms, assuming the enforceability with respect to third parties to such Contracts, of which Bank has no reason to believe that any such Contracts are not enforceable against any such third party thereto (except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, or other Laws (including provisions of the U.S. and Kentucky Constitutions) affecting the enforcement of creditors' rights generally and except that the availability of equitable remedies is subject to the discretion of the court before which any proceedings may be brought), and each such Contract is in full force and effect.

(b) Schedule 3.11(b) of the Disclosure Memorandum contains a complete list of all real property, leaseholds or other interests in real property (other than mortgage interests held by Bank with respect to its borrowers) owned by Bank (collectively, the "Real Property"). With respect to each lease of any real property or personal property to which Bank is a party (whether as lessee or lessor), except for financing leases in which Bank is lessor, (i) such lease is in full force and effect in accordance with its terms against Bank; (ii) all rents and other monetary amounts that have become due and payable thereunder have been paid by Bank; (iii) there exists no Default under such lease by Bank; and (iv) upon receipt of the consents described in Section 3.11(b) of the Disclosure Memorandum, the consummation of the transactions contemplated by this Agreement will not constitute a Default or a cause for termination or modification of such lease.

(c) Apart from any noncompliances which in the aggregate are not reasonably likely to have a Material Adverse Effect on Bank, the improvements on the Real Property fully comply with all (and Bank has not received an uncured notice from any Governmental Body respecting any violation of any) Laws including, without limitation, all applicable zoning, building, fire, health, safety, handicapped persons, environmental, pollution, and use laws, codes and ordinances and any and all requirements imposed in connection with the zoning or rezoning of the Real Property (including, without limitation, requirements with respect to on-site storm water detention or retention). Certificates of Occupancy and all other required Governmental Authorizations have been issued for each building or structure constituting a portion of the Real Property improvements and for all leased or leasable areas of such improvements and all fees and other expenses required to be paid in connection with any zoning or rezoning of the Real Property and all obligations to be performed by or on behalf of Bank with respect to any such zoning or rezoning have been paid and performed in full. The Real Property is zoned in a manner which permits Bank to use the Real Property for the purpose and in the manner as the Real Property is currently being used. There are no Contracts with Governmental Bodies with respect to the Real Property which would bind the Real Property following the Closing, except for

Contracts of record in the appropriate county clerk's office, which do not materially interfere with the current use of the Real Property.

(d) There are no Proceedings pending or, to the Knowledge of Farmers, threatened against or relating to the Real Property (including, without limitation, any Proceeding for the taking or condemnation of all or any portion of the Real Property) which, if successful, would affect Bank or the Real Property or restrict or prevent the continued operation of the Real Property in the same manner as that in which it is being operated and maintained as of the date hereof.

(e) There are no outstanding construction accounts payable or mechanics' liens or rights to claim a mechanics' lien in favor of any contractor, materialman or laborer or any other Person in connection with construction on any portion of the Real Property.

(f) The Real Property is not located within an area which has been designated by any Governmental Body as having, or being subject to, special flood hazards or wetlands restrictions.

(g) There are no encroachments from or upon property adjoining the Real Property or upon any easements located on the Real Property that would have a material impact on the continued operation of the Real Property in the same manner as that in which it is being operated and maintained as of the date hereof.

(h) The structures on the Real Property and the improvements thereon (including, without limitation, (i) the walls, ceilings and other structural elements of any improvements erected thereon and (ii) the building systems, such as heating, plumbing, ventilation, air conditioning and electrical systems, related thereto) constitute all of the real property currently used in relation to the business of Bank and the aforesaid building systems located on such properties are in good working order, repair and operating condition, ordinary wear and tear expected.

(i) There are no items of maintenance scheduled by Bank for completion during the past six months that have been deferred with respect to any building system located on the Real Property or with respect to the structural soundness of the improvements comprising part of such premises in excess of $20,000 in the aggregate.

(j) Bank has not received any notice from any insurance company or insurance broker or underwriter of any material defects or inadequacies in respect of the Real Property that could reasonably be expected to affect the insurability of such property.

3.12. Intellectual Property. All of the Intellectual Property rights of Bank are in full force and effect and, if applicable, constitute legal, valid, and binding obligations of the respective parties thereto, and there have not been, and, there currently are not, any material Defaults thereunder by Bank. Bank owns, is the valid licensee of, or otherwise has the unrestricted right to use in the manner in which it is or has been used, all such Intellectual Property rights free and clear of all Encumbrances or claims of infringement. Bank has not infringed the Intellectual Property rights of others (except to the extent any such infringement will not have a Material Adverse Effect on Bank) and, to the Knowledge of Farmers and Bank, none of the Intellectual Property rights as used in the business conducted by Bank infringes upon or otherwise violates the rights of any Person, nor has any Person asserted a claim of such infringement. Bank is not obligated to pay any royalties to any Person with respect to any such Intellectual Property. Bank owns or has the valid right to use all of the Intellectual Property rights which it is presently using. No officer, director, or employee of Bank is party to any Contract which requires such officer, director, or employee to assign any interest in any Intellectual Property or keep confidential any trade secrets, proprietary data, customer information, or other business information or which restricts or prohibits such officer, director, or employee from engaging in activities competitive with any Person, including Bank.

3.13. Insurance. Bank currently maintains insurance pursuant to the policies disclosed on Schedule 3.13 of the Disclosure Memorandum in amounts, scope, and coverage which are adequate for the operations of Bank and consistent with the insurance carried by prudent Persons similarly situated. All amounts due and payable under any of such insurance policies have been paid. Bank is not liable for any material, retroactive premium adjustments respecting any of its insurance policies. None of such insurance policies is subject to any special or unusual terms or restrictions or provides for a premium in excess of the stipulated normal rate. Bank has not received notice from any insurance carrier that (i) any of such insurance will be canceled or that coverage thereunder will be reduced or eliminated, or (ii) premium costs with respect to such policies of insurance will be materially increased. There are presently no claims pending under any such policies of insurance and no notices have been given by Bank under such policies. Bank has not failed to make a timely claim or file a timely notice with respect to any matter giving rise to a material (or potentially material) claim under its insurance policies and bonds. Bank has not, during the past five (5) years, been denied or had revoked or rescinded any policy of insurance.

3.14. Tax Matters. All Tax Returns required to be filed by or on behalf of Bank (as well as by any affiliated consolidated or combined group that includes or included Bank) have been timely filed for periods ended on or before the date hereof and, at the time filed, such Tax Returns were (and, as to Tax Returns not filed as of the date hereof, will be) true, complete and accurate in all respects and Bank (or any affiliated consolidated or combined group in which Bank is or was included) has timely paid all Taxes due and payable for periods covered by such Tax Returns. There is no audit examination, deficiency or refund Proceeding respecting Bank pending (or, threatened) with respect to any Taxes. No presently pending assessments of deficiencies in respect of Taxes have been made against Bank or with respect to the income, receipts or net worth of Bank, and no extensions of time are in effect for the assessment of deficiencies against Bank. Bank has not executed any extension or waiver of any statute of limitations on the assessment or collection of any Tax due (excluding such statutes that relate to years currently under examination by the Internal Revenue Service or other applicable taxing authorities) that is currently in effect. Deferred Taxes of Bank have been provided for in accordance with GAAP. Bank is in material compliance with, and the records of Bank contain all information and documents (including properly completed Internal Revenue Service Forms W-9) necessary to comply in all material respects with, all applicable information reporting and Tax withholding requirements under federal, state, and local Tax Laws, and such records identify with specificity all accounts subject to backup withholding under Section 3406 of the Code.

Bank has not made any payments, is not obligated to make any payments, and is not a party to any Contract that could obligate it to make any payments that would be disallowed as a deduction under Section 280G or 162(m) of the Code. There has not been an ownership change, as defined in Code Section 382(g), of Bank that occurred during or after any taxable period in which Bank incurred a net operating loss that carries over to any taxable period ending after December 31, 2001, except in connection with the transactions contemplated pursuant to this Agreement. Bank is not a party to any tax allocation or sharing agreement nor does Bank have any material liability for taxes of any Person under Treasury Regulation Section 1.1502-6 (or any similar provision of state, local or foreign Law) as a transferee or successor or by Contract or otherwise. None of Farmers or Bank has received notice of any claim by any Governmental Body that Bank or the income, receipts or net worth of Bank may be subject to Taxes. All Taxes and other liabilities due with respect to completed and settled examinations or concluded Proceedings related to Tax Return and/or Taxes of Bank have been paid. There are no Encumbrances with respect to Taxes upon any of the assets of Bank.

3.15. Environmental Matters.

(a) Bank and its Participation Facilities and Operating Properties are, and have been (or, in the case of Operating Properties in which Bank holds or has held a security interest, to Bank's Knowledge, are and have been), in compliance with all Environmental Laws, except for violations which are not reasonably likely to have, individually or in the aggregate, a Material Adverse Effect on Bank.

(b) There is (or, in the case of Operating Properties, there is to Farmers' and Bank's Knowledge) no Proceeding pending or threatened before any Governmental Body or other forum in which Bank or any of its Operating Properties or Participation Facilities has been or, with respect to threatened Proceedings, may be named as a defendant (i) for alleged noncompliance (including by any predecessor) with any Environmental Law or (ii) relating to the release into the environment of any Hazardous Material, whether or not occurring at, on, under, adjacent to, or affecting (or potentially affecting) a site owned, leased, or operated by Bank or any Operating Properties or Participation Facilities.

(c) During the period of (i) Bank's ownership or operation of any of its current properties, (ii) Bank's participation in the management of any Participation Facility, or (iii) Bank's holding of a security interest in an Operating Property, there have been (or, in the case of an Operating Property in which Bank holds or has held a security interest, there have to the Knowledge of Bank been) no releases of Hazardous Material in, on, under, adjacent to, or affecting (or potentially affecting) such properties, except such as are not reasonably likely to have, individually or in the aggregate, a Material Adverse Effect on Bank. Prior to the period of (i) Bank's ownership or operation of any of its current properties, or (ii) Bank's participation in the management of any Participation Facility, there were no releases of Hazardous Material in, on, under, or affecting any such property, or Participation Facility, except such as are not reasonably likely to have, individually or in the aggregate, a Material Adverse Effect on Bank. To the Knowledge of Farmers and Bank, prior to the period of Bank's holding of a security interest in an Operating Property, there were no releases of Hazardous Material in, on, under, or affecting any such Operating Property, except such as are not reasonably likely to have, individually or in the aggregate, a Material Adverse Effect on Bank.

3.16. Compliance With Laws. Bank has in effect all Permits necessary for it to own, lease or operate its Assets and to carry on its business as now conducted. Bank is not (nor has it been) in violation of any Laws, Orders or Permits applicable to its business or employees conducting its business, except for such violations, which are not reasonably likely to have, individually, or in the aggregate, a Material Adverse Effect on Bank. Bank has not received notification or communication from any Governmental Body or the staff thereof (i) asserting that Bank is in violation of any of the Laws or Orders which such Governmental Body enforces (excluding violations which would not be reasonably likely to have, individually or in the aggregate, a Material Adverse Effect on Bank), (ii) threatening to revoke any Permits or (iii) requiring Bank to enter into or consent to the issuance of a cease and desist order, formal agreement, directive, commitment or memorandum of understanding, or to adopt any Board of Directors resolution or similar undertaking, which restricts the conduct of its business, or in any manner relates to its capital adequacy, its credit or reserve policies, its management or the payment of dividends. No event has occurred or circumstance exists that (with or without notice or lapse of time) may constitute or result in a violation by Bank of, or a failure on the part of Bank to comply with, any Laws, Orders or Governmental Authorizations, the failure with which to comply could give rise to any obligation on the part of Bank to undertake, or to bear all or any portion of the cost of, any remedial action of any nature.

3.17. Labor Relations. Bank is not the subject of any Proceeding asserting that Bank has committed an unfair labor practice (within the meaning of the National Labor Relations Act or comparable state Law) or seeking to compel Bank to bargain with any labor organization as to wages or conditions of employment, nor is there any strike or other labor dispute involving Bank pending or, to the Knowledge of Farmers, threatened, nor to the Knowledge of Farmers, is there any activity involving the employees of Bank seeking to certify a collective bargaining unit or engaging in any other collective bargaining organizational activity.

3.18. Employee Benefit Plans.

(a) Farmers has disclosed in Schedule 3.18 of the Disclosure Memorandum and has delivered or made available to the Citizens prior to the execution of this Agreement true and complete copies of all pension, retirement, profit sharing, deferred compensation, stock option, employee stock ownership, severance pay, vacation, bonus or other material incentive plans, all other written employee programs, arrangements or agreements, all medical, vision, dental or other health plans, all life insurance plans, and all other material employee benefit or fringe benefit plans, including “employee benefit plans” as that term is defined in Section 3(3) of ERISA, currently adopted, maintained by, sponsored in whole or in part by, or contributed to by Farmers or any of the Bank or any ERISA Affiliate thereof for the benefit of employees, retirees, dependents, spouses, directors, independent contractors or other beneficiaries of Bank and under which employees, retirees, dependents, spouses, directors, independent contractors or other beneficiaries of Bank are eligible to participate (collectively, the “Benefit Plans”). No ERISA Plan is or has been a multiemployer plan within the meaning of Section 3(37) of ERISA. Bank has no Liability under or relating to any Benefit Plan ever maintained or contributed to by any

Person in Bank's controlled group within the meaning of Code Sections 414(b) or 414(c), or which is part of an affiliated service group with Bank within the meaning of Code Section 414(m), or otherwise would be aggregated with Bank under Code Section 414(o), including liability under the Consolidated Omnibus Budget Reconciliation Act of 1986, as amended.

(b) All Benefit Plans are in compliance with (and have been managed and administrated in accordance with) the applicable terms of ERISA, the Code and any other applicable Laws, apart from noncompliances not reasonably likely to have, individually or in the aggregate, a Material Adverse Effect on Bank. Each Bank ERISA Plan that is intended to be qualified under Section 401(a) of the Code has either received a favorable determination letter from the Internal Revenue Service (and Farmers is not aware of any circumstances likely to result in revocation of any such favorable determination letter) or timely application has been made therefor. Bank is not subject to a Tax imposed by Section 4975 of the Code or a civil penalty imposed by Section 502(i) of ERISA. Farmers has no knowledge of any fact which would adversely affect the qualification of any of the Benefit Plans, or of any threatened or pending claim against any of the Benefit Plans or their fiduciaries by any participant, beneficiary or Governmental Body.

(c) No "defined benefit plan" (as defined in Section 414(j) of the Code) or any "single-employer plan," within the meaning of Section 4001(a)(15) of ERISA, maintained at any time by Farmers or Bank, or the single-employer plan of any entity which is considered one employer with Bank under Section 4001 of ERISA or Section 414 of the Code or Section 302 of ERISA (whether or not waived) (an "ERISA Affiliate"), has an "accumulated funding deficiency" within the meaning of Section 412 of the Code or Section 302 of ERISA. Bank has not provided, nor is required to provide, security to any single-employer plan of an ERISA Affiliate pursuant to Section 401(a)(29) of the Code.

(d) Within the six year period preceding the Closing Date, no liability under Subtitle C or D of Title IV of ERISA has been incurred by Bank with respect to any current, frozen, or terminated single-employer plan or the single-employer plan of any ERISA Affiliate. Bank has not incurred any withdrawal liability with respect to a multiemployer plan under Subtitle E of Title IV of ERISA (regardless of whether based on contributions of an ERISA Affiliate). No notice of a "reportable event," within the meaning of Section 4043 of ERISA for which the 30 day reporting requirement has not been waived, has been required to be filed for any Benefit Plan or by any ERISA Affiliate within the 12 month period ending on the date hereof.

(e) Bank has complied in all material respects with the notice and continuation requirements of Parts 6 and 7 of Subtitle B of Title I of ERISA and Section 4980B of the Code, and the proposed regulations thereunder, whether proposed or final. All reports, statements, returns and other information required to be furnished or filed with respect to the Benefit Plans have been timely furnished, filed or both in accordance with Sections 101 through 105 of ERISA and Sections 6057 through 6059 of the Code, and they are true, correct and complete in all material respects. Records with respect to the Benefit Plans have been maintained in material compliance with Section 107 of ERISA. Neither Bank nor any other fiduciary (as that term is defined in Section 3(21) of ERISA) with respect to any of the Benefit Plans has any material liability for any breach of any fiduciary duties under Sections 404, 405 or 409 of ERISA.

(f) Bank has not, with respect to any of the Benefit Plans, nor has any administrator of any of the Benefit Plans, the related trusts or any trustee thereof, engaged in any prohibited transaction which would subject Bank, any of the Benefit Plans, any administrator or trustee or any party dealing with any of the Benefit Plans or any such trusts, to a Tax or penalty on prohibited transactions imposed by ERISA, Section 4975 of the Code, or to any other liability under ERISA.

(g) Bank does not have any liability for health or welfare benefits for any retired or former employee or for any active employee, following such employee's retirement or other termination of service.

(h) Neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated hereby will (i) result in any payment (including severance, unemployment compensation or golden parachute) becoming due to any director or any employee of Bank under any Benefit Plan, (ii) materially increase any benefits otherwise payable under any Benefit Plan or (iii) result in any acceleration of the time of payment or vesting of any such benefit.

(i) The actuarial present values of all accrued deferred compensation entitlements (including entitlements under any executive compensation, supplemental retirement, or employment agreement) of employees and former employees of Bank and their respective beneficiaries, other than entitlements accrued pursuant to funded retirement plans subject to the provisions of Section 412 of the Code or Section 302 of ERISA, have been fully reflected on the Financial Statements to the extent required by and in accordance with GAAP.

3.19. Material Contracts. Neither Bank nor or any of its Assets, businesses or operations is a party to or is bound by, or has any liability under, (i) any employment, severance, termination, consulting or retirement Contract, (ii) any Contract relating to the borrowing of money by Bank or the guarantee by Bank of any such obligation (other than Contracts evidencing deposit liabilities, purchases of federal funds, fully-secured repurchase agreements, Federal Home Loan Bank advances, trade payables and Contracts relating to borrowings or guarantees made in the Ordinary Course of Business), (iii) any Contracts which prohibit or restrict Bank from engaging in any business activities in any geographic area, line of business or otherwise in competition with any other Person, (iv) any exchange-traded or over-the-counter swap, forward, future, option, cap, floor, or collar financial Contract, or any other interest rate or foreign currency protection Contract which is a financial derivative Contract (including various combinations thereof), (v) any Contract not made in the Ordinary Course of Business, (vi) any Contract relating to capital expenditures and involving future payments which (either alone or when combined with other like Contracts) exceed $25,000, (vii) apart from this Agreement, any Contract involving an Acquisition Proposal, (viii) any Contract involving Intellectual Property, (ix) any Contract involving the provision of data processing or other technical services, or (x) any Contract which (A) will not be performed within sixty (60) days of the date of this

Agreement, (B) involves future payments by Bank (whether during the term of any such Contract or in connection with its termination or expiration) in excess of $10,000 or (C) is not cancelable by Bank without penalty on no more than 30 days' notice. With respect to each Bank Contract: (i) the Contract is valid and in full force and effect in accordance with its terms; (ii) the Bank is not in Default thereunder; (iii) the Bank has not repudiated or waived any material provision of any such Contract; (iv) no other party to any such Contract is, to the Knowledge of Farmers and Bank, in Default in any respect or has repudiated or waived any material provision thereunder; (v) no event or condition has occurred or exists (or is alleged to have occurred or existed) which constitutes (or with the lapse of time might constitute) a Default; and (vi) the Contract may be assigned by Bank (or a Change in Control with respect to Bank may occur) without the consent of the other party or parties thereto.

3.20. Legal Proceedings. There is no Proceeding instituted or pending, or, to the Knowledge of Farmers, threatened (or unasserted but considered probable of assertion and which if asserted would have at least a reasonable probability of an unfavorable outcome) against Bank, or against any asset, employee benefit plan, interest or right of Bank, nor are there any Orders of any Governmental Body outstanding against Bank. There is no Proceeding instituted or pending, or to the Knowledge of Farmers, threatened (or unasserted but considered probable of assertion) against any officer, director or employee of Bank arising in connection with actions taken (or omitted to be taken) by such officer, director or employee in his capacity as an officer, director or employee. Schedule 3.20 of the Disclosure Memorandum hereto includes a summary report of all Proceedings as of the date of this Agreement to which Bank is a party.

3.21. Reports. Since January 1, 2003, Bank has timely filed all reports and statements, together with any amendments required to be made with respect thereto, that it was required to file with any Governmental Body. As of its respective date (or, if amended or superseded by a filing prior to the date of this Agreement, then on the date of such filing), each of such reports and documents, including the financial statements, exhibits and schedules thereto, complied with all applicable Laws, except for any noncompliances not reasonably likely to have in the aggregate a Material Adverse Effect on Bank. As of its respective date (or, if amended or superseded by a filing prior to the date of this Agreement, then on the date of such filing), none of such documents so filed contained any untrue statement of a material fact, omitted to state a material fact required to be stated therein, or intentionally omitted to state a material fact necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading. To the extent permitted by Law, copies of all reports, correspondence, notices and other documents relating to any inspection, examination, audit, monitoring or other form of review or enforcement action by a Regulatory Authority has been made available to Citizens.

3.22. Deposits. The deposit records of Bank accurately reflect Bank's deposit accounts and are and shall be sufficient to enable Citizens to conduct a banking business with respect to Bank. There are no material uncured violations or violations with respect to which material refunds or restitution may be required with respect to Bank deposit liabilities and the terms and conditions and other documentation with respect to Bank deposit liabilities comply in all material respects with all applicable Laws and have been provided to Citizens. Bank deposit liabilities are insured by the FDIC to the full extent provided by Law. Bank is in material compliance with all terms and conditions and other documentation applicable to Bank deposit liabilities. There are not (and have not been within the past three years) any "kiting" schemes associated with any of Bank's deposit liabilities.

3.23. Books and Records. The books of account, general ledger and records of Bank fairly and accurately in all material respects reflect the assets and liabilities of Bank in accordance with GAAP consistently applied. The books of account, general ledger and records of Bank (i) are maintained by Bank substantially in accordance with applicable legal and accounting requirements and (ii) reflect only actual transactions. The records and other information provided in accordance with this Agreement by Bank will accurately reflect in all material respects the book value of the assets and liabilities referred to therein as of their respective dates, recorded at their historical cost and depreciated or otherwise adjusted in accordance with the subject Person's historical accounting policies, all in accordance with GAAP consistently applied.

3.24. Safe Deposit Boxes. Bank is in compliance in all material respects with the terms and conditions of the applicable leases or other agreements relating to the safe deposit boxes currently offered or maintained in connection with the safe deposit business conducted by Bank.

3.25. Community Reinvestment Act. Bank has complied in all material respects with the provisions of the Community Reinvestment Act ("CRA") and the rules and regulations thereunder, has a CRA rating of not less than "satisfactory," has received no material criticism from regulators with respect to discriminatory lending practices, and has no Knowledge of any conditions or circumstances that are likely to result in a CRA rating of less than "satisfactory" or material criticism from regulators with respect to discriminatory lending practices.

3.26. Privacy of Customer Information.

(a) Bank is the sole owner or, in the case of participated loans, a co-owner with the other participant(s), of all individually identifiable personal information ("IIPI") relating to Bank customers, former customers and prospective customers. For purposes of this Section 3.26, "IIPI" shall include any information relating to an identified or identifiable natural person.

(b) The collection and use of such IIPI by Bank complies in all material respects with all applicable privacy policies, the Fair Credit Reporting Act, the Gramm-Leach-Bliley Act and all other applicable state, federal and foreign privacy Law, and any Contract or industry standard relating to privacy.

3.27. Technology Systems.

(a) No action will be necessary as a result of the transactions contemplated by this Agreement to enable use of the electronic data processing, information, record keeping, communications, telecommunications, hardware, third party software, networks, peripherals, portfolio trading and computer systems, including, without limitation, any outsourced systems and processes, and any Intellectual Property that is used by Bank (collectively, the "Technology Systems"), following the Closing Date.

(b) The Technology Systems (for a period of 18 months prior to the Closing Date) have not suffered unplanned disruption causing a Material Adverse Effect. Except for ongoing payments due under relevant third party agreements, the Technology Systems are free from any Encumbrances. Access to business critical parts of the Technology Systems is not shared with any third party.

(c) Details of Bank's disaster recovery and business continuity arrangements have been provided to Citizens with the Disclosure Memorandum.

(d) Bank has not received notice of or is aware of any material circumstances including, without limitation, the execution of this Agreement, that would enable any third party to terminate any agreements or arrangements relating to the Technology Systems (including maintenance and support).

3.28. Bank Secrecy Act Compliance. Bank is and has been in compliance in all material respects with the provisions of the Bank Secrecy Act of 1970, as amended (the "Bank Secrecy Act"), and all regulations promulgated thereunder including, but not limited to, those provisions of the Bank Secrecy Act that address suspicious activity reports and compliance programs. Bank has implemented a Bank Secrecy Act compliance program that adequately covers all of the required program elements as required by 12 C.F.R. § 21.21.

3.29. Statements True and Correct.

(a) Neither this Agreement, nor any Exhibit, Schedule or document delivered by Farmers and Bank to Citizens in connection with this Agreement or any of the transactions contemplated hereby contains or shall contain an untrue statement of a material fact or omits or shall omit to state a material fact necessary to make the statements contained herein or therein, in light of the circumstances in which they are made, not misleading.

(b) All of the information supplied or to be supplied by Farmers and Bank expressly for inclusion in any filing with any Governmental Body in connection with the transactions contemplated hereby will be true, correct and complete and will comply as to form in all material respects with the provisions of applicable Law.

3.30. Regulatory Matters. Farmers and Bank have no Knowledge of any fact or circumstance that is reasonably likely to materially impede or delay receipt of any Consents of Governmental Bodies referred to in Section 7.1 (a) of this Agreement.

3.31. Brokers' or Finders' Fees. No agent, broker or other Person acting on behalf of either of Farmers or Bank or under its authority is or shall be entitled to any commission, broker's or finder's fee in connection with any of the transactions contemplated by this Agreement.

ARTICLE 4

REPRESENTATIONS AND WARRANTIES

OF CITIZENS

Citizens hereby represents and warrants to Farmers, as follows (which representations and warranties are made as of the date hereof and as of all times throughout the term of this Agreement):

4.1. Organization, Standing and Power. Citizens is a corporation duly organized, validly existing, and in good standing under the Laws of the Commonwealth of Kentucky, and has the corporate power and authority to carry on its business as now conducted and to own, lease and operate its assets.

4.2. Authority; No Breach by Agreement.

(a) Citizens has the corporate power and authority necessary to execute, deliver and perform its obligations under this Agreement and to consummate the transactions contemplated hereby and thereby. The execution, delivery and performance of this Agreement by Citizens and the consummation of the transactions contemplated herein and therein, have been duly and validly authorized by all necessary corporate action in respect thereof on the part of Citizens. Subject to the receipt of all Consents required from Governmental Bodies and the expiration of all mandatory waiting periods, assuming the due authorization, execution and delivery of this Agreement by Farmers, this Agreement each represents a legal, valid and binding obligation of Citizens, enforceable against it in accordance with its terms.

(b) Neither the execution and delivery of this Agreement by Citizens, nor the consummation by Citizens of the transactions contemplated hereby, nor compliance by Citizens with any of the provisions hereof or thereof will (i) conflict with or result in a breach of any provision of Citizens' Articles of Incorporation or Bylaws, (ii) constitute or result in a Default under, or require any Consent (excluding Consents required by Law or Order) pursuant to, or result in the creation of any Encumbrance on any material asset of Citizens under, any Contract or Governmental Authorization of or applicable to Citizens except for such Defaults and Encumbrances which will not, and for such Consents which, if not obtained, will not have, individually or in the aggregate, a Material Adverse Effect on Citizens, or (iii) subject to receipt of the requisite Consents referred to in Section 7.1 hereof, violate any Law or Order applicable to Citizens or any of its material Assets.

(c) Other than (i) Consents required from Governmental Bodies, and (ii) Consents, filings or notifications which, if not obtained or made, are not reasonably likely to have, individually or in the aggregate, a Material Adverse Effect on Citizens, no notice to, filing with, or Consent of, any Governmental Body is necessary for the consummation by Citizens of the transactions contemplated in this Agreement.

4.3. Statements True and Correct.

(a) Neither this Agreement, nor any Exhibit, Schedule or document delivered by Citizens to Farmers in connection with this Agreement or any of the transactions contemplated hereby contains or shall contain an untrue statement of a material fact or omits or shall omit to state a material fact necessary to make the statements contained herein or therein, in light of the circumstances in which they are made, not misleading.

(b) All of the information supplied or to be supplied by Citizens expressly for inclusion in any filing with any Governmental Body in connection with the transactions contemplated hereby will be true, correct and complete and will comply as to form in all material respects with the provisions of applicable Law.

4.4 Vote Required. No vote of consent of the holders of any class or series of capital stock of Citizens is necessary to approve this Agreement or the Contemplated Transactions.

ARTICLE 5

CONDUCT OF BUSINESS PENDING CONSUMMATION

5.1. Affirmative Covenants of Bank and Farmers. From the date of this Agreement until the earlier of the Closing Date or the termination of this Agreement, Bank shall (i) operate its business only in the Ordinary Course, and (ii) use reasonable efforts to preserve intact its business organization and assets and maintain its rights and franchises and neither Farmers nor Bank shall take any action which would (a) materially adversely affect the ability of any Party to obtain any Consents required for the transactions contemplated hereby, or (b) materially adversely affect the ability of any Party to perform its covenants and agreements under this Agreement.

5.2. Negative Covenants of Bank. Except as specifically permitted by this Agreement, from the date of this Agreement until the earlier of the Closing Date or the termination of this Agreement, Bank covenants and agrees that it will not permit, do or agree or commit to do any of the following without the prior written consent of the chief executive officer of Citizens, which consent may be withheld for any reason or no reason:

(a) amend its Articles of Incorporation, Bylaws or other governing instruments;

(b) (i) incur any Funded Debt, (ii) impose, or suffer the imposition of, on any material Asset (or Assets) any Encumbrance or permit any such Encumbrance to exist (other than in connection with deposits, repurchase agreements, bankers acceptances, FHLB borrowings in the Ordinary Course of Business, “treasury tax and loan” accounts established in the Ordinary Course of Business and the satisfaction of legal requirements in the exercise of trust powers), or (iii) guarantee or become a surety or otherwise contingently liable for any obligations of others;

(c) repurchase, redeem or otherwise acquire or exchange (other than exchanges in the ordinary course under employee benefit plans), directly or indirectly, any shares of Bank Common Stock or declare, set aside or pay any dividend or make any other distribution in respect of Bank Common Stock, except as set forth in Section 5.7;

(d) set aside or pay any management fee to Farmers or to any Farmers’ Affiliate except in a manner consistent with past practice;

(e) issue, sell, pledge, encumber, authorize the issuance of, enter into any Contract to issue capital stock, sell, pledge, encumber, or authorize the issuance of, or otherwise permit to become outstanding, any additional shares of capital stock, or any other Right to acquire any such stock, or any security convertible into any such stock;

(f) adjust, split, combine or reclassify any capital stock or issue or authorize the issuance of any other securities in respect of or in substitution for shares of capital stock, or sell, lease or transfer in any fashion Assets other than in the Ordinary Course of Business for reasonable and adequate consideration;

(g) except for purchases of investment securities acquired in the Ordinary Course of Business consistent with past practices, purchase any securities or make any investment, either by purchase of stock or securities, contributions to capital, asset transfers, or purchase of any assets, in any Person or otherwise acquire direct or indirect control over any Person, other than in connection with (i) foreclosures in the Ordinary Course of Business, or (ii) acquisitions of control in its fiduciary capacity;

(h) grant any increase in compensation or benefits to its employees, directors or officers or pay any severance or termination pay or any bonus other than pursuant to written policies or written Contracts in effect on the date of this Agreement; enter into or amend any severance agreements with officers; grant any increase in fees or other increases in compensation or other benefits to directors; or voluntarily accelerate the vesting of any employee benefits;

(i) pay or agree to pay data processing fees to Farmers or any Farmers' Affiliate except at the same rate per item as now being paid by Bank or pay or agree to pay any termination, deconversion or other fee in an amount in excess of $10,000 to Farmers or any Farmers' Affiliate in connection with the termination of such data processing services subsequent to the Closing;

(j) enter into any employment Contract with any Person;

(k) apart from actions taken by Farmers which apply to all of its bank Subsidiaries, adopt any new employee benefit plan of or terminate or withdraw from, or make any material change in or to, any existing employee benefit plans, other than any such change that is required by Law or that, in the opinion of counsel, is necessary or advisable to maintain the tax qualified status of any such plan, nor make any distributions from such employee benefit plans, except as required by Law, by the terms of such plans, or in a manner consistent with past practices with respect to the applicable plan;

(l) make any change in any Tax or accounting methods or systems of internal accounting controls, except as may be appropriate to conform to changes in Tax Laws, regulatory accounting requirements or GAAP;

(m) commence any Proceeding other than in the Ordinary Course of Business or settle any Proceeding involving any Liability for material money damages or restrictions upon its operations;

(n) experience a Change in Control;

(o) without first consulting with the chief executive officer of Citizens, make or commit to make any loan or other extension of credit, or enter into any financing lease, in the Bowling Green/Warren County, Kentucky banking market;

(p) encourage or solicit any Bank customer or depositor to replace or diminish his relationship with Bank including, without limitation, through entering into (or enhancing) a relationship with an Affiliate of Bank; or

(q) except in the ordinary course consistent with past practice, enter into, modify, amend, or terminate any material Contract (excluding any loan Contract) or waive, release, compromise, or assign any material rights or claims.

5.3. Covenants of Citizens. From the date of this Agreement until the earlier of the Closing Date or the termination of this Agreement, Citizens covenants and agrees that it shall take no action which would materially adversely affect the ability of any Party to obtain any Consents required for the transactions contemplated hereby without imposition of a condition or restriction of the type referred to in the last sentence of Section 7.1(b) of this Agreement.

5.4. Adverse Changes in Condition. Each Party agrees to give written notice promptly to the other Parties upon becoming aware of the occurrence or impending occurrence of any event or circumstance relating to it which (i) could have, individually or in the aggregate, a Material Adverse Effect on it or (ii) would cause or constitute a breach of any of its representations, warranties, or covenants contained herein or which would prevent the satisfaction of the conditions precedent set forth in Article 7 of this Agreement, and to use its reasonable efforts to prevent or promptly to remedy the same.

5.5. Reports. Bank shall file all reports required to be filed by it with Governmental Bodies between the date of this Agreement and the Closing Date and, to the extent permitted by Law, shall deliver to the other Parties copies of all such reports promptly after the same are filed. If financial statements are contained in any such reports, such financial statements will fairly present the consolidated financial position of the Person filing such statements as of the dates indicated and the consolidated results of operations, changes in shareholders' equity, and cash flows of such Person for the periods then ended in accordance with GAAP (subject in the case of interim financial statements to normal recurring year end adjustments that are not material). As of their respective dates, such reports will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. Farmers shall deliver to Citizens not less than every four weeks a list of all of Bank's paid-off loans, loan reductions, new loans or increases in existing loans to customers setting forth the amounts of such loans, the collateral securing such loans, and any other matters or information concerning such loans as Citizens shall reasonably request.

5.6. Financial Statements. Bank shall make available to Citizens true and complete copies of any Bank Financial Statements as well as monthly financial statements for any annual, monthly or quarterly period ended subsequent to March 31, 2006 and prior to the Closing Date.

5.7. Dividends. Prior to the Closing, Bank shall reverse the $629,000 dividend paid to Farmers in the second quarter of 2006 as provided in the Disclosure Memorandum. Bank may declare and pay monthly dividends on the first day of each month in the amount of $100,000 beginning with December, 2006 in the event that the Closing shall not have occurred prior to such date.

5.8. Employee Benefits. Prior to the Closing, Bank shall implement a cash incentive plan, reasonably acceptable to Citizens, under which employees shall be discouraged from using accrued but unused paid time off during the period from the date of this Agreement and until the Closing in exchange for the release of Bank's obligation to pay such accrued paid time off. In addition, matching and discretionary contributions to Farmers' and Bank's Salary Savings Plan shall continue to be accrued during the period from the date of this Agreement and until the Closing in a manner consistent with the past practice of Farmers and Bank and shall be contributed by Bank to the Plan for allocation to the accounts of the eligible employees of Bank as of the Closing Date.

ARTICLE 6

ADDITIONAL AGREEMENTS

6.1. Applications. Citizens shall prepare and file, and Farmers and Bank shall cooperate in the preparation and, where appropriate, filing of, applications with all Regulatory Authorities having jurisdiction over the transactions contemplated by this Agreement seeking the requisite Consents necessary to consummate the transactions contemplated by this Agreement. At least five (5) days prior to each filing, Citizens shall provide Farmers and its counsel with copies of such applications. Each of the Parties shall deliver to each of the other Parties copies of all filings, correspondence and orders sent by such Party to and copies of all filings, correspondence and orders received by such Party from all Regulatory Authorities in connection with the transactions contemplated hereby as soon as practicable upon their becoming available.

6.2. Agreement as to Efforts to Consummate. Subject to the terms and conditions of this Agreement, each Party agrees to use, and to cause its Subsidiaries to use, its reasonable efforts to take, or cause to be taken, all actions, and to do, or cause to be done, all things necessary, proper, or advisable under applicable Laws to consummate and make effective, as soon as practicable after the date of this Agreement, the transactions contemplated by this Agreement, including, without being limited to, using its reasonable efforts to lift or rescind any Order adversely affecting its ability to consummate the transactions contemplated herein and to cause to be satisfied the conditions referred to in Article 7 of this Agreement. Each Party shall use, and shall cause each of its Subsidiaries to use, its reasonable efforts to obtain all Consents necessary or desirable for the consummation of the transactions contemplated by this Agreement.

6.3. Investigation and Confidentiality.

(a) Prior to the Closing Date, Farmers and Bank shall keep Citizens advised of all material developments relevant to Bank's business and to consummation of the Contemplated Transactions and shall permit Citizens to make or cause to be made such investigation of the business and properties of Bank and of its financial and legal conditions as

Citizens reasonably requests, provided that such investigation shall be reasonably related to the transactions contemplated hereby and shall not interfere unnecessarily with normal operations.

(b) Each Party will hold, and will cause its respective Affiliates and their respective officers, directors, employees, agents and Representatives to hold, in strict confidence, unless compelled to disclose by judicial or administrative process (including without limitation in connection with obtaining the necessary Consents of Regulatory Authorities) or by other requirements of Law, all confidential documents and confidential or proprietary information concerning the other Parties gathered from the other Parties, or their respective officers, directors, employees, agents or Representatives, pursuant to this Agreement, except to the extent that such documents or information can be shown to have been (a) previously lawfully known by the Party receiving such documents or information, (b) in the public domain through no fault of such receiving Party, or (c) later acquired by the receiving Party from other sources not themselves bound by, and in breach of, a confidentiality agreement. Except as otherwise required by Law, no Party will disclose or otherwise provide any such confidential or proprietary documents or information to any other Person, except to the Party's auditors, Representatives and other consultants and advisors who need such documents or information in connection with this Agreement and the transactions contemplated hereby, and the Parties agree to cause each of the foregoing to be subject to and bound by the confidentiality provisions hereof.

(c) For a period of one (1) year following the Closing, Farmers agrees that it will not, directly or indirectly:

(i) except for disclosures required by Law, disclose or use or otherwise exploit (for its own benefit or the benefit of any other Person) at any time, any Confidential Information of which Farmers has heretofore become aware. For purposes of this Section 6.3(c)(i), "Confidential Information" shall mean all non-public, proprietary technical, commercial and business information of Bank, including, but not limited to, manner of operations, financial information, employee lists and records (including lists of employees of Bank's customers and clients), the identity of Bank customers and clients, loan or deposit information, contractual agreements between Bank and any Persons, contents of any and all applications to Governmental Bodies, and comments of such Governmental Bodies and the Bank's response thereto and any and all examination reports of Governmental Bodies, but shall not include information that (1) became generally known or available by publication, commercial use or otherwise through no fault of Farmers or (2) information known to Farmers or any of its Affiliates through relationships, operations or Contracts of Farmers and its Affiliates other than Bank; or

(ii) except with respect to any Person who is or has been a customer of a Farmers' Affiliate other than Bank, (A) solicit, divert or appropriate to itself or any other Person, or attempt to solicit or divert or appropriate to itself or any other Person, any business or services (similar in nature to any portion of the Business) of any Person who [i] maintained a deposit, demand, sweep or loan account with Bank, [ii] was a party to a repurchase agreement with Bank, [iii] borrowed money from Bank pursuant to a loan which was subsequently sold by the Bank on the secondary market or [iv] was an employee or an agent of Bank, at any time during the six (6) months prior to the date of this Agreement or (B) open or maintain an office in Barren County or

Hart County, Kentucky, or target customer solicitation in Barren County or Hart County, Kentucky (provided that this Section 6.3(c)(ii) shall not be deemed to prohibit any marketing, media or customer solicitation campaign not targeted solely or principally at customers of the Bank or citizens of Barren County or Hart County and which campaign makes use of broadcast media such as radio or television or mass mailings; provided, however, that the use of a mass mailing directed to only citizens of Barren County or Hart County, Kentucky or to Bank customers, as well as the distribution of handbills, use of a billboard or advertisement in a newspaper of local circulation in Barren County or Hart County, Kentucky shall be prohibited hereunder.

Farmers acknowledges that its breach of any covenant contained in this Section 6.3(c) will result in irreparable injury to Citizens and its Affiliates and that the remedy of Citizens and its Affiliates at Law for such a breach will be inadequate. Accordingly, Farmers agrees and consents that Citizens or any of its Affiliates, in addition to all other remedies available to any of them at Law and in equity, shall be entitled to seek both preliminary and permanent injunctions to prevent and/or halt a breach or threatened breach of any covenant contained in this Section 6.3(c).

6.4. Press Releases. Prior to the Closing Date, Citizens and Farmers shall consult with each other as to the form and substance of any press release or other public disclosure materially related to this Agreement or any other transaction contemplated hereby; provided, that nothing in this Section 6.4 shall be deemed to prohibit any Party from making any disclosure which its counsel deems necessary or advisable in order to satisfy such Party's disclosure obligations imposed by Law.

6.5. Acquisition Proposals. From and after the date of this Agreement, Farmers shall, and shall cause Bank to, and it shall use its reasonable best efforts to cause any of its and their Representatives to, immediately cease and cause to be terminated immediately all existing activities, discussions and negotiations with any Persons conducted heretofore with respect to any Acquisition Proposal. From and after the date of this Agreement until the termination hereof, Farmers shall not, and it shall cause the Bank and each of its and their respective Representatives not to, directly or indirectly, (i) solicit, initiate or knowingly encourage the making of an Acquisition Proposal, (ii) enter into any Contract or letter of intent with respect to any Acquisition Proposal or (iii) participate in any discussions or negotiations regarding, or furnish or disclose to any Person (other than a party to this Agreement) any non-public information with respect to Bank in connection with any inquiries or the making of any proposal that constitutes, or is reasonably likely to lead to, any Acquisition Proposal. Neither the Board of Directors of Farmers or Bank nor any committee thereof shall approve or recommend, or allow Farmers or Bank to execute or enter into, any Contract, letter of intent, memorandum of understanding, agreement in principle, merger agreement, acquisition agreement, option agreement, joint venture agreement, partnership agreement or other similar agreement constituting or related to any Acquisition Proposal. From and after the date of this Agreement, Farmers and Bank shall promptly (but in any event within twenty-four hours) advise Citizens of the receipt of any inquiries, requests, proposals or offers relating to an Acquisition Proposal, or any request for nonpublic information relating to Bank by any Person that informs Bank that such Person is considering making, or has made, an Acquisition Proposal. Any such notice shall be made in writing, shall indicate the material terms and conditions thereof and the identity of the other party or parties involved, and shall include a copy of any such written inquiry, request, proposal or offer. Farmers agrees that it shall keep Citizens informed on a current basis of the status and terms of any Acquisition Proposal.

6.6. Termination of Affiliate Agreements. Effective as of the Closing Date, Farmers shall cause Bank to terminate its management services agreement and tax sharing agreement with Farmers and, effective as of the Closing Date or such later date as the Parties shall reasonably agree, to terminate any other agreement between Bank and Farmers or between Bank and any Farmers' Affiliate, without cost to Bank except as expressly provided in this Agreement.

6.7. Employee Plans. The Parties shall cooperate with each other to provide an orderly transition with respect to the withdrawal of Bank from Farmers' group benefit plans and the enrollment of Bank's employees in Citizens' benefit plans. To the extent necessary, as reasonably determined by Farmers' and Citizens' counsel, Farmers shall amend its Salary Savings Plan to permit the withdrawal of Bank as of the Closing Date and to allow Bank employee participants in such Plan to transfer and/or rollover their accounts in such Plan to an individual retirement account or other qualified rollover investment. From and after the Closing, Farmers shall assume (and shall indemnify and hold Citizens and Bank harmless from) any and all Liability to Bank's current and former officers and employees for post-retirement medical and dental benefits under the Farmers Capital Bank Corporation Post-Retirement Medical and Dental Benefits plan or shall terminate such plan with respect to Bank's current and former officers and employees without Liability to Citizens or Bank.

6.8. Payment for Tax Obligation. Notwithstanding anything to the contrary in this Agreement, Bank will pay to Farmers (i) on a quarterly basis consistent with past practice, and (ii) immediately prior to or at the Closing, the amounts necessary to compensate Farmers for the income Tax obligations related to Bank for the period from January 1, 2006 through the Closing, such Tax obligations calculated in accordance with the terms of that certain Amended Agreement to Join in the filing of Consolidated Federal Income Tax Returns, dated October 28, 1993, by and between Farmers and Bank (f/k/a Horse Cave State Bank).

6.9. Name of Kentucky Banking Centers. Citizens and Bank agree that within a reasonable time following consummation of the Bank Merger, Citizens and Bank will assign and transfer to Farmers all of their right, title and interest to the name "Kentucky Banking Centers" and the use thereof. Such assignment shall provide that (i) Bank's continued use of such name on outstanding loan, deposit and other customer documents, including, without limitation, financing statements and the like, until the expiration of the term of such documents, shall be permitted, and (ii) neither Farmer nor any of its Subsidiaries shall use the name "Kentucky Banking Centers" in any banking market in which Citizens or Bank conducts a banking business as of the date of such assignment.

ARTICLE 7

CONDITIONS PRECEDENT TO OBLIGATIONS TO CONSUMMATE

7.1. Conditions to Obligations of Each Party. The respective obligations of each Party to perform this Agreement and consummate the Contemplated Transactions and the other transactions contemplated hereby are subject to the satisfaction of the following conditions, unless waived by Farmers and Citizens pursuant to Section 10.4 of this Agreement:

(a) Regulatory Approvals. All Consents of, filings and registrations with, and notifications to, all Regulatory Authorities required for consummation of the Contemplated Transactions shall have been obtained or made and shall be in full force and effect and all waiting periods required by Law shall have expired. No Consent obtained from any Regulatory Authority which is necessary to consummate the transactions contemplated hereby shall be conditioned or restricted in any manner deemed to be unreasonable by Citizens.

(b) Consents and Approvals. Each Party shall have obtained any and all Consents required for consummation of the transactions contemplated hereby or for the preventing of any Default under any Contract or Permit of such Party which, if not obtained or made, is reasonably likely to have, individually or in the aggregate, a Material Adverse Effect on any such Party. No Consent so obtained which is necessary to consummate the transactions contemplated hereby shall be conditioned or restricted in a manner which in the reasonable judgment of the Board of Directors of either Farmers or Citizens would so materially adversely impact the economic or business benefits of the transactions contemplated by this Agreement that, had such condition or requirement been known, such Party would not, in its reasonable judgment, have entered into this Agreement.

(c) Legal Proceedings. No Governmental Body of competent jurisdiction shall have enacted, issued, promulgated, enforced, or entered by Law or Order (whether temporary, preliminary, or permanent) or taken any other action which prohibits, restricts, or makes illegal consummation of the transactions contemplated by this Agreement.

7.2. Conditions to Obligations of Citizens. The obligations of Citizens to perform this Agreement and consummate the Contemplated Transactions are subject to the satisfaction of the following conditions, unless waived by Citizens pursuant to Section 10.4(a) of this Agreement:

(a) Representations and Warranties. For purposes of this Section 7.2(a), the accuracy of the representations and warranties of Farmers set forth in this Agreement shall be assessed as of the date of this Agreement and as of the Closing Date with the same effect as though all such representations and warranties had been made immediately prior to the Closing Date (provided that representations and warranties which are confined to a specific date shall speak only as of such date). The representations and warranties of Farmers set forth herein shall each be true and correct in all material respects. There shall not exist inaccuracies in the representations and warranties of Farmers set forth in this Agreement such that the aggregate effect of such inaccuracies has, or is reasonably likely to have, a Material Adverse Effect on Bank, provided that, for purposes of this sentence only, those representations and warranties which are qualified by references to “material” or “Material Adverse Effect” or “Knowledge” shall be deemed not to include such qualifications.

(b) Performance of Agreements and Covenants. Each and all of the agreements and covenants of Farmers and Bank to be performed and complied with pursuant to this Agreement and the other agreements contemplated hereby prior to the Closing Date shall have been duly performed and complied with in all material respects.

(c) Certificates. Each of Farmers and Bank shall have delivered to Citizens (i) a certificate, dated as of the Closing Date and signed on its behalf by its chief executive officer and its chief financial officer or treasurer, to the effect that the conditions of its obligations set forth in Sections 7.2(a) and 7.2(b) of this Agreement have been satisfied, and (ii) certified copies of resolutions duly adopted by Farmers' Board of Directors and Bank's Board of Directors and sole shareholder evidencing the taking of all corporate action necessary to authorize the execution, delivery, and performance of this Agreement, and the consummation of the transactions contemplated hereby, all in such reasonable detail as Citizens shall request.

(d) Consents and Approvals. Farmers and Bank shall have obtained any and all Consents required for consummation of the transactions contemplated hereby or for the preventing of any Default under any Contract or Permit of such Party which, if not obtained or made, is reasonably likely to have, individually or in the aggregate, a Material Adverse Effect on Bank.

(e) Legal Opinion. Farmers and Bank shall have delivered to Citizens an opinion of Stoll Keenon Ogden PLLC, counsel to Farmers and Bank, dated as of the Closing Date, covering those matters set forth in Exhibit A hereto.

(f) No Material Adverse Effect. Without intending to limit in any manner the provisions of Section 7.2(a) hereof, there shall have been no events, changes or occurrences after the date of this Agreement which have had, individually or in the aggregate, a Material Adverse Effect on Bank.

(g) Financing. Citizens will have obtained prior to the Closing on terms reasonably satisfactory to it sufficient cash funds to pay the Purchase Price.

7.3. Conditions to Obligations of Farmers. The obligations of Farmers to perform this Agreement and consummate the Contemplated Transactions hereby are subject to the satisfaction of the following conditions, unless waived by Farmers pursuant to Section 10.4(b) of this Agreement:

(a) Representations and Warranties. For purposes of this Section 7.3(a), the accuracy of the representations and warranties of Citizens set forth in this Agreement shall be assessed as of the date of this Agreement and as of the Closing Date with the same effect as though all such representations and warranties had been made immediately prior to the Closing Date (provided that representations and warranties which are confined to a specified date shall speak only as of such date). The representations and warranties of Citizens shall be true and correct in all material respects. There shall not exist inaccuracies in the representations and warranties of Citizens set forth in this Agreement such that the aggregate effect of such inaccuracies has, or is reasonably likely to have, a Material Adverse Effect on Citizens; provided that, for purposes of this sentence only, those representations and warranties which are qualified by references to "material" or "Material Adverse Effect" or "Knowledge" shall be deemed not to include such qualifications.

(b) Performance of Agreements and Covenants. Each and all of the agreements and covenants of Citizens to be performed and complied with by Citizens pursuant to this Agreement and the other agreements contemplated hereby prior to the Closing Date shall have been duly performed and complied with in all material respects.

(c) Certificates. Citizens shall have delivered to Farmers (i) a certificate, dated as of the Closing Date and signed on its behalf by its chief executive officer and its chief financial officer or treasurer, to the effect that the conditions of its obligations set forth in Sections 7.3(a) and 7.3(b) of this Agreement have been satisfied, and (ii) certified copies of resolutions duly adopted by Citizens' Board of Directors evidencing the taking of all corporate action necessary to authorize the execution, delivery and performance of this Agreement, and the consummation of the transactions contemplated hereby, all in such reasonable detail as Farmers shall request.

ARTICLE 8

TERMINATION

8.1. Termination. Notwithstanding any other provision of this Agreement, this Agreement may be terminated and the Contemplated Transactions abandoned at any time prior to the Closing Date:

(a) By mutual consent of the Board of Directors of Citizens and the Board of Directors of Farmers;

(b) By the Board of Directors of Citizens or the Board of Directors of Farmers (provided that the terminating Party is not then in breach of any representation or warranty contained in this Agreement under the applicable standard set forth in Section 7.2(a) of this Agreement in the case of Farmers and Section 7.3(a) in the case of Citizens in material breach of any covenant or other agreement contained in this Agreement) in the event of an inaccuracy of any representation or warranty of the other Party contained in this Agreement which cannot be or has not been cured within thirty (30) days after the giving of written notice to the breaching Party of such inaccuracy and which inaccuracy would provide the terminating Party the ability to refuse to consummate the Contemplated Transactions under the applicable standard set forth in Section 7.2(a) of this Agreement in the case of Citizens and Section 7.3(a) of this Agreement in the case of Farmers;

(c) By the Board of Directors of Farmers or the Board of Directors of Citizens (provided that the terminating Party is not then in breach of any representation or warranty contained in this Agreement under the applicable standard set forth in Section 7.2(a) of this Agreement in the case of Farmers and Section 7.3(a) in the case of Citizens or in material breach of any covenant or other agreement contained in this Agreement) in the event of a material breach by the other Party of any covenant or agreement contained in this Agreement which cannot be or has not been cured within thirty (30) days after the giving of written notice to the breaching Party of such breach;

(d) By the Board of Directors of Farmers or the Board of Directors of Citizens in the event any Consent of any Regulatory Authority required for consummation of the Contemplated Transactions and the other transactions contemplated hereby shall have been denied by final non-appealable action of such authority or if any action taken by such authority is not appealed within the time limit for appeal; or

(e) By the Board of Directors of Farmers or the Board of Directors of Citizens in the event that the Contemplated Transactions shall not have been consummated by March 31, 2007, if the failure to consummate the transactions contemplated hereby on or before such date is not caused by any willful breach of this Agreement by the Party electing to terminate pursuant to this Section 8.1(e).

8.2. Effect of Termination. Subject to the provisions of Section 8.3 hereof, in the event of the termination and abandonment of this Agreement pursuant to Section 8.1 of this Agreement, this Agreement shall become void and have no effect, and none of Farmers, Bank or Citizens or any of the officers or directors of any of them shall have any liability of any nature whatsoever under this Agreement, except that (i) the provisions of this Section 8.2, Section 8.3 (as applicable), Section 6.3(b), and Article 9 of this Agreement shall survive any such termination and abandonment, and (ii) a termination pursuant to the terms of this Agreement shall not relieve the breaching Party from Liability for any willful breach of a representation, warranty, covenant, or agreement.

8.3. Termination Expenses. If this Agreement is terminated because the condition set forth in Section 7.2(g) shall not have been satisfied on or before March 31, 2007, then Citizens shall pay to Farmers in immediately available funds the sum of Two Hundred Fifty Thousand Dollars ($250,000).

ARTICLE 9

INDEMNIFICATION; REMEDIES

9.1. Survival; Right to Indemnification Not Affected by Investigation. All representations and warranties and all covenants and obligations to be performed or complied with prior to or on the Closing Date in this Agreement, the Disclosure Memorandum, any certificates delivered pursuant to Sections 7.2 or 7.3 and any other certificate or document delivered pursuant to this Agreement will survive the Closing and continue in effect until the Termination Date (except that the representations in Section 3.3 and 3.14 shall survive indefinitely and the representation set forth in Section 3.18 shall survive for a period of three (3) years). The right to indemnification, payment of Damages or other remedy based on such representations, warranties, covenants, and obligations will not be affected by any investigation conducted at any time, whether before or after the execution and delivery of this Agreement or the Closing Date, with respect to the accuracy or inaccuracy of or compliance with, any such representation, warranty, covenant, or obligation.

9.2. Indemnification and Payment of Damages by Farmers. Farmers will indemnify and hold harmless Citizens and its Representatives, stockholders, controlling persons, and Affiliates (collectively, the "Citizens Indemnified Persons") for, and will pay to the Citizens Indemnified Persons, the amount of, any loss, liability, claim, damage (including incidental and consequential damages), expense (including costs of investigation and defense and reasonable attorneys' fees) or diminution of value, whether or not involving a third-party claim (collectively, "Damages"), arising, directly or indirectly, from or in connection with:

(a) any breach by Farmers of any representation or warranty made by Farmers in this Agreement, the Disclosure Memorandum, or any other certificate or document delivered by Farmers pursuant to this Agreement;

(b) any breach by Farmers or Bank of any covenant or obligation of Farmers or Bank in this Agreement; or

(c) any claim by any Person for brokerage or finder's fees or commissions or similar payments based upon any agreement or understanding alleged to have been made by any such Person with either Farmers or Bank (or any Person acting on their behalf) in connection with any of the Contemplated Transactions.

9.3. Indemnification and Payment of Damages by Citizens. Citizens will indemnify and hold harmless Farmers, and will pay to Farmers and its Representatives, stockholders, controlling persons, and Affiliates (collectively, the "Farmers Indemnified Persons") the amount of any Damages arising, directly or indirectly, from or in connection with:

(a) any breach of any representation or warranty made by Citizens in this Agreement or in any certificate delivered by Citizens pursuant to this Agreement;

(b) any breach by Citizens of any covenant or obligation of Citizens in this Agreement; or

(c) any claim by any Person for brokerage or finder's fees or commissions or similar payments based upon any agreement or understanding alleged to have been made by such Person with Citizens (or any Person acting on its behalf) in connection with any of the Contemplated Transactions.

9.4. Time Limitations; Sole Remedy. If the Closing occurs, Farmers will have no liability (for indemnification or otherwise) with respect to any representation or warranty or covenant or obligation to be performed and complied with prior to the Closing Date, other than those in Sections 3.3 [Capital Stock], 3.14 [Taxes], and Sections 3.18 [Employee Benefits] unless on or before the Termination Date Citizens notifies Farmers of a claim specifying the factual basis of that claim in reasonable detail to the extent then known by Citizens. A claim with respect to Sections 3.3 and 3.14 may be made at any time. A claim with respect to Section 3.18 may be made at any time on or before three (3) years from the date of this Agreement. If the Closing occurs, Citizens will have no liability (for indemnification or otherwise) with respect to any representation or warranty, or covenant or obligation to be performed and complied with prior to the Closing Date, unless on or before the Termination Date, Farmers notifies Citizens of a claim specifying the factual basis of that claim in reasonable detail to the extent then known by Farmers. Except as otherwise provided in this Article 9, (i) all remedies available to Citizens and Farmers with respect to this Agreement shall cease to be available as of the Termination Date, and (ii) if the Closing occurs, the sole remedy of the Parties hereunder for breaches of or inaccuracies in any representation or warranty, or breach of any covenant or obligation hereunder shall be the indemnification remedy provided under this Article 9.

9.5. Indemnification Procedures.

(a) Whenever a Farmers Indemnified Person or Citizens Indemnified Person (an "Indemnified Person") becomes aware that it has a claim for indemnity under Section 9.2 or 9.3 hereof or that any claim is threatened or asserted against it that would occasion the indemnification described in Section 9.2 or 9.3 (a "Covered Claim"), such Indemnified Person shall promptly provide the indemnifying Party with a notice (a "Claim Notice") of such Covered Claim pursuant to the provisions of Section 10.6 hereof. Each Claim Notice shall describe in reasonable detail the Indemnified Person's understanding of (and basis for) the Covered Claim, the Person threatening or asserting it, the relief sought and the basis for indemnification hereunder with respect thereto.

(b) In connection with any Covered Claim the indemnifying Party, provided that it shall have acknowledged in writing its obligation to provide indemnification in respect of such Covered Claim, shall have the right (without prejudice to the right of any Indemnified Person to participate at its expense through counsel of its own choosing) to defend or prosecute such Covered Claim at its expense and through counsel of its own choosing if it gives written notice of its intention to do so not later than twenty days following receipt by it of a Claim Notice or such shorter time period as required so that the interests of the Indemnified Person would not be materially prejudiced as a result of its failure to have received such notice; provided, however, that if the defendants in any action shall include both the indemnifying Party and an Indemnified Person and the Indemnified Person shall have reasonably concluded that counsel selected by the indemnifying Party has a conflict of interest because of the availability of different or additional defenses to the Indemnified Person, the Indemnified Person shall have the right to select separate counsel to participate in the defense of such action on its behalf, at the expense of the indemnifying Party. If the indemnifying Party does not choose to defend or prosecute any such claim asserted by a Person for which any Indemnified Person would be entitled to indemnification hereunder, then the Indemnified Person shall be entitled to recover from the indemnifying Party, on a monthly basis, all of its attorneys' fees and other costs and expenses of litigation of any nature whatsoever incurred in the defense of such claim. If the indemnifying Party assumes the defense of any such claim, the indemnifying Party will (subject to the provisions of Section 9.6 hereof) hold the Indemnified Person harmless from and against any and all Adverse Consequences arising out of any settlement approved by indemnifying Party or any Order in connection with such Covered Claim or Proceeding. Notwithstanding the assumption of the defense of any Covered Claim by the Indemnified Person pursuant to this Section 9.5(b) the indemnifying Party shall have the right to approve the terms of any settlement of a claim (which approval shall not be unreasonably withheld). The indemnifying party shall be subrogated to the rights that the Indemnified Person has against third parties with respect to any subject Covered Claim.

(c) The indemnifying Party and the Indemnified Person shall cooperate in furnishing evidence and testimony and in any other manner which the other may reasonably request, and shall in all other respects have an obligation of good faith dealing, one to the other, so as not to unreasonably expose the other to an undue risk of loss. The Indemnified Person shall be entitled to reimbursement for out-of-pocket expenses reasonably incurred by it in connection with such cooperation. Except as provided in the preceding sentence, each party shall bear its own fees and expenses incurred pursuant to this Section 9.5(c).

(d) It is not a condition precedent to recovery under this Article 9 for an Indemnified Person to first seek a contractual, statutory or common law remedy against any indemnifying Party in order to provide a Claim Notice. No Indemnified Person is under any obligation to pursue any claims against an indemnifying Party.

9.6 Restrictions on Scope and Duration of Indemnification.

(a) The amount of indemnity payable hereunder shall be calculated after giving effect to (i) the actual Tax impact when realized (including any and all Tax benefits) on the Indemnified Person with respect to the subject Covered Claims and (ii) any proceeds received under insurance policies covering the subject Covered Claims.

(b) With respect to any Covered Claim involving Damages arising from Bank loans, the amount of indemnity payable hereunder by Farmers shall be offset by such portion of the Bank's loan loss reserve attributable to such loan.

(c) No Farmers Indemnified Person or Citizens Indemnified Person shall be entitled to be indemnified hereunder for any Damages respecting a Covered Claim until the total of all Damages respecting Covered Claims for Farmers Indemnified Persons or Citizens Indemnified Persons, as applicable, exceeds $100,000, subject to the limitations set forth in Section 9.6(d).

(d) Subject to Section 9.6(e) below and except for claims with respect to Sections 3.3 and 3.14 hereof, the aggregate and total liability of Farmers pursuant to Section 9.2 hereof or Citizens pursuant to Section 9.3 hereof shall in no event exceed (i) $5,000,000 with respect to Covered Claims for which Claim Notices are provided on or before the date one year following the Closing Date, and (ii) $3,000,000 (less the Damages respecting Covered Claims for which Claim Notices have previously been delivered hereunder)) with respect to Covered Claims for which Claim Notices are provided after the date one year after the Closing Date. Subject to Section 9.6(e) below and except for claims with respect to Sections 3.3 and 3.14 hereof, the Parties agree that in no event shall the aggregate and total liability of Farmers pursuant to Section 9.2 hereof or Citizens pursuant to Section 9.3 hereof exceed $5,000,000.

(e) Notwithstanding anything contained in this Agreement to the contrary, the rights of an Indemnified Person to be indemnified, defended and held harmless in connection with any intentional misrepresentation or omission hereunder or any intentional failure to perform or comply with any covenant or agreement hereunder shall not be subject to the restrictions on scope and duration set forth in Sections 9.4 and 9.6 above, and shall survive the Closing indefinitely.

ARTICLE 10

MISCELLANEOUS

10.1. Expenses.

(a) Each of the Parties shall bear and pay all direct costs and expenses incurred by it or on its behalf in connection with the transactions contemplated hereunder, including filing, registration and application fees, printing fees and fees and expenses of its own financial or other consultants, investment bankers, accountants and counsel.

(b) Nothing contained in this Section 10.1 shall constitute or shall be deemed to constitute liquidated damages for the willful breach by a Party of the terms of this Agreement or otherwise limit the rights of the non-breaching Party.

10.2. Entire Agreement; Benefits of Agreement. This Agreement constitutes the complete and exclusive agreement between the Parties with respect to the transactions contemplated hereunder and concedes and supersedes all prior arrangements or understandings with respect thereto, written or oral, between the Parties. Nothing in this Agreement expressed or implied is intended or shall be construed to confer upon any Person, other than the Parties or their respective successors, any rights, remedies, obligations or liabilities under or by reason of this Agreement.

10.3. Amendments. To the extent permitted by Law, this Agreement may be amended, only by a subsequent writing signed by each of the Parties, upon the approval of the Board of Directors of each of the Parties, whether before or after shareholder approval (if applicable) of this Agreement has been obtained.

10.4. Waivers.

(a) Prior to or at the Closing Date, Citizens, acting through its Board of Directors or Chief Executive Officer, shall have the right to waive any Default in the performance of any term of this Agreement by Farmers or Bank, to waive or extend the time for the compliance or fulfillment by Farmers or Bank of any and all of its obligations under this Agreement, and to waive any or all of the conditions precedent to the obligations of Citizens under this Agreement, except any condition which, if not satisfied, would result in the violation of any Law. No such waiver shall be effective unless in writing signed by the chief executive officer of Citizens.

(b) Prior to or at the Closing Date, Farmers, acting through its Board of Directors or Chief Executive Officer, shall have the right to waive any Default in the performance of any term of this Agreement by Citizens, to waive or extend the time for the compliance or fulfillment by Citizens of any and all of its obligations under this Agreement, and to waive any or all of the conditions precedent to the obligations of Citizens under this Agreement, except any condition which, if not satisfied, would result in the violation of any Law. No such waiver shall be effective unless in writing signed by the chief executive officer of Farmers.

(c) The failure of any Party at any time or times to require performance of any provision hereof shall in no manner affect the right of such Party at a later time to enforce the same or any other provision of this Agreement. No waiver of any condition or of the breach of any term contained in this Agreement in one or more instances shall be deemed to be or construed as a further or continuing waiver of such condition or breach or a waiver of any other condition or of the breach of any other term of this Agreement.

10.5. Assignment. Neither this Agreement nor any of the rights, interests, or obligations hereunder shall be assigned by any Party hereto (whether by operation of Law or otherwise) without the prior written consent of the other Parties. Subject to the preceding sentence, this Agreement will be binding upon, inure to the benefit of and be enforceable by the Parties and their respective successors and assigns.

10.6. Notices. Any deliveries, notices or other communications required or permitted hereunder shall be deemed to have been duly made or given (i) if delivered in person, (ii) if sent by registered mail, return receipt requested, postage prepaid, (iii) if sent by a nationally recognized overnight courier or (iv) if sent by facsimile transmission, to the following addresses and numbers:

Farmers:	Farmers Capital Bank Corporation
	G. Anthony Busseni, President
	202 West Main Street
	Frankfort, Kentucky 40601
	Facsimile Number: (502) 227-1692
Copy to Farmers Counsel	Stoll Keenon Ogden PLLC
	Attn: J. David Smith, Jr.
	300 West Vine Street, Suite 2100
	Lexington, Kentucky 40507
	Facsimile Number: (859) 246-3662
Citizens:	Citizens First Corporation
	Mary D. Cohron, President
	1065 Ashley Street
	Bowling Green, Kentucky 42101
	Facsimile Number: (270) 393-0716
Copy to Citizens Counsel:	Wyatt, Tarrant & Combs, LLP
	Attn: Caryn F. Price
	500 W. Jefferson Street, Suite 2800
	Louisville, Kentucky 40202

Facsimile Number: (502) 589-0309

or, as to each party, at such other address or number as may hereafter be designated by such party in a written notice to the other party complying as to delivery with the terms of this Section

10.6. All such notices, requests, demands and other communications shall be deemed to have been given (i) on the date received if personally delivered, (ii) two days following the date deposited in the mail if delivered by mail, (iii) on the date following the date sent by overnight courier if delivered by overnight courier or (iv) the date sent by facsimile if delivered by facsimile transmission on or before 2:30 p.m., local Bowling Green, Kentucky time (if received by facsimile after 2:30 p.m., local Bowling Green, Kentucky time, then the following day).

10.7. Governing Law. This Agreement shall be governed by, construed and enforced in accordance with the Laws of the Commonwealth of Kentucky, without regard to its principles of conflicts of law or choice of law.

10.8. Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument. Any such counterpart may be delivered through facsimile transmission provided the original thereof is promptly delivered to the Parties hereto.

10.9. Captions. The captions contained in this Agreement are for reference purposes only and are not part of this Agreement.

10.10. Interpretations. Neither this Agreement nor any uncertainty or ambiguity herein shall be construed or resolved against any Party, whether under any rule of construction or otherwise. No Party to this Agreement shall be considered the draftsman. The Parties acknowledge and agree that this Agreement has been reviewed, negotiated and accepted by all Parties and their attorneys and shall be construed and interpreted according to the ordinary meaning of the words used so as fairly to accomplish the purposes and intentions of all Parties hereto.

10.11. Enforcement of Agreement. The Parties agree that time is of the essence in the performance of their respective obligations under this Agreement. The Parties hereto agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the Parties shall be entitled to an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions hereof in any court of the United States or any state having jurisdiction, this being in addition to any other remedy to which they are entitled at Law or in equity.

10.12. Severability. Any term or provision of this Agreement which is invalid or unenforceable in any jurisdiction shall, as to that jurisdiction, be ineffective to the extent of such invalidity or unenforceability without rendering invalid or unenforceable the remaining terms and provisions of this Agreement or affecting the validity or enforceability of any of the terms or provisions of this Agreement in any other jurisdiction. If any provision of this Agreement is so broad as to be unenforceable, the provision shall be interpreted to be only so broad as is enforceable.

10.13. Rights and Remedies Cumulative. Subject to the restrictions set forth in Sections 9.4 and 9.6 hereof, (i) the rights and remedies provided by this Agreement are cumulative and the use of any one right or remedy by any Party shall not preclude or waive the right to use any or all other remedies, and (ii) are given in addition to any other rights the parties may have by Law, Order, or otherwise.

IN WITNESS WHEREOF, each of the Parties has caused this Agreement to be duly executed on its behalf as of the day and year first above written.

FARMERS CAPITAL BANK CORPORATION

By: /s/ G. Anthony Busseni

G. Anthony Busseni

President

KENTUCKY BANKING CENTERS, INC.

By: /s/ David Shadburne

David Shadburne

President

CITIZENS FIRST CORPORATION

By: /s/ Mary D. Cohron

Mary D. Cohron

President

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EXHIBIT A

Form of Legal Opinion

Capitalized terms used in this Exhibit shall have the respective meanings set forth in the Agreement.

1. Farmers is a bank holding company existing and in good standing under the Laws of the Commonwealth of Kentucky with corporate power and authority to conduct its business and to own and use its Assets. The Bank is a Kentucky banking corporation existing and good standing with the FDIC and under the Laws of the Commonwealth of Kentucky with corporate power and authority to conduct its business and to own and use its Assets.

2. Bank's authorized capital stock consists of ___________ shares of Bank common stock, of which 15 shares were outstanding as of the Closing Date and owned of record in their entirety by Farmers. The outstanding shares of Bank common stock have been duly authorized and validly issued, were not issued in violation of any statutory preemptive rights of shareholders, and are fully paid and nonassessable. To our Knowledge, there are no Rights obligating the Bank to issue or acquire any of its equity securities.

3. The execution, delivery and performance by Farmers and Bank of the Agreement do not and will not violate or contravene any provision of the Articles of Incorporation or Bylaws of Farmers or Bank or, to our Knowledge, result in any material breach of, or default or acceleration under, any Contract or Order to which Farmers or the Bank is a party or by which any of such Persons is bound.

4. The Agreement has been duly and validly executed and delivered by Farmers and Bank and assuming valid authorization, execution and delivery of the Agreement by Citizens, constitutes a valid and binding agreement of Farmers and Bank, enforceable in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency, reorganization or similar laws affecting creditors' rights generally; provided, however, that we express no opinion as to the availability of the equitable remedy of specific performance.

Exhibit 31.1

CEO Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, G. Anthony Busseni, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Farmers Capital Bank Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: *November 7, 2008*

/s/ G. Anthony Busseni
G. Anthony Busseni,
President and CEO

Exhibit 31.2

CFO Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, C. Douglas Carpenter, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Farmers Capital Bank Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: *11-7-08*

/s/ Doug Carpenter
C. Douglas Carpenter,
Senior Vice President, Secretary, and CFO

Exhibit 32

Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the accompanying Quarterly Report of Farmers Capital Bank Corporation on Form 10-Q for the period ended September 30, 2008 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned hereby certifies in his capacity as officer of Farmers Capital Bank Corporation, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350, that:

1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

Date: *November 7, 2008*	*/s/ G. Anthony Busseni* G. Anthony Busseni, President and CEO
Date: *11-7-08*	*/s/ Doug Carpenter* C. Douglas Carpenter, Senior Vice President, Secretary, and CFO

A signed original of this written statement required by Section 906 has been provided to Farmers Capital Bank Corporation and will be retained by Farmers Capital Bank Corporation and furnished to the Securities and Exchange Commission or its staff upon request.