

July 27, 2006

**Quarterly Report  
Second Quarter 2006**

We are very pleased to report that our net income for the second quarter ended June 30, 2006 was \$1.7 million, which represented a 13.2% increase over the \$1.5 million earned for the second quarter ended June 30, 2005. After the effects of dilution, earnings per share for the quarter equaled 64 cents, which represented a 14% increase over the 56 cents per share for the same quarter in 2005.

Net income for the first six months of the fiscal year was \$3.0 million, which represents a 5.6% increase over the \$2.8 million earned through the second quarter of 2005. Pre-tax earnings were up 10.9% when compared to the six months ended June 30, 2005. As a result of these earnings increases, our earnings per share for the year increased from \$1.05 to \$1.12, a 6.7% increase.

Total assets reached \$553 million through the first six months of the year compared to \$526 million through the first six months of 2005, which represents a 5.2% increase in total assets. Loans were up 4.7% over the previous year, which reflects a steady increase in loan demand. Deposits were up slightly over the previous year and ended on June 30, 2006 at \$388.6 million.

We continue to be excited about our merger with Peoples Bancorp of Sandy Hook, Inc., which closed on July 7, 2006. The respective management and staff of each institution have worked extremely well together to ensure that we complete this transaction in a timely manner. We are extremely excited about the opportunities that this merger will offer you as shareholders.

We are pleased to announce that Lonnie Conley, a local businessman, has agreed to join our Bourbon Regional Advisory Board, and we look forward to his contributions.

Louis Prichard  
President, CEO