

# Farmers Capital Bank Corporation

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August 14, 2008

Fellow Shareholders,

As you probably know, financial industry stocks have been out of favor with investors for several months fueled by the disappointing news regarding sub-prime lending. Stock prices of banks participating in sub-prime lending fell which we believe negatively impacted the whole industry. The NASDAQ Bank Index, consisting of 521 NASDAQ listed banks including Farmers, has fluctuated 35% this year. Farmers, which has not originated or purchased any sub-prime loans, has experienced both a 52 week high and low of \$32.70 and \$17.01 respectively, within the last 45 days. The stock price closed at \$32.57 on August 13, 2008.

Another factor we believe is negatively influencing price fluctuations of financial stocks is the process known as "short selling". Short selling occurs when a speculator that does not own a particular stock borrows shares from a registered owner and sells them with a promise to replace the borrowed shares at a later date. The short seller is hoping to buy the stock back in the future at a lower price to replace the borrowed shares and thereby derive a profit.

The number of Farmers shares sold short as of June 30, 2008 was 14,000. That number rose to 429,000 as of July 15, 2008 and is currently near that level as of the latest reported figures. As a shareholder you can do something to combat those that seek to profit when the price of your shares decline.

A short seller needs to borrow shares to initiate their transaction. If you hold your shares in a brokerage account, unbeknownst to you, your shares may have been the shares that were sold short. If your shares are held in a "margin account", your shares may be lent without your knowledge. If your shares are held in a "cash account" they can NOT be lent to a short seller.

By calling your broker you can make sure your Farmers shares are placed in a cash account where they can not be used by short sellers to make a profit. Making the cash account designation is not a difficult task for your broker, but you must call your broker to make sure it happens. **If you want to help reduce the volume of short sales, please call your broker right away and tell them that you want your shares designated such that they may not be lent to a short seller.**

If you hold your shares in certificate form they can not be lent to short sellers and you do not need to do anything. If you have questions concerning short sales, give one of us a call.

Thank you for your continued support,



G. Anthony Busseni  
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Executive Officer  
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C. Douglas Carpenter  
Senior Vice President, Secretary  
and Chief Financial Officer  
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