PORTER BANCORP, INC.

FORM 10-Q
(Quarterly Report)

Filed 10/31/08 for the Period Ending 09/30/08

Address	2500 EASTPOINT PARKWAY LOUISVILLE, KY 40223
Telephone	502-499-4800
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Symbol	PBIB
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Industry	Regional Banks
Sector	Financial
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Quarterly Period Ended September 30, 2008

Or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from ______to ______

Commission file number: 001-33033

PORTER BANCORP, INC.
(Exact name of registrant as specified in its charter)

Kentucky **(State or other jurisdiction of incorporation or organization)**	**61-1142247** **(I.R.S. Employer Identification No.)**
2500 Eastpoint Parkway, Louisville, Kentucky **(Address of principal executive offices)**	**40223** **(Zip Code)**

(502) 499-4800
(Registrant's telephone number, including area code)

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 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 ☒ 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. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐	Accelerated filer ☐
Non-accelerated filer ☒	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 ☒

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

7,893,137 shares of Common Stock, no par value, were outstanding at October 1, 2008.

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

The following consolidated financial statements of Porter Bancorp, Inc. and Subsidiary, PBI Bank, Inc., are submitted:

Unaudited Consolidated Balance Sheets for September 30, 2008 and December 31, 2007

Unaudited Consolidated Statements of Income for the three and nine months ended September 30, 2008 and 2007

Unaudited Consolidated Statement of Changes in Stockholders' Equity for the nine months ended September 30, 2008

Unaudited Consolidated Statements of Cash Flows for the nine months ended September 30, 2008 and 2007

Notes to Unaudited Consolidated Financial Statements

PORTER BANCORP, INC. AND SUBSIDIARY
Unaudited Consolidated Balance Sheets
(dollars in thousands except share data)

	September 30, 2008	December 31, 2007
Assets		
Cash and due from financial institutions	$ 41,343	$ 23,608
Federal funds sold	30,172	19,379
Cash and cash equivalents	71,515	42,987
Interest-bearing deposits in other financial institutions	600	600
Securities available for sale	109,799	128,036
Loans, net of allowance of $18,638 and $16,342, respectively	1,323,829	1,201,356
Premises and equipment	22,986	21,279
Goodwill	23,891	18,174
Accrued interest receivable and other assets	43,572	43,588
Total assets	$1,596,192	$1,456,020
Liabilities and Stockholders' Equity		
Deposits		
Non-interest bearing	$ 87,603	$ 95,533
Interest bearing	1,184,336	1,071,021
Total deposits	1,271,939	1,166,554
Federal funds purchased and repurchase agreements	10,457	11,285
Federal Home Loan Bank advances	143,842	121,767
Accrued interest payable and other liabilities	8,194	9,125
Junior subordinated debentures	34,000	25,000
Total liabilities	1,468,432	1,333,731
Stockholders' equity		
Preferred stock, no par, 1,000,000 shares authorized	—	—
Common stock, no par, 10,000,000 shares authorized, 7,893,137 and 7,881,206 shares issued and outstanding, respectively	70,446	70,747
Additional paid-in capital	11,496	11,270
Retained earnings	47,051	40,351
Accumulated other comprehensive income (loss)	(1,233)	(79)
Total stockholders' equity	127,760	122,289
Total liabilities and stockholders' equity	$1,596,192	$1,456,020

See accompanying notes to unaudited consolidated financial statements.

PORTER BANCORP, INC. AND SUBSIDIARY
Unaudited Consolidated Statements of Income
(dollars in thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
Interest income				
Loans, including fees	$23,478	$21,941	$70,655	$60,498
Taxable securities	1,173	1,054	3,717	3,123
Tax exempt securities	216	170	606	507
Fed funds sold and other	239	686	843	1,712
	25,106	23,851	75,821	65,840
Interest expense				
Deposits	10,670	11,758	34,263	31,441
Federal Home Loan Bank advances	1,421	810	4,178	2,292
Junior subordinated debentures	453	488	1,196	1,433
Federal funds purchased and other	129	59	436	74
	12,673	13,115	40,073	35,240
Net interest income	12,433	10,736	35,748	30,600
Provision for loan losses	1,250	1,500	2,650	2,825
Net interest income after provision for loan losses	11,183	9,236	33,098	27,775
Non-interest income				
Service charges on deposit accounts	876	669	2,607	1,852
Income from fiduciary activities	261	—	845	—
Secondary market brokerage fees	92	67	306	232
Title insurance commissions	50	37	144	149
Net (loss) gain on sales of securities	(101)	42	(146)	104
Other	547	498	1,575	1,453
	1,725	1,313	5,331	3,790
Non-interest expense				
Salaries and employee benefits	3,666	3,115	11,382	9,051
Occupancy and equipment	882	673	2,699	1,837
State franchise tax	435	326	1,305	976
FDIC Insurance	284	76	747	127
Professional fees	177	149	595	485
Postage and delivery	201	127	568	388
Communications	181	113	530	322
Other real estate owned expense	109	232	456	327
Office supplies	108	105	446	348
Advertising	100	140	401	393
Other	626	480	1,804	1,342
	6,769	5,536	20,933	15,596
Income before income taxes	6,139	5,013	17,496	15,969
Income tax expense	2,039	1,714	5,826	5,380
Net income	$ 4,100	$ 3,299	$11,670	$10,589
Basic and diluted earnings per share	$ 0.52	$ 0.44	$ 1.49	$ 1.40

See accompanying notes to unaudited consolidated financial statements.

PORTER BANCORP, INC. AND SUBSIDIARY
Unaudited Consolidated Statement of Changes in Stockholders' Equity
For Nine Months Ended September 30, 2008
(dollars in thousands, except share and per share data)

	Common Stock		Additional		Accumulated Other Comprehensive	
	Number of Shares	Amount	Paid-In Capital	Retained Earnings	Income (Loss)	Total
Balances, January 1, 2008	7,881,206	$70,747	$ 11,270	$40,351	$ (79)	$122,289
Shares repurchased	(17,371)	(301)	—	—	—	(301)
Issuance of unvested stock	31,952	—	—	—	—	—
Forfeited unvested stock	(2,650)	—	—	—	—	—
Stock-based compensation expense	—	—	226	—	—	226
Comprehensive income:						
Net income	—	—	—	11,670	—	11,670
Changes in accumulated other comprehensive income, net of taxes	—	—	—	—	(1,154)	(1,154)
Total comprehensive income	—	—	—	—	—	10,516
Cash dividends ($0.63 per share)	—	—	—	(4,970)	—	(4,970)
Balances, September 30, 2008	7,893,137	$70,446	$ 11,496	$47,051	$ (1,233)	$127,760

See accompanying notes to unaudited consolidated financial statements.

PORTER BANCORP, INC. AND SUBSIDIARY
Unaudited Consolidated Statements of Cash Flows
For Nine Months Ended September 30, 2008 and 2007
(dollars in thousands)

	2008	2007
Cash flows from operating activities		
Net income	$ 11,670	$ 10,589
Adjustments to reconcile net income to net cash from operating activities		
Depreciation and amortization	2,811	1,691
Provision for loan losses	2,650	2,825
Net (accretion) amortization on securities	(87)	6
Stock-based compensation expense	215	172
Net loss (gain) on sales of investment securities	146	(104)
Net loss (gain) on other real estate owned	102	119
Earnings on bank owned life insurance	(229)	(206)
Federal Home Loan Bank stock dividends	(393)	—
Net change in accrued interest receivable and other assets	2,861	(2,817)
Net change in accrued interest payable and other liabilities	(455)	396
Net cash from operating activities	19,291	12,671
Cash flows from investing activities		
Purchases of available for sale securities	(25,557)	(22,280)
Sales and calls of available for sale securities	23,331	884
Maturities and prepayments of available for sale securities	18,630	15,352
Proceeds from sale of other real estate owned	6,266	3,958
Improvements to other real estate owned	(226)	(370)
Loan originations and payments, net	(62,645)	(231,057)
Purchases of premises and equipment, net	(2,230)	(1,919)
Redemption of bank owned life insurance	2,179	—
Acquisition of Paramount Bank, net	(5,215)	—
Net cash from investing activities	(45,467)	(235,432)
Cash flows from financing activities		
Net change in deposits	29,728	184,922
Net change in federal funds purchased and repurchase agreements	(828)	10,435
Repayment of Federal Home Loan Bank advances	(2,925)	(27,355)
Advances from Federal Home Loan Bank	25,000	30,000
Issue subordinated debentures	9,000	—
Repurchase common stock	(301)	—
Cash dividends paid	(4,970)	(4,576)
Net cash from financing activities	54,704	193,426
Net change in cash and cash equivalents	28,528	(29,335)
Beginning cash and cash equivalents	42,987	56,263
Ending cash and cash equivalents	$ 71,515	$ 26,928
Supplemental cash flow information:		
Interest paid	$ 40,637	$ 34,818
Income taxes paid	4,900	5,950
Supplemental non-cash disclosure:		
Transfer from loans to other real estate	$ 9,619	$ 8,279

See accompanying notes to unaudited consolidated financial statements.

PORTER BANCORP, INC. AND SUBSIDIARY
Notes to Unaudited Consolidated Financial Statements

Note 1 – Basis of Presentation and Summary of Significant Accounting Policies

Basis of Presentation – The consolidated financial statements include Porter Bancorp, Inc. (the “Company”) and its wholly-owned subsidiary, PBI Bank (the “Bank”). All significant inter-company transactions and accounts have been eliminated in consolidation.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, the financial statements do not include all of the information and footnotes required by U.S. generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for nine months ended September 30, 2008 are not necessarily indicative of the results that may be expected for the entire year. A description of other significant accounting policies is presented in the notes to the Consolidated Financial Statements for the year ended December 31, 2007, included in the Company’s Annual Report on Form 10-K.

Use of Estimates – To prepare financial statements in conformity with U.S. generally accepted accounting principles, management makes estimates and assumptions based on available information. These estimates and assumptions affect the amounts reported in the financial statements and the disclosures provided, and future results could differ. The allowance for loan losses and fair values of financial instruments are particularly subject to change.

Reclassifications – Some items in the prior year financial statements were reclassified to conform to the current presentation.

New Accounting Standards

In September 2006, the FASB issued Statement No. 157, Fair Value Measurements. This Statement defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. This Statement establishes a fair value hierarchy about the assumptions used to measure fair value and clarifies assumptions about risk and the effect of a restriction on the sale or use of an asset. The standard is effective for fiscal years beginning after November 15, 2007. 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 FAS 157 for all non-financial assets and non-financial 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. The impact of adoption is disclosed in Note 6.

In October, 2008, the FASB issued FSP No. 157-3 “Determining the Fair Value of a Financial Asset When the Market for that Asset Is Not Active.” The FSP clarifies the application of SFAS 157 in a market that is not active and provides an example to illustrate key consideration in determining the fair value of a financial asset with the market for that financial asset is not active.

In September 2006, the FASB Emerging Issues Task Force finalized Issue No. 06-4, Accounting for Deferred Compensation and Postretirement Benefit Aspects of Endorsement Split-Dollar Life Insurance Arrangements. This issue requires that a liability be recorded during the service period when a split-dollar life insurance agreement continues after participants’ employment or retirement. The required accrued liability will be based on either the post-employment benefit cost for the continuing life insurance or based on the future death benefit depending on the contractual terms of the underlying agreement. This issue is effective for fiscal years beginning after December 15, 2007. The adoption of this statement did not have a material impact on our consolidated financial position or results of operations.

In February 2007, the FASB issued Statement No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* . The standard provides companies with an option to report selected financial assets and liabilities at fair value and establishes presentation and disclosure requirements designed to facilitate comparisons between companies that choose different measurement attributes for similar types of assets and liabilities. The new standard is effective for the Company on January 1, 2008. The Company did not elect the fair value option for any financial assets or financial liabilities as of January 1, 2008.

Recently Issued Accounting Pronouncements – In March 2008, the Financial Accounting Standards Board ("FASB") issued SFAS 161, "Disclosures about Derivative Instruments and Hedging Activities—an amendment of FASB Statement No. 133." SFAS 161 requires enhanced disclosures about how and why an entity uses derivative instruments, how derivative instruments and related items are accounted for under SFAS 133 and how derivative instruments and related hedged items affect an entity's financial position, financial performance and cash flows. The new standard is effective for the Company on January 1, 2009. The Company is currently evaluating the impact of adopting SFAS 161 on the consolidated financial statements.

Note 2 – Stock Plans and Stock Based Compensation

At September 30, 2008, the Company has a stock option plan and a stock incentive plan. On December 31, 2005, the Company assumed the 2000 Stock Option Plan of Ascencia Bank, Inc. when the Company acquired the minority interest of Ascencia Bancorp, Inc. On February 23, 2006, the Company adopted the Porter Bancorp, Inc. 2006 Stock Incentive Plan. With regard to the 2000 Option Plan, no additional grants were made after assumption of the plan and none are expected to be made in the future. The 2006 Plan permits the issuance of up to 400,000 shares of the Company's common stock upon the exercise of stock options or upon the grant of stock awards. As of September 30, 2008, the Company had granted outstanding options to purchase 190,279 shares under the 2000 option plan and 36,816 shares under the 2006 plan. The Company also had granted under the 2006 plan 64,022 unvested shares net of forfeitures and vesting. The Company has 299,162 shares remaining available for issue under the 2006 Plan. All shares issued under the above mentioned plans came from authorized and unissued shares.

On May 15, 2006, the board of directors approved the Porter Bancorp, Inc. 2006 Non-Employee Directors Stock Ownership Incentive Plan, which was approved by holders of the Company's voting common stock on June 8, 2006. On May 22, 2008, shareholders voted to amend the plan to change the form of incentive award from stock options to unvested shares. Under the terms of the plan, 100,000 shares are reserved for issuance to non-employee directors upon the exercise of stock options or upon the grant of unvested stock awards granted under the plan. Prior to the amendment, options were granted automatically under the plan at fair market value on the date of grant. The options vest over a three-year period and have a five year term. After May 22, 2008, unvested shares will be granted automatically under the plan at fair market value on the date of grant and vest semi-annually on the anniversary date of the grant over three years. To date, the Company has granted options to purchase 43,000 shares and granted 2,400 unvested shares to non-employee directors. At September 30, 2008, 54,600 shares remain available for issue under this plan.

All stock options have an exercise price that is equal to or greater than the fair market value of the Company's stock on the date the options were granted. Options granted generally become fully exercisable at the end of three years of continued employment. Options granted under the 2000 plan have a life of ten years while those granted under the 2006 plan have a life of five years.

The following table summarizes stock option activity:

	Nine Months Ended September 30, 2008		Twelve Months Ended December 31, 2007	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Outstanding, beginning	284,556	$ 25.00	251,820	$ 25.29
Granted	—	—	36,500	23.01
Forfeited	(14,461)	23.95	(3,764)	25.50
Outstanding, ending	270,095	$ 25.05	284,556	$ 25.00

The following table details stock options outstanding:

		September 30, 2008
Stock options vested and currently exercisable:		243,209
Weighted average exercise price	$	25.26
Aggregate intrinsic value	$	0
Weighted average remaining life (in years)		1.6
Total Options Outstanding:		270,095
Aggregate intrinsic value	$	0
Weighted average remaining life (in years)		2.1

The intrinsic value of stock options is calculated based on the exercise price of the underlying awards and the market price of our common stock as of the reporting date. There were no options exercised during the first nine months of 2008. The Company recorded $78,000 of stock option compensation during the nine months ended September 30, 2008 to salaries and employee benefits. Since the stock options are non-qualified stock options, a deferred tax benefit of $27,000 was recognized. No options were modified during either period. As of September 30, 2008, no stock options issued by the Company have been exercised.

As described above, the Company grants unvested shares which vest over time to employees and non-employee directors. The shares vest either semi-annually or annually over three to ten years on the anniversary date of the grant date provided the employee or director continues in such capacity at the vesting date. The fair value on the date of grant ranged from $17.90 to $25.50 per share. The Company recorded $137,000 of stock-based compensation during the nine months ended September 30, 2008 to salaries and employee benefits. A deferred tax benefit of $48,000 was recognized related to this expense.

The following table summarizes unvested share activity as of and for the periods indicated:

	Nine Months Ended September 30, 2008		Twelve Months Ended December 31, 2007	
	Shares	Weighted Average Grant Price	Shares	Weighted Average Grant Price
Outstanding, beginning	41,430	$ 24.90	40,000	$ 25.33
Granted	31,952	18.54	7,500	23.02
Vested	(4,310)	25.07	(3,920)	25.33
Forfeited	(2,650)	23.22	(2,150)	25.50
Outstanding, ending	66,422	$ 21.90	41,430	$ 24.90

Unrecognized stock-based compensation expense related to stock options and unvested shares for the remainder of 2008 and beyond is estimated as follows (in thousands):

October 2008 – December 2008	$ 82
2009	290
2010	242
2011	221
2012 & thereafter	618

Note 3 - Securities

The fair value of available for sale securities and the related gross unrealized gains and losses recognized in accumulated other comprehensive income (loss) were as follows:

	Fair Value	Gross Unrealized Gains	Gross Unrealized Losses
		(in thousands)	
September 30, 2008			
U.S. Government and federal agency	$ 3,717	$ 15	$ (6)
State and municipal	23,000	147	(552)
Mortgage-backed	74,934	504	(584)
Corporate bonds	5,746	—	(747)
Other debt securities	704	—	—
Total debt securities	108,101	666	(1,889)
Equity	1,698	60	(733)
Total	$109,799	$ 726	$ (2,622)
December 31, 2007			
U.S. Government and federal agency	$ 27,331	$ 200	$ (32)
State and municipal	20,163	277	(72)
Mortgage-backed	69,378	377	(363)
Corporate bonds	6,422	34	(120)
Other debt securities	704	—	—
Total debt securities	123,998	888	(587)
Equity	4,038	568	(991)
Total	$128,036	$ 1,456	$ (1,578)

Sales and calls of available for sale securities were as follows:

	Nine Months Ended September 30, 2008	Year Ended December 31, 2007
Proceeds	$ 23,331	$ 2,800
Gross gains	615	107
Gross losses	761	—

Securities pledged at September 30, 2008 and December 31, 2007 had carrying values of approximately $72,111,000 and $83,683,000, respectively, and were pledged to secure public deposits, repurchase agreements, and Federal Home Loan Bank advances.

The Company evaluates securities for other-than-temporary impairment at least on a quarterly basis, and more frequently when economic or market concerns warrant such evaluation. Consideration is given to the length of time and the extent to which the fair value has been less than cost, the financial condition and near-term prospects of the issuer, underlying credit quality of the issuer, and the intent and ability of the Company to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value. In analyzing an issuer's financial condition, the Company may consider whether the securities are issued by the federal government or its agencies, whether downgrades by bond rating agencies have occurred, the sector or industry trends and cycles affecting the issuer, and the results of reviews of the issuer's financial condition.

As of September 30, 2008, the Company owns 44 equity securities. Of these securities, 11 had an unrealized loss of $173,000 and had been in an unrealized loss position for less than 12 months and 19 had an unrealized loss of $560,000 and had been in an unrealized loss position for more than 12 months. Management monitors the current market pricing for these equity securities monthly. Management currently intends to hold all securities with unrealized losses until recovery, which for fixed income securities may be at maturity. As of September 30, 2008, management does not believe any equity securities should be classified as other than temporarily impaired.

Note 4 – Loans

Loans were as follows:

	September 30, 2008	December 31, 2007
	(in thousands)	
Commercial	$ 91,316	$ 108,619
Real estate	1,192,024	1,054,952
Agriculture	16,580	14,855
Consumer	39,318	38,061
Other	3,229	1,211
Subtotal	1,342,467	1,217,698
Less: Allowance for loan losses	(18,638)	(16,342)
Loans, net	$1,323,829	$1,201,356

Activity in the allowance for loan losses was as follows:

	For the Nine Months Ended September 30, 2008	September 30, 2007
	(in thousands)	
Beginning balance	$ 16,342	$ 12,832
Acquired in bank acquisition	1,420	—
Provision for loan losses	2,650	2,825
Loans charged-off	(1,999)	(1,345)
Loan recoveries	225	188
Ending balance	$ 18,638	$ 14,500

Impaired loans were as follows:

	September 30, 2008	December 31, 2007
	(in thousands)	
Loans with no allocated allowance for loan losses	$ 3,253	$ 3,239
Loans with allocated allowance for loan losses	2,620	4,167
Total	$ 5,873	$ 7,406
Amount of the allowance for loan losses allocated	$ 220	$ 216

	Nine Months Ended September 30, 2008	Year Ended December 31, 2007
Average of impaired loans during the period	$ 5,275	$ 4,842
Interest income recognized during impairment	66	98
Cash basis interest income recognized	66	98

Impaired loans include commercial, construction, agriculture, and commercial real estate loans on non-accrual or classified as doubtful, whereby collection of the total amount is improbable, or loss, whereby all or a portion of the loan has been written off or a specific allowance for loss had been provided.

Nonperforming loans were as follows:

	September 30, 2008	December 31, 2007
	(in thousands)	
Loans past due 90 days or more still on accrual	$ 4,997	$ 2,145
Non-accrual loans	10,420	10,524

Nonperforming loans include impaired loans and smaller balance homogeneous loans, such as residential mortgage and consumer loans, that are collectively evaluated for impairment.

Note 5 – Advance from the Federal Home Loan Bank

Advances from the Federal Home Loan Bank were as follows:

	September 30, 2008	December 31, 2007
	(in thousands)	
Single maturity advances with fixed rates from 4.15% to 6.38% maturing from 2009 through 2012, averaging 4.74%	$ 76,595	$ 76,595
Single maturity advances with variable rates from 2.72% to 3.83% maturing from 2009 through 2010, averaging 3.27%	50,000	25,000
Monthly amortizing advances with fixed rates from 0.00% to 9.10% and maturities ranging from 2008 through 2035, averaging 3.76%	17,247	20,172
Total	$ 143,842	$ 121,767

Each advance is payable per terms on agreement, with a prepayment penalty. The advances were collateralized by first mortgage loans, under a blanket lien arrangement. At September 30, 2008, the Bank had unused borrowing capacity of $67.5 million with the FHLB.

Note 6 – Fair Values Measurement

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, “Fair Value Measurements” (“SFAS No. 157”). SFAS No. 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The statement establishes a fair value hierarchy about the assumptions used to measure fair value and clarifies assumptions about risk and the effect of a restriction on the sale or use of an asset and was effective for us during the first quarter of 2008. In February 2008, the FASB issued FASB Staff Position (FSP) 157-2, “Effective Date of FASB Statement No. 157” (“FSP 157-2”). FSP 157-2 delays the effective date of SFAS No. 157 for all non-financial assets and non-financial 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. We have included the disclosures required by SFAS No. 157 in this document. In October, 2008, the FASB issued FSP No. 157-3 “Determining the Fair Value of a Financial Asset When the Market for that Asset Is Not Active.” The FSP clarifies the application of SFAS 157 in a market that is not active and provides an example to illustrate key consideration in determining the fair value of a financial asset with the market for that financial asset is not active.

SFAS No. 157 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. We use various valuation techniques to determine fair value, including market, income and cost approaches. 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. SFAS No. 157 describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that an entity has the ability to access as of the measurement date, or observable inputs.

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, and other inputs that are observable or can be corroborated by observable market data.

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

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. When that occurs, we classify the fair value hierarchy on the lowest level of input that is significant to the fair value measurement. We used the following methods and significant assumptions to estimate fair value.

Securities: The fair values of securities available for sale are determined by obtaining quoted prices on nationally recognized securities exchanges or matrix pricing, which is a mathematical technique used widely in the industry to value debt securities without relying exclusively on quoted prices for the specific securities but rather by relying on the securities’ relationship to other benchmark quoted securities. Matrix pricing relies on the securities’ relationship to similarly traded securities, benchmark curves, and the benchmarking of like securities. Matrix pricing utilizes observable market inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, reference data, and industry and economic events. In instances where broker quotes are used, these quotes are obtained from market makers or broker-dealers recognized to be market participants. This valuation method is classified as Level 2 in the fair value hierarchy.

Impaired Loans: Impaired loans are evaluated at the time the loan is identified as impaired and are recorded at the lower of cost or market value. Market value is measured based on the value of the collateral securing these loans and is classified as Level 3 in the fair value hierarchy. Fair value is determined using several methods. Generally the fair value of real estate is determined based on appraisals by qualified licensed appraisers. Impaired loans are evaluated quarterly for additional impairment.

Financial assets measured at fair value on a recurring basis are summarized below:

Description	September 30, 2008	Fair Value Measurements at September 30, 2008 Using (in thousands) Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Available-for-sale securities	$ 109,799	$ 1,698	$ 108,101	$ —

Financial assets measured at fair value on a non-recurring basis are summarized below:

Description	September 30, 2008	Fair Value Measurements at September 30, 2008 Using (in thousands) Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Impaired loans	$ 5,059	$ —	$ —	$ 5,059

Impaired loans had a carrying amount of $5.9 million, with a valuation allowance of $813,000, resulting in an additional provision for loan losses of $490,000 for the first nine months of 2008.

Note 7 – Business Combinations

On February 1, 2008, the Company completed the acquisition of Paramount Bank in Lexington, Kentucky in a $5 million all-cash transaction. Operating results of Paramount Bank are included in the consolidated financial statements since the date of the acquisition. As a result of this acquisition, we expect to further solidify our market share in the Lexington market, expand our customer base to enhance deposit fee income, provide an opportunity to market additional products and services to new customers and reduce operating costs through economies of scale.

The acquisition added approximately $73 million in loans and $76 million in deposits. The purchase price resulted in approximately $6 million in goodwill, and $631,000 in core deposit intangibles. The intangible assets will be amortized over 5-10 years, using an accelerated method. Goodwill will not be amortized but instead evaluated periodically for impairment. Goodwill and intangible assets will be deducted for tax purposes over 15 years using the straight-line method.

The following table summarizes the estimated fair value of assets acquired and liabilities assumed at the date of acquisition.

	(in thousands)
Loans, net	$ 73,420
Goodwill	5,986
Core deposit intangibles	631
Other assets	1,033
Total assets acquired	81,070
Deposits	(75,657)
Other liabilities	(198)
Total liabilities assumed	(75,855)
Net assets acquired	$ 5,215

Note 8 – Earnings per Share

The factors used in the earnings per share computation follow:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
	(in thousands, except share and per share data)		(in thousands, except share and per share data)	
Basic				
Net income	$ 4,100	$ 3,299	$ 11,670	$ 10,589
Weighted average common shares outstanding	7,826,715	7,586,167	7,830,867	7,585,063
Basic earnings per common share	$ 0.52	$ 0.44	$ 1.49	$ 1.40
Diluted				
Net income	$ 4,100	$ 3,299	$ 11,670	$ 10,589
Weighted average common shares outstanding	7,826,715	7,586,167	7,830,867	7,585,063
Add: dilutive effects of assumed exercises of stock options and unvested shares	1,523	—	494	22
Average shares and potential common shares	7,828,238	7,586,167	7,831,361	7,585,085
Diluted earnings per common share	$ 0.52	$ 0.44	$ 1.49	$ 1.40

Unvested shares of common stock of 66,422 for 2008 and 42,855 for 2007; and stock options for 270,095 shares of common stock for 2008 and 287,570 shares of common stock for 2007, were not considered in computing diluted earnings per common share because they were anti-dilutive.

Note 9 – Total Comprehensive Income

Other comprehensive income (loss) components and related tax effects were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
	(in thousands)		(in thousands)	
Unrealized holding gains (losses) on available-for-sale securities	$ (432)	$ 820	$ (1,921)	$ (408)
Less: Reclassification adjustment for gains (losses) realized in income	(101)	42	(146)	104
Net unrealized gains (losses)	(331)	778	(1,775)	(512)
Tax effect	116	(272)	621	179
Net-of-tax effect	$ (215)	$ 506	$ (1,154)	$ (333)

Note 10 – Sale of Branch

On July 18, 2008, we entered into a definitive agreement to sell our branch located in Burkesville, Kentucky to First & Farmers National Bank of Somerset, Kentucky. The sale price is for $800,000 and will be paid in cash. We expect to recognize a gain on the sale of approximately $400,000. The Burkesville branch has deposits of approximately $13 million and loans of approximately $3 million at September 30, 2008. The sale is expected to be completed in the fourth quarter of 2008.

Note 11 – Subsequent Events

On October 23, 2008, the board approved a stock dividend of 5% payable on November 10, 2008 to shareholders of record as of November 3, 2008. Share and per share data have not been restated to reflect this stock dividend as the date of record is subsequent to the filing date of this document.

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

This item analyzes our financial condition, change in financial condition and results of operations. This section should be read in conjunction with the unaudited condensed consolidated financial statements and accompanying notes presented in Part I, Item 1 of this report.

Cautionary Note Regarding Forward-Looking Statements

This report contains statements about the future expectations, activities and events that constitute forward-looking statements under the Private Securities Litigation Reform Act. Forward-looking statements are based on our beliefs, assumptions and expectations of our future financial and operating performance and growth plans, taking into account information currently available to us. These statements are not statements of historical fact. The words "believe," "may," "should," "anticipate," "estimate," "expect," "intend," "objective," "seek," "plan," "strive" or similar words, or the negatives of these words, identify forward-looking statements.

Forward-looking statements involve risks and uncertainties that may cause our actual results to differ materially from the expectations of future results we expressed or implied in any forward-looking statements. These risks and uncertainties can be difficult to predict and may be out of our control. Factors that could contribute to differences in our results include, but are not limited to the factors listed in Part 2, Item 1A – Risk Factors in this report and the more detailed risks identified, and the cautionary statements included in our December 31, 2007 Annual Report on Form 10-K.

Forward-looking statements are not guarantees of performance or results. A forward-looking statement may include a statement of the assumptions or bases underlying the forward-looking statement. The Company believes it has chosen these assumptions or bases in good faith and that they are reasonable. We caution you however, that assumptions or bases almost always vary from actual results, and the differences between assumptions or bases and actual results can be material. The forward-looking statements included in this report speak only as of the date of the report. We have no duty, and do not intend to, update these statements unless applicable laws require us to do so.

Overview

Porter Bancorp, Inc. (NASDAQ: PBIB) is a Louisville, Kentucky-based bank holding company which operates 20 full-service banking offices in 13 counties through its wholly-owned subsidiary, PBI Bank. Our markets include metropolitan Louisville in Jefferson County and the surrounding counties of Henry and Bullitt, and extend south along the Interstate 65 corridor to Tennessee. We serve south central Kentucky and southern Kentucky from banking offices in Cumberland, Butler, Green, Hart, Edmonson, Barren, Warren, Ohio and Daviess Counties. We also have an office in Lexington Kentucky, the second largest city in Kentucky. The Bank is both a traditional community bank with a wide range of commercial and personal banking products, including wealth management and trust services, and an innovative online bank which delivers competitive deposit products and services through an online banking division operating under the name of Ascencia.

For the three and nine months ended September 30, 2008, respectively, the Company reported net income of $4.1 million and $11.7 million. This compares with net income of $3.3 million and $10.6 million, respectively, for the same periods of 2007. Basic and diluted earnings per share were $0.52 and $1.49 for the three and nine months ended September 30, 2008, respectively, compared with $0.44 and $1.40 for the same periods of 2007.

Significant developments during the quarter and nine months ended September 30, 2008 consist of the following:

- Net income increased 24.3% to $4.1 million for the three months ended September 30, 2008, compared with the same quarter of 2007. Earnings per diluted share increased 18.2% to $0.52 for the three months ended September 30, 2008, compared to the third quarter of 2007.
- Net interest income increased 15.8% to $12.4 million for the three months ended September 30, 2008, compared with the same quarter of 2007.
- Loans grew 24.9% to $1.3 billion compared with $1.1 billion at September 30, 2007 and 10.2% compared to $1.2 billion at December 31, 2007.
- Deposits increased 21.5% to $1.3 billion compared with $1.05 billion at September 30, 2007 and 9.0% compared to $1.2 billion at December 31, 2007. Core customer non-interest bearing deposit accounts increased 23.3% to $87.6 million from $71 million at both September 30, 2007 and December 31, 2007.
- Total assets increased 27.2% to $1.6 billion since the third quarter of 2007 and 9.6% compared to $1.5 billion at December 31, 2007, fueled by strong loan growth and the acquisitions of Kentucky Trust Bank and Paramount Bank.
- Efficiency ratio improved on a linked quarter basis to 47.5% for the three months ended September 30, 2008, compared to 50.7% for the three months ended June 30, 2008.
- Net interest margin improved four basis points on a linked quarter basis to 3.33% in the third quarter of 2008.
- Capital was strengthened with the sale of a $9 million subordinated capital note by our bank subsidiary, PBI Bank, on July 1, 2008. The capital note, which qualifies as Tier 2 capital, will provide funding for continued asset growth and maintain the bank’s strong capital position without being dilutive to common shareholders of Porter Bancorp.

The following discussion and analysis covers the primary factors affecting our performance and financial condition.

Results of Operations

The following table summarizes components of income and expense and the change in those components for the three months ended September 30, 2008, compared with the same period of 2007:

	For the Three Months Ended September 30,		Change from Prior Period	
	2008	2007	Amount	Percent
	(dollars in thousands)			
Gross interest income	$ 25,106	$ 23,851	$1,255	5.3%
Gross interest expense	12,673	13,115	(442)	(3.4)
Net interest income	12,433	10,736	1,697	15.8
Provision for credit losses	1,250	1,500	(250)	(16.7)
Non-interest income	1,725	1,313	412	31.4
Non-interest expense	6,769	5,536	1,233	22.3
Net income before taxes	6,139	5,013	1,126	22.5
Income tax expense	2,039	1,714	325	19.0
Net income	4,100	3,299	801	24.3

Net income of $4,100,000 for the three months ended September 30, 2008 increased $801,000, or 24.3%, from $3,299,000 for the comparable period of 2007. This increase in earnings was primarily attributable to increased net interest income, but was offset by increased non-interest expense. The increase in net interest income was attributable to growth in our loan portfolio, but was partially offset by the reduction in net interest margin. Non-interest expense increased due to costs related to the acquisition of Kentucky Trust Bank and Paramount Bank, increased salaries and benefits for existing employees and occupancy and equipment expense to support the addition of new offices acquired in 2007 and 2008. Expenses also increased because FDIC insurance premiums rose significantly due to growth in deposits and amendments to the FDIC’s risk-based deposit premium assessment system made by the FDIC Reform Act of 2005 that took effect in 2007.

The following table summarizes components of income and expense and the change in those components for the nine months ended September 30, 2008, compared with the same period of 2007:

	For the Nine Months Ended September 30,		Change from Prior Period	
	2008	2007	Amount	Percent
	(dollars in thousands)			
Gross interest income	$75,821	$65,840	$9,981	15.2%
Gross interest expense	40,073	35,240	4,833	13.7
Net interest income	35,748	30,600	5,148	16.8
Provision for credit losses	2,650	2,825	(175)	(6.2)
Non-interest income	5,331	3,790	1,541	40.7
Non-interest expense	20,933	15,596	5,337	34.2
Net income before taxes	17,496	15,969	1,527	9.6
Income tax expense	5,826	5,380	446	8.3
Net income	11,670	10,589	1,081	10.2

Net income of $11,670,000 for the nine months ended September 30, 2008 increased $1,081,000, or 10.2%, from $10,589,000 for the comparable period of 2007. This increase in earnings was primarily attributable to increased net interest income, but was offset by increased non-interest expense. The increase in net interest income was attributable to growth in our loan portfolio, but was partially offset by the reduction in net interest margin. Non-interest expense increased due to costs related to the acquisition of Kentucky Trust Bank and Paramount Bank, increased salaries and benefits for existing employees and occupancy and equipment expense to support the addition of new offices acquired in 2007 and 2008. Expenses also increased because FDIC insurance premiums rose significantly due to growth in deposits and amendments to the FDIC's risk-based deposit premium assessment system made by the FDIC Reform Act of 2005 that took effect in 2007.

Net Interest Income – Our net interest income was $12,433,000 for the three months ended September 30, 2008, an increase of $1,697,000, or 15.8%, compared with $10,736,000 for the same period in 2007. Net interest spread and margin were 2.98% and 3.33%, respectively, for the third quarter of 2008, compared with 3.03% and 3.60%, respectively, for the third quarter of 2007. Net interest income was $35,748,000 for the nine months ended September 30, 2008, an increase of $5,148,000, or 16.8%, compared with $30,600,000 for the same period of 2007. Net interest spread and margin were 2.88% and 3.28%, respectively, for the first nine months of 2008, compared with 3.13% and 3.73%, respectively, for the first nine months of 2007. Our spread and margin were adversely impacted as the Federal Reserve decreased rates resulting in a 275 basis point decline in the prime rate during the 12 months following September 30, 2007. However, net interest margin improved four basis points to 3.33% in the third quarter of 2008, compared with 3.29% in the second quarter of 2008 due primarily to lower funding costs. Our balance sheet is asset-sensitive, so our loan yields have responded more rapidly to the Federal Reserve rate cuts than our cost of funds. We expect a slight decline in our net interest margin in the fourth quarter of this year based on the 50 basis point rate reduction by the Federal Reserve on October 8, 2008. If interest rates remain stable, we expect continued margin expansion in 2009 based upon our expectation of continued downward liability repricing with limited repricing of assets.

Our yield on earning assets decreased to 6.70% for the third quarter of 2008 compared to 7.96% for the third quarter of 2007. Our cost of funds also decreased to 3.72% for the third quarter of 2008 compared to 4.93% for the third quarter of 2007. Our yield on earning assets declined 15 basis points from 6.85% during the second quarter of 2008 and our cost of funds decreased 22 basis points from 3.94%. Interest rate cuts made by the Federal Reserve over the last year adversely affected our margin as we are asset sensitive. However, liabilities continued to reprice during the third quarter, which lowered our cost of funds to a greater extent than the downward repricing of assets.

Our average interest-earning assets were $1.5 billion for the nine months ended September 30, 2008, compared with $1.1 billion for the nine months ended September 30, 2007, a 32.7% increase primarily attributable to loan growth. Average loans were $1.3 billion for the nine months ended September 30, 2008, compared with $963 million for the nine months ended September 30, 2007, a 36.7% increase. Our total interest income increased by 15.2% to $75.8 million for the nine months ended September 30, 2008, compared with $65.8 million for the same period in 2007. The change was due to growth in our loan portfolio and the Kentucky Trust Bank and Paramount Bank acquisitions.

Our average interest-bearing liabilities also increased, by 36.4%, to $1.3 billion for the nine months ended September 30, 2008, compared with $971.6 million for the nine months ended September 30, 2007. Our total interest expense increased by 13.7% to $40.1 million for the nine months ended September 30, 2008, compared with $35.2 million during the same period in 2007, due primarily to an increase in the volume of certificates of deposit. Our average volume of certificates of deposit increased by 30.1% to $927.7 million for the nine months ended September 30, 2008, compared with $713.2 million for the nine months ended September 30, 2007. The average interest rate paid on certificates of deposits decreased to 4.44% for the nine months ended September 30, 2008, compared with 5.09% for the nine months ended September 30, 2007. The decrease in cost of funds was the result of the continued repricing of certificates of deposit at maturity at lower interest rates. The certificate of deposit volume increase reflected organic growth as well as the acquisitions of Kentucky Trust Bank and Paramount Bank.

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Average Balance Sheets

The following table presents the average balance sheets for the three month periods ending September 30, 2008 and 2007, along with the related calculations of tax-equivalent net interest income, net interest margin and net interest spread for the related periods.

	Three Months Ended September 30,					
	2008			2007		
	Average Balance	Interest Earned/Paid	Average Yield/Cost	Average Balance	Interest Earned/Paid	Average Yield/Cost
	(dollars in thousands)					
ASSETS						
Interest-earning assets:						
Loan receivables (1)(2)	$1,351,897	$ 23,478	6.91%	$1,039,355	$ 21,941	8.38%
Securities						
Taxable	90,493	1,144	5.03	81,373	1,008	4.91
Tax-exempt (3)	21,306	216	6.20	16,476	170	6.30
FHLB stock	9,941	134	5.36	8,978	147	6.50
Other equity securities	3,045	29	3.79	4,141	46	4.41
Federal funds sold and other	21,679	105	1.93	42,904	539	4.98
Total interest-earning assets	1,498,361	25,106	6.70%	1,193,227	23,851	7.96%
Less: Allowance for loan losses	(18,280)			(13,762)		
Non-interest earning assets	102,620			67,684		
Total assets	$1,582,701			$1,247,149		
LIABILITIES AND STOCKHOLDERS' EQUITY						
Interest-bearing liabilities:						
Certificates of deposit and other time deposits	$ 954,819	$ 9,703	4.04%	$ 771,297	$ 10,029	5.16%
NOW and money market deposits	172,788	860	1.98	162,026	1,631	3.99
Savings accounts	35,157	107	1.21	25,153	98	1.55
Federal funds purchased and repurchase agreements	12,777	129	4.02	5,662	59	4.13
FHLB advances	144,442	1,421	3.91	67,149	810	4.79
Junior subordinated debentures	34,000	453	5.30	25,000	488	7.74
Total interest-bearing liabilities	1,353,983	12,673	3.72%	1,056,287	13,115	4.93%
Non-interest-bearing liabilities:						
Non-interest-bearing deposits	93,014			69,591		
Other liabilities	7,624			7,921		
Total liabilities	1,454,621			1,133,799		
Stockholders' equity	128,080			113,350		
Total liabilities and stockholders' equity	$1,582,701			$1,247,149		
Net interest income		$ 12,433			$ 10,736	
Net interest spread			2.98%			3.03%
Net interest margin			3.33%			3.60%

(1) Includes loan fees in both interest income and the calculation of yield on loans.
(2) Calculations include non-accruing loans in average loan amounts outstanding.
(3) Taxable equivalent yields are calculated assuming a 35% federal income tax rate.

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Average Balance Sheets

The following table presents the average balance sheets for the six month periods ending September 30, 2008 and 2007, along with the related calculations of tax-equivalent net interest income, net interest margin and net interest spread for the related periods.

	Nine Months Ended September 30,					
	2008			2007		
	Average Balance	Interest Earned/Paid	Average Yield/Cost	Average Balance	Interest Earned/Paid	Average Yield/Cost
	(dollars in thousands)					
ASSETS						
Interest-earning assets:						
Loan receivables (1)(2)	$1,316,367	$ 70,655	7.17%	$ 962,822	$ 60,498	8.40%
Securities						
Taxable	95,433	3,622	5.07	81,688	3,002	4.91
Tax-exempt (3)	19,949	606	6.24	16,364	507	6.37
FHLB stock	9,810	393	5.35	8,978	434	6.46
Other equity securities	3,852	95	3.29	3,753	121	4.31
Federal funds sold and other	24,100	450	2.49	33,899	1,278	5.04
Total interest-earning assets	1,469,511	75,821	6.92%	1,107,504	65,840	7.98%
Less: Allowance for loan losses	(17,861)			(13,394)		
Non-interest earning assets	101,651			65,144		
Total assets	$1,553,301			$1,159,254		
LIABILITIES AND STOCKHOLDERS' EQUITY						
Interest-bearing liabilities:						
Certificates of deposit and other time deposits	$ 927,659	$ 30,809	4.44%	$ 713,241	$ 27,161	5.09%
NOW and money market deposits	183,890	3,118	2.26	141,831	4,015	3.78
Savings accounts	34,031	336	1.32	24,744	265	1.43
Federal funds purchased and repurchase agreements	14,741	436	3.95	2,801	74	3.53
FHLB advances	137,182	4,178	4.07	63,954	2,292	4.79
Junior subordinated debentures	28,022	1,196	5.70	25,000	1,433	7.66
Total interest-bearing liabilities	1,325,525	40,073	4.04%	971,571	35,240	4.85%
Non-interest-bearing liabilities:						
Non-interest-bearing deposits	94,175			68,499		
Other liabilities	7,489			7,087		
Total liabilities	1,427,189			1,047,157		
Stockholders' equity	126,112			112,097		
Total liabilities and stockholders' equity	$1,553,301			$1,159,254		
Net interest income		$ 35,748			$ 30,600	
Net interest spread			2.88%			3.13%
Net interest margin			3.28%			3.73%

(1) Includes loan fees in both interest income and the calculation of yield on loans.
(2) Calculations include non-accruing loans in average loan amounts outstanding.
(3) Taxable equivalent yields are calculated assuming a 35% federal income tax rate.

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Rate/Volume Analysis

The table below sets forth certain information regarding changes in interest income and interest expense for the periods indicated. For each category of interest-earning assets and interest-bearing liabilities, information is provided on changes attributable to (1) changes in rate (changes in rate multiplied by old volume); (2) changes in volume (changes in volume multiplied by old rate); and (3) changes in rate-volume (change in rate multiplied by change in volume). Changes in rate-volume are proportionately allocated between rate and volume variance.

	Three Months Ended September 30, 2008 vs. 2007			Nine Months Ended September 30, 2008 vs. 2007		
	Increase (decrease) due to change in			Increase (decrease) due to change in		
	Rate	Volume	Net Change	Rate	Volume	Net Change
	(in thousands)					
Interest-earning assets:						
Loan receivables	$ (4,325)	$ 5,862	$ 1,537	$(9,739)	$19,896	$10,157
Securities	12	170	182	86	633	719
FHLB stock	(28)	15	(13)	(79)	38	(41)
Other equity securities	(10)	(7)	(17)	(29)	3	(26)
Federal funds sold and other	(240)	(194)	(434)	(210)	(618)	(828)
Total increase in interest income	(4,591)	5,846	1,255	(9,971)	19,952	9,981
Interest-bearing liabilities:						
Certificates of deposit and other time deposits	(2,440)	2,114	(326)	(3,785)	7,433	3,648
NOW and money market accounts	(873)	102	(771)	(1,885)	988	(897)
Savings accounts	(24)	33	9	(19)	90	71
Federal funds purchased and repurchased agreements	(2)	72	70	10	352	362
FHLB advances	(173)	784	611	(390)	2,276	1,886
Junior subordinated debentures	(181)	146	(35)	(449)	212	(237)
Total increase in interest expense	(3,693)	3,251	(442)	(6,518)	11,351	4,833
Increase (decrease) in net interest income	$ (898)	$ 2,595	$ 1,697	$(3,453)	$ 8,601	$ 5,148

Non-Interest Income – The following table presents the major categories of non-interest income for the three and nine months ended September 30, 2008 and 2007:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
	(in thousands)			
Service charges on deposit accounts	$ 876	$ 669	$2,607	$1,852
Income from fiduciary activities	261	—	845	—
Secondary market brokerage fees	92	67	306	232
Title insurance commissions	50	37	144	149
(Losses) gains on sales of investment securities, net	(101)	42	(146)	104
Other	547	498	1,575	1,453
Total non-interest income	$ 1,725	$ 1,313	$5,331	$3,790

Non-interest income for the third quarter ended September 30, 2008 increased $412,000, or 31.4%, compared with the third quarter of 2007. For the nine months ended September 30, 2008 non-interest income increased by $1.5 million to $5.3 million compared with $3.8 million for same period of 2007. The increase in non-interest income for both the third quarter and nine months ended September 30, 2008 was primarily due to higher service charges on deposit accounts and income from fiduciary activities from the trust operation acquired in the Kentucky Trust Bank transaction. Income from fiduciary activities added $261,000 and $845,000 to non-interest income in the third quarter and first nine months of 2008, respectively. This was partially offset by a $101,000 net loss on the sale of securities in the third quarter of 2008 compared with a net gain of $42,000 in the same quarter of 2007 and a $146,000 net loss on the sale of securities for the first nine months of the current year compared with a net gain of $104,000 for the first nine months of 2007.

Non-interest Expense – The following table presents the major categories of non-interest expense for the three and nine months ended September 30, 2008 and 2007:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
	(in thousands)			
Salary and employee benefits	$ 3,666	$ 3,115	$11,382	$ 9,051
Occupancy and equipment	882	673	2,699	1,837
State franchise tax	435	326	1,305	976
FDIC insurance	284	76	747	127
Professional fees	177	149	595	485
Postage and delivery	201	127	568	388
Communications	181	113	530	322
Other real estate owned expense	109	232	456	327
Office supplies	108	105	446	348
Advertising	100	140	401	393
Other	626	480	1,804	1,342
Total non-interest expense	$ 6,769	$ 5,536	$20,933	$15,596

Non-interest expense for the third quarter ended September 30, 2008 increased $1.2 million, or 22.3%, compared with the third quarter of 2007. For the nine months ended September 30, 2008, non-interest expense increased $5.3 million, or 34.2%, to $20.9 million compared with $15.6 million for the first nine months of 2007. The increase in non-interest expense was primarily attributable to costs related to the acquisitions of Kentucky Trust Bank and Paramount Bank, increased salaries and benefits for existing employees, and occupancy and equipment expense to support the addition of new offices acquired in 2007 and 2008. Expenses also increased because FDIC insurance premiums rose significantly due to growth in deposits and amendments made by the FDIC to its risk-based deposit premium assessment system taking effect in 2007. Expenses also increased for other real estate owned from $327,000 in the first nine months of 2007 to $456,000 in the first nine months of 2008 due to higher costs related to foreclosures on non-performing credits, repossessing collateral and other collection efforts. This increase in non-interest expense primarily caused our efficiency ratio to increase to 50.8% for the first nine months of 2008 compared with 45.5% for the same period of 2007.

Income Tax Expense – Income tax expense was $2.0 million, or 33.2% of pre-tax income, for the third quarter ended September 30, 2008, and $5.8 million, or 33.3% of pre-tax income for the first nine months of 2008, compared with $1.7 million, or 34.2% of pre-tax income, for the third quarter of 2007, and $5.4 million, or 33.7% of pre-tax income, for the first nine months of 2007. The decrease in effective tax rate between periods is attributable to an increase in non-taxable income from municipal securities and increased tax credits related to investments in community development partnerships.

Analysis of Financial Condition

Total assets increased $140.2 million, or 9.6%, to $1.6 billion at September 30, 2008 from $1.5 billion at December 31, 2007. This increase was primarily attributable to an increase of $122.5 million in net loans from organic growth and the acquisition of Paramount Bank.

Loans Receivable – Loans receivable increased $124.8 million, or 10.2%, during the nine months ended September 30, 2008 to $1.3 billion. Our commercial, commercial real estate and real estate construction portfolios increased by an aggregate of $59.9 million, or 7.1%, during the nine months and comprised 67.7% of the total loan portfolio at September 30, 2008.

Loan Portfolio Composition – The following table presents a summary of the loan portfolio at the dates indicated, net of deferred loan fees, by type. There are no foreign loans in our portfolio; and other than commercial real estate, construction real estate and residential real estate, there is no concentration of loans in any industry exceeding 10% of total loans.

	As of September 30, 2008		As of December 31, 2007	
	Amount	Percent	Amount	Percent
	(dollars in thousands)			
Type of Loan:				
Real estate:				
Commercial	$ 449,686	33.50%	$ 422,405	34.69%
Construction	368,424	27.44	318,462	26.15
Residential	341,081	25.41	288,703	23.71
Home equity	32,833	2.45	25,382	2.08
Commercial	91,316	6.80	108,619	8.92
Consumer	39,318	2.93	38,061	3.13
Agriculture	16,580	1.23	14,855	1.22
Other	3,229	0.24	1,211	0.10
Total loans	$1,342,467	100.00%	$1,217,698	100.00%

Non-Performing Assets – Non-performing assets consist of certain restructured loans for which interest rate or other terms have been renegotiated, loans past due 90 days or more still on accrual, loans on which interest is no longer accrued, real estate acquired through foreclosure and repossessed assets.

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The following table sets forth information with respect to non-performing assets as of September 30, 2008 and December 31, 2007.

	September 30, 2008	December 31, 2007
	(dollars in thousands)	
Loans past due 90 days or more still on accrual	$ 4,997	$ 2,145
Non-accrual loans	10,420	10,524
Total non-performing loans	15,417	12,669
Real estate acquired through foreclosure	7,521	4,309
Other repossessed assets	96	30
Total non-performing assets	$ 23,034	$ 17,008
Non-performing loans to total loans	1.15%	1.04%
Non-performing assets to total assets	1.44%	1.17%

Nonperforming loans at September 30, 2008 were $15.4 million, or 1.15% of total loans, compared with $8.4 million, or 0.78% of total loans, at September 30, 2007, and $12.7 million, or 1.04% of total loans, at December 31, 2007. The increase of $2.7 million in non-performing loans from December 31, 2007 to September 30, 2008 is primarily attributable to the effects of the economic slowdown in the real estate market. We continue to closely monitor non-performing loans.

Foreclosed properties at September 30, 2008 were $7.5 million compared with $6.9 million at September 30, 2007 and $4.3 million at December 31, 2007. The increase in foreclosed properties from year-end 2007 is attributable to the economic slowdown in the real estate market and the normal progression of troubled loans through workout, collateral repossession and ultimate disposition. We value foreclosed properties at fair value less costs to sell when acquired and expect to liquidate these properties to recover our investment in the due course of business.

Allowance for Loan Losses – The allowance for loan losses is based on management's continuing review and risk evaluation of individual loans, loss experience, current economic conditions, risk characteristics of various categories of loans and such other factors that, in management's judgment, require current recognition in estimating loan losses.

Management has established loan grading procedures that result in specific allowance allocations for any estimated inherent risk of loss. For loans not individually graded, a general allowance allocation is computed using factors developed over time based on actual loss experience. The specific and general allocations plus consideration of qualitative factors represent management's best estimate of probable losses contained in the loan portfolio at the evaluation date. Although the allowance for loan losses is comprised of specific and general allocations, the entire allowance is available to absorb any credit losses.

Our loan loss reserve as a percentage of total loans at September 30, 2008 increased to 1.39% from 1.35% at September 30, 2007 and from 1.34% at December 31, 2007. Provision for loan losses decreased $250,000 to $1.3 million for the third quarter of 2008 compared with the third quarter of 2007 and increased $500,000 compared with the second quarter of 2008. Provision for loan losses decreased $175,000 to $2.7 million for the nine months ended September 30, 2008, compared with $2.8 million for the same nine months of 2007. The decrease in provision expense was primarily due to the moderation of loan growth in the current periods. Net loan charge-offs were very stable for the periods under review. Net charge-offs for the third quarter of 2008 were $745,000, or 0.06% of average loans, compared with $479,000, or 0.05%, for the third quarter of 2007, and $684,000, or 0.05%, for the second quarter of 2008. Net charge-offs for the nine months ended September 30, 2008, were $1.8 million, or 0.13% of average loans, compared with $1.2 million, or 0.12%, for the first nine months of 2007.

An analysis of changes in allowance for loan losses and selected ratios for the three and nine month periods ended September 30, 2008 and 2007 follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
	(dollars in thousands)			
Balance at beginning of period	$18,133	$13,479	$16,342	$12,832
Acquired in bank acquisition	—	—	1,420	—
Provision for loan losses	1,250	1,500	2,650	2,825
Recoveries	37	40	225	188
Charge-offs	(782)	(519)	(1,999)	(1,345)
Balance at end of period	$18,638	$14,500	$18,638	$14,500
Allowance for loan losses to period-end loans	1.39%	1.35%	1.39%	1.35%
Net charge-offs to average loans	0.06%	0.05%	0.13%	0.12%
Allowance for loan losses to non-performing loans	120.89%	173.34%	120.89%	173.34%

Liabilities – Total liabilities at September 30, 2008 were $1.5 billion compared with $1.3 billion at December 31, 2007, an increase of $134.7 million, or 10.1%. The increase was primarily attributable to an increase in deposits of $105.4 million, or 9.0%, at September 30, 2008 to $1.3 billion from $1.2 billion at December 31, 2007 primarily due to the acquisition of Paramount Bank.

Federal Home Loan Bank advances also increased $22.1 million, or 18.1%, to $143.8 million from $121.8 million at December 31, 2007. These advances are used from time to time to fund asset growth and manage interest rate risk in accordance with our asset/liability management strategies.

Deposits are our primary source of funds. The following table sets forth the average daily balances and weighted average rates paid for our deposits for the periods indicated:

	For the Nine Months Ended September 30, 2008		For the Year Ended December 31, 2007	
	Average Balance	Average Rate	Average Balance	Average Rate
	(dollars in thousands)			
Demand	$ 94,175	—	$ 73,183	—
Interest checking	96,414	1.86%	60,600	2.05%
Money market	87,476	2.71	97,045	4.69
Savings	34,031	1.32	25,766	1.44
Certificates of deposit	927,659	4.44	740,693	5.09
Total deposits	$1,239,755	3.69	$997,287	4.40

The following table sets forth the average daily balances and weighted average rates paid for our certificates of deposit for the periods indicated:

	For the Nine Months Ended September 30, 2008		For the Year Ended December 31, 2007	
	Average Balance	Average Rate	Average Balance	Average Rate
	(dollars in thousands)			
Less than $100,000	$ 602,879	4.41%	$529,114	5.04%
$100,000 or more	324,780	4.49	211,579	5.22
Total	$ 927,659	4.44	$740,693	5.09

The following table shows at September 30, 2008 and December 31, 2007 the amount of our time deposits of $100,000 or more by time remaining until maturity:

Maturity Period	As of September 30, 2008	As of December 31, 2007
	(in thousands)	
Three months or less	$ 90,361	$ 95,315
Three months through six months	93,977	73,012
Six months through twelve months	119,782	66,536
Over twelve months	66,453	44,871
Total	$ 370,573	$ 279,734

Liquidity

Liquidity risk arises from the possibility we may not be able to satisfy current or future financial commitments, or may become unduly reliant on alternative funding sources. The objective of liquidity risk management is to ensure that the cash flow requirements of depositors and borrowers, as well as our operating cash needs, are met, taking into account all on- and off-balance sheet funding demands. Liquidity risk management also includes ensuring cash flow needs are met at a reasonable cost. We maintain an investment and funds management policy, which identifies the primary sources of liquidity, establishes procedures for monitoring and measuring liquidity and establishes minimum liquidity requirements in compliance with regulatory guidance. The liquidity position is continually monitored and reviewed by our Asset Liability Committee.

Funds are available from a number of sources, including the sale of securities in the available-for-sale portion of the investment portfolio, principal pay-downs on loans and mortgage-backed securities, brokered deposits and other wholesale funding. During 2007 and the first nine months of 2008, PBI Bank utilized brokered and wholesale deposits to supplement its funding strategy. At September 30, 2008, these deposits totaled $61.5 million. PBI Bank also secured federal funds borrowing lines from major correspondent banks totaling $46.3 million on an unsecured basis and an additional $25 million on a secured basis.

Traditionally, PBI Bank has utilized borrowings from the FHLB to supplement our funding requirements. At September 30, 2008, the Bank had an unused borrowing capacity with the FHLB of $67.5 million. Management believes our sources of liquidity are adequate to meet expected cash needs for the foreseeable future.

We use cash to pay dividends on common stock, if and when declared by the board of directors, and to service debt. The main sources of funding include dividends paid by PBI Bank, management fees received from PBI Bank and affiliated banks and financing obtained in the capital markets.

Capital

Stockholders' equity increased $5.5 million to $127.8 million at September 30, 2008, compared with $122.3 million at December 31, 2007. The increase was due to net income earned during the first nine months of 2008 reduced by dividends declared and changes in accumulated other comprehensive loss. The Company and the Bank qualified as well capitalized under regulatory guidelines at September 30, 2008.

Each of the federal bank regulatory agencies has established minimum leverage capital requirements for banking organizations. Banking organizations must maintain a minimum ratio of Tier 1 capital to adjusted average quarterly assets equal to 3% to 5% subject to federal bank regulatory evaluation of an organization's overall safety and soundness.

The following table shows the ratios of Tier 1 capital and total capital to risk-adjusted assets and the leverage ratios for Porter Bancorp, Inc. and PBI Bank at the dates indicated:

	Regulatory	Well-Capitalized	September 30, 2008		December 31, 2007	
	Minimums	Minimums	Porter Bancorp	PBI Bank	Porter Bancorp	PBI Bank
Tier I capital	4.0%	6.0%	9.55%	9.18%	10.39%	9.30%
Total risk-based capital	8.0	10.0	11.49	11.12	11.64	10.55
Tier I leverage ratio	4.0	5.0	8.11	7.78	9.07	8.11

Item 3. Quantitative and Qualitative Disclosures about Market Risk

The Company's interest sensitivity profile was asset sensitive at September 30, 2008, and December 31, 2007. Given an instantaneous 100 basis point decrease in rates that was sustained for 12 months, base net interest income would decrease by an estimated 6.1% at September 30, 2008 compared with a decrease of 5.4% at December 31, 2007. Given a 100 basis point increase in interest rates, base net interest income would increase by an estimated 4.7% at September 30, 2008, compared with an increase of 5.3% at December 31, 2007 and is within the risk tolerance parameters of our risk management policy.

The following table indicates the estimated impact on net interest income under various interest rate scenarios for the twelve months following September 30, 2008, as calculated using the static shock model approach:

	Change in Future Net Interest Income	
	Dollar Change	Percentage Change
	(dollars in thousands)	
+ 200 basis points	$ 4,998	10.16%
+ 100 basis points	2,306	4.69
- 100 basis points	(3,006)	(6.11)
- 200 basis points	(7,643)	(15.53)

Item 4. Controls and Procedures

As of the end of the period covered by this Quarterly Report on Form 10-Q for the quarter ended September 30, 2008, we carried out an evaluation, under the supervision and with the participation of our management, including our chief executive officer and chief financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934). Based on this evaluation, our chief executive officer and chief financial officer concluded that, as of the end of the fiscal quarter covered by this report, these disclosure controls and procedures are effective to ensure that information required to be disclosed by us in the reports we file or submit under the Exchange Act is: (a) recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission, and (b) accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate to allow timely decisions regarding required disclosure. Additionally, there was no change in our internal control over financial reporting during the fiscal quarter covered by this report that has materially affected, or is reasonably likely to materially affect, the internal control over financial reporting.

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PART II – OTHER INFORMATION

Item 1. Legal Proceedings

In the normal course of operations, we are defendants in various legal proceedings. In the opinion of management, there is no proceeding pending or, to the knowledge of our management, threatened litigation in which an adverse decision could result in a material adverse change in our business or consolidated financial position.

Item 1A. Risk Factors

Information regarding risk factors appears in the Company's Annual Report on Form 10-K for the year ended December 31, 2007 under Item 1A – Risk Factors. There have been no material changes from the risk factors previously discussed in our Form 10-K.

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

Purchases of Equity Securities by Issuer

In December 2006, the Company's Board of Directors approved the repurchase of shares of Porter Bancorp's common stock in an amount not to exceed $3 million, exclusive of any fees or commissions. The shares may be repurchased from time to time in open market transactions or privately negotiated transactions at its discretion, subject to market conditions and other factors. The Company did not repurchase any shares in the third quarter of 2008. As of September 30, 2008, Porter Bancorp had approximately $2.5 million remaining to purchase shares under the current stock repurchase program.

Item 3. Default Upon Senior Securities

Not applicable.

Item 4. Submission of Matters to a Vote of Securities Holders

Not applicable.

Item 5. Other Information

Not applicable.

Item 6. Exhibits

(a) Exhibits

The following exhibits are filed or furnished as part of this report:

Exhibit Number	Description of Exhibit
31.1	Certificationof Principal Executive Officer, pursuant to Rule 13a – 14(a).
31.2	Certificationof Principal Financial Officer, pursuant to Rule 13a – 14(a).
32.1	Certification of Principal Executive Officer, pursuant to 18 U.S.C Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Principal Financial Officer, pursuant to 18 U.S.C Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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SIGNATURES

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

	PORTER BANCORP, INC. (Registrant)
October 31, 2008	By: /s/ Maria L. Bouvette Maria L. Bouvette President & Chief Executive Officer
October 31, 2008	By: /s/ David B. Pierce David B. Pierce Chief Financial Officer and Chief Accounting Officer

Exhibit 31.1

Porter Bancorp, Inc.
Rule 13a-14(a) Certification
of Chief Executive Officer

I, Maria L. Bouvette, Chief Executive Officer of Porter Bancorp, Inc. (the "Company"), certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of the Company;

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(s) 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)) 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(s) 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.

Dated: October 31, 2008

/s/ Maria L. Bouvette
Maria L. Bouvette
Chief Executive Officer

Exhibit 31.2

Porter Bancorp, Inc.
Rule 13a-14(a) Certification
of Chief Financial Officer

I, David B. Pierce, Chief Financial Officer of Porter Bancorp, Inc. (the "Company"), certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of the Company;

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(s) 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)) 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(s) 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.

Dated: October 31, 2008

/s/ David B. Pierce
David B. Pierce
Chief Financial Officer

Exhibit 32.1

SECTION 906 CERTIFICATION

In connection with the Quarterly Report on Form 10-Q of Porter Bancorp, Inc. (the “Company”) for the quarterly period ended September 30, 2008, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Maria L. Bouvette, Chief Executive Officer of the Company, do hereby certify, in accordance with 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

PORTER BANCORP, INC.

Dated: October 31, 2008

By: /s/ Maria L. Bouvette
Maria L. Bouvette
Chief Executive Officer

Exhibit 32.2

SECTION 906 CERTIFICATION

In connection with the Quarterly Report on Form 10-Q of Porter Bancorp, Inc. (the "Company") for the annual period ended September 30, 2008, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David B. Pierce, Chief Financial Officer of the Company, do hereby certify, in accordance with 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

PORTER BANCORP, INC.

Dated: October 31, 2008

By: /s/ David B. Pierce
David B. Pierce
Chief Financial Officer