CITIZENS FIRST CORP
Form 10QSB
August 15, 2005

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U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-QSB

X Quarterly report under Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended June 30, 2005

___ Transition report under Section 13 or 15(d) of the Exchange Act
For the transition period from _______ to _________

Commission File Number 333-67435

CITIZENS FIRST CORPORATION
(Exact Name of Small Business Issuer as Specified in its Charter)

Kentucky	61-0912615
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

1805 Campbell Lane, Bowling Green, Kentucky 42101
(Address of principal executive offices)

Issuer's telephone number, including area code: (270) 393-0700

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 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 ___

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date:

Class	OUTSTANDING AT AUGUST 15, 2005
Common Stock, no par value	893,643

Transitional Small Disclosure Format: Yes ___ No X

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CITIZENS FIRST CORPORATION

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PART 1. FINANCIAL STATEMENTS
ITEM 1. FINANCIAL STATEMENTS
CITIZENS FIRST CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS

	(Unaudited) JUNE 30, 2005	DECEMBE
ASSETS		
Cash and due from banks	$ 4,854,740	$ 3,9
Federal funds sold	--	1
Cash and cash equivalents	4,854,740	4,0
Available for sale securities	12,656,827	12,8
Federal Home Loan Bank (FHLB) stock	599,100	5
Mortgage loans held for sale	492,175	6
Loans	156,553,695	146,9
Less allowance for loan losses	1,890,776	1,7
Net loans	154,662,919	145,2
Premises and equipment, net	3,872,168	3,6
Interest receivable	875,182	7
Deferred income taxes	318,729	5
Goodwill	936,416	9
Other assets	327,594	1
Total assets	$ 179,595,850	$ 169,5
LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Demand deposits	$ 17,647,948	$ 15,0
Savings, NOW and money market deposits	52,943,993	54,7
Time deposits	70,034,769	60,7

Total deposits	140,626,710	130,5
Federal funds purchased	1,273,557	2,5
Securities sold under agreements to repurchase	3,556,919	3,8
Long-term debt	14,000,000	13,0
Income taxes payable	--	1
Accrued interest and other liabilities	1,019,573	1,2
Total liabilities	160,476,759	151,3
Stockholders' equity:		
Preferred stock cumulative;500 shares authorized; 250 shares issued and outstanding; no par value,at June 30, 2005 and at December 31,2004	7,659,340	7,6
Common stock, no par value, authorized 2,000,000 shares; issued and outstanding 893,643 and 887,719, shares, respectively at June 30, 2005 and December 31, 2004	10,079,986	9,9
Retained earnings	1,549,407	8
Accumulated other comprehensive income (loss)	(169,642)	(3
Total stockholders' equity	19,119,091	18,1
Total liabilities and stockholders' equity	$ 179,595,850	$ 169,5

See accompanying notes to condensed consolidated financial statements.

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CITIZENS FIRST CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)
FOR THE THREE MONTHS ENDED JUNE 30:

	2005
INTEREST INCOME	
Loans, including fees	$2,524,236
Available-for-sale securities	118,996
Federal funds sold	6,359
Dividends on FHLB stock	7,655
Total interest income	2,657,246
INTEREST EXPENSE	
Deposits	657,152
Securities sold under agreements to repurchase	8,952
Long-term debt	82,371
Federal funds purchased	11,299
Total interest expense	759,774
NET INTEREST INCOME	1,897,472
Provision for loan losses	85,000
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	1,812,472

NON-INTEREST INCOME	
Service charges on deposit accounts	213,024
Other service charges and fees	44,866
Mortgage banking income	97,443
Trust referral fees	6,000
Total non-interest income	361,333
NON-INTEREST EXPENSES	
Salaries and employee benefits	690,383
Net occupancy expense	92,773
Furniture and equipment expense	93,790
Advertising	52,512
Professional fees	122,936
Data processing services	100,165
FDIC and other insurance	28,927
Franchise shares and deposit tax	51,150
Business manager expense	1,845
Postage, printing and supplies	26,820
Telephone and other communication	30,858
Other	117,328
Total non-interest expenses	1,409,487
INCOME BEFORE INCOME TAXES	764,318
Income tax expense	260,300
NET INCOME	504,018
PREFERRED DIVIDENDS	(129,611)
NET INCOME AVAILABLE FOR COMMON SHAREHOLDERS	$374,407
BASIC EARNINGS PER COMMON SHARE	$0.42
DILUTED EARNINGS PER COMMON SHARE	$0.35

See accompanying notes to condensed consolidated financial statements.

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CITIZENS FIRST CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)
FOR THE SIX MONTHS ENDED JUNE 30:

	2005
INTEREST INCOME	
Loans, including fees	$4,803,919
Available-for-sale securities	238,859
Federal funds sold	13,584
Dividends on FHLB stock	13,655
Total interest income	5,070,017
INTEREST EXPENSE	
Deposits	1,238,835
Securities sold under agreements to repurchase	16,894
Long-term debt	148,261

Federal funds purchased	21,844
Total interest expense	1,425,834
NET INTEREST INCOME	3,644,183
Provision for loan losses	120,000
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	3,524,183
NON-INTEREST INCOME	
Service charges on deposit accounts	405,170
Other service charges and fees	83,989
Mortgage banking income	195,070
Net realized (losses) on sale of available-for-sale securities	-
Trust referral fees	9,000
Total non-interest income	693,229
NON-INTEREST EXPENSES	
Salaries and employee benefits	1,360,859
Net occupancy expense	180,585
Furniture and equipment expense	188,429
Advertising	90,544
Professional fees	217,591
Data processing services	190,343
FDIC and other insurance	59,658
Franchise shares and deposit tax	102,300
Business manager expense	5,981
Postage, printing and supplies	54,553
Telephone and other communication	61,836
Other	256,699
Total non-interest expenses	2,769,378
INCOME BEFORE INCOME TAXES	1,448,034
Income tax expense	492,800
NET INCOME	955,234
PREFERRED DIVIDENDS	(257,798)
NET INCOME AVAILABLE FOR COMMON SHAREHOLDERS	$697,436
BASIC EARNINGS PER COMMON SHARE	$0.78
DILUTED EARNINGS PER COMMON SHARE	$0.67

See accompanying notes to condensed consolidated financial statements.

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CITIZENS FIRST CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

(Unaudited)

FOR THE SIX MONTHS ENDED JUNE 30:	2005	2004
Balance January 1	$ 18,176,640	$ 9,610,377
Net income	955,234	328,357
Issuance of common stock	104,856	54,150

Payment of preferred dividends, $1,031.19 per share	(257,799)	--
Other comprehensive income (loss), net of tax	140,160	(211,681)
Balance at end of period	$ 19,119,091	$ 9,781,203

See accompanying notes to condensed consolidated financial statements.

CITIZENS FIRST CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

FOR THE SIX MONTHS ENDED JUNE 30:

	2005	2004
Net income	$ 955,234	$ 328,357
Other comprehensive income (loss), net of tax:		
Unrealized gain (loss) on available for sale securities, net of income taxes (benefits) of $72,203 and $(109,048), arising during the period, respectively.......	140,160	(211,681)
Comprehensive income	$ 1,095,394	$ 116,676

See accompanying notes to condensed consolidated financial statements.

CITIZENS FIRST CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

FOR THE THREE MONTHS ENDED JUNE 30:

	2005	2004
Net income	$ 504,018	$ 182,749
Other comprehensive income (loss), net of tax:		
Unrealized gain (loss) on available for sale securities, net of income taxes (benefits) of $143,615 and $(324,001), arising during the period, respectively........	278,783	(628,944)
Comprehensive income	$ 782,801	$ 446,195

See accompanying notes to condensed consolidated financial statements.

CITIZENS FIRST CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30:

	(Unaudited) 2005	(Unaudited) 2004
OPERATING ACTIVITIES:		
Net income	$ 955,234	$ 328,357
Items not requiring (providing) cash:		
Depreciation and amortization	165,570	243,135
Provision for loan losses	120,000	120,000
Amortization of premiums and discounts on securities	7,235	11,191
Loss on sale of property, plant and equipment	--	1,071
Loss on sale of other real estate owned	6,803	--
Deferred income taxes (benefits)	105,317	(371,831)
Net realized losses on disposition of investment securities	--	34,368
Gains on sales of loans	(164,703)	(179,460)
Sale of mortgage loans held for sale	10,954,191	10,263,712
Origination of mortgage loans for sale	(10,632,163)	(9,823,437)
FHLB stock dividend received	(13,500)	(10,300)
Changes in:		
Interest receivable	(86,311)	(10,475)
Income taxes receivable	45,496	95,838
Other assets	52,630	168,068
Interest payable and other liabilities	(278,486)	189,374
Net cash from operating activities	1,237,313	1,059,611
INVESTING ACTIVITIES:		
Net changes in loans	(9,818,201)	(3,864,293)
Purchases of premises and equipment	(409,421)	(40,228)
Proceeds from sale of property, plant and equipment	--	625
Proceeds from maturities of securities available for sale	437,286	446,193
Proceeds from sales of available-for-sale securities	--	4,727,438
Purchase of FHLB stock	(2,800)	(135,300)
Proceeds from sale of other real estate owned	264,929	--
Payment related to purchase of Commonwealth Mortgage and Southern KY Land Title, Inc., net of stock issued	(251,717)	(162,401)
Net cash from investing activities	(9,779,924)	972,034
FINANCING ACTIVITIES:		
Net increase in demand deposits, money market, NOW, and savings accounts	806,529	6,436,246
Net increase (decrease) in certificates of deposit	9,291,444	(6,686,725)
Proceeds from long-term borrowings	1,000,000	2,000,000
Net decrease in federal funds purchased and repurchase agreements	(1,542,056)	(684,496)
Issuance of common stock	20,950	54,149
Dividends paid on preferred stock	(259,223)	--
Net cash from financing activities	9,317,644	1,119,174
NET INCREASE IN CASH AND CASH EQUIVALENTS	775,033	3,150,819
Cash and cash equivalents at beginning of period	4,079,707	5,233,396
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 4,854,740	$ 8,384,215
Supplemental Cash Flow Information:		
Cash paid for interest	$ 1,495,863	$705,490
Cash paid for income taxes	$ 615,500	$ -
Real estate acquired in settlement of loans:	$ 265,144	$ -

See accompanying notes to condensed consolidated financial statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of Citizens First Corporation (the "Company") and its subsidiary, Citizens First Bank, Inc. (the "Bank"), conform to accounting principles generally accepted in the United States of America and general practices within the banking industry. The condensed consolidated financial statements include the accounts of the Company and the Bank. All significant intercompany transactions and accounts have been eliminated in consolidation.

Certain information and note disclosures normally included in the Company's annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's Form 10-KSB annual report for 2004 filed with the Securities and Exchange Commission.

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.

In the opinion of management, all adjustments considered necessary for a fair presentation have been reflected in the accompanying unaudited financial statements. Results of interim periods are not necessarily indicative of results to be expected for the full year. Those adjustments consist only of normal recurring adjustments. The condensed consolidated balance sheet of the Company as of December 31, 2004, has been derived from the audited consolidated balance sheet of the Company as of that date.

STOCK OPTION PLANS

All references to stock options, earnings per share and the amount of common stock issued and outstanding have been adjusted to reflect the 5% common stock dividend that was paid on May 30, 2005, to record holders of common stock on April 29, 2005.

On December 9, 2002, the board of directors adopted the 2002 Stock Option Plan, which became effective subject to the approval of the Company's shareholders at the annual meeting in April 2003. The purpose of the plan is to afford key employees an incentive to remain in the employ of the Company and its subsidiaries and to use their best efforts on its behalf. 126,000 shares of Company common stock have been reserved for issuance under the plan.

On January 17, 2003, the board of directors adopted the 2003 Stock Option Plan for Non-Employee Directors, which became effective subject to the approval of the Company's shareholders at the annual meeting in April 2003. The purpose of the plan is to assist the Company in promoting a greater identity of interest between the Company's non-employee directors and shareholders, and in attracting and retaining non-employee directors by affording them an opportunity to share in the Company's future successes. 42,000 shares of common stock have been reserved for issuance under the plan.

The 2002 Stock Option Plan and the 2003 Stock Option Plan for Non-Employee Directors were approved at the Company's Annual Meeting of Shareholders on April 17, 2003. On January 14, 2004, the Company granted options to purchase 42,000 shares under the employee stock option plan and 5,250 shares under the non-employee stock option plan. On May 20, 2004, the Company granted options to purchase 4,725 shares under the non-employee stock option plan. On January 12, 2005, the Company granted options to purchase 42,000 shares under the employee stock option plan. The Company on April 21, 2005, granted options to purchase 6,300 shares under the non-employee stock option plan.

The Company accounts for these plans under the recognition and measurement principles of APB Opinion No. 25, Accounting for Stock Issued to Employees, and related Interpretations. No stock-based employee compensation cost is reflected in net income, as all options granted under this plan had an exercise price equal to the market value of the

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underlying common stock on the grant date. The following tables illustrates the effect on net income and earnings per share if the Company had applied the fair value provisions of FASB Statement No. 123, Accounting for Stock-Based Compensation, to stock-based employee compensation,
for the quarter and six months ended June 30, 2005 and 2004.

	Quarter Ended June 30 2005	2004
Net income, as reported	$ 504,018	$ 182,749
Less: Total stock-based employee compensation cost determined under the fair value based method, net of income taxes	50,861	17,691
Pro forma net income	$ 453,157	$ 165,058
Earnings per share:		
Basic - as reported	$ 0.42	$ 0.21
Basic - pro forma	$ 0.36	$ 0.19
Diluted - as reported	$ 0.35	$ 0.21
Diluted - pro forma	$ 0.31	$ 0.19

	Six Months Ended June 30 2005	2004
Net income, as reported	$ 955,234	$ 328,357
Less: Total stock-based employee compensation cost determined under the fair value based method, net of income taxes	97,196	35,275
Pro forma net income	$ 858,038	$ 293,082
Earnings per share:		
Basic - as reported	$ 0.78	$ 0.37
Basic - pro forma	$ 0.67	$ 0.33
Diluted - as reported	$ 0.67	$ 0.37
Diluted - pro forma	$ 0.60	$ 0.33

The Company's 2002 Stock Option Plan is a fixed option plan under which the

Company may grant options that vest over 3 years to selected employees for up to 126,000 shares of common stock. The Company's 2003 Stock Option Plan is a fixed option plan under which the Company may grant options that vest immediately to selected non-employee directors for up to 42,000 shares of common stock. The exercise price of each option is intended to equal the fair value of the Company's stock on the date of grant. An option's maximum term is 10 years.

A summary of the status of the plans at June 30, 2005 and 2004, and changes during the periods then ended is presented below:

	2005		2004
	Shares	Weighted-Average Exercise Price	Shares
Outstanding, beginning of year	51,035	$ 13.50	--
Granted	48,305	14.44	51,980
Exercised	(1,575)	13.30	--
Forfeited	(1,366)	13.57	--
Expired	--	--	--
Outstanding, end of period	96,399	$ 13.98	51,980
Options exercisable, end of period	27,926		9,975

The fair value of options granted is estimated on the date of the grant using an option-pricing model with the following weighted-average assumptions:

	2005
Dividend yields	0%
Volatility factors of expected market price of common stock	22.46%
Risk-free interest rates	3.77%
Expected life of options	6 Years
Weighted-average fair value of options granted during the year	$ 4.73

The following table summarizes information about stock options under the plans outstanding at June 30, 2005:

	Options Outstanding			Options
Range of Exercise Prices	Number Outstanding	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number Exercisable
$13.57	39,694	8.5 years	$13.57	13,226
$13.57	4,200	8.5 years	$13.57	4,200

$12.76	4,200	9 years	$12.76	4,200
$14.33	42,005	9.5 years	$14.33	--
$15.19	6,300	10 years	$15.19	6,300

(2) RECLASSIFICATIONS
Certain reclassifications have been made to the 2004 financial statements to conform to the 2005 financial statement presentation. These reclassifications had no effect on net earnings.

(3) ALLOWANCE FOR LOAN LOSSES
Activity in the allowance for loan losses for the stated periods was as follows:

	June 30, 2005	June 30, 2004
Balance, beginning of year	$ 1,720,565	$ 1,904,377
Provision charged to expense	120,000	120,000
Loans charged off, net of recoveries of $138,571 for June 30, 2005 and $5,120 for June 30, 2004	50,211	(26,170)
Balance, June 30, 2005 and June 30, 2004, respectively ..	$ 1,890,776	$ 1,998,207

(4) ACQUISITION OF COMMONWEALTH MORTGAGE AND SOUTHERN KENTUCKY LAND TITLE
On January 2, 2003, the Bank acquired all of the outstanding stock of Commonwealth Mortgage of Bowling Green, Inc. and Southern Kentucky Land Title, Inc. Commonwealth Mortgage originates 1-4 family residential mortgages for sale in the secondary mortgage market, while Southern Kentucky Land Title provides title insurance agency services for real estate purchase contracts. The purchase price for Commonwealth Mortgage and Southern Kentucky Land Title consisted of $400,000 in cash plus a deferred contingent purchase price of up to $1,350,000 payable upon the combined entities' achievement of specified annual earnings targets over a five year period, plus 25% of the amount, if any, by which their earnings exceed such targets. 25% of the deferred purchase price will be paid by the issuance of the Company's common stock, valued at the average of the closing sales price of the stock over the last ten trading days of the applicable calendar year. At the former Commonwealth shareholders' option, an additional 25% of such deferred purchase price, if any, may be paid in shares of the Company's common stock. The deferred contingent purchase price is accounted for as additional purchase price at the time the contingency is resolved. The Bank also purchased the .2 acre site on which the main office of Commonwealth Mortgage is located for a purchase price of $272,500 in cash. Goodwill recognized in the initial transaction amounted to $380,000. In January 2004, the Bank paid $162,401 in cash, and in April 2004 the Company issued 3,790 shares of the Company's common stock, to the former Commonwealth shareholders as the first installment of the deferred contingent purchase price. In January 2005, the Bank paid $251,717 in cash, and in March 2005 the Company issued 5,778 shares of the Company's

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common stock to the former Commonwealth shareholders as the second installment of the deferred contingent purchase price. At June 30, 2005, goodwill from this transaction totaled $936,416.

The acquisition of Commonwealth Mortgage and Southern Kentucky Land Title was completed to give the Bank an expanded presence in the local mortgage origination market, to further expand the Bank's customer service offerings and to supplement the Bank's non-interest fee income.

(5) CUMULATIVE CONVERTIBLE PREFERRED STOCK OFFERING
The Company completed during the third quarter of 2004 the private placement of 250 shares of Cumulative Convertible Preferred Stock, stated value $31,992 per share (Preferred Stock), for an aggregate purchase price of $7,998,000. The Preferred Stock was sold for $31,992 per share, is entitled to quarterly cumulative dividends at an annual fixed rate of 6.5% and is convertible into shares of common stock of the Company at an initial conversion price per share of $15.50 on and after three years from the date of issuance. The sale of the Preferred Stock netted proceeds to the Company of $7,659,340, of which $3,011,970 (including $3,000,000 in principal and $11,970 in accrued interest) was used to repay the outstanding balance under the Company's line of credit, and $3,800,000 was contributed to the capital of the Bank. The remaining proceeds from the issuance of the Preferred Stock are being used for general corporate purposes, including the contribution of capital to the Bank.

(6) EARNINGS PER SHARE
On April 20, 2005, the Board of Directors declared a 5% common stock dividend to shareholders of record on April 29, 2005, payable May 30, 2005. All references to common shares and earnings per share have been restated to reflect the stock dividend. There are no anti-dilutive stock options. Basic earnings per share have been computed by dividing net income available for common shareholders by the weighted-average number of common shares outstanding for the period. Diluted earnings per share have been computed the same as basic earnings per share, and assumes the conversion of outstanding vested stock options and convertible preferred stock. The following table reconciles the basic and diluted earnings per share computations for the quarters and six months ending June 30, 2005 and 2004.

	QUARTER ENDED JUNE 30, 2005			QUARTER ENDED JU	
	INCOME	WEIGHTED-AVERAGE SHARES	PER SHARE AMOUNT	INCOME	WEIGHTED- SHARES
BASIC EARNINGS PER SHARE					
Net income	$ 504,018			$ 182,749	
Less: Dividends on preferred stock	(129,611)			-	
Net income available to common shareholders	374,407	893,643	$ 0.42	182,749	885,6
EFFECT OF DILUTIVE SECURITIES					
Convertible preferred stock	129,611	541,800		-	
Stock options	-	2,848		-	
DILUTED EARNINGS (LOSS) PER SHARE					

Net income available to common shareholders and assumed conversions	$ 504,018	1,438,291	$ 0.35	$ 182,749	885,6
	==========	=========	========	==========	=====

	SIX MONTHS ENDED JUNE 30, 2005			SIX MONTHS ENDED J	
	INCOME	WEIGHTED-AVERAGE SHARES	PER SHARE AMOUNT	INCOME	WEIGHTED-AV SHARES
BASIC EARNINGS PER SHARE					
Net income	$ 955,234			$ 328,357	
Less: Dividends on preferred stock	(257,799)			-	
	----------			----------	
Net income available to common shareholders	697,435	891,101	$ 0.78	328,357	884,0
			========		
EFFECT OF DILUTIVE SECURITIES					
Convertible preferred stock	257,799	541,800		-	
Stock options	0	2,389		-	
	----------	---------		----------	-------
Diluted earnings (loss) per share					
Net income available to common shareholders and assumed conversions	$ 955,234	1,435,290	$ 0.67	$ 328,357	884,0
	==========	=========	========	==========	=====

(7) EMPLOYEE BENEFIT PLAN
Effective October 1, 2004, the Company elected to self-insure certain costs related to employee health and accident benefit programs. The Company has purchased insurance that limits its annual exposure for individual claims and that limits its aggregate annual exposure to $118,641 during the initial year of the plan. Future insurance costs that limit the Company's exposure for individual claims and aggregate exposure will be determined annually, based primarily upon the Company's actual claim history for the previous year.

(8) COMMON STOCK DIVIDEND
On April 20, 2005, the Board of Directors of the Company declared a 5% stock dividend on each share of common stock of the Corporation outstanding, payable to the record holders of the common stock on April 29, 2005. The dividend was issued and payable May 30, 2005 in the form of 0.05 share of common stock for each one share of common stock outstanding on the record date. Any fractional share of common stock which a shareholder would be entitled to receive was rounded up to a whole share of common stock. A total of 42,584 shares of common stock were issued as a result of common stock dividend.

(9) SUBSEQUENT EVENTS

Subsequent to quarter end, Citizens First Bank purchased, for $3,750,000, a 30,000 square foot building, located in Bowling Green, KY, to be used as a headquarters building. The Bank anticipates using approximately 15,000 square feet of the building, and leasing the remaining space. The Bank offices will primarily be occupied by senior management, commercial lenders, deposit operations, loan accounting, finance, and information systems personnel. The purchase price was funded through the acquisition of deposits generated by the Bank.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

GENERAL

Citizens First Corporation ("the Company") was incorporated in Kentucky on December 24, 1975 for the purpose of conducting business as an investment club, and is headquartered in Bowling Green, Kentucky. In late 1998 and early 1999, the Company received regulatory approval to become a bank holding company under the Bank Holding Company Act of 1956, as amended (the"BHCA"), through its organization and ownership of its subsidiary, Citizens First Bank, Inc. (the "Bank"). On February 17, 1999 the Company completed the initial public offering of the sale of 536,667 shares of its no par value common stock. The Company, through the Bank, is now involved in the banking business, primarily serving customers in the Bowling Green/Warren County market and in the Franklin/Simpson County market. As of June 30, 2005, the Company and Bank employed sixty-four employees (fifty-seven full-time equivalent employees).

The Bank commenced operations as a newly chartered commercial bank in February 1999 at 1805 Campbell Lane, Bowling Green, Kentucky. The Bank opened a branch office at 901 Lehman Avenue, Bowling Green, Kentucky in March 1999. In January 2003 the Bank acquired Commonwealth Mortgage and Southern Kentucky Land Title, Inc. located at 1301U.S. Highway 31-W Bypass in Bowling Green, Kentucky. The Bank opened branch offices at 2451 Fitzgerald-Industrial Drive, Bowling Green, Kentucky and at 1200 South Main Street, Franklin, Kentucky in February 2003. Subsequent to quarter end, the Bank purchased a 30,000 square foot office building, located at 1065 Ashley Street in Bowling Green, Kentucky. The Bank has received permission from the appropriate regulatory authorities to move its headquarters to this facility, and also to open a retail branch in the building. The Bank was organized as a community oriented, full service alternative to the super-regional financial institutions which dominate its primary service area. The Bank's mission is to firmly establish itself in its primary service area as a community owned and operated full-service bank providing traditional products and services typically offered by commercial banks. The Bank believes that its ability to compete is enhanced by its local management and its base of local shareholders and directors. The Bank has emphasized and intends to continue emphasizing its Bowling Green and southern Kentucky roots, and the Bank has a philosophy of giving its customers prompt and responsive personal service.

The Company's corporate strategy focuses on providing the Bank's customers with high quality, personal banking services. The Bank offers products designed to meet the needs of its customers that include individuals, small businesses, partnerships and corporations. The Bank provides a full range of corporate and retail banking services that include checking, savings, and time deposit accounts; secured and unsecured loans to corporations, individuals, and others; letters of credit; rental of safe deposit boxes; and cash management services. The Bank also offers, through affiliations with third parties, trust services, investment management services, and business and personal insurance products.

The Bank offers a full range of deposit services. Checking account services include regular non-interest bearing checking accounts as well as interest bearing negotiable order of withdrawal ("NOW") accounts. Savings and certificate of deposit accounts include accounts ranging from a daily maturity (regular savings and also money market accounts) to longer-term certificates as authorized by law. In addition, retirement accounts such as IRA's (Individual Retirement Accounts) are available. All deposit accounts are insured by the Federal Deposit Insurance Corporation to the full amount permitted by law. Deposit accounts are solicited from individuals, businesses, professional organizations and governmental authorities.

Lending services include a full range of commercial, personal, and mortgage loans. The Bank's primary focus is on business lending. The types of commercial loans that are available include both secured and unsecured loans for working capital (including inventory and receivables), business expansion (including acquisition of real estate and improvements) and purchase of machinery and equipment. The Bank does not emphasize real estate lending for land acquisition, land development or open-end construction loans. The types of personal loans that are available include secured and unsecured loans for such purposes as financing automobiles, home improvements, education and personal investments. The Bank originates, processes and closes residential real estate loans that are then primarily sold on the secondary market (each individually) to a correspondent.

The Bank offers credit cards (through correspondent banking services) including MasterCard (TM) and Visa(TM) as well as a personal checking account related line of credit. The line of credit is available for both protection against unexpected overdrafts and also for the convenience of having a pre-arranged loan that can be activated simply by a

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check drawn on a personal checking account.Other services offered include, but are not limited to, safe deposit boxes, letters of credit, travelers checks, direct deposit of payroll, social security and dividend payments and automatic payment of insurance premiums and mortgage loans. The Bank does not have a proprietary automated teller machine network but participates in a national ATM network through the FiServ EFT network, and through the Visa Debit Card Program.

The Bowling Green economy is diversified, with financial and other service industries representing the largest industry segment. The local unemployment rate of approximately 4.2% is lower than the national unemployment rate of approximately 5.0%. The Company's competition in the local market consists mainly of regional and national financial institutions. In the Bank's primary service area, there are 14 commercial banks, of which 4 are considered to have their headquarters in the Bank's service area. In addition, there are various credit unions, mortgage companies, and other commercial banks that have loan production offices in the area. The Bank encounters strong competition from these financial institutions, for deposits, loans, and other financial services, as well as from insurance companies, brokerage firms and other financial institutions, some of which are not subject to the same degree of regulation and restrictions as the Bank. Many of these competitors have substantially greater resources and lending limits than the Bank has to offer and certain services, such as international banking services, which the Bank is not providing.

APPLICATION OF CRITICAL ACCOUNTING POLICIES

The Company's consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States and follow general practices within the financial services industry. The most significant accounting policies followed by the Company are presented in Note 1 of the Notes to the Condensed Consolidated Financial Statements included in this report. These policies, along with the disclosures presented in the other financial statement notes and in this financial review, provide information on how significant assets and liabilities are valued in the financial statements and how those values are determined. Based on the valuation techniques used and the sensitivity of financial statement amounts to the methods, assumptions, and estimates underlying those amounts, management has identified the determination of the allowance for loan losses to be the accounting area that requires the most subjective or complex judgments, and as such could be most subject to revision as new information becomes available.

ALLOWANCE FOR LOAN LOSSES

The allowance for loan losses represents management's estimate of probable credit losses inherent in the loan portfolio. Determining the amount of the allowance for loan losses is considered a critical accounting estimate because it requires significant judgment and the use of estimates related to the amount and timing of expected future cash flows on impaired loans, estimated losses on loans based on historical loss experience, and consideration of current economic trends and conditions, all of which may be susceptible to significant change.

The loan portfolio also represents the largest asset type on the consolidated balance sheet. Note 1 of the Notes to the Consolidated Financial Statements included in the Company's 2004 Annual Report on Form 10-KSB describes the methodology used to determine the allowance for loan losses, and a discussion of the factors driving changes in the amount of the allowance for loan losses is included under "Asset Quality" below.

Loans that exhibit probable or observed credit weaknesses are subject to individual review. Where appropriate, reserves are allocated to individual loans based on management's estimate of the borrower's ability to repay the loan given the availability of collateral, other sources of cash flow and legal options available to the Company. Included in the review of individual loans are those that are impaired as provided in SFAS No. 114, "Accounting by Creditors for Impairment of a Loan." The Company evaluates the collectibility of both principal and interest when assessing the need for a loss accrual. Historical loss rates are applied to other loans not subject to reserve allocations. These historical loss rates may be adjusted for significant factors that, in management's judgment, reflect the impact of any current conditions on loss recognition. Factors which management considers in the analysis include the effects of the national and local economies, trends in the nature and volume of loans (delinquencies, charge-offs and nonaccrual loans), changes in mix, asset quality trends, risk management and loan administration, changes in internal lending policies and credit standards, and examination results from bank regulatory agencies and the Company's internal credit examiners.

An unallocated reserve is maintained to recognize the imprecision in estimating and measuring losses when evaluating reserves for individual loans or pools of loans. Reserves on individual loans and historical loss rates are reviewed

quarterly and adjusted as necessary based on changing borrower and/or collateral conditions and actual collection and charge-off experience.

The Company has not substantively changed any aspect to its overall approach in the determination of the allowance for loan losses. There have been no material changes in assumptions or estimation techniques as compared to prior periods that impacted the determination of the current period allowance.

Based on the procedures discussed above, management is of the opinion that the reserve of $1,890,776 was adequate, but not excessive, to absorb estimated credit losses associated with the loan portfolio at June 30, 2005.

RESULTS OF OPERATIONS

For the three months ended June 30, 2005, the Company reported net income of $504,018, or $0.42 and $0.35 per basic and diluted common share, respectively, compared to net income of $182,749, or $.21 per basic and diluted common share, for the same period ended June 30, 2004.

For the six months ended June 30, 2005, the Company reported net income of $955,234, or $0.78 and $0.67 per basic and diluted common share, respectively, compared to net income of $328,357, or $0.37 per basic and diluted common share, for the same period ended June 30, 2004.

NET INTEREST INCOME

Net interest income was $1,897,472 in the second quarter of 2005, compared with $1,425,543 in the comparable period in 2004. Second quarter 2005 interest income of $2,657,246, an increase of $581,838 or 28.0% over the same period total of $2,075,408 in 2004, includes $2,524,236 income on loans, $118,996 income on securities, and $14,014 income on federal funds sold and other interest-bearing accounts. Interest income of $2,075,408 during the second quarter of 2004 included $1,940,982 of income on loans, $126,158 income on investment securities, and $8,268 income on federal funds sold and other interest-bearing accounts. Interest expense of $759,774 for the second quarter of 2005, up $109,909 or 16.9% from the same period in 2004, consists of interest on deposits of $657,152, and on other borrowings of $102,622. Second quarter 2004 interest expense of $649,865 consisted of interest on deposits of $540,994, and interest on other borrowings of $108,871. An increase in yields on interest earning assets, coupled with an increase in the amount of interest earning assets, contributed to the increase in net interest income in the second quarter of 2005, compared to the same quarter of 2004. Income from available-for-sale securities is down from the second quarter of 2004 primarily because of a decrease in average securities for the period. The increase in interest expense in the second quarter of 2005, compared to the same period of 2004, was due to both the increased average cost of deposits during 2005, after short term rates have increased by 225 basis points since the current rate trend started in mid 2004, and the increased average amount of interest bearing deposits compared to the second quarter of 2004. The decrease in long-term debt is due to the payoff in the third quarter of 2004 of $3,000,000 of debt at the Company, using proceeds from the issuance of cumulative convertible preferred stock completed during the third quarter of 2004. The increase in yields on interest earning assets during the second quarter of 2005, compared to the same period of 2004, is primarily attributable to the increase by 225 basis points of short-term interest rates since late June 2004. The Bank is asset sensitive, meaning assets reprice faster to changes in short-term rates than do liabilities. In a rising short-term rate environment, such as occurred during the second quarter of 2005, more of the Bank's interest earning assets, primarily loans, reprice up faster than do the liabilities, specifically certificates of deposit, which provide the funding for the assets.

Net interest income was $3,644,183 for the six months ended June 30, 2005, an increase of $840,083 or 30.0% over the total of $2,804,100 for the same period of 2004. Interest income of $5,070,017 for the first six months of 2005 included $4,803,919 income on loans, $238,859 income on investment securities, and $27,239 income on federal funds sold and other interest-bearing accounts. Total interest income of $4,137,739 for the first six months of 2004 consisted of $3,855,602 income on loans, $267,653 income on investment securities, and $14,484 income on federal funds sold and other interest-bearing accounts. Interest expense for the first six months of 2005 totaled $1,425,834, and included $1,238,835 interest on deposits, and $186,999 expense on other borrowings. The comparable period of 2004 had interest expense of $1,333,639, of which $1,092,721 was interest on deposits, and $240,918 was expense on other borrowings.

PROVISION FOR LOAN LOSSES

The provision for loan losses expense for the quarter ended June 30, 2005, was $85,000, an increase of $40,000 over the total of $45,000 for the same quarter of 2004. As shown in the table in Footnote 3, the Company had net recoveries of loans charged off totaling $50,211 for the second quarter of 2005, compared to net charge-offs totaling $26,170 for the same quarter of 2004, a positive variance of $76,381. The increase in the provision expense for the second quarter of 2005, compared to the same quarter of 2004, was due to the overall increase in loans, requiring an allocation for loan losses for the unallocated reserve. See a discussion of asset quality included in the Asset Quality section of the Balance Sheet Review.

The provision for loan losses expense was $120,000 for the first half of 2005, equal to the $120,000 for the same period of 2004.

NON-INTEREST INCOME

Non-interest income for the three months ended June 30, 2005 and 2004, respectively, was $361,333 and $396,141, a decrease of $34,808 or 8.8%. Income from service charges on deposit accounts decreased $3,441, or 1.6%, to $213,024 during the second quarter of 2005 from $216,465 for the second quarter of 2004. Despite an overall increase in deposit accounts for the periods, fee income from insufficient fund charges decreased, offsetting other account fees. Income from mortgage banking decreased $38,744, to $97,443 during the second quarter of 2005 from $136,187 in the same period of 2004. The decrease in mortgage banking income in 2005 is primarily due to increased competition in the local market, as the company reduced fees charged to customers, to maintain market share.

Non-interest income for the six months ended June 30, 2005 and 2004, respectively, was $693,229 and $664,865, an increase of $28,364 or 4.3%. Service charges on deposit accounts comprised the largest part of non-interest income for both six-month time periods, totaling $405,170 and $409,400 for 2005 and 2004, respectively. Income from mortgage banking decreased to $195,070 for the first six months of 2005 from $214,996 for the same period of 2004. Losses from the sale of investment securities during the first six months of 2004 totaled $34,368, compared to no activity for the same period of 2005.

NON-INTEREST EXPENSE

Non-interest expense was $1,409,487 in the second quarter of 2005, down from $1,508,135 in the same quarter of 2004, a decrease of $98,648 or 6.5%. A decrease in salary and employee benefit expense of $78,725, due primarily to a reduction in FTE's, coupled with a decrease of $24,373 in professional fees, primarily legal fees, accounted for significant variances compared to the same period in 2004.

For the six months ended June 30, 2005 and 2004, respectively, non-interest expense was $2,769,378 and $2,869,008, a decrease of $99,630, or 3.5%. A decrease in salary and employee benefit expense of $170,682, due primarily to a reduction in FTE's, was the largest positive variance comparing the first half of 2005 to 2004. Franchise shares and deposit tax was up $46,953 compared to 2004, primarily due to an adjustment made to the 2004 total. The increase in other non-interest expense is associated with a number of accounts, with the largest variances compared to the first half of 2004 comprising an increase of $25,581 in correspondent bank charges, and $20,976 in fees associated with maintaining and disposing of property in the other real estate owned category.

INCOME TAXES

Income tax expense has been calculated based on the Company's expected annual rate for 2005. During the second quarter of 2005, income tax expense totaled

$260,300 compared to $85,800 for the same period of 2004. For the first half of 2005, income tax expense totaled $492,800, compared to $151,600 during the same period of 2004. Deferred tax liabilities and assets are recognized for the tax effects of differences between the financial statement and tax bases of assets and liabilities.

BALANCE SHEET REVIEW

OVERVIEW

Total assets at June 30, 2005 were $179,595,850, up from $169,512,086 at December 31, 2004 and up from $164,735,856 a year ago. Average total assets for the second quarter of 2005 were $176,669,278, up $13,785,141 from the second quarter of 2004 average of $162,884,137.

LOANS

At June 30, 2005 loans (excluding mortgage loans held for sale) totaled $156,553,695, compared with $146,950,427 at December 31, 2004 and $138,553,598 a year ago, an increase of $9,603,268 and $18,000,097 respectively. Loans averaged $152,885,927 during the second quarter of 2005, an increase of $14,345,200 or 10.4%, over the average total of $138,540,727 for the second quarter of 2004.

ASSET QUALITY

Non-performing loans are defined as non-accrual loans, loans accruing but past due 90 days or more, and restructured loans. Management classifies commercial and commercial real estate loans as non-accrual when principal or interest is past due 90 days or more and the loan is not adequately collateralized and is in the process of collection, or when, in the opinion of management, principal or interest is not likely to be paid in accordance with the terms of the obligation. Consumer loans are charged off after 120 days of delinquency unless adequately secured and in the process of collection. Non-accrual loans are not reclassified as accruing until principal and interest payments are brought current and future payments appear reasonably certain. Loans are categorized as restructured if the original interest rate, repayment terms, or both were restructured due to deterioration in the financial condition of the borrower. However, restructured loans that demonstrate performance under the restructured terms and that yield a market rate of interest may be removed from restructured status in the year following the restructure.

The Bank had non-performing loans totaling $533,141 at June 30, 2005, compared to $720,041 at December 31, 2004 and $1,644,610 at June 30, 2004. Included in the non-performing loan total at June 30, 2005 is the remaining portion, totaling $518,052, of three loans to one borrower, that were placed on non-accrual status during the second quarter of 2003. The three loans, originally totaling $1,675,000, are secured by substantially all the assets of the borrower and the guaranties of three individuals, a limited partnership and a limited liability company. During the third quarter of 2003, $1,043,050 of these loans was charged off, and approximately $112,000 was paid against the balance of the loans. The borrower's assets consist primarily of interests in energy related properties located in Texas and Louisiana. During the second quarter of 2003 the borrower advised the Company that one of the properties, which it had expected to produce significant revenues, had failed to produce any revenue, was unlikely to ever produce revenues and that the property's value is now negligible, and further that the revenue from the other properties was expected to be minimal. The borrower terminated its operations during the second quarter of 2003. The Bank is pursuing recovery in full of the aforementioned loans through various legal proceedings, which are expected to culminate by the end of 2005. Also included in the June 30, 2005 non-performing loan total are two loans totaling $15,089 that were greater than 90 days past due.

Non-performing assets are defined as non-performing loans, foreclosed real estate, and other foreclosed property. The Bank had non-performing assets of $533,141 at the end of the second quarter of 2005, comprised of the above mentioned non-performing loans. The Bank had non-performing assets of $720,041 at December 31, 2004, comprised entirely of non-performing loans.

The allowance for loan losses is established through a provision for loan losses charged to expense. The allowance for loan losses was $1,890,776 at June 30, 2005, an increase of $170,211, or 9.9% over the December 31, 2004 level of $1,720,565. The allowance represents 1.21% of period-end loans, compared to 1.17% of period-end loans at December 31, 2004. The allowance as a percentage of period-end loans increased at June 30, 2005, compared to December 31, 2004, because of the increase in the unallocated portion of the loan portfolio, which is maintained to recognize the imprecision in estimating and measuring losses. The level of the allowance is based on management's and the Bank Board of Directors Loan Committee's ongoing review and evaluation of the loan portfolio and general economic conditions on a monthly basis and by the full Board of Directors on a quarterly basis. Management's review and evaluation of the allowance for loan losses is based on an analysis of historical trends, significant problem

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loans, current market value of real estate or collateral and certain economic and other factors affecting loans and real estate or collateral securing these loans. Where appropriate, reserves are allocated to individual loans based on management's estimate of the borrower's ability to repay the loan given the availability of collateral, other sources of cash flow and legal options available to the Company. Historical loss rates are applied to other loans not subject to reserve allocations. An unallocated reserve is maintained to recognize the imprecision in estimating and measuring losses when evaluating reserves for individual loans or pools of loans. These historical loss rates may be adjusted for significant factors that, in managements judgment, reflect the impact of any current conditions on loss recognition, including the effects of the national and local economies, trends in the nature and volume of loans (delinquencies, charge-offs and nonaccrual loans), changes in mix, asset quality trends, risk management and loan administration, changes in internal lending policies and credit standards, and examination results from bank regulatory agencies and the Company's internal credit examiners. Loans are charged off when, in the opinion of management, they are deemed to be uncollectible. Recognized losses are charged against the allowance and subsequent recoveries are added to the allowance. While management uses the best information available to make evaluations, future adjustments to the allowance may be necessary if economic conditions differ substantially from the assumptions used in making the evaluation. The allowance for loan losses is reviewed internally by personnel independent of the loan department. In addition, the allowance is subject to periodic evaluation by various regulatory authorities and may be subject to adjustment based upon information that is available to them at the time of their examination.

SECURITIES

Securities (all classified as available for sale) decreased from $12,888,985 at December 31, 2004 to $12,656,827 at June 30, 2005. At June 30, 2004, securities totaled $12,860,270.

DEPOSITS AND BORROWED FUNDS

Total deposits averaged $138,283,062 in the second quarter of 2005, an increase of $7,595,387 from the comparable 2004 quarter average of $130,687,675. As of

June 30, 2005, total deposits were $140,626,710, and included $122,978,762 of interest bearing deposits. This compares to total deposits of $130,528,737 at December 31, 2004, which included $115,513,433 of interest bearing deposits. Total deposits at June 30, 2004, were $133,478,613, and included interest bearing deposits of $119,106,637.

The Bank had $3,556,919 of deposits secured by securities sold under agreements to repurchase on June 30, 2005. These obligations, which mature in one business day, are swept daily from customers' demand deposit accounts. These balances averaged $4,124,133 during the second quarter of 2005.

At June 30, 2005, the Company had established Federal Funds lines of credit totaling $10,050,000 with four correspondent banks. The Company successfully applied for membership in the Cincinnati Federal Home Loan Bank during 2000, in order to be able to obtain advances and lines of credit from the FHLB. At June 30, 2005, the Bank had four outstanding FHLB advances totaling $14,000,000. The first FHLB advance which was issued May 26, 2005, matures May 26, 2006 and has a fixed interest rate of 3.90%. The second FHLB advance, which was issued June 9, 2003, matures June 9, 2006, and has a fixed interest rate of 2.03%. The third FHLB advance, which was issued January 21, 2004, matures January 20, 2006, and has a fixed interest rate of 2.21%. The final FHLB advance, which was issued May 2, 2005, matures May 2, 2007, and has a fixed rate of interest of 4.19%. The Bank has a pre-arranged borrowing limit with the FHLB that is collateralized by 135% of unpaid principal balances of eligible 1-4 family residential mortgage loans. At June 30, 2005, the Bank had available collateral to borrow an additional $6.9 million from the FHLB.

CAPITAL RESOURCES AND LIQUIDITY

The Board of Governors of the Federal Reserve System has adopted risk based capital and leverage ratio requirements for banks and bank holding companies. The table below sets forth the Bank's capital ratios as of June 30, 2005, December 31, 2004, and June 30, 2004, the regulatory minimum capital ratios, and the regulatory minimum capital ratios for well-capitalized companies:

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	June 30, 2005	December 31, 2004	June 30, 2004
Tier 1 risk based	11.64%	11.80%	9.23%
Regulatory minimum	4.00	4.00	4.00
Well-capitalized minimum	6.00	6.00	6.00
Total risk based	12.88%	13.00%	10.48%
Regulatory minimum	8.00	8.00	8.00
Well-capitalized minimum	10.00	10.00	10.00
Leverage	10.11%	10.00%	7.69%
Regulatory minimum	4.00	4.00	4.00
Well-capitalized minimum	5.00	5.00	5.00

The table below sets forth the Company's ratios as of June 30, 2005, December 31, 2004, and June 30, 2004, the regulatory minimum capital ratios, and the regulatory minimum capital ratios for well-capitalized companies:

	June 30, 2005	December 31, 2004	June 30, 2004

Tier 1 risk based	9.51%	9.43%	7.21%
Regulatory minimum	4.00	4.00	4.00
Well-capitalized minimum	6.00	6.00	6.00
Total risk based	13.21%	13.55%	8.46%
Regulatory minimum	8.00	8.00	8.00
Well-capitalized minimum	10.00	10.00	10.00
Leverage	8.29%	7.99%	6.01%
Regulatory minimum	4.00	4.00	4.00
Well-capitalized minimum	5.00	5.00	5.00

All capital ratios at the Bank and Company increased from June 30, 2004 to June 30, 2005, primarily as a result of the sale of Preferred Stock by the Company during the third quarter of 2004, and the subsequent injection of capital into the Bank. The sale of the Preferred Stock netted $7,659,340 to the Company. See note 7 of the Notes to the Condensed Consolidated Financial Statements. All ratios for the Bank and the Company are greater than the minimum capital ratios for well-capitalized companies as of June 30, 2005.

Liquidity is the measure of the Bank's ability to fund customer's needs for borrowings and deposit withdrawals. In the second quarter of 2005, the Company's principal sources of funds have been the acquisition of customers' deposits, repayments of loans, and other funds from bank operations.

FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements, which are based on assumptions and estimates and describe the Company's future plans, strategies and expectations, are generally identifiable by the use of the words "anticipate," "will," "believe," "estimate," "expect," "intend," "seek," or similar expressions. These forward-looking statements may address, among other things, the Company's business plans, objectives or goals for future operations, our forecasted revenues, earnings, assets or other measures of performance. These forward-looking statements are subject to risks, uncertainties and assumptions. Important factors that could cause actual results to differ materially from the forward-looking statements made or incorporated by reference in this report include, but are not limited to:

- the strength of the United States economy in general and the strength of the Bowling Green economy in particular;
- changes in interest rates, yield curves and interest rate spread relationships;
- deposit flows, cost of funds, and costof deposit insurance on premiums;

- changes in the quality or composition of the Company's loan or investment portfolios, including adverse developments in borrower industries or in the repayment ability of individual borrowers or issuers;
- increased competition or market concentration;
- changes in tax or accounting principles; and
- new state or federal legislation, regulations or the initiation or outcome of litigation.

If one or more of these risks or uncertainties materialize, or if any of the Company's underlying assumptions prove incorrect, the Company's actual results, performance or achievements may vary materially from future results, performance or achievements expressed or implied by these forward-looking statements. Other risks are identified in the Company's Form 10-KSB for the period ended December 31, 2004.

ITEM 3. CONTROLS AND PROCEDURES

As of June 30, 2005, an evaluation was performed under the supervision and with the participation of the Company's management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on and as of the time of such evaluation, the Company's management, including the Chief Executive Officer and Chief Financial Officer, concluded that the Company's disclosure controls and procedures were effective as of June 30, 2005 in timely alerting them to material information relating to the Company required to be included in the Company's periodic filings with the Securities and Exchange Commission. There was no change in the Company's internal controls over financial reporting identified during the quarter ended June 30, 2005, that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II - OTHER INFORMATION

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

The Annual Meeting of Shareholders of the Company was held on April 21, 2005. The following directors were elected to three year terms, ending in 2008, with the vote totals as shown:

	Votes for	Votes withheld
Barry D. Bray	728,767	11,572
Sarah Glen Grise	733,753	6,586
Chris B. Guthrie	733,753	6,586
John T. Perkins	728,767	11,572
Wilson Stone	733,753	6,586

The terms of office of the following directors of Citizens First Corporation continued after the Annual Meeting:

NAME	TERM EXPIRES IN
Jerry E. Baker	2006
Mary D. Cohron	2006
Floyd H. Ellis	2006
John J. Kelley	2006
Billy J. Bell	2007
Ken Hightower	2007
Joe B. Natcher	2007
Jack Sheidler	2007

There were no broker nonvotes on any of the items voted on at the Annual Meeting.

Item 6. Exhibits

The exhibits listed on the Exhibit Index of this Form 10-QSB are filed as a part of this report.

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

CITIZENS FIRST CORPORATION

Date: August 15, 2005

/s/ Mary D. Cohron

Mary D. Cohron
(President and Chief Executive Officer
(Principal Executive Officer)

August 15, 2005

/s/ Bill D. Wright

Bill D. Wright
Vice-President and Chief Financial Officer
(Principal Financial and Accounting Officer)

EXHIBITS

3.1	Restated Articles of Incorporation of Citizens First Corporation (incorporated by reference to Exhibit 3.1 of the Company's Registration Statement on Form SB-2 (No. 333-103238)).
3.2	Amended and Restated Bylaws of Citizens First Corporation (incorporated by reference to Exhibit 3.2 of the Company's Registration Statement on Form SB-2 (No. 333-103238)).
3.3	Articles of Amendment to Amended and Restated Articles of Incorporation of Citizens First Corporation (incorporated by reference to Exhibit 3.3 of the Company's Form 10-QSB dated June 30, 2004.)
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act.
32	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350.
10.1	Real Estate Sales Contract Between Martin Land Development and Citizens First Bank.
10.2	Lease Between Citizens First Bank and Martin Management Group, Inc.