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CITIZENS FIRST CORP  
Form SB-2/A  
May 14, 2003

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As filed with the Securities and Exchange Commission on May 14, 2003  
Registration No. 333-103238

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

FORM SB-2  
REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933  
(Pre-Effective Amendment No. 3)

CITIZENS FIRST CORPORATION  
(Name of small business issuer in its charter)

Kentucky 6122 61-0912615  
(State or jurisdiction (Primary Standard Industrial (I.R.S. Employer  
of incorporation or organization) Classification Code Number) Identification No.)

1805 Campbell Lane, Bowling Green, Kentucky 42104  
(270) 393-0700  
(Address and telephone number of principal executive offices  
and principal place of business)

Mary D. Cochran, President and Chief Executive Officer  
Citizens First Corporation  
1805 Campbell Lane, Bowling Green, Kentucky 42104  
(270) 393-0700  
(Name, address and telephone number of agent for service)

Copies to:

Caryn F. Price, Esq. Wyatt, Tarrant & Combs, LLP 500 West Jefferson Street, Suite 2800 Louisville, Kentucky 40202 (502) 589-5235	James A. Giesel, Esq. Frost Brown Todd LLC 400 West Market Street, 32nd Floor Louisville, Kentucky 40202 (502) 589-5400
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APPROXIMATE DATE OF PROPOSED SALE TO THE PUBLIC: As soon as practicable after  
the effective date of this Registration Statement.

If any of the securities being registered on this Form are to be offered  
on a delayed or continuous basis pursuant to Rule 415 under the Securities  
Act of 1933 check the following box. [X]

If this Form is filed to register additional securities for an offering  
pursuant to Rule 462(b) under the Securities Act, please check the following box  
and list the Securities Act registration statement number of the earlier  
effective registration statement for the same offering. [ ]

If this Form is a post-effective amendment filed pursuant to Rule 462(c)  
under the Securities Act, check the following box and list the Securities Act  
registration statement number of the earlier effective registration statement  
for the same offering. [ ]

If this Form is a post-effective amendment filed pursuant to Rule 462(d)  
under the Securities Act, check the following box and list the Securities Act  
registration statement number of the earlier effective registration statement

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for the same offering. [ ]

If delivery of the prospectus is expected to be made pursuant to Rule 434, check the following box. [ ]

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Title of each class of securities to be registered	CALCULATION OF REGISTRATION FEE Proposed Maximum Aggregate Offering Price
Common stock, no par value	\$10,000,000

1 Estimated and calculated pursuant to Rule 457(o), solely for the purpose of computing the regis

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

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Preliminary, Subject to Completion, dated May 14, 2003  
PROSPECTUS

[CITIZENS FIRST CORPORATION LOGO]

606,060 SHARES OF COMMON STOCK

Citizens First Corporation is offering 606,060 shares of our common stock, resulting in a 94% increase in our outstanding shares if all shares offered are sold, for an aggregate sales price of approximately \$10 million. The anticipated price range is \$14.50 to \$16.50 per share. The current public market for our common stock is very thinly traded. You should not invest in this offering unless you view your investment as a long-term one. Our common stock is quoted on the Over the Counter Bulletin Board under the symbol "CZFC.OB". On April 21, 2003, the closing price of the common stock as reported on the Over the Counter Bulletin Board was \$15.50 per share.

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INVESTING IN OUR COMMON STOCK INVOLVES RISKS. SEE "RISK FACTORS" BEGINNING ON PAGE 8.

	Per Share	Total
Public offering price	\$_____	\$_____
Underwriter fees	\$_____	\$_____
Proceeds, before expenses, to Citizens First Corporation	\$_____	\$_____

Once made, subscriptions may not be revoked. The shares are being offered on a "best efforts" basis through Winebrenner Capital Partners, LLC. The underwriter is not required to sell any specific number or dollar amount of shares but will use its best efforts to sell the shares offered. We intend to close sales of shares respecting subscriptions we accept under the offering on a continuous basis. The offering will continue until \_\_\_\_\_, 2003, unless earlier terminated or extended in the discretion of our board of directors to a date not later than \_\_\_\_\_, 2003. Until your subscription is accepted, all funds will be placed in an escrow account at Bank One Trust Company, Louisville, Kentucky. Subscription funds will not accrue interest prior to acceptance. We intend to accept subscriptions promptly, but we can withhold acceptance until the final termination date. If your subscription is rejected or the offering is terminated prior to acceptance of your subscription, your subscription funds will be returned promptly.

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION OR REGULATORY BODY HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR DETERMINED IF THIS PROSPECTUS IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

THE SHARES OF OUR COMMON STOCK ARE NOT SAVINGS ACCOUNTS, DEPOSITS OR OBLIGATIONS OF ANY BANK AND ARE NOT INSURED BY THE FDIC OR ANY OTHER GOVERNMENTAL AGENCY.

WINEBRENNER CAPITAL PARTNERS, LLC

The date of this prospectus is \_\_\_\_\_, 2003.

The information in this prospectus is not complete and may be changed. We may not sell these securities until the Securities and Exchange Commission declares our registration statement effective. This prospectus is not an offer to sell these securities and is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

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[CITIZENS FIRST CORPORATION LOGO]  
MARKET AREA

[MAP]

\* LOCATIONS OF CURRENT AND PROPOSED BANKING OFFICES OF CITIZENS FIRST

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You should rely only on the information contained in this prospectus. We have not, and the underwriter has not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriter is not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus is accurate only as of the date on the front cover of this prospectus. Our business, financial condition, results of operations and prospects may have changed since that date.

We will not provide subscription materials to any person who resides in any foreign country or in any state of the United States if we determine that compliance with the securities laws of such country or state would be impracticable, and we will not accept any subscriptions from subscribers located in those states or countries. Persons who receive a subscription document or who wish to subscribe from states other than Kentucky, Tennessee, Indiana, Georgia and Florida, should contact Winebrenner Capital Partners, LLC, telephone (502) 671-0015 or toll free (877) 671-0015.

## SUMMARY

THIS SUMMARY HIGHLIGHTS INFORMATION CONTAINED ELSEWHERE IN THIS PROSPECTUS. BECAUSE IT IS A SUMMARY, IT DOES NOT CONTAIN ALL OF THE INFORMATION THAT YOU SHOULD CONSIDER BEFORE INVESTING IN OUR COMMON STOCK. YOU SHOULD READ THE ENTIRE PROSPECTUS CAREFULLY, INCLUDING THE RISK FACTORS AND OUR FINANCIAL STATEMENTS AND RELATED NOTES APPEARING ELSEWHERE IN THIS PROSPECTUS, TO

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UNDERSTAND THIS OFFERING FULLY.

### CITIZENS FIRST AND CITIZENS FIRST BANK

ORGANIZATION AND BACKGROUND. Citizens First Corporation is a one-bank holding company headquartered in Bowling Green, Kentucky. We provide general commercial and consumer banking services through our wholly-owned banking subsidiary, Citizens First Bank. We operated from 1975 to 1998 as an investment club with a small number of shareholders. In late 1998 and early 1999, we filed the appropriate regulatory applications and received regulatory approval to become a bank holding company through the organization and ownership of Citizens First Bank.

Citizens First Bank opened for business in February 1999. At December 31, 2002, we had consolidated assets of \$128.4 million, deposits of \$105.9 million and stockholders' equity of \$7.8 million. See "Summary Consolidated Financial Data" below, "Management's Discussion and Analysis of Financial Condition and Results of Operations" on page 26 and our financial statements beginning on page F-1.

We entered the banking business because, in recent years, some Bowling Green banks were acquired by regional multi-bank holding companies headquartered outside Bowling Green. In many cases, these acquisitions and consolidations were accompanied by fee changes, branch closings, the dissolution of local boards of directors, management and personnel changes and, in the perception of our management, a decline in the level of personalized customer service. This situation created a favorable opportunity for a new commercial bank that could attract those customers who prefer to conduct business with a locally managed institution that demonstrates an active interest in their businesses and personal financial affairs. We believe that a locally managed institution is better able to deliver more timely responses to customer requests, provide customized financial products and services and offer customers the personal attention of senior banking officers.

To meet the mortgage banking and title insurance needs of our customers, in January 2003 we acquired Commonwealth Mortgage Company of Bowling Green, Inc., an originator of 1-4 family residential mortgages, and Southern Kentucky Land Title, a provider of title insurance agency services.

BUSINESS. Citizens First Bank is an independent, community-oriented full service financial institution. It conducts a general commercial and consumer banking business. These services include the usual deposit functions of commercial banks, including business and personal checking accounts, "NOW" accounts and savings accounts, business and commercial loans, residential mortgages and consumer loans and cash management services. Citizens First Bank is a Kentucky chartered bank which is not a member of the Federal Reserve System, and its deposits are insured by the Bank Insurance Fund of the Federal Deposit Insurance Corporation. See "Business" on page 46.

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Our primary service area is Warren County, Kentucky, and the surrounding counties. Citizens First Bank operates through its main office in Bowling Green, Kentucky and three branch offices.

BUSINESS STRATEGY. We emphasize experienced local management with a strong commitment to the communities located within our primary market area. Our officers and directors are active in these communities and we believe that these

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communities and their business leaders have supported, and will continue to support, a locally owned and managed financial institution committed to providing outstanding customer service and banking products. Citizens First Bank competes aggressively for banking business through a systematic program of directly calling on both customers and referral sources, such as attorneys, accountants, mortgage brokers, insurance agents and other business people, many of whom are already known to our officers and directors.

We are committed to developing strong customer relationships by providing:

- o customer access to executive management;
- o continuity in officer and staff personnel;
- o an active personal call program by officers;
- o an understanding of customers' businesses and needs;
- o prompt response to customer requests; and
- o development of relationships that are durable and that grow as Citizens First Bank and its customers continue in business.

We have hired and will continue to hire experienced staff to provide personalized service and to generate competitively priced loans and deposits. This experienced staff has access to technology, software and database systems selected to deliver high-quality products and provide responsive service to customers. Through an agreement with a third-party service provider to provide data processing services and customer accounts statement preparation, we reduce the in-house personnel and equipment required to deliver such services and products.

MANAGEMENT. Mary D. Cohron is our President and Chief Executive Officer and has been since 1998. Ms. Cohron previously served as a director of Trans Financial, Inc., a bank holding company previously located in Bowling Green. She headed the Tax and Revenue Anticipation Note Program for the Kentucky School Boards Association and provided strategic planning and consultant services for small businesses. Barry D. Bray is our Vice President and Chief Credit Officer. Mr. Bray served as executive vice president and chief credit officer for Trans Financial, Inc. from 1982 to 1998. Bill D. Wright is our Vice President and Chief Financial Officer. From 1995 to 1998, Mr. Wright was Assistant Controller and Assistant Treasurer for Trans Financial Bank. M. Todd Kanipe is our Vice President and Trust Relationship Manager. From 1990 to 1998, Mr. Kanipe was a commercial lender for Trans Financial Bank.

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Our board of directors is made up of individuals with broad backgrounds in business, real estate, banking and government, including several individuals who have served as executive officers of some of Bowling Green's most prominent businesses.

As of December 31, 2002, we had 31 full-time and 10 part-time employees.

### LOCATION OF EXECUTIVE OFFICES

The address and phone number of our executive offices are:

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1805 Campbell Street  
Bowling Green, Kentucky 42104  
(270) 393-0700

### THE OFFERING

Common stock offered	606,060 shares. All of our directors and executive officers have indicated their intention to purchase shares in the offering. See "The Offering" on page 14 and "Principal Shareholders" on page 72.
Common stock outstanding after this offering	1,249,113 shares
Net proceeds	We anticipate that our net proceeds from this offering will be approximately \$_____.
Minimum/maximum subscription	The minimum number of shares for which you may subscribe is 100, for an investment of \$_____. No maximum subscription has been established. However, we may reject, in whole or in part, any subscription, whether or not there are available shares, and we may determine, in our sole discretion, the allocation of shares to subscribers.
Determination of Offering Price	The offering price has been determined primarily based on recent trades of our common stock, although somewhat limited, and, to a lesser degree, comparisons of the recent trading prices of securities of similarly sized peer issuers in our geographic region relative to book value per share. The common stock of these issuers recently traded at an average multiple of book value per share of approximately 1.52. The offering price per share for our stock represents a multiple of our book value per share as of December 31, 2003 of _____.
Use of proceeds	We intend to use the net proceeds of the offering for general corporate purposes, including for contribution to Citizens First Bank's capital, which will enable it to continue as a "well capitalized" institution and to pursue future growth opportunities through further expansion of its existing lending and investment activities, and possible branch expansion. While there can be no assurance, we expect to continue to experience substantial growth. As our assets increase, our need for capital increases proportionately and we do not yet expect earnings to fully satisfy our capital needs. In general, without raising additional capital, we can increase our assets only by 10 to 12 times the level of our earnings.

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A portion of the proceeds will be used to repay all or a portion of our borrowings under our line of credit. At May 1, 2003, we owed approximately \$2.3 million under our line of credit. The proceeds will also be available for financing possible acquisitions of other

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institutions or for investments in activities which are permitted for bank holding companies. Except as described in this prospectus, we have no definitive plans for any additional branches or for any acquisitions or investments. See "Use of Proceeds" at page 20.

Expiration time	The offering will continue until _____, 2003, unless earlier terminated, or extended in the discretion of the board of directors to a date not later than _____, 2003.
Minimum offering	There is no minimum aggregate number of shares that must be sold in the offering. We intend to complete the offering if any valid subscriptions are received before the expiration of the offering.
Subscriptions irrevocable	Once your completed subscription agreement is received, you may not revoke your subscription. Your subscription funds will not be released to us or for our use or commingled with our funds unless your subscription is accepted and shares are to be issued to you with respect to your funds.
Risk factors	See "Risk Factors" on page 8 for a discussion of factors you should carefully consider before deciding to invest in shares of our common stock.
Trading market and symbol	OTCBB: CZFC.OB

The number of shares outstanding after the offering is based upon our shares outstanding as of December 31, 2002, assumes the sale of all of the shares offered and excludes a total of 160,000 shares issuable under our stock option plans. Net proceeds assumes the sale of all of the shares offered after deducting estimated offering expenses and the underwriter's fees and commissions.

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## SUMMARY CONSOLIDATED FINANCIAL DATA

The following table sets forth summary historical consolidated financial data from our consolidated financial statements and should be read in conjunction with our consolidated financial statements including the related notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations" beginning on page 26. Except for the data under "Performance Ratios", "Asset Quality Ratios" and "Capital Ratios", the summary historical consolidated financial data as of December 31, 2002 and December 31, 2001 and for the years ended December 31, 2002 and December 31, 2001 is derived from our audited consolidated financial statements and related notes, which are included elsewhere in this prospectus.

	At or for the Years Ended December 31	
	2002	2001
	-----	-----
<b>INCOME STATEMENT DATA:</b>		
Interest income	\$6,396,580	\$6,450,510
Interest expense	2,773,904	3,475,087
Net interest income	3,622,676	2,975,423
Provision for loan losses	195,000	664,000
Non-interest income	772,456	379,136
Non-interest expense	3,064,555	2,709,222
Net income	745,218	342,402
<b>BALANCE SHEET DATA:</b>		
Total assets	\$128,443,129	\$104,819,716
Total securities	16,186,406	10,200,866
Total loans, net	94,658,798	83,524,425
Allowance for loan losses	1,300,258	1,195,924
Total deposits	105,893,333	87,890,828
Repurchase agreements and short-term borrowings	5,833,512	3,411,736
Total stockholders' equity	7,838,252	7,066,376
<b>PER SHARE DATA:</b>		
Earnings per share - basic	\$ 1.16	\$ 0.53
Earnings per share -diluted	1.16	0.53
Book value	12.19	10.99
<b>PERFORMANCE RATIOS:</b>		
Return on average assets	0.70%	0.40%
Return on average equity	9.97%	5.08%
Net interest margin (1)	3.58%	3.67%
<b>ASSET QUALITY RATIOS:</b>		
Nonperforming assets to total loans	0.19%	0.80%
Net loan charge-offs to average loans	0.10%	0.40%
Allowance for loan losses to total loans	1.36%	1.41%
<b>CAPITAL RATIOS:</b>		
Leverage ratio (2)	6.76%	7.30%
Tier 1 risk-based capital ratio	7.83%	8.20%
Total risk-based capital ratio	9.08%	9.40%

(1) Net interest margin is the result of net interest income for the period divided by average interest earning assets.

(2) Leverage ratio is defined as Tier 1 capital (pursuant to risk-based capital guidelines) as a percentage of adjusted average assets.

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YOU SHOULD CAREFULLY CONSIDER THE FOLLOWING RISK FACTORS AND ALL OTHER INFORMATION CONTAINED IN THIS PROSPECTUS BEFORE PURCHASING OUR COMMON STOCK IN THIS OFFERING. INVESTING IN OUR COMMON STOCK INVOLVES A HIGH DEGREE OF RISK. IF ANY OF THE FOLLOWING RISKS ACTUALLY OCCURS, WE MAY NOT BE ABLE TO CONDUCT OUR BUSINESS AS CURRENTLY PLANNED AND OUR FINANCIAL CONDITION OR OPERATING RESULTS COULD BE MATERIALLY HARMED, THE TRADING PRICE OF OUR COMMON STOCK COULD DECLINE AND YOU COULD LOSE ALL OR PART OF YOUR INVESTMENT.

WE MAY NOT BE SUCCESSFUL IN THE IMPLEMENTATION OF OUR BUSINESS STRATEGY.

We cannot assure you that we will continue to be successful in the implementation of our business strategy. See "Business - Business Strategy" on page 46. The growth and expansion of our business has placed, and will continue to place, significant demands on our management and our operational and financial resources. We expect to incur additional non-interest expense in 2003, largely as a result of our opening of a new branch in Bowling Green and a loan production office in Franklin, Kentucky. We are also contemplating an additional branch in that area. Successful implementation of our business strategy requires continued growth and will depend on our ability to attract a significant number of customers, profitably manage our assets, liabilities and capital, develop necessary business relationships to provide products and services, implement and improve operational, financial and management information systems and other technology, and hire and train additional qualified personnel.

WE MAY NOT GROW AS RAPIDLY AS WE HAVE IN THE PAST. IF WE ARE UNABLE TO GROW OUR ASSETS, OUR ABILITY TO INCREASE OUR LONG-TERM PROFITABILITY WILL SUFFER.

Our assets increased from \$22 million at June 30, 1999 to \$128 million at December 31, 2002, and our quarterly net interest income after provision for loan losses has increased from \$79,683 in the second quarter of 1999 (our first full calendar quarter of banking operations) to \$940,088 in the fourth quarter of 2002. Increases in our future profitability will depend on our continued ability to grow our assets while maintaining asset quality. We have incurred substantial expenses in management, sales and customer support personnel and other infrastructure to support our future growth, and we expect to continue to incur such expenses as we open and expand new branch offices. We may not grow as rapidly as we have over the past four years, and we may not grow at all. To continue to grow, we will need to provide sufficient capital to Citizens First Bank and we do not yet expect earnings to fully satisfy our capital. In general, without raising additional capital, we can increase asset levels only by 10 to 12 times the level of our earnings. We may not be able to receive the regulatory approvals, such as branch approvals, that will be necessary for such growth. If we are unable to grow, our ability to increase our long-term profitability will suffer.

FLUCTUATIONS IN INTEREST RATES COULD REDUCE OUR PROFITABILITY. WE REALIZE INCOME PRIMARILY FROM THE DIFFERENCE BETWEEN INTEREST EARNED ON LOANS AND INVESTMENTS AND INTEREST PAID ON DEPOSITS AND BORROWINGS.

Approximately 82.4% of our earnings during 2002 consisted of net interest income, the difference between interest earned on loans and investments

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and the interest paid on deposits and borrowings. Most of our interest bearing liabilities tend to be at fixed rates of interest for a fixed term and can only be repriced at maturities while the yield on a significant portion of our interest earning assets fluctuates with changes in an external index, primarily the prime rate. As a result, our assets will reprice faster than our liabilities and, in a decreasing rate market, such as we experienced in 2001 and 2002, the yield on our assets will decline faster than the rates paid on our liabilities. This causes a decline in our net interest margin and may lower interest income while interest expense does not fall as rapidly. In that event our net income may be adversely impacted. We are unable to predict fluctuations of market interest rates, which are affected by many factors, including inflation, recession, a rise in unemployment, tightening money supply, and domestic and international disorder and instability in domestic and foreign financial markets.

THE RESTRICTIONS ON CITIZENS FIRST BANK'S ABILITY TO PAY US DIVIDENDS COULD HAVE A SUBSTANTIAL IMPACT ON OUR ABILITY TO FUND OUR HOLDING COMPANY OPERATIONS, INCLUDING DEBT SERVICE ON FUTURE BORROWINGS.

We do not currently incur material expenses at the holding company level. If material expenses are incurred in the future, however, we will need to receive dividends from Citizens First Bank or have some other source of funds. Due to regulatory constraints, no funds are currently available for the payment of dividends from Citizens First Bank to us without prior regulatory approval.

A RELATIVELY HIGH PERCENTAGE OF OUR LOAN PORTFOLIO CONSISTS OF COMMERCIAL LOANS AND COMMERCIAL REAL ESTATE LOANS IN AMOUNTS IN EXCESS OF \$1,000,000, PRIMARILY TO SMALL-TO-

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MEDIUM SIZED BUSINESSES, WHICH MAY BE MORE ADVERSELY AFFECTED THAN LARGER ENTERPRISES DURING PERIODS OF ECONOMIC WEAKNESS.

At December 31, 2002, 11 loans totaling \$14.2 million or 14.1% of our loan portfolio at December 31, 2002 consisted of commercial loans and commercial real estate loans in excess of \$1,000,000. A substantial focus of our marketing and business strategy is to serve small-to-medium sized businesses in our primary market area. Although none of our nonperforming loans at December 31, 2002, originated from this portion of our loan portfolio during periods of economic weakness, small-to-medium sized businesses may be impacted more severely than larger businesses, and consequently the ability of such businesses to repay their loans may deteriorate. As a result, our results of operations and financial condition may be adversely affected.

WE RELY ON CERTIFICATES OF DEPOSIT IN EXCESS OF \$100,000 FOR A SIGNIFICANT PORTION OF OUR DEPOSIT FUNDING.

At December 31, 2002, \$22.5 million, or 21.29% of total deposits, consisted of certificates of deposit in excess of \$100,000. These depositors tend to be more active in shopping for better interest rates and therefore are either likely to move their deposits or require active repricing to market. In either event, our net income may be adversely impacted as a result of decreased levels of liquidity with which to fund growth in our interest earning assets or increased interest expense.

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WE ARE DEPENDENT ON THE BOWLING GREEN AND WARREN COUNTY ECONOMY AND THE ECONOMY OF THE SURROUNDING REGION.

We are a one bank holding company with banking offices in only one county. Accordingly, our operations are materially dependent upon and sensitive to the economy of the Bowling Green-Warren County area and the surrounding ten county region known as the Barren River Area Development District. An economic downturn or widespread labor management difficulties could have a significant adverse effect on our earnings and financial condition.

OUR SUBSIDIARY BANK MAY NOT HAVE ADEQUATE CAPITAL.

We anticipate that our existing capital resources, including the net proceeds of this offering, will adequately satisfy the foreseeable capital requirements of Citizens First Bank. However, we cannot be certain that the capital of Citizens First Bank will be adequate to support its future growth or allow it to remain a "well-capitalized" institution. Any necessary future equity or debt financing, if available at all, may be on terms which are not favorable to us and, in the case of equity financing, could result in dilution to your share ownership. If adequate capital is not available, Citizens First Bank will be subject to an increased level of regulatory supervision and our business, operating results and financial condition could be adversely affected. See "Supervision and Regulation - Prompt Corrective Action" on page 64.

COMPETITION WITH OTHER FINANCIAL INSTITUTIONS COULD ADVERSELY AFFECT OUR PROFITABILITY.

According to FDIC deposit information as of June 30, 2002, there were 13 banking institutions, excluding credit unions, with offices in the Bowling Green MSA. A number of these banking institutions have substantially greater resources and lending limits, more numerous banking offices, a wider variety of banking and other financial services, and much higher levels of

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core deposits than we do. In addition, we compete with mortgage companies, insurance companies, consumer finance companies, brokerage firms, credit unions, money market funds and other entities. This competition may limit or reduce our profitability, reduce our growth and adversely affect our results of operations and financial condition. See "Business - Competition" on page 53.

CONSUMMATION OF THE OFFERING IS NOT SUBJECT TO THE RECEIPT OF SUBSCRIPTIONS FOR A MINIMUM NUMBER OF SHARES AND SUBSCRIBERS WILL BE REQUIRED TO PURCHASE SHARES EVEN IF LESS THAN ALL OF THE SHARES OFFERED ARE SOLD.

There is no minimum number of shares that must be sold in the offering and subscriptions, once received, are irrevocable. The offering may be completed even if substantially less than the total number of shares offered is sold. If this happens, our capital would not be increased to the extent it would be if all of the shares being offered were sold and we will have less capital to fund future operations and growth, which could result in restricted or slower growth and lower shareholder returns. Under current regulatory guidelines, our need for capital increases proportionately as our assets increase. At December 31, 2002, Citizens First Bank's total risk weighted capital ratio was 10.3%, only slightly above the amount required for "well capitalized" status. We intend to accept subscriptions even if the offering has not been fully subscribed. If we are required to raise additional capital in the future, it could have a dilutive

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effect on earnings per share and the relative voting power of our current shareholders. See "The Offering" on page 14.

THE BOOK VALUE OF A SHARE OF OUR COMMON STOCK AFTER THE OFFERING WILL BE LOWER THAN THE PRICE PAID FOR SHARES IN THE OFFERING.

If all of the shares being offered are sold, the book value per share at December 31, 2002, after giving effect to completion of this offering, would be \$\_\_\_\_\_ per share. Based on these assumptions, the post-offering book value would be less than the offering price of \$\_\_\_\_\_ per share, and accordingly, investors in the offering would experience dilution of \$\_\_\_\_\_, or \_\_\_\_\_%, per share, calculated on the basis of the difference between the offering price and pro forma book value. See "Dilution" on page 23.

THE OFFERING PRICE DOES NOT NECESSARILY REFLECT THE FAIR MARKET VALUE OF THE COMMON STOCK.

We principally looked to the price of recent trades known to have occurred in determining the offering price for the common stock. No independent third party or negotiations were involved in the determination of the offering price, and the price does not necessarily reflect the market value of our common stock. The price at which our common stock trades after the offering may be higher or lower than the offering price.

AN ACTIVE PUBLIC MARKET FOR OUR COMMON STOCK DOES NOT CURRENTLY EXIST, AND WILL PROBABLY NOT EXIST AFTER THE OFFERING. AS A RESULT, SHAREHOLDERS MAY NOT BE ABLE TO QUICKLY AND EASILY SELL THEIR COMMON STOCK.

While the common stock will be freely transferable by most shareholders, we do not expect that there will be an active market for trading the common stock following the offering. There has not been active trading in our common stock and we cannot be sure that an active or established trading market will develop following completion of the offering, or, if one develops, that it will continue, or whether the price of our common stock will be higher or lower than the offering price. The common stock will not be listed on The Nasdaq National Market, The Nasdaq SmallCap Market or any other securities market upon completion of the offering.

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Winebrenner Capital Partners, LLC facilitates quotations of our common stock on the Over The Counter Bulletin Board and intends to do so following the offering. It is not obligated to do this and the development of an active public trading market depends upon the existence of willing buyers and sellers which is not within our control or that of the underwriter. Even if a market maker should make quotations of our common stock, market makers are not required to maintain a continuous two-sided market and are free to withdraw firm quotations at any time. Even with a market maker, the limited size of this offering, our lack of earnings history and the absence of dividends within the foreseeable future will impede the development of an active and liquid market for our common stock. You should carefully consider the limited liquidity of your investment in the shares.

NO UNDERWRITER HAS AGREED TO PURCHASE ANY OF THE COMMON STOCK AND WE MAY NOT BE ABLE TO SELL ALL OF THE SHARES IN THE OFFERING.

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The common stock is being sold through the efforts of Winebrenner Capital Partners, LLC. Neither it nor any other person has any obligation to purchase, or find purchasers for, any shares of common stock. See "The Offering - Manner of Distribution" on page 19. There can be no assurance that any particular number of shares will be sold. If less than all of the shares offered are subscribed for, we may be unable to repay our existing indebtedness as contemplated under "Use of Proceeds", and we will have less capital to fund operations and growth, which could result in restricted or slower growth for Citizens First Bank, slower expansion of activities and lower shareholder returns. We could be required to raise additional capital earlier than if all of the shares offered are sold.

OUR DIRECTORS AND EXECUTIVE OFFICERS OWN 18.75% OF OUR OUTSTANDING COMMON STOCK BEFORE THE OFFERING AND IT IS EXPECTED THAT ALL OF OUR DIRECTORS AND EXECUTIVE OFFICERS WILL PURCHASE COMMON STOCK IN THE OFFERING.

Our directors and executive officers and their affiliates currently own 18.75% of our outstanding shares of common stock, and all of our directors and executive officers currently intend to purchase shares in the offering. By voting against a proposal submitted to shareholders, the directors and executive officers, as a group, may be able to make approval more difficult for proposals requiring the vote of shareholders (such as mergers, share exchanges, certain asset sales and certain amendments to our articles of incorporation). See "Principal Shareholders" on page 72 and "Selected Provisions of Our Articles of Incorporation and Bylaws and Kentucky Law" on page 73.

WE MAY ISSUE ADDITIONAL SHARES WHICH MAY DILUTE YOUR SHARE OWNERSHIP.

If all of the shares offered are sold under this offering, 1,249,113 shares of common stock will be outstanding following the conclusion of the offering. Our board of directors may issue additional shares up to the authorized maximum of 5,000,000 shares of common stock and 500 shares of preferred stock without prior shareholder approval and without allowing shareholders the right to purchase their pro rata portion of such shares. The issuance of any new shares of common stock for whatever purpose would cause dilution in your percentage ownership of common stock and perhaps in the value of your shares.

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WE CAN DECIDE NOT TO ACCEPT ALL OR A PART OF YOUR SUBSCRIPTION.

We will have broad discretion in determining which subscriptions to accept, in whole or in part, including if the offering is oversubscribed. In deciding which subscriptions to accept, we may consider, among other factors, the order in which subscriptions are received, a subscriber's potential to do business with or to direct business to us, and the desire to have a broad distribution of stock ownership. As a result, a subscriber cannot be assured of receiving the full number of shares subscribed for, and may forego use of all or a portion of such subscriber's funds pending allocation of available shares. See "The Offering - General" and "- Acceptance and Refunding of Subscriptions" on pages 14 and 16.

WE HAVE NOT HISTORICALLY PAID CASH DIVIDENDS AND THERE CAN BE NO ASSURANCE THAT WE WILL HAVE SUFFICIENT EARNINGS TO BE LEGALLY ABLE TO PAY DIVIDENDS.

Citizens First Bank is currently our sole revenue producing operation.

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As a result, our ability to pay dividends depends on receiving dividends from Citizens First Bank. The amount of dividends that Citizens First Bank may pay is limited by state and federal laws and regulations and currently it is restricted from paying us any dividends without prior regulatory approval. Even if we have earnings in an amount sufficient to pay dividends, our board of directors may decide to retain earnings for the purpose of financing growth. We have never paid cash dividends. You should not purchase shares if you are depending upon dividend income from this investment. See "Dividends" on page 21.

IF A CHANGE IN CONTROL OR CHANGE IN MANAGEMENT IS DELAYED OR PREVENTED, THE MARKET PRICE OF OUR COMMON STOCK COULD BE NEGATIVELY AFFECTED.

Provisions in our corporate documents, as well as certain federal and state laws and regulations, may make it difficult and expensive to pursue a tender offer, change in control or takeover attempt that our board of directors opposes. As a result, our shareholders may not have an opportunity to participate in such a transaction, and the trading price of our stock may not rise to the level of other institutions that are more vulnerable to hostile takeovers. Anti-takeover provisions contained in our corporate documents also will make it more difficult for an outside shareholder to remove our current board of directors or management.

### FORWARD-LOOKING STATEMENTS

This prospectus 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 our 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, our business plans, objectives or goals for future operations, the anticipated effects of this offering, 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-

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looking statements we make or incorporate by reference in this prospectus are described under "Risk Factors". These factors also include, but are not limited to:

- o the strength of the United States economy in general and the strength of the Bowling Green economy in particular;
- o changes in interest rates, yield curves and interest rate spread relationships;
- o deposit flows, cost of funds, and cost of deposit insurance on premiums;
- o changes in the quality or composition of our loan or investment portfolios, including adverse developments in borrower industries or in the repayment ability of individual borrowers or issuers;
- o increased competition or market concentration;

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- o changes in tax or accounting principles; and
- o 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 our underlying assumptions prove incorrect, our actual results, performance or achievements may vary materially from future results, performance or achievements expressed or implied by these forward-looking statements. All forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements in this section. We undertake no obligation to publicly update or revise any forward-looking statements to reflect future events or developments.

### THE OFFERING

#### GENERAL

We are offering to sell 606,060 newly issued shares of our common stock at a price of \$\_\_\_\_\_ per share. If the volume of subscriptions exceeds the number of shares offered, we may allocate offered shares among excess subscriptions in any amount we see fit.

NO MINIMUM OFFERING. There is no minimum number of shares which must be sold in the offering. The offering will be consummated if any valid subscriptions are received, unless our board of directors has terminated the offering in its entirety.

EXPIRATION TIME. Subscriptions to purchase shares must be received no later than 5:00 p.m., eastern time, on \_\_\_\_\_, 2003, unless we terminate the offering earlier or extend it. We reserve the right to terminate the offering at any time prior to \_\_\_\_\_, 2003, or to extend the termination date for up to three periods of thirty days each, without notice to subscribers. Under no circumstances will we extend the offering beyond \_\_\_\_\_, 2003. See "Procedure for Subscribing for Shares " and "Acceptance and Refunding of Subscriptions" below.

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MINIMUM AND MAXIMUM SUBSCRIPTION. There is no minimum number of shares which must be sold in the offering, however, investors must subscribe for the purchase of a minimum of 100 shares (for a minimum investment of \$\_\_\_\_\_), subject to our right to permit smaller subscriptions in our discretion. There is no maximum number of shares which any person or group of affiliated persons will be permitted to purchase, subject to our right to reject any subscription in whole or in part.

NOTWITHSTANDING OUR UNFETTERED RIGHT OF REJECTION, ONCE WE RECEIVE A SUBSCRIPTION, IT IS IRREVOCABLE BY THE SUBSCRIBER.

PROCEDURE FOR SUBSCRIBING FOR SHARES



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You may participate in the offering and invest in the shares by completing and signing the subscription agreement accompanying this prospectus and delivering the completed subscription agreement prior to the termination of the offering, together with payment in full of the offering price of all shares for which you have subscribed. Payment in full must be made by:

- o check or bank draft drawn upon a U.S. bank; or
- o postal, telegraphic or express money order;
- o in any case, payable to "CFC Escrow".

The offering price will be deemed to have been received only upon (i) clearance of any uncertified check, or (ii) receipt of any certified check or bank draft drawn upon a U.S. bank or of any postal, telegraphic or express money order. A postage paid, addressed envelope is included with this prospectus for the return of the subscription agreement. If paying by uncertified personal check, please note that the funds paid thereby may take at least five business days to clear. Accordingly, investors who wish to pay the offering price by means of uncertified personal checks are urged to make payment sufficiently in advance of the termination of the offering to ensure that such payment is received and clears by such date. All funds received in payment of the subscription price will be deposited in an escrow account with Bank One Trust Company, N.A., Louisville, Kentucky, as escrow agent, until acceptance of such subscriptions (which can occur in our discretion at any time prior to the closing or termination of the offering), and will be invested at our direction.

The address to which subscription agreements and payment of the offering price should be delivered is:

Winebrenner Capital Partners, LLC  
2300 Greene Way, Suite 200  
Louisville, Kentucky 40220

If the amount you send with your subscription is insufficient to purchase the number of shares that you indicate are being subscribed for, or if you do not specify the number of shares to be purchased, then you will be deemed to have subscribed to purchase shares to the full extent of the payment tendered (subject only to reduction to the extent necessary to comply with any

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regulatory limitation or conditions we impose in connection with the offering and provided that no fractional shares will be issued). If the amount you send with your subscription exceeds the amount necessary to purchase the number of shares that you indicate are being subscribed for, then you will be deemed to have subscribed to purchase shares to the full extent of the excess payment tendered (subject only to reduction to the extent necessary to comply with any regulatory limitation or conditions we impose in connection with the offering and provided that no fractional shares will be issued). Notwithstanding the foregoing, we reserve the right to reject, in whole or in part, any subscription. See "- Minimum and Maximum Subscription" above.

Failure to include the full offering price with your subscription agreement may cause us to reject your subscription. The method of delivery of subscription agreements and payment of the offering price will be your election and risk. If you send your subscription by mail, we recommend that you use registered mail, return receipt requested, and that you allow a sufficient number of days to ensure delivery and clearance of payment prior to the

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termination date. Broker/dealers will transmit any such checks directly to the escrow agent by noon of the business day following receipt.

We will decide all questions concerning the timeliness, validity, form and eligibility of subscription agreements, and our decisions will be final and binding. In our sole discretion, we may waive any defect or irregularity in any subscription, may permit any defect or irregularity to be corrected within such time as we may allow or may reject the purported subscription. Subscription agreements will not be deemed to have been received or accepted until all irregularities have been waived or cured within such time as we determine in our sole discretion. None of Citizens First, its officers, directors and agents (including, without limitation, the underwriter), or any other person will be under any duty to give a subscriber notice of any defect or irregularity in the submission of subscription agreements, or incur any liability for failure to give such notice.

SUBSCRIPTIONS FOR SHARES MAY NOT BE REVOKED BY SUBSCRIBERS.

ESCROW ACCOUNT; RELEASE OF FUNDS; NO INTEREST ON SUBSCRIPTION FUNDS

All funds received in payment of the offering price will be promptly deposited into an escrow account at Bank One Trust Company, N.A., Louisville, Kentucky, until acceptance or rejection by us of such subscriptions. Funds in the escrow account will be invested only in investments permissible under SEC Rule 15c2-4 (including short-term obligations of the United States government or a sweep account collateralized by United States government or agency securities). Subscription funds will be released from the escrow account to us only upon receipt by the escrow agent of the certification of our president that subscriptions relating to such funds have been accepted and that shares of common stock will be issued to subscribers in respect of such subscriptions. Subscription funds will not accrue interest prior to acceptance. Earnings on funds in the escrow account will be retained by us, whether or not the offering is consummated. We intend to accept subscriptions promptly, but we can withhold acceptance of your subscription until the final termination date of the offering.

ACCEPTANCE AND REFUNDING OF SUBSCRIPTIONS

Subscription agreements are not binding on us until accepted by us. We reserve the right to accept or reject any subscription in whole or in part or, if the offering is oversubscribed, to allot a

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lesser number of shares than the number for which a person has subscribed. In addition, the sales agent can reject a subscription if an investor fails to meet applicable suitability standards as prescribed by the National Association of Securities Dealers' sales practice rules or, an investor's subscription agreement is incomplete or it is determined that the investor resides in a jurisdiction in which compliance with the securities laws of such jurisdiction would be impracticable.

In considering whether to accept subscriptions, in whole or in part, we may consider, among other factors, the order in which subscriptions are received, the number of shares purchased by a subscriber in other capacities, the potential of the subscriber to do business with or direct business to Citizens First Bank, our desire to have a broad distribution of stock ownership, as well as legal or regulatory restrictions, the number of shares which have not

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been subscribed for at the time a subscription is accepted and other factors relating to a particular subscription. In determining whether to permit a larger subscription, we may also consider the identity of the subscriber and the subscriber's intentions with respect to our operations, management and direction. If you subscribe for shares through a broker or nominee, and your broker or nominee does not identify you in the subscription agreement, we may not allocate any shares to your subscription.

In determining the number of shares to allot to each subscriber in the event the offering is oversubscribed, we may, in our discretion, take into account the fact that a subscriber is a current shareholder, the order in which subscriptions are received, a subscriber's potential to do business with or to direct customers to Citizens First Bank, and our desire to have a broad distribution of stock ownership, as well as legal or regulatory restrictions and the other factors described above.

We will decide which subscription agreements to accept within ten days after the termination of the offering if we have not previously made such determination. Once made, a subscription is irrevocable by the subscriber during the period of the offering, including extensions, if any.

We may elect, at any time and from time to time, until \_\_\_\_\_, 2003, (the date on which the offering will terminate, which date may be extended to a date not later than \_\_\_\_\_, 2003) to accept any or all of the subscriptions which have been received to date, issue shares of common stock for those subscriptions and continue the offering with respect to any remaining shares not yet purchased in the offering.

In the event that we reject all or a portion of any subscription, the escrow agent will promptly refund to the subscriber by check sent by first-class mail all, or the appropriate portion, of the amount submitted with the subscription agreements. After all refunds have been made, the escrow agent, the underwriter, Citizens First, Citizens First Bank and their respective directors, officers, and agents will have no further liabilities to subscribers. Certificates representing shares duly subscribed and paid for will be issued as soon as practicable after funds are released to us by the escrow agent.

### LIMITED MARKET FOR COMMON STOCK

Except for common stock held by our directors and executive officers, the shares offered under this prospectus will be freely transferable immediately upon issuance and will not be subject to any transfer restrictions. There does not currently exist an active public market for our common

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stock. The sales agent is currently the only broker-dealer that is actively facilitating a market in our common stock. Our common stock has been the subject of only sporadic trades. There can be no assurance that an active over-the-counter market will develop for our common stock. It is not anticipated that our common stock will be listed on any stock exchange or be designated for trading on the Nasdaq system upon completion of the offering or in the immediate future.

### DETERMINATION OF OFFERING PRICE

The offering price has been determined by our President and Chief Executive Officer, as authorized by our board of directors, primarily based on recent trades of our common stock, although somewhat limited, and, to a lesser

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degree, comparisons of the recent trading prices of securities of similarly sized peer issuers in the Southeast relative to book value per share. Specifically, we have reviewed the last reported trading price to book value per share of a group of financial institutions organized within the last ten years with assets of \$350 million or less, located within an approximate 250 mile geographic radius of Bowling Green, Kentucky. The common stock of these institutions recently traded at an average multiple of book value per share of approximately 1.52.

INSTITUTION	TRADING PRICE(1)	BOOK VALUE(2)	MULTIPLE
Bank of Evansville (BEVN) Evansville, Indiana	\$11.10	\$8.14	1.36
Classic Bancshares (CLAS) Ashland, Kentucky	\$27.26	\$22.09	1.23
FCB Bancorp (FCBE) Louisville, Kentucky	\$25.25	\$14.25	1.77
First Security Bancorp (FSLK) Lexington, Kentucky	\$18.25	\$12.67	1.44
Pinnacle Financial (PNFP) Nashville, Tennessee	\$15.87	\$8.78	1.81

(1) Based on last sale price reported as of May 13, 2003. The common stock of these institutions is not actively traded. (2) As of December 31, 2002 with respect to First Security Bancorp, FCB Bancorp and Classic Bancshares, and as of March 31, 2003 with respect to Bank of Evansville and Pinnacle Financial.

The last reported sale of our common stock was the sale of 200 shares on April 21, 2003 at a price of \$15.50 per share, representing a multiple of our book value per share as of December 31, 2003 of 1.27. The offering price per share for our common stock in this offering represents a multiple of our book value per share as of December 31, 2003 of \_\_\_\_\_. There has not been active trading in our common stock and the price at which our common stock trades after the offering may be higher or lower than the offering price. See "Price Range of Our Common Stock" on page 20. Because of the recent trading prices of our common stock, management has chosen an offering price per share which reflects a lower multiple of book value per share than the average reflected in the table above. Neither our board of directors nor management has expressed an opinion or has made any recommendation as to whether anyone should purchase shares of common stock in the offering. Any decision to invest in our common stock must be made by you based upon your own evaluation of the offering in the context of your best interests.

There can be no assurance that, following completion of the offering and the issuance of the shares, you will be able to sell shares purchased in the offering at a price equal to or greater than the offering price. Moreover, until certificates for shares of common stock are delivered, you may not be able to sell the shares of common stock that you have purchased in the offering.

### INTENTIONS OF DIRECTORS AND EXECUTIVE OFFICERS

All of our directors and executive officers have indicated that they intend to subscribe for shares of common stock in the offering. Any shares purchased by directors and executive officers are intended to be held as an investment. These commitments could change based upon individual circumstances. See "Principal Shareholders" on page 72.

### REGULATORY LIMITATIONS

If you would own 10% or more of our common stock after the offering (5% in some circumstances), you may be required to provide certain information to,

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or seek the prior approval of, state and federal bank regulators. We may reject subscriptions and will not be required to issue shares of common stock in the offering and we will promptly refund all subscription funds received, to any person who, in our opinion, would be required to obtain prior clearance or approval from any state or federal bank regulatory authority to own or control such shares if, at the termination date, such clearance or approval has not been obtained or any required waiting period has not expired. We reserve the right to reduce or reject, in whole or in part, any subscription which would require prior regulatory application or approval if such has not been obtained prior to the termination date. See "Acceptance and Refunding of Subscriptions" above.

### RIGHT TO AMEND OR TERMINATE THE OFFERING

We expressly reserve the right to amend the terms and conditions of the offering. In the event of a material change to the terms of the offering, we will file an amendment to the registration statement, of which this prospectus is a part, and resolicit subscribers to the extent required by the Securities and Exchange Commission. In the event of such a resolicitation, all

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proceeds received will be returned promptly to any subscriber who does not provide the escrow agent with an affirmative reconfirmation of the subscription.

We expressly reserve the right, at any time prior to delivery of the shares of common stock offered, to terminate the offering if the offering is prohibited by law or regulation or if our board of directors concludes, in its sole judgment, that it is not in our best interests to complete the offering under the circumstances. The offering may be terminated by us giving oral or written notice to the escrow agent and/or making a public announcement of the termination of the offering. If the offering is so terminated, all funds received will be promptly refunded, without interest.

### ISSUANCE OF COMMON STOCK

Certificates representing shares of common stock purchased in the offering will be delivered to purchasers at the direction of the purchasers as indicated in their subscription agreement. No fractional shares will be issued in the offering.

### REQUESTS FOR ASSISTANCE WITH RESPECT TO SUBSCRIPTION AGREEMENTS

If you have questions regarding completion of the subscription agreement, contact Winebrenner Capital Partners, LLC, 2300 Greene Way, Suite 200, Louisville, Kentucky 40220, telephone (502) 671-0015 or toll free (877) 671-0015.

### MANNER OF DISTRIBUTION

Winebrenner Capital Partners, LLC, will serve as the underwriter for the offering. For its services in attempting to sell shares on a "best efforts" basis, Winebrenner Capital will receive a commission fee equal to five percent (5%) of the proceeds of the offering. If no shares are sold due to the early termination of the offering, we are obligated to pay the reasonable accountable out-of-pocket expenses incurred by Winebrenner Capital in connection with the offering up to an aggregate of \$25,000 in expenses. If any shares are sold in

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the offering, we are obligated to pay up to \$35,000 of the reasonable out-of-pocket expenses incurred by Winebrenner Capital.

If any of our directors and executive officers assist in the offering they will receive no compensation for such services. The underwriter and any such directors and officers are not authorized to make statements about us or Citizens First Bank unless such information is set forth in this prospectus, nor will they render investment advice. None of our directors or executive officers are registered as securities brokers or dealers under the federal or applicable state securities laws. Because they are not in the business of either effecting securities transactions for others or buying and selling securities for their own account, they are not required to register as brokers or dealers under the federal securities laws. In addition, any such activities of our directors and executive officers would be exempted from registration pursuant to a specific safe-harbor provision under Rule 3a4-1 under the Securities Exchange Act of 1934, as amended. Substantially similar exemptions from registration are available under applicable state securities laws.

NEITHER WINEBRENNER CAPITAL PARTNERS NOR ANY OTHER PERSON IS OBLIGATED TO PURCHASE ANY OF THE SHARES OFFERED, OR TO FIND PURCHASERS FOR ANY SHARES. THERE CAN BE NO ASSURANCE THAT ANY MINIMUM NUMBER OF SHARES WILL BE SOLD.

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### USE OF PROCEEDS

Before deducting expenses of the offering (not including commissions payable to the sales agent), which are estimated at \$\_\_\_\_\_, the proceeds to Citizens First from the sale of the common stock offered, net of sales agent fees, will be \$\_\_\_\_\_ million if all of the shares being offered are sold, \$\_\_\_\_\_ million if 75% of the shares being offered are sold, \$\_\_\_\_\_ million if 50% of the shares being offered are sold and \$\_\_\_\_\_ million if 25% of the shares being offered are sold. There is no minimum number of shares which must be sold in the offering.

The proceeds of the offering will be available for contribution to the capital of Citizens First Bank, for use in the bank's lending and investment activities, for branch expansion, and for Citizens First Bank's general corporate purposes, for acquisition of other institutions or for investments by us in activities which are permitted for bank holding companies. The proceeds will also be available for the reduction of the outstanding balance on our line of credit, which was \$2.3 million at May 1, 2003. Our line of credit bears interest at the one year LIBOR rate plus 275 basis points and matures on June 23, 2012. An insignificant amount of the proceeds will be retained at Citizens First to provide liquidity. The first \$4 million of offering proceeds will be contributed to the capital of Citizens First Bank for the purposes described above. Thereafter, proceeds will be used to pay the outstanding balance on the line of credit, approximately \$500,000 will be retained by Citizens First and the balance of the offering proceeds, if any, will be contributed to Citizens First Bank.

Contribution of capital to Citizens First Bank will strengthen the bank's capital base and enable it to continue to exceed regulatory capital levels required for well capitalized status, and will permit continued growth in assets and loans through expansion of its existing lending and investment activities and possible further branching or acquisitions. While there can be no assurance, we expect to continue to experience substantial growth. As our assets increase, our need for capital increases proportionately, and we do not yet

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expect earnings to fully satisfy our capital needs. At December 31, 2002, Citizens First Bank's total risk weighted capital ratio was 10.3%, slightly above the amount required for well capitalized status. In general, without raising additional capital, a bank can increase asset levels only by 10 to 12 times the level of its earnings, depending on the nature of its asset mix. If this offering is not successful or we are not able to raise sufficient capital to meet our loan growth as it develops, we will consider alternative measures, such as slowing loan growth or raising additional capital, including through the issuance of trust preferred securities. We may also borrow additional funds under our existing line of credit.

Except as described in this prospectus, there are no definitive plans for any additional branches or for any acquisitions, and there can be no assurance that we will establish additional branches, acquire another institution in whole or in part, or that any new branch or acquisition will be successful or contribute to shareholder value. Although we plan to use the proceeds of the offering for the development and expansion of our existing businesses, or for investment in activities permitted for bank holding companies, we have no definitive plans for any particular investments or the use of any particular amount of the proceeds of the offering except as described above.

### PRICE RANGE OF OUR COMMON STOCK

Our common stock is not traded on any listed stock exchange. The shares are traded in the over-the-counter market under the symbol "CZFC.OB", on an order-match agency basis, whereby buyers and sellers of the stock execute transactions on a no spread basis. Trading volume in our common stock is considered light and the stock is thinly traded. As of May 1, 2003, there were 643,053 shares of common stock outstanding held by approximately 425 shareholders of record.

The following represents the reported prices (as well as the total trading volume) for which shares of our common stock have been exchanged since January 1, 2000 on a per share basis. The last reported sale of our common stock was the sale of 200 shares on April 21, 2003 at a price of \$15.50 per share.

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	HIGH	LOW	NO. OF SHARES TRADED DURING PERIOD
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2000:			
First quarter	\$15.50	\$14.00	5,800
Second quarter	15.25	14.00	11,800
Third quarter	15.12	14.25	18,000
Fourth quarter	15.25	14.25	8,000
2001:			
First quarter	15.00	13.13	6,200
Second quarter	16.00	11.13	2,600
Third quarter	12.75	11.00	11,400
Fourth quarter	13.25	11.50	6,800
2002:			
First quarter	14.00	13.25	11,800
Second quarter	14.00	12.75	15,200
Third quarter	14.00	14.00	400
Fourth quarter	17.25	15.00	38,900
2003:			
First quarter	17.00	14.00	12,400

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Second quarter through			
May 1, 2003	15.50	15.00	2,200

These price quotations are derived from data furnished by the National Association of Securities Dealers and, accordingly, we cannot guarantee the accuracy or reliability of such price quotations. Some trades may occur which are not reported by the NASD. Since there is no established public trading market for our common stock, there can be no assurance that the price information set forth above is representative of prices which could be obtained from sales of our common stock in established open market transactions.

### DIVIDENDS

Holders of our common stock are entitled to receive dividends as and when declared by our board of directors. We have not paid cash dividends since we became the holding company for Citizens First Bank, electing to retain our limited earnings to support growth. We currently intend to continue the policy of retaining earnings to support growth for the immediate future. Future dividends will depend primarily upon Citizens First Bank's earnings, financial condition and need for funds, as well as applicable governmental policies and regulations. There can be no assurance that we will have earnings at a level sufficient to support the payment of dividends, or that we will in the future elect to pay dividends. As Citizens First Bank is the primary source of funds for payment of dividends by us, the inability of Citizens First Bank to pay dividends could adversely affect our ability to pay dividends.

Federal and state statutes and regulations place limits on the amount of dividends Citizens First Bank may pay without prior approval. Under Kentucky law, dividends by Kentucky banks may be paid only from current or retained net profits. Before any common stock dividend may be declared for any period, a bank must increase its capital surplus by at least 10% of the net profits of

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the bank for such period until the bank's capital surplus equals the amount of its stated capital attributable to its common stock. Prior regulatory approval is required to pay dividends which exceed Citizens First Bank's net profits for the current year plus its retained net profits for the preceding two calendar years, less required transfers to surplus. State and federal regulatory authorities also have authority to prohibit a bank from paying dividends if they deem such payment to be an unsafe or unsound practice. Citizens First Bank must have additional retained earnings of approximately \$520,000 before it may pay dividends to Citizens First without prior regulatory approval.

The Federal Reserve Board has established guidelines with respect to the maintenance of appropriate levels of capital by registered bank holding companies. Compliance with such standards, as presently in effect, or as they may be amended from time to time, could possibly limit the amount of dividends that we may pay in the future. In 1985, the Federal Reserve Board issued a policy statement on the payment of cash dividends by bank holding companies. In the statement, the Federal Reserve Board expressed its view that a holding company experiencing earnings weaknesses should not pay cash dividends exceeding its net income, or which could only be funded in ways that weakened the holding company's financial health, such as by borrowing.



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As a depository institution, the deposits of which are insured by the Federal Deposit Insurance Corporation, Citizens First Bank may not pay dividends or distribute any of its capital assets while it remains in default on any assessment due the Federal Deposit Insurance Corporation. Citizens First Bank is not currently in default under any of its obligations to the Federal Deposit Insurance Corporation.

DILUTION

The net tangible book value of our common stock as of December 31, 2002 was \$7,838,252, or \$12.19 per share. Net tangible book value per share represents the equity of our shareholders, less intangible assets, divided by the number of shares of our common stock outstanding. The dilution of the net tangible book value per share represents the difference between the amount per share paid by purchasers of our common stock in this offering and the as adjusted net tangible book value per share of our common stock immediately after completion of this offering, assuming 25%, 50% and 100% of the shares of common stock being offered are sold. After (1) giving effect to the sale by us of 606,060 shares of our common stock offered at a price to the public of \$\_\_\_\_\_ per share and the application of the estimated net proceeds therefrom, and (2) deducting the estimated sales agents fees and offering expenses payable by us, our as adjusted net tangible book value as of December 31, 2002 would have been \$\_\_\_ million, or \$\_\_\_ per share. This represents an immediate increase in an adjusted net tangible book value of \$\_\_\_ per share to existing investors and an immediate dilution in net tangible book value of \$\_\_\_\_\_ per share to new investors' purchasing our common stock in this offering, as illustrated in the following table:

	SALE OF	S
	25% OF	5
	SHARES	S
	OFFERED	O
Price to the public per share	\$_____	\$_____
Net tangible book value per share at December 31, 2002 (1)	\$12.19	\$12.19
Increase in net tangible book value per share attributable to new investors (2)	\$_____	\$_____
As adjusted net tangible book value per share at December 31, 2002	\$_____	\$_____
Dilution per share to new investors	\$_____	\$_____

The following table summarizes, on an as adjusted basis, as of December 31, 2002, the tangible book value of the outstanding shares and the total consideration and average price paid per share by the new investors for the shares purchased in this offering, assuming all of the shares offered are sold.

SHARES	TANGIBLE EQUITY	AVERAGE
-----	-----	-----
NUMBER PERCENT	NUMBER PERCENT	PER SHARE
-----	-----	-----
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)		

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Equity at December 31, 2002	643	____%	\$7,838	____%	\$_____
New investors (2)	606	____%	_____	____%	\$_____
Total	1,249	100.0%	\$_____	100.0%	\$_____

(1) Does not include 160,000 shares of our common stock issuable under our stock option plans.

(2) Net of sales agent fees of \$\_\_\_\_\_ and estimated offering expenses of approximately \$\_\_\_\_\_.

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CAPITALIZATION

The following table sets forth our capitalization and certain capital ratios as of December 31, 2002. Our capitalization is presented on an actual basis and on an as adjusted basis to reflect the sale of 25%, 50%, and 100% of the shares of our common stock being offered in this offering and our receipt of net proceeds therefrom, assuming a public offering price of \$\_\_\_\_ per share and after deducting the sales agent fees and estimated expenses of this offering.

	ACTUAL	AT DECEMBER 31, 2002 PRO FORMA (1)	PRO FORMA (2)
	-----	-----	-----
Stockholders' equity:			
Preferred stock, no par value; 500 shares authorized; no shares issued and outstanding	\$ -	\$ -	\$ -
Common stock, no par value per share; 2,000,000 shares authorized; 643,053 shares, issued and outstanding actual	7,357,477	_____	_____
Retained earnings	344,818	344,818	344,818
Accumulated other comprehensive income, net	135,957	135,957	135,957
	-----	-----	-----
Total stockholders' equity	\$7,838,252		
	=====		
Capital ratios:			
Leverage (4)	6.76%	____%	____%
Tier 1 risk-based (5)	7.83%	____%	____%
Total risk-based(5)	9.08%	____%	____%

- (1) Reflects the sale of \_\_\_\_\_ shares of our common stock in this offering, resulting in \_\_\_\_\_ shares issued and outstanding pro forma, and our receipt of \$\_\_\_\_\_ million in estimated net proceeds.
- (2) Reflects the sale of \_\_\_\_\_ shares of our common stock in this offering, resulting in \_\_\_\_\_ shares issued and outstanding pro forma, and our receipt of \$\_\_\_\_\_ million in estimated net proceeds.
- (3) Reflects the sale of \_\_\_\_\_ shares of our common stock in this offering, resulting in \_\_\_\_\_ shares issued and outstanding pro forma, and our receipt of \$\_\_\_\_\_ million in estimated net proceeds.
- (4) Leverage ratio is defined as Tier 1 capital (pursuant to risk-based capital guidelines) as a percentage of adjusted average assets for the quarter ended December 31, 2002. As adjusted calculation assumes that proceeds from offering would have been received as the last transaction

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- for the quarter ended December 31, 2002.
- (5) The as adjusted calculations for the risk-based capital ratios assume that the proceeds from the offering are invested in assets which carry a 100% risk-weighting as of December 31, 2002.

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### SELECTED FINANCIAL DATA

The following table sets forth summary historical consolidated financial data from our consolidated financial statements and should be read in conjunction with our consolidated financial statements including the related notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations" beginning on page 26. Except for the data under "Performance Ratios", "Asset Quality Ratios" and "Capital Ratios", the summary historical consolidated financial data as of December 31, 2002 and December 31, 2001 and for the years ended December 31, 2002 and December 31, 2001 is derived from our audited consolidated financial statements and related notes, which are included elsewhere in this prospectus.

	At or for the Years Ended December 31,	
	2002 -----	2001 -----
<b>INCOME STATEMENT DATA:</b>		
Interest income	\$6,396,580	\$6,450,510
Interest expense	2,773,904	3,475,087
Net interest income	3,622,676	2,975,423
Provision for loan losses	195,000	664,000
Non-interest income	772,456	379,136
Non-interest expense	3,064,555	2,709,222
Net income	745,218	342,402
<b>BALANCE SHEET DATA:</b>		
Total assets	\$128,443,129	\$104,819,716
Total securities	16,186,406	10,200,866
Total loans, net	94,658,798	83,524,425
Allowance for loan losses	1,300,258	1,195,924
Total deposits	105,893,333	87,890,828
Repurchase agreements and short-term borrowings and short-term borrowings	5,833,512	3,411,736
Total stockholders' equity	7,838,252	7,066,376
<b>PER SHARE DATA:</b>		
Earnings per share - basic	\$ 1.16	\$ 0.53
Earnings per share -diluted	1.16	0.53
Book value	12.19	10.99
<b>PERFORMANCE RATIOS:</b>		
Return on average assets	0.70%	0.40%
Return on average equity	9.97%	5.08%
Net interest margin (1)	3.58%	3.67%
<b>ASSET QUALITY RATIOS:</b>		
Nonperforming assets to total loans	0.19%	0.80%
Net loan charge-offs to average loans	0.10%	0.40%
Allowance for loan losses to total loans	1.36%	1.41%
<b>CAPITAL RATIOS:</b>		
Leverage ratio (2)	6.76%	7.30%
Tier 1 risk-based capital ratio	7.83%	8.20%

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Total risk-based capital ratio	9.08%	9.40%
-----		

(1) Net interest margin is the result of net interest income for the period divided by average interest earning assets.

(2) Leverage ratio is defined as Tier 1 capital (pursuant to risk-based capital guidelines) as a percentage of adjusted average assets.

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### MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION

The following is a discussion of our financial condition at December 31, 2002 and December 31, 2001 and our results of operations for the years ended December 31, 2002 and December 31, 2001. The purpose of this discussion is to focus on information about our financial condition and results of operations which is not otherwise apparent from the annual audited consolidated financial statements. You should read the following discussion and analysis along with our consolidated financial statements and the related notes included elsewhere in this prospectus.

#### APPLICATION OF CRITICAL ACCOUNTING POLICIES

Our 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 us are presented in Note 1 to the consolidated financial statements. 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.

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 to the consolidated financial statements 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 us. Included in the review of individual loans are those that are impaired as provided in SFAS No. 114, "Accounting by Creditors for

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Impairment of a Loan." We evaluate 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

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(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 our internal credit examiners.

An unallocated reserve is maintained to recognize the imprecision in estimating and measuring loss 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.

We have not substantively changed any aspect of our 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 \$1,300,258 was adequate, but not excessive, to absorb estimated credit losses associated with the loan portfolio at December 31, 2002.

### RESULTS OF OPERATIONS

In 2002, we recorded net income of \$745,218, or \$1.16 per common share. This compares to net income of \$342,402, or \$0.53 per common share, in 2001. Net income for 2002 includes gains of \$67,370 during the second quarter and \$41,084 during the third quarter from the sale of investment securities.

**NET INTEREST INCOME.** Net interest income, our principal source of earnings, is the difference between the interest income generated by earning assets, such as loans and securities, and the total interest cost of the deposits and borrowings obtained to fund these assets. Factors that influence the level of net interest income include the volume of earning assets and interest bearing liabilities, yields earned and rates paid, the level of non-performing loans and non-earning assets, and the amount of non-interest bearing deposits supporting earning assets.

For the year ended December 31, 2002, net interest income was \$3,622,676, an increase of \$647,253 over net interest income of \$2,975,423 in 2001. The increase in 2002 resulted primarily from continued growth of loans and deposits, as we continued to increase market share in our principal area of operations. The net interest margin in 2002 was 3.58%, compared to 3.67% in 2001. This drop of 9 basis points is primarily attributable to the continued repricing down in yield of interest-earning assets after the 475 basis points reduction in short-term interest rates, initiated by

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the Federal Open Market Committee of the Federal Reserve, throughout 2001. Because our interest bearing liabilities generally have a longer repricing frequency than our interest earning assets, we were unable to reprice interest bearing liabilities as quickly, in equal or greater dollar volume, as interest earning assets that are indexed to short-term rates, primarily the prime rate.

NET INTEREST ANALYSIS SUMMARY

	2002	2001
	----	----
Average yield on interest earning assets	6.31%	7.95%
Average rate on interest bearing liabilities	3.07%	4.80%
Net interest rate spread	3.24%	3.15%
Net interest margin	3.58%	3.67%

The following table sets forth for the years ended December 31, 2002 and 2001 information regarding average balances of assets and liabilities, as well as the total dollar amounts of interest income from average interest earning assets and interest expense on average interest bearing liabilities and average yields and costs. Such yields and costs for the periods indicated are derived by dividing income or expense by the average balances of assets or liabilities, respectively, for the periods presented. See "Balance Sheet Review-Asset and Liability Management" and "Market Risk Analysis" for a discussion of the repricing characteristics of our assets and liabilities and their effect on our earnings.

AVERAGE CONSOLIDATED BALANCE SHEET AND NET INTEREST ANALYSIS FOR YEAR ENDED DECEMBER 31, 2002  
(DOLLARS IN THOUSANDS)

	AVERAGE BALANCE	INCOME/ EXPENSE
	-----	-----
ASSETS		
EARNING ASSETS		
Federal funds sold and other	\$ 1,952	\$ 30
Securities available for sale (including equity securities)	11,297	565
Federal Home Loan Bank stock	268	13
Loans (1)	87,805	5,789
	-----	-----
Total interest earning assets	101,322	6,397
	-----	-----
Non-interest earning assets	4,993	
	-----	
TOTAL ASSETS	\$ 106,315	
	=====	
LIABILITIES and STOCKHOLDERS' EQUITY		
LIABILITIES		
Interest bearing liabilities		
Interest bearing transaction accounts	\$ 22,383	\$ 342

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Savings accounts	1,135	12
Time deposits	56,961	2,146
	-----	-----
Total interest bearing deposits	80,479	2,500
Securities sold under agreement to repurchase	4,731	54
Other borrowed funds		
Federal funds purchased	201	4
FHLB borrowings	4,169	164
Other borrowings	875	52
	-----	-----
Total interest bearing liabilities	90,455	2,774
Non-interest bearing liabilities		
Non-interest bearing deposits	7,508	
Other liabilities	876	
	-----	
TOTAL LIABILITIES	98,839	
Stockholders' equity	7,476	
	-----	
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 106,315	
	=====	
Net interest income		\$ 3,623
		=====
Net interest margin(2)		
Return on assets ratio		
Return on equity ratio		
Equity to assets ratio		
-----		

- (1) Average loans include nonperforming loans. Interest income includes interest and fees on loans, but does not include interest on loans 90 days or more past due.
- (2) Net interest income as a percentage of average interest earning assets.

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AVERAGE CONSOLIDATED BALANCE SHEET AND NET INTEREST ANALYSIS FOR YEAR ENDED DECEMBER 31, 2001  
(DOLLARS IN THOUSANDS)

	AVERAGE BALANCE	INCOME/ EXPENSE
	-----	-----
ASSETS		
EARNING ASSETS		
Federal funds sold and other	\$ 976	\$ 36
Securities available for sale (including equity securities)	8,084	467
Federal Home Loan Bank stock	141	9
Loans (1)	71,963	5,938
	-----	-----
Total interest earning assets	81,164	6,450
	-----	-----

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Non-interest earning assets	4,412	
	-----	
Total assets	\$ 85,576	
	=====	
LIABILITIES and STOCKHOLDERS' EQUITY		
LIABILITIES		
Interest bearing liabilities		
Interest bearing transaction accounts	\$ 15,461	\$ 431
Savings accounts	805	14
Time deposits	51,002	2,787
	-----	-----
Total interest bearing deposits	67,268	3,232
Securities sold under agreement to repurchase	2,429	77
Other borrowed funds		
Federal funds purchased	451	17
FHLB borrowings	2,030	135
Other borrowings	210	14
	-----	-----
Total interest bearing liabilities	72,388	3,475
Non-interest bearing liabilities		
Non-interest bearing deposits	5,759	
Other liabilities	680	
	-----	
TOTAL LIABILITIES	78,827	
Stockholders' equity	6,749	
	-----	
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 85,576	
	=====	
Net interest income		\$ 2,975
		=====
Net interest margin(2)		
Return on assets ratio		
Return on equity ratio		
Equity to assets ratio		
-----		

- (1) Average loans include nonperforming loans. Interest income includes interest and fees on loans, but does not include interest on loans 90 days or more past due.
- (2) Net interest income as a percentage of average interest earning assets.

The following table sets forth the effects of changing rates and volumes on our net interest income for the years ended December 31, 2002 and 2001. Information is provided with respect to (1) effects on interest income attributable to changes in volume (changes in volume multiplied by prior rate) and (2) effects on interest income attributable to changes in rate (changes in rate multiplied by prior volume). Changes attributable to the combined input of volume and rate have been allocated proportionately to the changes due to volume and the changes due to rate.



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	2002 VS. 2001		
	-----		
	INCREASE/ (DECREASE)		
	DUE TO		
	-----		
	RATE	VOLUME	NET
	----	-----	----
	(IN THOUSANDS)		
INTEREST EARNING ASSETS:			
Loans, net	\$ (1,456)	\$1,307	\$ (149)
Investment securities	(84)	182	98
FHLB stock	(6)	10	4
Federal funds sold	(43)	37	(6)
	----	-----	----
TOTAL NET CHANGE IN INCOME ON INTEREST EARNING ASSETS	(1,589)	1,536	(53)
INTEREST BEARING LIABILITIES:			
Demand and savings accounts	(289)	198	(91)
Certificates of deposit	(964)	324	(640)
	-----	----	-----
Total deposits	(1,253)	522	(731)
Federal funds purchased	(3)	(10)	(13)
Repurchase agreements	(96)	73	(23)
Borrowings	(121)	187	66
	-----	-----	-----
TOTAL NET CHANGE IN EXPENSE ON INTEREST BEARING LIABILITIES	(1,473)	772	(701)
NET CHANGE IN NET INTEREST INCOME	\$ (116)	\$764	\$648
	=====	=====	=====

PROVISION FOR LOAN LOSSES. The provision for loan losses in 2002 was \$195,000 or 0.22% of average loans, compared to \$664,000 or 0.92% of average loans during 2001. The decrease in the provision expense in 2002, compared to 2001, is primarily attributable to smaller loan growth in 2002 compared to 2001, coupled with management's evaluation of the risks associated with the loan portfolio during 2002. Loan growth during 2002 was \$11,238,707, compared to \$23,730,926 in 2001. The lower loan growth we experienced during 2002, compared to 2001, was due to a general slowdown in the local economy that coincided with a slowdown in the national economy. Net loan charge-offs totaled \$90,666 in 2002, compared to \$290,420 in 2001. As a percentage of average loans, net charge-offs were 0.10% in 2002 compared to 0.40% in 2001. Commercial and commercial real estate loan charge-offs decreased in 2002 in comparison to levels experienced in 2001, when one commercial relationship accounted for a charge of \$173,000 to the allowance for loan losses.

NON-INTEREST INCOME. Non-interest income totaled \$772,456 in 2002, compared to \$379,136 in 2001, an increase of \$393,320 or 103.74%. The following table shows the detailed components of non-interest income:

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	2002	2001
	----	----
Service charges on deposit accounts	\$ 575,920	\$ 283,305
Gain on the sale of mortgage loans held for sale	33,538	53,667
Other	12,763	9,132

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Gain on the sale of available for sale securities	108,454	0
Other service charges and fees	41,781	33,032

The growth in 2002 compared to 2001 in service charges on deposit accounts is attributable to the growth in the number of deposit accounts subject to service charges, and to the introduction during the first quarter of an overdraft protection product that, subject to certain terms and conditions, allows pre-approved customers to access up to \$500 of additional funds in transaction accounts for a fee. The other major variance in non-interest income in 2002 came from the gain of \$108,454 from the sale of investment securities during the year, compared to no gain or loss during 2001. Gains on the sale of mortgage loans decreased slightly in 2002 as management elected to retain a higher percentage of its residential real estate loans in the portfolio. In 2002, we sold 56 mortgage loans, totaling \$7,487,760 in the secondary market compared to 75 mortgage loans, totaling \$8,555,434, in 2001. Gain on sale of loans increased during 2001 as declining market interest rates prompted an increase in consumer refinancing activity in 1-4 family, fixed rate residential loans. Revenue from gains on sales of loans increased as a result of higher secondary market sales volumes. We refer trust business to a trust company in return for referral fees. These trust referral fees totaled \$12,763 in 2002 and \$8,800 during 2001.

NON-INTEREST EXPENSE. Non-interest expenses for 2002 of \$3,064,555 increased \$355,333, or 13.1%, from 2001. The changes to non-interest expense over this period were primarily due to expense associated with the growth of Citizens First Bank as its customer base grew. The increases (decreases) in expense by major categories are as follows:

INCREASE (DECREASE) IN  
NON-INTEREST EXPENSES  
2002 VS. 2001  
-----

Salaries and employee benefits	\$ 163,339
Net occupancy expense	1,072
Equipment expense	(25,051)
Business manager expense	(1,001)
Professional fees	(16,702)
Other real estate expenses	(30,890)
Loss on sale of other real estate owned	(17,495)
Data processing	42,177
FDIC deposit insurance	3,400
Franchise and other taxes	57,220
Directors' fees	13,400
Processing fees-overdraft protection plan	27,327
Overdraft protection plan charge-offs	29,636
Charity and contributions	17,141
Postage	3,738
Telephone	3,970
Supplies	13,372

Advertising and marketing	18,915
Other operating expenses	51,764
	-----

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Total increase in non-interest expense                   \$ 355,333  
=====

Significant variances include salaries and employee benefits expense, which increased \$163,339 during 2002, or 11.95%, to \$1,530,034 from the 2001 total of \$1,366,695. The increase included annual merit increases for existing staff, plus an increase of five full-time equivalent employees during 2002 compared to 2001, plus increases in employee benefit costs. Increases in data processing and franchise and other taxes reflect additional costs tied to our growth, as those expenses are linked to the size and activity of components of our balance sheet. Expenses associated with the overdraft protection plan relate to a product introduced during the first quarter of 2002.

INCOME TAXES. Income tax expense for the year ended December 31, 2002 has been calculated using our expected annual rate for 2002. Deferred tax liabilities and assets are recognized for the tax effects of differences between the financial statement and tax bases of assets and liabilities. During the fourth quarter of 2001, we exhausted our tax operating loss carryforwards and anticipated future taxable income. Therefore, in accordance with SFAS 109, we reduced our valuation allowance by \$349,251, because we had sufficient taxable income to realize the tax benefits of the existing net deferred tax assets. As a result, our net income for the year ended December 31, 2001 increased \$349,251.

### BALANCE SHEET REVIEW

Assets at year-end 2002 totaled \$128,443,129, compared with \$104,819,716 at December 31, 2001. On an annual average basis, total assets were \$106,314,522 in 2002, compared to \$85,576,395 in 2001. Average interest earning assets increased \$20,157,727 from 2001 to 2002, from \$81,163,819 to \$101,321,546.

LOANS. Total loans, net of unearned income, averaged \$87,804,551 in 2002, compared to \$71,963,289 in 2001. At year-end 2002, loans totaled \$95,959,056, compared to \$84,720,349 at year-end 2001. We experienced moderate loan growth in our market area during the majority of the year, and experienced strong loan growth during the latter part of the fourth quarter, with particular strength in middle market commercial and commercial real estate loans. The following table presents a summary of the loan portfolio by category:

### LOANS OUTSTANDING

	December 31, 2002	December 31, 2001
	-----	-----
Commercial and agricultural	\$ 31,798,487	\$ 27,014,848
Commercial real estate	33,364,597	35,285,871
Residential real estate	20,637,427	13,373,143
Consumer:		
Home equity lines	2,908,625	1,888,877
Other consumer	7,249,920	7,173,572
	-----	-----
Total loans	\$ 95,959,056	\$ 84,736,311
Less: Deferred loan fees	0	(15,962)
	-----	-----
Loans, net of unearned income	\$ 95,959,056	\$ 84,720,349
	=====	=====

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LOAN CONCENTRATIONS. The percentage distribution of our loans, by industry, is shown in the following table. Commercial real estate loans include financing for industrial developments, residential developments, retail shopping centers, industrial buildings, restaurants, and hotels. The primary source of repayment cannot be traced to any specific industry group.

LOANS BY INDUSTRY (AS A PERCENTAGE OF TOTAL LOANS)  
FOR THE YEAR ENDED DECEMBER 31,

	2002	2001
	----	----
Agriculture	0.54%	0.96%
Apartment buildings	1.24%	4.73%
Construction and land development	7.87%	5.80%
Finance and insurance	0.28%	0.80%
Manufacturing durable goods	5.37%	4.80%
Services:		
Health	1.55%	1.27%
Other	4.24%	6.37%
Wholesale trade	2.38%	1.88%
Retail trade:		
Restaurants	3.26%	4.44%
Automotive	0.26%	.86%
Other	2.98%	3.77%
Other commercial real estate	24.11%	25.61%
All other commercial loans	12.45%	12.21%
	-----	-----
Total commercial and commercial real estate loans	66.53%	73.50%
Residential real estate loans	25.77%	18.04%
Consumer loans	7.70%	8.46%
	-----	-----
Total loans	100.00%	100.00%

Substantially all of our loans are to customers located in the Bowling Green-Warren County area. As of December 31, 2002, our 20 largest credit relationships consisted of loans and loan commitments ranging from \$1.85 million to \$988,864. The aggregate amount of these credit relationships was \$25.9 million.

The following table sets forth the maturity distribution and interest rate sensitivity of commercial and commercial real estate loans as of December 31, 2002. Maturities are based upon contractual terms. Our policy is to specifically review and approve all loans renewed; loans are not automatically rolled over.

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	ONE YEAR OR LESS	ONE THROUGH FIVE YEARS	OVER FIVE YEARS
BY MATURITY DATE:			
Commercial	\$18,437,743	\$10,752,858	\$ 2,607,88
Commercial real estate	9,733,605	11,508,622	12,122,37
	-----	-----	-----
Total	\$28,171,348	\$22,261,480	\$14,730,25
Fixed rate loans	\$ 7,504,395	\$ 9,775,949	\$12,499,14
Floating rate loans	20,666,953	12,485,531	2,231,10
	-----	-----	-----
Total	\$28,171,348	\$22,261,480	\$14,730,25
BY NEXT REPRICING OPPORTUNITY:			
Commercial	\$25,834,029	\$ 5,587,678	\$ 376,78
Commercial real estate	17,053,957	4,188,271	12,122,36
	-----	-----	-----
Total	\$42,887,986	\$ 9,775,949	\$12,499,14
Fixed rate loans	\$ 7,504,395	\$ 9,775,949	\$12,499,14
Floating rate loans	35,383,591	0	
	-----	-----	-----
Total	\$42,887,986	\$ 9,775,949	\$12,499,14

ASSET AND LIABILITY MANAGEMENT. Our assets and liabilities are managed to provide a consistent level of liquidity to accommodate normal fluctuations in loans and deposits. The yield on approximately 35 percent of our earning assets adjusts simultaneously with changes in an external index, primarily the highest prime rate as quoted in the Wall Street Journal. Most of our interest bearing liabilities are issued with fixed terms and can only be repriced at maturity. During periods of rising rates, the yield on our interest earning assets will increase faster than the rates paid on interest bearing liabilities. This creates an increase in the net interest margin, as the difference between what we earn on our interest earning assets and pay on our interest bearing liabilities increases. During periods of falling rates, as occurred during the fourth quarter of 2002, with one rate drop of 50 basis points, and throughout 2001, when eleven short-term rate decreases totaling 475 basis points occurred, the yield on our assets will decline faster than the rates paid on supporting liabilities. This causes an initial decline in the net interest margin as the difference between what we earn on our assets and what we pay on our liabilities becomes smaller. If interest rates stabilize for a period of time, the difference between interest earning assets and interest bearing liabilities will tend to stabilize as occurred during the first ten months of 2002. In a stable rate environment, our net interest margin will be impacted by, among other factors, a change in the mix of earning assets, with our deposit growth being invested in federal funds sold, investment securities or loans.

ASSET QUALITY. Nonperforming loans are defined as non-accrual loans, loans accruing but past due 90 days or more, and restructured loans. We had nonperforming loans totaling \$115,000 at December 31, 2002, compared to \$334,000 at December 31, 2001. The nonperforming loan total at year-end 2002 consisted of one loan, secured by residential real estate, which was placed on non-accrual status during the third quarter of 2002. This property has subsequently been sold at a foreclosure sale, at a price less than \$115,000, and a small loss on the settlement of the loan is

anticipated by us when the transaction is settled. There were no loans accruing but past due 90 days or more and no restructured loans at December 31, 2002.

We had non-performing loans totaling \$348,282 at December 31, 2001. Included in the non-performing loan total at year-end 2001 were two loans to one customer, totaling \$253,400, that were placed on non-accrual status in the fourth quarter of 2001. One of these loans was secured by residential real estate, and a residential building lot secured the other. The remaining \$94,882 of non-performing loans were comprised of two loans, one of which was an \$80,000 loan secured by residential real estate, which was placed on non-accrual during the third quarter of 2000. The remaining \$14,882 was a commercial loan past due 90 days or more at the end of 2001. There were no restructured loans at year-end 2001. We had non-performing assets of \$669,745 at the end of 2001, comprised of the four non-performing loans totaling \$348,282 mentioned above, plus other real estate owned totaling \$321,463. The other real estate owned was comprised of two properties, one valued at \$230,000 and the other valued at \$91,463.

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. 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.

Nonperforming assets are defined as nonperforming loans, foreclosed real estate, and other foreclosed property. We had nonperforming assets of \$185,000 at the end of 2002, compared to \$669,745 at the end of 2001. The nonperforming assets at December 31, 2002 were comprised of the one nonperforming loan mentioned above, totaling \$115,000, plus other real estate owned totaling \$70,000. The other real estate owned is comprised of one partially developed real estate property valued at \$70,000. This property was written down by \$21,463 during the fourth quarter of 2002, from a previous total of \$91,463. Subsequent to year end 2002, this other real estate owned property was sold, resulting in a net gain on the sale of \$3,861.

The allowance for loan losses is established through a provision for loan losses charged to expense. The provision to the allowance for loan losses is based on management's and the Loan Committee's ongoing review and evaluation of the loan portfolio and general economic conditions on a monthly basis, and review by the full Board of Directors on a quarterly basis. Our review and evaluation of the allowance for loan losses is based on an analysis of historical trends, significant problem 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. Loans are charged off when, in the opinion of management, they are deemed to be uncollectible. Consumer loans are charged off after 120 days of delinquency unless adequately secured and in the process of collection. Recognized losses are charged against the allowance and subsequent recoveries are added to the allowance. While we use the best information available to make evaluations, future adjustments to the allowance may be necessary if economic conditions differ substantially from the

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assumptions used in making the evaluation. The allowance for loan losses 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.

At December 31, 2002, the allowance was \$1,300,258, compared to \$1,195,924 at the end of 2001. The ratio of the allowance for loan losses to total loans (excluding mortgage loans held for sale) at December 31, 2002, was 1.36%, compared to 1.41% at December 31, 2001. The increase in the allowance for loan losses in 2002 compared to 2001 is primarily due to the overall increase in the total loan portfolio, as nonperforming loans at December 31, 2002 decreased as a percentage of the allowance for loan losses. The total allowance for loan losses as a percent of nonperforming loans increased to 1,130.66% at December 31, 2002, compared to 358.06% at December 31, 2001. The allowance established for commercial and commercial real estate loans increased \$123,000 to

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\$910,000. The increase is largely reflective of the growth in the commercial and commercial real estate loan portfolio. Historical loss rates are used to provide for loans that have no specific allocation in the determination of the adequacy of the allowance for loan losses. At December 31, 2002, \$641,000 of the allowance was allocated applying these historical loss rates, compared to \$609,000 at the end of 2001. An unallocated reserve is maintained to recognize the imprecision in estimating and measuring loss when evaluating allowances for individual loans or pools of loans. The unallocated allowance for losses was \$197,000 at December 31, 2002. The reduction of \$19,000 in the unallocated allowance for losses in 2002 compared to 2001 reflects the decrease in loan losses experienced during 2002, coupled with the decrease in nonperforming loans at December 31, 2002 compared to December 31, 2001. The following table sets forth an analysis of our allowance for loan losses for the periods indicated.

### SUMMARY OF LOAN LOSS EXPERIENCE FOR THE YEAR ENDED DECEMBER 31,

	2002 ----	2001 ----
Balance at beginning of year	\$1,195,925	\$ 822,34
Provision for loan losses	195,000	664,00
Amounts charged off:		
Commercial and commercial real estate	94,596	230,81
Residential real estate	0	56,91
Consumer	11,519	8,19
	-----	-----
Total loans charged off	106,115	295,92
Recoveries of amounts previously charged off:		
Commercial and commercial real estate	2,800	5,40
Residential real estate	10,279	
Consumer	2,370	10
	-----	-----
Total recoveries	15,449	5,50
	-----	-----
Net charge-offs	90,666	290,42
	-----	-----
Balance at end of year	\$1,300,258	\$1,195,92

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	=====	=====
Total loans, net of unearned income:		
Average	\$87,805,000	\$71,963,000
At December 31	95,959,056	84,720,340
As a percentage of average loans:		
Net charge-offs	0.10%	0.40%
Provision for loan losses	0.22%	.92%
Allowance as a percentage of year-end loans (excluding mortgage loans held for sale)	1.36%	1.41%
Allowance as a percentage of nonperforming loans	1,130.66%	358.06%

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The following table sets forth the breakdown of the allowance for loan losses by loan category at the dates indicated.

DECEMBER 31, (DOLLARS IN THOUSANDS)		2002		2001
		% OF LOANS IN EACH CATEGORY TO TOTAL		% OF LOANS IN EACH CATEGORY TO TOTAL
	AMOUNT	LOANS	AMOUNT	LOANS
Mortgage loans	\$ 82	7.4%	\$ 81	8.3%
Consumer and other loans	111	10.1%	112	11.4%
Commercial loans	483	43.8%	461	47.0%
Commercial real estate loans	427	38.7%	326	33.3%
Unallocated	197	N/A	216	N/A
	---	----	-----	-----
Total allowance for loan losses	\$1,300	100.0%	\$1,196	100.0%
	=====	=====	=====	=====

Each category of the above table consists of allocations based upon specifically identified problem loans, past due loans, and a portion of the remaining portfolio based upon historical loss rates. Residential real estate loans increased from \$13,373,143 to \$20,637,427 from year-end 2001 to year-end 2002, while the allocations of the loan loss for these loans increased from \$81,000 to \$82,000. This small increase in the allocation compared to the increase in the loan balances was due to a decrease in specifically allocated problem loans in the portfolio at year-end 2002 compared to 2001, resulting in a decrease in the specific allocation portion of the allocation calculation of \$12,000. This decrease was offset by the allocation for the remaining part of the portfolio determined by historical loss rates, which increased by \$12,000 at the end of 2002 compared to 2001. The same scenario applied to the calculation for consumer and other loans, where a decrease in the allocation for past due loans at year-end 2002, compared to 2001, offset a slight increase of the allocation in 2002 calculated for the remaining part of the consumer loan portfolio.

During the fourth quarter of 2001, due to the uncertainty of the strength of the national and regional economies following the tragic events of September 11, 2001, management elected to increase the provision for loan losses



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by an additional \$175,000. This additional provision is reflected in the above table on the breakdown of the allowance for loans losses, for the year ending 2001, in the unallocated portion of the distribution of the allowance. This additional provision amount did not affect the amount of provision expense for potential loan losses taken by the Company during 2002.

Management believes that the allowance for loan losses at December 31, 2002 is adequate to absorb losses inherent in the loan portfolio as of that date. That determination is based on the best information available to management, but necessarily involves uncertainties and matters of judgment and, therefore, cannot be determined with precision and could be susceptible to significant change in the future. In addition, bank regulatory authorities, as a part of their periodic examinations of Citizens First Bank, may reach different conclusions regarding the quality of the loan portfolio and the level of the allowance, which could result in additional provisions being made in future periods.

SECURITIES, FEDERAL FUNDS SOLD AND RESALE AGREEMENTS. The tables below present the carrying value of securities for each of the past two years and the maturities and yield characteristics of securities as of December 31, 2002. Securities are all classified as available for sale, and averaged \$11,297,161 in 2002, an increase of \$3,213,968 over the average of \$8,083,193 in 2001.

CARRYING VALUE OF SECURITIES AVAILABLE FOR SALE

DECEMBER 31,  
(IN THOUSANDS)  
-----

	2002	2001
	----	----
U.S. Government agencies	\$10,183	\$ 8,404
Collateralized mortgage obligations securities	6,003	1,725
Other securities, including equity investment securities	0	72
	-----	-----
Total securities available for sale	\$16,186	\$10,201
	=====	=====

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MATURITY DISTRIBUTION OF SECURITIES AVAILABLE FOR SALE

DECEMBER 31, 2002

(DOLLARS IN THOUSANDS)

	ONE YEAR OR LESS -----	OVER ONE YEAR THROUGH FIVE YEARS -----	OVER FIVE YEARS THROUGH TEN YEARS -----	OVER TEN YEARS -----	TOTAL MATURITY -----
U.S. Government agencies	\$196	\$6,000	\$3,892	\$ 0	\$10,088
Collateralized mortgage obligations and mortgage-backed securities	1	945	3,554	1,392	5,892
	----	-----	-----	-----	-----
Total securities available for sale	\$197	\$6,945	\$7,446	\$1,392	\$15,980
	=====	=====	=====	=====	=====
Percent of total	1.2%	43.5%	46.6%	8.7%	100.0%
Weighted average yield(2)	4.60%	4.11%	3.93%	5.30%	4.13%

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- (1) Collateralized mortgage obligations and mortgage-backed securities are grouped into 2002 prepayment projections.
  - (2) The weighted average yields are based on amortized cost.

DEPOSITS. Total deposits averaged \$87,986,819 during 2002, an increase of \$14,960,175 compared to \$73,026,644 in 2001. Strong transaction deposit growth fueled average deposit growth during 2002. Average demand deposits increased \$1,749,095 during 2002 compared to 2001, to \$7,507,931 from \$5,758,836. Demand balances at December 31, 2002 were \$11,304,108, an increase of \$2,753,859 compared to the end of 2001. Savings, NOW and money market average deposit balances increased \$7,243,495 during 2002 compared to 2001, to \$23,517,934 from \$16,274,439. Savings, NOW and money market balances at December 31, 2002 were \$34,676,471, an increase of \$13,683,426 compared to December 31, 2001. Time deposits of \$100,000 or more totaled \$22,457,617 at December 31, 2002, compared to \$22,040,834 at December 31, 2001. Interest expense on time deposits of \$100,000 or more was \$750,336 in 2002, compared to \$955,713 in 2001. The following table shows the maturities of time deposits of \$100,000 or more as of December 31, 2002:

### MATURITY OF TIME DEPOSITS OF \$100,000 OR MORE DECEMBER 31, 2002

Three months or less	\$8,093,726
Over three through six months	4,200,226
Over six through twelve months	4,373,070
Over one year through two years	3,603,851
Over two years through five years	2,186,744
	-----
Total	\$22,457,617
	=====

### LIQUIDITY, OTHER BORROWINGS AND CAPITAL RESOURCES

LIQUIDITY. To maintain a desired level of liquidity, we have several sources of funds available. We primarily rely upon net inflows of cash from financing activities, supplemented by net inflows of cash from operating activities, to provide cash used in our investing activities. The

majority of our net inflows in 2002 came from financing activities, which is typical of the banking industry. Significant financing activities include deposit gathering, and the use of short-term borrowing facilities, such as federal funds purchased and repurchase agreements. Total net cash provided by financing activities during 2002 were \$22,525,281, a decrease of \$7,778,011 from the total of \$30,303,292 from 2001.

Net increases in demand deposit, NOW, money market and savings accounts during 2002 totaled \$16,437,285, compared to net increases of \$9,334,215 during 2001, reflecting our focus on increasing market share and expanding our customer base. The net increase from certificates of deposit was \$1,565,220 in 2002, compared to \$16,040,501 during 2001, reflecting our intent to reduce our dependency on certificates of deposit accounts for funding needs. We had \$16,667,022 in time deposits of \$100,000 or more maturing within one year as of December 31, 2002. These deposits are typically more volatile than time deposits

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under \$100,000, meaning there is a greater risk associated with maintaining the deposits as they mature. We have decreased our dependency on time deposits in general and time deposits of \$100,000 or more as a percentage of our total deposits in 2002 compared to 2001. Time deposits were \$59,912,754 or 56.58% of total deposits at December 31, 2002, compared to \$58,347,534 or 66.39% of total deposits at December 31, 2001. Time deposits of \$100,000 or more totaled \$22,457,617 or 21.21% of total deposits at the end of 2002, compared to \$22,040,834 or 25.08% of total deposits at the end of 2001. To decrease reliance on time deposits of \$100,000 or more, we will continue to offer competitive transaction deposit products and to focus on expanding our customer base and increasing our market share, primarily through opening more retail banking offices in our local market.

We rely on existing Federal Funds lines of credit through correspondent banks for short-term funding needs. At December 31, 2002, we had established Federal Funds lines of credit totaling \$8,950,000 with four correspondent banks. Information regarding short-term borrowings is presented below:

### OTHER BORROWINGS

(DOLLARS IN THOUSANDS)

	2002	2001
	----	----
<b>FEDERAL FUNDS PURCHASED AND REPURCHASE AGREEMENTS:</b>		
Balance at year end	\$5,834	\$3,412
Weighted average rate at year end	.99%	1.47%
Average balance during the year	4,932	2,880
Weighted average rate during the year	1.17%	3.28%
Maximum month-end balance	5,834	5,348
<b>OTHER BORROWINGS:</b>		
Balance at year end	7,900	5,799
Weighted average rate at year end	2.81%	5.36%
Average balance during the year	5,045	2,241
Weighted average rate during the year	3.93%	6.67%
Maximum month-end balance	7,900	5,799
<b>TOTAL BORROWINGS:</b>		
Balance at year end	13,734	9,211
Weighted average rate at year end	2.04%	3.92%
Average balance during the year	9,977	5,121
Weighted average rate during the year	2.57%	4.76%
Maximum month-end balance	13,734	9,211

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Repurchase agreements mature in one business day. The rate paid on these accounts is tied to the targeted federal funds rate and is based on a tiered balance calculation.

We 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 December 31, 2002, we had two outstanding FHLB advances totaling \$7,000,000. The first FHLB advance, which was issued December 19, 2001, matures March 19, 2004 and has a fixed interest rate of 4.04%. The second FHLB advance, which was issued December 11, 2002, matures June 9, 2003 and has a fixed interest rate of 1.50%. We have 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 December 31, 2002, we had available collateral to borrow an additional \$5.5 million from FHLB. Net increases from

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proceeds from long-term borrowings, primarily from advances from the FHLB, were \$2,101,000 in 2002.

Significant net cash inflows from operating activities came from net income of \$745,218 generated during 2002, and the net increase in available cash offset by the decrease of \$1,272,959 in mortgage loans held for sale to the secondary market at December 31, 2002, compared to the balance at the end of 2001.

Our primary investing activities include purchases of securities and loan originations, offset by maturities, prepayments and sales of securities, and loan payments. Net cash used in investing activities were primarily from two categories: net changes in loans and purchases of available-for-sale securities. Net changes in loans using cash during 2002 totaled \$11,329,373, compared to net changes in loans using cash of \$24,342,809 during 2001. This decrease in the growth rate of net loans during 2002 compared to 2001 reflects the moderate loan growth we experienced during the majority of 2002, attributable to a general slow-down in the local economy after the terrorist attacks in the United States during September 2001. Net purchases of available-for-sale securities used cash totaling \$13,147,281 during 2002, compared to net cash used of \$17,594,039 during 2001. However, proceeds from maturities of available-for-sale securities were down \$8,344,720 during 2002 from 2001, to a total of \$6,168,141. The declining interest rate environment during 2001, when short-term rates fell 475 basis points during the year, contributed to several securities being called for early maturity, resulting in higher proceeds from the sale of available-for-sale securities, and also increased purchases of available-for-sale securities during 2001 compared to 2002.

**CAPITAL RESOURCES.** We are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory, and possibly additional discretionary, actions by regulators that, if undertaken, could have a material effect on the financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, we must meet specific capital guidelines that involve quantitative measures of our assets, liabilities and certain off-balance sheet items as calculated under the regulatory accounting practices. Our capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

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Quantitative measures established by regulation to ensure capital adequacy require us to maintain minimum amounts and ratios of total Tier 1 capital to risk-weighted assets and to total assets. Citizens First's capital ratios at December 31, 2002 and December 31, 2001 (calculated in accordance with regulatory guidelines) were as follows:

	2002	2001
	-----	-----
TIER 1 RISK-BASED CAPITAL RATIO	7.83%	8.20%
Regulatory minimum	4.00	4.00
"Well-capitalized" minimum	6.00	6.00
TOTAL RISK-BASED CAPITAL RATIO	9.08%	9.40%
Regulatory minimum	8.00	8.00
"Well-capitalized" minimum	10.00	10.00
TIER 1 LEVERAGE RATIO	6.76%	7.30%
Regulatory minimum	4.00	4.00
"Well-capitalized" minimum	5.00	5.00

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At December 31, 2002, Citizens First Bank was categorized as "well capitalized" under the regulatory framework for prompt corrective action, while Citizens First was categorized as "well capitalized" under the Tier 1 risk-based and the Tier 1 leverage ratios, respectively, and as "adequately capitalized" under the Total risk-based capital ratio. To be categorized as "well capitalized", we must maintain minimum total risk-based, Tier 1 risk-based and Tier 1 leverage ratios of 10%, 6%, and 5%, respectively. To be categorized as "adequately capitalized", we must maintain minimum total risk-based, Tier 1 risk-based and Tier 1 leverage ratios of 8%, 4% and 4 %, respectively. The decrease in these capital ratios in 2002 is primarily due to our asset growth relative to our increase in net income, associated with our efforts to gain market share in our market through competitive pricing of our products and services.

At the time we became a bank holding company, we owned an investment portfolio of marketable equity securities valued at approximately \$1.5 million. These securities were our primary asset prior to the formation of Citizens First Bank. The majority of these securities were sold in 1999, and the proceeds from the sale of the securities provided a source of cash to us. Since the opening of Citizens First Bank, our cash requirements have been met primarily by the growth of customers' deposits, and by the cash generated from the sale of the investment portfolio mentioned above. In November 2000, \$850,000 of the cash generated from the sale of the investment portfolio was injected as capital into Citizens First Bank.

In 2001, we executed a credit agreement with a correspondent bank for the purpose of injecting capital into Citizens First Bank. We made three draws in 2001 totaling \$875,000 from a total availability of \$3,000,000. We made one draw in 2002 totaling \$25,000. Subsequent to year-end 2002, we made one draw in February 2003 for \$400,000. The current rate on the loan, which is repriced annually at one-year LIBOR plus 275 basis points, is 5.11%. The stock of Citizens First Bank is pledged as collateral for the loan.

Our ability to continue to grow is dependent on our earnings and the ability to obtain additional funds for contribution to Citizens First Bank's capital, through additional borrowing, the sale of additional common stock or preferred stock, or through the issuance of additional qualifying equity equivalents, such as trust preferred securities. We are currently proposing to raise additional equity through the sale of additional shares of common stock. To the extent that we are unsuccessful in raising additional equity, we will be required to seek alternative sources, such as increased reliance on, or expansion of, our line of credit or the issuance of trust preferred securities. Increased borrowings or trust preferred securities will have immediate interest costs, which will have an adverse impact on earnings, although they may require a lower internal rate of return on equity than common stock. To the extent that they are floating or variable rate, the future cost of additional borrowings or trust preferred securities may increase over time, while the cost of equity will remain fixed.

In the event that we are unable to obtain additional capital for Citizens First Bank on a timely basis, the growth of Citizens First and Citizens First Bank may be curtailed, and we may be required to reduce our level of assets in order to maintain compliance with regulatory capital requirements. Under those circumstances, net income and rate of growth of net income may be adversely affected.

Due to regulatory constraints on the payment of dividends, no funds are available for the payment of dividends from Citizens First Bank to the Citizens First holding company without prior regulatory approval.

## MARKET RISK ANALYSIS

QUANTITATIVE ASPECTS OF MARKET RISK. We do not maintain a trading account for any class of financial instrument, nor do we engage in hedging activities or purchase high-risk derivative instruments. Furthermore, we are not subject to foreign exchange rate risk or commodity price risk.

We monitor interest rate sensitivity and interest rate risk with an earnings simulation model, using rate risk measurement techniques to produce a reasonable estimate of interest margin risks. The system provides several methods for measuring interest rate risk, including rate sensitivity gap analysis to show cash flow and repricing information, and margin simulation, or rate shocking, to quantify the actual income risk, by modeling our sensitivity to changes in cash flows over a variety of interest rate scenarios. The program performs a full simulation of each balance sheet category under various rate change conditions and calculates the net interest income change for each. Each category's interest change is calculated as rates ramp up and down. In addition, the prepayment speeds and repricing speeds are changed.

The following illustrates the effects on net interest income of an immediate shift in market interest rates from the earnings simulation model.

Basis point change	+200 bp	+100 bp	-100 bp	-200 bp
Increase (decrease) in net interest income	9.3%	4.8%	(4.8%)	(9.8%)

As of December 31, 2002, management believes our balance sheet was in an asset-sensitive position, as the repricing characteristics of the balance sheet were such that an increase in interest rates would have a positive effect on earnings and a decrease in interest rates would have a negative effect on earnings. Certain assumptions were utilized in preparing the preceding table. These assumptions relate to interest rates, loan prepayment rates, deposit decay rates, and the market values of certain assets under differing interest rate scenarios, among others.

As with any method of measuring interest rate risk, certain shortcomings are inherent in the method of analysis presented in the foregoing table. For example, although certain assets and liabilities may have similar maturities or periods to repricing, they may react in different degrees to changes in market interest rates. Also, the interest rates on certain types of assets and liabilities may fluctuate in advance of changes in market interest rates, while interest rates on other types may lag behind changes in market rates. Additionally, certain assets, such as ARM loans, have features that restrict changes in interest rates on a short-term basis and over the life of the asset. Further, in the event of a change in interest rates, expected rates of prepayments on loans and early withdrawals from certificates could deviate significantly from those assumed in calculating the table.

QUALITATIVE ASPECTS OF MARKET RISK. Our principal financial objective is to achieve long-term profitability while reducing our exposure to fluctuating market interest rates. We have sought to reduce the exposure of our earnings to changes in market interest rates by attempting to manage the mismatch between asset and liability maturities and interest rates. In order to reduce the exposure to interest rate fluctuations, we have developed strategies to manage our liquidity and shorten our effective maturities of certain interest earning

assets.

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Management has sought to decrease the average maturity of our assets by:

- o offering a variety of adjustable-rate residential mortgage loans and consumer loans, many of which are retained by us for our portfolio;
- o purchasing mortgage-backed and related securities with adjustable rates or estimated lives of five to ten years or less; and
- o purchasing short- to intermediate-term investment securities.

In addition, we sell a portion of our long-term, fixed-rate single-family residential mortgage loans for cash in the secondary market. The retention of ARM loans and adjustable-rate mortgage-backed securities, which reprice at regular intervals, helps to ensure that the yield on our loan portfolio will help to offset increases in our cost of funds. However, periodic and lifetime interest rate adjustment limits may prevent ARM loans from repricing to market interest rates during periods of rapidly rising interest rates. We do not use any hedging techniques to manage the exposure of our assets to fluctuating market interest rates.

We rely on retail deposits as our primary source of funds and maintain lower-costing savings, NOW and money market accounts, along with higher costing certificates of deposit. We have attempted to lengthen the term of deposits by offering certificates of deposit with longer terms. Management believes retail deposits, compared to brokered deposits, reduce the effects of interest rate fluctuations because they generally represent a more stable source of funds.

#### IMPACT OF ACCOUNTING PRONOUNCEMENTS AND REGULATORY POLICIES

The Financial Accounting Standards Board (FASB) recently adopted Statement of Financial Accounting Standard (SFAS) 143, "Accounting for Asset Retirement Obligations." This statement requires an entity to record a liability for an obligation associated with the retirement of an asset at the time the liability is incurred by capitalizing the cost as part of the carrying value of the related asset and depreciating it over the remaining useful life of that asset. SFAS 143 is effective for fiscal years beginning after June 15, 2002. We expect to first apply SFAS 143 in the first quarter of our fiscal year ending December 31, 2003. We anticipate that there will be no material impact on our financial condition or results of operation as a result of adopting SFAS 143.

The FASB recently adopted SFAS No. 145, "Rescission of SFAS Statements No. 4, 44, and 64, Amendment of SFAS No. 13, and Technical Corrections." This statement rescinds SFAS No. 4, "Reporting Gains and Losses from Extinguishment of Debt," and amends SFAS No. 64, "Extinguishments of Debt Made to Satisfy Sinking-Fund Requirements." This statement also rescinds SFAS No. 44, "Accounting for Intangible Assets of Motor Carriers." This statement amends SFAS No. 13, "Accounting for Leases," to eliminate an inconsistency between the required accounting for sale-leaseback transactions and the required accounting for certain lease modifications that have economic effects that are similar to sale-leaseback transactions. This statement also amends other existing authoritative pronouncements to make various technical corrections, clarify meanings, or describe their applicability under changed conditions. SFAS No. 145

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was effective for transactions occurring after May 15, 2002. We anticipate there will be no

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material impact on the our financial condition or results of operation as a result of adopting SFAS No. 145.

The FASB recently adopted SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." This statement addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Tax Force (EITF) Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." This statement requires recognition of a liability for a cost associated with an exit or disposal activity when the liability is incurred, as opposed to being recognized at the date an entity commits to an exit plan under EITF Issue No. 94-3. This statement also established that fair value is the objective for initial measurement of the liability. This statement is effective for exit or disposal activities that are initiated after December 31, 2002. We anticipate there will be no material impact on our financial condition or results of operation as a result of adopting SFAS No. 146.

The FASB recently adopted SFAS No. 147, "Acquisition of Certain Financial Institutions." This statement addresses the financial accounting and reporting for the acquisition of all or part of a financial institution, except for a transaction between two or more mutual enterprises. This statement removes acquisitions of financial institutions from the scope of SFAS No. 72, "Accounting for Certain Acquisitions of Banking or Thrift Institutions" and FASB Interpretation No. 9, "Applying APB Opinions No. 16 and 17 when a Savings and Loan Association or a Similar Institution Is Acquired in a Business Combination Accounted for by the Purchase Method," and requires that those transactions be accounted for in accordance with SFAS No. 141 and SFAS No. 142. In addition, this statement amends SFAS No. 144 to include in its scope long-term customer relationship intangible assets of financial institutions such as depositor and borrower-relationship intangible assets and credit cardholder intangible assets. Consequently, those intangible assets are subject to the same undiscounted cash flow recoverability test and impairment loss recognition and measurement provisions that SFAS No. 144 requires for other long-lived assets that are held and used. This statement was effective October 1, 2002. There was no material impact on the our financial condition or results of operation as a result of adopting SFAS No. 147.

The FASB recently adopted SFAS No. 148, "Accounting for Stock-Based Compensation-Transition and Disclosure--an Amendment of FASB Statement No. 123." This statement amends SFAS No. 123, "Accounting for Stock-Based Compensation," to provide alternative methods of transition for a voluntary change to the fair value method of accounting for stock-based employee compensation. In addition, this statement amends the disclosure requirements of SFAS No. 123 to require more prominent disclosures about the method of accounting for stock-based employee compensation and the effect of the method used on reported results in both annual and interim financial statements. This statement is effective for financial statements for fiscal years ending after December 15, 2002. There was no material impact on our financial condition or results of operation as a result of adopting SFAS No. 148.

EFFECT OF INFLATION AND CHANGING PRICES



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The consolidated financial statements and related financial data included in this prospectus have been prepared in accordance with generally accepted accounting principles, which require the measurement of financial position and operating results in terms of historical dollars, without

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considering the change in the relative purchasing power of money over time due to inflation. The impact of inflation is reflected in the increased cost of our operations. Unlike most industrial companies, virtually all the assets and liabilities of a financial institution are monetary in nature. As a result, interest rates generally have a more significant impact on a financial institution's performance than do general levels of inflation. Interest rates do not necessarily move in the same direction or to the same extent as the prices of goods and services.

### BUSINESS

#### BACKGROUND

We operated from 1975 to 1998 as a private investment club with a small number of shareholders. In September 1998 our directors filed as organizers an application with the Kentucky Department of Financial Institutions for permission to operate a state charter bank and an application to the FDIC for deposit insurance. In November 1998 we filed an application with the Federal Reserve Board for approval to become a bank holding company through ownership of Citizens First Bank. Following our receipt of necessary regulatory approvals, Citizens First Bank opened for business in February 1999.

We decided to enter the banking business because, in recent years, some Bowling Green banks were acquired by regional multi-bank holding companies headquartered outside Bowling Green. In many cases, these acquisitions and consolidations were accompanied by fee changes, branch closings, the dissolution of local boards of directors, management and personnel changes and, in the perception of our management, a decline in the level of personalized customer service. This situation created a favorable opportunity for a new commercial bank that could attract those customers who prefer to conduct business with a locally managed institution that demonstrates an active interest in their businesses and personal financial affairs. We believe that a locally managed institution is better able to deliver more timely responses to customer requests, provide customized financial products and services and offer the personal attention of senior banking officers.

#### BUSINESS STRATEGY

Our mission is to firmly establish ourselves in our primary service area as a community owned and operated full-service bank providing traditional products and services typically offered by commercial banks. Our primary service area is Bowling Green, Warren County Kentucky and the surrounding ten county region known as the Barren River Area Development District. The Bowling Green banking market is highly competitive with 13 commercial banking institutions currently serving the market. We believe that our ability to compete is enhanced by our posture as a locally managed institution with a base of local shareholders and board of directors. Most of the banks in Bowling Green and the surrounding region are part of larger bank holding companies headquartered outside of the Bowling Green/Warren County market and Kentucky. Promoting local management and ownership has proven effective for us in attracting customers, fostering loyalty and establishing and maintaining strong asset quality. We have

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and intend to continue emphasizing our local roots, and we have a philosophy of giving our customers prompt and responsive personal service.

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Since inception, our balance sheet has steadily grown to \$128 million in total assets at December 31, 2002, which was sufficient to produce positive consolidated earnings on a monthly basis starting with May, 2001. To further enhance our growth and customer service, we opened a second branch in Bowling Green in March 2003 and a third branch in Franklin, Kentucky in May, 2003.

Citizens First Bank emphasizes experienced local management with a strong commitment to the communities located within its primary market area. Citizens First Bank's officers and directors are active in these communities and we believe that these communities and their business leaders have supported, and will continue to support, a locally owned and managed financial institution committed to providing outstanding customer service and banking products. Citizens First Bank competes aggressively for banking business through a systematic program of directly calling on both customers and referral sources such as attorneys, accountants, mortgage brokers, insurance agents and other business people, many of whom are already known to our officers and directors.

Citizens First Bank is committed to developing strong customer relationships by providing:

- o customer access to executive management;
- o continuity in officer and staff personnel;
- o an active personal call program by officers;
- o an understanding of customers' businesses and needs;
- o prompt response to customer requests; and
- o development of relationships that are durable and that grow as Citizens First Bank and its customers continue in business.

We have hired and will continue to hire experienced staff to provide personalized service and to generate competitively priced loans and deposits. This experienced staff has access to technology, software and database systems selected to deliver high-quality products and provide responsive service to customers. Through an agreement with a third-party service provider to provide data processing services and customer accounts statement preparation, Citizens First Bank reduces the in-house personnel and equipment required to deliver such services and products.

### ACQUISITION OF COMMONWEALTH MORTGAGE AND SOUTHERN KENTUCKY LAND TITLE

In January 2003, we 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 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

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issuance of our common stock, valued at the average of the closing sales price

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of the stock over the last ten trading days of the applicable calendar year. At our option, an additional 25% of such deferred purchase price, if any, may be paid in shares of our common stock. The deferred contingent purchase price will be accounted for as additional purchase price at the time the contingency is resolved. The purchased assets of Commonwealth Mortgage and Southern Kentucky Land Title consist primarily of furniture, fixtures and equipment. We also purchased the .2 acre site on which the main office of Commonwealth Mortgage is located for a purchase price of \$272,500. In connection with the acquisition, we recorded \$380,000 of goodwill.

1-4 family residential mortgages originated by Commonwealth Mortgage will typically be sold in the secondary market and will increase our gains on the sale of loans held for sale while adjustable rate mortgage and home equity loans originated by Commonwealth Mortgage will be retained by us in our loan portfolio. The sale of title insurance by Southern Kentucky Land Title will supplement our non-interest fee income and further expand our customer service offerings.

### BUSINESS OVERVIEW

We conduct a general banking business and serve as a full-service community financial institution offering a variety of products and services. These services include the receipt of deposits, making of loans, issuance of checks, acceptance of drafts, consumer and commercial credit operations and mortgage lending. Our deposit products include basic, specialty and low-cost checking accounts and competitive savings and certificate of deposit accounts. Our loan products include a variety of retail, commercial, mortgage and consumer products.

**BUSINESS FINANCIAL SERVICES.** We offer products and services consistent with the goal of attracting a wide variety of customers, including small- to medium-sized business customers. We actively pursue business checking accounts by offering competitive rates, telephone banking and other convenient services to our business customers. In some cases, we require business customers to maintain minimum balances. We have also established relationships with one or more correspondent banks and other independent financial institutions to provide other services requested by customers, including cash management services and loan participations where the requested loan amount exceeds the lending limits imposed by law or by our policies.

At December 31, 2002, we had total business loans of \$65,163,084 outstanding. Of these, \$31,798,487 were commercial and agricultural loans, and \$33,364,597 were commercial real estate loans. The commercial and agricultural loans generated income of \$2,110,692 during 2002, while the commercial real estate loans generated income of \$1,927,630. We had total business deposits of \$14,954,049 at year-end 2002. These deposits consisted of DDA deposits of \$10,412,323, NOW account deposits of \$2,837,191, and money market account deposits of \$1,704,535. The business NOW accounts produced interest expense of \$43,456 during 2002, while the business money market accounts totaled \$27,579.

**CONSUMER FINANCIAL SERVICES.** Our retail banking strategy is to offer basic banking products and services that are attractively priced and easily understood by the customer. We focus on making our products and services convenient and readily accessible to the customer. In addition to banking during

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normal business hours, our products and services are delivered via multiple channels, including extended drive-through hours, ATMs, telephone, mail, and by personal appointment. We have nine ATMs and have joined an ATM network which has ATMs at convenience stores and/or service stations. We also provide debit and credit card services by contracting for such services and also offer night depository, direct deposits, Series E Savings Bond redemptions, cashier's and travelers checks and letters of credit.

We offer a variety of deposit accounts, including checking accounts, regular savings accounts, NOW accounts, money market accounts, sweep accounts, fixed and variable rate IRA accounts, certificate of deposit accounts and safety deposit boxes. Although we offer a range of consumer and commercial deposit accounts, we do not actively solicit (though we do accept) certificates of deposit in principal amounts greater than \$100,000. We have hired and will continue

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to hire experienced staff to provide personalized service. This experienced staff has access to current software and database systems selected to deliver high-quality products and provide responsive service to clients. Our agreement with a third-party service provider makes available to customers convenient telephonic access to their accounts and is intended to allow us to remain at the forefront of technology while reducing the personnel and equipment required to deliver such products.

At December 31, 2002, we had total consumer loans of \$30,795,972. Of these, \$20,637,427 were residential real estate, and \$10,158,545 were other consumer loans. The residential real estate loans generated income of \$1,176,403 during 2002, while the other consumer loans generated income of \$574,582. We had total consumer deposits of \$90,939,284 at year-end 2002. These deposits consisted of DDA deposits of \$891,785, NOW account deposits of \$12,186,330, money market account deposits of \$16,547,248, savings account balances of \$1,401,167 and certificates of deposit balances of \$59,912,754. The consumer NOW account deposits produced interest expense of \$151,954 during 2002, the consumer money market accounts totaled \$118,914, the consumer savings accounts were \$11,972, and the consumer certificates of deposit totaled \$2,146,365.

**LENDING PRACTICES.** We make loans to individuals and businesses located within our market area. Our loan portfolio consists of commercial loans (51%), residential and commercial mortgage loans (40%) and personal loans (9%). Our legal lending limits under applicable regulations (based on the legal lending limits of 30% and 20%, respectively, of capital and surplus for secured and unsecured loans, respectively) are currently approximately \$2.7 million and \$1.8 million, respectively, for secured and unsecured loans and following completion of this offering will be approximately \$\_\_\_ million and \$\_\_\_ million if all shares being offered are sold and all proceeds immediately contributed by us to Citizens First Bank.

Commercial loans are made primarily to small- and medium-sized businesses. These loans are secured and unsecured and are made available for general operating inventory and accounts receivables, as well as any other purposes considered appropriate. We will generally look to a borrower's business operations as the principal source of repayment, but will also receive, when appropriate, security interests in personal property and/or personal guarantees. In addition, the majority of commercial loans that are not mortgage loans are secured by a lien on equipment, inventory and/or other assets of the commercial borrower.

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Commercial lending (including commercial real estate lending) involves more risk than residential real estate lending because loan balances are greater and repayment is dependent upon the borrower's operations. We attempt to minimize the risks associated with these transactions by generally limiting our exposure to owner-operated properties of customers with an established profitable history. In many cases, risk can be further reduced by limiting the amount of credit to any one borrower to an amount less than our legal lending limit and avoiding types of commercial real estate financings considered risky.

We originate residential mortgage loans with either fixed or variable interest rates. Our general policy is to sell most fixed rate loans in the secondary market. This policy is subject to review by management and may be revised as a result of changing market and economic conditions and other factors. We do not retain servicing rights with respect to the secondary market residential mortgage loans that we originate. We also offer home equity loans which are secured by prior liens on the subject residence. All of our residential real estate loans are secured by a first lien on the real estate.

We make personal loans and lines of credit available to consumers for various purposes, such as the purchase of automobiles, boats and other recreational vehicles, and the making of home improvements and personal investments. All of such loans are retained by us.

Consumer loans generally have shorter terms and higher interest rates than residential mortgage loans and usually involve more credit risk than mortgage loans because of the type and nature of the collateral. Consumer lending collections are dependent on a borrower's continuing

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financial stability and are thus likely to be adversely affected by job loss, illness or personal bankruptcy. In many cases, repossessed collateral for a defaulted consumer loan will not provide an adequate source of repayment of the outstanding loan balance because of depreciation of the underlying collateral. We underwrite our loans carefully, with a strong emphasis on the amount of the down payment, credit quality and history, employment stability and monthly income. These loans are expected generally to be repaid on a monthly repayment schedule with the payment amount tied to the borrower's periodic income. We believe that the generally higher yields earned on consumer loans help compensate for the increased credit risk associated with such loans and that consumer loans are important to our efforts to serve the credit needs of our customer base.

Although we take a progressive and competitive approach to lending, we stress high quality in our loans. We are subject to written loan policies that contain general lending guidelines and are subject to periodic review and revision by our board of directors' Loan Policy Committee. These policies concern loan administration, documentation, approval and reporting requirements for various types of loans.

We seek to make sound loans while recognizing that lending money involves a degree of business risk. Our loan policies are designed to assist us in managing the business risk involved in making loans. These policies provide a general framework for our loan operations while recognizing that not all risk activities and procedures can be anticipated. Our loan policies instruct lending personnel to use care and prudent decision-making and to seek the guidance of our Chief Credit Officer or our President where appropriate.

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The loan policies address loan portfolio diversification and prudent underwriting standards, loan administration procedures, and documentation, approval and reporting requirements in light of our basic objectives of:

- o granting loans on a sound and collectible basis;
- o investing funds profitably for the benefit of our shareholders and securely for the benefit of our depositors; and
- o serving the credit needs of our primary service area.

Such policies provide that individual officers have personal lending authority within varied ranges. Credits in excess of an officer's lending authority but not in excess of \$500,000 require the approval of an executive officer and credits in excess of \$500,000 require the approval of the board of directors.

Our loan policies provide general guidelines for loan-to-value ratios that restrict the size of loans to a maximum percentage of the value of the collateral securing the loans, which percentage varies by the type of collateral, including the following loan-to-value ratios:

- o raw land (65%);
- o improved residential real estate lots (80%);
- o commercial real estate (80%); and

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- o residences (90%).

We make use of credit risk insurance, principally for residential real estate mortgages where the loan-to-value ratio exceeds 80%. Regulatory and supervisory loan-to-value limits are established by the Federal Deposit Insurance Corporation Improvement Act of 1991. Our internal loan-to-value limitations will follow these limits and will often be more restrictive than those required by the regulators.

Our loan policies generally include other underwriting guidelines for loans secured by liens on real estate. These underwriting standards are designed to determine the maximum loan amount that a borrower has the capacity to repay based upon the type of collateral securing the loan and the borrower's income. Typically the borrower would be expected to have annual cash flow of 1.25 times required debt service. In addition, our loan policies require that we obtain a written appraisal by a state certified appraiser for loans secured by real estate in excess of \$250,000, subject to limited exceptions. The appraiser must be selected by us and must be independent and licensed or state certified. We must obtain a written appraisal by a state licensed appraiser for loans secured by real estate in excess of \$50,000 but not exceeding \$250,000. We may elect to conduct an in-house real estate evaluation for loans not exceeding \$50,000. Our loan policies also include maximum amortization schedules and loan terms for each category of loans secured by liens on real estate. Loans secured by commercial real estate are generally subject to a maximum term of 5 years and a maximum amortization schedule of 25 years. Loans secured by residential real estate with variable interest rates will have a maximum term and amortization schedule of 30 years. Except for five-year fixed rate residential mortgage loans, we sell to the secondary market all of our residential fixed-rate

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mortgage loans, thereby reducing our interest rate risk and credit risk. Loans secured by vacant land are generally subject to a maximum term of 3 years and a maximum amortization schedule of 10 years.

Our loan policies also establish guidelines on the aggregate amount of loans to any one borrower, providing as a guideline that no loan shall be granted where the aggregate liability of the borrower to us will exceed \$1.2 million. This internal lending limit is subject to review and revision by our board of directors from time to time.

In addition, our loan policies provide guidelines for personal guarantees; environmental policy review, loans to employees, executive officers and directors, problem loan identification, maintenance of a loan loss reserve, and other matters relating to lending practices.

INVESTMENTS. We invest our funds in a variety of debt instruments and participate in the federal funds market with other depository institutions. Subject to limited exceptions, Citizens First Bank is prohibited from investing in equity securities. Real estate acquired by Citizens First Bank in satisfaction of or in foreclosure upon loans may be held, subject to a determination by a majority of its board of directors as to the advisability of retaining the property, for a period not to exceed sixty months after the date of acquisition or such longer period as the appropriate regulators may approve. Citizens First Bank is also permitted to invest an aggregate amount not in excess of 40% of its capital in such real estate, including furniture and fixtures, as is necessary for the convenient transaction of its business. Our board of directors may alter the investment policy without shareholder approval.

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INSURANCE. Southern Kentucky Land Title provides title insurance services to mortgage loan customers for a fee. Through Charles M. Moore Insurance Agency, a third party provider, we offer other insurance services and receive a fee for referrals. The objective of offering these products and services is to generate fee income and strengthen relationships with our customers.

TRUST SERVICES. We have established a relationship with Kentucky Trust Company, a third-party provider, for administrative trust services and receive a fee for referrals. During 2002, we earned \$12,763 in referral fees.

### PREMISES AND BUSINESS HOURS

Our main office is located at 1805 Campbell Lane in Bowling Green, Kentucky. We have three branches which are located at 901 Lehman Avenue in Bowling Green and 2435 Fitzgerald Industrial Drive in Bowling Green and a temporary facility at South Main Street in Franklin, Kentucky. Both our main office and our branches have automated teller facilities. We also have automated teller facilities at six other locations in Bowling Green.

We own the main office property. Our Lehman Avenue branch office is leased for an initial term of one year beginning March 1, 1999, with options to extend the lease for two additional terms of two years each. During 2002, we made annual rental payments of \$28,322.

We purchased the land on which the recently opened Bowling Green branch

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office is located for a purchase price of \$301,000 and incurred approximately \$700,000 to construct, equip and furnish the new facility. We also purchased land at 1200 South Main Street, Franklin, Kentucky on which we intend to construct a permanent facility for the Franklin branch.

We offer convenient banking hours with the main office lobby and current branch office lobby open from 8:30 a.m. to 4:30 p.m., Monday through Thursday, and from 8:30 a.m. to 5:30 p.m. on Friday. The main office drive-in window is open from 7:30 a.m. to 5:30 p.m., Monday through Friday and 9:00 a.m. to 1:00 p.m. on Saturday.

### DATA MANAGEMENT AND OTHER SERVICES

Rather than expending the large sums required to conduct the data management function directly, we have entered into an agreement with Fiserv, Inc. Fiserv, Inc. provides, among other things, on-line facilities, daily financial report preparation, loan and deposit data processing and customer account statement preparation pursuant to an agreement which terminates in 2007. The fees under the Fiserv contract are approximately \$24,000 per month. We believe using Fiserv for these services is a more cost efficient alternative than hiring the personnel and purchasing the equipment required to perform such services in-house. In addition, we have attempted to develop strong correspondent banking relationships that enable us to purchase other services such as check collection, purchase and sale of federal funds, wire transfer services and customer credit services, including selling participations in loans which would otherwise exceed our legal lending limits.

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### PERSONNEL AND BENEFITS

As of December 31, 2002, our operations are staffed with 41 employees, including 10 part-time employees. Management considers employee relations to be good. None of our employees are covered by a collective bargaining agreement.

We have established salaries and benefits packages at levels which are competitive in the local marketplace. Our employee benefits includes life insurance, health insurance, a 401(k) plan, paid vacations and other traditional benefits.

### COMPETITION

The banking business in the Bowling Green-Warren County market area and the surrounding region is highly competitive. Competition exists between state and national banks for deposits, loans and other banking services. We compete with numerous well established financial institutions with vastly greater financial and human resources than those available to us.

Our market area has experienced substantial consolidation in recent years within the banking industry. Many of the area's locally owned or locally managed financial institutions have either been acquired by large regional bank holding companies or have been consolidated into branches. This consolidation has been accompanied by fee changes, branch closings, the dissolution of local boards of directors, management and branch personnel changes and, in our judgment, a decline in the level of personalized customer service. With recent changes in interstate banking regulations, this type of consolidation is



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expected to continue.

There are 13 commercial banks operating a total of 42 offices in Warren County as well as two credit unions and several small loan companies. With the exception of American Bank & Trust, which opened in 2000, we are the only commercial bank in Bowling Green that is not a branch of an out of county or out of state bank. The following table (adapted from information provided in the Federal Deposit Insurance Corporation Summary of Deposits) sets forth information respecting the financial institutions with offices in Warren County, and the deposits attributable to such offices as of June 30, 2002:

INSTITUTION	JUNE 30, 2002 DEPOSITS (000)	NUMBER OF OFFICES
American Bank & Trust Company, Inc.	\$ 43,774	1
Bank One, Kentucky, National Association	*	1
Branch Banking & Trust Company	180,725	10
Citizens First Bank, Inc.	88,533	3
Franklin Bank & Trust Company	11,878	1
Integra Bank National Association	107,794	3
Kentucky Trust Bank	7,187	2
National City Bank of Kentucky	154,045	5
Republic Bank & Trust Company	60,216	1
South Central Bank of Bowling Green	119,611	6
The Farmers National Bank of Scottsville	26,419	2
The Monticello Banking Company	6,967	1
US Bank National Association	171,622	6

\* Established in 2002; deposit data not available.

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Competition for Citizens First Bank will not only increase due to the deregulation of depository institutions but also because of the enhanced ability of non-banking financial institutions to provide services previously reserved for commercial banks. We compete with existing area financial institutions other than commercial banks and savings banks, including commercial bank loan production offices, mortgage companies, insurance companies, consumer finance companies, securities brokerage firms, credit unions, money market funds and other business entities which have recently entered traditional banking markets. Competition from these sources can pose a significant challenge to us since non-banking financial institutions may operate with greater flexibility because they are not subject to the same regulatory restrictions as banks. See "Supervision and Regulation" on page 56.

### MARKETING STRATEGY

Our ability to compete is enhanced by our local management and a broad base of stock ownership. We believe that promoting our local ownership is a highly effective means of attracting customers and fostering loyalty. Through superior service, our employees develop relationships with our customers. We believe there has been a great deal of customer dissatisfaction as a result of the fact that many banking offices in Bowling Green area are now branches of larger financial institutions which, in our view, are managed with a philosophy of strong centralization. We are committed to developing strong customer relationships by providing

- o customer access to executive management,
- o continuity in officer and staff personnel,

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- o an active personal call program by officers,
- o an understanding of customers' businesses and needs,
- o prompt response to customer requests, and
- o development of relationships that are durable and that grow as Citizens First Bank and its customers continue in business.

With an experienced staff to provide a superior level of personalized service, we are able to generate competitively priced loans and deposits. With access to current state-of-the-art software and database systems selected to deliver high-quality products and provide responsive service to clients, our staff is able to devote more time and attention to personal service, respond more quickly to clients' requests and deliver services in the most timely manner possible.

We believe, in the spirit of outstanding customer service, that convenience is essential. Our main office is in the Scottsville Road/Greenwood Mall area which is the center of the retail trading area in Warren County and is convenient to targeted residential areas. Our Lehman Avenue branch office is located closer to downtown Bowling Green and serves primarily downtown businesses and professional offices and neighborhoods adjacent to that area. Our Fitzgerald Industrial Avenue branch is located in a quickly developing area for small business and commercial entities. The site

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in Franklin, Kentucky on which we are seeking approval to open a new branch is located on the main thoroughfare in Franklin. Banking by appointment during non-banking hours and lending at the customer's location are two other ways we provide service to customers in the most convenient fashion.

Our management is active in business development. Our directors are knowledgeable about our mission, products and services and are active in promoting Citizens First Bank. Our officers and directors include individuals active in the Bowling Green-Warren County area. Their continued community involvement provides opportunities for the promotion of Citizens First Bank and its products and services, thereby enhancing our marketing efforts. Our marketing and advertising plan emphasizes the message of superior service from a locally managed bank with a broad base of local ownership.

We have an ongoing interest in the economic development and continued growth of the Bowling Green-Warren County area and the surrounding region. As a locally owned and managed community bank, our success depends on the continued positive economic environment and growth that the Bowling Green-Warren County area has enjoyed over the past decade. Made up of people who have a personal stake in the Bowling Green community and who understand the community's needs and how to meet those needs, we emphasize excellent corporate citizenship.

### MARKET AREA

The majority of our marketing efforts are concentrated in the Bowling Green-Warren County area. Warren County is located in central Kentucky, approximately 110 miles south of Louisville and approximately 70 miles north of Nashville, Tennessee. The Bowling Green area is the financial, retail and health care center of Warren County and the surrounding area and is the home of Western

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Kentucky University which provides a strong educational and employment base, drawing students from throughout the area and beyond. We also intend to focus our marketing efforts in the south-central Kentucky region known as the Barren River Area Development District. This region consists of Allen, Barren, Butler, Edmonson, Hart, Logan, Metcalfe, Monroe, Simpson and Warren Counties in Kentucky.

As of 2001, Warren County had a population of 93,232. Bowling Green is the county seat and largest city in Warren County. Since 1980, Warren County's total population has grown by 28.8%, and Warren County was one of the fastest growing counties in Kentucky from 1990 through 2000.

Income levels for Warren County have also grown sharply of late. In 2000, Warren County had a per capita personal income of \$24,459 as compared to \$11,838 in 1986.

As of June 2001, the unemployment rate for Warren County was 4.6%, compared with the statewide average of approximately 4.8%. The Warren County area has a diversified employment base which is not dependent on any particular firm or firms. There are 17 manufacturing companies in the county with 150 or more employees. The largest employers in Warren County include the following:

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COMPANY -----	EMPLOYEES -----
Commonwealth Health Corporation	2,250
Western Kentucky University	1,578
Warren County Board of Education	1,896
General Motors Corvette Plant	1,035
Holley Performance Products	950
DESA International	800
Greenview Regional Hospital	610
Eagle Industries	600
Fruit of the Loom	600
Houchens Industries	534

### SUPERVISION AND REGULATION

Both Citizens First and Citizens First Bank are subject to extensive state and federal banking laws and regulations that impose restrictions on and provide for general regulatory oversight of Citizens First's and Citizens First Bank's operations. These laws and regulations are generally intended to protect depositors and not shareholders. The following discussion describes the material elements of the regulatory framework which apply.

#### CITIZENS FIRST CORPORATION

We are a bank holding company under the federal Bank Holding Company Act of 1956. As a result, we are subject to the supervision, examination and reporting requirements of the Bank Holding Company Act and the regulations of the Federal Reserve.

ACQUISITION OF BANKS. Bank holding companies are required to obtain the prior approval of the Federal Reserve Board before they may

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- o acquire direct or indirect ownership or control of more than 5% of the voting shares of any bank,
- o acquire all or substantially all of the assets of any bank, or
- o merge or consolidate with any other bank holding company.

The Federal Reserve Board generally may not approve any transaction that would result in a monopoly or that would further a combination or conspiracy to monopolize banking in the United States. Nor can the Federal Reserve Board approve a transaction that could substantially lessen competition in any section of the country, that would tend to create a monopoly in any section of the country, or that would be in restraint of trade. But the Federal Reserve Board may approve any such transaction if it determines that the public interest in meeting the convenience and needs of the community served clearly outweighs the anticompetitive effects of the proposed transaction. The Federal Reserve Board is also required to consider the financial and managerial resources and future prospects of the bank holding companies and banks concerned, as well as the convenience

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and needs of the community to be served. Consideration of financial resources generally focuses on capital adequacy, which is discussed below. Consideration of convenience and needs of the community includes the parties' performance under the Community Reinvestment Act of 1977.

Kentucky law provides that any individual or bank holding company having its principal place of business in Kentucky may acquire control of one or more banks or bank holding companies wherever located within the Commonwealth of Kentucky, provided that no individual or bank holding company acquires control of banks located in Kentucky holding more than 15% of the total deposits of all federally-insured depository institutions in Kentucky.

Under Kentucky law, a bank holding company must seek and obtain the approval of the Commissioner of the Kentucky Department of Financial Institutions before acquiring control of any bank chartered in Kentucky or any bank holding company controlling a bank which is chartered in Kentucky. Control is defined the same as in the Bank Holding Company Act, which generally means the power to vote 25% or more of any class of voting securities, the power to elect a majority of the board of directors or the power to directly or indirectly exercise a controlling influence over the management or policies of a bank or bank holding company.

The Commissioner of the Kentucky Department of Financial Institutions must approve an application by a bank holding company to acquire a bank or bank holding company unless he finds

- o the terms of the acquisition are not in accordance with the laws of Kentucky,
- o the financial condition or the competence, experience and integrity of the acquiring company or its principals are such as will jeopardize the financial stability of the acquired entity,
- o the public convenience and advantage will not be served by the acquisition, or
- o a federal regulatory authority whose approval is required has disapproved the transaction because it would result in a monopoly or substantially lessen competition.

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PERMITTED ACTIVITIES. Under the Bank Holding Company Act, a bank holding company is, with limited exceptions, prohibited from acquiring direct or indirect ownership or control of any voting shares of any company which is not a bank, or engaging in any activity other than managing and controlling banks. Among the activities which are permissible for bank holding companies are

- o acquiring and holding shares of any company engaged solely in the business of the holding and operating properties used wholly or substantially by a subsidiary bank, conducting a safe deposit business or furnishing services to or performing services for a subsidiary bank,
- o acquiring and holding up to five 5% of the outstanding voting shares of any company,
- o acquiring and holding up to 5% of the outstanding voting shares of an investment company that is solely engaged in investing in securities and that does not own or control more than 5% of the outstanding shares of any class of voting securities of any company, and

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- o acquiring and holding shares of any company, the activities of which the Federal Reserve Board has determined to be so closely related to banking or managing or controlling banks as to be a proper incident thereto.

In determining whether a particular activity is permissible, the Federal Reserve Board must consider whether the performance of such an activity reasonably can be expected to produce benefits to the public that outweigh possible adverse effects. Possible benefits that the Federal Reserve Board considers include greater convenience, increased competition or gains in efficiency. Possible adverse effects include undue concentration of resources, decreased or unfair competition, conflicts of interest or unsound banking practices. Among the activities which the Federal Reserve Board has determined to be so closely related to banking or managing or controlling banks as to be a proper incident thereto and which may be engaged in by a bank holding company or a subsidiary of a bank holding company in accordance with the rules and regulations of the Federal Reserve Board are

- o making, acquiring and servicing loans and other extensions of credit,
- o operating an industrial bank, Morris Plan bank or industrial loan company,
- o performing functions or activities that may be performed by a trust company,
- o acting as an investment or financial advisor,
- o leasing personal or real property if the lease is to serve as the functional equivalent of an extension of credit to the lessee and meets other criteria,
- o making investments in corporations or projects designed primarily

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to promote community welfare,

- o providing data processing and data transmission services if the data to be processed or furnished are financial, banking or economic in nature,
- o acting as a principal, agent or broker for insurance that is directly related to an extension of credit by the holding company or a bank subsidiary of the holding company, or engaging in any insurance agency activity in a place where the holding company (or a subsidiary) has a lending office and that has a population not exceeding 5,000,
- o owning, controlling or operating a savings association,
- o providing courier services for financial instruments exchanged among banks and financial institutions,
- o providing management consulting advice to banks and other depository institutions not affiliated with the holding company,

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- o issuing and selling money orders and similar consumer-type payment instruments having a face value of not more than \$1,000,
- o performing appraisals of real estate and personal property,
- o acting as intermediary for the financing of commercial or industrial income-producing real estate,
- o providing securities brokerage services, if the services are restricted to buying and selling securities solely as agent for the account of customers and do not include securities underwriting or dealing or investment advice or research services,
- o underwriting and dealing in government obligations and money market instruments,
- o providing general information and statistical forecasting with respect to foreign exchange markets and transnational services with respect thereto,
- o acting as futures commissions merchant for nonaffiliated persons,
- o providing investment advice on financial futures and options on futures,
- o providing consumer financial counseling,
- o providing tax planning and preparation services,
- o providing check guaranty services,
- o operating a collection agency, and
- o operating a credit bureau.

The Federal Reserve Board has determined that the following non-banking

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activities among others are not so closely related to banking or managing or controlling banks as to be a proper incident thereto

- o insurance premium funding or the combined sale of mutual funds and insurance,
- o underwriting life insurance, except in low-population areas, that is not sold in connection with a credit transaction by a bank holding company system,
- o real estate brokerage,
- o land development,
- o real estate syndication,
- o management consulting,

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- o property management, and
- o operation of a travel agency.

The Gramm-Leach-Bliley Act of 1999 expanded the permissible activities of a bank holding company. The Gramm Act allows qualifying bank holding companies to elect to be treated as "financial holding companies." A bank holding company qualifies to be a financial holding company if its depository institution subsidiaries are well-managed, well capitalized and received at least a "satisfactory" Community Reinvestment Act rating as of the most recent examination. A financial holding company may engage in activities and acquire companies engaged in activities that are "financial" in nature or "incidental" or "complementary" to such financial activities including

- o acting as a principal, agent or broker in selling various forms of insurance,
- o providing financial investment and economic advisory services, including advising investment companies,
- o underwriting, dealing or making a market in securities, without any revenue limitation,
- o investing in shares or other ownership interests in any entity in the course of a bona fide underwriting, merchant banking or investment banking business, provided that such investments are not made by a depository institution or its subsidiary, and
- o investing, through an insurance subsidiary in the ordinary course of its business in accordance with relevant state law, in any entity, but subject to conditions analogous to those for merchant banking investments.

The Federal Reserve Board and the Treasury Department have the authority to expand the list of permissible activities for a financial holding company. Any bank holding company which cannot or chooses not to become a financial holding company will remain subject to the previous rules of the Bank Holding Company Act.

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Bank holding companies are not limited under the Bank Holding Company Act to activities previously approved by the Federal Reserve Board. If a bank holding company is of the opinion that other activities are closely related to banking or managing or controlling banks, the holding company may apply for Federal Reserve Board approval to engage in the activity or acquire an interest in a company that is engaged in the activity.

There are no territorial limitations on the permissible non-banking activities of bank holding companies. Despite prior approval, the Federal Reserve Board has the power to order a holding company or its subsidiaries to terminate any activity or to terminate its ownership or control of any subsidiary when it has reasonable cause to believe that a serious risk to the financial safety, soundness, or stability of any bank subsidiary of that bank holding company may result from such activity.

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We may seek to engage, or to acquire an interest in a company that engages, in non-banking activities so closely related to banking or managing or controlling banks as to be a proper incident thereto. No negotiations for the acquisition of any entities have been carried on by us, nor are any such negotiations specifically contemplated, nor are any plans currently under consideration under which we would engage in any non-banking activities. There can be no assurance that any such entity will be acquired by us or that we will engage in any non-banking activities in the future, or that we will be successful if we do engage in non-banking activities.

REPORTING OBLIGATIONS. A bank holding company is required to file with the Federal Reserve Board annual reports and other information regarding its business operations and the business operations of its subsidiaries. It is also subject to examination by the Federal Reserve Board and is required to obtain Federal Reserve Board approval prior to acquiring, directly or indirectly, ownership or control of any voting shares of any bank if, after such acquisition, it would own or control, directly or indirectly, more than 5% of the voting stock of such bank unless it already owns a majority of the shares of voting stock of such bank.

SUPPORT OF SUBSIDIARY INSTITUTIONS. Under Federal Reserve Board policy we are expected to act as a source of financial strength for, and to commit resources to support, Citizens First Bank. This support may be required at times when, absent such Federal Reserve Board policy, we may not be inclined to provide it. In addition, any capital loans by a bank holding company to any of its banking subsidiaries are subordinate in right of payment to deposits and to other indebtedness of such banks. In the event of a bank holding company's bankruptcy, any commitment by the bank holding company to a federal bank regulatory agency to maintain the capital of a banking subsidiary will be assumed by the bankruptcy trustee and entitled to a priority of payment.

### CAPITAL ADEQUACY

Citizens First and Citizens First Bank are required to comply with the capital adequacy standards established by the Federal Reserve Board and the Federal Deposit Insurance Corporation, respectively. There are two basic measures for capital adequacy for bank holding companies and the depository institutions that they own: a risk-based measure and a leverage measure. All applicable capital standards must be satisfied for a bank holding company to be considered in compliance.

The risk-based capital standards are designed to make regulatory



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capital requirements more sensitive to differences in risk profile among depository institutions and bank holding companies, to account for off-balance sheet exposure and to minimize disincentives for holding liquid assets. Assets and off-balance sheet items are assigned to broad risk categories, each with appropriate weights. The resulting capital ratios represent capital as a percentage of total risk-weighted assets and off-balance-sheet items.

The minimum guideline for the ratio of total capital to risk-weighted assets (including some off-balance sheet items, such as standby letters of credit) is 8.0%. At least half of total capital must be comprised of Tier 1 capital, which is common equity, undivided profits, minority interests in the equity accounts of consolidated subsidiaries, noncumulative perpetual preferred stock and a limited amount of cumulative perpetual preferred stock, less goodwill and other permissible intangible

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assets. The remainder may consist of Tier 2 capital which is subordinated debt, other preferred stock, and a limited amount of loan loss reserves.

In addition, the Federal Reserve Board has established minimum leverage ratio guidelines for bank holding companies. These guidelines provide for a minimum leverage ratio of Tier 1 capital to average assets, less goodwill and permissible other intangible assets, of 3.0% for bank holding companies that meet specified criteria, including having the highest regulatory rating. All other bank holding companies generally are required to maintain a leverage ratio of at least 3.0%, plus an additional cushion of 100 to 200 basis points. The guidelines also provide that bank holding companies that experience internal growth to make acquisitions will be expected to maintain strong capital positions substantially above the minimum supervisory levels without significant reliance on intangible assets. The Federal Reserve Board will consider a "tangible Tier 1 capital average ratio" (deducting all intangibles) and other indicia of capital strength in evaluating proposals for expansion or new activities.

The federal bank regulators continue to indicate their desire to raise the capital requirements that apply to banks beyond their current levels. The Federal Reserve Board, the Federal Deposit Insurance Corporation and the Office of the Comptroller of the Currency have proposed an amendment to the risk-based capital standards that would calculate the change in a bank's net economic value attributable to increases and decreases in market interest rates and would require banks with excessive interest rate risk exposure to hold additional amounts of capital against such exposures.

### CITIZENS FIRST BANK

As a bank organized under Kentucky law, Citizens First Bank is subject to the regulation and supervision of the Kentucky Department of Financial Institutions. As an insured bank under the Federal Deposit Insurance Act, Citizens First Bank is also subject to regulation and examination by the Federal Deposit Insurance Corporation. Although Citizens First Bank is not a member of the Federal Reserve System, it is nevertheless subject to provisions of the Federal Reserve Act and regulations promulgated under that Act.

The Federal Deposit Insurance Corporation and the Kentucky Department of Financial Institutions regularly examine the operations of Citizens First Bank. State banks also are subject to regulation requiring the maintenance of prescribed minimum capital levels, and Citizens First Bank is required to file

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annual reports and such additional information as the Kentucky Department of Financial Institutions and Federal Deposit Insurance Corporation regulations require. Citizens First Bank is also subject to restrictions on loan limits, interest rates, "insider" loans to officers, directors and principal shareholders, restrictions on tie-in arrangements and transactions with affiliates, as well as many other matters. Strict compliance at all times with state and federal banking laws is required. Supervision, regulation and examination of Citizens First Bank by bank regulatory agencies is intended for the protection of Citizens First Bank's depositors, not its shareholders.

Federal and state regulators have authority to impose sanctions on Citizens First Bank and its directors and officers if Citizens First Bank engages in unsafe or unsound practices, or otherwise fails to comply with regulatory standards.

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INTERSTATE BANKING. The Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 enabled nationwide interstate banking through bank subsidiaries and interstate banking mergers. The Riegle-Neal Act allows adequately capitalized and well-managed bank holding companies to acquire control of a bank in any state subject to concentration limits. The Riegle-Neal Act also generally provides that national and state-chartered banks may branch interstate through acquisitions of banks in other states.

Restrictions on branching imposed upon Kentucky banks continue to apply under the legislation, including prohibiting acquisitions which have the result of concentrating control of more than 15% of the federally insured deposits in Kentucky. The Riegle-Neal Act increased competition in the banking industry as it allows out of state banks to branch into Kentucky through acquisitions of banks in Kentucky.

STATE REGULATION. Kentucky law places restrictions and requirements on the banking operations of state-chartered banks. State-chartered banks must report to the Kentucky Department of Financial Institutions periodically upon request, and at least annually, regarding the financial condition and operations of the bank.

Under Kentucky law a bank may only hold title to real estate necessary or appropriate for the transaction of legitimate business and the cost of such real estate, including furniture and fixtures, generally may not exceed 40% of the total paid-in capital, unimpaired surplus and undivided profits of the bank without approval of the Kentucky Department of Financial Institutions. A state-chartered bank may invest in real estate other than that related to its legitimate business within its generally accepted banking market provided such investment does not exceed 10% of the bank's actual paid-in capital and surplus at the time the investment is made. Exceptions to the foregoing rules apply in the case of real estate conveyed to a bank in satisfaction of a debt previously contracted.

With respect to expansion, Citizens First Bank until recently could establish branches only within the geographical limits of Warren County, Kentucky. However, recent legislation permits Kentucky banks to establish a branch office anywhere in Kentucky upon approval of the Kentucky Department of Financial Institutions. Certain well capitalized and well managed banks may establish a branch office upon notice to the Department. Citizens First Bank is also subject to the banking and usury laws of Kentucky restricting the amount of interest it may charge in making loans or other extensions of credit.

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FDIC INSURANCE ASSESSMENTS. Citizens First Bank's deposits are insured by the Federal Deposit Insurance Corporation up to the statutory limit of \$100,000 per depositor through the Bank Insurance Fund. Under current law, the insurance assessment paid by Bank Insurance Fund-insured institutions is set by the Federal Deposit Insurance Corporation and is designed to achieve a target reserve ratio of 1.25 percent of estimated insured deposits, or such higher ratio as the Federal Deposit Insurance Corporation may determine in accordance with law. The Federal Deposit Insurance Corporation is also authorized to impose one or more special assessments in any amount deemed necessary to enable repayment of amounts borrowed by the Federal Deposit Insurance Corporation from the Treasury Department. Bank Insurance Fund annual assessment rates currently range from 0 to 27 basis points. The actual assessment rate paid by individual institutions

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is determined by the risk category rating of the institution as determined by the Federal Deposit Insurance Corporation.

The Deposit Insurance Funds Act of 1996 authorized the Financing Corporation to levy assessments on Bank Insurance Fund assessable deposits and stipulates that the rate must equal one-fifth of the Financing Corporation assessment rate that is applied to deposits assessable by the Savings Association Insurance Fund. Financing Corporation assessments imposed on Bank Insurance Fund insured deposits in annual amounts are presently estimated at 1.68 basis points.

### PAYMENT OF DIVIDENDS

Federal and state statutes and regulations restrict the payment of dividends by state-chartered banks. Under Kentucky law, dividends by Kentucky banks may be paid only from current or retained net profits. Before any dividend may be declared for any period (other than upon preferred stock, if any), a bank must increase its capital surplus by at least 10% of the net profits of the bank for such period until the bank's capital surplus equals the amount of its stated capital attributable to its common stock. Moreover, the Commissioner of the Kentucky Department of Financial Institutions must approve the declaration of dividends if the total of all dividends declared by a bank for any calendar year exceeds the bank's net profits for such year combined with its retained net profits for the preceding two years, less any required transfers to surplus or a fund for the retirement of preferred stock or debt, if any. The Kentucky Business Corporation Act provides additional restrictions on distributions by a Kentucky corporation, including Citizens First and Citizens First Bank.

The Federal Deposit Insurance Corporation may also restrict Citizens First Bank's payment of dividends. If the Federal Deposit Insurance Corporation determines that a depository institution under its jurisdiction is engaged in or is about to engage in an unsafe or unsound practice, the Federal Deposit Insurance Corporation may require, after notice and hearing, that the institution cease and desist from such practice. Depending on the financial condition of the depository institution, an unsafe or unsound practice could include the payment of dividends. Moreover, regulations of the Federal Deposit Insurance Corporation requiring Citizens First Bank to maintain certain capital levels will also affect Citizens First Bank's ability to pay dividends.

### PROMPT CORRECTIVE ACTION

The Federal Deposit Insurance Corporation Improvement Act of 1991

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established a system of prompt corrective action to resolve the problems of undercapitalized institutions. Under this system, the federal banking regulators established five capital categories (well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized). With respect to institutions in the three undercapitalized categories, the regulators must take prescribed supervisory actions and are authorized to take other discretionary actions. Generally, subject to a narrow exception, the Improvement Act requires the banking regulator to appoint a receiver or conservator for an institution that is critically undercapitalized. The federal banking agencies have specified by regulation the relevant capital level for each category.

An institution is deemed to be well capitalized if it

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- o has a total capital ratio of 10% or greater,
- o has a tier 1 capital ratio of 6.0% or greater,
- o has a leverage ratio of 5.0% or greater, and
- o is not subject to any written agreement, order, capital directive, or prompt corrective action directive issued by its federal banking agency.

An institution is considered to be adequately capitalized if it has

- o a total capital ratio of 8.0% or greater,
- o a tier 1 capital ratio of 4.0% or greater, and
- o a leverage ratio of 4.0% or greater.

An institution is considered to be undercapitalized if it has

- o a total capital ratio of less than 8.0%,
- o a tier 1 capital ratio of less than 4.0%, or
- o a leverage ratio of less than 4.0%.

An institution is considered to be significantly undercapitalized if it has

- o a total capital ratio of less than 6.0%,
- o a tier 1 capital ratio of less than 3.0%, or
- o a leverage ratio of less than 3.0%.

An institution that has a tangible equity capital to assets ratio equal to or less than 2.0% is deemed to be critically undercapitalized. For purposes of the regulation, the term "tangible equity" includes core capital elements counted as tier 1 capital for purposes of the risk-based capital standards, plus the amount of outstanding cumulative perpetual preferred stock (including related surplus), minus all intangible assets with exceptions. A depository institution may be deemed to be in a capitalization category that is lower than is indicated by its actual capital position if it receives an unsatisfactory examination rating.

An institution that is categorized as undercapitalized, significantly undercapitalized, or critically undercapitalized is required to submit an acceptable capital restoration plan to its appropriate federal banking agency. Under the Improvement Act, a bank holding company must guarantee that a subsidiary depository institution meet its capital restoration plan, subject to limitations. The obligations of a controlling bank holding company under the Improvement Act to fund a capital restoration plan is limited to the lesser of

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5.0% of an undercapitalized subsidiary's assets or the amount required to meet regulatory capital requirements. An undercapitalized institution is also generally prohibited from increasing its average total assets, making acquisitions, establishing any branches or engaging in any new line of business, except in accordance with an accepted capital restoration plan or with the approval of the Federal Deposit Insurance Corporation. In addition, the appropriate federal banking agency is given authority with respect to any undercapitalized depository institution to take any of the actions it is required to or may take with respect to a significantly undercapitalized institution as described below if it determines "that those actions are necessary to carry out the purpose" of the Improvement Act.

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For those institutions that are significantly undercapitalized or undercapitalized and either fail to submit an acceptable capital restoration plan or fail to implement an approved capital restoration plan, the appropriate federal banking agency must require the institution to take one or more of the following actions:

- o sell enough shares, including voting shares, to become adequately capitalized;
- o merge with, or be sold to, another institution or holding company, but only if grounds exist for appointing a conservator or receiver;
- o restrict transactions with banking affiliates as if the "sister bank" exception to the requirements of Section 23A of the Federal Reserve Act did not exist;
- o otherwise restrict transactions with bank or non-bank affiliates;
- o restrict interest rates that the institution pays on deposits to "prevailing rates" in the institution's "region";
- o restrict asset growth or reduce total assets;
- o alter, reduce, or terminate activities;
- o hold a new election of directors;
- o dismiss any director or senior executive officer who held office for more than 180 days immediately before the institution became undercapitalized, provided that in requiring dismissal of a director or senior officer, the agency must comply with prescribed procedural requirements, including the opportunity for an appeal in which the director or officer will have the burden of proving his or her value to the institution;
- o employ "qualified" senior executive officers;
- o cease accepting deposits from correspondent depository institutions;
- o divest nondepository affiliates which pose a danger to the institution; or
- o be divested by a parent holding company.

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In addition, without the prior approval of the appropriate federal banking agency, a significantly undercapitalized institution may not pay any bonus to any senior executive officer or increase the rate of compensation for such an officer.

### COMMUNITY REINVESTMENT ACT

The Community Reinvestment Act requires that, in connection with examinations of financial institutions within their respective jurisdictions, the Federal Reserve Board, the OCC or the FDIC shall evaluate the record of each financial institution in meeting the credit needs of its

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local community, including low and moderate-income neighborhoods. These facts are also considered in evaluating mergers, acquisitions and applications to open a branch or facility. Failure to adequately meet these criteria could impose additional requirements and limitations on Citizens First Bank.

### RESTRICTIONS ON TRANSACTIONS WITH AFFILIATES

Both Citizens First and Citizens First Bank are subject to the provisions of Section 23A and Section 23B of the Federal Reserve Act. Section 23A places limits on the amount of

- o a bank's loans or extensions of credit to affiliates,
- o a bank's investment in affiliate,
- o assets a bank may purchase from affiliates, except for real and personal property exempted by the obligations of affiliates and,
- o a bank's guarantee, acceptance or letter of credit issued on behalf of an affiliate.

Section 23B prohibits an institution from engaging in the above transactions with affiliates unless the transactions are on terms substantially the same, or at least as favorable to the institution or its subsidiaries, as those prevailing at the time for comparable transactions with nonaffiliated companies.

### PRIVACY

Under the Gramm-Leach-Bliley Act, financial institutions are required to disclose their policies for collecting and protecting confidential information. Customers generally may prevent a financial institution from sharing personal financial information with nonaffiliated third parties except for third parties that market the institution's own products and services. Additionally, financial institutions generally may not disclose consumer account numbers to any nonaffiliated third party for use in telemarketing, direct mail marketing or other marketing through electronic mail to consumers. We have established a privacy policy to ensure compliance with federal requirements.

### ANTI-TERRORISM LEGISLATION

In the wake of the tragic events of September 11, 2001, on October 26, 2001, the President signed the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism (USA PATRIOT) Act

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of 2001. Under the USA PATRIOT Act, financial institutions are subject to prohibitions against specified financial transactions and account relationships as well as enhanced due diligence and "know your customer" standards in their dealing with foreign financial institutions and foreign customers.

### EFFECTS OF GOVERNMENTAL POLICIES AND ECONOMIC CONDITIONS

Citizens First Bank's earnings are affected by the difference between the interest earned by Citizens First Bank on its loans and investments and the interest paid by Citizens First Bank on its

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deposits or other borrowings. The yields on its assets and the rates paid on its liabilities are sensitive to changes in prevailing market rates of interest. Thus, the earnings and growth of Citizens First Bank are influenced by general economic conditions, fiscal policies of the Federal government, and the policies of regulatory agencies, particularly the Federal Reserve Board, which establishes national monetary policy, all of which are beyond Citizens First Bank's control. The nature and impact of any future changes in fiscal or monetary policies cannot be predicted.

From time to time, legislation is enacted which has the effect of increasing the cost of doing business, limiting or expanding permissible activities or affecting the competitive balance between banks and other financial institutions. For example, the Depository Institutions Deregulation and Monetary Control Act of 1980 provided for the phasing out of restrictions on deposit interest rate ceilings, the authorization of new accounts and related services and the expansion of the lending authority of savings and loan associations. The Depository Institutions Deregulation Act has altered the competitive relationship that previously existed among financial institutions, and resulted in a substantial reduction in the historical distinction between the services offered by banks, savings and loan associations and other financial institutions.

### MONETARY POLICY

Commercial banks, including Citizens First Bank, are affected by the credit policy of various regulatory authorities, including the Federal Reserve Board. An important function of the Federal Reserve Board is to regulate the national supply of bank credit. Among the instruments of monetary policy used by the Federal Reserve Board to implement these objectives are open market operations in U.S. government securities, changes in reserve requirements on bank deposits, changes in the discount rate on bank borrowings and limitations on interest rates that banks may pay on time and savings deposits. The Federal Reserve Board uses these means in varying combinations to influence overall growth of bank loans, investments and deposits, and also to affect interest rates charged on loans, received on investments or paid for deposits.

The monetary and fiscal policies of regulatory authorities, including the Federal Reserve Board, also affect the banking industry. Through changes in the reserve requirements against bank deposits, open market operations in U.S. government securities and changes in the discount rate on bank borrowings, the Federal Reserve Board influences the cost and availability of funds obtained for lending and investing. No prediction can be made with respect to possible future changes in interest rates, deposit levels or loan demand or with respect to the impact of such changes on the business and earnings of Citizens First Bank.

MANAGEMENT

DIRECTORS AND EXECUTIVE OFFICERS  
 NAME, AGE, AND PRESENT  
 POSITION(S) WITH CITIZENS FIRST(1)  
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PRINCIPAL OCCUPATION(S) OR EMPLOYMENT(S)  
 DURING PAST FIVE OR MORE YEARS  
 -----

Jerry E. Baker (71)  
 Director

Chairman of Airgas Mid-America, Inc.

Billy J. Bell (68)  
 Director

Co-owner and Secretary/Treasurer, Mid-South F

Barry D. Bray (56)  
 Director; Vice President and Chief Credit  
 Officer

Vice President and Chief Credit Officer of  
 Citizens First Bank since January 1999  
 respectively; from 1982 to 1998, Executive  
 Chief Credit Officer of Trans Financial, Inc.

Mary D. Cohron (55)  
 Director; President and Chief Executive  
 Officer

President and Chief Executive Officer of  
 Citizens First Bank since August 1998  
 respectively; formerly, Board Team Developm  
 for Kentucky School Boards Association and S  
 Business Consultant

Floyd H. Ellis (76)  
 Chairman of the Board of Directors

Retired President and Chief Executive Of  
 Electric Cooperative Corporation

Sarah Glenn Grise (45)  
 Director

Civic Volunteer; formerly, General Manag  
 Southern Kentucky

James H. Lucas (70)  
 Director; Secretary to the Board of  
 Directors

Of Counsel, English, Lucas, Priest & Owsley

John J. Kelly (68)  
 Director

Dentist

Joe B. Natcher, Jr. (45)  
 Director

President and Chief Executive Officer, Southe

John T. Perkins (59)  
 Director

Consultant to Citizens First Bank since  
 President and Chief Operating Officer of  
 Citizens First Bank since August 1998 and Feb  
 through 2001; previously, bank consultant fro  
 and Chief Operating Officer, Trans Financial

Jack Sheidler (46)

Real estate developer in Kentucky, Oklahoma a



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Director

Wilson Stone (50)  
Director

Allen County, Kentucky farmer and Board of  
School Boards Association

M. Todd Kanipe (34)  
Vice President and Trust Relationship  
Manager

Prior to 1998, commercial lender for Trans Fi

Bill D. Wright (43)  
Vice President and Chief Financial Officer

Prior to 1998, Assistant Controller and As  
Trans Financial Bank, Inc.

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(1) With the exception of Ms. Grise, Mr. Kelly, Mr. Sheidler and Mr. Stone, each of our dire  
our the organization of our subsidiary bank in 1998. Ms. Grise, Mr. Sheidler and Mr. Sto  
directors in 2002. Mr. Kelly was appointed to our board of directors in 2003.

EXECUTIVE COMPENSATION

The following table provides certain summary information concerning compensation paid or accrued by us to or on behalf of our President and Chief Executive Officer and each other executive officer who had annual salary and bonus that exceeded \$100,000 in 2002. Disclosure for the other executive officers is not required because none had annual salary and bonus that exceeded \$100,000.

SUMMARY COMPENSATION TABLE

NAME AND PRINCIPAL POSITION	YEAR	SALARY	ALL OTHER COMPENSATION(1)
Mary D. Cohron, President and Chief Executive Officer	2002	\$135,000	\$7,756
	2001	\$108,000	\$6,519
	2000	\$ 96,437	\$5,593
Bill D. Wright, Vice President and Chief Financial Officer	2002	\$107,960	\$6,938
	2001	\$ 86,071	\$5,809
	2000	\$ 52,308	\$3,245

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(1) Other compensation for 2002 includes: (a) a match of up to 3% of the officer's salary under the Savings Incentive Match Plan for Employees (\$3,750 for Ms. Cohron and \$2,939 for Mr. Wright); (b) the cost of life insurance premiums paid by Citizens First on behalf of the officer for coverage equal to annual salary (\$348 for Ms. Cohron and \$341 for Mr. Wright); and (c) the portion of the cost of health insurance coverage for such officer that is paid by Citizens First (\$3,658 for each of Ms. Cohron and Mr. Wright). All full-time employees of Citizens First receive similar benefits.

EMPLOYMENT AGREEMENTS

Citizens First and Mary D. Cohron are parties to an employment agreement dated September 14, 1998, as amended, which provides for the payment to Ms. Cohron of an initial annual salary of \$95,000, subject to adjustment by the board of directors. Such salary is exclusive

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of any bonus which may be paid in the determination of the board of directors based on our performance. The employment agreement was automatically renewed for a new three year term on August 1, 2001. The employment agreement may be terminated by us upon 60 days notice for cause (as defined in the agreement) and without cause. In the event the agreement is terminated without cause, we will be obligated to pay Ms. Cohron the value of accrued fringe benefits through the date of termination and compensation equal to a full year's salary. Ms. Cohron may voluntarily terminate her employment upon 60 days notice. In the event of termination of employment prior to the natural expiration of the agreement, Ms. Cohron will be prohibited for one year from performing in Warren County and any contiguous county duties for a banking organization

Citizens First and Bill D. Wright are parties to an employment agreement effective May 15, 2000 which provides for Mr. Wright's employment by us as Chief Financial Officer. The agreement provides for the payment to Mr. Wright of an initial annual salary of \$85,000, subject to adjustment by the board of directors. The agreement continues through May 14, 2006, and will be automatically renewed for a new three year term unless either party gives 60 days prior notice that it does not intend to renew the agreement. The employment agreement may be terminated by us upon 60 days notice for cause (as defined in the agreement) and without cause. In the event the agreement is terminated without cause, we will be obligated to pay Mr. Wright the value of accrued fringe benefits through the date of termination and compensation equal to a full year's salary. Mr. Wright may voluntarily terminate his employment upon 60 days notice. In the event of termination of employment prior to the natural expiration of the agreement, Mr. Wright will be prohibited for one year from performing in Warren County or any contiguous county duties for a banking organization comparable to the duties performed for us or Citizens First Bank.

### DIRECTOR COMPENSATION

Our directors receive \$200 per month for each month in which they attend a board or board committee meeting. We also reimburse directors for the expenses they incur to attend the meetings. We recently established the 2003 Non-Employee Directors Stock Option Plan which provides for the issuance to our non-employee directors of options to purchase up to an aggregate of 40,000 shares of our common stock. As of the date of this prospectus, no options have been granted under the plan.

### RELATED PARTY TRANSACTIONS

We have had and expect in the future to have banking transactions in the ordinary course of business with our directors and executive officers and their associates. All loans to such persons or their associates have been on the same terms, including interest rates and collateral on loans, as those prevailing at the same time for comparable transactions with others, and have not involved more than normal risk of collectibility or other unfavorable features.

The law firm of English, Lucas, Priest & Owsley performs ongoing legal services for us. Our director James H. Lucas is Of Counsel to the law firm.

### PRINCIPAL SHAREHOLDERS

The following table sets forth certain information as of May 1, 2003

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concerning the number and percentage of shares of the common stock beneficially owned by our directors and executive officers, and by all of our directors and executive officers as a group. At May 1, 2003, we had 643,053 shares of common stock outstanding. Except as noted, all shares are owned directly, and the named person possesses sole voting and sole investment power with respect to all such shares. We are not aware of any person or persons who beneficially own in excess of 5% of our common stock. Further, we are not aware of any arrangement which at a subsequent date may result in a change of control of Citizens First Corporation.

NAME -----	NUMBER OF SHARES BENEFICIALLY OWNED -----	PERCENT OF ALL SHARES OWNED -----
<b>DIRECTORS:</b>		
Jerry E. Baker	16,000	2.49%
Billy J. Bell	20,000	3.11%
Barry D. Bray	9,400 (1)	1.46%
Mary D. Cohron	16,000	2.49%
Floyd H. Ellis	18,645	2.90%
Sarah Glenn Grise	1,050	0.16%
John J. Kelly	0	0%
James H. Lucas	10,430 (2)	1.56%
Joe B. Natcher, Jr.	6,700 (3)	1.04%
John T. Perkins	10,000 (4)	1.56%
Jack Sheidler	11,080	1.72%
Wilson Stone	0	0
<b>EXECUTIVE OFFICERS:</b>		
M. Todd Kanipe	750	0.12%
Bill D. Wright	500	0.08%
ALL DIRECTORS AND EXECUTIVE OFFICERS AS A GROUP (14 persons)	120,555	18.75%

- 
- (1) Includes 1,000 shares held by Mr. Bray's wife.
  - (2) Includes 10,000 shares held by Mr. Lucas' wife.
  - (3) Shares are jointly owned with Mr. Natcher's wife.
  - (4) Includes 3,333 shares held in an individual retirement account for the benefit of Mr. Perkins' wife.

### DESCRIPTION OF OUR CAPITAL STOCK

#### COMMON STOCK

Our articles of incorporation authorizes our board of directors, without shareholder approval, to issue up to 5,000,000 shares of common stock, no par value. As of the date of this prospectus, 120,000 shares of our common stock were reserved for issuance under our 2002 Stock

Option Plan and 40,000 shares of our common stock were reserved for issuance under our 2003 Non-Employee Director Stock Option Plan.

All shares of our common stock will be entitled to share equally in dividends from legally available funds, when, as and if declared by our board of

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directors. We do not anticipate that we will pay any cash dividends on our common stock in the near future. If we were to voluntarily or involuntarily liquidate or dissolve, all shares of our common stock would be entitled to share equally in all of our remaining assets available for distribution to our shareholders. Each holder of common stock will be entitled to one vote for each share on all matters submitted to the shareholders. Whenever we issue new shares of capital stock, holders of our common stock will not have any right to acquire authorized but unissued capital stock. No redemption, sinking fund or conversion rights or provisions apply to our common stock. All shares of our common stock issued in the offering as described in this prospectus will be fully paid and nonassessable.

### PREFERRED STOCK

Our articles of incorporation also authorize our board of directors, without shareholder approval, to issue up to 500 shares of preferred stock, no par value. Our board of directors may determine the terms of the preferred stock. Preferred stock may have voting rights, subject to applicable law and as determined by our board of directors. Although we have neither issued, nor have any present plans to issue, any preferred stock, the ownership and control of us by the holders of our common stock would be diluted if we were to issued preferred stock that had voting rights.

### STOCK TRANSFER AGENT

The stock transfer agent for our common stock is the Registrar and Transfer Company, Cranford, New Jersey.

### SELECTED PROVISIONS OF OUR ARTICLES OF INCORPORATION AND BYLAWS AND KENTUCKY LAW

#### PROTECTIVE PROVISIONS

GENERAL. Our articles of incorporation and bylaws contain certain provisions designed to assist our board of directors in playing a role if any group or person attempts to acquire control of us so that our board of directors can further protect our interests and our shareholders under the circumstances. These provisions may help our board of directors determine that a sale of control is in the best interests of our shareholders, or enhance our board of directors' ability to maximize the value to be received by our shareholders upon a sale of control.

Although management believes that these provisions are beneficial to our shareholders, they also may tend to discourage some takeover bids. As a result, our shareholders may be deprived of opportunities to sell some or all of their shares at prices that represent a premium over prevailing market prices. On the other hand, defeating undesirable acquisition offers can be a very expensive and time-consuming process. To the extent that these provisions discourage undesirable proposals, we may be able to avoid those expenditures of time and money.

These provisions also may discourage open market purchases by a company that may desire to acquire us. Those purchases may increase the market price of common stock temporarily, and enable shareholders to sell their shares at a price higher than that price they might otherwise obtain. In addition, these provisions may decrease the market price of common stock by making the stock

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less attractive to persons who invest in securities in anticipation of price increases from potential acquisition attempts. The provisions also may make it more difficult and time consuming for a potential acquirer to obtain control through replacing our board of directors and management. Furthermore, the provisions may make it more difficult for shareholders to replace our board of directors or management, even if a majority of the shareholders believe that replacing our board of directors or management is in our best interests. Because of these factors, these provisions may tend to perpetuate the incumbent board of directors and management. For more information about these provisions, see the subsections "Classified Board of Directors," "Limitations on Director Liability," and "Indemnification," below.

**AUTHORIZED CAPITAL STOCK.** We are authorized to issue 5,000,000 shares of common stock, 643,053 of which are currently issued and outstanding, and 500 shares of preferred stock, none of which are issued and outstanding. Our board of directors may authorize the issuance of additional shares of common stock without further action by our shareholders, unless applicable laws or regulations or a stock exchange on which our capital stock is listed requires shareholder action. Our board of directors may determine the terms of the preferred stock. Preferred stock may have voting rights, subject to applicable law and as determined by our board of directors. Although we have neither issued, nor have any present plans to issue, any preferred stock, the ownership and control of us by the holders of our common stock would be diluted if we were to issued preferred stock that had voting rights.

The authority to issue additional shares of common stock and preferred stock provides us with the flexibility necessary to meet future needs without the delay resulting from seeking shareholder approval. The authorized but unissued shares of common stock and preferred stock may be issued from time to time for any corporate purpose, including, stock splits, stock dividends, employee benefit and compensation plans (including awards under our stock option plans), acquisitions and public or private sales for cash as a means of raising capital. The shares could be used to dilute the stock ownership of persons seeking to obtain control of Citizens First Corporation. The sale of a substantial number of shares of voting stock to persons who have an understanding with us concerning the voting of such shares, or the distribution or declaration of a dividend of shares of voting stock (or the right to receive voting stock) to our shareholders, may have the effect of discouraging or increasing the cost of unsolicited attempts to acquire control of Citizens First Corporation.

**PREEMPTIVE RIGHTS.** Our articles of incorporation do not provide our shareholders preemptive rights.

**AMENDMENT OF ARTICLES OF INCORPORATION AND BYLAWS.** We may amend our articles of incorporation in any manner permitted by Kentucky law. The Kentucky Business Corporation Act provides that a corporation's articles of incorporation may be amended by a majority of votes entitled to be cast on an amendment, subject to any condition the board of directors may place on its submission of the amendment to the shareholders.

Our board of directors may adopt, amend or repeal our bylaws by a majority vote of the entire board of directors. The bylaws may also be amended or repealed by action of our shareholders.

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CLASSIFIED BOARD OF DIRECTORS. Our articles of incorporation provide that our board of directors is to be divided into three classes, with each class to be as nearly equal in number as possible. The directors in each class serve three-year terms of office. The effect of having a classified board of directors is that only approximately one-third of the members of our board of directors are elected each year. As a result, two annual meetings are required for shareholders to change a majority of the members of our board of directors.

The purpose of dividing the board of directors into classes is to facilitate continuity and stability of leadership by insuring that experienced personnel familiar with us will be represented on the board of directors at all times, and to permit management to plan for the future for a reasonable amount of time. However, by potentially delaying the time within which an acquirer could obtain working control of our board of directors, such provisions may discourage some potential mergers, tender offers or takeover attempts.

LIMITATIONS ON DIRECTOR LIABILITY. Section 271B.8-330 of the Kentucky Business Corporation Act provides that a director shall not be liable for any action, or failure to take action if he discharges his duties in good faith, with the care of an ordinarily prudent person in a like position under similar circumstances; and in a manner the director reasonably believes to be in the best interests of the corporation. In discharging his duties, a director may rely on the information, opinions, reports or statements, including financial statements, prepared or presented by officers or employees of the corporation whom the director reasonably believes to be reliable. The director may also rely on such information prepared or presented by legal counsel, public accountants or other persons as to matters that the director reasonably believes are in the person's competence.

Our articles of incorporation limit the liability of our directors to the greatest extent permitted by law and provide that no director shall be personally liable to Citizens First or its shareholders for monetary damages for a breach of his or her duties as a director, except for liability for any transaction in which the director's personal financial interest is in conflict with the financial interest of the entity in question or its shareholders, for acts or omissions not in good faith or which involve intentional misconduct or are known to the director to be a violation of law, for voting for or assenting to any distributions made in violation of Section 271B.8-330 of the Kentucky Revised Statutes or for any transaction from which the director derives an improper personal benefit.

INDEMNIFICATION. Under the Kentucky Business Corporation Act, a corporation may indemnify any director against liability if the director

- o conducted himself or herself in good faith,
- o reasonably believed, in the case of conduct in his or her official capacity with the corporation, that his or her conduct was in the best interests of the corporation,

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- o reasonably believed, in all other civil cases, that his or her conduct was at least not opposed to the corporation's best interests, and
- o in the case of any criminal proceeding, had no reasonable cause to believe his or her conduct was unlawful.

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Unless limited by its articles of incorporation, a Kentucky corporation must indemnify, against reasonable expenses incurred by him or her, a director who was wholly successful, on the merits or otherwise, in defending any proceeding to which he or she was a party because he or she is or was a director of the corporation. Expenses incurred by a director in defending a proceeding may be paid by the corporation in advance of the final disposition of the proceeding if three conditions are met

- o the director must furnish the corporation a written affirmation of the director's good faith belief that he or she has met the standard of conduct as set forth above,
- o the director must furnish the corporation a written undertaking by or on behalf of a director to repay such amount if it is ultimately determined that he or she is not entitled to be indemnified by the corporation against such expenses, and
- o a determination must be made that the facts then known to those making the determination would not preclude indemnification.

A director may apply for court-ordered indemnification under certain circumstances. Unless a corporation's articles of incorporation provide otherwise, an officer of a corporation is entitled to mandatory indemnification and is entitled to apply for court-ordered indemnification to the same extent as a director. The corporation may indemnify and advance expenses to an officer, employee or agent of the corporation to the same extent as to a director. A corporation may also indemnify and advance expenses to an officer, employee or agent who is not a director to the extent, consistent with public policy, that may be provided by its articles of incorporation, bylaws, general or specific action of its board of directors or contract.

Our bylaws provide for the indemnification of our directors and officers to the fullest extent permitted by Kentucky law.

**SPECIAL MEETINGS OF SHAREHOLDERS.** Special meetings of our shareholders may be called for any purpose or purposes whatever at any time by shareholders owning, in the aggregate, not less than 33% of the shares entitled to vote at such meeting.

**SHAREHOLDER NOMINATIONS AND PROPOSALS.** Our bylaws provide that a shareholder may nominate members of the board of directors or submit proposals to be presented at an annual meeting of shareholders only upon at least 60 days prior written notice to us.

**DISSENTERS' RIGHTS OF APPRAISAL.** Under the Kentucky Business Corporation Act, a shareholder is generally entitled to dissent from a corporate action and obtain payment of the fair value of his shares in certain events. These events generally include: mergers, share exchanges and sales of substantially all of the corporation's assets other than in the usual and regular course of

business, if the shareholder is entitled to vote on the transaction; certain types of amendments of the corporation's articles of incorporation that materially and adversely affect a shareholder's rights; or other corporate actions taken pursuant to a shareholder vote, to the extent the articles of

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incorporation, bylaws, or a resolution of the board of directors provide for dissenters' rights.

SHAREHOLDERS' RIGHTS TO EXAMINE BOOKS AND RECORDS. A shareholder of a Kentucky corporation may inspect and copy books and records of the corporation during regular business hours, if he or she gives the corporation written notice of his or her demand at least five business days before the date of the inspection. In order to inspect certain records, written demand must also be made in good faith and for a proper purpose and must describe with reasonable particularity the purpose of the request and the records the shareholder desires to inspect.

DIVIDENDS. Our ability to pay dividends on common stock is dependent upon dividends from Citizens First Bank and is governed by Kentucky corporate law. Under Kentucky corporate law, dividends may be paid so long as the corporation would be able to pay its debts as they become due in the ordinary course of business and the corporation's total assets would not be less than the sum of its total liabilities plus the amount that would be needed, if the corporation were to be dissolved at the time of the distribution, to satisfy the preferential rights upon dissolution to shareholders whose preferential rights are superior to those receiving the distribution. Citizens First Bank's board of directors may declare dividends on shares of Citizens First Bank common stock out of funds legally available therefor. The payment of dividends on Citizens First Bank common stock is subject to certain limitations imposed by law. See "Dividends" on page 23.

### SHARES ELIGIBLE FOR FUTURE SALE

All shares sold in this offering will be freely tradable without restriction or registration under the Securities Act of 1933, except for any shares purchased by an "affiliate" of Citizens First, which will be subject to the resale limitations set forth in Securities and Exchange Commission Rule 144.

All of our directors are considered "affiliates" within the meaning of Rule 144 and will, therefore, be subject to the applicable resale limitations with respect to the shares purchased in this offering and are subject to applicable resale limitations with respect to the shares they currently own. In general, the number of shares that can be sold by each director in brokers' transactions, (as that term is used in Rule 144) within any three month period may not exceed the greater of one percent (1%) of the outstanding shares as shown by the most recent report or statement published by the company, or the average weekly reported volume of trading in the shares on all national securities exchanges and/or reported through the automated quotation system of a registered securities association during the four calendar weeks preceding the sale.

### EXPERTS

The financial statements of Citizens First as of December 31, 2002 and 2001 and for the years then ended included in this prospectus, have been audited by BKD, LLP, independent auditors, as set forth in their report appearing elsewhere herein, and are included in reliance upon such report given upon authority of such firm as experts in accounting and auditing.



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The validity of the shares of common stock offered under this prospectus are being passed upon by Wyatt, Tarrant & Combs, LLP, Louisville, Kentucky. Frost Brown Todd LLC will pass upon certain matters for the sales agent.

### WHERE YOU CAN FIND MORE INFORMATION

We filed a registration statement with the Securities and Exchange Commission under the Securities Act of 1933, as amended, relating to the shares of common stock offered under this prospectus. The registration statement contains additional information about us and our common stock. The Securities and Exchange Commission allows us to omit certain information included in the registration statement from this prospectus. The registration statement may be inspected and copied at the Public Reference Section at the Securities and Exchange Commission at 450 Fifth Street, N.W., Judiciary Plaza, Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the Securities and Exchange Commission at 1-800-SEC-0330. The Securities and Exchange Commission maintains an Internet site that contains reports, proxy and information statements, and other information about issuers that file electronically with the Securities and Exchange Commission. The address of that site is <http://www.sec.gov>. In addition, you can read and copy this information at the regional offices of the Securities and Exchange Commission at 233 Broadway, New York, New York 10279 and Citicorp Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661.

We furnish our shareholders with annual reports containing audited financial statements.

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### INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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Consolidated Statements of Income for the years ended December 31, 2002 and 2001.....	F-5
Consolidated Statements of Stockholders' Equity for the years ended December 31, 2002 and 2001.....	F-7
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### INDEPENDENT ACCOUNTANTS' REPORT

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Board of Directors and Stockholders  
Citizens First Corporation  
Bowling Green, Kentucky

We have audited the accompanying consolidated balance sheets of Citizens First Corporation as of December 31, 2002 and 2001, and the related consolidated statements of income, stockholders' equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Citizens First Corporation as of December 31, 2002 and 2001, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

/S/ BKD, LLP

Louisville, Kentucky  
January 17, 2003

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CITIZENS FIRST CORPORATION  
CONSOLIDATED BALANCE SHEETS  
DECEMBER 31, 2002 AND 2001

ASSETS

	2002 ----	2001 ----
Cash and due from banks	\$ 5,204,747	\$ 3,926,7
Federal funds sold	8,718,070	2,600,0
	-----	-----

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Cash and cash equivalents	13,922,817	6,526,7
Available-for-sale securities	16,186,406	10,200,8
Loans held for sale	305,200	1,578,1
Loans, net of allowance for loan losses of \$1,300,258 and \$1,195,924 at December 31, 2002, and 2001, respectively	94,658,798	83,524,4
Premises and equipment	1,840,022	1,393,6
Federal Home Loan Bank (FHLB) stock	353,600	248,5
Foreclosed assets held for sale, net	70,000	321,4
Interest receivable	651,412	522,4
Deferred income taxes	335,193	390,0
Other	119,681	113,5
	-----	-----
Total assets	\$128,443,129	\$104,819,71
	=====	=====

See Notes to Consolidated Financial Statements

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LIABILITIES AND STOCKHOLDERS' EQUITY

	2002	2001
	----	----
LIABILITIES		
Deposits		
Demand	\$ 11,304,108	\$ 8,550,249
Savings, NOW and money market	34,676,471	20,993,045
Time	59,912,754	58,347,534
	-----	-----
Total deposits	105,893,333	87,890,828
Securities sold under repurchase agreements	5,833,512	3,411,736
Long-term debt	7,900,000	5,799,000
Deferred income taxes	15,231	56,305
Income taxes payable	395,078	--
Accrued interest and other liabilities	567,723	595,471
	-----	-----
Total liabilities	120,604,877	97,753,340
	-----	-----
STOCKHOLDERS' EQUITY		
Common stock, no par value, authorized 2,000,000 shares; issued and outstanding 643,053 shares	7,357,477	7,357,477
Retained earnings (deficit)	344,818	(400,400)
Accumulated other comprehensive income	135,957	109,290
	-----	-----
Total stockholders' equity	7,838,252	7,066,370

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	-----	-----
Total liabilities and stockholders' equity	\$ 128,443,129	\$ 104,819,711
	=====	=====

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CITIZENS FIRST CORPORATION  
CONSOLIDATED STATEMENTS OF INCOME  
YEARS ENDED DECEMBER 31, 2002 AND 2001

		2002	
		----	
INTEREST AND DIVIDEND INCOME			
Loans	\$	5,789,307	\$
Securities taxable		565,125	
Federal funds sold		29,700	
Dividends on FHLB stock		12,448	
		-----	
Total interest and dividend income		6,396,580	
		-----	
INTEREST EXPENSE			
Deposits		2,500,240	
Securities sold under agreements to repurchase		53,521	
Long-term debt		216,021	
Federal funds purchased		4,122	
		-----	
Total interest expense		2,773,904	
		-----	
NET INTEREST INCOME		3,622,676	
PROVISION FOR LOAN LOSSES		195,000	
		-----	
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES		3,427,676	
		-----	
NONINTEREST INCOME			
Service charges on deposit accounts		575,920	
Other service charges and fees		41,781	
Income on sale of mortgage loans		33,538	
Net realized gains on sale of available-for-sale securities		108,454	
Trust referral fees		12,763	
		-----	

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Total noninterest income	772,456	-----
NONINTEREST EXPENSE		
Salaries and employee benefits	1,530,034	
Net occupancy expense	176,858	
Equipment expense	238,878	
Advertising	112,214	
Professional fees	86,559	
Data processing services	233,909	
Franchise shares and deposit tax	156,808	
Business manager expense	84,447	
Other	444,848	
		-----
Total noninterest expense	3,064,555	-----

See Notes to Consolidated Financial Statements

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	2002	----
Income (Loss) before Income Taxes	\$ 1,135,577	\$
Provision (Credit) for Income Taxes	390,359	-----
Net Income	\$ 745,218	\$ =====
Basic and Diluted Earnings per Share	\$ 1.16	\$ =====

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CITIZENS FIRST CORPORATION  
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY  
YEARS ENDED DECEMBER 31, 2002 AND 2001

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	COMMON SHARES	STOCK AMOUNT	RETAINED EARNINGS	ACCUMULA OTHE COMPREHE INCO
BALANCE, JANUARY 1, 2001	643,053	\$ 7,357,477	\$ (742,802)	\$ 57,55
Comprehensive income				
Net income	--	--	342,402	
Change in unrealized gain on securities available for sale, net of reclassification adjustment and tax effect \$26,659	--	--	--	51,74
Total comprehensive income				
BALANCE, DECEMBER 31, 2001	643,053	7,357,477	(400,400)	109,29
Comprehensive income				
Net income	--	--	745,218	
Change in unrealized gain on securities available for sale, net of reclassification adjustment and tax effect of \$13,733	--	--	--	26,65
Total comprehensive income				
BALANCE, DECEMBER 31, 2002	643,053	\$ 7,357,477	\$ 344,818	\$ 135,95

See Notes to Consolidated Financial Statements

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CITIZENS FIRST CORPORATION  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2002 AND 2001

	2002
OPERATING ACTIVITIES	
Net income	\$ 745,218
Items not requiring (providing) cash	

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Depreciation and amortization	246,664
Provision for loan losses	195,000
Amortization of premiums and discounts on securities	24,647
Deferred income taxes	48,160
Net realized gains on disposition of investment securities	(108,454)
Gain on sale of other real estate owned	(7,493)
FHLB stock dividends received	(12,200)
Changes in	
Interest receivable	(128,997)
Mortgage loans held for sale	1,272,959
Other assets	(56,432)
Interest payable and other liabilities	319,169
	-----
Net cash provided by (used in) operating activities	2,538,241
	-----
INVESTING ACTIVITIES	
Net change in loans	(11,329,373)
Purchase of premises and equipment	(642,652)
Proceeds from maturities of available-for-sale securities	6,168,141
Proceeds from sales of other real estate owned	258,956
Proceeds from sales of available-for-sale securities	1,117,635
Purchases of available-for-sale securities	(13,147,281)
Purchase of FHLB stock	(92,900)
	-----
Net cash used in investing activities	(17,667,474)
	-----
FINANCING ACTIVITIES	
Net increase in demand deposits, money market, NOW and savings accounts	16,437,285
Net increase in certificates of deposit	1,565,220
Proceeds from long-term borrowings	2,101,000
Net increase in repurchase agreements	2,421,776
	-----
Net cash provided by financing activities	22,525,281
	-----
INCREASE IN CASH AND CASH EQUIVALENTS	7,396,048
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	6,526,769
	-----
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 13,922,817
	=====

See Notes to Consolidated Financial Statements

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Supplemental Cash Flows Information

Sale and financing of foreclosed assets	\$	0
Real estate acquired in settlement of loans	\$	0
Interest paid	\$	2,804,016
Income taxes paid	\$	8,865

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CITIZENS FIRST CORPORATION  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 DECEMBER 31, 2002 AND 2001

NOTE 1: NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF OPERATIONS

Citizens First Corporation (Company) was incorporated in 1975, for the purpose of conducting business as an investment club. The Company is incorporated under the laws of the Commonwealth of Kentucky and is headquartered in Bowling Green, Kentucky. In September 1998, the Company filed an application with the Kentucky Department of Financial Institutions (KDFI) and the Federal Deposit Insurance Corporation (FDIC) to organize and charter Citizens First Bank, Inc. (Bank) as a new Kentucky bank and a wholly owned subsidiary of the Company. In December 1998, the Company filed an application with the Board of Governors of the Federal Reserve System (FRB) for approval to become a bank holding company under the Holding Company Act of 1956, as amended. On December 28, 1998, the FRB approved the Company's application to become a bank holding company. On January 21, 1999, the FDIC approved the Bank's application for federal deposit insurance subject to certain conditions, including minimum capital requirements, which have been subsequently met by the Bank. The Bank commenced operations on February 18, 1999.

The Company's operations include one reportable segment: providing a full range of banking and mortgage services to individual and corporate customers in Bowling Green and Warren County, Kentucky. The Company is subject to competition from other financial institutions. The Company is also subject to the regulation of certain federal and state agencies and undergoes periodic examinations by those regulatory authorities.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of the Company and the Bank. All significant intercompany accounts and transactions have been eliminated in consolidation.



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### USE OF ESTIMATES

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 at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for loan losses and the valuation of real estate acquired in connection with foreclosures or in satisfaction of loans. In connection with the determination of the allowance for loan losses and the valuation of foreclosed assets held for sale, management obtains independent appraisals for significant properties.

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CITIZENS FIRST CORPORATION  
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### CASH EQUIVALENTS

The Company considers all liquid investments with original maturities of three months or less to be cash equivalents.

### SECURITIES

Available-for-sale securities, which include any security for which the Company has no immediate plan to sell but which may be sold in the future, are carried at fair value. Unrealized gains and losses are recorded, net of related income tax effects, in other comprehensive income.

Amortization of premium and accretion of discounts are recorded as interest income from securities. Realized gains and losses are recorded as net security gains (losses). Gains and losses on sales of securities are determined on the specific-identification method.

### LOANS HELD FOR SALE

Mortgage loans originated and intended for sale in the secondary market are carried at the lower of cost or fair value in the aggregate. Net unrealized losses, if any, are recognized through a valuation allowance by charges to income. Gains on sales of mortgage loans are recorded at the time of disbursement by an investor at the difference between the sales proceeds and the loan's carrying value.

### LOANS

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoffs are reported at their

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outstanding principal balance adjusted for any charge-offs, allowance for loan losses, any deferred fees or costs on originated loans and unamortized premiums or discounts on purchased loans. Interest income is reported on the interest method and includes amortization of net deferred loan fees and costs over the loan term. Generally, loans are placed on non-accrual status at 90 days past due and interest is considered a loss, unless the loan is well secured and in the process of collection.

### ALLOWANCE FOR LOAN LOSSES

The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to income. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectibility of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, the estimated value of any underlying collateral and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

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A loan is considered impaired when, based on current information and events, it is probable that the Bank will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan-by-loan basis for commercial and construction loans by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price or the fair value of the collateral if the loan is collateral dependent.

Large groups of smaller balance homogenous loans are collectively evaluated for impairment. Accordingly, the Bank does not separately identify individual consumer and residential loans for impairment disclosures.

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### PREMISES AND EQUIPMENT

Depreciable assets are stated at cost less accumulated depreciation. Depreciation is charged to expense using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are capitalized and depreciated using the straight-line method over the terms of the respective leases or the estimated useful lives of the improvements, whichever is shorter.

### FEDERAL HOME LOAN BANK STOCK

Federal Home Loan Bank stock is a required investment for institutions that are members of the Federal Home Loan Bank system. The required investment in the common stock is based on a predetermined formula.

### FORECLOSED ASSETS HELD FOR SALE

Assets acquired through, or in lieu of, loan foreclosure are held for sale and are initially recorded at fair value at the date of foreclosure, establishing a new cost basis. Subsequent to foreclosure, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value less cost to sell. Revenue and expenses from operations and changes in the valuation allowance are included in net income or expense from foreclosed assets.

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CITIZENS FIRST CORPORATION  
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### INCOME TAXES

Deferred tax liabilities and assets are recognized for the tax effects of differences between the financial statement and tax bases of assets and liabilities. A valuation allowance is established to reduce deferred tax assets if it is more likely than not that a deferred tax asset will not be realized. The Company files consolidated income tax returns with its subsidiary.

### EARNINGS PER SHARE

Earnings per share have been computed based on the weighted-average common shares outstanding during each year. Weighted-average common shares were 643,053 in both years and there were no dilutive securities.

### RECLASSIFICATIONS

Certain reclassifications have been made to the 2001 financial statements to conform to the 2002 financial statement presentation.

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These reclassifications had no effect on net earnings.

NOTE 2: SECURITIES

The amortized cost and approximate fair value of securities are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses
-----			
Available-for-sale Securities			
December 31, 2002			
U. S. government agencies	\$ 10,088,698	\$ 94,395	\$ 0
Mortgage-backed securities	5,891,713	111,600	--
	-----	-----	-----
	\$ 15,980,411	\$ 205,995	\$ 0
	=====	=====	=====
December 31, 2001			
U. S. government agencies	\$ 8,318,834	\$ 89,210	\$ (4,641)
Mortgage-backed securities	1,706,788	18,404	--
Equity securities	9,640	62,631	--
	-----	-----	-----
	\$ 10,035,262	\$ 170,245	\$ (4,641)
	=====	=====	=====

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CITIZENS FIRST CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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The amortized cost and fair value of securities available for sale at December 31, 2002, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because issuers may have the right to call or prepay obligations with or without call or prepayment penalties.

	AMORTIZED COST	AVAILABLE FOR SALE FAIR VALUE
	-----	-----
Within one year	\$ 196,114	\$ 201,084

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One to five years	6,000,406	6,059,106
Five to 10 years	3,892,178	3,922,903
	-----	-----
	10,088,698	10,183,093
Mortgage-backed securities	5,891,713	6,003,313
	-----	-----
	\$15,980,411	\$16,186,406
	=====	=====

The carrying value of securities pledged as collateral, to secure public deposits and for other purposes, was \$10,427,574 at December 31, 2002, and \$8,840,955 at December 31, 2001.

The book value of securities sold under agreements to repurchase amounted to \$5,833,512 and \$3,411,736 at December 31, 2002 and 2001, respectively.

Gross gains of \$108,454 resulting from sales of available-for-sale securities were realized for 2002. There were no sales of available-for-sale securities during 2001.

NOTE 3: LOANS AND ALLOWANCE FOR LOAN LOSSES

Categories of loans at December 31 include:

	2002	2001
	-----	-----
Commercial and agricultural	\$ 31,798,487	\$ 27,014,848
Commercial real estate	33,364,597	35,285,871
Residential real estate	23,546,052	13,357,181
Consumer	7,249,920	9,062,449
	-----	-----
	95,959,056	84,720,349
Less allowance for loan losses	1,300,258	1,195,924
	-----	-----
Net loans	\$ 94,658,798	\$ 83,524,425
	=====	=====

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CITIZENS FIRST CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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Activity in the allowance for loan losses was as follows:

	2002	2001
	-----	-----
Balance, beginning of year	\$ 1,195,924	\$ 822,344

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Provision charged to expense	195,000	664,000
Loans charged off, net of recoveries of \$15,449 for 2002 and \$5,502 for 2001	(90,666)	(290,420)
	-----	-----
Balance, end of year	\$ 1,300,258	\$ 1,195,924
	=====	=====

At December 31, 2002 and 2001, accruing loans delinquent 90 days or more totaled \$0 and \$15,000, respectively. Non-accruing loans at December 31, 2002 and 2001, were \$115,000 and \$334,000, respectively.

NOTE 4: PREMISES AND EQUIPMENT

Major classifications of premises and equipment, stated at cost, are as follows:

	2002	2001
	-----	-----
Land and land improvements	\$ 953,209	\$ 651,845
Buildings and improvements	480,770	480,770
Leasehold improvements	98,765	87,573
Furniture and fixtures	100,161	96,438
Equipment	802,413	654,521
Automobiles	21,518	--
Construction in progress	156,964	--
	-----	-----
	2,613,800	1,971,147
Less accumulated depreciation	773,778	577,544
	-----	-----
Net premises and equipment	\$ 1,840,022	\$ 1,393,603
	=====	=====

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CITIZENS FIRST CORPORATION  
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NOTE 5: INTEREST BEARING DEPOSITS

Interest bearing deposits in denominations of \$100,000 or more were \$22,457,617 on December 31, 2002, and \$22,040,834 on December 31, 2001.

At December 31, 2002, the scheduled maturities of time deposits were as follows:

2003	\$ 41,749,190
2004	11,477,754
2005	4,730,112
2006	977,856
2007	977,842

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 \$ 59,912,754

NOTE 6: SECURITIES PURCHASED UNDER AGREEMENTS TO RESELL

The Company enters into purchases of securities under agreements to resell. The amounts advanced under these agreements represent short-term loans and are reflected as a receivable in the balance sheet. The securities underlying the agreements are book-entry securities. During the period, the securities were delivered by appropriate entry into the Company's account maintained at the Federal Reserve Bank of St. Louis or into a third-party custodian's account designated by the Company under a written custodial agreement that explicitly recognizes the Company's interest in the securities. At December 31, 2002, these agreements matured within 90 days. The agreements relating to mortgage-backed securities were agreements to resell substantially identical securities. At December 31, 2002, no material amount of agreements to resell securities purchased was outstanding with any individual dealer. The Company's policy requires that all securities purchased under agreements to resell be fully collateralized.

NOTE 7: INCOME TAXES

The provision (credit) for income taxes includes these components:

	2002	2001
	-----	-----
Taxes currently payable	\$ 342,199	\$ 28,935
Deferred income taxes	48,160	(390,000)
	-----	-----
Income tax expense (credit)	\$ 390,359	\$ (361,065)
	=====	=====

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CITIZENS FIRST CORPORATION  
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A reconciliation of the income tax expense (credit) at the statutory rate to the Company's actual income tax expense (credit) is shown below:

	2002	2001
	-----	-----
Computed at the statutory rate (34%)	\$ 386,096	\$ (6,345)
Increase (decrease) resulting from		
State income taxes	—	(7,920)
Tax exempt municipal income	—	(1,460)
Changes in the deferred tax asset valuation allowance	—	(349,251)

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Other	4,263	3,911
	-----	-----
Actual tax expense (credit)	\$ 390,359	\$ (361,065)
	=====	=====

The tax effects of temporary differences related to deferred taxes shown on the balance sheets were:

	2002	2001
	-----	-----
Deferred tax assets		
Allowance for loan losses	\$ 374,102	\$ 332,058
Start-up costs	45,675	53,679
Net operating loss carryforwards	--	3,892
Accumulated depreciation	5,587	--
Accrued compensated absences	31,770	22,157
Other	7,297	--
	-----	-----
	464,431	411,786
	-----	-----
Deferred tax liabilities		
Unrealized gains on available-for-sale securities	(70,038)	(56,305)
Deferred loan fees/costs	(15,769)	(5,557)
FHLB stock dividends	(8,398)	(4,250)
Depreciation	--	(11,979)
Other	(50,264)	--
	-----	-----
	(144,469)	(78,091)
	-----	-----
Net deferred tax asset before valuation allowance	319,962	333,695
	-----	-----
Valuation allowance		
Beginning balance	--	(349,251)
Decrease during the period	--	349,251
	-----	-----
Ending balance	0	0
	-----	-----
Net deferred tax asset	\$ 319,962	\$ 333,695
	=====	=====

The deferred taxes are presented on the balance sheet as follows:

	2002	2001
	-----	-----
Deferred tax asset	\$ 335,193	\$ 390,000
Deferred tax liability	(15,231)	(56,309)
	-----	-----
	\$ 319,962	\$ 333,695
	=====	=====



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CITIZENS FIRST CORPORATION  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
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NOTE 8: LONG-TERM DEBT

Long-term debt consisted of the following components:

	2002	2001
	-----	-----
FHLB advances	\$ 7,000,000	\$ 4,924,000
Other debt	900,000	875,000
	-----	-----
Total long-term debt	\$ 7,900,000	\$ 5,799,000
	=====	=====

Two outstanding advances from the Federal Home Loan Bank (FHLB) at December 31, 2002, totaled \$7,000,000. The advances of \$4,000,000 and \$3,000,000 carry interest rates of 1.50% and 4.04%, respectively, and mature on June 9, 2003, and March 19, 2004, respectively. The advances are collateralized by a blanket agreement assigning mortgages on single family residences to the FHLB totaling \$9,450,000 at December 31, 2002, and are subject to restrictions or penalties in the event of prepayment.

Other debt consists of an amount borrowed from Franklin Bank & Trust under a \$3,000,000 line of credit which expires June 22, 2012, with interest payable quarterly at the rate of 275 basis points over one year LIBOR and adjusted annually on June 22 (currently 5.11%). The line of credit is secured by 2,000 shares of the Bank's common stock.

Aggregate annual maturities of long-term debt at December 31, 2002, were:

2003	\$ 4,000,000
2004	3,000,000
Thereafter five years	900,000
	-----
	\$ 7,900,000

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CITIZENS FIRST CORPORATION  
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NOTE 9: OTHER COMPREHENSIVE INCOME

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Other comprehensive income components and related taxes were as follows:

	2002	2001
	-----	-----
Unrealized gains on securities available for sale reclassification for realized amount included in _____ income	\$ 148,845 (108,454)	\$ 78,407 --
Other comprehensive income, before tax effect	40,391	78,407
Tax expense	13,733	26,659
	-----	-----
Other comprehensive income	\$ 26,658	\$ 51,748
	=====	=====

### NOTE 10: REGULATORY MATTERS

The Company and subsidiary bank are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Company's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company and subsidiary bank must meet specific capital guidelines that involve quantitative measures of assets, liabilities and certain off-balance-sheet items as calculated under regulatory accounting practices. The capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Company and subsidiary bank to maintain minimum amounts and ratios (set forth in the table below) of total and Tier I capital (as defined in the regulations) to risk-weighted assets (as defined) and of Tier I capital (as defined) to average assets (as defined). Management believes, as of December 31, 2002, that the Company and subsidiary bank meet all capital adequacy requirements to which they are subject.

As of December 31, 2002, the most recent notification from regulatory agencies categorized the Company as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Company must maintain minimum total risk-based, Tier I risk-based and Tier I leverage ratios as set forth in the table. There are no conditions or events since that notification that management believes have changed the Company's category.

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The Company and significant subsidiary bank's actual capital amounts and ratios are also presented in the following table.

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	ACTUAL		FOR CAPITAL ADEQUACY PURPOSES	
	AMOUNT	RATIO	AMOUNT	RATIO
AS OF DECEMBER 31, 2002:				
Total Capital (to risk-weighted assets)				
Consolidated	\$ 8,930,000	9.1%	\$ 7,887,000	8.0%
Citizens First Bank, Inc.	\$ 10,081,000	10.3%	\$ 7,868,000	8.0%
Tier I Capital (to risk-weighted assets)				
Consolidated	\$ 7,699,000	7.8%	\$ 3,938,000	4.0%
Citizens First Bank, Inc.	\$ 8,852,000	9.0%	\$ 3,934,000	4.0%
Tier I Capital (to average assets)				
Consolidated	\$ 7,699,000	6.8%	\$ 3,779,000	4.0%
Citizens First Bank, Inc.	\$ 8,852,000	7.8%	\$ 4,566,000	4.0%
AS OF DECEMBER 31, 2001:				
Total Capital (to risk-weighted assets)				
Consolidated	\$ 7,923,000	9.4%	\$ 6,719,000	8.0%
Citizens First Bank, Inc.	\$ 8,796,000	10.4%	\$ 6,741,000	8.0%
Tier I Capital (to risk-weighted assets)				
Consolidated	\$ 6,873,000	8.2%	\$ 3,359,000	4.0%
Citizens First Bank, Inc.	\$ 7,728,000	9.2%	\$ 3,370,000	4.0%
Tier I Capital (to average assets)				
Consolidated	\$ 6,873,000	7.3%	\$ 3,765,000	4.0%
Citizens First Bank, Inc.	\$ 7,728,000	8.2%	\$ 3,765,000	4.0%

The Bank is subject to certain restrictions on the amount of dividends that it may declare without prior regulatory approval. At December 31, 2002, no retained earnings were available for dividend declaration without prior regulatory approval.

NOTE 11: RELATED-PARTY TRANSACTIONS

At December 31, 2002 and 2001, the Bank had loans outstanding to executive officers, directors, significant stockholders and their affiliates (related parties) in the amount of \$8,499,667 and \$7,812,551, respectively.

In management's opinion, such loans and other extensions of credit and deposits were made in the ordinary course of business and were made on substantially the same terms (including interest rates and collateral) as those prevailing at the time for comparable transactions with other persons. Further,

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in management's opinion, these loans did not involve more than normal risk of collectibility or present other unfavorable features.

Deposits from related parties held by the Bank at December 31, 2002 and 2001, totaled \$1,138,248 and \$1,546,070, respectively.

NOTE 12: EMPLOYEE BENEFIT PLAN

The Company has a defined contribution pension plan (SIMPLE plan) covering substantially all employees. Employees may contribute a portion of their compensation (based on regulatory limitations) with the Company matching 100% of the employee's contribution on 3% of the employee's compensation. Employer contributions charged to expense for 2002 and 2001 were \$38,037 and \$37,751, respectively.

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CITIZENS FIRST CORPORATION  
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NOTE 13: COMMITMENTS AND CREDIT RISK

The Company grants commercial, consumer and residential loans to customers primarily in Bowling Green and Warren County, Kentucky. Although the Company has a diversified loan portfolio, loans secured by commercial real estate comprise approximately 42% and 42% of the loan portfolio as of December 31, 2002 and 2001, and loans for construction and land development comprise an additional 8% and 6% of the loan portfolio as of December 31, 2002 and 2001, respectively.

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since a portion of the commitments may expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. Each customer's creditworthiness is evaluated on a case-by-case basis. The amount of collateral obtained, if deemed necessary, is based on management's credit evaluation of the counterparty. Collateral held varies, but may include accounts receivable, inventory, property, plant and equipment, commercial real estate and residential real estate.

At December 31, 2002 and 2001, the Company had outstanding commitments to originate loans aggregating approximately \$23,466,972 and \$12,882,675, respectively. The commitments extended over varying periods of time with the majority being disbursed within a one-year period.

Letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. Those guarantees are primarily issued to support public and private borrowing arrangements,

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including commercial paper, bond financing and similar transactions. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loans to customers.

The Company had total outstanding letters of credit amounting to \$1,684,577 and \$1,167,665 at December 31, 2002 and 2001, respectively, with terms generally maturing within one year.

At December 31, 2002 and 2001, approximately 26% and 29%, respectively, of the Company's total time deposits consisted of short-term certificates of deposit having minimum denominations in excess of \$100,000.

### NOTE 14: SIGNIFICANT ESTIMATES AND CONCENTRATIONS

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Estimates related to the allowance for loan losses are reflected in the footnote regarding loans. Current vulnerabilities due to certain concentrations of credit risk are discussed in the footnote on commitments and credit risk. Other significant estimates and concentrations not discussed in those notes include:

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### CITIZENS FIRST CORPORATION NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2002 AND 2001

#### DEPOSITS AND INVESTMENTS

The Company maintains cash in bank deposit accounts and investments in federal funds sold which, at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant credit risk on cash and cash equivalents.

### NOTE 15: DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table presents estimated fair values of the Company's financial instruments. The fair values of certain of these instruments were calculated by discounting expected cash flows, which involves significant judgments by management and uncertainties. Fair value is the estimated amount at which financial assets or liabilities could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Because no market exists for certain of these financial instruments and because management does not intend to sell these financial instruments, the Company does not know whether the fair values shown below represent values at which the respective financial instruments could be sold individually or in the aggregate.

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	DECEMBER 31, 2002		CARRY
	CARRYING AMOUNT	FAIR VALUE	
FINANCIAL ASSETS			
Cash and cash equivalents	\$ 13,922,817	\$ 13,922,817	\$ 6
Available-from-sale securities	16,186,406	16,186,406	10
Loans including loans held for sale, net	98,112,814	94,963,998	85
FHLB stock	353,600	353,600	
Interest receivable	651,412	651,412	
FINANCIAL LIABILITIES			
Deposits	105,893,333	107,298,082	87
Securities sold under repurchase			
Agreements	5,833,512	5,833,512	3
FHLB advances	7,000,000	7,000,000	4
Long-term debt	900,000	900,000	
UNRECOGNIZED FINANCIAL INSTRUMENTS (NET OF CONTRACT AMOUNT)			
Commitments to extend credit	-	-	
Letters of credit	-	-	
Lines of credit	-	-	

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CITIZENS FIRST CORPORATION  
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For purposes of the above disclosures of estimated fair value, the following assumptions were used as of December 31, 2002 and 2001. The estimated fair value for cash and cash equivalents, FHLB stock, accrued interest receivable, demand deposits, savings accounts, NOW accounts, certain money market deposits, securities sold under repurchase agreements and interest payable is considered to approximate cost. The estimated fair value for securities is based on quoted market values for the individual securities or for equivalent securities. The estimated fair value for loans receivable, including loans held for sale, net, is based on estimates of the rate the Bank would charge for similar loans at December 31, 2002 and 2001 applied for the time period until the loans are assumed to reprice or be paid. The estimated fair value for fixed-maturity time deposits as well as borrowings is based on estimates of the rate the Bank would pay on such liabilities at December 31, 2002 and 2001, applied for the time period until maturity. The fair value of commitments is estimated using the fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the present creditworthiness of the counterparties. The fair value of letters of credit and lines of credit is based on fees currently charged for similar agreements or on the estimated cost to terminate or otherwise settle the obligations with the

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counterparties at the reporting date.

### NOTE 16: CONDENSED FINANCIAL INFORMATION (PARENT COMPANY ONLY)

Presented below is condensed financial information as to financial position, results of operations and cash flows of the Company:

#### CONDENSED BALANCE SHEETS

	2002	2001
	-----	-----
<b>ASSETS</b>		
Cash	\$ 17,392	\$ 54,350
Available-for-sale securities	--	72,271
Investment in Citizens First Bank, Inc.	8,990,868	8,150,252
Other assets	109,162	--
	-----	-----
Total assets	\$ 9,117,422	\$ 8,276,873
	=====	=====
<b>LIABILITIES</b>		
Long-term debt	\$ 900,000	\$ 875,000
Other liabilities	379,170	335,497
	-----	-----
Total liabilities	1,279,170	1,210,497
<b>STOCKHOLDERS' EQUITY</b>		
	7,838,252	7,066,376
	-----	-----
Total liabilities and stockholders' equity	\$ 9,117,422	\$ 8,276,873
	=====	=====

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CITIZENS FIRST CORPORATION  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 DECEMBER 31, 2002 AND 2001

#### CONDENSED STATEMENTS OF INCOME

	2002	2001
	-----	-----
<b>INCOME</b>		
Investment income from available-for-sale securities	\$ 1,333	\$ 3,012
Realized gain on sale of available-for-sale securities	67,370	--
	-----	-----
Total income	68,703	3,012
	-----	-----

#### EXPENSES

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Interest expense	52,222	14,104
Professional fees	37,245	39,891
Other expenses	20,120	19,364
	-----	-----
Total expenses	109,587	73,359
	-----	-----
LOSS BEFORE INCOME TAXES AND EQUITY IN UNDISTRIBUTED INCOME OF SUBSIDIARY	(40,884)	(70,347)
INCOME TAX EXPENSE (CREDIT)	(13,481)	293,000
	-----	-----
LOSS BEFORE EQUITY IN UNDISTRIBUTED INCOME OF SUBSIDIARIES	(27,403)	(363,347)
EQUITY IN UNDISTRIBUTED INCOME OF SUBSIDIARIES	772,621	705,749
	-----	-----
NET INCOME	\$ 745,218	\$ 342,402
	=====	=====

CONDENSED STATEMENTS OF CASH FLOWS

	2002	2001
	-----	-----
OPERATING ACTIVITIES		
Net income	\$ 745,218	\$ 342,402
Items not requiring (providing) cash		
Equity in loss of subsidiary	(772,621)	(705,749)
Amortization of premiums and discounts on securities	--	14
Realized gain on sale of available-for-sale securities	(67,370)	--
Changes in		
Other assets	(14,163)	(14,604)
Other liabilities	(30,032)	315,407
	-----	-----
Net cash used in operating activities	(138,968)	(62,530)
	-----	-----

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CITIZENS FIRST CORPORATION  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2002 AND 2001

	2002	2001
	-----	-----
INVESTING ACTIVITIES		
Investment in subsidiary	\$ --	\$ (925,000)
Proceeds from sales of available-for-sale securities	77,010	--
Purchases of available-for-sale securities	--	--
Proceeds from maturities of available-for-sale securities	--	100,000



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Net cash provided by (used in) investing activities	77,010	(825,000)
FINANCING ACTIVITIES		
Proceeds from long-term debt	25,000	875,000
Net cash provided by financing activities	25,000	875,000
DECREASE IN CASH AND CASH EQUIVALENTS	(36,958)	(12,530)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	54,350	66,880
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 17,392	\$ 54,350

NOTE 17: SUBSEQUENT EVENT

In January 2003, the Bank acquired all of the outstanding stock of Commonwealth Mortgage of Bowling Green, Inc. (Commonwealth) and Southern Kentucky Land Title, Inc. (Southern) for \$400,000 plus a future contingent amount based on Commonwealth's and Southern's future earnings over the next five years. The future contingent purchase price is payable in cash and shares of the Company's common stock. The Bank agreed to purchase certain land on which the main office of Commonwealth is located. The purchase price of the land is \$272,500. Commonwealth originates one to four family residential mortgages for sale to the secondary mortgage market, while Southern provides title insurance agency services for real estate purchase contracts. The transaction will be accounted for as a purchase.

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PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 24. INDEMNIFICATION OF DIRECTORS AND OFFICERS.

Indemnification of corporate directors and officers is governed by Sections 271B.8-500 through 271B.8-580 of the Kentucky Revised Statutes (the "Act"). Under the Act, a person may be indemnified by a corporation against judgments, fines, amounts paid in settlement and reasonable expenses (included attorneys' fees) actually and necessarily incurred by him in connection with any threatened or pending suit or proceeding or any appeal thereof (other than an action by or in the right of the corporation), whether civil or criminal, by reason of the fact that he is or was a director or officer of the corporation or is or was serving at the request of the corporation as a director or officer, employee or agent of another corporation of any type or kind, domestic or foreign, if such director or officer acted in good faith for a purpose which he reasonably believed to be in the best interest of the corporation and, in criminal actions

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or proceedings only, in addition, had no reasonable cause to believe that his conduct was unlawful. A Kentucky corporation may indemnify a director or officer thereof in a suit by or in the right of the corporation against amounts paid in settlement and reasonable expenses, including attorneys' fees, actually and necessarily incurred as a result of such suit if such director or officer acted in good faith for a purpose which he reasonably believed to be in the best interests of the corporation.

Article XIII, entitled INDEMNIFICATION OF DIRECTORS & OFFICERS, of the registrant's Bylaws provides as follows:

SECTION 1. DEFINITIONS. As used in this article, the term "person" means any past, present or future Director or officer of the Corporation.

SECTION 2. INDEMNIFICATION GRANTED. The Corporation shall indemnify, to the full extent and under the circumstances permitted by the Kentucky Business Corporation Act in effect, from time to time, any person as defined above, made or threatened to, be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he is or was a director, officer of the Corporation, or designated officer of an operating division of the Corporation, or is or was an employee or agent of the Corporation, or is or was serving at the specific request of the Corporation as a director, officer, employee or agent of another company or other enterprise in which the Corporation should own, directly or indirectly, an equity interest or of which it may be a creditor.

This right of indemnification shall not be deemed exclusive of any other rights to which a person indemnified herein may be entitled by bylaw, agreement, vote of shareholders or disinterested directors, the Kentucky Business Corporation Act, or otherwise, and shall continue as to a person who has ceased to be a director, officer, designated officer, employee or agent, and shall inure to the benefit of the heirs, executors, administrators and other legal representatives of such person. It is not intended that the provisions of this article be applicable to, and they are not to be construed as granting indemnity with respect to, matters as to which indemnification would be in contravention of the laws of Kentucky or the United States of America, whether as a matter of public policy or pursuant to statutory provision.

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### ITEM 25. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION

The following table sets forth all expenses in connection with the issuance and distribution of the securities being registered. Except for the registration fee, all of the amounts shown are estimates.

Registration Fee	\$	920.00
Blue Sky Fees and Expenses		7,500.00
NASD Filing Fee		1,500.00
Accounting Fees		25,000.00
Legal Fees		60,000.00
Printing		25,000.00
Miscellaneous Expenses		5,000.00
TOTAL		\$124,920.00

### ITEM 26. RECENT SALES OF UNREGISTERED SECURITIES

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No securities have been sold by the registrant within the past three years without registering the securities under the Securities Act of 1933.

### ITEM 27. EXHIBITS

The following exhibits are filed herein:

- 1 Form of Sales Agency Agreement between Citizens First Corporation and Winebrenner Capital Partners, LLC.\*
- 2 Stock Purchase Agreement by and among Citizens First Corporation, Citizens First Bank, Inc., Scott T. Higdon, Mark A. Vaughn, Commonwealth Mortgage of Bowling Green, Inc. and Southern Kentucky Land Title, Inc. (incorporated by reference to Exhibit 2.1 of the Registrant's Form 8-K filed January 17, 2003).
- 3.1 Articles of Restatement and Amendment to Articles of Incorporation of Citizens First Corporation (incorporated by reference to Exhibit 3.1 of the Registrant's Registration Statement on Form SB-2 (No. 333-67435)).
- 3.2 Articles of Amendment to Articles of Restatement and Amendment to Articles of Incorporation of Citizens First Corporation (incorporated by reference to Exhibit 3.3 of the Registrant's Registration Statement on Form SB-2 (No. 333-67435)).
- 3.3 Articles of Amendment to Restated Articles of Incorporation of Citizens First Corporation (incorporated by reference to Exhibit 4.1 of the Registrants' Form 10-QSB dated June 30, 2000).
- 3.4 Articles of Amendment to Restated Articles of Incorporation of Citizens First Corporation (incorporated by reference to Exhibit 4.3 of the Registrant's Form 10-QSB dated June 30, 2001).
- 3.5 Bylaws of Citizens First Corporation (incorporated by reference to Exhibit 3.5 of the Registrant's Form 10-KSB for the year ended December 31, 2002).\*

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- 4.1 Articles of Restatement and Amendment to Articles of Incorporation of Citizens First Corporation (incorporated by reference to Exhibit 3.1 of the Registrant's Registration Statement on Form SB-2 (No. 333-67435)).
- 4.2 Articles of Amendment to Articles of Restatement and Amendment to Articles of Incorporation of Citizens First Corporation (incorporated by reference to Exhibit 3.3 of the Registrant's Registration Statement on Form SB-2 (No. 333-67435)).
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- 5 Form of Opinion of Wyatt, Tarrant & Combs, LLP as to the validity of the shares of Citizens First Corporation.
- 10.1 Employment Agreement between Citizens First Corporation and Mary D. Cohron (incorporated by reference to Exhibit 10.1 of the Registrant's Registration Statement on Form SB-2 (No. 333-67435)).
- 10.2 First Amendment to Employment Agreement between Citizens First Corporation and Mary D. Cohron (incorporated by reference to Exhibit 10.2 of the Registrant's Registration Statement on Form SB-2 (No. 333-67435)).
- 10.3 Bank Contract for Electronic Data Processing Services and Customerfile

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- System between Fiserv Bowling Green and Citizens First Bank (incorporated by reference to Exhibit 10.5 of the Registrant's Registration Statement on Form SB-2 (No. 333-67435)).
- 10.4 Employment Agreement between Citizens First Corporation and Barry D. Bray (incorporated by reference to Exhibit 10.12 of the Registrant's Registration Statement on Form SB-2 (No. 333-67435)).
- 10.5 Consulting Agreement between Citizens First Corporation and The Carpenter Group (incorporated by reference to Exhibit 10.13 of the Registrant's Registration Statement on Form SB-2 (No. 333-67435)).
- 10.6 Lease Agreement between Citizens First Corporation and Midtown Plaza, Inc. (incorporated by reference to Exhibit 10.14 of the Registrant's Registration Statement on Form SB-2 (No. 333-67435)).
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- 10.8 Employment Agreement between Citizens First Corporation and Bill D. Wright (incorporated by reference to Exhibit 10 of the Registrant's Form 8-K dated April 27, 2000).
- 10.9 First Amendment to Employment Agreement between Citizens First Corporation and Matthew Todd Kanipe (incorporated by reference to Exhibit 10.17 of the Registrant's Form 10-QSB dated September 30, 2000).
- 10.10 Commercial Line of Credit Agreement, Promissory Note, and Security (Pledge) Agreement between Citizens First Corporation and Franklin Bank & Trust Company dated June 22, 2001 (incorporated by reference to Exhibit 10.18 of the Registrant's Form 10-QSB dated June 30, 2001).

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- 10.11 Offer to Purchase dated January 22, 2003 between Jack Sheidler and Lester Key and Assignment of Offer to Purchase between Jack Sheidler and Citizens First Bank dated January 27, 2003.\*
- 10.12 Real Estate Sales Contract dated January 27, 2003 between H&V Properties, LLC and Citizens First Bank.\*
- 10.13 2002 Stock Option Plan of Citizens First Corporation.
- 10.14 2003 Non-Employee Directors Stock Option Plan.
- 21 Subsidiaries of Citizens First Corporation.\*
- 23.1 Consent of BKD LLP.
- 23.2 Consent of Wyatt, Tarrant & Combs, LLP (included in Exhibit 5).
- 24 Power of attorney (contained on the signature page at page II-7 hereof).
- 99.1 Form of Subscription Agreement.\*
- 99.2 Form of Escrow Agreement by and between Citizens First Corporation, Bank One Trust Company, N.A., and Winebrenner Capital Partners, LLC.\*

\*Previously filed.

### ITEM 28 UNDERTAKINGS

The undersigned small business issuer hereby undertakes as follows:

(1) The small business issuer will:

(a) File, during any period in which it offers or sells securities, a post-effective amendment to this registration statement to:

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(i) Include any prospectus required by Section 10(a)(3) of the Securities Act;

(ii) Reflect in the prospectus any facts or events which, individually or together, represent a fundamental change in information in the registration statement.

Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement.

(iii) Include any additional or changed material information on the plan of distribution.

(b) For determining liability under the Securities Act, treat each post-effective amendment as a new registration statement of the securities offered, and the offering of the securities at that time to be the initial bona fide offering.

(c) File a post-effective amendment to remove from registration any of the securities that remain unsold at the end of the offering.

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(2) The small business issuer will supplement the prospectus, after the end of the subscription period, to include the results of the subscription offer, the transactions by the underwriters during the subscription period, and the amount of unsubscribed securities that the underwriters will purchase and the terms of any later reoffering. If the underwriters make any public offering of the securities on terms different from those on the cover page of the prospectus, the small business issuer will file a post-effective amendment to state the terms of such offering.

(3) That for the purposes of determining any liability under the Securities Act of 1933 (the "Act"), it will treat the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the small business issuer pursuant to Rule 424 (b) (1) or (4) or 497 (h) under the Act as part of this registration statement as of the time the Commission declared it effective.

(4) That for the purposes of determining any liability under the Act, it will treat each post-effective amendment that contains a form of prospectus as a new registration statement for the securities offered in the registration statement, and that offering of the securities at that time as the initial bona fide offering of those securities.

(5) Insofar as indemnification for liabilities arising under the Act may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provision, or otherwise, the small business issuer has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the small business issuer of

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expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

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SIGNATURES

In accordance with the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing this Pre-Effective Amendment on Form SB-2 and authorized this registration statement to be signed on its behalf by the undersigned, in the city of Bowling Green, Commonwealth of Kentucky, on May 14, 2003.

CITIZENS FIRST CORPORATION.

By:/s/ MARY D. COHRON

-----  
Mary D. Cohron, President

We, the undersigned directors and officers of Citizens First Corporation, do hereby constitute and appoint Mary D. Cohron and Bill D. Wright, and each of them, our true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for us and in our name, place and stead, in any and all capacities, to sign any and all amendments to this registration statement and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, and we do hereby ratify and confirm all that said attorneys-in-fact and agents, or their substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this Registration Statement has been signed by the following persons on the 14th day of May, 2003 in the capacities indicated:

SIGNATURE	TITLE
/s/ MARY D. COHRON ----- Mary D. Cohron	President, Chief Executive Officer (Principal Executive Officer) and Director
/s/ BILL D. WRIGHT ----- Bill D. Wright	Chief Financial Officer (Principal Financial and Accounting Officer)
* ----- Floyd H. Ellis	Chairman of the Board and Director

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Director  
Jerry E. Baker

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Director  
Billy J. Bell

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Director  
Barry D. Bray

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Director  
Sarah Glenn Grise

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Director  
James H. Lucas

\*  
-----  
Director  
Joe B. Natcher, Jr.

\*  
-----  
Director  
John T. Perkins

\*  
-----  
Director  
Jack W. Sheidler

\*  
-----  
Director  
Wilson L. Stone

\*/s/ MARY D. COHRON

-----  
By: Mary D. Cohron, as Attorney-in-Fact  
Date: May 14, 2003

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