

A large, stylized graphic in shades of blue occupies the background. It depicts two hands shaking in a firm grip, forming a circle. The hands are rendered with horizontal lines and curved fingers. A red horizontal bar is positioned across the middle of the image, containing the text "Growing Together".

Growing Together

2006 *Annual Report*

 **CNC**[®] CITIZENS NATIONAL CORPORATION



Resolution of the Board of Directors

*Citizens National Bank of Paintsville
Paintsville, Kentucky*

WHEREAS, Escom “Eck” Chandler, a resident of Paintsville, Kentucky; a Director Emeritus of Citizens National Bank of Paintsville, Paintsville, Kentucky; past board member of Citizens National Bank for thirty years; a member of First Baptist Church, a Kiwanis member, a retired businessman, former Board Chairman of Mayo Vocational School, and former Mayor of Paintsville, Paintsville, Kentucky;

WHEREAS, Mr. Chandler is survived by his wife, Emogene Burton Chandler; and a host of friends and relatives;

WHEREAS, Mr. Chandler departed this life March 17, 2006;

RESOLVED by the Board of Directors of Citizens National Bank of Paintsville, Kentucky, that his wife having lost a devoted husband, and the community in which he resided as an honored citizen, we deeply sympathize with and share the grief and bereavement of his family and friends in the great loss sustained by the death of Mr. Escom “Eck” Chandler;

RESOLVED FURTHER, that this Resolution be spread at large upon the appropriate records of this bank, and a copy be tendered to his wife as a humble expression of the Board’s heartfelt sympathy in its bereavement, and that a copy be published in the local papers.

Unanimously adopted by the Board of Directors of Citizens National Bank of Paintsville, Kentucky, on March 21, 2006.

Gregory Meade, *Chairman*
Sharon A. Collins, *Secretary*



Escom “Eck” Chandler

Table of Contents

- Letter to Shareholders3
- Financial Highlights4
- Report of Independent Auditors5
- Consolidated Balance Sheets6
- Consolidated Statements of Income7
- Consolidated Statements of Changes in Shareholders’ Equity8
- Consolidated Statements of Cash Flows9-10
- Notes to Financial Statements11-23
- Officers24
- Shareholder Information25
- Strategic Plan Progress26
- Board of Directors27
- Directors Emeriti28
- We Are All Citizens29

The bank
for your life.



Our Vision

“ Citizens National Bank will be the preferred high performing, independent community bank in East Kentucky. We partner with growing businesses and consumers to build lasting relationships.

We do this by providing financial products and services valued by our customers *delivered by committed employees who really mean it!* ”

Our Philosophy

“ At Citizens National Bank, the customer experience is our first priority. We will provide convenient branch and ATM locations as well as the 24/7 access of online and telephone banking. We will continue to offer our customers the latest in superior financial products and services. We pledge to provide accurate, timely and personal service and when an error or problem does arise, we will work to resolve it to our customers’ total satisfaction. We will strive to be responsive, thoughtful and friendly. Finally, we at Citizens National Bank promise that we will never lose sight of the fact that our customers are our greatest asset. ”



Dennis T. Dorton
President/Chief Executive Officer



Letter to Shareholders

Committed to Shareholders, Customers, Employees, Communities

Shareholders

Citizens National Corporation acquired Heritage Bank of Ashland headquartered in Ashland, Kentucky with offices in Russell and Grayson, Kentucky on June 16, 2006. This acquisition along with the internal growth we have experienced led to some significant increases in various measurements in 2006. Citizens National Corporation achieved record earnings and revenues. Assets grew from \$355,681 to \$447,732. Deposits grew from \$301,359 to \$372,267. Loans grew from \$206,607 to \$269,086 and capital grew from \$30,765 to \$34,596. Net income for 2006 was \$3,486 compared to \$3,905 the prior year with EPS of \$6.84 compared to \$7.55 the prior year. Net Income was primarily affected by the acquisition and realigning of the staffing and other necessary strategic changes to this new North-East market area. Book value of CNC shares rose 13.0% from \$60.15 in 05 to \$67.96 in 06. Dividends per share have steadily climbed from \$1.04 cents in 2005 to \$1.10 cents per share by year end 06. Stock market price rose from \$62.25 as of December 05 to \$71.00 as of December 31, 2006. We view these positive numbers as a demonstration of our commitment to results. CNC and CNB are prepared to capitalize on future opportunities to grow our company and continue to meet your financial expectations.

Customers

Citizens National provides the financial products our customers need and expect from a full service financial institution. We serve more than 30,000 customers from our seven-county principal market area. Our customers not only expect financial services, products, and access, but, most important, they expect superior quality customer service. We continue to believe that a locally owned community bank can deliver that top quality service level. We strive to provide our customers an excellent service experience. Citizens National is committed to customers and customer service.

Employees

We have a strategic philosophy about the “right” employee. Employees are the point of delivery of everything we do and say as a bank and we recognize that with the “right” employees we will maximize the service experience for our customers and provide the results for our shareholders. We believe Citizens has the “right” employees for our future. We provide a quality work environment, educational and training avenues, and appropriate compensation systems. We have high expectations of our employees and they in turn have high expectations for CNC and CNB. This commitment to employees leads to excellent financial results and an exceptional customer experience.

Communities

Being a community bank focused on the needs and dreams of the communities we serve, we have excelled. Paintsville, Prestonsburg, Pikeville, McDowell, Salyersville, Garrett, and now Ashland, Russell and Grayson and all in between in our seven-county, primary market area are beneficiaries of our donations and public relations dollars. More importantly than dollars, our employees support and volunteer in virtually every nonprofit, athletic, and educational endeavor. We know where our roots are and we know and work and live in the communities we serve. Citizens National is committed to our communities.

A commitment for excellence

This past year was truly another great year for CNB and CNC. A year shareholders, customers, and CNB employees have grown to expect. Our financial results were strong and consistent. Our customers continue to express acceptance of our products and services and appreciation for the quality customer service experience they receive. And, our employees also strive to demonstrate a commitment for excellence. We strive to WOW our customers. That commitment for excellence gains us recognition as a banking leader in all the communities we serve.

I am proud and privileged to lead the CNC-CNB team as we build value for your company. On behalf of this excellent and committed team I thank you for your continued support.

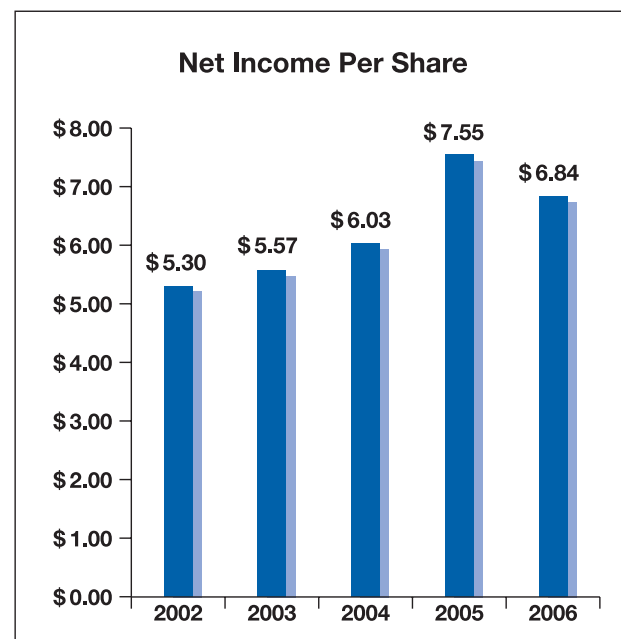
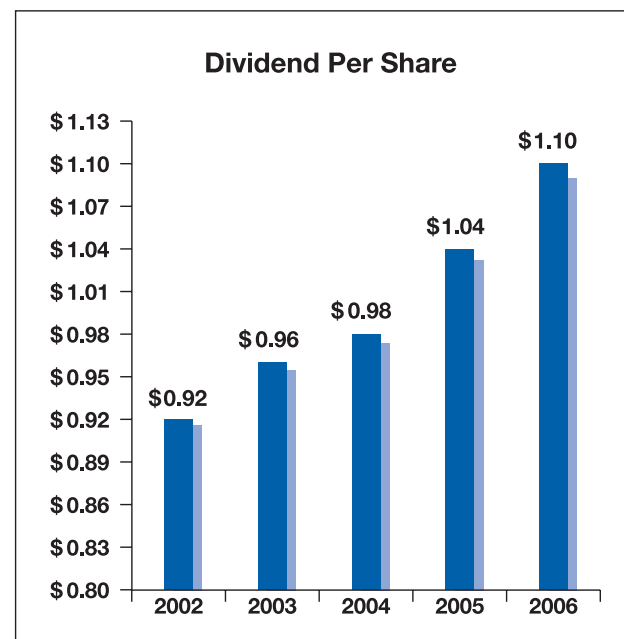
Dennis Dorton
President/Chief Executive Officer



Financial Highlights

Year Ended December 31,

	2006	2005	% Change
Net Income	\$ 3,486,000	\$ 3,905,000	-10.7%
Net Interest Income	\$ 13,602,000	\$ 11,912,000	14.2%
Common Dividends Paid	\$ 560,000	\$ 538,000	4.1%
Per Share			
Basic Earnings Per Common Share	\$ 6.84	\$ 7.55	-9.4%
Dividend Per Common Share	\$ 1.10	\$ 1.04	5.8%
Book Value Per Common Share	\$ 67.96	\$ 60.15	13.0%
At Year End			
Total Assets	\$ 447,732,000	\$ 355,681,000	25.9%
Total Deposits	\$ 372,267,000	\$ 301,359,000	23.5%
Net Loans	\$ 269,086,000	\$ 206,607,000	30.2%
Stockholders' Equity	\$ 34,596,000	\$ 30,765,000	12.5%
Performance Ratios			
Return on Average Assets	0.85%	1.13%	
Return on Average Equity	10.74%	13.15%	
Capital Ratios			
Tier 1 Leverage Ratio	7.80%	8.10%	
Tier 1 Risk-based	11.40%	12.60%	
Total Risk-based	12.70%	13.50%	
Loan Loss Reserve to Loans	1.41%	0.96%	



Report of Independent Auditors

Board of Directors and Shareholders

Citizens National Corporation

Paintsville, Kentucky

We have audited the accompanying consolidated balance sheets of Citizens National Corporation as of December 31, 2006 and 2005, and the related consolidated statements of income, changes in shareholders' 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 National Corporation as of December 31, 2006 and 2005, 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.

Crowe Chizek and Company LLC

Crowe Chizek and Company LLC

Louisville, Kentucky

February 26, 2007



Consolidated Balance Sheets

December 31

(Dollar amounts in thousands, except share and par amounts)

	2006	2005
ASSETS		
Cash and due from financial institutions	\$ 12,382	\$ 11,557
Federal funds sold	5,252	-
Cash and cash equivalents	17,634	11,557
Interest bearing deposits in other financial institutions	300	300
Securities available for sale	129,519	115,297
Loans held for sale	1,032	323
Loans, net	269,086	206,607
Restricted stock	2,425	1,688
Premises and equipment, net	7,881	6,796
Goodwill	3,012	3,012
Core deposit intangible	701	283
Cash surrender value of bank owned life insurance	6,198	5,983
Accrued interest receivable and other assets	9,944	3,835
	<u>\$ 447,732</u>	<u>\$ 355,681</u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits		
Non-interest bearing	\$ 65,786	\$ 62,713
Interest bearing	306,481	238,646
Total deposits	372,267	301,359
Federal funds purchased	-	4,723
Repurchase agreements	10,921	9,525
Federal Home Loan Bank advances (FHLB)	20,079	6,230
Subordinated debentures	6,000	-
Accrued interest payable and other liabilities	3,869	3,079
Total liabilities	413,136	324,916
Commitments and contingencies (Note 10)		
Shareholders' equity		
Common stock, \$5 par value; 1,000,000 shares authorized; 509,031 and 511,441 shares outstanding in 2006 and 2005	2,545	2,557
Additional paid-in capital	5,297	442
Retained earnings	26,485	28,559
Accumulated other comprehensive income (loss)	269	(793)
Total shareholders' equity	34,596	30,765
	<u>\$ 447,732</u>	<u>\$ 355,681</u>

See accompanying notes.



Consolidated Statements of Income

December 31

(Dollar amounts in thousands, except share and par amounts)

	2006	2005
Interest income		
Loans, including fees	\$ 18,580	\$ 13,430
Taxable securities	4,305	3,308
Tax exempt securities	921	576
Federal funds sold and other	495	181
	<u>24,301</u>	<u>17,495</u>
Interest expense		
Deposits	9,420	5,066
Federal Home Loan Bank advance	513	76
Repurchase agreements and federal funds purchased	536	441
Subordinated debentures	230	-
	<u>10,699</u>	<u>5,583</u>
Net interest income	13,602	11,912
Provision for loan losses	330	310
Net interest income after provision for loan losses	13,272	11,602
Non-interest income		
Service charge on deposit accounts	3,446	2,836
Net gain on sale of assets	-	44
Gain on sale of mortgage loans	444	475
Other	1,434	1,012
	<u>5,324</u>	<u>4,367</u>
Non-interest expense		
Salaries and employee benefits	6,388	5,299
Occupancy and equipment	2,000	1,379
Data processing	1,296	1,100
Core deposit amortization	195	175
Advertising	388	241
Other	3,699	2,728
	<u>13,966</u>	<u>10,922</u>
Income before income taxes	4,630	5,047
Income tax expense	1,144	1,142
Net income	<u>\$ 3,486</u>	<u>\$ 3,905</u>
Basic earnings per share	<u>\$ 6.84</u>	<u>\$ 7.55</u>

See accompanying notes.



Consolidated Statements of Changes in Shareholders' Equity

Years ended December 31, 2006 and 2005
(Dollar amounts in thousands)

	Common Stock	Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
Balance, January 1, 2005	\$ 2,605	\$ 955	\$ 25,192	\$ (134)	\$ 28,618
Comprehensive income:					
Net income	-	-	3,905	-	3,905
Change in net unrealized gain (loss) on securities available for sale, net of reclassification and tax effects	-	-	-	(659)	(659)
Total comprehensive income					3,246
Cash dividends declared	-	-	(538)	-	(538)
Redemption of 9,507 shares of common stock	(48)	(513)	-	-	(561)
Balance, December 31, 2005	2,557	442	28,559	(793)	30,765
Comprehensive income:					
Net income	-	-	3,486	-	3,486
Change in net unrealized gain (loss) on securities available for sale, net of reclassification and tax effects	-	-	-	1,062	1,062
Total comprehensive income					4,548
Transfer from retained earnings to additional paid-in capital	-	5,000	(5,000)	-	-
Cash dividends declared	-	-	(560)	-	(560)
Redemption of 2,410 shares of common stock	(12)	(145)	-	-	(157)
Balance, December 31, 2006	\$ 2,545	\$ 5,297	\$ 26,485	\$ 269	\$ 34,596

See accompanying notes.



Consolidated Statements of Cash Flows

Years ended December 31
(Dollar amounts in thousands)

	2006	2005
Cash flows from operating activities		
Net income	\$ 3,486	\$ 3,905
Adjustments to reconcile net income to net cash from operating activities		
Depreciation and amortization	776	647
Net amortization (accretion) of securities	(28)	(335)
Intangible amortization	195	174
Provision for loan losses	330	310
Net (gain) loss on sale of assets	40	(44)
Gain on sale of mortgage loans	(444)	(475)
Gain on life insurance benefit	-	(132)
Dividends on Federal Home Loan Bank and other restricted stock	(128)	(55)
Increase in cash surrender value of life insurance	(215)	(211)
Net change in:		
Loans held for sale	(265)	538
Interest receivable and other assets	(2,918)	(727)
Interest payable and other liabilities	(392)	1,003
Net cash from operating activities	437	4,598
Cash flows from investing activities		
Change in interest bearing deposits	-	(300)
Activity in available for sale securities:		
Purchases	(60,652)	(45,575)
Sales	17,346	-
Maturities, calls and principal reductions	48,615	43,411
Release of restricted stock	(108)	-
Loan originations and payments, net	(11,816)	(20,587)
Proceeds from life insurance benefit	-	397
Property and equipment expenditures, net	(1,515)	(707)
Net cash paid for acquisition	(1,304)	-
Net cash from investing activities	(9,434)	(23,361)

Continued on following page



Consolidated Statements of Cash Flows

Years ended December 31
(Dollar amounts in thousands)

	2006	2005
Cash flows from financing activities		
Net change in deposits	\$ 4,550	\$ 9,187
Net change in securities sold under agreements to repurchase	1,396	(5,178)
Net change in Federal funds purchased	(4,723)	4,723
Proceeds from Federal Home Loan Bank advances	12,175	6,230
Repayment of Federal Home Loan advances	(3,607)	-
Proceeds from issuance of subordinate debentures	6,000	-
Redemption of common stock	(157)	(561)
Common stock dividends paid	(560)	(538)
Net cash from financing activities	<u>15,074</u>	<u>13,863</u>
Net change in cash and cash equivalents	6,077	(4,900)
Beginning cash and cash equivalents	<u>11,557</u>	<u>16,457</u>
Ending cash and cash equivalents	<u>\$ 17,634</u>	<u>\$ 11,557</u>
Supplemental cash flow information		
Interest paid	\$ 10,287	\$ 5,474
Income taxes paid	1,540	1,349
Supplemental noncash disclosures		
Transfer from loans to other real estate	\$ 762	\$ 33

See accompanying notes.



Notes to Financial Statements

Years ended December 31, 2006 and 2005
(Dollar amounts in thousands, except per share amounts)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations and Principles of Consolidation: The consolidated financial statements include the accounts of Citizens National Corporation and its wholly owned subsidiaries, Citizens National Bank (Citizens) and CNC Insurance Agency. Citizens National Bank has two subsidiaries, CNC Development Foundation and CNC Mortgage, LLC. Citizens is a nationally chartered commercial bank. Intercompany transactions and balances have been eliminated in consolidation.

The Corporation, through its bank subsidiary, provides financial services through its offices in Southeast Kentucky. Its primary deposit products are checking, savings, and term certificate accounts, and its primary lending products are residential mortgage, commercial, and installment loans. Substantially all loans are secured by specific items of collateral including business assets, consumer assets, and commercial and residential real estate. Commercial loans are expected to be repaid from cash flow from operations of businesses. There are no significant concentrations of loans to any one industry or customer. However, the customers' ability to repay their loans is dependent on the real estate and general economic conditions in the area. CNC Mortgage, LLC originates loans for sale, servicing released, into the secondary market.

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

Cash Flows: Cash and cash equivalents include cash, deposits with other financial institutions under 90 days, and federal funds sold. Net cash flows are reported for customer loan and deposit transactions, interest bearing deposits in other financial institutions, federal funds purchased and securities sold under agreements to repurchase transactions.

Interest-Bearing Deposits in Other Financial Institutions: Interest-bearing deposits in other financial institutions mature within one year and are carried at cost.

Securities: Securities are classified as available for sale when they might be sold before maturity. Securities available for sale are carried at fair value, with unrealized holding gains and losses reported in accumulated other comprehensive income, net of tax. Restricted securities include Federal Home Loan Bank and Federal Reserve Bank stock and are carried at cost.

Interest income includes amortization of purchase premium or discount. Premiums and discounts on securities are amortized on the level-yield method without anticipating prepayments. Gains and losses on sales are recorded on the trade date and determined using the specific identification method.

Declines in the fair value of securities below their cost that are other than temporary are reflected as realized losses. In estimating other-than-temporary losses, management considers: (1) the length of time and extent that fair value has been less than cost, (2) the financial condition and near term prospects of the issuer, and (3) the Company's ability and intent to hold the security for a period sufficient to allow for any anticipated recovery in fair value.

Continued on following page

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Loans Held for Sale: Mortgage loans originated and intended for sale in the secondary market are carried at the lower of aggregated cost or market, as determined by outstanding commitments from investors. Net unrealized losses, if any, are recorded as a valuation allowance and charged to earnings.

Loans: Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at the principal balance outstanding, net of unearned interest, deferred loan fees and costs, and an allowance for loan losses. Interest income is accrued on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and recognized in interest income using the level-yield method without anticipating prepayments.

Interest income on mortgage and commercial loans is discontinued at the time the loan is 90 days delinquent unless the loan is well-secured and in process of collection. Past due status is based on the contractual terms of the loan. In all cases, loans are placed on nonaccrual or charged-off at an earlier date if collection of principal or interest is considered doubtful.

All interest accrued but not received for loans placed on nonaccrual is reversed against interest income. Interest received on such loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Purchased Loans: In 2006, the Company acquired a loan portfolio through a whole bank acquisition. Beginning in 2005, purchased loans that show evidence of credit deterioration since origination are recorded at the amount paid (or allocated fair value in a purchase business combination), such that there is no carryover of the seller's allowance for loan losses. After acquisition, incurred losses are recognized by an increase in the allowance for loan losses.

Purchased loans are accounted for individually or aggregated into pools of loans based on common risk characteristics (e.g., credit score, loan type, and date of origination). The Company estimates the amount and timing of expected cash flows for each purchased loan or pool, and the expected cash flows in excess of amount paid is recorded as interest income over the remaining life of the loan or pool (accretable yield). The excess of the loan's or pool's contractual principal and interest over expected cash flows is not recorded (nonaccretable difference).

Over the life of the loan or pool, expected cash flows continue to be estimated. If the present value of expected cash flows is less than the carrying amount, a loss is recorded. If the present value of expected cash flows is greater than the carrying amount, it is recognized as part of future interest income.

Allowance for Loan Losses: The allowance for loan losses is a valuation allowance for probable incurred credit losses. 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. Management estimates the allowance balance required using past loan loss experience, the nature and volume of the portfolio, information about specific borrower situations and estimated collateral values, economic conditions, and other factors. Allocations of the allowance may be made for specific loans, but the entire allowance is available for any loan that, in management's judgment, should be charged-off.

The allowance consists of specific and general components. The specific component relates to loans that are individually classified as impaired or loans otherwise classified as substandard or doubtful. The general

Continued on following page

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

component covers non-classified loans and is based on historical loss experience adjusted for current factors.

A loan is impaired when full payment under the loan terms is not expected. Commercial and commercial real estate loans are individually evaluated for impairment. If a loan is impaired, a portion of the allowance is allocated so that the loan is reported, net, at the present value of estimated future cash flows using the loan's existing rate or at the fair value of collateral if repayment is expected solely from the collateral. Large groups of smaller balance homogeneous loans, such as consumer and residential real estate loans are collectively evaluated for impairment, and accordingly, they are not separately identified for impairment disclosures.

Premises and Equipment: Land is carried at cost. Premises and equipment are reported at cost less accumulated depreciation. Depreciation is calculated on the straight-line and accelerated methods over asset useful lives.

Federal Home Loan Bank Stock (FHLB): The Bank is a member of the FHLB system. Members are required to own a certain amount of stock based on the level of borrowings and other factors, and may invest in additional amounts. FHLB stock is carried at cost, classified as a restricted security, and periodically evaluated for impairment. Because this stock is viewed as long term investment, impairment is based on ultimate recovery of par value. Both cash and stock dividends are reported as income.

Bank Owned Life Insurance: The Bank has purchased life insurance policies on certain key executives. Bank owned life insurance is recorded at its cash surrender value, or the amount that can be realized.

Foreclosed Assets: Assets acquired through or instead of loan foreclosure are initially recorded at fair value when acquired, establishing a new cost basis. If fair value declines subsequent to foreclosure, a valuation allowance is recorded through expense. Costs after acquisition are expensed.

Goodwill and Other Intangible Assets: Goodwill results from business acquisitions and represents the excess of the purchase price over the fair value of acquired tangible assets and liabilities and identifiable intangible assets. Goodwill is assessed at least annually for impairment and any such impairment will be recognized in the period identified.

Core deposit intangible assets arise from whole bank acquisitions. They are initially measured at fair value and then are amortized on an accelerated method over their estimated useful life.

Loan Commitments and Related Financial Instruments: Financial instruments include off-balance sheet credit instruments, such as commitments to make loans and commercial letters of credit, issued to meet customer financing needs. The face amount for these items represents the exposure to loss, before considering customer collateral or ability to repay. Such financial instruments are recorded when they are funded.

Repurchase Agreements: Substantially all repurchase agreement liabilities represent amounts advanced by various customers. Securities are pledged to cover these liabilities, which are not covered by federal deposit insurance.

Income Taxes: Income tax expense is the total of the current year income tax due or refundable and the change in deferred tax assets and liabilities. Deferred tax assets and liabilities are the expected future tax

Continued on following page

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

amounts for the temporary differences between carrying amounts and tax bases of assets and liabilities, computed using enacted tax rates. A valuation allowance, if needed, reduces deferred tax assets to the amount expected to be realized. Deferred tax assets are recognized for net operating losses that expire primarily in 2025 because the benefit is more likely than not to be realized.

Earnings Per Share: Basic earnings per common share are net income divided by the weighted average number of common shares outstanding during the period. The Corporation does not present diluted earnings per share because there are no potential dilutive common shares outstanding. Earnings per share are restated for all stock splits and dividends through the date of issue of the financial statements.

Fair Values of Financial Instruments: Fair values of financial instruments are estimated using relevant market information and other assumptions, as more fully disclosed in a separate note. Fair value estimates involve uncertainties and matters of significant judgment regarding interest rates, credit risk, prepayments, and other factors, especially in the absence of broad markets for particular items. Changes in assumptions or in market conditions could significantly affect the estimates.

Comprehensive Income: Comprehensive income consists of net income and other comprehensive income. Other comprehensive income includes unrealized gains and losses on securities available for sale which is also recognized as a separate component of equity.

Loss Contingencies: Loss contingencies, including claims and legal actions arising in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable and an amount or range of loss can be reasonably estimated. Management does not believe there now are such matters that will have a material effect on the financial statements.

Dividend Restriction: Banking regulations require maintaining certain capital levels and may limit the dividends paid by the Bank to the holding company or by the holding company to shareholders. These restrictions pose no practical limit on the ability of the Bank or holding company to pay dividends at historical levels.

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

NOTE 2 - SECURITIES

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

	Fair Value	Gross Unrealized Gains	Gross Unrealized Losses
2006			
U.S. Government and federal agencies	\$ 70,633	\$ 133	\$ (504)
States and municipals	29,768	290	(55)
Collateralized mortgage obligations and mortgage backed securities	29,118	896	(352)
Total	<u>\$ 129,519</u>	<u>\$ 1,319</u>	<u>\$ (911)</u>
2005			
U.S. Government and federal agencies	\$ 76,508	\$ -	\$ (1,123)
States and municipals	22,601	402	(232)
Collateralized mortgage obligations and mortgage backed securities	16,188	37	(349)
Total	<u>\$ 115,297</u>	<u>\$ 439</u>	<u>\$ (1,704)</u>

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**NOTE 2 - SECURITIES (Continued)**

Proceeds from sales of available for sale securities were \$17,346, with no gain or loss recorded on the sale. There were no sales in 2005.

The fair value of debt securities and carrying amount, if different, at year-end 2006 by contractual maturities were as follows. Securities not due at a single maturity date, primarily mortgage-backed securities, are shown separately.

	Fair Value
Due in one year or less	\$ 28,510
Due after one year through five years	20,584
Due after five years through ten years	31,711
Due after ten years	19,596
	<u>100,401</u>
Collateralized mortgage obligations and mortgage backed securities	29,118
	<u>\$ 129,519</u>

Securities with a carrying value of \$77,631 and \$78,695 at year-end 2006 and 2005 were pledged to secure public deposits, trust deposits, and for other purposes.

Securities with unrealized losses at year-end 2006 and 2005, aggregated by investment category and length of time that individual security have been in a continuous unrealized loss position, are as follows:

Description	Less Than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
2006						
U.S. Government and federal agencies	\$ 9,968	\$ (30)	\$ 35,524	\$ (474)	\$ 45,492	\$ (504)
States and municipals	2,234	(5)	7,369	(50)	9,603	(55)
Collateralized mortgage obligations and mortgage based securities	1,875	(13)	11,542	(339)	13,417	(352)
Total temporarily impaired	<u>\$ 14,077</u>	<u>\$ (48)</u>	<u>\$ 54,435</u>	<u>\$ (863)</u>	<u>\$ 68,512</u>	<u>\$ (911)</u>
2005						
U.S. Government and federal agencies	\$ 31,379	\$ (213)	\$ 45,129	\$ (910)	\$ 76,508	\$ (1,123)
States and municipals	10,329	(219)	681	(13)	11,010	(232)
Collateralized mortgage obligations and mortgage based securities	6,456	(115)	8,045	(234)	14,501	(349)
Total temporarily impaired	<u>\$ 48,164</u>	<u>\$ (547)</u>	<u>\$ 53,855</u>	<u>\$ (1,157)</u>	<u>\$102,019</u>	<u>\$ (1,704)</u>

Unrealized losses on securities have not been recognized into income because the securities are of high credit quality, management has the intent and ability to hold for the foreseeable future, and the decline in fair value is largely due to fluctuations in market interest rates. The fair value is expected to recover as the bonds approach their maturity and/or market rates change.

**NOTE 3 - LOANS**

Loans at year-end were as follows:

	<u>2006</u>	<u>2005</u>
Commercial	\$ 159,165	\$ 113,870
Real estate, primarily residential	85,467	79,081
Consumer	28,035	15,760
Other	652	373
Subtotal	<u>273,319</u>	<u>209,084</u>
Less: Allowance for loan losses	(3,836)	(2,003)
Net deferred loan fees	<u>(397)</u>	<u>(474)</u>
Loans, net	<u>\$ 269,086</u>	<u>\$ 206,607</u>

Activity in the allowance for loan losses was as follows:

	<u>2006</u>	<u>2005</u>
Beginning balance	\$ 2,003	\$ 1,673
Addition resulting from acquisition	1,906	-
Provision for loan losses	330	310
Loans charged off	(585)	(42)
Recoveries	<u>182</u>	<u>62</u>
Ending balance	<u>\$ 3,836</u>	<u>\$ 2,003</u>

Impaired loans were as follows:

	<u>2006</u>	<u>2005</u>
Year-end loans with no allocated allowance for loan losses	\$ -	\$ -
Year-end loans with allocated allowance for loan losses	<u>5,383</u>	<u>669</u>
Total	<u>\$ 5,383</u>	<u>\$ 669</u>
Amount of the allowance for loan losses allocated	\$ 837	\$ 102

Average of impaired loans during the year	3,164	292
Interest income recognized during impairment	190	-
Cash-basis interest income recognized	192	-
Loans past due over 90 days still on accrual	153	-
Nonaccrual loans	3,414	669

Loans to executive officers and directors, including loans to affiliated companies of these individuals, totaled approximately \$2,161 and \$1,830 at year-end 2006 and 2005.

Continued on following page

**NOTE 3 - LOANS (Continued)**

Purchased Loans subject to SOP 03-3 :

The Company has purchased loans all which were obtained through its acquisition of Heritage Bank in 2006. At acquisition, there was evidence of deterioration of credit quality since origination and it was probable, at acquisition, that all contractually required payments would not be collected. Information about these loans follows:

Contractually required payments receivable of loans purchased

	<u>2006</u>
Commercial	\$ 549
Real estate	992
Total	<u>\$ 1,541</u>
Carrying amount, net of allowance of \$0	<u>\$ 1,237</u>
Cash flows expected to be collected at acquisition	\$ 1,238
Basis in acquired loans at acquisition	\$ 1,238

The Company has not increased the allowance for loan losses for these loans, nor was there any reversal of the allowance for loan losses for loans.

NOTE 4 - PREMISES AND EQUIPMENT

Year-end premises and equipment were as follows:

	<u>2006</u>	<u>2005</u>
Land	\$ 1,097	\$ 1,097
Buildings and improvements	8,425	8,278
Furniture and equipment	<u>6,070</u>	<u>4,735</u>
	15,592	14,110
Less: Accumulated depreciation	<u>7,711</u>	<u>7,314</u>
	<u>\$ 7,881</u>	<u>\$ 6,796</u>

Depreciation expense was \$776 and \$647 for the years ended 2006 and 2005. Rent expense was \$404 and \$187 for the years ended 2006 and 2005.

NOTE 5 - CORE DEPOSIT INTANGIBLE

The core deposit intangible carrying value was \$701 (gross amount of \$2,580 and accumulated amortization of \$1,879) and \$283 (gross amount of \$1,967 and accumulated amortization of \$1,684) as of year-end 2006 and 2005. Amortization expense was \$195 and \$174 for 2006 and 2005

Estimated amortization expense for each of the next five years:

2007	\$ 178
2008	60
2009	60
2010	60
2011	60

**NOTE 6 – TIME DEPOSITS AND TIME REPURCHASE AGREEMENTS**

Time deposits of \$100 or more were \$63,920 and \$61,475 at year-end 2006 and 2005.

Scheduled maturities of time deposits and term repurchase agreements for the next five years were as follows:

	<u>Time deposits</u>
2007	\$ 122,577
2008	31,333
2009	12,731
2010	1,527
2011	1,261

Deposits from principal officers, directors, and their affiliates at year-end 2006 and 2005 were \$5,541 and \$3,449.

NOTE 7 - FEDERAL HOME LOAN BANK ADVANCES

At year-end, advances from the Federal Home Loan Bank were as follows:

	<u>2006</u>	<u>2005</u>
Maturities September 2008 through September 2010, fixed rates at rates from 0% to 4.8%, averaging 4.3%.	\$ 20,079	\$ 6,230

Each advance is payable at its maturity date, with a prepayment penalty for fixed rate advances. The advances are collateralized by first mortgage loans under a blanket lien arrangement.

The advances have required repayments of \$3,597 in 2007, \$3,033 in 2008, \$1,235 in 2009, \$2,036 in 2010, and \$9,924 in 2011 and \$254 thereafter.

NOTE 8 – SUBORDINATED DEBENTURES

In June 2006, CZNL Statutory Trust I, a trust formed by the Company, closed a pooled private offering of 6,000 trust preferred securities with a liquidation amount of \$1 per security. The Company issued \$6,186 of subordinated debentures to the trust in exchange for ownership of all of the common security of the trust and the proceeds of the preferred securities sold by the trust. In accordance with FASB Interpretation 46R, the trust is not consolidated with the Company's financial statements, but rather the subordinated debentures are shown as a liability. The Company's investment in the common stock of the trust was \$186 and is included in other assets.

The Company may redeem the subordinated debentures, in whole or in part, in a principal amount with integral multiples of \$1, on or after June 2011 at 100% of the principal amount, plus accrued and unpaid interest. The subordinated debentures mature on June 2036. The subordinated debentures are also redeemable in whole or in part from time to time, upon the occurrence of specific events defined within the trust indenture. The Company had the option to defer interest payments on the subordinated debentures from time to time for a period not to exceed five consecutive years.

The subordinated debentures may be included in Tier I capital (with certain limitations applicable) under current regulatory guidelines and interpretations. The subordinated debentures have a variable rate of interest equal of the three month London Interbank Offered Rate (LIBOR) plus 1.50%, which was 6.8% at year-end 2006.

**NOTE 9 - EMPLOYEE BENEFIT PLANS**

Citizens National Bank provides a 401(k) retirement plan for their employees which matches employee contributions up to 50% of a maximum of 6% of salary. Expense for the 401(k) plan was \$92 and \$106 for 2006 and 2005.

Deferred Compensation Plans – The Corporation maintains a deferred compensation for its directors and executive officers.

Under the director plan, the directors may elect to defer their compensation until termination of service. The fees deferred are invested by the Bank at the discretion of the director. Upon termination of service, Citizens National Bank pays the director, or their beneficiary, the amount deferred (plus or minus accumulated earnings or losses) over 10 years. The expense incurred for the director plan for each of the last two years was \$30 and \$34, and resulted in deferred compensation assets and liabilities of \$547 and \$422 as of year end 2006 and 2005.

The executive plan covers three executives and provides for salary continuation for a period of 19 years following their retirement. The cost of this plan is being accrued over the executive's service period such that the liability will be fully accrued upon their retirement. The expense incurred for the executive plan for each of the last two years was \$354 and \$224 and resulted in a liability of \$1,181 and \$827 as of year end 2006 and 2005.

NOTE 10 - INCOME TAXES

The income tax expense was as follows:

	<u>2006</u>	<u>2005</u>
Current	\$ 1,311	\$ 1,307
Deferred	(167)	(165)
Total	<u>\$ 1,144</u>	<u>\$ 1,142</u>

The difference between the recorded income tax expense and the amount computed by applying the effective federal income tax rate of 34% is primarily attributable to interest income from securities exempt from federal taxation, increase in earnings of cash surrender value of certain life insurance policies, nontaxable gain from death benefit on the termination of a life insurance policy, new market tax credits, and qualified zone academy bond credits.

Continued on following page

**NOTE 10 - INCOME TAXES (Continued)**

Deferred tax assets and liabilities at year-end consist of:

	2006	2005
Deferred tax assets:		
Loan loss provisions	\$ 753	\$ 137
Core deposit intangible and other purchase accounting adjustments	628	-
Deferred compensation	559	431
Unrealized loss on available for sale securities	-	408
Net operating loss carryforward	1,638	
Other	28	3
	<u>3,606</u>	<u>979</u>
Deferred tax liabilities:		
Premises and equipment	(375)	(319)
Core deposit intangible and other purchase accounting adjustments	-	(190)
Accretion on securities	(40)	(24)
Federal Home Loan Bank stock dividends	(226)	(166)
Unrealized gain on available for sale activities	(139)	-
Other	(109)	(87)
	<u>(889)</u>	<u>(786)</u>
Net deferred tax asset/ (liability)	<u>\$ 2,717</u>	<u>\$ 193</u>

No valuation allowance for deferred tax assets is considered necessary.

NOTE 11 - LOAN COMMITMENTS AND OTHER RELATED ACTIVITIES

Some financial instruments, such as loan commitments, credit lines, letters of credit, and overdraft protection, are issued to meet customer-financing needs. These are agreements to provide credit or to support the credit of others, as long as conditions established in the contract are met, and usually have expiration dates. Commitments may expire without being used. Off-balance-sheet risk to credit loss exists up to the face amount of these instruments, although material losses are not anticipated. The same credit policies are used to make such commitments as are used for loans, including obtaining collateral at exercise of the commitment.

The contractual amount of financial instruments with off-balance-sheet risk was as follows at year-end:

	2006	2005
Commitments to make loans	\$ 13,247	\$ 11,250
Unused lines of credit and letters of credit	8,599	4,810

Commitments to make loans are generally made for periods of 60 days or less. Approximately 25% of commitments to make loans are fixed rate. The fixed rate loan commitments have interest rates ranging from 4.00% to 9.35% and maturities up to 20 years, with the majority between one year and five years.

At year-end 2006 and 2005, reserves of \$6,334 and \$5,065 were required as deposits with the Federal Reserve or as cash on hand. The reserves do not earn interest.

Letters of credit are financial instruments considered financial guarantees under FASB Interpretation 45 (FIN45). These instruments are carried at fair value and are immaterial to the financial statements as defined under FIN 45.

**NOTE 12 - EARNINGS PER SHARE**

Basic earning per share was computed as follows.

	2006	2005
Net income	\$ 3,486	\$ 3,905
Average common shares outstanding (in thousands)	510	517
Basic earnings per share	\$6.84	\$7.55

NOTE 13 - CAPITAL REQUIREMENTS AND RESTRICTIONS ON RETAINED EARNINGS

Banks are subject to regulatory capital requirements administered by federal banking agencies. Capital adequacy guidelines and, additionally for banks, prompt corrective action regulations involve quantitative measures of assets, liabilities, and certain off-balance-sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by regulators. Failure to meet capital requirements can initiate regulatory action.

Prompt corrective action regulations provide five classifications: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized, although these terms are not used to represent overall financial condition. If adequately capitalized, regulatory approval is required to accept brokered deposits. If undercapitalized, capital distributions are limited, as is asset growth and expansion, and capital restoration plans are required. At year-end 2006 and 2005, the most recent regulatory notifications categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since that notification that management believes have changed the institution's category.

	Actual		Minimum Required for Capital Adequacy Purposes		Minimum Amounts to be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
2006						
Total Capital to Risk Weighted Assets	\$ 38.1	12.7%	\$ 24.0	8.0%	\$ 30.0	10.0%
Tier 1 (Core) Capital to Risk Weighted Assets	34.3	11.4	12.0	4.0	18.0	6.0
Tier 1 (Core) Capital to Average Assets	34.3	7.8	17.7	4.0	22.1	5.0
2005						
Total Capital to Risk Weighted Assets	\$ 30.1	13.5%	\$ 17.8	8.0%	\$ 22.3	10.0%
Tier 1 (Core) Capital to Risk Weighted Assets	28.1	12.6	8.9	4.0	13.4	6.0
Tier 1 (Core) Capital to Average Assets	28.1	8.1	13.8	4.0	17.3	5.0

Dividends Restrictions - The Corporation's primary source of funds from which to pay dividends to shareholders is the dividends it receives from its subsidiaries. The Corporation is subject to regulations which require the maintenance of certain levels of capital and, as a result, limit the amount of dividends that they may pay. One regulation limits the amount of dividends the Corporation may pay in a single year, without approval by the respective bank's regulators, to the amount of retained net profits of the most recent two years. Other regulations require the Corporation to maintain minimum capital to asset ratios at levels defined by banking regulations. At current earnings levels, those regulations pose no practical restriction to the Bank's ability to pay dividends sufficient to meet the holding company's cash obligations.

**NOTE 14 - DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS**

Carrying amount and estimated fair values of financial instruments were as follows at year-end:

	2006		2005	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets				
Cash and cash equivalents	\$ 17,934	\$ 17,934	\$ 11,857	\$ 11,854
Available-for-sale securities	129,519	129,519	115,297	115,297
Loans held for sale	1,032	1,032	323	323
Loans, net	269,086	273,707	206,607	206,898
Restricted securities	2,425	2,425	1,688	1,688
Accrued interest receivable	2,576	2,576	1,875	1,875
Financial liabilities				
Deposits	372,267	371,953	301,359	300,714
Borrowings	37,000	36,817	20,478	21,508
Accrued interest payable	975	975	593	593
Off-balance sheet items	-	-	-	-

The methods and assumptions used to estimate fair value are described as follows. The carrying value is considered to estimate fair value for cash and cash equivalents, restricted stock, accrued interest receivable and payable, demand and savings deposits, short-term borrowings and variable rate loans and deposits that reprice fully and frequently. The fair value for securities is based on quoted market values for the individual securities or, if no quotes are available, on the rate and term of the security and on information about the issues. The fair value for loans and certificates of deposits are based on estimates of discounted cash flow analysis using current market rates for the estimated life and credit risk. Fair value of loans held for sale approximates cost. The fair value of debt is based on current rates for similar financing. The fair value of off-balance-sheet items is not considered material.

NOTE 15 - COMPREHENSIVE INCOME

Other comprehensive income components were as follows:

	2006	2005
Unrealized holding gains and losses on available-for-sale securities, net of tax	\$ 1,062	\$ (659)
Reclassification adjustments for losses later recognized in income, net of tax	-	-
Other comprehensive income	\$ 1,062	\$ (659)

**NOTE 16- BUSINESS COMBINATION(S)**

On June 14, 2006, the Company acquired 100% of the outstanding shares of Heritage Bank of Ashland (Heritage). Operating results of Heritage are included in the consolidated financial statements since the date of the acquisition. As a result of this acquisition, the Company expects to further solidify its market share in the Ashland market, expand its customer base to enhance deposit fee income, provide an opportunity to market additional products and services to new customers, and reduce operating costs through economies of scale.

The aggregate purchase price was \$5,772. The purchase price resulted in approximately \$613 in core deposit intangible. The intangible asset will be amortized over 8 years. Intangible asset will be deducted for tax purposes over 15 years using the straight-line method.

Securities available for sale	\$ 18,231
Loans	50,231
Core deposit and other intangibles	613
Other assets	8,808
Total assets acquired	77,883
Deposits	(66,358)
FHLB advances	(5,394)
Other liabilities	(359)
Total liabilities assumed	(72,111)
Net assets acquired	\$ 5,772



Executive Officers

Dennis T. DortonPresident/Chief Executive Officer
 Mark J. WieteExecutive Vice President/Chief Operating Officer
 Charles L. PattonSenior Vice President/Chief Financial Officer

Corporate Secretary

Sharon CollinsExecutive Secretary

Officers

Michael McCoyMarket President Pikeville Region
 Ed NeelySenior Vice President/Wealth Management
 David PlantsMarket President Ashland Region
 Pam ButcherVice President/Retail Banking
 Paula ChandlerVice President/Compliance Officer
 Michael L. HillVice President/Senior Credit Officer
 Kathy M. KinnerVice President/Human Resources
 Greg LeeVice President/Mortgage Lending
 Toni C. Spradlin.....Vice President/Trust Officer
 Ben D. Tackett, Jr.....Vice President/Commercial Loans
 Rose M. Wheeler.....Vice President/Information Systems & Operations Manager
 Patty D. AdamsAssistant Vice President/Branch Operations Manager
 Donna R. CassellAssistant Vice President/Human Resources Specialist
 Chris Castle.....Assistant Vice President/Commercial Loan Officer
 Connie CastleAssistant Vice President/Comptroller
 Kimberly J. Dalton.....Assistant Vice President/Marketing Officer
 Judy L. FrazierAssistant Vice President/Branch Manager
 Johnene Holbrook.....Assistant Vice President/Auditor
 Paula HowardAssistant Vice President/Branch Manager
 Ramona LaneyAssistant Vice President/Systems Administrator
 Joyce C. LemasterAssistant Vice President/Branch Manager
 Beverly A. OxfordAssistant Vice President/Credit Manager
 Sandra PelphreyAssistant Vice President/Customer Data Center Manager
 Tommie S. Campbell.....Branch Manager
 Hilma HarnedBranch Manager
 Terry KiddBranch Manager
 Joyce RobinsonBranch Manager
 Stephanie A. Salyer.....Branch Manager
 Jason StraderBranch Manager
 Misty TurnerBranch Manager
 Grady A. UnderwoodBranch Manager
 Earlene NelsonLoan Officer
 Nancy OsborneMortgage Underwriter



Shareholder Information

Annual Shareholder's Meeting

Citizens National Corporation
 620 Broadway
 Paintsville, KY 41240
 Tuesday, April 17, 2007
 10:30 a.m.

How to Buy Stock

Prospective investors, securities analysts, portfolio managers and representatives of financial institutions seeking information about the purchase of Citizens National Corporation stock may contact:

Morgan Keegan and Co. Inc.
 Van Thompson, Broker
 489 East Main Street
 Lexington, KY 40507
 Telephone: 800.937.0161

Citizens National Corporation stock is listed on the NASDAQ stock exchange under symbol CZNL

Shareholder Inquiries

Communications regarding stock holdings, stock certificates, dividend payments, changes of address, transfer of ownership, or other stock matters may be directed to Citizens National Corporation.

Transfer Agent
 Citizens National Corporation
 620 Broadway
 Paintsville, KY 41240
 Telephone: 606.789.4001 ext 13026
 Email: scollins@cnbonline.com

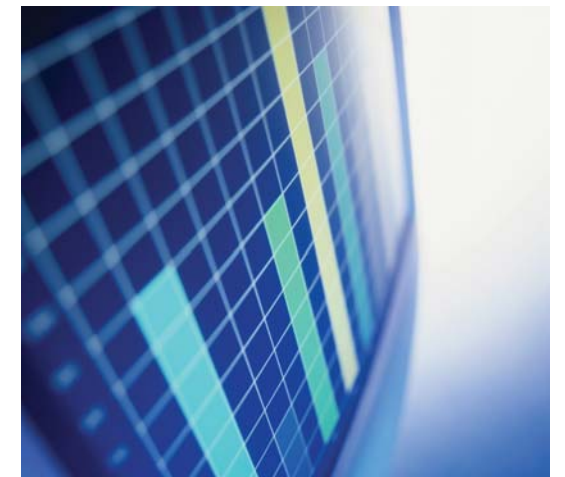
Investor Relations

Citizens National Corporation's Annual Report and current stock price information are available by contacting the company through Email: scollins@cnbonline.com. Prospective investors, securities analysts, portfolio managers and representatives of financial institutions seeking these reports or other information regarding the Company may contact:

Charles L. Patton, Sr. VP & CFO
 Citizens National Corporation
 620 Broadway
 PO Box 1488
 Paintsville, KY 41240-5488
 Telephone: 606.789.4001 ext 13055
 Fax: 606.789.4440
 Email: cpatton@cnbonline.com

Common Stock

Citizens National Corporation has approximately 186 shareholders. Quarterly dividends on Citizens National Corporation common stock, when declared by the Board of Directors, are paid on or about March 31, June 30, September 30 and December 31. The Company does not currently offer a dividend reinvestment program.



We're Committed to Our Customers

Strategic Plan Progress

By Mark J. Wiete, Chief Operating Officer

Early in 2005 the senior management team spent several months developing a long term strategic plan that we felt would focus our efforts and help us prioritize our day to day decisions for the future growth of our company. I am pleased to report that we are well down the path that we charted and have made significant progress in 2006.

I'd like to take this opportunity to highlight some of our significant strategic initiatives and to comment on the related progress.

One of our key goals was to grow Citizens to \$500 million dollars in assets by 2010. With the acquisition of Heritage Bank in June of 2006, we not only entered into a completely new market, northeast Kentucky, we have also increased our assets to \$447 million. As you can see, we are well on our way to reaching \$500 million. In fact, I am sure we will need to revise our goal prior to 2010.

In 2006, we focused hard on one of our most important, strategic initiatives, which is to provide a "WOW" customer service experience. We recognize that how our customers "experience" Citizens National Bank will be the only distinguishable difference between us and our competitors. We understand that how we serve our customers will determine customer loyalty and how we are perceived in the marketplace by potential new customers. As a result, we have implemented several programs and processes that we believe will enhance our customers' experience. This will be a never ending task and we will always stay focused on this priority.

We also recognize that the customer experience has a direct correlation with employee satisfaction. To this end, we are committed to listening to our employees, providing competitive wages and benefits, maintaining open and honest communication, and enabling a team work environment.

Strategically, we also realize that we must provide products and services that our customers value. Throughout the year we survey and listen to our customers and research new or enhanced product lines.



Senior Management Team & Executive Committee

First row left to right: Rose M. Wheeler, Mark J. Wiete, Kathy M. Kinner, Charles L. Patton, Pam Butcher

Second row left to right: Greg Lee, Michael McCoy, Ben D. Tackett, Jr., Dennis T. Dorton, Michael L. Hill, Ed Neely, Dave Plants

We are excited to announce that we are in the process of developing a new line of business, Wealth Management. In January of 2007, we hired a senior manager, Edward Neely, who will begin to expand and develop this line of business, primarily trust and investment services, retail brokerage and insurance. We are also seeing the positive results of offering automated bill pay to our online banking customers. More and more of our customers are enjoying the opportunity to pay bills, transfer money and balance their checking accounts through the use of online banking without ever leaving their home anytime, day or night.

These are just a few examples of how we have turned our strategic plan into action. We are committed to being the preferred, high-performing, independent, community bank in Kentucky.

Board of Directors

Gregory Meade

Chairman of the Board. Elected to the CNC Board on April 15, 1991. Meade is the Owner/Operator of Meade Insurance Company of Paintsville. He is Chairman of the Johnson County Soil Conservation district, and the Paintsville/ Prestonsburg Airport Board. He serves as secretary of the Johnson County Farm Bureau, is a member of the Johnson County Extension Board, Mountain Homeplace Board and the Johnson County Tobacco Settlement Disbursement Board.



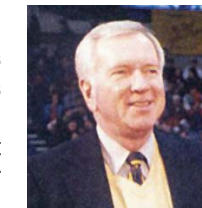
Paul D. Brown

Elected to the board in April 1970 and the longest serving member, Brown retired as President of Redd, Brown and Williams Insurance and Real Estate Agency in 1998. He has managed many business adventures including: Hager Hill Market; Industrial Food Service; Paul D. Brown Co., Ltd. and others.



Larry Conley

CNC Board member since August 1992. Conley has been a sports announcer for various stations including CBS, NBC, ABC, Fox Television and ESPN; a former manager for both General Electric Credit and Converse Rubber Co. He played basketball for the University of Kentucky Basketball program and played professionally for the Kentucky Colonels.



Robin Cooper

A member of the CNC Board since April 1983. Robin is a former Mayor of the City of Paintsville. During his tenure he was elected President of the Kentucky League of Cities and served as Chairman of the Kentucky Law Enforcement Council for several years. He retired from the periodical and newspaper business in 1998 and is currently employed as the Director of Member Services for the Kentucky League of Cities.



Dennis T. Dorton

Dorton joined Citizens in 1970, became a member of the CNC Board in April 1982 and was named President/CEO in 1986. He is President/CEO of Citizens National Bank, CNC Insurance Agency, LLC and CNC Development Foundation, Inc. He is a Member of Highlands Regional Medical Center Board of Trustees and a member of the Board of Consolidated Health; Chairman of the Big Sandy Regional Industrial Development Authority; Treasurer and Board Member of Paintsville-Johnson County Chamber of Commerce; and Chairman of the Big Sandy Area Chapter of the American Red Cross.



Barrett Frederick

A member of the CNC Board since April 1986. Frederick is President of Rifle Coal Company a highway contracting company. He holds a Juris Doctorate degree from the University of Louisville and practiced law from 1974 until 1980 in the West Liberty area.



Bob Hutchison

Board Member since April 1991. Also the Chairman of the Board of Paul B. Hall Medical Center. Hutchison and his brother Tom own and operate 12 McDonald's restaurants in Eastern Kentucky. He is a member of the First United Methodist Church in Paintsville. Hutchison is a member of the Johnson County Tourism Commission, Johnson County Board of Education, Mountain Christian Academy, Leadership Kentucky, and the Christian Appalachian Project. He is also the member of the Floyd, Johnson, & Pike counties Chambers of Commerce.



Lynn Mullins

Board Member since April 1994. Mullins is a partner in Crigger/Mullins Speech Therapy Services. She is a member of the American Speech-Language-Hearing Association and the Kentucky Speech-Language-Hearing Association. Mullins is a member of the First United Methodist Church in Paintsville where she has served on the board and is a member of the Wesleyan Guild. She is also a member of Beta Sigma Phi service sorority, presently serving as Vice President.



Marvin Butch Walker

Elected board member in 2005. Walker is an attorney and registered professional engineer. He currently works as a consultant with his wife, Kathy E. Walker, who owns and operates Elm Street Resources, Inc. Walker was previously with the law firm of Wells, Porter, Schmitt, and Walker of Paintsville (now Porter, Schmitt, Banks & Baldwin of Paintsville). He is a long-standing member of the Board of Education of the Paintsville Independent School System, presently serving as Chairman.



Harold D. Ward

Elected to the CNC Board in October 1998. He is the Owner, President and CEO of Rainbow Homes whose Corporate Offices are located at Hager Hill, Kentucky. Ward is a member of the Kentucky Housing Corporation and the Kentucky Manufacturing Corporation.





Directors Emeriti

O T Dorton

was President of CNB where he served for over 40 years before retiring April 15, 1986. He continued to serve on the BOD until 1994.

W G Bailey

was SVP of CNB where he served for over 42 years. He was elected to the Board April 1972 and retired April 1996.

Citizens National Bank Market Advisory Board

Dennis T. Dorton *Chairman*

Estill Branham

Paul P. Hughes

Tom Hutchison

Edward R. (Ted) Nairn

Paul E. Preston

Subsidiaries

CNC Insurance

Wilber E. Blair

Insurance Agent



We Are All Citizens

Citizens National Bank — known then as Paintsville Bank and Trust Company — opened its doors for business on February 16, 1910. Some 96 years later, the bank has grown from that single frame building on Main Street in Paintsville to encompass 14 branches serving 7 counties across Eastern Kentucky. With assets of nearly one half billion dollars, Citizens National Bank is today the second largest independently owned and operated community bank in Northeastern and Eastern Kentucky.

We believe that with success comes responsibility. Citizens National Bank is dedicated to the well being of the people of the Eastern Kentucky corridor. Whether with time, money or both, Citizens National Bank and its employees have contributed greatly to our neighborhoods, our towns — the communities we live in. Here is just a partial listing of the causes, organizations and institutions that have benefited this past year.

History & the Arts

Arts Council of Northeast Kentucky
Jenny Wiley Theatre
Kentucky Historical Society
Paramount Arts Center
Paramount Women's Association

Youth & Education

Ashland Region Scholarship Program
Big Sandy Community
and Technical College Scholarships
Book Donations to elementary schools
in Magoffin, Johnson, Floyd and Pike counties
Boy Scouts of America
East Kentucky Science Center
Girl Scouts of America
Leadership East Kentucky
Leadership Kentucky
Morehead State University
MVP High School Scholarship Program
Pikeville College
Project Proms
School Sports Sponsorships
UNITE Program
University of Kentucky

Community & Health

American Cancer Society
Christian Appalachian Project
East Kentucky Fair
Employer Support of
The National Guard and Reserve
Habitat for Humanity
Highland Regional Medical Center
Kiwanis
Main Street Associations
Rotary
United Way



Economic Development

Ashland Alliance
Big Sandy Area Development District
Floyd County Chamber of Commerce
Grayson Chamber of Commerce
Magoffin County Foundation
Paintsville/Johnson County Chamber of Commerce
Pike County Chamber of Commerce



620 Broadway
Paintsville, Kentucky 41240
www.cnbonline.com

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