2007 ANNUAL REPORT

COMMUNITY

GROWTH

RELATIONSHIPS

SERVICE

Citizens NATIONAL CORPORATION

Resolution of the Board of Directors

CITIZENS NATIONAL BANK OF PAINTSVILLE
PAINTSVILLE, KENTUCKY

Estill B. Branham

WHEREAS, Estill B. Branham, was a resident of Floyd County, Kentucky, Advisory Board Member of Citizens National Bank and Citizens National Corporation of Paintsville; President of Auxier Road Gas Company, member of the Allen United Methodist Church; Past Chairman of the Kentucky Crime Victims Board; Past Board Member of The Bank Josephine, Prestonsburg, Kentucky; he was active in the Democratic Party in Floyd County and throughout Kentucky;

WHEREAS, Mr. Branham leaves behind a wife, Sallye M. Branham of Prestonsburg, Kentucky; one son, Michael S. Branham, Prestonsburg, KY, two daughters, Kimberly Renee (Geoffrey) Crisp and Susan M. (Rick) Crum, Prestonsburg, KY; two grandchildren, Michael S. Branham II and Dustin L. Crum; and six brothers;

WHEREAS, Mr. Branham departed this life October 29, 2007;

RESOLVED by the Board of Directors of Citizens National Bank of Paintsville, Kentucky, that the family having lost a devoted husband, son, father, grandfather, brother, and the community in which he resided an honored citizen, we deeply sympathize with and share the grief and bereavement of the family in the great loss sustained by the death of Mr. Estill Branham;

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

Unanimously adopted by the Board of Directors of Citizens National Bank of Paintsville, Kentucky, on November 20, 2007.

Gregory Meade, Chairman
Sharon A. Collins, Secretary

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Dennis T. Dorton
President / Chief Executive Officer

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.

CITIZENS NATIONAL 2007 Annual Report

Letter to Shareholders

RELATIONSHIPS, GROWTH, SERVICE & COMMUNITY

Building New Relationships

2007 proved to be another outstanding year for Citizens National Bank. In July of 2007, Citizens National Corporation acquired Kentucky National Bank, a $82 million bank, with two offices in Pike County. This was the second acquisition in 12 months. If you will recall, CNC purchased Heritage Bank ($75 million) in Ashland in 2006. Our management team and employees successfully and flawlessly converted both acquisitions, within a few months after the purchases and with minimal disruption to our customers. These were huge feats and I applaud the CNB team.

Growing for the Future

CNC has seen extraordinary growth over the last two years and shareholders have begun to benefit from the results. Unlike Heritage Bank, KNB brings immediate and positive financial results. As you may recall, Heritage was a non-performing bank under a cease and desist order from the OCC, and therefore a drag on earnings for several years. However, the acquisition was an excellent opportunity to enter the Ashland metro market and provided tremendous growth opportunities. The KNB acquisition gives us two more much needed branch locations in Pike County and another growth opportunity for CNC. Now that the acquisitions are complete, and all systems have been converted, we are positioned to execute our growth strategies and provide an excellent return on investment.

Ensuring Personal Service

CNC serves more than 30,000 customers across seven counties. We're dedicated to maintaining our legacy of personalized service, an approach that makes us unique in today's crowded financial services marketplace. Our customers have choices and it is our continued commitment to creating positive customer experiences that will keep them coming back.

Focused On Community

We continue to be focused on our communities, customers and their experience with CNB. We held our Second Annual Business Symposium in both Ashland and Prestonsburg with over 300 customers and local students in attendance. Our speaker was Todd Buchholz, a renowned economist and former White House Advisor. Also in 2007, we donated our former Main Street branch to the City of Paintsville. The building is now the City Hall. This is just one of many examples of our commitment to the communities that we serve.

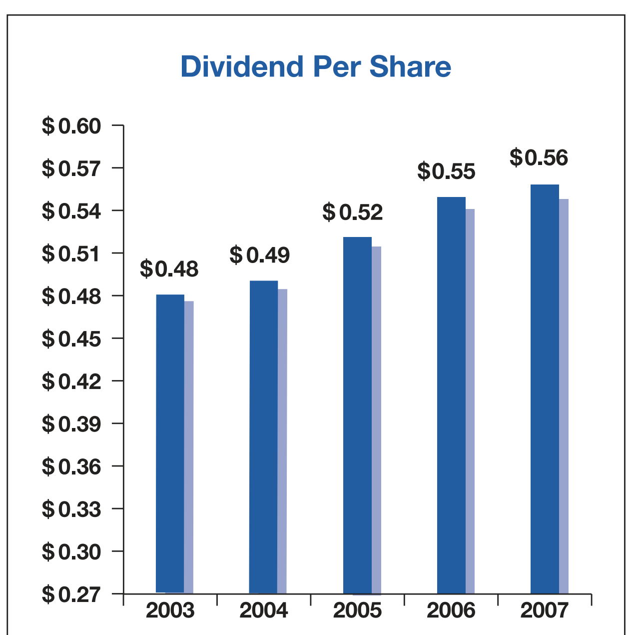
Once again, I am privileged to lead this organization as we grow and build value for our stockholders. On behalf of the entire CNC-CNB team, I thank you for your continued support.

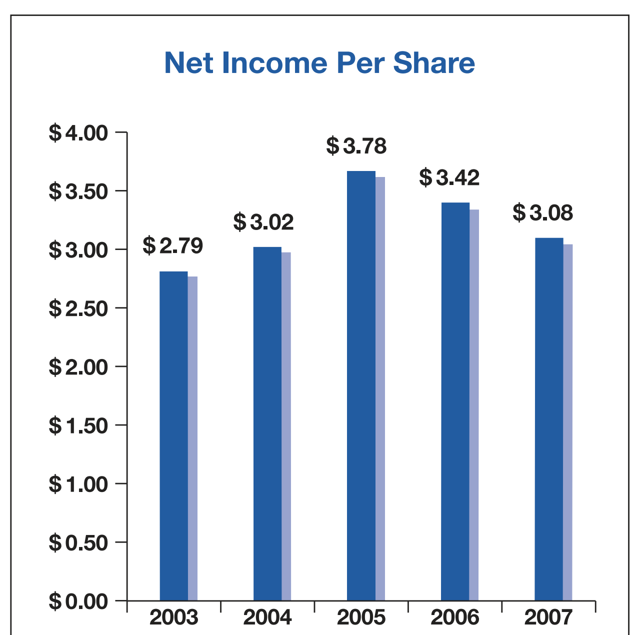
Dennis Dorton
President/Chief Executive Officer

Financial Highlights

Year Ended December 31

		2007		2006	% Change
Net Income	$	**3,341,000**	$	3,486,000	-4.2%
Net Interest Income	$	**14,644,000**	$	13,602,000	7.7%
Common Dividends Paid	$	**626,000**	$	560,000	11.8%
Per Share*					
Basic Earnings Per Common Share	$	**3.08**	$	3.42	-9.9%
Dividend Per Common Share	$	**0.56**	$	0.55	1.8%
Book Value Per Common Share	$	**37.48**	$	33.98	10.3%
At Year End					
Total Assets	$	**549,930,000**	$	447,732,000	22.8%
Total Deposits	$	**436,188,000**	$	372,267,000	17.2%
Net Loans	$	**335,964,000**	$	269,086,000	24.9%
Stockholders' Equity	$	**43,270,000**	$	34,596,000	25.1%
Performance Ratios					
Return on Average Assets		**0.68%**		0.85%	
Return on Average Equity		**8.79%**		10.74%	
Capital Ratios					
Tier 1 Leverage Ratio		**6.80%**		7.90%	
Tier 1 risk-based		**9.60%**		11.70%	
Total risk-based		**11.40%**		12.90%	
Loan Loss Reserve to Loans		**1.26%**		1.41%	





**Per share data is restated to reflect a 2-for-1 stock split during 2007.*

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, 2007 and 2006, 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, 2007 and 2006, 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, 2008

Consolidated Balance Sheets

December 31
(Dollar amounts in thousands, except share and par amounts)

	2007	2006
ASSETS		
Cash and due from financial institutions	$ 16,875	$ 12,382
Federal funds sold	–	5,252
Cash and cash equivalents	16,875	17,634
Interest bearing deposits in other financial institutions	–	300
Securities available for sale	142,129	129,519
Loans held for sale	1,318	1,032
Loans, net	335,964	269,086
Restricted stock	3,056	2,425
Premises and equipment, net	13,644	7,881
Goodwill	15,604	3,012
Core deposit intangible	2,022	701
Bank owned life insurance	6,433	6,198
Accrued interest receivable and other assets	12,885	9,944
	$ 549,930	$ 447,732
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits		
Non-interest bearing	$ 79,695	$ 65,786
Interest bearing	356,493	306,481
Total deposits	436,188	372,267
Federal funds purchased	11,223	–
Repurchase agreements	16,854	10,921
Federal Home Loan Bank advances (FHLB)	17,596	20,079
Subordinated debentures	16,000	6,000
Notes Payable	3,000	–
Accrued interest payable and other liabilities	5,799	3,869
Total liabilities	506,660	413,136
Commitments and contingencies (Note 10)		
Shareholders' equity		
Common stock, no par value and $5 par value in 2007 and 2006; 3,000,000 shares authorized; 1,154,336 and 1,017,982 shares outstanding in 2007 and 2006	–	2,545
Additional paid-in capital	12,639	5,297
Retained earnings	29,200	26,485
Accumulated other comprehensive income	1,431	269
Total shareholders' equity	43,270	34,596
	$ 549,930	$ 447,732

See accompanying notes.

Consolidated Statements of Income

December 31
(Dollar amounts in thousands, except per share amounts)

	2007	2006
Interest income		
Loans, including fees	$ 23,079	$ 18,580
Taxable securities	5,337	4,305
Tax exempt securities	1,248	921
Federal funds sold and other	564	495
	30,228	24,301
Interest expense		
Deposits	12,975	9,420
Federal Home Loan Bank advance	934	513
Repurchase agreements and federal funds purchased	726	536
Subordinated debentures	809	230
Note payable	140	–
	15,584	10,699
Net interest income	14,644	13,602
Provision for loan losses	360	330
Net interest income after provision for loan losses	14,284	13,272
Non-interest income		
Service charge on deposit accounts	4,155	3,446
Gain on sale of mortgage loans	433	444
Earnings on bank owned life insurance	235	215
Other	1,079	1,219
	5,902	5,324
Non-interest expense		
Salaries and employee benefits	7,561	6,388
Occupancy and equipment	2,289	2,000
Data processing	1,463	1,296
Core deposit amortization	293	195
Advertising	378	388
Net loss on sale of assets	251	–
Other	4,334	3,699
	16,569	13,966
Income before income taxes	3,617	4,630
Income tax expense	276	1,144
Net income	$ 3,341	$ 3,486
Basic earnings per share	$ 3.08	$ 3.42

See accompanying notes.

Consolidated Statements of Changes in Shareholders' Equity

Years ended December 31, 2007 and 2006
(Dollar amounts in thousands)

	Common Stock	Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Shareholders' Equity
Balance, January 1, 2006	$ 2,557	$ 442	$ 28,559	$ (793)	$ 30,765
Comprehensive income:					
Net income	–	–	3,486	–	3,486
Change in net unrealized gain 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
Comprehensive income:					
Net income	–	–	3,341	–	3,341
Change in net unrealized gain on securities available for sale, net of reclassification and tax effects	–	–	–	1,162	1,162
Total comprehensive income					4,503
Transfer from common stock to additional paid-in capital, no par value	(2,545)	2,545	–	–	–
Issuance of 137,589 no par value common stock	–	4,849	–	–	4,849
Cash dividends declared	–	–	(626)	–	(626)
Redemption of 1,235 shares of common stock	–	(52)	–	–	(52)
Balance, December 31, 2007	$ –	$ 12,639	$ 29,200	$ 1,431	$ 43,270

See accompanying notes.

CITIZENS NATIONAL 2007 Annual Report

Consolidated Statements of Cash Flows

Years ended December 31
(Dollar amounts in thousands)

	2007	2006
Cash flows from operating activities		
Net income	$ 3,341	$ 3,486
Adjustments to reconcile net income to net cash from operating activities		
Depreciation and amortization	985	776
Net amortization (accretion) of securities	(52)	(28)
Intangible amortization	293	195
Provision for loan losses	360	330
Net loss on sale of assets	251	40
Gain on sale of mortgage loans	(433)	(444)
Dividends on Federal Home Loan Bank and other restricted stock	–	(128)
Increase in cash surrender value of life insurance	(235)	(215)
Net change in:		
Loans held for sale	147	(265)
Interest receivable and other assets	(2,063)	(2,918)
Interest payable and other liabilities	544	(392)
Net cash from operating activities	3,138	437
Cash flows from investing activities		
Change in interest bearing deposits	300	–
Activity in available for sale securities:		
Purchases	(54,363)	(60,652)
Sales	5,617	17,346
Maturities, calls and principal reductions	49,867	48,615
Purchase of restricted stock	(193)	(108)
Loan originations and payments, net	(11,459)	(11,816)
Property and equipment expenditures, net	(5,662)	(1,515)
Net cash paid for acquisition	(19,266)	(1,304)
Net cash from investing activities	(35,159)	(9,434)

Continued on following page

Consolidated Statements of Cash Flows

Years ended December 31
(Dollar amounts in thousands)

	2007	2006
Cash flows from financing activities		
Net change in deposits	$ 2,511	$ 4,550
Net change in securities sold under agreements to repurchase	3,841	1,396
Net change in Federal funds purchased	11,223	(4,723)
Proceeds from note payable	3,000	12,175
Repayment of Federal Home Loan advances	(3,484)	(3,607)
Proceeds from issuance of subordinate debentures	10,000	6,000
Proceeds received from issuance of common stock	4,849	–
Redemption of common stock	(52)	(157)
Common stock dividends paid	(626)	(560)
Net cash from financing activities	31,262	15,074
Net change in cash and cash equivalents	(759)	6,077
Beginning cash and cash equivalents	17,634	11,557
Ending cash and cash equivalents	$ 16,875	$ 17,634
Supplemental cash flow information		
Interest paid	$ 15,319	$ 10,287
Income taxes paid	311	1,540
Supplemental noncash disclosures		
Transfer from loans to other real estate	$ 498	$ 762

See accompanying notes.

Notes to Financial Statements

Years ended December 31, 2007 and 2006
(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 one subsidiary, CNC Development Foundation. 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.

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. Mortgage loans held for sale are generally sold servicing released.

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 and 2007, the Company acquired loan portfolios through whole bank acquisitions. 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

Continued on following page

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

are individually classified as impaired or loans otherwise classified as substandard or doubtful. The general 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. Upon adoption of EITF 06-5, which is discussed further below, Bank owned life insurance is recorded at the amount that can be realized under the insurance contract at the balance sheet date, which is the cash surrender value adjusted for other charges or other amounts due that are probable at settlement. Prior to adoption of EITF 06-5, the Bank recorded owned life insurance at its cash surrender value.

In September 2006, the FASB Emerging Issues Task Force finalized Issue No. 06-5, *Accounting for Purchases of Life Insurance — Determining the Amount That Could Be Realized in Accordance with FASB Technical Bulletin No. 85-4 (Accounting for Purchases of Life Insurance).* This Issue requires that a policyholder consider contractual terms of a life insurance policy in determining the amount that could be realized under the insurance contract. It also requires that if the contract provides for a greater surrender value if all individual policies in a group are surrendered at the same time, that the surrender value be determined based on the assumption that policies will be surrendered on an individual basis. Lastly, the Issue requires disclosure when there are contractual restrictions on the Bank's ability to surrender a policy. The adoption of EITF 06-5 on January 1, 2007 had no impact on the Bank's financial condition or results of operation.

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. Operating 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, which is 7-8 years.

Continued on following page

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

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 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. During 2007, the Company declared a 2-1 stock split. 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.

Retirement Plans: Employee 401(k) and profit sharing plan expense is the amount of matching contributions. Deferred compensation and supplemental retirement plan expense allocates the benefits over years of service.

Restrictions on Cash: Cash on hand or on deposit with the Federal Reserve Bank was required to meet regulatory reserve and clearing requirements. These balances do not earn interest.

Equity: Stock dividends in excess of 20% are reported by transferring the par value of the stock issued from retained earnings to common stock. Stock dividends for 20% or less are reported by transferring the fair value, as of the ex-dividend date, of the stock issued from retained earnings to common stock and additional paid-in capital. Fractional share amounts are paid in cash with a reduction in retained earnings. During 2007, the Company amended its by-laws changing common stock from a $5 par value to a no par value.

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.

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
2007			
U.S. Government and federal agencies	$ 63,453	$ 1,216	$ (32)
States and municipals	37,442	249	(184)
Collateralized mortgage obligations and mortgage backed securities	41,234	1,215	(297)
Total	$ 142,129	$ 2,680	$ (513)
2006			
U.S. Government and federal agencies	$ 70,633	$ 133	$ (504)
States and municipals	29,768	290	(55)
Collateralized mortgage obligations mortgage backed securities	29,118	896	(352)
Total	$ 129,519	$ 1,319	$ (911)

Proceeds from sales of available for sale securities were $5,617 with a gross gain of $1 and no gross losses in 2007. Proceeds from sales of available for sale securities were $17,346, with no gain or loss recorded on the sale in 2006.

The fair value of debt securities and carrying amount, if different, at year-end 2007 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	$ 9,926
Due after one year through five years	14,911
Due after five years through ten years	43,138
Due after ten years	32,920
	100,895
Collateralized mortgage obligations and mortgage backed securities	41,234
	$ 142,129

Securities with a carrying value of $98,217 and $77,631 at year-end 2007 and 2006 were pledged to secure public deposits, trust deposits, and for other purposes.

Securities with unrealized losses at year-end 2007 and 2006, aggregated by investment category and length of time that individual security have been in a continuous unrealized loss position, are as follows:

2007	Less Than 12 Months		12 Months or More		Total	
Description	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
U.S. Government and federal agencies	$ –	$ –	$ 7,968	$ (32)	$ 7,968	$ (32)
States and municipals	8,263	(135)	5,872	(49)	14,135	(184)
Collateralized mortgage obligations and mortgage based securities	4,305	(55)	7,481	(242)	11,786	(297)
Total temporarily impaired	$ 12,568	$ (190)	$ 21,321	$ (323)	$ 33,889	$ (513)

Continued on following page

NOTE 2 - SECURITIES *(Continued)*

	Less Than 12 Months		12 Months or More		Total	
Description	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	$ 14,077	$ (48)	$ 54,435	$ (863)	$ 68,512	$ (911)

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:

	2007	2006
Commercial	$ 194,416	$ 159,165
Real estate, primarily residential	107,358	85,467
Consumer	37,665	28,035
Other	1,101	652
Subtotal	340,540	273,319
Less: Allowance for loan losses	(4,270)	(3,836)
Net deferred loan fees	(306)	(397)
Loans, net	$ 335,964	$ 269,086

Activity in the allowance for loan losses was as follows:

	2007	2006
Beginning balance	$ 3,836	$ 2,003
Addition resulting from acquisition	567	1,906
Provision for loan losses	360	330
Loans charged off	(865)	(585)
Recoveries	372	182
Ending balance	$ 4,270	$ 3,836

Continued on following page

NOTE 3 - LOANS *(Continued)*

Impaired loans were as follows:

	2007	2006
Year-end loans with no allocated allowance for loan losses	$ –	$ –
Year-end loans with allocated allowance for loan losses	16,545	5,383
Total	$ 16,545	$ 5,383
Amount of the allowance for loan losses allocated	$ 1,058	$ 837
Average of impaired loans during the year	14,210	3,164
Interest income recognized during impairment	145	190
Cash-basis interest income recognized	127	192
Loans past due over 90 days still on accrual	220	153
Nonaccrual loans	6,431	3,414

Loans to executive officers and directors, including loans to affiliated companies of these individuals, totaled approximately $1,321 and $2,161 at year-end 2007 and 2006.

Purchased Loans subject to SOP 03-3:

The Company has purchased loans all which were obtained through its acquisition of Heritage Bank in 2006 and Kentucky National Bank in 2007. 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

	2007	2006
Commercial	$ 240	$ 549
Real estate	599	992
Total	$ 839	$ 1,541
Carrying amount, net of allowance of $0	$ 670	$ 1,237
Cash flows expected to be collected at acquisition	$ 1,238	$ 1,238
Basis in acquired loans at acquisition	1,238	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:

	2007	2006
Land	$ 2,798	$ 1,097
Buildings and improvements	12,997	8,425
Furniture and equipment	7,084	6,070
	22,879	15,592
Less: Accumulated depreciation	(9,235)	(7,711)
	$ 13,644	$ 7,881

Continued on following page

NOTE 4 - PREMISES AND EQUIPMENT *(Continued)*

Depreciation expense was $919 and $776 for the years ended 2007 and 2006. Rent expense was $251 and $404 for the years ended 2007 and 2006.

NOTE 5 – GOODWILL AND INTANGIBLE ASSETS

Goodwill

The change in balance for goodwill during the year is as follows:

	2007	2006
Beginning of year	$ 3,012	$ 3,012
Acquired goodwill	12,592	–
Impairment	–	–
	$ 15,604	$ 3,012

Acquired Intangible Assets

Acquired intangible assets were as follows at year end:

	2007		2006	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Amortized intangible assets:				
Core deposit intangibles	$ 4,194	$ 2,172	$ 2,580	$ 1,879
Total	$ 4,194	$ 2,172	$ 2,580	$ 1,879

Aggregate amortization expense was $293 and $195 for 2007 and 2006.

Estimated amortization expense for each of the next five years:

2008	$ 311
2009	311
2010	311
2011	311
2012	311

NOTE 6 – TIME DEPOSITS AND TIME REPURCHASE AGREEMENTS

Time deposits of $100 or more were $91,909 and $63,920 at year-end 2007 and 2006.

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

	Time Deposits
2008	$ 165,271
2009	36,134
2010	3,847
2011	2,342
2012	1,862

Deposits from principal officers, directors, and their affiliates at year-end 2007 and 2006 were $4,058 and $5,541.

NOTE 7 - FEDERAL HOME LOAN BANK ADVANCES

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

	2007	2006
Maturities March 2008 through December 2016, fixed rates at rates from 4.07% to 4.83%, averaging 4.4%.	$ 17,596	$ 20,079

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 $3,036 in 2008, $1,234 in 2009, $2,036 in 2010, $10,037 in 2011, $253 in 2012 and $1,000 thereafter.

NOTE 8 – SUBORDINATED DEBENTURES

In June 2006 and 2007, CZNL Statutory Trust I and Trust II, trusts formed by the Company, closed a pooled private offering of 6,000 and 10,000 trust preferred securities with a liquidation amount of $1 per security. The Company issued $6,186 and $10,310 of subordinated debentures to the trusts in exchange for ownership of all of the common security of the trusts and the proceeds of the preferred securities sold by the trusts. In accordance with FASB Interpretation 46R, the trusts are 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 trusts was $186 and $310 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 for Trust I and June 2012 for Trust II at 100% of the principal amount, plus accrued and unpaid interest. The subordinated debentures mature on June 2036 for Trust I and June 2037 for Trust II. 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 indentures. The Company has the option to defer interest payments on the subordinated debentures from time to time for a period not to exceed five consecutive years for Trust I and Trust II.

The subordinated debentures may be included in Tier I capital (with certain limitations applicable) under current regulatory guidelines and interpretations. The subordinated debentures for Trust I have a variable rate of interest equal of the three month London Interbank Offered Rate (LIBOR) plus 1.50%, which was 6.5% at year-end 2007. The subordinated debentures for Trust II have a fixed rate of 7.31% for five years and convert to a variable rate of LIBOR plus 1.63% in 2012.

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 $142 and $92 for 2007 and 2006.

Deferred Compensation Plans — The Corporation maintains a deferred compensation plan 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 $32 and $30, and resulted in deferred compensation assets and liabilities of $628 and $547 as of year end 2007 and 2006.

Continued on following page

NOTE 9 - EMPLOYEE BENEFIT PLANS *(Continued)*

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 $204 and $354 and resulted in a liability of $1,386 and $1,181 as of year end 2007 and 2006.

NOTE 10 - INCOME TAXES

The income tax expense was as follows:

	2007	2006
Current	$ 588	$ 1,311
Deferred	(312)	(167)
Total	$ 276	$ 1,144

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, non-taxable earnings of cash surrender value of certain life insurance policies, the donation of a building to a local municipality, new market tax credits, and qualified zone academy bond credits.

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

	2007	2006
Deferred tax assets:		
Loan loss provisions	$ 915	$ 753
Core deposit intangible and other purchase accounting adjustments	319	628
Deferred compensation	654	559
Net operating loss carryforward	1,552	1,638
Nonaccrual Loan Interest	126	8
OREO writedowns	101	14
Accrued Expenses	51	-
Other	14	6
	3,732	3,606
Deferred tax liabilities:		
Premises and equipment	(365)	(375)
Accretion on securities	(25)	(40)
Federal Home Loan Bank stock dividends	(263)	(226)
Unrealized gain on available for sale securities	(736)	(139)
Other	(100)	(109)
	(1,489)	(889)
Net deferred tax asset/(liability)	$ 2,243	$ 2,717

No valuation allowance for deferred tax assets is considered necessary. At year end 2007, the Company had net operations loss carryovers of approximately $4.565 million which expire beginning in 2023. The utilization of the net operating loss carryforward is limited to $254k annually under code section 382.

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:

	2007	2006
Commitments to make loans	$ 21,170	$ 13,247
Unused lines of credit and letters of credit	10,763	8,599

Commitments to make loans are generally made for periods of 60 days or less. Approximately 42% of commitments to make loans are fixed rate. The fixed rate loan commitments have interest rates ranging from 4.75% to 11.50% and maturities up to 20 years, with the majority between one year and five years.

At year-end 2007 and 2006, reserves of $8,167 and $6,334 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.

	2007	2006
Net income	$ 3,341	$ 3,486
Average common shares outstanding (in thousands)	1,085	1,019
Basic earnings per share	$ 3.08	$ 3.42

NOTE 13 – CAPITAL REQUIREMENTS AND RESTRICTIONS ON RETAINED EARNINGS

Banks and bank holding 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. Management believes as of December 31, 2007, the Company and Bank meet all capital adequacy requirements to which they are subject.

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 2007 and 2006, 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.

Continued on following page

NOTE 13 – CAPITAL REQUIREMENTS AND RESTRICTIONS ON RETAINED EARNINGS *(Continued)*

Actual and required capital amounts (in millions) and ratios are presented below at year-end.

	Actual		Required for Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Regulations[1]	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
2007						
Total Capital to risk weighted assets						
Consolidated	$ 42.6	11.4%	$ 29.8	8.0%	N/A	N/A
Bank	44.6	12.0	29.8	8.0	$ 37.3	10.0%
Tier 1 (Core) Capital to risk weighted assets						
Consolidated	$ 35.8	9.6%	$ 14.9	4.0%	N/A	N/A
Bank	40.3	10.8	14.9	4.0	$ 22.4	6.0%
Tier 1 (Core) Capital to average assets						
Consolidated	$ 35.8	6.8%	$ 20.9	4.0%	N/A	N/A
Bank	40.3	7.8	20.7	4.0	$ 25.9	5.0%
2006						
Total Capital to risk weighted assets						
Consolidated	$ 38.8	12.9%	$ 24.0	8.0%	N/A	N/A
Bank	38.1	12.7	24.0	8.0	$ 30.0	10.0%
Tier 1 (Core) Capital to risk weighted assets						
Consolidated	$ 35.1	11.7%	$ 12.0	4.0%	N/A	N/A
Bank	34.3	11.4	12.0	4.0	$ 18.0	6.0%
Tier 1 (Core) Capital to average assets						
Consolidated	$ 35.1	7.9%	$ 17.7	4.0%	N/A	N/A
Bank	34.3	7.8	17.7	4.0	$ 22.1	5.0%

Dividends Restrictions — The Company's principal source of funds for dividend payments is dividends received from the Bank. Banking regulations limit the amount of dividends that may be paid without prior approval of regulatory agencies. Under these regulations, the amount of dividends that may be paid in any calendar year is limited to the current year's net profits, combined with the retained net profits of the preceding two years, subject to the capital requirements described above. During 2009, the Bank could, without prior approval, declare dividends of approximately equal to any 2008 net profits retained to the date of the dividend declaration.

NOTE 14 - DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

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

	2007		2006	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial assets				
Cash and cash equivalents	$ 16,875	$ 16,875	$ 17,334	$ 17,334
Available-for-sale securities	142,129	142,129	129,519	129,519
Loans held for sale	1,318	1,318	1,032	1,032
Loans, net	335,964	349,824	269,086	273,707
Restricted securities	3,056	3,056	2,425	2,425
Accrued interest receivable	2,996	2,996	2,576	2,576
Financial liabilities				
Deposits	$ 436,188	$ 436,754	$ 372,267	$ 371,953
Borrowings	64,673	62,284	37,000	36,817
Accrued interest payable	1,240	1,240	975	975
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 approximate 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:

	2007	2006
Unrealized holding gains and losses on available-for-sale securities, net of tax	$ 1,162	$ 1,062
Reclassification adjustments for losses later recognized in income, net of tax	–	–
Other comprehensive income	$ 1,162	$ 1,062

NOTE 16 – BUSINESS COMBINATION(S)

On July 26, 2007, the Company acquired 100% of the outstanding shares of Kentucky National Bank (KNB). Operating results of KNB 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 Pike County 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 $23,388. The purchase price resulted in approximately $1,614 in core deposit intangible. The intangible asset will be amortized over 7 years. Intangible asset will be deducted for tax purposes over 15 years using the straight-line method.

Securities available for sale	$ 11,920
Loans	55,281
Goodwill	12,592
Core deposit	1,614
Other assets	7,273
Total assets acquired	88,680
Deposits	(61,410)
FHLB advances	(1,001)
Repurchase agreements	(2,092)
Other liabilities	(789)
Total liabilities assumed	(65,292)
Net assets acquired	$ 23,388

Executive Officers

Dennis T. Dorton ....President/Chief Executive Officer
Mark J. Wiete ....Executive Vice President/Chief Operating Officer
Charles L. Patton.......................Senior Vice President/Chief Financial Officer

Corporate Secretary

Sharon Collins ....Executive Secretary

Officers

Michael McCoy ....Market President Pikeville Region
Ed Neely ....Senior Vice President/Wealth Management
David Plants ....Market President Ashland Region
Pam Butcher ....Vice President/Retail Banking
Paula Chandler ....Vice President/Compliance Officer
Michael L. Hill ....Vice President/Senior Credit Officer
Kathy M. Kinner.........................Vice President/Human Resources
Greg Lee ....Vice President/Mortgage Lending
Ronnie Newsome ....Vice President/Business Development Officer
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. Adams ....Assistant Vice President/Branch Operations Manager
Donna R. Cassell.......................Assistant Vice President/Human Resources Specialist
Chris Castle..............................Assistant Vice President/Commercial Loan Officer
Connie Castle ....Assistant Vice President/Comptroller
Kimberly J. Dalton.....................Assistant Vice President/Marketing Officer
April Damron ....Assistant Vice President/Branch Manager
Judy L. Frazier..........................Assistant Vice President/Branch Manager
Johnene Holbrook.....................Assistant Vice President/Auditor
Paula Howard ....Assistant Vice President/Branch Manager
Ramona Laney ....Assistant Vice President/Systems Administrator
Joyce C. Lemaster ....Assistant Vice President/Branch Manager
Beverly A. Oxford ....Assistant Vice President/Credit Manager
Sandra Pelphrey ....Assistant Vice President/Customer Data Center Manager
Jeff Ramey ....Assistant Vice President/Branch Manager
Amanda Collins ....Branch Manager
Hilma Harned ....Branch Manager
Terry Kidd ....Branch Manager
Stephanie A. Salyer...................Branch Manager
Misty Turner..............................Branch Manager
Grady A. Underwood ....Branch Manager
Beth Waugh...............................Branch Manager
Nancy Osborne ....Mortgage Underwriter
Dave Simpson ....Security Officer

Shareholder Information

Annual Shareholder's Meeting

Citizens National Corporation
620 Broadway
Paintsville, KY 41240
Tuesday, April 22, 2008
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

Paintsville Mayor Bob Porter presents Recognition Plaque to Citizens President Dennis Dorton for the donation of Citizens downtown branch as the next Paintsville City Hall.

Pictured from left to right: Chief Operating Officer Mark Wiete, Chairman of the Board Greg Meade, Director Emeriti O.T. Dorton, President Dennis Dorton and Mayor Bob Porter.

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 220 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.

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 ventures 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 Board; Treasurer and Board Member of Paintsville-Johnson County Chamber of Commerce; Chairman of the Big Sandy Area Chapter of the American Red Cross; and 2007-2008 Chairman of Kentucky Bankers Association.

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. He is also a member of the Morgan County ARH Advisory Committee and on the Board of Commercial Bank.

Bob Hutchison

Board Member since April 1991. Hutchison currently co-owns and operates 13 McDonalds restaurants throughout Eastern Kentucky. He is a member of the First United Methodist Church in Paintsville. Also, a board member of Christian Appalachian Project, the Johnson County Board of Education, and is Executive Board Member of The Bluegrass Council for Boy Scouts of America. He is also a member of Leadership Kentucky; Johnson, Floyd, and Pike County Chambers of Commerce, and is President of the Rockhouse Volunteer Fire Department.

Lynn Dorton Mullins

Board Member since April 1994. Mullins is a partner in Crigger/Mullins Speech Therapy Services, providing speech therapy services throughout eastern Kentucky. She received her BA and MA from the University of Kentucky in Speech Pathology. She is a member of the American Speech and 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 Service Guild. She is also a member of Beta Sigma Phi Service Sorority.

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.

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

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

Randy Clark
John Duvall Elliott
Tracy Hillman
Paul P. Hughes
Tom Hutchison
Greg Johnson
Edward R. (Ted) Nairn
Paul E. Preston
Jack C. Sykes

Subsidiaries

CNC Insurance

Wilber E. Blair
Insurance Agent

CITIZENS NATIONAL 2007 Annual Report

Focus on Communities

Citizens National Bank continues its nearly century-old tradition of community involvement today. With expansion comes even more opportunity to serve a growing number of customers and communities. Citizens National Bank supports a variety of organizations in education, historical preservation, the arts, our youth, healthcare and economic development — all throughout the seven counties we serve. Whether through donations of time or money, or both, Citizens National Bank and its employees contribute almost daily to the well being of the people and the communities we live and work in. Here is a partial listing of this past year's beneficiaries.

History & the Arts

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

Youth & Education

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
July Jam
Leadership East Kentucky
Leadership Kentucky
Morehead State University
MVP High School Scholarship Program
Paul B. Hall Scholarship Fund
Pikeville College
Project Proms
School Sports Sponsorships
The Honey Project
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
Pike County Humane
  Society
Pike County YMCA
Rotary
United Way
Westcare Homeless Shelter

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

Citizens NATIONAL BANK

Citizens INSURANCE SERVICES

620 Broadway

Paintsville, Kentucky 41240

www.cnbonline.com