

CITIZENS FIRST
Corporation

February 27, 2009

Mr. Neil M. Barofsky
Special Inspector General
1500 Pennsylvania Avenue, NW
Suite 1064
Washington, D.C. 20220

Dear Mr. Barofsky:

Our intended use of the TARP funds was to strengthen the bank's capital base so we could continue loaning money to our customers. We were considered well capitalized by any regulatory standard when we received the TARP funds. Prior to receiving the TARP funds our Tier 1 capital was 9.74% and our Total risk based capital was 10.85%. We received the TARP funds on December 19. As of December 31, our Tier 1 capital ratio was 13.5% and our Total risk based capital ratio was 14.8%. That level of capital gives us the confidence that we can continue to meet the credit needs of our customers until the capital markets normalize allowing us to access capital from traditional sources at a reasonable price. Please see the attached press release, memo to our employees with attached Question and Answers about the TARP/ CPP program. You can also access our website where you can click on the Capital Purchase Program. Our web address is www.citizensfirstbank.com. There is a letter to our investors and video of an interview about our participation in the program with our local television station.

The TARP funds we received are not segregated from other institutional funds since we used them to strengthen our capital base to continue loaning money to our customers. Since receiving the \$8.8 million in TARP money on December 19, 2008, we have made 200 loans with a current balance of \$12,077,697.39 (see attached e-mail from our VP of Loan Review). I can provide you the detail of those loans if necessary, but that would include private customer information so I did not include it in this correspondence. We intend to use the remaining capital capacity to continue loaning money. Loan demand has been relatively weak for the last six months, but it does seem to be picking up.

If we had not received the TARP money, we would have discontinued pursuing new loan customers to preserve our capital. That action would have continued until the capital markets normalized.

We already meet the executive compensation requirements associated with the TARP funding. I.

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Citizens First Corporation

1805 Campbell Lane • Bowling Green • Kentucky • 42104 • (270)393-0700

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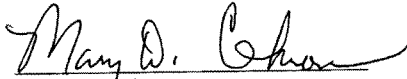
If you have any questions about the information I have provided you or you need further information, please let me know.

Sincerely,



Mary D. Cohron
President and Chief Executive Officer
1065 Ashley Street, Suite 200
Bowling Green, KY 42103
270-393-0730

"The undersigned, on behalf of Citizens First Corporation, does hereby certify the accuracy of all statements, representations and supporting information provided in this letter, subject to the requirements and penalties set forth in Title 18, United States Code, Section 1001."



Mary D. Cohron



Learn more about
**Capital Purchase
Program**



www.CitizensFirstBank.com



What is the Capital Purchase Program?

The Capital Purchase Program is designed to expand the lending capacity of banks that are already stable and well-capitalized. The U.S. Treasury invited Citizens First and other banks across the country to apply to participate in this program. This is not financial aid. It is an investment made by the U.S. Treasury with a reasonable return.

Why did Citizens First choose to participate in this program?

We believe that our participation in this program will afford us even greater opportunities to meet our customers' credit needs. We are always seeking ways to serve our customers more effectively, and this program will provide us with additional lending capacity when our customers need it most. Rest assured that credit quality has always been of utmost importance to Citizens First, and it continues to be in these uncertain economic times.

Why is the U.S. Treasury offering this program?

The Treasury announced this voluntary program on October 14, 2008 with the intent to increase the capital and lending capacity of healthy U.S. financial institutions. The program is part of the Emergency Economic Stabilization Act of 2008.

According to the U.S. Treasury's website,* as of December 30, 2008, we are honored to participate in this program with other banks in our region – BB&T, US Bank and PBI Bank.

*www.ustreas.gov/initiatives/eesa/transactions.shtml.

For more information on the Capital Purchase Program and its benefits, please visit our website, www.CitizensFirstBank.com.

FOR IMMEDIATE RELEASE
December 19, 2008

CONTACT:

Mary Cohron
President and Chief Executive Officer
270-393-0700

Citizens First Corporation closes on sale of preferred stock to U.S. Treasury

BOWLING GREEN, KY – (December 19, 2008) – Citizens First Corporation (NASDAQ: CZFC), parent company of Citizens First Bank, announced today it has completed the sale of \$8,779,000 of non-voting senior preferred stock and a warrant to purchase common stock to the U.S. Treasury Department as part of the Capital Purchase Program. As reported previously, the preferred stock will pay a cumulative annual dividend of 5% for the first five years and increase to 9% thereafter. Citizens First's preliminary approval to participate in the program was announced December 10, 2008.

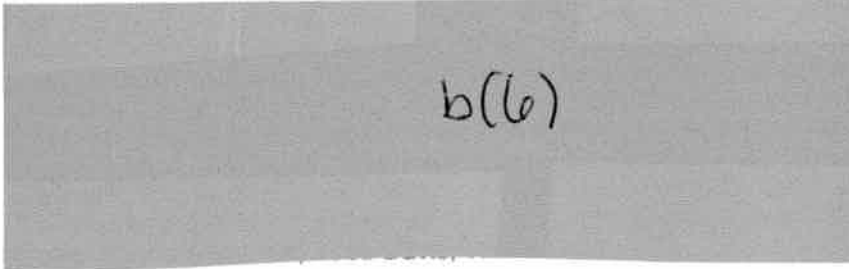
The Treasury's investment in Citizens First is part of the government's program to provide capital to healthy financial institutions to meet the lending needs of the customers and communities they serve. "We are honored to participate in a program designed for the nation's most secure and financially stable banks. Our current well-capitalized position will be further improved by the addition of this capital investment, which will allow us the opportunity to better serve our existing customers and communities and will afford us the ability to grow our customer base" said Mary Cohron, Citizens First President and CEO.

About Citizens First Corporation

Citizens First Bank, a wholly owned subsidiary of Citizens First Corporation, is a full-service, independent bank ranked one of Kentucky's Best Places to Work by the Kentucky Society for Human Resource Management. Citizens First Bank has locations in Bowling Green, Franklin, Glasgow, Horse Cave, and Munfordville, Kentucky. Citizens First Bank ATMs are located conveniently throughout Hart, Barren, Simpson, and Warren counties. For more information, visit www.citizensfirstbank.com.

Mary Cohron

From: Mary Cohron
Sent: Friday, December 26, 2008 4:39 PM
To: All Employees
Cc:



Subject: Capital Purchase Program

Attachments: Capital Purchase Program Approval.doc; CAPITAL PURCHASE PROGRAM Q.A.pdf

Our approval for the Capital Purchase Program was in the Courier this week and I received a call from a reporter at the Daily News who is working on a story about this as well. I expect that story to be in the Sunday paper. I have attached the press release about Citizens First closing on the sale of our preferred stock to the US Treasury. I have also included some questions and answers so you will be able to answer some of the questions customers may have.

There is a lot of confusion about this program some of which may come from some of our competitors who, for whatever reason, are not participating in the program. And, reporters don't always get the story right so it is important for you to remember that the purpose of this program is to make strong banks stronger. The other banks in Bowling Green who have received approval so far are BB&T, US Bank and PBI. They, like us, are publicly traded so the deadline for their application was the same as ours. The privately owned banks deadline was December 14 so they won't know if they have been approved until after the first of the year.

I know this is complicated, but I want to stress that it is good for our bank and will let us continue to grow a safe and sound institution. If you get questions, you don't know how to answer please feel free to refer them to me. Or, if you have questions yourself, please feel free to give me a call. Thanks, Mary

2/26/2009



CITIZENS FIRST

CAPITAL PURCHASE PROGRAM

Q&A may be helpful in guiding responses from employees who have contact with customers and other external audiences.

Q & A

NOTE: It will be helpful to remember our three key messages when responding to any questions related to the news.

- **What is the Capital Purchase Program?**
 - The U.S. Treasury invited Citizens First and other banks across the country to apply for participation in this program. It is designed to expand the lending capacity of banks that are already stable and well-capitalized.

- **Why did Citizens First apply to participate in this program?**
 - We have been approved to participate in this program affording us even greater opportunities to meet our customers' credit needs. We are always seeking ways to serve our customers more effectively and this program will provide us with additional lending capacity when our customers need it most.

- **Does participating in this program mean Citizens First is in trouble?**
 - No. Well capitalized and well managed bank holding companies and banks have been encouraged to participate in this program which was designed to stimulate local economies across the country. While the bank is well capitalized, the additional capital provided under the Treasury's program will further strengthen the bank's capital base and provide additional flexibility to meet future capital needs that may arise.

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- **Why is the U.S. Treasury offering this program?**
 - The Treasury announced this voluntary program on October 14, 2008 with the intent to increase the capital and lending capacity of healthy U.S. financial institutions. The program is part of the Emergency Economic Stabilization Act of 2008.

Mary Cohron

From: [REDACTED] b(6)
Sent: Thursday, February 26, 2009 12:22 PM
To: Mary Cohron
Subject: RE: New Loans
Attachments: 022609 Loans since 12_19_2008.xls

For loans that are still active on the system as of close of business yesterday (2/25/09), there have been 200 loans originated since 12/19/08, with a current balance (net of participations sold) of \$12,077,697.39.

A listing of the loans is attached.

[REDACTED]
Vice President of Loan Review
Citizens First Bank
Office - [REDACTED]
FAX - [REDACTED]
[REDACTED]

b(6)

From: Mary Cohron
Sent: Thursday, February 26, 2009 12:11 PM
To: [REDACTED] b(6)
Subject: New Loans

I need a list of the new loans made since December 19 to report to the US Treasury. Can you get those for me?



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So much has been in the news lately about our economy and these uncertain times. Citizens First is committed to the communities we serve. It is comforting to know that, in Citizens First, you have a financial partner that is here today and will be here tomorrow to help you with your financial needs.

Citizens First recently chose to take advantage of the Capital Purchase Program, a program of the U.S. Treasury. The questions and answers below are to help you better understand this program and its benefits.

What is the Capital Purchase Program?

The Capital Purchase Program is designed to expand the lending capacity of banks that are already stable and well-capitalized. The U.S. Treasury invited Citizens First and other banks across the country to apply to participate in this program. This is not financial aid. It is an investment made by the U.S. Treasury with a reasonable return.

Why did Citizens First choose to participate in this program?

We believe that our participation in this program will afford us even greater opportunities to meet our customers' credit needs. We are always seeking ways to serve our customers more effectively, and this program will provide us with additional lending capacity when our customers need it most. Rest assured that credit quality has always been of utmost importance to Citizens First, and it continues to be in these uncertain economic times.

Does participating in this program mean Citizens First is in trouble?

No. Well-capitalized and well-managed bank holding companies and banks have been encouraged to participate in this program, which was designed to stimulate local economies across the country. While the bank is considered well-capitalized by all regulatory standards, the additional capital provided under the Treasury's program will further strengthen the bank's capital base and provide additional flexibility to meet future capital needs that may arise.

Why is the U.S. Treasury offering this program?

The Treasury announced this voluntary program on October 14, 2008 with the intent to increase the capital and lending capacity of healthy U.S. financial institutions. The program is part of the Emergency Economic Stabilization Act of 2008.

What other banks in our region are participating?

According to the U.S. Treasury's website,* as of December 30, 2008, we are honored to participate in this program with other banks in our region – BB&T, US Bank and PBI Bank.

*www.ustreas.gov/initiatives/eesa/transactions.shtml.

While these unstable times create uncertainty, we want you to know that Citizens First remains a safe place for you to put your money and to look to for your credit needs.

Citizens First Corporation operates as a holding company for Citizens First, Inc., which provides various banking and financial services primarily to individual and corporate customers in Barren, Hart, Simpson, and Warren counties, Kentucky. The company's deposit portfolio primarily includes checking accounts, regular savings accounts, NOW accounts, money market accounts, sweep accounts, fixed and variable-rate IRA accounts, certificate of deposit accounts, and safety deposit boxes. It makes commercial loans principally to small and medium-sized businesses; originates and maintains commercial real estate loans; and offers residential mortgage loans to borrowers for purchasing and refinancing one to four family properties.

Citizens First also offers personal loans and lines of credit to consumers for various purposes, such as purchase of automobiles, boats, and other recreational vehicles, as well as the making of home improvements and personal investments. In addition, the company provides debit and credit card services through third parties, and offers night depository, direct deposit, cashier's and traveler's checks, and letters of credit. As of October 1, 2007, it operated ten branch locations and 18 automated teller machines. The company was incorporated in 1975 and is headquartered in Bowling Green, Kentucky.

[Citizens First Corporation Stock Info - CZFC](#)

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