



08054481

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 11-K

SEC Mail Processing
Section
.....
JUL 03 2008
Washington, DC

ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2007

OR

TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission File Number 0-20050

A. Full title of the plan and the address of the plan, if different from that of the issuer
named below:

Citizens First National Bank 401(k) & Profit Sharing Plan

B. Name of issuer of the securities held pursuant to the plan and the address of its
principal executive office:

Princeton National Bancorp, Inc.
606 South Main Street
Princeton, Illinois 61356

PROCESSED
JUL 03 2008 A
THOMSON REUTERS

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statements (Form S-8 No. 333-133448) pertaining to the Citizens First National Bank 401(k) and Profit Sharing Plan, of our report dated June 27, 2008, with respect to the financial statements of the Citizens First National Bank 401(k) and Profit Sharing Plan included in this Annual Report (Form 11-K) for the year ended December 31, 2007.

BKD, LLP

Decatur, Illinois
June 27, 2008

**Citizens First National Bank
401(k) and Profit Sharing Plan**

EIN 36-0917979 PN 003

Accountants' Report and Financial Statements

December 31, 2007 and 2006

Citizens First National Bank 401(k) and Profit Sharing Plan
December 31, 2007 and 2006

Contents

Report of Independent Registered Public Accounting Firm 1

Financial Statements

Statements of Net Assets Available for Benefits 2
Statements of Changes in Net Assets Available for Benefits 3
Notes to Financial Statements 4

Supplemental Schedule

Schedule H, Line 4i – Schedule of Assets (Held at End of Year)..... 11

Report of Independent Registered Public Accounting Firm

Plan Administrator
Citizens First National Bank 401(k) and Profit Sharing Plan
Princeton, Illinois

We have audited the accompanying statements of net assets available for benefits of Citizens First National Bank 401(k) and Profit Sharing Plan as of December 31, 2007 and 2006, and the related statements of changes in net assets available for benefits for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Plan is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing auditing procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly we express no such opinion. Our audits also included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of Citizens First National Bank 401(k) and Profit Sharing Plan as of December 31, 2007 and 2006, and the changes in its net assets available for benefits for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying supplemental schedule of assets (held at end of year) is presented for the purpose of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

BKD, LLP

Decatur, Illinois
June 27, 2008

Federal Employer Identification Number: 44-0160260

Citizens First National Bank 401(k) and Profit Sharing Plan
Statements of Net Assets Available for Benefits
December 31, 2007 and 2006

	2007	2006
Investments, At Fair Value	\$ 21,892,745	\$ 22,132,573
Receivables		
Employer's contribution	353,681	351,057
Net Assets Available for Benefits	\$ 22,246,426	\$ 22,483,630

Citizens First National Bank 401(k) and Profit Sharing Plan
Statements of Changes in Net Assets Available for Benefits
Years Ended December 31, 2007 and 2006

	2007	2006
Investment Income		
Net appreciation (depreciation) in fair value of investments	\$ (1,035,578)	\$ 1,590,232
Interest and dividends	1,447,918	457,307
	412,340	2,047,539
 Contributions		
Employer	763,249	732,706
Participants	857,661	800,917
Rollovers	63,236	17,203
	1,684,146	1,550,826
Total additions	2,096,486	3,598,365
 Deductions		
Benefits paid directly to participants	2,333,690	1,237,145
 Net Increase (Decrease)	(237,204)	2,361,220
 Net Assets Available for Benefits, Beginning of Year	22,483,630	20,122,410
 Net Assets Available for Benefits, End of Year	\$ 22,246,426	\$ 22,483,630

Citizens First National Bank 401(k) and Profit Sharing Plan

Notes to Financial Statements

December 31, 2007 and 2006

Note 1: Description of the Plan

The following description of the Citizens First National Bank 401(k) and Profit Sharing Plan (Plan) provides only general information. Participants should refer to the Plan Document and *Summary Plan Description* for a more complete description of the Plan's provisions, which are available from the plan administrator.

General

The Plan is a defined contribution plan sponsored by Citizens First National Bank (Employer) covering all employees who have at least one year of service and are age 18 or older. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA).

Contributions

The Plan permits eligible employees through a salary deferral election to have the Employer make annual contributions of up to 100% of eligible compensation. Employee rollover contributions are also permitted. The Employer makes matching contributions of 100% of employees' salary deferral amounts up to 3% of employee's compensation and 50% of the employees' compensation between 3% and 5%. The Employer may also, at its sole discretion, contribute to the Plan an amount to be determined from year to year as a profit sharing contribution. For the years ended December 31, 2007 and 2006, the profit sharing contribution was 3% of eligible compensation. Contributions are subject to certain limitations.

Participant Investment Account Options

Investment account options available include various funds. Each participant has the option of directing his contributions into any of the separate investment accounts and may change the allocation daily.

Participant Accounts

Each participant's account is credited with the participant's contribution, the Employer's contribution and plan earnings. The benefits to which a participant is entitled is the benefit that can be provided from the participant's vested account.

Citizens First National Bank 401(k) and Profit Sharing Plan

Notes to Financial Statements

December 31, 2007 and 2006

Vesting

Participants are immediately vested in their voluntary contributions and the Bank's matching contributions plus earnings thereon. Vesting in the Employer's profit sharing contribution portion of their accounts plus earnings thereon is based on years of continuous service. A participant is fully vested after 5 years of continuous service. The nonvested balance is forfeited upon payment of benefits. Forfeitures may be used to reduce matching contributions, to pay Plan expenses or allocated among active participants based upon eligible compensation.

Payment of Benefits

Upon termination of service, an employee may elect to receive either a lump-sum amount equal to the value of his account or installments.

Participant Loans

The Plan document includes provisions authorizing loans from the Plan to active eligible participants. The minimum amount of a loan shall be \$1,000. The maximum amount of a participant's loans is determined by the available loan balance restricted to the lesser of \$50,000 or 50% of the participant's vested account balance. All loans are covered by demand notes and are repayable over a period not to exceed five years except for loans for the purchase of a principal residence through payroll withholdings unless the participant is paying the loan in full. Interest on the loans is charged at prime rate plus 1% at loan inception.

Plan Termination

Although it has not expressed an intention to do so, the Employer has the right under the Plan to discontinue its contributions at any time and to terminate the Plan, subject to the provisions of ERISA. In the event of plan termination, participants will become 100% vested in their accounts.

Note 2: Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements are prepared on the accrual basis of accounting.

Citizens First National Bank 401(k) and Profit Sharing Plan

Notes to Financial Statements

December 31, 2007 and 2006

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of net assets and changes in net assets and disclosure of contingent assets and liabilities at the date of the financial statements. Actual results could differ from those estimates.

Valuation of Investments and Income Recognition

Quoted market prices are used to value mutual funds and common stock. Participant loans are valued at cost, which approximates fair value.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Plan Tax Status

The Plan operates under a nonstandardized adoption agreement in connection with a prototype retirement plan sponsored by Automatic Data Processing, Inc. This prototype plan document has been filed with the appropriate agency. The Plan has not obtained or requested a determination letter. However, the Plan administrator believes that the Plan is currently designed and being operated in compliance with the applicable requirements of the Internal Revenue Code and that the Plan was qualified and the related trust was tax exempt as of the financial statement date.

Payment of Benefits

Benefit payments to participants are recorded upon distribution.

Administrative Expenses

Administrative expenses may be paid by the Employer or the Plan, at the Bank's discretion.

Citizens First National Bank 401(k) and Profit Sharing Plan

Notes to Financial Statements

December 31, 2007 and 2006

Note 3: Investments

The Plan's investments (including investments bought, sold and held during the year) appreciated (depreciated) in fair value as follows:

	2007	
	Net Appreciation in Fair Value During Year	Fair Value at End of Year
Investments at Fair Value as Determined by Quoted Prices in an Active Market		
Mutual funds	\$ (436,162)	\$ 19,735,558
Common stock	(599,416)	1,828,607
	(1,035,578)	21,564,165
Investments at Cost Which Approximates Market		
Participant loans	-	328,580
	\$ (1,035,578)	\$ 21,892,745
	2006	
	Net Appreciation in Fair Value During Year	Fair Value at End of Year
Investments at Fair Value as Determined by Quoted Prices in an Active Market		
Mutual funds	\$ 1,644,480	\$ 19,506,030
Common stock	(54,248)	2,325,399
	1,590,232	21,831,429
Investments at Cost Which Approximates Market		
Participant loans	-	301,144
	\$ 1,590,232	\$ 22,132,573

Citizens First National Bank 401(k) and Profit Sharing Plan

Notes to Financial Statements

December 31, 2007 and 2006

The fair value of individual investments that represented 5% or more of the Plan's net assets available for benefits in either year were as follows:

	<u>2007</u>	<u>2006</u>
Investments at Fair Value as Determined by Quoted Prices in an Active Market		
Harbor International Fund	\$ 1,225,348	\$ 559,628
American Funds Growth R3 Fund	1,196,960	229,391
T. Rowe Price Value ADV Fund	1,510,149	1,244,459
Fidelity Asset Manager Fund	2,327,091	2,439,002
American Funds Income R3 Fund	9,852,266	11,264,822
Vanguard Total Stock Market Fund	1,231,955	1,326,748
Federated Capital Preservation Fund	1,231,373	1,530,724
Princeton National Bancorp, Inc. Common Stock	1,828,607	2,325,399

Interest and dividends realized on the Plan's investments for the years ended 2007 and 2006 were \$1,447,918 and \$457,307, respectively.

Note 4: Party-in-Interest Transactions

Party-in-interest transactions include those with fiduciaries or employees of the Plan, any person who provides services to the Plan, an employer whose employees are covered by the Plan, a person who owns 50 percent or more of such an employer or employee association, or relatives of such persons.

Active participants can purchase the common stock of Princeton National Bancorp, Inc. (Company). At December 31, 2007 and 2006, participants held 75,406 and 71,441 shares, respectively.

The Plan incurs expenses related to general administration and record keeping. The plan sponsor pays these expenses and certain accounting and auditing fees relating to the Plan.

Citizens First National Bank 401(k) and Profit Sharing Plan

Notes to Financial Statements

December 31, 2007 and 2006

Note 5: Risks and Uncertainties

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the participants' account balances and the amounts reported in the statements of net assets available for benefits.

Note 6: Plan Amendment

Effective January 1, 2007, the Plan was amended to include participant's catch-up contributions in the calculation of the employer's matching contributions.

Supplemental Schedule

Citizens First National Bank 401(k) and Profit Sharing Plan

EIN 36-0917979 PN 003

Schedule H, Line 4i – Schedule of Assets (Held at End of Year)

December 31, 2007

<u>Identity of Issuer</u>	<u>Description of Investment</u>	<u>Current Value</u>
Common Stock		
Princeton National Bancorp, Inc.*	75,406 shares	<u>\$ 1,828,607</u>
Mutual Funds		
American Funds Growth R3 Fund	35,709 shares	1,196,960
T. Rowe Price Value ADV Fund	58,784 shares	1,510,149
Oppenheimer Small-Mid Value A Fund	20,244 shares	743,576
Harbor International Fund	17,171 shares	1,225,348
Fidelity Asset Manager Fund	186,615 shares	2,327,091
American Funds Income R3 Fund	509,424 shares	9,852,266
Vanguard Short Term Investment Fund	3,253 shares	34,641
Fidelity GNMA Fund	34,968 shares	382,199
Vanguard Total Stock Market Fund	34,840 shares	1,231,955
Federated Capital Preservation Fund	123,137 shares	<u>1,231,373</u>
		<u>19,735,558</u>
Participant Loans	5.00% to 9.25%	<u>328,580</u>
		<u>\$ 21,892,745</u>

* Represents a party-in-interest to the Plan.

REQUIRED INFORMATION

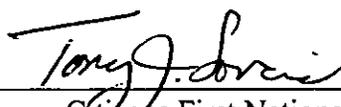
The Citizens First National Bank 401(k) & Profit Sharing Plan is subject to the Employee Retirement Income Security Act of 1974, as amended ("ERISA"). Accordingly, the financial statements prepared in accordance with ERISA are provided as Exhibit 99.1 to this Form 11-K.

SIGNATURES

The Plan. Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

**Citizens First National Bank 401(k) &
Profit Sharing Plan**

Date: June 27, 2008

By: 
Citizens First National Bank
as Plan Sponsor
Name: Tony J. Sorcic
Title: President

CITIZENS FIRST NATIONAL BANK 401(K) & PROFIT SHARING PLAN

**EXHIBIT INDEX
TO
ANNUAL REPORT ON FORM 11-K**

Exhibit No.	Description	Sequential Page No.
23.1	Consent of BKD LLP	5
99.1	Financial Statements	6