

**DIRECTORS - CNB CORPORATION AND  
CITIZENS NATIONAL BANK**

**VINCENT J. HILLESHEIM**

*Chairman, CNB Corporation  
Chairman, Citizens National Bank  
Retired President, Anchor In Marina  
of Northern Michigan, Inc.*

**STEVEN J. BAKER, D.V.M.**

*Retired, Indian River Veterinary Clinic*

**THOMAS J. ELLENBERGER**

*Audit Committee Chairman,  
CNB Corporation  
Vice President & Secretary,  
Albert Ellenberger Lumber Company*

**SUSAN A. ENO**

*President/Chief Executive Officer,  
CNB Corporation  
President/Chief Executive Officer,  
Citizens National Bank*

**KATHLEEN A. LIEDER**

*Retired Partner, Bodman LLP  
Former Co-Owner, Log Mark Bookstore*

**THOMAS J. REDMAN**

*President, Tube Fab*

**R. JEFFERY SWADLING**

*Vice President, Ken's Village Market*

**RICK A. TROMBLE**

*Owner, Tromble Bay Farms  
Partner, Fernelius Ford*

**FRANCIS J. VANANTWERP, JR.**

*Vice President, Durocher Marine Division  
Kokosing Construction Company, Inc.*

**DIRECTORS EMERITI**

**THOMAS A. ELLENBERGER**

**JOHN P. WARD**

**JAMES C. CONBOY, JR.**

**KATHLEEN M. DARROW**

**CNB CORPORATION OFFICERS**

**VINCENT J. HILLESHEIM** - *Chairman*

**SUSAN A. ENO** - *President & Chief Executive Officer*

**DOUGLAS W. DAMM** - *Senior Vice President*

**SHANNA L. HANLEY** - *Treasurer*

**REBECCA L. TOMASKI** - *Secretary*

**CITIZENS NATIONAL BANK OFFICERS**

**VINCENT J. HILLESHEIM** - *Chairman*

**SUSAN A. ENO** - *President & Chief Executive Officer*

**DOUGLAS W. DAMM** - *Executive Vice President*

**SHANNA L. HANLEY** - *Senior Vice President & Chief Financial Officer*

**VICTORIA J. HAND** - *Senior Vice President & Cashier*

**MARIAN L. HARRISON** - *Senior Vice President - Commercial Loans*

**STEPHEN J. CRUSOE** - *Vice President - Mortgage Loans*

**CYRIL S. DRIER** - *Vice President - Commercial Loans*

**THOMAS A. MCKINLEY** - *Vice President - Commercial Loans*

**MATTHEW J. KAVANAUGH** - *Assistant Vice President &  
Branch Manager - Indian River*

**NANCY K. LINDSAY** - *Assistant Vice President - Marketing*

**ADAM M. NEWMAN** - *Assistant Vice President - Information Technology*

**DARREN SELDEN** - *Assistant Vice President & Branch Manager - Onaway*

**RANDY J. MALTBY** - *Technology Officer*

**SHARON L. COPPERNOLL** - *Loan Officer*

**NICOLE M. DRAKE** - *Banking Officer - Commercial Loans*

**NANCY A. STEMPKY** - *Manager of Internal Audit*

**GINA L. EUSTICE** - *Credit Manager*

**TRISHA M. DOBIAS** - *Human Resources Officer*

*Citizens National Bank has offices in:*

*Cheboygan • Onaway • Mackinaw City  
Pellston • Indian River • Alanson • Gaylord*

*You can also visit our website at*

**[www.CNBisMyBank.com](http://www.CNBisMyBank.com)**

**Member  
FDIC**

September 30, 2013

**STATEMENT OF  
CONDITION**



*our 83 year tradition continues*



October 18, 2013

Dear Shareholders,

We are pleased to announce the third quarter 2013 results continue to be very positive. Net income for the first nine months of 2013 was \$2,427,000, or earnings of \$2.00 per share; compared to \$1,039,000, or earnings of \$0.86 per share for the same period last year, an increase of 134%. While there were a number of extraordinary events during 2013 that contributed to the increase, there was also growth in core earnings.

Highlights of financial performance for the first nine months of 2013 follows:

- Total assets declined by \$12.4 million from the same period in 2012. The decline is, in part, the result of the reduction in total deposits as depositors moved funds from insured depository institutions back into the market in response to continued low interest rates. Another factor was the resolution and distribution of the Cheboygan Memorial Hospital sale proceeds, which had been held in escrow.
- Loans grew from \$110.8 million at September 30, 2012 to \$119.3 million at September 30, 2013, an increase of 7.66%. The growth in loans was a result of strategic initiatives implemented earlier in the year to enhance interest income.
- The continued decline in problem loans resulted in a \$400,000 reversal to the allowance for loan loss provision.
- Additionally, the Freddie Mac preferred stock, which was written down in September 2008, was sold resulting in a recovery of \$336,000.

As mentioned in my second quarter message, dividends to shareholders will continue to be a priority and the next dividend will be considered based on the analysis of financial performance at the conclusion of 2013. It is anticipated that earnings will continue to improve, allowing for the payment of modest dividends into the future, as well as the ability to build our capital base in order to reinvest in the company's long-term growth.

In late September a new loan production office was opened in downtown Gaylord at the corner of Main Street and Otsego Avenue. Response from that community has been positive and it is expected the office will be a source of new loan opportunities. Please feel free to stop in and see the new office.

I would also like to take this opportunity to recognize the retirement of Assistant Vice President Sally LaCross from Citizens National Bank after more than 36 years of service. We wish Sally a long, happy and healthy retirement!

On a sad note I also report that Lyle McKinley, one of my predecessors and director emeriti, passed away on August 24. Lyle retired as President and CEO in 1988, a position he held for over 20 years.

Sincerely,

Susan A. Eno  
President & CEO

### CONSOLIDATED BALANCE SHEET

(UNAUDITED)

In thousands of dollars

	September 30,	
	2013	2012
<b>ASSETS</b>		
Cash and due from banks .....	\$ 6,781	\$ 3,913
Interest-bearing deposits with other financial institutions .....	3,453	14,389
Federal funds sold .....	0	0
Total cash and cash equivalents .....	10,234	18,302
Time deposits with other financial institutions .....	12,314	14,040
Securities available for sale .....	88,578	98,955
Securities held to maturity .....	5,796	4,572
<i>(Market value of \$6,055 in 2013 and \$4,991 in 2012)</i>		
Other securities .....	997	997
Total investment securities .....	95,371	104,524
Loans .....	119,294	110,811
Less: allowance for loan losses .....	(3,065)	(3,568)
Net loans .....	116,229	107,243
Premises and equipment, net .....	5,068	5,220
Other assets .....	10,479	12,809
Total assets .....	<u>\$249,695</u>	<u>\$262,138</u>
<b>LIABILITIES</b>		
Deposits:		
Noninterest-bearing demand .....	\$ 54,357	\$ 53,630
Interest-bearing deposits .....	170,821	185,472
Total deposits .....	225,178	239,102
Other liabilities .....	4,328	4,242
Total liabilities .....	229,506	243,344
<b>SHAREHOLDERS' EQUITY</b>		
Common Stock .....	3,030	3,030
Surplus .....	19,498	19,498
Retained Earnings and Accumulated other Comprehensive Income/(Loss) .....	(2,339)	(3,734)
Total shareholders' equity .....	<u>20,189</u>	<u>18,794</u>
Total liabilities and shareholders' equity .....	<u>\$249,695</u>	<u>\$262,138</u>

### CONSOLIDATED STATEMENT OF INCOME

(UNAUDITED)

In thousands of dollars, except per share data

	For the nine months ended September 30,		
	2013	2012	2011
<b>INTEREST INCOME</b>			
Interest and fees on loans .....	\$ 4,904	\$ 5,355	\$ 5,864
Interest on securities:			
Taxable .....	687	606	784
Tax exempt .....	200	246	356
Other interest income .....	119	166	160
Total interest income .....	5,910	6,373	7,164
<b>INTEREST EXPENSE ON DEPOSITS</b>	606	825	1,148
<b>NET INTEREST INCOME</b> .....	5,304	5,548	6,016
Provision for loan losses .....	(400)	960	1,975
<b>NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES</b> .....	5,704	4,588	4,041
<b>NONINTEREST INCOME</b>			
Service charges and fees .....	717	753	775
Net realized gains from sale of loans .....	414	514	130
Loan servicing fees, net of amortization .....	47	(2)	65
Gain on the sale of assets .....	215	412	23
Gain on life insurance proceeds .....	120	0	0
Gain on sale of investment securities .....	1,754	274	0
Other income .....	282	339	366
Total noninterest income .....	3,549	2,290	1,359
<b>NONINTEREST EXPENSES</b>			
Salaries and benefits .....	3,392	3,099	2,977
Occupancy .....	757	706	749
FDIC insurance premiums .....	260	258	316
Expenses relating to ORE property .....	7	(67)	1,664
Securities impairment write-downs .....	0	0	470
Other Expenses .....	1,380	1,498	1,562
Total noninterest expenses .....	5,796	5,494	7,738
<b>INCOME/(LOSS) BEFORE INCOME TAXES</b> .....	3,457	1,384	(2,338)
Income tax expense/(benefit) .....	1,030	345	(949)
<b>NET INCOME/(LOSS)</b> .....	<u>\$ 2,427</u>	<u>\$ 1,039</u>	<u>\$ (1,389)</u>
<b>BASIC NET INCOME/LOSS PER SHARE</b> ..	<u>\$ 2.00</u>	<u>\$ 0.86</u>	<u>\$ (1.15)</u>