



February 6, 2009

Dear Shareholders,

The unprecedented financial crisis of 2008 will go down in history as one of the most challenging years on record for the financial markets and, unfortunately, for Citizens National Bank as well. As a subsidiary of CNB Corporation, the bank's performance directly impacts the performance of the corporation. Although the bank is reporting a large net loss for the year, "core" earnings remained strong. Had it not been for the investment and loan write downs, earnings for 2008 would have been near 2007's net income of \$3.1 million.

As reflected in the accompanying Statement of Condition, net income for the fourth quarter of 2008 includes a "pre-tax" write down on Money Market Preferred (MMP) investment securities in the amount of \$5.2 million as a result of an "other-than-temporary" decline in the fair market value. The decline in fair value is due to the overall credit crisis, deterioration within the financial markets and lack of a market for these types of securities. This write down, plus the securities charges incurred in previous quarters, brings the aggregate impairment write-down of available-for-sale MMP securities to \$7.1 million for the year ended December 31, 2008. The bank intends to hold the MMP investment securities anticipating the market will eventually return to a reasonable level and in spite of the decline in value the securities have been paying a dividend.

Loan quality remains a major concern and has negatively impacted earnings during 2008. The provision for loan losses in 2008 was \$1.8 million compared to \$275,000 in 2007; with actual loan losses for 2008 totaling \$1.6 million compared to \$126,000 for 2007. We continue to be vigilant in the identification and management of problem assets recognizing that borrowers are facing ever-increasing challenges due to the financial crisis. Nonaccrual loans continue to increase, many having already been identified with workout plans in place and actions taken to minimize losses. We will continue to pursue every opportunity to mitigate risk with existing borrowers, while continuing to book new loans, albeit with an increasingly conservative posture.

Further investment losses are expected to be minimal; however, further deterioration of the loan portfolio is likely to occur in the months ahead, although, we believe adherence to loan administration policies and practices will help lessen the economy's impact on financial results.

Projections for 2009 include continued challenges and efforts remain focused on controlling operations, as we cannot control the external environment. As an example, the FDIC premium in 2009 is expected to be in excess of \$500,000 in response to the increase in coverage for depositors. To help offset increased expenses, all officer bonuses for 2008 were suspended and 2009 management salaries and director fees were frozen at 2008 levels.

I have included a further explanation of the investment securities write-down in a question and answer format, and invite additional questions you might have.

I look forward to seeing you at the shareholder meeting on May 19, 2009.

Sincerely,

A handwritten signature in black ink that reads "Susan A. Eno". The signature is written in a cursive, flowing style.

Susan A. Eno
President & CEO

enclosures