

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

VINCENT J. HILLESHEIM

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

STEVEN J. BAKER, D.V.M.

Retired, Indian River Veterinary Clinic

JAMES C. CONBOY, JR.

*Senior Advisor,
Citizens National Bank*

KATHLEEN M. DARROW

*President, Darrow Bros. Excavating, Inc.
Retired Group Sales & Special Events
Coordinator for the Mackinac State Historic Parks*

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
Co-Owner, Log Mark Bookstore*

R. JEFFERY SWADLING

Vice President, Ken's Village Market

FRANCIS J. VANANTWERP, JR.

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

DIRECTORS EMERITI

LYLE MCKINLEY

THOMAS A. ELLENBERGER

JOHN P. WARD

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 AND COMMUNITY ADVISORS**

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*

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

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

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

VICTORIA J. HAND - *Vice President & Cashier*

SUSAN L. CASWELL - *Assistant Vice President*

SALLY J. LACROSS - *Assistant Vice President*

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

RANDY J. MALTBY - *Technology Officer*

SUSAN J. CLEARY - *Loan Officer*

MICHELLE J. OSTWALD - *Loan Officer*

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

DARREN M. SELDEN - *Banking Officer - Collections*

NANCY A. STEMPKY - *Manager of Internal Audit*

FLORENCE CASWELL - *Assistant Loan Operations Officer*

GINA L. EUSTICE - *Credit Manager*

Indian River

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

PAUL FISHER - *Community Advisor*

LISA RENAUD-LAPRAIRIE - *Community Advisor*

Mackinaw City

SUSAN M. BRANDT - *Banking Officer & Branch Manager*

DEAN SCHEERENS - *Community Advisor*

JAMES E. TAMLYN - *Community Advisor*

Pellston

LORA CLOUSER - *Banking Officer & Branch Manager*

KELLEY ATKINS - *Community Advisor*

RICHARD CONRAD - *Community Advisor*

Onaway

LAURA L. SHACK - *Banking Officer & Branch Manager*

Alanson

LORA CLOUSER - *Banking Officer & Branch Manager*

June 30, 2010

**STATEMENT OF
CONDITION**



our 79 year tradition continues



August 16, 2010

Dear Shareholder,

I am pleased to report performance for the first six months of 2010 resulted in continued financial improvement for the Corporation and its wholly owned subsidiary, Citizens National Bank. This was accomplished in spite of Michigan's economy which is beginning to show very slow signs of improvement; reflecting our ability to adapt in a very challenging economy.

Highlights of the bank's financial performance for the second quarter ending June 30, 2010 follow:

- Year-to-date earnings, excluding income taxes as well as life insurance proceeds of \$189,000, resulted in core earnings of \$712,000, compared to core earnings of \$571,000 in 2009 when the adjustment for the gain on sale of an investment security of \$620,000 is excluded. The \$712,000 for 2010, compared to \$571,000 for 2009, is an increase of 24.7% in core earnings and a per share increase of \$0.11.
- Provision for loan losses expense was \$375,000, compared to \$500,000 in the second quarter of 2009, a reduction of 25%, reflecting a continued improvement in the loan portfolio.
- FDIC premiums at \$262,000, were down from the \$374,000 paid in the second quarter of 2009, yet were substantially higher than the traditional FDIC premium expense of \$33,000 paid in the second quarter of 2008. Higher premiums are anticipated for the next several years.
- Assets continue to decline as a result of minimal loan demand and historic low interest rates. Total assets were \$245 million compared to \$258 million for the second quarter of 2009, a reduction of 5%.
- Net loans were \$141.7 million, compared to \$162.2 million for the same period in 2009; a reduction of 12.5%. The loan portfolio continues to shrink due to economic conditions.
- Deposits declined by \$14 million to \$219.3 million, a reduction of 5.8%, comparing second quarter 2010 to the same period in 2009. Depositors are seeking higher-yielding opportunities and moving money back into the market, as well as paying off debt.
- Shareholder equity increased to \$21.1 million on June 30, 2010, compared to \$19.3 million on June 30, 2009, a 9.3% increase or \$1.50 per share.

You can also track stock activity and access financial information about the Corporation on the Over the Counter Bulletin Board at www.otcbb.com. Our symbol is CNBZ.

As I predicted at the May 18, 2010 annual meeting of shareholders the Dodd-Frank Wall Street Reform and Consumer Protection Act was signed into law by President Obama on July 21, 2010 and the over 5,000 pages of new regulations will be rolled out over the next five years. The legislation does contain several key reform provisions that bankers support; but, it also contains a number of onerous rules and restrictions that will be imposed on community banks that had no role in causing the financial crisis. It is anticipated this new legislation will affect consumers, businesses and the broader economy, as well as banks.

On a sad note I also report to you that retired director, John Ormsbee, passed away on June 3rd. John served on our board of directors for almost 30 years and will be remembered for his unyielding support of our shareholders as well as for his kind-heart and generous spirit. He is missed by all of us at the bank.

Sincerely,

Susan A. Eno
President & CEO

CONSOLIDATED BALANCE SHEET (UNAUDITED)

In thousands of dollars

	June 30,	
	2010	2009
ASSETS		
Cash and due from banks	\$ 2,566	\$ 8,810
Interest-bearing deposits with other financial institutions	15,954	0
Federal funds sold	0	8,915
Total cash and cash equivalents	18,520	17,725
Time Deposits with other financial institutions	8,795	6,792
Securities available for sale	48,768	44,150
Securities held to maturity <i>(Market value of \$8,177 in 2010 and \$8,282 in 2009)</i>	7,825	8,652
Other securities	1,008	1,008
Total investment securities	57,601	53,810
Loans	142,927	164,443
Less: allowance for loan losses	(1,215)	(2,212)
Net loans	141,712	162,231
Premises and equipment, net	5,717	6,006
Other assets	12,652	11,385
Total assets	\$244,997	\$257,949
LIABILITIES		
Deposits:		
Noninterest-bearing demand	\$ 39,879	\$ 41,252
Interest-bearing deposits	179,477	191,689
Total deposits	219,356	232,941
Other liabilities	4,563	5,730
Total liabilities	223,919	238,671
SHAREHOLDERS' EQUITY		
Common Stock	3,030	3,034
Surplus	19,498	19,509
Retained Earnings and Accumulated other Comprehensive Income / (Loss)	(1,450)	(3,265)
Total shareholders' equity	21,078	19,278
Total liabilities and shareholders' equity	\$244,997	\$257,949

CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

In thousands of dollars, except per share data

	For the six months ended June 30,		
	2010	2009	2008
INTEREST INCOME			
Interest and fees on loans	\$ 4,466	\$ 5,234	\$ 6,040
Interest on securities:			
Taxable	476	751	927
Tax exempt	278	254	280
Other interest income	115	119	220
Total interest income	5,335	6,358	7,467
INTEREST EXPENSE ON DEPOSITS	1,129	1,921	2,556
NET INTEREST INCOME	4,206	4,437	4,911
Provision for loan losses	375	500	731
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	3,831	3,937	4,180
NONINTEREST INCOME			
Service charges and fees	515	542	583
Net realized gains from sale of loans	80	272	83
Loan servicing fees, net of amortization	45	(75)	60
Gains on life insurance proceeds	189	0	0
Gain on sale of investment securities	5	620	0
Other income	170	191	120
Total noninterest income	1,004	1,550	846
NONINTEREST EXPENSES			
Salaries and benefits	1,959	2,076	2,198
Occupancy	496	546	551
FDIC insurance premiums	262	374	33
Expenses relating to ORE property	265	288	113
Other Expenses	952	1,012	986
Total noninterest expenses	3,934	4,296	3,881
INCOME (LOSS) BEFORE INCOME TAXES	901	1,191	1,145
Income tax expense (benefit)	129	64	216
NET INCOME	\$ 772	\$ 1,127	\$ 929
BASIC NET INCOME (LOSS) PER SHARE	\$ 0.64	\$ 0.93	\$ 0.77