

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.

*Retired President & CEO
CNB Corporation and
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

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*

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

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*

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

LORA CLOUSER - *Banking Officer &
Branch Manager - Alanson & Pellston*

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

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

DARREN M. SELDEN - *Banking Officer - Collections*

NANCY A. STEMPKY - *Manager of Internal Audit*

FLORENCE CASWELL - *Assistant Loan Operations Officer*

GINA L. EUSTICE - *Credit Manager*

Citizens National Bank has offices in:

Cheboygan • Onaway • Mackinaw City

Pellston • Indian River • Alanson



You can also visit our website at
www.CNBisMyBank.com



March 31, 2011

STATEMENT OF CONDITION



our 80 year tradition continues



May 13, 2011

Dear Shareholder,

The financial results for the first quarter 2011 reflect the costs associated with eliminating problem loans, which has and continues to be our top priority. Steady progress has been made in this area and it is anticipated improvements will continue through 2011.

Highlights of Citizens National Bank's financial performance for the first three months of 2011 follows:

- Assets totaled \$256.3 million, a 2.6% increase from March 31, 2010.
- Loans decreased by \$23.0 million or 15.4% from March 31, 2010. Opportunities for acceptable loans continue to be minimal.
- Deposits increased by \$6.2 million, or 2.8%, to \$231.0 million at March 31, 2011 from \$224.8 million at March 31, 2010.
- As a result of the increase in deposits and decrease in loans, securities increased by \$24.0 million, or 39.7%, to \$84.6 million at March 31, 2011.
- Provision expense of \$300,000 was recorded in the first three months of 2011 to maintain an acceptable loan loss allocation, an increase of \$75,000 compared to the 2010 first quarter provision.
- Net income was \$184,000, compared to \$225,000, and net income per share was \$0.15, compared to \$0.19, for the first three months of 2010.

In spite of the problem loan issues, the Bank remains well capitalized with strong core deposits, excess liquidity and money to lend.

I would like to take this opportunity to thank Kelley Atkins, Richard Conrad, Paul Fisher, Lisa Renaud-LaPrairie, Dean Scheerens and James Tamlyn for their many years as community advisors. The decision has been made to disband the advisory committee structure and going forward Citizens National Bank will be conducting annual customer forums in each of the communities served by the Bank. Additionally, on January 1, 2011, James C. Conboy, Jr. relinquished his position as Senior Advisor to Management, but he continues to serve as a director on both the CNB Corporation and Citizens National Bank Boards of Directors.

We look forward to seeing you at the Annual Meeting of Shareholders on May 17th at 7:00 p.m.

Sincerely,

Susan A. Eno
President & CEO

CONSOLIDATED BALANCE SHEET

(UNAUDITED)

In thousands of dollars

	March 31,	
ASSETS	2011	2010
Cash and due from banks	\$ 2,901	\$ 3,134
Interest-bearing deposits with other financial institutions	14,899	12,703
Federal funds sold	0	0
Total cash and cash equivalents	17,800	15,837
Time Deposits with other financial institutions	9,791	8,532
Securities available for sale	75,392	49,597
Securities held to maturity	8,177	9,943
<i>(Market value of \$8,546 in 2011 and \$10,495 in 2010)</i>		
Other securities	999	1,008
Total investment securities	84,568	60,548
Loans	126,132	149,153
Less: allowance for loan losses	(1,845)	(3,038)
Net loans	124,287	146,115
Premises and equipment, net	5,398	5,806
Other assets	14,437	12,915
Total assets	<u>\$256,281</u>	<u>\$249,753</u>
LIABILITIES		
Deposits:		
Noninterest-bearing demand	\$ 38,553	\$ 37,920
Interest-bearing deposits	192,475	186,915
Total deposits	231,028	224,835
Other liabilities	4,300	4,421
Total liabilities	235,328	229,256
SHAREHOLDERS' EQUITY		
Common Stock	3,030	3,034
Surplus	19,499	19,509
Retained Earnings and Accumulated other Comprehensive Income / (Loss)	(1,576)	(2,046)
Total shareholders' equity	20,953	20,497
Total liabilities and shareholders' equity	<u>\$256,281</u>	<u>\$249,753</u>

CONSOLIDATED STATEMENT OF INCOME

(UNAUDITED)

In thousands of dollars, except per share data

	For the three months ended March 31,		
INTEREST INCOME	2011	2010	2009
Interest and fees on loans	\$ 1,938	\$ 2,234	\$ 2,597
Interest on securities:			
Taxable	281	215	419
Tax exempt	129	145	129
Other interest income	57	59	62
Total interest income	2,405	2,653	3,207
INTEREST EXPENSE ON DEPOSITS	406	587	989
NET INTEREST INCOME	1,999	2,066	2,218
Provision for loan losses	300	225	275
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	1,699	1,841	1,943
NONINTEREST INCOME			
Service charges and fees	237	246	264
Net realized gains from sale of loans	27	30	88
Loan servicing fees, net of amortization	23	20	(48)
Other income	127	82	77
Total noninterest income	414	378	381
NONINTEREST EXPENSES			
Salaries and benefits	962	984	1,045
Occupancy	264	256	290
FDIC insurance premiums	139	128	100
ORE losses and carrying costs	40	114	42
Other Expenses	511	486	473
Total noninterest expenses	1,916	1,968	1,950
INCOME BEFORE INCOME TAXES	197	251	374
Income tax expense	13	26	52
NET INCOME	<u>\$ 184</u>	<u>\$ 225</u>	<u>\$ 322</u>
BASIC NET INCOME PER SHARE	\$ 0.15	\$ 0.19	\$ 0.27