

**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  
Former 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. STEMPEY - *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**



June 30, 2011

**STATEMENT OF  
CONDITION**



*our 80 year tradition continues*



August 1, 2011

**CONSOLIDATED BALANCE SHEET**

(UNAUDITED)

*In thousands of dollars*

	June 30,	
	2011	2010
<b>ASSETS</b>		
Cash and due from banks .....	\$ 3,842	\$ 2,566
Interest-bearing deposits with other financial institutions .....	11,082	15,954
Federal funds sold .....	0	0
Total cash and cash equivalents .....	14,924	18,520
Time Deposits with other financial institutions .....	9,806	8,795
Securities available for sale .....	71,065	48,768
Securities held to maturity .....	7,116	7,825
<i>(Market value of \$7,699 in 2010 and \$8,177 in 2010)</i>		
Other securities .....	997	1,008
Total investment securities .....	79,178	57,601
Loans .....	126,954	142,927
Less: allowance for loan losses .....	(2,090)	(1,215)
Net loans .....	124,864	141,712
Premises and equipment, net .....	5,334	5,717
Other assets .....	14,149	12,652
Total assets .....	<u>\$248,255</u>	<u>\$244,997</u>
<b>LIABILITIES</b>		
Deposits:		
Noninterest-bearing demand .....	\$ 46,631	\$ 39,879
Interest-bearing deposits .....	175,970	179,477
Total deposits .....	222,601	219,356
Other liabilities .....	4,353	4,563
Total liabilities .....	226,954	223,919
<b>SHAREHOLDERS' EQUITY</b>		
Common Stock .....	3,030	3,030
Surplus .....	19,499	19,499
Retained Earnings and Accumulated other Comprehensive Income / (Loss) .....	(1,228)	(1,451)
Total shareholders' equity .....	<u>21,301</u>	<u>21,078</u>
Total liabilities and shareholders' equity .....	<u>\$248,255</u>	<u>\$244,997</u>

**CONSOLIDATED STATEMENT OF INCOME**

(UNAUDITED)

*In thousands of dollars, except per share data*

	For the six months ended June 30,		
	2011	2010	2009
<b>INTEREST INCOME</b>			
Interest and fees on loans .....	\$ 3,884	\$ 4,466	\$ 5,234
Interest on securities:			
Taxable .....	549	476	751
Tax exempt .....	246	278	254
Other interest income .....	106	115	119
Total interest income .....	4,785	5,335	6,358
<b>INTEREST EXPENSE ON DEPOSITS</b>	792	1,129	1,921
<b>NET INTEREST INCOME</b> .....	3,993	4,206	4,437
Provision for loan losses .....	700	375	500
<b>NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES</b> .....	3,293	3,831	3,937
<b>NONINTEREST INCOME</b>			
Service charges and fees .....	498	515	542
Net realized gains from sale of loans .....	67	80	272
Loan servicing fees, net of amortization .....	46	45	(75)
Gains on life insurance proceeds .....	0	189	0
Gain on sale of investment securities .....	0	5	620
Other income .....	274	170	191
Total noninterest income .....	885	1,004	1,550
<b>NONINTEREST EXPENSES</b>			
Salaries and benefits .....	1,966	1,959	2,076
Occupancy .....	502	496	546
FDIC insurance premiums .....	219	262	374
Expenses relating to ORE property .....	204	265	288
Other Expenses .....	1,038	952	1,012
Total noninterest expenses .....	3,929	3,934	4,296
<b>INCOME BEFORE INCOME TAXES</b> .....	249	901	1,191
Income tax expense .....	(33)	129	64
<b>NET INCOME</b> .....	<u>\$ 282</u>	<u>\$ 772</u>	<u>\$ 1,127</u>
<b>BASIC NET INCOME PER SHARE</b> .....	\$ 0.23	\$ 0.64	\$ 0.93

Dear Shareholder,

As reflected on the consolidated financial statement accompanying this message, management's efforts during the first six months of 2011 have been focused on problem loan resolution. After three years of working through these problem loans the strategy now is to move deliberately toward final resolution by year-end, where possible. This will include writing down balances and acknowledging additional loan loss provision on some loans, along with loan charge-offs, as well as liquidating the remaining bank-owned real estate. This strategy, admittedly, will likely have a negative impact on earnings. However, looking beyond 2011, this will allow management to focus on growing the bank and support improved earnings in 2012; moving the corporation closer to its goal of resuming the payment of dividends on a sustainable basis.

In spite of the challenges presented by the problem loans, there is cause for optimism; core earnings have remained strong. Had the \$700,000 loan loss provision and the \$248,000 in maintenance, insurance, taxes and attorney fees associated with problem loans through June 30, 2011 not been necessary, these amounts would have been included in earnings and resulted in after-tax net income of approximately \$908,000, or a 0.72% return on assets. Applying this same methodology to financial performance in 2009 and 2010, core earnings would have been at a comparable level and returning to this level of profitability remains a primary goal. Additionally, summer has arrived in northern Michigan and early indications are it is going to be a good one!

As always, my door is open and I continue to encourage shareholders to stop by or call if you have any questions, comments or concerns.

Sincerely,

Susan A. Eno  
President & CEO