

**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**

**LYLE MCKINLEY**

**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*

**SALLY J. LACROSS** - *Assistant Vice President*

**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**

*You can also visit our website at*

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



June 30, 2013

**STATEMENT OF  
CONDITION**



*our 83 year tradition continues*



August 14, 2013

Dear Shareholders,

During the second quarter there were several extraordinary events that had a positive impact on financial performance. Namely:

- the sale of the foreclosed bank-owned estate home on Burt Lake resulting in a gain of \$200,000;
- settlement of the asset purchase proceeds remaining from the sale of Cheboygan Memorial Hospital resulting in an additional recovery of \$788,000, with residual income of a minimal amount to be received over the next few years as outstanding accounts receivables are collected; and
- the sale of a portion of the Freddie Mac preferred stock which was written down in September 2008 when Freddie Mac went into conservatorship, resulting in a recovery of \$202,400.

Given this activity I am pleased to report that a dividend of \$0.10 per share has been paid to shareholders as of the record date July 11. This long-awaited dividend signals the return to profitability that management has been working toward for the past five years. However, I also want you to be aware the next dividend will be considered based on the analysis of financial performance at the conclusion of 2013. Recognizing the need to be cognizant of maintaining capital at an appropriate level as well as reinvesting in the company's long-term growth, future dividend amounts will likely be more modest than those paid prior to 2008.

Those of you who attended the annual meeting of shareholders are aware of the strategic initiative to grow loans by expanding into surrounding markets. In doing so it became evident to take advantage of opportunities that exist in the Gaylord market Citizens National Bank has to establish a presence in the community. It was determined a loan production office is the best option and plans are underway to open that office on Gaylord's Main Street, with a target date of October 1, 2013. Additionally, I am pleased to announce that we have hired Thomas A. McKinley as Vice President, Commercial Loans to work out of the Gaylord office. Tom was born and raised in Cheboygan, beginning his banking career at Citizens National Bank. He was most recently affiliated with a bank in Gaylord and has lived in that community for more than 10 years.

I would also like to take this opportunity to recognize several retirements. Kathleen M. Darrow retired as a director from both CNB Corporation and Citizens National Bank on May 21, 2013, after serving on the board since 1995, pursuant to a board policy relating to the maximum age of directors. We are so thankful for Katie's service and wish her all the best. During the second quarter a number of long-time employees also retired from the bank, including: Assistant Vice President Susan L. Caswell who had 45 years of service; Loan Officer Susan J. Cleary with 49 years of service; Banking Associate Diane Mushlock with over 34 years of service; and, Ronald Rose, who worked in maintenance and as a courier, retired after 33 years of service. These individuals were an integral part of the bank and their dedication to Citizens National Bank is appreciated. While they are missed by their fellow employees and many long-time customers, our hope for each of them is a happy and healthy retirement. Also, I am pleased to announce the promotion of Victoria J. Hand to Senior Vice President & Cashier during the second quarter.

Sincerely,

Susan A. Eno  
President & CEO

**CONSOLIDATED BALANCE SHEET**  
(UNAUDITED)

*In thousands of dollars*

	June 30,	
	2013	2012
<b>ASSETS</b>		
Cash and due from banks .....	\$ 7,546	\$ 4,056
Interest-bearing deposits with other financial institutions .....	3,207	14,099
Federal funds sold .....	838	0
Total cash and cash equivalents .....	11,591	18,155
Time deposits with other financial institutions .....	13,448	14,469
Securities available for sale .....	91,601	82,156
Securities held to maturity .....	5,270	4,030
<i>(Market value of \$5,597 in 2013 and \$4,456 in 2012)</i>		
Other securities .....	997	997
Total investment securities .....	97,868	87,183
Loans .....	115,711	118,174
Less: allowance for loan losses .....	(3,457)	(3,978)
Net loans .....	112,254	114,196
Premises and equipment, net .....	5,045	5,307
Other assets .....	11,738	12,916
Total assets .....	<u>\$251,944</u>	<u>\$252,226</u>
<b>LIABILITIES</b>		
Deposits:		
Noninterest-bearing demand .....	\$ 56,021	\$ 54,713
Interest-bearing deposits .....	171,469	174,664
Total deposits .....	227,490	229,377
Other liabilities .....	4,410	4,394
Total liabilities .....	231,900	233,771
<b>SHAREHOLDERS' EQUITY</b>		
Common Stock .....	3,030	3,030
Surplus .....	19,499	19,499
Retained Earnings and Accumulated other Comprehensive Loss .....	(2,485)	(4,074)
Total shareholders' equity .....	<u>20,044</u>	<u>18,455</u>
Total liabilities and shareholders' equity .....	<u>\$251,944</u>	<u>\$252,226</u>

**CONSOLIDATED STATEMENT OF INCOME**  
(UNAUDITED)

*In thousands of dollars, except per share data*

	For the six months ended June 30,		
	2013	2012	2011
<b>INTEREST INCOME</b>			
Interest and fees on loans .....	\$ 3,237	\$ 3,637	\$ 3,884
Interest on securities:			
Taxable .....	428	385	549
Tax exempt .....	138	169	246
Other interest income .....	84	108	106
Total interest income .....	<u>3,887</u>	<u>4,299</u>	<u>4,785</u>
<b>INTEREST EXPENSE ON DEPOSITS</b>	<u>455</u>	<u>555</u>	<u>792</u>
<b>NET INTEREST INCOME</b> .....	3,432	3,744	3,993
Provision for loan losses .....	0	860	700
<b>NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES</b> .....	<u>3,432</u>	<u>2,884</u>	<u>3,293</u>
<b>NONINTEREST INCOME</b>			
Service charges and fees .....	457	488	498
Net realized gains from sale of loans .....	320	338	67
Loan servicing fees, net of amortization .....	17	(8)	46
Gain on the sale of assets .....	203	400	0
Gain on sale of investment securities .....	1,563	274	0
Other income .....	162	210	274
Total noninterest income .....	<u>2,722</u>	<u>1,702</u>	<u>885</u>
<b>NONINTEREST EXPENSES</b>			
Salaries and benefits .....	2,211	2,050	1,966
Occupancy .....	502	468	502
FDIC insurance premiums .....	175	177	219
Expenses relating to ORE property .....	(28)	(10)	204
Other Expenses .....	936	1,003	1,038
Total noninterest expenses .....	<u>3,796</u>	<u>3,688</u>	<u>3,929</u>
<b>INCOME BEFORE INCOME TAXES</b> .....	2,358	898	249
Income tax expense / (benefit) .....	735	221	(33)
<b>NET INCOME</b> .....	<u>\$ 1,623</u>	<u>\$ 677</u>	<u>\$ 282</u>
<b>BASIC NET INCOME PER SHARE</b> .....	<u>\$ 1.34</u>	<u>\$ 0.56</u>	<u>\$ 0.23</u>