



May 2, 2014

Dear Shareholder:

For the first quarter of 2014 the financial results of the Corporation and its subsidiary, Citizens National Bank, were positive and it is anticipated core earnings will continue to improve through 2014. As reported in the past several quarters, high quality loans remain the key to improving income.

Highlights of financial performance for the first three months of 2014 are outlined below:

- Loans increased by \$7.0 million over March 31, 2013, an increase of 6.37%. When compared to most financial institutions that continue to experience challenges in growing their loan portfolio, the bank's loan growth has been positive.
- Total assets were \$251.0 million, a reduction of \$5.7 million or 2.22%, when compared to March 31, 2013.
- Deposits declined by \$8.0 million or 3.42%, when compared to March 31, 2013, a factor in the reduction of total assets. The decline in deposits is due largely to the continued low interest rate cycle.
- Net interest income was \$1.9 million, an increase of 8.53% when compared to net interest income of \$1.7 million at March 31, 2013, a reflection the emphasis on loans is having the desired impact of improving interest income.

Maximizing shareholder return continues to be the primary goal, including the payment of dividends. As mentioned in prior statements, dividends will be considered on a semi-annual basis, at least through 2014, recognizing the need to be conscientious about restoring capital to reinvest in the long-term growth of the Corporation.

As a reminder the Annual Meeting of Shareholders is scheduled for Tuesday, May 20th at 7:00 p.m. I hope to see you there.

Sincerely,

Susan A. Eno  
President & CEO

### CONSOLIDATED BALANCE SHEET

(UNAUDITED)

In thousands of dollars

	March 31,	
ASSETS	2014	2013
Cash and due from banks .....	\$ 11,942	\$ 10,200
Interest-bearing deposits with other financial institutions .....	5,162	3,078
Federal funds sold .....	0	0
Total cash and cash equivalents .....	17,104	13,278
Time deposits with other financial institutions .....	10,315	14,262
Securities available for sale .....	86,436	97,739
Securities held to maturity .....	5,699	6,482
<i>(Market value of \$5,975 in 2014 and \$6,851 in 2013)</i>		
Other securities .....	997	997
Total investment securities .....	93,132	105,218
Loans .....	117,255	110,238
Less: allowance for loan losses .....	(2,661)	(3,637)
Net loans .....	114,594	106,601
Premises and equipment, net .....	5,390	5,108
Other assets .....	10,437	12,216
Total assets .....	\$250,972	\$256,683
<b>LIABILITIES</b>		
Deposits:		
Noninterest-bearing demand .....	\$ 55,711	\$ 54,081
Interest-bearing deposits .....	169,299	178,886
Total deposits .....	225,010	232,967
Other liabilities .....	4,251	4,228
Total liabilities .....	229,261	237,195
<b>SHAREHOLDERS' EQUITY</b>		
Common Stock .....	3,030	3,030
Surplus .....	19,499	19,499
Retained Earnings and Accumulated other Comprehensive Income/(Loss) .....	(818)	(3,041)
Total shareholders' equity .....	21,711	19,488
Total liabilities and shareholders' equity .....	\$250,972	\$256,683

### CONSOLIDATED STATEMENT OF INCOME

(UNAUDITED)

In thousands of dollars, except per share data

	For the three months ended March 31,		
INTEREST INCOME	2014	2013	2012
Interest and fees on loans .....	\$ 1,606	\$ 1,613	\$ 1,855
Interest on securities:			
Taxable .....	263	217	196
Tax exempt .....	63	70	86
Other interest income .....	31	45	55
Total interest income .....	1,963	1,945	2,192
<b>INTEREST EXPENSE ON DEPOSITS</b> .....	105	233	284
<b>NET INTEREST INCOME</b> .....	1,858	1,712	1,908
Provision for loan losses .....	0	0	710
<b>NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES</b> .....	1,858	1,712	1,198
<b>NONINTEREST INCOME</b>			
Service charges and fees .....	213	220	232
Net realized gains from sale of loans .....	77	160	160
Loan servicing fees, net of amortization .....	33	4	2
Gain on the sale of other real estate owned .....	204	0	400
Gain on sale of securities .....	375	556	253
Other income .....	72	84	101
Total noninterest income .....	974	1,024	1,148
<b>NONINTEREST EXPENSES</b>			
Salaries and benefits .....	1,120	1,070	1,017
Occupancy .....	283	256	230
FDIC insurance premiums .....	80	89	87
ORE losses and carrying costs .....	8	(30)	31
Other Expenses .....	437	456	493
Total noninterest expenses .....	1,928	1,841	1,858
<b>INCOME/(LOSS) BEFORE INCOME TAXES</b> .....	904	895	488
Income tax expense/(benefit) .....	274	268	123
<b>NET INCOME/(LOSS)</b> .....	\$ 630	\$ 627	\$ 365
<b>BASIC NET INCOME/LOSS PER SHARE</b> ..	\$ 0.52	\$ 0.52	\$ 0.30