

**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

THOMAS J. REDMAN

President, Tube Fab

CHRISTOPHER B. SHEPLER

President, Shepler's Mackinac Island Ferry Service

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

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*

DARREN SELDEN - *Vice President*

NANCY A. STEMPKY, CPA - *Vice President - Controller*

NICOLE M. DRAKE - *Assistant Vice President - Commercial Loans*

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

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

ADAM M. NEWMAN - *Assistant Vice President - Information Technology*

LINDSEY K. MILLER - *Banking Officer & Branch Manager - South*

SHARON L. COPPERNOLL - *Loan Officer*

TRISHA M. DOBIAS - *Human Resources Officer*

RANDY J. MALTBY - *Technology Officer*

VALERIE A. JONES - *Auditor*

GINA L. EUSTICE - *Credit Manager*

Citizens National Bank has offices in:

**Cheboygan • Onaway • Mackinaw City
Pellston • Indian River • Alanson • Gaylord**

You can also visit our website at

www.CNBisMyBank.com



September 30, 2014

**STATEMENT OF
CONDITION**



our 84 year tradition continues



October 31, 2014

Dear Shareholders,

We are pleased to advise year-to-date results for the corporation and its subsidiary, Citizens National Bank, continue to be positive. Additionally, despite the cooler than normal summer season, a number of area businesses reported a better summer than 2013. Contractors and builders also experienced renewed demand for new home construction and major remodeling projects. All indications the economy is improving.

The economic improvements in Northern Michigan continue to contribute to the corporation's results. Highlights as of September 30, 2014 are below:

- Assets were \$264.2 million, an increase of 5.83% over September 2013.
- Deposits increased by \$12.5 million to \$237.7 million, an increase of 5.56% compared to the same period in 2013.
- Loans were \$116.4 million, compared to \$119.3 million for the same period in 2013; a reduction of 2.45% and a reflection that loan demand remains soft.
- Net income was \$1,266,000, or earnings per share of \$1.04; compared to \$2,427,000 or \$2.00 per share for the same period last year. Extraordinary items impacting earnings in the third quarter included a \$500,000 reversal to the allowance for loan loss provision as a result of the continued decline in problem loans and computer system conversion costs of \$458,000. A drop in mortgage refinancing also resulted in a reduction of the net realized gains from the sale of loans.
- The net interest margin was 3.38%, compared to 3.11% at September 30, 2013. The increase in net interest margin is the result of increased interest income and continued decreases in interest expense. Each the result of changes in loan, investment and deposit types on the balance sheet.

For the past several quarters balance sheet and income statement trends have been positive, resulting in the resumption of dividends. These trends have enhanced the stock's value. In September 2014 "over-the-desk" trades were \$14.00 and \$14.35 per share and trades posted on the OTC Markets were between \$13.10 and \$14.00 per share. You can find current financial information about the corporation and its stock at www.cnbismybank.com/shareholder-relations and at www.otcmarts.com by entering the trading symbol CNBZ.

I hope you are all enjoying the beautiful fall season and I am available if you have comments or questions.

Sincerely,

Susan A. Eno
President & CEO

CONSOLIDATED BALANCE SHEET

(UNAUDITED)

In thousands of dollars

	September 30,	
	2014	2013
ASSETS		
Cash and due from banks	\$ 7,402	\$ 6,781
Interest-bearing deposits with other financial institutions	14,837	3,453
Federal funds sold	0	0
Total cash and cash equivalents	22,239	10,234
Time deposits with other financial institutions	8,793	12,314
Securities available for sale	95,467	88,578
Securities held to maturity	6,599	5,796
<i>(Market value of \$6,831 in 2014 and \$6,055 in 2013)</i>		
Other securities	997	997
Total investment securities	103,063	95,371
Loans	116,377	119,294
Less: allowance for loan losses	(2,112)	(3,065)
Net loans	114,265	116,229
Premises and equipment, net	5,019	5,068
Other assets	10,869	10,479
Total assets	\$264,248	\$249,695
LIABILITIES		
Deposits:		
Noninterest-bearing demand	\$ 56,158	\$ 54,357
Interest-bearing deposits	181,533	170,821
Total deposits	237,691	225,178
Other liabilities	4,325	4,328
Total liabilities	242,016	229,506
SHAREHOLDERS' EQUITY		
Common Stock	3,030	3,030
Surplus	19,499	19,498
Retained Earnings and Accumulated other Comprehensive Income/(Loss)	(297)	(2,339)
Total shareholders' equity	22,232	20,189
Total liabilities and shareholders' equity	\$264,248	\$249,695

CONSOLIDATED STATEMENT OF INCOME

(UNAUDITED)

In thousands of dollars, except per share data

	For the nine months ended September 30,		
	2014	2013	2012
INTEREST INCOME			
Interest and fees on loans	\$ 5,237	\$ 4,904	\$ 5,355
Interest on securities:			
Taxable	835	687	606
Tax exempt	177	200	246
Other interest income	94	119	166
Total interest income	6,343	5,910	6,373
INTEREST EXPENSE ON DEPOSITS	296	606	825
NET INTEREST INCOME	6,047	5,304	5,548
Provision for loan losses	(500)	(400)	960
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	6,547	5,704	4,588
NONINTEREST INCOME			
Service charges and fees	697	717	753
Net realized gains from sale of loans	214	414	514
Loan servicing fees, net of amortization	119	47	(2)
Gain on the sale of assets	204	215	412
Gain on life insurance proceeds	0	120	0
Gain on sale of securities	408	1,754	274
Other income	245	282	339
Total noninterest income	1,887	3,549	2,290
NONINTEREST EXPENSES			
Salaries and benefits	3,313	3,392	3,099
Occupancy	827	757	706
FDIC insurance premiums	218	260	258
System Conversion Costs	458	0	0
Other Expenses	1,850	1,387	1,431
Total noninterest expenses	6,666	5,796	5,494
INCOME/(LOSS) BEFORE INCOME TAXES	1,768	3,457	1,384
Income tax expense/(benefit)	502	1,030	345
NET INCOME/(LOSS)	\$ 1,266	\$ 2,427	\$ 1,039
BASIC NET INCOME/LOSS PER SHARE ..	\$ 1.04	\$ 2.00	\$ 0.86