

**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

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*

THOMAS A. MCKINLEY - *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*

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 • Gaylord**

You can also visit our website at

www.CNBisMyBank.com

December 31, 2013

**STATEMENT OF
CONDITION**



our 83 year tradition continues





February 11, 2014

Dear Shareholders,

The Corporation's net income for the year ended December 31, 2013 was \$2,720,000, or \$2.24 basic earnings per share, compared to \$1,395,000, or \$1.15 basic earnings per share for the prior year. Cash dividends declared during 2013 totaled \$0.20 per share, representing the first dividends paid since 2008.

The Corporation's return on average assets (ROA) for 2013 was 1.08%, compared to 0.55% for 2012. The return on average equity (ROE) for 2013 was 13.79%, compared to 7.52% in 2012. The capital position continued to improve with shareholder equity increasing from \$18,716,000 at December 31, 2012 to \$20,820,000 at December 31, 2013. As a result book value increased from \$15.44 at year-end 2012 to \$17.18 at year-end 2013.

Highlights of 2013 financial performance for the Corporation's subsidiary, Citizens National Bank, included:

- A \$13,163,000 decline in total assets from the same period in 2012. The decline, in part, was the result of depositors moving funds from insured depository institutions back into the market in response to continued low interest rates. Another factor was the resolution and distribution of the Cheboygan Memorial Hospital sale proceeds, which had been held in escrow.
- The loan portfolio grew from \$110,383,000 at December 31, 2012 to \$122,450,000 at December 31, 2013, an increase of 10.9%. The loan growth was a result of strategic initiatives implemented earlier in the year to enhance interest income.
- The allowance for loan losses was \$3,076,000 or 2.5% of total loans at year-end 2013. Although this was a decline from December 2012, when the allowance was \$3,638,000 or 3.3% of total loans, the reserve continues to be more than adequate to address potential loan losses.
- The movement of funds from the investment portfolio to the loan portfolio, and the ability to maintain deposit rates, resulted in improvements to both the balance sheet and net interest margin in 2013, compared to 2012.

Looking forward it is anticipated that core earnings will continue to improve, allowing for the payment of modest dividends in 2014, as well as building the Corporation's capital base to help ensure long-term growth.

I look forward to seeing you at the annual meeting of shareholders scheduled for Tuesday, May 20, 2014.

Sincerely,


Susan A. Eno
President & CEO

CONSOLIDATED BALANCE SHEET

(UNAUDITED)

In thousands of dollars

	December 31,	
	2013	2012
ASSETS		
Cash and due from banks	\$ 8,424	\$ 4,676
Interest-bearing deposits with other financial institutions	1,672	13,824
Federal funds sold	0	0
Total cash and cash equivalents	10,096	18,500
Time deposits with other financial institutions	11,169	14,150
Securities available for sale	84,374	98,911
Securities held to maturity	5,726	4,507
<i>(Market value of \$6,014 in 2013 and \$4,919 in 2012)</i>		
Other securities	997	997
Total investment securities	91,097	104,415
Loans	122,450	110,383
Less: allowance for loan losses	(3,076)	(3,638)
Net loans	119,374	106,745
Premises and equipment, net	5,109	5,180
Other assets	10,890	11,908
Total assets	\$247,735	\$260,898
LIABILITIES		
Deposits:		
Noninterest-bearing demand	\$ 54,045	\$ 57,615
Interest-bearing deposits	168,768	180,252
Total deposits	222,813	237,867
Other liabilities	4,102	4,315
Total liabilities	226,915	242,182
SHAREHOLDERS' EQUITY		
Common Stock	3,030	3,030
Surplus	19,499	19,499
Retained Earnings and Accumulated other Comprehensive Income/(Loss)	(1,709)	(3,813)
Total shareholders' equity	20,820	18,716
Total liabilities and shareholders' equity	\$247,735	\$260,898

CONSOLIDATED STATEMENT OF INCOME

(UNAUDITED)

In thousands of dollars, except per share data

	For the twelve months ended December 31,		
	2013	2012	2011
INTEREST INCOME			
Interest and fees on loans	\$ 6,562	\$ 6,995	\$ 7,791
Interest on securities:			
Taxable	944	838	1,015
Tax exempt	264	323	434
Other interest income	151	214	222
Total interest income	7,921	8,370	9,462
INTEREST EXPENSE ON DEPOSITS	724	1,083	1,452
NET INTEREST INCOME	7,197	7,287	8,010
Provision for loan losses	(400)	1,010	3,015
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	7,597	6,277	4,995
NONINTEREST INCOME			
Service charges and fees	955	1,010	1,032
Net realized gains from sale of loans	465	720	330
Loan servicing fees, net of amortization	82	1	50
Gain on the sale of other real estate owned	215	412	63
Gain on sale of securities	1,809	277	0
Other income	389	475	492
Total noninterest income	3,915	2,895	1,967
NONINTEREST EXPENSES			
Salaries and benefits	4,546	4,101	4,042
Deferred compensation	152	270	257
Occupancy	1,011	934	989
FDIC insurance premiums	344	344	394
ORE losses and carrying costs	16	(112)	1,824
Securities impairment write-downs	0	0	2,012
Other Expenses	1,593	1,774	1,841
Total noninterest expenses	7,662	7,311	11,359
INCOME/(LOSS) BEFORE INCOME TAXES	3,850	1,861	(4,397)
Income tax expense/(benefit)	1,130	466	(1,704)
NET INCOME/(LOSS)	\$ 2,720	\$ 1,395	\$ (2,693)
BASIC NET INCOME/LOSS PER SHARE ..	\$ 2.24	\$ 1.15	\$ (2.22)