

**DIRECTORS - CNB CORPORATION AND
CITIZENS NATIONAL BANK**

RICK A. TROMBLE

*Chairman, CNB Corporation
Chairman, Citizens National Bank
Owner, Tromble Bay Farms*

DANA F. ANDREWS

President, Sturgeon River Pottery, Inc.

STEVEN J. BAKER, D.V.M.

Retired, Indian River Veterinary Clinic

SUSAN A. ENO

*Retired President/Chief Executive Officer,
Citizens National Bank & CNB Corporation*

MATTHEW E. KEENE

*President/Chief Executive Officer,
Citizens National Bank & CNB Corporation*

SCOTT D. LANDON

President, Landon Auto Parts

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

*Audit Committee Chairman, CNB Corporation
Vice President, Ken's Village Market*

DIRECTORS EMERITI

JOHN P. WARD

JAMES C. CONBOY, JR.

KATHLEEN M. DARROW

THOMAS J. ELLENBERGER

VINCENT J. HILLESHEIM

FRANCIS J. VANANTWERP, JR.

CNB CORPORATION OFFICERS

MATTHEW E. KEENE *President & Chief Executive Officer*

VICTORIA J. HAND *Secretary*

AMY E. ESSEX *Treasurer*

CITIZENS NATIONAL BANK OFFICERS

LEADERSHIP:

MATTHEW E. KEENE *President & Chief Executive Officer*

VICTORIA J. HAND *Executive Vice President, Chief Operating Officer,
Cashier & Compliance Officer*

AMY E. ESSEX *Senior Vice President & Chief Financial Officer*

JOSEPH P. GARBER *Senior Vice President & Chief Credit Officer*

DAVID A. WOODS *Senior Vice President & Chief Loan Officer*

TRISHA M. DOBIAS *Vice President, Human Resources*

VALERIE A. JONES *Vice President, Cash Management*

NANCY K. LINDSAY *Vice President, Marketing*

AMANDA J. NICHOLSON *Universal Banking Officer*

BUSINESS BANKING:

JOSEPH M. DALY *Senior Vice President*

NICOLE M. DRAKE *Senior Vice President*

TIMOTHY J. TIMMER *Vice President*

CYNTHIA D. LAMBERSON *Assistant Vice President*

STEPHEN J. DALY *Business Banking Officer*

RESIDENTIAL BANKING:

STEPHEN J. CRUSOE *Senior Vice President*

DARREN M. SELDEN *Vice President*

SHARON L. COPPERNOLL *Residential Officer*

MICHELLE M. MILLER *Residential Officer*

DENNIS S. MYERS *Residential Officer*

REGINA H. PATTON *Residential Officer*

WEALTH & RETIREMENT STRATEGIES:

MATTHEW H. DEWILDT *Vice President*

OPERATIONS:

REBECCA L. TOMASKI *Assistant Vice President, Shareholder Relations*

QUINN C. BONNETT *Facilities Manager & Security Officer*

CHANDLAR E. RUSH *Technology Officer*

SHERRY M. WICHLACZ *Operations Officer*

Citizens National Bank has offices in:

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

You can also visit our website at

www.CNBisMyBank.com



our 90 year tradition continues

STATEMENT OF CONDITION

June 30, 2021



August 13, 2021

Dear Shareholder,

CNB Corporation's Board of Directors, considering Citizens National Bank's (the Bank) year-to-date net income of \$1.1 million, approved the enclosed \$0.40 per-share cash dividend payable to shareholders of record on July 22, 2021. The following are the Bank's financial highlights through the second quarter of 2021:

- Aided by the Bank's strong reputation in both existing and developing markets, deposit growth continued exceeding expectations and increased by 26.0% year-over-year. That deposit growth was moved to the Bank's investment portfolio, which is up 96% for the same time period.
- Helping clients receive loan forgiveness from the Paycheck Protection Program (PPP) is the primary cause for total loans declining \$10.0 million compared to the same period last year. Net of PPP loans, organic loan production has maintained the Bank's loan outstandings year-over-year.
- The low-rate environment has hampered the Bank's Interest on Securities as maturing investments have repriced over the last year to mirror the lower market rates. The above-mentioned increase to the Bank's investments has helped offset the portfolio's lower earnings, but this repricing reduced year-over-year Interest on Securities by 21.3%. The Bank's investment ladder is well positioned to take advantage of rates when they begin to rise again.
- Loans have also repriced at lower market rates over the last year. However, fee income realized from the Paycheck Protection Program counterbalances the lost interest income from loans in 2021.
- Residential lending continues to maintain pace with the 2020 record year and is reflected in net gain from sale of loans.
- Salaries and benefits increased by \$302,000 year-over-year due to the onboarding of new talent to aid loan production and matching-to-market compensation for existing employees.

Bolstered by the Bank's 90-year reputation, new lending and deposit business continues to be strong, and the Bank is well-positioned to continue supporting our communities' growing needs. I am happy to remind you our lobbies are open and face-coverings no longer required; it has been a pleasure to see you all face-to-face again. As mentioned above, 2021 marks our 90th year serving Northern Michigan; now that the pandemic restrictions have loosened, we are planning to celebrate this milestone with all our communities, so please be on the lookout for this communication in the coming months

I would be remiss if I did not acknowledge the great and many years of service provided to the Bank and the Corporation by Directors Emeriti Thomas Ellenberger and Vincent Hillesheim. Tom was elected to the board of directors in 1995, serving also as Chair of the Audit Committee for CNB Corporation starting in 2007; Vince was elected to serve on the board in 1994 and, beginning in 2007, was elected as Chairman of the Board for both the Corporation and the Bank. Acknowledging their nearly 26 and 27 years of service respectively, the directors and I miss them both, and I ask you join me in congratulating them on a well-deserved retirement. I would also like to congratulate Dana Andrews and Scott Landon on their election to the Corporation's Board of Directors at the annual shareholder meeting, along with myself and Christopher Shepler.

As always, please feel free to call or stop by if you have any questions concerning the Bank or the Corporation.

Sincerely,

Matthew E. Keene
President & CEO

CONSOLIDATED BALANCE SHEET

(UNAUDITED)

In thousands of dollars

	June 30,	
ASSETS	2021	2020
Cash and due from banks	\$ 9,091	\$ 32,182
Interest-bearing deposits with other financial institutions	28,950	11,139
Total cash and cash equivalents	38,041	43,321
Time deposits with other financial institutions	12,383	15,615
Securities available for sale	203,844	102,570
Securities held to maturity	3,164	2,465
Other securities	957	957
Total investment securities	207,965	105,992
Loans held for sale	4,497	3,348
Loans	170,599	180,436
Less: allowance for loan losses	(3,019)	(1,690)
Net loans	172,077	182,094
Premises and equipment, net	7,511	5,620
Other assets	10,856	10,812
Total assets	\$448,833	\$363,454
LIABILITIES		
Deposits:		
Noninterest-bearing demand	\$ 156,574	\$ 118,838
Interest-bearing deposits	256,059	208,772
Total deposits	412,633	327,610
Accrued and other liabilities	6,132	5,853
Total liabilities	418,765	333,463
SHAREHOLDERS' EQUITY		
Common Stock	3,027	3,027
Additional Paid-In Capital	19,472	19,472
Retained Earnings	6,865	5,655
Accumulated other Comprehensive Income/(Loss), net	704	1,837
Total shareholders' equity	30,068	29,991
Total liabilities and shareholders' equity	\$448,833	\$363,454

CONSOLIDATED STATEMENT OF INCOME

(UNAUDITED)

In thousands of dollars, except per share data

	For the six months ended June 30,		
INTEREST INCOME	2021	2020	2019
Interest and fees on loans	\$ 4,491	\$ 4,315	\$ 4,037
Interest on securities:			
Taxable	620	844	819
Tax exempt	158	145	150
Other interest income	152	266	275
Total interest income	5,421	5,570	5,281
INTEREST EXPENSE ON DEPOSITS	292	212	157
NET INTEREST INCOME	5,129	5,358	5,124
Provision for loan losses	0	0	0
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	5,129	5,358	5,124
NONINTEREST INCOME			
Service charges and fees	571	475	503
Net gain from sale of loans	1,281	1,308	294
Gain on sale of assets	0	6	0
Gain (Loss) of sale of securities	44	0	(2)
Loan servicing fees, net of amortization	(58)	(67)	27
Other income	323	277	300
Total noninterest income	2,161	1,999	1,122
NONINTEREST EXPENSES			
Salaries and benefits	3,413	3,111	2,511
Occupancy and equipment	670	618	617
FDIC insurance premiums	116	64	58
Other expenses	1,715	1,542	1,600
Total noninterest expenses	5,914	5,335	4,786
INCOME BEFORE INCOME TAXES	1,376	2,022	1,460
Income tax expense	244	374	254
NET INCOME (LOSS)	\$ 1,132	\$ 1,648	\$ 1,206
BASIC NET INCOME PER SHARE	\$ 0.93	\$ 1.36	\$ 1.00