

**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.

STEPHANIE V. BALDWIN

President, Edgewater Design Group

MELISSA K. BRIDGES

Attorney, Bodman LLP

BRIAN B. EWBANK

President & COO, Stafford's Hospitality

MATTHEW E. KEENE

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

SCOTT D. LANDON

President, Landon Auto Parts

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

STEVEN J. BAKER, D.V.M.
JAMES C. CONBOY, JR.
THOMAS J. ELLENBERGER
SUSAN A. ENO
VINCENT J. HILLESHEIM
KATHLEEN A. LIEDER
THOMAS J. REDMAN
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*
MARILY J. GALLOWAY *Risk 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*
MICHELLE M. MILLER *Assistant Vice President*
SHARON L. COPPERNOLL *Residential Officer*
DENNIS S. MYERS *Residential Officer*
REGINA H. PATTON *Residential Officer*

OPERATIONS:

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 91 year tradition continues

STATEMENT OF CONDITION



September 30, 2022



November 4, 2022

Dear Shareholder,

Financial performance for CNB Corporation (the Corporation) and its subsidiary Citizens National Bank (the Bank), continues to remain strong through the third quarter of 2022. The following are the financial highlights from the first nine months of 2022, which are reflected in the accompanying financial statement:

- The Bank ended the third quarter with year-to-date net income of \$2.4 million. Compared to the same period in 2021, this is an improvement of \$275,000, which has contributed to the \$2.1 million increase in retained earnings.
- The rising rate environment has continued to benefit the Bank's loan portfolio, as well as its investment portfolio, which consists of high-quality bonds and securities with minimal credit risk. As a result, total interest income grew by \$1.3 million year-over-year.
- As of 9-30-2022, net of the \$3.3 million Paycheck Protection Program (PPP) loans, the Bank has grown total loans by \$39.3 million year-over-year.
- In contrast to the Bank's loan and investment portfolios, the rising rate environment is hampering the residential mortgage industry, resulting in an 80% reduction in net gain from sale of loans compared to the same period in 2021.
- As we shared during the first and second quarter of 2022, rising interest rates have continued to increase the unrealized loss in our available-for-sale investment portfolio and subsequently created negative book equity. This is illustrated in the Bank's accumulated other comprehensive income/(loss) (AOCI). This required accounting entry has not affected the Bank's income statement, and our year-to-date net income remains strong. Although the majority of the Bank's investments are classified as available-for-sale for accounting purposes, the Bank has historically held them to maturity, at which time the Bank receives the full face value of the investment. When interest rates stabilize and as the Bank's investments mature each month, our AOCI is expected to improve.
- The Bank's management of expenses during these uncertain economic times has resulted in a reduction of total noninterest expenses by \$176,000 year-over-year.

I would like to congratulate Executive Vice President Victoria J. Hand on her impending retirement at the end of 2022. Vicki has devoted forty-three years to serving the Bank, our clients, and our communities. Her guidance has been a key part of the Bank's success, and we are forever indebted to her for this. Additionally, I am very pleased to inform you the Board of Directors has appointed Vicki to the Bank's Board of Directors, effective the 1st Board meeting in January 2023. From this position, Vicki will continue to guide the Bank's strategic priorities while passing along her wisdom to the next generation of Bank leaders. Please join me in congratulating Vicki on her years of service to CNB and her well-deserved appointment to the Bank's Board of Directors.

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

| | September 30, | |
|---|---------------|------------|
| ASSETS | 2022 | 2021 |
| Cash and due from banks | \$ 10,676 | \$ 9,037 |
| Interest-bearing deposits with other financial institutions | 30,388 | 22,757 |
| Federal funds sold | \$ 11,619 | 0 |
| Total cash and cash equivalents | 52,683 | 31,794 |
| Time deposits with other financial institutions | 7,911 | 11,639 |
| Securities available for sale | 222,630 | 257,224 |
| Securities held to maturity | 6,506 | 4,720 |
| Other securities | 2,206 | 1,426 |
| Total investment securities | 231,342 | 263,370 |
| PPP Loans | 0 | 3,370 |
| Loans held for sale | 1,142 | 1,837 |
| Loans | 202,572 | 159,855 |
| Less: allowance for loan losses | (2,783) | (3,020) |
| Net loans | 200,931 | 162,042 |
| Premises and equipment, net | 6,457 | 7,449 |
| Other assets | 20,604 | 11,340 |
| Total assets | \$519,928 | \$487,634 |
| LIABILITIES | | |
| Deposits: | | |
| Noninterest-bearing demand | \$ 186,846 | \$ 167,108 |
| Interest-bearing deposits | 328,453 | 284,235 |
| Total deposits | 515,299 | 451,343 |
| Accrued and other liabilities | 7,924 | 6,338 |
| Total liabilities | 523,223 | 457,681 |
| SHAREHOLDERS' EQUITY | | |
| Common Stock | 3,027 | 3,027 |
| Additional Paid-In Capital | 19,472 | 19,472 |
| Retained Earnings | 9,566 | 7,378 |
| Accumulated other Comprehensive Income/(Loss), net | (35,360) | 76 |
| Total shareholders' equity | (3,295) | 29,953 |
| Total liabilities and shareholders' equity | \$519,928 | \$487,634 |

CONSOLIDATED STATEMENT OF INCOME

(UNAUDITED)

In thousands of dollars, except per share data

| | For the nine months ended September 30, | | |
|--|---|----------|----------|
| INTEREST INCOME | 2022 | 2021 | 2020 |
| Interest and fees on loans | \$ 6,546 | \$ 7,031 | \$ 6,553 |
| Interest on securities: | | | |
| Taxable | 2,893 | 1,151 | 1,237 |
| Tax exempt | 226 | 239 | 221 |
| Other interest income | 294 | 233 | 356 |
| Total interest income | 9,959 | 8,654 | 8,367 |
| INTEREST EXPENSE | 507 | 452 | 337 |
| NET INTEREST INCOME | 9,452 | 8,202 | 8,030 |
| Provision for loan losses | 0 | 0 | 350 |
| NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES | 9,452 | 8,202 | 7,680 |
| NONINTEREST INCOME | | | |
| Service charges and fees | 1,027 | 913 | 756 |
| Net gain from sale of loans | 394 | 1,972 | 2,273 |
| Gain on sale of assets | 439 | 0 | 12 |
| Gain (Loss) of sale of securities | 0 | 46 | 0 |
| Loan servicing income, net | 28 | (57) | (134) |
| Other income | 392 | 483 | 402 |
| Total noninterest income | 2,280 | 3,357 | 3,309 |
| NONINTEREST EXPENSES | | | |
| Salaries and benefits | 5,097 | 5,189 | 4,475 |
| Occupancy and equipment | 1,010 | 1,014 | 928 |
| FDIC insurance premiums | 224 | 180 | 99 |
| Other expenses | 2,446 | 2,570 | 2,380 |
| Total noninterest expenses | 8,777 | 8,953 | 7,882 |
| INCOME BEFORE INCOME TAXES | 2,955 | 2,606 | 3,107 |
| Income tax expense | 550 | 476 | 575 |
| NET INCOME (LOSS) | \$ 2,405 | \$ 2,130 | \$ 2,532 |
| BASIC NET INCOME PER SHARE | \$ 1.99 | \$ 1.76 | \$ 2.09 |