



November 8, 2023

Dear Shareholder,

Financial performance for CNB Corporation (the Corporation) and its subsidiary Citizens National Bank (the Bank), remained robust through the third quarter of 2023. The following are the financial highlights from the first nine months of 2023, which can be referenced in the accompanying financial statement:

- The Bank ended the third quarter with year-to-date net income of \$2.7 million. Compared to the same period in 2022, this was an improvement of \$279,000 and contributed to the \$2.1 million increase in retained earnings.
- The rising rate environment has continued to benefit yields on 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 \$2 million year-over-year.
- Year-over-year, the Bank has increased total loans by \$23.5 million.
- The banking industry continues to feel the impact of the Federal Reserve's ongoing monetary policy to reduce inflation. As a result, the Bank has experienced a \$61.9MM decrease in deposits and a \$951,000 increase in interest expense year-over-year. Brokered CDs and Fed Funds were purchased to temporarily support the Bank's liquidity needs.
- Over the past year, Bank management has been monitoring rising interest rates, which continue to stifle improvement of the unrealized loss in the Bank's available-for-sale investment portfolio. Despite the uncertain economic conditions, the Bank's negative book equity position improved by \$2.4 million year-over-year. This is reflected in the Bank's accumulated other comprehensive income/(loss) (AOCI). The Bank's income statement was not affected by this required accounting entry, and our year-to-date net income remains strong. The majority of the Bank's investments are classified as available-for-sale for accounting purposes; however, the Bank has historically held them to maturity, at which time the Bank receives the entire face value of the investment. Year-over-year, \$25.9MM of these investments matured without incurring a loss. Those proceeds were used to fund the above-mentioned loan growth. When interest rates stabilize, and as the Bank's investments mature each month, our AOCI will further improve.
- Bank staff continues to increase efficiencies. As a result, total noninterest expense remained stable year-over-year.

As another year draws to a close, I want to wish you a wonderful holiday season. As always, I encourage you to call or stop by if you have any questions, comments or concerns regarding the Bank or the Corporation.

Sincerely,

Matthew E. Keene
President & CEO

CONSOLIDATED BALANCE SHEET

(UNAUDITED)

In thousands of dollars

	September 30,	
ASSETS	2023	2022
Cash and due from banks	\$ 9,801	\$ 10,676
Interest-bearing deposits with other financial institutions	18,137	30,388
Federal funds sold	3,043	11,619
Total cash and cash equivalents	30,981	52,683
Time deposits with other financial institutions	6,908	7,911
Securities available for sale	196,726	222,630
Securities held to maturity	6,702	6,506
Other securities	2,761	2,206
Total investment securities	206,189	231,342
Loans held for sale	1,007	1,142
Loans	226,087	202,572
Less: allowance for loan losses	(3,494)	(2,783)
Net loans	223,600	200,931
Premises and equipment, net	8,253	6,457
Other assets	21,033	20,604
Total assets	\$496,964	\$519,928
LIABILITIES		
Deposits:		
Noninterest-bearing demand	\$ 169,591	\$ 186,846
Interest-bearing deposits	283,777	328,453
Total deposits	453,368	515,299
Brokered Deposits	9,744	0
Fed Funds Purchased	29,000	0
Accrued and other liabilities	5,781	7,924
Total liabilities	497,893	523,223
SHAREHOLDERS' EQUITY		
Common Stock	3,027	3,027
Additional Paid-In Capital	19,472	19,472
Retained Earnings	11,709	9,566
Total shareholders' equity before AOCI adjustment	34,208	32,065
Accumulated other Comprehensive Income/(Loss), net (AOCI)	(35,137)	(35,360)
Total shareholders' equity	(929)	(3,295)
Total liabilities and shareholders' equity	\$496,964	\$519,928

CONSOLIDATED STATEMENT OF INCOME

(UNAUDITED)

In thousands of dollars, except per share data

	For the nine months ended September 30,		
INTEREST INCOME	2023	2022	2021
Interest and fees on loans	\$ 8,483	\$ 6,546	\$ 7,031
Interest on securities:			
Taxable	2,841	2,893	1,151
Tax exempt	222	226	239
Other interest income	472	294	233
Total interest income	12,018	9,959	8,654
INTEREST EXPENSE	1,458	507	452
NET INTEREST INCOME	10,560	9,452	8,202
Provision for loan losses	64	0	0
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	10,496	9,452	8,202
NONINTEREST INCOME			
Service charges and fees	1,150	1,027	913
Net gain from sale of loans	282	394	1,972
Gain on sale of assets	0	439	0
Gain (Loss) of sale of securities	0	0	46
Loan servicing income, net	12	28	(57)
Other income	284	392	483
Total noninterest income	1,728	2,280	3,357
NONINTEREST EXPENSES			
Salaries and benefits	4,996	5,097	5,189
Occupancy and equipment	989	1,010	1,014
FDIC insurance premiums	255	224	180
Other expenses	2,682	2,446	2,570
Total noninterest expenses	8,922	8,777	8,953
INCOME BEFORE INCOME TAXES	3,302	2,955	2,606
Income tax expense	618	550	476
NET INCOME (LOSS)	\$ 2,684	\$ 2,405	\$ 2,130
BASIC NET INCOME PER SHARE	\$ 2.22	\$ 1.99	\$ 1.76

DIRECTORS - CNB CORPORATION AND CITIZENS NATIONAL BANK

RICK A. TROMBLE

Chairman, CNB Corporation

Chairman, Citizens National Bank

Owner, Tromble Bay Farms

R. JEFFERY SWADLING

Audit Committee Chairman, CNB Corporation

Vice President, Ken's Village Market

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

VICTORIA J. HAND

Retired Executive Vice President/Chief Operating Officer

Citizens National Bank

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

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*

DAVID A. WOODS *Vice President*

JOSEPH P. GARBER *Secretary*

AMY E. ESSEX *Treasurer*

CITIZENS NATIONAL BANK OFFICERS

LEADERSHIP:

MATTHEW E. KEENE *President & Chief Executive Officer*

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

JOSEPH P. GARBER *Senior Vice President,*

Chief Credit Officer & Cashier

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

MARILY J. GALLOWAY *Vice President,*

Operations, Compliance & Risk Officer

TRISHA M. DOBIAS *Vice President, Human Resources*

VALERIE A. JONES *Vice President, Cash Management*

NANCY K. LINDSAY *Vice President, Marketing*

AMANDA J. NICHOLSON *Vice President, Retail Banking*

BUSINESS BANKING:

JOSEPH M. DALY *Senior Vice President*

NICOLE M. DRAKE *Senior Vice President*

TIMOTHY J. TIMMER *Vice President*

STEPHEN J. DALY *Assistant Vice President*

CYNTHIA D. LAMBERSON *Assistant Vice President*

RESIDENTIAL BANKING:

STEPHEN J. CRUSOE *Senior Vice President*

SHARON L. COPPERNOLL *Assistant Vice President*

MICHELLE M. MILLER *Assistant Vice President*

REGINA H. PATTON *Residential Officer*

OPERATIONS:

QUINN C. BONNETT *Facilities Manager & Security Officer*

MAGHAN J. BROOKS *Loan Operations Officer*

LESLIE L. BUDNIK *Business Operations Officer*

SHERI L. POPP *Credit 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 92 year tradition continues

STATEMENT OF CONDITION

September 30, 2023