

**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*

**DIRECTORS EMERITI**

**JOHN P. WARD**  
**JAMES C. CONBOY, JR.**  
**KATHLEEN M. DARROW**  
**FRANCIS J. VANANTWERP, JR.**

**CNB CORPORATION OFFICERS**

**VINCENT J. HILLESHEIM** - *Chairman*  
**SUSAN A. ENO** - *President & Chief Executive Officer*  
**CYRIL S. DRIER** - *Senior Vice President & Treasurer*  
**REBECCA L. TOMASKI** - *Secretary*

**CITIZENS NATIONAL BANK OFFICERS**

**VINCENT J. HILLESHEIM** - *Chairman*  
**SUSAN A. ENO** - *President & Chief Executive Officer*  
**CYRIL S. DRIER** - *Senior Vice President - Senior Loan Officer*  
**JOSEPH M. DALY** - *Senior Vice President*  
**VICTORIA J. HAND** - *Senior Vice President & Cashier*  
**STEPHEN J. CRUSOE** - *Vice President - Mortgage Loans*  
**NICOLE M. DRAKE** - *Vice President - Commercial Loans*  
**MATTHEW E. KEENE** - *Vice President*  
**DARREN M. SELDEN** - *Vice President & Branch Manager*  
**NANCY K. LINDSAY** - *Assistant Vice President - Marketing*  
**JODIE L. BOROWICZ, CPA** - *Controller*  
**QUINN C. BONNETT** - *Banking Officer & Branch Manager - South*  
**MICHELLE M. MILLER** - *Banking Officer & Branch Manager - Indian River*  
**SHARON L. COPPERNOLL** - *Loan Officer*  
**TRISHA M. DOBIAS** - *Human Resources Officer*  
**VALERIE A. JONES** - *Retail Banking Officer*  
**GINA L. EUSTICE** - *Credit Manager*  
**ANDREW C. MARTIN** - *Credit Analyst & Portfolio Manager*

*Citizens National Bank has offices in:*

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

*You can also visit our website at*  
**[www.CNBisMyBank.com](http://www.CNBisMyBank.com)**



*our 86 year tradition continues*

**STATEMENT OF CONDITION**

March 31, 2017



April 26, 2017

**CONSOLIDATED BALANCE SHEET**

(UNAUDITED)

*In thousands of dollars*

	March 31,	
<b>ASSETS</b>	<b>2017</b>	<b>2016</b>
Cash and due from banks .....	\$ 5,346	\$ 7,910
Interest-bearing deposits with other financial institutions .....	11,168	12,291
Total cash and cash equivalents .....	16,514	20,201
Time deposits with other financial institutions .....	8,197	8,711
Securities available for sale .....	93,185	92,585
Securities held to maturity .....	2,883	4,415
Other securities .....	905	905
Total investment securities .....	96,973	97,905
Loans .....	141,276	130,062
Less: allowance for loan losses .....	(1,512)	(1,829)
Net loans .....	139,764	128,233
Premises and equipment, net .....	6,366	5,752
Other assets .....	11,885	10,188
Total assets .....	\$279,699	\$270,990
<b>LIABILITIES</b>		
Deposits:		
Noninterest-bearing demand .....	\$ 65,504	\$ 57,718
Interest-bearing deposits .....	184,698	184,167
Total deposits .....	250,202	241,885
Other liabilities .....	6,108	4,841
Total liabilities .....	256,310	246,726
<b>SHAREHOLDERS' EQUITY</b>		
Common Stock .....	3,030	3,030
Additional Paid-In Capital .....	19,498	19,498
Retained Earnings and Accumulated other Comprehensive Income/(Loss) .....	861	1,736
Total shareholders' equity .....	23,389	24,264
Total liabilities and shareholders' equity .....	\$279,699	\$270,990

**CONSOLIDATED STATEMENT OF INCOME**

(UNAUDITED)

*In thousands of dollars, except per share data*

	For the three months ended March 31,		
<b>INTEREST INCOME</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Interest and fees on loans .....	\$ 1,708	\$ 1,669	\$ 1,518
Interest on securities:			
Taxable .....	308	318	320
Tax exempt .....	71	54	57
Other interest income .....	59	60	25
Total interest income .....	2,146	2,101	1,920
<b>INTEREST EXPENSE ON DEPOSITS</b> .....	70	73	79
<b>NET INTEREST INCOME</b> .....	2,076	2,028	1,841
Provision (recapture) for loan losses .....	0	0	0
<b>NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES</b> .....	2,076	2,028	1,841
<b>NONINTEREST INCOME</b>			
Service charges and fees .....	239	232	140
Net realized gains from sale of loans .....	42	127	76
Loan servicing fees, net of amortization .....	34	39	33
Gain on sale of securities .....	0	27	30
Other income .....	102	94	169
Total noninterest income .....	417	519	448
<b>NONINTEREST EXPENSES</b>			
Salaries and benefits .....	1,148	1,171	1,055
Occupancy .....	281	244	227
FDIC insurance premiums .....	23	39	38
Other Expenses .....	746	617	431
Total noninterest expenses .....	2,198	2,071	1,751
<b>INCOME BEFORE INCOME TAXES</b> .....	295	476	538
Income tax expense .....	61	128	112
<b>NET INCOME</b> .....	\$ 234	\$ 348	\$ 426
<b>BASIC NET INCOME PER SHARE</b> .....	\$ 0.19	\$ 0.29	\$ 0.35

Dear Shareholder,

Sitting down to write my shareholder message for the first quarter 2017, I am amazed how fast time rolls by. I started at the bank in 1971 and although that seems like a short time ago, it has been more than forty-six years. As many of you are already aware, I have announced my plan to retire at the end of 2017 and am happy to advise that your board of directors has hired a search firm to assist with the process of finding my successor. While it has been my pleasure to both serve and lead such a fine organization, and to work with so many wonderful people who care deeply about the organization and our community, I am also looking forward to enjoying the coming years at a more relaxed pace.

For the first quarter of 2017 the financial results of the Corporation and its subsidiary, Citizens National Bank, were behind expectations due to a steep decline in mortgage volumes. The good news for consumers selling homes is that prices are stable to improving and the bad news for home buyers is the lack of inventory. Looking forward, I am optimistic as mortgage volumes are increasing in the second quarter 2017.

Highlights of financial performance for the first three months of 2017 are outlined below:

- Loans increased by \$11.5 million over March 31, 2016, an increase of 9%.
- Total assets were \$279.7 million, an increase of \$8.7 million compared to March 31, 2016.
- Deposits increased to \$250.2 million, representing an \$8.3 million increase from the same period in 2016.
- Net income was \$234,000 or \$0.19 per share, compared to \$348,000 or \$0.29 per share for the quarter ended March 31, 2016. The reduction in earnings was primarily due to low mortgage volumes; all other income and expense categories were in line with projections.

As a reminder, the Annual Meeting of Shareholders is scheduled for Tuesday, May 16 at 5:30 p.m. Once again, the evening will include a cookout featuring Michigan-made products, many from northern Michigan. I hope to see you there.

Sincerely,

Susan A. Eno  
President & CEO