

**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

THOMAS A. ELLENBERGER

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*

NANCY A. STEMPKY - *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*

MATTHEW E. KEENE - *Vice President*

DARREN M. SELDEN - *Vice President & Branch Manager*

NANCY A. STEMPKY, CPA - *Vice President - Controller*

NICOLE M. DRAKE - *Assistant 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*

LINDSEY K. MILLER - *Banking Officer & Branch Manager - South Branch*

MICHELLE M. MILLER - *Assistant Branch Manager - Indian River*

QUINN C. BONNETT - *Loan Officer*

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 • Gaylord • Rogers City • Petoskey

You can also visit our website at

www.CNBisMyBank.com

Member
FDIC



our 85 year tradition continues

STATEMENT OF CONDITION

December 31, 2015



February 25, 2016

CONSOLIDATED BALANCE SHEET

(UNAUDITED)

In thousands of dollars

	December 31,	
	2015	2014
ASSETS		
Cash and due from banks	\$ 5,952	\$ 6,573
Interest-bearing deposits with other financial institutions	25,617	6,241
Federal funds sold	0	0
Total cash and cash equivalents	31,569	12,814
Time deposits with other financial institutions	8,711	7,547
Securities available for sale	86,690	93,106
Securities held to maturity	4,836	6,530
<i>(Market value of \$4,990 in 2015 and \$6,756 in 2014)</i>		
Other securities	905	972
Total investment securities	92,431	100,608
Loans	124,814	119,612
Less: allowance for loan losses	(1,509)	(1,726)
Net loans	123,305	117,886
Premises and equipment, net	5,518	4,999
Other assets	10,127	10,067
Total assets	<u>\$271,661</u>	<u>\$253,921</u>
LIABILITIES		
Deposits:		
Noninterest-bearing demand	\$ 63,131	\$ 51,169
Interest-bearing deposits	180,040	175,806
Total deposits	243,171	226,975
Other liabilities	4,543	4,208
Total liabilities	247,714	231,183
SHAREHOLDERS' EQUITY		
Common Stock	3,030	3,030
Surplus	19,499	19,499
Retained Earnings and Accumulated other Comprehensive Income/(Loss)	1,418	209
Total shareholders' equity	<u>23,947</u>	<u>22,738</u>
Total liabilities and shareholders' equity	<u>\$271,661</u>	<u>\$253,921</u>

CONSOLIDATED STATEMENT OF INCOME

(UNAUDITED)

In thousands of dollars, except per share data

	For the twelve months ended December 31,		
	2015	2014	2013
INTEREST INCOME			
Interest and fees on loans	\$ 6,204	\$ 6,847	\$ 6,562
Interest on securities:			
Taxable	1,327	1,159	944
Tax exempt	220	236	264
Other interest income	125	122	151
Total interest income	7,876	8,364	7,921
INTEREST EXPENSE ON DEPOSITS	307	384	724
NET INTEREST INCOME	7,569	7,980	7,197
Provision for loan losses	(300)	(900)	(400)
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	7,869	8,880	7,597
NONINTEREST INCOME			
Service charges and fees	1,000	948	955
Net realized gains from sale of loans	579	246	465
Loan servicing fees, net of amortization	171	158	82
Gain on the sale of assets	67	204	215
Gain on sale of securities	66	421	1,809
Other income	411	340	389
Total noninterest income	2,294	2,317	3,915
NONINTEREST EXPENSES			
Salaries and benefits	4,781	4,349	4,698
Occupancy	878	1,045	1,011
FDIC insurance premiums	149	238	344
System Conversion Costs	0	476	0
Other Expenses	2,293	2,411	1,609
Total noninterest expenses	8,101	8,519	7,662
INCOME BEFORE INCOME TAXES	2,062	2,678	3,850
Income tax expense	374	787	1,130
NET INCOME	<u>\$ 1,688</u>	<u>\$ 1,891</u>	<u>\$ 2,720</u>
BASIC NET INCOME PER SHARE	<u>\$ 1.39</u>	<u>\$ 1.56</u>	<u>\$ 2.24</u>

Dear Shareholder,

Financial performance in 2015 reflected steady improvement; the loan portfolio grew, with high quality loans and minimal delinquency, and deposits remained strong and are anticipated to increase with the expansion in Petoskey. However, earnings remain a challenge due to the low interest rate environment, with no expectation rates will increase substantially in the foreseeable future.

Net income for the Corporation at December 31, 2015 was \$1.7 million, or \$1.39 basic earnings per share, compared to \$1.9 million or \$1.56 basic earnings per share for the prior year. Cash dividends declared and paid based upon 2015 performance totaled \$0.40 per share; \$0.15 per share paid in August 2015 and \$0.25 per share paid in February 2016.

Assets on December 31, 2015 were \$271.7 million, an increase of nearly 7% over year-end 2014. The growth was a result of an increase in deposits to \$243.2 million at year-end 2015, compared to \$227.0 million at year-end 2014. Loans were \$124.8 million on December 31, 2015, an increase of 4.35% over 2014.

The proxy and ballot for the May 17, 2016 annual shareholder meeting will be mailed in April. As noted in last year's annual meeting mailing the 2015 Annual Report will not be included in the meeting mailing. Copies of the 2015 Annual Report may be obtained at no charge by submitting a written request to Shareholder Relations, CNB Corporation, 303 North Main Street, P.O. Box 10, Cheboygan, Michigan 49721 or by email to registrar@cnbismybank.com. The report can also be downloaded at <http://www.cnbismybank.com/shareholder-relations>.

I am pleased to announce this year's annual shareholder meeting will include a cookout featuring Michigan-made products, mostly from businesses located in northern Michigan.

In closing I want to thank you for your support and let you know my door is always open if you have questions.

Sincerely,

Susan A. Eno
President & CEO