

**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 & 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

**Member
FDIC**



our 85 year tradition continues

STATEMENT OF CONDITION

December 31, 2016



February 28, 2017

Dear Shareholder,

Financial performance for the year ended December 31, 2016 resulted in net income of \$1.37 per share, a decline from \$1.39 per share in 2015. Despite the positive impact of growth in the bank's loan portfolio, low interest rates and the cost of technology continued to challenge income during 2016.

Performance as of December 31, 2016 allowed for payment of a cash dividend of \$0.40 per share on February 10, 2017, bringing cash dividends based on 2016 activity to \$0.65 per share, a return of more than 3% based on the share price of \$19.75.

Assets on December 31, 2016 were \$278.8 million, an increase of nearly 3% from 2015, due largely to deposit growth from \$243.2 million at year end 2015 to \$250.1 million at year end 2016. The 11.6% increase in loan activity year-over-year resulted in a loan portfolio of \$139.2 million on December 31, 2016.

Spring may seem a long way off, but preparations for the 2017 annual meeting of shareholders are already underway. Once again, the evening will include a cookout featuring Michigan-made products, many from northern Michigan. **Mark your calendar and join us on May 16 to learn more about CNB Corporation and Citizens National Bank and enjoy a great meal.**

As a reminder, the Annual Report is no longer being mailed to shareholders with the proxy material. However, once it is completed, an electronic version of the Annual Report can be downloaded at:

<http://www.cnbismybank.com/shareholder-relations> or a printed version may be obtained at no charge by submitting a request to registrar@cnbismybank.com or to Shareholder Relations, CNB Corporation, P.O. Box 10, Cheboygan, Michigan 49721.

I thank you for your continued confidence and hope to see you on May 16.

Sincerely,

Susan A. Eno
President & CEO

CONSOLIDATED BALANCE SHEET

(UNAUDITED)

In thousands of dollars

	December 31,	
	2016	2015
ASSETS		
Cash and due from banks	\$ 4,895	\$ 5,952
Interest-bearing deposits with other financial institutions	17,948	25,617
Total cash and cash equivalents	22,843	31,569
Time deposits with other financial institutions	7,950	8,711
Securities available for sale	88,328	86,690
Securities held to maturity	3,243	4,835
(Market value of \$3,373 in 2016 and \$4,990 in 2015)		
Other securities	905	905
Total investment securities	92,476	92,430
Loans	139,239	124,814
Less: allowance for loan losses	(1,625)	(1,509)
Net loans	137,614	123,305
Premises and equipment, net	6,104	5,518
Other assets	11,848	10,127
Total assets	\$278,835	\$271,660
LIABILITIES		
Deposits:		
Noninterest-bearing demand	\$ 70,508	\$ 63,131
Interest-bearing deposits	179,553	180,041
Total deposits	250,061	243,172
Other liabilities	5,829	4,541
Total liabilities	255,890	247,713
SHAREHOLDERS' EQUITY		
Common Stock	3,030	3,030
Surplus	19,499	19,499
Retained Earnings and Accumulated other Comprehensive Income/(Loss)	416	1,418
Total shareholders' equity	22,945	23,947
Total liabilities and shareholders' equity	\$278,835	\$271,660

CONSOLIDATED STATEMENT OF INCOME

(UNAUDITED)

In thousands of dollars, except per share data

	For the twelve months ended December 31,		
	2016	2015	2014
INTEREST INCOME			
Interest and fees on loans	\$ 6,919	\$ 6,205	\$ 6,847
Interest on securities:			
Taxable	1,256	1,327	1,159
Tax exempt	279	220	236
Other interest income	201	125	122
Total interest income	8,655	7,877	8,364
INTEREST EXPENSE ON DEPOSITS	298	307	384
NET INTEREST INCOME	8,357	7,570	7,980
Provision (recapture) for loan losses	0	(300)	(900)
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	8,357	7,870	8,880
NONINTEREST INCOME			
Service charges and fees	1,011	1,000	947
Net realized gains from sale of loans	780	579	246
Loan servicing fees, net of amortization	123	171	158
Gain on the sale (loss on disposal) of assets	(87)	67	204
Gain on sale of securities	98	12	365
Securities impairment recovery	0	54	57
Other income	455	338	341
Total noninterest income	2,380	2,221	2,318
NONINTEREST EXPENSES			
Salaries and benefits	4,680	4,781	4,348
Occupancy	986	878	1,046
FDIC insurance premiums	132	149	238
System conversion costs	0	0	476
Other Expenses	2,663	2,221	2,412
Total noninterest expenses	8,461	8,029	8,520
INCOME BEFORE INCOME TAXES	2,276	2,062	2,678
Income tax expense	619	374	787
NET INCOME	\$ 1,657	\$ 1,688	\$ 1,891
BASIC NET INCOME PER SHARE	\$ 1.37	\$ 1.39	\$ 1.56