

**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

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

MATTHEW E. KEENE

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

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

DIRECTORS EMERITI

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

CNB CORPORATION OFFICERS

VINCENT J. HILLESHEIM - *Chairman*

MATTHEW E. KEENE - *President & Chief Executive Officer*

JODIE L. BOROWICZ - *Vice President & Treasurer*

VICTORIA J. HAND - *Secretary*

CITIZENS NATIONAL BANK OFFICERS

VINCENT J. HILLESHEIM - *Chairman*

MATTHEW E. KEENE - *President & Chief Executive Officer*

VICTORIA J. HAND - *Executive Vice President, Chief Operating Officer,
Cashier & Compliance Officer*

JODIE L. BOROWICZ, CPA - *Senior Vice President
& Chief Financial Officer*

STEPHEN J. CRUSOE - *Senior Vice President - Residential Banking*

JOSEPH M. DALY - *Senior Vice President - Commercial Banking*

NICOLE M. DRAKE - *Senior Vice President - Commercial Banking*

DAVID A. WOODS - *Senior Vice President - Senior Loan Officer*

MATTHEW H. DEWILDT - *Vice President - Wealth & Retirement Strategies*

TRISHA M. DOBIAS - *Vice President - Human Resources*

JOSEPH P. GARBER - *Vice President - Credit Manager*

VALERIE A. JONES - *Vice President - Retail Banking*

NANCY K. LINDSAY, CFMP - *Vice President - Marketing*

DARREN M. SELDEN - *Vice President - Residential Banking*

TIMOTHY J. TIMMER - *Vice President - Commercial Banking*

REBECCA L. TOMASKI - *Assistant Vice President - Shareholder Relations*

SHARON L. COPPERNOLL - *Mortgage Officer - Residential Banking*

MICHELLE M. MILLER - *Mortgage Officer - Residential Banking*

DENNIS S. MYERS - *Mortgage Officer - Residential Banking*

ANDREW C. MARTIN - *Financial Services Officer*

QUINN C. BONNETT - *Facilities Manager & Security Officer*

SHERRY M. WICHLACZ - *Assistant Operations Officer*

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



our 88 year tradition continues

STATEMENT OF CONDITION

December 31, 2018



February 20, 2019

Dear Shareholder,

Happy New Year. I am pleased to announce financial performance for CNB Corporation (the Corporation) and its subsidiary, Citizens National Bank (the Bank), reflected positive trends for the year ended December 31, 2018. Loans were \$151.38 million, an increase of \$10.90 million, or 7.8%, from 2017. The loan activity contributed \$7.60 million to net interest income of \$9.75 million. The Bank's earnings for 2018 were driven by its loan activity, together with strong performance by the Bank's wealth management service, CNB Financial Services, and the return on the Bank's investment portfolio. Additionally, shareholders' equity increased year-over-year by \$515,000, to \$24.07 million.

Based on market conditions, the potential of terminating the Bank's Employees' Pension Plan (the Plan) was again considered. Given the Bank's strong performance and the reduced number of Plan participants, the decision was made to terminate the Plan. While this had a negative impact on financial performance in 2018, eliminating the liability and associated expense of the Plan will have a positive effect on future performance. Excluding the impact of this one-time event, net income would have exceeded \$2.01 million in 2018.

At its December 6, 2018 meeting the Bank's Board of Directors approved the promotions of Victoria J. Hand to Executive Vice President, Chief Operating Officer, Cashier & Compliance Officer and Jodie L. Borowicz, CPA to Senior Vice President & Chief Financial Officer. Both of these individuals have been integral to the Bank's operation and will continue to excel in their new positions. I am thankful to have them as members of our leadership team.

2018 was both exciting and challenging and I look forward to 2019 with enthusiasm and optimism. If you have any questions or concerns regarding the Corporation or Bank, please feel free to call or stop in.

I hope to see you at the Annual Meeting of Shareholders on Tuesday, May 21, 2019 at the Knights of Columbus Hall in Cheboygan.

Sincerely,

Matthew E. Keene
President & CEO

CONSOLIDATED BALANCE SHEET

(UNAUDITED)

In thousands of dollars

	December 31,	
ASSETS	2018	2017
Cash and due from banks	\$ 6,126	\$ 6,889
Interest-bearing deposits with other financial institutions	8,117	16,856
Total cash and cash equivalents	14,243	23,745
Time deposits with other financial institutions	15,369	15,135
Securities available for sale	91,417	91,924
Securities held to maturity	2,200	1,917
Other securities	957	910
Total investment securities	94,574	94,751
Loans held for sale	1,400	987
Loans	151,379	140,481
Less: allowance for loan losses	(1,716)	(1,569)
Net loans	151,063	139,899
Premises and equipment, net	5,852	6,196
Other assets	10,443	10,465
Total assets	\$291,544	\$290,191
LIABILITIES		
Deposits:		
Noninterest-bearing demand	\$ 77,221	\$ 74,893
Interest-bearing deposits	185,205	186,963
Total deposits	262,426	261,856
Accrued and other liabilities	5,049	4,781
Total liabilities	267,475	266,637
SHAREHOLDERS' EQUITY		
Common Stock	3,027	3,029
Additional Paid-In Capital	19,472	19,488
Retained Earnings	3,546	5,293
Accumulated other Comprehensive Income/(Loss), net	(1,976)	(4,256)
Total shareholders' equity	24,069	23,554
Total liabilities and shareholders' equity	\$291,544	\$290,191

CONSOLIDATED STATEMENT OF INCOME

(UNAUDITED)

In thousands of dollars, except per share data

	For the twelve months ended December 31,		
INTEREST INCOME	2018	2017	2016
Interest and fees on loans	\$ 7,599	\$ 7,063	\$ 6,919
Interest on securities:			
Taxable	1,639	1,278	1,256
Tax exempt	268	290	279
Other interest income	532	352	201
Total interest income	10,038	8,983	8,655
INTEREST EXPENSE ON DEPOSITS	293	284	298
NET INTEREST INCOME	9,745	8,699	8,357
Provision for loan losses	0	0	0
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	9,745	8,699	8,357
NONINTEREST INCOME			
Service charges and fees	1,060	1,033	1,011
Net realized gains from sale of loans	376	509	780
Loan servicing fees, net of amortization	123	108	123
Gain on sale of assets	0	21	0
Gain on sale of securities	0	5	98
Other income	644	523	286
Total noninterest income	2,203	2,199	2,298
NONINTEREST EXPENSES			
Salaries and benefits	5,212	4,476	3,922
Occupancy and equipment	1,074	1,071	986
FDIC insurance premiums	85	90	132
Other expenses	3,179	2,928	3,339
Total noninterest expenses	9,550	8,565	8,379
INCOME BEFORE INCOME TAXES	2,398	2,333	2,276
Income tax expense	154	537	619
2017 Tax reform act adjustment	0	482	0
2018 Pension Termination	3,023	0	0
NET INCOME (LOSS)	\$ (779)	\$ 1,314	\$ 1,657
BASIC NET INCOME PER SHARE	\$ (0.64)	\$ 1.08	\$ 1.37