

**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*

**MATTHEW E. KEENE** - *Vice President*

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

**NICOLE M. DRAKE** - *Vice President - Commercial Loans*

**JODIE L. BOROWICZ, CPA** - *Controller*

**NANCY K. LINDSAY** - *Assistant Vice President - Marketing*

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

**MICHELLE M. MILLER** - *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 • Rogers City • Petoskey**

*You can also visit our website at*

**[www.CNBisMyBank.com](http://www.CNBisMyBank.com)**

**Member  
FDIC**



*our 85 year tradition continues*

**STATEMENT OF CONDITION**

**June 30, 2016**



August 12, 2016

Dear Shareholder,

Based on financial performance, the CNB Corporation Board of Directors approved the payment of a dividend to its shareholders for the second quarter of 2016. The enclosed represents a \$0.25 per share dividend payable to shareholders of record as of July 28, 2016.

The Corporation's financial performance for the six months ended June 30, 2016, resulted in:

- Net income of \$700,211, or \$0.58 per share, compared to \$783,099, or \$.65 per share earned during the same period last year. The reduction in earnings was primarily attributed to an increase in technology costs.
- Deposits of \$234.2 million, a 3.4% increase over the same period last year when deposits totaled \$226.3 million.
- Loans outstanding of \$131.3 million, a 12.3% increase over the \$116.9 million loan portfolio at June 30, 2015. Loan growth was attributable to expansion into Emmet County and the new Petoskey location.

The Gaylord loan production office has not generated the loan activity anticipated since it was opened in 2013. As a result the decision was made to not renew the lease for that location and the office was closed on August 10, 2016. While this was an unfortunate decision the first priority has been, and continues to be, the enhancement of the bank's loan portfolio as a key component of improving shareholder value.

Additionally, we are pleased to announce at its organizational meeting held May 28, 2016, the CNB Corporation Board of Directors reelected Vincent J. Hillesheim as Chairman of the Board and Thomas J. Ellenberger as Chairman of the Audit Committee.

Finally, I would call your attention to the enclosed survey requesting the input of shareholders on the frequency of dividend payments and interest in establishing a dividend reinvestment plan. I would appreciate you taking a few moments to respond so your input can be considered by the Board of Directors.

As always, feel free to contact me if you have a question, concerns or compliments regarding CNB Corporation or Citizens National Bank.

Sincerely,

Susan A. Eno  
President & CEO

## CONSOLIDATED BALANCE SHEET

(UNAUDITED)

In thousands of dollars

	June 30,	
ASSETS	2016	2015
Cash and due from banks .....	\$ 9,299	\$ 4,285
Interest-bearing deposits with other financial institutions .....	6,885	7,487
Total cash and cash equivalents .....	16,184	11,772
Time deposits with other financial institutions .....	8,361	6,393
Securities available for sale .....	88,489	98,321
Securities held to maturity .....	2,683	4,168
(Market value of \$2,817 in 2016 and \$4,399 in 2015)		
Other securities .....	905	905
Total investment securities .....	92,077	103,394
Loans held for sale .....	940	992
Loans .....	131,988	117,753
Less: allowance for loan losses .....	(1,627)	(1,809)
Net loans .....	131,301	116,936
Premises and equipment, net .....	6,025	5,283
Other assets .....	10,355	10,545
Total assets .....	\$264,303	\$254,323
<b>LIABILITIES</b>		
Deposits:		
Noninterest-bearing demand .....	\$ 62,020	\$ 56,460
Interest-bearing deposits .....	172,199	169,848
Total deposits .....	234,219	226,308
Other liabilities .....	5,142	4,527
Total liabilities .....	239,361	230,835
<b>SHAREHOLDERS' EQUITY</b>		
Common Stock .....	3,030	3,030
Surplus .....	19,499	19,499
Retained Earnings and Accumulated other Comprehensive Income/(Loss) .....	2,413	959
Total shareholders' equity .....	24,942	23,488
Total liabilities and shareholders' equity .....	\$264,303	\$254,323

## CONSOLIDATED STATEMENT OF INCOME

(UNAUDITED)

In thousands of dollars, except per share data

	For the six months ended June 30,		
	2016	2015	2014
<b>INTEREST INCOME</b>			
Interest and fees on loans .....	\$ 3,322	\$ 3,112	\$ 3,198
Interest on securities:			
Taxable .....	645	648	537
Tax exempt .....	121	104	120
Other interest income .....	99	49	62
Total interest income .....	4,187	3,913	3,917
<b>INTEREST EXPENSE ON DEPOSITS</b>	146	157	202
<b>NET INTEREST INCOME</b> .....	4,041	3,756	3,715
Provision for loan losses .....	0	0	0
<b>NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES</b> ....	4,041	3,756	3,715
<b>NONINTEREST INCOME</b>			
Service charges and fees .....	491	481	446
Net realized gains from sale of loans ....	299	233	126
Loan servicing fees, net of amortization ..	64	72	71
Gain on the sale of assets .....	0	0	204
Gain on sale of securities .....	27	44	394
Other income .....	235	183	156
Total noninterest income .....	1,116	1,013	1,397
<b>NONINTEREST EXPENSES</b>			
Salaries and benefits .....	2,373	2,286	2,206
Occupancy .....	502	440	532
FDIC insurance premiums .....	82	74	163
Other Expenses .....	1,241	1,015	1,063
Total noninterest expenses .....	4,198	3,815	3,964
<b>INCOME BEFORE INCOME TAXES</b> .....	959	954	1,148
Income tax expense .....	259	171	325
<b>NET INCOME</b> .....	\$ 700	\$ 783	\$ 823
<b>BASIC NET INCOME PER SHARE</b> .....	\$ 0.58	\$ 0.65	\$ 0.68