

**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*

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

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

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

VICTORIA J. HAND - *Senior Vice President  
Cashier & Compliance Officer*

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

JODIE L. BOROWICZ, CPA - *Vice President & Controller*

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 - *Loan Operations Manager*

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 87 year tradition continues*

**STATEMENT OF CONDITION**

June 30, 2018



August 10, 2018

Dear Shareholder,  
 Financial performance for CNB Corporation remained solid, which resulted in the Board of Directors approving a cash dividend to the shareholders for the second quarter. Enclosed is a \$0.40 per share dividend payable to shareholders of record on July 26, 2018.

Financial performance for the six months ended June 30, 2018, reflected:

- Total asset growth year-over-year from \$279.0 million to \$289.8 million, an increase of 3.9%.
- Core deposit growth to \$262.4 million continued to drive the bank's asset growth, resulting in a 5.8% increase when compared to the same period last year.
- Loans increased from \$140.9 million at the end of the first quarter to \$148.5 million at the end of the second quarter. Year-over-year loans increased from \$142.7 million, or 4.1%.
- Net income rebounded from \$224,000 at the end of the first quarter to \$785,000 in the second quarter. Year-to-date net income of \$785,000 represented a 24.6% increase over 2017 year-to-date. The net income increase was driven by continued loan growth and the strong return on the investment portfolio.

I am pleased to announce Thomas J. Ellenberger, Vincent J. Hillesheim and Christopher B. Shepler were reelected as directors at the May 15, 2018 annual meeting of shareholders, and I was elected as a new director, each of us for a three-year term. Additionally, Mr. Hillesheim was reelected as Chairman of the Board and Mr. Ellenberger was reelected as Chairman of the Audit Committee. Given the breadth and depth of knowledge both have acquired serving on the board and in these positions for a number of years, the process of selecting and vetting their replacements is beginning. Recognizing this will be the final term for both Mr. Hillesheim and Mr. Ellenberger due to board policy, starting this process early will assure a smooth transition.

Recent additions to the bank's staff included David A. Woods, Senior Vice President & Senior Loan Officer; Joseph P. Garber, Vice President, Credit Manager; Timothy J. Timmer, Vice President, Commercial Banking and Dennis S. Myers, Mortgage Officer, Residential Banking. These individuals came to the bank with considerable experience in their areas of expertise and all have lived and worked in northern Michigan. Each of these officers joined our team to support loan growth while maintaining the bank's high credit quality standards.

I have enjoyed getting to know many of our shareholders in my first few months as President & CEO and I look forward to meeting more shareholders in the future.

Sincerely,

Matthew E. Keene  
 President & CEO

### CONSOLIDATED BALANCE SHEET

(UNAUDITED)

In thousands of dollars

	June 30,	
ASSETS	2018	2017
Cash and due from banks .....	\$ 5,563	\$ 6,473
Interest-bearing deposits with other financial institutions .....	5,334	18,448
Total cash and cash equivalents .....	10,897	24,921
Time deposits with other financial institutions .....	15,129	5,221
Securities available for sale .....	96,629	85,644
Securities held to maturity .....	2,029	2,669
Other securities .....	957	910
Total investment securities .....	99,615	89,223
Loans held for sale .....	594	906
Loans .....	148,516	142,650
Less: allowance for loan losses .....	(1,613)	(1,527)
Net loans .....	147,497	142,029
Premises and equipment, net .....	6,016	6,314
Other assets .....	10,679	11,270
Total assets .....	<u>\$289,833</u>	<u>\$278,978</u>
<b>LIABILITIES</b>		
Deposits:		
Noninterest-bearing demand .....	\$ 77,092	\$ 72,811
Interest-bearing deposits .....	185,276	175,152
Total deposits .....	262,368	247,963
Accrued and other liabilities .....	4,762	6,753
Total liabilities .....	267,130	254,716
<b>SHAREHOLDERS' EQUITY</b>		
Common Stock .....	3,028	3,030
Additional Paid-In Capital .....	19,472	19,498
Retained Earnings .....	5,594	4,394
Accumulated other Comprehensive Income/(Loss), net .....	(5,391)	(2,660)
Total shareholders' equity .....	<u>22,703</u>	<u>24,262</u>
Total liabilities and shareholders' equity .....	<u>\$289,833</u>	<u>\$278,978</u>

### CONSOLIDATED STATEMENT OF INCOME

(UNAUDITED)

In thousands of dollars, except per share data

	For the six months ended June 30,		
INTEREST INCOME	2018	2017	2016
Interest and fees on loans .....	\$ 3,614	\$ 3,480	\$ 3,322
Interest on securities:			
Taxable .....	812	615	645
Tax exempt .....	127	145	121
Other interest income .....	259	110	99
Total interest income .....	<u>4,812</u>	<u>4,350</u>	<u>4,187</u>
<b>INTEREST EXPENSE ON DEPOSITS</b> .....	<u>146</u>	<u>141</u>	<u>146</u>
<b>NET INTEREST INCOME</b> .....	4,666	4,209	4,041
Provision (recapture) for loan losses .....	0	0	0
<b>NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES</b> .....	<u>4,666</u>	<u>4,209</u>	<u>4,041</u>
<b>NONINTEREST INCOME</b>			
Service charges and fees .....	513	508	491
Net realized gains from sale of loans .....	155	211	299
Loan servicing fees, net of amortization .....	61	62	64
Gain on sale of securities .....	0	21	27
Other income .....	266	220	235
Total noninterest income .....	<u>995</u>	<u>1,022</u>	<u>1,116</u>
<b>NONINTEREST EXPENSES</b>			
Salaries and benefits .....	2,643	2,298	2,373
Occupancy and equipment .....	532	549	502
FDIC insurance premiums .....	45	45	82
Other Expenses .....	1,502	1,501	1,241
Total noninterest expenses .....	<u>4,722</u>	<u>4,393</u>	<u>4,198</u>
<b>INCOME BEFORE INCOME TAXES</b> .....	939	838	959
Income tax expense .....	154	208	259
<b>NET INCOME</b> .....	<u>\$ 785</u>	<u>\$ 630</u>	<u>\$ 700</u>
<b>BASIC NET INCOME PER SHARE</b> .....	<u>\$ 0.65</u>	<u>\$ 0.52</u>	<u>\$ 0.58</u>