

**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  
Retired President/Chief Executive Officer,  
Citizens National Bank*

**MATTHEW E. KEENE**

*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**

**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*

**JODIE L. BOROWICZ** - *Vice President & Treasurer*

**REBECCA L. TOMASKI** - *Secretary*

**CITIZENS NATIONAL BANK OFFICERS**

**VINCENT J. HILLESHEIM** - *Chairman*

**SUSAN A. ENO** - *President & Chief Executive Officer*

**MATTHEW E. KEENE** - *Executive Vice President - Senior Loan Officer*

**STEPHEN J. CRUSOE** - *Senior Vice President - Mortgage Loans*

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

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

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

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

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

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

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

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

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

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

**MICHELLE M. MILLER** - *Banking Officer & Branch Manager*

**REBECCA L. APER** - *Branch Manager*

**SHARON L. COPPERNOLL** - *Branch Manager & Loan Officer*

**ANDREW C. MARTIN** - *Senior Credit Analyst & Portfolio Manager*

**QUINN C. BONNETT** - *Facilities Manager*

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



*our 86 year tradition continues*

**STATEMENT OF CONDITION**

**March 31, 2018**



## CONSOLIDATED BALANCE SHEET

(UNAUDITED)

*In thousands of dollars*

	March 31,	
	2018	2017
<b>ASSETS</b>		
Cash and due from banks .....	\$ 4,034	\$ 5,346
Interest-bearing deposits with other financial institutions .....	13,680	11,168
Total cash and cash equivalents.....	17,714	16,514
Time deposits with other financial institutions .....	15,377	8,197
Securities available for sale .....	99,335	93,185
Securities held to maturity .....	1,555	2,883
Other securities .....	910	905
Total investment securities.....	101,800	96,973
Loans held for sale .....	832	732
Loans .....	141,643	140,544
Less: allowance for loan losses.....	(1,573)	(1,512)
Net loans .....	140,902	139,764
Premises and equipment, net.....	6,101	6,366
Other assets.....	10,913	11,885
Total assets .....	\$292,807	\$279,699
<b>LIABILITIES</b>		
Deposits:		
Noninterest-bearing demand .....	\$ 70,437	\$ 65,504
Interest-bearing deposits .....	195,057	184,698
Total deposits .....	265,494	250,202
Accrued and other liabilities.....	5,064	6,108
Total liabilities .....	270,558	256,310
<b>SHAREHOLDERS' EQUITY</b>		
Common Stock.....	3,028	3,030
Additional Paid-In Capital.....	19,484	19,498
Retained Earnings.....	5,032	3,996
Accumulated other Comprehensive Income/(Loss), net .....	(5,295)	(3,135)
Total shareholders' equity .....	22,249	23,389
Total liabilities and shareholders' equity.....	\$292,807	\$279,699

## CONSOLIDATED STATEMENT OF INCOME

(UNAUDITED)

*In thousands of dollars, except per share data*

	For the three months ended March 31,		
	2018	2017	2016
<b>INTEREST INCOME</b>			
Interest and fees on loans .....	\$ 1,733	\$ 1,708	\$ 1,669
Interest on securities:			
Taxable .....	387	308	318
Tax exempt .....	62	71	54
Other interest income .....	158	59	60
Total interest income .....	2,340	2,146	2,101
<b>INTEREST EXPENSE ON DEPOSITS</b>	72	70	73
<b>NET INTEREST INCOME</b> .....	2,268	2,076	2,028
Provision (recapture) for loan losses .....	0	0	0
<b>NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES</b> ....	2,268	2,076	2,028
<b>NONINTEREST INCOME</b>			
Service charges and fees .....	243	239	232
Net realized gains from sale of loans ....	66	42	127
Loan servicing fees, net of amortization .	29	34	39
Gain on sale of securities .....	0	0	27
Other income .....	158	102	94
Total noninterest income .....	496	417	519
<b>NONINTEREST EXPENSES</b>			
Salaries and benefits .....	1,482	1,148	1,171
Occupancy and equipment .....	270	281	244
FDIC insurance premiums .....	23	23	39
Other Expenses .....	733	746	617
Total noninterest expenses .....	2,508	2,198	2,071
<b>INCOME BEFORE INCOME TAXES</b> .....	256	295	476
Income tax expense .....	32	61	128
<b>NET INCOME</b> .....	\$ 224	\$ 234	\$ 348
<b>BASIC NET INCOME PER SHARE</b> .....	\$ 0.18	\$ 0.19	\$ 0.29

May 1, 2018

Dear Shareholder,

Succeeding Susan A. Eno as President & CEO of Citizens National Bank, it is my privilege to craft the first quarter message to the shareholders.

To briefly introduce myself, my banking career began 24 years ago in the Grand Rapids area and since 1997 I've been living in northern Michigan, working exclusively in the banking industry. My financial education includes a Bachelor of Science in Business Administration from Central Michigan University, where I majored in finance and international business. Additionally, I earned a Master of Business Administration from Western Michigan University in Kalamazoo and am a recent graduate of the American Bankers Association Graduate School of Banking in Madison, Wisconsin.

I joined Citizens National Bank in 2015 to help open the new office in Petoskey and was fortunate to be selected to succeed Susan A. Eno as its President & CEO when she made the decision to retire. I am both humbled and excited for the opportunity to lead northern Michigan's bank of choice and employer of choice, while assuring Citizens National Bank remains independently based in Cheboygan, Michigan serving our northern Michigan community.

The following financial highlights reflect the performance of the Corporation for the three months ended March 31, 2018:

- Total assets were \$292.8 million, compared to \$279.7 million at the end of the first quarter 2017, an increase of \$13.1 million or 4.7%. This increase in total assets has been driven primarily by an increase in the bank's core deposits.
- Total deposits were \$265.5 million, compared to \$250.2 million at the end of the first quarter 2017, an increase of \$15.3 million or 6.1%.
- Loans were \$140.9 million, compared to \$139.8 million in the previous year, an increase of \$1.1 million or 0.8%. Current loans in process are at a three-year high, which has us optimistic for solid 3rd and 4th quarter loan growth.
- Net interest income was \$2.3 million, compared to \$2.1 million at the end of the first quarter 2017, an increase of 9.2%. For the first time in over a decade, interest rates are beginning to rise as the economy improves. It is anticipated the Federal Reserve may raise rates one or two more times by year-end, which would benefit the bank.
- Net income was \$224,000, compared to \$234,000 at the end of the first quarter 2017, a decrease of \$10,000 or 4.3%, very comparable to the same time last year.
- Also of note was the enactment of the Tax Cuts and Jobs Act on January 1, 2018. The resulting reduction in the corporate income tax rate from 35% to 21% benefits the Corporation and shareholder value both now and in years to come. In the first quarter 2018, income tax expense was almost half of what it was last year at the same time.

As a reminder, the CNB Corporation Annual Meeting of Shareholders is Tuesday, May 15 at 5:30 p.m. at the Knights of Columbus Hall in Cheboygan followed by dinner. I look forward to meeting those of you planning to attend.

In closing, I would like to thank the board for their trust and confidence in me to lead the bank. I would also like to acknowledge Sue for her willingness to postpone her retirement until March 2018; her support and guidance has been instrumental in my seamless transition to President & CEO.

Like Sue, my door is always open if you have questions or concerns.

Sincerely,

Matthew E. Keene  
President & CEO  
Citizens National Bank