

**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**

September 30, 2018



October 31, 2018

Dear Shareholder,

Financial performance for the first nine months of 2018 is provided for your information. Items of note for CNB Corporation and its subsidiary, Citizens National Bank, included:

- The continued positive net income trend. This is attributed to loan growth, an increase in interest rates and the strong performance of the investment portfolio. Net income increased from \$785,000 at the end of the 2nd quarter to \$1.3 million through the 3rd quarter. Year-over-year net income increased from \$1.1 million, or 20.8%.
- An increase in loans. Although increasing rates and declining home sales had an impact on loans sold to the secondary market, this was offset by growth in business loans, commercial real estate mortgages and residential portfolio mortgages. Total loans increased by \$8.2 million, to \$152.6 million, an increase of 5.8% when compared to the first nine months of 2017.
- The ongoing availability of core deposits to help fund the bank. The bank's seasonal increase in core deposits can be found in increased loans and the investment portfolio.
- Basic net income per share increased from \$0.92 to \$1.11, a year-over-year increase of 21.1%. This improvement was primarily related to increased interest income and savings from the corporate federal tax rate enacted at the end of 2017.

The 3rd quarter financial results are encouraging. For the first time since the financial crisis of 2008, meaningful changes are occurring in the economy and the interest rate environment. While this is positive, it makes monitoring interest rates within our market a top priority to maximize earnings for the bank and continue to increase shareholder value.

Looking forward our priority remains increasing loans, while being mindful of credit quality. The bank continues to focus on strengthening its credit department and with the recent addition of several team members I believe we are well-positioned to support lenders in meeting the expectations of our customers and retaining the quality of our loan portfolio. As a shareholder, I invite you to contact the bank if you have financing needs and to refer your family and friends.

Sincerely,

Matthew E. Keene  
President & CEO

### CONSOLIDATED BALANCE SHEET

(UNAUDITED)

In thousands of dollars

	September 30,	
	2018	2017
<b>ASSETS</b>		
Cash and due from banks .....	\$ 6,090	\$ 6,389
Interest-bearing deposits with other financial institutions .....	18,249	36,338
Total cash and cash equivalents .....	24,339	42,727
Time deposits with other financial institutions .....	14,878	13,149
Securities available for sale .....	93,142	84,697
Securities held to maturity .....	2,229	2,350
Other securities .....	957	910
Total investment securities .....	96,328	87,957
Loans held for sale .....	592	1,473
Loans .....	152,639	144,311
Less: allowance for loan losses .....	(1,615)	(1,549)
Net loans .....	151,616	144,235
Premises and equipment, net .....	5,912	6,302
Other assets .....	10,846	10,363
Total assets .....	\$303,919	\$304,733
<b>LIABILITIES</b>		
Deposits:		
Noninterest-bearing demand .....	\$ 77,791	\$ 77,962
Interest-bearing deposits .....	198,896	197,999
Total deposits .....	276,687	275,961
Accrued and other liabilities .....	4,770	4,532
Total liabilities .....	281,457	280,493
<b>SHAREHOLDERS' EQUITY</b>		
Common Stock .....	3,027	3,030
Additional Paid-In Capital .....	19,472	19,493
Retained Earnings .....	5,673	4,396
Accumulated other Comprehensive Income/(Loss), net .....	(5,710)	(2,679)
Total shareholders' equity .....	22,462	24,240
Total liabilities and shareholders' equity .....	\$303,919	\$304,733

### CONSOLIDATED STATEMENT OF INCOME

(UNAUDITED)

In thousands of dollars, except per share data

	For the nine months ended September 30,		
	2018	2017	2016
<b>INTEREST INCOME</b>			
Interest and fees on loans .....	\$ 5,537	\$ 5,265	\$ 5,179
Interest on securities:			
Taxable .....	1,223	919	949
Tax exempt .....	197	221	203
Other interest income .....	389	221	153
Total interest income .....	7,346	6,626	6,484
<b>INTEREST EXPENSE ON DEPOSITS</b>	220	212	224
<b>NET INTEREST INCOME</b> .....	7,126	6,414	6,260
Provision for loan losses .....	0	0	0
<b>NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES</b> .....	7,126	6,414	6,260
<b>NONINTEREST INCOME</b>			
Service charges and fees .....	787	775	759
Net realized gains from sale of loans .....	281	352	579
Loan servicing fees, net of amortization .....	95	86	98
Gain (Loss) on sale of assets .....	0	21	(84)
Gain on sale of securities .....	0	5	62
Other income .....	393	327	351
Total noninterest income .....	1,556	1,566	1,765
<b>NONINTEREST EXPENSES</b>			
Salaries and benefits .....	3,874	3,383	3,579
Occupancy and equipment .....	797	801	751
FDIC insurance premiums .....	66	67	128
Other expenses .....	2,325	2,211	1,906
Total noninterest expenses .....	7,062	6,462	6,364
<b>INCOME BEFORE INCOME TAXES</b> .....	1,619	1,518	1,661
Income tax expense .....	270	401	451
<b>NET INCOME</b> .....	\$ 1,349	\$ 1,117	\$ 1,210
<b>BASIC NET INCOME PER SHARE</b> .....	\$ 1.11	\$ 0.92	\$ 1.00