

**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**

**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*  
**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*  
**QUINN C. BONNETT** - *Business Banking Officer*  
**REBECCA L. APER** - *Branch Manager*  
**SHARON L. COPPERNOLL** - *Branch Manager & Loan 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)**



*our 86 year tradition continues*

**STATEMENT OF CONDITION**

September 30, 2017



October 31, 2017

Dear Shareholder,

The following provides a financial summary of performance for the Corporation for the nine months ended September 30, 2017.

- Assets were \$304.7 million, compared to \$290.9 million at the end of the third quarter 2016, an increase of \$13.8 million or 4.7%.
- Deposits totaled \$276.0 million, an increase of 5.8% compared to the first nine months of 2016 when deposits were \$260.9 million. The growth was reflective of the strong summer season experienced in Northern Michigan.
- Loans were \$145.8 million, an increase of 6.7% compared to the first nine months of 2016 when loans were \$136.6 million. We have continued to experience good loan growth.
- Net income was \$1.1 million, down from \$1.2 million for the same period in 2016, a decrease of 7.7%. This decrease was attributed primarily to the decline in mortgage activity in the secondary market.

As an update on the CEO search process and my planned retirement at the end of 2017, the search process has been concluded. The Board of Directors determined the best course was to postpone my retirement into 2018 and promote Matthew E. Keene to Executive Vice President of Citizens National Bank, which occurred September 1, 2017. We are now focused on familiarizing Mr. Keene with operational issues and supporting him in the transition to the position of President & CEO. Having devoted more than 46 years to the Bank and Corporation, I willingly postponed my retirement to assure a transition that moves the organization forward in a manner consistent with its longstanding mission of independent community banking. I look forward to participating in the transition process and providing guidance and counsel as Mr. Keene assumes more responsibility for the day-to-day functions of the organization.

Another change that has been contemplated for a period of time is the hours of operation at the Bank's branch locations. After taking into consideration the shift in how customers do banking, monitoring transaction volumes, accounting for the investment in technology and the importance of our staffs' personal time, we are ready to make a change. Effective November 25, 2017 our South branch, at 10854 N. Straits Highway in Cheboygan, will be the only location open on Saturdays year-round. Recognizing the volume of business during the summer months, the Mackinaw City branch will be open on Saturdays from Memorial Day weekend through the end of October. In making this decision our goal is to achieve a balance between customer service, efficient operations and respecting the value of our staff's time. With the availability of technology most transactions can now be accomplished by the customer from almost anywhere, any time-of-the-day, any day-of-the-week. As a community bank, customer service remains a priority and our staff will continue to make arrangements to accommodate customers outside of regular banking hours whenever necessary.

As always, my door is open and I invite you to stop in to meet Mr. Keene, discuss the information provided in this message or talk about the banking industry in general.

In closing, I want to take this opportunity to wish you and your family a joyous holiday season and peace and prosperity in the New Year.

Sincerely,

Susan A. Eno  
President & CEO

### CONSOLIDATED BALANCE SHEET

(UNAUDITED)

In thousands of dollars

	September 30,	
	2017	2016
<b>ASSETS</b>		
Cash and due from banks .....	\$ 6,389	\$ 5,981
Interest-bearing deposits with other financial institutions .....	36,338	31,799
Total cash and cash equivalents .....	42,727	37,780
Time deposits with other financial institutions .....	13,149	7,962
Securities available for sale .....	84,697	88,964
Securities held to maturity .....	2,350	3,671
Other securities .....	910	905
Total investment securities .....	87,957	93,540
Loans .....	145,784	136,577
Less: allowance for loan losses .....	(1,549)	(1,587)
Net loans .....	144,235	134,990
Premises and equipment, net .....	6,302	5,884
Other assets .....	10,363	10,788
Total assets .....	\$304,733	\$290,944
<b>LIABILITIES</b>		
Deposits:		
Noninterest-bearing demand .....	\$ 77,962	\$ 71,477
Interest-bearing deposits .....	197,999	189,394
Total deposits .....	275,961	260,871
Accrued and other liabilities .....	4,532	5,076
Total liabilities .....	280,493	265,947
<b>SHAREHOLDERS' EQUITY</b>		
Common Stock .....	3,030	3,030
Additional Paid-In Capital .....	19,493	19,499
Retained Earnings and Accumulated other Comprehensive Income/(Loss), net .....	1,717	2,468
Total shareholders' equity .....	24,240	24,997
Total liabilities and shareholders' equity .....	\$304,733	\$290,944

### CONSOLIDATED STATEMENT OF INCOME

(UNAUDITED)

In thousands of dollars, except per share data

	For the nine months ended September 30,		
	2017	2016	2015
<b>INTEREST INCOME</b>			
Interest and fees on loans .....	\$ 5,265	\$ 5,179	\$ 4,662
Interest on securities:			
Taxable .....	919	949	1,000
Tax exempt .....	221	203	167
Other interest income .....	221	153	77
Total interest income .....	6,626	6,484	5,906
<b>INTEREST EXPENSE ON DEPOSITS</b>	212	224	233
<b>NET INTEREST INCOME</b> .....	6,414	6,260	5,673
Provision (recapture) for loan losses .....	0	0	0
<b>NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES</b> .....	6,414	6,260	5,673
<b>NONINTEREST INCOME</b>			
Service charges and fees .....	775	759	748
Net realized gains from sale of loans .....	352	579	406
Loan servicing fees, net of amortization .....	86	98	109
Gain on sale (loss on disposal) of assets .....	21	(84)	67
Gain on sale of securities .....	5	62	50
Other income .....	327	351	284
Total noninterest income .....	1,566	1,765	1,664
<b>NONINTEREST EXPENSES</b>			
Salaries and benefits .....	3,383	3,579	3,504
Occupancy .....	801	751	657
FDIC insurance premiums .....	67	128	109
Other Expenses .....	2,211	1,906	1,627
Total noninterest expenses .....	6,462	6,364	5,897
<b>INCOME BEFORE INCOME TAXES</b> .....	1,518	1,661	1,440
Income tax expense .....	401	451	248
<b>NET INCOME</b> .....	\$ 1,117	\$ 1,210	\$ 1,192
<b>BASIC NET INCOME PER SHARE</b> .....	\$ 0.92	\$ 1.00	\$ 0.98