

**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*

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

MATTHEW E. KEENE - *Vice President*

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

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

JODIE L. BOROWICZ, CPA - *Controller*

QUINN C. BONNETT - *Banking Officer & Branch Manager - South*

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

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

**Member
FDIC**



our 85 year tradition continues

STATEMENT OF CONDITION

September 30, 2016



October 28, 2016

Dear Shareholder,

The summer season in northern Michigan was exceptional and financial performance for the corporation as of September 30, 2016 reflects its positive impact on Citizens National Bank and its customers.

- Total assets increased by \$13.2 million, or 4.8% to \$290.9 million over 2015.
- Deposits grew by \$11.4 million to \$260.9 million, an increase of 4.6% over 2015
- Loan portfolio growth of \$15.3 million represented an increase of 12.8%, to \$135.0 million. While the increase was largely attributable to the Petoskey market, both commercial and residential real estate mortgages from all markets experienced an increase.
- Net interest income was \$6.3 million, an increase of \$587,000 or 10.4% over the same period in 2015.
- Net income was \$1.2 million, an increase of \$18,000 over 2015; in spite of increases in both operating expenses and income taxes during the same period.

Thank you to everyone who took the time to respond to the questionnaire regarding frequency of dividend payments and interest in a dividend reinvestment plan. Based on the responses, future cash dividends will continue to be considered on a semi-annual basis and the option of a dividend reinvestment plan will not be pursued at this time.

As previously reported, the universal banker concept initiated at the main office has been well-received by our customers and the related technology is scheduled to be implemented at additional branch locations in the coming months. The downtown drive-thru in Cheboygan is temporarily closed to complete upgrades and will reopen in early November with wider lanes and a drive-up ATM. The Indian River branch will also be undergoing renovations in early January. The cost associated with these changes is more than offset by the efficiencies to be realized from introducing new technology and expanding the education and responsibility of staff.

I am pleased to announce several staff changes. Jodie L. Borowicz joined Citizens National Bank as its Controller. Originally from Cheboygan, Ms. Borowicz is a graduate of Central Michigan University with more than 13 years of public and industry experience and is a licensed CPA in the State of Michigan. Quinn C. Bonnett and Michelle M. Miller were promoted to Banking Officers and Branch Managers. Both are available to help you with all of your banking and lending needs; Mr. Bonnett at our South branch in Cheboygan and Ms. Miller at our Indian River branch.

I hope you find an opportunity to enjoy the beautiful fall weather we are experiencing and as always, I'm available if you have questions regarding the corporation or the bank.

Sincerely,

Susan A. Eno
President & CEO

CONSOLIDATED BALANCE SHEET

(UNAUDITED)

In thousands of dollars

	September 30,	
	2016	2015
ASSETS		
Cash and due from banks	\$ 5,981	\$ 11,812
Interest-bearing deposits with other financial institutions	31,799	25,561
Total cash and cash equivalents	37,780	37,373
Time deposits with other financial institutions	7,962	9,211
Securities available for sale	88,964	89,815
Securities held to maturity	3,671	5,318
<i>(Market value of \$3,800 in 2016 and \$5,482 in 2015)</i>		
Other securities	905	905
Total investment securities	93,540	96,038
Loans	136,577	121,493
Less: allowance for loan losses	(1,587)	(1,766)
Net loans	134,990	119,727
Premises and equipment, net	5,884	5,446
Other assets	10,788	9,943
Total assets	\$290,944	\$277,738
LIABILITIES		
Deposits:		
Noninterest-bearing demand	\$ 71,477	\$ 62,477
Interest-bearing deposits	189,934	186,963
Total deposits	260,871	249,440
Other liabilities	5,076	4,480
Total liabilities	265,947	253,920
SHAREHOLDERS' EQUITY		
Common Stock	3,030	3,030
Surplus	19,499	19,499
Retained Earnings and Accumulated other Comprehensive Income/(Loss)	2,468	1,289
Total shareholders' equity	24,997	23,818
Total liabilities and shareholders' equity	\$290,944	\$277,738

CONSOLIDATED STATEMENT OF INCOME

(UNAUDITED)

In thousands of dollars, except per share data

	For the nine months ended September 30,		
	2016	2015	2014
INTEREST INCOME			
Interest and fees on loans	\$ 5,179	\$ 4,662	\$ 5,237
Interest on securities:			
Taxable	949	1,000	835
Tax exempt	203	167	177
Other interest income	153	77	94
Total interest income	6,484	5,906	6,343
INTEREST EXPENSE ON DEPOSITS	224	233	296
NET INTEREST INCOME	6,260	5,673	6,047
Provision for loan losses	0	0	(500)
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	6,260	5,673	6,547
NONINTEREST INCOME			
Service charges and fees	759	748	697
Net realized gains from sale of loans	579	406	214
Loan servicing fees, net of amortization	98	109	119
Gain on the sale (loss on disposal) of assets	(84)	67	204
Gain on sale of securities	62	50	408
Other income	351	284	245
Total noninterest income	1,765	1,664	1,887
NONINTEREST EXPENSES			
Salaries and benefits	3,579	3,504	3,313
Occupancy	751	657	827
FDIC insurance premiums	128	109	218
System conversion costs	0	0	458
Other Expenses	1,906	1,627	1,850
Total noninterest expenses	6,364	5,897	6,666
INCOME BEFORE INCOME TAXES	1,661	1,440	1,768
Income tax expense	451	248	502
NET INCOME	\$ 1,210	\$ 1,192	\$ 1,266
BASIC NET INCOME PER SHARE	\$ 1.00	\$ 0.98	\$ 1.04