

**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*

FRANCIS J. VANANTWERP, JR.

*Vice President, Durocher Marine Division
Kokosing Construction Company, Inc.*

DIRECTORS EMERITI

THOMAS A. ELLENBERGER

JOHN P. WARD

JAMES C. CONBOY, JR.

KATHLEEN M. DARROW

CNB CORPORATION OFFICERS

VINCENT J. HILLESHEIM - *Chairman*

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

SHANNA L. HANLEY - *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*

SHANNA L. HANLEY - *Senior Vice President*

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

MARIAN L. HARRISON - *Senior Vice President - Commercial Loans*

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

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

MATTHEW E. KEENE - *Vice President*

NANCY A. STEMPKY, CPA - *Vice President - Controller*

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

MATTHEW J. KAVANAUGH - *Assistant Vice President &
Branch Manager - Indian River*

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

ADAM M. NEWMAN - *Assistant Vice President - Information Technology*

LINDSEY K. MILLER - *Banking Officer & Branch Manager - South*

MICHELLE M. MILLER - *Assistant Branch Manager - Indian River*

QUINN C. BONNETT - *Loan Officer*

SHARON L. COPPERNOLL - *Loan Officer*

TRISHA M. DOBIAS - *Human Resources Officer*

VALERIE A. JONES - *Retail Banking Officer*

GINA L. EUSTICE - *Credit Manager*

Citizens National Bank has offices in:

Cheboygan • Onaway • Mackinaw City • Pellston

Indian River • Alanson • Gaylord • Rogers City

Opening Soon in Petoskey

You can also visit our website at

www.CNBisMyBank.com

**Member
FDIC**



STATEMENT OF CONDITION

March 31, 2015



May 8, 2015

CONSOLIDATED BALANCE SHEET

(UNAUDITED)

In thousands of dollars

	March 31,	
	2015	2014
ASSETS		
Cash and due from banks	\$ 3,863	\$ 11,942
Interest-bearing deposits with other financial institutions	15,981	5,162
Federal funds sold	0	0
Total cash and cash equivalents	19,844	17,104
Time deposits with other financial institutions	6,649	10,315
Securities available for sale	95,005	86,436
Securities held to maturity	6,502	5,699
<i>(Market value of \$6,700 in 2015 and \$5,975 in 2014)</i>		
Other securities	972	997
Total investment securities	102,479	93,132
Loans	116,899	117,255
Less: allowance for loan losses	(1,713)	(2,661)
Net loans	115,186	114,594
Premises and equipment, net	4,939	5,390
Other assets	10,489	10,437
Total assets	<u>\$259,586</u>	<u>\$250,972</u>
LIABILITIES		
Deposits:		
Noninterest-bearing demand	\$ 52,765	\$ 55,711
Interest-bearing deposits	179,166	169,299
Total deposits	231,931	225,010
Other liabilities	4,376	4,251
Total liabilities	236,307	229,261
SHAREHOLDERS' EQUITY		
Common Stock	3,030	3,030
Surplus	19,499	19,499
Retained Earnings and Accumulated other Comprehensive Income/(Loss)	750	(818)
Total shareholders' equity	<u>23,279</u>	<u>21,711</u>
Total liabilities and shareholders' equity	<u>\$259,586</u>	<u>\$250,972</u>

CONSOLIDATED STATEMENT OF INCOME

(UNAUDITED)

In thousands of dollars, except per share data

	For the three months ended March 31,		
	2015	2014	2013
INTEREST INCOME			
Interest and fees on loans	\$ 1,518	\$ 1,606	\$ 1,613
Interest on securities:			
Taxable	320	263	217
Tax exempt	57	63	70
Other interest income	25	31	45
Total interest income	1,920	1,963	1,945
INTEREST EXPENSE ON DEPOSITS	79	105	233
NET INTEREST INCOME	1,841	1,858	1,712
Provision for loan losses	0	0	0
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	1,841	1,858	1,712
NONINTEREST INCOME			
Service charges and fees	140	213	220
Net realized gains from sale of loans	76	77	160
Loan servicing fees, net of amortization	33	33	4
Gain on the sale of assets	0	204	0
Gain on sale of securities	30	375	556
Other income	169	72	84
Total noninterest income	448	974	1,024
NONINTEREST EXPENSES			
Salaries and benefits	1,055	1,120	1,070
Occupancy	227	283	256
FDIC insurance premiums	38	80	89
System Conversion Costs	0	0	0
Other Expenses	431	445	426
Total noninterest expenses	1,751	1,928	1,841
INCOME BEFORE INCOME TAXES	538	904	895
Income tax expense	112	274	268
NET INCOME	<u>\$ 426</u>	<u>\$ 630</u>	<u>\$ 627</u>
BASIC NET INCOME PER SHARE	<u>\$ 0.35</u>	<u>\$ 0.52</u>	<u>\$ 0.52</u>

Dear Shareholders,

Net income for the Corporation for the three months ended March 31, 2015, was \$426,000, or \$.35 per share compared to \$630,000, or \$.52 per share earned during the same period in 2014. Included in the 2014 earnings were two extraordinary recoveries representing \$375,000, or \$.31 per share. Core earnings for first quarter were up substantially over 2014, after factoring out the two recoveries.

Deposits at the end of the first quarter were \$231.9 million compared with \$225.0 million for the same period last year. Loans declined by .3% to \$116.9 million compared with \$117.3 million last year. On March 31, 2015, assets of CNB Corporation were \$259.6 million compared to \$251.0 million reported in 2014.

I am pleased to announce that on April 8, 2015 Citizens National Bank submitted a branch application to the Office of the Comptroller of the Currency, and anticipates a response by mid-June 2015. Enclosed is a letter providing more background on this decision as well as the recent hiring of Vice President Matthew E. Keene and Senior Vice President Joseph M. Daly; both of whom possess a wealth of experience regarding the banking industry and the Petoskey market.

Because of the mandatory retirement age for board members, Francis J. VanAntwerp, Jr. will retire at the upcoming annual meeting. Joe has served on the board of directors for both CNB Corporation and Citizens National Bank since 1990. I would like to take this opportunity to thank Joe for his commitment to the bank, corporation and its shareholders, and for his many years of distinguished service.

I invite you to attend our Annual Shareholders' Meeting to be held Tuesday, May 19, 2015 at 7:00 p.m. at the Knights of Columbus Hall in Cheboygan.

Sincerely,

Susan A. Eno
President & CEO



May 8, 2015

Dear Shareholder:

Since 2008 the economy, banking industry and Citizens National Bank have been experiencing unprecedented change that has altered the financial world in which we live. We have all faced uncertainty and many suffered financial loss, but through it all Citizens National Bank remained true to its mission. . . . “To be the best community bank in Northern Michigan, helping build strong economies.”

Our ability to adapt to the ever-changing circumstances of the past seven years is a testament to the commitment of our staff to ensure the success of our organization. We pulled together and worked diligently to address the challenges of increasing problem loans, decreasing loan demand and growing regulatory over-site. As a community bank we worked with customers and offered options realizing the economic downturn was impacting us all. We maintained the confidence of our customers and were able to retain deposits in spite of the fact interest rates were at historic lows. We have reduced our problem loans from an all-time high of more than 120% of capital to 8% as of March 31, 2015, and we are utilizing technology to meet the needs of our customers being mindful of the need to contain costs.

Because of our ability to adapt and overcome the challenges of the past seven years, Citizens National Bank is now ready to look to the future for opportunities. Recognizing the bank’s existing marketshare within our service area provides limited prospect for growth, the obvious option is to expand outside the service area. The establishment of a loan production office in Gaylord was our first endeavor and it has generated loan opportunities and we believe will continue to grow.

Given the fact many northern Michigan communities continue to struggle, we looked to Emmet County as one of the few experiencing growth. Evaluating that market, in addition to the economic growth, the acquisition of Northwestern Bank by Chemical Bank and its recent announcement to acquire Bank of Northern Michigan, afforded a unique opportunity in Petoskey.

Initially the possibility of another loan production office, supported by our Alanson branch, was considered. However, as we started that investigation we identified several qualified candidates familiar with that market; experienced, well-known, respected and, like us, believe community banks fulfill an important role in northern Michigan. As previously announced we have hired Matthew E. Keene as a Vice President. He will work primarily in the Petoskey market and his over 20 years of banking experience and strong community ties have already proven to be an asset. Additionally, Joseph Daly will be joining Citizens National Bank on May 13, 2015 as a Senior Vice President and his banking experience and knowledge, ranging from loans to wealth management, will be invaluable to the bank not only in Petoskey but throughout the region.

Looking to the future, and with the input of Mr. Keene and Mr. Daly, it was determined the best option for success in Petoskey is to make a commitment to the community and pursue a full service branch. I am pleased to announce that on April 8, 2015 Citizens National Bank submitted a branch application to the Office of the Comptroller of the Currency (OCC), and anticipates a response by mid-June 2015.

In the meantime, plans for a Petoskey loan production office are moving forward and pending OCC approval it may become our eighth full-service branch. A location at State and Petoskey Streets, in the Danser Professional Building, has been identified. Plans for remodeling the space have been developed and construction is scheduled to begin soon, with a completion date expected to coincide with the OCC's decision.

As we have gone through the process of planning for growth it has been truly rewarding to see the excitement reignited in our staff. I would like to take this opportunity to extend my appreciation to each member of our staff for their confidence and hard work to bring Citizens National Bank back to profitability, resulting in an institution that continues to garner the respect of its peers and one that can attract talented individuals to help us fulfill our mission. I would also like to express my gratitude to each member of our board of directors for their support and guidance, as well as their encouragement. Finally, I would like to recognize the shareholders of CNB Corporation; I believe your patience will be rewarded in the coming years.

I am optimistic, without any caution, that the future for Citizens National Bank is full of opportunity.

Sincerely,

A handwritten signature in cursive script that reads "Susan A. Eno". The signature is written in black ink and is positioned above the typed name and title.

Susan A. Eno
President & CEO