

**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*

NANCY A. STEMPKY - *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*

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

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

MATTHEW E. KEENE - *Vice President*

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

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 Branch*

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 • Petoskey

You can also visit our website at

www.CNBisMyBank.com



STATEMENT OF CONDITION

September 30, 2015



October 30, 2015

CONSOLIDATED BALANCE SHEET

(UNAUDITED)

In thousands of dollars

	September 30,	
	2015	2014
ASSETS		
Cash and due from banks	\$ 11,812	\$ 7,402
Interest-bearing deposits with other financial institutions	25,561	14,837
Federal funds sold	0	0
Total cash and cash equivalents	37,373	22,239
Time deposits with other financial institutions	9,211	8,793
Securities available for sale	89,815	95,467
Securities held to maturity	5,318	6,599
<i>(Market value of \$5,482 in 2015 and \$6,831 in 2014)</i>		
Other securities	905	997
Total investment securities	96,038	103,063
Loans	121,493	116,377
Less: allowance for loan losses	(1,766)	(2,112)
Net loans	119,727	114,265
Premises and equipment, net	5,446	5,019
Other assets	9,943	10,869
Total assets	<u>\$277,738</u>	<u>\$264,248</u>
LIABILITIES		
Deposits:		
Noninterest-bearing demand	\$ 62,477	\$ 56,158
Interest-bearing deposits	186,963	181,533
Total deposits	249,440	237,691
Other liabilities	4,480	4,325
Total liabilities	253,920	242,016
SHAREHOLDERS' EQUITY		
Common Stock	3,030	3,030
Surplus	19,499	19,499
Retained Earnings and Accumulated other Comprehensive Income/(Loss)	1,289	(297)
Total shareholders' equity	<u>23,818</u>	<u>22,232</u>
Total liabilities and shareholders' equity	<u>\$277,738</u>	<u>\$264,248</u>

CONSOLIDATED STATEMENT OF INCOME

(UNAUDITED)

In thousands of dollars, except per share data

	For the nine months ended September 30,		
	2015	2014	2013
INTEREST INCOME			
Interest and fees on loans	\$ 4,662	\$ 5,237	\$ 4,904
Interest on securities:			
Taxable	1,000	835	687
Tax exempt	167	177	200
Other interest income	77	94	119
Total interest income	5,906	6,343	5,910
INTEREST EXPENSE ON DEPOSITS	233	296	606
NET INTEREST INCOME	5,673	6,047	5,304
Provision for loan losses	0	(500)	(400)
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	5,673	6,547	5,704
NONINTEREST INCOME			
Service charges and fees	748	697	717
Net realized gains from sale of loans	406	214	414
Loan servicing fees, net of amortization	109	119	47
Gain on the sale of assets	67	204	215
Gain on life insurance proceeds	0	0	120
Gain on sale of securities	50	408	1,754
Other income	284	245	282
Total noninterest income	1,664	1,887	3,549
NONINTEREST EXPENSES			
Salaries and benefits	3,504	3,313	3,392
Occupancy	657	827	757
FDIC insurance premiums	109	218	260
System Conversion Costs	0	458	0
Other Expenses	1,627	1,850	1,387
Total noninterest expenses	5,897	6,666	5,796
INCOME BEFORE INCOME TAXES	1,440	1,768	3,457
Income tax expense	248	502	1,030
NET INCOME	<u>\$ 1,192</u>	<u>\$ 1,266</u>	<u>\$ 2,427</u>
BASIC NET INCOME PER SHARE	<u>\$ 0.98</u>	<u>\$ 1.04</u>	<u>\$ 2.00</u>

Dear Shareholders,

The financial statements of CNB Corporation for the first nine months of 2015 are provided for your information. Items of note include:

- The 5% increase in total assets to \$277.7 million, when compared to the same period in 2014.
- An increase of 4.4% in the loan portfolio to \$121.5 million, compared to 2014; with the majority of the increase attributable to the Petoskey market.
- The increase in total deposits of nearly 5%, to \$249.4 million, a reflection of the great summer season many of our commercial customers experienced.
- Net income of \$1,192,000, a modest decrease from \$1,266,000 at the same time in 2014. However, when adjusted for extraordinary items, core earnings for the bank increased by 86%, from \$597,000 in 2014 to \$1,112,000 in 2015.

While the financial results for the first nine months of 2015 were encouraging, the interest rate environment will continue to be monitored closely as it impacts both the rates paid on deposits and received on investments and loans.

Recognizing the ongoing shift to ease of access and customer convenience, Citizens National Bank launched its virtual branch in April. If you have not visited our newest branch I invite you to do so by going to www.cnbismybank.com and selecting the "Virtual Branch" link. I am pleased to announce the virtual branch received the first place "Seeing Business Differently" award at the Computer Services, Inc. (CSI) annual convention. CSI is the vendor that has been providing the bank's core processing services for the past year.

In closing, I remind you as a shareholder you are an owner of the bank and by doing business with Citizens National Bank you enhance your investment. Please contact me or one of our banking associates if you have questions, as an individual or business, regarding any of the products or services available; whether its deposits, loans, payroll services or retirement accounts.

Sincerely,

Susan A. Eno
President & CEO