

Board of Governors of the Federal Reserve System



Annual Report of Holding Companies—FR Y-6

Report at the close of business as of the end of fiscal year

This Report is required by law: Section 5(c)(1)(A) of the Bank Holding Company Act (12 U.S.C. § 1844(c)(1)(A)); sections 8(a) and 13(a) of the International Banking Act (12 U.S.C. §§ 3106(a) and 3108(a)); sections 11(a)(1), 25, and 25A of the Federal Reserve Act (12 U.S.C. §§ 248(a)(1), 602, and 611a); and sections 113, 165, 312, 618, and 809 of the Dodd-Frank Act (12 U.S.C. §§ 5361, 5365, 5412, 1850a(c)(1), and 5468(b)(1)). Return to the appropriate Federal Reserve Bank the original and the number of copies specified.

This report form is to be filed by all top-tier bank holding companies, top-tier savings and loan holding companies, and U.S. intermediate holding companies organized under U.S. law, and by any foreign banking organization that does not meet the requirements of and is not treated as a qualifying foreign banking organization under Section 211.23 of Regulation K (12 C.F.R. § 211.23). (See page one of the general instructions for more detail of who must file.) The Federal Reserve may not conduct or sponsor, and an organization (or a person) is not required to respond to, an information collection unless it displays a currently valid OMB control number.

NOTE: The *Annual Report of Holding Companies* must be signed by one director of the top-tier holding company. This individual should also be a senior official of the top-tier holding company. In the event that the top-tier holding company does not have an individual who is a senior official and is also a director, the chairman of the board must sign the report. If the holding company is an ESOP/ESOT formed as a corporation or is an LLC, see the General Instructions for the authorized individual who must sign the report.

I, ANDREW LITTLEJOHN

Name of the Holding Company Director and Official

SECRETARY

Title of the Holding Company Director and Official

attest that the *Annual Report of Holding Companies* (including the supporting attachments) for this report date has been prepared in conformance with the instructions issued by the Federal Reserve System and are true and correct to the best of my knowledge and belief.

With respect to information regarding individuals contained in this report, the Reporter certifies that it has the authority to provide this information to the Federal Reserve. The Reporter also certifies that it has the authority, on behalf of each individual, to consent or object to public release of information regarding that individual. The Federal Reserve may assume, in the absence of a request for confidential treatment submitted in accordance with the Board's "Rules Regarding Availability of Information," 12 C.F.R. Part 261, that the Reporter and individual consent to public release of all details in the report concerning that individual.

Signature of Holding Company Director and Official

02/15/2017

Date of Signature

For holding companies not registered with the SEC—  
 Indicate status of Annual Report to Shareholders:

- is included with the FR Y-6 report
- will be sent under separate cover
- is not prepared

For Federal Reserve Bank Use Only

RSSD ID \_\_\_\_\_

C.I. \_\_\_\_\_

Date of Report (top-tier holding company's fiscal year-end):

December 31, 2016

Month / Day / Year

N/A

Reporter's Legal Entity Identifier (LEI) (20-Character LEI Code)

Reporter's Name, Street, and Mailing Address

CNB FINANCIAL CORPORATION, INC

Legal Title of Holding Company

P.O. BOX 1099

(Mailing Address of the Holding Company) Street / P.O. Box

TAYLOR

TX

76574

City

State

Zip Code

116 WEST THIRD ST. TAYLOR, TX 76574

Physical Location (if different from mailing address)

Person to whom questions about this report should be directed:

CHRIS MIKULENCAK

TREASURER

Name

Title

512-671-2289

Area Code / Phone Number / Extension

512-352-8918

Area Code / FAX Number

CHRISM@CNBT.COM

E-mail Address

WWW.CNBT.COM

Address (URL) for the Holding Company's web page

Is confidential treatment requested for any portion of this report submission?  No  Yes

In accordance with the General Instructions for this report (check only one),

- 1. a letter justifying this request is being provided along with the report
- 2. a letter justifying this request has been provided separately

NOTE: Information for which confidential treatment is being requested must be provided separately and labeled as "confidential."

# AMENDED

ANNUAL REPORT OF BANK HOLDING COMPANY  
CNB FINANCIAL CORPORATION, INC.  
FR Y-6 - CLOSE OF BUSINESS 12-31-16

Report Item 1a: None - Not registered with the Securities and Exchange Commission.

Report Item 1b: Shareholders are mailed audited consolidated financial statements.  
Audited financial statements for year ending 12-31-16 from our audit firm –  
Hamby & Hengeli LLC, San Angelo, TX.

Report Item 2: Organizational Chart - CNB Financial Corp., Inc.

Taylor, TX. (Incorporated in Texas)

LEI: N/A

GSM Insurors of Taylor LLC – 40% (HC is non-managing)

Taylor, TX (Formed in Texas)

LEI: N/A

CNB Financial Statutory Trust II – 100%

Taylor, TX (Formed in Delaware)

LEI: N/A

The City National Bank of Taylor, – 100%

Taylor, TX (Formed in Texas)

LEI: N/A

Report Item 2b: Copy attached

Report Item 3 (1): Shareholders with 5% or more stock are as follows: - see attached

Trustees for Martha Kathryn Griffith 2012 Trust

- Edward C. Griffith Jr (Trustee)
- Ann Griffith Hughes (Trustee)
- Molly Griffith Graham (Trustee)

Report Item 3 (2): N/A

Report Item 4: See pages attached titled "Insiders".

Results: A list of branches for your depository institution: CITY NATIONAL BANK OF TAYLOR, THE FD, BSSD: 181963.  
 This depository institution is held by CITY NATIONAL CORPORATION, N.C. (1102925) of TAYLOR, TX.  
 The data are as of 12/31/2016. Data reflects information that was received and processed through 01/10/2017.

**Reconciliation and Verification Steps**

1. In the Data Action column of each branch row, enter one or more of the actions specified below.  
 2. If required, enter the date in the Effective Date column.

**Actions**

- OK:** If the branch information is correct, enter "OK" in the Data Action column.
- Change:** If the branch information is incorrect or incomplete, revise the data, enter "Change" in the Data Action column and the date when this information first became valid in the Effective Date column.
- Close:** If a branch listed was sold or closed, enter "Close" in the Data Action column and the sale or closure date in the Effective Date column.
- Delete:** If a branch listed was never owned by this depository institution, enter "Delete" in the Data Action column.
- Add:** If a reportable branch is missing, insert a row, add the branch data, and enter "Add" in the Data Action column and the opening or acquisition date in the Effective Date column.

If printing this list, you may need to adjust your page setup to MS Excel. Try using landscape orientation, page scaling, and/or legal-sized paper.

**Submit Your Report**

When you are finished, send a saved copy to your FDIC contact. See the detailed instructions on this site for more information.  
 If you are e-mailing this to your FDIC contact, put your institution name, city and state in the subject line of the e-mail.

**Notes:**

To satisfy the FR Y-10 reporting requirements, you must also submit FR Y-10 Domestic Branch Schedules for each branch with a Data Action of Change, Close, Delete, or Add.  
 The FR Y-10 reports may be submitted in a hardcopy format or via the FR Y-10 Online application - <https://fdicwin.federalreserve.gov>.

\* FDIC NUMBER, CRA Number, and ID\_NUMBER columns are for reference only. Verification of these values is not required.

Data Action	Effective Date	Branch Name	Type	Branch ID (BSSD)*	Popular Name	Street Address	City	State	Flo Code	County	Country	FIC NUMBER*	Office Number*	Head Office	Head Office B. BSSD*	Comments
OK	12/31/2016	Full Service Branch Office		181963	CITY NATIONAL BANK OF TAYLOR, THE	116 WEST 3RD STREET	TAYLOR	TX	76578	WILLIAMSON	UNITED STATES	1377	0	CITY NATIONAL BANK OF TAYLOR, THE	181963	

REPORT ITEM 3(1): shareholders with 5% or more stock are as follows:

<u>NAME</u>	<u>CITY &amp; STATE</u>	<u>COUNTRY</u>	<u>SHARES</u>	<u>PERCENTAGE</u>
<b><u>GRIFFITH FAMILY</u></b>			<b>1,839</b>	<b>65.16%</b>
Ed Griffith (Father)	Taylor, TX 76574	USA	290	10.28%
Martha Griffith (Mother)	Taylor, TX 76574	USA	97	3.44%
Edward Griffith Jr (Son)	Taylor, TX 76574	USA	261	9.25%
Elizabeth M. Griffith	Taylor, TX 76574	USA	8	.28%
Edward Clark Griffith III	Taylor, TX 76574	USA	33	1.17%
William Reese Griffith	Taylor, TX 76574	USA	33	1.17%
Anna Cathryn Griffith	Taylor, TX 76574	USA	33	1.17%
Ann Hughes (Daughter)	Taylor, TX 76574	USA	247	8.75%
Louis Hughes	Taylor, TX 76574	USA	20	.71%
Jane Ann Hughes	Taylor, TX 76574	USA	27	.96%
Martha E. Hughes	Taylor, TX 76574	USA	27	.96%
William Louis Hughes	Taylor, TX 76574	USA	27	.96%
Molly Graham (Daughter)	Dallas, TX 75214	USA	247	8.75%
Andrew Graham	Dallas, TX 75214	USA	8	.28%
Andrew Graham Jr	Dallas, TX 75214	USA	24	.85%
Edward G. Graham	Dallas, TX 75214	USA	24	.85%
Margaret M. Graham	Dallas, TX 75214	USA	24	.85%
Martha K. Griffith (Daughter)	Taylor, TX 76574	USA	239	8.47%
Martha K. Griffith Trust	Taylor, TX 76574	USA	170	6.02%

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CNB FINANCIAL CORPORATION, INC.  
TAYLOR, TX  
Fiscal Year Ending December 31, 2016

Report Item 4: Insiders  
(1)(a)(b)(c) and (2)(a)(b)(c)

(1)	(2)	(3)(a)	(3)(b)	(3)(c)	(4)(a)	(4)(b)	(4)(c)
Names & Address (City, State, Country)	Principal Occupation if other than with holding company	Title & Position with holding company	Title & Position with Subsidiaries (include names of subsidiaries)	Title & Position with Other Businesses (include names of other businesses)	Percentage of Voting Securities in holding company	Percentage of Voting Securities in Subsidiaries (include names of subsidiaries)	List names of other companies (includes partnerships) if 25% or more of voting securities are held (List names of companies and percentage of voting securities held)
ANDREW GRAHAM TAYLOR, TX  USA	LAWYER	N/A	N/A	PARTNER JACKSON WALKER LLP	0.28%	N/A	N/A

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CNB FINANCIAL CORPORATION, INC.  
TAYLOR, TX  
Fiscal Year Ending December 31, 2016

Report Item 4: Insiders  
(1)(a)(b)(c) and (2)(a)(b)(c)

(1)	(2)	(3)(a)	(3)(b)	(3)(c)	(4)(a)	(4)(b)	(4)(c)
Names & Address (City, State, Country)	Principal Occupation if other than with holding company	Title & Position with holding company	Title & Position with Subsidiaries (include names of subsidiaries)	Title & Position with Other Businesses (include names of other businesses)	Percentage of Voting Securities in holding company	Percentage of Voting Securities in Subsidiaries (include names of subsidiaries)	List names of other companies (includes partnerships) if 25% or more of voting securities are held (List names of companies and percentage of voting securities held)
ANDREW GRAHAM JR TAYLOR, TX USA	STUDENT	N/A	N/A	N/A	0.85%	N/A	N/A

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CNB FINANCIAL CORPORATION, INC.  
TAYLOR, TX  
Fiscal Year Ending December 31, 2016

Report Item 4: Insiders  
(1)(a)(b)(c) and (2)(a)(b)(c)

(1)	(2)	(3)(a)	(3)(b)	(3)(c)	(4)(a)	(4)(b)	(4)(c)
Names & Address (City, State, Country)	Principal Occupation if other than with holding company	Title & Position with holding company	Title & Position with Subsidiaries (include names of subsidiaries)	Title & Position with Other Businesses (include names of other businesses)	Percentage of Voting Securities In holding company	Percentage of Voting Securities In Subsidiaries (include names of subsidiaries)	List names of other companies (includes partnerships) if 25% or more of voting securities are held (List names of companies and percentage of voting securities held)
ANDREW LITTLEJOHN TAYLOR, TX USA	BANKER	SECRETARY DIRECTOR	THE CITY NATIONAL BANK OF TAYLOR PRESIDENT	N/A	2.37%	N/A	N/A

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CNB FINANCIAL CORPORATION, INC.  
TAYLOR, TX  
Fiscal Year Ending December 31, 2016

Report Item 4: Insiders  
(1)(a)(b)(c) and (2)(a)(b)(c)

(1)	(2)	(3)(a)	(3)(b)	(3)(c)	(4)(a)	(4)(b)	(4)(c)
Names & Address (City, State, Country)	Principal Occupation if other than with holding company	Title & Position with holding company	Title & Position with Subsidiaries (Include names of subsidiaries)	Title & Position with Other Businesses (Include names of other businesses)	Percentage of Voting Securities in holding company	Percentage of Voting Securities in Subsidiaries (Include names of subsidiaries)	List names of other companies (includes partnerships) if 25% or more of voting securities are held (List names of companies and percentage of voting securities held)
ANN E. HUGHES TAYLOR, TX USA	HOMEMAKER	N/A	N/A	N/A	8.75%	N/A	N/A
				*MARTHA K. GRIFFITH TRUST- CO TRUSTEE*	6.02%		

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CNB FINANCIAL CORPORATION, INC.  
TAYLOR, TX  
Fiscal Year Ending December 31, 2016

Report Item 4: Insiders  
(1)(a)(b)(c) and (2)(a)(b)(c)

(1)	(2)	(3)(a)	(3)(b)	(3)(c)	(4)(a)	(4)(b)	(4)(c)
Names & Address (City, State, Country)	Principal Occupation if other than with holding company	Title & Position with holding company	Title & Position with Subsidiaries (include names of subsidiaries)	Title & Position with Other Businesses (include names of other businesses)	Percentage of Voting Securities in holding company	Percentage of Voting Securities in Subsidiaries (include names of subsidiaries)	List names of other companies (includes partnerships) if 25% or more of voting securities are held (List names of companies and percentage of voting securities held)
ANNA C. GRIFFITH TAYLOR, TX USA	STUDENT	N/A	N/A	N/A	1.17%	N/A	N/A

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CNB FINANCIAL CORPORATION, INC.  
TAYLOR, TX  
Fiscal Year Ending December 31, 2016

Report Item 4: Insiders  
(1)(a)(b)(c) and (2)(a)(b)(c)

(1)	(2)	(3)(a)	(3)(b)	(3)(c)	(4)(a)	(4)(b)	(4)(c)
Names & Address (City, State, Country)	Principal Occupation if other than with holding company	Title & Position with holding company	Title & Position with Subsidiaries (include names of subsidiaries)	Title & Position with Other Businesses (include names of other businesses)	Percentage of Voting Securities in holding company	Percentage of Voting Securities in Subsidiaries (include names of subsidiaries)	List names of other companies (includes partnerships) if 25% or more of voting securities are held (List names of companies and percentage of voting securities held)
EDWARD C. GRIFFITH TAYLOR, TX  USA	BANKER	CHAIRMAN OF BOARD DIRECTOR	CEO THE CITY NATIONAL BANK OF TAYLOR	N/A	10.28%	N/A	N/A

# AMENDED

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CNB FINANCIAL CORPORATION, INC.  
TAYLOR, TX  
Fiscal Year Ending December 31, 2016

Report Item 4: Insiders  
(1)(a)(b)(c) and (2)(a)(b)(c)

(1)	(2)	(3)(a)	(3)(b)	(3)(c)	(4)(a)	(4)(b)	(4)(c)
Names & Address (City, State, Country)	Principal Occupation If other than with holding company	Title & Position with holding company	Title & Position with Subsidiaries (include names of subsidiaries)	Title & Position with Other Businesses (include names of other businesses)	Percentage of Voting Securities in holding company	Percentage of Voting Securities in Subsidiaries (include names of subsidiaries)	List names of other companies (includes partnerships) if 25% or more of voting securities are held (List names of companies and percentage of voting securities held)
EDWARD C. GRIFFITH JR. TAYLOR, TX  USA	BANKER	DIRECTOR	EXECUTIVE VP The City National Bank of Taylor	N/A	9.25%	N/A	N/A
				*MARTHA K. GRIFFITH TRUST- CO TRUSTEE*	6.02%		

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CNB FINANCIAL CORPORATION, INC.  
TAYLOR, TX  
Fiscal Year Ending December 31, 2016

Report Item 4: Insiders  
(1)(a)(b)(c) and (2)(a)(b)(c)

(1)	(2)	(3)(a)	(3)(b)	(3)(c)	(4)(a)	(4)(b)	(4)(c)
Names & Address (City, State, Country)	Principal Occupation if other than with holding company	Title & Position with holding company	Title & Position with Subsidiaries (Include names of subsidiaries)	Title & Position with Other Businesses (Include names of other businesses)	Percentage of Voting Securities in holding company	Percentage of Voting Securities in Subsidiaries (Include names of subsidiaries)	List names of other companies (includes partnerships) if 25% or more of voting securities are held (List names of companies and percentage of voting securities held)
EDWARD C. GRIFFITH III TAYLOR, TX USA	STUDENT	N/A	N/A	N/A	1.17%	N/A	N/A

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CNB FINANCIAL CORPORATION, INC.  
TAYLOR, TX  
Fiscal Year Ending December 31, 2016

Report Item 4: Insiders  
(1)(a)(b)(c) and (2)(a)(b)(c)

(1)	(2)	(3)(a)	(3)(b)	(3)(c)	(4)(a)	(4)(b)	(4)(c)
Names & Address (City, State, Country)	Principal Occupation if other than with holding company	Title & Position with holding company	Title & Position with Subsidiaries (Include names of subsidiaries)	Title & Position with Other Businesses (Include names of other businesses)	Percentage of Voting Securities in holding company	Percentage of Voting Securities in Subsidiaries (Include names of subsidiaries)	List names of other companies (includes partnerships) if 25% or more of voting securities are held (List names of companies and percentage of voting securities held)
EDWARD G. GRAHAM TAYLOR, TX USA	STUDENT	N/A	N/A	N/A	0.85%	N/A	N/A

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CNB FINANCIAL CORPORATION, INC.  
TAYLOR, TX  
Fiscal Year Ending December 31, 2016

Report Item 4: Insiders  
(1)(a)(b)(c) and (2)(a)(b)(c)

(1)	(2)	(3)(a)	(3)(b)	(3)(c)	(4)(a)	(4)(b)	(4)(c)
Names & Address (City, State, Country)	Principal Occupation If other than with holding company	Title & Position with holding company	Title & Position with Subsidiaries (include names of subsidiaries)	Title & Position with Other Businesses (include names of other businesses)	Percentage of Voting Securities in holding company	Percentage of Voting Securities in Subsidiaries (include names of subsidiaries)	List names of other companies (includes partnerships) if 25% or more of voting securities are held (List names of companies and percentage of voting securities held)
ELIZABETH GRIFFITH TAYLOR, TX USA	HOMEMAKER	N/A	N/A	N/A	0.28%	N/A	N/A

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CNB FINANCIAL CORPORATION, INC.  
TAYLOR, TX  
Fiscal Year Ending December 31, 2016

Report Item 4: Insiders  
(1)(a)(b)(c) and (2)(a)(b)(c)

(1)	(2)	(3)(a)	(3)(b)	(3)(c)	(4)(a)	(4)(b)	(4)(c)
Names & Address (City, State, Country)	Principal Occupation if other than with holding company	Title & Position with holding company	Title & Position with Subsidiaries (include names of subsidiaries)	Title & Position with Other Businesses (Include names of other businesses)	Percentage of Voting Securities in holding company	Percentage of Voting Securities in Subsidiaries (include names of subsidiaries)	List names of other companies (includes partnerships) if 25% or more of voting securities are held (List names of companies and percentage of voting securities held)
JANE A. HUGHES TAYLOR, TX USA	STUDENT	N/A	N/A	N/A	0.95%	N/A	N/A

# AMENDED

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CNB FINANCIAL CORPORATION, INC.  
TAYLOR, TX  
Fiscal Year Ending December 31, 2016

Report Item 4: Insiders  
(1)(a)(b)(c) and (2)(a)(b)(c)

(1)	(2)	(3)(a)	(3)(b)	(3)(c)	(4)(a)	(4)(b)	(4)(c)
Names & Address (City, State, Country)	Principal Occupation if other than with holding company	Title & Position with holding company	Title & Position with Subsidiaries (Include names of subsidiaries)	Title & Position with Other Businesses (include names of other businesses)	Percentage of Voting Securities in holding company	Percentage of Voting Securities in Subsidiaries (include names of subsidiaries)	List names of other companies (includes partnerships) if 25% or more of voting securities are held (List names of companies and percentage of voting securities held)
H. MARK LINDELL TAYLOR, TX USA	RETIRED GASOLINE WHOLESALE/ RETAILER	DIRECTOR	N/A	N/A	1.35%	N/A	N/A

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CNB FINANCIAL CORPORATION, INC.  
TAYLOR, TX  
Fiscal Year Ending December 31, 2016

Report Item 4: Insiders  
(1)(a)(b)(c) and (2)(a)(b)(c)

(1)	(2)	(3)(a)	(3)(b)	(3)(c)	(4)(a)	(4)(b)	(4)(c)
Names & Address (City, State, Country)	Principal Occupation If other than with holding company	Title & Position with holding company	Title & Position with Subsidiaries (include names of subsidiaries)	Title & Position with Other Businesses (include names of other businesses)	Percentage of Voting Securities in holding company	Percentage of Voting Securities in Subsidiaries (include names of subsidiaries)	List names of other companies (includes partnerships) if 25% or more of voting securities are held (List names of companies and percentage of voting securities held)
LOUIS HUGHES TAYLOR, TX USA	FINANCIAL ADVISOR	DIRECTOR	N/A	N/A	0.71%	N/A	N/A

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CNB FINANCIAL CORPORATION, INC.  
TAYLOR, TX  
Fiscal Year Ending December 31, 2016

Report Item 4: Insiders  
(1)(a)(b)(c) and (2)(a)(b)(c)

(1)	(2)	(3)(a)	(3)(b)	(3)(c)	(4)(a)	(4)(b)	(4)(c)
Names & Address (City, State, Country)	Principal Occupation if other than with holding company	Title & Position with holding company	Title & Position with Subsidiaries (include names of subsidiaries)	Title & Position with Other Businesses (include names of other businesses)	Percentage of Voting Securities in holding company	Percentage of Voting Securities In Subsidiaries (include names of subsidiaries)	List names of other companies (includes partnerships) if 25% or more of voting securities are held (List names of companies and percentage of voting securities held)
JAMES MAREK TAYLOR, TX  USA	BANKER	DIRECTOR	VP-OPERATIONS THE CITY NATIONAL BANK OF TAYLOR	N/A	0.57%	N/A	N/A

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CNB FINANCIAL CORPORATION, INC.  
TAYLOR, TX  
Fiscal Year Ending December 31, 2016

Report Item 4: Insiders  
(1)(a)(b)(c) and (2)(a)(b)(c)

(1)	(2)	(3)(a)	(3)(b)	(3)(c)	(4)(a)	(4)(b)	(4)(c)
Names & Address (City, State, Country)	Principal Occupation if other than with holding company	Title & Position with holding company	Title & Position with Subsidiaries (include names of subsidiaries)	Title & Position with Other Businesses (include names of other businesses)	Percentage of Voting Securities in holding company	Percentage of Voting Securities in Subsidiaries (include names of subsidiaries)	List names of other companies (includes partnerships) if 25% or more of voting securities are held (List names of companies and percentage of voting securities held)
MARGARET M. GRAHAM TAYLOR, TX USA	STUDENT	N/A	N/A	N/A	0.85%	N/A	N/A

# AMENDED

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CNB FINANCIAL CORPORATION, INC.  
TAYLOR, TX  
Fiscal Year Ending December 31, 2016

Report Item 4: Insiders  
(1)(a)(b)(c) and (2)(a)(b)(c)

(1)	(2)	(3)(a)	(3)(b)	(3)(c)	(4)(a)	(4)(b)	(4)(c)
Names & Address (City, State, Country)	Principal Occupation if other than with holding company	Title & Position with holding company	Title & Position with Subsidiaries (Include names of subsidiaries)	Title & Position with Other Businesses (Include names of other businesses)	Percentage of Voting Securities in holding company	Percentage of Voting Securities in Subsidiaries (Include names of subsidiaries)	List names of other companies (includes partnerships) if 25% or more of voting securities are held (List names of companies and percentage of voting securities held)
MARTHA GRIFFITH TAYLOR, TX USA	HOMEMAKER	N/A	N/A	N/A	3.44%	N/A	N/A

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CNB FINANCIAL CORPORATION, INC.  
TAYLOR, TX  
Fiscal Year Ending December 31, 2016

Report Item 4: Insiders  
(1)(a)(b)(c) and (2)(a)(b)(c)

(1)	(2)	(3)(a)	(3)(b)	(3)(c)	(4)(a)	(4)(b)	(4)(c)
Names & Address (City, State, Country)	Principal Occupation if other than with holding company	Title & Position with holding company	Title & Position with Subsidiaries (include names of subsidiaries)	Title & Position with Other Businesses (include names of other businesses)	Percentage of Voting Securities in holding company	Percentage of Voting Securities in Subsidiaries (include names of subsidiaries)	List names of other companies (includes partnerships) if 25% or more of voting securities are held (List names of companies and percentage of voting securities held)
MARTHA E. HUGHES TAYLOR, TX USA	STUDENT	N/A	N/A	N/A	0.96%	N/A	N/A

# AMENDED

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CNB FINANCIAL CORPORATION, INC.  
TAYLOR, TX  
Fiscal Year Ending December 31, 2016

Report Item 4: Insiders  
(1)(a)(b)(c) and (2)(a)(b)(c)

(1)	(2)	(3)(a)	(3)(b)	(3)(c)	(4)(a)	(4)(b)	(4)(c)
Names & Address (City, State, Country)	Principal Occupation if other than with holding company	Title & Position with holding company	Title & Position with Subsidiaries (Include names of subsidiaries)	Title & Position with Other Businesses (Include names of other businesses)	Percentage of Voting Securities in holding company	Percentage of Voting Securities in Subsidiaries (include names of subsidiaries)	List names of other companies (includes partnerships) if 25% or more of voting securities are held (List names of companies and percentage of voting securities held)
MARTHA K. GRIFFITH TAYLOR, TX USA	RETIRED TEACHER	N/A	N/A	N/A	8.47%	N/A	N/A

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CNB FINANCIAL CORPORATION, INC.  
TAYLOR, TX  
Fiscal Year Ending December 31, 2016

Report Item 4: Insiders  
(1)(a)(b)(c) and (2)(a)(b)(c)

(1)	(2)	(3)(a)	(3)(b)	(3)(c)	(4)(a)	(4)(b)	(4)(c)
Names & Address (City, State, Country)	Principal Occupation If other than with holding company	Title & Position with holding company	Title & Position with Subsidiaries (include names of subsidiaries)	Title & Position with Other Businesses (include names of other businesses)	Percentage of Voting Securities in holding company	Percentage of Voting Securities in Subsidiaries (include names of subsidiaries)	List names of other companies (includes partnerships) if 25% or more of voting securities are held (List names of companies and percentage of voting securities held)
MARTHA K. GRIFFITH TRUST TAYLOR, TX USA	N/A	N/A	N/A	N/A	6.02%	N/A	N/A

Form FR Y-5

CNS FINANCIAL CORPORATION, INC.  
TAYLOR, TX  
Fiscal Year Ending December 31, 2016

Report Item 4: Insiders  
(1)(a)(b)(c) and (2)(a)(b)(c)

(1)	(2)	(3)(a)	(3)(b)	(3)(c)	(4)(a)	(4)(b)	(4)(c)
Names & Address (City, State, Country)	Principal Occupation if other than with holding company	Title & Position with holding company	Title & Position with Subsidiaries (include names of subsidiaries)	Title & Position with Other Businesses (include names of other businesses)	Percentage of Voting Securities in holding company	Percentage of Voting Securities in Subsidiaries (include names of subsidiaries)	List names of other companies (includes partnerships) if 25% or more of voting securities are held (List names of companies and percentage of voting securities held)
KEN McCONCHIE, JR TAYLOR, TX USA	N/A	DIRECTOR	N/A	N/A	0.39%	N/A	N/A

Form FR Y-6

CNB FINANCIAL CORPORATION, INC.  
TAYLOR, TX  
Fiscal Year Ending December 31, 2016

Report Item 4: Insiders  
(1)(a)(b)(c) and (2)(a)(b)(c)

(1)	(2)	(3)(a)	(3)(b)	(3)(c)	(4)(a)	(4)(b)	(4)(c)
Names & Address (City, State, Country)	Principal Occupation if other than with holding company	Title & Position with holding company	Title & Position with Subsidiaries (Include names of subsidiaries)	Title & Position with Other Businesses (Include names of other businesses)	Percentage of Voting Securities in holding company	Percentage of Voting Securities in Subsidiaries (include names of subsidiaries)	List names of other companies (includes partnerships) if 25% or more of voting securities are held (List names of companies and percentage of voting securities held)
CHRIS MIKULENCAK TAYLOR, TX  USA	BANKER	TREASURER	VP-CASHIER THE CITY NATIONAL BANK OF TAYLOR	N/A	N/A	N/A	N/A

Form FR Y-6

CNB FINANCIAL CORPORATION, INC.  
TAYLOR, TX  
Fiscal Year Ending December 31, 2016

Report Item 4: Insiders  
(1)(a)(b)(c) and (2)(a)(b)(c)

(1)	(2)	(3)(a)	(3)(b)	(3)(c)	(4)(a)	(4)(b)	(4)(c)
Names & Address (City, State, Country)	Principal Occupation if other than with holding company	Title & Position with holding company	Title & Position with Subsidiaries (include names of subsidiaries)	Title & Position with Other Businesses (include names of other businesses)	Percentage of Voting Securities in holding company	Percentage of Voting Securities in Subsidiaries (include names of subsidiaries)	List names of other companies (includes partnerships) if 25% or more of voting securities are held (List names of companies and percentage of voting securities held)
MOLLY GRAHAM TAYLOR, TX USA	HOMEMAKER	N/A	N/A	N/A	8.75%	N/A	N/A
				*MARTHA K. GRIFFITH TRUST- CO TRUSTEE*	6.02%		

Form FR Y-6

CNB FINANCIAL CORPORATION, INC.  
TAYLOR, TX  
Fiscal Year Ending December 31, 2016

Report Item 4: Insiders  
(1)(a)(b)(c) and (2)(a)(b)(c)

(1)	(2)	(3)(a)	(3)(b)	(3)(c)	(4)(a)	(4)(b)	(4)(c)
Names & Address (City, State, Country)	Principal Occupation if other than with holding company	Title & Position with holding company	Title & Position with Subsidiaries (include names of subsidiaries)	Title & Position with Other Businesses (include names of other businesses)	Percentage of Voting Securities in holding company	Percentage of Voting Securities in Subsidiaries (include names of subsidiaries)	List names of other companies (includes partnerships) if 25% or more of voting securities are held (List names of companies and percentage of voting securities held)
WILLIAM L. HUGHES TAYLOR, TX USA	STUDENT	N/A	N/A	N/A	0.96%	N/A	N/A

Form FR Y-6

CNB FINANCIAL CORPORATION, INC.  
TAYLOR, TX  
Fiscal Year Ending December 31, 2016

Report Item 4: Insiders  
(1)(a)(b)(c) and (2)(a)(b)(c)

(1)	(2)	(3)(a)	(3)(b)	(3)(c)	(4)(a)	(4)(b)	(4)(c)
Names & Address (City, State, Country)	Principal Occupation If other than with holding company	Title & Position with holding company	Title & Position with Subsidiaries (include names of subsidiaries)	Title & Position with Other Businesses (include names of other businesses)	Percentage of Voting Securities In holding company	Percentage of Voting Securities in Subsidiaries (include names of subsidiaries)	List names of other companies (includes partnerships) if 25% or more of voting securities are held (List names of companies and percentage of voting securities held)
WILLIAM REESE GRIFFITH TAYLOR, TX USA	STUDENT	N/A	N/A	N/A	1.17%	N/A	N/A

Form FR Y-6

CNB FINANCIAL CORPORATION, INC.  
TAYLOR, TX  
Fiscal Year Ending December 31, 2016

Report Item 4: Insiders  
(1)(a)(b)(c) and (2)(a)(b)(c)

(1)	(2)	(3)(a)	(3)(b)	(3)(c)	(4)(a)	(4)(b)	(4)(c)
Names & Address (City, State, Country)	Principal Occupation if other than with holding company	Title & Position with holding company	Title & Position with Subsidiaries (include names of subsidiaries)	Title & Position with Other Businesses (include names of other businesses)	Percentage of Voting Securities in holding company	Percentage of Voting Securities in Subsidiaries (include names of subsidiaries)	List names of other companies (includes partnerships) if 25% or more of voting securities are held (List names of companies and percentage of voting securities held)
PAUL ZIMMERHANZEL, JR. TAYLOR, TX USA	RANCHER	DIRECTOR	N/A	N/A	2.34%	N/A	N/A

**CONSOLIDATED FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITOR'S REPORT**

**CNB FINANCIAL CORPORATION, INC.  
AND SUBSIDIARY**

December 31, 2016 and 2015

**CNB FINANCIAL CORPORATION, INC. AND SUBSIDIARY**

December 31, 2016 and 2015

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## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
CNB Financial Corporation, Inc.  
Taylor, Texas

We have audited the accompanying consolidated financial statements of CNB Financial Corporation, Inc. and Subsidiary which are comprised of the consolidated balance sheets as of December 31, 2016 and 2015, and the related consolidated statements of income, comprehensive income, changes in stockholders' equity and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of CNB Financial Corporation, Inc. and Subsidiary as of December 31, 2016 and 2015 and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

*Hamby & Hengeli LLC*

San Angelo, Texas  
February 8, 2017

Certified Public Accountants

2909 Sherwood Way, Suite 204, San Angelo, TX 76901  
325.949.2567 | www.HambyHengeli.com



**CNB FINANCIAL CORPORATION, INC. AND SUBSIDIARY**  
**CONSOLIDATED BALANCE SHEETS**

	December 31,	
	2016	2015
<b>ASSETS</b>		
Cash and cash equivalents	\$ 4,220,301	\$ 10,059,876
Federal funds sold	-	8,711,000
Cash and cash equivalents	4,220,301	18,770,876
Securities available for sale	72,136,044	68,782,298
Nonmarketable equity securities	64,702	64,702
Investment in CNB Financial Corporation Statutory Trust II	155,000	155,000
Loans, net	116,401,977	111,916,992
Premises and equipment, net	2,008,808	2,021,667
Foreclosed real estate	64,552	138,152
Accrued interest receivable	860,588	892,333
Other assets	949,046	858,727
	\$ 196,861,018	\$ 203,600,747
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<b>Liabilities</b>		
<b>Deposits</b>		
Noninterest-bearing	\$ 40,712,646	\$ 44,128,996
Interest-bearing	132,429,662	135,360,743
Total deposits	173,142,308	179,489,739
Federal funds purchased	500,000	-
Advances from Federal Home Loan Bank	101,735	158,230
Subordinated debentures	5,155,000	5,155,000
Accrued interest payable	34,363	36,402
Other liabilities	169,968	206,347
Total liabilities	179,103,374	185,045,718
<b>Commitments (Note K)</b>		
<b>Stockholders' equity</b>		
Common stock - 1,000,000 shares, \$1 par value stock authorized; 8,000 shares issued.	8,000	8,000
Surplus	5,521,961	5,521,961
Treasury stock, at cost (2016-5,178 shares; 2015-5,178 shares)	(10,900,404)	(10,900,404)
Retained earnings	24,821,105	24,330,096
Accumulated other comprehensive loss	(1,693,018)	(404,624)
Total stockholders' equity	17,757,644	18,555,029
	\$ 196,861,018	\$ 203,600,747

The accompanying notes are an integral part of these consolidated statements.

**CNB FINANCIAL CORPORATION, INC. AND SUBSIDIARY**  
**CONSOLIDATED INCOME STATEMENTS**

	Years ended December 31,	
	2016	2015
Interest income		
Loans, including fees	\$ 6,088,168	\$ 5,648,751
Debt securities		
Taxable	698,507	743,575
Tax-exempt	350,491	571,936
Other interest and dividends	30,219	15,262
Total interest income	7,167,385	6,979,524
Interest expense		
Deposits	630,569	717,362
Borrowed funds and other	119,246	103,836
Total interest expense	749,815	821,198
Provision for loan losses	150,000	338,000
Net interest income after provision for loan losses	6,267,570	5,820,326
Noninterest income		
Service charges on deposit accounts	1,382,661	1,322,038
Net gain on sale of securities <sup>1</sup>	160,792	380,657
Other income	399,371	418,405
Total noninterest income	1,942,824	2,121,100
Noninterest expense		
Salaries and employee benefits	3,610,149	3,351,171
Occupancy and equipment	572,521	681,323
Data processing	573,718	538,705
Regulatory fees and assessments	176,610	215,350
Other general and administrative	1,640,793	1,700,001
Total noninterest expense	6,573,791	6,486,550
<b>NET INCOME</b>	<b>\$ 1,636,603</b>	<b>\$ 1,454,876</b>

<sup>1</sup> Net gain on sale of securities includes \$160,792 and \$380,657 accumulated other comprehensive income reclassifications for unrealized net gains on available for sale securities for 2016 and 2015, respectively.

The accompanying notes are an integral part of these consolidated statements.

**CNB FINANCIAL CORPORATION, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	Years ended December 31,	
	2016	2015
Net income	\$ 1,636,603	\$ 1,454,876
Other comprehensive loss		
Gross unrealized gains (losses) on securities available for sale	(1,127,602)	379,555
Reclassification adjustment for gains realized in net income	(160,792)	(380,657)
Total other comprehensive loss	(1,288,394)	(1,102)
<b>TOTAL OTHER COMPREHENSIVE INCOME</b>	<b>\$ 348,209</b>	<b>\$ 1,453,774</b>

The accompanying notes are an integral part of these consolidated statements.

**CNB FINANCIAL CORPORATION, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**  
Years Ended December 31, 2016 and 2015

	Common Stock	Surplus	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance at December 31, 2014	\$ 8,000	\$5,521,961	\$(10,667,385)	\$ 23,970,366	\$ (403,522)	\$ 18,429,420
Net income	-	-	-	1,454,876	-	1,454,876
Purchase of treasury stock	-	-	(233,019)	-	-	(233,019)
Other comprehensive loss	-	-	-	-	(1,102)	(1,102)
Cash dividends paid	-	-	-	(1,095,146)	-	(1,095,146)
Balance at December 31, 2015	8,000	5,521,961	(10,900,404)	24,330,096	(404,624)	18,555,029
Net income	-	-	-	1,636,603	-	1,636,603
Purchase of treasury stock	-	-	-	-	-	-
Other comprehensive loss	-	-	-	-	(1,288,394)	(1,288,394)
Cash dividends paid	-	-	-	(1,145,594)	-	(1,145,594)
Balance at December 31, 2016	<u>\$ 8,000</u>	<u>\$5,521,961</u>	<u>\$(10,900,404)</u>	<u>\$ 24,821,105</u>	<u>\$ (1,693,018)</u>	<u>\$ 17,757,644</u>

The accompanying notes are an integral part of these consolidated statements.

**CNB FINANCIAL CORPORATION, INC. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Years ended December 31,	
	2016	2015
Cash flows from operating activities		
Net income	\$ 1,636,603	\$ 1,454,876
Adjustments to reconcile net income to cash provided by operating activities		
Net amortization of premium on investment securities	1,290,248	1,423,491
Gain on sale of investment securities	(160,792)	(380,657)
Provision for loan losses	150,000	338,000
Depreciation and amortization expense	310,907	413,155
Gain on disposition of premises and equipment	-	(1,025)
Loss on sale of foreclosed real estate	10,726	-
Net change in:		
Accrued interest receivable and other assets	(58,574)	840
Accrued interest payable and other liabilities	(38,418)	82,943
Cash provided by operating activities	3,140,700	3,331,623
Cash flows from investing activities		
Proceeds from maturities, calls and paydowns of securities available for sale	12,364,248	12,929,712
Proceeds from sales of securities available for sale	17,874,648	43,293,601
Purchases of securities available for sale	(36,010,492)	(38,277,749)
Loans originated, net of principal collections	(4,634,985)	(17,904,106)
Proceeds from sales of premises and equipment	-	1,025
Additions to premises and equipment	(298,048)	(109,246)
Proceeds from sales of foreclosed real estate	62,874	-
Cash used for investing activities	(10,641,755)	(66,763)
Cash flows from financing activities		
Net change in deposits	(6,347,431)	9,959,462
Net change in federal funds purchased	500,000	-
Principal payments on Federal Home Loan Bank borrowings	(56,495)	(60,504)
Payments to acquire treasury stock	-	(233,019)
Cash dividends paid on common stock	(1,145,594)	(1,095,146)
Cash provided by (used for) financing activities	(7,049,520)	8,570,793
Net change in cash and cash equivalents	(14,550,575)	11,835,653
Cash and cash equivalents, beginning of year	18,770,876	6,935,223
Cash and cash equivalents, end of year	\$ 4,220,301	\$ 18,770,876
Supplemental disclosure of cash flow information		
Cash paid during the year for interest on deposits and borrowed funds	\$ 751,854	\$ 834,980
Supplemental disclosure of non-cash transactions		
Loan balances transferred to foreclosed real estate	\$ -	\$ 64,552

The accompanying notes are an integral part of these consolidated statements.

**CNB FINANCIAL CORPORATION, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

December 31, 2016 and 2015

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting and reporting policies of CNB Financial Corporation, Inc. and Subsidiary conform to accounting principles generally accepted in the United States of America and to general practice within the banking industry. The following is a summary of the significant accounting and reporting policies:

Organization and Principles of Consolidation

CNB Financial Corporation, Inc. is a bank holding company which owns 100% of the common stock of The City National Bank of Taylor ("the Bank"). The entities are collectively referred to as "the Company".

The accompanying consolidated financial statements include the consolidated totals of the Company. Significant intercompany accounts and transactions have been eliminated in consolidation.

Nature of Operations

The Company provides a variety of banking services to individuals and businesses through their location in Taylor, Texas. Their primary deposit products are checking, savings and term deposit accounts. Their primary lending products are commercial loans, agricultural, real estate mortgages and installment loans. The Bank is subject to competition from other financial institutions and to regulation by certain federal agencies. The Bank undergoes periodic examinations by these regulatory authorities.

Use of Estimates

To prepare financial statements in conformity with accounting principles generally accepted in the United State of America management makes estimates and assumptions based on available information. These estimates and assumptions affect the amounts reported in the financial statement and the disclosures provided and actual results could differ.

Significant Concentrations of Credit Risk

Most of the Company's activities are with customers located in the Texas coastal region and in Williamson and surrounding counties. Therefore, the Company's exposure to credit risk is significantly affected by changes in the economy in those areas. Note B discusses the types of securities that the Company invests in. Note D discusses the types of lending that the Company engages in. The Company does not have any significant concentrations to any one industry or customer.

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Company has defined cash equivalents as those amounts included in the balance sheet caption "Cash and due from banks" and "Federal funds sold". Cash and cash equivalents include cash, deposits with other financial institutions with maturities fewer than 90 days, and federal funds sold.

Balances in transaction accounts at other financial institutions may exceed amounts covered by federal deposit insurance. Management regularly evaluates the credit risk associated with other financial institutions and believes that the Company is not exposed to any significant credit risks on cash and cash equivalents.

**CNB FINANCIAL CORPORATION, INC. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

December 31, 2016 and 2015

Investment Securities

Debt securities that management has the positive intent and ability to hold to maturity are classified as “held to maturity” and recorded at amortized cost. Securities not classified as trading, including equity securities with readily determinable fair values, are classified as “available for sale” and recorded at fair value, with unrealized gains and losses excluded from earnings and reported in other comprehensive income.

The amortized cost of debt securities classified as held-to-maturity or available-for-sale is adjusted for amortization of purchase premiums and accretion of purchase discounts. Premiums and discounts are recognized in interest income using the interest method over the terms of the securities. Gains and losses on the sale of securities are determined using the specific identification method.

Management evaluates securities for other-than-temporary impairment (“OTTI”) on at least a quarterly basis, and more frequently when economic or market conditions warrant such an evaluation. For securities in an unrealized loss position, management considers the extent and duration of the unrealized loss, and the financial condition and near-term prospects of the issuer. Management also assesses whether it intends to sell, or it is more likely than not that it will be required to sell, a security in an unrealized loss position before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the entire difference between amortized cost and fair value is recognized as an impairment charge to earnings. For debt securities that do not meet the aforementioned criteria, the amount of impairment is split into two components as follows: 1) OTTI related to credit loss, which is recognized as an impairment charge to earnings, and 2) OTTI related to other factors, which is recognized in other comprehensive income. The credit loss is defined as the difference between the present value of the cash flows expected to be collected and the amortized cost basis. For equity securities, the entire amount of impairment is recognized through earnings.

Nonmarketable Equity Securities

The Company, as a member of the Federal Reserve Bank of Dallas and the Federal Home Loan Bank of Dallas (FHLB), is required to maintain an investment in the capital stock of each. Also, the Company maintains an investment in the capital stock of The Bankers Bank. No ready market exists for these stocks, and they have no quoted market value. For financial reporting purposes, such stock is considered restricted and is carried at cost under the caption “nonmarketable equity securities.”

Periodically, management evaluates nonmarketable equity securities for other-than-temporary impairment. Management reviews for impairment based on the ultimate recoverability of the cost basis in the stock. Both cash and stock dividends are reported as income.

Loans

The Company grants real estate, commercial, agricultural and consumer loans to customers. A substantial portion of the loan portfolio is represented by real estate loans principally in the Texas Coastal Region and in the Williamson and surrounding counties areas. The ability of the Company's borrowers to honor their contracts is dependent upon the real estate and general economic conditions in those areas.

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off generally are reported at their outstanding unpaid principal balances adjusted for charge-offs and the allowance for loan losses. Interest income is accrued on the unpaid principal balance.

CNB FINANCIAL CORPORATION, INC. AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2016 and 2015

Past due loans are any loans for which payments of interest, principal or both have not been received within the timeframes designated by the loan agreements. Loans with payments in arrears but for which borrowers have resumed making scheduled payments are considered past due until arrearages are brought current. Loans that experience insignificant payment delays or payment shortfalls generally are not considered past due. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed.

The accrual of interest on any loan is discontinued at the time the loan is specifically determined to be impaired unless the loan is well secured and in process of collection. Additionally, loans are placed on nonaccrual at an earlier date if collection of principal or interest is considered doubtful. When placing a loan on nonaccrual status, interest accrued to date is generally reversed and is charged against the current year's interest income. Payments received on a loan on nonaccrual status are applied against the principal balance of the loan. A loan is returned to accrual status when principal and interest are no longer past due and collectibility is no longer doubtful.

Troubled debt restructurings are loans for which concessions in terms have been made as a result of the borrower experiencing financial difficulty. Generally, concessions granted to customers include lower interest rates and modification of the payment stream to lower or defer payments. Interest on troubled debt restructurings is accrued under the new terms if the loans are performing and full collection of principal and interest is expected. However, interest accruals are discontinued on troubled debt restructurings that meet the Company's nonaccrual criteria.

Generally, loans are charged off in whole or in part on a loan-by-loan basis after they become significantly past due and based upon management's review of the collectibility of all or a portion of the loan unless the loan is in the process of restructuring. Charge off amounts are determined based upon the carrying amount of loans and the amount estimated to be collectible as determined by analyses of expected future cash flows and the liquidation of loan collateral.

#### Allowance for Loan Losses

The allowance for loan losses is a valuation allowance for probable incurred credit losses, and is established through a provision for loan losses charged to earnings. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance. Management estimates the allowance balance required using past loan loss experience, the nature and volume of the portfolio, information about specific borrower situations and estimated collateral values, economic conditions and other factors. Allocations of the allowance may be made for specific loans, but the entire allowance is available for any loan that, in management's judgement, should be charged off.

The allowance consists of specific and general components. The specific component relates to loans that are considered impaired, and is comprised of valuation allowances calculated on a loan-by-loan basis. Impaired loans are all specifically identified loans for which it is probable that the Company will not collect all amounts due according to the contractual terms of the loan agreement. Loans for which the terms have been modified resulting in a concession, and for which the borrower is experiencing financial difficulties, are considered troubled debt restructurings (TDRs) and are classified as impaired. Factors considered by management in determining whether a loan is impaired include payment status, collateral value, the

CNB FINANCIAL CORPORATION, INC. AND SUBSIDIARY  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

December 31, 2016 and 2015

borrower's financial condition and overall loan quality as determined by an internal loan grading system. Included in impaired loans are all nonaccrual loans and all accruing troubled debt restructurings. Loans that experience insignificant payment delays or payment shortfalls generally are not considered impaired. For impaired loans for which repayment is expected solely from the collateral, impairment is measured based on the fair value of the collateral. For other impaired loans, impairment may be measured based on the fair value of the collateral or on the present value of expected future cash flows discounted at the loan's original effective interest rate. When the measure of the impaired loan is less than the recorded investment in the loan, the impairment is recorded through a valuation allowance.

Troubled debt restructurings are individually evaluated for impairment and included in the separately identified impairment disclosures. TDRs are measured at the present value of estimated future cash flows using the loan's effective rate at inception. If a TDR is considered to be a collateral dependent loan, the loan is reported, net, at the fair value of the collateral. For TDRs that subsequently default, the Company determines the amount of the allowance on that loan in accordance with the accounting policy for the allowance for loan losses on loans individually identified as impaired.

The general component relates to non-impaired loans, and is based on historical loss experience adjusted for the effects of economic factors that are likely to cause estimated credit losses as of the evaluation date to differ from the portfolio's historical loss experience. The historical loss experience is determined by portfolio segment and is based on the actual loss history experienced by the Company. This actual loss experience is supplemented with other economic factors based on the risks present for each portfolio segment. Economic factors include the following: economic conditions; industry conditions; changes in lending policies and procedures; trends in the volume and terms of loans; trends in the quality of risk management and loan administration practices; levels and trends in delinquencies and impaired loans; levels and changes in the concentration of credit and levels of credit; levels and trends of loan quality as determined by an internal loan grading system; portfolio concentrations.

On a quarterly basis, management estimates the allowance balance required using the criteria identified above in relation to the relevant risks for each of the Company's major loan segments. Significant overall risk factors for both the Company's commercial and consumer portfolios include the strength of the real estate and agricultural market in the Company's lending area.

The quality of the Company's loan portfolio is assessed as a function of the levels of past due loans and impaired loans, and internal credit quality ratings which are updated quarterly by management. The ratings on the Company's internal credit scale are broadly grouped into the categories "pass", "special mention" and "substandard." Loans with a pass rating are those loans with minimal identified credit risk. Special mention loans include those with potential credit weaknesses which deserve management's attention but for which full collection of contractual principal and interest is not significantly at risk. Substandard loans are those loans that have well-defined weakness that put full collection of contractual principal or interest at risk, and classified loans for which it is probable that the Company will not collect all contractual principal or interest are also considered impaired. The credit quality ratings are an important part of the Company's overall credit risk management process and are considered in the determination of the allowance for loan losses.

Determination of the allowance is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available. In addition, various regulatory agencies, as an integral part of their examination process, periodically review the Company's allowance. Such agencies

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may require the Company to recognize additional losses based on their judgments about information available to them at the time of their examination.

Foreclosed Real Estate

Assets acquired through, or in lieu of, loan foreclosure are held for sale and are initially recorded at fair value less cost to sell at the date of foreclosure, establishing a new cost basis. Subsequent to foreclosure, valuations are periodically performed by management and the assets are carried at the lower of the initial carrying value or fair value less costs to sell. Revenue and expenses from operations and changes in the valuation allowance are included in noninterest expenses.

Premises and Equipment

Land is carried at cost. Buildings and equipment are carried at cost, less accumulated depreciation computed on the straight-line method over the estimated useful lives of the assets. Maintenance and repairs, which do not extend the useful lives of buildings and equipment, are charged to expense as incurred.

Income Taxes

The Company is taxed under the provisions of Subchapter S of the Internal Revenue Code. Under those provisions, the Company neither pays corporate income taxes on its taxable income nor is allowed a net operating loss carryover or carryback as a deduction. Instead, the shareholders of the Company include their respective shares of the Company's net operating income or loss in their individual income tax returns. Accordingly, no income taxes are reflected in the consolidated financial statements.

Because the Company's stockholders will be obligated to pay income taxes on the earnings of the Company, the Company expects to declare cash dividends sufficient to fund the stockholders' tax payments as they come due.

The Company is no longer subject to examination by taxing authorities for years before 2013.

Loan Commitments and Related Financial Instruments

Financial instruments include off-balance sheet credit instruments, such as commitments to make loans and commercial letters of credit, issued to meet customer financing needs. The face amount for these items represents the exposure to loss, before considering customer collateral or ability to repay. Such financial instruments are recorded when they are funded.

Transfers of Financial Assets

Transfers of financial assets are accounted for as sales when control over the assets has been relinquished. Control over transferred assets is deemed to be relinquished when the assets have been isolated from the Company, the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

Loss Contingencies

Loss contingencies, including claims and legal actions arising in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable and an amount or range of loss can be

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reasonably estimated. Management does not believe there now are such matters that will have a material effect on the financial statements.

Restrictions on Cash

Cash on hand or on deposit with the Federal Reserve Bank was required to meet regulatory reserve and clearing requirements.

Dividend Restrictions

Banking regulations require maintaining certain capital levels and may limit the dividends paid by the bank to the holding company or by the holding company to shareholders.

Fair Value Measurements

Fair values of financial instruments are estimated using the relevant market information and other assumptions, as more fully disclosed in a separate note. Fair value estimates involve uncertainties and matters of significant judgement regarding interest rates, credit risk, prepayments and other factors, especially in the absence of broad markets for particular items. Changes in assumptions or in market conditions could significantly affect these estimates.

Comprehensive Income

Components of comprehensive income are net income and all other non-owner changes in equity. The only component of other comprehensive income consists of net unrealized holding gains and losses on available-for-sale securities.

Accounting Standards Updates

*ASU 2014-09 "Revenue from Contracts with Customers"*. ASU 2014-09 implements a common revenue standard that clarifies the principles for recognizing revenue. It will supersede most current revenue recognition requirements when it becomes effective. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve that core principle, an entity should apply the following steps: (i) identify the contract(s) with a customer, (ii) identify the performance obligations in the contract, (iii) determine the transaction price, (iv) allocate the transaction price to the performance obligations in the contract, (v) recognize revenue when (or as) the entity satisfies the performance obligation. This guidance becomes effective for annual reporting periods beginning after December 15, 2018. The Company is currently evaluating the effect that the guidance will have on its consolidated financial statements and disclosures, if any.

*ASU 2016-01 "Financial Instruments – Overall: Recognition and Measurement of Financial Assets and Financial Liabilities"*. ASU 2016-01 amends a number of accounting standards, including: (1) Requiring equity investments (except those accounted for under the equity method of accounting, or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in income; (2) Requiring public business entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes; (3) Requiring separate presentation of financial assets and financial liabilities by measurement category and form of financial asset (i.e., securities or loans and receivables); (4) Simplifying the impairment assessment of equity investments without readily determinable

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fair values by requiring a qualitative assessment to identify impairment; (5) Clarifying that an entity should evaluate the need for a valuation allowance on a deferred tax asset related to available-for-sale securities in combination with the entity's other deferred tax assets; (6) Eliminating the requirement for public business entities to disclose the method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost; and (7) Eliminating the requirement to disclose the fair value of financial instruments measured at amortized cost for entities that are not public business entities. This guidance becomes effective for annual reporting periods beginning after December 15, 2018. The Company is still evaluating the overall effect that the guidance will have on its consolidated financial statements and disclosures.

*ASU 2016-13 "Financial Instruments – Credit Losses: Measurement of Credit Losses on Financial Instruments"*. The amendments under ASU 2016-13 require the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Financial institutions and other organizations will now use forward-looking information to better inform their credit loss estimates. Many of the loss estimation techniques applied today will still be permitted, although the inputs to those techniques will change to reflect the full amount of expected credit losses. In addition, the ASU amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. This guidance becomes effective for annual reporting periods beginning after December 15, 2020 and interim reporting periods beginning after December 15, 2021. The Company is currently evaluating the effect that the guidance will have on its consolidated financial statements and disclosures.

Reclassification

Certain reclassifications have been made to the 2016 amounts to conform to the current year presentation. Reclassifications had no effect on prior year net income or stockholders' equity.

Subsequent Events

The Company has evaluated subsequent events for recognition and disclosure through February 8, 2017, which is the date the financial statements were available to be issued.

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**NOTE B – INVESTMENT SECURITIES**

The following presents information related to the Company's portfolio of debt securities:

	December 31, 2016			Fair Value
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	
<u>Securities available for sale</u>				
State and municipal	\$ 27,792,945	\$ 1,538	\$ (909,255)	\$ 26,885,228
Mortgage-backed	25,998,554	17,928	(414,595)	25,601,887
Collateralized mortgage obligations	13,230,509	1,993	(160,694)	13,071,808
Other securities with prepayments	6,807,055	-	(229,934)	6,577,121
	<u>\$ 73,829,063</u>	<u>\$ 21,459</u>	<u>\$ (1,714,478)</u>	<u>\$ 72,136,044</u>

	December 31, 2015			Fair Value
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	
<u>Securities available for sale</u>				
State and municipal	\$ 24,323,041	\$ 150,535	\$ (46,264)	\$ 24,427,312
Mortgage-backed	28,317,376	17,106	(332,721)	28,001,761
Collateralized mortgage obligations	10,679,025	3,243	(113,963)	10,568,305
Other securities with prepayments	5,867,479	208	(82,767)	5,784,920
	<u>\$ 69,186,921</u>	<u>\$ 171,092</u>	<u>\$ (575,715)</u>	<u>\$ 68,782,298</u>

The amortized cost and estimated market value of debt securities at December 31, 2016, by contractual maturity are as follows:

	Available for Sale	
	Amortized Cost	Fair Value
Due in one year or less	\$ 350,366	\$ 349,920
Due after one year through five years	15,900,567	15,622,233
Due after five years through ten years	8,527,281	8,099,881
Due after ten years	3,014,731	2,813,194
	<u>27,792,945</u>	<u>26,885,228</u>
Securities without fixed maturities	46,036,118	45,250,816
	<u>\$ 73,829,063</u>	<u>\$ 72,136,044</u>

Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations without call or prepayment penalties.

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At December 31, 2016 and 2015, investment securities with carrying values of \$10,227,704 and \$13,778,590, respectively, were pledged to secure public deposits, repurchase agreements and for other purposes.

During 2016, there were gross realized gains of \$177,180 and gross realized losses of \$16,388 on the sale of investment securities. During 2015, there were gross realized gains of \$433,352 and gross realized losses of \$52,695 on the sale of investment securities.

Information pertaining to securities with gross unrealized losses, at December 31, 2016 and 2015 aggregated by investment category and length of time that individual securities have been in a continuous loss position, follows:

	December 31, 2016			
	Less than 12 months		Over 12 months	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
	Losses	Fair Value	Losses	Fair Value
<u>Securities available for sale</u>				
State and municipal	\$ 909,255	\$ 26,154,234	\$ -	\$ -
Mortgage-backed	169,075	11,440,282	245,520	10,151,316
Collateralized mortgage obligations	117,647	9,671,724	43,047	2,542,826
Other securities with prepayments	142,747	4,714,166	87,187	1,862,162
	<u>\$ 1,338,724</u>	<u>\$ 51,980,406</u>	<u>\$ 375,754</u>	<u>\$ 14,556,304</u>

	December 31, 2015			
	Less than 12 months		Over 12 months	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
	Losses	Fair Value	Losses	Fair Value
<u>Securities available for sale</u>				
State and municipal	\$ 42,900	\$ 7,670,269	\$ 3,364	\$ 316,088
Mortgage-backed	131,337	11,111,754	201,384	13,215,908
Collateralized mortgage obligations	44,718	5,127,937	69,245	5,198,354
Other securities with prepayments	48,577	3,677,781	34,190	1,760,539
	<u>\$ 267,532</u>	<u>\$ 27,587,741</u>	<u>\$ 308,183</u>	<u>\$ 20,490,889</u>

Management evaluates securities for other-than-temporary impairment on at least a quarterly basis, and more frequently when economic or market conditions warrant such evaluation. Consideration is given to (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Company to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value.

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**NOTE C – NONMARKETABLE EQUITY SECURITIES**

Nonmarketable equity securities carried at cost are as follows:

	December 31,	
	2016	2015
Federal Home Loan Bank of Dallas	\$ 10,900	\$ 10,900
Federal Reserve Bank	48,850	48,850
The Bankers Bank	4,952	4,952
	\$ 64,702	\$ 64,702

**NOTE D - LOANS**

Major classifications of loans are as follows:

	December 31,	
	2016	2015
Real Estate		
Residential 1-4 family	\$ 72,368,519	\$ 68,556,864
Commercial	14,107,279	14,799,126
Farmland	8,850,526	8,266,518
Construction, land and land development	7,764,830	6,833,293
Multifamily	1,977,726	1,349,225
Commercial	4,696,759	4,497,026
Agricultural Production	4,012,013	4,267,403
Consumer and Other	4,118,339	4,514,755
	117,895,991	113,084,210
Deferred Loan Origination Costs	107,497	339,841
Less: Allowance For Loan Losses	(1,601,511)	(1,507,059)
Total Loans	\$ 116,401,977	\$ 111,916,992

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December 31, 2016 and 2015

Transactions in the allowance for loan losses are as follows:

	Year Ended December 31, 2016					
	Real Estate	Commercial	Agricultural Production	Consumer and Other	Unallocated	Total
Balance at December 31, 2015	\$ 1,140,132	\$ 106,698	\$ 136,573	\$ 123,656	\$ -	\$ 1,507,059
Provision for loan losses	(284,488)	365,498	(102,298)	(15,684)	186,972	150,000
Charge-offs	-	(150,000)	-	(8,880)	-	(158,880)
Recoveries	5,432	-	91,660	6,240	-	103,332
Net (charge-offs) recoveries	5,432	(150,000)	91,660	(2,640)	-	(55,548)
Balance at December 31, 2016	<u>\$ 861,076</u>	<u>\$ 322,196</u>	<u>\$ 125,935</u>	<u>\$ 105,332</u>	<u>\$ 186,972</u>	<u>\$ 1,601,511</u>

  

	Year Ended December 31, 2015					
	Real Estate	Commercial	Agricultural Production	Consumer and Other	Unallocated	Total
Balance at December 31, 2014	\$ 834,338	\$ 139,439	\$ 146,229	\$ 122,577	\$ -	\$ 1,242,583
Provision for loan losses	328,206	(12,967)	(9,656)	32,417	-	338,000
Charge-offs	(22,412)	(19,774)	-	(47,385)	-	(89,571)
Recoveries	-	-	-	16,047	-	16,047
Net (charge-offs) recoveries	(22,412)	(19,774)	-	(31,338)	-	(73,524)
Balance at December 31, 2015	<u>\$ 1,140,132</u>	<u>\$ 106,698</u>	<u>\$ 136,573</u>	<u>\$ 123,656</u>	<u>\$ -</u>	<u>\$ 1,507,059</u>

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December 31, 2016 and 2015

Components of the allowance for loan losses, and the related carrying amounts of loans for which the allowance is determined, are as follows:

	Year Ended December 31, 2016					
	Real Estate	Commercial	Agricultural Production	Consumer and Other	Unallocated	Total
<b><u>Allocation of Allowance To:</u></b>						
Impaired loans - evaluated individually	\$ -	\$ 125,000	\$ 55,000	\$ 25,193	\$ -	\$ 205,193
Impaired loans - evaluated collectively	-	-	-	-	-	-
Total impaired loans	-	125,000	55,000	25,193	-	205,193
Unimpaired loans - evaluated collectively	861,076	197,196	70,935	80,139	186,972	1,396,318
	<b>\$ 861,076</b>	<b>\$ 322,196</b>	<b>\$ 125,935</b>	<b>\$ 105,332</b>	<b>\$ 186,972</b>	<b>\$ 1,601,511</b>
<b><u>Recorded Investment In:</u></b>						
Impaired loans - evaluated individually	\$ 1,899,143	\$ 556,513	\$ 189,829	\$ 51,661	\$ -	\$ 2,697,146
Impaired loans - evaluated collectively	-	-	-	-	-	-
Total impaired loans	1,899,143	556,513	189,829	51,661	-	2,697,146
Unimpaired loans - evaluated collectively	103,169,737	4,140,246	3,822,184	4,066,678	-	115,198,845
	<b>\$ 105,068,880</b>	<b>\$ 4,696,759</b>	<b>\$ 4,012,013</b>	<b>\$ 4,118,339</b>	<b>\$ -</b>	<b>\$ 117,895,991</b>

	Year Ended December 31, 2015					
	Real Estate	Commercial	Agricultural Production	Consumer and Other	Unallocated	Total
<b><u>Allocation of Allowance To:</u></b>						
Impaired loans - evaluated individually	\$ -	\$ 36,731	\$ 38,590	\$ 19,868	\$ -	\$ 95,189
Impaired loans - evaluated collectively	-	-	-	-	-	-
Total impaired loans	-	36,731	38,590	19,868	-	95,189
Unimpaired loans - evaluated collectively	1,140,132	69,967	97,983	103,788	-	1,411,870
	<b>\$ 1,140,132</b>	<b>\$ 106,698</b>	<b>\$ 136,573</b>	<b>\$ 123,656</b>	<b>\$ -</b>	<b>\$ 1,507,059</b>
<b><u>Recorded Investment In:</u></b>						
Impaired loans - evaluated individually	\$ 1,593,493	\$ 60,756	\$ 126,847	\$ 19,868	\$ -	\$ 1,800,964
Impaired loans - evaluated collectively	-	-	-	-	-	-
Total impaired loans	1,593,493	60,756	126,847	19,868	-	1,800,964
Unimpaired loans - evaluated collectively	98,211,533	4,436,270	4,140,556	4,494,887	-	111,283,246
	<b>\$ 99,805,026</b>	<b>\$ 4,497,026</b>	<b>\$ 4,267,403</b>	<b>\$ 4,514,755</b>	<b>\$ -</b>	<b>\$ 113,084,210</b>

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December 31, 2016 and 2015

Information relative to impaired loans is as follows:

	December 31, 2016				Year Ended December 31, 2016
	Recorded Investment In Impaired Loans With No Valuation Allowance	Recorded Investment In Impaired Loans With A Valuation Allowance	Total Impaired Loans	Valuation Allowance on Impaired Loans	Average Impaired Loans
Real Estate	\$1,899,143	\$ -	\$1,899,143	\$ -	\$1,702,067
Commercial	414,772	141,741	556,513	125,000	155,479
Agricultural Production	-	189,829	189,829	55,000	142,672
Consumer and Other	-	51,661	51,661	25,193	46,387
<b>Total Loans</b>	<b>\$2,313,915</b>	<b>\$ 383,231</b>	<b>\$ 2,697,146</b>	<b>\$ 205,193</b>	<b>\$ 2,046,605</b>

  

	December 31, 2015				Year Ended December 31, 2015
	Recorded Investment In Impaired Loans With No Valuation Allowance	Recorded Investment In Impaired Loans With A Valuation Allowance	Total Impaired Loans	Valuation Allowance on Impaired Loans	Average Impaired Loans
Real Estate	\$1,593,493	\$ -	\$1,593,493	\$ -	\$ 853,589
Commercial	-	60,756	60,756	36,731	172,234
Agricultural Production	41,903	84,944	126,847	38,590	284,368
Consumer and Other	-	19,868	19,868	19,868	38,394
<b>Total Loans</b>	<b>\$1,635,396</b>	<b>\$ 165,568</b>	<b>\$ 1,800,964</b>	<b>\$ 95,189</b>	<b>\$ 1,348,585</b>

There were no commitments to extend credit on impaired loans at December 31, 2016 and interest income recognized on impaired loans was immaterial for the years ended December 31, 2016 and 2015.

During the year ended December 31, 2016, the terms of certain loans were modified as troubled debt restructurings. The modification of the terms of such loans included one or a combination of the following: a reduction of the stated interest rate of the loan; an extension of the maturity date at a stated rate of interest lower than the current market rate for a new debt with similar risk; or a permanent reduction of the recorded investment in the loan.

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Troubled debt restructurings included in impaired loans, and the related valuation allowance thereon, are as follows:

	December 31, 2016	
	TDRs - included in impaired loans	Portion of Valuation Allowance on Impaired Loans Attributable to TDRs
Real Estate	\$ 487,142	\$ -
Commercial	-	-
Agricultural Production	-	-
Consumer and Other	-	-
<b>Total Loans</b>	<b>\$ 487,142</b>	<b>\$ -</b>

The Company did not have any troubled debt restructurings as of December 31, 2015.

The carrying amounts of loans by performance status are as follows:

	December 31, 2016				
	Accruing Loans			Nonaccrual	Total Loans
	Current	30-89 Days Past Due	90 Days or More Past Due	Loans	
Real Estate	\$ 102,829,900	\$ 339,837	\$ -	\$ 1,899,143	\$ 105,068,880
Commercial	4,154,773	26,690	-	515,296	4,696,759
Agricultural Production	3,822,184	-	-	189,829	4,012,013
Consumer and Other	4,036,572	81,666	101	-	4,118,339
<b>Total</b>	<b>\$ 114,843,429</b>	<b>\$ 448,193</b>	<b>\$ 101</b>	<b>\$ 2,604,268</b>	<b>\$ 117,895,991</b>

  

	December 31, 2015				
	Accruing Loans			Nonaccrual	Total Loans
	Current	30-89 Days Past Due	90 Days or More Past Due	Loans	
Real Estate	\$ 97,654,032	\$ 557,501	\$ -	\$ 1,593,493	\$ 99,805,026
Commercial	4,495,295	-	1,731	-	4,497,026
Agricultural Production	4,048,469	100,677	-	118,257	4,267,403
Consumer and Other	4,429,895	84,860	-	-	4,514,755
<b>Total</b>	<b>\$ 110,627,691</b>	<b>\$ 743,038</b>	<b>\$ 1,731</b>	<b>\$ 1,711,750</b>	<b>\$ 113,084,210</b>

**CNB FINANCIAL CORPORATION, INC. AND SUBSIDIARY**  
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December 31, 2016 and 2015

The carrying amounts of loans by credit quality indicator are as follows:

	December 31, 2016			
	Pass	Special Mention	Substandard	Total Loans
Real Estate	\$ 102,072,843	\$ 419,804	\$ 2,576,233	\$ 105,068,880
Commercial	2,964,063	-	1,732,696	4,696,759
Agricultural Production	3,769,534	-	242,479	4,012,013
Consumer and Other	4,001,452	45,728	71,159	4,118,339
<b>Total Loans</b>	<b>\$ 112,807,892</b>	<b>\$ 465,532</b>	<b>\$ 4,622,567</b>	<b>\$ 117,895,991</b>

	December 31, 2015			
	Pass	Special Mention	Substandard	Total Loans
Real Estate	\$ 96,937,197	\$ 1,044,123	\$ 1,823,706	\$ 99,805,026
Commercial	4,407,214	-	89,812	4,497,026
Agricultural Production	4,001,490	-	265,913	4,267,403
Consumer and Other	4,366,276	63,165	85,314	4,514,755
<b>Total Loans</b>	<b>\$ 109,712,177</b>	<b>\$ 1,107,288</b>	<b>\$ 2,264,745</b>	<b>\$ 113,084,210</b>

**NOTE E – PREMISES AND EQUIPMENT**

Premises and equipment are as follows:

	December 31,	
	2016	2015
Land	\$ 280,176	\$ 280,176
Buildings and improvements	3,464,057	3,342,232
Furniture, fixtures and equipment	7,873,075	7,696,852
	11,617,308	11,319,260
Accumulated depreciation	(9,608,500)	(9,297,593)
	<u>\$ 2,008,808</u>	<u>\$ 2,021,667</u>

**NOTE F – INVESTMENT IN LIMITED LIABILITY COMPANY**

The Company owns a 40% interest in GSM Insurors of Taylor, LLC (“the LLC”). The LLC owns and operates an insurance business in Taylor, Texas. The investment is accounted for under the equity method of accounting. As of December 31, 2016 and 2015, the Company’s equity interest of \$158,416 and \$128,333, respectively, is included as a component of “other assets”.

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**NOTE G - DEPOSITS**

Time deposits that meet or exceed the FDIC insurance limit of \$250,000 at December 31, 2016 and 2015 was \$252,055 and \$251,677, respectively.

At December 31, 2016, the scheduled maturities of time deposits are as follows:

<u>Year Ending December 31,</u>	
2017	\$ 9,901,145
2018	781,512
2019	14,716,620
2020	-
2021	-
Thereafter	-
	<u>\$25,399,277</u>

**NOTE H – FEDERAL FUNDS LINE**

The Company has unsecured federal funds lines at various correspondent banks with an aggregate available credit limit of \$10,000,000 at December 31, 2016. At December 31, 2016 and 2015, there was \$500,000 and \$-0-, respectively outstanding under these lines. Federal funds lines are uncommitted and funding requests made by the Company are subject to the lending institutions' approval and funding availability at the time of request.

**NOTE I – FEDERAL HOME LOAN BANK ADVANCES**

FHLB advances amounting to \$101,735 and \$158,230 were outstanding at December 31, 2016 and 2015, respectively. The interest rates on fixed rate, long-term debt ranged from 4.76% to 6.85%. The weighted average rate at December 31, 2016 and 2015 was 6.60% and 6.48%, respectively. The advances are collateralized by specific investment securities. Based on this collateral and the Company's holdings of FHLB stock, the Company is eligible to borrow up to a total of \$161,807 at December 31, 2016.

At December 31, 2016, future scheduled principal payments on Federal Home Loan Bank borrowings are as follows:

<u>Year Ending December 31,</u>	
2017	\$ 45,860
2018	27,415
2019	16,929
2020	11,531
2021	-
Thereafter	-
	<u>\$ 101,735</u>

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**NOTE J – JUNIOR SUBORDINATED DEBENTURES**

In February 2006, the Company formed CNB Financial Corporation Statutory Trust II (“the Trust”), a wholly owned statutory business trust created for the purpose of providing trust preferred financing. In trust preferred financing, the Trust issues preferred securities to investors and common securities to the Company, and the Trust invests the proceeds in junior subordinated debentures issued by the Company. The Trust is considered a variable interest entity for which the Company is not the primary beneficiary, and the accounts of the Trust are not included in the Company’s consolidated financial statements. Accordingly, the Company does not report preferred securities issued by the Trust on its consolidated balance sheets, nor does it report the interest expense on the preferred securities on its consolidated statements of income. Rather, the Company reports the debentures payable to the Trust as a liability and the common securities as an asset. Interest expense from the debentures and interest income from the common securities is recorded in the consolidated income statement.

The interest rate on the debentures, common securities and preferred securities is 1.40% over three-month LIBOR and adjusts quarterly. Interest payments on the debentures by the Company, and distributions on the common securities and the preferred securities by the Trust, are coterminous and payable quarterly in arrears. However, the Company has a contractual right, subject to the events of default, to defer payment of interest on the debentures. The deferral period may not exceed twenty consecutive quarters or extend beyond the maturity date of the debentures.

As a consequence of deferral of interest on the debentures, distributions on the common securities and preferred securities will also be deferred. In the event of deferral, interest payments on the debentures and distributions on the common securities and preferred securities are cumulative.

The debentures mature in 2036; however, the Company may redeem the debentures at any time. The common securities and the preferred securities are subject to mandatory redemption upon repayment of the debentures. The Company also has the right to terminate the Trust and cause the debentures to be distributed to the holders of the common securities and preferred securities in liquidation of the Trust. Regulatory approval may be required for early redemption or liquidation.

The Company guarantees payments on the preferred securities, but only to the extent the Trust has sufficient funds on hand to make such payments. The Trust’s sole source of income is interest from the debentures.

**NOTE K – LOAN COMMITMENTS AND OTHER RELATED ACTIVITY**

Some financial instruments, such as loan commitments, credit lines, letters of credit and overdraft protection, are issued to meet customer financing needs. These are agreements to provide credit or to support the credit of others, as long as conditions established in the contract are met, and usually have expiration dates. Commitments may expire without being used. Off-balance sheet risk to credit loss exists up to the face amount of these instruments, although material losses are not anticipated. The same credit policies are used to make such commitments as are used for loans, including obtaining collateral at exercise of the commitment.

The Company’s exposure to credit loss is represented by the contractual amount of these commitments. The Company follows the same credit policies in making commitments as it does for on-balance sheet instruments.

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The contractual amounts of financial instruments with off-balance sheet risk at December 31, 2016 and 2015, were as follows:

	2016	2015
Unfunded commitments to extend credit	\$11,724,082	\$11,808,157
Commercial and standby letters of credit	107,000	107,000

**NOTE L – MINIMUM REGULATORY CAPITAL REQUIREMENTS**

The Bank is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct effect on the Company's and the Bank's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of their assets, liabilities and certain off-balance sheet items as calculated under regulatory accounting practices. The capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

The final rules implementing Basel Committee on Banking Supervision's capital guidelines for U.S. banks (Basel III rules) became effective for the Bank on January 1, 2015 with full compliance with all of the requirements being phased in over a multi-year schedule, and fully phased in by January 1, 2019. Under the Basel III rules, the Bank must hold a capital conservation buffer above the adequately capitalized risk-based capital ratios. The capital conservation buffer is being phased in from 0.0% for 2015 to 2.5% by 2019. The capital conservation buffer for 2016 is 0.625%. The net unrealized gain or loss on available for sale securities is not included in computing regulatory capital. Management believes, as of December 31, 2016, that the Bank meets all capital adequacy requirements to which it is subject.

Prompt corrective action regulations provide five classifications: well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized, and critically undercapitalized, although these terms are not used to represent overall financial condition. If adequately capitalized, regulatory approval is required to accept brokered deposits. If undercapitalized, capital distributions are limited, as is asset growth and expansion, and capital restoration plans are required. At year-end 2016 and 2015, the most recent regulatory notification categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since that notification that management believes have changed the Bank's category.

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December 31, 2016 and 2015

The Bank's actual and required capital amounts and ratios as of December 31, 2016 and 2015 are presented in the following table.

	Actual		Minimum capital requirement		Minimum to be well capitalized under prompt corrective action provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
(dollars in thousands)						
<u>As of December 31, 2016</u>						
Total capital (to risk weighted assets)	\$ 22,549	23.0%	\$ 7,852	8.0%	\$ 9,816	10.0%
Tier 1 capital (to risk weighted assets)	21,317	21.7%	5,889	6.0%	7,852	8.0%
Common Tier 1 capital (to risk weighted assets)	21,317	21.7%	4,417	4.5%	6,380	6.5%
Tier 1 capital (to average assets)	21,317	10.8%	7,877	4.0%	9,846	5.0%
<u>As of December 31, 2015</u>						
Total capital (to risk weighted assets)	\$ 22,385	22.9%	\$ 7,820	8.0%	\$ 9,775	10.0%
Tier 1 capital (to risk weighted assets)	21,160	21.6%	5,865	6.0%	7,820	8.0%
Common Tier 1 capital (to risk weighted assets)	21,160	21.6%	4,399	4.5%	6,354	6.5%
Tier 1 capital (to average assets)	21,160	10.8%	7,833	4.0%	9,791	5.0%

**NOTE M – EMPLOYEE BENEFIT PLAN**

The Company has a 401(k) plan in which substantially all eligible employees participate. Employees may contribute up to 100% of their compensation subject to certain limits based on federal tax laws. Under this plan, the Company is allowed an annual contribution at the discretion of the Board of Directors. For the years ended December 31, 2016 and 2015, expense related to the plan amounted to \$60,595 and \$60,143, respectively.

**NOTE N – RELATED PARTY TRANSACTIONS**

In the ordinary course of business, the Company has granted loans to executive officers, principal shareholders and directors and parties affiliated with those persons (collectively, "insiders"). The Company has loans to insiders aggregating \$0- and \$136,826 at December 31, 2016 and 2015, respectively. At December 31, 2016 and 2015, deposits from insiders totaled \$4,258,980 and \$1,559,836, respectively.

**NOTE O – FAIR VALUE MEASUREMENTS**

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, excluding transaction costs. When measuring fair value, entities should maximize the use of observable inputs and minimize the use of unobservable inputs. The following describes the three levels of inputs that may be used to measure fair value:

- *Level 1 Inputs* - Unadjusted quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

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- *Level 2 Inputs* - Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.
- *Level 3 Inputs* - Unobservable inputs that reflect an entity's own assumptions about the assumptions that market participants would use in pricing the assets or liabilities.

The following is a description of the Company's valuation methodologies for assets and liabilities recorded at fair value:

*Securities Available for Sale* – Securities are recorded at fair value on a recurring basis based upon measurements obtained from an independent pricing service. The fair value measurements consider observable data that may include dealer quotes, market spreads, cash flows, the U.S. Treasury yield curve, market consensus prepayment speeds, credit information and the bonds' terms and conditions, among other things (Level 2).

*Impaired Loans* – The Company does not record loans at fair value on a recurring basis. However, from time to time, fair value adjustments are recorded on these loans to reflect (1) partial write-downs that are based on the current appraised or market-quoted value of the underlying collateral or (2) the full charge-off of the loan carrying value. In some cases, the properties for which market quotes or appraised values have been obtained are located in areas where comparable sales data is limited, outdated, or unavailable. Fair value estimates for collateral-dependent impaired loans are obtained from real estate brokers or other third-party consultants (Level 3).

*Foreclosed Real Estate* – The Company does not record foreclosed real estate at fair value on a recurring basis. However, from time to time, fair value adjustments are recorded on these properties to reflect the current appraised value (less an estimate of cost to sell). In some cases, the properties for which appraised values have been obtained are located in areas where comparable sales data is limited, outdated, or unavailable. Fair value estimates for real estate held for sale are obtained from independent appraisers (Level 3).

The following table provides the hierarchy and fair value for each major category of assets and liabilities recorded at fair value on a recurring basis:

	December 31, 2016			
	Level 1	Level 2	Level 3	Total
<u>Securities available for sale</u>				
State and municipal	\$ -	\$ 26,885,228	\$ -	\$ 26,885,228
Mortgage-backed	-	25,601,887	-	25,601,887
Collateralized mortgage obligations	-	13,071,808	-	13,071,808
Other securities with prepayments	-	6,577,121	-	6,577,121
	<u>\$ -</u>	<u>\$ 72,136,044</u>	<u>\$ -</u>	<u>\$ 72,136,044</u>

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December 31, 2016 and 2015

	December 31, 2015			Total
	Level 1	Level 2	Level 3	
<u>Securities available for sale</u>				
State and municipal	\$ -	\$ 24,427,312	\$ -	\$ 24,427,312
Mortgage-backed	-	28,001,761	-	28,001,761
Collateralized mortgage obligations	-	10,568,305	-	10,568,305
Other securities with prepayments	-	5,784,920	-	5,784,920
	<u>\$ -</u>	<u>\$ 62,997,378</u>	<u>\$ -</u>	<u>\$ 62,997,378</u>

During 2016 and 2015, there were no Level 3 assets or liabilities measured at fair value on a recurring basis.

Assets and liabilities recorded at fair value on a non-recurring basis are summarized below.

	December 31, 2016			Total
	Level 1	Level 2	Level 3	
Impaired loans	\$ -	\$ -	\$ 2,491,953	\$ 2,491,953
Foreclosed real estate	-	-	64,552	64,552

	December 31, 2015			Total
	Level 1	Level 2	Level 3	
Impaired loans	\$ -	\$ -	\$ 1,705,775	\$ 1,705,775
Foreclosed real estate	-	-	138,152	138,152

Impaired loans, which are measured for impairment using the fair value of collateral for collateral dependent loans, had a carrying amount of \$2,697,146, with a valuation allowance of \$205,193, at December 31, 2016, and a carrying amount of \$1,800,964, with a valuation allowance of \$95,189, at December 31, 2015.

At December 31, 2016, foreclosed real estate had an initial cost basis of \$64,552, with a valuation allowance of \$-0-. At December 31, 2015, foreclosed real estate had an initial cost basis of \$144,552, with a valuation allowance of \$6,400.