



**COMMERCIAL NATIONAL
FINANCIAL CORPORATION**

Board of Directors

- Kevin D. Collison
- Heather M. Cook Fisette
- Timothy J. Coscarelly
- Aaron L. Davis
- Christopher E. Goggin
- Brent J. Hardman
- Richard S. Prestage
- Loren R. Roslund
- Jeffrey A. Stahl
- Daniel C. Walcutt

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**FOURTH QUARTER REPORT
DECEMBER 31, 2023**



**COMMERCIAL NATIONAL
FINANCIAL CORPORATION**

**101 N. PINE RIVER ST.
P.O. BOX 280
ITHACA, MICHIGAN 48847
989-875-4144**

www.commercial-bank.com



To Our Shareholders,

Net income for the fourth quarter of 2023 was \$1,458,000 or \$.37 per share compared to fourth quarter 2022 net income of \$1,912,000 or \$.48 per share. Return on Equity (ROE) was 13.34% for the fourth quarter of 2023 compared to 19.86% for the fourth quarter of 2022.

Net interest income for the fourth quarter of 2023 decreased by \$523,000 or 10.3% compared to the fourth quarter of 2022. While interest income increased due to higher market interest rates, interest expense on deposits increased at a higher pace during 2023, which resulted in lower net interest margins and reduced income. Additionally, non-interest income decreased by \$34,000 or 7.0% as miscellaneous income was down, while operating expenses increased by \$53,000 or 1.6% as occupancy and equipment costs were higher.

Total loans increased by \$6.1 million or 1.5% year-over-year, mainly due to new commercial loan originations. Total assets were \$579.2 million at December 31, 2023 compared to \$613.8 million at December 31, 2022. The decrease in assets was due to the repayment of wholesale borrowings with excess liquidity and lower deposit balances. CEFC's wholly owned subsidiary, Commercial Bank, remains significantly above "well capitalized" for regulatory purposes.

As always, please feel free to contact me with any questions or concerns.

Kevin D. Collison
President and CEO

**COMMERCIAL NATIONAL FINANCIAL
CORPORATION**

FINANCIAL HIGHLIGHTS

| | 12/31/2023 | 12/31/2022 |
|--|------------|------------|
| QUARTER ENDING | | |
| Basic Earnings | \$ 0.37 | \$ 0.48 |
| Diluted Earnings | \$ 0.37 | \$ 0.48 |
| Return on Average Equity | 13.34% | 19.86% |
| Return on Average Assets | 0.99% | 1.22% |
| Net Interest Margin | 3.28% | 3.41% |
| YEAR TO DATE | | |
| Basic Earnings | \$ 1.56 | \$ 2.04 |
| Diluted Earnings | \$ 1.56 | \$ 2.04 |
| Return on Average Equity | 14.40% | 19.20% |
| Return on Average Assets | 1.04% | 1.29% |
| Cash Dividends Paid | \$ 0.56 | \$ 0.56 |
| Book Value | \$ 11.80 | \$ 9.91 |
| Market Price | \$ 9.26 | \$ 10.50 |
| Dividend Yield | 6.05% | 5.33% |
| Allowance for Credit Losses to Total Loans | 0.86% | 1.01% |
| Net Interest Margin | 3.26% | 3.44% |

INVESTMENT BROKERS

Stifel, Nicolaus & Company, Incorporated

Kyle Travis- Financial Advisor
1-616-224-1559

Products & services are offered through Stifel. Stifel is not affiliated with Commercial Bank. Member SIPC/NYSE

D.A. Davidson & Co.

Nick Bicking nbicking@dadco.com (614) 710-7060
Tom Dooley tdooley@dadco.com (614) 710-7061

Brokerage & Advisory services offered through D.A. Davidson & Co. are not affiliated with Commercial Bank.
Member SIPC

Stock Symbol: CEFC

CONSOLIDATED BALANCE SHEETS

| | 12/31/2023 | 12/31/2022 |
|---|-----------------------|-----------------------|
| Assets | (Unaudited) | (Unaudited) |
| Cash and due from banks | \$ 32,942,957 | \$ 61,071,786 |
| Federal funds sold | <u>-</u> | <u>-</u> |
| Total cash & cash equivalents | 32,942,957 | 61,071,786 |
| Time deposits in banks | 3,735,000 | 8,960,000 |
| Securities | 94,306,770 | 101,705,429 |
| Loans | 417,403,567 | 411,293,661 |
| Less: Allowance for credit losses | <u>(3,570,271)</u> | <u>(4,154,073)</u> |
| Net loans | 413,833,296 | 407,139,588 |
| | | |
| Bank premises & equipment | 9,252,193 | 8,795,376 |
| Other assets | <u>25,090,633</u> | <u>26,082,215</u> |
| Total Assets | <u>\$ 579,160,849</u> | <u>\$ 613,754,394</u> |
| | | |
| Liabilities | | |
| Deposits | | |
| Non-interest bearing | \$ 113,608,030 | \$ 133,007,922 |
| Interest bearing | <u>388,038,553</u> | <u>405,724,400</u> |
| Total deposits | 501,646,583 | 538,732,322 |
| | | |
| Federal Home Loan Bank borrowings | 14,000,000 | 19,000,000 |
| Trust Preferred | 13,403,000 | 13,403,000 |
| Accrued expenses and other liabilities | <u>3,301,371</u> | <u>3,305,797</u> |
| Total Liabilities | 532,350,954 | 574,441,119 |
| | | |
| Shareholders' Equity | | |
| Common stock & paid-in-capital | 20,517,672 | 20,517,672 |
| Accumulated other comprehensive income (loss), net of tax | (7,972,113) | (11,215,579) |
| Retained earnings | <u>34,264,336</u> | <u>30,011,182</u> |
| Total Shareholders' Equity | <u>46,809,895</u> | <u>39,313,275</u> |
| | | |
| Total Liabilities & Shareholders' Equity | <u>\$ 579,160,849</u> | <u>\$ 613,754,394</u> |

CONSOLIDATED STATEMENTS OF INCOME

| | for the | | YEAR TO DATE | |
|--|---------------------|---------------------|---------------------|---------------------|
| | QUARTER ENDING | | YEAR TO DATE | |
| | 12/31/2023 | 12/31/2022 | 12/31/2023 | 12/31/2022 |
| Interest Income | | | (Unaudited) | (Unaudited) |
| Interest & fees on loans | \$ 5,440,838 | \$ 4,967,222 | \$ 21,047,470 | \$ 20,101,271 |
| Interest & dividends on securities | 603,203 | 583,457 | 2,280,840 | 2,028,939 |
| Interest on deposits in banks | 536,107 | 640,272 | 2,063,909 | 1,289,437 |
| Interest on federal funds sold | <u>-</u> | <u>2</u> | <u>-</u> | <u>2,681</u> |
| Total Interest Income | 6,580,148 | 6,190,953 | 25,392,219 | 23,422,328 |
| | | | | |
| Interest Expense | | | | |
| Interest on deposits | 1,686,164 | 837,491 | 5,764,151 | 2,084,566 |
| Interest on FHLB borrowings | 76,971 | 82,059 | 320,473 | 442,314 |
| Trust Preferred (net) | 250,975 | 182,087 | 941,345 | 478,023 |
| Interest on other borrowings | <u>-</u> | <u>289</u> | <u>31</u> | <u>316</u> |
| Total Interest Expense | 2,014,110 | 1,101,926 | 7,026,000 | 3,005,219 |
| | | | | |
| Net Interest Income | 4,566,038 | 5,089,027 | 18,366,219 | 20,417,109 |
| Provision for credit losses | <u>(57,494)</u> | <u>-</u> | <u>(165,494)</u> | <u>-</u> |
| Net Interest Income after Provision | 4,623,532 | 5,089,027 | 18,531,713 | 20,417,109 |
| | | | | |
| Non-interest Income | | | | |
| Service charges and fees | 277,257 | 276,291 | 1,105,797 | 1,081,336 |
| Other income | <u>179,243</u> | <u>214,473</u> | <u>893,201</u> | <u>1,126,459</u> |
| Total Other Income | 456,500 | 490,764 | 1,998,998 | 2,207,795 |
| | | | | |
| Operating Expenses | | | | |
| Salaries & employee benefits | 1,961,678 | 1,984,552 | 7,949,691 | 7,916,890 |
| Occupancy & equipment expense | 621,321 | 559,646 | 2,420,636 | 2,279,894 |
| Other expenses | <u>698,897</u> | <u>684,802</u> | <u>2,635,080</u> | <u>2,550,782</u> |
| Total Operating Expenses | 3,281,896 | 3,229,000 | 13,005,407 | 12,747,566 |
| | | | | |
| Income Before Income Taxes | 1,798,136 | 2,350,791 | 7,525,304 | 9,877,338 |
| Income Tax Expense | <u>340,000</u> | <u>439,000</u> | <u>1,352,663</u> | <u>1,796,000</u> |
| | | | | |
| Net Income | <u>\$ 1,458,136</u> | <u>\$ 1,911,791</u> | <u>\$ 6,172,641</u> | <u>\$ 8,081,338</u> |

OFFICERS OF COMMERCIAL BANK

| | |
|---|---------------------|
| President & CEO | |
| Kevin D. Collison | |
| Executive Vice President & Chief Lending Officer | |
| Andrew P. Shafley | |
| Chief Financial Officer | |
| Benjamin Z. Ogle | |
| Senior Vice President | |
| Sarah J. Doherty | Gregory R. Hansen |
| First Vice Presidents | |
| Corey S. Bailey | Matthew O. Fletcher |
| Vice Presidents | |
| Garth W. Anderson | Aaron J. Hartman |
| Marisa G. Bramer | Amy S. Homich |
| Kimberly S. Campbell | Jayme L. Kosal |
| Jacky Halliwill | Heidi L. Miller |
| Paul D. Harger | Todd J. Moeggenborg |
| Linda M. Vaughn | Denise L. Reese |
| | |
| Assistant Vice Presidents | |
| Melanie S. Baxter | Tammy L. McCollum |
| Andrea G. Carr | Roger K. Merritt |
| Nate R. Kirk, Jr. | Jamie L. Ogle |
| Sheena M. Williams | |

| | |
|-----------------|-------------------|
| Officers | |
| Seth F. Duvall | Kelsey R. Moore |
| Tricia C. Frost | Heather H. Warren |

| OFFICES | | |
|----------------------|------------------|--------------|
| Ithaca | Okemos | Middleton |
| 989-875-4144 | 517-337-5000 | 989-236-7236 |
| Alma- Wright Ave. | Greenville | St. Louis |
| 989-463-3901 | 616-754-7166 | 989-681-5738 |
| Mason- Jefferson St. | Mason- Cedar St. | Hastings |
| 517-676-0500 | 517-676-0515 | 269-945-9561 |
| *Alma- N. State St. | | |
| 989-463-2185 | | |

*Loan operations center only