



**COMMERCIAL NATIONAL
FINANCIAL CORPORATION**

Board of Directors

- Kevin D. Collison
- Heather M. Cook Fisette
- Timothy J. Coscarelly
- Aaron L. Davis
- Christopher E. Goggin
- Kim C. Newson
- Richard S. Prestage
- Loren R. Roslund
- Scott E. Sheldon
- Jeffrey A. Stahl

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**FIRST QUARTER REPORT
MARCH 31, 2020**



**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 first quarter of 2020 was \$803,000, or \$.20 per share compared to first quarter 2019 net income of \$1,101,000, or \$.28 per share. Return on Equity (ROE) was 8.23% for the first quarter of 2020 compared to 12.60% for the first quarter 2019.

For the first quarter of 2020, net interest income increased \$195,000, or 5.5% primarily due to net interest margin improvement and growth in loans compared to the first quarter of 2019. Non-interest income decreased by \$106,000, or 18% primarily due to lower other income. Operating expenses decreased by \$56,000, or 2% primarily due to lower professional fees.

The provision for loan losses expense was \$500,000 for the first quarter of 2020, compared to none for the first quarter of 2019. The increase is primarily due to additional environmental factor allocations related to worsening economic conditions from the Covid-19 pandemic. Commercial Bank is making 90-day payment deferrals available to loan customers. We are also making Paycheck Protection Program loans authorized by the CARES Act approved by Congress in late March.

Total assets were \$511.3 million at March 31, 2020 compared to \$527.6 million at March 31, 2019. The decrease in total assets and deposits is primarily due to intentionally decreasing higher cost brokered certificates of deposit with excess liquidity. This contributed to an improved net interest margin. Total loans of \$388 million increased \$10 million, or 2.6% year over year.

The Board of Directors has undergone some recent changes. In April, Tim Gaylord retired from the Board. We would like to thank Tim for his years of dedicated service and wish him well in retirement. To fill his position, the Board appointed Tim Coscarelly. Tim has significant experience in commercial real estate management and development and is active in charitable organizations in the Mount Pleasant, Michigan community.

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

	3/31/2020	3/31/2019
	QUARTER ENDING	
Basic Earnings	\$ 0.20	\$ 0.28
Diluted Earnings	\$ 0.20	\$ 0.28
Return on Equity	8.23%	12.60%
Return on Assets	0.64%	0.85%
Cash Dividends Paid	\$ 0.13	\$ 0.13
Book Value	\$ 9.94	\$ 9.07
Market Price	\$ 8.40	\$ 11.35
Dividend Yield	6.19%	4.58%
Allowance to Total Loans	0.84%	0.71%
Net Interest Margin	3.19%	2.93%

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

Boenning & Scattergood

Eugene B. Bodo

1-800-842-8928

Brokerage & Advisory services offered through Boenning & Scattergood are not affiliated with Commercial Bank.

Member FINA/SIPC

Stock Symbol: CEFC

CONSOLIDATED BALANCE SHEETS

	3/31/2020	3/31/2019
	(Unaudited)	(Unaudited)
Assets		
Cash and due from banks	\$ 23,643,952	\$ 34,520,958
Federal funds sold	<u>121,000</u>	<u>509,000</u>
Total cash & cash equivalents	23,764,952	35,029,958
Time deposits in banks	34,442,000	46,875,000
Securities	38,334,501	39,792,107
Loans	387,974,640	378,025,529
Less: Allowance for loan losses	<u>(3,255,076)</u>	<u>(2,672,096)</u>
Net loans	384,719,564	375,353,433
Bank premises & equipment	8,349,490	8,577,836
Other assets	<u>21,713,027</u>	<u>22,016,752</u>
Total Assets	\$ 511,323,534	\$ 527,645,086
Liabilities		
Deposits		
Non-interest bearing	\$ 81,683,618	\$ 79,029,089
Interest bearing	<u>314,983,877</u>	<u>344,738,465</u>
Total deposits	396,667,495	423,767,554
Repurchase agreements	7,269,303	6,965,955
Federal Home Loan Bank borrowings	51,480,000	44,605,000
Trust Preferred	13,403,000	13,403,000
Accrued expenses and other liabilities	<u>3,084,575</u>	<u>2,938,944</u>
Total Liabilities	471,904,373	491,680,453
Shareholders' Equity		
Common stock & paid-in-capital	20,517,679	20,517,682
Accumulated other comprehensive income (loss), net of tax	792,176	(42,865)
Retained earnings	<u>18,109,306</u>	<u>15,489,816</u>
Total Shareholders' Equity	<u>39,419,161</u>	<u>35,964,633</u>
Total Liabilities & Shareholders' Equity	\$ 511,323,534	\$ 527,645,086

CONSOLIDATED STATEMENTS OF INCOME

	QUARTER ENDING	
	3/31/2020	3/31/2019
	(Unaudited)	(Unaudited)
Interest Income		
Interest & fees on loans	\$ 4,362,385	\$ 4,318,711
Interest on federal funds sold	672	1,515
Interest on deposits in banks	243,507	407,559
Interest & dividends on securities	<u>219,703</u>	<u>245,901</u>
Total interest income	4,826,267	4,973,686
Interest Expense		
Interest on deposits	711,223	1,035,151
Interest on FHLB advances	226,647	202,386
Trust Preferred	117,596	150,927
Interest on other borrowings	<u>10,985</u>	<u>20,157</u>
Total interest expense	1,066,451	1,408,621
Net Interest Income	3,759,816	3,565,065
Provision for loan losses	<u>500,000</u>	<u>-</u>
Net Interest Income after provision	3,259,816	3,565,065
Non-interest Income		
Service charges and fees	200,401	199,864
Other income	<u>282,234</u>	<u>388,789</u>
Total other income	482,635	588,653
Operating Expenses		
Salaries & employee benefits	1,680,999	1,624,009
Occupancy & equipment expense	496,729	507,225
Other expenses	<u>617,801</u>	<u>720,086</u>
Total operating expenses	2,795,529	2,851,320
Income Before Income Taxes	946,922	1,302,398
Income tax expense	<u>143,500</u>	<u>201,500</u>
Net Income	\$ 803,422	\$ 1,100,898

OFFICERS OF COMMERCIAL BANK

President & CEO	
Kevin D. Collison	
Executive Vice President & Chief Lending Officer	
Andrew P. Shafley	
Chief Financial Officer & Chief Operating Officer	
Kevin A. Twardy	
First Vice President	
Matthew O. Fletcher	
Vice Presidents	
Corey S. Bailey	Sandra Panella
Kathleen R. Baker	Heather A. Schaeffer
Debra K. Bunting	Linda M. Vaughn
Paul D. Harger	Trisha A. Warner
Assistant Vice Presidents	
Garth W. Anderson	Jayme L. Kosal
Melanie S. Baxter	Michael D. Miller
Sherri J. Downing	Benjamin Z. Ogle
Chelsey A. Foster	Denise L. Reese
Greg R. Hansen	Jessica L. Wright
Officers	
Nate R. Kirk, Jr.	Heidi L. Miller
Dawn K. Riley	

OFFICES

Alma- N. State St. 989-463-2185	Okemos 517-337-5000	Middleton 989-236-7236
Alma- Wright Ave. 989-463-3901	Greenville 616-754-7166	St. Louis 989-681-5738
Mason- Jefferson St. 517-676-0500	Hastings 269-945-9561	Ithaca 989-875-4144
Mason- Cedar St. 517-676-0515		
**Mt. Pleasant 989-775-0355	**Grand Rapids 616-608-0022	

**Loan production office only