



**COMMERCIAL NATIONAL
FINANCIAL CORPORATION**

Board of Directors

Kevin D. Collison
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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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**SECOND QUARTER REPORT
JUNE 30, 2024**



**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 second quarter of 2024 was \$1,412,000 or \$0.36 per share compared to second quarter 2023 net income of \$1,543,000 or \$0.39 per share. Return on Equity (ROE) was 11.96% for the second quarter of 2024 compared to 14.44% for the second quarter of 2023.

Net interest income for the second quarter of 2024 slightly increased by \$38,000 or 0.8% compared to the respective 2023 period. Interest income increased by \$430,000 due to higher yields on loans and other interest-earning assets, as the federal funds rate was higher during the current period. The higher federal funds rate, as well as a noticeable shift in customers that moved from lower interest-bearing deposit accounts to higher interest-bearing checking and time deposit accounts, resulted in an increase in interest expense of \$392,000. Non-interest income increased by \$99,000 or 19.1% primarily due to higher interchange income and other miscellaneous income. Operating expenses increased by \$366,000 or 11.5% mainly due to higher wages and benefits expense.

Total assets were \$572.7 million as of June 30, 2024 compared to \$587.9 million as of June 30, 2023. The decrease in assets was due to the repayment of wholesale borrowings and trust preferred debt, along with a 1.4% decrease in deposit balances. The security portfolio decreased by \$12.4 million, as funds from matured securities were used to repay wholesale borrowings. While total loans decreased by \$9.1 million or 2.2%, loan quality remained strong with a non-performing assets ratio of 0.22%. Additionally, CEFC's wholly owned subsidiary, Commercial Bank, remains significantly above "well capitalized" for regulatory purposes.

We are very pleased to announce that our new banking office in Grand Rapids is officially open. We are excited to extend our full banking services to the Grand Rapids community and look forward to growing our loan and deposit base in the Grand Rapids area.

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

	6/30/2024	6/30/2023
QUARTER ENDING		
Basic Earnings	\$ 0.36	\$ 0.39
Diluted Earnings	\$ 0.36	\$ 0.39
Return on Average Equity	11.96%	14.44%
Return on Average Assets	0.98%	1.04%
Net Interest Margin	3.38%	3.23%
YEAR TO DATE		
Basic Earnings	\$ 0.65	\$ 0.76
Diluted Earnings	\$ 0.65	\$ 0.76
Return on Average Equity	10.96%	14.42%
Return on Average Assets	0.89%	1.01%
Cash Dividends Paid	\$ 0.28	\$ 0.28
Book Value	\$ 12.16	\$ 10.89
Market Price	\$ 8.90	\$ 9.30
Dividend Yield	6.29%	6.02%
Allowance for Credit Losses to Total Loans	0.86%	0.92%
Net Interest Margin	3.31%	3.26%

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

	6/30/2024	6/30/2023
	(Unaudited)	(Unaudited)
Assets		
Cash and due from banks	\$ 47,039,228	\$ 39,832,080
Time deposits in banks	1,992,000	4,482,000
Securities	80,159,284	92,532,540
Loans	412,197,881	421,267,286
Less: Allowance for credit losses	<u>(3,528,389)</u>	<u>(3,868,740)</u>
Net loans	408,669,492	417,398,546
Bank premises & equipment	9,920,094	8,624,817
Other assets	<u>24,949,807</u>	<u>25,075,126</u>
Total Assets	<u><u>\$ 572,729,905</u></u>	<u><u>\$ 587,945,109</u></u>
Liabilities		
Deposits		
Non-interest bearing	\$ 106,762,525	\$ 121,805,836
Interest bearing	<u>395,167,058</u>	<u>387,133,328</u>
Total deposits	501,929,583	508,939,164
Federal Home Loan Bank borrowings	9,000,000	19,000,000
Trust Preferred	10,310,000	13,403,000
Accrued expenses and other liabilities	<u>3,269,872</u>	<u>3,422,503</u>
Total Liabilities	524,509,455	544,764,667
Shareholders' Equity		
Common stock & paid-in-capital	20,517,672	20,517,672
Accumulated other comprehensive income (loss), net of tax	(8,024,568)	(9,552,212)
Retained earnings	<u>35,727,346</u>	<u>32,214,982</u>
Total Shareholders' Equity	<u>48,220,450</u>	<u>43,180,442</u>
Total Liabilities & Shareholders' Equity	<u><u>\$ 572,729,905</u></u>	<u><u>\$ 587,945,109</u></u>

CONSOLIDATED STATEMENTS OF INCOME

	QUARTER ENDING		YEAR TO DATE	
	6/30/2024	6/30/2023	6/30/2024	6/30/2023
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interest Income				
Interest & fees on loans	\$ 5,522,005	\$ 5,258,437	\$ 10,978,312	\$ 10,227,803
Interest & dividends on securities	595,232	537,306	1,193,753	1,131,532
Interest on deposits in banks	<u>592,377</u>	<u>484,011</u>	<u>1,153,023</u>	<u>996,478</u>
Total Interest Income	6,709,614	6,279,754	13,325,088	12,355,813
Interest Expense				
Interest on deposits	1,882,500	1,438,195	3,709,211	2,521,521
Interest on FHLB borrowings	55,437	81,167	114,502	161,443
Trust Preferred (net)	190,658	220,780	428,217	442,562
Interest on other borrowings	<u>3,178</u>	<u>-</u>	<u>3,270</u>	<u>31</u>
Total Interest Expense	2,131,773	1,740,142	4,255,200	3,125,557
Net Interest Income	4,577,841	4,539,612	9,069,888	9,230,256
Provision for credit losses	<u>(79,201)</u>	<u>(12,000)</u>	<u>(39,201)</u>	<u>109,000</u>
Net Interest Income after Provision	4,657,042	4,551,612	9,109,089	9,121,256
Non-interest Income				
Service charges and fees	285,670	284,388	580,529	548,341
Other income	<u>328,222</u>	<u>230,909</u>	<u>570,455</u>	<u>439,460</u>
Total Other Income	613,892	515,297	1,150,984	987,801
Operating Expenses				
Salaries & employee benefits	2,220,016	1,990,448	4,438,958	3,991,337
Occupancy & equipment expense	646,138	582,041	1,317,877	1,194,137
Other expenses	<u>689,546</u>	<u>617,010</u>	<u>1,393,883</u>	<u>1,274,817</u>
Total Operating Expenses	3,555,700	3,189,499	7,150,718	6,460,291
Income Before Income Taxes	1,715,234	1,877,410	3,109,355	3,648,766
Income Tax Expense	<u>303,070</u>	<u>334,463</u>	<u>536,060</u>	<u>635,763</u>
Net Income	<u><u>\$ 1,412,164</u></u>	<u><u>\$ 1,542,947</u></u>	<u><u>\$ 2,573,295</u></u>	<u><u>\$ 3,013,003</u></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 Presidents	
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
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

Alma- Wright Ave. 989-463-3901	Greenville 616-754-7166	Grand Rapids 616-367-3000
Hastings 269-945-9561	Ithaca 989-875-4144	Mason- Cedar St. 517-676-0515
Mason- Jefferson St. 517-676-0500	Middleton 989-236-7236	Okemos 517-337-5000
*Alma- N. State St. 989-463-2185		St. Louis 989-681-5738

*Loan operations center only