



**COMMERCIAL NATIONAL
FINANCIAL CORPORATION**

Board of Directors

Kevin D. Collison
Heather M. Cook Fiset
Timothy J. Coscarelli
Aaron L. Davis
Christopher E. Goggin
Brent J. Hardman
Richard S. Prestage
Loren R. Roslund
Jeffrey A. Stahl

**THIRD QUARTER REPORT
SEPTEMBER 30, 2021**



**COMMERCIAL NATIONAL
FINANCIAL CORPORATION**

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

Visit www.commercial-bank.com to view the latest consolidated Annual Report, news releases and other information about CEFC and Commercial Bank.

www.commercial-bank.com



To Our Shareholders,

Net income for the third quarter of 2021 was \$1,478,000, or \$.37 per share compared to third quarter 2020 net income of \$1,177,000, or \$.30 per share. Return on Equity (ROE) was 13.35% for the third quarter of 2021 compared to 11.50% for the third quarter of 2020.

For the third quarter of 2021, net interest income increased \$160,000, or 4.1% compared to the third quarter of 2020 primarily due to a higher average balance of interest-earning assets, partially offset by 11 basis points of lower net interest margin. Non-interest income increased by \$39,000, or 6.9% primarily due to higher debit card fees. Operating expenses increased by \$333,000, or 12% primarily due to the hiring of additional commercial lending and treasury employees as well as from professional fees related to our core data processing conversion.

The provision for loan losses expense was negative \$225,000 for the third quarter of 2021, compared to \$300,000 for the third quarter of 2020. The negative provision expense in the third quarter of 2021 was primarily due to significantly improved economic conditions and lower allocations to classified loans as compared to the third quarter of 2020.

Total assets were \$591.1 million at September 30, 2021 compared to \$548.1 million at September 30, 2020. The increase was primarily due to core deposit growth, partially offset by lower wholesale borrowings. At September 30 2021, Paycheck Protection Program loans outstanding were approximately \$54.4 million compared to \$32.2 million at September 30, 2020.

I am very excited to report that we successfully completed our core data processing conversion during September 2021. The new core data processing platform allows us to offer many enhanced features such as mobile wallet, debit card controls, and instant issue debit cards. We expect our digital platform conversion to be completed during the fourth quarter of 2021.

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

	9/30/2021	9/30/2020
	QUARTER ENDING	
Basic Earnings	\$ 0.37	\$ 0.30
Diluted Earnings	\$ 0.37	\$ 0.30
Return on Average Equity	13.35%	11.50%
Return on Average Assets	1.00%	0.85%
Net Interest Margin	2.90%	3.01%

	YEAR TO DATE	
Basic Earnings	\$ 1.16	\$ 0.79
Diluted Earnings	\$ 1.16	\$ 0.79
Return on Average Equity	14.28%	10.45%
Return on Average Assets	1.07%	0.78%
Cash Dividends Paid	\$ 0.42	\$ 0.41
Book Value	\$ 11.07	\$ 10.27
Market Price	\$ 10.58	\$ 9.11
Dividend Yield	5.29%	6.00%
Allowance for Loan Loss to Total Loans	0.91%	0.99%
Net Interest Margin	3.07%	3.09%

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

	9/30/2021	9/30/2020
	(Unaudited)	(Unaudited)
Assets		
Cash and due from banks	\$ 35,061,247	\$ 51,110,763
Federal funds sold	<u>820,000</u>	<u>111,000</u>
Total cash & cash equivalents	35,881,247	51,221,763
Time deposits in banks	20,854,000	22,839,000
Securities	59,058,059	38,306,539
Loans	449,036,166	409,697,305
Less: Allowance for loan losses	<u>(4,086,664)</u>	<u>(4,043,266)</u>
Net loans	444,949,502	405,654,039
Bank premises & equipment	8,311,175	8,217,624
Other assets	<u>22,785,377</u>	<u>21,884,842</u>
Total Assets	\$ 591,839,360	\$ 548,123,807
Liabilities		
Deposits		
Non-interest bearing	\$ 120,068,143	\$ 110,334,574
Interest bearing	<u>377,702,902</u>	<u>341,276,088</u>
Total deposits	497,771,045	451,610,662
Repurchase agreements	-	-
Federal Home Loan Bank borrowings	34,400,000	39,480,000
Trust Preferred	13,403,000	13,403,000
Accrued expenses and other liabilities	<u>2,371,146</u>	<u>2,904,766</u>
Total Liabilities	547,945,191	507,398,428
Shareholders' Equity		
Common stock & paid-in-capital	20,517,671	20,517,679
Accumulated other comprehensive income, net of tax	435,710	884,662
Retained earnings	<u>22,940,788</u>	<u>19,323,038</u>
Total Shareholders' Equity	<u>43,894,169</u>	<u>40,725,379</u>
Total Liabilities & Shareholders' Equity	\$ 591,839,360	\$ 548,123,807

CONSOLIDATED STATEMENTS OF INCOME

	QUARTER ENDING		YEAR TO DATE	
	9/30/2021	9/30/2020	9/30/2021	9/30/2020
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interest Income				
Interest & fees on loans	\$ 4,380,281	\$ 4,370,091	\$ 13,487,847	\$ 13,204,763
Interest on federal funds sold	10	12	20	698
Interest on deposits in banks	127,811	164,567	372,423	594,649
Interest & dividends on securities	<u>148,995</u>	<u>180,833</u>	<u>460,207</u>	<u>601,560</u>
Total Interest Income	4,657,097	4,715,503	14,320,497	14,401,670
Interest Expense				
Interest on deposits	380,330	567,390	1,205,694	1,887,314
Interest on FHLB advances	142,822	165,491	430,064	607,691
Trust Preferred	66,647	72,778	202,559	274,390
Interest on other borrowings	<u>-</u>	<u>2,227</u>	<u>4</u>	<u>16,092</u>
Total Interest Expense	589,799	807,886	1,838,321	2,785,487
Net Interest Income	4,067,298	3,907,617	12,482,176	11,616,183
Provision for loan losses	<u>(225,000)</u>	<u>300,000</u>	<u>(225,000)</u>	<u>1,250,000</u>
Net Interest Income after Provision	4,292,298	3,607,617	12,707,176	10,366,183
Non-interest Income				
Service charges and fees	251,156	224,449	731,171	617,766
Other income	<u>354,643</u>	<u>342,223</u>	<u>1,060,543</u>	<u>992,292</u>
Total Other Income	605,799	566,672	1,791,714	1,610,058
Operating Expenses				
Salaries & employee benefits	1,853,545	1,620,907	5,215,657	4,870,586
Occupancy & equipment expense	610,493	542,270	1,765,951	1,607,606
Other expenses	<u>642,055</u>	<u>609,510</u>	<u>1,903,943</u>	<u>1,773,110</u>
Total Operating Expenses	3,106,093	2,772,687	8,885,551	8,251,302
Income Before Income Taxes	1,792,004	1,401,602	5,613,339	3,724,939
Income Tax Expense	<u>314,000</u>	<u>224,500</u>	<u>1,012,000</u>	<u>597,500</u>
Net Income	<u>\$ 1,478,004</u>	<u>\$ 1,177,102</u>	<u>\$ 4,601,339</u>	<u>\$ 3,127,439</u>

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	
Garth W. Anderson	Jayme L. Kosal
Corey S. Bailey	Michael D. Miller
Kathleen R. Baker	Benjamin Z. Ogle
Jason D. Beebe	Sandra Panella
Debra K. Bunting	Heather A. Schaeffer
Chelsey A. Foster	Linda M. Vaughn
Jacky Halliwill	Trisha A. Warner
Greg R. Hansen	Jessica L. Wright
Paul D. Harger	
Assistant Vice Presidents	
Sara F. Bajema	Heidi L. Miller
Melanie S. Baxter	Jamie L. Ogle
Nate R. Kirk, Jr.	Denise L. Reese
Roger K. Merritt	Courtney A. Samson

OFFICES

Ithaca 989-875-4144	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	Mason- Cedar St. 517-676-0515	Hastings 269-945-9561
**Alma- N. State St. 989-463-2185		
**Mt. Pleasant 989-775-0355	**Grand Rapids 616-608-0022	

**Loan production office only