



**COMMERCIAL NATIONAL  
FINANCIAL CORPORATION**

**Board of Directors**

Jeffrey S. Barker  
Kevin D. Collison  
Robert S. Elmore  
Charles M. Fortino  
Alan C. Kommel  
Randal K. Lewis  
Kim C. Newson  
Richard S. Prestage  
Loren R. Roslund  
Scott E. Sheldon

**FIRST QUARTER REPORT  
MARCH 31, 2015**



**COMMERCIAL NATIONAL  
FINANCIAL CORPORATION**

**CNFC  
101 N. PINE RIVER ST.  
P.O. BOX 280**

**ITHACA, MICHIGAN 48847  
989-875-4144**

To Our Shareholders,

I am pleased to share with you that we had a successful first quarter due to the continued efforts of our dedicated team members.

Net income for the first quarter ended March 31, 2015 totaled \$636,000 or \$.20 per share compared to \$542,000 or \$.17 per share for the same period last year. Return on average equity was 11.32% for the first quarter of 2015 compared to 10.27% for the first quarter of 2014. The current quarter's increase in net income was primarily attributable to higher net interest income and lower operating expenses. Loans grew \$8.7 million, or 3.3% when comparing March 31, 2015 to March 31, 2014. Credit quality metrics continue to improve with non-performing assets as a percent of total assets of .78% at March 31, 2015 compared to .99% at March 31, 2014.

I am pleased to report that on May 20, 2015 the Board of Directors declared a quarterly cash dividend of \$.13 per share payable July 1, 2015 to shareholders of record as of June 12, 2015.

We will continue to pursue opportunities to improve earnings and provide shareholders with a satisfactory return. We also continue to look for new customers to join our Bank and strive to provide excellent customer service to our existing customers. We encourage you to recommend Commercial Bank to your friends and business associates for their lending and deposit needs.

We would like to welcome Sharon Bassette to our Commercial Bank team. Sharon's focus will be on commercial and mortgage lending out of the Ithaca office. Sharon has many years of lending experience and she resides in the St. Johns area with her family.

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

Kevin D. Collison  
President and CEO

**COMMERCIAL NATIONAL FINANCIAL CORPORATION**

**FINANCIAL HIGHLIGHTS**

	3/31/2015	3/31/2014
	QUARTER ENDING	
Basic Earnings	\$ 0.20	\$ 0.17
Diluted Earnings	\$ 0.20	\$ 0.17
Return on Average Equity	11.32%	10.27%
Return on Average Assets	0.69%	0.59%
Cash Dividends Paid	\$ 0.13	\$ 0.13
Book Value	\$ 7.10	\$ 6.62
Market Price	\$ 7.90	\$ 8.00
Price/Earnings Ratio	10.13X	10.39X
Dividend Yield	6.58%	6.50%
Allowance for Loan Losses to Total Loans	0.95%	1.00%

**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

**CapTrust Financial Advisors**

Brandon Kanitz/Danielle Kammeyer  
1-866-669-4300

Brokerage & Advisory services offered through McDonald Partners, LLC. McDonald Partners is not affiliated

with Commercial Bank. Member FINRA/SIPC

**Boenning & Scattergood**

Thomas Dooley/Nick Bicking  
1-866-326-8113

Brokerage & Advisory services offered through Boenning & Scattergood are not affiliated with Commercial Bank. Member FINA/SIPC

**Stock Symbol: CEFC**

**CONSOLIDATED BALANCE SHEETS**

	3/31/2015	3/31/2014
	(Unaudited)	(Unaudited)
<b>Assets</b>		
Cash and due from banks	\$ 15,604,546	\$ 17,473,887
Federal funds sold	339,000	159,000
Total cash & cash equivalents	15,943,546	17,632,887
Time deposits in banks	18,563,000	18,468,000
Securities	47,232,016	63,984,223
Loans	274,474,544	265,746,171
Less: Allowance for loan losses	(2,604,074)	(2,657,944)
Net loans	271,870,470	263,088,227
Bank premises & equipment- net	4,380,464	4,345,400
Trust Preferred	310,000	310,000
Other assets	17,413,661	14,943,663
<b>Total Assets</b>	<b>\$ 375,713,157</b>	<b>\$ 382,772,400</b>
<b>Liabilities</b>		
Deposits		
Non-interest bearing	\$ 54,694,888	\$ 54,105,054
Interest bearing	252,645,496	278,202,158
Total deposits	307,340,384	332,307,212
Repurchase agreements	4,755,757	7,100,847
Federal Home Loan Bank borrowings	26,235,000	9,895,000
Trust Preferred	10,310,000	10,310,000
Accrued interest and other liabilities	3,970,650	1,627,622
<b>Total Liabilities</b>	<b>352,611,791</b>	<b>361,240,681</b>
<b>Shareholders' Equity</b>		
Common stock & paid-in-capital	13,572,835	13,572,841
Accumulated other comprehensive income (loss), net of tax	132,003	(606,694)
Retained earnings	9,396,528	8,565,572
<b>Total Shareholders' Equity</b>	<b>23,101,366</b>	<b>21,531,719</b>
<b>Total Liabilities &amp; Shareholders' Equity</b>	<b>\$ 375,713,157</b>	<b>\$ 382,772,400</b>

**CONSOLIDATED STATEMENTS OF INCOME**

	QUARTER END	
	3/31/2015	3/31/2014
	(Unaudited)	(Unaudited)
<b>Interest Income</b>		
Interest & fees on loans	\$ 3,303,600	\$ 3,243,848
Interest on federal funds sold	140	112
Interest on deposits in banks	58,440	36,382
Interest & dividends on securities	205,902	281,767
Total interest income	3,568,082	3,562,109
<b>Interest Expense</b>		
Interest on deposits	683,361	820,601
Interest on repurchase agreements	1,502	2,221
Trust Preferred	54,898	54,779
Interest on FHLB borrowings	105,465	76,184
Total interest expense	845,226	953,785
<b>Net Interest Income</b>	2,722,856	2,608,324
Provision for loan losses	106,574	45,913
Net interest income after provision	\$ 2,616,282	\$ 2,562,411
<b>Non-interest Income</b>		
Service charges and fees	\$ 182,597	\$ 190,213
Loss share reimbursement	90,548	61,228
Other income	169,859	150,035
Total other income	\$ 443,004	\$ 401,476
<b>Operating Expenses</b>		
Salaries & employee benefits	\$ 1,197,116	\$ 1,217,265
Net occupancy & equipment expense	381,593	379,649
Other expenses	606,550	641,162
Total operating expenses	\$ 2,185,259	\$ 2,238,076
<b>Income Before Income Taxes</b>	874,027	725,811
Income tax expense	237,763	184,060
<b>Net Income</b>	<b>\$ 636,264</b>	<b>\$ 541,751</b>

**OFFICERS OF COMMERCIAL BANK**

<b>President &amp; CEO</b>	
Kevin D. Collison	
<b>Executive Vice President &amp; Chief Lending Officer</b>	
Andrew P. Shafley	
<b>Chief Financial Officer &amp; Chief Operating Officer</b>	
Kevin A. Twardy	
<b>First Vice President</b>	
Matthew O. Fletcher	
<b>Vice President &amp; Controller</b>	
Cathy M. Patterson	
<b>Vice Presidents</b>	
Corey S. Bailey	Debra K. Bunting
Linda M. Vaughn	
<b>Assistant Vice Presidents</b>	
Garth W. Anderson	Heather A. Lamentola
Sherri J. Downing	Michael D. Miller
Chelsey A. Foster	Sandra Panella
Josh K. Gibbs	Dawn K. Riley
<b>Officers</b>	
Sharon K. Bassette	Michelle L. Pitts
Dacia L. Cheseboro	Denise L. Reese
Heidi L. Miller	Jessica L. Wright

**OFFICES**

Alma- N. State St. 989-463-2185	Ithaca 989-875-4144	Middleton 989-236-7236
Alma- Center St. 989-463-2185	St. Louis 989-681-5738	Greenville 616-754-7166
Alma- Wright Ave. 989-463-3901	Hastings 269-945-9561	Lake Odessa 616-374-8849



Mt. Pleasant  
989-775-0355



[www.commercial-bank.com](http://www.commercial-bank.com)