



**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

**THIRD QUARTER REPORT
SEPTEMBER 30, 2015**



**COMMERCIAL NATIONAL
FINANCIAL CORPORATION**

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

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

To Our Shareholders,

Net income for the third quarter ended September 30, 2015 totaled \$762,000 or \$.23 per share compared to \$697,000 or \$.21 per share for the same period last year. Return on average equity was 12.92% for the third quarter of 2015 compared to 12.49% for the third quarter of 2014.

Total loans grew \$12.8 million or 4.7% when comparing September 30, 2015 to September 30, 2014. We are continuing our efforts to increase loan volume while maintaining our credit quality standards. Operating expenses decreased \$66,000 or 3% due to lower staffing levels and lower collection expenses. Net interest income increased \$25,000 due to higher average interest-earning assets. Provision for loan losses decreased by \$15,000 due to improved credit quality metrics. Non-performing assets as a percent of total assets were .68% at September 30, 2015 compared to 1.05% at September 30, 2014.

We encourage you to recommend Commercial Bank to your family, friends and business associates for their banking needs. Our great team members are ready and willing to assist them.

We will continue to pursue opportunities to improve earnings and provide shareholders with a satisfactory return. As always, please feel free to contact me with questions or concerns.

Kevin D. Collison
President and CEO

COMMERCIAL NATIONAL FINANCIAL CORPORATION

FINANCIAL HIGHLIGHTS

	9/30/2015	9/30/2014
QUARTER ENDING		
Basic Earnings	\$ 0.23	\$ 0.21
Diluted Earnings	\$ 0.23	\$ 0.21
Return on Average Equity	12.92%	12.49%
Return on Average Assets	0.80%	0.74%
YEAR TO DATE		
Basic Earnings	\$ 0.64	\$ 0.57
Diluted Earnings	\$ 0.64	\$ 0.57
Return on Average Equity	12.04%	11.38%
Return on Average Assets	0.74%	0.66%
Cash Dividends Paid	\$ 0.39	\$ 0.39
Book Value	\$ 7.29	\$ 6.85
Market Price	\$ 8.75	\$ 8.20
Price/Earnings Ratio	10.67X	10.79X
Dividend Yield	5.94%	6.34%
Allowance for Loan Loss to Total Loans	0.86%	0.90%

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

	9/30/2015	9/30/2014
Assets	(Unaudited)	(Unaudited)
Cash and due from banks	\$ 11,260,726	\$ 9,084,069
Federal funds sold	325,000	157,000
Total cash & cash equivalents	11,585,726	9,241,069
Time deposits in banks	28,354,000	24,534,000
Securities	36,429,571	51,870,911
Loans	285,328,243	272,574,722
Less: Allowance for loan losses	(2,444,689)	(2,452,292)
Net loans	282,883,554	270,122,430
Bank premises & equipment- net	4,378,991	4,386,714
Trust Preferred	310,000	310,000
Other assets	17,304,013	15,386,187
Total Assets	\$ 381,245,855	\$ 375,851,311
Liabilities		
Deposits		
Non-interest bearing	\$ 49,042,767	\$ 55,034,534
Interest bearing	252,373,419	265,473,903
Total deposits	301,416,186	320,508,437
Repurchase agreements	5,233,565	6,824,627
Federal Home Loan Bank borrowings	36,735,000	14,285,000
Trust Preferred	10,310,000	10,310,000
Accrued interest and other liabilities	3,843,478	1,648,493
Total Liabilities	357,538,229	353,576,557
Shareholders' Equity		
Common stock & paid-in-capital	13,572,835	13,572,835
Accumulated other comprehensive income (loss), net of tax	134,219	(327,313)
Retained earnings	10,000,572	9,029,232
Total Shareholders' Equity	23,707,626	22,274,754
Total Liabilities & Shareholders' Equity	\$ 381,245,855	\$ 375,851,311

CONSOLIDATED STATEMENTS OF INCOME

	QUARTER ENDING		YEAR TO DATE	
	9/30/2015	9/30/2014	9/30/2015	9/30/2014
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interest Income				
Interest & fees on loans	\$ 3,270,766	\$ 3,271,254	\$ 9,782,608	\$ 9,756,943
Interest on federal funds sold	150	147	435	398
Interest on deposits in banks	63,150	58,558	177,552	152,712
Interest & dividends on securities	186,881	227,019	591,491	758,719
Total interest income	3,520,947	3,556,978	10,552,086	10,668,772
Interest Expense				
Interest on deposits	644,574	764,606	1,976,085	2,374,466
Interest on other borrowings	1,448	1,961	4,094	6,425
Trust Preferred	57,352	55,740	168,446	165,698
Interest on other borrowings	145,577	87,467	362,023	233,995
Total interest expense	848,951	909,774	2,510,648	2,780,584
Net Interest Income	2,671,996	2,647,204	8,041,438	7,888,188
Provision for loan losses	1,840	17,274	214,256	484,204
Net interest income after provision	2,670,156	2,629,930	7,827,182	7,403,984
Non-interest Income				
Service charges and fees	195,474	208,311	570,108	604,479
Loss share reimbursement	5,693	21,235	180,959	539,662
Other income	284,619	257,429	612,630	580,276
Total other income	485,786	486,975	1,363,697	1,724,417
Operating Expenses				
Salaries & employee benefits	1,151,805	1,192,105	3,463,459	3,592,700
Net occupancy & equipment expense	375,905	366,100	1,109,514	1,105,065
Other expenses	589,991	626,052	1,715,931	1,936,676
Total operating expenses	2,117,701	2,184,257	6,288,904	6,634,441
Income Before Income Taxes	1,038,241	932,648	2,901,975	2,493,960
Income tax expense	275,874	235,645	815,883	642,766
Net Income	\$ 762,367	\$ 697,003	\$ 2,086,092	\$ 1,851,194

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 President & Controller

Cathy M. Patterson

Vice Presidents

Corey S. Bailey Debra K. Bunting

Linda M. Vaughn

Assistant Vice Presidents

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Sherri J. Downing Michael D. Miller

Chelsey A. Foster Sandra Panella

Josh K. Gibbs Dawn K. Riley

Heather A. Schaeffer

Officers

Sharon K. Bassette Michelle L. Pitts

Dacia L. Cheseboro Denise L. Reese

Heidi L. Miller Jessica L. Wright

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