



**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
- Kim C. Newson
- Richard S. Prestage
- Loren R. Roslund
- Jeffrey A. Stahl

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**THIRD QUARTER REPORT
SEPTEMBER 30, 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 third quarter of 2020 was \$1,177,000, or \$.30 per share compared to third quarter 2019 net income of \$1,478,000, or \$.37 per share. Return on Equity (ROE) was 11.50% for the third quarter of 2020 compared to 15.57% for the third quarter of 2019.

For the third quarter of 2020, net interest income increased \$155,000, or 4.1% compared to the third quarter of 2019 primarily due to the growth in Paycheck Protection Program loans. These loans were authorized by the CARES Act approved by Congress in late March. Non-interest income decreased by \$211,000, or 27.2% due to lower loan fees. Operating expenses increased by \$36,000, or 1.3% primarily due to the absence of FDIC insurance expense small bank assessment credits that were received in the prior year.

The provision of loan losses expense was \$300,000 for the third quarter of 2020, compared to none for the third quarter of 2019. The provision expense in the current quarter relates to additional environmental factor allocations and increased classified loans.

Total assets were \$548.1 million at September 30, 2020 compared to \$512.1 million at September 30, 2019. The increase was primarily due to \$33 million of Paycheck Protection Program loans outstanding at September 30, 2020 compared to zero at September 30, 2019. Total loans of \$409.7 million increased \$27.8 million, or 7.3% year over year.

The Board of Directors recently appointed Brent Hardman to the Bank and Holding Company Boards. Brent is co-owner and Chief Executive Officer of Powell Fabrication & Manufacturing LLC located in St. Louis, Michigan.

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

	9/30/2020	9/30/2019
QUARTER ENDING		
Basic Earnings	\$ 0.30	\$ 0.37
Diluted Earnings	\$ 0.30	\$ 0.37
Return on Average Equity	11.50%	15.57%
Return on Average Assets	0.85%	1.14%
Net Interest Margin	3.01%	3.12%
YEAR TO DATE		
Basic Earnings	\$ 0.79	\$ 0.93
Diluted Earnings	\$ 0.79	\$ 0.93
Return on Average Equity	10.45%	13.51%
Return on Average Assets	0.78%	0.95%
Cash Dividends Paid	\$ 0.41	\$ 0.39
Book Value	\$ 10.27	\$ 9.59
Market Price	\$ 9.11	\$ 10.20
Dividend Yield	6.00%	5.10%
Allowance for Loan Loss to Total Loans	0.99%	0.72%
Net Interest Margin	3.09%	3.00%

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

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

	9/30/2020	9/30/2019
	(Unaudited)	(Unaudited)
Assets		
Cash and due from banks	\$ 51,110,763	\$ 29,419,841
Federal funds sold	<u>111,000</u>	<u>129,000</u>
Total cash & cash equivalents	51,221,763	29,548,841
Time deposits in banks	22,839,000	33,703,000
Securities	38,306,539	39,462,218
Loans	409,697,305	381,898,344
Less: Allowance for loan losses	<u>(4,043,266)</u>	<u>(2,753,679)</u>
Net loans	405,654,039	379,144,665
Bank premises & equipment	8,217,624	8,584,696
Other assets	<u>21,884,842</u>	<u>21,686,072</u>
Total Assets	\$ 548,123,807	\$ 512,129,492
Liabilities		
Deposits		
Non-interest bearing	\$ 110,334,574	\$ 79,577,824
Interest bearing	<u>341,276,088</u>	<u>316,829,607</u>
Total deposits	451,610,662	396,407,431
Repurchase agreements	-	7,583,333
Federal Home Loan Bank borrowings	39,480,000	53,605,000
Trust Preferred	13,403,000	13,403,000
Accrued expenses and other liabilities	<u>2,904,766</u>	<u>3,120,848</u>
Total Liabilities	507,398,428	474,119,612
Shareholders' Equity		
Common stock & paid-in-capital	20,517,679	20,517,682
Accumulated other comprehensive income (loss), net of tax	884,662	431,954
Retained earnings	<u>19,323,038</u>	<u>17,060,244</u>
Total Shareholders' Equity	<u>40,725,379</u>	<u>38,009,880</u>
Total Liabilities & Shareholders' Equity	\$ 548,123,807	\$ 512,129,492

CONSOLIDATED STATEMENTS OF INCOME

	QUARTER ENDING		YEAR TO DATE	
	9/30/2020	9/30/2019	9/30/2020	9/30/2019
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interest Income				
Interest & fees on loans	\$ 4,370,091	\$ 4,451,717	\$ 13,204,763	\$ 13,161,134
Interest on federal funds sold	12	1,580	698	5,002
Interest on deposits in banks	164,567	353,330	594,649	1,183,658
Interest & dividends on securities	<u>180,833</u>	<u>253,857</u>	<u>601,560</u>	<u>752,836</u>
Total interest income	4,715,503	5,060,484	14,401,670	15,102,630
Interest Expense				
Interest on deposits	567,390	913,726	1,887,314	3,043,415
Interest on FHLB advances	165,491	232,539	607,691	640,333
Trust Preferred	72,778	141,207	274,390	438,893
Interest on other borrowings	<u>2,227</u>	<u>20,728</u>	<u>16,092</u>	<u>61,757</u>
Total interest expense	807,886	1,308,200	2,785,487	4,184,398
Net Interest Income	3,907,617	3,752,284	11,616,183	10,918,232
Provision for loan losses	<u>300,000</u>	<u>-</u>	<u>1,250,000</u>	<u>-</u>
Net Interest Income after provision	3,607,617	3,752,284	10,366,183	10,918,232
Non-interest Income				
Service charges and fees	224,449	235,411	617,766	655,563
Other income	<u>342,223</u>	<u>542,721</u>	<u>942,932</u>	<u>1,206,040</u>
Total other income	566,672	778,132	1,560,698	1,861,603
Operating Expenses				
Salaries & employee benefits	1,620,907	1,637,797	4,870,586	4,852,209
Occupancy & equipment expense	483,623	483,206	1,446,124	1,488,872
Other expenses	<u>668,157</u>	<u>615,677</u>	<u>1,885,232</u>	<u>1,980,949</u>
Total operating expenses	2,772,687	2,736,680	8,201,942	8,322,030
Income Before Income Taxes	1,401,602	1,793,736	3,724,939	4,457,805
Income tax expense	<u>224,500</u>	<u>315,500</u>	<u>597,500</u>	<u>755,500</u>
Net Income	\$ 1,177,102	\$ 1,478,236	\$ 3,127,439	\$ 3,702,305

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
Jessica L. Wright	
Assistant Vice Presidents	
Garth W. Anderson	Jayme L. Kosal
Melanie S. Baxter	Michael D. Miller
Chelsey A. Foster	Benjamin Z. Ogle
Greg R. Hansen	Denise L. Reese
Officers	
Kimberly A. Davidson	Nate R. Kirk, Jr.
Heidi L. Miller	

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