



**COMMERCIAL NATIONAL
FINANCIAL CORPORATION**

Board of Directors

Kevin D. Collison
Heather M. Cook
Robert S. Elmore
Timothy P. Gaylord
Randal K. Lewis
Kim C. Newson
Richard S. Prestage
Loren R. Roslund
Scott E. Sheldon
Jeffrey A. Stahl

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**FIRST QUARTER REPORT
MARCH 31, 2019**



**COMMERCIAL NATIONAL
FINANCIAL CORPORATION**

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

To Our Shareholders,

Net income for the first quarter of 2019 was \$1,101,000, or \$.28 per share compared to first quarter 2018 net income of \$1,064,000, or \$.27 per share. Return on Equity (ROE) was 12.60% for the first quarter of 2019 compared to 13.01% for the first quarter of 2018.

Total assets were \$527.6 million at March 31, 2019 compared to \$530 million at March 31, 2018. Total loans of \$378 million decreased \$9.7 million, or 2.5% year over year. The lending environment remains very competitive in our markets and we experienced several large commercial loan payoffs during the past twelve months. However, we resumed loan growth during the current quarter with loans increasing \$3.1 million, or .8%.

For the first quarter ended March 31, 2019, net interest income decreased \$51,000, or 1.4% primarily due to a higher cost of funds. During the next several quarters, we intend to use excess cash to reduce higher interest rate wholesale borrowings. Non-interest income rose by \$181,000, or 44.3% due to increases in several other income categories. Operating expenses increased by \$126,000, or 4.6% primarily due to higher wages and benefits expense.

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

	3/31/2019	3/31/2018
	QUARTER ENDING	
Basic Earnings	\$ 0.28	\$ 0.27
Diluted Earnings	\$ 0.28	\$ 0.27
Return on Equity	12.60%	13.01%
Return on Assets	0.85%	0.83%
Cash Dividends Paid	\$ 0.13	\$ 0.13
Book Value	\$ 9.07	\$ 8.37
Market Price	\$ 11.35	\$ 12.50
Dividend Yield	4.58%	4.16%
Allowance to Total Loans	0.71%	0.69%
Net Interest Margin	2.93%	2.99%

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

	3/31/2019	3/31/2018
	(Unaudited)	(Unaudited)
Assets		
Cash and due from banks	\$ 34,520,958	\$ 26,111,664
Federal funds sold	509,000	1,581,000
Total cash & cash equivalents	35,029,958	27,692,664
Time deposits in banks	46,875,000	50,559,000
Securities	39,792,107	36,591,591
Loans	378,025,529	387,682,296
Less: Allowance for loan losses	(2,672,096)	(2,672,577)
Net loans	375,353,433	385,009,719
Bank premises & equipment	8,577,836	7,650,007
Other assets	22,016,752	22,516,191
Total Assets	\$ 527,645,086	\$ 530,019,172
Liabilities		
Deposits		
Non-interest bearing	\$ 79,029,089	\$ 80,314,617
Interest bearing	344,738,465	342,040,546
Total deposits	423,767,554	422,355,163
Repurchase agreements	6,965,955	5,603,842
Federal Home Loan Bank borrowings	44,605,000	52,155,000
Trust Preferred	13,403,000	13,403,000
Accrued interest and other liabilities	2,938,944	3,311,055
Total Liabilities	491,680,453	496,828,060
Shareholders' Equity		
Common stock & paid-in-capital	20,517,682	20,517,682
Accumulated other comprehensive income (loss), net of tax	(42,865)	(339,492)
Retained earnings	15,489,816	13,012,922
Total Shareholders' Equity	35,964,633	33,191,112
Total Liabilities & Shareholders' Equity	\$ 527,645,086	\$ 530,019,172

CONSOLIDATED STATEMENTS OF INCOME

	QUARTER ENDING	
	3/31/2019	3/31/2018
	(Unaudited)	(Unaudited)
Interest Income		
Interest & fees on loans	\$ 4,318,711	\$ 4,253,860
Interest on federal funds sold	1,515	1,088
Interest on deposits in banks	407,559	266,310
Interest & dividends on securities	245,901	214,954
Total interest income	4,973,686	4,736,212
Interest Expense		
Interest on deposits	1,035,151	753,170
Interest on FHLB advances	202,386	240,908
Trust Preferred	150,927	116,072
Interest on other borrowings	20,157	9,540
Total interest expense	1,408,621	1,119,690
Net Interest Income	3,565,065	3,616,522
Non-interest Income		
Service charges and fees	199,864	210,833
Other income	388,789	197,233
Total other income	588,653	408,066
Operating Expenses		
Salaries & employee benefits	1,624,009	1,545,360
Occupancy & equipment expense	507,225	488,019
Other expenses	720,086	691,598
Total operating expenses	2,851,320	2,724,977
Income Before Income Taxes	1,302,398	1,299,611
Income tax expense	201,500	236,000
Net Income	\$ 1,100,898	\$ 1,063,611

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	Debra K. Bunting
Kathleen R. Baker	Heather A. Schaeffer
Linda M. Vaughn	
Assistant Vice Presidents	
Garth W. Anderson	Deborah R. Keyes
Melanie S. Baxter	Michael D. Miller
Sherri J. Downing	Benjamin Z. Ogle
Chelsey A. Foster	Sandra Panella
Greg R. Hansen	Dawn K. Riley
Paul D. Harger	Jessica L. Wright
Jayme L. Huffman	Peter D. Zemelis
Officers	
Nate R. Kirk, Jr.	Denise L. Reese
Heidi L. Miller	Dacia L. Watson

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