



**COMMERCIAL NATIONAL
FINANCIAL CORPORATION**

Board of Directors

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

**FOURTH QUARTER REPORT
DECEMBER 31, 2020**



**COMMERCIAL NATIONAL
FINANCIAL CORPORATION**

**101 N. PINE RIVER ST.
P.O. BOX 280
ITHACA, MICHIGAN 48847**

989-875-4144

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www.commercial-bank.com



To Our Shareholders,

Net income for the fourth quarter of 2020 was \$1,237,000, or \$.31 per share compared to fourth quarter 2019 net income of \$1,316,000, or \$.33 per share. Return on Equity (ROE) was 11.91% for the fourth quarter of 2020 compared to 13.51% for the fourth quarter of 2019.

For the fourth quarter of 2020, net interest income increased \$133,000, or 3.5% compared to the fourth quarter of 2019 primarily due to interest and accretion of fees from Paycheck Protection Program loans. These loans were authorized by the CARES Act approved by Congress in late March in response to the Covid-19 pandemic. Operating expenses increased by \$59,000, or 2.1% primarily due to the absence of FDIC insurance expense small bank assessment credits that were received in the prior year.

The provision for loan losses expense was \$200,000 for the fourth quarter of 2020, compared to none for the fourth quarter of 2019. The provision expense primarily relates to specific reserve allocations to pandemic-affected borrowers.

Total assets were \$547.8 million at December 31, 2020 compared to \$504.9 million at December 31, 2019. The increase was primarily due to \$31.6 million of Paycheck Protection Program loans outstanding at December 31, 2020 compared to zero at December 31, 2019. Total loans of \$409.1 million increased \$23.4 million, or 6.1% year over year.

In December, Mr. Kim Newson retired from the Board of Directors. We would like to thank Kim for his many years of dedicated service and wish him well in retirement.

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

	12/31/2020	12/31/2019
	QUARTER ENDING	
Basic Earnings	\$ 0.31	\$ 0.33
Diluted Earnings	\$ 0.31	\$ 0.33
Return on Average Equity	11.91%	13.51%
Return on Average Assets	0.90%	1.02%
Net Interest Margin	3.02%	3.15%

	YEAR TO DATE	
Basic Earnings	\$ 1.10	\$ 1.27
Diluted Earnings	\$ 1.10	\$ 1.27
Return on Average Equity	10.82%	13.51%
Return on Average Assets	0.81%	0.97%
Cash Dividends Paid	\$ 0.55	\$ 0.52
Book Value	\$ 10.42	\$ 9.77
Market Price	\$ 9.25	\$ 11.45
Dividend Yield	5.95%	4.54%
Allowance for Loan Loss to Total Loans	1.03%	0.71%
Net Interest Margin	3.07%	3.03%

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

	12/31/2020	12/31/2019
	(Unaudited)	(Unaudited)
Assets		
Cash and due from banks	\$ 42,565,240	\$ 21,691,616
Federal funds sold	<u>208,000</u>	<u>116,000</u>
Total cash & cash equivalents	42,773,240	21,807,616
Time deposits in banks	24,337,000	31,956,000
Securities	45,738,432	38,214,458
Loans	409,106,744	385,691,917
Less: Allowance for loan losses	<u>(4,215,192)</u>	<u>(2,751,767)</u>
Net loans	404,891,552	382,940,150
Bank premises & equipment	8,148,851	8,343,479
Other assets	<u>21,890,496</u>	<u>21,676,803</u>
Total Assets	\$ 547,779,571	\$ 504,938,506
Liabilities		
Deposits		
Non-interest bearing	\$ 118,764,346	\$ 85,761,420
Interest bearing	<u>332,136,719</u>	<u>304,302,099</u>
Total deposits	450,901,065	390,063,519
Repurchase agreements	-	7,396,813
Federal Home Loan Bank borrowings	39,480,000	52,105,000
Trust Preferred	13,403,000	13,403,000
Accrued expenses and other liabilities	<u>2,658,928</u>	<u>3,216,264</u>
Total Liabilities	506,442,993	466,184,596
Shareholders' Equity		
Common stock & paid-in-capital	20,517,679	20,517,682
Accumulated other comprehensive income (loss), net of tax	814,023	375,202
Retained earnings	<u>20,004,876</u>	<u>17,861,026</u>
Total Shareholders' Equity	<u>41,336,578</u>	<u>38,753,910</u>
Total Liabilities & Shareholders' Equity	\$ 547,779,571	\$ 504,938,506

CONSOLIDATED STATEMENTS OF INCOME

	QUARTER ENDING		YEAR TO DATE	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interest Income				
Interest & fees on loans	\$ 4,317,824	\$ 4,436,807	\$ 17,522,587	\$ 17,597,941
Interest on federal funds sold	8	723	706	5,725
Interest on deposits in banks	144,373	289,493	739,022	1,473,151
Interest & dividends on securities	<u>164,558</u>	<u>231,144</u>	<u>766,118</u>	<u>983,980</u>
Total interest income	4,626,763	4,958,167	19,028,433	20,060,797
Interest Expense				
Interest on deposits	490,367	783,616	2,377,681	3,827,031
Interest on FHLB advances	161,302	257,001	768,993	897,334
Trust Preferred	70,833	131,795	345,223	570,688
Interest on other borrowings	<u>-</u>	<u>14,300</u>	<u>16,092</u>	<u>76,057</u>
Total interest expense	722,502	1,186,712	3,507,989	5,371,110
Net Interest Income	3,904,261	3,771,455	15,520,444	14,689,687
Provision for loan losses	<u>200,000</u>	<u>-</u>	<u>1,450,000</u>	<u>-</u>
Net Interest Income after provision	3,704,261	3,771,455	14,070,444	14,689,687
Non-interest Income				
Service charges and fees	239,025	215,240	856,791	885,695
Other income	<u>367,570</u>	<u>397,423</u>	<u>1,359,862</u>	<u>1,624,733</u>
Total other income	606,595	612,663	2,216,653	2,510,428
Operating Expenses				
Salaries & employee benefits	1,685,032	1,652,286	6,555,618	6,504,495
Occupancy & equipment expense	564,618	545,498	2,172,224	2,182,199
Other expenses	<u>562,724</u>	<u>555,562</u>	<u>2,335,835</u>	<u>2,424,845</u>
Total operating expenses	2,812,374	2,753,346	11,063,677	11,111,539
Income Before Income Taxes	1,498,482	1,630,772	5,223,420	6,088,576
Income tax expense	<u>261,500</u>	<u>314,500</u>	<u>859,000</u>	<u>1,070,000</u>
Net Income	<u>\$ 1,236,982</u>	<u>\$ 1,316,272</u>	<u>\$ 4,364,420</u>	<u>\$ 5,018,576</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

Debra K. Bunting Sandra Panella

Chelsey A. Foster Heather A. Schaeffer

Greg R. Hansen Linda M. Vaughn

Paul D. Harger Trisha A. Warner

Jessica L. Wright

Assistant Vice Presidents

Melanie S. Baxter Heidi L. Miller

Nate R. Kirk, Jr. Jamie L. Ogle

Roger K. Merritt Denise L. Reese

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