



**COMMERCIAL NATIONAL
FINANCIAL CORPORATION**

Board of Directors

- Kevin D. Collison
- Heather M. Cook Fiset
- Timothy J. Coscarelli
- Aaron L. Davis
- Christopher E. Goggin
- Kim C. Newson
- Richard S. Prestage
- Loren R. Roslund
- Jeffrey A. Stahl

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**COMMERCIAL NATIONAL
FINANCIAL CORPORATION**

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

www.commercial-bank.com



**SECOND QUARTER REPORT
JUNE 30, 2020**

To Our Shareholders,

Net income for the second quarter of 2020 was \$1,147,000, or \$.29 per share compared to second quarter 2019 net income of \$1,123,000, or \$.28 per share. Return on Equity (ROE) was 11.54% for the second quarter of 2020 compared to 12.32% for the second quarter of 2019.

For the second quarter of 2020, net interest income increased \$348,000, or 9.7% compared to the second quarter of 2019 primarily due to net interest margin improvement as well as from growth in interest-earning assets related to Paycheck Protection Program loans. Non-interest income increased by \$17,000, or 3.3%. Operating expenses decreased by \$100,000, or 3.7% primarily due to lower professional fees and occupancy and equipment expenses.

The provision for loan losses expense was \$450,000 for the second quarter of 2020, compared to none for the second quarter of 2019. The provision expense in the current quarter relates to additional environmental factor allocations and increased classified loans.

Total assets were \$554.8 million at June 30, 2020 compared to \$520.1 million at June 30, 2019. The increase was primarily due to \$30.9 million of Paycheck Protection Program loans outstanding at June 30, 2020 compared to zero at June 30, 2019. Total loans of \$415.6 million increased \$39.4 million, or 10.5% year over year.

We are saddened by the recent passing of our Chairman of the Board and good friend, Mr. Scott Sheldon. Mr. Sheldon was a board member of the Bank for over 35 years and he will be truly missed. Please keep the Sheldon family in your thoughts and prayers as they go through this difficult time.

Due to the recent passing of Mr. Scott Sheldon, the Board of Directors appointed Mr. Richard Prestage as Chairman of both the Bank and holding company boards. Mr. Prestage has been a board member for over 15 years.

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

	6/30/2020	6/30/2019
QUARTER ENDING		
Basic Earnings	\$ 0.29	\$ 0.28
Diluted Earnings	\$ 0.29	\$ 0.28
Return on Average Equity	11.54%	12.32%
Return on Average Assets	0.84%	0.86%
Net Interest Margin	3.07%	2.95%
YEAR TO DATE		
Basic Earnings	\$ 0.49	\$ 0.56
Diluted Earnings	\$ 0.49	\$ 0.56
Return on Average Equity	9.90%	12.42%
Return on Average Assets	0.74%	0.86%
Cash Dividends Paid	\$ 0.27	\$ 0.26
Book Value	\$ 10.12	\$ 9.32
Market Price	\$ 9.40	\$ 11.25
Dividend Yield	5.74%	4.62%
Allowance for Loan Loss to Total Loans	0.90%	0.73%
Net Interest Margin	3.13%	2.93%

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

	6/30/2020	6/30/2019
	(Unaudited)	(Unaudited)
Assets		
Cash and due from banks	\$ 45,865,221	\$ 30,049,622
Federal funds sold	<u>117,000</u>	<u>406,000</u>
Total cash & cash equivalents	45,982,221	30,455,622
Time deposits in banks	28,288,000	44,387,000
Securities	38,972,896	41,633,532
Loans	415,605,705	376,254,807
Less: Allowance for loan losses	<u>(3,733,130)</u>	<u>(2,742,679)</u>
Net loans	411,872,575	373,512,128
Bank premises & equipment	8,242,515	8,625,432
Other assets	<u>21,472,268</u>	<u>21,508,487</u>
Total Assets	\$ 554,830,475	\$ 520,122,201
Liabilities		
Deposits		
Non-interest bearing	\$ 113,518,965	\$ 82,321,619
Interest bearing	<u>333,958,582</u>	<u>327,565,718</u>
Total deposits	447,477,547	409,887,337
Repurchase agreements	7,974,378	7,306,082
Federal Home Loan Bank borrowings	41,980,000	49,605,000
Trust Preferred	13,403,000	13,403,000
Accrued expenses and other liabilities	<u>3,853,904</u>	<u>2,975,910</u>
Total Liabilities	514,688,829	483,177,329
Shareholders' Equity		
Common stock & paid-in-capital	20,517,679	20,517,682
Accumulated other comprehensive income (loss), net of tax	922,889	329,693
Retained earnings	<u>18,701,078</u>	<u>16,097,497</u>
Total Shareholders' Equity	<u>40,141,646</u>	<u>36,944,872</u>
Total Liabilities & Shareholders' Equity	\$ 554,830,475	\$ 520,122,201

CONSOLIDATED STATEMENTS OF INCOME

	QUARTER ENDING		YEAR TO DATE	
	6/30/2020	6/30/2019	6/30/2020	6/30/2019
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interest Income				
Interest & fees on loans	\$ 4,472,287	\$ 4,390,706	\$ 8,834,672	\$ 8,709,417
Interest on federal funds sold	14	1,907	686	3,422
Interest on deposits in banks	186,575	422,769	430,082	830,328
Interest & dividends on securities	<u>201,024</u>	<u>253,078</u>	<u>420,727</u>	<u>498,979</u>
Total interest income	4,859,900	5,068,460	9,686,167	10,042,146
Interest Expense				
Interest on deposits	608,701	1,094,538	1,319,924	2,129,689
Interest on FHLB advances	215,553	205,408	442,200	407,794
Trust Preferred	84,016	146,759	201,612	297,686
Interest on other borrowings	<u>2,880</u>	<u>20,872</u>	<u>13,865</u>	<u>41,029</u>
Total interest expense	911,150	1,467,577	1,977,601	2,876,198
Net Interest Income	3,948,750	3,600,883	7,708,566	7,165,948
Provision for loan losses	<u>450,000</u>	<u>-</u>	<u>950,000</u>	<u>-</u>
Net Interest Income after provision	3,498,750	3,600,883	6,758,566	7,165,948
Non-interest Income				
Service charges and fees	192,916	220,288	393,317	420,152
Other income	<u>318,475</u>	<u>274,530</u>	<u>600,709</u>	<u>663,319</u>
Total other income	511,391	494,818	994,026	1,083,471
Operating Expenses				
Salaries & employee benefits	1,568,680	1,590,403	3,249,679	3,214,412
Occupancy & equipment expense	465,772	498,441	962,501	1,005,666
Other expenses	<u>599,274</u>	<u>645,186</u>	<u>1,217,075</u>	<u>1,365,272</u>
Total operating expenses	2,633,726	2,734,030	5,429,255	5,585,350
Income Before Income Taxes	1,376,415	1,361,671	2,323,337	2,664,069
Income tax expense	<u>229,500</u>	<u>238,500</u>	<u>373,000</u>	<u>440,000</u>
Net Income	<u>\$ 1,146,915</u>	<u>\$ 1,123,171</u>	<u>\$ 1,950,337</u>	<u>\$ 2,224,069</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

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