



**COMMERCIAL NATIONAL
FINANCIAL CORPORATION**

Board of Directors

- Kevin D. Collison
- Heather M. Cook Fisetto
- Aaron L. Davis
- Timothy P. Gaylord
- Christopher E. Goggin
- Kim C. Newson
- Richard S. Prestage
- Loren R. Roslund
- Scott E. Sheldon
- Jeffrey A. Stahl

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**FOURTH QUARTER REPORT
DECEMBER 31, 2019**



**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 fourth quarter of 2019 was \$1,316,000, or \$.33 per share compared to fourth quarter 2018 net income of \$1,076,000, or \$.27 per share. Return on Equity (ROE) was 13.51% for the fourth quarter of 2019 compared to 12.30% for the fourth quarter of 2018.

Total assets were \$504.9 million at December 31, 2019 compared to \$527.4 million at December 31, 2018. The decrease in total assets is primarily due to intentionally decreasing brokered certificates of deposit with excess liquidity. This contributed to an improved net interest margin which was 3.15% in the fourth quarter of 2019 as compared to 2.88% in the fourth quarter of 2018. Total loans of \$385.7 million increased \$10.7 million, or 2.9% year over year. We continue to focus on growing loans and core deposits while maintaining our underwriting standards.

For the fourth quarter ended December 31, 2019, net interest income increased \$211,000, or 5.9% primarily due to the net interest margin improvement discussed above. Non-interest income rose by \$111,000, or 23.2% primarily due to increased loan fees. Operating expenses increased by \$57,000, or 2.1% primarily due to higher wages and benefits expense and professional fees, partially offset by lower FDIC insurance expense related to the small bank assessment credits.

I am pleased to announce the addition of two new board of directors. Aaron Davis assumed his position on the board November 1, 2019. Aaron serves as Vice President and part-owner of Craig Frames, Inc. located in Ithaca, Michigan. Christopher "Topher" Goggin assumed his position on the board December 1, 2019. Topher serves as a general practice attorney in Alma, Michigan.

In December 2019, Bob Elmore retired from the Bank and holding company boards. We would like to thank Bob for his many years of dedicated service and we wish him well in his 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

	12/31/2019	12/31/2018
QUARTER ENDING		
Basic Earnings	\$ 0.33	\$ 0.27
Diluted Earnings	\$ 0.33	\$ 0.27
Return on Average Equity	13.51%	12.30%
Return on Average Assets	1.02%	0.81%
Net Interest Margin	3.15%	2.88%
YEAR TO DATE		
Basic Earnings	\$ 1.27	\$ 1.14
Diluted Earnings	\$ 1.27	\$ 1.14
Return on Average Equity	13.51%	13.28%
Return on Average Assets	0.97%	0.86%
Cash Dividends Paid	\$ 0.52	\$ 0.52
Book Value	\$ 9.77	\$ 8.85
Market Price	\$ 11.45	\$ 11.49
Dividend Yield	4.54%	4.53%
Allowance for Loan Loss to Total Loans	0.71%	0.70%
Net Interest Margin	3.03%	2.92%

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

	12/31/2019	12/31/2018
Assets	(Unaudited)	(Unaudited)
Cash and due from banks	\$ 21,691,616	\$ 31,460,786
Federal funds sold	<u>116,000</u>	<u>255,000</u>
Total cash & cash equivalents	21,807,616	31,715,786
Time deposits in banks	31,956,000	53,036,000
Securities	38,214,458	39,551,366
Loans	385,691,917	374,975,157
Less: Allowance for loan losses	<u>(2,751,767)</u>	<u>(2,672,568)</u>
Net loans	382,940,150	372,302,589
Bank premises & equipment	8,343,479	8,295,195
Other assets	<u>21,676,803</u>	<u>22,466,636</u>
Total Assets	\$ 504,938,506	\$ 527,367,572
Liabilities		
Deposits		
Non-interest bearing	\$ 85,761,420	\$ 81,785,219
Interest bearing	<u>304,302,099</u>	<u>339,245,013</u>
Total deposits	390,063,519	421,030,232
Repurchase agreements	7,396,813	6,946,243
Federal Home Loan Bank borrowings	52,105,000	48,078,007
Trust Preferred	13,403,000	13,403,000
Accrued expenses and other liabilities	<u>3,216,264</u>	<u>2,798,839</u>
Total Liabilities	466,184,596	492,256,321
Shareholders' Equity		
Common stock & paid-in-capital	20,517,682	20,517,682
Accumulated other comprehensive income (loss), net of tax	375,202	(310,839)
Retained earnings	<u>17,861,026</u>	<u>14,904,408</u>
Total Shareholders' Equity	<u>38,753,910</u>	<u>35,111,251</u>
Total Liabilities & Shareholders' Equity	\$ 504,938,506	\$ 527,367,572

CONSOLIDATED STATEMENTS OF INCOME

	QUARTER ENDING		YEAR TO DATE	
	12/31/2019	12/31/2018	12/31/2019	12/31/2018
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interest Income				
Interest & fees on loans	\$ 4,436,807	\$ 4,299,530	\$ 17,597,941	\$ 17,066,213
Interest on federal funds sold	723	1,817	5,725	5,581
Interest on deposits in banks	289,493	415,600	1,473,151	1,301,033
Interest & dividends on securities	<u>231,144</u>	<u>224,651</u>	<u>983,980</u>	<u>875,832</u>
Total interest income	4,958,167	4,941,598	20,060,797	19,248,659
Interest Expense				
Interest on deposits	783,616	974,383	3,827,031	3,470,970
Interest on FHLB advances	257,001	247,188	897,334	951,714
Trust Preferred	131,795	142,844	570,688	532,707
Interest on other borrowings	<u>14,300</u>	<u>17,005</u>	<u>76,057</u>	<u>55,532</u>
Total interest expense	1,186,712	1,381,420	5,371,110	5,010,923
Net Interest Income	3,771,455	3,560,178	14,689,687	14,237,736
Non-interest Income				
Service charges and fees	215,240	221,002	870,803	870,632
Other income	<u>372,891</u>	<u>256,309</u>	<u>1,578,931</u>	<u>1,119,316</u>
Total other income	588,131	477,311	2,449,734	1,989,948
Operating Expenses				
Salaries & employee benefits	1,652,286	1,585,106	6,504,495	6,248,067
Occupancy & equipment expense	495,147	474,833	1,984,019	1,910,625
Other expenses	<u>581,381</u>	<u>611,664</u>	<u>2,562,331</u>	<u>2,559,426</u>
Total operating expenses	2,728,814	2,671,603	11,050,845	10,718,118
Income Before Income Taxes	1,630,772	1,365,886	6,088,576	5,509,566
Income tax expense	<u>314,500</u>	<u>290,149</u>	<u>1,070,000</u>	<u>1,008,000</u>
Net Income	\$ 1,316,272	\$ 1,075,737	\$ 5,018,576	\$ 4,501,566

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

Heather A. Schaeffer

Kathleen R. Baker

Linda M. Vaughn

Debra K. Bunting

Trisha A. Warner

Assistant Vice Presidents

Garth W. Anderson

Paul D. Harger

Melanie S. Baxter

Jayme L. Kosal

Sherri J. Downing

Michael D. Miller

Chelsey A. Foster

Benjamin Z. Ogle

Greg R. Hansen

Sandra Panella

Jessica L. Wright

Officers

Nate R. Kirk, Jr.

Heidi L. Miller

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