COMMERCIAL NATIONAL FINANCIAL CORPORATION

Annual Report 2020

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COMMERCIAL
BANK
Member FDIC
Locally
Crafted.
Dedicated to being a good
neighbor in our communities.

To Our Shareholders,

As I reflect on this past year, I have realized many firsts in my professional career. Having many of our team working from home, closed lobbies, restricted travel, and conducting most meetings virtually were all new experiences due to the Covid-19 pandemic. I am happy to report that even with these unforeseen conditions, your Commercial Bank team rose to the occasion and has performed exceptionally well. Not only were we able to get set up and have a portion of our team work remotely in a short period of time, but we were also able to continue to serve our customers and meet their needs using our digital channels. We were able to help 456 of our small business customers with Paycheck Protection Program (PPP) loans totaling over $33 million dollars. We also offered loan deferrals to most of our customers to help them through the initial phases of the pandemic. Our lending team worked diligently with all of our customers to make sure they had access to needed credit and could participate in all of the programs under the CARES Act approved by Congress in March, 2020 in response to the pandemic. I would like to thank our entire Commercial Bank team for their efforts this past year working in very challenging times to meet the needs of our customers.

We are pleased to report that 2020 was a good year for our Company. Consolidated earnings were $4,364,420, or $1.10 per share for 2020 compared to $5,018,576, or $1.27 per share for 2019. Return on Equity (ROE) was 10.82% for 2020 compared to 13.51% for 2019. Book value increased to $10.42 per share. The decrease in consolidated earnings was primarily related to recording a $1.45 million provision for loan loss expense. The Covid-19 pandemic and its related impact on borrowers resulted in an increase in classified loans. Additional specific and environmental factor allocations were made to the allowance for loan losses related to these loans.

I am very excited to report that in September, 2020 we signed a new contract with our core system provider Fidelity National Information Services (FIS) to upgrade our core data processing system to their Horizon XE platform. This new platform will allow us to offer many enhanced features such as mobile wallet, debit card controls, and instant issue start cards for new accounts. Along with this new system, we will be updating our online banking platform to DigitalOne, a state of the art online and mobile banking platform that we think our customers will be very pleased with. The conversion time frame is scheduled for September, 2021. The new digital system will also have a "Banker on the Go" feature where our customers, while using online banking, can chat with our staff to receive help with their banking needs.

The Board of Directors has undergone some changes over the past year. We were saddened by the loss of our long-time friend and Chairman of the Board, Mr. Scott E. Sheldon. Please see the Scott Sheldon memorial tribute on page 4 for further recognition of Scott. Due to Scott's passing, the Board of Directors appointed Mr. Richard S. Prestage as Chairman of both the Bank and holding company boards. Dick has been a board member for over 15 years.

During 2020, we had several directors retire. Earlier in the year, Mr. Timothy P. Gaylord retired from the board after serving for several years after the Mason State Bank, Capital Directions merger. In December, Mr. Kim C. Newson also retired from the board after 33 years of service. We thank both of these gentlemen for their service and we wish them well in retirement. To fill these positions, the Board appointed Mr. Timothy J. Coscarelly and Mr. Brent J. Hardman to the Bank and holding company boards. Tim is a real estate developer in the Mt. Pleasant area. Brent is the CEO of Powell in St. Louis, MI, a worldwide supplier of chemical processing technologies. Both of these gentlemen bring a variety of new experience to the board.

The continued successful performance of our Corporation would not be possible without the efforts of our committed Board of Directors, dedicated management team, and our loyal and knowledgeable team members. I would also like to thank our customers and shareholders for your continued support, especially during these challenging times in our country.

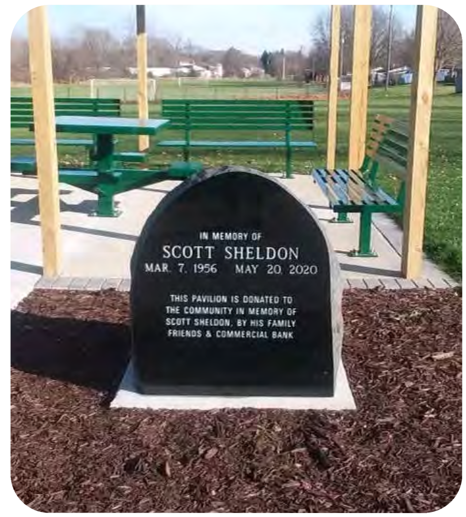
The annual shareholder meeting is scheduled for Tuesday, May 4, 2021, at 4 p.m. Due to the continued pandemic restrictions, we will once again have a telephonic "virtual only" setting through GoToMeeting. In order to listen to the annual meeting telephonically through GoToMeeting, you may call 1 (646) 749-3112 and enter access code 971493965.

Sincerely,

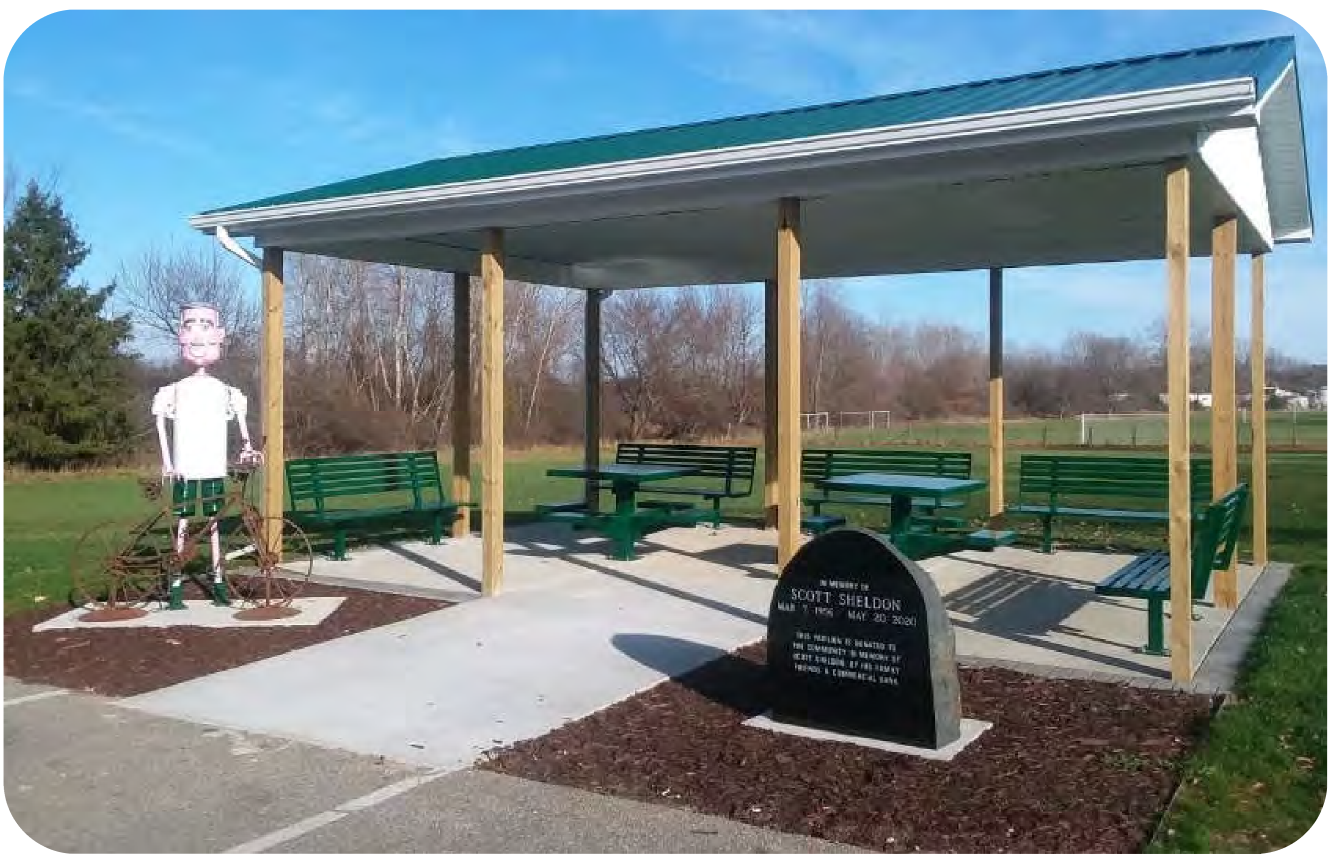
Kevin D. Collison
President and CEO
Phone: (989) 875-5516

Scott Sheldon Memorial Tribute

In memory of Scott E. Sheldon, a memorial was created by his family, friends, colleagues and Commercial Bank. To honor Scott, a pavilion was constructed at the Fred Meijer Heartland Trail trailhead located on Charles Avenue in Alma, Michigan. This pavilion will allow bikers, walkers and community members the opportunity to stop and take a break or have lunch at one of the tables or benches within the pavilion. This pavilion will serve the community for many years honoring Scott.



Scott bravely battled cancer for 2 ½ years while continuing to work every day. He passed away on May 20, 2020. Scott served on the Bank's Board of Directors for 35 years, including 24 years as chairman, and was instrumental in guiding its success through those years. He served on the holding company's Board of Directors for over 33 years, including 13 years as chairman. He was also very active in his community serving on many boards over the years while running his insurance business. Scott will be missed by all who knew him.



Wright Avenue Location

COMMERCIAL NATIONAL FINANCIAL CORPORATION

SELECTED FINANCIAL DATA

For the Year	**2020**	2019	2018	2017	2016
	(In thousands except financial ratios and per share data)				
Net interest income	**$ 15,520**	$ 14,690	$ 14,238	$ 15,013	$ 11,251
(Provision for) credit to loan losses	**(1,450)**	-	-	150	-
Noninterest income	**2,217**	2,511	1,990	1,984	1,613
Noninterest expense	**(11,064)**	(11,112)	(10,718)	(12,246)	(9,126)
Income before income tax expense	**5,223**	6,089	5,510	4,901	3,738
Income tax expense	**(859)**	(1,070)	(1,008)	(1,482)	(1,140)
Net income	**$ 4,364**	$ 5,019	$ 4,502	$ 3,419	$ 2,598
At Year End					
Total assets	**$ 547,780**	$ 504,713	$ 527,368	$ 526,374	$ 400,367
Gross loans	**409,107**	385,692	374,975	389,660	310,700
Total deposits	**450,901**	390,064	421,030	416,622	317,286
FHLB advances	**39,480**	52,105	48,078	54,101	38,215
Shareholders' equity	**41,337**	38,754	35,111	32,831	24,595
Financial Ratios					
Return on average assets	**0.81** %	0.97 %	0.86 %	0.65 %	0.65 %
Return on average shareholders' equity	**10.82**	13.51	13.28	10.41	10.62
Average shareholders' equity to average assets	**7.48**	7.17	6.50	6.22	6.12
Allowance for loan losses to gross loans	**1.03**	0.71	0.71	0.69	0.87
Tier 1 leverage capital ratio(1)	**8.99**	9.26	8.42	7.94	8.45
Total risk-based capital ratio(1)	**15.50**	14.18	14.36	13.43	13.91
Dividend pay-out	**50.91**	40.94	45.61	60.47	65.12
Per Share Data					
Basic earnings	**$ 1.10**	$ 1.27	$ 1.14	$ 0.86	$ 0.80
Diluted earnings	**1.10**	1.27	1.14	0.86	0.80
Dividends declared	**0.56**	0.52	0.52	0.52	0.52
Book value, end of year	**10.42**	9.77	8.85	8.28	7.56

(1) Capital ratios are for Commercial Bank

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the Commercial National Financial Corporation's (Corporation) consolidated financial statements and related information appearing in this Annual Report. Management believes that the consolidated financial statements fairly reflect the form and substance of transactions and reasonably present Commercial National Financial Corporation's financial position and results of operations and were prepared in conformity with accounting principles generally accepted in the United States of America. Management has also included in the Corporation's consolidated financial statements, amounts that are based on estimates and judgments which it believes are reasonable under the circumstances.

Commercial National Financial Corporation maintains internal controls designed to provide reasonable assurance that all assets are safeguarded and financial records are reliable for preparing the consolidated financial statements. The Corporation complies with laws and regulations relating to safety and soundness which are designated by the FDIC and other appropriate federal banking agencies. The selection and training of qualified personnel and the establishment and communication of accounting and administrative policies and procedures are elements of this control system. The effectiveness of internal controls is monitored by a program of internal audit. Management recognizes that the cost of internal controls should not exceed the benefits derived and that there are inherent limitations to be considered. Management believes that Commercial National Financial Corporation provides the appropriate balance between the costs of controls and the related benefits.

The independent auditors have audited the Corporation's consolidated financial statements in accordance with auditing standards generally accepted in the United States of America and provided an objective, independent review of the fairness of the reported operating results and financial position. The Board of Directors of Commercial National Financial Corporation has an Audit Committee composed of six non-management Directors. The Committee meets periodically with the internal auditors and the independent auditors.

Kevin D. Collison
President and CEO

Richard S. Prestage
Chairperson of the Board

AHP
CPAs & ADVISORS

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Report of Independent Auditors

Board of Directors and Shareholders
Commercial National Financial Corporation
Ithaca, Michigan

We have audited the accompanying consolidated financial statements of Commercial National Financial Corporation, which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the related consolidated statements of income, comprehensive income, changes in shareholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Commercial National Financial Corporation as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Andrews Hooper Pavlik PLC

Saginaw, Michigan
March 11, 2021

ANN ARBOR | AUBURN HILLS | BAY CITY | GRAND RAPIDS | GREATER LANSING | MIDLAND | OWOSSO | SAGINAW | SOUTHFIELD

CONSOLIDATED BALANCE SHEETS

	December 31, 2020	December 31, 2019
ASSETS		
Cash and due from banks	**$ 7,057,216**	$ 6,063,459
Federal funds sold	**208,000**	116,000
Other interest-bearing deposits	**35,508,024**	15,628,157
Total cash and cash equivalents	**42,773,240**	21,807,616
Time deposits in banks	**24,337,000**	31,956,000
Securities available for sale	**41,553,132**	34,029,158
Federal Home Loan Bank stock, at cost	**4,185,300**	4,185,300
Gross loans receivable	**409,106,744**	385,691,917
Allowance for loan losses	**(4,215,192)**	(2,751,767)
Net loans receivable	**404,891,552**	382,940,150
Bank-owned life insurance	**12,589,487**	12,033,941
Premises and equipment, net	**8,148,851**	8,343,479
Goodwill	**3,100,262**	3,100,262
Core deposit intangible	**456,336**	532,392
Accrued interest receivable and other assets	**5,744,411**	5,784,471
Total assets	**$ 547,779,571**	$ 504,712,769
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Deposits		
Noninterest-bearing demand	**$ 118,764,346**	$ 85,761,420
Interest-bearing demand	**133,091,545**	111,402,295
Savings	**92,847,945**	75,145,303
Time	**106,197,229**	117,754,501
Total deposits	**450,901,065**	390,063,519
Securities sold under agreements to repurchase	**-**	7,396,813
Federal Home Loan Bank advances	**39,480,000**	52,105,000
Subordinated debentures	**13,403,000**	13,403,000
Accrued expenses and other liabilities	**2,658,928**	2,990,527
Total liabilities	**506,442,993**	465,958,859
Shareholders' equity		
Common stock and paid–in-capital, no par value, 5,000,000 shares authorized; shares issued and outstanding 2020 and 2019 – 3,965,304	**20,517,679**	20,517,682
Retained earnings	**20,004,876**	17,861,026
Accumulated other comprehensive income, net of tax	**814,023**	375,202
Total shareholders' equity	**41,336,578**	38,753,910
Total liabilities and shareholders' equity	**$ 547,779,571**	$ 504,712,769

See accompanying notes

CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31, 2020	2019
Interest and dividend income		
Loans, including fees	**$ 17,522,587**	$ 17,597,941
Taxable securities	**536,811**	663,958
Nontaxable securities	**96,616**	95,742
Federal funds sold	**706**	5,725
Federal Home Loan Bank stock dividends	**132,691**	224,280
Interest on deposits in banks	**739,022**	1,473,151
Total interest and dividend income	**19,028,433**	20,060,797
Interest expense		
Deposits	**2,377,681**	3,827,031
Securities sold under agreements to repurchase	**16,089**	76,042
Federal Home Loan Bank advances	**768,993**	897,334
Subordinated debentures	**345,223**	570,688
Other	**3**	15
Total interest expense	**3,507,989**	5,371,110
Net interest income	**15,520,444**	14,689,687
Provision for loan losses	**1,450,000**	-
Net interest income after provision for loan losses	**14,070,444**	14,689,687
Noninterest income		
Service charges and fees	**856,791**	885,695
Net gains on loan sales	**28,573**	39,821
Earnings on bank-owned life insurance	**555,546**	593,053
Net gains on securities available for sale	**56**	1,324
Gain on equity securities	**-**	9,465
Other	**775,687**	981,070
Total noninterest income	**2,216,653**	2,510,428
Noninterest expense		
Salaries and employee benefits	**6,555,618**	6,504,495
Occupancy and equipment	**2,172,224**	2,182,199
Printing, postage and supplies	**263,998**	273,208
Professional and outside services	**318,487**	422,209
Collection	**43,181**	75,303
Other	**1,710,169**	1,654,125
Total noninterest expense	**11,063,677**	11,111,539
Income before income tax expense	**5,223,420**	6,088,576
Income tax expense	**859,000**	1,070,000
Net income	**$ 4,364,420**	$ 5,018,576
Per share information		
Basic earnings	**$ 1.10**	$ 1.27
Diluted earnings	**1.10**	1.27
Dividends declared	**0.56**	0.52

See accompanying notes

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31, 2020	2019
Net income	**$ 4,364,420**	$ 5,018,576
Other comprehensive income, net of tax:		
Unrealized holding gains arising during the period	**438,865**	687,087
Reclassification adjustment for gains included in earnings, net of tax	**(44)**	(1,046)
Total other comprehensive income, net of tax	**438,821**	686,041
Comprehensive income	**$ 4,803,241**	$ 5,704,617

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

Years Ended December 31, 2020 and 2019

	Shares Issued and Outstanding	Common Stock and Paid-In-Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss), Net of Tax	Total Shareholders' Equity
Balance at January 1, 2019	3,965,304	$ 20,517,682	$ 14,904,408	$ (310,839)	$ 35,111,251
Net income	-	-	5,018,576	-	5,018,576
Other comprehensive income	-	-	-	686,041	686,041
Cash dividends declared, $0.52 per share	-	-	(2,061,958)	-	(2,061,958)
Balance at December 31, 2019	3,965,304	20,517,682	17,861,026	375,202	38,753,910
Net income	**-**	**-**	**4,364,420**	**-**	**4,364,420**
Other comprehensive income	**-**	**-**	**-**	**438,821**	**438,821**
Cash dividends declared, $0.56 per share	**-**	**-**	**(2,220,570)**	**-**	**(2,220,570)**
Repurchase and retirement of shares	**-**	**(3)**	**-**	**-**	**(3)**
Balance at December 31, 2020	**3,965,304**	**$ 20,517,679**	**$ 20,004,876**	**$ 814,023**	**$ 41,336,578**

See accompanying notes

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31, 2020	2019
Cash flows from operating activities		
Net income	$ **4,364,420**	$ 5,018,576
Adjustments to reconcile net income to net cash from operating activities		
Provision for loan losses	**1,450,000**	-
Depreciation, amortization and accretion	**646,289**	687,368
Net gain on securities available for sale	**(56)**	(1,324)
Gain on equity securities	**-**	(9,465)
Net gains on loan sales	**(28,573)**	(39,821)
(Gain) loss on disposal of premises and equipment	**(4,175)**	25,073
Gain on sale of other real estate owned	**(49,360)**	(83,803)
Valuation reserve on other real estate owned	**-**	23,109
Originations of loans held for sale	**(764,970)**	(1,157,400)
Proceeds from sales of loans held for sale	**793,543**	1,197,221
Increase in value of bank-owned life insurance	**(555,546)**	(145,870)
Accrued interest receivable and other assets	**(424,611)**	435,389
Accrued expenses and other liabilities	**(399,737)**	89,533
Net cash from operating activities	**5,027,224**	6,038,586
Cash flows from investing activities		
Net change in time deposits in banks	**7,619,000**	21,080,000
Purchases of securities available for sale	**(17,923,797)**	(9,743,971)
Proceeds from sales of securities available for sale	**-**	3,381,058
Proceeds from sales of equity securities	**-**	65,632
Proceeds from maturities and calls of securities available for sale	**10,883,897**	8,434,734
Net change in loans	**(23,549,630)**	(10,686,582)
Net change in premises and equipment	**(299,978)**	(579,026)
Net change in low income housing tax credit investment	**420,489**	303,065
Net proceeds from sales of other real estate owned	**193,259**	376,435
Net cash from investing activities	**(22,656,760)**	12,631,345
Cash flows from financing activities		
Net change in deposits	**60,837,546**	(30,966,713)
Net change in securities sold under agreements to repurchase	**(7,396,813)**	450,570
Proceeds from Federal Home Loan Bank advances	**5,000,000**	15,000,000
Repayment of Federal Home Loan Bank advances	**(17,625,000)**	(11,000,000)
Repurchase of common stock	**(3)**	-
Dividends paid	**(2,220,570)**	(2,061,958)
Net cash from financing activities	**38,595,160**	(28,578,101)
Net change in cash and cash equivalents	**20,965,624**	(9,908,170)
Cash and cash equivalents at beginning of year	**21,807,616**	31,715,786
Cash and cash equivalents at end of year	$ **42,773,240**	$ 21,807,616
Supplemental disclosure of cash flow information:		
Interest paid	$ **3,594,478**	$ 5,390,019
Income taxes paid	**1,158,000**	565,000
Loans transferred to other real estate owned	**148,228**	49,021
Right-of-use assets exchanged for lease obligations	**27,565**	311,462

See accompanying notes

Note 1 – Summary of Significant Accounting Polices

The accounting and reporting policies of Commercial National Financial Corporation (CNFC) and its wholly-owned subsidiary, Commercial Bank (Bank) (together referred to as Corporation), conform to accounting principles generally accepted in the United States of America and to general practice within the banking industry. The following describes the significant accounting and reporting policies which are employed in the preparation of the consolidated financial statements.

Principles of Consolidation The consolidated financial statements include the accounts of CNFC, the Bank, and CNFC Financial Services Inc., a wholly-owned subsidiary of the Bank. Intercompany accounts and transactions are eliminated in consolidation.

Nature of Operations, Business Segments and Concentrations of Credit Risk CNFC is a one-bank holding company which conducts limited business activities. The Bank performs the majority of business activities.

The Bank provides a full range of banking services to individuals, agricultural businesses, commercial businesses and light industries located in its service area. It maintains a diversified loan portfolio, including loans to individuals for home mortgages, automobiles and personal expenditures, and loans to business enterprises for current operations and expansion. The Bank generally requires collateral for all loans. The Bank offers a variety of deposit products, including checking, savings, individual retirement accounts and certificates of deposit.

The principal markets for the Bank's financial services are the Michigan communities in which the Bank is located and the areas immediately surrounding these communities. The Bank serves these markets through 12 offices located in Barry, Gratiot, Ingham, Isabella, Kent and Montcalm Counties in Michigan.

Use of Estimates To prepare consolidated financial statements in conformity with accounting principles generally accepted in the United States of America, management makes estimates and assumptions based on available information. These estimates and assumptions affect the amounts reported in the consolidated financial statements and the disclosures provided, and future results could differ. The allowance for loan losses, cash flow estimates for purchased impaired loans, acquisition fair values, the fair values of securities and other financial instruments, and foreclosed assets are particularly subject to change.

Cash Flow Reporting Cash and cash equivalents include cash on hand, demand deposits with other financial institutions and federal funds sold. Cash flows are reported, net, for customer loan and deposit transactions, securities sold under agreements to repurchase with original maturities of 90 days or less and U.S. Treasury demand notes.

Securities Securities are classified as held to maturity and carried at amortized cost when management has the positive intent and ability to hold them to maturity. Debt securities are classified as available for sale when they might be sold before maturity. Securities available for sale are carried at fair value, with net unrealized holding gains and losses net of related deferred income taxes, reported in other comprehensive income (loss). Equity securities are carried at fair value with unrealized gains and losses reported in income. Other securities such as Federal Home Loan Bank Stock are carried at cost.

Fair value is based on quoted market prices, when available, or market prices provided by recognized broker dealers. If listed prices or quotes are not available, fair value is based upon externally developed models that use unobservable inputs due to the limited market activity of the instrument.

Gains and losses on sales are determined using the amortized cost of the specific security sold. Interest and dividend income include amortization of purchase premiums and discounts. Premiums and discounts on securities are amortized on the level-yield method without anticipating prepayments, except for mortgage-backed securities where prepayments are anticipated. Available-for-sale securities are written down to fair value when a decline in fair value is not temporary.

The entire amount of impairment is recognized through earnings for debt securities with unrealized losses that management intends to sell or will more likely than not be required to sell before an anticipated recovery in fair value. Otherwise, declines in the fair value of debt securities below their cost that are other than temporary are split into two components, as follows: (1) other-than-temporary impairment (OTTI) related to credit loss, which must be recognized in the consolidated statements of income;

and (2) OTTI related to other factors, which is recognized in other comprehensive income (loss). In estimating other-than-temporary losses, management considers: (1) the length of time and extent that fair value has been less than cost; (2) the financial condition and near-term prospects of the issuer; and (3) the Corporation's ability and intent to hold the security for a period sufficient to allow for any anticipated recovery in fair value.

Loans Held for Sale Loans held for sale are reported at the lower of cost or market value in the aggregate. Net unrealized losses are recorded in a valuation allowance by charges to income. Mortgage loans held for sale are generally sold with servicing rights retained.

Loans The Corporation's loan portfolio includes residential real estate, business real estate, business and consumer segments. Residential real estate loans include classes for 1-4 family and other and 1-4 family with a loan-to-value greater than 95%. Business real estate loans include classes for 1-4 family rentals, owner-occupied and other real estate. Business loans include classes for commercial and industry and other. Consumer loans include real estate and other. Loans that management has the intent and the ability to hold for the foreseeable future or until maturity or payoff, are reported at the principal balance outstanding, net of unearned interest, deferred loan fees and costs and an allowance for loan losses.

Interest income is reported on the interest method and includes amortization of net deferred loan fees and costs over the loan term. Interest income is not reported when full loan repayment is in doubt, typically when the loan is impaired or payments are past due over 90 days, unless the loan is both well secured and in the process of collection. In all cases, loans are placed on nonaccrual or charged-off at an earlier date if collection of principal or interest is considered doubtful.

All interest accrued, but not received for loans placed on nonaccrual, is reversed against interest income. Interest received on such loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Loans classified as troubled debt restructurings (TDRs) are accounted for in generally the same manner as all other loans. If the loan is in accrual status at the time of the restructuring, the borrower has the ability to make the payments under the restructured terms, and the restructuring does not forgive principal, the loan remains on an accrual basis under the new terms. If there is a forgiveness of debt or partial charge-off, the loan will generally be placed on nonaccrual status with any accrued interest reversed against interest income. If a loan is in nonaccrual status at the time of a restructuring or subsequently becomes nonaccrual, it will remain in nonaccrual status until the borrower has demonstrated the ability to make the payments under the restructured terms by making a minimum of six months of payments. If the borrower makes the six months of payments without becoming past due 30 days or more, it will be returned to accrual status.

Purchased loans acquired in a business combination are recorded at estimated fair value on their purchase date.

Allowance for Loan Losses The allowance for loan losses is a valuation allowance for probable incurred credit losses increased by the provision for loan losses and decreased by charge-offs less recoveries. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance. Management estimates the allowance balance required using past loan loss experience, the nature and volume of the portfolio, information about specific borrower situations and estimated collateral values, economic conditions and other factors. Allocations of the allowance may be made for specific loans, but the entire allowance is available for any loan that, in management's judgment, should be charged-off.

The allowance for loan losses is evaluated on a quarterly basis by management and is based upon management's periodic review of the collectability of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral and prevailing local and national economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

In addition, regulatory agencies, as an integral part of their examination process, periodically review the estimated losses on loans and foreclosed real estate. Such agencies may require the Corporation to recognize additional losses based on their judgments about information available to them at the time of their examination. Because of these factors, it is possible that the estimated losses on loans and foreclosed real estate may change in the near term. However, the amount of the change cannot be estimated.

Purchased loans acquired in a business combination are recorded at estimated fair value on their purchase date and prohibit the carryover of the related allowance for loan losses. Subsequent to acquisition, purchased loans that are performing and were not subject to credit deterioration are evaluated for an allowance as noted below.

The allowance consists of general, allocated and unallocated components as further described below:

General Component

The general component of the allowance for loan losses is based on historical loss experience adjusted for qualitative factors stratified by the following loan segments: consumer, business real estate, business and residential real estate. Management uses a rolling average of historical losses based on a time frame appropriate to capture relevant loss data for each loan segment. This historical loss factor is adjusted for changes in the following qualitative factors: levels/trends in delinquencies; trends in volume and terms of loans; effects of changes in risk selection and underwriting standards and other changes in lending policies, procedures and practices; experience/ability/depth of lending management and staff; quality of loan review system; value of underlying collateral for collateral dependent loans; and national and local economic trends and conditions. There were no changes in the Corporation's policies or methodology pertaining to the general component of the allowance for loan losses during 2020 or 2019.

The qualitative factors are determined based on the various risk characteristics of each loan segment. Risk characteristics relevant to each portfolio segment are as follows:

Consumer – Loans in this segment primarily include home equity line of credit loans secured by residential real estate; other secured loans, such as loans secured by recreational vehicles, all-terrain vehicles, boats and snowmobiles; secured and unsecured personal loans; and overdraft protection related loans. Repayment is dependent on the credit quality of the individual borrower and their intent and ability to repay. Economic trends determined by unemployment rates and other key economic indicators are closely correlated to the credit quality of these loans. Weak economic trends indicate the borrowers' capacity to repay their obligations may be deteriorating.

Business real estate – Loans in this segment are primarily income-producing properties and are secured by real estate. Repayment is dependent upon the successful operation and management of a business; therefore, these loans are considered to be of greater risk than other types of loans. The underlying cash flows generated by the properties are adversely impacted by a downturn in the economy. Management continually monitors the cash flows of these loans.

Business – Loans in this segment are made to businesses and are generally secured by the assets of the business. Repayment is dependent upon the successful operation and management of a business; therefore, these loans are considered to be of greater risk than other types of loans. A weakened economy and the resulting decreased consumer spending will have an effect on the credit quality of this segment.

Residential real estate – Loans in this segment are collateralized by owner-occupied residential real estate and repayment is dependent on the credit quality of the individual borrower. The overall health of the economy, including unemployment rates and housing prices, will have an effect on the credit quality of this segment.

Allocated Component

The allocated component relates to loans that are classified as impaired. Impairment is measured on a loan-by-loan basis for business and business real estate loans by either the present value of expected future cash flows discounted at the loan's effective interest rate or the fair value of the collateral, less costs to sell, if the loan is collateral dependent. An allowance is established when the discounted cash flows (or collateral value) of the impaired loan is lower than the carrying value of the loan. Large groups of smaller balance homogeneous loans are collectively evaluated for impairment. Accordingly, the Corporation does not separately identify individual residential real estate and consumer loans for impairment, unless such loans are subject to a troubled debt restructuring, collateral repossession, bankruptcy or management has concerns about the borrower's ability to repay or concerns about the value of the underlying collateral.

A loan is considered impaired when, based on current information and events, it is probable that the Corporation will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including length of the delay, the reasons for the delay, the borrower's prior payment record and the amount of the shortfall in relation to the principal and interest owed.

The Corporation may agree to modify the contractual terms of loans. When a loan is modified and a concession is made to a borrower experiencing financial difficulty, the modification is considered a TDR. All TDRs are classified as impaired loans.

Unallocated Component

An unallocated component is maintained to cover uncertainties that could affect management's estimate of probable losses. The unallocated component of the allowance reflects the margin of imprecision inherent in the underlying assumptions used in the methodologies for estimating allocated and general reserves in the portfolio.

Goodwill Goodwill arises from business combinations and is generally determined as the excess of fair value of the consideration transferred, plus the fair value of any noncontrolling interests in the acquiree over the fair value of the net assets acquired and liabilities assumed as of the acquisition date. Goodwill acquired in a business combination is determined to have an indefinite useful life and is not amortized, but tested for impairment at least annually or more frequently if events and circumstances exist that indicate a goodwill impairment test should be performed.

Core Deposit Intangible Core deposit intangible represents the value of acquired relationships with core deposit customers. The fair value of core deposit intangibles is estimated based on a discounted cash flow methodology that gives appropriate consideration to expected customer attrition rates, cost of the deposit base compared to alternative funding sources, reserve requirements and the net maintenance cost attributable to customer deposits. Core deposit intangibles are amortized over the estimated life of 10 years.

Premises and Equipment Premises and equipment are stated at cost less accumulated depreciation. Depreciation is computed using a combination of straight-line and accelerated methods with useful lives ranging from 5 to 40 years for buildings and improvements, and 3 to 7 years for furniture and equipment. These assets are reviewed for impairment when events indicate their carrying amount may not be recoverable from future undiscounted cash flows. Maintenance, repairs and minor alterations are charged to current operations as expenditures occur. Major improvements are capitalized.

Servicing Rights Servicing rights represent the allocated value of servicing rights retained on loans sold. Servicing rights are expensed in proportion to, and over the period of, estimated net servicing revenues. Impairment is evaluated based on the fair value of the rights, using the underlying loans' interest rates and prepayment characteristics. Fair value is determined using prices for similar assets with similar characteristics, when available, or based upon discounted cash flows using market-based assumptions. Any impairment is reported as a valuation allowance.

Servicing fee income is recorded for fees earned for servicing loans. The fees, which are based on a contractual percentage of the outstanding principal or a fixed amount for a loan, are recorded as income when earned. The amortization of the servicing rights is netted against the servicing fee income on the consolidated statements of income.

Foreclosed Assets Assets acquired through or instead of loan foreclosure are initially recorded at fair value less costs to sell when acquired, establishing a new cost basis. If fair value declines subsequent to foreclosure, a valuation allowance is recorded through expense. Operating costs after acquisition are expensed.

Bank-Owned Life Insurance The Bank purchased life insurance policies on certain officers. Bank-owned life insurance is recorded at its cash surrender value, the amount that can be realized.

Securities Sold Under Agreements to Repurchase All of these liabilities represent amounts advanced by various customers and are secured by securities owned, as they are not covered by general deposit insurance.

Employee Benefits A benefit plan with 401(k) features covers substantially all employees. The plan allows participant compensation deferrals. The amount of any matching contribution is based solely on the discretion of the Board of Directors.

Federal Income Taxes Deferred income tax assets and liabilities are determined using the liability (or balance sheet) method. Under this method, the net deferred tax asset or liability is determined based on the federal income tax effects of the temporary differences between book and tax bases of the various balance sheet assets and liabilities. Income tax expense is the sum of the current year income tax due or refundable and the change in deferred tax assets and liabilities. The Corporation records interest and penalties related to tax positions as interest expense or other expense, respectively, in the consolidated statements of income.

Transfers of Financial Assets Transfers of financial assets are accounted for as sales when control over the asset has been relinquished. Control is deemed to be surrendered when the assets have been isolated from the Corporation, the transferee obtains the right (free from conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and the Corporation does not maintain effective control through an agreement to repurchase before maturity.

Earnings and Dividends Per Share Basic earnings per common share is based on net income divided by the weighted-average number of common shares outstanding during the period. Diluted earnings per common share shows the dilutive effect of any additional potential common shares.

Comprehensive Income Comprehensive income consists of net income and other comprehensive income (loss). Other comprehensive income (loss) includes the unrealized holding gains or losses arising during the period, less a reclassification adjustment for gains or losses included in net income.

Financial Instruments with Off-Balance-Sheet Risk Financial instruments include off-balance-sheet credit instruments, such as commitments to make loans and standby letters of credit issued to meet customer needs. The face amount for these items represents the exposure to loss before considering customer collateral or ability to repay. Such financial instruments are recorded when they are funded.

Fair Values of Financial Instruments Fair values of financial instruments are estimated using relevant market information and other assumptions, as more fully disclosed separately. Fair value estimates involve uncertainties and matters of significant judgment regarding interest rates, credit risk, prepayments and other factors, especially in the absence of broad markets for particular items. Changes in assumptions or in market conditions could significantly affect the estimates. The fair value estimates of existing on- and off-balance sheet financial instruments do not include the value of anticipated future business or values of assets and liabilities not considered financial instruments.

Fair Value Measurements Fair value is the price that would be received to sell an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Corporation uses various methods including market, income and cost approaches. Based on these approaches, the Corporation often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and/or the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated or generally unobservable inputs. The Corporation utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, the Corporation is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1 – Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2 – Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 – Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

In determining the appropriate levels, the Corporation performs a detailed analysis of the assets and liabilities. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3.

For the years ended December 31, 2020 and 2019, the application of valuation techniques applied to similar assets and liabilities has been consistent.

Federal Home Loan Bank Stock The Corporation is a member of the Federal Home Loan Bank (FHLB) System and is required to invest in capital stock of the FHLB of Indianapolis. The amount of the required investment is determined and adjusted by the FHLB.

Dividend Restriction Banking regulations require maintaining certain capital levels and may limit the dividends paid by the Bank to the holding company or by the holding company to shareholders.

Loss Contingencies Loss contingencies, including claims and legal actions arising in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable and an amount or range of loss can be reasonably estimated. Management does not believe there are such matters that will have a material effect on the consolidated financial statements.

Time Deposits in Banks Time deposits in banks consist of certificates of deposit (CDs) purchased from other financial institutions and are held in the Bank's name. The CDs range in maturities and interest rates and are purchased in amounts to stay within FDIC insurance limits.

Revenue Recognition The Corporation follows the revenue recognition principles in ASU 2014-09, Revenue from Contracts with Customers and all subsequent amendments to the ASU (collectively, ASC 606). ASC 606 creates a single framework for recognizing revenue from contracts with customers that fall within its scope and revises when it is appropriate to recognize a gain (loss) from the transfer of nonfinancial assets, such as Other Real Estate Owned (OREO). The majority of the Corporation's revenues come from interest income and other sources, including loans and securities that are outside the scope of ASC 606. The Corporation's services that fall within the scope of ASC 606 are presented within noninterest income and are recognized as revenue as the Corporation satisfies its obligation to the customer. Services within the scope of ASC 606 include service charges on deposits, interchange income and the gain or loss on the sale of foreclosed assets.

Service Charges on Deposit Accounts: The Corporation earns fees from its deposit customers for transaction-based, account maintenance, and overdraft services. Transaction-based fees, which include services such as ATM use fees, stop payment charges, statement rendering, and ACH fees, are recognized at the time the transaction is executed as that is the point in time the Corporation fulfills the customer's request. Account maintenance fees, which relate primarily to monthly maintenance, are earned over the course of a month, representing the period over which the Corporation satisfies the performance obligation. Overdraft fees are recognized at the point that the overdraft occurs. Service charges on deposits are withdrawn from the customer's account balance.

Interchange Income: The Corporation earns interchange fees from debit cardholder transactions conducted through the Visa payment network. Interchange fees from cardholder transactions represent a percentage of the underlying transaction value and are recognized daily, concurrently with the transaction processing services provided to the cardholder.

Gain or Loss on Sales of Foreclosed Assets: The Corporation records a gain or loss from the sale of foreclosed assets when control of the property transfers to the buyer, which generally occurs at the time of an executed deed. When the Corporation finances the sale of a foreclosed asset to the buyer, the Corporation assesses whether the buyer is committed to perform their obligations under the contract and whether collectability of the transaction price is probable. Once these criteria are met, the foreclosed asset is derecognized and the gain or loss on sale is recorded upon the transfer of control of the property to the buyer. In determining the gain or loss on the sale, the Corporation adjusts the transaction price and related gain (loss) on sale if a significant financing component is present.

Risks and Uncertainties The United States and world economies continue to suffer adverse effects from the Covid-19 pandemic. The Corporation has responded throughout the pandemic as guided by governmental authorities and regulatory agencies with necessary operational and procedural modifications. The Corporation has not experienced a material adverse impact to the consolidated financial statements. Future potential impacts to the Corporation may include disruptions or restrictions on employees and contracted agents ability to work, reduced demand for new loans, and increased repurchase risk or loan defaults.

Adoption of New Accounting Standard On January 1, 2019, the Corporation adopted ASU No. 2016-02 "Leases (Topic 842)" and subsequent amendments thereto, which requires the Corporation to recognize most leases on the consolidated balance sheet. The Corporation adopted the standard under a modified retrospective approach as of the date of adoption and elected to apply several of the available practical expedients, including:

- Carry over of historical lease determination and lease classification conclusions
- Carry over of historical initial direct cost balances for existing leases
- Accounting for lease and non-lease components in contracts in which the Corporation is a lessee as a single lease component

Adoption of the leasing standard resulted in the recognition of operating right-of-use assets and lease liabilities of $311,462 as of January 1, 2019. These amounts were determined based on the present value of remaining minimum lease payments, discounted using the Corporation's incremental borrowing rate as of the date of adoption. There was no material impact to the timing of expense or income recognition in the Corporation's consolidated financial statements.

Subsequent Events Subsequent events have been evaluated through March 11, 2021, which is the date the financial statements were available to be issued.

Reclassifications Some items in the prior year financial statement were reclassified to conform to the current presentation. Reclassifications had no effect on prior year net income or shareholders' equity.

Note 2 – Acquisition of Capital Directions, Inc.

On January 1, 2017, the Corporation completed the acquisition of Capital Directions, Inc., a Michigan corporation (CDI) and Commercial Bank's acquisition of Mason State Bank, a state-chartered commercial bank and wholly-owned subsidiary of CDI, through a merger. Under the terms of the merger agreement, shareholders of CDI had the option to receive: (A) $36.07 in cash for each share of CDI common stock, (B) 3.699 shares of the Corporation's common stock for each share of CDI common stock, or (C) a combination of (A) and (B) subject to allocation provisions to assure that in aggregate, CDI shareholders received total consideration that consisted of approximately 50% stock and 50% cash. As a result of the acquisition, the Corporation issued 712,292 shares of its common stock. The results of the merged CDI operations are presented in the Corporation's consolidated financial statements from the date of acquisition. Acquisition-related expenses associated with the CDI transaction totaled $1.8

million. Under the acquisition method of accounting, the total purchase price of $13.9 million was allocated to net tangible and intangible assets based on their current estimated fair values on the date of acquisition.

Note 3 - Securities

The fair value of securities available for sale and the related gross unrealized gains and losses recognized in accumulated other comprehensive income were as follows:

Available for Sale	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	December 31, 2020			
U.S. treasury and government agencies	**$ 29,231,514**	**$ 605,814**	**$ -**	**$ 29,837,328**
State and municipals	**5,820,183**	**201,401**	**-**	**6,021,584**
Time deposits with other banks	**3,468,972**	**152,477**	**-**	**3,621,449**
Mortgage-backed securities	**1,502,054**	**70,717**	**-**	**1,572,771**
Trust preferred securities	**500,000**	**-**	**-**	**500,000**
Total	**$ 40,522,723**	**$ 1,030,409**	**$ -**	**$ 41,553,132**
	December 31, 2019			
U.S. treasury and government agencies	$ 21,783,884	$ 273,731	$ -	$ 22,057,615
State and municipals	6,307,646	102,237	(1,520)	6,408,363
Time deposits with other banks	2,478,461	59,261	(1,805)	2,535,917
Mortgage-backed securities	2,484,228	43,035	-	2,527,263
Trust preferred securities	500,000	-	-	500,000
Total	$ 33,554,219	$ 478,264	$ (3,325)	$ 34,029,158

The fair value of securities available for sale at December 31, 2020 by contractual maturity is shown below:

	Available for Sale Fair Value
Due in one year or less	**$ 5,486,705**
Due from one to five years	**33,190,510**
Due from five to ten years	**413,819**
Due from ten years plus	**2,462,098**
Total	**$ 41,553,132**

Realized gains on securities available for sale were $56 during 2020. Realized gains on securities available for sale were $1,324 during 2019.

At December 31, 2020, there were no securities with unrealized losses. Securities with unrealized losses at December 31, 2019 are as follows:

2019	Less than 12 Months		12 Months or More		Total	
Description of Securities	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss	Fair Value	Unrealized Loss
State and municipals	$ -	$ -	$ 1,037,137	$ 1,520	$ 1,037,137	$ 1,520
Time deposits with other banks	-	-	501,655	1,805	501,655	1,805
Total temporarily impaired	$ -	$ -	$ 1,538,792	$ 3,325	$ 1,538,792	$ 3,325

At December 31, 2019, a total of 5 securities had unrealized losses, 3 of the securities were state and municipals and 2 of the securities were time deposits issued by banks. The unrealized losses have not been realized into income because the securities were not deemed to be of low investment grade and management has the ability to hold the securities for the foreseeable future. The decline in market value is primarily due to general economic conditions.

Securities having a fair value of approximately $12,580,000 at December 31, 2020 and $12,421,000 at December 31, 2019, were pledged for securities sold under agreements to repurchase and to certain deposit customers. The carrying amount of securities issued by the State of Michigan and all its political subdivisions totaled approximately $5,820,000 at December 31, 2020 and $6,308,000 at December 31, 2019 with an approximate fair value of $6,022,000 in 2020 and $6,408,000 in 2019.

Note 4 - Loans Receivable

Loans receivable by loan class at December 31 are as follows:

	2020	2019
Consumer		
Real estate	$ 8,479,467	$ 10,581,564
Other	7,194,820	8,793,082
Business Real Estate		
1-4 family rentals	5,534,545	5,701,042
Owner occupied	63,542,505	59,461,505
Other real estate	105,596,720	110,934,845
Business		
Commercial and industry	53,219,771	26,728,458
Other	4,203,901	5,545,845
Residential Real Estate		
1-4 family and other	145,847,167	140,917,593
1-4 family (LTV>95%)	15,487,848	17,027,983
Gross loans receivable	409,106,744	385,691,917
Allowance for loan losses	(4,215,192)	(2,751,767)
Net loans receivable	$ 404,891,552	$ 382,940,150

At year-end 2020 and 2019, there were no loans held for sale.

Loans to principal officers, directors and their affiliates at December 31 approximated $555,000 in 2020 and $1,022,000 in 2019. Activity for these loans was not deemed significant during 2020 and 2019.

Note 5 - Allowance for Loan Losses

Activity in the allowance for loan losses by loan segment as of December 31, 2020 was as follows:

	Beginning Balance	Charged-off	Recoveries	Provision	Ending Balance
Consumer	**$ 78,778**	**$ (2,887)**	**$ 5,498**	**$ (14,442)**	**$ 66,947**
Business Real Estate	**1,768,814**	**-**	**41,433**	**1,100,532**	**2,910,779**
Business	**330,220**	**(68,767)**	**25,374**	**5,083**	**291,910**
Residential Real Estate	**250,545**	**(29,800)**	**44,164**	**337,631**	**602,540**
Overdrafts	**-**	**(2,140)**	**550**	**1,590**	**-**
Calculated allowance	**2,428,357**	**(103,594)**	**117,019**	**1,430,394**	**3,872,176**
Unallocated allowance	**323,410**	**-**	**-**	**19,606**	**343,016**
Total allowance for loan losses	**$ 2,751,767**	**$ (103,594)**	**$ 117,019**	**$ 1,450,000**	**$ 4,215,192**

Activity in the allowance for loan losses by loan segment as of December 31, 2019 was as follows:

	Beginning Balance	Charged-off	Recoveries	Provision	Ending Balance
Consumer	$ 61,964	$ (2,819)	$ 5,749	$ 13,884	$ 78,778
Business Real Estate	1,708,814	-	28,335	31,665	1,768,814
Business	91,776	(89,319)	125,272	202,491	330,220
Residential Real Estate	456,546	(31,396)	45,616	(220,221)	250,545
Overdrafts	-	(4,310)	2,071	2,239	-
Calculated allowance	2,319,100	(127,844)	207,043	30,058	2,428,357
Unallocated allowance	353,468	-	-	(30,058)	323,410
Total allowance for loan losses	$ 2,672,568	$ (127,844)	$ 207,043	$ -	$ 2,751,767

Additional detail of the allowance for loan losses by loan segment as of December 31, 2020 was as follows:

Allowance for Loan Losses	**Individually Evaluated for Impairment**	**Collectively Evaluated for Impairment**	**Acquired with Deteriorated Credit Quality**	**Ending Balance**
Consumer	**$ 5,066**	**$ 61,881**	**$ -**	**$ 66,947**
Business Real Estate	**446,820**	**2,463,959**	**-**	**2,910,779**
Business	**166,437**	**125,473**	**-**	**291,910**
Residential Real Estate	**82,606**	**519,239**	**695**	**602,540**
Calculated allowance	**700,929**	**3,170,552**	**695**	**3,872,176**
Unallocated allowance	**-**	**343,016**	**-**	**343,016**
Total allowance for loan losses	**$ 700,929**	**$ 3,513,568**	**$ 695**	**$ 4,215,192**

Additional detail of the allowance for loan losses by loan segment as of December 31, 2019 was as follows:

Allowance for Loan Losses	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Acquired with Deteriorated Credit Quality	Ending Balance
Consumer	$ 5,670	$ 73,108	$ -	$ 78,778
Business Real Estate	76,896	1,691,918	-	1,768,814
Business	153,423	176,797	-	330,220
Residential Real Estate	79,287	170,932	326	250,545
Calculated allowance	315,276	2,112,755	326	2,428,357
Unallocated allowance	-	323,410	-	323,410
Total allowance for loan losses	$ 315,276	$ 2,436,165	$ 326	$ 2,751,767

Detail of loan balances by loan segment relating to the allowance for loan losses as of December 31, 2020 was as follows:

Loans Receivable Balance	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Acquired with Deteriorated Credit Quality	Ending Balance
Consumer	**$ 30,695**	**$ 15,643,592**	**$ -**	**$ 15,674,287**
Business Real Estate	**6,726,784**	**167,806,694**	**140,292**	**174,673,770**
Business	**1,842,222**	**55,581,450**	**-**	**57,423,672**
Residential Real Estate	**2,928,109**	**158,094,375**	**312,531**	**161,335,015**
Total loans receivable balance	**$ 11,527,810**	**$ 397,126,111**	**$ 452,823**	**$ 409,106,744**

Detail of loan balances by loan segment relating to the allowance for loan losses as of December 31, 2019 was as follows:

Loans Receivable Balance	Individually Evaluated for Impairment	Collectively Evaluated for Impairment	Acquired with Deteriorated Credit Quality	Ending Balance
Consumer	$ 33,446	$ 19,341,200	$ -	$ 19,374,646
Business Real Estate	4,621,969	171,327,109	148,314	176,097,392
Business	1,431,496	30,842,807	-	32,274,303
Residential Real Estate	3,584,945	153,932,827	427,804	157,945,576
Total loans receivable balance	$ 9,671,856	$ 375,443,943	$ 576,118	$ 385,691,917

The following tables present impaired loans, excluding purchased impaired loans, disaggregated by loan class at December 31, 2020:

Impaired Loans with No Allocated Allowance for Loan Losses	Unpaid Principal Balance	Recorded Investment	Related Allowance	Average Recorded Investment	Interest Income Recognized
Consumer					
Real estate	$ -	$ -	$ -	$ -	$ -
Business Real Estate					
1-4 family rentals	352,174	337,649	-	350,863	6,203
Owner occupied	1,226,783	1,214,793	-	1,240,664	37,260
Other real estate	1,783,960	1,783,864	-	1,822,326	98,381
Business					
Commercial and industry	873,922	874,848	-	894,684	41,478
Residential Real Estate					
1-4 family and other	1,461,093	1,405,782	-	1,467,290	85,712
1-4 family (LTV>95%)	265,032	264,396	-	267,436	14,574
Total	$ 5,962,964	$ 5,881,332	$ -	$ 6,043,263	$ 283,608

Impaired Loans with an Allocated Allowance for Loan Losses	Unpaid Principal Balance	Recorded Investment	Related Allowance	Average Recorded Investment	Interest Income Recognized
Consumer					
Real estate	$ 30,695	$ 30,695	$ 5,066	$ 31,730	$ 1,407
Business Real Estate					
1-4 family rentals	-	-	-	-	-
Owner occupied	3,507,672	3,390,478	446,820	3,482,584	106,662
Other real estate	-	-	-	-	-
Business					
Commercial and industry	966,970	967,374	166,437	971,939	18,299
Residential Real Estate					
1-4 family and other	1,216,021	1,145,932	44,888	1,180,462	57,912
1-4 family (LTV>95%)	116,267	111,999	37,718	115,409	4,769
Total	$ 5,837,625	$ 5,646,478	$ 700,929	$ 5,782,124	$ 189,049

Total Impaired Loans	Unpaid Principal Balance	Recorded Investment	Related Allowance	Average Recorded Investment	Interest Income Recognized
Consumer					
Real estate	$ 30,695	$ 30,695	$ 5,066	$ 31,730	$ 1,407
Business Real Estate					
1-4 family rentals	352,174	337,649	-	350,863	6,203
Owner occupied	4,734,455	4,605,271	446,820	4,723,248	143,922
Other real estate	1,783,960	1,783,864	-	1,822,326	98,381
Business					
Commercial and industry	1,840,892	1,842,222	166,437	1,866,623	59,777
Residential Real Estate					
1-4 family and other	2,677,114	2,551,714	44,888	2,647,752	143,624
1-4 family (LTV>95%)	381,299	376,395	37,718	382,845	19,343
Total	$ 11,800,589	$ 11,527,810	$ 700,929	$ 11,825,387	$ 472,657

The following tables present impaired loans, excluding purchased impaired loans, disaggregated by loan class at December 31, 2019:

Impaired Loans with No Allocated Allowance for Loan Losses	Unpaid Principal Balance	Recorded Investment	Related Allowance	Average Recorded Investment	Interest Income Recognized
Consumer					
Real estate	$ -	$ -	$ -	$ -	$ -
Business Real Estate					
1-4 family rentals	-	-	-	-	-
Owner occupied	957,895	957,895	-	893,372	33,741
Other real estate	-	-	-	-	-
Business					
Commercial and industry	630,229	630,229	-	639,625	26,041
Other	-	-	-	-	-
Residential Real Estate					
1-4 family and other	-	-	-	-	-
1-4 family (LTV>95%)	-	-	-	-	-
Total	$ 1,588,124	$ 1,588,124	$ -	$ 1,532,997	$ 59,782

Impaired Loans with an Allocated Allowance for Loan Losses	Unpaid Principal Balance	Recorded Investment	Related Allowance	Average Recorded Investment	Interest Income Recognized
Consumer					
Real estate	$ 33,446	$ 33,446	$ 5,670	$ 34,437	$ 1,541
Business Real Estate					
1-4 family rentals	51,399	51,399	128	50,341	2,905
Owner occupied	159,786	159,786	15,115	167,790	9,177
Other real estate	3,452,889	3,452,889	61,653	3,528,179	175,577
Business					
Commercial and industry	786,653	786,653	153,131	888,783	28,335
Other	14,614	14,614	292	17,167	1,000
Residential Real Estate					
1-4 family and other	2,790,843	2,750,786	37,181	2,803,539	158,070
1-4 family (LTV>95%)	834,159	834,159	42,106	842,727	44,792
Total	$ 8,123,789	$ 8,083,732	$ 315,276	$ 8,332,963	$ 421,397

Total Impaired Loans	Unpaid Principal Balance	Recorded Investment	Related Allowance	Average Recorded Investment	Interest Income Recognized
Consumer					
Real estate	$ 33,446	$ 33,446	$ 5,670	$ 34,437	$ 1,541
Business Real Estate					
1-4 family rentals	51,399	51,399	128	50,341	2,905
Owner occupied	1,117,681	1,117,681	15,115	1,061,162	42,918
Other real estate	3,452,889	3,452,889	61,653	3,528,179	175,577
Business					
Commercial and industry	1,416,882	1,416,882	153,131	1,528,408	54,376
Other	14,614	14,614	292	17,167	1,000
Residential Real Estate					
1-4 family and other	2,790,843	2,750,786	37,181	2,803,539	158,070
1-4 family (LTV>95%)	834,159	834,159	42,106	842,727	44,792
Total	$ 9,711,913	$ 9,671,856	$ 315,276	$ 9,865,960	$ 481,179

The following table presents the aging of the recorded investment in loans, excluding purchased impaired loans, by portfolio class as of December 31, 2020:

	Current	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total Past Due	Total
Consumer						
Real estate	**$ 8,454,684**	**$ 24,783**	**$ -**	**$ -**	**$ 24,783**	**$ 8,479,467**
Other	**5,548,129**	**24,927**	**-**	**1,621,764**	**1,646,691**	**7,194,820**
Business Real Estate						
1-4 family rentals	**5,534,545**	**-**	**-**	**-**	**-**	**5,534,545**
Owner occupied	**63,402,213**	**-**	**-**	**-**	**-**	**63,402,213**
Other real estate	**105,596,720**	**-**	**-**	**-**	**-**	**105,596,720**
Business						
Commercial and industry	**52,910,433**	**-**	**-**	**309,338**	**309,338**	**53,219,771**
Other	**4,203,901**	**-**	**-**	**-**	**-**	**4,203,901**
Residential Real Estate						
1-4 family and other	**144,446,279**	**962,668**	**45,332**	**80,357**	**1,088,357**	**145,534,636**
1-4 family (LTV>95%)	**14,896,165**	**293,218**	**298,465**	**-**	**591,683**	**15,487,848**
Total	**$ 404,993,069**	**$ 1,305,596**	**$ 343,797**	**$ 2,011,459**	**$ 3,660,852**	**$ 408,653,921**

The following table presents the aging of the recorded investment in loans, excluding purchased impaired loans, by portfolio class as of December 31, 2019:

	Current	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total Past Due	Total
Consumer						
Real estate	$ 10,537,817	$ 43,747	$ -	$ -	$ 43,747	$ 10,581,564
Other	6,859,850	11,380	2,500	1,919,352	1,933,232	8,793,082
Business Real Estate						
1-4 family rentals	5,701,042	-	-	-	-	5,701,042
Owner occupied	59,313,191	-	-	-	-	59,313,191
Other real estate	110,748,127	146,519	40,199	-	186,718	110,934,845
Business						
Commercial and industry	26,000,014	-	-	728,444	728,444	26,728,458
Other	5,545,845	-	-	-	-	5,545,845
Residential Real Estate						
1-4 family and other	139,326,684	878,255	202,628	82,222	1,163,105	140,489,789
1-4 family (LTV>95%)	15,940,087	717,017	247,285	123,594	1,087,896	17,027,983
Total	$ 379,972,657	$ 1,796,918	$ 492,612	$ 2,853,612	$ 5,143,142	$ 385,115,799

The following table presents the recorded investment in nonaccrual loans, which are divided among all aging categories, and accruing loans contractually past due 90 days or more as to interest or principal payments at December 31, 2020:

	Accruing	Nonaccrual	Total
Consumer			
Other	$ -	$ 1,621,764	$ 1,621,764
Business Real Estate			
1-4 family rentals	-	293,831	293,831
Owner occupied	-	3,646,692	3,646,692
Business			
Commercial and industry	-	967,373	967,373
Residential Real Estate			
1-4 family and other	-	573,651	573,651
1-4 family (LTV>95%)	-	169,793	169,793
Total	$ -	$ 7,273,104	$ 7,273,104

The following table presents the recorded investment in nonaccrual loans, which are divided among all aging categories, and accruing loans contractually past due 90 days or more as to interest or principal payments at December 31, 2019:

	Accruing	Nonaccrual	Total
Consumer			
Other	$ -	$ 1,919,352	$ 1,919,352
Business			
Commercial and industry	-	728,444	728,444
Residential Real Estate			
1-4 family and other	-	371,104	371,104
1-4 family (LTV>95%)	-	334,215	334,215
Total	$ -	$ 3,353,115	$ 3,353,115

Nonperforming loans includes both smaller-balance, homogenous loans that are collectively evaluated for impairment and individually classified impaired loans. No additional funds are committed to be advanced in connection with impaired loans, which include restructured loans.

Credit Quality Information

The Corporation utilizes an eight-grade internal loan rating system for all business relationships.

Loans rated 1-4: Loans in these categories are considered "pass" rated loans with minimal to acceptable risk.

Loans rated 5: Loans in this category are considered "watch" or "special mention." These loans are starting to show signs of potential weakness and are being closely monitored by management.

Loans rated 6: Loans in this category are considered "substandard." Generally, a loan is considered substandard if it is inadequately protected by current net worth and paying capacity of the obligors and/or the collateral pledged. There is a distinct possibility that the Corporation will sustain some loss if the weakness is not corrected.

Loans rated 7: Loans in this category are considered "doubtful." Loans classified as doubtful have all the weaknesses inherent in those classified substandard with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, highly questionable and improbable.

Loans rated 8: Loans in this category are considered uncollectible ("loss") and of such little value that their continuance as loans is not warranted.

On an annual basis, or more often if needed, the Corporation formally reviews the ratings on all business loans. Annually, the Corporation engages a third party to review a significant portion of loans. Management utilizes the results of these reviews as part of its annual review process.

Loans not meeting the above criteria that are analyzed individually as part of the above-described process are considered to be pass rated loans. The Corporation risk rates residential real estate loans on an as-needed basis as they become aware of credit weaknesses.

The Corporation utilizes a two-grade internal loan risk rating system for consumer loans:

Performing: Loans in this category are, as of the presentation date, those in which payments of principal and interest are less than 90 days past due.

Nonperforming: Loans in this category were 90 days or more delinquent, nonaccruing loans less than 90 days past due, or loans acquired with deteriorated credit quality and, therefore, are considered to be nonperforming loans. All loans rated nonaccrual are also nonperforming.

The following tables present the credit quality indicators of the Corporation's various classes of loans at December 31, 2020:

Commercial Credit Exposure	**Pass**	**Watch**	**Substandard**	**Doubtful**	**Loss**	**Total**
Business Real Estate						
1-4 family rentals	**$ 4,899,370**	**$ 341,344**	**$ 293,831**	**$ -**	**$ -**	**$ 5,534,545**
Owner occupied	**52,255,699**	**6,261,123**	**5,025,683**	**-**	**-**	**63,542,505**
Other real estate	**87,179,568**	**17,340,237**	**1,076,915**	**-**	**-**	**105,596,720**
Business						
Commercial and industry	**48,206,645**	**3,175,303**	**1,837,823**	**-**	**-**	**53,219,771**
Other	**3,575,688**	**628,213**	**-**	**-**	**-**	**4,203,901**
Total	**$ 196,116,970**	**$ 27,746,220**	**$ 8,234,252**	**$ -**	**$ -**	**$ 232,097,442**

Residential Credit Exposure	**Pass**	**Watch**	**Substandard**	**Doubtful**	**Loss**	**Total**
Residential Real Estate						
1-4 family and other	**$ 145,273,516**	**$ -**	**$ 573,651**	**$ -**	**$ -**	**$ 145,847,167**
1-4 family (LTV>95%)	**15,318,055**	**-**	**169,793**	**-**	**-**	**15,487,848**
Total	**$ 160,591,571**	**$ -**	**$ 743,444**	**$ -**	**$ -**	**$ 161,335,015**

Consumer Credit Exposure	**Performing**	**Non-Performing**	**Total**
Consumer			
Real estate	**$ 8,479,467**	**$ -**	**$ 8,479,467**
Other	**5,573,056**	**1,621,764**	**7,194,820**
Total	**$ 14,052,523**	**$ 1,621,764**	**$ 15,674,287**

The following tables present the credit quality indicators of the Corporation's various classes of loans at December 31, 2019:

Commercial Credit Exposure	Pass	Watch	Substandard	Doubtful	Loss	Total
Business Real Estate						
1-4 family rentals	$ 5,595,022	$ 106,020	$ -	$ -	$ -	$ 5,701,042
Owner occupied	57,168,532	1,896,382	396,591	-	-	59,461,505
Other real estate	107,963,620	2,971,225	-	-	-	110,934,845
Business						
Commercial and industry	23,508,205	2,487,374	732,879	-	-	26,728,458
Other	4,159,472	1,386,373	-	-	-	5,545,845
Total	$ 198,394,851	$ 8,847,374	$ 1,129,470	$ -	$ -	$ 208,371,695

Residential Credit Exposure	Pass	Watch	Substandard	Doubtful	Loss	Total
Residential Real Estate						
1-4 family and other	$ 140,121,993	$ -	$ 795,600	$ -	$ -	$ 140,917,593
1-4 family (LTV>95%)	16,693,768	-	334,215	-	-	17,027,983
Total	$ 156,815,761	$ -	$ 1,129,815	$ -	$ -	$ 157,945,576

Consumer Credit Exposure	Performing	Non-Performing	Total
Consumer			
Real estate	$ 10,581,564	$ -	$ 10,581,564
Other	6,873,730	1,919,352	8,793,082
Total	$ 17,455,294	$ 1,919,352	$ 19,374,646

The following table presents the troubled debt restructurings that occurred during 2020 by portfolio class in accordance with accounting guidance. There were no troubled debt restructurings that occurred during 2019.

	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Business			
Commercial and industry	1	$ 237,906	$ 214,636
Residential Real Estate			
1-4 family and other	1	78,232	75,659
Total	2	$ 316,138	$ 290,295

The modification of the terms of such loans included one or a combination of the following: a reduction in the stated interest rate of the loan; an extension of the maturity date; or some other modification deeming the loan a TDR. All troubled debt restructurings are considered impaired loans in the calculation of the allowance for loan losses. Therefore, management performs a reserve analysis on all loans that have been determined to be troubled debt restructurings. The Corporation has allocated approximately $99,000 of specific reserves to customers whose loan terms have been modified in TDRs as of December 31, 2020 related to a total TDR portfolio of approximately $6,711,000. The Corporation has allocated approximately $162,000 of specific reserves to customers whose loan terms have been modified in TDRs as of December 31, 2019 related to a total TDR portfolio of approximately $9,036,000.

Additionally, the Bank is working with borrowers impacted by Covid-19 and providing modifications to include principal and interest deferral. These modifications are excluded from troubled debt restructuring classification under Section 4013 of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) or under applicable interagency guidance of the federal banking regulators. As of December 31, 2020, the Bank modified 23 loans with outstanding balances of $8,276,000.

Purchased Credit Impaired Loans:

The Corporation has purchased loans, for which there was, at acquisition, evidence of deterioration of credit quality since origination and it was probable, at acquisition, that all contractually required payments would not be collected. The carrying amount of those loans at December 31 was as follows:

	2020	2019
Business Real Estate	**$ 140,292**	$ 148,314
Residential Real Estate	**312,531**	427,804
Total carrying amount	**$ 452,823**	$ 576,118
Carrying amount, net of allowance	**$ 452,128**	$ 575,792

Accretable yield, or income expected to be collected at December 31 was as follows:

	2020	2019
Balance at January 1	**$ 107,888**	$ 152,236
Accretion of income	**(44,512)**	(18,328)
Reclassification from non-accretable	**70,857**	(9,571)
Disposals	**-**	(16,449)
Balance at December 31	**$ 134,233**	$ 107,888

Paycheck Protection Program Loans:

The CARES Act is an economic stimulus bill signed into law on March 27, 2020 in response to the economic fallout of the Covid-19 pandemic in the United States. The creation of the Paycheck Protection Program (PPP) enacted under the CARES Act provides forgivable loans to small businesses for payroll obligations, emergency grants to cover immediate operating costs, and a mechanism for loan forgiveness by the Small Business Association should all criteria be met. Included in commercial loans are approximately $30,971,000 of loans granted under the Paycheck Protection Program. These loans are fully guaranteed by the Small Business Association.

Note 6 – Loan Servicing

Mortgage loans serviced for others are not reported as assets. The principal balance of these loans at year-end was as follows:

Mortgage loan portfolios serviced for:

	2020	2019
Freddie Mac	**$ 7,596,708**	$ 11,166,229
Federal Home Loan Bank	**19,226,223**	27,747,323
Total serviced	**$ 26,822,931**	$ 38,913,552

Custodial escrow balances maintained in connection with serviced loans were $73,222 at year-end 2020 and $92,528 at year-end 2019.

Activity for capitalized mortgage servicing rights was as follows:

	2020	2019
Beginning balance	**$ 228,622**	$ 282,511
Additions	**7,438**	10,156
Amortized to expense	**(87,087)**	(64,045)
Ending balance	**$ 148,973**	$ 228,622

Fair value at year-end 2020 was determined using discount rates ranging from 1.12% to 1.62%, prepayment speeds ranging from 20.9% to 44.6%, depending on the stratification of the specific right, and a weighted-average default rate of zero. Fair value at year-end 2019 was determined using discount rates ranging from 3.00% to 4.00%, prepayment speeds ranging from 10.9% to 25.5%, depending on the stratification of the specific right, and a weighted-average default rate of zero.

There was no valuation allowance required at December 31, 2020 or 2019.

Note 7 – Other Real Estate Owned

Other real estate owned totaled $111,188 at December 31, 2020 and $106,859 at December 31, 2019 and are included in accrued interest receivable and other assets on the consolidated balance sheets.

At December 31, 2020, the entire balance of real estate owned includes foreclosed residential real estate properties as a result of obtaining physical possession of the property.

Note 8 - Premises and Equipment

Premises and equipment at December 31 consist of:

	2020	2019
Land	**$ 2,685,737**	$ 2,685,737
Buildings and improvements	**8,173,117**	8,143,747
Equipment	**3,868,162**	3,773,716
Total cost	**14,727,016**	14,603,200
Less accumulated depreciation	**(6,578,165)**	(6,259,721)
Net premises and equipment	**$ 8,148,851**	$ 8,343,479

Depreciation and amortization expense was $498,781 in 2020 and $505,669 in 2019.

Note 9 - Leases

The Corporation enters into leases in the normal course of business primarily for branch offices and back-office operations. The Corporation's leases have remaining terms ranging from one to eight years, some of which include renewal options to extend the lease for up to five years. The Corporation includes lease extension and termination options in the lease term if, after considering relevant economic factors, it is reasonably certain the Corporation will exercise the option. The Corporation has elected not to recognize leases with original lease terms of 12 months or less (short-term leases) on its consolidated balance sheets.

Leases are classified as operating or finance leases at the lease commencement date. Lease expense for operating leases and short-term leases is recognized on a straight-line basis over the lease term. Right-of-use assets represent the Corporation's right to use an underlying asset for the lease term and the lease liabilities represent the Corporation's obligation to make lease payments arising from the lease. Right-of-use assets and lease liabilities are recognized at the lease commencement date based on the estimated present value of lease payments over the lease term.

The Corporation uses its incremental borrowing rate at lease commencement to calculate the present value of lease payments when the rate implicit in the lease is not known. The Corporation's incremental borrowing rate is based on the Federal Home Loan Bank of Indianapolis advance rate, adjusted for the lease term and other factors.

As of January 1, 2019, when the Corporation adopted ASU 2016-02 prospectively, the Corporation began recording operating leases as a right-of-use asset in accrued interest receivable and other assets and operating lease liability in accrued expenses and other liabilities on the consolidated balance sheet. At December 31, 2020, all leases are considered operating leases.

Future undiscounted lease payments for operating leases with initial terms of one year or more as of December 31, 2020 are as follows:

2021	**$**	**41,400**
2022		**41,400**
2023		**41,400**
2024		**41,400**
2025		**38,700**
Thereafter		**108,000**
Total		**312,300**
Less: imputed interest		**(32,876)**
Net lease liabilities	**$**	**279,424**

The lease expense for operating leases was $40,050 for the year ended December 31, 2020. At December 31, 2020, the weighted average remaining lease term was 7.7 years and the weighted average discount rate utilized to calculate the right-of use asset was 2.85%.

Note 10 – Deposits

At December 31, 2020, stated maturities of time deposits were as follows:

2021	**$**	**47,718,821**
2022		**23,757,217**
2023		**15,380,811**
2024		**11,520,050**
2025		**7,642,583**
Thereafter		**177,747**
Total time deposits	**$**	**106,197,229**

Time deposits in denominations of $250,000 or more at December 31, were $12,873,060 in 2020 and $11,284,437 in 2019. At December 31, 2020, stated maturities of time deposits in denominations of $250,000 or more were as follows:

In 3 months or less	**$**	**1,916,800**
Over 3 through 6 months		**5,336,951**
Over 6 through 12 months		**3,997,988**
Over 12 months		**1,621,321**
Total time deposits $250,000 or more	**$**	**12,873,060**

Related party deposits were approximately $4,424,000 at December 31, 2020 and $3,348,000 at December 31, 2019. Activity in these accounts was not deemed significant during 2020 and 2019.

There were certificates of deposits obtained through deposit brokers totaling $61,661,000 at December 31, 2020 and $70,451,000 at December 31, 2019.

Note 11 – Securities Sold Under Agreements to Repurchase

Information concerning securities sold under agreements to repurchase at December 31 is summarized as follows:

		2020		2019
Amount outstanding at year-end	**$**	**-**	$	7,396,813
Weighted-average interest rate at year-end		**-**		0.70%
Average daily balance during the year	**$**	**5,349,716**	$	7,476,485
Weighted-average interest rate during the year		**0.30%**		1.02%
Maximum month-end balance during the year	**$**	**7,974,378**	$	9,104,090

Securities sold under agreements to repurchase are overnight and continuous. The carrying value of securities pledged at December 31 was as follows:

		2020		2019
Collateral pledged:				
U.S. treasury	**$**	**-**	$	5,621,028
U.S. government agencies		**-**		1,788,511
Total	**$**	**-**	$	7,409,539

Note 12 – Federal Home Loan Bank Advances

At December 31, the types of Federal Home Loan Bank (FHLB) advances were as follows:

		2020		2019
Bullet	**$**	**25,480,000**	$	43,105,000
Putable		**14,000,000**		9,000,000
Total	**$**	**39,480,000**	$	52,105,000

Pursuant to collateral agreements with the Federal Home Loan Bank, in addition to Federal Home Loan Bank stock, advances are secured, under a blanket lien arrangement, by qualified 1-4 family mortgage loans with a carrying value at year-end of approximately $137,069,000 in 2020 and $134,551,000 in 2019.

Scheduled principal reductions and related weighted-average rate grouped by advance type at December 31, 2020 were as follows:

	2021		2022		2023		2024		2025		Thereafter		Total	
	Amount	Rate	Amount	Rate	Amount	Rate	Amount	Rate	Amount	Rate	Amount	Rate	Amount	Rate
Bullet	$ 5,080,000	1.78%	$ 5,400,000	1.92%	$ 5,000,000	1.75%	$ 10,000,000	1.80%	$ -		$ -		$ 25,480,000	1.81%
Putable	-		-		-		-		3,000,000	1.44%	11,000,000	1.15%	14,000,000	1.21%
Total	$ 5,080,000	1.78%	$ 5,400,000	1.92%	$ 5,000,000	1.75%	$ 10,000,000	1.80%	$ 3,000,000	1.44%	$ 11,000,000	1.15%	$ 39,480,000	1.60%

Note 13 – Subordinated Debentures

In 2005, Commercial National Financial Corporation Trust I (CNFC I), a trust formed by the Corporation, closed a pooled private offering of 10,000 trust preferred securities with a liquidation amount of $1,000 per security. The Corporation issued $10,310,000 of subordinated debentures to the trust in exchange for ownership of all of the common security of the trust and the proceeds of the preferred securities sold by the trust. On January 1, 2017, the Corporation acquired Capital Direction Statutory Trust I (CDI I), a trust formed by Capital Directions, Inc. In 2007, CDI issued $3,093,000 of subordinated debentures to the trust in exchange for ownership of all of the common security of the trust and the proceeds of the preferred securities sold by the trust.

The Corporation may redeem the subordinated debentures, in whole or in part, in a principal amount with integral multiples of 1,000 at a redemption price specified in the indenture plus any accrued and unpaid interest. The subordinated debentures of CNFC I mature on June 15, 2035. The subordinated debentures of CDI I mature on January 15, 2037. The subordinated debentures are also redeemable in whole or in part from time to time, upon the occurrence of specific events defined within the trust indentures. The Corporation has the option to defer interest payments on the subordinated debentures from time to time for a period not to exceed five consecutive years. The trust preferred securities may be included in Tier I capital (with certain limitations applicable) under current regulatory guidelines and interpretations. The CNFC I trust preferred securities and subordinated debentures have a variable rate of interest equal to the sum of the three-month London Interbank Offered Rate (LIBOR) plus 1.95%, which was 2.17% at the December 11, 2020 set date. The CDI I trust preferred securities and subordinated debentures have a variable rate of interest equal to the sum of the three-month LIBOR plus 1.68%, which was 1.90% at the December 11, 2020 set date. The trusts are not consolidated with the Corporation's financial statements, but rather the subordinated debentures are shown as a liability.

The Corporation's investment in the common stock of CNFC I and CDI I was $310,000 and $93,000 respectively and is included in other assets.

Note 14 – Employee Benefits

The Corporation's employee benefit plan allows participants to make elective deferrals up to IRS limitations. The Corporation's annual contribution to the plan is based solely on the discretion of the Board of Directors. Employee and employer contributions are vested immediately. The plan covers substantially all employees. Employer expense associated with funding the 401(k) plan was approximately $282,000 in 2020 and $252,000 in 2019.

Note 15 – Federal Income Taxes

Federal income tax expense for the year ended December 31 was as follows:

	2020	2019
Current	$ 1,569,000	$ 1,086,000
Deferred benefit	(710,000)	(16,000)
Total	$ 859,000	$ 1,070,000

The difference between the federal income taxes and the amount computed by applying the statutory federal income tax to income before taxes is related to the following:

	2020	2019
Statutory rates	$ 1,097,000	$ 1,279,000
Increase (decrease) from:		
Bank-owned life insurance	(92,000)	(100,000)
Tax-exempt interest income	(28,000)	(29,000)
Other, net	(22,000)	5,000
General business credits	(96,000)	(85,000)
Total	$ 859,000	$ 1,070,000

The components of the net deferred income tax assets and liabilities resulted from the following temporary differences between the carrying amounts of assets and liabilities for income tax and financial reporting purposes as of December 31.

	2020	2019
Allowance for loan losses	$ 885,000	$ 474,000
Interest on nonaccrual loans	68,000	50,000
Deferred compensation	55,000	60,000
Asset acquisition - Hastings	101,000	124,000
Asset acquisition - Mason	(30,000)	(46,000)
Prepaid expenses	(56,000)	(64,000)
Accumulated depreciation	(572,000)	(587,000)
Mortgage servicing rights	(29,000)	(44,000)
Net unrealized gains on securities available for sale	(216,000)	(100,000)
Deferred loan fees	180,000	(36,000)
Other	14,000	(25,000)
Net deferred tax asset (liability)	$ 400,000	$ (194,000)

All tax years from 2017 and subsequent remain open to examination by the Internal Revenue Service. The Corporation does not believe that the results from any examination of these open years would have a material adverse effect on the Corporation.

Note 16 – Earnings Per Share

A reconciliation of the numerators and denominators of the basic earnings per share and diluted earnings per share computations is presented below for December 31:

		2020		2019
Basic earnings per share:				
Net income available to common shareholders	**$**	**4,364,420**	$	5,018,576
Weighted-average common shares outstanding for basic earnings per share		**3,965,304**		3,965,304
Basic earnings per share	**$**	**1.10**	$	1.27

		2020		2019
Diluted earnings per share:				
Net income available to common shareholders	**$**	**4,364,420**	$	5,018,576
Weighted-average common shares outstanding for basic earnings per share		**3,965,304**		3,965,304
Add:				
Dilutive effect of assumed exercise of stock options		-		-
Weighted-average common and dilutive additional potential common shares outstanding		**3,965,304**		3,965,304
Diluted earnings per share	**$**	**1.10**	$	1.27

Note 17 - Commitments, Off-Balance-Sheet Risk and Contingencies

There are various contingent liabilities that are not reflected in the consolidated financial statements, including claims and legal actions arising in the ordinary course of business. In the opinion of management, after consultation with legal counsel, the ultimate disposition of these matters is not expected to have a material effect on the Corporation's financial condition or results of operations.

Loan Commitments The Corporation is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet financing needs of its customers. These financial instruments include commitments to make loans, unused lines of credit and standby letters of credit. Contractual amounts of these instruments represent the exposure to credit loss in the event of nonperformance by the other party to financial instruments for commitments to make loans, unused lines of credit and standby letters of credit. The Corporation follows the same credit policy to make such commitments as it uses for on-balance-sheet items.

Since many commitments to make loans expire without being used, the amount of commitments shown does not necessarily represent future cash commitments. No losses are anticipated as a result of these transactions. Collateral obtained upon exercise of commitments is determined using management's credit evaluation of the borrowers and may include real estate, business assets, deposits and other items.

Commitments at December 31 were as follows:

	2020	2019
Commitments to extend credit	**$ 56,542,472**	$ 52,016,213
Standby letters of credit	**450,000**	518,900
Total commitments	**$ 56,992,472**	$ 52,535,113

At December 31, 2020, fixed and variable interest rate commitments were approximately $15,496,000 and $41,496,000, respectively. Fixed rate commitments interest rates and terms ranged from 2.50% to 16.20% and five months to thirty years, respectively.

Leases and Other Contractual Commitments The Corporation occupies one location under a long-term operating lease. In addition, the Corporation is party to long-term contracts for data processing and operating systems. The future minimum annual commitments under all operating leases and other contractual commitments as of December 31, 2020 were as follows:

Year	Lease and Other Contractual Commitments
2021	**$ 782,040**
2022	**650,291**
2023	**682,014**
2024	**715,252**
2025	**742,580**
Total	**$ 3,572,177**

Note 18 - Fair Values of Financial Instruments

The following methods and assumptions were used to estimate fair values for financial instruments:

- Carrying amount is considered to approximate fair value for cash and cash equivalents, interest-bearing deposits in banks, Federal Home Loan Bank (FHLB) stock, demand and savings deposits, securities sold under agreements to repurchase, accrued interest receivable, accrued interest payable and variable rate loans or deposits that re-price frequently and fully.
- Securities fair values are based on quoted market prices or, if no quotes are available, on the rate, term of the security, and information about the issuer.
- Fixed rate loans and time deposits, and variable rate loans with infrequent re-pricing, are estimated using discounted cash flow analyses or underlying collateral values, where applicable.
- Fair value of Federal Home Loan Bank advances is based on currently available rates for similar financing.
- Fair value of debt is based on current rates for similar financing.
- Fair value of other financial instruments and off-balance-sheet items approximate cost and are not considered significant to this presentation.

While these estimates of fair value are based on management's judgment of the most appropriate factors, there is no assurance that if the Corporation had disposed of such items at December 31, 2020 and 2019, the estimated fair values would have been achieved.

Market values may differ depending on various circumstances not taken into consideration in this methodology. The estimated fair values at December 31, 2020 and 2019 should not necessarily be considered to apply at subsequent dates.

Financial instruments at December 31 were approximately as follows:

	2020		2019	
	Carrying Value	Fair Value	Carrying Value	Fair Value
FINANCIAL ASSETS				
Cash and cash equivalents	$ 42,773,000	$ 42,773,000	$ 21,808,000	$ 21,808,000
Time deposits in banks	24,337,000	24,337,000	31,956,000	31,956,000
Securities available for sale	41,553,000	41,553,000	34,029,000	34,029,000
Federal Home Loan Bank stock	4,185,000	4,185,000	4,185,000	4,185,000
Loans, net of allowance	404,892,000	411,034,000	382,940,000	384,289,000
Accrued interest receivable	1,175,000	1,175,000	840,000	840,000
Total financial assets	$ 518,915,000	$ 525,057,000	$ 475,758,000	$ 477,107,000
FINANCIAL LIABILITIES				
Demand and savings deposits	$ (344,704,000)	$ (344,704,000)	$ (272,309,000)	$ (272,309,000)
Time deposits	(106,197,000)	(108,289,000)	(117,755,000)	(118,194,000)
Securities sold under agreements to repurchase	-	-	(7,397,000)	(7,397,000)
Federal Home Loan Bank advances	(39,480,000)	(40,758,000)	(52,105,000)	(51,979,000)
Subordinated debentures	(13,403,000)	(13,403,000)	(13,403,000)	(13,403,000)
Accrued interest payable	(143,000)	(143,000)	(229,000)	(229,000)
Total financial liabilities	$ (503,927,000)	$ (507,297,000)	$ (463,198,000)	$ (463,511,000)

Note 19 – Capital Requirements and Restrictions on Retained Earnings

The Bank is subject to regulatory capital requirements administered by federal banking agencies. Capital adequacy guidelines and prompt corrective action regulations involve quantitative and qualitative measures of assets, liabilities and certain off-balance-sheet items calculated under regulatory accounting practices. Capital amounts and classifications are also subject to qualitative judgments by regulators about components, risk weightings and other factors. The regulators can lower classifications in certain cases. Failure to meet various capital requirements can initiate regulatory action that could have a direct material effect on the financial statements. The capital conservation buffer for 2020 and 2019 is 2.50%. The net unrealized gain or loss on available-for-sale securities is not included in computing regulatory capital. Management believes as of December 31, 2020, the Bank meets all capital adequacy requirements to which they are subject.

The prompt corrective action regulations provide five classifications, including well capitalized, adequately capitalized, undercapitalized, significantly undercapitalized and critically undercapitalized. These terms are not used to represent overall financial condition.

If only adequately capitalized, regulatory approval is required to accept brokered deposits. If undercapitalized, capital distributions, asset growth and expansion are limited. Plans for capital restoration are also required. The Bank was categorized as well capitalized at December 31, 2020 and 2019. There are no events or conditions since that time that management believes have changed the institution's category.

The Corporation's primary source of funds to pay dividends to shareholders is the dividends received from the Bank. The Bank is subject to certain state and federal restrictions on the amount of dividends it may declare without prior regulatory approval.

The Corporation's ability to pay dividends is dependent on the Bank, which is restricted by state law and regulations. These regulations pose no practical restrictions to paying dividends at historical levels.

Actual capital levels and minimum required levels (both in millions) at December 31 were:

	Actual		Minimum Required For Capital Adequacy Purposes		Minimum Required To Be Well Capitalized Under Prompt Corrective Action Regulations	
2020	**Amount**	**Ratio**	**Amount**	**Ratio**	**Amount**	**Ratio**
Total capital (to risk-weighted assets)						
Bank	**$ 53.1**	**15.5 %**	**$ 27.4**	**8.0 %**	**$ 34.2**	**10.0 %**
Tier 1 (Core) capital (to risk-weighted assets)						
Bank	**48.8**	**14.3**	**20.5**	**6.0**	**27.4**	**8.0**
Common Tier 1 (CET1)						
Bank	**48.8**	**14.3**	**15.4**	**4.5**	**22.2**	**6.5**
Tier 1 capital (to average assets)						
Bank	**48.8**	**9.0**	**21.7**	**4.0**	**27.2**	**5.0**
2019						
Total capital (to risk-weighted assets)						
Bank	$ 49.6	14.2 %	$ 28.0	8.0 %	$ 35.0	10.0 %
Tier 1 (Core) capital (to risk-weighted assets)						
Bank	46.8	13.4	21.0	6.0	28.0	8.0
Common Tier 1 (CET1)						
Bank	46.8	13.4	15.7	4.5	22.7	6.5
Tier 1 capital (to average assets)						
Bank	46.8	9.3	20.2	4.0	25.3	5.0

Consolidated capital amounts and ratios are not presented as they are not required since the consolidated entity is less than $3 billion in assets and the Bank comprises approximately 99% of the consolidated assets of the holding company.

Note 20 - Fair Value

The Corporation utilizes fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. Securities available for sale are recorded at fair value on a recurring basis. Additionally, from time to time, the Corporation may be required to record at fair value other assets on a nonrecurring basis, such as loans held for sale, foreclosed assets, mortgage servicing rights and certain other assets and liabilities. These nonrecurring fair value adjustments typically involve the application of lower of cost or market accounting for write-downs of individual assets.

Following is a description of the valuation methodologies used for assets and liabilities recorded at fair value:

Securities: Securities available for sale and equity securities are recorded at fair value on a recurring basis. Fair values are determined by quoted market prices (Level 1) or by matrix pricing, which is a mathematical technique widely used in the industry to value debt securities without relying exclusively on quoted prices for the specific securities but rather by relying on the securities' relationship to other benchmark quoted securities (Level 2 inputs). The fair values of certain municipal securities are determined by computing discounted cash flows using observable and unobservable market inputs (Level 3 inputs).

Foreclosed Assets: Foreclosed assets are initially recorded at fair value less costs to sell when acquired, establishing a new cost basis. Adjustments to foreclosed assets are measured at fair value less costs to sell. Fair values are generally based on third-party appraisals or realtor evaluations of the property. These appraisals and evaluations may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. If these values are based on appraisals less than six months old, they are considered Level 2. If adjustments are made by management and the adjustments are significant, these result in a Level 3 classification of the inputs for determining fair value. In cases where the carrying amount exceeds the fair value, less costs to sell, an impairment loss is recognized through a valuation allowance and the property is reported as nonrecurring Level 2. For Level 3 fair value measurements, management applies adjustments as considered necessary based on the circumstances surrounding each individual property. Adjustments of 15% to 25% were made to foreclosed asset appraisals during 2020 and 2019.

Impaired Loans: Loans identified as impaired are measured using one of three methods: the loan’s observable market price, the fair value of collateral or the present value of expected future cash flows. For each period presented, no impaired loans were measured using the loan's observable market price. During the year, if an impaired loan has had a charge-off or if the fair value of the collateral is less than the recorded investment in the loan, the Corporation establishes a specific reserve and reports the loan as nonrecurring Level 3. The fair value of collateral of impaired loans is generally based on recent real estate appraisals. These appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. If adjustments are made by management and the adjustments are significant, these result in a Level 3 classification.

Fair values of assets and liabilities measured on a recurring basis at December 31 were as follows:

		Fair Value Measurements at Reporting Date Using		
	Fair Value	Quoted Prices In Active Markets for Identical Assets/Liabilities (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
2020				
Securities available for sale	**$ 41,553,132**	**$ 31,410,100**	**$ 8,412,771**	**$ 1,730,261**
2019				
Securities available for sale	$ 34,029,158	$ 23,585,645	$ 9,634,846	$ 808,667

Fair values of assets and liabilities measured on a nonrecurring basis at December 31 were as follows:

	Total	Level 1	Level 2	Level 3
2020				
Foreclosed assets	**$ 111,188**	**$ -**	**$ 111,188**	**$ -**
Impaired loans	**4,945,549**	**-**	**-**	**4,945,549**
2019				
Foreclosed assets	$ 106,859	$ -	$ 75,989	$ 30,870
Impaired loans	7,768,452	-	-	7,768,452

A reconciliation of beginning and ending balances for Level 3 assets measured at fair value on a recurring basis follows:

Level 3 Fair Value Measurements Available-For-Sale Securities - State and Municipal	2020	2019
Balance at beginning of year	**$ 808,667**	$ 883,815
Tranfers out of Level 3	**(75,000)**	(80,000)
Total gains or losses (realized/unrealized)		
Included in earnings	**-**	-
Included in other comprehensive income/loss	**46,594**	4,852
Purchases	**950,000**	-
Sales	**-**	-
Balance at end of year	**$ 1,730,261**	$ 808,667

Note 21 – Accumulated Other Comprehensive Income (Loss)

The comprehensive income (loss) topic of FASB ASC requires the reporting of comprehensive income (loss) in addition to net income. Comprehensive income (loss) is a more inclusive financial reporting methodology that includes disclosures of certain financial information that, historically, has not been recognized in the calculation of net income.

The items of other comprehensive income (loss) included in comprehensive income (loss) is the change in unrealized holding gains (losses) on investment securities classified as available for sale. The reclassification adjustment for gains (losses) realized in net income is recorded as a separate line item on the consolidated statements of income.

The amounts for the years ended December 31 are summarized below:

	Before-Tax Amount	Tax (Expense) Benefit	Net-of-Tax Amount
2020			
Accumulated other comprehensive income, beginning balance	**$ 474,939**	**$ (99,737)**	**$ 375,202**
Unrealized gains on securities available for sale:			
Unrealized holding gains arising during the period	**555,526**	**(116,661)**	**438,865**
Reclassification adjustment for gains included in earnings	**(56)**	**12**	**(44)**
Other comprehensive income	**555,470**	**(116,649)**	**438,821**
Accumulated other comprehensive income, ending balance	**$ 1,030,409**	**$ (216,386)**	**$ 814,023**
2019			
Accumulated other comprehensive loss, beginning balance	$ (393,467)	$ 82,628	$ (310,839)
Unrealized gains on securities available for sale:			
Unrealized holding gains arising during the period	869,730	(182,643)	687,087
Reclassification adjustment for gains included in earnings	(1,324)	278	(1,046)
Other comprehensive income	868,406	(182,365)	686,041
Accumulated other comprehensive income, ending balance	$ 474,939	$ (99,737)	$ 375,202

Note 22 – Investment in Qualified Affordable Housing Projects

The Bank holds investments in Cinnaire Michigan Community Fund Limited Partnership XX-2, Cinnaire Michigan Community Fund Limited Partnership XX-3 and Cinnaire Michigan Community Fund Limited Partnership XX-4 (collectively Cinnaire) which are limited liability companies that manage or invest in affordable housing projects that qualify for the low-income housing tax credit. The Bank accounts for its investment in Cinnaire using the proportional amortization method, under which the Bank amortizes the cost of the investment in proportion to the tax credits and other tax benefits received and recognizes the net investment performance as a component of income tax expense. The Bank recognized approximately $93,000 as an income tax benefit related to these investments in 2020 and $85,000 in 2019.

The Bank's recorded investment in Cinnaire was approximately $2,009,000 at December 31, 2020 and $2,478,000 at December 31, 2019. These investments are included in accrued interest receivable and other assets on the consolidated balance sheets. The Bank's remaining commitment to provide capital contributions to Cinnaire is $182,000 as of December 31, 2020 and $230,000 as of December 31, 2019. These amounts are included in accrued expenses and other liabilities on the consolidated balance sheets.

Note 23 – Subsequent Events

As more fully discussed in the Risks and Uncertainties footnote, the current Coronavirus Pandemic has had an economic impact on the United States and the International Community. While the Corporation has not experienced a material adverse impact as of the date of these financial statements, the future impact, if any, cannot be determined.

Commercial National Financial Corporation

Directors

Richard S. Prestage	Chairperson of the Board; Partner, Nexcare Health Systems and The WellBridge Group
Jeffrey A. Stahl	Vice Chairperson of the Board; President and CEO of Jer-Den Plastics
Kevin D. Collison	President and CEO of the Corporation and Bank
Heather M. Cook Fisette	Owner, Heather M. Cook CPA, PLC
Timothy J. Coscarelly	Commercial real estate management and development
Aaron L. Davis	Vice President and part-owner of Craig Frames, Inc.
Christopher E. Goggin	General practice attorney in Alma, Michigan
Brent J. Hardman	Chief Executive Officer of Powell in St. Louis, Michigan
Loren R. Roslund	Chairman, Roslund Farms, LLC and Roslund Precision Machine, LLC

Officers

Kevin D. Collison	President and CEO
Kevin A. Twardy	Chief Financial Officer

Commercial Bank

Officers

Richard S. Prestage	Chairperson of the Board	Michael D. Miller	VP - Commercial Lender - Alma/Mt. Pleasant
Jeffrey A. Stahl	Vice Chairperson of the Board	Benjamin Z. Ogle	VP - Controller
Kevin D. Collison	President and CEO	Sandra Panella	VP - Compliance/BSA Officer/CRA Officer
Andrew P. Shafley	EVP and Chief Lending Officer	Heather A. Schaeffer	VP - Human Resources
Kevin A. Twardy	Chief Financial Officer and COO	Linda M. Vaughn	VP - Loan Operations
Matthew O. Fletcher	First VP - Credit Administration	Trisha A. Warner	VP - Treasury Department Manager
Garth W. Anderson	VP - Commercial Lender - Alma	Jessica L. Wright	VP - Senior Mortgage Lender
Corey S. Bailey	VP - Commercial Lender - Ithaca	Melanie S. Baxter	AVP - Branch Administration
Kathleen R. Baker	VP - Mortgage Lender - Mason	Nate R. Kirk, Jr.	AVP - Mortgage Lender - Okemos
Debra K. Bunting	VP - Deposit Operations	Roger K. Merritt	AVP - IT Support Specialist
Chelsey A. Foster	VP - Hastings Community President	Heidi L. Miller	AVP - Mortgage Lender - Hastings
Gregory R. Hansen	VP - Commercial Lender - Okemos	Jamie L. Ogle	AVP - Business Loan Processing Manager
Paul D. Harger	VP - IT Manager	Denise L. Reese	AVP - Security Officer/ISO
Jayme L. Kosal	VP - Commercial Lender - Greenville/G.R.		

Commercial Bank Locations

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GRAND RAPIDS	50 Louis St., NW, Suite 612	Loan production office	Ph. (616) 405-4626	
GREENVILLE	10530 West Carson City Rd.	ATM on site	Ph. (616) 754-7166	Fax (616) 754-2118
HASTINGS	629 West State St.	ATM on site	Ph. (269) 945-9561	Fax (269) 945-2389
ITHACA	101 North Pine River St.	ATM on site	Ph. (989) 875-4144	Fax (989) 875-4534
MASON	322 S. Jefferson St.	ATM on site	Ph. (517) 676-0500	Fax (517) 676-0528
MASON	661 N. Cedar St.	ATM on site	Ph. (517) 676-0515	Fax (517) 676-0510
MIDDLETON	101 North Newton St.	ATM on site	Ph. (989) 236-7236	Fax (989) 236-7732
MT. PLEASANT	304 E. Broadway St., Suite 204	Loan production office	Ph. (989) 875-5576	
OKEMOS	2112 Jolly Rd.	ATM on site	Ph. (517) 337-5000	Fax (517) 337-5648
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Annual Report Availability

Commercial National's annual report is available upon written request without charge from:

Commercial National Financial Corporation
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Investment Brokers

Boenning & Scattergood—Eugene Bodo—1-800-842-8928
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Stifel, Nicolaus & Company, Incorporated—Kyle Travis, Financial Advisor—1-616-224-1559
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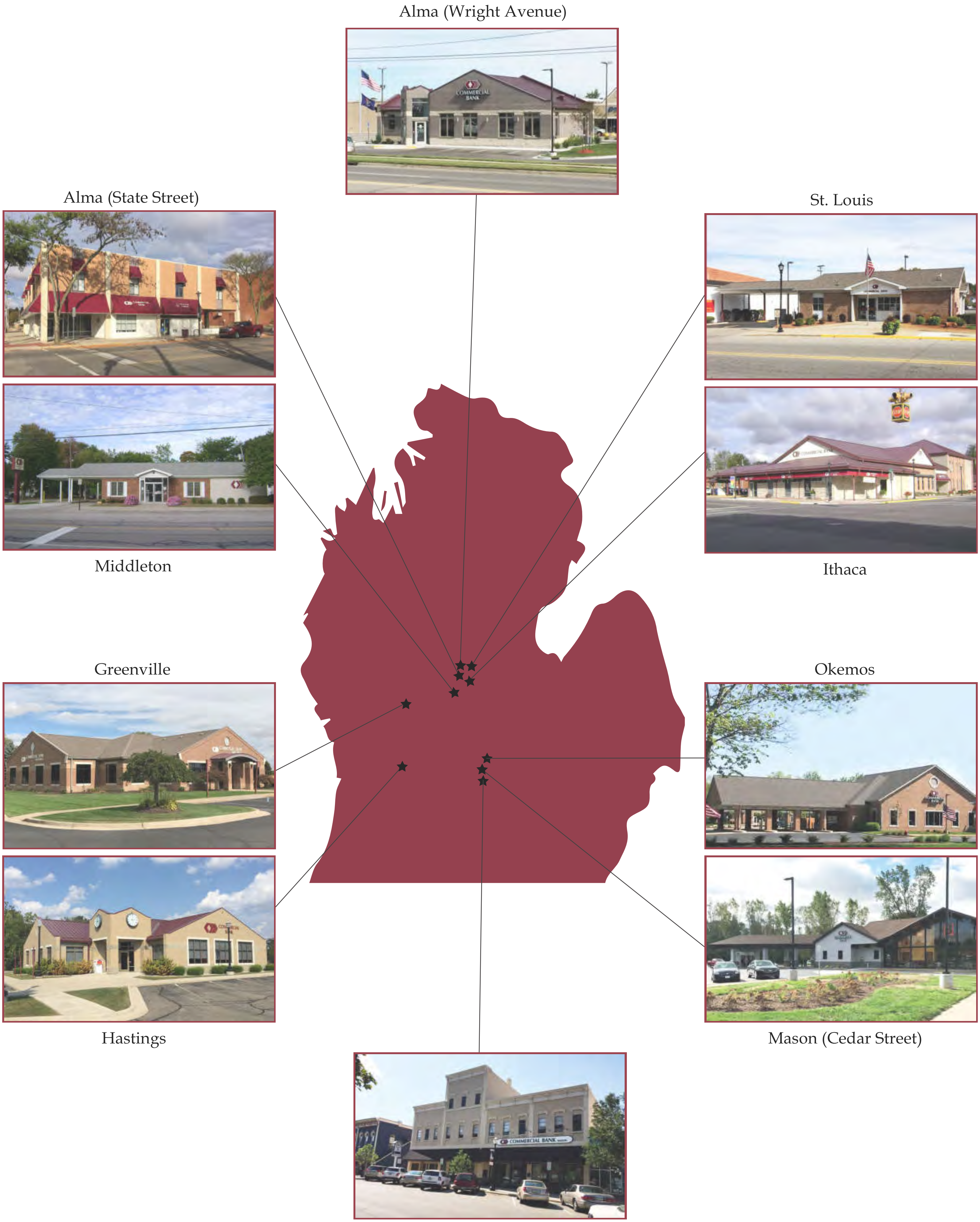
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