



**COMMERCIAL NATIONAL
FINANCIAL CORPORATION**

Board of Directors

Jeffrey S. Barker
Kevin D. Collison
Robert S. Elmore
Charles M. Fortino
Alan C. Kommel
Randal K. Lewis
Kim C. Newson
Richard S. Prestage
Loren R. Roslund
Scott E. Sheldon

**SECOND QUARTER REPORT
JUNE 30, 2015**



**COMMERCIAL NATIONAL
FINANCIAL CORPORATION**

**CNFC
101 N. PINE RIVER ST.
P.O. BOX 280**

**ITHACA, MICHIGAN 48847
989-875-4144**

To Our Shareholders,

Net income for the second quarter ended June 30, 2015 totaled \$687,000 or \$.21 per share compared to \$612,000 or \$.19 per share for the same period last year. Return on average equity was 11.85% for the second quarter of 2015 compared to 11.32% for the second quarter of 2014.

Total loans grew \$12.8 million, or 4.8% when comparing June 30, 2015 to June 30, 2014. We are continuing our efforts to increase loan volume while maintaining our credit quality standards. For the quarter ended June 30, 2015, provision for loan loss expense and loss share reimbursement revenue were significantly lower due to improved credit quality metrics in the loss share loan portfolio. Operating expenses decreased \$226,000 or 10.2% due to lower collection expenses and continued measures taken to reduce other expense categories. Non-performing assets as a percent of total assets were .69% at June 30, 2015 compared to 1.09% at June 30, 2014.

We have recently unveiled our new interactive website and have received many positive comments from our customers. We hope you will visit our website at www.commercial-bank.com to view the many enhancements we have made. We also have an Investor Information link which will enable you to view all of our recent news releases and financial information.

We would also like to make you aware that, beginning with this quarter, our earnings release and dividend release will take place in separate mailings to allow us to release our earnings at an earlier date.

Again, we encourage you to recommend Commercial Bank to your friends and business associates for their banking needs. Our great team members are ready and willing to assist them.

We will continue to pursue opportunities to improve earnings and provide shareholders with a satisfactory return. As always, please feel free to contact me with questions or concerns.

Kevin D. Collison
President and CEO

COMMERCIAL NATIONAL FINANCIAL CORPORATION

FINANCIAL HIGHLIGHTS

	6/30/2015	6/30/2014
QUARTER ENDING		
Basic Earnings	\$ 0.21	\$ 0.19
Diluted Earnings	\$ 0.21	\$ 0.19
Return on Average Equity	11.85%	11.32%
Return on Average Assets	0.74%	0.65%
YEAR TO DATE		
Basic Earnings	\$ 0.41	\$ 0.35
Diluted Earnings	\$ 0.41	\$ 0.35
Return on Average Equity	11.59%	10.80%
Return on Average Assets	0.71%	0.62%
Cash Dividends Paid	\$ 0.26	\$ 0.26
Book Value	\$ 7.13	\$ 6.75
Market Price	\$ 8.55	\$ 8.20
Price/Earnings Ratio	10.69X	10.93X
Dividend Yield	6.08%	6.34%
Allowance for Loan Loss to Total Loans	0.91%	0.98%

INVESTMENT BROKERS

Stifel, Nicolaus & Company, Incorporated

Kyle Travis- Financial Advisor
1-616-224-1559

Products & services are offered through Stifel. Stifel is not affiliated with Commercial Bank. Member SIPC/NYSE

CapTrust Financial Advisors

Brandon Kanitz/Danielle Kammeyer
1-866-669-4300

Brokerage & Advisory services offered through McDonald Partners, LLC. McDonald Partners is not affiliated with Commercial Bank. Member FINRA/SIPC

Boenning & Scattergood

Thomas Dooley/Nick Bicking
1-866-326-8113

Brokerage & Advisory services offered through Boenning & Scattergood are not affiliated with Commercial Bank. Member FINA/SIPC

Stock Symbol: CEFC

CONSOLIDATED BALANCE SHEETS

	6/30/2015	6/30/2014
Assets	(Unaudited)	(Unaudited)
Cash and due from banks	\$ 11,151,612	\$ 12,759,845
Federal funds sold	250,000	213,000
Total cash & cash equivalents	11,401,612	12,972,845
Time deposits in banks	19,554,000	19,708,000
Securities	45,270,704	60,248,028
Loans	281,550,807	268,756,392
Less: Allowance for loan losses	(2,574,503)	(2,634,965)
Net loans	278,976,304	266,121,427
Bank premises & equipment- net	4,328,993	4,439,964
Trust Preferred	310,000	310,000
Other assets	16,733,294	15,533,870
Total Assets	\$ 376,574,907	\$ 379,334,134
Liabilities		
Deposits		
Non-interest bearing	\$ 53,261,043	\$ 56,271,355
Interest bearing	247,199,792	268,727,355
Total deposits	300,460,835	324,998,710
Repurchase agreements	4,205,920	7,767,809
Federal Home Loan Bank borrowings	34,735,000	12,535,000
Trust Preferred	10,310,000	10,310,000
Accrued interest and other liabilities	3,669,096	1,756,580
Total Liabilities	353,380,851	357,368,099
Shareholders' Equity		
Common stock & paid-in-capital	13,572,835	13,572,835
Accumulated other comprehensive income (loss), net of tax	(39,876)	(361,920)
Retained earnings	9,661,097	8,755,120
Total Shareholders' Equity	23,194,056	21,966,035
Total Liabilities & Shareholders' Equity	\$ 376,574,907	\$ 379,334,134

CONSOLIDATED STATEMENTS OF INCOME

	QUARTER ENDING		YEAR TO DATE	
	6/30/2015	6/30/2014	6/30/2015	6/30/2014
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interest Income				
Interest & fees on loans	\$ 3,208,242	\$ 3,241,841	\$ 6,511,842	\$ 6,485,689
Interest on federal funds sold	145	139	285	251
Interest on deposits in banks	55,962	57,771	114,402	94,153
Interest & dividends on securities	198,708	249,934	404,610	531,701
Total interest income	3,463,057	3,549,685	7,031,139	7,111,794
Interest Expense				
Interest on deposits	648,150	789,259	1,331,511	1,609,860
Interest on other borrowings	1,144	2,243	2,646	4,464
Trust Preferred	56,196	55,179	111,094	109,958
Interest on FHLB borrowings	110,981	70,344	216,446	146,528
Total interest expense	816,471	917,025	1,661,697	1,870,810
Net Interest Income	2,646,586	2,632,660	5,369,442	5,240,984
Provision for loan losses	105,842	421,017	212,416	466,930
Net interest income after provision	2,540,744	2,211,643	5,157,026	4,774,054
Non-interest Income				
Service charges and fees	192,037	205,955	374,634	396,168
Loss share reimbursement	84,718	457,199	175,266	518,427
Other income	158,152	172,812	328,011	322,847
Total other income	434,907	835,966	877,911	1,237,442
Operating Expenses				
Salaries & employee benefits	1,114,538	1,183,330	2,311,654	2,400,595
Net occupancy & equipment expense	352,016	359,316	733,609	738,965
Other expenses	519,390	669,462	1,125,940	1,310,624
Total operating expenses	1,985,944	2,212,108	4,171,203	4,450,184
Income Before Income Taxes	989,707	835,501	1,862,734	1,561,312
Income tax expense	302,246	223,061	540,009	407,121
Net Income	\$ 687,461	\$ 612,440	\$ 1,322,725	\$ 1,154,191

OFFICERS OF COMMERCIAL BANK

President & CEO	
Kevin D. Collison	
Executive Vice President & Chief Lending Officer	
Andrew P. Shafley	
Chief Financial Officer & Chief Operating Officer	
Kevin A. Twardy	
First Vice President	
Matthew O. Fletcher	
Vice President & Controller	
Cathy M. Patterson	
Vice Presidents	
Corey S. Bailey	Debra K. Bunting
Linda M. Vaughn	
Assistant Vice Presidents	
Garth W. Anderson	Michael D. Miller
Sherri J. Downing	Sandra Panella
Chelsey A. Foster	Dawn K. Riley
Josh K. Gibbs	Heather A. Schaeffer
Officers	
Sharon K. Bassette	Michelle L. Pitts
Dacia L. Watson	Denise L. Reese
Heidi L. Miller	Jessica L. Wright

OFFICES

Alma- N. State St. 989-463-2185	Ithaca 989-875-4144	Middleton 989-236-7236
Alma- Center St. 989-463-2185	St. Louis 989-681-5738	Greenville 616-754-7166
Alma- Wright Ave. 989-463-3901	Hastings 269-945-9561	Lake Odessa 616-374-8849



Mt. Pleasant
989-775-0355



www.commercial-bank.com