



**COMMERCIAL NATIONAL  
FINANCIAL CORPORATION**

**Board of Directors**

Kevin D. Collison  
Heather M. Cook  
Robert S. Elmore  
Timothy P. Gaylord  
Kim C. Newson  
Richard S. Prestage  
Loren R. Roslund  
Scott E. Sheldon  
Jeffrey A. Stahl

**SECOND QUARTER REPORT  
JUNE 30, 2019**



**COMMERCIAL NATIONAL  
FINANCIAL CORPORATION**

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

**[www.commercial-bank.com](http://www.commercial-bank.com)**



Visit [www.commercial-bank.com](http://www.commercial-bank.com) to view the latest consolidated Annual Report, news releases and other information about CEFC and Commercial Bank.

To Our Shareholders,

Net income for the second quarter of 2019 was \$1,123,000, or \$.28 per share compared to second quarter 2018 net income of \$1,185,000, or \$.30 per share. Return on Equity (ROE) was 12.32% for the second quarter of 2019 compared to 14.17% for the second quarter of 2018.

Total assets were \$520.1 million at June 30, 2019 compared to \$507.4 million at June 30, 2018. Total loans of \$376.3 million decreased \$2.9 million, or .8% year over year. The lending environment remains very competitive in our markets and we experienced several large commercial loan payoffs during the past twelve months. However, our loan pipeline is growing and we expect commercial and construction loan closings to increase loan balances during the second half of 2019.

For the second quarter ended June 30, 2019, net interest income increased \$25,000, or .7%. During the next several quarters, we intend to use excess cash to reduce higher interest rate wholesale borrowings. Non-interest income rose by \$18,000, or 3.8% due to increased loan fees. Operating expenses increased by \$117,000, or 4.5% primarily due to higher wages and benefits expense and professional fees.

As always, please feel free to contact me with any questions or concerns.

Kevin D. Collison  
President and CEO

**COMMERCIAL NATIONAL FINANCIAL  
CORPORATION**

**FINANCIAL HIGHLIGHTS**

	6/30/2019	6/30/2018
<b>QUARTER ENDING</b>		
Basic Earnings	\$ 0.28	\$ 0.30
Diluted Earnings	\$ 0.28	\$ 0.30
Return on Average Equity	12.32%	14.17%
Return on Average Assets	0.86%	0.91%
Net Interest Margin	2.95%	2.92%
<b>YEAR TO DATE</b>		
Basic Earnings	\$ 0.56	\$ 0.57
Diluted Earnings	\$ 0.56	\$ 0.57
Return on Average Equity	12.42%	13.60%
Return on Average Assets	0.86%	0.87%
Cash Dividends Paid	\$ 0.26	\$ 0.26
Book Value	\$ 9.32	\$ 8.52
Market Price	\$ 11.25	\$ 12.00
Dividend Yield	4.62%	4.33%
Allowance for Loan Loss to Total Loans	0.73%	0.70%
Net Interest Margin	2.93%	2.95%

**INVESTMENT BROKERS**

**Stifel, Nicolaus & Company, Incorporated**

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

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

**Boenning & Scattergood**

Eugene B. Bodo  
1-800-842-8928

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

**Stock Symbol: CEFC**

## CONSOLIDATED BALANCE SHEETS

	<b>6/30/2019</b>	<b>6/30/2018</b>
	(Unaudited)	(Unaudited)
<b>Assets</b>		
Cash and due from banks	\$ 30,049,622	\$ 12,167,133
Federal funds sold	<u>406,000</u>	<u>255,000</u>
Total cash & cash equivalents	30,455,622	12,422,133
Time deposits in banks	44,387,000	47,834,000
Securities	41,633,532	40,971,026
Loans	376,254,807	379,195,022
Less: Allowance for loan losses	<u>(2,742,679)</u>	<u>(2,655,800)</u>
Net loans	373,512,128	376,539,222
Bank premises & equipment	8,625,432	7,914,647
Other assets	<u>21,508,487</u>	<u>21,765,211</u>
<b>Total Assets</b>	<b>\$ 520,122,201</b>	<b>\$ 507,446,239</b>
<b>Liabilities</b>		
Deposits		
Non-interest bearing	\$ 82,321,619	\$ 71,743,846
Interest bearing	<u>327,565,718</u>	<u>329,933,112</u>
Total deposits	409,887,337	401,676,958
Repurchase agreements	7,306,082	5,996,013
Federal Home Loan Bank borrowings	49,605,000	49,805,000
Trust Preferred	13,403,000	13,403,000
Accrued expenses and other liabilities	<u>2,975,910</u>	<u>2,790,775</u>
<b>Total Liabilities</b>	483,177,329	473,671,746
<b>Shareholders' Equity</b>		
Common stock & paid-in-capital	20,517,682	20,517,682
Accumulated other comprehensive income (loss), net of tax	329,693	(425,832)
Retained earnings	<u>16,097,497</u>	<u>13,682,643</u>
<b>Total Shareholders' Equity</b>	<u>36,944,872</u>	<u>33,774,493</u>
<b>Total Liabilities &amp; Shareholders' Equity</b>	<b>\$ 520,122,201</b>	<b>\$ 507,446,239</b>

## CONSOLIDATED STATEMENTS OF INCOME

	<b>QUARTER ENDING</b>		<b>YEAR TO DATE</b>	
	<b>6/30/2019</b>	<b>6/30/2018</b>	<b>6/30/2019</b>	<b>6/30/2018</b>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>Interest Income</b>				
Interest & fees on loans	\$ 4,390,706	\$ 4,258,005	\$ 8,709,417	\$ 8,511,865
Interest on federal funds sold	1,907	1,250	3,422	2,338
Interest on deposits in banks	422,769	303,453	830,328	569,763
Interest & dividends on securities	<u>253,078</u>	<u>214,970</u>	<u>498,979</u>	<u>429,924</u>
Total interest income	5,068,460	4,777,678	10,042,146	9,513,890
<b>Interest Expense</b>				
Interest on deposits	1,094,538	818,816	2,129,689	1,571,986
Interest on FHLB advances	205,408	236,422	407,794	477,330
Trust Preferred	146,759	133,016	297,686	249,088
Interest on other borrowings	<u>20,872</u>	<u>13,306</u>	<u>41,029</u>	<u>22,846</u>
Total interest expense	1,467,577	1,201,560	2,876,198	2,321,250
<b>Net Interest Income</b>	3,600,883	3,576,118	7,165,948	7,192,640
<b>Non-interest Income</b>				
Service charges and fees	220,288	216,840	420,152	427,673
Other income	<u>274,530</u>	<u>259,712</u>	<u>663,319</u>	<u>456,945</u>
Total other income	494,818	476,552	1,083,471	884,618
<b>Operating Expenses</b>				
Salaries & employee benefits	1,590,403	1,549,028	3,214,412	3,094,388
Occupancy & equipment expense	498,441	480,889	1,005,666	968,908
Other expenses	<u>645,186</u>	<u>587,542</u>	<u>1,365,272</u>	<u>1,279,140</u>
Total operating expenses	2,734,030	2,617,459	5,585,350	5,342,436
<b>Income Before Income Taxes</b>	1,361,671	1,435,211	2,664,069	2,734,822
Income tax expense	<u>238,500</u>	<u>250,000</u>	<u>440,000</u>	<u>486,000</u>
<b>Net Income</b>	<b>\$ 1,123,171</b>	<b>\$ 1,185,211</b>	<b>\$ 2,224,069</b>	<b>\$ 2,248,822</b>

## OFFICERS OF COMMERCIAL BANK

<b>President &amp; CEO</b>	
Kevin D. Collison	
<b>Executive Vice President &amp; Chief Lending Officer</b>	
Andrew P. Shafley	
<b>Chief Financial Officer &amp; Chief Operating Officer</b>	
Kevin A. Twardy	
<b>First Vice President</b>	
Matthew O. Fletcher	
<b>Vice Presidents</b>	
Corey S. Bailey	Debra K. Bunting
Kathleen R. Baker	Heather A. Schaeffer
Linda M. Vaughn	
<b>Assistant Vice Presidents</b>	
Garth W. Anderson	Deborah R. Keyes
Melanie S. Baxter	Michael D. Miller
Sherri J. Downing	Benjamin Z. Ogle
Chelsey A. Foster	Sandra Panella
Greg R. Hansen	Dawn K. Riley
Paul D. Harger	Jessica L. Wright
Jayme L. Huffman	Peter D. Zemelis
<b>Officers</b>	
Nate R. Kirk, Jr.	Denise L. Reese
Heidi L. Miller	Dacia L. Watson

## OFFICES

Alma- N. State St. 989-463-2185	Okemos 517-337-5000	Middleton 989-236-7236
Alma- Wright Ave. 989-463-3901	Greenville 616-754-7166	St. Louis 989-681-5738
Mason- Jefferson St. 517-676-0500	Hastings 269-945-9561	Ithaca 989-875-4144
Mason- Cedar St. 517-676-0515		
**Mt. Pleasant 989-775-0355	**Grand Rapids 616-608-0022	

\*\*Loan production office only