



**COMMERCIAL NATIONAL  
FINANCIAL CORPORATION**

**Board of Directors**

Kevin D. Collison  
Heather M. Cook  
Robert S. Elmore  
Charles M. Fortino  
Timothy P. Gaylord  
Randal K. Lewis  
Kim C. Newson  
Richard S. Prestage  
Loren R. Roslund  
Scott E. Sheldon

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**FIRST QUARTER REPORT  
MARCH 31, 2018**



**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 first quarter of 2018 was \$1,064,000, or \$.27 per share compared to a net loss for the first quarter of 2017 of \$206,000, or \$.05 per share. Excluding merger-related expenses for the merger with Capital Directions, Inc., the holding company for Mason State Bank, 2017 first quarter net income was \$803,000, or \$.21 per share.

Total assets were \$530 million at March 31, 2018 compared to \$535.9 million at March 31, 2017. Total loans were approximately flat year over year. The lending environment remains very competitive in our markets. We are continuing our efforts to increase loan volume while maintaining our credit quality standards.

For the quarter ended March 31, 2018, net interest income increased \$16,000, or .4%. Increases in interest income from the higher interest rate environment were mostly offset by a higher cost of funds. The provision for loan losses decreased \$16,000 due to a lower trend in historical losses. Non-interest income decreased \$12,000, or 3% primarily due to lower service charges. Operating expenses decreased by \$1,665,000, or 37.9% mostly due to the absence of one-time merger-related expenses in the current quarter as well as from the realization of other cost saving opportunities.

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**

	3/31/2018	3/31/2017
	QUARTER ENDING	
Basic Earnings	\$ 0.27	\$ (0.05)
Diluted Earnings	\$ 0.27	\$ (0.05)
Return on Average Equity	13.01%	(2.61)%
Return on Average Assets	0.83%	(0.16)%
Net Interest Margin	2.99%	2.95%
Cash Dividends Paid	\$ 0.13	\$ 0.13
Book Value	\$ 8.37	\$ 7.99
Market Price	\$ 12.50	\$ 11.37
Price/Earnings Ratio	10.59X	20.67X
Dividend Yield	4.16%	4.57%
Allowance for Loan Losses to Total Loans	0.69%	0.71%

**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**

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**

	3/31/2018	3/31/2017
<b>Assets</b>	(Unaudited)	(Unaudited)
Cash and due from banks	\$ 26,111,664	\$ 39,290,041
Federal funds sold	1,581,000	345,000
Total cash & cash equivalents	27,692,664	39,635,041
Time deposits in banks	50,559,000	41,293,000
Securities	36,591,591	38,948,461
Loans	387,682,296	387,305,804
Less: Allowance for loan losses	(2,672,577)	(2,752,545)
Net loans	385,009,719	384,553,259
Bank premises & equipment- net	7,650,007	7,122,992
Other assets	22,516,191	24,300,812
<b>Total Assets</b>	<b>\$ 530,019,172</b>	<b>\$ 535,853,565</b>
<b>Liabilities</b>		
Deposits		
Non-interest bearing	\$ 80,314,617	\$ 82,512,283
Interest bearing	342,040,546	353,116,191
Total deposits	422,355,163	435,628,474
Repurchase agreements	5,603,842	5,950,051
Federal Home Loan Bank borrowings	52,155,000	44,340,768
Trust Preferred	13,403,000	13,403,000
Accrued interest and other liabilities	3,311,055	4,846,800
<b>Total Liabilities</b>	<b>496,828,060</b>	<b>504,169,093</b>
<b>Shareholders' Equity</b>		
Common stock & paid-in-capital	20,517,682	21,324,921
Accumulated other comprehensive income, net of tax	(339,492)	(1,755)
Retained earnings	13,012,922	10,361,306
<b>Total Shareholders' Equity</b>	<b>33,191,112</b>	<b>31,684,472</b>
<b>Total Liabilities &amp; Shareholders' Equity</b>	<b>\$ 530,019,172</b>	<b>\$ 535,853,565</b>

**CONSOLIDATED STATEMENTS OF INCOME**

	QUARTER/YEAR ENDING	
	3/31/2018	3/31/2017
	(Unaudited)	(Unaudited)
<b>Interest Income</b>		
Interest & fees on loans	\$ 4,253,860	\$ 4,191,229
Interest on federal funds sold	1,088	589
Interest on deposits in banks	266,310	189,110
Interest & dividends on securities	214,954	179,728
Total interest income	4,736,212	4,560,656
<b>Interest Expense</b>		
Interest on deposits	753,170	665,459
Interest on FHLB advances	240,908	195,960
Trust Preferred	116,072	93,678
Interest on other borrowings	9,540	4,737
Total interest expense	1,119,690	959,834
<b>Net Interest Income</b>	3,616,522	3,600,822
Provision for loan losses	-	15,814
Net interest income after provision	3,616,522	3,585,008
<b>Non-interest Income</b>		
Service charges and fees	210,833	230,734
Other income	197,233	189,789
Total other income	408,066	420,523
<b>Operating Expenses</b>		
Salaries & employee benefits	1,545,360	2,431,505
Net occupancy & equipment expense	488,019	485,293
Other expenses	691,598	1,472,728
Total operating expenses	2,724,977	4,389,526
<b>Income Before Income Taxes</b>	1,299,611	(383,995)
Income tax expense	236,000	(178,000)
<b>Net Income</b>	<b>\$ 1,063,611</b>	<b>\$ (205,995)</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	Heather A. Schaeffer
Kathleen R. Baker	Linda M. Vaughn
Debra K. Bunting	Kathy M. Wakefield
<b>Assistant Vice Presidents</b>	
Garth W. Anderson	Deborah R. Keyes
Sherri J. Downing	Michael D. Miller
Chelsey A. Foster	Benjamin Z. Ogle
Josh K. Gibbs	Sandra Panella
Greg R. Hansen	Dawn K. Riley
Paul D. Harger	Jessica L. Wright
<b>Officers</b>	
Melanie S. Baxter	Michelle L. Pitts
Nate R. Kirk, Jr.	Denise L. Reese
Heidi L. Miller	Dacia L. Watson

**OFFICES**

Alma- N. State St. 989-463-2185	East Lansing 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	<b>**Grand Rapids</b> 616-608-0021	

\*\*Loan production office only