



**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

**THIRD QUARTER REPORT
SEPTEMBER 30, 2019**



**COMMERCIAL NATIONAL
FINANCIAL CORPORATION**

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

Visit www.commercial-bank.com to view the latest consolidated Annual Report, news releases and other information about CEFC and Commercial Bank.

www.commercial-bank.com



To Our Shareholders,

Net income for the third quarter of 2019 was \$1,478,000, or \$.37 per share compared to third quarter 2018 net income of \$1,177,000, or \$.30 per share. Return on Equity (ROE) was 15.57% for the third quarter of 2019 compared to 13.68% for the third quarter of 2018.

Total assets were \$512.1 million at September 30, 2019 compared to \$519.1 million at September 30, 2018. The decrease in total assets is primarily due to intentionally decreasing brokered certificates of deposit with excess liquidity. This resulted in an improved net interest margin which was 3.12% in the third quarter 2019 compared to 2.88% in the third quarter of 2018. Total loans of \$381.9 million increased \$.1 million, or .04% 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 loans to increase during the next several quarters.

For the third quarter ended September 30, 2019, net interest income increased \$267,000, or 7.7% primarily due to the net interest margin improvement discussed above. Non-interest income rose by \$150,000, or 23.9% primarily due to increased loan fees. Operating expenses increased by \$33,000, or 1.2% primarily due to higher wages and benefits expense and professional fees, partially offset by lower FDIC insurance expense related to the small bank assessment credits.

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

	9/30/2019	9/30/2018
	QUARTER ENDING	
Basic Earnings	\$ 0.37	\$ 0.30
Diluted Earnings	\$ 0.37	\$ 0.30
Return on Average Equity	15.57%	13.68%
Return on Average Assets	1.14%	0.91%
Net Interest Margin	3.12%	2.88%

	YEAR TO DATE	
Basic Earnings	\$ 0.93	\$ 0.86
Diluted Earnings	\$ 0.93	\$ 0.86
Return on Average Equity	13.51%	13.62%
Return on Average Assets	0.95%	0.88%
Cash Dividends Paid	\$ 0.39	\$ 0.39
Book Value	\$ 9.59	\$ 8.67
Market Price	\$ 10.20	\$ 12.47
Dividend Yield	5.10%	4.17%
Allowance for Loan Loss to Total Loans	0.72%	0.70%
Net Interest Margin	3.00%	2.93%

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

	9/30/2019	9/30/2018
Assets	(Unaudited)	(Unaudited)
Cash and due from banks	\$ 29,419,841	\$ 20,877,682
Federal funds sold	<u>129,000</u>	<u>258,000</u>
Total cash & cash equivalents	29,548,841	21,135,682
Time deposits in banks	33,703,000	49,052,000
Securities	39,462,218	38,988,839
Loans	381,898,344	381,715,154
Less: Allowance for loan losses	<u>(2,753,679)</u>	<u>(2,668,424)</u>
Net loans	379,144,665	379,046,730
Bank premises & equipment	8,584,696	8,114,616
Other assets	<u>21,686,072</u>	<u>22,733,983</u>
Total Assets	\$ 512,129,492	\$ 519,071,850
Liabilities		
Deposits		
Non-interest bearing	\$ 79,577,824	\$ 72,687,746
Interest bearing	<u>316,829,607</u>	<u>340,490,139</u>
Total deposits	396,407,431	413,177,885
Repurchase agreements	7,583,333	6,464,515
Federal Home Loan Bank borrowings	53,605,000	48,805,000
Trust Preferred	13,403,000	13,403,000
Accrued expenses and other liabilities	<u>3,120,848</u>	<u>2,855,188</u>
Total Liabilities	474,119,612	484,705,588
Shareholders' Equity		
Common stock & paid-in-capital	20,517,682	20,517,682
Accumulated other comprehensive income (loss), net of tax	431,954	(495,581)
Retained earnings	<u>17,060,244</u>	<u>14,344,161</u>
Total Shareholders' Equity	<u>38,009,880</u>	<u>34,366,262</u>
Total Liabilities & Shareholders' Equity	\$ 512,129,492	\$ 519,071,850

CONSOLIDATED STATEMENTS OF INCOME

	QUARTER ENDING		YEAR TO DATE	
	9/30/2019	9/30/2018	9/30/2019	9/30/2018
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interest Income				
Interest & fees on loans	\$ 4,451,717	\$ 4,254,818	\$ 13,161,134	\$ 12,766,683
Interest on federal funds sold	1,580	1,426	5,002	3,764
Interest on deposits in banks	353,330	315,670	1,183,658	885,433
Interest & dividends on securities	<u>253,857</u>	<u>221,257</u>	<u>752,836</u>	<u>651,181</u>
Total interest income	5,060,484	4,793,171	15,102,630	14,307,061
Interest Expense				
Interest on deposits	913,726	924,601	3,043,415	2,496,587
Interest on FHLB advances	232,539	227,196	640,333	704,526
Trust Preferred	141,207	140,775	438,893	389,863
Interest on other borrowings	<u>20,728</u>	<u>15,681</u>	<u>61,757</u>	<u>38,527</u>
Total interest expense	1,308,200	1,308,253	4,184,398	3,629,503
Net interest income	3,752,284	3,484,918	10,918,232	10,677,558
Non-interest Income				
Service charges and fees	235,411	221,957	655,563	649,630
Other income	<u>542,721</u>	<u>406,062</u>	<u>1,206,040</u>	<u>863,007</u>
Total other income	778,132	628,019	1,861,603	1,512,637
Operating Expenses				
Salaries & employee benefits	1,637,797	1,568,573	4,852,209	4,662,961
Occupancy & equipment expense	483,206	466,884	1,488,872	1,435,792
Other expenses	<u>615,677</u>	<u>668,622</u>	<u>1,980,949</u>	<u>1,947,762</u>
Total operating expenses	2,736,680	2,704,079	8,322,030	8,046,515
Income Before Income Taxes				
	1,793,736	1,408,858	4,457,805	4,143,680
Income tax expense	<u>315,500</u>	<u>231,851</u>	<u>755,500</u>	<u>717,851</u>
Net Income	\$ 1,478,236	\$ 1,177,007	\$ 3,702,305	\$ 3,425,829

OFFICERS OF COMMERCIAL BANK

President & CEO	
Kevin D. Collison	
Executive Vice President & Chief Lending Officer	
Andrew P. Shafley	
Chief Financial Officer & Chief Operating Officer	
Kevin A. Twardy	
First Vice President	
Matthew O. Fletcher	
Vice Presidents	
Corey S. Bailey	Debra K. Bunting
Kathleen R. Baker	Heather A. Schaeffer
Linda M. Vaughn	
Assistant Vice Presidents	
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. Kosal	Peter D. Zemelis
Officers	
Nate R. Kirk, Jr.	Heidi L. Miller
Denise L. Reese	

OFFICES

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

**Loan production office only