

## Commercial National Financial Corporation Reports 4<sup>th</sup> Quarter 2016 Earnings

Ithaca, Michigan, January 26, 2017 (GLOBE NEWSWIRE) -- Commercial National Financial Corporation (Pink Sheets: CEFC) today announced 2016 fourth quarter net income of \$599,000, or \$.18 per share compared to 2015 fourth quarter net income of \$599,000, or \$.18 per share. Excluding merger-related expenses of the previously announced merger with Capital Directions, Inc., the holding company for Mason State Bank, fourth quarter 2016 net income was \$738,000, or \$.23 per share.

Net income for the year ended December 31, 2016 was \$2,598,000, or \$.80 per share compared to net income for 2015 of \$2,685,000, or \$.83 per share. Excluding merger-related expenses, net income for 2016 was \$2,891,000, or \$.89 per share.

For the quarter ended December 31, 2016, net interest income increased \$148,000, or 5.4% due to the growth in loans as compared to the quarter ended December 31, 2015. The provision for loan losses was negative \$45,000 for the December 2016 quarter but was \$109,000 higher than the negative \$154,000 provision for the December 2015 quarter. Noninterest income increased \$117,000 primarily due to higher loss share reimbursement revenue. Loss share reimbursement revenue represents an expected reimbursement from the FDIC of 80% of losses on covered loans acquired in 2010 in the FDIC-assisted transaction of MainStreet Savings Bank. Operating expenses increased by \$72,000 primarily due to merger-related costs.

Total assets were \$400.4 million at December 31, 2016 compared to \$385.2 million at December 31, 2015. Total loans grew \$23 million, or 8% year over year. The majority of loan growth occurred in the commercial loan portfolio. We also experienced increased residential mortgage loan activity compared to last year with the low interest rate environment and an uptick in home listings and new construction loans. We are continuing our efforts to increase loan volume while maintaining our credit quality standards.

The merger with Capital Directions, Inc. closed January 1, 2017. Immediately following the closing of the merger, Mason State Bank was merged into Commercial Bank. Commercial National Financial Corporation operates through a single subsidiary bank, Commercial Bank. 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.

### Selected Financial Data (unaudited):

	Quarter Ended December 31,		Year Ended December 31,	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Return on Equity (ROE)	9.59%	9.95%	10.62%	11.50%
Return on Assets (ROA)	.59	.62	.65	.71
Interest Margin	3.08	3.04	3.02	3.09
	December 31,			
	<u>2016</u>	<u>2015</u>		
Non-performing Assets Ratio	.58%	.58%		
Tier 1 Leverage Capital <sup>(1)</sup>	8.45	8.59		
Total Risk-based Capital <sup>(1)</sup>	13.91	14.65		
Book Value Per Share	\$7.56	\$7.31		
Market Value Per Share	11.99	8.99		

<sup>(1)</sup> Ratios are for Commercial Bank.

Consolidated Statements of Income:

	Quarter Ended December 31,		Year Ended December 31,	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Interest Income	\$3,685,324	\$3,556,619	\$14,483,563	\$14,108,705
Interest Expense	<u>807,224</u>	<u>826,020</u>	<u>3,232,485</u>	<u>3,253,242</u>
Net Interest Income	2,878,100	2,730,599	11,251,078	10,855,463
Provision for loan losses	(44,536)	(153,556)	-	60,700
Non-interest income	359,610	242,125	1,537,815	1,605,822
Operating Expenses	<u>2,365,786</u>	<u>2,294,264</u>	<u>9,051,178</u>	<u>8,666,594</u>
Income before taxes	916,460	832,016	3,737,715	3,733,991
Income tax expense	<u>317,234</u>	<u>232,874</u>	<u>1,140,181</u>	<u>1,048,757</u>
Net Income	<u>\$599,226</u>	<u>\$599,142</u>	<u>\$2,597,534</u>	<u>\$2,685,234</u>
Net Income per share – basic	<u>\$0.18</u>	<u>\$0.18</u>	<u>\$0.80</u>	<u>\$0.83</u>
Net Income per share – diluted	<u>\$0.18</u>	<u>\$0.18</u>	<u>\$0.80</u>	<u>\$0.83</u>
Dividends declared	<u>\$0.13</u>	<u>\$0.13</u>	<u>\$0.52</u>	<u>\$0.52</u>

Consolidated Balance Sheets:

	December 31,	
	<u>2016</u>	<u>2015</u>
<b>Assets</b>		
Cash and cash equivalents	\$8,439,901	\$14,851,190
Time deposits with other banks	35,818,000	26,870,000
Securities	26,364,794	37,744,441
Loans	310,699,984	287,667,563
Allowance for loan losses	<u>(2,691,895)</u>	<u>(2,489,755)</u>
Loans, net	308,008,089	285,177,808
Bank premises and equipment	4,784,022	4,314,758
Other assets	<u>16,952,000</u>	<u>16,210,910</u>
Total Assets	<u>\$400,366,806</u>	<u>\$385,169,107</u>
<b>Liabilities</b>		
Deposits	\$317,286,037	\$307,124,795
Other borrowings	44,342,134	40,165,686
Trust preferred	10,310,000	10,310,000
Other liabilities	<u>3,833,263</u>	<u>3,786,139</u>
Total Liabilities	375,771,434	361,386,620
<b>Equity</b>		
Common stock and paid in capital	13,572,835	13,572,835
Retained earnings	11,082,790	10,176,823
Accumulated OCI	<u>(60,253)</u>	<u>32,829</u>
Total Equity	<u>24,595,372</u>	<u>23,782,487</u>
Total Liabilities and Equity	<u>\$400,366,806</u>	<u>\$385,169,107</u>

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