

## Commercial National Financial Corporation Reports 2<sup>nd</sup> Quarter 2016 Earnings

Ithaca, Michigan, July 27, 2016 (GLOBE NEWSWIRE) -- Commercial National Financial Corporation (Pink Sheets: CEFC) today announced 2016 second quarter net income of \$689,000, or \$.21 per share compared to 2015 second quarter net income of \$687,000, or \$.21 per share. Excluding merger-related expenses of the previously announced merger with Capital Directions, Inc., the holding company for Mason State Bank, second quarter 2016 net income was \$750,000, or \$.23 per share.

Total assets were \$397.9 million at June 30, 2016 compared to \$376.6 million at June 30, 2015. Total loans grew \$14.7 million, or 5.2% when comparing June 30, 2016 to June 30, 2015. The majority of loan growth occurred in the commercial loan portfolio. We have experienced increased residential mortgage loan activity with the continued 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.

For the quarter ended June 30, 2016, net interest income increased \$124,000, or 4.7% due to growth in interest-earning assets, partially offset by lower interest margin compared to the quarter ended June 30, 2015. Provision for loan losses expense decreased by \$95,000 due to improved credit quality metrics. Loss share reimbursement revenue, a component of non-interest income, decreased by \$65,000 primarily due to its linkage to the lower provision for loan losses expense. 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 \$230,000 primarily due to merger-related cost of \$93,000.

Commercial National Financial Corporation operates through a single subsidiary bank, Commercial Bank, with full-service banking offices in Alma, Greenville, Hastings, Ithaca, Lake Odessa, Middleton and St. Louis and loan production offices in Grand Rapids and Mount Pleasant, Michigan. 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 June 30,		Six Months Ended June 30,	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Return on Equity (ROE)	11.39%	11.85%	11.03	11.59
Return on Assets (ROA)	.69	.74	.67	.71
Interest Margin	2.93	3.06	2.93	3.10
	June 30,			
	<u>2016</u>	<u>2015</u>		
Non-performing Assets Ratio	.42%	.69%		
Tier 1 Leverage Capital <sup>(1)</sup>	8.35	8.72		
Total Risk-based Capital <sup>(1)</sup>	14.50	15.24		
Book Value Per Share	\$7.52	\$7.13		

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

Consolidated Statements of Income (\$ in 000's except per share data):

	Quarter Ended June 30,		Six Months Ended June 30,	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Interest Income	\$3,611	\$3,463	\$7,179	\$7,031
Interest Expense	<u>840</u>	<u>816</u>	<u>1,695</u>	<u>1,662</u>
Net Interest Income	2,771	2,647	5,484	5,369
Provision for loan losses	11	106	43	212
Non-interest income	419	435	772	878
Operating Expenses	<u>2,216</u>	<u>1,986</u>	<u>4,368</u>	<u>4,171</u>
Income before taxes	963	990	1,845	1,864
Income tax expense	<u>274</u>	<u>303</u>	<u>520</u>	<u>540</u>
Net Income	<u>\$ 689</u>	<u>\$ 687</u>	<u>\$1,325</u>	<u>\$1,324</u>
Net Income per share – basic	<u>\$ 0.21</u>	<u>\$ 0.21</u>	<u>\$ 0.41</u>	<u>\$ 0.41</u>
Net Income per share – diluted	<u>\$ 0.21</u>	<u>\$ 0.21</u>	<u>\$ 0.41</u>	<u>\$ 0.41</u>

Consolidated Balance Sheets (\$ in 000's):

	June 30,	
	<u>2016</u>	<u>2015</u>
<b>Assets</b>		
Cash and cash equivalents	\$ 13,830	\$ 11,402
Time deposits with other banks	41,548	19,554
Securities	28,979	45,270
Loans	296,230	281,551
Allowance for loan losses	<u>(2,705)</u>	<u>(2,575)</u>
Loans, net	293,525	278,976
Bank premises and equipment	4,261	4,329
Other assets	<u>15,789</u>	<u>17,044</u>
Total Assets	<u>\$397,932</u>	<u>\$376,575</u>
<b>Liabilities</b>		
Deposits	\$ 318,033	\$ 300,461
Other borrowings	41,761	38,941
Trust preferred	10,310	10,310
Other liabilities	<u>3,362</u>	<u>3,669</u>
Total Liabilities	373,466	353,381
<b>Equity</b>		
Common stock and paid in capital	13,573	13,573
Retained earnings	10,656	9,661
Accumulated OCI	<u>237</u>	<u>(40)</u>
Total Equity	<u>24,466</u>	<u>23,194</u>
Total Liabilities and Equity	<u>\$397,932</u>	<u>\$376,575</u>

Contact:

Kevin Twardy  
CFO and COO  
(989) 875-5528