

Commercial National Financial Corporation Reports 1st Quarter 2017 Earnings

Ithaca, Michigan, April 27, 2017 (GLOBE NEWSWIRE) -- Commercial National Financial Corporation (Pink Sheets: CEFC) today announced a 2017 first quarter net loss of \$206,000, or \$.05 per share compared to 2016 first quarter net income of \$636,000, or \$.20 per share. Excluding merger-related expenses of the previously announced 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 \$535.9 million at March 31, 2017 compared to \$408.2 million at March 31, 2016. Total loans grew \$97.3 million, or 33.5% year over year. Approximately \$75.4 million of loan growth related to the merger with Mason State Bank with the remainder mostly related to commercial loan originations. We are continuing our efforts to increase loan volume while maintaining our credit quality standards.

For the quarter ended March 31, 2017, net interest income increased \$887,000, or 32.7% primarily due to the growth in loans mentioned above as compared to the March 31, 2016 quarter. Non-interest income increased \$68,000 or 19.2% over the same time frame primarily due to higher service charges and other income levels as a result of combining both banks. Operating expenses increased by \$2.2 million mostly due to merger-related obligations and costs related to the conversion of Mason State Bank data processing systems to ours.

President and CEO Kevin D. Collison stated “We are pleased to have closed the merger with Capital Directions, Inc. The first quarter results were significantly affected by the remaining merger-related expenses as well as the costs to convert Mason State Bank’s data processing systems to ours. We sincerely appreciate the long hours our staff have put in to make the conversion as seamless as possible for our customers. We look forward to seeing the benefits of this merger in the coming months.”

Selected Financial Data (unaudited):

	Quarter Ended March 31,	
	<u>2017</u>	<u>2016</u>
Return on Equity (ROE)	(2.61)%	10.67%
Return on Assets (ROA)	(.16)	.64
Net Interest Margin	2.95	2.93

	March 31,	
	<u>2017</u>	<u>2016</u>
Non-performing Assets Ratio	.48%	.45%
Tier 1 Leverage Capital ⁽¹⁾	7.76	8.35
Total Risk-based Capital ⁽¹⁾	13.34	14.64
Book Value Per Share	\$7.99	\$7.41
Market Value Per Share	11.37	9.75

⁽¹⁾ Ratios are for Commercial Bank.

Consolidated Statements of Income:

	Quarter Ended March 31,	
	<u>2017</u>	<u>2016</u>
Interest Income	\$4,560,656	\$3,567,884
Interest Expense	<u>959,834</u>	<u>854,203</u>
Net Interest Income	3,600,822	2,713,681
Provision for loan losses	15,814	31,752
Non-interest income	420,523	352,714
Operating Expenses	<u>4,389,526</u>	<u>2,152,900</u>
Income (loss) before taxes	(383,995)	881,743
Income tax expense (benefit)	<u>(178,000)</u>	<u>246,055</u>
Net Income (loss)	<u>\$(205,995)</u>	<u>\$635,688</u>
Net Income (loss) per share – basic	<u>\$(0.05)</u>	<u>\$0.20</u>
Net Income (loss) per share – diluted	<u>\$(0.05)</u>	<u>\$0.20</u>
Dividends declared	<u>\$0.13</u>	<u>\$0.13</u>

Consolidated Balance Sheets:

	March 31,	
	<u>2017</u>	<u>2016</u>
Assets		
Cash and cash equivalents	\$39,635,041	\$28,479,701
Time deposits with other banks	41,293,000	35,588,000
Securities	38,948,461	36,323,874
Loans	387,305,804	290,022,094
Allowance for loan losses	<u>(2,752,545)</u>	<u>(2,593,972)</u>
Loans, net	384,553,259	287,428,122
Bank premises and equipment	7,122,992	4,243,159
Other assets	<u>24,300,812</u>	<u>16,183,760</u>
Total Assets	<u>\$535,853,565</u>	<u>\$408,246,616</u>
Liabilities		
Deposits	\$435,628,474	\$329,180,486
Other borrowings	50,290,819	41,377,962
Trust preferred	13,403,000	10,310,000
Other liabilities	<u>4,846,800</u>	<u>3,257,229</u>
Total Liabilities	504,169,093	384,125,677
Equity		
Common stock and paid in capital	21,324,921	13,572,835
Retained earnings	10,361,306	10,389,620
Accumulated OCI	<u>(1,755)</u>	<u>158,484</u>
Total Equity	<u>31,684,472</u>	<u>24,120,939</u>
Total Liabilities and Equity	<u>\$535,853,565</u>	<u>\$408,246,616</u>

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