

Commercial National Financial Corporation Reports 3rd Quarter 2016 Earnings

Ithaca, Michigan, October 26, 2016 (GLOBE NEWSWIRE) -- Commercial National Financial Corporation (Pink Sheets: CEFC) today announced 2016 third quarter net income of \$673,000, or \$.21 per share compared to 2015 third quarter net income of \$762,000, or \$.23 per share. Excluding merger-related expenses of the previously announced merger with Capital Directions, Inc., the holding company for Mason State Bank, and expenses related to the conversion to our new Online Banking system, third quarter 2016 net income was \$809,000, or \$.25 per share.

For the quarter ended September 30, 2016, net interest income increased \$189,000, or 7% due to the growth in interest-earning assets, mainly loans. Loss share reimbursement revenue, a component of non-interest income, decreased by \$69,000 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 \$172,000 primarily due to merger-related costs of \$99,000 as well as by \$55,000 of data processing conversion costs related to our new Online Banking system.

Total assets were \$399.8 million at September 30, 2016 compared to \$381.2 million at September 30, 2015. Total loans grew \$16.1 million, or 5.6% when comparing September 30, 2016 to September 30, 2015. The majority of loan growth occurred in the commercial loan portfolio. We have also experienced increased residential mortgage loan activity compared to last year 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.

The merger with Capital Directions, Inc. is progressing as planned and we expect the closing to be effective January 1, 2017. We will provide you with more details about the merger in the coming months.

Commercial National Financial Corporation operates through a single subsidiary bank, Commercial Bank, with nine full-service banking offices and two loan production offices. Visit 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 Sept. 30,		Nine Months Ended Sept. 30,	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Return on Equity (ROE)	10.86%	12.92%	10.97%	12.04%
Return on Assets (ROA)	.68	.80	.67	.74
Interest Margin	3.04	3.05	2.99	3.10
	September 30,			
	<u>2016</u>	<u>2015</u>		
Non-performing Assets Ratio	.56%	.68%		
Tier 1 Leverage Capital ⁽¹⁾	8.53	8.65		
Total Risk-based Capital ⁽¹⁾	14.22	14.84		
Book Value Per Share	\$7.60	\$7.29		

⁽¹⁾ Ratios are for Commercial Bank.

Consolidated Statements of Income:

	Quarter Ended Sept. 30,		Nine Months Ended Sept. 30,	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Interest Income	\$3,619,479	\$3,520,947	\$10,798,239	\$10,552,086
Interest Expense	<u>730,916</u>	<u>821,142</u>	<u>2,425,261</u>	<u>2,427,222</u>
Net Interest Income	2,888,563	2,699,805	8,372,978	8,124,864
Provision for loan losses	1,476	1,840	44,536	214,256
Non-interest income	406,138	485,786	1,178,205	1,363,697
Operating Expenses	<u>2,317,187</u>	<u>2,145,510</u>	<u>6,685,392</u>	<u>6,372,330</u>
Income before taxes	976,038	1,038,241	2,821,255	2,901,975
Income tax expense	<u>302,840</u>	<u>275,874</u>	<u>822,947</u>	<u>815,883</u>
Net Income	<u>\$ 673,198</u>	<u>\$ 762,367</u>	<u>\$1,998,308</u>	<u>\$2,086,092</u>
Net Income per share – basic	<u>\$ 0.21</u>	<u>\$ 0.23</u>	<u>\$ 0.61</u>	<u>\$ 0.64</u>
Net Income per share – diluted	<u>\$ 0.21</u>	<u>\$ 0.23</u>	<u>\$ 0.61</u>	<u>\$ 0.64</u>

Consolidated Balance Sheets:

	September 30,	
	<u>2016</u>	<u>2015</u>
Assets		
Cash and cash equivalents	\$18,049,338	\$11,585,726
Time deposits with other banks	35,818,000	28,354,000
Securities	26,972,669	36,429,571
Loans	301,420,050	285,328,243
Allowance for loan losses	<u>(2,743,998)</u>	<u>(2,444,689)</u>
Loans, net	298,676,052	282,883,554
Bank premises and equipment	4,520,048	4,378,991
Other assets	<u>15,796,157</u>	<u>17,614,013</u>
Total Assets	<u>\$399,832,264</u>	<u>\$381,245,855</u>
Liabilities		
Deposits	\$319,470,026	\$301,416,186
Other borrowings	42,221,912	41,968,565
Trust preferred	10,310,000	10,310,000
Other liabilities	<u>3,123,103</u>	<u>3,843,478</u>
Total Liabilities	375,125,041	357,538,229
Equity		
Common stock and paid in capital	13,572,835	13,572,835
Retained earnings	10,906,456	10,000,572
Accumulated OCI	<u>227,932</u>	<u>134,219</u>
Total Equity	<u>24,707,223</u>	<u>23,707,626</u>
Total Liabilities and Equity	<u>\$399,832,264</u>	<u>\$381,245,855</u>

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