

Commercial National Financial Corporation Reports 4th Quarter 2015 Earnings

Ithaca, Michigan, January 27, 2016 (GLOBE NEWSWIRE) -- Commercial National Financial Corporation (Pink Sheets: CEFC) today announced 2015 fourth quarter net income of \$599,000, or \$.18 per share compared to 2014 fourth quarter net income of \$577,000, or \$.18 per share. For the year ended December 31, 2015, net income was \$2,685,234, or \$.83 per share compared to \$2,428,009, or \$.75 per share for the year ended December 31, 2014.

Total loans grew \$11.1 million, or 4% when comparing December 31, 2015 to December 31, 2014. The majority of loan growth occurred in the commercial loan portfolio. We are continuing our efforts to increase loan volume while maintaining our credit quality standards. As part of this growth strategy, we recently opened a loan production office in downtown Grand Rapids, Michigan.

For the quarter ended December 31, 2015, net interest income increased \$53,000 or 2% due to higher average interest-earning assets compared to the quarter ended December 31, 2014. Provision for loan losses expense decreased by \$280,000 due to improved credit quality metrics in the loss share portfolio. Loss share reimbursement revenue, a component of non-interest income, decreased by \$262,000 primarily due to its linkage to the lower provision for loan loss expense. Loss share reimbursement revenue represents an expected reimbursement from the FDIC of 80% of losses on covered loans acquired in 2010 in an FDIC-assisted transaction of MainStreet Savings Bank. Operating expenses increased by \$170,000 primarily due to professional fees related to the renegotiation of the bank's core data processing, item processing, EFT and internet banking contracts. The new contracts are expected to provide significant savings in future years.

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 to view the latest consolidated Annual Report, news releases and other information about CEFC and Commercial Bank.

Selected Financial Data (unaudited):

	Quarter Ended Dec. 31,		Twelve Months Ended Dec. 31,	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Return on Equity (ROE)	9.95%	10.18%	11.50%	11.07%
Return on Assets (ROA)	.62	.61	.71	.65
Interest Margin	3.01	3.05	3.06	3.03
	December 31,			
	<u>2015</u>	<u>2014</u>		
Non-performing Assets Ratio	.58%	.87%		
Tier 1 Leverage Capital ⁽¹⁾	8.59	8.52		
Total Risk-based Capital ⁽¹⁾	14.65	15.15		
Book Value Per Share	\$7.31	\$6.95		

⁽¹⁾ Capital ratios are for Commercial Bank.

Consolidated Statements of Income (unaudited):

	Quarter Ended Dec. 31,		Twelve Months Ended Dec. 31,	
	2015	2014	2015	2014
Interest Income	\$3,546,082	\$3,524,342	\$14,098,168	\$14,193,114
Interest Expense	<u>853,828</u>	<u>885,521</u>	<u>3,364,476</u>	<u>3,666,105</u>
Net Interest Income	2,692,254	2,638,821	10,733,692	10,527,009
Provision for loan losses	(153,556)	126,416	60,700	610,620
Non-interest income	252,662	421,439	1,616,359	2,145,856
Operating Expenses	<u>2,266,456</u>	<u>2,096,382</u>	<u>8,555,360</u>	<u>8,730,823</u>
Income before taxes	832,016	837,462	3,733,991	3,331,422
Income tax expense	<u>232,874</u>	<u>260,647</u>	<u>1,048,757</u>	<u>903,413</u>
Net Income	<u>\$599,142</u>	<u>\$576,815</u>	<u>\$2,685,234</u>	<u>\$2,428,009</u>
Net Income per share – basic	<u>\$0.18</u>	<u>\$0.18</u>	<u>\$.83</u>	<u>\$.75</u>
Net Income per share – diluted	<u>\$0.18</u>	<u>\$0.18</u>	<u>\$.83</u>	<u>\$.75</u>

Consolidated Balance Sheets (unaudited):

	December 31,	
	2015	2014
Assets		
Cash and cash equivalents	\$ 14,851,190	\$ 9,678,190
Time deposits with other banks	29,099,000	21,800,000
Securities	35,515,441	46,846,140
Loans	287,667,563	276,587,107
Allowance for loan losses	<u>(2,489,755)</u>	<u>(2,443,396)</u>
Loans, net	285,177,808	274,143,711
Bank premises and equipment	4,314,758	4,376,175
Other assets	<u>16,210,910</u>	<u>17,644,545</u>
Total Assets	<u>\$385,169,107</u>	<u>\$374,488,761</u>
Liabilities		
Deposits	\$307,124,795	\$305,197,323
Other borrowings	40,165,686	32,456,339
Trust preferred	10,310,000	10,310,000
Other liabilities	<u>3,786,139</u>	<u>3,909,021</u>
Total Liabilities	361,386,620	351,872,683
Equity		
Common stock and paid in capital	13,572,835	13,572,835
Retained earnings	10,176,823	9,183,155
Accumulated OCI	<u>32,829</u>	<u>(139,912)</u>
Total Equity	<u>23,782,487</u>	<u>22,616,078</u>
Total Liabilities and Equity	<u>\$385,169,107</u>	<u>\$374,488,761</u>

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