

Commercial National Financial Corporation Reports 4th Quarter 2017 Earnings

Ithaca, Michigan, January 26, 2018 (GLOBE NEWSWIRE) -- Commercial National Financial Corporation (Pink Sheets: CEFC) today announced fourth quarter 2017 net income of \$1,334,000, or \$.34 per share compared to fourth quarter 2016 net income of \$599,000, or \$.18 per share. Fourth quarter 2016 net income would have been \$738,000, or \$.23 per share when excluding merger-related expenses for the merger with Capital Directions, Inc., the holding company for Mason State Bank.

Net income for the year ended December 31, 2017 was \$3,419,000, or \$.86 per share compared to net income for 2016 of \$2,598,000, or \$.80 per share.

Total assets were \$526.4 million at December 31, 2017 compared to \$400.4 million at December 31, 2016. Total loans grew \$79 million, or 25.4% year over year. Most of the increase in total loans was related to the merger with Mason State Bank with the remainder related to commercial loan growth. The lending environment remains very competitive in our markets. We are continuing our efforts to increase loan volume while maintaining our credit quality standards.

For the quarter ended December 31, 2017, net interest income increased \$1,131,000, or 39.3% primarily due to the growth in loans mentioned above as compared to the December 31, 2016 quarter. In addition, \$252,000 of interest income was recorded related to the payoff of several non-accrual and purchased-impaired loans. The provision for loan losses decreased \$31,000 due to a lower trend in historical losses as well as net recoveries recorded for the year. Non-interest income increased \$79,000, or 21.9% for the quarter ended December 31, 2017 compared to December 31, 2016 quarter primarily due to combining both banks. Operating expenses increased by \$165,000, or 7% mostly due to combining both banks.

Commercial National Financial Corporation operates through a single subsidiary bank, Commercial Bank. 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 December 31,		Year Ended December 31,	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Return on Equity (ROE)	15.91%	9.59%	10.41%	10.62%
Return on Assets (ROA)	1.00	.59	.65	.65
Net Interest Margin	3.23	3.08	3.05	3.02
	December 31,			
	<u>2017</u>	<u>2016</u>		
Non-performing Assets Ratio	.53%	.58%		
Tier 1 Leverage Capital ⁽¹⁾	7.94	8.45		
Total Risk-based Capital ⁽¹⁾	13.43	13.91		
Book Value Per Share	\$8.28	\$7.56		
Market Value Per Share	12.00	11.99		

⁽¹⁾ Ratios are for Commercial Bank.

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

	Quarter Ended		Year Ended	
	December 31,		December 31,	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Interest Income	\$5,085	\$3,685	\$19,140	\$14,484
Interest Expense	<u>1,076</u>	<u>807</u>	<u>4,127</u>	<u>3,233</u>
Net Interest Income	4,009	2,878	15,013	11,251
Provision for loan losses	(75)	(44)	(150)	-
Non-interest income	439	360	1,984	1,538
Operating Expenses	<u>2,531</u>	<u>2,366</u>	<u>12,246</u>	<u>9,051</u>
Income before taxes	1,992	916	4,901	3,738
Income tax expense	<u>658</u>	<u>317</u>	<u>1,482</u>	<u>1,140</u>
Net Income	<u>\$1,334</u>	<u>\$ 599</u>	<u>\$3,419</u>	<u>\$2,598</u>
Net Income per share – basic	<u>\$0.34</u>	<u>\$0.18</u>	<u>\$ 0.86</u>	<u>\$ 0.80</u>
Net Income per share – diluted	<u>\$0.34</u>	<u>\$0.18</u>	<u>\$ 0.86</u>	<u>\$ 0.80</u>
Dividends declared	<u>\$0.13</u>	<u>\$0.13</u>	<u>\$ 0.52</u>	<u>\$ 0.52</u>

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

	December 31,	
	<u>2017</u>	<u>2016</u>
Assets		
Cash and cash equivalents	\$20,348	\$8,440
Time deposits with other banks	53,039	35,818
Securities	36,365	26,365
Loans	389,660	310,700
Allowance for loan losses	<u>(2,681)</u>	<u>(2,692)</u>
Loans, net	386,979	308,008
Bank premises and equipment	6,972	4,784
Other assets	<u>22,670</u>	<u>16,952</u>
Total Assets	<u>\$526,373</u>	<u>\$400,367</u>
Liabilities		
Deposits	\$416,622	\$317,286
Other borrowings	59,532	44,342
Trust preferred	13,403	10,310
Other liabilities	<u>3,985</u>	<u>3,833</u>
Total Liabilities	493,542	375,771
Equity		
Common stock and paid in capital	20,517	13,573
Retained earnings	12,465	11,083
Accumulated OCI	<u>(151)</u>	<u>(60)</u>
Total Equity	<u>32,831</u>	<u>24,596</u>
Total Liabilities and Equity	<u>\$526,373</u>	<u>\$400,367</u>

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