

## Commercial National Financial Corporation Reports 3<sup>rd</sup> Quarter 2018 Earnings

Ithaca, Michigan, October 24, 2018 (GLOBE NEWSWIRE) -- Commercial National Financial Corporation (Pink Sheets: CEFC) today announced third quarter 2018 net income of \$1,177,000, or \$.30 per share compared to third quarter 2017 net income of \$1,248,000, or \$.31 per share. Return on Equity (ROE) was 13.68% for the third quarter of 2018 compared to 15.19% for the third quarter of 2017.

Total assets were \$519.1 million at September 30, 2018 compared to \$528.8 million at September 30, 2017. Total loans of \$381.7 million decreased \$7 million, or 1.8% year-over-year. The lending environment remains very competitive in our markets and we experienced several large commercial loan payoffs during 2018. However, our commercial loan pipeline is growing and we continue to develop new and existing customer relationships.

For the quarter ended September 30, 2018, net interest income decreased \$283,000, or 7.5% primarily due to a higher cost of funds. Also, interest income in the prior year's quarter included \$141,000 related to the payoff of several non-accrual loans. Non-interest income increased \$82,000, or 14.9% primarily due to the sale of a former branch land parcel for a \$148,000 gain, partially offset by lower mortgage banking revenue. We continue to see challenges in residential loan demand due to the limited supply of housing inventory. Operating expenses increased by \$101,000, or 3.9% primarily due to higher wages and benefits expense. Federal income tax expense was lower by \$306,000 primarily due to the decrease in the statutory rate from 34% to 21%.

Commercial National Financial Corporation operates through a single subsidiary bank, Commercial Bank. 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 September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Return on Equity (ROE)	13.68%	15.19%	13.62%	8.56%
Return on Assets (ROA)	0.91%	0.94%	0.88%	0.53%
Net Interest Margin	2.88%	3.06%	2.93%	2.99%

	September 30,	
	2018	2017
Non-performing Assets Ratio	0.40%	0.52%
Tier 1 Leverage Capital <sup>(1)</sup>	8.51%	7.97%
Total Risk-based Capital <sup>(1)</sup>	13.94%	13.43%
Book Value Per Share	\$8.67	\$8.13
Market Value Per Share	\$12.47	\$11.70

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

**Consolidated Statements of Income (unaudited):**

	Quarter Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Interest Income	\$ 4,793,171	\$ 4,815,576	\$ 14,307,061	\$ 14,055,469
Interest Expense	1,308,253	1,047,541	3,629,503	3,050,940
Net Interest Income	3,484,918	3,768,035	10,677,558	11,004,529
Provision for loan losses	-	(75,000)	-	(75,000)
Non-interest income	628,019	546,393	1,512,637	1,544,928
Operating Expenses	2,704,079	2,603,002	8,046,515	9,715,122
Income before taxes	1,408,858	1,786,426	4,143,680	2,909,335
Income tax expense	231,851	538,000	717,851	824,000
Net Income	<u>\$ 1,177,007</u>	<u>\$ 1,248,426</u>	<u>\$ 3,425,829</u>	<u>\$ 2,085,335</u>
Net Income per share – diluted	<u>\$ 0.30</u>	<u>\$ 0.31</u>	<u>\$ 0.86</u>	<u>\$ 0.53</u>
Dividends declared	<u>\$ 0.13</u>	<u>\$ 0.13</u>	<u>\$ 0.39</u>	<u>\$ 0.39</u>

**Consolidated Balance Sheets (unaudited):**

	September 30,	
	2018	2017
<b>Assets</b>		
Cash and cash equivalents	\$ 21,135,682	\$ 20,787,323
Time deposits with other banks	49,052,000	53,039,000
Securities	38,988,839	38,560,348
Loans	381,715,154	388,750,132
Allowance for loan losses	(2,668,424)	(2,766,673)
Loans, net	379,046,730	385,983,459
Premises and equipment, net	8,114,616	6,946,910
Other assets	22,733,983	23,505,584
Total Assets	<u>\$ 519,071,850</u>	<u>\$ 528,822,624</u>
<b>Liabilities</b>		
Deposits	\$ 413,177,885	\$ 418,005,708
Other borrowings	55,269,515	60,331,046
Trust preferred	13,403,000	13,403,000
Other liabilities	2,855,188	4,132,806
Total Liabilities	484,705,588	495,872,560
<b>Equity</b>		
Total Equity	34,366,262	32,950,064
Total Liabilities and Equity	<u>\$ 519,071,850</u>	<u>\$ 528,822,624</u>

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