COMMERCIAL NATIONAL FINANCIAL CORP /PA
Form 10-Q
November 10, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

ý QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 30, 2010

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

Commission file number 0-18676

COMMERCIAL NATIONAL FINANCIAL CORPORATION
(Exact name of registrant as specified in its charter)

PENNSYLVANIA	25-1623213
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
900 LIGONIER STREET LATROBE, PA	15650
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (724) 539-3501

Indicate by checkmark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes[X] No [ ]

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes[ ] No [ ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of " large accelerated filer", "accelerated filer", and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated filer [ ] Accelerated filer [ ] Non-accelerated filer [ ] Smaller Reporting Company [X]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

[ ]YES [X] NO

Indicate the number of shares outstanding of each of the issuer's classes of common stock.

CLASS	OUTSTANDING AT November 1, 2010
Common Stock, $2 Par Value	2,860,953 Shares

1

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

PART II - OTHER INFORMATION

COMMERCIAL NATIONAL FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
(dollars in thousands, except share amounts)

	September 30, 2010 (unaudited)	December 31, 2009
ASSETS		
Cash and due from banks	$7,883	$6,610
Interest bearing deposits with banks	49	131
Total cash and cash equivalents	7,932	6,741
Investment securities available for sale	134,575	138,918
Restricted investment in bank stock	4,567	4,567
Loans receivable	197,065	205,092
Allowance for loan losses	(1,686)	(1,722)
Net loans	195,379	203,370
Premises and equipment, net	3,405	3,548
Investment in life insurance	15,286	14,921
Other assets	4,060	3,939
Total assets	$365,204	$376,004
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits (all domestic):		
Non-interest bearing	$80,454	$74,260
Interest bearing	195,320	195,470
Total deposits	275,774	269,730
Short-term borrowings	28,375	48,850
Long-term borrowings	10,000	10,000
Other liabilities	4,236	3,932
Total liabilities	318,385	332,512
Shareholders' equity:		
Common stock, par value $2 per share; 10,000,000 shares authorized; 3,600,000 issued; 2,860,953 shares outstanding in 2010 and 2009	7,200	7,200
Retained earnings	46,458	44,223
Accumulated other comprehensive income	5,705	4,613
Treasury stock, at cost, 739,047 shares in 2010 and 2009	(12,544)	(12,544)
Total shareholders' equity	46,819	43,492

Total liabilities and shareholders' equity	$365,204	$376,004

The accompanying notes are an integral part of these consolidated financial statements.

3

COMMERCIAL NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(Dollar amounts in thousands, except per share data)

	Three Months Ended September 30 (unaudited)		Nine Months Ended September 30 (unaudited)	
	2010	2009	2010	2009
INTEREST INCOME:				
Interest and fees on loans	$ 2,826	$ 2,982	$ 8,600	$ 9,092
Interest and dividends on investments:				
Taxable	1,031	1,619	3,519	5,340
Exempt from federal income taxes	668	229	1,706	275
Other	-	1	2	3
Total interest income	4,525	4,831	13,827	14,710
INTEREST EXPENSE:				
Interest on deposits	566	723	1,849	2,397
Interest on short-term borrowings	35	48	112	153
Interest on long-term borrowings	59	266	177	839
Total interest expense	660	1,037	2,138	3,389
NET INTEREST INCOME	3,865	3,794	11,689	11,321
PROVISION FOR LOAN LOSSES	-	-	-	-
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	3,865	3,794	11,689	11,321
OTHER OPERATING INCOME:				
Asset management and trust income	280	221	709	710
Service charges on deposit accounts	131	154	394	437
Other service charges and fees	183	188	574	566
Income from investment in life insurance	122	109	365	352
Other income	42	50	128	144
Total other operating income	758	722	2,170	2,209
OTHER OPERATING EXPENSES:				
Salaries and employee benefits	1,510	1,424	4,519	4,255
Net occupancy	212	220	638	629
Furniture and equipment expense	123	113	400	366
Pennsylvania shares tax	125	126	377	382
Legal and professional	110	104	349	348

FDIC insurance	90	90	257	362
Other expenses	763	724	2,190	2,169
Total other operating expenses	2,933	2,801	8,730	8,511
INCOME BEFORE INCOME TAXES	1,690	1,715	5,129	5,019
Income tax expense	298	449	1,006	1,423
NET INCOME	$ 1,392	$ 1,266	4,123	$ 3,596
Average Shares Outstanding	2,860,953	2,861,083	2,860,953	2,868,152
EARNINGS PER SHARE, BASIC	$ 0.49	$ 0.44	$ 1.44	$ 1.25
Dividends Declared Per Share	$ 0.22	$ 0.22	$ 0.66	$ 0.66

The accompanying notes are an integral part of these consolidated financial statements.

4

COMMERCIAL NATIONAL FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
(dollars in thousands, except per share data)

	Common Stock	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income	Total Shareholders' Equity
(unaudited)					
Balance at December 31, 2009	$7,200	$44,223	$(12,544)	$ 4,613	$ 43,492
Comprehensive Income					
Net income	-	4,123	-	-	4,123
Other comprehensive gain, net of tax and reclassification adjustment:					
Unrealized net gains on securities	-	-	-	1,092	1,092
Total Comprehensive income					5,215
Cash dividends declared					
$0.66 per share	-	(1,888)	-	-	(1,888)
Balance at September 30, 2010	$7,200	$46,458	$(12,544)	$ 5,705	$ 46,819
Balance at December 31, 2008	$7,200	$41,616	$(12,238)	$ 2,490	$ 39,068
Comprehensive Income					
Net income	-	3,596	-	-	3,596
Other comprehensive gain, net of tax:					
Unrealized net gains on securities	-	-	-	2,099	2,099
Total Comprehensive income					5,695
Cash dividends declared					
$0.66 per share	-	(1,892)	-	-	(1,892)
Treasury shares purchased	-	-	(306)	-	(306)
Balance at September 30, 2009	$7,200	$43,320	$(12,544)	$ 4,589	$ 42,565

The accompanying notes are an integral part of these consolidated financial statements.

5

COMMERCIAL NATIONAL FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(dollars in thousands)
(unaudited)

	For Nine Months Ended September 30 2010	2009
OPERATING ACTIVITIES		
Net income	$4,123	$3,596
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	310	292
Loss on sale of securities	5	-
Amortization of intangibles	73	73
Net accretion of loans and securities	(110)	(255)
Income from investment in life insurance	(365)	(352)
Increase in other assets	(117)	(444)
Decrease in other liabilities	(258)	(417)
Net cash provided by operating activities	3,661	2,493
INVESTING ACTIVITIES		
Purchase of securities	(21,754)	(47,134)
Maturities and calls of securities	27,867	31,610
Purchase of restricted investments in bank stock	-	(600)
Net decrease in loans	7,900	10,614
Proceeds from sale of foreclosed real estate	2	4
Purchase of premises and equipment	(166)	(196)
Net cash provided by (used in) investing activities	13,849	(5,702)
FINANCING ACTIVITIES		
Net increase in deposits	6,044	7,094
Net (decrease) increase in other short-term borrowings	(20,475)	18,675
Maturities of long-term borrowings	-	(20,000)
Dividends paid	(1,888)	(1,892)
Purchase of treasury stock	-	(306)
Net cash provided by (used in) financing activities	(16,319)	3,571
Increase in cash and cash equivalents	1,191	362
Cash and cash equivalents at beginning of year	6,741	7,132
Cash and cash equivalents at end of quarter	$7,932	$7,494
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	$2,234	$3,650

Income Taxes	$1,050	$1,535

The accompanying notes are an integral part of these consolidated financial statements.

COMMERCIAL NATIONAL FINANCIAL CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2010

Note 1 Basis of Presentation

The accompanying consolidated financial statements include the accounts of Commercial National Financial Corporation (the Corporation) and its wholly owned subsidiaries, Commercial Bank & Trust of PA (the "Bank") and Ridge Properties, Inc. All material intercompany transactions have been eliminated.

The accompanying unaudited consolidated interim financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information. However, they do not include all information and footnotes required by generally accepted accounting principles for complete financial statements and should be read in conjunction with the annual financial statements of the Corporation for the year ended December 31, 2009, including the notes thereto. In the opinion of management, the unaudited interim consolidated financial statements include all adjustments (consisting of only normal recurring adjustments) necessary for a fair statement of financial position as of September 30, 2010 and the results of operations for the three and nine-month period ended September 30, 2010 and 2009. The results of operations for the three and nine-months ended September 30, 2010 are not necessarily indicative of the results to be expected for the entire year.

Reclassifications

Certain comparative amounts for the prior year have been reclassified to conform to current year classifications. Such classifications had no effect on consolidated net income or changes in shareholders' equity.

Note 2 Allowance for Loan Losses

The provision for loan losses is the amount added to the allowance against which actual loan losses are charged. The amount of the provision is determined by management through an evaluation of the size and quality of the loan portfolio, economic conditions, concentrations of credit, recent loan loss trends, delinquencies and other risks inherent within the loan portfolio.

The corporation did not record a provision for the nine-month period ended September 30, 2010 and 2009.

Description of changes:

(dollars in thousands)	2010	2009
Allowance balance January 1	$ 1,722	$ 1,821
Provision charged to operating expenses	0	0
Recoveries on previously charged off loans	3	0
Loans charged off	(39)	(23)
Allowance balance September 30	$ 1,686	$ 1,798

The following table presents a comparison of loan quality as of September 30, 2010 with that as of December 31, 2009. Cash payments received on non-accrual loans are recognized as interest income as long as the remaining balance of the loan is deemed to be fully collectible. When doubt exists as to the collectibility of a loan in non-accrual status, any payments received are applied to principal to the extent the doubt is eliminated. Once a loan is placed on non-accrual status, any unpaid interest is charged against income.

	At or For the Nine-months ended September 30, 2010	At or For the Year ended December 31, 2009
	(dollars in thousands)	
Non-performing loans:		
Loans on non-accrual basis	$141	$261
Past due loans > 90 days	-	-
Renegotiated loans	684	979
Total non-performing loans	825	1,240
Foreclosed real estate	716	639
Total non-performing assets	$1,541	$1,879

Note 3 - Securities

The amortized cost and fair values of securities available for sale are as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	
	(In Thousands)			
September 30, 2010:				
Obligations of states and political subdivisions	$61,204	$3,328	$(4)	$64,528
Mortgage-backed securities	64,728	5,319	-	70,047
	$125,932	$8,647	$(4)	$134,575
December 31, 2009:				
Obligations of states and political subdivisions	$41,629	$975	$(241)	$42,363
Mortgage-backed securities	90,300	6,255	-	96,555
	$ 131,929	$ 7,230	$ (241)	$ 138,918

The amortized cost and fair value of securities at September 30, 2010 by contractual maturity are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized Cost	
	Thousands)	
Due within one year	$-	$-
Due after one year through five years	-	-
Due after five years through ten years	-	-
Due after ten years	61,204	64,528
Mortgage Backed Securities	64,728	70,047
	$ 125,932	$134,575

The Corporation reviews its position quarterly to determine if there is Other-Than-Temporary Impairment (OTTI) on any of its securities. All of the Corporation's securities are debt securities and the Corporation assesses whether OTTI is present when the fair value of a security is less than its amortized cost basis. The Corporation monitors the credit ratings of all securities for downgrades as well as any other indication of OTTI condition. As of September 30, 2010 there was one (1) municipal bond in an unrealized loss position. This unrealized loss is considered to be a temporary impairment. The decline in the value of the debt security is due only to interest rate fluctuations and not due to deterioration in credit quality. As a result, the Corporation currently expects full payment of contractual cash flows, including principal from this security.

The following tables show the Corporation's gross unrealized losses and fair value, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position:

	September 30, 2010					
	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(In Thousands)					
Obligations of states and political subdivisions	$577	$ (4)	$ -	$ -	$577	$ (4)

	December 31, 2009					
	Less than 12 Months		12 Months or More		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
	(In Thousands)					
Obligations of states and political subdivisions	$12,900	$ (241)	$ -	$ -	$12,900	$ (241)

Note 4 Comprehensive Income

The components of other comprehensive income (loss) and related tax effects for the three and nine-month periods ended September 30, 2010 and 2009 are as follows: (dollars in thousands)

	For three-months ended September 30		For nine-months ended September 30	
	2010	2009	2010	2009
Unrealized gains (losses) on securities available for sale	$878	$1,901	$1,649	$3,180
Reclassification adjustment for loss realized in income	-	-	5	-
Net Unrealized Gains	878	1,901	1,654	3,180
Tax effect	(299)	(646)	(562)	(1,081)
Net of Tax Amount	$579	$1,255	$1,092	$2,099

Note 5 Legal Proceedings

Other than proceedings which occur in the normal course of business, there are no legal proceedings to which either the Corporation or it's subsidiaries is a party, which, in the opinion of management, will have any material effect on the financial position or results of operations of the Corporation and its subsidiaries.

Note 6 Guarantees

The Corporation does not issue any guarantees that would require liability recognition or disclosure, other than its standby letters of credit. Standby letters of credit written are conditional commitments issued by the Bank to secure the performance of a customer to a third party. Of these letters of credit, $243,000 automatically renews within the next twelve months and $1,947,000 will expire within thirteen to one hundred and seven months. The Bank, generally, holds collateral and/or personal guarantees supporting these commitments. The credit risk involved in issuing letters of credit is essentially the same as those that are involved in extending loan facilities to customers. The current amount of the liability as of September 30, 2010 for guarantees under standby letters of credit issued is not material.

Note 7 Earnings per share

The Corporation has a simple capital structure. Basic earnings per share equals net income divided by the weighted average common shares outstanding during each period presented. The weighted average common shares outstanding for the nine- months ended September 30, 2010 and 2009 was 2,860,953 and 2,868,152, respectively.

Note 8 New Accounting Standards

ASU 2010-20

ASU 2010-20, Receivables (Topic 310): Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses, will help investors assess the credit risk of a company's receivables portfolio and the adequacy of its allowance for credit losses held against the portfolios by expanding credit risk disclosures. This ASU requires more information about the credit quality of financing receivables in the disclosures to financial statements, such as aging information and credit quality indicators. Both new and existing disclosures must be disaggregated by portfolio segment or class. The disaggregation of information is based on how a company develops its allowance for credit losses and how it manages its credit exposure.

The amendments in this Update apply to all public and nonpublic entities with financing receivables. Financing receivables include loans and trade accounts receivable. However, short-term trade accounts receivable, receivables measured at fair value or lower of cost or fair value, and debt securities are exempt from these disclosure amendments. The effective date of ASU 2010-20 differs for public and nonpublic companies. For public companies, the amendments that require disclosures as of the end of a reporting period are effective for periods ending on or after December 15, 2010. The amendments that require disclosures about activity that occurs during a reporting period are effective for periods beginning on or after December 15, 2010. For nonpublic companies, the amendments are effective for annual reporting periods ending on or after December 15, 2011. The Corporation anticipates this amendment will have no material impact on our financial statements, but may require additional disclosures pertaining to the allowance for loan loss.

Note 9 Restricted Investment in Bank Stock

Federal law requires the Bank, a member institution of the Federal Home Loan Bank (FHLB) system, to hold stock of its district Federal Home Loan Bank according to a predetermined formula. This restricted stock is carried at cost and as of September 30, 2010, consists of the common stock of FHLB of Pittsburgh. In December 2008, the FHLB of Pittsburgh notified member banks that it was suspending dividend payments and the repurchase of capital stock.

The Corporation evaluates impairment in FHLB stock when certain conditions warrant further consideration. In December 2008, the FHLB voluntarily suspended dividend payments on its stock as well as the repurchase of excess stock from members. The FHLB stated that this was due to a reduction in core earnings and concern over the FHLB's capital position. After evaluating such factors as the capital adequacy of the FHLB, its overall operating performance and the FHLB's liquidity and funding position, the Corporation concluded that the par value was ultimately recoverable and no impairment charge was recognized at September 30, 2010.

Management believes no impairment charge is necessary related to the FHLB stock as of September 30, 2010. Our evaluation of the factors described above in future periods could result in the recognition of impairment charges on FHLB stock.

Note 10 Fair Value Disclosures

The Corporation adopted FASB ASC 820 "Fair Value Measurements" effective January 1, 2008 for financial assets and liabilities that are measured and reported at fair value. FASB ASC 820 defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820 also establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities.

Level 2: Quoted prices in markets that are not active, or inputs that are observable either directly or indirectly, for substantially the full term of the asset or liability.

Level 3: Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e. supported with little or no market activity).

For assets measured at fair value on a recurring basis, the fair value measurement by level within the fair value hierarchy used at September 30, 2010 are as follows (in thousands):

	(Level 1) Quoted Prices In active Markets For Identical Assets	(Level 2) Significant Other Observable Inputs	(Level 3) Significant Unobservable Inputs
Securities available for sale	-	$ 134,575	-

For assets measured at fair value on a recurring basis, the fair value measurement by level within the fair value hierarchy used at December 31, 2009 are as follows (in thousands):

	(Level 1) Quoted Prices In active Markets For Identical Assets	(Level 2) Significant Other Observable Inputs	(Level 3) Significant Unobservable Inputs
Securities available for sale	-	$ 138,918	-

The following valuation techniques were used to measure fair value for available for sale securities as of September 30, 2010 and December 31, 2009.

Securities Available for Sale: The Corporation utilizes a third party in determining the fair values for securities held as available for sale. For the Corporation’s agency mortgage backed securities, the third party utilizes market data, pricing models that vary based on asset class and include available trade, bid and other market information. Methodology includes broker quotes and proprietary models. The third party uses their own proprietary valuation matrices in determining fair values for municipal bonds. These matrices utilize comprehensive municipal bond interest rate tables daily to determine market price, movement and yield relationships.

We may be required to measure certain other financial assets at fair value on a nonrecurring basis. These adjustments to fair value usually result from the application of lower-of-cost-or-market accounting or write-downs of individual assets. The Level 3 disclosures shown below represent the carrying value of loans for which adjustments are primarily based on the appraised value of collateral or the present value of expected future cash flows, which often results in significant management assumptions and input with respect to the determination of fair value. There were no realized or unrealized gains or losses relating to Level 3 financial assets and liabilities measured on a nonrecurring basis for the quarter ended September 30, 2010 and December 31, 2009.

For assets measured at fair value on a nonrecurring basis, the fair value measurement by level within the fair value hierarchy used at September 30, 2010 are as follows (in thousands).

	(Level 1) Quoted Prices In active Markets For Identical Assets	(Level 2) Significant Other Observable Inputs	(Level 3) Significant Unobservable Inputs
Impaired Loans	-	-	$ 616

Impaired loans at September 30, 2010, which are measured using the fair value of the collateral less estimated costs to sell for collateral-dependent loans, had a carrying amount of $684,000 with a valuation allowance of $68,000.

For assets measured at fair value on a nonrecurring basis, the fair value measurement by level within the fair value hierarchy used at December 31, 2009 are as follows (in thousands).

	(Level 1) Quoted Prices In Active Markets For Identical Assets	(Level 2) Significant Other Observable Inputs	(Level 3) Significant Unobservable Inputs
Impaired Loans	-	-	$ 860

Impaired loans at December 31, 2009, which are measured using the fair value of the collateral less estimated costs to sell for collateral dependent loans, had a carrying amount of $979,000 with a valuation allowance of $119,000.

ASC 825-10-65, Transition Related to FSP FAS 107-1 and APB 28-1, “Interim Disclosures about Fair Value of Financial Instruments,” require disclosure of the fair value of financial assets and financial liabilities, including those financial assets and financial liabilities that are not measured and reported at fair value on a recurring basis or non-recurring basis. The methodologies for estimating the fair value of financial assets and financial liabilities that are measured at fair value on a recurring or non-recurring basis are as discussed above. The methodologies for other financial assets and financial liabilities are discussed below.

The carrying amounts and fair values of the Corporation’s financial instruments as of September 30, 2010 and December 31, 2009 are presented in the following table:

	September 30, 2010		December 31, 2009	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(In Thousands)			
Financial assets:				
Cash and equivalents	$ 7,932	$ 7,932	$ 6,741	$ 6,741
Securities available for sale	134,575	134,575	138,918	138,918
Restricted investment in bank stock	4,567	4,567	4,567	4,567
Net loans receivable	195,379	196,780	203,370	203,553
Accrued interest receivable	1,691	1,691	1,456	1,456
Financial liabilities:				
Deposits	$275,774	$272,826	$269,730	$264,300
Short-term borrowings	28,375	28,375	48,850	48,850
Long-term borrowings	10,000	10,177	10,000	10,139
Accrued interest payable	355	355	451	451
Off-balance sheet financial instruments	-	-	-	-

The following methods and assumptions were used by the Corporation in estimating the fair value disclosures for financial instruments:

Cash and Short-Term Investments

The carrying amounts for cash and short-term investments approximate the estimated fair values of such assets.

Securities

The Corporation utilizes a third party in determining the fair values for securities held as available for sale. For the Corporation's agency mortgage backed securities, the third party utilizes market data, pricing models that vary based on asset class and include available trade, bid and other market information. Methodology includes broker quotes and proprietary models. The third party uses their own proprietary valuation matrices in determining fair values for municipal bonds. These matrices utilize comprehensive municipal bond interest rate tables daily to determine market price, movement and yield relationships.

Restricted Investment in Bank Stock

The carrying amounts of restricted investments in bank stock approximate the estimated fair value of such assets.

Loans Receivable

Fair values of variable rate loans subject to frequent repricing and which entail no significant credit risk are based on the carrying values. The estimated fair values of other loans are estimated by discounting the future cash flows using interest rates currently offered for loans with similar terms to borrowers of similar credit quality.

Deposits

For deposits which are payable on demand at the reporting date, representing all deposits other than time deposits, management estimated that the carrying value of such deposits is a reasonable estimate of fair value. Fair values of time deposits are estimated by discounting the future cash flows using interest rates currently being offered and a schedule of aggregate expected maturities.

Short-Term Borrowings

The carrying amounts for short-term borrowings approximate the estimated fair value of such liabilities.

Long-Term Borrowings

Fair values of long-term borrowings are estimated by discounting the future cash flows using interest rates currently available for borrowings with similar terms and maturity.

Accrued Interest Receivable and Payable

The carrying amount of accrued interest receivable and payable is considered a reasonable estimate of fair value.

Off-Balance Sheet Instruments

The fair value of commitments to extend credit and for outstanding letters of credit is estimated using the fees currently charged to enter into similar agreements, taking into account market interest rates, the remaining terms and present credit worthiness of the counterparties.

Note 11 Subsequent Events

Commercial National Financial Corporation has evaluated subsequent events through the date these consolidated financial statements were filed with the Securities and Exchange Commission. We have incorporated into these consolidated financial statements the effect of all material known events determined by ASC Topic 855, “Subsequent Events,” to be recognizable events.

ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

SAFE HARBOR STATEMENT

Forward-looking statements (statements which are not historical facts) in this Quarterly Report on Form 10-Q are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. For this purpose, any statements contained herein that are not statements of historical fact may be deemed to be forward-looking statements. Without limiting the generality of the foregoing, words such as “may,” “will,” “to,” “expect,” “believe,” “anticip “intend,” “could,” “would,” “estimate,” or “continue” or the negative or other variations thereof or comparable terminology intended to identify forward-looking statements. These statements are based on information currently available to the Corporation, and the Corporation assumes no obligation to update these statements as circumstances change. Investors are cautioned that all forward-looking statements involve risk and uncertainties, including changes in general economic and financial market conditions, unforeseen credit problems, and the Corporation’s ability to execute its business plans. The actual results of future events could differ materially from those stated in any forward-looking statements herein.

13

CRITICAL ACCOUNTING ESTIMATES

Disclosure of the Corporation’s significant accounting policies is included in Note 1 to the Corporation’s Consolidated Financial Statements contained in the Corporation’s Annual Report on Form 10-K for the year ended December 31, 2009 (the 2009 Annual Report). Some of these policies are particularly sensitive, requiring that significant judgments, estimates and assumptions be made by management. Additional information is contained in the Management’s Discussion and Analysis section of the 2009 Annual Report for the most sensitive of these issues, including the provision and allowance for loan losses.

Significant estimates are made by management in determining the allowance for loan losses. Management considers a variety of factors in establishing these estimates, including current economic conditions, diversification of the loan portfolio, delinquency statistics, results of internal loan reviews, financial and managerial strengths of borrowers, adequacy of collateral (if collateral dependent) and other relevant factors. Estimates related to the value of collateral also have a significant impact on whether or not the Corporation continues to accrue income on delinquent loans and on the amounts at which foreclosed real estate is recorded in
the Consolidated Statements of Financial Condition. Management discussed the development and selection of critical accounting estimates and related Management and Discussion and Analysis disclosure with the Corporation’s Audit Committee. There were no material changes made to the critical accounting estimates during the periods presented within.

OVERVIEW

The Corporation had net income of $4.1 million or $1.44 per share, for the nine months ended September 30, 2010 compared to $3.6 million or $1.25 per share for the nine months ended September 30, 2009. The Corporation’s return on average assets for the first nine months of 2010 and 2009 was 1.48% and 1.30%, respectively. Return on average equity for the same two periods was 12.21% and 11.76%, respectively.

The Corporation’s largest segment of operating results is dependent upon net interest income. Net interest income is interest earned on interest-earning assets less interest paid on interest-bearing liabilities. For the nine months ended September 30, 2010 and 2009, net interest income was $11.7 million and $11.3 million, respectively.

FINANCIAL CONDITION

The Corporation’s total assets decreased by $10.8 million, or 2.87%, from December 31, 2009 to September 30, 2010. Total cash and cash equivalents increased by $1.2 million and investment securities available for sale decreased by $4.3 million. The decrease in investments was mainly due to the purchase of $21.7 million in municipal bonds, $25.7 million in principal pay-downs on mortgage-backed securities, $2.2 million in calls on municipal bonds and a $1.6 million increase in fair value of securities. Net loans outstanding decreased by $8.0 million. The Corporation experienced loan declines for both consumer and commercial loans. The Corporation attributes the loan declines to consumer and commercial customers being cautious for the first nine months of 2010.

The Corporation’s total deposits increased $6.0 million from December 31, 2009 to September 30, 2010. The non-interest bearing deposits increased by $6.2 million and the interest bearing deposits decreased by $150,000. The increase in non-interest bearing deposits is considered a normal fluctuation in our customer’s checking accounts. The slight increase in the interest bearing deposits was due to increases in checking with interest accounts, money market accounts and savings accounts offset by decreases in certificates of deposit.

The decrease in the certificates of deposit was due to the Corporation maintaining a conservative position when pricing certificates of deposit. The Corporation attributes the increase in the other interest bearing liability accounts to customers placing their funds in liquid, FDIC insured accounts that provide flexibility and safety.

Shareholders' equity was $46.8 million on September 30, 2010 compared to $43.5 million on December 31, 2009. Total shareholders’ equity increased due to the following; the $4.1 million in net income, a $1.1 million increase in other comprehensive income, due to increases in the fair value of securities available for sale and a $1.9 million decrease from cash dividends paid to shareholders. Book value per common share increased from $15.20 at December 31, 2009 to $16.36 at September 30, 2010.

RESULTS OF OPERATIONS

First Nine Months of 2010 as compared to the First Nine Months of 2009

Net income for the first nine months of 2010 was $4.1 million compared to $3.6 million for the same period of 2009, representing a 14.66% increase.

Interest income for the nine months ended September 30, 2010 was $13.8 million, compared with $14.7 million in 2009. Loan income for the nine months ended September 30, 2010 was $8.6 million compared to $9.1 million in 2009. The decrease in loan income was due to lower average loan balances and lower yields in 2010 compared to 2009. Loan outstanding averages in 2010 were $9.0 million lower than 2009, loan yields for the first nine months of 2010 decreased seven (7) basis points to 5.73%. This decrease in the loan yield is due to lower market rates for new loans and existing loans tied to the prime rate. The security portfolio of the Corporation is significantly different in composition for the first nine months of 2010 compared with 2009. The Corporations average balance for tax-free municipal bonds was $52.6 million in 2010 compared with $8.4 million in 2009. These bonds provided a significant benefit of decreasing the Corporation's overall tax rate in 2010. Investment income from securities decreased $391,000 or 6.95% for the nine months ended September 30, 2010 compared with the same period in 2009. The average securities balances increased 5.28% in 2010 compared to 2009. The yield on total average earning assets for the first nine months of 2010 and 2009 was 5.50% and 5.81%, respectively.

Total interest expense of $2.1 million for the first nine months of 2010 decreased $1.25 million or 36.91% compared with the first nine months of 2009. The average interest bearing liabilities in 2010 were $246.6 million, a decrease of 3.28% over 2009 averages. The cost of interest bearing liabilities decreased from 1.77% in 2009 to 1.16% in 2010. This decrease in interest cost is due to lower cost for Federal Home Loan Bank (FHLB) borrowings and lower market rates for money markets and certificates of deposit in 2010 compared with 2009.

As a result of the foregoing, net interest income for the first nine months of 2010 was $11.7 million compared to $11.3 million for the first nine months of 2009.

The Corporation did not record a loan loss provision expense for the nine months ended September 30, 2010 or September 30, 2009.

Non-interest income for the first nine months of 2010 was $2.2 million, a decrease of $39,000 from non-interest income for the first nine months of 2009. The $39,000 decrease is mainly the result of the following: service charges on deposit accounts decreased by $43,000, due to customers incurring fewer overdraft charges, and income from life insurance increased by $13,000 due to the higher cash surrender values and other income decreased by $16,000.

Non-interest expense for the first nine months of 2010 was $8.7 million, an increase of $219,000 compared to 2009 non-interest expense. This increase was mainly due to the following, salaries and employee benefits increased by $264,000 due to increases in salaries of $125,000 and a significant increase in health care insurance of $135,000. Net occupancy increased by $9,000 and furniture and equipment increased by $34,000, and other expenses increased by $21,000. The increases noted above were offset by a decrease of $105,000 in FDIC insurance and a slight decrease of $5,000 in PA Shares Tax. The FDIC insurance expense was higher in 2009 due to the special assessment of $165,000 that was paid in the second quarter of 2009.

Federal income tax for the first nine months of 2010 was $1.0 million compared to $1.4 million for the same period in 2009. The effective tax rates for the first nine months of 2010 and 2009 were 19.61% and 28.35%, respectively. The effective tax rates are lower than the federal statutory rate of 34% due principally to income from tax-exempt securities, loans, and bank owned life insurance. The significant decrease in the effective tax rate is due to a major shift in the investment portfolio. In 2010, the average tax-free municipal bonds for the first nine months were $52.6 million compared with an average of $8.4 million for the first nine months of 2009.

RESULTS OF OPERATIONS

Three Months Ended September 30, 2010 as Compared to the Three Months Ended September 30, 2009

The Corporation’s net income for the three months ended September 30, 2010 was $1.4 million compared to $1.3 million for the same period of 2009, representing a 9.98% increase.

Interest income for the three months ended September 30, 2010 was $4.5 million, compared with $4.8 million for the three months ending September 30, 2009. Loan income decreased in 2010 due to average loan balances decreasing 3.65% in 2010 compared with 2009 and yields decreasing from 5.80% in 2009 to 5.71% in 2010. The security portfolio of the Corporation is significantly different in composition for the three months ending September 30, 2010 compared with the same period in 2009. The Corporation increased its municipal bond holdings in 2010 compared with 2009. These bonds provided a significant benefit of decreasing the Corporations overall tax rate in 2010. Security income for the three months ended September 30, 2010 was lower by $150,000 compared with same period 2009. The average securities balances increased 1.21% in 2010 compared to 2009. The yield on total average earning assets for the three months ended September 30, 2010 decreased twenty-seven (27) basis points to 5.45% compared to 2009.

Total interest expense of $660,000 for the third quarter of 2010 decreased by $377,000 or 36.35% from the third quarter of 2009. In the third quarter of 2010, the average interest-bearing liabilities balances decreased 3.15% compared with 2009 and the cost of these liabilities decreased to 1.11% in 2010 from 1.66% in 2009. The cost of interest-bearing liabilities declined in 2010 due to lower market rates for deposit accounts, and the Corporation’s FHLB borrowing costs declined due to the maturity of an advance that was replaced at a significantly lower short-term rate.

As a result of the foregoing, net interest income for the three months ending September 30, 2010 was $3.9 million compared to $3.8 million for the three months ending September 30, 2009.

The Corporation recorded no provision for loan losses for the third quarter of 2010 and 2009, respectively.

Non-interest income increased by $36,000 or 4.57%, to $758,000 during the third quarter of 2010 compared with 2009. Asset management and trust income increased by $59,000, service charges on deposit accounts decreased $23,000, and other service charges and fees decreased $5,000. The $59,000 increase in asset management and trust income in 2010 was mainly due to higher estate settlement fees in 2010.

Non-interest expense for the third quarter of 2010 increased by $132,000 or 4.71% compared with same period in 2009. The largest change in non-interest expense was an $86,000 increase in salaries and employee benefits. The $86,000 increase is mainly due to a $27,000 increase in salaries and a $51,000 increase in health insurance premiums. Other changes in non-interest expense were: net occupancy decreased $8,000; furniture and equipment expense increased $10,000 and other expenses increased by $39,000.

Federal income tax for the three months ending September 30, 2010 was $298,000 compared to $449,000 for the same period in 2009. The effective tax rates during the third quarters of 2010 and 2009 were 17.63% and 26.18%, respectively. The reduction in the effective tax rate for the third quarter of 2010 is the result of carrying a higher percentage of municipal bonds in the investment portfolio.

LIQUIDITY

Liquidity measurements evaluate the Corporation's ability to meet the cash flow requirements of its depositors and borrowers. The most desirable source of liquidity is deposit growth. Additional liquidity is provided by the maturity of investments in loans and securities and the principal and interest received from those earning assets. Another source of liquidity is represented by the Corporation's ability to sell both loans and securities. The Bank is a member of the Federal Home Loan Bank (FHLB) system. The FHLB provides an additional source for liquidity for long- and short-term funding. Additional sources of funding from financial institutions have been established for short-term funding needs.

The statement of cash flows for the first nine months of 2010 indicates cash provided by the decrease in loan balances and the increase in deposits, along with cash provided by operations was used to reduce short-term borrowings.

As of September 30, 2010, the Corporation had available funding of approximately $87.7 million at the FHLB, with an additional $20 million of short-term funding available through other lines of credit. The Corporation's maximum borrowing capacity with the Federal Home Loan Bank (FHLB) is currently as $117.7 million, with $30.0 million borrowed resulting in the $87.7 million as available.

OFF BALANCE SHEET ARRANGEMENTS

The Corporation's financial statements do not reflect off balance sheet arrangements that consist of commitments to purchase securities or commitments to extend credit. Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Corporation evaluates each customer's credit worthiness on a case-by-case basis. The amount of collateral, if any, which the Corporation obtains from the customer upon extension of credit, is based on management's credit evaluation of the customer or other obligor. The types of collateral obtained by the Corporation may include accounts receivable, inventory, property, plant and equipment and income-producing commercial properties.

Standby letters of credit, financial standby letters of credit and commercial letters of credit written are conditional commitments issued by the Corporation to guarantee the performance of a customer to a third party. Those guarantees are primarily issued to support public and private borrowing arrangements. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers.

The following table identifies the Corporation's commitments to extend credit, obligations under letters of credit and commitments to purchase securities as of September 30, 2010 (dollars in thousands):

	TOTAL AMOUNT COMMITTED
Financial instruments whose contractual amounts represent credit risk:	
Commitments to extend credit	$34,442
Standby letters of credit	243
Financial standby letters of credit	1,947
Commitments to purchase securities	
Commitments to purchase municipal bond securities	0

CREDIT QUALITY RISK

The following table presents a comparison of loan quality as of September 30, 2010 with that as of December 31, 2009. Cash payments received on non-accrual loans are recognized as interest income as long as the remaining balance of the loan is deemed to be fully collectible. When doubt exists as to the collectibility of a loan in non-accrual status, any payments received are applied to principal to the extent the doubt is eliminated. Once a loan is placed on non-accrual status, any unpaid interest is charged against income.

	At or For the Nine-months ended September 30, 2010		At or For the Year ended December 31, 2009	
	(dollars in thousands)			
Non-performing loans:				
Loans on non-accrual basis	$141		$261	
Past due loans > 90 days	-		-	
Renegotiated loans	684		979	
Total non-performing loans	825		1,240	
Foreclosed real estate	716		639	
Total non-performing assets	$1,541		$1,879	
Loans outstanding at end of period	$197,065		$205,092	
Average loans outstanding (year-to-date)	$200,091		$207,972	
Non-performing loans as a percent of total loans	0.42	%	0.60	%
Provision for loan losses	$0		$0	
Net charge-offs	$36		$99	
Net charge-offs as a percent of average loans	0.02	%	0.05	%
Provision for loan losses as a percent of net charge-offs	0.00	%	0.00	%

Allowance for loan losses	$1,686		$1,722	
Allowance for loan losses as a percent of average loans outstanding	0.84	%	0.83	%

As of September 30, 2010, $83,000 of non-accrual loans were paying principal or principal and interest with payments recognized on a cash basis. The renegotiated loan total is comprised of one loan relationship involved in the retail segment. At present, the Corporation has no knowledge of other outstanding loans that present a serious doubt in regard to the borrower's ability to comply with current loan repayment terms.

In 2010, the gross amount of interest that would have been recorded on non-accrual loans would have been $7,000. The actual interest reflected in income on these loans was $5,000.

CAPITAL RESOURCES

The Federal Reserve Board's risk-based capital guidelines are designed principally as a measure of credit risk. These guidelines require that: (1) at least 50% of a banking organization's total capital be common and certain other "core" equity capital ("Tier I Capital"); (2) assets and off-balance sheet items be weighted according to risk; and (3) the total capital to risk-weighted assets ratio be at least 8.00%; and (4) a minimum 4.00% leverage ratio of Tier I capital to average total assets be maintained for financial institutions that meet certain specified criteria, including asset quality, high liquidity, low interest-rate exposure and the highest regulatory rating. As of September 30, 2010, Commercial Bank & Trust of PA, under these guidelines, had Tier I and total equity capital to risk weighted assets ratios of 19.36% and 20.16% respectively. The leverage ratio was 11.39%.

The table below represents the Bank’s capital position at September 30, 2010:
(Dollar amounts in thousands)

	Amount	Percent of Adjusted Assets	
Tier I Capital	$40,869	19.36	%
Tier I Capital Requirement	8,445	4.00	
Total Equity Capital	$42,555	20.16	%
Total Equity Capital Requirement	16,890	8.00	
Leverage Capital	$40,869	11.39	%
Leverage Requirement	14,352	4.00	

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Corporation’s primary market risk is interest rate risk. Interest rate risk arises due to timing differences between interest sensitive assets and liabilities. Interest rate management seeks to maintain a balance between consistent income growth and the risk that is created by variations in the ability to reprice deposit and investment categories. The effort to determine the effect of potential interest rate changes normally involves measuring the "gap" between assets (loans and securities) subject to rate fluctuation and liabilities (interest bearing deposits and long-term borrowings) subject to rate fluctuation as related to earning assets over different time periods and calculating the ratio of interest sensitive assets to interest sensitive liabilities.

Repricing periods for the loans, securities, interest bearing deposits and long-term borrowings are based on contractual maturities, where applicable, as well as the Corporation's historical experience regarding the impact of interest rate fluctuations on the prepayment and withdrawal patterns of certain assets and liabilities. Regular savings, NOW and other similar interest bearing demand deposit accounts are subject to immediate withdrawal without penalty. However, based upon historical performance, management considers a certain portion of the accounts to be stable core deposits and therefore are projected to reprice over a variety of time periods.

The Corporation utilizes a computer simulation analysis that projects the impact of changing interest rates on earnings. Simulation modeling projects a baseline net interest income (assuming no changes in interest rate levels) and estimates changes to that baseline resulting from changes in interest rate levels. The Corporation utilizes the results of this model in evaluating its interest rate risk. This model incorporates a number of additional factors. These factors include: (1) the expected exercise of call features on various assets and liabilities; (2) the expected rates at which various rate sensitive assets and liabilities will reprice; (3) the expected relative movements in different interest rate indexes that are used as the basis for pricing or repricing various assets and liabilities; (4) expected changes in administered rates on interest-bearing transaction, savings, money market and time deposit accounts and the expected impact of competition on the pricing or repricing of such accounts; and (5) other factors. Inclusion of these factors in the model is intended to estimate the Corporation's changes in net interest income resulting from an immediate and sustained parallel shift in interest rates up 100, 200 and 300 basis points or 100, 200 and 300 basis points down. While the Corporation believes this model provides a useful projection of its interest rate risk, the model includes a number of assumptions and predictions that are subject to continual refinement. These assumptions and predictions include inputs to compute baseline net interest income, growth rates and a variety of other factors that are difficult to accurately predict.

The September 30, 2010 computer simulations analysis projects the following changes in net interest income based on an immediate and sustained parallel shift in interest rates for a twelve month period compared to baseline, with baseline representing no change in interest rates. The model projects net interest income will increase 0.1% if rates rise 100 bps, will decrease 0.6% if rates rise 200 bps and projects a 2.2% decrease of net interest income if rates rise 300 bps. If rates decrease 100 bps, the model projects a 1.8% decrease in net interest income, a 2.9% decrease if rates decrease 200 bps and if rates decrease 300 bps, the model projects net interest income will decrease 3.5%.

Management regularly monitors the interest sensitivity position and considers this position in its decisions with regard to the Corporation's interest rates and maturities for interest-earning assets and interest-bearing liabilities.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

The Corporation maintains a system of disclosure controls and procedures that is designed to ensure that information required to be disclosed by the Corporation in this Form 10-Q, and in other reports required to be filed under the Securities Exchange Act of 1934 (Exchange Act), is recorded, processed, summarized and reported within the time periods specified in the rules and forms for such filings. Management of the Corporation, under the direction of the Corporation's Chief Executive Officer and Chief Financial Officer, reviewed and performed an evaluation of the effectiveness of the Corporation's disclosure controls and procedures (as defined in Rules 13a-15a(e) and 15d-15(e) under the Exchange Act) as of September 30, 2010. Based on that review and evaluation, the Chief Executive Officer and Chief Financial Officer, along with other key management of the Corporation, have determined that the disclosure controls and procedures were and are effective as designed to ensure that material information relating to the Corporation and its consolidated subsidiaries required to be disclosed by the Corporation by the Exchange Act, was recorded, processed, summarized and reported within the applicable time periods.

Changes in Internal Controls

There have been no significant changes in Commercial National Financial Corporation's internal control over financial reporting during the quarter ended September 30, 2010, that has materially affected, or is reasonably likely to materially affect Commercial National Financial Corporation's internal control over financial reporting.

ITEM 4T. CONTROLS AND PROCEDURES

See Item 4. above.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Other than proceedings that occur in the normal course of business, there are no legal proceedings to which either theCorporation or any of its subsidiaries is a party, which, in management's opinion, will have any material effect on the financialposition of the Corporation and its subsidiaries.

ITEM 1A. RISK FACTORS

A smaller reporting company is not required to provide information required of this item.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

2 (a) None

2 (b) None

2 (c) In 2000, the Board of Directors authorized the repurchase of up to 360,000 shares of the Corporation's common stock from time to time when warranted by market conditions. There have been 245,174 shares purchased under this authorization through September 30, 2010. There were no shares purchased during the third quarter 2010, see table below.

ISSUER PURCHASES OF EQUITY SECURITIES				
Period	(a) Total Number of Shares Purchased	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans	(d) Maximum Number of Shares that May Yet Be Purchased Under the Plans
July 1- July 31	0	0	0	114,826
August 1 – August 31	0	0	0	114,826
September 1- September 30	0	0	0	114,826
Total	0	0	0	

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. (REMOVED AND RESERVED)

ITEM 5. OTHER INFORMATION

Not applicable

ITEM 6. EXHIBITS

Exhibit Number	Description	Page Number or Incorporated by Reference to
3.1	Articles of Incorporation	Exhibit C to Form S-4 Registration Statement Filed April 9, 1990
3.2	By-Laws of Registrant	Exhibit D to Form S-4 Registration Statement Filed April 9, 1990
3.3	Amendment to Articles of Incorporation	Exhibit A to definitive Proxy Statement filed for the special meeting of shareholders held September 18, 1990
3.4	Amendment to Articles of Incorporation	Exhibit A to definitive Proxy Statement filed for the meeting of shareholders held on April 15, 1997
3.6	Amendment to Articles of Incorporation	Exhibit A to definitive Proxy Statement filed for the meeting of shareholders held September 21, 2004
3.8	Amendment to the Bylaws of Registrant	Exhibit 3.8 to Form 10-Q for the quarter ended September 30, 2004
10.1	Amended and Restated Employment agreement between Gregg E. Hunter and Commercial Bank & Trust of PA	Exhibit 10.1 to Form 10-K for the year ended December 31, 2008
10.3	Mutual Release and Non-Disparagement Agreement between Commercial Bank of Pennsylvania and Louis T. Steiner	Exhibit 10.3 to Form 10-K for the year ended December 31, 2003
10.4	Stock Purchase Agreement between the Corporation and all of the Shareholders of Ridge Properties, Inc.	Exhibit 10.4 to Form 10-Q for the quarter ended June 30, 2008
10.5	Change in Certifying Accountant	

		Exhibit 10.5 to Form 10-K for the year ended December 31, 2009
31.1	Rule 13a-15(e) and 15d-15(e) Certification of Chief Executive Officer	Filed herewith
31.2	Rule 13a-15(e) and 15d-15(e) Certification of Chief Financial Officer	Filed herewith
32.1	Section 1350 Certification of the Chief Executive Officer	Filed herewith
32.2	Section 1350 Certification of the Chief Financial Officer	Filed herewith

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

COMMERCIAL NATIONAL FINANCIAL CORPORATION
(Registrant)

Dated: November 10, 2010	/s/ Gregg E. Hunter Gregg E. Hunter, Vice Chairman President and Chief Executive Officer
Dated: November 10, 2010	/s/ Thomas D. Watters Thomas D. Watters, Executive Vice President and Chief Financial Officer