COMMERCIAL NATIONAL FINANCIAL CORP /PA
Form 10-Q
August 13, 2003

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 June 30, 2003
o 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 is an accelerated filer (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 JULY 31, 2003
Common Stock, $2 Par Value	3,435,152 Shares

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

PART II - OTHER INFORMATION

COMMERCIAL NATIONAL FINANCIAL CORPORATION

CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

	June 30, 2003 (unaudited)	**December 31, 2002**
ASSETS		
Cash and due from banks	$ 10,886,492	$ 10,294,276
Interest bearing deposits with other banks	1,088,193	20,633,629
Total cash and cash equivalents	11,974,685	30,927,905

Federal funds sold	15,225,000	14,650,000
Investment securities available for sale	129,839,963	144,726,216
Restricted investments in bank stock	3,800,700	3,618,200
Loans (all domestic)	189,528,494	169,030,225
Allowance for loan losses	(2,679,893)	(2,707,323)
Net loans	186,848,601	166,322,902
Premises and equipment	4,757,527	4,523,920
Other assets	15,653,992	15,568,612
Total assets	$368,100,468	$380,337,755
LIABILITIES AND SHAREHOLDERS' EQUITY		
Deposits (all domestic):		
Non-interest bearing	$ 49,881,674	$ 51,355,652
Interest bearing	208,945,583	218,669,557
Total deposits	258,827,257	270,025,209
Other liabilities	3,450,374	4,108,044
Long-term borrowings	55,000,000	55,000,000
Total liabilities	317,277,631	329,133,253
Shareholders' equity:		
Common stock, par value $2; 10,000,000		
shares authorized; 3,600,000 issued;		
3,447,152 and 3,453,952 shares outstanding		
in 2003 and 2002, respectively	7,200,000	7,200,000
Retained earnings	42,150,162	41,627,977
Accumulated other comprehensive income -		
net of deferred taxes of $2,141,678		
in June 2003 and $2,514,488 in		
December 2002	4,157,375	4,881,064
Treasury stock, at cost, 152,848 and 146,048 shares in		
2003 and 2002, respectively	(2,684,700)	(2,504,539)
Total shareholders' equity	50,822,837	51,204,502
Total liabilities and		
shareholders' equity	$368,100,468	$380,337,755

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

COMMERCIAL NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

	Three Months Ended June 30 (unaudited)		Six Months Ended June 30 (unaudited)	
	2003	2002	2003	2002
INTEREST INCOME:				
Interest and fees on loans	$ 2,890,507	$ 3,400,481	$ 5,740,578	$ 7,130,425
Interest and dividends on securities:				
Taxable	1,792,314	1,997,249	3,884,134	3,765,372
Exempt from federal income taxes	300,670	261,258	591,989	522,683
Other	44,382	41,840	124,090	63,936
Total interest income	5,027,873	5,700,828	10,340,791	11,482,416

INTEREST EXPENSE							
Interest on deposits		925,592		1,288,828		1,922,661		2,636,970
Interest on short-term borrowings		-		7,094		-		19,095
Interest on long-term borrowings		724,052		637,070		1,444,355		1,078,758
Total interest expense		1,649,644		1,932,992		3,367,016		3,734,823
NET INTEREST INCOME		3,378,229		3,767,836		6,973,775		7,747,593
PROVISION FOR LOAN LOSSES		-		162,816		-		202,030
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES		3,378,229		3,605,020		6,973,775		7,545,563
OTHER OPERATING INCOME:								
Asset management and trust income		197,921		144,942		350,925		271,018
Service charges on deposit accounts		217,962		171,370		403,074		354,328
Other service charges and fees		156,276		192,880		330,382		396,497
Commissions and fees from insurance sales		277,130		12,604		484,972		29,979
Income from investment in life insurance		149,088		99,816		298,176		175,566
Other income		71,241		78,047		136,868		159,732
Total other operating income		1,069,618		699,659		2,004,397		1,387,120
OTHER OPERATING EXPENSES:								
Salaries and employee benefits		1,441,596		1,371,693		2,969,389		2,825,989
Net occupancy		176,468		149,705		370,320		304,267
Furniture and equipment		181,460		180,979		348,513		350,755
Pennsylvania shares tax		126,812		115,807		246,288		224,795
Other expenses		1,141,325		839,303		2,198,943		1,649,107
Total other operating expenses		3,067,661		2,657,489		6,133,453		5,354,913
INCOME BEFORE INCOME TAXES		1,380,186		1,647,190		2,844,719		3,577,770
Income tax expense		275,510		449,300		597,410		985,000
Net income	$	1,104,676	$	1,197,890	$	2,247,309	$	2,592,770
Average Shares Outstanding		3,447,152		3,438,787		3,449,624		3,426,096
Earnings Per Share, basic	$	0.32	$	0.35	$	0.65	$	0.76
Dividends Paid Per Share	$	0.25	$	0.25	$	0.50	$	0.50

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

COMMERCIAL NATIONAL FINANCIAL CORPORATION

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

	Common Stock	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income	Total Shareholders' Equity
(unaudited)					
Balance at December 31, 2002	$7,200,000	$41,627,977	$(2,504,539)	$ 4,881,064	$51,204,502
Comprehensive Income					
Net income	-	2,247,309	-	-	2,247,309
Other comprehensive income, net of tax:					
Unrealized net losses on securities	-	-	-	(723,689)	(723,689)
Total Comprehensive Income					1,523,620
Cash dividends declared					

$.50 per share	-	(1,725,124)	-	-	(1,725,124)
Purchase of treasury stock	-	-	(180,161)	-	(180,161)
Balance at June 30, 2003	$7,200,000	$42,150,162	$(2,684,700)	$ 4,157,375	$50,822,837
(unaudited)					
Balance at December 31, 2001	$7,200,000	$39,736,355	$(3,125,420)	$ 2,159,362	$45,970,297
Comprehensive Income					
Net income	-	2,592,770	-	-	2,592,770
Other comprehensive income, net of tax:					
Unrealized net gains on securities	-	-	-	1,453,986	1,453,986
Total Comprehensive Income					4,046,756
Cash dividends declared					
$.50 per share	-	(1,713,048)	-	-	(1,713,048)
Balance at June 30, 2002	$7,200,000	$38,596,635	$(3,125,420)	$ 3,613,348	$48,304,005

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

COMMERCIAL NATIONAL FINANCIAL CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

	For Six Months Ended June 30 2003	2002
OPERATING ACTIVITIES		
Net income	$2,247,309	$2,592,770
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation	313,556	320,158
Amortization of intangibles	104,951	-
Provision for loan losses	-	202,030
Net (accretion)/amortization of securities and loan fees	(424,372)	(366,477)
Income from investment in life insurance	(298,176)	(175,566)
Decrease in other liabilities	(308,788)	(384,918)
(Increase) decrease in other assets	231,638	(1,141,250)
Net cash provided by operating activities	1,866,118	1,046,747
INVESTING ACTIVITIES		
Increase in fed funds sold	(575,000)	(20,675,000)
Purchase of securities AFS	(23,953,763)	(30,941,478)
Maturities and calls of securities AFS	37,985,388	20,329,599
Net cash used in acquisition	(99,864)	-
Investment in life insurance	-	(5,000,000)
Net (increase) decrease in loans	(20,525,699)	9,548,579
Purchase of premises and equipment	(547,163)	(390,250)
Net cash used in investing activities	(7,716,101)	(27,128,550)
FINANCING ACTIVITIES		
Net increase (decrease) in deposits	(11,197,952)	15,300,692
Decrease in other short-term borrowings	-	(4,275,000)
Proceeds from long-term borrowings	-	20,157,988
Dividends paid	(1,725,124)	(1,713,048)
Purchase of treasury stock	(180,161)	-
Net cash provided by financing activities	(13,103,237)	29,470,632
Increase (decrease) in cash and cash equivalents	(18,953,220)	3,388,829
Cash and cash equivalents at beginning of year	30,927,905	10,112,268
Cash and cash equivalents at end of quarter	$11,974,685	$13,501,097
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	$ 3,496,788	$ 3,716,696

Income Taxes	$ 148,000	$ 1,056,843
Supplemental schedule of non-cash investing and financing activities		
Transfer of residential loans to foreclosed real estate	$ 100,000	$ 154,499

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

COMMERCIAL NATIONAL FINANCIAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2003

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 of Pennsylvania (the Bank), formerly known as Commercial National Bank of Pennsylvania and Commercial National Insurance Services, Inc., (CNIS). In July 2003, the Bank's application to convert to a Pennsylvania state chartered bank was approved by the Pennsylvania Department of Banking, and the Bank changed its name to Commercial Bank of Pennsylvania. In December 2002, CNIS acquired The Gooder Agency Inc., (Gooder). Gooder is a full service provider of insurance products to individuals and businesses and acts as an agent for fifteen national, regional and mutual insurance companies. Gooder's results of operations are not material to the consolidated financial statements. 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, 2002, 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 June 30, 2003 and the results of operations for the three and six month periods ended June 30, 2003 and 2002, and the statements of cash flows and changes in shareholders' equity for the six month periods ended June 30, 2003 and 2002. The results of three and six months ended June 30, 2003 are not necessarily indicative of the results to be expected for the entire year.

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.Based upon the Corporation's most recent quarterly evaluation, management considers the allowance for loan losses to be adequate to absorb any losses that may occur in the loan portfolio.

The Corporation recorded no provision for the period ended June 30, 2003. By comparison, the Corporation charged to expense $202,030 the period ended a year ago. Net charge-offs amounted to $27,430 and $102,669 for the six months ended June 30, 2003 and 2002, respectively.

Description of changes:

	2003	2002

Allowance balance January 1	$2,707,323	$2,814,454
Additions:		
Provision charged to operating expenses	-	202,030
Recoveries on previously charged off Loans	21,225	22,725
Deductions:		
Loans charged off	(48,655)	(125,394)
Allowance balance June 30	$ 2,679,893	$ 2,913,815

COMMERCIAL NATIONAL FINANCIAL CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 3 Comprehensive Income

The components of other comprehensive income and related tax effects for the three and six month periods ended June 30, 2003 and 2002 are as follows:

	For three months Ended June 30		For six months Ended June 30	
	2003	2002	2003	2002
Gross change in unrealized gains (losses) on Securities available for sale	$ (312,040)	$2,651,856	$(1,096,499)	$2,203,009
Tax effect	(106,094)	901,631	(372,810)	749,023
Net of tax amount	$ (205,946)	$1,750,225	$(723,689)	1,453,986

Note 4 Legal Proceedings

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

Note 5 Acquisition

On January 3, 2003, the Corporation acquired certain insurance agency accounts from an employee of the Corporation’s insurance agency subsidiary, Gooder. The Corporation paid cash of $99,864 for the accounts. The acquisition has been accounted for as a purchase and the results of operations are included in the consolidated financial statements since the date of the acquisition. The impact on the Corporation’s results of operations for the period ended June 30, 2003 was not material.

Note 6 New Accounting Standards

In July 2002, the Financial Accounting Standards Board issued Statement No. 146, “Accounting for Costs Associated with Exit or Disposal Activities,” which nullifies EITF Issue 94-3, “Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring).” This statement delays recognition of these costs until liabilities are incurred, rather than at the date of commitment to the plan, and requires fair value measurement. It does not impact the recognition of liabilities incurred in connection with a business combination or the disposal of long-lived assets. The provisions of this statement are effective for exit or disposal activities initiated after December 31, 2002 and are not expected to have a significant impact on the Corporation’s financial condition or results of operations.

In November 2002, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 45 (FIN 45), “Guarantor’s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others.” This Interpretation expands the disclosures to be made by a guarantor in its financial statements about its obligations under certain guarantees and requires the guarantor to recognize a liability for the fair value of an obligation assumed under certain specified guarantees. FIN 45 clarifies the requirements of FASB Statement No. 5, “Accounting for Contingencies.” In general, FIN 45 applies to contracts or indemnification agreements that contingently require the guarantor to make payments to the guaranteed party based on changes in an underlying that is related to an asset, liability or equity security of the guaranteed party, which would include financial and standby letters of credit. Certain guarantee contracts are excluded from both the disclosure and recognition requirements of this Interpretation, including, among others, guarantees related to commercial letters of credit and loan commitments. The disclosure requirements of FIN 45 require disclosure of the nature of the guarantee, the maximum potential

amount of future payments that the guarantor could be required to make under the guarantee and the current amount of the liability, if any, for the guarantor’s obligations under the guarantee. The accounting recognition requirements of FIN 45 are to be applied prospectively to guarantees issued or modified after December 31, 2002. Adoption of FIN 45 did not have a significant impact on the Corporation’s financial condition or results of operations.

Outstanding letters of credit written are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. The Bank’s exposure to credit loss in the event of noncompliance by the other party to the financial instrument for standby letters of credit is represented by the contractual amount of those instruments. The Corporation had $3,644,961 of standby letters of credit as of June 30, 2003. The Bank uses the same credit policies in making conditional obligations as it does for on-balance sheet instruments.

Of these standby letters of credit, $472,245 automatically renew within the next twelve months, $70,044 will expire within the next twelve months and $3,102,672 will expire within thirteen to one hundred and eighty months. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending other loan commitments. The Corporation may require collateral and personal guarantees supporting these letters of credit as deemed necessary. Management believes that the proceeds obtained through a liquidation of such collateral and the enforcement of personal guarantees would be sufficient to cover the maximum potential amount of future payments required under the corresponding guarantees.

In April 2003, the Financial Accounting Standards Board issued Statement No. 149, “Amendment of Statement No. 133, Accounting for Derivative Instruments and Hedging Activities”. This statement clarifies the definition of a derivative and incorporates certain decisions made by the Board as part of the Derivatives Implementation Group process.   This statement is effective for contracts entered into or modified, and for hedging relationships designated after June 30, 2003 and should be applied prospectively. The provisions of the Statement that relate to implementation issues addressed by the Derivatives Implementation Group that have been effective should continue to be applied in accordance with their respective effective dates. Adoption of this standard is not expected to have any impact on the Corporation’s financial condition or results of operations.

In January 2003, the Financial Accounting Standards Board issued FASB Interpretation No. 46, “Consolidation of Variable Interest Entities, an Interpretation of ARB No. 51”. This interpretation provides new guidance for the consolidation of variable interest entities (VIEs) and requires such entities to be consolidated by their primary beneficiaries if the entities do not effectively disperse risk among parties involved. The interpretation also adds disclosure requirements for investors that are involved with unconsolidated VIEs. The disclosure requirements apply to all financial statements issued after January 31, 2003. The consolidation requirements apply immediately to VIEs created after January 31, 2003 and are effective for the first fiscal year or interim period beginning after June 15, 2003 for VIEs acquired before February 1, 2003. The adoption of this interpretation did not have any impact on the Corporation’s financial condition or results of operations.

In May 2003, the Financial Accounting Standards Board issued Statement No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." This Statement requires that an issuer classify a financial instrument that is within its scope as a liability. Many of these instruments were previously classified as equity. This Statement was effective for financial instruments entered into or modified after May 31, 2003 and otherwise was effective beginning July 1, 2003. The adoption of this standard did not have any impact on the Corporation's financial condition or results of operations.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION

ITEM 2.
AND RESULTS OF OPERATIONS

Safe Harbor Statement

Forward-looking statements (statements which are not historical facts) in this release 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," "anticipate," "intend," "could," "would," "estin "continue" or the negative or other variations thereof or comparable terminology are 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.

Critical Accounting Estimates

Disclosure of the Corporation's significant accounting policies is included in Note 1 to the consolidated financial statements of the 2002 Annual Report to Shareholders, filed as Exhibit 13 to the Annual Report on Form 10-K for the year ended December 31, 2002. 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 2002 Annual Report to the Shareholders 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 this estimate such as 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, or present value of future cash flows 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 on the statement 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.

Financial Condition

The Corporation’s total assets decreased $12,237,287 from December 31, 2002 to June 30, 2003. The decrease was due to declines of $19,545,436 in interest bearing deposits with other banks (IBD) and $14,886,253 in investment securities. These decreases were partially offset by an increase of $20,498,269 in loans outstanding. The reduction of IBD’s provided the necessary liquidity for the respective increase in loans and decrease in the Bank’s retail deposits. Total loan volume increased during the year due to the continued success of a residential mortgage loan promotion that commenced during the fourth quarter of 2002. The effect of this promotion resulted in a net increase of $12,060,346 in residential mortgages for the period ended June 30, 2003.

The decrease in deposits of $11,197,952 from December 31, 2002 to June 30, 2003 is due to the normal fluctuation of demand deposits and the anticipated maturity and runoff of specific public funds being held by the Bank. Aggressive money market and certificates of deposit pricing by the Corporation’s competitors has also led to the decline in deposits.

MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION

ITEM 2.
AND RESULTS OF OPERATIONS

FINANCIAL CONDITIONS (continued)

Shareholders' equity was $50,822,837 on June 30, 2003 compared to $51,204,502 on December 31, 2002. The decrease is primarily due to comprehensive income of $1,523,620 less cash dividends of $1,725,124 and treasury stock purchases of $180,161. Comprehensive income for the period included net income of $2,247,309 and an unrealized loss on securities available for sale of $723,689. Book value per common share decreased from $14.82 to $14.74 at June 30, 2003. Excluding the net unrealized gains and losses on securities available for sale, book value per share would have been $13.54 at June 30, 2003 compared to $13.41 at year-end 2002.

RESULTS OF OPERATIONS

<u>First Six Months of 2003 as compared to the First Six Months of 2002</u>

Pre-tax income for the first six months of 2003 was $2,844,719 compared to $3,577,770 during the same period of 2002, representing a 20.49% decrease. The decrease was the result of lower net interest income and higher net operating expense.

Interest income was $5,740,578, a decrease of 9.94%. The yield on the loan portfolio decreased ninety-one (91) basis points to 6.43%. This was due to the continued low rate environment which resulted in increased loan refinancing activity by existing customers and increased mortgage lending to new customers. The yield on the securities portfolio decreased eighty-seven (87) basis points to 5.70%. This yield was negatively impacted by heavy prepayments on mortgage-backed securities. These funds were reinvested into federal funds sold and other lower yielding assets at current market rates. As a result, the yield on total average earning assets decreased ninety-five (95) basis points to 6.08%. Average earning asset volume rose by $13,267,093, a 4.06% increase.

Interest expense was $3,367,013, a decrease of 9.85%. Interest bearing liability costs remain in decline as deposit products continue to reprice at lower rates upon maturity. The cost of average interest-bearing liabilities was 2.50%, a forty-four (44) basis points decrease from a year ago. Average interest-bearing liabilities volume rose by $15,413,006, which represented an increase of 6.07%.

Net interest income declined 9.98% to $6,973,775, and represented a $773,818 decrease from the same period a year ago. Management anticipates that net interest income will continue to decline due to significantly lower yields on comparable loan volume and federal funds sold when compared to the same period a year ago. Also, the Corporation will not benefit as much from declining interest costs that have been experienced in recent years.

The Corporation recorded no provision for loan losses for the period ended June 30, 2003 compared to a provision of $202,030 for the period ended June 30, 2002. Contributing to this decrease was improved credit quality and higher concentrations in residential real estate secured loans.

Non-interest income increased $617,277, or 44.50%, to $2,004,397. Of this increase, $454,993 is attributed to the income generated by Gooder which was acquired at the end of 2002. Asset management and trust fees totaled $350,925, representing a 24.48% increase. Higher estate fees and income from third party management fees are the primary reason for this increase. Service charges on deposit accounts increased $48,476 to $403,074. Other service charges and fees decreased $66,115 to $330,382. This decrease is attributable to lower fees and commissions collected by the Bank from products and services. Income from investment in life insurance increased $122,610 to $298,176. This increase is the result of an additional investment of $5,000,000 during the second quarter of 2002. Other income decreased $22,864 to $136,868. This decrease is related to the elimination of merchant income received from credit card activity. The Corporation eliminated this program during the first quarter of 2002.

Non-interest expense reached $6,133,453, an increase of 14.54%, or $778,540. Personnel cost rose 5.07%, which equates to a $143,400 increase. This increase is the result of

MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION

ITEM 2.
AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS (continued)

staff added in connection with the Gooder acquisition. Net occupancy costs increased 21.71%, or $66,053. Furniture and equipment expense declined by $2,242. Pennsylvania

shares tax expense was $246,288, an increase of 9.56%. Other expense grew by 33.34%, representing a $549,836 increase. This increase is mostly due to increases in legal and

professional fees combined with the amortization and new costs associated with the operation of Gooder.

Federal income tax for the first six months was $597,410 compared to $985,000 for the same period a year ago. The effective tax for the comparable periods are 21.00% and 27.53%, respectively. The drop in effective income tax is due to a combination of greater tax-free income in proportion to lower pretax income when compared to a year ago. Net income decreased $345,461 to $2,247,309, a decrease of 13.32%. The annualized return on average assets was 1.20% for the first six months of 2003 compared to 1.48% for the six months ended June 30, 2002. The annualized return on average equity through June 30, 2003 was 8.78% and was 11.00% through the first six months of 2002.

<u>Three Months Ended June 30, 2003 as Compared to the Three Months Ended June 30, 2002</u>

The Corporation’s pre-tax income for the second quarter of 2003 decreased 16.21% to $1,380,186 from $1,712,920 for the same period of 2002. The decrease was principally due to the decrease in net interest income.

Interest income for the second quarter of 2003 was $5,027,873, a decrease of 11.80% from interest income of $5,700,828 for the second quarter of 2002. The decrease in interest income is the result of lower rates realized on loans and securities than what were realized a year ago. The loan yield decreased ninety-two (92) basis points to 6.26%, the securities yield decreased seventy-six (76) basis points to 5.60%. The yield on total average earning assets decreased eighty-seven (87) basis points to 5.96%.

Interest expense during the second quarter of 2003 was $1,649,644, a decrease of 14.66% from interest expense of $1,932,992 for the second quarter of 2002. The average interest-bearing liabilities declined by $1,962,461. The decrease in interest expense was the result of lower interest bearing deposit rates enacted by the Bank during this continued historically low interest rate environment. The average cost decreased to 2.48%, a forty-one (41) basis points decrease from a year ago.

Net interest income declined 10.34% to $3,378,229 during the second quarter of 2003 and yielded 3.66% of average total assets compared to 4.18% during the same period a year ago.

There was no provision for loan losses recorded during the second quarter of 2003 while $162,816 was charged to expense in the second quarter of 2002.

Non-interest income increased $369,959 or 52.88%, to $1,069,618 during the second quarter of 2003. Asset management and trust income increased $52,979 on higher estate management fees. Service charges on deposit accounts increased 21.19% to $217,962. This increase is the result of the implementation of the Bank’s overdraft protection program during the second quarter. Other service charges and fees declined by 18.98% due to lower fees and commissions collected for products and services. Income from Gooder represented a $264,526 increase from insurance income a year ago. With the additional Bank Owned Life Insurance (BOLI) income investment reflected for all of 2003, BOLI increased $49,272 over 2002 BOLI income. Other income decreased 8.72% to $71,241.

Non-interest expense increased $410,172 during the second quarter of 2003, a 15.43% increase from the same period in 2002. Personnel costs rose by $69,903 to $1,441,596 on additional staffing associated with the Gooder acquisition. Net occupancy expense rose $26,763, a 17.88% increase. Furniture and equipment expense increased only $481. Pennsylvania shares tax expense rose $11,005, an increase of 9.69%. Other expense increased $302,022 during the second quarter of 2003, a 35.98% increase from the same period in 2002. Increases in legal and professional fees combined with operating

RESULTS OF OPERATIONS (continued)

expenses associated with Gooder and the amortization of intangibles related to the branch and Gooder acquisitions in 2002 contributed to this increase.

Federal income tax on total second quarter of 2003 pretax earnings was $275,510 compared to $449,300 a year ago. The second quarter effective tax rate was 19.96% and 27.28%, respectively. This decrease is due to higher tax-free income in relation to lower pretax income for the quarter ended June 30, 2003. Net income after taxes

declined $93,214 to $1,104,676, equating to a 7.78% decrease. The annualized return on average assets was 1.20% for the three months ended June 30, 2003 compared to 1.33% for the second quarter of 2002. The annualized return on average equity for the second quarter of 2003 was 8.88% compared to 10.09% for the second quarter of 2002.

LIQUIDITY

Liquidity, the measure of the Corporation's ability to meet the normal cash flow needs of depositors and borrowers in an efficient manner, is generated primarily from the acquisition of deposit funds and the maturity of loans and securities. A large component of the decline in deposits from December 31, 2002 can be attributed to a single relationship. This relationship had a matured certificate of deposit that was not renewed and other sources of funds that were used for annual operating expenditures. Additional liquidity can be provided by the sale of investment securities that amounted to approximately $130,000,000 with net unrealized gains of $6,299,053 on June 30, 2003. The Bank is a member of the FHLB system. The FHLB provides an additional source of liquidity for long and short-term funding. As of June 30, 2003, the Corporation had available funding of $197,538,000 at the FHLB. Additional short-term funding is available through federal funds lines of credit that are established with correspondent banks.

During the first six months of 2003, average interest-bearing liabilities increased $15,413,006 over the same period in 2002. The average increased due to $20,000,000 in fixed rate advances, acquired during the second quarter of 2002, reflected for the full six months of 2003 and only a portion of the six month ended period for 2002.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

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 obtained, if deemed necessary by the Corporation upon extension of credit, is based on management's credit evaluation of the counter party. Collateral held varies but 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.

MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION

ITEM 2.
AND RESULTS OF OPERATIONS

CONTRACTUAL OBLIGATIONS AND COMMITMENTS (continued)

The following table identifies commitments to extend credit and obligations under letters of credit by the Corporation as of June 30, 2003.

TOTAL AMOUNT COMMITTED

Financial instruments whose contracts amounts represent credit risk:	
Commitments to extend credit	$36,234,907
Standby letters of credit	542,289
Financial standby letters of credit	3,102,672

INTEREST SENSITIVITY

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 and therefore are presented as beginning to reprice over a variety of time periods.

The cumulative gap at the one-year repricing period was positive in the amount of $52.010 million or 15.44% of total earning assets at March 31, 2003. An asset or liability is considered to be sensitive if its cashflow optionality or the interest yield it earns or pays is set to change within a certain time period. When the amount of interest-sensitive assets is greater than the interest-sensitive liabilities, the gap is labeled positive and the institution’s interest rate spread will widen and earnings will respond favorably to a general rise in interest rates. The opposite relationship produces a negative gap and the interest rate spread will increase and earnings will show a favorable response in a declining rate environment. Although the gap analysis provides management with a method of measuring current interest rate risk, it only measures rate sensitivity at a specific point in time, and as a result may not accurately predict the impact of changes in general levels of interest rates or net interest income.

MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION

ITEM 2.
AND RESULTS OF OPERATIONS

INTEREST SENSITIVITY (In thousands)

The following table presents this information as of June 30, 2003 and December 31, 2002:

	June 30, 2003					
	0-30 DAYS	**31-90 DAYS**	**91-180 DAYS**	**181-365 DAYS**	**1 - 5 YEARS**	**OVER 5 YRS**
Interest-earning assets:						
Securities	$ 6,962	$ 12,345	$ 15,161	$ 21,591	$48,121	$ 19,362
Federal funds sold and other deposits with banks	16,313	-	-	-	-	-
Loans	23,399	3,293	4,623	9,720	83,205	62,631
Total interest-sensitive assets	**46,674**	**15,638**	**19,784**	**31,311**	**131,326**	**81,993**
Interest-bearing liabilities:						
Certificates of deposits	4,980	9,654	9,955	14,557	27,818	17,109
Other interest-bearing deposits	-	5,029	5,029	7,193	47,517	60,104
Long-term borrowings	-	-	-	5,000	25,000	25,000
Total-interest sensitive liabilities	4,980	14,683	14,984	26,750	100,335	102,213
Interest sensitivity gap	**$ 41,694**	**$ 955**	**$ 4,800**	**$ 4,561**	**$ 30,991**	**$ (20,220)**
Cumulative gap	**$ 41,694**	**$ 42,649**	**$ 47,449**	**$ 52,010**	**$ 83,001**	**$ 62,781**
Ratio of cumulative gap to earning assets	**12.38%**	**12.66%**	**14.09%**	**15.44%**	**24.64%**	**18.64%**

	December 31, 2002					
	0-30 DAYS	**31-90 DAYS**	**91-180 DAYS**	**181-365 DAYS**	**1 - 5 YEARS**	**OVER 5 YRS**
Interest-earning assets:						
Securities	$ 6,746	$11,494	$16,152	$ 32,304	$57,822	$ 12,721
Federal funds sold and other deposits with banks	35,284	-	-	-	-	-
Loans	22,893	3,671	4,562	8,868	76,583	49,595

Total interest-sensitive assets	**64,923**	**15,165**	**20,714**	**41,172**	**134,405**	**62,316**
Interest-bearing liabilities:						
Certificates of deposits	6,443	16,058	15,366	14,799	21,448	17,629
Other interest-bearing deposits	-	5,119	5,119	7,449	48,317	60,923
Long-term borrowings	-	-	-	-	30,000	25,000
Total-interest sensitive liabilities	6,443	21,177	20,485	22,248	99,765	103,552
Interest sensitivity gap	**$ 58,480**	**$ (6,012)**	**$ 229**	**$ 18,924**	**$ 34,640**	**$(41,236)**
Cumulative gap	**$ 58,480**	**$ 52,468**	**$ 52,697**	**$ 71,621**	**$106,261**	**$ 65,025**
Ratio of cumulative gap to earning assets	**16.72%**	**15.00%**	**15.07%**	**20.48%**	**30.39%**	**18.59%**

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION

ITEM 2.
AND RESULTS OF OPERATIONS

CREDIT QUALITY RISK

The following table presents a comparison of loan quality as of June 30, 2003 with that as of June 30, 2002. Non-accrual loans are those for which interest income is recorded only when received and past due loans are those which are contractually past due 90 days or more in respect to interest or principal payments. When a loan is placed on non-accrual status, any unpaid interest is charged against income.Non-accrual loans remain high due to the general economic slowdown and the Corporation's implementation of an enhanced loan assessment program. The assessment program enhances the Corporation's ability to identify loans which may be problems or which the borrower may be unable to pay under the terms of the original agreement. The Corporation's credit quality continues to improve due to a concentrated effort targeting real estate secured loans in the residential and commercial sectors. On June 30, 2003, $867,906 of the non-accrual loans were current with payments recognized on a cash basis only.

	At June 30	
	2003	2002
Non-performing Loans:		
Loans on non-accrual basis	$2,339,789	$2,631,393
Past due loans	-	-
Renegotiated loans	-	51,228
Total non-performing loans	2,339,789	2,682,621
Foreclosed real estate	403,568	154,499
Total non-performing assets	$2,743,357	$2,837,120
Loans outstanding at end of period	$189,528,494	$192,746,800
Average loans outstanding (year-to-date)	$178,457,043	$194,292,613
Non-performing loans as a percent of total Loans	1.24%	1.37%
Provision for loan losses	$ -	$ 202,030
Net charge-offs	$ 27,430	$ 102,669
Net charge-offs as a percent of average Loans	..02%	..05%
Provision for loan losses as a percent of net charge-offs	-	196.78%
Allowance for loan losses as a percent of average loans outstanding	1.50%	1.50%

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 must 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 June 30, 2003, the Corporation, under these guidelines, had Tier I and total equity capital to risk weighted assets ratios of 23.15% and 24.41% respectively. The leverage ratio was 12.40%. The capital ratios of the Bank are not materially different than the ratios of the Corporation.

MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION

ITEM 2.
AND RESULTS OF OPERATIONS

CAPITAL RESOURCES (continued)

The table below presents the Corporation's capital position at June 30, 2003

(Dollar amounts in thousands)

	Amount	Percent of Adjusted Assets
Tier I Capital	$ 44,886	23.15
Tier I Capital Requirement	7,754	4.00
Total Equity Capital	$ 47,312	24.41
Total Equity Capital Requirement	15,509	8.00
Leverage Capital	$ 44,886	12.40
Leverage Requirement	14,478	4.00

ITEM 3. Quantitative and Qualitative Disclosures about Market Risk

Asset/Liability management refers to management’s efforts to minimize fluctuations in net interest income caused by interest rate changes. This is accomplished by managing the yield and cost levels along with repricing of rate sensitive interest-earning assets and interest-bearing liabilities. Controlling the maturity or repricing of an institution’s liabilities and assets in order to minimize interest rate risk is commonly referred to as gap management. Close matching of the repricing of assets and liabilities will normally result in minimal changes in net interest income as interest rates change.

Under the protracted low interest rate environment in which we are operating, management expects net interest income and net income to remain pressured due to ongoing yield decreases in interest earning assets in conjunction with more limited decreases in interest bearing liability costs.

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 accepted.

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 June 30, 2003. 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 our internal controls or in other factors that could significantly affect our internal controls during the quarter ended June 30, 2003.

PART II - OTHER INFORMATION

ITEM 1. **LEGAL PROCEEDINGS**

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

ITEM 2. **CHANGES IN SECURITIES**

Not applicable.

ITEM 3. **DEFAULTS UPON SENIOR SECURITIES**

Not applicable.

ITEM 4. **SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS**

a. May 20, 2003 Annual Meeting of Shareholders

b.c Directors elected at the meeting and results of voting:

Director	For	Against	Withheld	Abstentions
Gregg E. Hunter	2,939,397	8,100		
Joedda M. Sampson	2,946,897	600		
Debra L. Spatola	2,946,897	600		
Louis A. Steiner	2,939,347	8,150		
George V. Welty	2,945,217	2,280		

Continuing directors:

John T. Babilya	Roy M. Landers
George A. Conti, Jr.	John C. McClatchey
Richmond H. Ferguson	Joseph A. Mosso

Dorothy S. Hunter   Louis T. Steiner
Frank E. Jobe   C. Edward Wible

Ratification of the appointment of Beard Miller Company LLP, as independent auditors:

For	Against	Withheld	Abstain
2,942,697	1,550		3,250

ITEM 5. OTHER INFORMATION

Not applicable

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

a. 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
10.1	Employment Agreement between Commercial National Bank of Pennsylvania and Gregg E. Hunter, dated July 1, 2003	Attached
10.2	Employment Agreement between Commercial National Bank of Pennsylvania and Louis T. Steiner, dated July 1, 2003	Attached
31.1	Rule 13a-14(a)/15d-14(a) Certification of the Chief Executive Officer	
31.2	Rule 13a-14(a)/15d-14(a) Certification of the Chief Financial Officer	
32.1	Section 1350 Certification of the Chief Executive Officer	
32.2	Section 1350 Certification of the Chief Financial Officer	

b. Reports on Form 8-K

A Form 8-K was filed on April 20, 2003 reporting the Corporation's first quarter earnings.

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: August 13, 2003 /s/ Louis T. Steiner
Louis T. Steiner, Vice Chairman
President and Chief Executive Officer

Dated: August 13, 2003 /s/ Gregg E. Hunter
Gregg E. Hunter, Vice Chairman and
Chief Financial Officer

EXHIBIT 31.1 Rule 13a-14(a)/15d-14(a) Certification of the Chief Executive Officer

I, Louis T. Steiner, Chief Executive Officer, Commercial National Financial Corporation certify that:

I have reviewed this quarterly report on Form 10-Q of Commercial National Financial Corporation;

Based on my knowledge, this quarterly report does not contain any untrue statement of material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

evaluated the effectiveness of the registrant's disclosure controls and procedures as of June 30, 2003 (the "Evaluation Date); and

presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and to the audit committee of the registrant's board of directors (or persons performing the equivalent function):

all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the

registrant's auditors any material weaknesses in internal controls; and

any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

The registrant's other certifying officer and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect the internal controls during the quarter ended June 30, 2003, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: August 13, 2003 By:/s/ Louis T. Steiner

Louis T. Steiner

Chief Executive Officer

EXHIBIT 31.2 Rule 13a-14(a)/15d-14(a) Certification of the Chief Financial Officer

I, Gregg E. Hunter, Chief Financial Officer, Commercial National Financial Corporation certify that:

I have reviewed this quarterly report on Form 10-Q of Commercial National Financial Corporation;

Based on my knowledge, this quarterly report does not contain any untrue statement of material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

evaluated the effectiveness of the registrant's disclosure controls and procedures as of June 30, 2003(the "Evaluation Date"); and

presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and to the audit committee of the registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

The registrant's other certifying officer and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect the internal controls during the quarter ended June 30, 2003, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: August 13, 2003 By:/s/ Gregg E. Hunter

Gregg E. Hunter

Chief Financial Officer

Exhibit 32.1 Section 1350 Certification of the Chief Executive Officer

Certification of Chief Executive Officer of
Commercial National Financial Corporation

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to

Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report on Form 10-Q of Commercial National Financial Corporation (the "Corporation") for the period ending June 30, 2003 as filed with the Securities and Exchange Commission (the "Report"), I, Louis T. Steiner, Chief Executive Officer of the Corporation certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13 (a) or 15 (d) of the Securities Exchange Act of 1934; and
(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Commercial National Financial Corporation.

/s/ Louis T. Steiner
Louis T. Steiner
Chief Executive Officer
August 13, 2003

Exhibit 32.2 Section 1350 Certification of the Chief Financial Officer

Certification of Chief Financial Officer of
Commercial National Financial Corporation

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to

Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report on Form 10-Q of Commercial National Financial Corporation (the "Corporation") for the period ending June 30, 2003 as filed with the Securities and Exchange Commission (the "Report"), I, Gregg E. Hunter, Chief Financial Officer of the Corporation certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13 (a) or 15 (d) of the Securities Exchange Act of 1934; and
(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Commercial National Financial Corporation.

/s/ Gregg E. Hunter
Gregg E. Hunter
Chief Financial Officer
August 13, 2003