

COMMERCIAL NATIONAL FINANCIAL CORP /PA
Form 8-K
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NEWS RELEASE

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For Immediate Release

COMMERCIAL NATIONAL ACHIEVES EARNINGS GROWTH OF 30.16% FOR SECOND QUARTER AND 17.21% FOR FIRST SIX MONTHS

LATROBE, PA, August 3, 2010 - Commercial National Financial Corporation (NASDAQ:CNAF)(Company), parent Company of Commercial Bank & Trust of PA, has reported earnings for the quarter ended June 30, 2010. The Company earned \$1,381,000 (or \$.48 per average share outstanding) in 2010 compared to \$1,061,000 (or \$.37 per average share outstanding) in 2009. The Company earned \$2,731,000 (or \$.95 per average share outstanding) for the six-month period ended June 30, 2010 and \$2,330,000 (or \$.81 per average share outstanding) for the six-month period ended June 30, 2009. Second quarter 2010 earnings increased \$320,000 or 30.16% while first six month 2010 earnings increased \$401,000 or 17.21%.

President and Chief Executive Officer Gregg E. Hunter noted, "The higher earnings of 2010 are attributable to continued earning asset credit quality strength, the successful maintenance of a marginal leverage carry trade position, vastly improved tax efficiency as an ancillary benefit of that position, lessened funding reliance on rate sensitive non-core liabilities, proportionate and absolute growth in book capital and in the most valuable core deposit categories along with the non-recurrence of 2009's mid-year industry-wide special emergency FDIC deposit insurance assessment which had an unfavorable after-tax impact of approximately \$109,000. All of the aforementioned has enabled Commercial National to fortify its capital base exclusively via non-dilutive retained earnings while simultaneously providing for very attractive quarterly cash dividend payments to the Company's shareholders."

In addition to Latrobe, Pennsylvania where it is headquartered, the Company operates eleven community banking facilities in Greensburg, Hempfield Township, Ligonier, North Huntingdon, Unity Township and West Newton, Pennsylvania and also maintains a commercial business development sales force throughout its entire market area. The Company operates an asset management and trust division of Commercial Bank & Trust of PA headquartered in Greensburg, Pennsylvania. Commercial Bank & Trust of PA also serves its customer base from an Internet banking site (www.cbthebank.com) and an automated TouchTone Teller banking system.

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,"

“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 Company, and the Company 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 Company'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.

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COMMERCIAL NATIONAL FINANCIAL CORPORATION
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
(Dollars in thousands except per share data)

| | June 30, 2010 (unaudited) | June 30, 2009 (unaudited) |
|---|---------------------------------|---------------------------------|
| ASSETS | | |
| Cash and due from banks on demand | \$6,106 | \$9,906 |
| Interest bearing deposits with banks | 28 | 62 |
| Total cash and cash equivalents | 6,134 | 9,968 |
| Securities available for sale | 138,766 | 129,946 |
| Restricted investments in bank stock | 4,567 | 4,567 |
| Loans | 197,998 | 206,386 |
| Allowance for loan losses | (1,694) | (1,798) |
| Net loans | 196,304 | 204,588 |
| Premises and equipment | 3,449 | 3,515 |
| Investment in Life Insurance | 15,164 | 14,798 |
| Other assets | 4,039 | 2,608 |
| Total assets | \$368,423 | \$369,990 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Liabilities: | | |
| Deposits: | | |
| Non-interest bearing | \$74,542 | \$71,920 |
| Interest bearing | 199,837 | 192,274 |
| Total deposits | 274,379 | 264,194 |
| Short term borrowings | 34,650 | 31,625 |
| Long term borrowings | 10,000 | 30,000 |
| Other liabilities | 3,918 | 3,482 |
| Total liabilities | 322,947 | 329,301 |
| Shareholders' equity: | | |
| Common stock, par value \$2 per share; 10,000,000 shares authorized; 3,600,000 shares issued; 2,860,953 and 2,861,953 shares outstanding in 2010 and 2009 respectively. | | |
| | 7,200 | 7,200 |
| Retained earnings | 45,695 | 42,684 |
| Accumulated other comprehensive income (loss) | 5,125 | 3,334 |

| | | |
|--|-----------|-----------|
| Less treasury stock, at cost, 739,047 and 738,047 shares in 2010 and 2009 respectively | (12,544) | (12,529) |
| Total shareholders' equity | 45,476 | 40,689 |
| Total liabilities and shareholders' equity | \$368,423 | \$369,990 |

COMMERCIAL NATIONAL FINANCIAL CORPORATION

CONSOLIDATED STATEMENTS OF INCOME

(Dollars in thousands, except per share data)

| | Three Months | Three Months | Six Months | Six Months |
|--|------------------|------------------|------------------|------------------|
| | Ended June 30 | Ended June 30 | Ended June 30 | Ended June 30 |
| | 2010 | 2009 | 2010 | 2009 |
| | (unaudited) | (unaudited) | (unaudited) | (unaudited) |
| INTEREST INCOME: | | | | |
| Interest and fees on loans | \$2,854 | \$3,021 | \$5,774 | \$6,110 |
| Interest and dividends on securities: | | | | |
| Taxable | 1,165 | 1,798 | 2,488 | 3,721 |
| Exempt from federal income taxes | 590 | 33 | 1,038 | 46 |
| Other | 1 | 1 | 2 | 2 |
| Total Interest income | 4,610 | 4,853 | 9,302 | 9,879 |
| INTEREST EXPENSE: | | | | |
| Interest on deposits | 633 | 805 | 1,283 | 1,674 |
| Interest on short-term borrowings | 36 | 47 | 77 | 105 |
| Interest on long-term borrowings | 59 | 288 | 118 | 573 |
| Total Interest expense | 728 | 1,140 | 1,478 | 2,352 |
| NET INTEREST INCOME | 3,882 | 3,713 | 7,824 | 7,527 |
| PROVISION FOR LOAN LOSSES | - | - | - | - |
| NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES | 3,882 | 3,713 | 7,824 | 7,527 |
| OTHER OPERATING INCOME: | | | | |
| Asset management and trust income | 217 | 242 | 429 | 489 |
| Service charges on deposit accounts | 136 | 144 | 263 | 283 |
| Other service charges and fees | 184 | 176 | 391 | 378 |
| Income from investment in life insurance | 122 | 121 | 243 | 243 |

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|-----------------------------------|-----------|-----------|-----------|-----------|
| Other income | 40 | 44 | 86 | 94 |
| Total other operating income | 699 | 727 | 1,412 | 1,487 |
| OTHER OPERATING EXPENSES | | | | |
| Salaries and employee benefits | 1,490 | 1,397 | 3,009 | 2,831 |
| Net occupancy expense | 199 | 201 | 426 | 409 |
| Furniture and equipment | 135 | 130 | 277 | 253 |
| Pennsylvania shares tax | 126 | 126 | 252 | 256 |
| Legal and professional | 115 | 121 | 239 | 244 |
| FDIC insurance expense | 85 | 261 | 167 | 272 |
| Other expenses | 720 | 710 | 1,427 | 1,445 |
| Total other operating expenses | 2,870 | 2,946 | 5,797 | 5,710 |
| INCOME BEFORE INCOME TAXES | | | | |
| Income tax expense | 330 | 433 | 708 | 974 |
| Net income | \$1,381 | \$1,061 | \$2,731 | \$2,330 |
| Average Shares Outstanding | 2,860,953 | 2,867,349 | 2,860,953 | 2,871,745 |
| Earnings Per Share | \$0.48 | \$0.37 | \$0.95 | \$0.81 |

