



SMALL BANK

Comptroller of the Currency
Administrator of National Banks
Washington, DC 20219

PUBLIC DISCLOSURE

April 16, 2007

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Commercial National Bank of Texarkana
Charter Number 15257**

**5515 Summerhill Road
Texarkana, TX 75505**

**Comptroller of the Currency
Little Rock (Memphis)
10201 West Markham, Suite 105 Ozark National Life Bld.
Little Rock, AR 72205**

NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

INSTITUTION'S CRA RATING: This institution is rated Satisfactory.

The following performance factors were used in determining the bank's overall CRA rating:

- The average loan-to-deposit ratio at 80 percent is reasonable given the bank's size, financial condition, and assessment area (AA) credit needs.
- A substantial majority of the bank's loans are located in its AA.
- The distribution of loans reflects satisfactory penetration among individuals of different income levels and businesses of different sizes.
- The geographic distribution on loans reflects reasonable dispersion throughout the AA.

SCOPE OF EXAMINATION

An onsite examination of the bank was performed to determine its performance under the Community Reinvestment Act (CRA). The bank was evaluated using Small Bank CRA criteria. Loan information used for this evaluation included 2006 HmDA data, and information from loans made in 2006. A data integrity examination of the bank's 2006 HmDA report was performed during December 2006, with no deficiencies noted. This performance evaluation starts from the date of the bank's previous CRA examination, and covers a five year period from January 14, 2002, to April 16, 2007. The bank was rated "**Satisfactory**" at the previous examination.

DESCRIPTION OF INSTITUTION

Commercial National Bank of Texarkana (CNB) is a \$162 million bank with banking locations in the Texarkana Metropolitan Statistical Area (MSA). The main office facility is located at Summerhill Road, Texarkana, Texas. There are five branch locations, four in Texarkana, Arkansas, and one in Fouke, Arkansas. The bank operates four automated teller machines (ATM's) located at the main office, and 3 at branch locations. The bank also provides a full range of services through its internet banking website. As of March 30, 2007, bank loans totaled \$109 million representing approximately 65% of total assets. The following chart reflects the distribution of the bank's loan portfolio.

Loan Category	\$ (000)	%
Commercial and Commercial Real Estate	\$46,188	43
Residential Real Estate	\$39,738	37
Consumer	\$19,192	18
Agricultural	\$2,640	2
Total	\$107,758	100

There have been no changes in the bank's corporate structure since the prior evaluation. CNB is a wholly owned subsidiary of Commercial National Bancshares, Inc., a holding company based in Texarkana, Arkansas. No legal impediments were noted that would prevent the bank from meeting the credit needs of its assessment area.

DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area includes all of Bowie County, Texas, and Miller County, Arkansas. These counties comprise the Texarkana, Texas/Texarkana, Arkansas Metropolitan Statistical Area (MSA). According to the 2000 Census, there are a total of 26 census tracts located within the MSA. Of this total, 3 are low-income, 4 moderate-income, 16 middle-income, and 3 upper-income. All low- and moderate-income census tracts are located in the principal cities of Texarkana, Texas, and Texarkana, Arkansas.

Economic conditions within the AA are generally favorably with modest population growth and controlled unemployment. Major employers in the area are as follows: Cooper Tire and Rubber, Red River Army Depot, and 2 area hospitals. Financial services providers in the AA are highly competitive, with numerous banks and credit unions operating 36 banking offices in Bowie County, Texas, and 16 banking offices in Miller County, Arkansas.

A community contact with a local chamber of commerce official was conducted in conjunction with this CRA evaluation. This contact revealed that local banks are supportive of small businesses, and residential development regardless of income. The contact did not reveal any unmet borrowing needs in the assessment area, but did offer that banks are receptive to community development opportunities.

Assessment Area Characteristics

Demographic and Economic Characteristics Texarkana MSA – (Multi-State) Includes: Bowie County, Texas and Miller County, Arkansas	
Population	
MSA Population	129,749
Number of Families	34,686
Number of Households	48,743
Geographies	
Number of Census Tracts	26
Percent Low-Income Census Tracts	12
Percent Moderate-Income Census Tracts	15
Percent Middle-Income Census Tracts	61
Percent Upper-Income Census Tracts	12
Median Family Income (MFI)	
2000 MFI for AA	\$39,704
2006 HUD-Adjusted MFI	\$46,600
Economic Indicators	
USA Unemployment Rate - March 2007	4.4
MSA Unemployment Rate – 2006 Average	5.2
Median Housing Value as of 2000	\$63,685
Percent of Households Below Poverty Level	17

Source: 2000 U.S. Census Data

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

CNB's average loan-to-deposit ratio at 80 percent is satisfactory given its size, financial condition, and AA credit needs. The chart below is a comparison of the bank's average lending volume since the prior CRA evaluation. For purposes of this analysis, three banks conducting business in the bank's AA were used to determine the bank's performance for this criteria. These banks include: Century Bank, Guaranty Bond Bank, and Texas Bank and Trust (local banks).

Loan-To-Deposit Ratio						
Institution	2002	2003	2004	2005	2006	Average
Century Bank	73	66	83	77	83	76
Guaranty Bond	85	88	85	81	76	83
Texas Bank & Trust	84	78	82	88	89	84
Competitor Average	81	77	83	82	83	81
CNB	80	81	87	79	73	80

Source: Uniform Banking Performance Reports (Call Reports)

Lending in Assessment Area

A substantial majority of CNB loans are located in its AA. The chart below reflects loans made during 2006 by loan types. As indicated, 95 percent of the loans were to customers located in the bank's AA by number, and 88 percent by dollar volume.

Lending in Assessment Area								
Loan Type	Loans In Assessment Area				Loans Out of Assessment Area			
	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Consumer	1,666	95	\$10,840	94	84	5	\$694	6
Residential RE	127	95	\$5,147	79	7	5	\$1,363	21
Commercial	263	96	\$13,283	86	12	4	\$2,188	14
Agricultural	31	97	\$2,359	99	1	3	\$14	1
Total	2,087	95	\$31,629	88	104	5	\$4,259	12

Source: 2006 Bank Data

Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

A sample of new consumer, home purchase, and commercial loans made by the bank in 2006 were used to determine its performance under this criteria. As reflected in the following two charts for consumer and residential real estate loans, the distribution of loans to borrowers of different income levels is satisfactory when compared to 2000 census data. Income levels for these categories are based on their percent of the median family income for the AA.

Income Distribution – Consumer								
Borrower Income Level	Low Income (Less than 50%)		Moderate Income (50% to 79%)		Middle Income (80% to 119%)		Upper Income (120% or more)	
% of Households Located in Texarkana MSA	26		15		17		42	
CBN Loans Made in 2006	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
	20	4	30	28	20	40	30	28

Source: 2006 Bank Data and 2000 U.S. Census Data

Income Distribution – Home Purchase								
Borrower Income Level	Low Income (Less than 50%)		Moderate Income (50% to 79%)		Middle Income (80% to 119%)		Upper Income (120% or more)	
% of Families Located in Texarkana MSA	23		16		20		41	
CNB Loans Made in 2006	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
	15	7	30	20	20	19	35	54

Source: 2006 HmDA Data and 2000 U.S. Census Data

The following chart reflects the distribution of commercial loans made by the bank in 2006. For purposes of the CRA, small business loans are defined as businesses with gross annual revenues below \$1 million. With 93 percent of the businesses in the bank’s assessment area considered small businesses, the bank’s distribution of loans to small businesses totaling 65 percent (by number) is low in this lending category.

Income Distribution – Commercial		
Business Revenues	≤\$1,000,000	>\$1,000,000
% of Businesses in AA	93%	7%
% of Bank Loans in AA #	65%	35%
% of Bank Loans in AA \$	42%	58%

Source: 2006 Bank Data and 2000 U.S. Census Data

Geographic Distribution of Loans

A sample of new consumer, home purchase, and commercial loans made by the bank in 2006 were used to determine its performance under this criteria. According to the 2000 census, there are 26 census tracts located in the bank's AA. Of this total, three are low-income, four moderate-income, 16 middle-income, and three upper-income. As reflected in the following three charts, the geographic distribution of the bank's loans made during this time period is satisfactory when compared to 2000 census data. While the dispersion of bank loans made in low income census tracts is somewhat low, the dispersion of bank loans made in moderate income census tracts is excellent.

Geographic Distribution – Consumer								
Census Tract Income Level	Low Income		Moderate Income		Middle Income		Upper Income	
% of Households Located in Texarkana MSA	6		9		72		14	
CNB Loans Made in 2006	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
	3	3	11	10	61	60	16	19

Source: 2006 Bank Data and 2000 U.S. Census Data

Geographic Distribution – Home Purchase								
Census Tract Income Level	Low Income		Moderate Income		Middle Income		Upper Income	
% of Owner Occupied Located in Texarkana MSA	4		9		72		15	
CNB Loans Made in 2006	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
	2	1	11	18	66	47	21	34

Source: 2006 Bank Data and 2000 U.S. Census Data

Geographic Distribution – Commercial								
Census Tract Income Level	Low Income		Moderate Income		Middle Income		Upper Income	
% of Businesses Located in Texarkana MSA	8		14		60		18	
CNB Loans Made in 2006	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
	3	5	14	22	66	58	17	15

Source: 2006 Bank Data and 2000 U.S. Census Data

Responses to Complaints

The bank has not received any CRA related complaints since the prior evaluation as of January 14, 2002.

Fair Lending or Other Illegal Credit Practices Review

A fair lending examination of the bank was performed by the OCC on November 20, 2006. We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.