



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

January 14, 2002

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

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

**5515 Summerhill Road
Texarkana, Texas 75505**

**Comptroller of the Currency
10201 West Markham, Suite 105
Little Rock, Arkansas 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.

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

- Reasonable loan-to-deposit ratio of 65% based on the bank's characteristics and lending opportunities available in the assessment area.
- A substantial majority of the bank's lending is in the assessment area.
- The bank's residential real estate lending reflects a reasonable penetration among individuals of different income levels.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.

DESCRIPTION OF INSTITUTION

Commercial National Bank of Texarkana (CNB) is a \$148 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 has three automated teller machines (ATMs) located at the main office and two branch locations. CNB is a full service institution and offers a variety of deposit and loan products. As of September 30, 2001, loans totaled \$88 million representing approximately 60% of the bank's total assets. The following chart reflects the distribution of the bank's loan portfolio:

Loan Category	\$ (000)	%
Commercial Real Estate Loans	29,818	34
Commercial Loans	17,045	19
Residential Real Estate Loans	20,036	23
Consumer Loans	19,052	22
Agriculture Loans	1,835	2
Total	87,786	100%

There have been no changes in the bank's corporate structure. CNB is a wholly owned subsidiary of Commercial National Bancshares, Inc., a \$12 million holding company based in Texarkana, Arkansas. The bank was assigned a satisfactory rating at the prior CRA examination as of April 21, 1997. No legal impediments were noted which would prevent the bank from meeting the credit needs of its assessment area.

DESCRIPTION OF THE TEXARKANA MSA

The bank's assessment area (AA) is the multi-state Texarkana MSA comprised of Miller County, Arkansas, and Bowie County, Texas. The Texarkana MSA consists of 28 census tracts (CTs): three low-income CTs; six moderate-income CTs; fourteen middle-income CTs; and five upper-income CTs. The assessment area meets the requirement of the regulation and does not exclude low- or moderate-income geographies.

The following table provides a description of the bank's assessment area based on census data and Department of Housing and Urban Development (HUD) information.

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF AA	
<i>Population</i>	
Number of Families	33,076
Number of Households	44,739
<i>Geographies</i>	
Number of Census Tracts/BNA	28
% Low-Income Census Tracts/BNA	10.71%
% Moderate-Income Census Tracts/BNA	21.43%
% Middle-Income Census Tracts/BNA	50.00%
% Upper-Income Census Tracts/BNA	17.86%
<i>Median Family Income (MFI)</i>	
1990 MFI for AA	\$28,088
2000 HUD-Adjusted MFI	\$40,300
2001 HUD-Adjusted MFI	\$40,400
<i>Economic Indicators</i>	
Unemployment Rate- 2000 average	5.10%
1990 Median Housing Value	\$45,456
% of Households Below Poverty Level	19.10%

Based on 1990 census data information, the distribution of families by income level consists of the following: 23% low-income, 17% moderate-income, 20% middle-income, and 40% upper-income. Major employers in the area include Cooper Tire and Rubber, Red River Army Depot, two area hospitals, and two paper companies. Based on 2001 Business Demographic Data, there are 5,669 businesses in the MSA with 4,861 or 86% generating revenues of \$1 million or less. Financial services in the Texarkana MSA are very competitive with several banks and credit unions.

Our organization contacted a local business organization and realtor in 2001 to obtain current demographic information. Interviewees stated recent housing starts were at the high end of the market with little to no low- or moderate-income housing being developed. A community contact conducted with a local home builder identified lot availability and financing as obstacles in building low- income rental housing.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan- to-Deposit Ratio

The bank's loan-to-deposit ratio is reasonable based on the bank's characteristics and the lending opportunities available in the assessment area. The quarterly average loan-to-deposit ratio since the April 21, 1997 CRA examination is 65%. During the past seventeen quarters, the bank's loan-to-deposit ratio ranged from a low of 59% to a high of 72%. A review of the loan-to-deposit ratio of a similarly situated bank in the assessment area revealed a low of 61% and high of 83%.

Lending in Assessment Area

A substantial majority of the bank's lending is in the assessment area. The table below depicts the bank's loan originations from January 1, 2000 to December 31, 2000.

TOTAL LOANS REVIEWED								
LOAN TYPE	IN ASSESSMENT AREA				OUT OF ASSESSMENT AREA			
	#	%	\$ (000s)	%	#	%	\$ (000s)	%
1-4 Family Residential	115	93%	4,104	93%	9	7%	309	7%
Consumer	1,657	93%	15,316	89%	122	7%	1,878	11%
Commercial	292	95%	18,394	88%	14	5%	2,542	12%
Total Reviewed	2,064	93%	37,814	89%	145	7%	4,729	11%

Source: Bank's 2000 Geo-Analysis Report

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

The bank's residential real estate lending performance reflects a reasonable penetration among individuals of different income levels. The 1999 and 2000 Home Mortgage Disclosure Act (HMDA) data was used to evaluate performance.

RESIDENTIAL REAL ESTATE								
Borrower Income Level	LOW (Less than 50%)		MODERATE (50% to 79%)		MIDDLE (80% to 119%)		UPPER (120% or more)	
% of AA Families	23%		17%		20%		40%	
	#	%	#	%	#	%	#	%
Home Purchase	14	13%	22	20%	26	24%	46	43%
Home Improvement	4	13%	5	17%	5	17%	16	53%
Refinancing	1	4%	5	18%	7	26%	14	52%
Total	19	12%	32	19%	38	23%	76	46%

Source: 1999/2000 HMDA Data

A sample review of 57 commercial loans totaling \$12 million originated from January 1, 1999 to December 31, 2000 in the assessment area revealed a low penetration of lending to small businesses. However, the sample included some of the bank's largest commercial lending relationships. Small business is defined as businesses with gross revenues below \$1 million. Based on 2001 Business Demographic Data, there are 5,669 businesses in the MSA with 4,861 or 86% generating revenues of \$1 million or less; 6% generating \$1 million or more; and 8% of the businesses did not report revenues.

DISTRIBUTION OF LOANS TO SMALL BUSINESSES		
Business Revenues	≤\$1,000,000	>\$1,000,000
% of AA Businesses	86%	6%
% of Bank Loans in AA #	39%	61%
% of Bank Loans in AA \$	36%	64%

Geographic Distribution of Loans

The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. The bank's 2000 Geo-Analysis Report was used to evaluate performance. This report was also used in assessing the bank's lending in the assessment area.

RESIDENTIAL REAL ESTATE								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Owner Occupied	2%		11%		67%		20%	
	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
	2%	2%	7%	7%	68%	50%	23%	41%

Source: Bank's 2000 Geo-Analysis Report

CONSUMER								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Households	4%		12%		63%		21%	
	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
	3%	3%	12%	12%	61%	61%	24%	24%

Source: Bank's 2000 Geo-Analysis Report

BUSINESS LOANS								
Census Tract Income Level	LOW		MODERATE		MIDDLE		UPPER	
% of AA Businesses	5%		19%		50%		26%	
	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount	% of Number	% of Amount
	14%	11%	21%	20%	41%	43%	24%	26%

Source: Bank's 2000 Geo-Analysis Report

Responses to Complaints

The bank has not received any CRA-related complaints since the prior evaluation.

Fair Lending Review

An analysis of 2000 public comments and consumer complaint information was performed according to the OCC's risk based fair lending approach. Based on its analysis of the information, the OCC decided that a comprehensive fair lending examination will not need to be conducted in connection with the CRA evaluation this year. The latest comprehensive fair lending examination was performed in 2000.