



UNITED STATES  
OFFICE OF THE COMPTROLLER OF THE CURRENCY  
WASHINGTON, D.C. 20219

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FORM 8-K

CURRENT REPORT  
Pursuant to Section 13 or 15(d) of the  
Securities Exchange Act of 1934

Date of report (Date of earliest event reported): July 24, 2007

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**COMMUNITY NATIONAL BANK OF THE LAKEWAY AREA**  
(Exact name of registrant as specified in charter)

<u>Tennessee</u> (State or other jurisdiction of incorporation)	<u>2002-SE-01-008</u> (Commission File Number)	<u>27-0031825</u> (IRS Employer Identification No.)
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<u>225 West First North Street, Morristown, Tennessee</u> (Address of principal executive offices)	<u>37814</u> (Zip Code)
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Registrant's telephone number, including area code (423) 587-2345

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(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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### **Item 2.02 Results of Operations and Financial Condition**

A copy of Community National Bank of the Lakeway Area's press release summarizing its financial results for the second quarter of 2007 is attached as Exhibit 99.1. The publication date of the press release is July 23, 2007.

### **Item 9.01 Financial Statements and Exhibits**

Exhibit	Description
99.1	Second Quarter 2007 Earnings Release <sup>1</sup>


<sup>1</sup>The information in this Current Report on Form 8-K and the Exhibit attached hereto shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934 (the "Exchange Act") or otherwise subject to the liabilities of that section.

**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.

COMMUNITY NATIONAL BANK OF THE LAKEWAY AREA

Dated: July 24, 2007

By:   
Name: Samuel F. Grigsby, Jr.  
Title: Chairman & CEO

**EXHIBIT 99.1**

**FOR IMMEDIATE RELEASE**

July 23, 2007

CONTACTS: Samuel F. Grigsby, Jr.  
Chief Executive Officer  
(423) 317-3228

Darwin K. Kilday  
Chief Financial Officer  
(423) 317-3229

**Community National Bank of the Lakeway Area Announces Quarterly Profits, Increased Interest Margin, Opens Loan Production Office, Applies for Full Service Branch**

Morristown, TN – July 23, 2007 – Community National Bank of the Lakeway Area (NASDAQ: CNLA) today reported results for the second quarter of 2007, ending June 30, 2007. Net income for the quarter was \$121 thousand, or \$0.07 per basic and diluted share, compared with a \$10 thousand, or \$0.01 per basic and diluted share for the same prior year period. Highlights for the second quarter of 2007 include:

- Community National Bank reported its fifth consecutive quarterly profit. Loan demand continues to be relatively strong, and the net interest margin continues to climb. Return on average assets increased from 0.04 % for the quarter ended June 30, 2006 to 0.46% for the quarter ended June 30, 2007.
- The net interest margin for the quarter ended June 30, 2007 was 3.67% compared to 2.98% for the same period in 2006. The steady growth in loans, as well as the repricing of adjustable rate mortgages, has continued to influence the margin in a positive manner.
- Gross loans grew 17.7% for the twelve month period from \$63.3 million at June 30, 2006 to \$74.5 million at June 30, 2007. The majority of the growth was in real estate secured loans, with commercial and consumer loans also having double digit growth.
- During the second quarter the Bank elected not to replace \$4.1 million in maturing brokered time deposits. As a result the Bank's funding sources (deposits plus retail repurchase agreements) decreased slightly, from \$81.5 million at June 30, 2006 to \$79.0 million at June 30, 2007.

During the second quarter of 2007, the Bank opened a loan production office in Dandridge, Tennessee. According to State of Tennessee statistics, Dandridge and the surrounding area is one of the fastest growing areas in the state. The new office offers all types of loans, but is expected to produce primarily residential real estate loans, as that area is exploding with lake front and lake view housing. While management looks for profitability from this office in the future, the fixed expenses and startup expenses had a negative impact on earnings during the second quarter.

The Bank has also filed a branch application with the Office of the Comptroller of the Currency to locate a full service branch in west Morristown, Tennessee. The plan is to open this branch in a temporary facility in the fourth quarter of 2007. The Bank intends to

eventually replace this temporary facility with a more permanent structure.

During the quarter ended June 30, 2007, the Bank added approximately \$170 thousand in foreclosed property attributable to the same loan customer relationship making up the remaining balance of approximately \$200 thousand in foreclosed assets. Management does not expect losses on the disposition of the foreclosed properties. The Bank had net charge-offs of 0.04% of average loans during the second quarter of 2007, compared to 0.12% of average loans in the first quarter of 2007. These charge offs are primarily related to small consumer loans. Although, non performing assets as a percentage of total loans was 0.59% at June 30, 2007 and .02% at June 30, 2006, management does not believe the increase in nonperforming loans indicates a downward trend in the overall quality of the loan portfolio, but rather an isolated situation driven primarily by one customer relationship referred to earlier.

Samuel F. Grigsby, Jr. CEO of Community National Bank of the Lakeway Area, commented, "The second quarter of 2007 was a good one for both loan growth and net interest margin. The Bank continues to build a solid base of profitable quarters, and we expect the bottom line to continue growing positively. It feels good to have established this trend, and feel like we have turned the corner. We just completed a thorough and very positive safety and soundness, consumer compliance, and CRA exams, and were very pleased with the results. The new Loan Production Office in Dandridge will help us when it gets established, and our soon to open full service branch in Morristown will provide needed liquidity to fund our loan growth. We believe both these locations will grow our base, and although they may temporarily slow the rate of increase in profitability, will be very beneficial in the long run to the Bank and our shareholders."

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*This press release contains forward-looking statements concerning Community National Bank of the Lakeway Area's future activities. Such statements are subject to important factors that could cause Community National Bank of the Lakeway Area's actual results to differ materially from those anticipated by the forward-looking statements. These factors include the factors identified in Community National Bank of the Lakeway Area's Annual Report on Form 10-KSB for the year ended December 31, 2006 under the heading "Risk Factors" which are incorporated herein by reference.*

Source: Community National Bank of the Lakeway Area  
[www.cnbla.com](http://www.cnbla.com)

**Community National Bank of the Lakeway Area**  
**Financial Highlights**  
(Unaudited)

	Three-Months Ended June 30,			Six-Months Ended June 30,		
	2007	2006	%	2007	2006	%
	<i>All dollars in thousands except per share data</i>			<i>All dollars in thousand except per share data</i>		
<b>EARNINGS</b>						
Provision for loan losses	26	44	(40.9%)	64	85	(24.7%)
Noninterest expense	853	713	19.6%	1,660	1,411	17.6%
Net income	121	10	1110.0%	248	(30)	926.7%
<b>PER SHARE INFORMATION</b>						
Dividends per share	0	0	0	0	0	0
Net interest margin	3.67%	2.98%		3.63%	2.86%	
Return on average equity	3.30%	0.73%		3.42%	(1.06%)	
Net charge offs / average loans	0.04%	0.01%		0.16%	0.01%	
Loans	\$ 74,189	\$ 58,917	25.9%	\$ 73,549	\$ 57,029	29.0%
Total assets	104,168	97,086	7.3%	103,557	97,616	6.1%
Borrowed funds	13,766	11,021	24.9%	13,462	10,971	22.7%

END OF PERIOD BALANCES	As of June 30,		%	As of December 31,	
	2007	2006		Change	2006
Reserve for loan losses	681	624	9.1%	734	(7.2%)
Total assets	104,184	97,411	7.0%	104,348	(0.2%)
Borrowed funds	14,503	11,071	31.0%	13,631	6.4%
Loans 90 days past due and still accruing	\$ 88	\$ 0		\$ 17	
Foreclosed assets	370	0		0	
Nonperforming assets / total assets	0.59%	0.02%		0.30%	