

PUBLIC DISCLOSURE

June 24, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**First National Bank of Clarksdale
Charter Number 15284**

**P.O. Box 220
Clarksdale, Mississippi 38614**

**Office of the Comptroller of the Currency
80 Monroe Avenue, Suite 505
Memphis, Tennessee 38103**

NOTE: 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.

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the 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. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of **First National Bank (FNB) of Clarksdale, Mississippi** prepared by **The Office of the Comptroller of the Currency**, the institution's supervisory agency, as of March 31, 1997. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

INSTITUTION'S CRA RATING: This institution is rated **SATISFACTORY.**

First National Bank of Clarksdale has met the standards for satisfactory performance with regards to each of the CRA performance criteria. The bank's average loan-to-deposit ratio was approximately 64% over the past nine quarters. A majority of the bank's loans are within their assessment area. The bank has a reasonable distribution of loans among low-, moderate-, middle-, and upper-income geographies. The bank also has a reasonable distribution of loans to borrowers of different incomes. FNB has not received any complaints since the last examination relating to its community reinvestment efforts. In addition, the bank's compliance with the substantive provisions of the fair lending regulations was deemed satisfactory.

The following table indicates the performance level of ***First National Bank of Clarksdale, Mississippi*** with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>(First National Bank of Clarksdale)</u> PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio		X	
Lending in Assessment Area		X	
Lending to Borrowers of Different Incomes and to businesses of Different sizes		X	
Geographic Distribution of Loans		X	
Response to Complaints		No Complaints were received since the prior examination.	

DESCRIPTION OF INSTITUTION

First National Bank of Clarksdale (FNB) is the only independent community bank in Coahoma County and had total assets of \$110 million on December 31, 1996. FNB has the largest market share of deposits within the City of Clarksdale and the second largest share of deposits within the county. As of June 30, 1996, FNB controlled approximately 37% of the total deposits within the City and approximately 34% of the total deposits within the County. A majority of the bank's loan portfolio consists of commercial/business loans. As of March 31, 1997, the bank's loan portfolio totaled \$55 million with 58% in business loans and 42% in consumer debt. The bank's main office as well as their two branches are all located within the city limits of Clarksdale. There are no branches located out in the County.

FNB is a wholly owned subsidiary of First Valley National Corporation (a bank holding company). As of the evaluation date, there were no legal or financial impediments which would limit the bank from fulfilling its obligation to meet the credit needs of its assessment area.

DESCRIPTION OF THE BANK'S ASSESSMENT AREA

On January 21, 1997, FNB's Board of Director's reapproved Coahoma County and portions of Quitman, Tallahatchie, and Bolivar Counties as the bank's assessment area. However, during our review we found this assessment area failed to comply with the requirements of the CRA regulation. Specifically, the portions of the assessment area outside of Coahoma County included only partial sections of the Block Numbering Areas (BNA's) in these geographies instead of the whole BNA(s) as prescribed by the regulation. Therefore, for purposes of this evaluation, the bank's assessment area was revised to include only Coahoma County.

Coahoma County is comprised of seven BNA's. Two of these BNA's are low-income areas, two BNA's are categorized as moderate-income, one BNA is middle income, and two of the BNA's are considered high-income. The 1990 census indicated the population of Coahoma County was 31,665 and the median family income was \$16,938 per year.

Clarksdale and Coahoma County enjoy a diverse and increasing manufacturing base. Several of the largest employers include: Cooper Tire and Rubber (inner tubes); Corbin Russwin (door closures and hardware); Delta Homes (mobile home manufacturer); Delta Wire Corporation; KBH Corporation (agricultural equipment); Mississippi Limestone (paving mixtures); and Porter-Ferguson Furniture (board and kitchen cabinets).

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA :

Loan-to-Deposit Analysis:

The bank's average loan-to-deposit ratio of 64% is reasonable. This ratio was calculated by adding the quarterly loan-to-deposit ratios, since the previous compliance examination (December 31, 1994), and dividing by the number of quarters. For purposes of this calculation, we used net loans and leases to total deposits. Historically the loan-to-deposit ratio has fluctuated each year due to the bank's large portfolio of agriculture production loans. Since the previous compliance examination, this ratio has gone from a low of 55%, in March of 1997, to a high of 78%, in September of 1995.

Comparison of Credit Extended Inside and Outside the Bank's Assessment Area:

A majority of the Bank's loans are within their assessment area. As of December 31, 1996, seventy eight percent of the Bank's loans were within their assessment area and 22% were outside the assessment area. The Bank's internal auditor generated this information by zip code during her most recent self-assessment of the institution's CRA performance. This information represents an analysis of every loan on the Bank's books as of year-end 1996. As of year-end, the Bank had 3,954 loans in its portfolio totaling \$55,470M.

Distribution of Credit Within the Assessment Area by Geography:

FNB has a reasonable distribution of loans among low-, moderate, middle, and upper-income geographies. A random sample of 45 loans (30 consumer and 15 business loans) revealed that 33% of these loans were in low-income geographies, 7% were in moderate-income geographies, 2% were in middle income geographies, and 58% were within high-income geographies. As noted in this analysis, the bank has the lowest loan penetration in the middle income geography. However, this particular segment of the bank's assessment area is sparsely populated and consists primarily of farmland.

Distribution of Credit within the Assessment Area by Borrower Income:

FNB has a reasonable distribution of loans to borrowers of different incomes. Bank management does not track borrower income. However, during the examination we reviewed a random sample of 30 consumer loans (primarily automobile and home purchase loans) which revealed the following distribution:

- 13% of these loans were extended to Low income borrowers;
- 33% were extended to Moderate income borrowers;
- 27% were extended to Middle income borrowers; and
- 27% were extended to High income borrowers.

FNB also has a reasonable distribution of loans to small businesses. In fact, nearly all the bank's business loans are to small businesses as defined in the Federal Financial Institutions Examining Council's (FFIEC) Call Report instructions. As of March 31, 1997, the bank held approximately \$21 million of these type loans in their portfolio.

Response to Complaints:

FNB has not received any complaints from members of the community regarding the bank's CRA performance.

Compliance with Fair Lending legislation:

The bank was found to have satisfactory compliance with the substantive provisions of the antidiscrimination laws and regulations.