



**SMALL BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **PUBLIC DISCLOSURE**

April 14, 2008

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

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

**402 East Second Street  
Clarksdale, MS 38614**

**Office of the Comptroller of the Currency**

**Little Rock (Memphis)  
10201 West Markham, Suite 105 Ozark National Life Building  
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 69% is reasonable given the bank's size, financial condition, and assessment area (AA) credit needs.
- A majority of the bank's loans at 79% 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 of loans reflects reasonable dispersion throughout the bank's AA.

### **Scope of Examination**

An onsite examination of the bank was performed to evaluate its performance under the Community Reinvestment Act (CRA). The bank was evaluated using Small Bank CRA criteria. Currently, the bank has two separate assessment areas: Coahoma County (main office location) and Lafayette County (2 new branch locations). Neither county are located in Metropolitan Statistical Areas (MSA), therefore the bank is not a Home Mortgage Disclosure Act reporter. Loan information used for this evaluation included residential, consumer, agriculture, and business/commercial loans made during 2007 in Coahoma County. The bank's performance for this assessment period was primarily determined based on loan and deposit information from Coahoma County for the following reasons:

- The 2 new branches in Lafayette County have only been operational for a short period of time;
- Approximately 96% of the bank's deposits are located in Coahoma County based on the FDIC June 30, 2007, market share report;
- The bank has 45% of the deposit share in Coahoma County but only 1% of the deposit share in Lafayette County based on the FDIC June 30, 2007, market share report;
- Approximately 85% of the loans are in Coahoma County as of December 31, 2007; and
- There are no low or moderate income areas in Lafayette County.

The bank was rated "**Satisfactory**" at the July 29, 2002, examination. A contact was made with a local community agency with knowledge of the overall needs within the bank's AA and used in this evaluation process. In the opinion of the contact, the bank is reasonably meeting the community's credit needs.

## Description of Institution

First National Bank of Clarksdale (FNBC) was chartered in 1964 and is headquartered in Clarksdale, Mississippi. In addition to the main office located in Clarksdale, FNBC has three branches in Clarksdale, as well as two new branches in the city of Oxford, Mississippi, operating as Bank of Oxford. While all offices are full service, most lending activity is conducted through the main office located on Second Street in Clarksdale, and the new branch locations in Oxford. The bank offers a full range of loan and deposit products and services, and operates five automated teller machine (ATM) locations (both Oxford branches, the north side and highway 161 branches in Clarksdale, and a stand-alone ATM at the Clarksdale hospital). FNBC is wholly-owned by its holding company, First Valley National Corporation. There are no financial impediments that would affect the bank's ability of meeting the credit needs of its assessment area. As of December 31, 2007 the bank had total assets of \$257,987,000 and total loans of \$158,898,000. The bank's primary lending focus is small business, agricultural, and consumer. Loan products include small business, commercial, agriculture, home-purchase and improvement, and consumer loans.

The loan portfolio composition as of December 31, 2007, is as follows:

| <b>Loan Category</b>    | <b>\$(000)</b>   | <b>%</b>   |
|-------------------------|------------------|------------|
| Business & Commercial   | \$69,686         | 46         |
| Agriculture             | \$45,866         | 30         |
| Residential Real Estate | \$19,262         | 13         |
| Consumer Loans          | \$18,084         | 11         |
| <b>Total</b>            | <b>\$152,898</b> | <b>100</b> |

## Description of Assessment Area

The bank has selected all of Coahoma and Lafayette Counties as its Assessment Area for purposes of determining its performance under the CRA. While these counties are not contiguous, the assessment area(s) meets the requirements of the regulation and does not arbitrarily exclude low and moderate-income geographies.

## Coahoma County

Major industries in the county include accommodation and food services, retail trade, and manufacturing. Manufacturing represents the largest businesses in the county with an average of 37 employees per business. Major manufacturers include The KBH Corporation, Cooper Tire, Delta Wire, Standard Industrial, and Strohm Manufacturing.

The following table provides AA demographic data from the 2000 Census with updated unemployment data.

| <b>Demographic and Economic Characteristics<br/>Coahoma County</b> |          |
|--|----------|
| <b>Population</b>  |          |
| Number of Families   | 7,505    |
| Number of Households   | 10,581   |
| <b>Geographies</b>   |          |
| Number of Census Tracts  | 7        |
| % Low-Income Census Tracts   | 13       |
| % Moderate-Income Census Tracts                                    | 29       |
| % Middle-Income Census Tracts                                      | 29       |
| % Upper-Income Census Tracts                                       | 29       |
| <b>Median Family Income (MFI)</b>                                  |          |
| 2000 MFI for AA  | \$33,550 |
| 2007 HUD-Adjusted MFI  | \$38,800 |
| <b>Economic Indicators</b>   |          |
| Unemployment Rate – Coahoma Co (02/2008)                           | 9.7%     |
| Unemployment Rate – Mississippi (02/2008)                          | 5.9%     |
| Unemployment Rate – USA (02/2008)                                  | 4.8%     |
| 2000 Median Housing Value  | \$48,149 |
| % of Households Below Poverty Level                                | 33       |

*Source: 2000 Census Data*

## Lafayette County

Lafayette County is primarily rural with the local economy highly impacted by the University of Mississippi, located in Oxford. Major employers include the University of Mississippi, Baptist Memorial Hospital, Whirlpool Corporation, and North Mississippi Regional Center.

The following table provides AA demographic data from the 2000 Census with updated unemployment data.

| <b>Demographic and Economic Characteristics<br/>Lafayette County</b> |          |
|--|----------|
| <b>Population</b>  |          |
| Number of Families   | 8,391    |
| Number of Households   | 14,390   |
| <b>Geographies</b>   |          |
| Number of Census Tracts  | 5        |
| % Low-Income Census Tracts   | 0        |
| % Moderate-Income Census Tracts                                      | 0        |
| % Middle-Income Census Tracts  | 40       |
| % Upper-Income Census Tracts   | 60       |
| <b>Median Family Income (MFI)</b>                                    |          |
| 2000 MFI for AA  | \$33,550 |
| 2007 HUD-Adjusted MFI  | \$38,800 |
| <b>Economic Indicators</b>   |          |
| Unemployment Rate – Lafayette Co (02/2008)                           | 4.2%     |
| Unemployment Rate – Mississippi (02/2008)                            | 5.9%     |
| Unemployment Rate – USA (02/2008)                                    | 4.8%     |
| 2000 Median Housing Value  | \$89,143 |
| % of Households Below Poverty Level                                  | 23       |

*Source: 2000 Census Data*

## CONCLUSIONS ABOUT PERFORMANCE CRITERIA

### LENDING TEST

#### Loan-to-Deposit Ratio

FNB Clarksdale's average loan-to-deposit ratio of 69% is reasonable given its size, financial condition, and AA credit needs. The loan-to-deposit ratio was calculated using quarterly averages since the bank's prior CRA evaluation that was performed as of July 29, 2002. The bank's average was then compared to Covenant Bank. Both financial institutions are similarly situated and headquartered in Clarksdale, Mississippi.

| Loans-to-Deposits     |                       |                              |           |           |           |           |           |             |
|-----------------------|-----------------------|------------------------------|-----------|-----------|-----------|-----------|-----------|-------------|
| Financial Institution | Assets 12-31-07 (000) | Deposit Market Share 6-30-07 | 2003 (%)  | 2004 (%)  | 2005 (%)  | 2006 (%)  | 2007 (%)  | Average (%) |
| Covenant Bank         | \$235,455             | 20%                          | 96        | 101       | 92        | 94        | 83        | 93          |
| <b>FNB Clarksdale</b> | <b>\$257,987</b>      | <b>45%</b>                   | <b>72</b> | <b>65</b> | <b>75</b> | <b>63</b> | <b>69</b> | <b>69</b>   |

Source: Uniform Banking Performance Reports (Call Reports)

#### Lending in Assessment Area

A majority of the bank's loans are located in its AA. A sample of 100 loans (25 each for residential, consumer, commercial and agricultural loans) was reviewed. The chart below disclosed that 79% of the number of loans made and 61% of the dollar volume were to borrowers located within the bank's AA.

| Lending in Assessment Area |                          |           |              |           |                              |           |              |           |
|----------------------------|--------------------------|-----------|--------------|-----------|------------------------------|-----------|--------------|-----------|
| Loan Type                  | Loans In Assessment Area |           |              |           | Loans Out of Assessment Area |           |              |           |
|                            | #                        | %         | \$ (000s)    | %         | #                            | %         | \$ (000s)    | %         |
| Home Purchase              | 21                       | 84        | 1,121        | 61        | 4                            | 16        | 714          | 39        |
| Consumer                   | 21                       | 84        | 289          | 93        | 4                            | 16        | 21           | 7         |
| Commercial                 | 21                       | 84        | 1,908        | 54        | 4                            | 16        | 1,622        | 46        |
| Agricultural               | 16                       | 64        | 4,895        | 63        | 9                            | 36        | 2,832        | 37        |
| <b>Total</b>               | <b>79</b>                | <b>79</b> | <b>8,213</b> | <b>61</b> | <b>21</b>                    | <b>21</b> | <b>5,189</b> | <b>39</b> |

Source: 2007 Bank Data

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

The bank's level of lending to borrowers of different income levels is satisfactory. The following charts reflect the distribution of home purchase and consumer loans made by the bank in 2007 by borrower income levels. As indicated in the previous demographic chart, 33% of households located in the bank's AA are below the national poverty level. While lending to different income levels varied within the bank's AA, the overall lending pattern is satisfactory. While the income distribution of home purchase loans made in low-income areas was somewhat below to the number of families in low-income areas, the number of home purchase loans made in moderate-income areas exceeds the number of families in moderate-income areas. The income distribution of consumer loans in low-income areas was also somewhat below the number of households in low-income areas, however the number of consumer loans made in moderate-income areas also exceeds the number of households in moderate-income areas.

| Borrower Distribution – Home Purchase Loans |                                 |             |  |             |                                      |             |                              |             |
|---|---------------------------------|-------------|--|-------------|--------------------------------------|-------------|------------------------------|-------------|
| Borrower Income Level                       | Low Income (less than \$19,400) |             | Moderate Income (\$19,400 to \$31,039) |             | Middle Income (\$31,040 to \$46,559) |             | Upper Income (over \$46,560) |             |
| % of AA Families                            | 33                              |             | 17                                     |             | 16                                   |             | 34                           |             |
| Loans Made 2007                             | % of Number                     | % of Amount | % of Number                            | % of Amount | % of Number                          | % of Amount | % of Number                  | % of Amount |
|   | 10                              | 3           | 24                                     | 13          | 10                                   | 6           | 57                           | 77          |

Source: 2007 Bank Data and 2000 Census Data

| Borrower Distribution – Consumer Loans |                                 |             |  |             |                                      |             |                              |             |
|--|---------------------------------|-------------|--|-------------|--------------------------------------|-------------|------------------------------|-------------|
| Borrower Income Level                  | Low Income (less than \$19,400) |             | Moderate Income (\$19,400 to \$31,039) |             | Middle Income (\$31,040 to \$46,559) |             | Upper Income (over \$46,560) |             |
| % of AA Households                     | 34                              |             | 16                                     |             | 15                                   |             | 35                           |             |
| Loans Made 2007                        | % of Number                     | % of Amount | % of Number                            | % of Amount | % of Number                          | % of Amount | % of Number                  | % of Amount |
|  | 14                              | 8           | 19                                     | 13          | 19                                   | 8           | 48                           | 71          |

Source: 2007 Bank Data and 2000 Census Data

A sample of 25 business loans and 25 agriculture loans made during 2007 was reviewed

to determine the level of loans made to businesses and farms of different revenues. As the following tables indicate, loans made to small businesses and small farms (revenues less than \$1,000,000) was satisfactory when compared to the number of small businesses and small farms located in the bank's AA.

| <b>Borrower Distribution of Small Loans to Businesses</b> |              |              |
|---|--------------|--------------|
| Business Revenues   | ≤\$1,000,000 | >\$1,000,000 |
| % of AA Businesses  | 93           | 7            |
| % of Bank Loans in AA #                                   | 74           | 26           |

*Source: 2007 Bank Data and 2000 Census Data*

| <b>Borrower Distribution of Small Loans to Farms</b> |              |              |
|--|--------------|--------------|
| Business Revenues                                    | ≤\$1,000,000 | >\$1,000,000 |
| % of AA Businesses                                   | 96           | 4            |
| % of Bank Loans in AA #                              | 81           | 19           |

*Source: 2007 Bank Data and 2000 Census Data*

## Geographic Distribution of Loans

The geographic distribution of loans made by the bank reflects reasonable dispersion throughout its AA. The following charts compare the geographic distribution of home purchase and consumer loans made by the bank in 2007. The geographic distribution of home purchase loans in low-income areas was comparable to the number of owner-occupied homes in low-income areas, with the number and volume of home purchase loans made in moderate-income areas exceeding the number of owner-occupied homes in moderate-income areas. The geographic distribution of consumer loans made in low-income areas was also comparable to the number of households in low-income areas. However, the number and volume of consumer loans made in moderate-income areas were somewhat below the number of households in moderate-income areas.

| Geographic Distribution – Home Purchase Loans |                   |             |                        |             |                      |             |                     |             |
|---|-------------------|-------------|------------------------|-------------|----------------------|-------------|---------------------|-------------|
| Census Tracts Income Level                    | Low Income Tracts |             | Moderate Income Tracts |             | Middle Income Tracts |             | Upper Income Tracts |             |
| % of AA Owner Occupied                        | 5                 |             | 31                     |             | 34                   |             | 31                  |             |
| Loans Made 2007                               | % of Number       | % of Amount | % of Number            | % of Amount | % of Number          | % of Amount | % of Number         | % of Amount |
|   | 5                 | 2           | 43                     | 32          | 19                   | 14          | 33                  | 52          |

Source: 2007 Bank Data and 2000 Census Data

| Geographic Distribution – Consumer Loans |                   |             |                        |             |                      |             |                     |             |
|--|-------------------|-------------|------------------------|-------------|----------------------|-------------|---------------------|-------------|
| Borrower Income Level                    | Low Income Tracts |             | Moderate Income Tracts |             | Middle Income Tracts |             | Upper Income Tracts |             |
| % of AA Households                       | 6                 |             | 37                     |             | 31                   |             | 26                  |             |
| Loans Made 2007                          | % of Number       | % of Amount | % of Number            | % of Amount | % of Number          | % of Amount | % of Number         | % of Amount |
|  | 5                 | 2           | 10                     | 4           | 29                   | 12          | 57                  | 82          |

Source: 2007 Bank Data and 2000 Census Data

The following charts compare the geographic distribution of commercial loans and agriculture loans made by the bank in 2007. While there were no commercial loans or agriculture loans made in the one low-income area, the low-income area represents only 1% of the businesses and farms in the AA. The geographic distribution of commercial loans in moderate-income areas was below the number of small businesses that are located in moderate-income areas. However, the geographic distribution of agriculture loans in moderate-income areas exceeds the number of farms that are located in moderate-income areas.

| Geographic Distribution – Commercial Loans |                   |             |                        |             |                      |             |                     |             |
|--|-------------------|-------------|------------------------|-------------|----------------------|-------------|---------------------|-------------|
| Census Tract Income Level                  | Low Income Tracts |             | Moderate Income Tracts |             | Middle Income Tracts |             | Upper Income Tracts |             |
| % of AA Businesses                         | 1                 |             | 12                     |             | 68                   |             | 19                  |             |
|  | % of Number       | % of Amount | % of Number            | % of Amount | % of Number          | % Of Amount | % of Number         | % of Amount |
| Loans Made 2007                            | 0                 | 0           | 6                      | 6           | 13                   | 19          | 58                  | 69          |

Source: 2007 Bank Data and 2000 Census Data

| Geographic Distribution– Agricultural Loans |                   |             |                        |             |                      |             |                     |             |
|---|-------------------|-------------|------------------------|-------------|----------------------|-------------|---------------------|-------------|
| Census Tract Income Level                   | LOW INCOME TRACTS |             | MODERATE INCOME TRACTS |             | MIDDLE INCOME TRACTS |             | UPPER INCOME TRACTS |             |
| % of AA Farms                               | 1                 |             | 6                      |             | 80                   |             | 13                  |             |
|   | % of Number       | % of Amount | % of Number            | % of Amount | % of Number          | % of Amount | % of Number         | % of Amount |
| Loans Made 2007                             | 0                 | 0           | 16                     | 11          | 26                   | 20          | 58                  | 69          |

Source: 2007 Bank Data and 2000 Census Data

## Responses to Complaints

No formal CRA complains have been received since the prior examination. The bank has a formal process of receiving and responding to customer complaints.

## Fair Lending or Other Illegal Credit Practices Review

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.