



PUBLIC DISCLOSURE

October 31, 2016

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

Victory Building 1401 West Capitol Avenue, Suite 350, Little Rock, AR 72201

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 Lending Test is rated: Satisfactory

The Community Development Test is rated: Satisfactory

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

- First National Bank of Clarksdale (FNBC) has a **reasonable** loan-to-deposit (LTD) ratio.
- A **majority** of FNBC's primary loan products are originated in the assessment areas (AA).
- FNBC's overall borrower distribution for loans in the assessment areas is **reasonable**.
- FNBC's geographic distribution for loans in the assessment areas is **reasonable**.
- The level of community development activities is **adequate**.

Scope of Examination

FNBC was examined using Intermediate Small Bank examination procedures. The evaluation period for this Community Reinvestment Act (CRA) Performance Evaluation (PE) is September 30, 2012 through September 30, 2016. FNBC has designated two AA(s): Coahoma County, MS and Lafayette County, MS. FNBC is not a Home Mortgage Disclosure Act (HMDA) reporting institution and residential real estate loans are not a primary loan product. Loan products used to assess the bank's performance under the Lending Test include agricultural loans and business loans. A sample of 20 agricultural loans located in Coahoma County and 20 business loans (specifically commercial real estate (CRE) and construction and development (C&D) loans) in Lafayette County that were originated from January 1, 2014, through September 30, 2016, were selected for testing. FNBC does not have any affiliates that are being considered for this examination.

Description of Institution

FNBC is wholly owned by First Valley National Corporation., a one-bank holding company. In addition to the main office located in Clarksdale, MS, FNBC has two other branches in Clarksdale, as well as two branches in the city of Oxford, Mississippi, operating as the Bank of Oxford. While all offices are full service, most lending activity is conducted through the main office located in Clarksdale, and the 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. All branches are located within the state of Mississippi.

As of September 30, 2016, FNBC reported total assets of \$366.97 million including \$241.38 million in gross loans (65.78 percent of total assets). Deposits totaled \$276.85 million and Tier 1 Capital was \$43.32 million, or 11.92 percent of adjusted average assets. During the evaluation period, 65 percent of loan originations were made in the bank's Coahoma County branches. In addition, 90 percent of the bank's deposits (as of June 30, 2016) are located in Coahoma County.

The bank's lending is primarily focused on agricultural loans in the Coahoma County market and CRE and C&D lending in the Lafayette County market. FNBC also offers a wide range of other lending products including residential real estate, commercial and industrial loans, and secured and unsecured consumer installment loans. FNBC's loan portfolio composition as reported in the September 30, 2016, Report of Condition and Income is as follows:

Loan Portfolio Composition September 30, 2016 (in 000s)		
Loan Type	Amount (000s)	Percent
Construction and Land Development	\$37,638	15.6%
Farmland	\$31,998	13.3%
1-4 Family Residential	\$28,260	11.7%
Multifamily (5 or more) Residential	\$16,931	7.0%
Commercial (nonfarm, nonresidential)	\$33,295	13.8%
Total Real Estate Loans	\$148,122	61.4%
Agriculture	\$50,828	21.1%
Commercial and Industrial	\$30,937	12.8%
Consumer Loans	\$11,323	4.7%
Other Loans	\$170	0.1%
Total Gross Loans	\$241,380	100.0%

Source: September 30, 2016 Report of Condition and Income (Call Report)

FNBC does not have any financial or regulatory impediments that would limit its ability to meet the credit needs within its AA(s). FNBC's prior CRA Periodic Examination, dated September 4, 2012, rated the institution Satisfactory.

Description of Assessment Area(s)

The bank has selected Coahoma County and Lafayette County as its AA(s) for purposes of determining its performance under the CRA. While these counties are not contiguous, the AA(s) meets the requirements of the regulation and do not arbitrarily exclude any low and moderate-income geographies.

Coahoma County

Coahoma County is located in the Mississippi Delta region of the state of Mississippi. The county seat is Clarksdale. According to the 2010 Census, the total population of the AA was 26,151. The AA includes 7 Census Tracts (CTs). There are no low income CTs, six moderate income CTs, no middle income CTs, and one upper income CT. The AA is appropriate given the bank's branch system, includes only whole CTs, and does not arbitrarily exclude any low or moderate income CTs.

Economic conditions in the AA are depressed with 32.10 percent of households below the poverty level. Other income demographic data indicates 14.04 percent of individuals are retired and 32.47 percent are receiving Social Security benefits. As of September 2016, the unemployment rate for Coahoma County was 7.80 percent. This indicates that many residents have fixed and/or limited incomes, reducing lending opportunities and demand for consumer credit within the AA. In addition, 12.50 percent of the population of the AA is over the age of 65. This demographic group generally does not have a high demand for credit.

Major industries in the county include agriculture, services, and retail trade. Agriculture remains a significant portion of the local economy, making up 11.72 percent of businesses within the AA. The retail or services industry makes up an additional 43.02 percent of businesses within the AA.

The following table provides AA demographic data from the 2010 Census with updated unemployment data.

Demographic and Economic Characteristics Coahoma County	
Population	
Population	26,151
Number of Families	6,343
Number of Households	9,351
Geographies	
Number of Census Tracts	7
% Low-Income Census Tracts	0.00%
% Moderate-Income Census Tracts	85.71%
% Middle-Income Census Tracts	0.00%
% Upper-Income Census Tracts	14.29%
Median Family Income (MFI)	
2010 MFI for AA	\$30,591
Economic Indicators	
Unemployment Rate – Coahoma Co	7.8%
Unemployment Rate – Mississippi	5.8%
Unemployment Rate – USA	5%
2000 Median Housing Value	\$54,180
% of Households Below Poverty Level	32.10%

Source: 2000 Census Data and Labor Market Data as of July 2012

Community credit needs in the AA were determined by a community contact with a local business owner who is involved in real estate investing and downtown revitalization efforts. The community contact noted improvements in current economic conditions as unemployment rates have declined. Financing for affordable housing was identified as a key credit need in the AA. The contact indicated that FNBC has been effective in meeting the credit needs of the community.

Banking competition within the AA is moderate. There are currently six banks operating in FNBC’s primary AA: two locally based community banks, one Alabama based community bank (CB&S Bank), one Arkansas based community bank with operations throughout Arkansas and Mississippi (Southern Bancorp Bank), one Texas based community bank (Woodforest National Bank), and one multi-state regional bank (Regions Bank). Although competition is moderate, FNBC has the majority of the county’s deposit market share at 52.22 percent. The following table illustrates the deposit market share within the AA as of June 30, 2016:

Financial Institution	Market Share
First National Bank of Clarksdale	52.22%
Planters Bank & Trust	17.98%
Regions Bank	12.83%
CB&S Bank	8.81%
Southern Bancorp Bank	7.75%
Woodforest National Bank	0.42%

Lafayette County

Lafayette County is located in Mississippi with the city of Oxford designated as the county seat. According to the 2010 Census, the total population of the AA was 47,351. Lafayette County includes 10 CTs. There are no low income CTs, one moderate income CT, one middle income CT (which is designated as distressed), and eight upper income CTs. The AA is appropriate given the bank's branch system, includes only whole CTs, and does not arbitrarily exclude any low or moderate income CTs.

Lafayette County's local economy is robust with growth largely driven by the University of Mississippi. Major employers in Lafayette County are primarily situated in medical and educational services and include the University of Mississippi and Baptist Memorial Hospital. The City of Oxford is primarily known as a college town with the majority of the residents centered in college students and retirement age citizens.

Economic conditions in the AA reflect 22.91 percent of households below the poverty level. Other income demographic data indicates 14.84 percent of individuals are retired and 24.29 percent are receiving Social Security benefits. As of September 2016, the unemployment rate for Lafayette County was 4.90 percent. In addition, 9.66 percent of the population of the AA is over the age of 65.

The following table provides AA demographic data from the 2010 Census with updated unemployment data.

Demographic and Economic Characteristics Lafayette County	
Population	
Population	47,351
Number of Families	9,080
Number of Households	16,418
Geographies	
Number of Census Tracts	10
% Low-Income Census Tracts	0.00%
% Moderate-Income Census Tracts	10.00%
% Middle-Income Census Tracts	10.00%
% Upper-Income Census Tracts	80.00%
Median Family Income (MFI)	
2010 MFI for AA	\$61,636
Economic Indicators	
Unemployment Rate – Lafayette Co	4.9%
Unemployment Rate – Mississippi	5.8%
Unemployment Rate – USA	5%
2000 Median Housing Value	\$151,935
% of Households Below Poverty Level	22.91%

Source: 2000 Census Data and Labor Market Data as of July 2012

Banking competition within the Lafayette County AA is high. There are currently twelve banks operating in Lafayette County: six locally based community banks, two community banks based out of Louisiana and Texas (Origin Bank & Woodforest National Bank), and four regional banks (Regions Bank, BancorpSouth, Renasant Bank, and Trustmark National Bank). Due to the high level of competition, FNBC has a small amount of the deposit market share at 2.61 percent. The following table illustrates the deposit market share within the AA as of June 30, 2016.

Financial Institution	Market Share
FNB Oxford Bank	20.49%
Regions Bank	18.36%
Bancorp South Bank	16.87%
Renasant Bank	10.94%
Oxford University Bank	8.92%
Trustmark National Bank	8.71%
Mechanics Bank	6.10%
The Bank of Holly Springs	2.70%
First National Bank of Clarksdale	2.61%
Bank of Commerce	2.09%
Origin Bank	2.04%
Woodforest National Bank	0.17%

Conclusions with Respect to Performance Tests

LENDING TEST

Loan-to-Deposit Ratio

FNBC's average LTD ratio at 71.31 percent is reasonable given its size, financial condition, business strategy, funding sources, and the credit needs of its AA(s). The average LTD ratio was derived from a 16 quarter average taken from September 2012 to September 2016. For purposes of this analysis, three banks conducting business within the bank's AA(s) were reviewed to determine the bank's performance relative to its competition. These banks include: Planters Bank & Trust Company of Indianola, MS, Oxford University Bank of Oxford, MS, and FNB Oxford Bank of Oxford, MS. In addition, several larger regional banks operate within FNBC's AA(s), but due to the difference in size, markets, and product mixes are not considered as competitors for the purposes of this analysis. The three comparable institutions had an overall average LTD ratio of 65.35 percent during the same period. These institutions had average LTD ratios ranging from a high of 78.95 percent to a low of 54.81 percent.

The following table illustrates FNBC's average LTD ratio and that of similarly situated institutions:

Financial Institution	Assets (000s) as of September 30, 2016	Average LTD Ratio
Oxford University Bank	\$126,430	78.95%
First National Bank of Clarksdale	\$373,521	71.31%
FNB Oxford Bank	\$283,088	62.29%
Planters Bank & Trust Company	\$1,031,767	54.81%

Source: Call Report data

In addition, FNBC is an agricultural lender and the annual crop cycle results in a considerable degree of volatility in its LTD Ratio from quarter to quarter, the ratio peaking between the second and third quarter of each year. Over the past sixteen quarters, the ratio ranged from a low of 60.71 percent to a high of 81.59 percent.

Lending in Assessment Area (s)

A majority of loans, 72.50 percent of the number and 64.04 percent of the dollar volume, originated by FNBC are located inside the AA(s). A sample of 20 loans from the each bank's primary loan products, agricultural loans for Coahoma County and CRE and C&D loans for Lafayette County, were used to determine the level of lending in the AA(s).

Table 1 - Lending in AA(s)										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Agricultural	13	65.00%	7	35.00%	20	\$3,743,763	59.47%	\$2,551,111	40.53%	\$6,294,874
Commercial Real Estate	16	80.00%	4	20.00%	20	\$2,211,386	73.59%	\$793,520	26.41%	\$3,004,906
Totals	29	72.50%	11	27.50%	40	\$5,955,149	64.04%	\$3,344,631	35.96%	\$9,299,780

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

Lending to businesses of different sizes meets the standard for satisfactory performance and reflects an overall reasonable penetration of agricultural loans to small farms within the Coahoma County AA and for CRE and C&D loans to small businesses in the Lafayette County AA.

Lending to Borrowers of Different Income Levels - Farm Loans

The distribution of loans to farmers of different sizes reflects reasonable distribution considering the demographic trends within the AA. The number and dollar volume of FNBC’s loans to small farms (farms with revenues of \$1 million or less) is lower than the percentage of small farms in the AA. In addition, many smaller farms qualify for financing through government guaranteed lending programs or through the Farm Credit System at very competitive terms. The percentage of loans to small farms originated by the bank and the percentage of small farms in the AA is depicted in the following table.

Table 2A - Borrower Distribution of Loans to Farms in the Coahoma County AA				
Farm Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Farms	67.50	4.05	28.45	100.00
% of Bank Loans in AA by #	50.00	50.00	0.00	100.00
% of Bank Loans in AA by \$	20.57	79.43	0.00	100.00

Source: Loan Sample; Dunn & Bradstreet data

Lending to Borrowers of Different Income Levels – Small Farm Loans

In addition to the above analysis of loans to small farms, the loan sample was analyzed to determine the level of small farm loans originated in the Coahoma County AA during the evaluation period. This acts as a proxy for lending to small farms due to the high level of farms with Unavailable/Unknown income within the farm demographic data. The loan

sample primarily consisted of loans less than \$500 thousand (70.00 percent of the number of loans), which is indicative of a good level of small farm lending.

The following table shows the distribution of agricultural loans made within different loan size ranges.

Borrower Distribution of Loans to Farms by Loan Size in the Coahoma County AA				
Loan Size (000's)	Number of Loans	Percent of Number	Dollar Volume of Loans	Percent of Dollar Volume
\$0 - \$100,000	6	30.00	\$230,426	2.44
\$100,001 - \$250,000	4	20.00	\$718,220	7.60
\$250,001 - \$500,000	4	20.00	\$1,441,484	15.25
\$500,001 - \$1,000,000	5	25.00	\$2,759,288	29.20
Over \$1,000,000	1	5.00	\$4,300,328	45.51

Source: Loan Sample

Lending to Borrowers of Different Income Levels - Business Loans

The distribution of loans to businesses of different sizes reflects excellent distribution considering the demographic trends within the AA. A substantial majority of the bank's loans within the Lafayette County AA were made to small businesses. The percentage of loans to small businesses originated by the bank and the percentage of small businesses in the AA is depicted in the following table.

Table 2A - Borrower Distribution of Loans to Farms in the Lafayette County AA				
Farm Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Farms	73.00	5.00	22.00	100.00
% of Bank Loans in AA by #	95.00	5.00	0.00	100.00
% of Bank Loans in AA by \$	92.75	7.25	0.00	100.00

Source: Loan Sample; Dunn & Bradstreet data

Geographic Distribution of Loans

Geographic distribution of loans meets the standard for satisfactory performance. The geographic distribution of loans reflects reasonable dispersion throughout the Coahoma County AA for agricultural loans to small farms and reasonable dispersion of CRE and C&D loans throughout the Lafayette County AA.

Coahoma County AA

The geographic distribution of loans made by the bank reflects reasonable dispersion throughout the AA. There are no low income CTs in the Coahoma County AA. The number of agriculture loans to farmers in moderate-income areas is comparable to the percentage of farms in moderate income census tracts. Additionally, it should be noted the analysis is based on the borrower’s primary address, as most farmers operate over a variety of tracts of land that can often be spread over a wide geographic area and include parcels in different CTs. The following chart compares the geographic distribution of agriculture loans made by the bank over the evaluation period.

Table 3A - Geographic Distribution of Loans to Farms in Coahoma County								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans	% of AA Farms	% of Number of Loans
Farms	0.00	0.00	70.48	65.00	0.00	0.00	29.52	35.00

Lafayette County AA

The geographic distribution of loans made by the bank reflects reasonable dispersion throughout the AA. The following chart compares the geographic distribution of business loans made by the bank over the evaluation period. The majority of CTs located in the Lafayette County AA are upper income census tracts with no low income CTs. However, the Lafayette County AA does have one moderate income and one middle income CT. The number of loans to businesses in moderate-income areas is comparable to the percentage of businesses in moderate income census tracts. The number of loans to business in middle income census tracts exceeds the percentage of businesses in middle income census tracts.

Table 3A - Geographic Distribution of Loans to Businesses in Lafayette County								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Businesses	0.00	0.00	5.76	5.00	4.86	5.00	89.38	90.00

Responses to Complaints

FNBC has not had any complaints made relating to its lending practices since the prior examination dated September 4, 2012.

COMMUNITY DEVELOPMENT TEST

Performance under the community development (CD) test is Adequate. The evaluation period for CD activities is September 30, 2012 through September 30, 2016. CD activities within the Coahoma County AA are adequate. As Coahoma County makes up the majority of the bank's loan volume and deposit balances, it is assigned the most weight in the assessment. While overall performance remains adequate, community development activities within the Lafayette County AA are poor. The demographics of the Lafayette County AA are materially different from the bank's primary market and economic conditions are considerably more robust. A search for active real estate related CD organizations indicated limited opportunities for the bank's primary products in this market.

Coahoma County

Number and Amount of Community Development Loans

The level of community development lending within the AA is satisfactory. FNBC originated a total of 24 qualifying CD loans totaling \$1.00 million. These loans were originated to provide for the purchase and/or renovation of rental houses in moderate income CTs to provide affordable housing for Low to Moderate Income (LMI) individuals, to finance the purchase of vehicles for a local organization that provides healthcare services to LMI individuals, and to finance the renovation of a commercial property located in a Moderate Income CT to help stabilize and revitalize the area.

Number and Amount of Qualified Investments

The level of qualified investments within the AA is satisfactory. Qualified investments are investments, deposits, grants, donations, or in-kind contributions of property that have as their primary purpose "Community Development" as defined in the CRA regulation. During the evaluation period, FNBC made donations totaling \$29 thousand to three qualifying organizations whose primary purpose is to stabilize or revitalize Moderate Income areas or provide services to LMI individuals.

Extent to Which the Bank Provides Community Development Services

FNBC's level of qualified CD services is adequate. A bank employee serves as bookkeeper for an organization that provides meals and services to low-income individuals and elderly in the community. In addition, several bank employees participated in a program to teach and promote financial literacy and money management skills at schools in the AA that primarily service LMI students.

Retail Banking Services

The bank's service delivery systems are accessible to geographies and individuals of different income levels within the assessment area. All three branches within the AA are located in Moderate Income CTs. In addition, all branches have an ATM and banking hours are reasonable. FNBC offers online and mobile banking products to its customers.

Lafayette County

CD activity within the Lafayette County AA is poor. There were no CD loans or services identified. Qualified investments include \$1,145 in donations to an organization that provides services to primarily LMI individuals within the AA. Opportunities for CD lending and services exist within the AA but are limited as previously described.

Outside of AA

FNBC has invested \$410 thousand in a qualifying Small Business Administration Small Business Investment Company. This company exists to provide capital to start ups and small businesses within the broader Midsouth region that includes both of the bank's AAs.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. § 25.28(c), or 12 C.F.R. § 195.28(c), in determining a national bank's (bank) or Federal Savings Association's (FSA) CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance.

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