



Comptroller of the Currency
Administrator of National Banks

SMALL BANK

PUBLIC DISCLOSURE

July 29, 2002

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

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

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

**Comptroller of the Currency
ADC - Memphis
57 Germantown Court Suite 309
Memphis, TN 38108**

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.

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 of Clarksdale, MS as prepared by **The Comptroller of the Currency**, the institution's supervisory agency, as of July 29, 2002. 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**”.

The conclusion is based on the following:

- **A substantial majority of loans are made in the assessment area.**
- **The bank has a good distribution of loans to borrowers of different income levels and businesses and farms of different sizes.**
- **The loan-to deposit ratio is good given the bank's size, financial condition, and assessment area credit needs.**
- **The institution’s distribution of loans within its assessment is reasonable.**

DESCRIPTION OF INSTITUTION

First National Bank of Clarksdale (FNB) had total assets of \$165.5 million as of March 30, 2002. The bank is located in Northwest Mississippi, approximately 60 miles south of Memphis, TN. The bank's primary business focus is real estate, commercial, consumer and agricultural loans with the loan portfolio representing approximately 56% of total assets. As a percentage of Tier 1 Capital, real estate loans totaled 255%, agricultural 64%, commercial 116%, with consumer and others 79%. The loan portfolio composition as of March 30, 2002 was as follows:

Loan Type	\$ Volume (000)	% Of Portfolio
Real Estate	\$46,259	50%
Commercial	\$20,999	23%
Consumer & Other	\$14,232	15%
Agricultural	\$11,588	12%
Total	\$93,078	100%

FNB operates only in Mississippi, with three locations located in Clarksdale MS., and has no stand alone ATM's. The bank offers a full range of banking services that are accessible at all locations. The bank is a subsidiary of First Valley National Corporation. The holding company is located in Clarksdale, MS and FNB comprises substantially all of the holding company's assets. They are not an interstate bank and are not in MSA. There are no legal, merger and acquisition, or financial constraints that prohibit the bank from meeting assessment area credit needs. The bank's last CRA examination was conducted as of March 31, 1997, and the bank received a 'Satisfactory' rating.

Within their assessment area, the bank's deposit competition consists of two regional banks and two local state banks. FNB has the highest percentage of market share. See the table below for a breakdown of deposit market shares as of June 30, 2001.

Deposit Market Share Within Assessment Area			
	FNB	Two Regional Banks	Two Local Banks
As of 6/30/01	33.78%	49.60%	16.62%

DESCRIPTION OF ASSESSMENT AREA

FNB's assessment area consists of Coahoma County MS. The 1990 U.S. Census median family income for non-Metropolitan Statistical Areas in Mississippi, including the assessment area was \$21,994. This number is used to determine the income level of the block numbering areas (BNAs) in the assessment area. FNB's assessment area is comprised of two (2) low-income, two (2) moderate-income, one (1) middle-income and two (2) upper-income BNA. The bank's assessment area meets the requirements of the CRA regulation and does not arbitrarily exclude any low and moderate-income geography.

According to 1990 U.S Census demographic data, the reported population of the assessment area was 31,665. Forty percent of the households showed income below the poverty level. The 2002-updated median family income is \$36,000. This income figure is updated annually and is

used to determine the income level of individual applicants. There are 7,542 families in the assessment area of which: 2,717 (36%) are low-income, 1,158 (15%) are moderate-income, 1,035 (14%) are middle-income and 2,633 (35%) are upper-income families. The average cost of housing in the assessment area is \$34,688, with owner occupied housing representing 52% of the population.

Coahoma County has a history of high unemployment, compared to the State of Mississippi and national averages. Unemployment within Coahoma County for the year 2001 averaged 11% of the population. The high unemployment can best be explained by the lack of employment opportunities in the area.

The bank's assessment area is primarily government, manufacturing, retail trade and services related. Within Coahoma County, government employs 2,989 people, manufacturing employs 1,728, retail trade 2,350 and services 4,108. Major employers within the county consist of Cooper Tire with 500 employees, HMA Hospital with 600 employees, and Delta Wire with 200 employees. There are several smaller businesses that employ between 50 and 100 each.

As part of the evaluation of FNB's lending performance, we reviewed the results of two community contacts performed within the last twelve months and one new contact conducted during this evaluation. These community development organizations were contacted in an effort to determine opportunities for financial institutions to help meet local credit needs and to understand community perceptions of the local financial institutions' performance in meeting those needs. No salient, unaddressed community credit needs were identified during these contacts. All three contacts expressed positive opinions regarding the bank's responsiveness and performance in meeting the credit needs of consumers and small businesses in the assessment area.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The quarterly loan-to-deposit ratio was calculated for the twenty quarters since the last CRA review. The calculated loan to deposit ratio, based on quarterly data, was 71%. When compared to other banks in the assessment area, FNB's loan to deposit ratio is reasonable. The bank's capacity to lend is good.

Lending in Assessment Area

The majority of loans are in the bank's assessment area. The loan portfolio consisted of 3,245 loans for \$100 million. There were 2,559 loans for \$82 million or 79% made to individuals or businesses within the assessment area of Coahoma County, MS.

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

A sample analysis of 80 loans was performed. Twenty loans from each primary loan type were selected. The distribution of loans reflects reasonable penetration among individuals in all income levels (including low and moderate income), given the demographics of the assessment area. The following table compares sample distribution results to assessment area population distribution.

Distribution of Consumer and Real Estate Loans in Assessment Area by Borrower Income										
	Lower		Moderate		Middle		Upper		Total	
	#	%	#	%	#	%	#	%	#	%
Family within BNAs	2,726	36%	1,158	15%	1,035	14%	2,633	35%	7,542	100%
Borrower Distribution of Loans	9	23%	10	25%	8	20%	13	32%	40	100%

FNB also has a good record of making loans to small businesses and small farms of different sizes. The farm and commercial loans reviewed showed that the bank makes loans to both categories, revenues and loan size of under \$1 million and over \$1 million.

Distribution of Business and Farm Loans in Assessment Area by Revenue and Loan Size										
	Revenue Under \$1 Million		Revenue Over \$1 Million		Loan Size Under \$1 Million		Loan Size Over \$1 Million		Total	
	#	%	#	%	#	%	#	%	#	%
Business & Farm Loans	30	75%	10	25%	39	97%	1	3%	40	100%

Geographic Distribution of Loans

FNB's lending performance reflects a reasonable distribution of loans throughout the assessment area and favorably compares to the income levels of the seven block numbering areas in Coahoma County.

We assessed this performance by utilizing a sample of 40 consumer installment loans and residential consumer loans. We compared the lending patterns of the sample to the block numbering areas. The table below reflects the distribution of sampled loans within the bank's assessment area by income designation of BNA. No conspicuous gaps were identified.

Distribution of Consumer and Residential Loans within the Assessment Area										
	Low		Moderate		Middle		Upper		Total	
	#	%	#	%	#	%	#	%	#	%
Consumer and Residential Loans	12	30%	8	20%	11	28%	9	22%	40	100%

Responses to Complaints

No complaints have been received from the public specifically related to the bank's performance in helping to meet community credit needs.

Fair Lending Review

An analysis of three years 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 would not need to be conducted in connection with the CRA evaluation this year. The latest comprehensive fair lending exam was performed in 1997.