



## PUBLIC DISCLOSURE

November 28, 2022

## 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 Office

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, and should not 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.

## Table of Contents

Overall CRA Rating	3
Description of Institution	4
Scope of the Evaluation	5
Discriminatory or Other Illegal Credit Practices Review	7
State Rating	8
State of Mississippi	8
Appendix A: Scope of Examination	A-1
Appendix B: Summary of State Ratings	B-1
Appendix C: Definitions and Common Abbreviations	C-1
Appendix D: Tables of Performance Data	D-1

## Overall CRA Rating

**Institution's CRA Rating:** This institution is rated **Satisfactory**.

**The Lending Test is rated:** Satisfactory

**The Community Development Test is rated:** Satisfactory

The major factors that support this rating include:

- The Lending Test rating is based on the bank's performance in the state of Mississippi.
- The Community Development Test rating is based on the bank's performance in the state of Mississippi.
- The bank's loan-to-deposit (LTD) ratio is reasonable.
- A substantial majority of the bank's loans are located inside its assessment areas (AAs).

### Loan-to-Deposit Ratio

Considering the bank's size and financial condition and the credit needs of the AAs, the bank's LTD ratio is reasonable.

The LTD ratio is calculated on a bank-wide basis. Over the nine quarters since the last CRA examination as of December 31, 2019, the bank's quarterly LTD ratio averaged 61.3 percent. The bank's LTD ratio ranged from a low of 49.5 percent in March 2021 to a high of 69.7 percent in September 2020. We compared the bank's LTD ratio to those of two similarly situated institutions operating in the same area. The nine-quarter average LTD ratio for the peer banks was similar at 72.2 percent. During the same time period, the peer banks' low average LTD ratio was 69.3 percent, and the high average LTD ratio was 76.6 percent.

### Lending in Assessment Area

A substantial majority of the bank's loans are inside its AA.

The bank originated 70.8 percent of its total loans, by number, inside the bank's AAs during the evaluation period. This analysis is performed at the bank, rather than the AA, level. This percentage does not include extensions of credit by affiliates. The lending test includes a review of the bank's small loans to businesses and farms; therefore, other loan product categories are not included in the table on the next page. The findings from this analysis factored into the overall analysis of the geographic distribution of lending by income level of the geography.

In 2020 and 2021, the bank participated in the Small Business Administration's (SBA) Paycheck Protection Program (PPP) loan program. The nationwide program was designed to provide financial relief for businesses experiencing economic strain due to conditions associated with the COVID-19 pandemic. Participation in this program aligns with the spirit of the CRA. A substantial majority of the bank's PPP loan originations were made within the bank's AAs. As such, the bank's PPP business loan originations did not negatively impact the bank's inside/outside ratio. PPP loans were made only to existing customers of the bank.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$ (000s)	%	\$ (000s)	%	
Small Business 2019-2021	45	75.0%	15	25.0%	60	\$4,713	85.7%	\$790	14.4%	\$5,503
Small Farm 2019-2021	40	66.7%	20	33.3%	60	\$12,888	68.9%	\$5,810	31.1%	\$18,698
<b>Total</b>	<b>85</b>	<b>70.8%</b>	<b>35</b>	<b>29.2%</b>	<b>120</b>	<b>\$17,601</b>	<b>72.7%</b>	<b>\$6,600</b>	<b>27.3%</b>	<b>\$24,201</b>

Source: Bank Data. Due to rounding, totals may not equal 100.0%

## Description of Institution

First National Bank of Clarksdale (FNBC, or the bank) is an independent, single-state bank that opened for business in 1964. FNBC is 100 percent owned by First Valley National Corp, a one-bank holding company. Both entities are headquartered in Clarksdale, Coahoma County, Miss. The bank's only affiliate is an insurance company; as such, no lending products outside of FNBC's were considered in this performance evaluation (PE).

FNBC's main office is located at 402 East Second Street, Clarksdale, Miss. Branches are generally located in areas that make them accessible to the bank's customers. There were no changes in the branch structure since the prior PE. FNBC's branches consist of five full-service branch locations in the Mississippi cities of Clarksdale (Coahoma County) and Oxford (Lafayette County). Lobby and drive-up hours are set to meet customer needs. Three automated teller machines (ATMs) that disburse cash are located in Clarksdale, and two are located in Oxford. In addition to the bank owned ATMs, FNBC has ATM fee agreements with three additional banks in Clarksdale. Those banks are Regions Bank (Anderson Blvd.), CB&S (Yazoo Ave), and Planters Bank (Delta Avenue). Customers may use the ATM from those banks for free, and they are considered in the bank's network. Customers may also access their accounts through internet banking or mobile banking via a mobile phone application. Internet and mobile banking include account balance information, transfers, account history, bill pay, and notification services.

FNBC offers a full range of loan and deposit services. FNBC's primary business focus is commercial lending as well as agricultural and commercial real estate lending. As of December 31, 2021, FNBC had total assets of \$405.8 million with gross loans of \$216.6 million. Gross loans comprised 53.4 percent of total assets, and tier one capital was approximately \$46.3 million. FNBC's loan portfolio, as a percent of gross loans, consists of 46.0 percent commercial, commercial real estate, and construction and development loans; 35.0 percent agricultural and farmland secured loans; 14.7 percent 1-4 family residential loans; and 4.7 percent consumer loans. Agricultural loan balances are cyclical and typically peak during the third quarter and pay down significantly during the fourth and first quarters annually.

FNBC's business strategy includes the continued marketing of commercial credit to small businesses and small farms through its products, staff, and locations. The bank originates agricultural, commercial, home mortgage, and consumer loans to customers located primarily in Coahoma County, Miss. Agricultural loan activity includes all types of row crop and poultry and cattle lending. Lending activity for Lafayette

County, Miss. consists primarily of commercial loans.

FNBC's one rating area – the state of Mississippi – consists of two AAs – Coahoma County and Lafayette County. This evaluation assesses the bank's performance in both AAs. The bank's AAs meet the requirements of the CRA regulation and do not arbitrarily exclude any low-or moderate-income geographies.

The Coahoma County AA consists of the entirety of Coahoma County and does not exclude any census tracts (CTs). The Coahoma County AA has seven CTs consisting of four moderate-income CTs, two middle-income CTs, and one upper-income CTs. Coahoma County does not have any low-income CTs. In 2019, 2020, and 2021, the two middle-income (9502 and 9503) CTs were designated as distressed due to poverty, unemployment, and population loss.

The bank's second AA is the Lafayette County AA. The Lafayette County AA includes the entirety of Lafayette County and does not exclude any CTs. The Lafayette County AA consists of 10 CTs comprising no low- or moderate-income CTs, three middle-income CTs, six upper-income CTs, and one CT with an unknown income level. Per a map, the unknown income CT is at or near the University of Mississippi in Oxford, Miss. In 2019, the three middle-income CTs (9501, 9502.02, 9504.02) were designated as distressed due to poverty; however, this designation did not continue in 2020 or 2021.

There have been no major changes in the bank's corporate structure, including merger or acquisition activities, since the last CRA examination. The last CRA evaluation, dated November 12, 2019, assigned a "Satisfactory" rating to the bank. There are no financial conditions, legal constraints, or other factors impeding the bank's ability to help meet the credit needs in its AAs during the evaluation period.

## **Scope of the Evaluation**

### **Evaluation Period/Products Evaluated**

This PE assesses the bank's performance under the Intermediate Small Bank CRA lending procedures and includes the lending test and the CD test. The analysis of lending performance inside the AAs considers small business and small farm loans. This ratio is calculated on a bank-wide basis. The evaluation period for the lending test is from January 1, 2019, through December 31, 2021.

FNBC's primary lending products differ in each AA. In the Coahoma County AA, the primary lending products are small business and small farm loans, and in the Lafayette County AA, the primary lending product is small business loans. As such, we analyzed performance in each AA separately and limited to the primary product(s). For the geographic and borrower distribution of loans under the lending test, consideration was given to the number of loans and dollar volume of loans originated in each category. We weighted small farm lending in the Coahoma County AA performance more due to a larger dollar amount and number of originations occurring during the evaluation period. Refer to the "Scope" section under the State Rating for details.

For geographic and borrower distribution analyses, loans originated in 2019 through 2021 are compared to the 2015 American Community Survey (ACS) Census data for consumer loans and the 2020 Dun & Bradstreet (D&B) Data for loans to small businesses. Conclusions regarding the CD test are based on the bank's CD activities since the prior CRA exam.

## **Selection of Areas for Full-Scope Review**

In each state where the bank has an office, one or more of the AAs within that state was selected for a full-scope review. For this evaluation, that included only the state of Mississippi. For the purposes of this evaluation, bank delineated non-MSA AAs within the same state were not combined and were evaluated as individual areas. Refer to the “Scope” section under the State Rating for details regarding the selection of full-scope AAs. Refer to appendix A, Scope of Examination, for a list of full- and limited-scope AAs.

## **Ratings**

The bank’s overall rating is based on the performance in the state of Mississippi.

The state rating is based on performance in the bank’s two AAs. Refer to the “Scope” section under the State Rating for details regarding how the areas were weighted in arriving at the respective ratings.

## **Discriminatory or Other Illegal Credit Practices Review**

Pursuant to 12 CFR 25.28(c) or 195.28(c), respectively, in determining a national bank's or federal savings association's (collectively, bank) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any AA by an affiliate whose loans have been considered as part of the bank's lending performance. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the relevant laws and regulations, including the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, and the Bureau of Consumer Financial Protection, as applicable.

The OCC has not identified that this institution has engaged in discriminatory or other illegal credit practices that require consideration in this evaluation.

The OCC will consider any information that this institution engaged in discriminatory or other illegal credit practices, identified by, or provided to the OCC before the end of the institution's next performance evaluation in that subsequent evaluation, even if the information concerns activities that occurred during the evaluation period addressed in this performance evaluation.

## State Rating

### State of Mississippi

**CRA rating for the State of Mississippi:** Satisfactory

**The Lending Test is rated:** Satisfactory

**The Community Development Test is rated:** Satisfactory

The major factors that support this rating include:

- The geographic distribution of loans across geographies of different income levels is reasonable.
- The borrower distribution of loans to borrowers of different income levels and businesses of different sizes is reasonable.
- The bank exhibits adequate responsiveness to the CD needs in its AAs through CD loans, qualified investments, and services, as appropriate, considering the bank's capacity and the need and availability of such opportunities in the bank's AAs.

### Description of Institution's Operations in Mississippi

FNBC operates in two AAs in the state of Mississippi as described in the "Description of the Institution" and the "Scope of Evaluation" sections of this PE. The two AAs are the Coahoma County AA and the Lafayette County AA. The majority of the bank's deposits are located within these two AAs, with roughly 95 percent of deposits attributed to the Coahoma County AA. Based on reported balances as of December 31, 2021, the bank's primary lending focus is the origination of agricultural/farm loans and business/commercial loans. The bank does not purchase a significant amount of loans originated by others. As of December 31, 2021, 1-4 family residential loans represent approximately 14.7 percent of gross loans. Mortgage lending is not a primary product, and the bank is not a required data reporter under the Home Mortgage Disclosure Act. In both AAs, the bank's primary competitors are local, state-wide, and regional community banks. Notably, in the Coahoma County AA, the bank must also compete with farm credit institutions on agricultural lending products. In both AAs, credit unions and non-bank lenders also compete for residential, small business, and consumer loans. To determine the credit needs of the communities, we reviewed recent housing and demographic information and current community contacts with service organizations in the AAs.

#### Coahoma County AA

The Coahoma County AA comprises the entirety of Coahoma County and does not arbitrarily exclude any low- or moderate-income CTs. The Coahoma County AA consists of seven CTs and is mostly rural. The majority, 61.4 percent, of the population lives in the four moderate-income CTs, and 28.6 percent of the population lives in the two middle-income CTs. Only 14.3 percent of the population lives in the one upper-income CT. Coahoma County does not contain any low-income CTs. Owner-occupied and rental housing units as well as businesses concentrate in the four moderate-income CTs. Comparatively, the family distribution by income level reflects greater income disparities in the population. In 2021, 34.7 percent of families were considered low-income, and 32.3 percent of families were considered upper-income level.



Moderate-income level families represented 16.2 percent, and middle-income families were 16.9 percent. As of 2021, the median family income for non-MSAs in Mississippi was \$43,897 annually. At the same time, the median housing value for Coahoma County was \$63,002. The level of poverty in Coahoma County is very high with 29.1 percent of families below the poverty level. As mentioned previously, both of the middle-income CTs were designated distressed during all three years of the evaluation period due to the poverty level, declining population, and unemployment level.

FNBC is headquartered in Clarksdale, Miss. in the Coahoma County AA. Three of the bank's five branches are located within this AA. The bank has 49.0 percent of deposits in the Coahoma County AA, with average deposits of \$295.1 million per the June 30, 2021, Federal Deposit Insurance Corporation (FDIC) Deposit Market Share Report for Coahoma County, Miss. As of June 30, 2021, there were 11 bank branches from six institutions in the county. Per the FDIC Deposit Market Share Report as of June 30, 2021, the AA deposit leaders are FNBC, Planters Bank & Trust Company, Regions Bank, and Cb&s Bank, Inc.

The county seat and largest city within the Coahoma County AA is Clarksdale, Miss. Per the 2020 census, the population of Coahoma County is 21,390. Coahoma County is in the Mississippi Delta region. Per the United States Department of Agriculture (USDA) 2017 Census of Agriculture, Coahoma County, Miss., contains 206 farms covering 266,578 acres of farmland. Coahoma County is in close proximity to several rivers, including the Mississippi River. As such, agriculture production and agricultural lending are substantial economic activities for the area. Agricultural products include soybeans, corn, cotton, and wheat. There is significant competition for agricultural loan customers in this AA. Competitors include Planters Bank and Trust Company and First South Farm Credit. In addition to the agricultural industry, tourism tied to Clarksdale's historic blues music genre provides economic stimulation. Per the 2020 Mississippi Development Authority report<sup>1</sup>, it is estimated that travel/tourism generated \$68.2 million in additional revenue to Coahoma County in 2019. Travel and tourism declined in 2020 with the onset of the COVID-19 pandemic.

During the evaluation period, AA unemployment levels were higher than state and national levels. Unemployment rates peaked at the beginning of the COVID-19 pandemic, primarily due to the economic shutdowns that occurred. In April 2020, unemployment was 19.4 percent for Coahoma County compared to 15.4 percent for the state of Mississippi. As of December 2021, the unemployment rate in Coahoma County reduced to 5.6 percent and remains higher than the state and national average unemployment rates of 4.7 and 3.9 percent, respectively.

To help identify the financial needs in the Coahoma County AA, we conducted a community contact with a non-profit organization that assists with the housing, medical, and educational needs of the community. The contact stated the economic conditions for the community show signs of improvement; however, economic conditions remain stagnant in many areas of the community. The contact discussed the need for small dollar consumer lending and small business lending and emphasized the significant need for financial education and career development assistance in the community. The individual from the non-profit expressed needs for education to help improve academic performance and prepare students for post-secondary education. The contact discussed a community need to increase the rate of high school completion, career readiness, and options for students as critical to the long-term improvement of the community.

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<sup>1</sup> [21-0075-Economic-Contribution-Report-2020-Tourism-FINAL.pdf \(visitmississippi.org\)](#)

**Table A – Demographic Information of the Assessment Area**

**Assessment Area: FNB of Clarksdale Coahoma 2021**

<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA* % of #</b>
Geographies (Census Tracts)	7	0.0	57.1	28.6	14.3	0.0
Population by Geography	25,254	0.0	61.4	23.6	15.0	0.0
Housing Units by Geography	10,747	0.0	62.9	22.1	15.0	0.0
Owner-Occupied Units by Geography	4,884	0.0	54.0	28.0	18.1	0.0
Occupied Rental Units by Geography	4,476	0.0	71.7	17.1	11.2	0.0
Vacant Units by Geography	1,387	0.0	66.1	17.4	16.4	0.0
Businesses by Geography	1,663	0.0	62.8	23.7	13.5	0.0
Farms by Geography	194	0.0	22.2	71.6	6.2	0.0
Family Distribution by Income Level	6,248	34.7	16.2	16.9	32.3	0.0
Household Distribution by Income Level	9,360	33.9	14.5	16.3	35.2	0.0
Median Family Income Non-MSAs - MS		\$43,897	Median Housing Value			\$63,002
			Median Gross Rent			\$527
			Families Below Poverty Level			29.1%

*Source: 2015 ACS and 2020 D&B Data*

*Due to rounding, totals may not equal 100.0%*

*(\* The NA category consists of geographies that have not been assigned an income classification.*

Lafayette County AA

The Lafayette County AA consists of the entirety of Lafayette County. The Lafayette County AA consists of 10 CTs. There are no low- or moderate-income CTs within the Lafayette County AA. The county consists of three middle-income CTs, six upper-income CTs, and one unknown-income CT. The unknown-income CT contains the University of Mississippi campus in Oxford, Lafayette County, Miss. In 2019, the three middle-income CTs (9501, 9502.02, and 9504) were designated as distressed due to poverty. However, this designation did not continue in 2020 or 2021. The majority of the county’s population, approximately 61.2 percent, lives in the six upper income CTs compared to the 26.1 percent that lives in the three middle-income CTs. Approximately 70 percent of owner-occupied housing units are located in the six upper-income CTs. Businesses and farms are concentrated in the upper-income CTs. Comparatively, the family distribution by income level reflects roughly 15.6 percent of families having less than 50 percent of the area median income and 9.7 percent of families being moderate-income. Approximately 13 percent of families are below the poverty level. Notably, the median family income for non-MSA geographies in Mississippi is \$43,897, compared to the AA’s median housing value of \$171,722 as of December 2021.

The Lafayette County AA is a highly competitive market. Market competitors vary from large regional banks to local community institutions. FNBC has only two branches in this AA; both branches are in Oxford, Miss. Per the June 30, 2021, FDIC Deposit Market Share Report, total FNBC deposits in the Lafayette County AA represent 2.5 percent of the total market, or approximately \$39.6 million. In total, there are 28 bank branches representing 16 institutions in the Lafayette County market. Per the FDIC Deposit Market Share Report as of June 2021 for Lafayette County, Miss., the major deposit leaders in

the Lafayette AA are Fnb Oxford Bank, BancorpSouth Bank, Regions Bank, and Oxford University Bank, among others. The Lafayette County AA does not generate a significant portion of deposits or lending activity for FNBC.

Oxford, Miss., is the county seat and largest city within Lafayette County. Oxford is home to the University of Mississippi. The Lafayette County AA has a population of 55,813 per the 2020 census. Lafayette County has a 450-acre industrial park with major employers such as Caterpillar Inc, Winchester Rimfire, Winchester Centerfire, and Roseburg Forest Products. Other major employers in the area include Ashley Furniture, Toyota, the University of Mississippi, and local area hospitals.

During the evaluation period, the Lafayette County AA unemployment levels were lower than state and national levels. Unemployment rates peaked at the beginning of the COVID-19 pandemic, primarily due to the economic shutdowns that occurred nationwide. Per the U.S. Bureau of Labor Statistics, in April 2020, unemployment was 11.6 percent for Lafayette County, compared to 15.4 percent for the state of Mississippi. As of December 2021, the unemployment rate in Lafayette County was 2.4 percent and lower than the state and national average unemployment rates of 4.7 and 3.9 percent.

To help identify the financial needs of the Lafayette County AA, we conducted a community contact with a non-profit organization that promotes affordable housing opportunities in the area. The organization provides housing counseling, financial education, and support for those wishing to begin their homeownership journey. The contact stated that the greatest need is to help develop and fund affordable housing units for households earning less than \$35,000 per year. In addition, per the contact, financial counseling partnerships and additional training for loan originators for special programs to qualify low-income borrowers would benefit the local community.

Refer to the table below for the demographic characteristics of this AA.

<b>Table A – Demographic Information of the Assessment Area</b>						
<b>Assessment Area: FNB of Clarksdale Lafayette 2021</b>						
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA* % of #</b>
Geographies (Census Tracts)	10	0.0	0.0	30.0	60.0	10.0
Population by Geography	51,169	0.0	0.0	26.1	61.2	12.7
Housing Units by Geography	23,524	0.0	0.0	30.5	65.4	4.1
Owner-Occupied Units by Geography	10,351	0.0	0.0	29.7	69.8	0.5
Occupied Rental Units by Geography	6,983	0.0	0.0	26.1	66.0	7.9
Vacant Units by Geography	6,190	0.0	0.0	36.8	57.3	5.9
Businesses by Geography	4,015	0.0	0.0	30.0	65.6	4.4
Farms by Geography	122	0.0	0.0	30.3	66.4	3.3
Family Distribution by Income Level	10,343	15.6	9.7	16.3	58.3	0.0
Household Distribution by Income Level	17,334	24.9	10.8	11.8	52.5	0.0
Median Family Income Non-MSAs - MS		\$43,897	Median Housing Value			\$171,722
			Median Gross Rent			\$822
			Families Below Poverty Level			12.6%

Source: 2015 ACS and 2020 D&B Data

Due to rounding, totals may not equal 100.0%

(\* The NA category consists of geographies that have not been assigned an income classification.

## Scope of Evaluation in Mississippi

Both the Coahoma County AA and Lafayette County AA received full-scope reviews. No limited-scope reviews were conducted. Non-MSA AAs within the same state were not combined for this review due to inconsistencies in income demographics and product offerings. Refer to the table in appendix A for a list of all AAs under review. Consistent with the institution's primary lending focus, commercial and agricultural loan performance in the Coahoma County AA were analyzed, and commercial loan performance in the Lafayette County AA was analyzed.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN Mississippi

### LENDING TEST

The bank's performance under the Lending Test in Mississippi is rated Satisfactory.

Based on a full-scope review, the bank's performance in Mississippi is reasonable.

### Distribution of Loans by Income Level of the Geography

The bank exhibits reasonable geographic distribution of loans in the state of Mississippi. Overall, the geographic distribution of small loans to businesses and small farms is reasonable given the performance context.

#### *Small Loans to Business*

Refer to Table Q in the state of Mississippi section of appendix D for the facts and data used to evaluate the geographic distribution of the institution's originations of small loans to businesses.

#### Coahoma County AA

The geographic distribution of loans to small businesses is reasonable considering the performance context.

The bank's volume of loans to small businesses in moderate-income geographies was somewhat lower than the percentage of businesses located in moderate-income geographies and the percentage of the aggregate lending. From 2019 to 2021, 33 percent of the bank's small business loans in the AA were made in moderate-income CTs. This is below the 62.8 percent of the AA businesses located in moderate-income CTs and below the 64.5 percent aggregate. There are no low-income CTs in the Coahoma AA.

When taking into consideration the two middle-income CTs in the AA that are noted as distressed between the 2019 and 2021, the bank's volume of loans to small businesses located in the middle-income geographies was excellent and exceeded the percentage and aggregate businesses. Between 2019 and 2021, 50 percent of the bank's small business loans in the AA were to businesses located in a middle-income CTs, exceeding the 26.6 percent aggregate and 23.7 percent of AA businesses located in middle-

income CTs.

### Lafayette County AA

There are no low- or moderate-income CTs in the Lafayette County AA.

The geographic distribution of loans in the middle-income CTs within the AA is excellent. In 2019, all three middle-income CTs were designated distressed due to poverty. Between 2019 to 2021, the bank's percentage of loans to small businesses in middle-income geographies exceeded the percentage of businesses in those geographies. Fifty percent of the bank's loans to small businesses in the AA were in middle-income CTs, which exceeds the 30.0 percent of the AA businesses located in middle-income CTs and the 30.2 percent aggregate lending level.

### ***Small Loans to Farms***

Refer to Table S in the state of Mississippi section of appendix D for the facts and data used to evaluate the geographic distribution of the institution's originations of small loans to farms.

### Coahoma County AA

The geographic distribution of small loans to farms in the Coahoma County AA is reasonable, considering the performance context. There are no low-income CTs in the Coahoma County AA. Between 2019 to 2021, 6.7 percent of the bank's loans to farms were in moderate-income CTs in the AA. This is lower than the 22.2 percent of farms in moderate-income CTs in the AA and somewhat lower than the 10.2 percent aggregate.

Notably, the two middle-income CT geographies are the largest surrounding geographies within the Coahoma County AA. For 2019 through 2021, both of the middle-income CTs were designated distressed due to poverty, population decline, and unemployment. The percentage of the bank's farm loans made in these CTs exceeds the percentage of farms and aggregate in the AA.

### ***Lending Gap Analysis***

We evaluated the lending distribution in the bank's AAs to determine if any unexplained conspicuous gaps existed. There were no unexplained conspicuous gaps identified after reviewing performance context.

### **Distribution of Loans by Income Level of the Borrower**

The bank exhibits a reasonable distribution of loans to businesses and farms of different sizes, given the product lines offered by the bank.

### ***Small Loans to Businesses***

Refer to Table R in the state of Mississippi section of appendix D for the facts and data used to evaluate the geographic distribution of the institution's originations of small loans to businesses.

### Coahoma County AA

The income distribution of loans to small businesses is reasonable. The bank's volume of loans to small

businesses with revenues less than \$1 million was somewhat lower than the percentage of businesses with revenues less than \$1 million in the AA and exceeded the aggregate lending in the AA. During the evaluation period, 81.1 percent of businesses reported revenues less than \$1 million, and 45.0 percent of the sampled loans were made to businesses reporting revenues less than \$1 million. The bank's level of lending exceeds the aggregate lending level of 34.1 percent by all lenders to businesses with revenues less than \$1 million.

### Lafayette County AA

The income distribution of loans to small businesses is reasonable. The bank's volume of loans to small businesses with revenues less than \$1 million was somewhat lower than the percentage of businesses with revenues less than \$1 million and exceeded the aggregate lending in the AA. Within the Lafayette County AA, 84.5 percent of businesses reported revenues less than \$1 million, and 58.3 percent of the sampled loans were made to businesses reporting revenues less than \$1 million. The bank's lending level of 58.3 percent exceeds the aggregate lending level of 39.4 percent by all lenders to businesses with revenues less than \$1 million in the AA.

### ***Small Loans to Farms***

Refer to Table T in the state of Mississippi section of appendix D for the facts and data used to evaluate the geographic distribution of the institution's originations of small loans to farms.

### Coahoma County AA

The income distribution of loans to small farms is reasonable. The bank's volume of loans to small farms with revenues less than \$1 million exceeded the aggregate lending level for this product and income level in the AA. The bank's performance was somewhat lower than the percentage of farms with revenues less than \$1 million in the AA. Within the Coahoma County AA, 93.3 percent of farms reported revenues less than \$1 million, and 68.3 percent of the sampled loans were made to similar farms. The bank's 68.3 percent lending level exceeds the aggregate lending level of 28.6 percent. The bank's performance exceeding the aggregate lending level for farms reporting less than \$1 million in annual revenues reflects the high-risk characteristics and strong competition inherent in agricultural lending and banking.

### **Responses to Complaints**

There were no complaints related to the institution's CRA performance within the state of Mississippi during the evaluation period.

### **COMMUNITY DEVELOPMENT TEST**

The bank's performance under the Community Development Test in the state of Mississippi is rated Satisfactory. There were no complaints related to the institution's CRA performance within the state of Mississippi during the evaluation period.

### **Conclusions for Areas Receiving Full Scope Reviews**

Based on full-scope reviews, the bank exhibits adequate responsiveness to the CD needs in the state through CD loans, qualified investments, and CD services, as appropriate, considering the bank's capacity and the need and availability of such opportunities in the bank's AAs.

**Number and Amount of Community Development Loans**

The Community Development Loans Table, shown on the following page, sets forth the information and data used to evaluate the bank’s level of CD lending. The table includes all CD loans, including multifamily loans that also qualify as CD loans.

Community Development Loans				
Assessment Area	Total			
	#	% of Total #	\$(000’s)	% of Total \$
Coahoma County	8	100.0%	\$ 1,009	100.0%
Lafayette County	0	-	\$ 0	-
Total	8	-	\$ 1,009	100.0%

The bank’s level of CD lending demonstrates adequate responsiveness to the CD needs within the Coahoma County AA. However, the bank’s level of CD lending in the Lafayette County AA demonstrates poor responsiveness to the CD needs within that AA.

Coahoma County AA

During the evaluation period and in the Coahoma County AA, the bank originated or renewed eight CD loans totaling \$1.01 million. Of the eight loans originated, some loans were for purposes addressing CD needs identified by the community contract discussed previously. These loans include, and are not limited to:

- a large dollar loan to a local municipality to help improve rural water systems within the AA.
- a large dollar loan to a local non-profit organization focused on economic development in the AA.
- three loans to a medical care entity focused on mental health services and located within a moderate-income CT in the AA.
- an SBA PPP loan to a local non-profit organization that provides food and services for unsheltered and low-to-moderate-income individuals within the AA; and
- a loan to a local non-profit organization that provides career training, educational assistance, and enrichment for low-to-moderate income students in the AA.

Lafayette County AA

CD lending performance in the Lafayette County AA is poor. The bank did not originate or renew any loans qualifying as CD in the AA during the evaluation period.

## Number and Amount of Qualified Investments

Qualified Investments*										
Assessment Area	Prior Period**		Current Period		Total				Unfunded Commitments***	
	#	\$(000's)	#	\$(000's)	#	% of Total #	\$(000's)	% of Total \$	#	\$(000's)
Coahoma County	0	-	34	\$ 36	34	60.7%	\$ 36	5.5%	-	-
Lafayette County	0	-	7	\$ 8	7	12.5%	\$ 8	1.2%	-	-
Statewide/Regional	0	-	15	\$ 611	15	26.8%	\$ 611	93.3%	1	\$ 392
<b>Total</b>	<b>0</b>	<b>-</b>	<b>56</b>	<b>\$ 655</b>	<b>56</b>	<b>100.0%</b>	<b>\$ 608</b>	<b>100.0%</b>	<b>1</b>	<b>\$ 392</b>

\* Includes donations to CD qualified organizations

\*\* Prior Period Investments means investments made in a previous evaluation period that are outstanding as of the examination date.

\*\*\* Unfunded Commitments means legally binding investment commitments that are tracked and recorded by the institution's financial reporting system.

The bank's level of qualified investments and donations demonstrates adequate responsiveness to the CD needs of its AAs. There are a limited number of qualified investments available for purchase, and it is often difficult for small community banks to compete against large, nationwide, and regional banks to purchase.

The bank's qualified investments concentrate in statewide and regional investment opportunities. These qualified investments function to serve the AAs and its CD needs. FNBC committed \$1 million, of which \$481.7 thousand was funded during the assessment period, to Pharos Capital Group, LLC. (Pharos). Pharos invests in medical and assisted living facilities within the bank's AAs. Per its website<sup>2</sup>, Pharos is a private equity firm that invests in growing healthcare companies that aim to improve patient outcomes, increase access to care and/or lower the cost of healthcare. Pharos focuses on serving underserved areas, as well as small and complex populations, most notably in rural and urban communities. During the evaluation period, FNBC also invested \$126.6 thousand in a small business investment company (SBIC) fund through Caltius Equity Partners (Caltius). Caltius invests in qualifying businesses throughout a broader region that includes the bank's AAs.

The bank made 44 donations totaling \$49.2 thousand to qualified organizations in the Coahoma County and Lafayette County AAs.

### Extent to Which the Bank Provides Community Development Services

The bank provides an adequate level of CD services within its AAs. The bank offers a special "government NOW" account that pays special interest rates on NOW account balances for government and economic development entities. During the evaluation period, a local economic development focused non-profit organization and local municipal government entities participated. Additionally, bank employees provide financial expertise and knowledge to various local non-profits focused on CD activities.

<sup>2</sup> www.pharosfunds.com



## Appendix A: Scope of Examination

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The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the MSAs and non-MSAs that received comprehensive examination review, designated by the term “full-scope,” and those that received a less comprehensive review, designated by the term “limited-scope”.

<b>Time Period Reviewed:</b>	January 1, 2019, to December 31, 2021	
<b>Bank Products Reviewed:</b>	Small Business Loans Small Farm Loans	
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
Not Applicable	Not Applicable	Not Applicable
<b>List of Assessment Areas and Type of Examination</b>		
<b>Rating and Assessment Areas:</b>	<b>Type of Exam</b>	<b>Other Information</b>
<b>Mississippi</b>		
Coahoma County AA	Full Scope	<i>Entirety of Coahoma County</i>
Lafayette County AA	Full Scope	<i>Entirety of Lafayette County</i>

## Appendix B: Summary of State Ratings

<b>RATINGS: First National Bank of Clarksdale</b>			
<b>Overall Bank:</b>	<b>Lending Test Rating</b>	<b>CD Test Rating</b>	<b>Overall Bank/State Rating</b>
First National Bank of Clarksdale	Satisfactory	Satisfactory	Satisfactory
<b>State:</b>			
Mississippi	Satisfactory	Satisfactory	Satisfactory

## Appendix C: Definitions and Common Abbreviations

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The following terms and abbreviations are used in this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

**Affiliate:** Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. For example, a bank subsidiary is controlled by the bank and is, therefore, an affiliate.

**Aggregate Lending (Aggt.):** The number of loans originated and purchased by all reporting lenders (HMDA or CRA) in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the state/assessment area.

**Census Tract (CT):** A small, relatively permanent statistical subdivision of a county delineated by a local committee of census data users for the purpose of presenting data. Census tracts nest within counties, and their boundaries normally follow visible features, but may follow legal geography boundaries and other non-visible features in some instances, census tracts ideally contain about 4,000 people and 1,600 housing units.

**Combined Statistical Area (CSA):** A geographic entity consisting of two or more adjacent Core Based Statistical Areas with employment interchange measures of at least 15. An employment interchange measure is a measure of ties between two adjacent entities. The employment interchange measure is the sum of the percentage of workers living in the smaller entity who work in the larger entity and the percentage of employment in the smaller entity that is accounted for by workers who reside in the larger entity.

**Community Development (CD):** Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet Small Business Administration Development Company or Small Business Investment Company programs size eligibility standards or have gross annual revenues of \$1 million or less; or activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas.

**Community Reinvestment Act (CRA):** The statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its entire community, including LMI areas, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

**Consumer Loan(s):** A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, other secured consumer loans, and other unsecured consumer loans.

**Family:** Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into ‘male householder’ (a family with a male householder and no wife present) or ‘female householder’ (a family with a female householder and no husband present).

**Full-Scope Review:** Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

**Geography:** A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

**Home Mortgage Disclosure Act (HMDA):** The statute that requires certain mortgage lenders that conduct business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants, the amount of loan requested, the disposition of the application (e.g., approved, denied, and withdrawn), the lien status of the collateral, any requests for preapproval, and loans for manufactured housing.

**Home Mortgage Loans:** A closed-end mortgage loan or an open-end line of credit as these terms are defined under 12 CFR 1003.2, and that is not an excluded transaction under 12 CFR 1003.3(c)(1) through (c)(10) and (c)(13).

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Limited-Scope Review:** Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

**Low-Income Individual:** Individual income that is less than 50 percent of the area median income.

**Low Income Geography:** A census tract with a median family income that is less than 50 percent.

**Market Share:** The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the state/assessment area.

**Median Family Income (MFI):** The median income determined by the U.S. Census Bureau every five years and used to determine the income level category of geographies. The median is the point at which half of the families have income above, and half below, a range of incomes. Also, the median income determined by the Federal Financial Institutions Examination Council (FFIEC) annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above, and half below, a range of incomes.

**Metropolitan Division:** As defined by Office of Management and Budget, a county or group of counties within a Core Based Statistical Area that contains an urbanized population of at least 2.5 million. A Metropolitan Division consists of one or more main/secondary counties that represent an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

**Metropolitan Statistical Area:** An area, defined by the Office of Management and Budget, as a core based statistical area associated with at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

**Middle-Income:** Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography.

**Moderate-Income:** Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

**Multifamily:** Refers to a residential structure that contains five or more units.

**Owner-Occupied Units:** Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

**Qualified Investment:** A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

**Rating Area:** A rated area is a state or multi-state metropolitan statistical area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan statistical area, the institution will receive a rating for the multi-state metropolitan statistical area.

**Small Loan(s) to Business(es):** A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans.

**Small Loan(s) to Farm(s):** A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland or are classified as loans to finance agricultural production and other loans to farmers.

**Tier 1 Capital:** The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

**Upper-Income:** Individual income that is at least 120 percent of the area median income, or a median family income that is at least 120 percent, in the case of a geography.

## Appendix D: Tables of Performance Data

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### Content of Standardized Tables

A separate set of tables is provided for each state. All multistate metropolitan statistical areas, if applicable, are presented in one set of tables. References to the “bank” include activities of any affiliates that the bank provided for consideration (refer to Appendix A: Scope of the Examination). For purposes of reviewing the Lending Test tables, the following are applicable: (1) purchased are treated as originations; and (2) “aggregate” is the percentage of the aggregate number of reportable loans originated and purchased by all HMDA or CRA-reporting lenders in the MMSA/assessment area.

Deposit data are compiled by the FDIC and are available as of June 30<sup>th</sup> of each year. Tables without data are not included in this PE.

The following is a listing and brief description of the tables included in each set:

**Table Q. Assessment Area Distribution of Loans to Small Businesses by Income Category of the Geography** - The percentage distribution of the number of small loans (less than or equal to \$1 million) to businesses that were originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of businesses (regardless of revenue size) in those geographies. Because aggregate small business data are not available for geographic areas smaller than counties, it may be necessary to compare bank loan data to aggregate data from geographic areas larger than the bank’s assessment area.

**Table R. Assessment Area Distribution of Loans to Small Businesses by Gross Annual Revenue**  
- Compares the percentage distribution of the number of small loans (loans less than or equal to \$1 million) originated and purchased by the bank to businesses with revenues of \$1 million or less to: 1) the percentage distribution of businesses with revenues of greater than \$1 million; and 2) the percentage distribution of businesses for which revenues are not available. The table also presents aggregate peer small business data for the years the data is available.

**Table S. Assessment Area Distribution of Loans to Farms by Income Category of the Geography** - The percentage distribution of the number of small loans (less than or equal to \$500,000) to farms originated and purchased by the bank in low-, moderate-, middle-,

and upper-income geographies compared to the percentage distribution of farms (regardless of revenue size) throughout those geographies. The table also presents aggregate peer data for the years the data is available. Because aggregate small farm data are not available for geographic areas smaller than counties, it may be necessary to use geographic areas larger than the bank's assessment area.

**Table T. Assessment Area Distribution of Loans to Farms by Gross Annual Revenues -** Compares the percentage distribution of the number of small loans (loans less than or equal to \$500 thousand) originated and purchased by the bank to farms with revenues of \$1 million or less to: 1) the percentage distribution of farms with revenues of greater than \$1 million; and 2) the percentage distribution of farms for which revenues are not available. The table also presents aggregate peer small farm data for the years the data is available.



<b>Table Q: Assessment Area Distribution of Loans to Small Businesses by Income Category of the Geography</b>																			<b>2019-21</b>	
Assessment Area:	Total Loans to Small Businesses				Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts			
	#	\$	% of Total	Overall Market	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	
Coahoma County	60	6,611	50.0	293	0.0	0.0	0.0	62.8	33.3	64.5	23.7	50.0	26.6	13.5	16.7	8.9	0.0	0.0	0.0	
Lafayette County	60	3,834	50.0	1,187	0.0	0.0	0.0	0.0	0.0	0.0	30.0	50.0	30.2	65.6	50.0	67.2	4.4	0.0	2.5	
<b>Total</b>	<b>120</b>	<b>10,445</b>	<b>100.0</b>	<b>1,480</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>18.4</b>	<b>16.7</b>	<b>12.8</b>	<b>28.1</b>	<b>50.0</b>	<b>29.5</b>	<b>50.4</b>	<b>33.4</b>	<b>55.7</b>	<b>3.1</b>	<b>0.0</b>	<b>2.0</b>	

*Source: 2021 D&B Data; 01/01/2019 - 12/31/2021 Bank Data; 2020 CRA Aggregate Data, "--" data not available.  
Due to rounding, totals may not equal 100.0%*

<b>Table R: Assessment Area Distribution of Loans to Small Businesses by Gross Annual Revenues</b>												<b>2019-21</b>	
Assessment Area:	Total Loans to Small Businesses				Businesses with Revenues <= 1MM			Businesses with Revenues > 1MM		Businesses with Revenues Not Available			
	#	\$	% of Total	Overall Market	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	% Businesses	% Bank Loans		
Coahoma County	60	6,611	50.0	293	81.1	45.0	34.1	4.6	16.7	14.3	38.6		
Lafayette County	60	3,834	50.0	1,187	84.5	58.3	39.4	3.7	1.7	11.8	40.0		
<b>Total</b>	<b>120</b>	<b>10,445</b>	<b>100.0</b>	<b>1,480</b>	<b>83.5</b>	<b>51.7</b>	<b>38.4</b>	<b>4.0</b>	<b>9.2</b>	<b>12.6</b>	<b>39.2</b>		

*Source: 2020 D&B Data; 01/01/2019 - 12/31/2021 Bank Data; 2020 CRA Aggregate Data, "--" data not available.  
Due to rounding, totals may not equal 100.0%*

<b>Table S - Assessment Area Distribution of Loans to Farms by Income Category of the Geography</b>																			<b>2019-21</b>	
Assessment Area:	Total Loans to Farms				Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts			
	#	\$	% of Total	Overall Market	% Farms	% Bank Loans	Aggregate	% Farms	% Bank Loans	Aggregate	% Farms	% Bank Loans	Aggregate	% Farms	% Bank Loans	Aggregate	% Farms	% Bank Loans	Aggregate	
Coahoma County	60	10,450	100.0	49	0.0	0.0	0.0	22.2	6.7	10.2	71.6	88.3	87.8	6.2	5.0	2.0	0.0	0.0	0.0	
<b>Total</b>	<b>60</b>	<b>10,450</b>	<b>100.0</b>	<b>49</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>22.2</b>	<b>6.7</b>	<b>10.2</b>	<b>71.6</b>	<b>88.3</b>	<b>87.8</b>	<b>6.2</b>	<b>5.0</b>	<b>2.0</b>	<b>0.0</b>	<b>0.00</b>	<b>0.0</b>	

*Source: 2021 D&B Data; 01/01/2019 - 12/31/2021 Bank Data; 2020 CRA Aggregate Data, "--" data not available.  
Due to rounding, totals may not equal 100.0%*

<b>Table T: Assessment Area Distribution of Loans to Farms by Gross Annual Revenues</b>												<b>2019-21</b>	
Assessment Area:	Total Loans to Farms				Farms with Revenues <= 1MM			Farms with Revenues > 1MM		Farms with Revenues Not Available			
	#	\$	% of Total	Overall Market	% Farms	% Bank Loans	Aggregate	% Farms	% Bank Loans	% Farms	% Bank Loans		
Coahoma AA	60	10,450	100.0	49	93.3	68.3	28.6	5.7	23.3	1.0	8.3		
<b>Total</b>	<b>60</b>	<b>10,450</b>	<b>100.0</b>	<b>49</b>	<b>93.3</b>	<b>68.3</b>	<b>28.6</b>	<b>5.7</b>	<b>23.3</b>	<b>1.0</b>	<b>8.3</b>		

*Source: 2020 D&B Data; 01/01/2019 - 12/31/2021 Bank Data; 2020 CRA Aggregate Data, "--" data not available.  
Due to rounding, totals may not equal 100.0%*