



# INTERMEDIATE SMALL BANK

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## PUBLIC DISCLOSURE

April 5, 2010

### COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

MidSouth Bank, NA  
Charter Number: 10102

2526 West Main Street  
Dothan, AL 36303

Office of the Comptroller of the Currency

Birmingham Field Office  
100 Concourse Parkway, Suite 240  
Birmingham, AL 35242

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.

## TABLE OF CONTENTS

|  |               |
|--|---------------|
| <b>INSTITUTION'S CRA RATING .....</b>  | <b>2</b>      |
| <b>SCOPE OF EXAMINATION.....</b>   | <b>2</b>      |
| <b>DESCRIPTION OF INSTITUTION .....</b>  | <b>3</b>      |
| <b>SELECTION OF AREAS FOR FULL-SCOPE REVIEW.....</b>                                   | <b>4</b>      |
| <b>RATINGS .....</b>   | <b>4</b>      |
| <b>FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW.....</b>                      | <b>ERROR!</b> |
| <b>BOOKMARK NOT DEFINED.</b>   |               |
| <b>STATE OF ALABAMA .....</b>  | <b>6</b>      |
| <b>STATE OF FLORIDA.....</b>   | <b>13</b>     |
| <b>APPENDIX A: SCOPE OF EXAMINATION.....</b>   | <b>A-1</b>    |
| <b>APPENDIX B: SUMMARY OF MULTISTATE METROPOLITAN AREA AND STATE<br/>RATINGS .....</b> | <b>B-1</b>    |

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

**The Lending Test is rated: Satisfactory.**

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

MidSouth Bank, NA (MidSouth) has a satisfactory record of meeting community credit needs. This rating is based on the following:

- A substantial majority of the bank's loans are extended within the assessment area. The distribution of loans demonstrates a reasonable penetration among borrowers of different income levels and businesses of different sizes. The bank's loan-to-deposit ratio is reasonable based on the bank's performance context and lending opportunities within its assessment area.
- The level of qualified community development (CD) services, loans, and investments represents reasonable responsiveness to identified community development needs. MidSouth's delivery systems are reasonably accessible to geographies and individuals of different income levels in its assessment areas. The bank originated community development loans during the evaluation period totaling \$5 million or 14% of Tier 1 Capital and invested \$266 thousand in qualified investments.

## **Scope of Examination**

MidSouth Bank, NA (MidSouth) was evaluated under the Intermediate Small Bank examination procedures, which includes a lending test and a community development (CD) test. The lending test evaluates the bank's record of meeting the credit needs of its assessment areas (AA) through its lending activities. In evaluating the bank's AAs, they meet the technical requirements of the CRA regulation. The community development test includes a review of the investments, services, and loans provided in the bank's assessment area that meet the definition of community development.

The lending test and community development test for MidSouth covers its performance from November 14, 2006 through April 5, 2010, as this is representative of its lending strategy and community investments, services, and loans since the last CRA examination. The bank reports data under the requirements of the Home Mortgage Disclosure Act (HMDA). The HMDA data from 2007, 2008 and 2009 was tested and found to be reliable and was used to evaluate home loan performance. To evaluate business lending performance, we selected a sample of business loans from November 14, 2006 through April 5, 2010 made in the assessment area.

Our review also included contacting local business groups in each of the full scope assessment areas. These contacts stated the primary need in each area as affordable housing, availability of credit for low and moderate-income individuals, and business growth.

## Description of Institution

MidSouth is an intrastate bank headquartered in Dothan, Alabama. As of December 31, 2009, MidSouth had total assets of \$385 million and tier one capital of \$35 million. The bank is a wholly owned subsidiary of MidSouth Bancorporation, a one-bank holding company. In addition to the main office, MidSouth operates eight full-service branches, all with nondeposit-taking ATMs, and one freestanding nondeposit-taking ATM. One of the branches is located in Eufaula, Alabama, which is labeled a nonmetropolitan distressed and underserved census tract. The bank's newest branch is located in the Auburn/Opelika AA which was opened in late 2005. There have not been any significant changes to MidSouth's corporate structure, including merger or acquisition actives, since the last CRA examination.

The bank offers a full range of deposit and loan products and services. Residential mortgage and business lending are MidSouth's primary business focus, with consumer loans comprising a small portion of the loan portfolio. Within the residential mortgage portfolio, the bank originates long-term mortgage loans for sale on the secondary market. Deposit products and services include free basic consumer checking accounts, a free small business checking account, and electronic transfer accounts (ETA).

As of December 31, 2009, MidSouth reported net loans of \$268 million and had a net loans and lease to total assets ratio of 70%. The loan portfolio composition is as follows:

| <b>Loan Portfolio Summary by Loan Product<br/>December 31, 2009</b> |                                 |
|---|---------------------------------|
| <b>Loan Category</b>  | <b>% of Outstanding Dollars</b> |
| Business Loans  | 54.93%                          |
| Home Loans  | 36.98%                          |
| Consumer Loans  | 3.79%                           |
| Other Loans   | 2.40%                           |
| Farm Loans  | 1.89%                           |

There are no legal or financial impediments to MidSouth's ability to meet the credit and CD needs of its AAs. The bank was rated Satisfactory at its last CRA examination dated November 13, 2006.

## Selection of Areas for Full-Scope Review

The bank's assessment areas (AA) include Houston County, Barbour/Quitman County, and Lee County all located in Alabama and Bay County in Florida. The Barbour/Quitman County AA includes a very small portion of Georgia. Full-scope review will be completed for bank headquarters location Houston County and Florida's Bay County. There is no need for a full-scope review for the Georgia AA since the bank does not operate a branch in that state.

## Ratings

The bank's overall rating is a blend of the state ratings where the bank operates. The Houston County AA was more heavily weighted based on the location of the bank's headquarters and the volume of deposits in this AA. To determine a rating for the bank's lending performance in the Houston County AA, we reviewed residential loans and loans to small businesses. In the Bay County AA, only loans to small businesses were reviewed because this loan type is its primary strategic focus in this AA. There is very little lending activity for other loan products such as residential lending, consumer, and agriculture.

## Conclusions with Respect to Performance Criteria

The bank's performance under the lending test is satisfactory. The loan-to-deposit ratio is good and a majority of the bank's loans are located within its AA. The loan-to-deposit ratio and lending within assessment area performance are based on bank-wide data. Additional information obtained from the full scope reviews of the bank's lending in the AA was also used to determine the overall lending test rating.

### Loan-to-Deposit Ratio

MidSouth's average loan-to-deposit (LTD) ratio is reasonable given the size, financial condition, and AA credit needs. The bank's LTD ratio averaged 71.7% over the 13 quarters since the previous CRA examination, with a quarterly low of 61% and high of 85%.

The average LTD ratio compares reasonably with other community banks of similar size, location, and product offerings. MidSouth ranks fourth among a total of six similarly situated banks serving its AA. It should be noted that the LTD ratio does not reflect all of the bank's mortgage activity. The bank sells a substantial amount of mortgages on the secondary market, which is a lending related activity that would make the LTD ratio higher if included.

| Institution                           | Assets as of<br>4Q2009 \$(000) | Average<br>LTD Ratio |
|---------------------------------------|--------------------------------|----------------------|
| SunSouth Bank, Dothan, AL             | \$249,500                      | 104.54%              |
| Community Bank & Trust SE, Dothan, AL | \$539,300                      | 100.96%              |
| Farmers Exchange Bank, Barbour County | \$193,100                      | 87.12%               |
| <b>MidSouth Bank, NA, Dothan, AL</b>  | <b>\$385,900</b>               | <b>71.69%</b>        |
| AuburnBank, Auburn, AL                | \$770,700                      | 62.69%               |
| FNB Hartford, Hartford, AL            | \$123,800                      | 42.78%               |

### Lending in Assessment Area

MidSouth makes the majority of its loans within its assessment area. Our sample included the bank's primary loan products with 85% of the number of loans originating within the AA. This meets standards for satisfactory performance. The following table details the bank's originations within the AA by number and dollar amount during the evaluation period.

| Table 1 - Lending in Houston, Barbour, Quitman, Bay & Lee Counties |                 |       |         |       |                  |        |       |         |       |        |
|--|-----------------|-------|---------|-------|------------------|--------|-------|---------|-------|--------|
| Loan Type  | Number of Loans |       |         |       | Dollars of Loans |        |       |         |       |        |
|  | Inside          |       | Outside |       | Total            | Inside |       | Outside |       | Total  |
|  | #               | %     | #       | %     |                  | \$     | %     | \$      | %     |        |
| Home Purchase  | 122             | 89.06 | 14      | 10.3  | 136              | 12,102 | 88.17 | 1,624   | 11.83 | 13,726 |
| Home Improvement   | 20              | 74.07 | 7       | 14.81 | 27               | 1,500  | 84.65 | 272     | 15.35 | 1,772  |
| Refinance  | 106             | 84.13 | 20      | 15.87 | 126              | 21,489 | 87.66 | 3,164   | 12.83 | 24,653 |
| Business   | 22              | 73.33 | 8       | 26.67 | 30               | 16,017 | 94.32 | 964     | 5.68  | 16,981 |
| Totals   | 270             | 84.63 | 49      | 15.36 | 319              | 51,108 | 89.46 | 6,024   | 10.54 | 57,132 |

Source: data reported under HMDA.

### **Lending to Borrowers of Different Incomes and to Businesses of Different sizes**

The distribution of loans by income level of the borrower and lending to businesses of different sizes is reasonable for both states. Performance in Alabama is weighed more in the overall conclusion since Midsouth has a larger market presence in this state.

### **Geographic Distribution of Loans**

The geographic distribution of loans reviewed is reasonable for both Alabama and Florida. Performance was weighted more in Alabama since Midsouth has a larger market presence in this state.

### **Response to Complaints**

No complaints related to CRA performance were received during this evaluation period. This has a neutral impact on the CRA performance rating.

### **Fair Lending or Other Illegal Credit Practices Review**

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

### **Community Development Test**

Overall community development (CD) efforts are satisfactory. Most of the CD efforts are located in the Alabama AAs and performance in Alabama is good. The level of CD investments, loans, and services in Florida is reasonable based on the bank's small market presence in this state.

## State Rating

### State of Alabama

**CRA Rating for Alabama: Satisfactory.**

**The Lending test is rated: Satisfactory.**

**The Community development test is rated: Outstanding.**

The major factors that support this rating include:

- The distribution of loans demonstrates a reasonable penetration among businesses of different sizes; however, distribution to borrowers of different income levels is poor.
- The geographic distribution of loans reflects an excellent dispersion of residential loans within the assessment area.
- MidSouth's community development performance demonstrates an adequate responsiveness to the community development needs of its assessment areas.

### DESCRIPTION OF INSTITUTION'S OPERATIONS IN ALABAMA.

The state of Alabama includes three of the bank's four designated assessment areas. The assessment areas consist of Houston County, which includes the city of Dothan and the location of the bank's headquarters and four branches, Barbour/Quitman County which includes the city of Eufaula and two branch offices, and Lee County which includes the city of Auburn/Opelika and one branch. We performed a full-scope review of the Houston County assessment area due to the volume of deposits and bank activity in this location. A limited scope review was performed for the Barbour/Quitman AA and Lee AA due to the low percent of the bank's total deposits and loans.

Houston County is considered a Metropolitan Statistical Area (MSA) and located in the southeast corner of Alabama, situated by Georgia and Florida. Houston County is comprised of 21 census tracts; one low-income tract, four moderate-income tracts, 11 middle-income tracts, and five upper-income tracts.

Economic activity in the area is relatively diverse; including agriculture, healthcare, aviation, small manufacturing companies, nuclear power plants, paper mill, and the Fort Rucker military base.

Competition from financial institutions is strong, and includes several local community banks, branches of large regional institutions, and several mortgage/finance companies.

The following table provides a description of the assessment area based on census data and 2009 Department of Housing and Urban Development (HUD) information. It

should be noted that the census data is from the 2000 census, which shows unemployment at 2.51%. As of this report, the unemployment rate for Houston County is 9.8%

| <b>Demographic Information for Full Scope Area: MidSouth Bank- Dothan AA</b> |          |                                  |            |          |         |
|--|----------|----------------------------------|------------|----------|---------|
|  | #        | % Low                            | % Moderate | % Middle | % Upper |
| Geographies (Census Tracts)  | 21       | 4.76                             | 19.05      | 52.38    | 23.81   |
| Population by Geography  | 88,787   | 3.09                             | 12.48      | 58.84    | 25.59   |
| Owner-Occupied Housing by Geography  | 24,893   | 1.19                             | 10.24      | 62.18    | 26.39   |
| Businesses by Geography  | 9.552    | 9.11                             | 15.24      | 45.24    | 30.41   |
| Farms by Geography   | 311      | 3.22                             | 12.22      | 66.24    | 18.33   |
| Family Distribution by Income Level  | 25,286   | 20.17                            | 15.66      | 20.09    | 44.08   |
| Household Distribution by Income Level                                       | 9,061    | 4.47                             | 18.03      | 64.12    | 13.38   |
| Census Median Family Income (MFI)  | \$39,732 | Median Housing Value             |            | \$77,334 |         |
| HUD-Adjusted MFI: 2009   | \$51,000 | Families Below the Poverty Level |            | 16%      |         |
|  |          | Unemployment Rate                |            | 2.51%    |         |

Source: 2000 census data.

## SCOPE OF EVALUATION IN ALABAMA

Conclusions regarding the bank's lending performance are based on residential purchase and small business loans since the previous examination. For the Community Development Test, the evaluation period runs from the ending date of the last CRA evaluation period to the start date of the current CRA examination. This evaluation period runs from November 14, 2006 to April 5, 2010. The Community Development test includes a review of loans, investments, grants, and donations made in the bank's AA that meet the definition of community development as well as community development services provided in the bank's AA.

Both the lending and community development test ratings were analyzed to arrive at the overall state rating. CRA performance was assessed by performing a full-scope review of the Houston County AA and a limited scope review of activities in the Barbour/Quitman County and Lee County AA(s).

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN ALABAMA

MidSouth's overall performance in the Houston County assessment area is satisfactory. The loans originated during this review period are distributed throughout the bank's AA and are reasonably divided among residential and small business. Additionally, the bank's community development loans, services, and investments are satisfactory.

## LENDING TEST

The performance under the lending test in Alabama is rated “Satisfactory”.

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

#### Performance in the Houston County AA

The overall distribution of loans by income level of the borrower is satisfactory given the overall demographics of the assessment areas. The median cost of housing in the Houston County AA is \$51,100 while a low-income person earns less than \$36,000 based on the HUD updated 2009 median family income. Additionally, 16% of the households in the AA live below the poverty level.

In assessing the bank's performance, we contacted a local community organization. This contact indicated that affordable housing for low- and moderate- income (LMI) individuals is needed in this AA. Community development needs include skill and job training due to the rise in unemployment for low-income residents.

#### *Residential Lending*

The distribution of home loans to borrowers reflects poor penetration among borrowers of different income levels. One of the credit needs identified for this area was affordable housing. The bank is not addressing this credit need as evidenced through low loan penetration to both low-income and moderate-income borrowers.

| <b>Borrower Distribution of Residential Real Estate Loans in Midsouth Bank, N.A. Dothan AA</b> |                  |                      |                  |                      |                  |                      |                  |                      |
|--|------------------|----------------------|------------------|----------------------|------------------|----------------------|------------------|----------------------|
| Borrower Income Level  | Low              |                      | Moderate         |                      | Middle           |                      | Upper            |                      |
| Loan Type  | % of AA Families | % of Number of Loans | % of AA Families | % of Number of Loans | % of AA Families | % of Number of Loans | % of AA Families | % of Number of Loans |
| Home Purchase  | 20.17            | 4.40                 | 15.66            | 3.30                 | 20.09            | 9.89                 | 44.08            | 61.54                |
| Home Improvement   | 20.17            | 13.33                | 15.66            | 13.33                | 20.09            | 6.67                 | 44.08            | 60.00                |
| Refinance  | 20.17            | 4.05                 | 15.66            | 2.70                 | 20.09            | 2.70                 | 44.08            | 74.32                |

Source: data reported under HMDA, US Census Data.

#### *Business Loans*

The bank's distribution of loans to small businesses is good. Seventy-seven percent of the bank's loans to businesses were made to small businesses, which are businesses with gross annual revenues of one million dollars or less. This is considered good compared to demographic data that shows 74% of the area's businesses are considered small businesses.

| <b>Borrower Distribution of Loans to Businesses in Midsouth Bank, N.A. Dothan AA</b> |              |              |                         |       |
|--|--------------|--------------|-------------------------|-------|
| Business Revenues (or Sales)   | ≤\$1,000,000 | >\$1,000,000 | Unavailable/<br>Unknown | Total |
| % of AA Businesses   | 73.7         | 4.2          | 22.2                    | 100%  |
| % of Bank Loans in AA by #   | 77.8         | 22.3         | ----                    | 100%  |
| % of Bank Loans in AA by \$  | 72.6         | 27.4         | ---                     | 100%  |

Source: *loan sample, Dun and Bradstreet data.*

## Geographic Distribution of Loans

### Performance in the Houston County AA

#### *Residential Loans*

The geographic distribution of residential real estate loans is excellent throughout the assessment areas based on the performance context of the bank. Affordable housing was identified as a need of the community. Lending in the low-and moderate-income census tracts is above demographic comparator, which show that the identified need has been met.

| <b>Geographic Distribution of Residential Real Estate Loans in Midsouth Bank, N.A. Dothan AA</b> |   |                            |   |                            |   |                            |   |                            |
|--|---|----------------------------|---|----------------------------|---|----------------------------|---|----------------------------|
| Census Tract<br>Income Level   | Low                                     |                            | Moderate                                |                            | Middle                                  |                            | Upper                                   |                            |
| Loan type  | % of AA<br>Owner<br>Occupied<br>Housing | % of<br>Number<br>of Loans |
| Home Purchase  | 1.19                                    | 5.49                       | 10.24                                   | 8.79                       | 62.18                                   | 53.85                      | 26.39                                   | 31.87                      |
| Home<br>Improvement  | 1.19                                    | 20.00                      | 10.24                                   | 13.33                      | 62.18                                   | 40.00                      | 26.39                                   | 26.67                      |
| Refinance  | 1.19                                    | 0.00                       | 10.24                                   | 12.16                      | 62.18                                   | 62.16                      | 26.39                                   | 25.68                      |

Source: *data reported under HMDA, U.S. Census Data.*

#### *Business Loans*

The geographic distribution of business loans reflects reasonable dispersion among census tracts of different income levels. The bank's performance exceeds demographic comparators for low-income census tracts. The following table shows the distribution of commercial loans among different income geographies in the AA based on our sample.

| <b>Geographic Distribution of Loans to Businesses in Midsouth Bank, N.A. Dothan AA</b> |                           |                      |                           |                      |                           |                      |                           |                      |
|--|---------------------------|----------------------|---------------------------|----------------------|---------------------------|----------------------|---------------------------|----------------------|
| Census Tract Income Level  | Low                       |                      | Moderate                  |                      | Middle                    |                      | Upper                     |                      |
| Loan Type  | % of AA Businesses /Farms | % of Number of Loans | % of AA Businesses/ Farms | % of Number of Loans | % of AA Businesses /Farms | % of Number of Loans | % of AA Businesses /Farms | % of Number of Loans |
| Businesses   | 9.11                      | 11.1                 | 15.24                     | 11.1                 | 45.24                     | 22.2                 | 30.41                     | 55.6                 |

## COMMUNITY DEVELOPMENT TEST

The bank's performance under the community development test in Alabama is rated "Satisfactory".

The bank has demonstrated satisfactory responsiveness to the community development needs, given the size, financial condition, and needs of the community. The primary need in the community was affordable housing and availability of credit for low-to-moderate individuals. Given the amount of the opportunities available in the AA, the bank did an adequate job of addressing the primary community needs. The bank has donated to community groups and the officers volunteer their time and skills to several service programs.

### Number and Amount of Community Development Loans

The bank has provided a good level of community development loans in its assessment area. The bank originated four community development loans since the last CRA examination totaling about \$5 million or 14% of capital.

- \$962,000 to provide rental property to low-and moderate-income families including tenants under the government sponsored Section 8 program
- \$3.9 million to provide affordable housing through renting mobile homes to LMI families
- \$120,000 to provide affordable housing for non-violent criminals who are trying to find steady work.
- \$101,000 to operate a daycare facility for the benefit of low- and moderate-income working mothers.

### Number and Amount of Qualified Investments

The bank has provided a satisfactory level of qualified investments totaling \$266,000 to organizations that provide community development service to low- and moderate-income individuals in this AA. Examples of qualified investments include the following:

- Donation to after school programs for Title One schools;
- Donation to an organization that supports economic development by supporting housing and job creation to low-and moderate-income individuals;
- Donation to a local organization that provides programs to promote education, skills, and life development for low-and moderate-income families and children; and,
- A deposit made at a minority-owned financial institution located in the state of Alabama located within a low-income census tract.

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

The bank has provided a satisfactory level of community development services throughout its assessment area. Along with offering a full range of loan and deposit products in every branch in this assessment area, bank officers, and employees are active in local organizations that promote community development. Examples are as follows:

- Dothan Adopt-a-School Program: The bank has adopted Honeysuckle Middle School, a Title One School, and provides job shadowing, skill workshops, and student travel sponsorship.
- Bank Officer serves on the board of an educational foundation that provides financial expertise to local public schools which benefits low- and moderate- income families.
- Bank Officer serves on board for local area Chamber of Commerce and conducted a financial management seminar for 8<sup>th</sup> graders at a Title One Middle School.
- Bank Officer serves on the board as treasurer and provides financial expertise to this organization that provides shelter, basic necessities, counseling and life skills to low- and moderate- income families.
- Bank Officer is member of the Financial Committee of a non-profit organization that provides health, shelter, education, and employment opportunities to low- and moderate- income persons.

The bank operates two full-service branch offices in the Barbour/Quitman County AA with one office located in a distressed/underserved census income tract. The presence of a full-service branch in the distressed/underserved census tract indicates that the bank is helping to provide retail and community development services to the underserved area. This generally helps to increase access to financial services for low- and moderate- income individuals.

### **Responsiveness to Community Development Needs**

Community development activities, as a whole, demonstrate adequate responsiveness to the needs and opportunities in this AA. Identified needs include more affordable housing and credit opportunities for low- and moderate- income individuals. Of the bank's four community development loans, three are targeted to an identified community need for affordable housing. The bank has partnered with many organizations to provide financial counseling and has donated to organizations that provide charitable services to low- and moderate- income individuals and the local community.

## **Performance in Limited Scope Assessment Areas of State of Alabama**

### Quitman/Barbour County AA

The bank's performance in this AA is not inconsistent with the bank's overall "satisfactory" performance in the full scope AA.

### Lee County AA

The bank's performance in this AA is not inconsistent with the bank's overall "satisfactory" performance in the full scope AA.

## State Rating

### State of Florida

**CRA Rating for Florida: Satisfactory.**

**The Lending test is rated: Satisfactory.**

**The Community development test is rated: Satisfactory.**

The major factors that support this rating include:

- The distribution of loans demonstrates a reasonable penetration among businesses of different sizes.
- The geographic distribution of loans reflects a reasonable dispersion within the assessment area.
- MidSouth's community development performance demonstrates an adequate responsiveness to the community development needs of its assessment area.

## DESCRIPTION OF INSTITUTION'S OPERATIONS IN FLORIDA

MidSouth has one assessment area in Florida, which consists of Bay County. Bay County is located on Florida's northwest coast line on the Gulf of Mexico and includes the Panama City-Lynn Haven, Florida MSA. The assessment area contains 29 census tracts; one low-income tract, ten moderate-income tracts, 12 middle-income tracts, and 6 upper-income tracts. The designated assessment area meets regulatory requirements and does not arbitrarily exclude any low or moderate-income areas. MidSouth operates one branch office in this assessment area.

MidSouth holds a small market share and their primary strategy is to focus on commercial lending in this AA. The bank's small market presence is evidenced by only 3% of the bank's total deposits coming from this area.

Bay County has grown substantially in the past decade and is a popular tourism location for its warm weather and beaches. Major industries include manufacturing, marine life science research, health care, and retail. In addition, Bay County is home to Tyndall Air Force Base and Navy Support Activity.

Competition from other financial institutions is strong. Because of the growing local economy, there are many financial institutions competing for individual and business customers. There are several banks headquartered in this area along with many large regional institution branches, and mortgage/finance companies.

In assessing the bank's performance, we contacted a local community organization. This contact indicated that affordable housing and access to credit for LMI individuals is needed in this AA.

The following table provides a description of the assessment area based on census data and 2009 Department of Housing and Urban Development (HUD) information. It should be noted that the census data used is from the 2000 census, which shows unemployment at 2.27%. As of this report, the unemployment rate for Bay County is 11.6%.

| <b>Demographic Information for Full Scope Area: MidSouth Bank- Panama City AA</b> |          |                                  |            |          |         |
|---|----------|----------------------------------|------------|----------|---------|
|   | #        | % Low                            | % Moderate | % Middle | % Upper |
| Geographies (Census Tracts)   | 29       | 3.45                             | 34.48      | 41.38    | 20.69   |
| Population by Geography   | 148,217  | 1.13                             | 25.02      | 53.34    | 20.32   |
| Owner-Occupied Housing by Geography   | 40,892   | 1.02                             | 19.70      | 56.31    | 22.98   |
| Businesses by Geography   | 20,936   | 0.72                             | 26.80      | 51.55    | 20.94   |
| Farms by Geography  | 450      | 0.67                             | 23.78      | 50.89    | 24.67   |
| Family Distribution by Income Level   | 40,653   | 19.46                            | 18.07      | 22.04    | 40.43   |
| Household Distribution by Income Level  | 15,258   | 2.58                             | 32.23      | 52.98    | 12.22   |
| Census Median Family Income (MFI)   | \$43,088 | Median Housing Value             |            | \$89,146 |         |
| HUD-Adjusted MFI: 2009  | \$56,200 | Families Below the Poverty Level |            | 13%      |         |
|   |          | Unemployment Rate                |            | 2.27%    |         |

Source: 2000 census data.

## SCOPE OF EVALUATION IN FLORIDA

Conclusions regarding the bank's lending performance are based on small business loans since the previous examination. MidSouth's primary loan product in the Bay County AA has been commercial lending. The volume of residential loans made during this review period was very low and therefore not considered in the scope of this evaluation. For the Community Development Test, the evaluation period runs from the ending date of the last CRA evaluation period to the start date of the current CRA examination, November 14, 2006 to April 5, 2010. The Community Development test included a review of loans, investments, grants, and donations made in the bank's AA that meet the definition of community development as well as community development services provided in the bank's AA.

Both the lending and community development test ratings were analyzed to arrive at the overall state rating. CRA performance was assessed by performing a full-scope review of the Bay County assessment area.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN FLORIDA

MidSouth's overall performance in the Bay County AA is "Satisfactory". The loans originated during this review period are reasonably distributed throughout the AA.

Additionally, the bank's community development loans, services, and investments are satisfactory.

## LENDING TEST

The bank's performance under the lending test in Florida is rated "Satisfactory".

### Lending to Businesses of Different Sizes

The distribution of loans demonstrates a reasonable penetration among businesses of different sizes. The percent of loans made to small businesses is near to the percentage of small businesses in the AA while 99% of the dollar amounts of loans are made to small businesses.

| <b>Borrower Distribution of Loans to Businesses in Midsouth Bank, N.A.<br/>Panama City-Lynn Haven AA</b> |                   |                 |                         |       |
|--|-------------------|-----------------|-------------------------|-------|
| Business Revenues (or Sales)   | $\le \$1,000,000$ | $> \$1,000,000$ | Unavailable/<br>Unknown | Total |
| % of AA Businesses   | 75.5              | 3.2             | 21.4                    | 100%  |
| % of Bank Loans in AA by #   | 71.4              | 28.6            | ---                     | 100%  |
| % of Bank Loans in AA by \$  | 99.0              | 1               | ---                     | 100%  |

*Source: Loan sample; Dunn and Bradstreet data.*

### Geographic Distribution of Loans

The geographic distribution of business loans reflect reasonable dispersion among census tracts of different income levels. In this AA, one out of 29 census tracts is located in a low-income tract, which the bank does not perform in; however, the percent of loans in the moderate tracts exceeds the percentage of loans in these areas.

| <b>Geographic Distribution of Loans to Businesses in Midsouth Bank, N.A.<br/>Panama City-Lynn Haven AA</b> |                                 |                               |                                 |                               |                                 |                               |                                 |                               |
|--|---------------------------------|-------------------------------|---------------------------------|-------------------------------|---------------------------------|-------------------------------|---------------------------------|-------------------------------|
| Census Tract<br>Income Level   | Low                             |                               | Moderate                        |                               | Middle                          |                               | Upper                           |                               |
| Loan Type  | % of AA<br>Businesses/<br>Farms | % of<br>Number<br>of<br>Loans |
| Businesses   | 0.72                            | 0.00                          | 26.80                           | 42.9                          | 51.55                           | 57.14                         | 20.94                           | 0.00                          |

*Source: Loan sample; Dunn and Bradstreet data.*

## **COMMUNITY DEVELOPMENT TEST**

The bank's performance under the community development test in Florida is rated "Satisfactory". Although a limited number of CD investments and no CD loans have been originated in the state of Florida, performance is considered satisfactory after considering the bank's small market presence and because of its community service activities and reasonable accessibility via the array of products and services offered through its one branch location.

### **Number and Amount of Community Development Loans**

#### **Number and Amount of Qualified Investments**

The bank has provided a limited number of community development investments in this AA. There has been no community development loans originated in the AA.

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

The bank has provided a satisfactory level of community development services throughout its assessment area during the evaluation period. The bank operates one branch in this AA that offers a full range of loan and deposit products. In addition, bank employees are involved with an organization that promotes community development. This organization prepares and serves meals for the homeless and provides financial counseling.

### **Responsiveness to Community Development Needs**

Given the local economy and small market share, the bank demonstrated an adequate responsiveness to the needs in this AA. While the bank has a small market share in this community, it offered many organizations their financial expertise and services to the community. It was determined that the primary needs in this AA was affordable housing and business growth. Historically, residential real estate has not been a primary loan product in the Bay County assessment area; however, MidSouth originates many loans to businesses that in return create jobs for underprivileged individuals.

## 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 metropolitan and nonmetropolitan areas 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>  | Lending Test: 11/14/06 to 04/05/10<br>Community Development Test: 11/14/06 to 04/05/10 |   |
| <b>Financial Institution</b>   |  | <b>Products Reviewed</b>  |
| MidSouth Bank, NA (MidSouth)<br>Dothan, AL   |  | Residential and Commercial Loans for Houston County and only Commercial loans for Bay County. |
| <b>Affiliate(s)</b>  | <b>Affiliate Relationship</b>  | <b>Products Reviewed</b>  |
| None   |  |   |
| <b>List of Assessment Areas and Type of Examination</b>                                |  |   |
| <b>Assessment Area</b>   | <b>Type of Exam</b>  | <b>Other Information</b>  |
| Alabama<br>Dothan MSA #200020<br>Barbour/Quitman Counties<br>Auburn-Opelika MSA #12220 | Full Scope<br>Limited Scope<br>Limited Scope   |   |
| Florida<br>Panama City MSA #37640  | Full Scope   |   |

## Appendix B: Summary of Multistate Metropolitan Area and State Ratings

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| Overall Bank: | Lending Test Rating | Community Development Test Rating | Overall Bank/State/Multistate Rating |
|---------------|---------------------|-----------------------------------|--------------------------------------|
| MIDSOUTH BANK | Satisfactory        | Satisfactory                      | Satisfactory                         |
| ALABAMA       | Satisfactory        | Satisfactory                      | Satisfactory                         |
| FLORIDA       | Satisfactory        | Satisfactory                      | Satisfactory                         |
|               |                     |                                   |                                      |