



INTERMEDIATE SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

January 30, 2008

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Mid South Bank, National Association
Charter Number: 18484

102 Versailles Boulevard
Lafayette, LA 70502-0000

Office of the Comptroller of the Currency

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NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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

The Lending Test is rated: Satisfactory.

The Community Development Test is rated: Satisfactory.

Mid South Bank (MSB) has a satisfactory record of meeting the credit needs of the community. This conclusion is based on the following factors:

- The bank's loan-to-deposit ratio is reasonable and averaged 66.86 percent during the evaluation period.
- A substantial majority of the bank's loans were originated within the bank's assessment area (AA).
- MSB's distribution of loans based on the revenues of the business or income level of the borrower reflects reasonable penetration.
- The bank's overall geographic distribution of loans is good and reflects a reasonable dispersion of loans to all areas including low- and moderate-income census tracts. Their distribution of HMDA loans is good and their distribution of small business loans is excellent.
- MSB's community development performance demonstrates adequate responsiveness to the community development needs of its AA.

SCOPE OF EXAMINATION

MSB qualifies as an Intermediate Small Bank under the CRA regulation and therefore is subject to a Lending Test and Community Development (CD) Test. The Lending Test evaluates the bank's record of helping to meet the credit needs of its assessment area (AA) through its lending activities. The community development test evaluates a bank's CD lending, qualified investments, and CD services that meet the needs in its AAs.

Mid South is subject to filings under the Home Mortgage Disclosure Act (HMDA). The bank also decided that they would continue to collect small loans to businesses subject to CRA data collection. Therefore, our analysis of the bank's lending performance included all residential real estate loans subject to filing under HMDA and all small loans to businesses subject to CRA originated and/or purchased during this evaluation period.

The evaluation period under the Lending Test covers loans originated from April 1, 2003 through June 30, 2007. Our evaluation period for CD activities including CD loans, investments and services from June 17, 2003 through January 7, 2008.

DESCRIPTION OF INSTITUTION

Mid South Bank (MSB) is a \$672 million intrastate financial institution headquartered in Lafayette, LA. MSB has 25 banking offices and ATMs located throughout central LA. The bank has banking operations in 5 assessment areas including the Lafayette, Lake Charles and Houma MSAs, the East Baton Rouge Parish, and the non-MSA AA which include 4 parishes. The bank's primary market area is the Lafayette MSA. This AA accounts for a majority of the bank's lending and deposit activity. This AA includes the Lafayette and St. Martin Parishes in their entirety.

As of September 30, 2007, MSB's deposits totaled \$589 million and net loans were \$427 million. Total loans represent 64 percent of total assets. MSB is primarily a commercial lender. The bank's loan portfolio is broken down as follows: commercial loans (including commercial real estate) 70.11 percent, residential real estate 15.74 percent, consumer loans 8.99 percent, other loans 2.53 percent and agricultural loans 2.63 percent. Tier I capital is \$57 million and represents 11.43 percent of risk-weighted assets.

Mid South Bank is wholly owned by Mid South Banc Corp. (MBC). MBC is a two-bank holding company also headquartered in Lafayette, LA. In 2004, MBC acquired Lamar Bank of Beaumont, TX. In 2006, MBC changed the name of Lamar Bank to Mid South Bank, Texas. The TX bank has 8 banking offices located throughout College Station, Conroe, Houston, Vidor and Beaumont, TX. MBC plans to merge the TX bank into the LA bank in March 2008.

As of September 30, 2007, MBC's total assets were \$841 million. Through its subsidiaries, MBC operates as a financial services organization providing banking services throughout its markets. About 80 percent of the assets and revenues of the holding company are accounted for by MSB. MBC is traded on the American Stock Exchange under the symbol of MSL.

MSB's major competition is provided by several branches of multi-national and regional banks and several smaller community banks. Some institutions operating in the bank's AAs include Iberia Bank, Capital One, JP Morgan Chase, Whitney and Home Bank.

MSB received a Satisfactory rating on their last CRA examination dated June 16, 2003. There are no legal, financial or other factors which hamper the bank's ability to meet the credit needs in its AAs.

DESCRIPTION OF ASSESSMENT AREA

The Lafayette MSA AA consists of Lafayette and St. Martin Parishes in their entirety. The AA consists of 50 census tracts, of which 4 are low-income and 8 are moderate-income. The AA meets the requirements of the CRA regulation and does not arbitrarily exclude any low- or moderate-income geographies. Specific demographic and economic data for this area follows.

| Demographic Information for Full Scope Area: Lafayette MSA | | | | | | |
|--|---------|-------------------------|-----------------|--|-----------------|------------|
| Demographic Characteristics | # | Low % of # | Moderate % of # | Middle % of # | Upper % of # | NA* % of # |
| Geographies (Census Tracts/BNAs) | 50 | 8.00 | 16.00 | 46.00 | 30.00 | 0.00 |
| Population by Geography | 239,086 | 4.09 | 15.35 | 50.72 | 29.84 | 0.00 |
| Owner-Occupied Housing by Geography | 61,825 | 2.50 | 14.18 | 51.28 | 32.04 | 0.00 |
| Business by Geography | 21,675 | 2.89 | 11.92 | 46.14 | 39.05 | 0.00 |
| Farms by Geography | 469 | 0.85 | 14.29 | 49.89 | 34.97 | 0.00 |
| Family Distribution by Income Level | 62,086 | 23.34 | 16.00 | 19.69 | 40.97 | 0.00 |
| Distribution of Low and Moderate Income Families throughout AA Geographies | 24,427 | 6.64 | 21.75 | 53.67 | 17.93 | 0.00 |
| Median Family Income HUD Adjusted Median Family Income for 2007 Households Below Poverty Level | | 42,852 52,400 17% | | Median Housing Value Unemployment Rate (2000 US Census) | 87,682 3.49% | |

(*) The NA category consists of geographies that have not been assigned an income classification.
Source: 2000 US Census and 2007 HUD updated MFI

Lafayette's economy is fueled by health care, retail trade and oil and gas. These sectors are its top three employers, respectively. Lafayette is a hub for the oilfield service industry and this isn't going to change anytime soon. Lafayette is also home to the largest jewelry manufacturing operation in the country, where 1,700 people are employed. Lafayette has branched out so much that health care now leads the way in employment. The area has invested millions of dollars to upgrade their existing medical facilities, and several boutique hospitals came online in recent years, all of which are drawing people from throughout the region to the area for medical services.

Retail sales in the Acadiana Region have been climbing steadily since 1989 and increased significantly in the aftermath of the storms. Hurricanes Katrina and Rita heated up the pace toward the end of 2005, accounting for much of the parish's 14 percent increase in retail sales, which rose from \$3.8 billion in 2004 to \$4.4 billion in 2005. Retail sales for 2006 was expected to end about 15 percent higher than 2005.

It is estimated that 3,600 new jobs were created in Lafayette in 2007 and another 3,400 in 2008. Expectations are that Lafayette will be one of the fastest growing metro areas in Louisiana. One factor is the NuComm call center that moved into the vacant Service Merchandise building in north Lafayette in 2006. The center planned to have 1,000 employees by the end of 2006 year and is hoping new contracts will eventually elevate its Lafayette workforce to an estimated 2,000 employees.

Also, a \$27.5 million investment by Louisiana Immersive Technologies Enterprise (LITE) has a potential to attract high-tech businesses to Lafayette. LITE is a 70,000-square foot, state-of-the-art resource center and is a collaborative effort between government, the University of Louisiana at Lafayette and local industry.

Lafayette became home to 34,336 evacuees after hurricane Katrina and about four percent, or 8,960, remained in the community, according to postal service records. The Lafayette metro area has the lowest unemployment rate in the state. Its unemployment dropped from 3.8 percent at the end of 2005 to a mere 2.5 percent in December 2006 and declined further to 2.3 percent in November 2007.

There is modest opportunity to make CD loans and investments and provide CD services in the Lafayette AA. We identified several organizations that operate in the AA that provide affordable housing or community services to low- and moderate-income individuals or small business development opportunities. Additionally, we also identified a regional community development corporation (CDC) and a regional small business development agency that operate in the AA.

During this examination, we contacted two organizations to help us identify the credit and/or service needs in the Lafayette AA. The types of organizations contacted include a small business development center and a regional CDC. These organizations indicated that small business loans (start-up and capital expenditures) were identified needs in the community. Also, the need for small business financial literacy workshops and workforce housing training were identified needs in the community.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Lending Test

The bank's performance under the Lending Test is rated "**Satisfactory**".

We selected the Lafayette MSA to receive a full-scope review because it represents a significant portion of the bank's lending activity during this evaluation period. Approximately 46 percent of all HMDA and small business loans were originated in the Lafayette MSA AA. Mid South's four other assessment areas includes the Houma and Lake Charles MSAs, the East Baton Rouge Parish, and a non-MSA AA. Houma, Lake Charles and non-MSA AAs received limited-scope reviews. We did not evaluate the bank's lending performance in the East Baton Rouge AA. The bank originated a nominal number of HMDA and small business loans in this AA and analysis performed would be meaningless.

During this evaluation period, Mid South originated 758 HMDA loans and 689 small business loans in the Lafayette MSA AA. Small business and HMDA loans were given equal weight in evaluating the bank's lending performance under the performance criteria detailed below. The bank's primary line of business is commercial loans. However, affordable housing is an ongoing identified need in the AA and the bank originated more HMDA loans than small business loans during this evaluation period. As a result of these factors, we assigned equal weight to both products. This weighting is reflective of the bank's primary lending strategy, identified needs in the community and the bank's overall lending volume during this evaluation period.

Loan-to-Deposit Ratio (LTD)

Mid South's loan-to-deposit ratio is reasonable given the bank's size and financial resources. MSB loan-to-deposit ratio averaged 66.86 percent during the 17 quarters since the last CRA examination. During the evaluation period, the LTD ratio ranged from a low of 64 percent to a high of 72 percent.

When the bank's LTD ratio is compared to other similar situated institutions in the state of LA, the bank's ratio is reasonable. Comparable institutions (financial institutions in the state with assets less than \$1 billion but greater than \$400 million) had an average LTD ratio of 79.68 percent during the evaluation period.

Lending in Assessment Area

MSB's lending in its AA reflects excellent performance. During this evaluation period, a substantial majority of the number and dollar amount of their HMDA and small business loans were originated inside the bank's AA.

Overall, 90 percent of the number and 93 percent of the dollar amount of all loans originated during this evaluation period were made inside the bank's AAs. By individual loan product, 87 and 90 percent, respectively of the number and dollar amount of HMDA loans were made inside the bank's AAs compared to 95 and 94 percent of small business loans.

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

The distribution of loans made to borrowers of different income levels and businesses of different sizes reflects reasonable penetration and meets the standard for satisfactory performance.

To perform our analysis, we reviewed residential mortgage and small business loan data collected by the bank. Each product type was weighted equally in this evaluation. However, more weight was placed on the number of loans made in the AA versus the dollar volume of loans made.

MSB's distribution of HMDA loans is good.

For HMDA loans, MSB's percent of loans is lower than the percent of low-income families in the AA. In moderate-income geographies, MSB's percent of loans exceeds the percent of moderate-income families in the area. The following chart provides additional information on the bank's lending performance.

| Distribution of HMDA Loans by Borrower Income Level Lafayette MSA AA | | | |
|---|-------------------|--------------------------|-------------------------------|
| Borrower Income Designation | Percent of Number | Percent of Dollar Volume | Percent of Families in the AA |
| Low-Income | 13.45 | 5.87 | 23.34 |
| Moderate-Income | 18.31 | 10.58 | 16.00 |
| Middle-Income | 25.66 | 19.14 | 19.69 |
| Upper-Income | 42.58 | 64.41 | 40.97 |

Source: Data collected by the bank and 2007 HUD Updated MFI

In performing our analysis, we considered factors which could hamper the bank's ability to make loans to either low- or moderate-income borrowers. We considered the fact that approximately 13 percent of the families in the AA live below the poverty level. Also, the housing cost in the AA was considered. In 2000, the median housing value in the AA was \$87,662 which means that the average person would have to make at least \$42 thousand to afford such a home. Based on the 2007 HUD adjusted median family income, low-income families earn less than \$26 thousand a year and moderate-income families earn less than \$42 thousand a year. These factors make it difficult for low- and moderate-income families to purchase and maintain a home in this AA.

After we considered these factors, the bank's distribution of HMDA loans to low- and moderate-income families is good.

MSB's distribution of small business loans is adequate. Their distribution of loans to small businesses is lower than the percent of small businesses in the AA. Refer to the attached chart for additional information on the bank's lending performance.

| Borrower Distribution of Loans to Businesses Lafayette MSA AA | | | | |
|--|--------------|--------------|-------------------------|-------|
| Business Revenues (or Sales) | ≤\$1,000,000 | >\$1,000,000 | Unavailable/ Unknown | Total |
| % of AA Businesses | 66.47 | 5.74 | 27.79 | 100% |
| % of Bank Loans in AA by # | 57.04 | 41.22 | 1.74 | 100% |
| % of Bank Loans in AA by \$ | 36.98 | 61.90 | 1.12 | 100% |

Source: Data collected by bank; 2007 Dunn and Bradstreet data.

As illustrated by the bank's loan data, the vast majority of MSB's loans were for amounts less than \$100 thousand and were made to small businesses. This further demonstrates MSB's commitment to meeting the needs of small businesses.

| Borrower Distribution of Loans to Businesses by Loan Size Lafayette MSA AA | | | | |
|---|--------------------|----------------------|-----------------------------------|-----------------------------|
| Loan Size | Number of Loans | Percent of Number | Dollar Volume of Loans (000's) | Percent of Dollar Volume |
| < \$100,000 | 569 | 82.58 | 17,621 | 29.53 |
| \$100,001 - \$250,000 | 64 | 9.29 | 11,062 | 18.54 |
| > \$250,001 < \$1,000,000 | 56 | 8.13 | 30,995 | 51.93 |

Source: Data collected by bank.

Based on limited-scope reviews, the bank's distribution of loans in the Houma, Lake Charles and non-MSA AAs is not inconsistent with the bank's overall satisfactory performance in the Lafayette AA.

Geographic Distribution of Loans

The bank's overall geographic distribution of loans is good and reflects a reasonable dispersion of loans to all areas including low- and moderate-income census tracts. Their distribution of HMDA loans is good and their distribution of small business loans is excellent.

In terms of HMDA loans, in low-income geographies, the bank's percent of loans is lower than the percent of owner-occupied units in these census tracts. In moderate-income geographies, the bank's percent of loans exceeds the percent of owner-occupied units.

There are 4 low-income census tracts in the Lafayette MSA AA that contain 1,544 owner-occupied units. Based on 2006 peer data, there were 73 financial institutions that made loans in these tracts. When these factors are considered, the bank's performance in low-income tracts is considered adequate. Refer to the following chart for additional information on the bank's HMDA lending performance in the Lafayette AA.

| Geographic Distribution of HMDA Loans Lafayette MSA AA | | | |
|---|-------------------|--------------------------|---------------------------------|
| Census Tract Designation | Percent of Number | Percent of Dollar Volume | Percent of Owner-Occupied Units |
| Low-Income | 1.32 | 1.17 | 2.50 |
| Moderate-Income | 14.38 | 11.92 | 14.18 |
| Middle-Income | 60.03 | 46.14 | 51.28 |
| Upper-Income | 24.27 | 39.05 | 32.04 |

Source: Data collected by the bank and 2000 U.S. Census data

In terms of small business loans, in low income geographies, the percent of loans in low-income geographies is lower than the percent of businesses located in these tracts. However, in moderate-income geographies, the percent of loans significantly exceeds the percent of businesses in these tracts.

In assessing MSB's lending performance in low-income geographies, we considered factors that might hamper the bank's ability to make loans in those tracts. In the 4 low-income tracts in the AA, there are only 672 businesses and there were 52 financial institutions making loans in those tracts in 2006. When we considered the modest lending opportunities coupled with the lending competition in the area, MSB's lending performance in low-income tracts is good.

| Geographic Distribution of Small Business loans Lafayette MSA AA | | | |
|---|-------------------|--------------------------|-----------------------------|
| Census Tract Designation | Percent of Number | Percent of Dollar Volume | Percent of Total Businesses |
| Low-Income | 1.42 | 1.32 | 2.89 |
| Moderate-Income | 18.17 | 8.23 | 11.92 |
| Middle-Income | 37.89 | 34.89 | 46.14 |
| Upper-Income | 42.52 | 55.56 | 39.05 |

Source: Data collected by the bank and 2000 U.S. Census data

Based on our review of the bank's geographic distribution of loans, there were no conspicuous or unexplained gaps in their lending patterns.

Based on limited-scope reviews, the bank's geographic distribution of loans in the Houma AA and the non-MSA AA is good. Their distribution of loans in the Lake Charles AA is weaker than their overall performance in the other AAs however this did not have a significant impact on the overall conclusions for this performance criteria.

Responses to Complaints

There have been no consumer complaints relating to the bank's Community Reinvestment Act performance during this evaluation period.

Community Development Test

Given the modest opportunities to make CD loans, investments or provide CD services in the AA, the bank's level of CD activities is adequate.

Community Development Loans

Mid South did not originate and/or purchase any CD loans during this evaluation period in the Lafayette AA.

Qualified Investments

Qualifying investments are investments, deposits, membership shares, or grants that have as their primary purpose CD, as defined in the CRA regulation.

Given the modest opportunities in the Lafayette AA, the bank's level of CD investments is adequate. During this evaluation period, the bank made 7 grants/donations in this AA totaling \$618 thousand. Of this total, \$43 thousand represents grants/donations to qualified CD organizations and the remaining \$575 thousand represents an equity investment in a CDC that provides community services to low- and moderate-income individuals. The total investment amount represents 1.09 percent of Tier I capital.

Based on limited-scope reviews, the bank's level of qualified investments in the limited-scope AAs is not inconsistent with the adequate performance in the Lafayette AA.

Community Development Services

The level of CD services provided by MSB reflects adequate responsiveness to meeting the needs of the community. The bank maintains one branch in a moderate-income geography. Based on the number of organizations serviced and the available opportunities in the AA, the bank's level of CD services is reasonable.

During this evaluation period, Mid South provided four CD services to four qualified CD organizations. The types of services provided included serving on the board for organizations that provide affordable housing for low- or moderate-income individuals, small business development, and workforce development. Additionally, after hurricane Katrina, Mid South opened their lobby to another national bank so that the bank could

provide services to their customers.

Based on limited-scope reviews, the bank's level of CD services in the limited-scope AAs is not inconsistent with their overall adequate performance in the Lafayette AA.

Bank Responsiveness, through CD activities, to CD lending, investments and service needs

The bank demonstrated satisfactory responsiveness to meeting the needs of the community through their CD activities. They provided CD services and investments to several organizations that provide affordable housing or community services to low- or moderate-income individuals, economic growth, or business development to the AAs.

Fair Lending or Other Illegal Credit Practices Review

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