



SMALL BANK

Comptroller of the Currency
Administrator of National Banks
Washington, DC 20219

PUBLIC DISCLOSURE

November 13, 2006

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Midsouth Bank, National Association
Charter Number 10102**

**2526 West Main Street
Dothan, AL 36303**

**Comptroller of the Currency
Georgia Field Office
3 Ravinia Drive Suite 550
Atlanta, GA 30346**

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 following factors support the Satisfactory rating:

- Midsouth has a reasonable loan to deposit ratio given the institution's size, financial condition, and assessment area credit needs.
- A majority of loans are in the institution's assessment areas.
- The geographic distribution of residential real estate loans is adequate. For commercial loans, the geographic distribution is adequate in the Barbour/Quitman assessment area, but is weak in the Houston County assessment area.
- Lending to businesses of different sizes demonstrates excellent performance. The penetration of loans to small businesses is strong in both assessment areas.
- Lending to borrowers of different incomes is adequate based on the distribution of residential real estate loans.

DESCRIPTION OF INSTITUTION

MidSouth Bank, National Association (MidSouth) is a commercial bank headquartered in Dothan, AL and is wholly-owned by a one-bank holding company, MidSouth Bancorporation. As of June 30, 2006, total assets were \$282 million. MidSouth operates seven locations including the main branch. In addition to the main office in Dothan, branches are located in Ashford, AL; Dothan, AL; Eufaula, AL; Clayton, AL; Auburn, AL; and Panama City, FL. An affiliate bank was merged into MidSouth since the prior CRA evaluation, and two branches were opened in 2005, Panama City, FL and Auburn, AL. MidSouth closed one branch in Eufaula, Alabama in January 2003.

A wide array of traditional loan and deposit products and banking services are offered. Primary lending products include commercial and residential real estate loans. Commercial and commercial real estate loans comprise 41 percent of the loan portfolio and residential real estate loans represent 31 percent of the loan portfolio.

No legal or financial constraints or other factors impede MidSouth's ability to meet community credit needs. At the previous CRA evaluation dated February 4, 2002, the bank was rated Satisfactory. Since the previous evaluation, the bank's name was changed from The First National Bank of Ashford.

Since MidSouth opened two of its branches late in this evaluation period, we did not evaluate lending for those locations. We evaluated lending in the Houston and Barbour/Quitman assessment areas since the bank had a presence in these areas throughout the evaluation period.

DESCRIPTION OF HOUSTON COUNTY ASSESSMENT AREA

MidSouth has defined its Assessment Area (AA) as Houston County, Alabama. The AA meets technical regulatory requirements and does not arbitrarily exclude low- or moderate-income census tracts. Houston County is part of the Dothan, AL Metropolitan Statistical Area (MSA). Houston County is located in the Southeast corner of Alabama, and is bordered by Georgia and Florida. Dothan is the county seat. Important industries for the county include farming, healthcare, aviation, manufacturing, and retail services. The economy is stable in the Dothan MSA, with the Department of Labor estimated unemployment rate of 2.9 percent as of September 2006.

Dothan serves as a hub for Southeast Alabama, and offers distribution facilities. In addition to several large corporations with operations in the area, indirect employment opportunities are available as a result of the Fort Rucker Aviation Center. Banking competition is strong in Dothan, and includes local community banks, midsize banks, and large banks that operate nationally.

Community leaders identify affordable housing as a significant need for Dothan.

Demographic and Economic Characteristics of Houston County Assessment Area	
Population	
Total Population	88,787
Number of Families	25,286
Number of Households	35,861
Geographies	
Number of Census Tracts	21
% Low-Income Census Tracts	5%
% Moderate-Income Census Tracts	19%
% Middle-Income Census Tracts	52%
% Upper-Income Census Tracts	24%
Median Family Income (MFI)	
2000 MFI for AA	\$44,529
2005 HUD-Adjusted MFI	\$46,450
Economic Indicators	
Unemployment Rate	2.5%
2000 Median Housing Value	\$77,334
% Households Below Poverty Level	16%

Source: 2000 Census data and HUD updated income data.

DESCRIPTION OF BARBOUR COUNTY AND QUITMAN COUNTY

MidSouth has defined this AA as Barbour County in Alabama, and two census tracts in adjacent Quitman County, Georgia. Although the Barbour/Quitman Counties AA extends beyond the state border, the counties are combined for analysis purposes since they are adjacent, and the Georgia census tracts do not extend far beyond the state line. The AA does not arbitrarily exclude any low- or moderate-income census tracts.

Eufaula is the largest city in Barbour County. Eufaula has a historic district and generates tourism. Other major industries for this AA include light manufacturing, services, and agriculture. Agricultural production includes peanuts, cotton, cattle, and timber.

In this AA, four census tracts in Barbour County and one census tract in Quitman County are considered distressed and included in the 2005 and 2006 FFIEC list of distressed areas based on high poverty levels. The Quitman County census tract is also considered underserved, indicating this rural area has difficulty attracting funds for infrastructure and other basic community needs.

Poverty is reflected in the high percentage of households living below poverty. These designations reflect significant needs to finance infrastructure and provide for basic needs including housing.

Refer to the table below for additional information about the demographic and economic data for the Barbour/Quitman Counties AA.

Demographic and Economic Characteristics of Barbour/Quitman Counties Assessment Area	
Population	
Total Population	27,568
Number of Families	7,356
Number of Households	10,308
Geographies	
Number of Census Tracts	10
% Low-Income Census Tracts	0%
% Moderate-Income Census Tracts	50%
% Middle-Income Census Tracts	50%
% Upper-Income Census Tracts	0%
Median Family Income (MFI)	
2000 MFI for AA	\$32,406
2005 HUD-Adjusted MFI	\$43,070
Economic Indicators	
Unemployment Rate	2.2%
2000 Median Housing Value	\$59,102
% Households Below Poverty Level	26%

Source: 2000 Census data and HUD updated income data.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Residential real estate lending was evaluated based on Home Mortgage Disclosure Act (HMDA) data for 2004 and 2005. For the Barbour/Quitman Counties AA, a small number of loans were made so the distributions are not as meaningful. In this AA, 21 home purchase loans, 10 home improvement loans and 17 refinance loans were made. In the Houston County AA, 115 home purchase loans, 10 home improvement and 87 refinance loans were made. MidSouth has a larger market presence in the Houston County AA, and it accounts for a large portion of the lending. More weight is placed on lending in Houston County AA in the overall conclusion. Commercial lending was evaluated based on samples of commercial loans made in MidSouth's two AAs.

Lending performance reflects satisfactory performance.

Loan-to-Deposit Ratio

Lending volume meets the standard for satisfactory performance based on the average loan-to-deposit ratio. For the 15 quarters since the previous CRA evaluation, the loan-to-deposit ratio averaged 74 percent. This ratio reflects a reasonable lending level, and is in line with 11 similar banks that achieved an average loan-to-deposit ratio of 85 percent for the same time period. These 11 banks had loan-to-deposit ratios ranging from 60 percent to 132 percent.

Lending in Assessment Area

Lending in the AA meets the standard for satisfactory performance. A majority of residential real estate loans and commercial loans are made within the bank's AAs.

Table 1 - Lending in Assessment Areas										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	125	69	52	29	177	13,971	45	16,990	55	30,961
Home Improvement	15	68	7	32	22	924	72	354	28	1,278
Home Refinance	99	85	17	15	116	12,355	87	1,835	13	14,190
Commercial	26	87	4	13	30	3,659	79	984	21	4,643
Totals	265	77	80	23	345	30,909	61	20,163	39	51,072

Source: data reported under HMDA, sample of loans.

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

Lending to borrowers of different incomes and businesses of different sizes is reasonable.

Lending to small businesses is excellent, and the distribution of residential real estate loans is adequate.

For the Houston County AA, the borrower distribution of residential real estate loans is adequate. The penetration to low-income borrowers is below the percentage of low-income families. A significant portion of the low-income population lives below poverty in this AA and are not typically in the market for residential real estate loans. The penetrations to moderate-income borrowers are excellent for home improvement and home refinance loans. The penetration for home purchase loans is lower than the percentage of moderate-income families, but is adequate.

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	5	16	9	20	17	44	46
Home Improvement	20	0	16	40	20	10	44	50
Home Refinance	20	10	16	21	20	20	44	43

Source: data reported under HMDA; U.S. Census data. Income information was not available for 23% of home purchase loans and 6% of refinance loans.

For the Barbour/Quitman Counties AA, the borrower distribution is adequate for residential mortgages. In this AA, 26 percent of households live below poverty, and it is a distressed area due to poverty. This means many low-income families are not in the market for home loans. The penetration analysis is not very meaningful due to the small number of each type of loan.

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	27	14	18	5	19	19	36	48
Home Improvement	27	10	18	10	19	30	36	40
Home Refinance	27	0	18	0	19	35	36	53

Source: data reported under HMDA; U.S. Census data. Income information was not available for 14% of home purchase, 10% of home improvement and 12% of refinance loans.

The borrower distribution of business loans is strong in Houston County. The penetration of loans to businesses with revenues less than \$1 million exceeds the percentage of small businesses located in the Dothan AA.

Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	51	5	43	100%
% of Bank Loans in AA by #	57	43	0	100%
% of Bank Loans in AA by \$	60	40	0	100%

Source: Loan sample; Dunn and Bradstreet data.

Lending to small businesses is strong in the Barbour/Quitman Counties AA. The penetration of loans by number exceeds the percentage of businesses operating within the AA.

Table 3a - Borrower Distribution of Loans to Businesses in Barbour/Quitman				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	57	4	39	100%
% of Bank Loans in AA by #	71	24	5	100%
% of Bank Loans in AA by \$	38	59	3	100%

Source: Loan sample; Dunn and Bradstreet data.

Geographic Distribution of Loans

The geographic distribution of loans is reasonable. Residential real estate loans demonstrate reasonable performance, and commercial lending in the Barbour/Quitman AA is adequate. However, commercial lending in the Houston County AA is weak.

Geographic distribution of residential mortgage loans is reasonable. In Houston County, limited opportunities are available for lending in low-income census tracts, but MidSouth shows good performance with home purchase and home refinance loans in these census tracts. Lending in moderate-income tracts is reasonable, with good performance for home purchase loans. Given the small number of home improvement loans made, a distribution analysis is not meaningful.

Table 4 - Geographic Distribution of Residential Real Estate Loans in Houston County								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	1	2	10	7	62	49	27	42
Home Improvement	1	0	10	0	62	70	27	30
Home Refinance	1	2	10	3	62	71	27	24

Source: data reported under HMDA; U.S. Census data.

Geographic distribution of residential loans in the Barbour/Quitman Counties AA is reasonable.

Table 4a - Geographic Distribution of Residential Real Estate Loans in Barbour/Quitman								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	0	0	49	38	51	62	0	0
Home Improvement	0	0	49	50	51	50	0	0
Home Refinance	0	0	49	41	51	59	0	0

Source: data reported under HMDA; U.S. Census data.

The geographic distribution of commercial loans in Houston County is poor. Limited opportunities exist for lending in the low-income census tracts, but the penetration in the moderate-income census tracts is significantly below the percentage of AA businesses located in moderate-income census tracts.

Table 5 - Geographic Distribution of Loans to Businesses in Houston County								
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
Commercial	5	0	19	4	52	39	24	57

Source: loan sample; D & B data

The geographic distribution of commercial loans in the Barbour/Quitman AA is adequate. The penetration of loans in moderate-income census tracts is below the percentage of businesses located in those census tracts, but represents an adequate level of lending.

Table 5a - Geographic Distribution of Loans to Businesses in Barbour/Quitman								
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
Commercial	0	0	50	33	50	67	0	

Source: loan sample; D & B data

Responses to Complaints

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