

PUBLIC DISCLOSURE

May 7, 2024

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

MidSouth Bank
Certificate Number: 2777

2526 West Main Street
Dothan, Alabama 36301

Federal Deposit Insurance Corporation
Division of Depositor and Consumer Protection
Atlanta Regional Office

10 10th Street NE, Suite 900
Atlanta, Georgia 30309-3849

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.

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INSTITUTION RATING

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

An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

The Lending Test is rated Satisfactory.

- The loan-to-deposit ratio is reasonable given the institution's size, financial condition, and assessment areas' credit needs.
- The bank made a majority of the loans reviewed within the assessment areas.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment areas.
- The distribution of borrowers reflects, given the demographics of the assessment areas, poor penetration among businesses of different sizes.
- The bank did not receive any CRA-related complaints since the previous evaluation; therefore, this factor did not affect the Lending Test rating.

The Community Development Test is rated Outstanding.

The institution's community development performance demonstrates excellent responsiveness to community development needs in its assessment areas through community development loans, qualified investments, and community development services, as appropriate, considering the institution's capacity and the need and availability of such opportunities for community development in the institution's assessment areas.

DESCRIPTION OF INSTITUTION

MidSouth Bank is a commercial bank headquartered in Dothan, Alabama. The bank is wholly owned by MidSouth Bancorporation, a one-bank holding company, also located in Dothan, Alabama. MidSouth Bank received a Satisfactory Community Reinvestment Act (CRA) rating at the previous FDIC Performance Evaluation, dated February 16, 2021, based on Interagency Intermediate Small Institution Examination Procedures.

MidSouth Bank operates twelve full-service offices throughout southeast Alabama and northwest Florida. Since the previous evaluation, the bank opened one office in Leon County, Florida, located in a middle-income census tract.

The bank is primarily a commercial bank and offers commercial loans and lines of credit for working capital, construction, real estate, equipment, and vehicles. The bank offers United States Small Business Administration (SBA) loans through the 504 and 7(a) programs. Furthermore, the bank offered SBA Paycheck Protection Program (PPP) loans during the review period. The SBA guaranteed these loans under the Coronavirus Aid, Relief, and Economic Security Act. This temporary program provided economic relief to businesses that were adversely impacted by retaining jobs that would otherwise be lost due to business closures as a result of the COVID-19 national emergency, issued on March 13, 2020. During the review period, the bank originated 155 PPP loans totaling \$6.6 million.

Consumer credit products include installment loans, personal lines of credit, home equity lines of credit, and one-to-four family residential mortgages. Deposit products offered include checking, savings, and money market accounts, certificates of deposit, and individual retirement accounts. Alternative banking services include internet banking, mobile banking, telephone banking, person-to-person transfers, and deposit taking automated teller machines.

The bank provides for the credit needs of its communities in a manner consistent with its size, financial condition, resources, and local economic conditions. Examiners did not identify any financial or legal impediments that affect the bank's ability to meet the assessment areas' credit needs. As of the March 31, 2024 Consolidated Reports of Condition and Income (Call Report), MidSouth Bank had total assets of \$642.9 million, with loans totaling \$373.5 million and deposits totaling \$592.4 million. As shown in the following table, commercial real estate and commercial and industrial loans represented the largest portion of the loan portfolio at 56.9 percent, followed by construction, land development, and other land loans at 20.0 percent. Loans secured by one-to-four family residential properties represented 19.0 percent of the outstanding loan portfolio.

Loan Portfolio Distribution as of 3/31/2024		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	74,813	20.0
Secured by Farmland	4,415	1.2
Secured by 1-4 Family Residential Properties	70,941	19.0
Secured by Multifamily (5 or more) Residential Properties	2,174	0.6
Secured by Nonfarm Nonresidential Properties	165,206	44.2
Total Real Estate Loans	317,549	85.0
Agricultural Production and Other Loans to Farmers	4,226	1.1
Commercial and Industrial Loans	47,271	12.7
Consumer Loans	3,428	0.9
Obligations of State and Political Subdivisions in the U.S.	0	0.0
Other Loans	991	0.3
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	(0)	(0.0)
Total Loans	373,465	100.0
<i>Source: Reports of Condition and Income</i>		

DESCRIPTION OF ASSESSMENT AREAS

MidSouth Bank operates within two rated areas: the State of Alabama and the State of Florida. The CRA requires financial institutions to define assessment areas within which examiners will evaluate its CRA performance. The bank defined six assessment areas located in southern Alabama and northern Florida. The assessment areas remain unchanged since the prior evaluation except for the addition of the Tallahassee MSA assessment area. The following table provides descriptions of the assessment areas.

Description of Assessment Areas			
Assessment Area	Counties in Assessment Area	# of CTs	# of Branches
Alabama:			
Dothan MSA	Houston	26	5
Alabama Non-MSA	Barbour	9	2
Auburn-Opelika MSA	Lee	48	1
Florida:			
Panama City MSA	Bay	50	2
Crestview-Fort Walton Beach-Destin MSA	Okaloosa	49	1
Tallahassee MSA	Leon	79	1
<i>Source: Bank Data and 2020 Census Data</i>			

Please refer to the rated areas and individual assessment areas for additional information.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from February 16, 2021 to the current evaluation dated May 7, 2024. Examiners used the Intermediate Small Institution CRA Examination Procedures to evaluate MidSouth Bank’s CRA performance. As described in the Appendices, these procedures include two tests: the Lending Test and the Community Development Test. Examiners evaluate a bank’s lending data, deposit activity, and number of branches to determine which rated area will receive the most weight in assigning the overall rating. As shown in the following table, the State of Alabama has a majority of lending (56.6 percent), deposits (79.0 percent), and branches (66.7 percent). Consequently, examiners gave the most weight to the bank’s overall lending performance in Alabama.

In determining the scope of each assessment area review, examiners considered the office structure and activity in each assessment area as well as the scope of the reviews at prior evaluations. In Alabama, examiners performed a full-scope review of the bank’s CRA performance in its Dothan MSA and Alabama Non-MSA assessment areas and a limited-scope review in its Auburn-Opelika MSA assessment area. In Florida, examiners performed a full-scope review of the bank’s CRA performance in its Panama City MSA assessment area and limited-scope reviews in its Crestview-Fort Walton Beach-Destin MSA and Tallahassee MSA assessment areas.

Examiners evaluate a bank’s lending and deposit activity and number of offices to determine an individual assessment area’s contribution to the overall rating. Since the Dothan MSA assessment area contains the most offices, loans, and deposits, examiners gave the most weight in assigning the overall rating and conclusions to performance in this assessment area followed by performance in the Panama City MSA. Refer to the following table for additional details

Assessment Area Breakdown of Loans, Deposits, and Branches						
Assessment Area	Loans (Reviewed)		Deposits		Branches	
	\$(000s)	%	\$(000s)	%	#	%
Dothan MSA	12,982	32.7	271,380	50.9	5	41.7
Alabama Non-MSA	4,927	12.4	132,699	24.9	2	16.7
Auburn-Opelika, AL MSA	4,566	11.5	17,338	3.2	1	8.3
Alabama Subtotal	22,475	56.6	421,417	79.0	8	66.7
Panama City MSA	9,495	23.9	66,967	12.5	2	16.7
Crestview-Fort Walton Beach-Destin MSA	1,850	4.7	26,508	5.0	1	8.3
Tallahassee MSA	5,868	14.8	18,689	3.5	1	8.3
Florida Subtotal	17,213	43.4	112,164	21.0	4	33.3
Total	39,688	100.0	533,581	100.0	12	100.0

Source: Bank Records (Small Business Loans and HMDA Loans 2023); FDIC Summary of Deposits (06/30/2023)

Activities Reviewed

MidSouth Bank's major product line is small business loans, followed by home mortgage loans. In reaching this conclusion, examiners considered the bank's business strategy as well as the number and dollar volume of loans originated during the evaluation period. Small business loans received greater weight in the overall Lending Test conclusions, as they constituted a majority of loan originations during the evaluation period and were the bank's primary business focus. Examiners did not evaluate small farm loans because they represent less than three percent, by dollar, of the bank's loan portfolio.

Since the bank is not a CRA data reporter and select small business data was not readily available, examiners reviewed the universe of small business loans originated in 2023 to draw conclusions about the bank's small business lending performance. In 2023, the bank originated 193 small business loans, totaling \$38.1 million. Aggregate small business lending data does not serve as an appropriate comparison because the bank is a non-reporter. Therefore, examiners compared the bank's small business lending performance to 2023 Dun and Bradstreet (D&B) business demographic data.

Examiners reviewed the universe of home mortgage loans reported pursuant to the Home Mortgage Disclosure Act (HMDA) in 2023. During the evaluation period, 2023 was the only full year the bank collected home mortgage loan data. The bank originated 47 home mortgage loans, totaling \$11.5 million. Of these loans, 33 (70.2 percent) were to business entities, which is in line with the bank's commercial lending focus. Under HMDA, the bank does not collect revenues for home mortgage loans made to business entities for investment purposes. Therefore, an analysis of income would not result in a meaningful conclusion; thus, the *Borrower Profile* criterion is not included for these loans. Examiners compared the bank's home mortgage lending performance for the *Geographic Distribution* criterion to applicable demographic data based on the 2020 Census data. Examiners did not compare performance to aggregate HMDA lenders since the data is not available yet.

For the Lending Test, examiners reviewed the number and dollar volume of small business and home mortgage loans. While the tables throughout this evaluation present both the number and dollar volume of loans, examiners emphasized performance by number of loans, as the number of loans is a better indicator of the number of individuals and businesses served.

For the Community Development Test, examiners drew conclusions based on the data that bank management provided for community development loans, qualified investments, and community development services since the previous evaluation, dated February 16, 2021.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

MidSouth Bank demonstrated satisfactory performance under the Lending Test. This rating is supported by a reasonable loan-to-deposit ratio; a majority of the loans originated within the assessment areas; and a reasonable geographic distribution of loans. The distribution of loans to businesses of different sizes was poor. The bank's overall performance is consistent with the conclusions drawn for each rated area.

Loan-to-Deposit Ratio

The net loan-to-deposit (NLTD) ratio is reasonable given the institution's size, financial condition, and assessment areas' credit needs. The NLTD ratio for the previous 13 quarters averaged 55.2 percent. This ratio is calculated on a net basis, excluding the loan loss reserves and unearned income. Since the previous evaluation, the NLTD ratio ranged from a low of 49.7 percent on December 31, 2021 to a high of 62.0 percent on March 31, 2024. Net loans have fluctuated from quarter to quarter with an overall upward trend from \$295.1 million on March 31, 2021 to \$367.4 million on March 31, 2024. Deposits have fluctuated to a lesser extent than net loans with an overall upward trend from \$482.9 million on March 31, 2021 to \$592.4 million on March 31, 2024. The NLTD ratio fluctuated during the period due to the loan and deposit fluctuations.

The following table presents MidSouth Bank's average NLTD ratio as well as the ratios for comparable institutions selected based on size, geographic location, branch network, and/or lending focus. MidSouth Bank maintained an average NLTD ratio that was lower than three comparable banks but higher than one bank and in line with another bank.

Net Loan-to-Deposit Ratio Comparison		
Bank	Total Assets as of 3/31/24 \$(000s)	Average NLTD Ratio (%)
MidSouth Bank, Dothan, AL	642,893	55.2
Robertson Banking Company, Demopolis, AL	467,756	72.1
First Community Bank of Central Alabama, Wetumpka, AL	612,264	56.8
Prime Meridian Bank, Tallahassee, FL	862,598	77.3
AuburnBank, Auburn, AL	979,011	51.1
PeoplesSouth Bank, Colquitt, GA	1,100,867	66.1

Source: Call Reports 3/31/2021 – 3/31/2024

Assessment Area Concentration

MidSouth Bank originated a majority of loans by both number and dollar volume within the assessment areas. Refer to the following table for details.

Lending Inside and Outside of the Assessment Areas for 2023										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Small Business	163	84.5	30	15.5	193	30,655	80.4	7,461	19.6	38,116
Home Mortgage	34	72.3	13	27.7	47	9,033	78.8	2,425	21.2	11,458
Total	197	82.1	43	17.9	240	39,688	80.1	9,886	19.9	49,574
<i>Source: Bank Data</i> <i>Due to rounding, totals may not equal 100.0%.</i>										

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the assessment areas. The bank’s performance is consistent throughout the rated areas of Alabama and Florida.

Borrower Profile

The distribution of borrowers reflects poor penetration among businesses of different sizes. The bank’s performance is consistent throughout the rated areas of Alabama and Florida.

Response to Complaints

The institution has not received any CRA-related complaints since the previous evaluation; therefore, this criterion did not affect the Lending Test rating.

COMMUNITY DEVELOPMENT TEST

The institution’s community development performance demonstrates excellent responsiveness to the community development needs of its assessment areas. The institution met those needs through community development loans, qualified investments, and community development services. Examiners considered the institution’s capacity and the need and availability of such opportunities for community development in the assessment areas. The conclusion regarding the bank’s overall performance is consistent with the conclusions for each rated area. The bank is a leader in providing community development loans and services and responds to lending, investment, and service opportunities within the rated areas.

Community Development Loans

MidSouth Bank is a leader in making community development loans. The bank originated 82 community development loans totaling \$59.6 million during the evaluation period. This level of activity represents 10.0 percent of average total assets and 19.4 percent of average total loans. The bank’s percentage of community development loans to average total loans is significantly higher than all five similarly situated banks.

The number and dollar amount of community development loans is lower than the last evaluation when PPP loans accounted for 93.9 percent and 58.2 percent of total community development loans, by number and dollar, respectively. At the prior evaluation, the bank made 649 PPP loans totaling \$54.7 million. At this evaluation, the bank originated 30 PPP loans totaling \$1.1 million in low- and moderate-income census tracts, which stabilized businesses in these areas. The decline in PPP lending is attributable to a decline in demand for PPP loans and the SBA’s termination of the program. Although there was a decline in numbers, the bank is very responsive to community development lending opportunities in its assessment areas; therefore, community development loans made adjacent to the bank’s assessment areas were included. The following table details the bank’s community development lending by year and purpose.

Community Development Loans by Year										
Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Total	
	#	\$	#	\$	#	\$	#	\$	#	\$
2021 (Partial)	3	122	2	700	4	3,558	31	2,585	40	6,965
2022	6	284	3	750	3	21,148	-	-	12	22,182
2023	8	590	6	2,135	13	24,600	1	200	28	27,525
2024 (YTD)	-	-	1	50	1	2,890	-	-	2	2,940
Total	17	996	12	3,635	21	52,196	32	2,785	82	59,612

Source: Bank Data

Details on activities that benefitted the regional area follow.

- In 2023, the bank originated a \$1.7 million loan to construct a restaurant in Columbus, Georgia, which is adjacent to the bank’s Auburn-Opelika MSA assessment area. The restaurant will provide jobs for low- and moderate-income people.
- The bank originated one loan for property in Tennessee and one loan for property in Georgia through the Alabama Multifamily Loan Consortium, a non-profit lending consortium that provides affordable housing for low- and moderate-income individuals. These loans provided affordable housing with 144 apartment units.

Qualified Investments

During the evaluation period, the bank made 322 qualified investments totaling \$11.0 million. Since the previous CRA evaluation, MidSouth Bank purchased two securities backed by mortgages to low- and moderate-income people benefitting the bank’s Florida assessment areas. Since investment opportunities within the assessment areas are limited, the bank purchased eight certificates of deposit from low-income credit unions, five certificates of deposit from certified development financial institutions, and six certificates of deposit from minority depository institutions located nationwide and outside of the assessment areas. The dollar amount of these certificates of deposit totaled \$4.7 million.

The dollar amount of qualified investments equates to 1.8 percent of average total assets and 7.8 percent of average total securities. The dollar amount of the bank’s qualified investments is lower

than the previous evaluation. However, the bank’s level of qualified investments is significantly higher than four of the five similarly situated banks. Given the limited opportunities for qualified investments within the assessment areas, the bank’s efforts were responsive to the assessment areas' needs. The following table details the qualified investments by year and purpose.

Qualified Investments by Year										
Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Total	
	#	\$	#	\$	#	\$	#	\$	#	\$
Prior Period	-	-	2	1,449	1	337	3	531	6	2,317
2021 (Partial)	1	2,238	-	-	6	1,494	-	-	7	3,732
2022	-	-	-	-	5	1,246	-	-	5	1,246
2023	1	1,461	-	-	8	1,998	-	-	9	3,459
2024 (YTD)	-	-	-	-	-	-	-	-	-	-
Subtotal	2	3,699	2	1,449	20	5,075	3	531	27	10,754
Grants & Donations	2	1	192	82	100	39	1	116	295	238
Total	4	3,700	194	1,531	120	5,114	4	647	322	10,992

Source: Bank Data

Community Development Services

MidSouth Bank employees are leaders in providing community development services. During the evaluation period, the bank provided 145 community development services. This performance represents an increase of 35.5 percent compared to the 107 activities noted at the previous evaluation. The number of community development services provided exceeded all but one similarly situated bank that was 71 percent larger by total assets than MidSouth Bank. The community development services were responsive to the assessment areas’ community development needs. Directors, officers, and employees predominately served in leadership capacities with organizations whose missions are consistent with the definition of community development. The assistance provided was generally ongoing from year-to-year. By purpose, a majority of community development services supported essential community services, totaling 84.8 percent of bank-wide services. The following table illustrates the bank’s community services by year and purpose.

Community Development Services					
Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Total
	#	#	#	#	#
2021 (Partial)	2	24	3	-	29
2022	2	40	4	-	46
2023	2	30	4	-	36
2024 (YTD)	2	29	3	-	34
Total	8	123	14	-	145

Source: Bank Data

In terms of retail banking services, the bank offers a Smart Spend checking account, which is tailored to low- and moderate-income individuals. The account does not charge any overdraft or monthly fees, requires no minimum balance, and allows for free online and mobile banking. During the evaluation period, the bank opened 704 Smart Spend checking accounts.

Refer to the Community Development Services section within each rated area and assessment area for further details on community development services.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

The bank's compliance with the laws relating to discrimination and other illegal credit practices was reviewed, including the Fair Housing Act and the Equal Credit Opportunity Act. Examiners did not identify any discriminatory or other illegal credit practices.

ALABAMA

CRA RATING FOR ALABAMA: SATISFACTORY

The Lending Test is rated: Satisfactory

The Community Development Test is rated: Outstanding

DESCRIPTION OF INSTITUTION'S OPERATIONS IN ALABAMA

MidSouth Bank designated three assessment areas in Alabama. Refer to the following table for more information.

Description of Assessment Areas in Alabama			
Assessment Area	Counties in Assessment Area	# of CTs	# of Branches
Dothan MSA	Houston	26	5
Alabama Non-MSA	Barbour	9	2
Auburn-Opelika MSA	Lee	48	1

Source: Bank Data and 2020 Census Data

SCOPE OF EVALUATION - ALABAMA

The evaluation of MidSouth Bank's performance in Alabama considered the bank's operations in three assessment areas. Based on the number of loans and branches, as well as dollar volume of deposits, examiners conducted full-scope reviews of the bank's performance in the Dothan MSA and Alabama non-MSA assessment areas. Examiners conducted a limited-scope review of the bank's performance in the Auburn-Opelika MSA assessment area, since it received a full-scope review at the last evaluation. Examiners gave more weight to the bank's performance in the Dothan MSA assessment area because a majority of the bank's lending and operations are in this assessment area. Additionally, examiners gave small business loans more weight than home mortgage loans based on the number and dollar volume of these loans.

CONCLUSIONS ON PERFORMANCE CRITERIA IN ALABAMA

LENDING TEST

The Lending Test rating for Alabama is satisfactory. The reasonable geographic distribution of loans supports this conclusion. The distribution of borrowers reflects poor penetration among business customers of different sizes.

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the assessment areas. Performance is consistent for the assessment areas within the rated area.

Borrower Profile

The distribution of borrowers reflects poor penetration among business customers of different sizes. Performance is consistent for the assessment areas within the rated area.

COMMUNITY DEVELOPMENT TEST

MidSouth Bank's community development performance demonstrates excellent responsiveness to community development needs in Alabama through community development loans, qualified investments, and community development services, as appropriate, considering the bank's capacity and the need and availability of such opportunities for community development in the assessment area. Overall performance is consistent throughout the rated area.

Community Development Loans

During the evaluation period, MidSouth Bank originated or renewed 57 community development loans totaling \$38.9 million in Alabama. This performance represents 69.5 percent, by number of loans, and 65.2 percent, by dollar volume, of total bank-wide community development loans. As illustrated in the following table, the bank exhibited its strongest performance in the Dothan MSA assessment area.

Community Development Lending by Assessment Area										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Total	
	#	\$	#	\$	#	\$	#	\$	#	\$
Dothan MSA	3	125	10	3,130	5	27,849	17	1,086	35	32,190
AL Non-MSA	-	-	-	-	2	452	4	1,154	6	1,606
Auburn Opelika MSA	-	-	-	-	3	4,246	2	25	5	4,271
Statewide Activities	10	460	-	-	1	354	-	-	11	814
Total	13	585	10	3,130	11	32,901	23	2,265	57	38,881

Source: Bank Data

The following example details community development loans that benefitted the statewide area. MidSouth Bank participates in the Alabama Multifamily Loan Consortium, a non-profit statewide lending consortium that provides affordable housing for low- and moderate-income individuals throughout Alabama. Member banks participate in each loan made by the consortium, up to their individual commitment amount. MidSouth Bank has committed \$4 million to this program. Since the previous evaluation, the bank has funded ten loans in the statewide area outside the assessment areas totaling \$460,457. These loans provided affordable housing with 585 apartment units.

Qualified Investments

MidSouth Bank made or retained 224 qualified investments and donations, totaling \$2.5 million, in Alabama. This performance represents 69.6 percent, by number, and 22.9 percent, by dollar volume, of total bank-wide qualified investments. The bank retained six prior period investments

for \$2.3 million in bonds benefitting areas within the state. The following table reflects the bank’s qualified investment activity by assessment area and purpose.

Qualified Investments by Assessment Area										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Dothan, AL MSA	1	1	51	25	33	13	1	116	86	155
Alabama Non-MSA	-	-	20	4	-	-	-	-	20	4
Auburn-Opelika MSA	1	0	3	1	35	12	-	-	39	13
Regional Activities	-	-	55	20	18	4	-	-	73	24
Statewide Activities	-	-	2	1,449	1	337	3	531	6	2,317
Total	2	1	131	1,499	87	366	4	647	224	2,513
<i>Source: Bank Data</i>										

The following are examples of donations that benefitted regional areas consisting of two or more assessment areas.

- Throughout the evaluation period, the bank donated \$17,915 to a non-profit organization that serves all the bank’s assessment areas that provides medical care to low- and moderate-income people.
- In 2021 and 2022, the bank donated \$1,245 to a food bank that serves Lee and Barbour Counties.
- In 2022 and 2023, the bank donated \$4,500 to a non-profit workforce development organization that serves Houston and Barbour Counties.

Community Development Services

MidSouth Bank employees performed 95 community development services in the rated area. This performance represents 65.5 percent of total bank-wide community development services. In 2023 and 2024, an employee served on the loan committee for the Alabama Multifamily Loan Consortium that provides affordable housing. The following table details the services by assessment area and purpose.

Community Development Services by Assessment Area					
Assessment Area	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
Dothan, AL MSA	2	61	-	-	63
Alabama Non-MSA	-	11	8	-	19
Auburn-Opelika MSA	4	4	3	-	11
Statewide Activities	2	-	0	-	2
Total	8	76	11	-	95
<i>Source: Bank Data</i>					

DOTHAN MSA ASSESSMENT AREA – Full-Scope Review

DESCRIPTION OF INSTITUTION’S OPERATIONS IN THE DOTHAN MSA ASSESSMENT AREA

This assessment area contains 41.7 percent of the bank’s offices. The assessment area includes all of Houston County, which comprises a portion of the Dothan MSA. The MSA includes Geneva and Henry Counties, which are not part of the assessment area.

Economic and Demographic Data

From the 2015 American Community Survey to the 2020 Census, the number of census tracts increased by four, but the number of low- and moderate-income census tracts remained the same. Therefore, the percentage of low- and moderate-income census tracts declined. In addition, the poverty rate decreased by two percentage points. The table below outlines select demographic data of this assessment area based on the 2020 Census data and 2023 D&B data.

Demographic Information of the Dothan MSA Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	26	7.7	23.1	38.5	30.8	0.0
Population by Geography	107,202	4.0	21.3	39.0	35.8	0.0
Housing Units by Geography	47,798	5.0	22.0	40.2	32.7	0.0
Owner-Occupied Units by Geography	26,229	1.6	16.3	42.7	39.5	0.0
Occupied Rental Units by Geography	13,555	9.3	31.5	33.2	25.9	0.0
Vacant Units by Geography	8,014	9.1	24.8	43.9	22.1	0.0
Businesses by Geography	12,371	13.6	20.1	27.5	38.8	0.0
Farms by Geography	478	5.0	13.0	47.7	34.3	0.0
Family Distribution by Income Level	26,249	21.3	17.3	18.4	43.1	0.0
Household Distribution by Income Level	39,784	24.4	15.2	16.4	44.0	0.0
Median Family Income MSA - 20020 Dothan, AL MSA		\$61,627	Median Housing Value			\$135,612
			Median Gross Rent			\$770
			Families Below Poverty Level			12.6%

Source: 2020 U.S. Census and 2023 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.*

The following table reflects the Federal Financial Institutions Examination Council (FFIEC)-updated (MFI) median family income categories for the three county MSA.

Median Family Income Ranges for the Dothan MSA				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
2023 (\$70,100)	<\$35,050	\$35,050 to <\$56,080	\$56,080 to <\$84,120	≥\$84,120
<i>Source: FFIEC</i>				

As shown in the following table, the unemployment rates for Houston County declined from 2021 to 2022 before rising slightly in 2023. For all years, the unemployment rate for Houston County was below the national rate and comparable to the state rate.

Unemployment Rates			
Area	2021	2022	2023
	%	%	%
Houston County	3.3	2.5	2.6
State	3.4	2.5	2.5
Nation	5.4	3.6	3.6
<i>Source: Bureau of Labor Statistics</i>			

According to D&B data, in 2023, the assessment area’s largest industries included services at 33.0 percent, non-classifiable establishments at 21.3 percent, and retail trade at 13.0 percent. According to the City of Dothan, major county employers include Southeast Alabama Medical Center (2,002 employees), Dothan and Houston County School Systems (1,973 employees), Flowers Hospital (1,100 employees), and the City of Dothan (936 employees). Moody's *Economy.com, Inc., Précis Metro*, dated April 2023, noted that the three county MSA’s economy is expanding primarily due to the retail sector. However, higher labor costs have hurt the healthcare industry. The area’s warm climate and low living costs are drawing retirees who comprise approximately a fifth of the population. However, low-incomes combined with a low-skill workforce are hindering the economy.

Competition

There is a good level of competition for deposits in the assessment area. In addition, to competing with large national and regional banks, MidSouth Bank competes with credit unions and finance companies. As of June 30, 2023, 15 FDIC-insured institutions operated 35 offices within this area. Of these institutions, MidSouth Bank ranked fourth in total deposits with a market share of 8.0 percent. The top three institutions were ServisFirst Bank, Regions Bank, and Wells Fargo Bank National Association (N.A.), collectively accounting for 57.9 percent of the total market share.

There is a good amount of competition for small business loans in the assessment area. MidSouth Bank is not required to collect small business data; therefore, the analysis of small business loans under the Lending Test does not include a comparison against aggregate data. Aggregate data for 2023 is not yet available; however, to provide context, aggregate data for 2022 reflects 63 lenders reported 2,650 small business loans. The three most prominent small business lenders were American Express National Bank, Ameris Bank, and Synchrony Bank, collectively accounting for 42.3 percent of the total market share by number of loans.

Aggregate HMDA data for 2023 is not available. As previously noted, MidSouth Bank was not required to report its home mortgage loan data in 2021 and 2022, and elected not to do so. However, to provide context, there is a high level of competition for home mortgage loans among several financial institutions. In 2022, 211 lenders reported 3,029 originated or purchased home mortgage loans. The top five home mortgage originators (by number of loans) were All In Credit Union; Interline Mortgage Services, LLC; PennyMac Loan Services, LLC; Rocket Mortgage; and Fairway Independent Mortgage Corporation. Collectively, these leading institutions account for 26.7 percent of the total market share.

Community Contact

As part of the evaluation process, examiners relied on an existing contact with an organization serving the assessment area to assist in identifying the credit needs. This information helps determine local financial institutions' responsiveness to these credit needs and shows available credit opportunities. The contact was with a non-profit organization serving seven counties in southeast Alabama, including Barbour and Houston Counties. The contact stated that the Dothan area is growing and starting to improve post-COVID, but retail and service industries have suffered. The contact stated that there is a need for affordable housing; however, developers are inhibited by cost and the lack of infrastructure, which the State of Alabama is working to address. Lastly, there is a need for small business lending to supplement the grant opportunities available through local government agencies. Overall, the contact had a positive impression of the performance of local financial institutions, particularly smaller community banks that operate in the assessment area.

Credit and Community Development Needs and Opportunities

Considering demographic and economic data and information from the community contact, examiners determined that small business loans represent a credit and community development need. The significant percentage of businesses with gross annual revenues of \$1 million or less at 87.0 percent and the number of businesses with four or fewer employees at 62.5 percent support this conclusion. In addition, affordable housing represents a credit need. The number of low-and moderate-income families at 38.6 percent support this conclusion.

CONCLUSIONS ON PERFORMANCE CRITERIA IN THE DOTHAN MSA ASSESSMENT AREA

LENDING TEST

The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. The distribution of borrowers reflects, given the demographics of the assessment area, poor penetration among businesses of different sizes.

Geographic Distribution

Overall, the geographic distribution of loans reflects reasonable dispersion throughout the assessment area.

Small Business Loans

The geographic distribution of small business loans reflects reasonable dispersion throughout the assessment area. The percentage of loans in low-income census tracts exceeded the percentage of businesses in these tracts. However, performance in moderate-income census tracts was below the demographic data.

Geographic Distribution of Small Business Loans in Dothan MSA Assessment Area					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low	13.6	12	18.2	2,144	21.3
Moderate	20.1	11	16.7	1,925	19.2
Middle	27.5	22	33.3	2,789	27.8
Upper	38.8	21	31.8	3,176	31.7
Not Available	0.0	0	0.0	0	0.0
Totals	100.0	66	100.0	10,034	100.0
<i>Source: 2023 D&B Data; Bank Data Due to rounding, totals may not equal 100.0%.</i>					

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects reasonable dispersion throughout the assessment area. The bank made one loan in a low-income census tract and one in a moderate-income census tract. These two loans represent 25 percent of the loans the bank made in this assessment area.

Geographic Distribution of Home Mortgage Loans in the Dothan MSA Assessment Area					
Tract Income Level	% of Owner-Occupied Housing Units	#	%	\$(000s)	%
Low	1.6	1	12.5	2,010	68.2
Moderate	16.3	1	12.5	336	11.4
Middle	42.7	4	50.0	420	14.2
Upper	39.5	2	25.0	182	6.2
Not Available	0.0	0	0.0	0	0.0
Total	100.0	8	100.0	2,948	100.0
<i>Source: 2020 U.S. Census; Bank Data Due to rounding, totals may not equal 100.0%.</i>					

Borrower Profile

The distribution of borrowers reflects poor penetration among business customers of different sizes.

Small Business Loans

The distribution of borrowers reflects poor penetration among business customers of different sizes. As shown in the following table, the bank’s percentage of loans to businesses with revenues of \$1.0 million or less was well below demographic data. The bank does not originate credit card loans, which many of the smallest businesses use to fund operations.

Distribution of Small Business Loans by Gross Annual Revenue Category in Dothan MSA Assessment Area					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000	87.0	30	45.5	3,119	31.1
>\$1,000,000	3.6	31	47.0	5,911	58.9
Revenue Not Available	9.4	5	7.5	1,004	10.0
Total	100.0	66	100.0	10,034	100.0

*Source: 2023 D&B Data; Bank Data
Due to rounding, totals may not equal 100.0%.*

COMMUNITY DEVELOPMENT TEST

MidSouth Bank’s community development performance demonstrates excellent responsiveness to community development needs in the assessment area through community development loans, qualified investments, and community development services, as appropriate, considering the bank’s capacity and the need and availability of such opportunities for community development in the assessment area.

Community Development Loans

During the evaluation period, MidSouth Bank originated or renewed 35 community development loans totaling \$32.2 million in the assessment area. The following table illustrates the bank’s community development loans by year and purpose.

Community Development Lending in Dothan MSA Assessment Area										
Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Total	
	#	\$	#	\$	#	\$	#	\$	#	\$
2021 (Partial)	-	-	2	700	-	-	17	1,086	19	1,786
2022	1	46	3	750	2	20,531	-	-	6	21,327
2023	2	79	4	1,630	3	7,318	-	-	9	9,027
2024 (YTD)	-	-	1	50	-	-	-	-	1	50
Total	3	125	10	3,130	5	27,849	17	1,086	35	32,190

Source: Bank Data

The following are examples of the bank’s community development loans in the assessment area.

- In 2021, the bank originated 16 PPP loans for \$663,100 in low- and moderate-income census tracts. These loans stabilized businesses in these areas.
- In 2022, the bank originated a \$7.5 million construction loan to expand a warehouse facility in a moderate-income census tract. The expansion will create 25 jobs for low- and moderate-income people. The Industrial Development Board of the City of Dothan owns the real estate, upon which the facility operates.
- In 2023, the bank originated a \$629,600 loan to a non-profit organization that provides services to homeless individuals including a training center offering computer and job skills and General Educational Development (GED) classes.

Qualified Investments

Due to limited investment opportunities in the assessment area, the bank made only qualified donations in the assessment area. The following table reflects the donation activity by purpose.

Qualified Investments by Purpose in Dothan MSA Assessment Area										
Type	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Total	
	#	\$	#	\$	#	\$	#	\$	#	\$
Grants & Donations	1	1	51	25	33	13	1	116	86	155
<i>Source: Bank Data</i>										

The following are examples of the bank’s donations in the assessment area.

- In 2021, the bank donated \$16,670 to an organization that primarily supports non-profits that provide services to low- and moderate-income people.
- In 2022, the bank donated a building with a fair market value of \$116,000 to a Downtown Development Authority. The Authority will make improvements to the building.
- In 2023 and 2024, the bank donated \$1,247 to an organization that provides services to girls to help them break the cycle of poverty.

Community Development Services

MidSouth Bank employees are leaders in providing community development services. During the evaluation period, the bank provided 63 community development services in this assessment area. This number represents an increase in services since the last evaluation when the bank provided 49 services. The community development services were responsive to the assessment area’s community development needs. By purpose, a majority of community development services

supported essential community services. The following table illustrates the bank’s community services by activity year and purpose.

Community Development Services in the Dothan MSA Assessment Area					
Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Total
	#	#	#	#	#
2021 (Partial)	1	9	-	-	10
2022	1	23	-	-	24
2023	-	16	-	-	16
2024 (YTD)	-	13	-	-	13
Total	2	61	-	-	63
<i>Source: Bank Data</i>					

The following are examples of the bank’s community development service activities in the assessment area.

- From 2021 to the present, a bank officer served on the Board of a non-profit organization that operates three homeless shelters: one for men, one for women, and one for families. The non-profit organization also provides other essential services such as food and clothing.
- From 2022 to the present, a bank officer served on the Board of a non-profit organization that advocates for neglected and abused children in court hearings and the child welfare system.
- In 2022, two employees led financial literacy workshops at Dothan County High School, where 81.4 percent of students receive free and reduced lunch.
- In terms of retail banking services, based on 2020 Census data, the bank operated two (40.0 percent) of its five full-service offices in moderate-income census tracts as well as two deposit-taking automated teller machines (ATMs). These offices and ATMs help provide access to services to low- and moderate-income individuals.

ALABAMA NON-MSA ASSESSMENT AREA – Full-Scope Review

DESCRIPTION OF INSTITUTION’S OPERATIONS IN ALABAMA NON-MSA ASSESSMENT AREA

This assessment area comprises Barbour County. In terms of population, this assessment area is the bank’s least populated area.

Economic and Demographic Data

From the 2015 ACS to the 2020 Census, the population declined from 26,932 to 25,223 or 6.3 percent. The number of census tracts remained the same. However, the income designations of the tracts changed. In 2015, there were no low-income and two moderate-income census tracts. In 2020, there was one low-income and three moderate-income census tracts. Therefore, from 2015 to 2020, the number of low- and moderate-income census tracts increased from 22.2 percent of the tracts to 44.4 percent of the tracts. From 2015 to 2020, the number of families living below the poverty level increased from 19.5 percent to 23.8 percent. All four of the county’s middle-income census tracts are designated as distressed due to poverty. The table below outlines select demographic data of this assessment area based on the 2020 Census data and 2023 D&B data.

Demographic Information of the Alabama Non-MSA Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	9	11.1	33.3	44.4	11.1	0.0
Population by Geography	25,223	7.4	42.9	37.4	12.4	0.0
Housing Units by Geography	12,057	7.0	38.5	43.1	11.3	0.0
Owner-Occupied Units by Geography	5,775	5.1	32.7	48.0	14.2	0.0
Occupied Rental Units by Geography	3,547	11.1	52.6	30.5	5.8	0.0
Vacant Units by Geography	2,735	5.8	32.5	49.2	12.5	0.0
Businesses by Geography	2,010	10.4	41.8	34.6	13.1	0.0
Farms by Geography	135	2.2	30.4	53.3	14.1	0.0
Family Distribution by Income Level	6,083	32.3	16.7	16.6	34.4	0.0
Household Distribution by Income Level	9,322	34.7	14.3	14.3	36.7	0.0
Median Family Income Non-MSAs – AL		\$55,960	Median Housing Value			\$86,814
			Median Gross Rent			\$593
			Families Below Poverty Level			23.8%
<p><i>Source: 2020 U.S. Census and 2023 D&B Data</i> <i>Due to rounding, totals may not equal 100.0%.</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i></p>						

The following table reflects the low-, moderate-, middle-, and upper-income categories for all non-MSA areas in Alabama based on FFIEC data.

Median Family Income Ranges Alabama Non-MSA Areas				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
2023 (\$65,700)	<\$32,850	\$32,850 to <\$52,560	\$52,560 to <\$78,840	≥\$78,840
<i>Source: FFIEC</i>				

As shown in the table below, the unemployment rates for Barbour County declined from 2021 to 2022 before rising in 2023. For all years, the unemployment rates for Barbour County were higher than the national and state rates.

Unemployment Rates			
Area	2021	2022	2023
	%	%	%
Barbour County	5.5	4.0	4.4
State	3.4	2.5	2.5
Nation	5.4	3.6	3.6
<i>Source: Bureau of Labor Statistics</i>			

The Eufaula Barbour County Chamber of Commerce notes the top employers in the county are Tyson Foods (1,480 employees), Westrock Mahrt Mill (878 employees), Boyd Brothers Transportation (530 employees), and the Alabama Department of Corrections (395 employees). The 2023 D&B data shows the top industries are services, non-classifiable establishments, and retail trade.

Competition

MidSouth Bank is a leader in deposits in the Alabama non-MSA assessment area. As of June 30, 2023, seven FDIC-insured institutions operated eleven offices within this area. Of these institutions, MidSouth Bank ranked first in total deposits with a market share of 28.3 percent.

There is competition for small business loans in the assessment area. MidSouth Bank is not required to collect small business data; therefore, the analysis of small business loans under the Lending Test does not include a comparison against aggregate data. Aggregate data for 2023 is not yet available; however, to provide context, aggregate data for 2022 reflects 39 lenders reported 345 small business loans. The three most prominent small business lenders were American Express National Bank, Ameris Bank, and Trustmark National Bank, collectively accounting for 42.6 percent of the total market share by number of loans.

Aggregate HMDA data for 2023 is not available. As previously noted, MidSouth Bank was not required to report its home mortgage loan data in 2021 and 2022, and elected not to do so. However, to provide context, there is a high level of competition for home mortgage loans among several financial institutions. In 2022, 84 lenders reported 296 originated or purchased home mortgage loans. The top five home mortgage originators (by number of loans) were Rocket

Mortgage; PeoplesSouth Bank; Renasant Bank; PNC Bank, N.A.; and Trustmark National Bank. Collectively, these leading institutions account for 36.5 percent of the total market share.

Community Contact

As part of the evaluation process, examiners relied on an existing contact with an organization serving the assessment area to assist in identifying the credit needs. This information helps determine local financial institutions' responsiveness to these credit needs and shows available credit opportunities. The contact was with a non-profit organization serving seven counties in southeast Alabama, including Barbour and Houston Counties. The contact explained the rural areas are declining due to the aging population and individuals moving to areas with greater employment opportunities. The contact stated things are starting to improve post-COVID, but retail and service industries have suffered. The contact stated that there is a need for affordable housing; however, developers are inhibited by cost and the lack of infrastructure, which the State of Alabama is working to address. Lastly, there is a need for small business lending to supplement the grant opportunities available through local government agencies. Overall, the contact had a positive impression of the performance of local financial institutions, particularly smaller community banks that operate in the assessment area.

Credit and Community Development Needs and Opportunities

Considering demographic and economic data and information from the community contact, examiners determined that small business loans represent a credit and community development need. The significant percentage of businesses with gross annual revenues of \$1 million or less at 83.8 percent and the number of businesses with four or fewer employees at 62.6 percent support this conclusion. In addition, affordable housing represents a credit need. The number of low-and moderate-income families at 49.0 percent support this conclusion.

CONCLUSIONS ON PERFORMANCE CRITERIA IN THE ALABAMA NON-MSA ASSESSMENT AREA

LENDING TEST

The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. The distribution of borrowers reflects, given the demographics of the assessment area, poor penetration among businesses of different sizes.

Geographic Distribution

The geographic distribution of small business loans reflects reasonable dispersion throughout the assessment area

Small Business Loans

The geographic distribution of small business loans reflects reasonable dispersion throughout the assessment area, when considering demographic data reflecting unemployment that is higher than the state and national rates, high poverty rates, and competition. The percentage of loans in the low-income census tract exceeded the percentage of businesses in this tract. However, performance in moderate-income census tracts was significantly below the demographic data.

Geographic Distribution of Small Business Loans in the Alabama Non-MSA Assessment Area					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low	10.4	3	16.7	1,763	36.0
Moderate	41.8	3	16.7	425	8.7
Middle	34.6	1	5.5	29	0.6
Upper	13.1	11	61.1	2,680	54.7
Not Available	0.0	0	0.0	0	0.0
Totals	100.0	18	100.0	4,897	100.0

*Source: 2023 D&B Data; Bank Data
Due to rounding, totals may not equal 100.0%.*

Home Mortgage Loans

The bank originated one loan in the assessment area. Therefore, examiners could not form meaningful conclusions on the bank's performance.

Borrower Profile

The distribution of borrowers reflects poor penetration among businesses of different sizes.

Small Business Loans

The distribution of borrowers reflects poor penetration among businesses of different sizes. As shown in the following table, the bank's percentage of loans to businesses with revenues of \$1.0 million or less was well below demographic data.

Distribution of Small Business Loans by Gross Annual Revenue Category in Alabama Non-MSA Assessment Area					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000	83.8	6	33.3	837	17.1
>\$1,000,000	3.0	11	61.1	4,018	82.0
Revenue Not Available	13.2	1	5.6	42	0.9
Total	100.0	18	100.0	4,897	100.0
<i>Source: 2023 D&B Data, Bank Data. Due to rounding, totals may not equal 100.0%.</i>					

Home Mortgage Loans

The bank originated one loan in the assessment area. Therefore, examiners could not form meaningful conclusions on the bank’s performance.

COMMUNITY DEVELOPMENT TEST

MidSouth Bank’s community development performance demonstrates excellent responsiveness to community development needs in the assessment area through community development loans, qualified investments, and community development services, as appropriate, considering the bank’s capacity and the need and availability of such opportunities for community development in the assessment area.

Community Development Loans

The bank provided six community development loans totaling \$1.6 million in this assessment area. Two loans had an economic development purpose and four loans revitalized and stabilized low- and moderate-income areas. The following are examples of the community development loans.

- In 2021, the bank made a \$1.1 million loan to construct a building in a moderate-income census tract for the local housing authority’s administrative offices.
- In 2023, the bank made a \$251,000 SBA 504 loan. The loan met the SBA’s job eligibility goals with the creation of four jobs and the public policy goal of rural development.

Qualified Investments

Besides the donations that benefitted another assessment area and Barbour County as described in the State of Alabama section, the bank made 20 donations totaling \$4,000 to organizations that provide essential community services to low-and moderate-income people.

Community Development Services

MidSouth Bank employees are leaders in providing community development services. During the evaluation period, the bank provided 19 community development services. This number represents an increase in services since the last evaluation when the bank provided 10 services. The community development services were responsive to the assessment area’s community development needs. By purpose, a majority of community development services supported essential community services. The following table illustrates the bank’s community services by activity year and purpose.

Community Development Services in the Alabama Non-MSA Assessment Area					
Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Total
	#	#	#	#	#
2021 (Partial)	-	2	2	-	4
2022	-	4	2	-	6
2023	-	3	2	-	5
2024 (YTD)	-	2	2	-	4
Total	-	11	8	-	19
<i>Source: Bank Data</i>					

The following are examples of the bank’s community development service activities in the assessment area.

- For the entire evaluation period, an officer served on the Board of an organization that provides assistance with food, clothing and living expenses to low-income families.
- For the entire evaluation period, an officer served on the Board of an organization that administers loan programs to provide needed capital for business expansion and growth.
- In terms of retail banking services, based on 2020 Census data, the bank operated both of its full-service offices and two deposit-taking ATMs in distressed middle-income census tracts. These offices and ATMs help provide access to services to low- and moderate-income individuals.

AUBURN-OPELIKA MSA ASSESSMENT AREA – Limited-Scope Review

DESCRIPTION OF INSTITUTION’S OPERATIONS IN THE AUBURN-OPELIKA MSA ASSESSMENT AREA

The assessment area includes all of Lee County, which comprises the Auburn-Opelika MSA. The table below outlines select demographic data of this assessment area based on the 2020 Census data and 2023 D&B data.

Demographic Information of the Auburn-Opelika MSA Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	48	4.2	25.0	37.5	20.8	12.5
Population by Geography	174,241	3.6	20.2	46.3	21.4	8.5
Housing Units by Geography	70,256	4.1	22.0	45.7	20.8	7.3
Owner-Occupied Units by Geography	38,483	2.3	21.3	48.4	25.2	2.8
Occupied Rental Units by Geography	22,248	6.7	21.7	44.7	15.2	11.7
Vacant Units by Geography	9,525	5.5	25.4	37.3	16.6	15.3
Businesses by Geography	15,358	2.1	20.0	42.6	27.0	8.3
Farms by Geography	467	3.0	21.6	42.0	28.9	4.5
Family Distribution by Income Level	37,681	23.5	15.5	19.7	41.2	0.0
Household Distribution by Income Level	60,731	28.9	13.5	14.0	43.6	0.0
Median Family Income MSA - 12220 Auburn-Opelika, AL MSA		\$75,091	Median Housing Value			\$169,421
			Median Gross Rent			\$861
			Families Below Poverty Level			10.5%
<i>Source: 2020 U.S. Census and 2023 D&B Data</i> <i>Due to rounding, totals may not equal 100.0%.</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

As shown in the following table, the unemployment rates for Lee County were below the national and state rates.

Unemployment Rates			
Area	2021	2022	2023
	%	%	%
Lee County	2.8	2.3	2.3
State	3.4	2.5	2.5
Nation	5.4	3.6	3.6
<i>Source: Bureau of Labor Statistics</i>			

There is a good amount of competition for deposits in the assessment area. In addition, to competing with large national and regional banks, MidSouth Bank competes with credit unions and finance companies. As of June 30, 2023, 19 FDIC-insured institutions operated 42 offices within this area. Of these institutions, MidSouth Bank ranked seventeenth in total deposits with a market share of 0.4 percent. The top three institutions were AuburnBank; SouthState Bank, N.A.; and Regions Bank, collectively accounting for 38.0 percent of the total market share.

There is a good amount of competition for small business loans in the assessment area. To provide context, aggregate data for 2022 reflects 79 lenders reported 3,298 small business loans in this area. The three most prominent small business lenders were American Express National Bank; JPMorgan Chase Bank, NA; and Capital One, N.A., collectively accounting for 45.9 percent of the total market share by number of loans.

Significant competition exists in the assessment area for home mortgage loans among banks, credit unions, and non-depository mortgage lenders. In 2022, 299 lenders reported 5,764 originated or purchased home mortgage loans. The top five home mortgage originators (by number of loans) were River Bank & Trust, Trustmark National Bank, CMG Mortgage Inc., PennyMac Loan Services LLC, and Rocket Mortgage. Collectively, these leading institutions account for 26.3 percent of the total market share.

CONCLUSIONS ON PERFORMANCE CRITERIA IN AUBURN-OPELIKA MSA ASSESSMENT AREA

LENDING TEST

The bank’s lending performance in the assessment area is consistent with the bank’s lending performance in the state.

Small Business Loans

Geographic Distribution of Small Business Loans in Auburn-Opelika MSA Assessment Area					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low	2.1	0	0.0	0	0.0
Moderate	20.0	4	16.7	1,282	31.0
Middle	42.6	5	20.8	775	18.7
Upper	27.0	5	20.8	1,340	32.3
Not Available	8.3	10	41.7	746	18.0
Totals	100.0	24	100.0	4,143	100.0

*Source: 2023 D&B Data, Bank Data.
Due to rounding, totals may not equal 100.0%.*

Distribution of Small Business Loans by Gross Annual Revenue Category in Auburn-Opelika MSA Assessment Area					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000	89.0	6	25.0	1,508	36.4
>\$1,000,000	2.3	18	75.0	2,635	63.6
Revenue Not Available	8.7	0	0.0	0	0.0
Total	100.0	24	100.0	4,143	100.0
<i>Source: 2023 D&B Data, Bank Data. Due to rounding, totals may not equal 100.0%.</i>					

Home Mortgage Loans

Geographic Distribution of Home Mortgage Loans in Auburn-Opelika MSA Assessment Area					
Tract Income Level	% of Owner-Occupied Housing Units	#	%	\$(000s)	%
Low	2.3	0	0.0	0	0.0
Moderate	21.3	2	33.3	112	26.5
Middle	48.4	2	33.3	195	46.1
Upper	25.2	2	33.3	116	27.4
Not Available	2.8	0	0.0	0	0.0
Total	100.0	6	100.0	423	100.0
<i>Source: 2020 U.S. Census, Bank Data Due to rounding, totals may not equal 100.0%.</i>					

COMMUNITY DEVELOPMENT TEST

The institution's community development performance in the assessment area is consistent with the institution's community development performance in the Dothan MSA assessment area within the state that was reviewed using full-scope examination procedures. Please refer to the State of Alabama section for information on the community development loans, qualified investments, and community development services made in this assessment area.

FLORIDA

CRA RATING FOR FLORIDA: SATISFACTORY

The Lending Test is rated: Satisfactory

The Community Development Test is rated: Outstanding

DESCRIPTION OF INSTITUTION'S OPERATIONS IN FLORIDA

MidSouth Bank designated three assessment areas in Florida. Due to the opening of an office in Tallahassee in June 2021, the bank added Leon County in the Tallahassee MSA as an assessment area. Refer to the following table for more information.

Description of Assessment Areas in Florida			
Assessment Area	Counties in Assessment Area	# of CTs	# of Branches
Panama City MSA	Bay	50	2
Crestview-Fort Walton Beach-Destin MSA	Okaloosa	49	1
Tallahassee MSA	Leon	79	1

Source: Bank Data and 2020 Census Data

SCOPE OF EVALUATION – FLORIDA

The evaluation of MidSouth Bank's performance in Florida considered the bank's operations in three assessment areas. Based on the number of loans and branches, as well as dollar volume of deposits, examiners conducted a full-scope review of the bank's performance in the Panama City MSA assessment area. Examiners conducted limited-scope reviews of the bank's performance in the Crestview-Fort Walton Beach-Destin MSA and Tallahassee MSA assessment areas. Examiners gave more weight to the bank's performance in the Panama City MSA assessment area because a majority of the bank's lending and operations are in this assessment area. Additionally, examiners gave small business loans more weight than home mortgage loans based on the number and dollar volume of these loans.

CONCLUSIONS ON PERFORMANCE CRITERIA IN FLORIDA

LENDING TEST

The Lending Test rating for Florida is satisfactory. The reasonable geographic distribution of loans supports this conclusion. The distribution of borrowers reflects poor penetration among business customers of different sizes.

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the assessment areas. Performance is consistent for the assessment areas within the rated area.

Borrower Profile

The distribution of borrowers reflects poor penetration among business customers of different sizes. Performance is consistent for the assessment areas within the rated area.

COMMUNITY DEVELOPMENT TEST

MidSouth Bank’s community development performance demonstrates excellent responsiveness to community development needs in Florida through community development loans, qualified investments, and community development services, as appropriate, considering the bank’s capacity and the need and availability of such opportunities for community development in the assessment area. Overall performance is consistent throughout the rated area.

Community Development Loans

During the evaluation period, MidSouth Bank originated or renewed 22 community development loans totaling \$18.9 million in Florida. This performance represents 26.8 percent, by number of loans, and 31.7 percent, by dollar volume, of total bank-wide community development loans. As illustrated in the following table, the bank exhibited its strongest performance in the Panama City MSA assessment area.

Community Development Lending by Assessment Area										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Total	
	#	\$	#	\$	#	\$	#	\$	#	\$
Panama City MSA	-	-	-	-	5	12,492	4	345	9	12,837
Crestview-FWB-Destin MSA	-	-	-	-	-	-	1	55	1	55
Tallahassee MSA	-	-	2	505	2	1,103	3	27	7	1,635
Statewide Activities	2	320	-	-	2	3,972	1	92	5	4,384
Total	2	320	2	505	9	17,567	9	519	22	18,911

Source: Bank Data

The following examples detail community development loans that benefitted the statewide area.

- In 2023, the bank originated a \$2.2 million SBA 504 loan in Santa Rosa County, which borders Okaloosa County. The loan will create 23 jobs.
- In 2021, the bank made a \$92,200 SBA PPP loan to a business in a low-income census tract

in Gadsden County, which is part of the Tallahassee MSA.

Qualified Investments

MidSouth Bank made 79 qualified investments and donations, totaling \$3.7 million, in Florida. This performance represents 24.5 percent, by number, and 34.0 percent, by dollar volume, of total bank-wide qualified investments. During the evaluation period, the bank purchased two securities backed by mortgages to low-and moderate-income people in the bank’s Florida assessment areas for \$3.7 million. The following table reflects the bank’s qualified investment activity by year and purpose.

Community Development Services by Assessment Area										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Total	
	#	\$	#	\$	#	\$	#	\$	#	\$
Panama City MSA	-	-	20	4	-	-	-	-	20	4
Crestview-FWB-Destin MSA	-	-	14	10	2	0	-	-	16	10
Tallahassee MSA	-	-	29	18	12	8	-	-	41	26
Regional Activities	2	3,700	-	-	-	-	-	-	2	3,700
Total	2	3,700	63	32	14	8	-	-	79	3,740
<i>Source: Bank Data</i>										

Community Development Services

MidSouth Bank employees performed 50 community development services in the rated area. This performance represents 34.5 percent of total bank-wide community development services. The following table details the services by area and purpose.

Community Development Services by Assessment Area					
Assessment Area	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
Panama City MSA	-	17	-	-	17
Crestview-FWB-Destin MSA	-	8	3	-	11
Tallahassee MSA	-	22	-	-	22
Total	-	47	3	-	50
<i>Source: Bank Data</i>					

PANAMA CITY MSA ASSESSMENT AREA – Full-Scope Review

DESCRIPTION OF INSTITUTION’S OPERATIONS IN PANAMA CITY MSA ASSESSMENT AREA

This assessment area includes all of Bay County, which comprises the Panama City MSA.

Economic and Demographic Data

From the 2015 American Community Survey to the 2020 Census, the number of census tracts increased by six. The number of low-income census tracts declined from two to one, but the number of moderate-income census tracts increased from nine to twelve. The poverty rate decreased by almost two percentage points. The table below outlines select demographic data of this assessment area based on the 2020 Census data and 2023 D&B data.

Demographic Information of the Panama City MSA Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	50	2.0	24.0	48.0	24.0	2.0
Population by Geography	175,216	2.3	22.5	49.3	26.0	0.0
Housing Units by Geography	104,060	1.9	20.0	53.8	24.4	0.0
Owner-Occupied Units by Geography	49,474	1.6	19.2	48.7	30.5	0.0
Occupied Rental Units by Geography	24,062	3.2	30.5	49.4	16.8	0.0
Vacant Units by Geography	30,524	1.1	13.1	65.5	20.4	0.0
Businesses by Geography	40,099	2.1	20.7	50.6	26.6	0.0
Farms by Geography	1,055	2.1	20.7	50.4	26.8	0.0
Family Distribution by Income Level	47,432	18.3	19.3	21.9	40.5	0.0
Household Distribution by Income Level	73,536	22.2	16.4	19.9	41.5	0.0
Median Family Income MSA - 37460 Panama City, FL MSA		\$68,575	Median Housing Value			\$203,088
			Median Gross Rent			\$1,119
			Families Below Poverty Level			8.9%
<i>Source: 2020 U.S. Census and 2023 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.</i>						

The following table reflects the low-, moderate-, middle-, and upper-income categories for the MSA based on FFIEC data.

Median Family Income Ranges Panama City MSA				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
2023 (\$78,700)	<\$39,350	\$39,350 to <\$62,960	\$62,960 to <\$94,440	≥\$94,440
<i>Source: FFIEC</i>				

As shown in the following table, the unemployment rates for Bay County were below the state and national rates.

Unemployment Rates			
Area	2021	2022	2023
	%	%	%
Bay County	4.0	2.8	2.8
State	4.7	3.0	2.9
Nation	5.4	3.6	3.6
<i>Source: Bureau of Labor Statistics</i>			

According to D&B data, in 2023, the assessment area’s largest industries included services at 32.0 percent, non-classifiable establishments at 28.7 percent, and construction at 11.0 percent. According to the Bay County Chamber of Commerce, major county employers include Tyndall Air Force Base (6,416 employees), Naval Support Activity (4,931 employees), Bay District Schools (3,943 employees), and Bay Medical Sacred Heart (1,864 employees). Moody's *Economy.com, Inc., Précis Metro*, dated April 2023, noted that job growth has slowed with retailers and goods producers accounting for the majority of the slowdown. The economy is reliant on tourism and the military. The wage in the tourism industry is approximately 43 percent lower than the area’s average wage.

Competition

There is a high level of competition for deposits in the Panama City MSA assessment area. In addition to competing with large regional banks, MidSouth Bank competes with local banks, credit unions, and finance companies. As of June 30, 2023, 20 FDIC-insured institutions operated 52 offices within this area. Of these institutions, MidSouth Bank ranked thirteenth in total deposits with a market share of 1.4 percent. The top three institutions were Regions Bank, Trustmark National Bank, and Hancock Whitney Bank, collectively accounting for 44.7 percent of the total market share.

There is a high level of competition for small business loans in the assessment area. MidSouth Bank is not required to collect small business data; therefore, the analysis of small business loans under the Lending Test does not include a comparison against aggregate data. Aggregate data for 2023 is not yet available; however, to provide context, aggregate data for 2022 reflects 91 lenders reported 5,702 small business loans. The three most prominent small business lenders were American Express National Bank, Synchrony Bank, and JPMorgan Chase Bank, N.A, collectively accounting for 45.3 percent of the total market share by number of loans.

In addition, there is a high level of competition for home mortgage loans among several financial institutions. In 2022, 572 lenders reported 9,065 originated or purchased home mortgage loans.

The top five home mortgage originators (by number of loans) were Rocket Mortgage, Tyndall Federal Credit Union, Trustmark National Bank, United Wholesale Mortgage, and Regions Bank. Collectively, these leading institutions account for 21.1 percent of the total market share.

Community Contact

As part of the evaluation process, examiners conducted a new contact with an organization serving the assessment area to assist in identifying the credit needs. This information helps determine local financial institutions' responsiveness to these credit needs and shows available credit opportunities. The contact was with a non-profit organization, which provides affordable housing. The contact stated that every sector of the economy is impacted by the lack of affordable housing. Barriers to affordable housing include the lack of providers and accessibility to low-cost home sites.

Credit and Community Development Needs and Opportunities

Considering demographic and economic data and information from the community contact, examiners determined that small business loans represent a credit and community development need. The significant percentage of businesses with gross annual revenues of \$1 million or less at 92.1 percent and the number of businesses with four or fewer employees at 62.1 percent support this conclusion. In addition, affordable housing represents a credit need. The number of low-and moderate-income families at 37.6 percent support this conclusion.

CONCLUSIONS ON PERFORMANCE CRITERIA IN PANAMA CITY MSA ASSESSMENT AREA

LENDING TEST

The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. The distribution of borrowers reflects, given the demographics of the assessment area, poor penetration among businesses of different sizes.

Geographic Distribution

Overall, the geographic distribution of loans reflects reasonable dispersion throughout the assessment area, given that small business loans received more weight in the overall conclusion.

Small Business Loans

Overall, the geographic distribution of small business loans reflects reasonable dispersion throughout the assessment area. The bank made no loans in low-income census tracts; however, the bank's performance is reasonable since the percentage of businesses in these tracts is low. The bank's performance in moderate-income census tracts was slightly below the demographic data.

Geographic Distribution of Small Business Loans in Panama City MSA Assessment Area					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low	2.1	0	0.0	0	0.0
Moderate	20.7	6	18.8	2,440	35.5
Middle	50.6	17	53.1	2,309	33.6
Upper	26.6	9	28.1	2,125	30.9
Not Available	0.0	0	0.0	0	0.0
Totals	100.0	32	100.0	6,874	100.0

*Source: 2023 D&B Data; Bank Data
Due to rounding, totals may not equal 100.0%.*

Home Mortgage Loans

The geographic distribution of home mortgage loans is poor. The bank made no loans in low- or moderate-income census tracts.

Geographic Distribution of Home Mortgage Loans in Panama City MSA Assessment Area					
Tract Income Level	% of Owner-Occupied Housing Units	#	%	\$(000s)	%
Low	1.6	0	0.0	0	0.0
Moderate	19.2	0	0.0	0	0.0
Middle	48.7	4	50.0	1,110	42.3
Upper	30.5	4	50.0	1,512	57.7
Not Available	0.0	0	0.0	0	0.0
Total	100.0	8	100.0	2,622	100.0

*Source: 2020 U.S. Census, Bank Data
Due to rounding, totals may not equal 100.0%.*

Borrower Profile

The distribution of borrowers reflects poor penetration among business customers of different sizes.

Small Business Loans

The distribution of borrowers reflects poor penetration among business customers of different sizes. As shown in the following table, the bank's percentage of loans to businesses with revenues of \$1.0 million or less was well below demographic data. The bank does not originate credit card loans, which many of the smallest businesses use to fund operations.

Distribution of Small Business Loans by Gross Annual Revenue Category in the Panama City MSA Assessment Area					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000	92.1	18	56.3	3,208	46.7
>\$1,000,000	1.5	14	43.7	3,666	53.3
Revenue Not Available	6.4	0	0.0	0	0.0
Total	100.0	32	100.0	6,874	100.0

*Source: 2023 D&B Data, Bank Data.
Due to rounding, totals may not equal 100.0%.*

COMMUNITY DEVELOPMENT TEST

MidSouth Bank’s community development performance demonstrates excellent responsiveness to community development needs in the assessment area through community development loans, qualified investments, and community development services, as appropriate, considering the bank’s capacity and the need and availability of such opportunities for community development in the assessment area.

Community Development Loans

During the evaluation period, MidSouth Bank originated or renewed nine community development loans totaling \$12.8 million in the assessment area. The following table illustrates the bank’s community development loans by year and purpose.

Community Development Lending in Panama City MSA Assessment Area										
Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Total	
	#	\$	#	\$	#	\$	#	\$	#	\$
2021 (Partial)	-	-	-	-	1	1,500	3	145	4	1,645
2022	-	-	-	-	1	617	-	-	1	617
2023	-	-	-	-	3	10,375	1	200	4	10,575
2024 (YTD)	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	5	12,492	4	345	9	12,837

The following are examples of the bank’s community development loans in the assessment area.

- In 2021, the bank made three PPP loans in low- and moderate-income income census tracts totaling \$144,700.
- In 2023, the bank originated a \$8.4 million loan to build a hotel in a moderate-income census tract that will provide jobs for low- and moderate-income individuals.

Qualified Investments

Refer to the State of Florida section for information on the mortgage-backed securities that partially benefitted this assessment area. In addition, the bank made 20 donations totaling \$4,000 that provided essential community services to low- and moderate-income individuals.

Community Development Services

The bank provided 17 community development services that assisted low- and moderate- income people. For example, during the entire evaluation period, an employee served as a Board member of a non-profit organization that provides basic shelter, food, and non-residential aftercare for at risk and neglected kids. Additionally, during the entire evaluation period, an employee served as a Board member of an organization that serves low- and moderate-income families by providing support, education, and interventions to families who are at risk of poor birth outcomes or infants with delays in development.

**CRESTVIEW-FORT WALTON BEACH-DESTIN MSA ASSESSMENT AREA
– Limited-Scope Review**

DESCRIPTION OF INSTITUTION’S OPERATIONS IN THE CRESTVIEW-FORT WALTON BEACH-DESTIN MSA ASSESSMENT AREA

This assessment area comprises Okaloosa County, which is part of the Crestview-Fort Walton Beach-Destin MSA. The MSA also includes Walton County. The table below outlines select demographic data of this assessment area based on the 2020 Census data and 2023 D&B data.

Demographic Information of the Crestview-Fort Walton Beach-Destin MSA Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	49	6.1	18.4	42.9	28.6	4.1
Population by Geography	211,668	3.7	21.1	45.1	30.1	0.0
Housing Units by Geography	97,802	3.6	19.0	42.8	34.5	0.0
Owner-Occupied Units by Geography	52,273	1.9	17.9	47.4	32.8	0.0
Occupied Rental Units by Geography	26,962	8.1	28.6	38.4	24.9	0.0
Vacant Units by Geography	18,567	2.2	8.2	36.4	53.3	0.0
Businesses by Geography	44,027	5.4	17.2	42.1	35.3	0.0
Farms by Geography	1,157	4.1	17.6	52.5	25.8	0.0
Family Distribution by Income Level	51,719	19.5	18.7	21.6	40.2	0.0
Household Distribution by Income Level	79,235	22.5	17.1	18.7	41.7	0.0
Median Family Income MSA - 18880 Crestview-Fort Walton Beach-Destin, FL MSA		\$79,490	Median Housing Value			\$264,814
			Median Gross Rent			\$1,188
			Families Below Poverty Level			6.9%
<i>Source: 2020 U.S. Census and 2023 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.</i>						

As shown in the following table, the unemployment rates for Okaloosa County were below the state and national rates.

Unemployment Rates			
Area	2021	2022	2023
	%	%	%
Okaloosa County	3.4	2.5	2.6
State	4.7	3.0	2.9
Nation	5.4	3.6	3.6
<i>Source: Bureau of Labor Statistics</i>			

Competition

There is a high level of competition for deposits in the Crestview-Fort Walton Beach-Destin MSA assessment area. In addition to competing with national and large regional banks, MidSouth Bank competes with local banks, credit unions, and finance companies. As of June 30, 2023, 21 FDIC-insured institutions operated 56 offices within this area. Of these institutions, MidSouth Bank ranked last in total deposits with a market share of 0.5 percent. The top three institutions were Synovus Bank; Bank of America, N.A.; and Regions Bank, collectively accounting for 40.3 percent of the total market share.

In addition, there is competition for small business loans in the assessment area. MidSouth Bank is not required to collect small business data; therefore, the analysis of small business loans under the Lending Test does not include a comparison against aggregate data. Aggregate data for 2023 is not yet available; however, to provide context, aggregate data for 2022 reflects 94 lenders reported 6,296 small business loans. The three most prominent small business lenders were American Express National Bank; JPMorgan Chase Bank, N.A.; and Synchrony Bank, collectively accounting for 44.0 percent of the total market share by number of loans.

Aggregate HMDA data for 2023 is not available. As previously noted, MidSouth Bank was not required to report its home mortgage loan data in 2021 and 2022, and elected not to do so. However, to provide context, there is a high level of competition for home mortgage loans among several financial institutions. In 2022, 523 lenders reported 10,391 originated or purchased home mortgage loans. The top five home mortgage originators (by number of loans) were Broker Solutions, Inc.; Rocket Mortgage; PenneyMac Loan Services LLC; United Wholesale Mortgage, and Movement Mortgage, LLC. Collectively, these leading institutions account for 20.7 percent of the total market share.

CONCLUSIONS ON PERFORMANCE CRITERIA IN THE CRESTVIEW-FORT WALTON BEACH-DESTIN MSA ASSESSMENT AREA

LENDING TEST

The bank's lending performance in the assessment area is consistent with the bank's lending performance in the state.

Geographic Distribution of Small Business Loans in Crestview-Fort Walton Beach-Destin MSA Assessment Area					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low	5.4	0	0.0	0	0.0
Moderate	17.2	1	16.7	300	29.0
Middle	42.1	4	66.6	635	61.3
Upper	35.3	1	16.7	100	9.7
Not Available	0.0	0	0.0	0	0.0
Totals	100.0	6	100.0	1,035	100.0

*Source: 2023 D&B Data; Bank Data
Due to rounding, totals may not equal 100.0%.*

Distribution of Small Business Loans by Gross Annual Revenue Category in the Crestview-Fort Walton Beach-Destin MSA Assessment Area					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000	92.2	1	16.7	100	9.7
>\$1,000,000	1.4	3	50.0	775	74.9
Revenue Not Available	6.4	2	33.3	160	15.5
Total	100.0	6	100.0	1,035	100.0

*Source: 2023 D&B Data, Bank Data.
Due to rounding, totals may not equal 100.0%.*

The bank originated only two home mortgage loans in the assessment area. Therefore, examiners could not form meaningful conclusions on the bank’s performance.

COMMUNITY DEVELOPMENT TEST

The institution’s community development performance in the assessment area is consistent with the institution’s community development performance in the Panama City MSA assessment area within the state that was reviewed using full-scope examination procedures. Please refer to the State of Florida section for information on the community development loans, qualified investments, and community development services made in this assessment area.

TALLAHASSEE MSA ASSESSMENT AREA – Limited-Scope Review

DESCRIPTION OF INSTITUTION’S OPERATIONS IN THE TALLAHASSEE MSA ASSESSMENT AREA

This assessment area comprises Leon County, which is part of the Tallahassee MSA. The MSA also includes Gadsden, Jefferson, and Wakulla Counties. The table below outlines select demographic data of this assessment area based on the 2020 Census data and 2023 D&B data.

Demographic Information of the Tallahassee Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	79	16.5	17.7	27.8	31.6	6.3
Population by Geography	292,198	14.4	17.6	29.6	32.4	6.0
Housing Units by Geography	131,341	15.8	18.8	33.0	30.0	2.4
Owner-Occupied Units by Geography	61,283	4.6	12.1	33.3	50.0	0.0
Occupied Rental Units by Geography	55,247	25.5	25.6	32.9	11.7	4.4
Vacant Units by Geography	14,811	26.6	21.2	32.2	15.3	4.7
Businesses by Geography	60,927	8.6	15.7	39.2	34.2	2.2
Farms by Geography	1,517	6.1	13.2	36.5	43.5	0.7
Family Distribution by Income Level	61,961	20.7	15.7	18.8	44.8	0.0
Household Distribution by Income Level	116,530	24.9	15.3	16.6	43.2	0.0
Median Family Income MSA - 45220 Tallahassee, FL MSA		\$72,943	Median Housing Value			\$185,527
			Median Gross Rent			\$1,026
			Families Below Poverty Level			9.8%
<i>Source: 2020 U.S. Census and 2023 D&B Data</i> <i>Due to rounding, totals may not equal 100.0%.</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

As shown in the following table, for all years, the unemployment rates for Leon County were below the national rates. In 2021, the unemployment rate for Leon County was below the state rate. In 2022 and 2023, the rate was slightly higher than the state rate.

Unemployment Rates			
Area	2021	2022	2023
	%	%	%
Bay County	4.3	3.1	3.1
State	4.7	3.0	2.9
Nation	5.4	3.6	3.6
<i>Source: Bureau of Labor Statistics</i>			

There is a high level of competition for deposits in the Tallahassee MSA assessment area. In addition to competing with national and large regional banks, MidSouth Bank competes with local banks, credit unions, and finance companies. As of June 30, 2023, 19 FDIC-insured institutions operated 65 offices within this area. Of these institutions, MidSouth Bank ranked eighteenth in total deposits with a market share of 0.2 percent. The top three institutions were Wells Fargo Bank, N.A.; Capital City Bank; Bank of America, N.A.; and Truist Bank collectively accounting for 62.1 percent of the total market share.

In addition, there is competition for small business loans in the assessment area. Aggregate data for 2023 is not yet available; however, to provide context, aggregate data for 2022 reflects 84 lenders reported 7,182 small business loans. The three most prominent small business lenders were American Express National Bank; JPMorgan Chase Bank, N.A.; and Capital One, N.A., collectively accounting for 47.89 percent of the total market share by number of loans.

Significant competition exists in the assessment area for home mortgage loans among banks, credit unions, and non-depository mortgage lenders. In 2022, 408 lenders reported 7,325 originated or purchased home mortgage loans. The top five home mortgage originators (by number of loans) were LoanDepot.Com, LLC; University Lending Group, LLC; Movement Mortgage, LLC; Rocket Mortgage; and First Commerce Credit Union. Collectively, these leading institutions account for 24.0 percent of the total market share.

CONCLUSIONS ON PERFORMANCE CRITERIA IN THE TALLAHASSEE MSA ASSESSMENT AREA

LENDING TEST

The bank’s lending performance in the assessment area is consistent with the bank’s lending performance in the state.

Geographic Distribution of Small Business Loans in Tallahassee MSA Assessment Area					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low	8.6	0	0.0	0	0.0
Moderate	15.7	2	11.8	576	15.7
Middle	39.2	8	47.0	1,768	48.1
Upper	34.2	7	41.2	1,328	36.2
Not Available	2.2	0	0.0	0	0.0
Totals	100.0	17	100.0	3,672	100.0

*Source: 2023 D&B Data; Bank Data
Due to rounding, totals may not equal 100.0%.*

Geographic Distribution of Home Mortgage Loans Tallahassee MSA Assessment Area					
Tract Income Level	% of Owner-Occupied Housing Units	#	%	\$(000s)	%
Low	4.6	0	0.0	0	0.0
Moderate	12.1	5	55.6	1,662	75.7
Middle	33.3	3	33.3	386	17.6
Upper	50.0	1	11.1	148	6.7
Not Available	0.0	0	0.0	0	0.0
Total	100.0	9	100.0	2,196	100.0
<i>Source: 2020 U.S. Census, Bank Data</i>					
<i>Due to rounding, totals may not equal 100.0%.</i>					

Distribution of Small Business Loans by Gross Annual Revenue Category in the Tallahassee MSA Assessment Area					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000	91.6	7	41.2	1,356	36.9
>\$1,000,000	1.8	10	58.8	2,316	63.1
Revenue Not Available	6.6	0	0.0	0	0.0
Total	100.0	17	100.0	3,672	100.0
<i>Source: 2023 D&B Data, Bank Data</i>					
<i>Due to rounding, totals may not equal 100.0%.</i>					

COMMUNITY DEVELOPMENT TEST

The institution's community development performance in the assessment area is consistent with the institution's community development performance in the Panama City MSA assessment area within the state that was reviewed using full-scope examination procedures. Please refer to the State of Florida section for information on the community development loans, qualified investments, and community development services made in this assessment area.

APPENDICES

INTERMEDIATE SMALL BANK PERFORMANCE CRITERIA

Lending Test

The Lending Test evaluates the bank's record of helping to meet the credit needs of its assessment area(s) by considering the following criteria:

- 1) The bank's loan-to-deposit ratio, adjusted for seasonal variation, and, as appropriate, other lending-related activities, such as loan originations for sale to the secondary markets, community development loans, or qualified investments;
- 2) The percentage of loans, and as appropriate, other lending-related activities located in the bank's assessment area(s);
- 3) The geographic distribution of the bank's loans;
- 4) The bank's record of lending to and, as appropriate, engaging in other lending-related activities for borrowers of different income levels and businesses and farms of different sizes; and
- 5) The bank's record of taking action, if warranted, in response to written complaints about its performance in helping to meet credit needs in its assessment area(s).

Community Development Test

The Community Development Test considers the following criteria:

- 1) The number and amount of community development loans;
- 2) The number and amount of qualified investments;
- 3) The extent to which the bank provides community development services; and
- 4) The bank's responsiveness through such activities to community development lending, investment, and service needs.

SUMMARY OF RATINGS FOR RATED AREAS

Rated Area	Lending Test	Community Development Test	Rating
ALABAMA	Satisfactory	Outstanding	Satisfactory
FLORIDA	Satisfactory	Outstanding	Satisfactory

GLOSSARY

Aggregate Lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

American Community Survey (ACS): A nationwide United States Census survey that produces demographic, social, housing, and economic estimates in the form of five year estimates based on population thresholds.

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide nonmetropolitan median family income, if a person or geography is located outside an MSA.

Assessment Area: A geographic area delineated by the bank under the requirements of the Community Reinvestment Act.

Census Tract: A small, relatively permanent statistical subdivision of a county or equivalent entity. The primary purpose of census tracts is to provide a stable set of geographic units for the presentation of statistical data. Census tracts generally have a population size between 1,200 and 8,000 people, with an optimum size of 4,000 people. Census tract boundaries generally follow visible and identifiable features, but they may follow nonvisible legal boundaries in some instances. State and county boundaries always are census tract boundaries.

Combined Statistical Area (CSA): A combination of several adjacent metropolitan statistical areas or micropolitan statistical areas or a mix of the two, which are linked by economic ties.

Community Development: For loans, investments, and services to qualify as community development activities, their primary purpose must:

- (1) Support affordable housing for low- and moderate-income individuals;
- (2) Target community services toward low- and moderate-income individuals;
- (3) Promote economic development by financing small businesses or farms; or
- (4) Provide activities that revitalize or stabilize low- and moderate-income geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies.

Community Development Corporation (CDC): A CDC allows banks and holding companies to make equity type of investments in community development projects. Bank CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community. Bank CDCs are also tailored to their financial and marketing needs. A CDC may purchase, own, rehabilitate, construct, manage, and sell real property. Also, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the banking organization.

Community Development Financial Institutions (CDFIs): CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. A CDFI facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional financial institutions. Some basic types of CDFIs include community development banks, community development loan funds, community development credit unions, micro enterprise funds, and community development venture capital funds.

A certified CDFI must meet eligibility requirements. These requirements include the following:

- Having a primary mission of promoting community development;
- Serving an investment area or target population;
- Providing development services;
- Maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means;
- Not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

Community Development Loan: A loan that:

- (1) Has as its primary purpose community development; and
- (2) Except in the case of a wholesale or limited purpose bank:
 - (i) Has not been reported or collected by the bank or an affiliate for consideration in the bank's assessment area as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling loan (as described in Appendix A to Part 203 of this title); and
 - (ii) Benefits the bank's assessment area(s) or a broader statewide or regional area including the bank's assessment area(s).

Community Development Service: A service that:

- (1) Has as its primary purpose community development;
- (2) Is related to the provision of financial services; and
- (3) Has not been considered in the evaluation of the bank's retail banking services under § 345.24(d).

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, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Core Based Statistical Area (CBSA): The county or counties or equivalent entities associated with at least one core (urbanized area or urban cluster) of at least 10,000 population, plus adjacent counties having a high degree of social and economic integration with the core as measured through commuting ties with the counties associated with the core. Metropolitan and Micropolitan Statistical Areas are the two categories of CBSAs.

Distressed Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as distressed if it is in a county that meets one or more of the following triggers:

- (1) An unemployment rate of at least 1.5 times the national average;
- (2) A poverty rate of 20 percent or more; or
- (3) A population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent or more over the 5-year period preceding the most recent census.

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. Other family 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).

FFIEC-Estimated Income Data: The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and nonmetropolitan areas. The FFIEC uses American Community Survey data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

Full-Scope Review: A full-scope review is accomplished when examiners complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower profile, 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 do 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; and the disposition of the application (approved, denied, and withdrawn).

Home Mortgage Loans: Includes closed-end mortgage loans or open-end line of credits as defined in the HMDA regulation that are not an excluded transaction per the HMDA regulation.

Housing Unit: Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

Limited-Scope Review: A limited-scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area.

Performance under applicable tests is often analyzed using only quantitative factors (e.g., geographic distribution, borrower profile, total number and dollar amount of investments, and branch distribution).

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

Low Income Housing Tax Credit: The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended. It is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department distributes low-income housing tax credits to housing credit agencies through the Internal Revenue Service. The housing agencies allocate tax credits on a competitive basis.

Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits. Or, they may sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains throughout the compliance period, usually 30 years.

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 metropolitan area/assessment area.

Median Income: The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

Metropolitan Division (MD): A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area (MSA): CBSA associated with at least one urbanized area having a population of at least 50,000. The MSA comprises the central county or counties or equivalent entities 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 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 and less than 80 percent in the case of a geography.

Multi-family: Refers to a residential structure that contains five or more units.

Nonmetropolitan Area (also known as **non-MSA**): All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.

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 lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated Area: A rated area is a state or multistate metropolitan 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 multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

Rural Area: Territories, populations, and housing units that are not classified as urban.

Small Business Investment Company (SBIC): SBICs are privately-owned investment companies which are licensed and regulated by the Small Business Administration (SBA). SBICs provide long-term loans and/or venture capital to small firms. Because money for venture or risk investments is difficult for small firms to obtain, SBA provides assistance to SBICs to stimulate and supplement the flow of private equity and long-term loan funds to small companies. Venture capitalists participate in the SBIC program to supplement their own private capital with funds borrowed at favorable rates through SBA's guarantee of SBIC debentures. These SBIC debentures are then sold to private investors. An SBIC's success is linked to the growth and profitability of the companies that it finances. Therefore, some SBICs primarily assist businesses with significant growth potential, such as new firms in innovative industries. SBICs finance small firms by providing straight loans and/or equity-type investments. This kind of financing gives them partial ownership of those businesses and the possibility of sharing in the companies' profits as they grow and prosper.

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

Small Farm Loan: 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, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

Underserved Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as underserved if it meets criteria for population size, density, and dispersion indicating the area's population is sufficiently small, thin, and distant from a population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

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

Urban Area: All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, "urban" consists of territory, persons, and housing units in places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin).

"Urban" excludes the rural portions of "extended cities"; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.