



# INTERMEDIATE SMALL BANK

---

Comptroller of the Currency  
Administrator of National Banks

---

Washington, DC 20219

## PUBLIC DISCLOSURE

March 01, 2011

### COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Midsouth Bank, National Association  
Charter Number 18484

102 Versailles Boulevard  
Lafayette, LA 70501-0000

Office of the Comptroller of the Currency

David A. Clay ADC-New Orleans Field Office  
3838 North Causeway Blvd. Suite 2890  
Metairie, LA. 70002-8105

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

# TABLE OF CONTENTS

<b>INSTITUTION'S CRA RATING</b> .....	<b>2</b>
<b>SCOPE OF EXAMINATION</b> .....	<b>2</b>
<b>DESCRIPTION OF INSTITUTION</b> .....	<b>2</b>
<b>SELECTION OF AREAS FOR FULL-SCOPE REVIEW</b> .....	<b>3</b>
<b>RATINGS</b> .....	<b>3</b>
<b>LOAN-TO-DEPOSIT RATIO</b> .....	<b>4</b>
<b>FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW</b> .....	<b>4</b>
<b>STATE RATING</b> .....	<b>5</b>
STATE OF LOUISIANA .....	5
<b>STATE RATING</b> .....	<b>15</b>
STATE OF TEXAS .....	15
<b>APPENDIX A: SCOPE OF EXAMINATION</b> .....	<b>1</b>
<b>APPENDIX B: SUMMARY OF STATE RATINGS</b> .....	<b>1</b>

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

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

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

- A substantial majority of the bank's loans are within their assessment areas (AAs).
- Midsouth's loan to deposit ratio is reasonable compared to peer average.
- The bank's geographic dispersion of loans is reasonable. Their penetration of loans by income level is also reasonable.
- MidSouth has demonstrated adequate responsiveness to meeting the needs of the community through community development (CD) lending, investments and providing CD services.

## **Scope of Examination**

MidSouth qualifies as an Intermediate Small Bank under the CRA regulation and is therefore subject to being evaluated under the lending and CD tests.

The scope of this evaluation included all loans subject to filing under the Home Mortgage Disclosure Act (HMDA). The bank also chose to voluntarily collect data subject to filing under CRA and this data was used to evaluate the bank's small business/small farm lending performance. The scope of the CD test will include all activity which meets the definition of CD loans, investments and services.

The evaluation period under the lending test includes all loans originated or purchased from July 1, 2007 until December 31, 2010. The evaluation period for CD loans, investments and services includes all activities from July 1, 2007 until July 30, 2011.

## **Description of Institution**

Midsouth Bank, National Association (MSB) is a \$1 billion interstate financial institution headquartered in Lafayette, Louisiana. MSB has 34 banking offices and 50 ATMs located in 8 AAs throughout Louisiana and Texas. The Louisiana assessment areas include all or portions of the Baton Rouge, Houma, Lafayette, and Lake Charles MSAs and a nonMSA AA. In Texas, the bank's AAs include portions of the Beaumont, College Station and Houston MSAs.

MSB is wholly owned by MidSouth Bancorp, Inc. (NYSE Amex: MSL) which is now a one bank holding company also headquartered in Lafayette, Louisiana. In March 2008, MidSouth Bancorp, Inc. merged MidSouth Bank, Texas into the Louisiana bank.

On July 29, 2011, MSB continued to expand into the Texas market with the acquisition of assets previously owned by Jefferson Bank. With this acquisition, MSB purchased 5 banking offices, \$164 million in deposits and \$70 million in loans in the Dallas-Fort Worth area. The Dallas and Fort Worth MSAs were not included in this evaluation.

The bank's largest presence is in the Lafayette AA which includes St. Martin and Lafayette Parishes in their entirety. All the bank's AAs include whole geographies which meet the regulatory requirements and do not arbitrarily exclude any low- or moderate-income areas.

As of 06/30/2011, the bank had total deposits of \$856 million and equity capital of \$124 million. MSB is primarily a commercial lender as illustrated by their loan mix. As of 6/30/2011, the bank's loan portfolio was comprised of the following: residential real estate loans 14.88 percent, consumer loans 9.75 percent, agricultural loans 2.27 percent, and commercial loans 73.10 percent.

The bank offers a full range of banking services to commercial and retail customers in south Louisiana and the southeastern portion of Texas. While the bank does offer short-term residential loans, customers desiring 20 or 30 year fixed rate mortgage loans are referred to the bank's mortgage division. The mortgage division brokers these loan applications to the investor's underwriters.

Midsouth received a Satisfactory rating during their previous CRA examination dated January 30, 2008. The bank has no legal or financial impediments which prevents them from meeting the credit needs of the community.

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

In each state where the bank has an office, a sample of AAs within that state was selected for full-scope reviews. In the state of Louisiana, we selected the Lafayette MSA and nonMSA AAs to receive full-scope reviews. In the state of Texas, the Beaumont AA was selected to receive a full-scope review.

Refer to the "Scope" section under each State for details regarding how the areas were selected.

## **Ratings**

The bank's overall rating is a blend of the state ratings for Louisiana and Texas. However, the state of Louisiana received the vast majority of the weight as the majority of the bank's lending activity, branching network and deposit base is located in that state.

The ratings for the states of Louisiana and Texas are based primarily on those assessment areas that received a full-scope review. Refer to the "Scope" section under each State for details regarding how the areas were weighted in arriving at the respective ratings.

# Conclusions with Respect to Performance Criteria

## Loan-to-Deposit Ratio

The bank’s quarterly average loan-to-deposit (LTD) ratio is reasonable at 72.31 percent compared to a peer average of 77.57 percent. During the 13 quarters since their last CRA examination, MSBs LTD ranged from a low of 66.45 percent to a high of 78.28 percent.

We did not identify any similarly situated institutions that operate in the bank’s primary market areas; however, we did identify 4 peer banks with similar asset size. The peer banks were financial institutions in the state of Louisiana with assets between \$894 million and \$1.2 billion and had LTD ratios that ranged from a high of 89.65 percent to a low of 71.03 percent.

## Lending in Assessment Area

MSB’s lending in its AA reflects excellent performance. A substantial majority of the bank’s loans were made inside their AAs during this evaluation period. Overall, 92 percent of the number of loans and 88 percent of the dollar amount of loans originated and/or purchased during this evaluation period were inside the bank’s AAs. This assessment was made on the entire bank rather than by assessment area. A breakdown of the individual loan product follows:

Source: Data reported under HMDA and CRA.

Note: Preapprovals for Mobile home loans are included in the Home Purchase loans totals. The property address of these loans was unknown and therefore they were coded as N/A on the HMDA LAR. These loans were included in the totals for loans made outside the AA and skewed the inside/outside percentages for home purchase loans.

**Table 1 - Lending in AAs**

Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	134	54.03	114	45.97	100	14,343	59.11	9,923	40.89	100
Home Improvement	505	93.17	37	6.83	100	9,517	91.12	928	8.88	100
Refinance	359	91.35	34	8.65	100	35,036	90.62	3,626	9.38	100
	998	84.36	185	15.64	100	58,896	80.27	14,477	19.73	100

## Fair Lending or Other Illegal Credit Practices Review

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

# State Rating

## State of LOUISIANA

### **CRA Rating for Louisiana:1 Satisfactory.**

<sup>1</sup> For institutions with branches in two or more states in a multistate metropolitan area, this statewide evaluation does not reflect performance in the parts of this state contained within the multistate metropolitan area. Refer to the multistate metropolitan area rating and discussion for the rating and evaluation of the institution's performance in that area.

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

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

The bank's geographic dispersion of loans is reasonable. Their penetration of loans by income level is also reasonable.

MSB has demonstrated adequate responsiveness to meeting the needs of the community through CD lending, investments and providing CD services.

## **DESCRIPTION OF INSTITUTION'S OPERATIONS IN LOUISIANA**

MSB's largest presence is in the state of Louisiana where 28 of their 35 banking offices are located and 84 percent of their total deposit base. The bank has 5 AAs in the state including all or portions of the Baton Rouge, Houma, Lafayette and Lake Charles MSAs and a nonMSA AA. The Lafayette and nonMSA AAs represents 64 percent of the bank's branching network, 87 percent of their deposit base and 80 percent of the loans originated and/or purchased during this evaluation period.

The Lafayette MSA is located in south-central Louisiana and is composed of Lafayette and St. Martin Parishes in their entirety. This AA includes 50 census tracts of which 4 are designated as low-income, 8 moderate-income, 23 middle-income and 15 as upper-income. According to 2000 census data, there are 239 thousand individuals living in the AA, 23 thousand businesses and 442 farms. About 17 percent of the households live below the poverty level and the median housing value is \$87,682.

The Lafayette MSA is located in an oil-rich area not far from the coast. As a result, the area became a prime spot to locate service firms, fabricators and other companies that do business with extraction firms exploring south Louisiana and in the Gulf of Mexico. The MSA derives 11 percent of its jobs (about 16,700) directly from the exploration industry. Other major employers in the area include Stuller Settings (largest jewelry setting manufacturer) with 1,350 employees, Cingular Wireless cell center (1,200 employees) and Walmart and Magnolia Distribution centers. The unemployment rate for the MSA was 6.2 percent as of November 2010.

Competition in the AA is moderate. There are 26 financial institutions with 123 banking offices that operate in this AA. Major competition is provided by regional and multi-national institutions such as IberiaBank, JP Morgan Chase, and Capital One. MSB has 11 banking offices in this AA and is ranked number 4 with a deposit market share of 7.56 percent.

MSB's second largest AA in the state is the nonMSA AA which includes Iberia, Jefferson Davis, St. Landry, and St. Mary Parishes in their entirety. The AA includes 57 census tracts of which 2 are low-income, 14 moderate-income, 29 middle-income, 11 upper-income and 1 tract is not designated. The AA has a population of 246 thousand individuals and has 26,931 low- and moderate-income families. Approximately 20 thousand business and 591 farms operate in the AA. According to 2000 census data, the median housing value is \$58,449 and 25 percent of the households live below the poverty level.

Competition in this AA is also modest. There are 30 financial institutions with 109 banking offices in this AA. MSB has 7 banking offices in this AA and is ranked 9<sup>th</sup> with a deposit market share of 4.23 percent. Major competition is provided by regional and multi-national institutions such as IberiaBank, Regions, Whitney, Teche Federal Bank, Capital One, and JP Morgan Chase.

## **SCOPE OF EVALUATION IN LOUISIANA**

The Lafayette MSA and the nonMSA AA received full-scope reviews. In the state of Louisiana, these combined AAs represent over 64 percent of the bank's branching network, 87 percent of their deposits and 80 percent of the loan originated and/or purchased during this evaluation period. Both the Lafayette and nonMSA AA received equal weight during this evaluation.

In terms of individual loans products, small loans to businesses received the most weight followed by HMDA loans. Small farm loans received the least weight of the 3 loan products. MSB is primarily a commercial lender and the bank made more commercial loans during this evaluation period than HMDA or small farm loans. MSB made a total of 2,459 small loans to businesses in the combined Lafayette and nonMSA AAs compared to 752 HMDA loans and 115 small farm loans.

In terms of HMDA products, the bank made a total of 75 home purchase loans, 441 home improvement and 238 refinance loans in these combined AAs. Therefore, home improvement loans will receive the most weight followed by refinance loans and home purchase loans will receive the least weight of the 3 products.

This weighting is reflective of the bank's lending strategy and overall lending performance during this evaluation period.

Small farm loans were not evaluated in the Lafayette AA as the bank made 5 small farm loans during this evaluation period and any analysis performed on these loans would be meaningless. However, small farm loans were evaluated for the nonMSA AA as the bank made a total of 110 small farm loans during this evaluation period.

The Baton Rouge, Houma, and Lake Charles AAs received limited-scope reviews. The lending and CD test ratings for the state of Louisiana are based primarily on results of those areas that received full-scope reviews.

The opportunity to make CD loans and investments and provide CD services in the Lafayette and nonMSA AAs is moderate. We identified a Community Development Corporation (CDC), a Community Development Financial Institution (CDFI), a redevelopment fund, and three other community organizations that provide affordable housing and financial services to the low- and moderate-income individuals in the community.

In conjunction with this examination, we conducted one community contact in the nonMSA AA. The type of organization contacted was a CDFI that provides affordable housing loans to low- and moderate-income individuals. The CDFI identified a need for more affordable housing and micro-business loans. In terms of financial services, the organization identified a need for credit counseling and home ownership counseling in this AA.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN LOUISIANA**

The bank's performance in the limited-scope AAs is consistent with the bank's Satisfactory performance in the full-scope AAs in the state of Louisiana.

### **LENDING TEST**

The bank's performance under the lending test in state of Louisiana is rated Satisfactory.

The bank's geographic dispersion of loans is reasonable. Their penetration of loans by income level is also reasonable.

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

Overall, the penetration of loans is reasonable in both the Lafayette and nonMSA AAs. In both Lafayette and the nonMSA AA, the bank's distribution of loans to small businesses and HMDA loans is reasonable whereas their distribution of loans to small farms is excellent.

##### **Lafayette MSA AA**

The bank's distribution of small loans to businesses is reasonable. Their distribution of loans is lower than the percentage of businesses in the AA with revenues less than \$1 million. However, this analysis is somewhat skewed by the fact that demographic data shows a large percentage of the businesses have revenues which are unknown. As illustrated in the chart below, a reasonable percentage of the bank's loans were to businesses for smaller dollar amounts.



Source:  
data

**Table 1 - Lending in AAs**

CRA

Loan Type	Number of Loans				Dollars of Loans				Total	
	Inside		Outside		Inside		Outside			
	#	%	#	%	\$	%	\$	%		
Home	134	54.03	114	45.97	100	14,343	59.11	9,923	40.89	100

collected by the bank; 2010 Dunn and Bradstreet

Source:  
CRA data  
collected  
by the  
bank.  
MSB's

**Table 1 - Lending in AAs**

Loan Type	Number of Loans				Dollars of Loans				Total
	Inside		Outside		Inside		Outside		
	#	%	#	%	\$	%	\$	%	

Home	134	54.03	114	45.97	100	14,343	59.11	9,923	40.89	100
------	-----	-------	-----	-------	-----	--------	-------	-------	-------	-----

distribution of home improvement loans is excellent. The bank's distribution of loans to low-income borrowers is near the percentage of low-income families in the AA. Their distribution of loans to moderate-income families significantly exceeds the demographic comparator.

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

**Table 1 - Lending in AAs**

Loan Type	Number of Loans				Dollars of Loans				Total
	Inside		Outside		Inside		Outside		
	#	%	#	%	\$	%	\$	%	

Home	134	54.03	114	45.97	100	14,343	59.11	9,923	40.89	100
------	-----	-------	-----	-------	-----	--------	-------	-------	-------	-----

In  
terms  
of

home purchase and refinance loans, the bank's performance is reasonable. The bank's distribution of loans to low-income borrowers is significantly lower than the demographic comparators for both products. However, when we consider the fact that longer-term residential loans are underwritten by investors coupled with demographics of the AA, the bank's performance is considered reasonable. Demographic data shows that the updated 2010 median family income was \$58,300 which means that low-income families earn less than \$29,150. When we considered that the median housing value for 2010 was \$138 thousand (Neilson Solution Center – July 2010 report), we concluded that most low-income families would be unable to purchase and maintain a home in this AA.

The bank's distribution of loans to moderate-income borrowers is good. Their distribution of home purchase loans is near the demographic comparator whereas their distribution of refinance loans significantly exceeds the percentage of moderate-income families in the AA.

NonMSA AA

MSB's distribution of both small business and HMDA loans is reasonable.

The bank's percentage of loans to small businesses is near the demographic comparator. However, over 20 percent of the businesses in the AA have revenues which are unknown and this fact could skew the analysis. However, about 82 percent of the loans made during this evaluation period were for amounts less than \$100 thousand which indicates that the bank is meeting those needs identified by businesses for smaller dollar loans.

Source:

CRA

data **Table 1 - Lending in AAs**

Loan Type	Number of Loans				Dollars of Loans				Total	
	Inside		Outside		Inside		Outside			
	#	%	#	%	\$	%	\$	%		
Home	134	54.03	114	45.97	100	14,343	59.11	9,923	40.89	100

collected by the bank; 2010 Dunn and Bradstreet

Source:

CRA data **Table 1 - Lending in AAs**

collected

by the

bank

In

terms

of small

business

loans to

farms, the

bank's

distribution

of loans

is excellent.

During

this

evaluation

period,

the bank

made

99.09

percent

of their

loans to

farms with

revenues

less than

\$1 million

compared

to 96.62

percent

of the

farms in

the

assessment

with

revenues

less than

\$1 million.

In

addition,

about

70

percent

of all

loans

made

were for

amounts

less than

\$100

thousand.

Source:

CRA

data **Table 1 - Lending in AAs**

Loan Type	Number of Loans				Dollars of Loans				Total	
	Inside		Outside		Inside		Outside			
	#	%	#	%	\$	%	\$	%		
Home	134	54.03	114	45.97	100	14,343	59.11	9,923	40.89	100

collected by the bank; 2010 Dunn and Bradstreet

The bank made 37 home purchase loans, 204 home improvement and 124 refinance loans during this evaluation period.

The bank's distribution of home improvement loans is reasonable. Their distribution of loans to low-income families is significantly lower than the demographics whereas their

distribution of loans to moderate-income families is near the demographic comparator. The bank's distribution of home purchase and refinance loans is poor. The bank made no home purchase loans to low-income families during this evaluation period and their distribution of loans to moderate-income families was significantly lower than the demographic comparator. Their distribution of refinance loans to both low- and moderate-income families is also significantly lower than the demographics.

Source: **Table 1 - Lending in AAs**

Data reported under	Loan Type	Number of Loans				Dollars of Loans				Total	
		Inside		Outside		Inside		Outside			
		#	%	#	%	\$	%	\$	%		
	Home Purchase	134	54.03	114	45.97	100	14,343	59.11	9,923	40.89	100
	Home Improvement	505	93.17	37	6.83	100	9,517	91.12	928	8.88	100

HMDA; U.S. Census data.

In addition to considering the lending strategy, we also considered the demographics of the AA. Approximately 22 percent of the families in the AA live below the poverty level. In addition, the 2010 updated median family income for the AA was \$44,100 which means that low-income families earn less than \$22,050 and moderate-income families earn less than \$35,280. Given that recent housing values in the region are \$138 thousand, most low- and moderate-income families are unable to purchase and thus refinance a home in this AA.

Overall, the bank's dispersion of loans in the limited-scope AAs is reasonable. In reaching this conclusion, we did not analyze the bank's HMDA performance in the Baton Rouge AA or their home purchase performance in the Houma AA as the bank made a nominal number of these type loans in these areas.

### Geographic Distribution of Loans

Overall, the geographic distribution of loans is reasonable. The distribution of both HMDA and small business loans is reasonable.

#### Lafayette MSA AA

The geographic distribution of HMDA loans in the Lafayette AA is reasonable.

The bank made no home purchase or home improvement loans in low-income tracts and their distribution of refinance loans in low-income tracts is significantly lower than the percentage of owner-occupied units in these tracts. There are 4 low-income tracts in this AA which contain about 1,500 owner-occupied units. However, when we considered that the 37 percent of the families in these tracts live below the poverty level and that the median family income in these 4 tracts is \$19,414, we concluded that the bank's ability to make loans was limited.

**Table 1 - Lending in AAs**

Source: Data reported under HMDA; U.S. Census data. The bank's	Loan Type	Number of Loans					Dollars of Loans				
		Inside		Outside		Total	Inside		Outside		Total
		#	%	#	%		\$	%	\$	%	
	Home Purchase	134	54.03	114	45.97	100	14,343	59.11	9,923	40.89	100
	Home Improvement	505	93.17	37	6.83	100	9,517	91.12	928	8.88	100
	Refinance	250	61.25	154	38.75	100	25,026	60.62	16,276	40.38	100

distribution of loans in moderate-income tracts is near the demographic comparator for all three products.

The geographic distribution of loans to businesses is excellent. Their distribution of loans in low-income census tracts is near the percentage of businesses in these tracts, however the bank's distribution of loans in moderate-income tracts significantly exceeds the demographic comparator.

Source: CRA data collected by bank; 2010 Dunn and Bradstreet

**Table 1 - Lending in AAs**

Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	134	54.03	114	45.97	100	14,343	59.11	9,923	40.89	100

**NonMSA AA**

The geographic distribution of HMDA loans is also reasonable in the nonMSA AA.

The bank made no HMDA loans in low-income census tracts during this evaluation period. The AA has 2 low-income tracts and the opportunity to make HMDA loans in these tracts is also limited. These tracts contain about 1,300 families. Of these families, 591 (45 percent) live below the poverty level which means it would be difficult for them to purchase and maintain a home.

In moderate-income tracts, the bank's distribution of home improvement loans is near the percentage of owner-occupied units in the AA. In terms of home purchase and refinance loans, the bank's distribution of loans significantly exceeds and exceeds the demographic comparators, respectively.

**Table 1 - Lending in AAs**

Source: Data reported under HMDA; U.S. Census data. The bank's	Loan Type	Number of Loans					Dollars of Loans				
		Inside		Outside		Total	Inside		Outside		Total
		#	%	#	%		\$	%	\$	%	
	Home Purchase	134	54.03	114	45.97	100	14,343	59.11	9,923	40.89	100
	Home Improvement	505	93.17	37	6.83	100	9,517	91.12	928	8.88	100
	Business	250	91.25	24	8.65	100	25,026	90.62	2,626	9.28	100

distribution of small loans to businesses is reasonable. The bank made no loans in low-income census tracts however their distribution of loans in moderate-income tracts is near the demographic comparator.

*Source:* **Table 1 - Lending in AAs**

Source: CRA data collected by bank; 2010 Dunn and Bradstreet	Loan Type	Number of Loans					Dollars of Loans				
		Inside		Outside		Total	Inside		Outside		Total
		#	%	#	%		\$	%	\$	%	
	Home Purchase	134	54.03	114	45.97	100	14,343	59.11	9,923	40.89	100
	Home Improvement	505	93.17	37	6.83	100	9,517	91.12	928	8.88	100

The bank's distribution of small loans to farms is reasonable after considering the demographics of the AA. The bank made no loans in low-income tracts during this evaluation period and their distribution of loans in moderate-income tracts is significantly lower than the demographic comparator. The small number of farms operating in these tracts limits the bank's opportunity to make loans to these farms. In low-income tracts, there are only 4 farms and in moderate-income tracts there are 74 farms.

*Source:* **Table 1 - Lending in AAs**

Source: CRA data collected by bank; 2010 Dunn and Bradstreet	Loan Type	Number of Loans					Dollars of Loans				
		Inside		Outside		Total	Inside		Outside		Total
		#	%	#	%		\$	%	\$	%	
	Home Purchase	134	54.03	114	45.97	100	14,343	59.11	9,923	40.89	100
	Home Improvement	505	93.17	37	6.83	100	9,517	91.12	928	8.88	100

We reviewed the bank's lending patterns to determine whether there were gaps or areas of low penetration in the distribution of their loans. We did not identify any gaps or areas of low loan penetration. During this evaluation period, the bank made loans in most census tracts.

The bank's dispersion of loans in the limited-scope AAs is reasonable.

### **Responses to Complaints**

There were no CRA related complaints made against the bank during this evaluation period.

## **COMMUNITY DEVELOPMENT TEST**

The bank's performance under the community development test in the state of Louisiana is rated Satisfactory.

MSB has demonstrated adequate responsiveness to meeting the needs of the community through CD lending, investments and providing CD services.

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

MSB's CD lending in the Lafayette AA is adequate and their CD lending in the nonMSA AA is excellent.

During this evaluation period, MSB made one loan for a \$50 thousand revolving line of credit to a qualified CD organization in the Lafayette AA. This organization provides community services to low- and moderate-income families.

In the nonMSA AA, MSB made 3 qualified CD loans totaling \$4.9 million. The largest loan was \$4.7 million and was made to a tribal organization's development corporation to fund their operations. The development corporation was responsible for developing infrastructure for the tribe including providing schools, police, fire as well as repurchasing lost tribal land.

The bank made no CD loans in the limited-scope AAs during this evaluation period.

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

The bank's level of qualified CD investments is adequate.

During this evaluation period, MSB made 10 grants or donations totaling \$61 thousand to qualified CD organizations in the Lafayette AA. In addition, the bank has an outstanding investment of \$250 thousand from a prior period to an organization that supports crime prevention for low- and moderate-income seniors.

In the nonMSA AA, the bank's level of CD investment is also adequate. The bank made 3 qualified CD investments totaling \$81 thousand during this evaluation period. Of these investments, 2 were grants or donations totaling \$6 thousand to organizations that provide community services to low- or moderate-income individuals and the remaining \$75 thousand was a renewal of an equity investment to an organization that provide affordable housing to low- and moderate-income individuals.

The bank's overall level of investments in the Houma and Lake Charles limited-scope AAs is excellent. The bank purchased qualified bonds totaling \$1 million in Lake Charles and \$600 thousand in the Houma AAs.

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

The bank's level of CD services reflects adequate responsiveness to meeting the financial services needs of the community. During this evaluation period, 5 individuals provided financial services to 5 qualified CD organizations in the Lafayette AA. The type of services provided included serving on the board, executive committee, or as an instructor for organizations such as Habitat for Humanity, Junior Achievement or Upper Lafayette Development.

In the nonMSA AA, 4 bank employees provided financial services to 8 qualified CD organizations. These individuals served on the board, treasurer, loan committee or fundraiser for organizations such as a battered womens' shelter, homeless shelters and to organizations that provide other types of community services to low- and moderate-income individuals.

Overall, the bank's level of CD services in the limited-scope AAs is adequate.

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

MSB demonstrated adequate responsiveness to meeting the credit needs of the community. This is evidenced by their participation and sometimes leadership on various civic and non-profit organizations that provide services to low- and moderate-income individuals and families. Additionally, the bank has made a commitment to provide affordable housing through the financing of affordable mortgages, as well as donations and involvement with non-profit organizations that facilitate affordable housing.

Overall, the bank has demonstrated adequate responsiveness to meeting the credit needs in the limited-scope AAs.

In the Lafayette AA, MSB operates 11 banking offices of which none are located in a low-income census tract and 2 are located in a moderate-income tract. However, the bank has branches within 1 mile of all 4 low-income tracts.

MSB operates 7 banking offices in the nonMSA AA, of which none are located in either low- or moderate-income census tracts. The bank's branching network helps MSB provide financial services to the community.

# State Rating

## State of TEXAS

### **CRA Rating for Texas:2 Satisfactory.**

<sup>2</sup> For institutions with branches in two or more states in a multistate metropolitan area, this statewide evaluation does not reflect performance in the parts of this state contained within the multistate metropolitan area. Refer to the multistate metropolitan area rating and discussion for the rating and evaluation of the institution's performance in that area.

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

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

### **DESCRIPTION OF INSTITUTION'S OPERATIONS IN TEXAS**

The state of Texas represents about 20 percent of the bank's branching network, 16 percent of their deposit base and 17 percent of all loans originated during this evaluation period. MSB has 3 AAs in the state including the Beaumont, College Station, and Houston MSA AAs. The bank recently expanded into the Dallas-Fort Worth markets however these AAs were not included in this evaluation.

MSB operates 6 banking offices in the state with their largest presence in the Beaumont AA which has 3 banking offices. The Beaumont-Port Arthur MSA is located in southeast Texas east of Houston. The MSA is referred to as the golden triangle. The word "golden" refers to the wealth that came from the Spindletop oil strike near Beaumont in 1901 and "triangle" refers to the area among the cities of Beaumont, Port Arthur, and Orange. The AA has 101 census tracts of which 7 are designated as low-income, 23 are moderate-income, 48 are middle-income, 20 are upper-income and 3 are not designated. The AA includes 385 thousand individuals and 102 thousand families. Of the 102 thousand families, 22.47 percent are low-income, 17.06 percent moderate-income, 20.02 percent middle-income and 40.44 percent are upper-income.

### **SCOPE OF EVALUATION IN TEXAS**

MSB's largest presence in the state of Texas is in the Beaumont MSA. The Beaumont MSA received a full-scope review and the Houston and College Station MSAs received limited-scope reviews. The Beaumont AA represents 81 percent of the bank's deposit base and 75 percent of their lending activity in the state of Texas during this evaluation period. The bank's rating for the state of Texas is based primarily on their performance in the Beaumont AA.

We did not evaluate HMDA or small farm loans during this evaluation. MSB made no small farm loans and a nominal number of HMDA loans (19 loans) in the Beaumont AA during this evaluation period. Therefore, any analysis performed on these products would be meaningless.



The opportunity to make CD loans and investments and provide CD services in the Beaumont AA is moderate. During this examination, we reviewed two community contacts previously conducted by the OCC. Both contacts were from Jefferson County.

In Port Arthur, the manager of the Community Development Housing Department indicated that the City has made application to the Department of Housing and Urban Development for \$22 million for the Neighborhood Stabilization Program (Round 2) (NSP2). The funds will be used to stabilize neighborhoods whose viability have been and continue to be damaged by the economic effects of properties that have been foreclosed upon and abandoned. The NSP2 will provide a lot of opportunity for banks to work with the city to create affordable housing for low- to moderate-income families. If banks have foreclosed properties on their books, they could refer them to the City for the program.

The Community Development Administrator of the City of Beaumont indicated that banks could be instrumental in programs like the Phase I Neighborhood Stabilization's Program with \$900 thousand to be used for demolition of blighted properties and for small business lending programs that the City helps fund. The City also plans to assist the Housing Authority with its next phase of the HOPE VI grant that will include owner occupied units and economic development. He also stated that financial literacy is needed.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN TEXAS

### LENDING TEST

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

Both the bank's distribution of loans by income level and their geographic distribution of loans are reasonable.

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

MSB's distribution of loans is reasonable. During this evaluation period, MSB made 689 small loans to businesses in the Beaumont AA. Their distribution of small loans to businesses exceeds the demographics based on the number of loans made. In addition, a substantial majority of the number of loans made in this AA were for amounts less than \$100 thousand. This illustrates the bank's responsiveness to meeting the needs of businesses for small loan amounts.

*Source: CRA data collected by the bank; 2010 Dunn and Bradstreet*

**Table 1 - Lending in AAs**

Loan Type	Number of Loans				Dollars of Loans				Total	
	Inside		Outside		Inside		Outside			
	#	%	#	%	\$	%	\$	%		
Home	134	54.03	114	45.97	100	14.343	59.11	9.923	40.89	100

Source:  
CRA data  
collected  
by the  
bank.  
In

**Table 1 - Lending in AAs**

Loan Type	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home	134	54.03	114	45.97	100	14,343	59.11	9,923	40.89	100

of small loans to businesses, the bank's dispersion of loans is reasonable in the limited-scope AAs. We did not evaluate HMDA loans in either the College Station or Houston MSAs as the bank made a nominal number of HMDA loans in these AAs.

### Geographic Distribution of Loans

The geographic distribution of loans is reasonable. MSB made no loans in low-income census tracts and their distribution of loans in moderate-income tracts was significantly lower than the percentage of businesses in these tracts. However, given the bank's small presence in this AA and strong competition in this area, their performance is considered reasonable.

Source:  
CRA  
data  
collected  
by bank;  
2010  
Dunn  
and

**Table 1 - Lending in AAs**

Loan Type	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	134	54.03	114	45.97	100	14,343	59.11	9,923	40.89	100
Home	505	93.17	37	6.83	100	9,517	91.12	928	8.88	100

Based on this analysis, MSB made loans in most census tracts where the bank has banking offices in this AA. We did not identify any conspicuous gaps in the bank's loan distribution.

MSB's geographic distribution of small business loans in the limited-scope AAs is reasonable.

### Responses to Complaints

There were no CRA related complaints made against the bank during this evaluation period.

## **COMMUNITY DEVELOPMENT TEST**

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

When we considered the identified needs in the AA and the bank's opportunity and ability to meet these needs, we concluded that the bank's responsiveness to meeting the needs of the community is adequate. The bank made 2 qualified CD loans and performed CD services in the Beaumont AA.

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

The bank's level of CD lending is adequate. MSB made 2 qualified CD loans totaling \$723 thousand in the Beaumont AA during this evaluation period. A summary of these loans follows:

- A \$472,500 loan to renovate an apartment complex located in an empowerment zone. The rental rates are 72 percent below the fair market rental rates of the MSA. This loan provides affordable housing for low- and moderate-income families in the AA.
  
- A \$250 thousand loan to renovate facilities located in a moderate-income tract. The facilities were leased to a charter school, dialysis center and a café. The charter school provides services to low- and moderate-income students. The maximum income levels for the vast majority of the students' families are less than 80 percent of the MSA's median income. This loan qualifies because it stabilizes and revitalizes a moderate-income geography and provides services to low- and moderate-income individuals.

The bank made no qualified CD loans in the College Station AA however MSB made 1 \$200 thousand loan in the Houston MSA. The bank's level of CD loans in the Houston AA is adequate.

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

MSB made no qualified CD investments in the Beaumont AA during this evaluation period.

The bank made no qualified investments in the College Station AA. In the Houston AA, the bank made a \$2,500 donation to a qualified CD organization. MSB's level of investments in the limited-scope AAs needs improvement.

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

In the Beaumont AA, the bank's level of CD services provided is adequate. One bank employee provided financial services to 2 qualified CD organizations during this evaluation period. The employee served as Advisory Director for organizations that promote small businesses and to a CDC that provides SBA loans.

In both the Houston and College Station AAs, an employee provided financial services to a qualified CD organization.

**Responsiveness to Community Development Needs**

The bank's responsiveness to meeting the credit needs of the community needs is adequate. We identified that the AA has a need to stabilize blighted areas in low- and moderate-income areas, affordable housing, small business lending programs and financial literacy. We also identified community and civic organizations that operate in the AA and provide financial institutions an opportunity to address some of these needs. MSB has the financial ability to address some of the needs through CD loans, investments, and providing CD services. MSB engaged in an adequate level of CD activities to meet the identified needs of the community.

MSB has 3 banking offices in the Beaumont AA, of which 1 is located in a moderate-income tract.

# Appendix A: Scope of Examination

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

**Table 1 - Lending in AAs**

Loan Type	Number of Loans				Dollars of Loans				Total	
	Inside		Outside		Inside		Outside			
	#	%	#	%	\$	%	\$	%		
Home Purchase	134	54.03	114	45.97	100	14,343	59.11	9,923	40.89	100
Home Improvement	505	93.17	37	6.83	100	9,517	91.12	928	8.88	100
Refinance	359	91.35	34	8.65	100	35,036	90.62	3,626	9.38	100
Totals	998	84.36	185	15.64	100	58,896	80.27	14,477	19.73	100
Small Businesses	3,954	93.56	272	6.44	100	341,236	89.41	40,423	10.59	100
Small Farms	249	88.17	20	11.83	100	13,987	90.30	1,502	9.70	100

**Table 2A - Borrower Distribution of Loans to Businesses in Lafayette AA**

Business Revenues (or Sales)	\$ 1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	76.91	4.42	18.67	100%
% of Bank Loans in AA by #	46.70	49.74	3.56	100%
% of Bank Loans in AA by \$	38.62	58.96	2.42	100%

**Table 2B - Borrower Distribution of Loans to Businesses by Loan Size in Lafayette AA**

Loan Size	Number of Loans	Percent of	Dollar Volume of	Percent of Dollar
-----------	-----------------	------------	------------------	-------------------

## Appendix B: Summary of State Ratings

**Table 1 - Lending in AAs**

Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	134	54.03	114	45.97	100	14,343	59.11	9,923	40.89	100
Home Improvement	505	93.17	37	6.83	100	9,517	91.12	928	8.88	100
Refinance	359	91.35	34	8.65	100	35,036	90.62	3,626	9.38	100
Totals	998	84.36	185	15.64	100	58,896	80.27	14,477	19.73	100
Small Businesses	3,954	93.56	272	6.44	100	341,236	89.41	40,423	10.59	100
Small Farms	249	88.17	20	11.83	100	13,987	90.30	1,502	9.70	100

**Table 2A - Borrower Distribution of Loans to Businesses in Lafayette AA**

Business Revenue (or	\$ 1,000,000	>\$1,000,000	Unavailable/Unknown	Total
----------------------	--------------	--------------	---------------------	-------