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MIDSOUTH BANCORP INC
Form 10QSB
November 14, 2002

UNITED STATES SECURITIES AND EXCHANGE

COMMISSION

WASHINGTON, D.C. 20549

FORM 10QSB

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended..... September 30, 2002

____ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

COMMISSION FILE NUMBER 2-91-000FW

MIDSOUTH BANCORP, INC.

Louisiana 72 -1020809

102 Versailles Boulevard, Lafayette, Louisiana

70501

(337) 237-8343

Check whether the issuer (1) filed all reports required to be filed by
Section 13 or 15(d) of the Exchange Act during the past 12 months (or
for such shorter period that the registrant was required to file such
reports), and (2) has been subject to such filing requirements for the
past 90 days. YES NO _____

State the number of shares outstanding of each of the issuer's classes
of common equity, as of the latest practicable date.

Outstanding as of November 14, 2002

Common stock, \$.10 par value 2,901,142

Transitional Small Business Disclosure Format:

Yes _____ No

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MIDSOUTH BANCORP, INC. AND SUBSIDIARIES
FINANCIAL HIGHLIGHTS (UNAUDITED)

| EARNINGS DATA | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---------------------------|-------------------------------------|-------------|------------------------------------|-------------|
| | 2002 | 2001 | 2002 | 2001 |
| Total interest income | \$6,255,095 | \$6,595,945 | \$18,136,770 | \$20,286,45 |
| Total interest expense | 1,665,696 | 2,562,343 | 5,168,155 | 8,290,00 |
| Net interest income | 4,589,399 | 4,033,602 | 12,968,615 | 11,996,44 |
| Provision for loan losses | 429,250 | 439,323 | 1,123,250 | 1,796,66 |

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| | | | | |
|--|-------------|-----------|-------------|------------|
| Non-interest income | 1,827,280 | 1,241,295 | 4,989,119 | 3,790,98 |
| Non-interest expense | 4,313,099 | 3,835,251 | 12,588,664 | 11,360,97 |
| Provision for income tax | 432,657 | 217,196 | 1,098,771 | 581,65 |
| Net income | 1,241,673 | 783,127 | 3,147,049 | 2,048,14 |
| Preferred dividend requirement | - | - | - | 52,75 |
| Income available to common shareholders | \$1,241,673 | \$783,127 | \$3,147,049 | \$1,995,39 |

PER COMMON SHARE DATA

| | | | | |
|-------------------------------------|-----------|-----------|-----------|----------|
| Basic earnings per share | \$0.43 | \$0.29 | \$1.09 | \$0.7 |
| Diluted earnings per share | \$0.42 | \$0.27 | \$1.07 | \$0.7 |
| Book value at end of period | \$9.08 | \$7.71 | \$9.08 | \$7.7 |
| Market price at end of period | \$12.90 | \$10.85 | \$12.90 | \$10.8 |
| Weighted average shares outstanding | | | | |
| Basic | 2,883,142 | 2,734,556 | 2,883,142 | 2,539,25 |
| Diluted | 2,947,053 | 2,947,085 | 2,944,338 | 2,863,05 |

AVERAGE BALANCE SHEET DATA

| | | | | |
|-----------------------------|---------------|---------------|---------------|--------------|
| Total assets | \$376,774,233 | \$346,466,354 | \$364,241,788 | \$343,777,22 |
| Earning assets | 345,278,348 | 317,629,938 | 334,193,002 | 314,937,62 |
| Loans and leases | 230,947,797 | 211,284,662 | 221,566,006 | 207,049,08 |
| Interest-bearing deposits | 257,883,761 | 235,974,649 | 246,259,581 | 238,212,96 |
| Total deposits | 337,519,230 | 311,691,765 | 326,889,508 | 311,134,37 |
| Common stockholders' equity | 26,040,366 | 21,147,781 | 24,361,215 | 19,766,46 |
| Total stockholders' equity | 26,040,366 | 21,908,019 | 24,361,215 | 21,179,14 |

SELECTED RATIOS

| | | | | |
|--|--------|--------|--------|------|
| Return on average assets (annualized) | 1.31% | 0.90% | 1.16% | 0.8 |
| Return on average common equity (annualized) | 18.92% | 14.69% | 17.27% | 13.5 |
| Return on average total equity (annualized) | 18.92% | 14.18% | 17.27% | 12.9 |
| Leverage capital ratio | 8.24% | 8.09% | 8.24% | 8.0 |
| Tier 1 risk-based capital ratio | 12.09% | 11.82% | 12.09% | 11.8 |
| Total risk-based capital ratio | 13.27% | 12.93% | 13.27% | 12.9 |
| Allowance for loan losses as a % of total loans | 1.28% | 1.21% | 1.28% | 1.2 |

PERIOD ENDING BALANCE SHEET DATA

| | | | | |
|-----------------------------|---------------|---------------|--------------|----------|
| | 9/30/02 | 9/30/01 | Net Change | % Change |
| Total assets | \$382,269,838 | \$351,895,745 | \$30,374,093 | 8.6 |
| Earning assets | 349,067,532 | 320,689,613 | \$28,377,919 | 8.8 |
| Loans and leases, net | 232,086,609 | 211,530,722 | \$20,555,887 | 9.7 |
| Interest-bearing deposits | 258,001,766 | 231,952,055 | \$26,049,711 | 11.2 |
| Total deposits | 342,621,887 | 310,803,760 | \$31,818,127 | 10.2 |
| Common stockholders' equity | 26,328,890 | 22,373,704 | \$3,955,186 | 17.6 |

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CONSOLIDATED STATEMENTS OF CONDITION

| | September 30, 2002 (unaudited) | December 31, 2001 * |
|---|--------------------------------------|------------------------|
| ASSETS | (unaudited) | 2001 * |
| Cash and due from banks | \$17,710,969 | \$18,547,278 |
| Federal funds sold | 3,900,000 | 17,300,000 |
| | 21,610,969 | 35,847,278 |
| Total cash and cash equivalents | | |
| Interest bearing deposits in banks | 8,668 | 109,206 |
| Securities available-for-sale, at fair value (cost of \$84,335,880 in September 2002 and \$75,052,952 in December 2001) | 86,478,390 | 75,780,414 |
| Securities held-to-maturity (estimated market value of \$26,060,306 in September 2002 and \$24,735,122 in December 2001) | 23,583,471 | 23,584,850 |
| Loans, net of allowance for loan losses of \$3,010,394 in September 2002 and \$2,705,058 in December 2001 | 232,086,609 | 211,685,063 |
| Bank premises and equipment, net | 12,514,115 | 11,950,701 |
| Other real estate owned, net | 283,552 | 359,336 |
| Accrued interest receivable | 2,453,883 | 2,197,794 |
| Goodwill and other intangibles, net | 1,072,366 | 431,987 |
| Other assets | 2,177,815 | 1,833,234 |
| | \$382,269,838 | \$363,779,863 |
| | ===== | ===== |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Deposits: | | |
| Non-interest bearing | \$84,620,121 | \$91,145,842 |
| Interest bearing | 258,001,766 | 239,431,616 |
| | 342,621,887 | 330,577,458 |
| Total deposits | | |
| Securities sold under repurchase agreements | 3,724,552 | 663,079 |
| Accrued interest payable | 624,683 | 1,057,065 |
| Notes payable | 796,000 | 1,431,000 |
| Junior subordinated debenture | 7,000,000 | 7,000,000 |
| Other liabilities | 1,173,826 | 423,700 |
| | 355,940,948 | 341,152,302 |
| Total liabilities | | |
| Commitments and contingencies | - | - |
| Stockholders' Equity: | | |
| Common stock, \$.10 par value- 5,000,000 shares authorized, 2,901,142 issued and outstanding on September 30, 2002 and December 31, 2001 | 290,114 | 290,114 |
| Surplus | 12,997,762 | 12,972,762 |

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| | | |
|--|---------------|---------------|
| Unearned ESOP shares | (119,425) | (149,638) |
| Unrealized gains on securities available- for-sale, net of deferred taxes of \$738,310 in September 2002 and \$257,500 in December 2001 | 1,404,200 | 469,962 |
| Retained earnings | 11,756,239 | 9,044,361 |
| | <hr/> | <hr/> |
| Total stockholders' equity | 26,328,890 | 22,627,561 |
| | <hr/> | <hr/> |
| Total liabilities and stockholders' equity | \$382,269,838 | \$363,779,863 |
| | ===== | ===== |

* The consolidated statement of condition at December 31, 2001 is taken from the audited balance sheet on that date.
See notes to unaudited consolidated financial statements.

MIDSOUTH BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|-------------------------------------|-------------|------------------------------------|--------------|
| | 2002 | 2001 | 2002 | 2001 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| INTEREST INCOME: | | | | |
| Loans, including fees | \$5,002,166 | \$5,171,942 | \$14,359,603 | \$15,759,394 |
| Securities | | | | |
| Taxable | 775,862 | 982,619 | 2,378,771 | 2,911,550 |
| Nontaxable | 444,316 | 382,437 | 1,295,718 | 1,117,992 |
| Federal funds sold | 32,751 | 58,947 | 102,678 | 497,516 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| TOTAL | 6,255,095 | 6,595,945 | 18,136,770 | 20,286,452 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| INTEREST EXPENSE: | | | | |
| Deposits | 1,464,055 | 2,324,703 | 4,548,184 | 7,636,773 |
| Securities sold under repurchase agreements, federal funds purchased and advances | 17,176 | 25,256 | 47,864 | 57,774 |
| Long term debt | 184,465 | 212,384 | 572,107 | 595,461 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| TOTAL | 1,665,696 | 2,562,343 | 5,168,155 | 8,290,008 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| NET INTEREST INCOME | 4,589,399 | 4,033,602 | 12,968,615 | 11,996,444 |
| PROVISION FOR LOAN LOSSES | 429,250 | 439,323 | 1,123,250 | 1,796,667 |

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| | | | | |
|--|-------------|-----------|-------------|-------------|
| NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES | 4,160,149 | 3,594,279 | 11,845,365 | 10,199,777 |
| OTHER OPERATING INCOME: | | | | |
| Service charges on deposits | 1,207,055 | 837,627 | 3,440,772 | 2,477,430 |
| Gains on securities, net | 712 | - | 712 | 46,491 |
| Credit life insurance | 62,050 | 45,800 | 207,870 | 180,655 |
| Other charges and fees | 557,463 | 357,868 | 1,339,765 | 1,086,412 |
| TOTAL OTHER INCOME | 1,827,280 | 1,241,295 | 4,989,119 | 3,790,988 |
| OTHER EXPENSES: | | | | |
| Salaries and employee benefits | 2,077,537 | 1,865,624 | 5,995,105 | 5,405,654 |
| Occupancy expense | 960,874 | 829,819 | 2,730,133 | 2,504,716 |
| Other | 1,274,688 | 1,139,808 | 3,863,426 | 3,450,604 |
| TOTAL OTHER EXPENSES | 4,313,099 | 3,835,251 | 12,588,664 | 11,360,974 |
| INCOME BEFORE INCOME TAXES | 1,674,330 | 1,000,323 | 4,245,820 | 2,629,791 |
| PROVISION FOR INCOME TAXES | 432,657 | 217,196 | 1,098,771 | 581,650 |
| NET INCOME | 1,241,673 | 783,127 | 3,147,049 | 2,048,141 |
| PREFERRED DIVIDEND REQUIREMENT | - | - | - | 52,751 |
| INCOME AVAILABLE TO COMMON SHAREHOLDERS | \$1,241,673 | \$783,127 | \$3,147,049 | \$1,995,390 |
| BASIC EARNINGS PER COMMON SHARE | \$0.43 | \$0.29 | \$1.09 | \$0.79 |
| DILUTED EARNINGS PER COMMON SHARE | \$0.42 | \$0.27 | \$1.07 | \$0.72 |

See notes to unaudited consolidated financial statements.

MIDSOUTH BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
FOR NINE MONTHS ENDED SEPTEMBER 30, 2002 (UNAUDITED)

| | | |
|--------------|------|---|
| COMMON STOCK | ESOP | UNREALIZED GAINS (LOSSES) ON SECURITIES |
|--------------|------|---|

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| | SHARES | AMOUNT | SURPLUS | OBLIGATION | AFS, NE |
|---|--------------------|--------------------|-----------------------|----------------------|---------------------|
| BALANCE, JANUARY 1, 2002 | 2,901,142 | \$290,114 | \$12,972,762 | (\$149,638) | \$469,96 |
| Dividends on common stock | | | | | |
| Net income | | | | | |
| Increase in ESOP obligation, net of repayments | | | | 30,213 | |
| Excess of market value over book value of ESOP shares released | | | 25,000 | | |
| Net change in unrealized gain/loss on securities available-for-sale, net of income taxes | | | | | 934,23 |
| BALANCE, SEPTEMBER 30, 2002 | 2,901,142 ===== | \$290,114 ===== | \$12,997,762 ===== | (\$119,425) ===== | \$1,404,20 ===== |

See notes to unaudited consolidated financial statements.

MIDSOUTH BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2002 AND 2001

| | September 30, 2002 | September |
|--|--------------------|-----------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net income | \$3,147,049 | \$2 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 989,748 | |
| Provision for loan losses | 1,123,250 | 1 |
| Deferred income taxes (credit) | (21,661) | |
| Discount accretion, net | 342,597 | |
| Net gain on sale of securities | (712) | |
| (Gain)/loss on sale of premises and equipment | 40,175 | |
| Loss on sale of other real estate owned | 25,571 | |
| Write-down of other real estate owned | - | |
| Change in accrued interest receivable | (256,089) | |
| Change in accrued interest payable | (432,382) | |
| Other, net | (7,102) | 1 |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 4,950,444 | 5 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Net decrease (increase) in interest-bearing deposits in banks | 100,538 | |

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| | | |
|--|--------------|-------------|
| Proceeds from sales of securities available-for-sale | 585,250 | 1 |
| Proceeds from maturities and calls of securities availab | 26,052,802 | 19 |
| Proceeds from maturities and calls of securities held-to | - | |
| Purchases of securities available-for-sale | (36,261,485) | (47) |
| Loan originations, net of repayments | (16,055,612) | (11) |
| Purchases of premises and equipment | (1,577,717) | |
| Proceeds from sales of premises and equipment | 800 | |
| Proceeds from sales of other real estate owned | 225,013 | |
| Net cash received in connection with acquisition | 5,882,448 | |
| | <hr/> | |
| NET CASH USED IN INVESTING ACTIVITIES | (21,047,963) | (38) |
| | <hr/> | |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Net decrease in deposits | (130,092) | (8) |
| Net increase in securities sold under repurchase agreements and Federal Home Loan Bank advances | 3,061,473 | 5 |
| Issuance of notes payable | - | |
| Repayments of notes payable | (635,000) | (2) |
| Proceeds from issuance of common stock | - | |
| Payment of dividends | (435,171) | |
| Retirement of preferred stock | - | |
| Issuance of junior subordinated debentures | - | 7 |
| | <hr/> | |
| NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES | 1,861,210 | |
| | <hr/> | |
| NET DECREASE IN CASH & CASH EQUIVALENTS | (14,236,309) | (31) |
| CASH & CASH EQUIVALENTS AT BEGINNING OF PERIOD | 35,847,278 | 49 |
| | <hr/> | |
| CASH & CASH EQUIVALENTS AT END OF PERIOD | \$21,610,969 | \$17 |
| | <hr/> <hr/> | <hr/> <hr/> |

See notes to unaudited consolidated financial statements.

MIDSOUTH BANCORP, INC. AND SUBSIDIARIES NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

1. STATEMENT BY MANAGEMENT CONCERNING THE REVIEW OF UNAUDITED FINANCIAL INFORMATION

The accompanying unaudited consolidated financial statements and notes thereto contain all adjustments, consisting only of normal recurring adjustments, necessary to present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of MidSouth Bancorp, Inc. ("MidSouth") and its subsidiaries as of September 30, 2002 and the results of their operations and their cash flows for the periods presented. The consolidated financial statements should be read in conjunction with the annual consolidated financial statements and the notes thereto included in MidSouth's 2001 annual consolidated report and Form 10KSB.

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The results of operations for the nine month period ended September 30, 2002 are not necessarily indicative of the results to be expected for the entire year.

2. ALLOWANCE FOR LOAN AND LOSSES

An analysis of the activity in the allowance for loan losses is as follows:

| | Nine Months Ended September 30, | |
|--------------------------------|------------------------------------|-------------|
| | 2002 | 2001 |
| Balance at beginning of period | \$2,705,058 | \$2,276,187 |
| Provision for loan losses | 1,123,250 | 1,796,667 |
| Recoveries | 111,064 | 75,199 |
| Loans charged off | (928,978) | (1,550,124) |
| | \$3,010,394 | \$2,597,929 |
| | ===== | ===== |

3. COMPREHENSIVE INCOME

Comprehensive income includes net income and other comprehensive income (losses) which, in the case of MidSouth, only includes unrealized gains and losses on securities available-for-sale. Following is a summary of MidSouth's comprehensive income for the nine months ended September 30, 2002 and 2001.

| | Nine Months Ended September 30, | |
|---|------------------------------------|-------------|
| | 2002 | 2001 |
| Net income | \$3,147,049 | \$2,629,791 |
| Other comprehensive income | | |
| Unrealized gains (losses) on securities available- for-sale, net: | | |
| Unrealized holding gains arising during the period | 934,701 | 983,610 |
| Less reclassification adjustment for gains included in net income | (463) | (30,219) |
| | 934,238 | 953,391 |
| Total other comprehensive income | 934,238 | 953,391 |

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| | | |
|----------------------------|-------------|-------------|
| Total comprehensive income | \$4,081,287 | \$3,583,182 |
| | ===== | ===== |

4. ACQUISITION OF BRANCH

On June 21, 2002 MidSouth acquired the Morgan City, Louisiana branch of IberiaBank for an amount which was approximately \$500,000 in excess of book value of those assets on IberiaBank's books. The purchase included, among other things, approximately \$6.0 million of cash, \$5.4 million of loans, and the assumption of \$12.2 million of deposits. MidSouth is presently evaluating the assets purchased and liabilities assumed, and expects to complete that evaluation by December 31, 2002. It is presently estimated that any intangible associated with this acquisition will relate to core deposit intangibles and will be amortized over approximately 8 - 10 years on an accelerated basis.

Item 2.

MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

This review should be read in conjunction with MidSouth Bancorp Inc.'s ("MidSouth") consolidated financial statements and accompanying notes contained herein, as well as with MidSouth's 2001 annual consolidated financial statements, the notes thereto and the related Management's Discussion and Analysis.

MidSouth Bancorp, Inc. announced net income of \$1,241,673 for the third quarter of 2002, a 59% increase compared to \$783,127 for the third quarter of 2001. Basic earnings per share were \$.43 and \$.29 for the quarters ended September 30, 2002 and 2001, respectively. Diluted earnings per share were \$.42 for the third quarter of 2002 compared to \$.27 for the third quarter of 2001. The increase resulted from increases of \$555,797 in net interest income, attributable primarily to a decline in interest expense, and of \$585,273 in non-interest income, primarily due to increased transaction volume on deposit accounts. The increases in net interest income and non-interest income were partially offset by a \$477,848 increase in non-interest expense which included increases in salaries and benefits, building lease expense, maintenance and depreciation of computer hardware and software and other professional fees.

Net income for the nine months ended September 30, 2002 totaled \$3,147,049 compared to \$2,048,141 for the nine months ended September 30, 2001. Basic earnings per share were \$1.09 for the nine months ended September 30, 2002 and \$.79 for the nine months ended September 30, 2001. Diluted earnings per share were \$1.07 compared to

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\$.72 for the two nine month periods, respectively. Increases in net interest income of \$972,171 and non-interest income of \$1,198,131 were partially offset by a \$1,227,690 increase in non-interest expense, but a decrease in provision for loan losses of \$673,417 helped to boost net earnings 54% in year-to-date comparison.

MidSouth ended the third quarter 2002 with consolidated assets of \$382.3 million, an increase of \$30.4 million from the \$351.9 million reported at September 30, 2001. Interest-bearing deposits increased \$26.0 million and total deposits increased \$31.8 million, from \$310.8 million at September 30, 2001 to \$342.6 million at September 30, 2002.

Loans, net of Allowance for Loan Losses ("ALL"), increased \$20.6 million or 10%, from \$211.5 million in the third quarter of 2001 to \$232.1 million in the third quarter of 2002. Provisions for loan and lease losses totaled \$429,250 in the third quarter of 2002 compared to \$439,323 in the third quarter of 2001, and \$1,123,250 in the first nine months of 2002 compared to \$1,796,667 in the comparable 2001 period. Provisions for loan losses were higher in 2001 due to the default and charge-off of a large commercial loan in the second quarter of that year.

Nonperforming loans as a percentage of total loans increased from .09% at September 30, 2001 to .31% at September 30, 2002, primarily due to two large credits totaling \$578,000. Loans past due ninety days and over decreased slightly, from \$1,344,389 at September 30, 2001

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to \$1,275,233 at September 30, 2002. Other real estate owned decreased \$44,134 for the same period. The ALL represented 298% of nonperforming assets as of September 30, 2002 compared to 497% as of September 30, 2001.

MidSouth's leverage ratio was 8.24% at September 30, 2002, up from 8.09% at September 30, 2001. Return on average common equity for the third quarter of 2002 was 18.92% compared to 14.69% for the third quarter of 2001. Return on average assets was 1.31% for the quarter ended September 30, 2002 compared to .90% for the quarter ended September 30, 2001.

EARNINGS ANALYSIS

Net Interest Income

Average earning assets increased \$27.6 million from \$317.6 million for the three months ended September 30, 2001 to \$345.2 million for the three months ended September 30, 2002. The mix of earning assets remained relatively constant, with 67% of average earning assets in loans and 33% in investments and federal funds sold. The average yield on loans decreased 112 basis points, from 9.71% to 8.59% in quarterly comparison. The taxable-

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equivalent yield on investments declined 82 basis points, from 6.14% in September 2001 to 5.32% in September 2002.

Decreases in the prime lending rate and market competition for quality credits lowered commercial and real estate loan yields by 107 basis points in quarterly comparison. The average volume of the commercial and real estate portfolio grew 10% or \$17.3 million in quarterly comparison, from \$167.0 million for the quarter ending September 30, 2001 to \$184.3 million for the quarter ending September 30, 2002. Quarterly comparison of the consumer loan portfolio showed little change in yield and a \$2.4 million increase in average volume from \$44.2 million for the quarter ending September 30, 2001 to \$ 46.6 million for the quarter ending September 30, 2002.

Average investment volume increased by \$6.2 million from \$99.0 million at September 30, 2001 to \$105.2 million at September 30, 2002. The volume of federal funds sold increased \$1.8 million in quarterly comparison. Lower yields in both loans and investments decreased the taxable-equivalent yield on quarterly average earning assets 104 basis points, from 8.45% for the third quarter of 2001 to 7.41% for the third quarter of 2002.

Average interest-bearing deposits increased \$21.9 million in quarterly comparison, from \$236.0 million for the quarter ending September 30, 2001 to \$257.9 million for the quarter ending September 30, 2002, primarily in NOW and money market deposits. Average non-interest bearing deposits increased \$3.9 million in quarterly comparison and remained stable at 24% of average total deposits. The rate paid on interest-bearing deposits decreased 166 basis points for the same period, from 3.91% to 2.25%.

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Included in interest-bearing liabilities is \$7,000,000 in trust preferred securities issued in February 2001. The interest rate on the trust preferred securities is 10.20% with interest payable semi-annually. The average rate paid on total interest-bearing liabilities decreased 167 basis points, from 4.12% for the quarter ended September 30, 2001 to 2.45% for the quarter ended September 30, 2002.

The net effect of changes in the volume, mix of average earning assets and interest-bearing liabilities resulted in a 24 basis point improvement in the net taxable-equivalent yield on average earning assets, from 5.25% for the quarter ended September 30, 2001 to 5.49% for the quarter ended September 30, 2002. A review of the changes in the volume and yields of average earning assets and interest-bearing liabilities between the two nine month periods ended September 30, 2001 and 2002 reflected results similar to the quarterly comparison. The net taxable-equivalent yield on average earning assets for the nine months ended September 30, 2002 increased 11 basis points from 5.30% at September 30, 2001 to 5.41% at

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September 30, 2002.

Non-interest Income

MidSouth's primary source of non-interest income, service charges on deposit accounts, increased \$369,428 or 44% for the three months and \$963,342 or 39% for the nine months ended September 30, 2002 as compared to the same periods for 2001. The increases were due primarily to a higher volume of transactions on deposit accounts, which resulted in increased insufficient funds fees. Other non-interest income, net of gains on sales of investment securities, increased \$215,845 in quarterly comparison and \$280,568 in year-to-date comparison, primarily due to increased mortgage origination fee income.

Non-interest Expense

Non-interest expense increased \$477,848 for the three months and \$1,227,690 for the nine months ended September 30, 2002 compared to the three and nine months ended September 30, 2001. Increases were recorded primarily in the categories of salaries and employee benefits, occupancy expense and professional fees.

Salaries and employee benefits increased primarily due to additional staff and an increase in the cost of group health insurance. The number of full-time equivalent ("FTE") employees increased from 199 in September 2001 to 203 in September 2002. Staff additions over the past twelve months included two senior level positions in credit administration and compliance and two internal auditors. The staff additions enhanced the risk management and loan administration functions.

Occupancy expense increased in the three and nine months periods ended September 30, 2002 compared to the same period of 2001 due to increases in lease expense, depreciation and maintenance expenses on computer hardware and software and property taxes.

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The increase in professional fees resulted primarily from consulting fees associated with a process and workflow review of MidSouth's retail, lending and technology areas.

BALANCE SHEET ANALYSIS

MidSouth ended the third quarter of 2002 with consolidated assets of \$382,269,838, an increase of \$18.5 million from the \$363,779,863 reported for December 31, 2001. Deposits increased over the nine months ended September 30, 2002 by \$12.0 million, from \$310,803,760 at December 31, 2001 to \$342,621,887 primarily due to the \$12.2 million in deposits acquired through the IberiaBank Morgan City branch purchase on June 21, 2002. Non-interest bearing deposits decreased \$6.5 million primarily

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due to balance fluctuations within commercial deposit accounts. Interest-bearing deposits increased \$18.5 million, primarily in NOW and money market accounts.

The loan portfolio grew \$20.7 million in the first nine months of 2002, \$5.4 million of which was acquired through the branch purchase. Securities available-for-sale increased by \$10.7 million, from \$75.8 million at December 31, 2001 to \$86.5 million at June 30, 2002. The increase reflects purchases of \$36.3 million offset by sales, maturities and principal paydowns of \$26.6 million. Net unrealized gains in the securities available-for-sale portfolio, net of tax effect, were \$1,404,200 at September 30, 2002, compared to a net unrealized gain of \$469,962 at December 31, 2001. These amounts result from interest rate fluctuations and do not represent permanent adjustment of value. Moreover, classification of securities as available-for-sale does not necessarily indicate that the securities will be sold prior to maturity.

Capital

As of September 30, 2002, MidSouth's leverage ratio was 8.24% as compared to 7.80% at December 31, 2001. Tier 1 capital to risk-weighted assets was 12.09% and total capital to risk-weighted assets was 13.27% at the end of the third quarter of 2002. At year-end 2001, Tier 1 capital to risk-weighted assets was 11.68% and total capital to risk-weighted assets was 12.72%. Included in the capital ratio calculations is \$7 million in Trust Preferred Securities issued in February of 2001. For regulatory purposes, these funds qualify as Tier 1 capital. For financial reporting purposes, these funds are included as a liability under generally accepted accounting principles.

Nonperforming Assets and Past Due Loans

Table 1 summarizes MidSouth's nonaccrual, past due and restructured loans and nonperforming assets.

UPDATE

Nonperforming Assets and

Loans Past Due 90 Days

=====

| | September 30, 2002 | December 31, 2001 | September 30, 2001 |
|--|--------------------------|-------------------------|--------------------------|
| | | | |

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| | | | |
|--|-------------|-------------|-------------|
| Nonperforming loans | \$726,069 | \$768,753 | \$194,570 |
| Other real estate owned, net | 283,552 | 359,336 | 327,686 |
| Total nonperforming assets | \$1,009,621 | \$1,128,089 | \$522,256 |
| Loans past due 90 days or more and still accruing | \$1,275,233 | \$999,538 | \$1,344,389 |
| Nonperforming loans as a % of total loans | 0.31% | 0.38% | 0.09% |
| Nonperforming assets as a % of total loans, other real estate owned and other assets | | | |
| Repossessed | 0.43% | 0.55% | 0.24% |
| ALL as a % of nonperforming assets | 298.17% | 201.77% | 497.44% |

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Nonperforming assets were \$1,009,621 as of September 30, 2002 a decrease of \$118,468 from the \$1,128,089 reported for December 31, 2001 and an increase of \$487,365 from the \$522,256 reported for September 30, 2001. Three commercial loans were added to nonperforming loans in December 2001 and specific allocations were made within the ALL to allow for possible losses on the credits. Loans past due 90 days or more increased in September 2002 to \$1,275,233 from \$999,538 in December 2001 and decreased from \$1,344,389 as of September 30, 2001.

Specific reserves have been established in the ALL to cover probable losses on nonperforming assets. The ALL is analyzed quarterly and additional reserves, if needed, are allocated at that time. Management believes that the \$3,010,394 in the allowance as of September 30, 2002 is sufficient to cover probable losses in nonperforming assets and in the loan portfolio. Loans classified for regulatory purposes but not included in Table 1 do not represent material credits about which management has serious

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doubts as to the ability of the borrower to comply with loan repayment terms.

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Item 4. Controls and Procedures

MidSouth's Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of the disclosure controls and procedures (as such term is defined in Rules 13a-14(c) and 15d-14(c) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as of a date within 90 days prior to the filing date of the quarterly report (the "Evaluation Date"). Based on such evaluation, such officers have concluded that, as of the Evaluation Date, MidSouth's disclosure controls and procedures are effective in alerting them on a timely basis to material information relating to MidSouth (including its consolidated subsidiaries) required to be included in MidSouth's periodic filings under the Exchange Act.

Since the Evaluation Date, there have not been any significant changes in MidSouth's internal controls or in other factors that could significantly affect such controls.

Item 6. Exhibits and Reports on Form 8-K

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(a) Exhibits

| Exhibit Number | Document Description |
|----------------|--|
| 3.1 | Amended and Restated Articles of Incorporation of MidSouth Bancorp, Inc. is included as Exhibit 3.1 to the MidSouth's Report on Form 10-K for the year ended December 31, 1993, and is incorporated herein by reference. |
| 3.2 | Articles of Amendment to Amended and Restated Articles of Incorporation dated July 19, 1995 are included as Exhibit 4.2 to MidSouth's Registration Statement on Form S-8 filed September 20, 1995 and is incorporated herein by reference. |
| 3.3 | Amended and Restated By-laws adopted by the Board of Directors on April 12, 1995 are included as Exhibit 3.2 to Amendment No. 1 to MidSouth's Registration Statement on Form S-4 (Reg. No. 33-58499) filed on June 1, 1995. |
| 10.1 | MidSouth National Bank Lease Agreement with Southwest Bank Building Limited Partnership is included as Exhibit 10.7 to the Company's annual report on Form 10-K for the Year Ended December 31, 1992, and is incorporated herein by reference. |

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- 10.2 First Amendment to Lease between MBL Life Assurance Corporation, successor in interest to Southwest Bank Building Limited Partnership in Commendam, and MidSouth National Bank is included as Exhibit 10.1 to Report on the Company's annual report on Form 10-KSB for the year ended December 31, 1994, and is incorporated herein by reference.
- 10.3 Amended and Restated Deferred Compensation Plan and Trust is included as Exhibit 10.3 to the Company's annual report on Form 10-K for the year ended December 31, 1992 and is incorporated herein by reference.
- 10.4 Employment Agreements with C. R. Cloutier and Karen L. Hail are included as Exhibit 5(c) to MidSouth's Form 1-A and are incorporated herein by reference.
- 10.6 MidSouth Bancorp, Inc.'s 1997 Stock Incentive Plan is included as Exhibit 4.5 to MidSouth's definitive Proxy Statement filed April 11, 1997, and is incorporated herein by reference.

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- 10.7 The MidSouth Bancorp, Inc. Dividend Reinvestment and Stock Purchase Plan is included as Exhibit 4.6 to MidSouth Bancorp, Inc.'s Form S-3D filed on July 25, 1997 and is incorporated herein by reference.
- 10.8 Loan Agreements and Master Notes for lines of credit established for MidSouth Bancorp, Inc. and Financial Services of the South, Inc. are included as Exhibit 10.7 of MidSouth's Form 10-QSB filed on August 14, 1997 and is incorporated herein by reference.
- 10.9 Modification Agreement to the Loan Agreement and Master Note for the Line of Credit established for MidSouth Bancorp, Inc. is included as Exhibit 10.9 of MidSouth's Form 10-QSB filed on August 13, 1999 and is incorporated herein by reference.
- 10.10 Junior Subordinated Debentures Interest Debenture issued on February 22, 2001 by MidSouth Bancorp, Inc. is included as Exhibit 99 to MidSouth Bancorp, Inc.'s Form 10-QSB filed on May 15, 2001, and is incorporated herein by reference.
- 11 Computation of earnings per share
- 99.1 Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- 99.2 Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

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(b) Reports Filed on Form 8-K

(none)

Signatures

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

MidSouth Bancorp, Inc.
(Registrant)

Date: November 14, 2002

C. R. Cloutier, President & CEO

Karen L. Hail, Executive
Vice President & CFO

Teri S. Stelly, Senior
Vice President & Controller

CERTIFICATION

I, C. R. Cloutier, President and CEO, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of MidSouth Bancorp, Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report,

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fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

- a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
- b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
- c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

- a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
- b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: November 14, 2002

/s/C.R. Cloutier

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Chief Executive Officer

CERTIFICATION

I, Karen L. Hail, Senior Executive Vice President & CFO, certify that:

1. I have reviewed this quarterly report on Form 10-QSB of MidSouth Bancorp, Inc.;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

- a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
- b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
- c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

- a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

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- b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: November 14, 2002

/s/Karen L. Hail

Chief Financial Officer