MIDSOUTH BANCORP INC
Form 10QSB
November 12, 2003

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10QSB

__X___QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended....... September 30, 2003

______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 1-11826

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 __X__ 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 October 31, 2003

Common stock, $.10 par value 3,190,879

Transitional Small Business Disclosure Format:
Yes ________ No ____X____

PART 1 - FINANCIAL INFORMATION

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

ASSETS	September 2003	December 31, 2002*
Cash and due from banks	$17,105,433	$18,066,035
Federal funds sold	1,400,000	9,400,000
Total cash and cash equivalents	18,505,433	27,466,035
Interest bearing deposits in banks	3,767	1,694
Securities available-for-sale, at fair value (cost of $114,421,499 in September 2003 and $87,755,456 in December 2002)	115,881,192	89,575,706
Securities held-to-maturity (estimated market value of $25,583,542 in September 2003 and $25,660,511 in December 2002)	23,396,984	23,398,282
Loans, net of allowance for loan losses of $3,032,042 in September 2003 and $2,891,380 in December 2002	243,834,761	224,160,846
Bank premises and equipment, net	12,018,097	12,321,510
Other real estate owned, net	233,099	174,800
Accrued interest receivable	2,676,651	2,502,684
Goodwill	431,987	431,987
Other assets	2,898,141	2,653,449
Total assets	$419,880,112	$382,686,993

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LIABILITIES AND STOCKHOLDERS' EQUITY		
Deposits:		
Non-interest bearing	$88,922,525	$94,452,378
Interest bearing	285,161,571	249,022,468
Total deposits	374,084,096	343,474,846
Securities sold under repurchase agreements and federal funds purchased	6,332,457	2,978,860
Accrued interest payable	402,622	705,106
Notes payable	0	568,030
Junior subordinated debenture	7,000,000	7,000,000
Other liabilities	1,073,444	841,592
Total liabilities	388,892,619	355,568,434
Commitments and contingencies	-	-
Stockholders' Equity:		
Common stock, $.10 par value- 5,000,000 shares authorized, 3,190,879 and 2,901,142 issued and outstanding on September 30, 2003 and December 31, 2002	319,088	290,114
Surplus	18,575,189	12,997,762
Unearned ESOP shares	(86,762)	(108,975)
Unrealized gains on securities available-for-sale, net of deferred taxes of $507,175 in September 2003 and $628,750 in December 2002	952,517	1,191,500
Treasury stock - 5,830 shares, at cost	(91,257)	-
Retained earnings	11,318,718	12,748,158
Total stockholders' equity	30,987,493	27,118,559
Total liabilities and stockholders' equity	$419,880,112	$382,686,993
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The consolidated statement of condition at December 31, 2002 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,	
	2003	2002	2003	2002

INTEREST INCOME:				
Loans, including fees	$5,167,500	$5,002,166	$14,806,530	$14,359,603
Securities				
Taxable	554,542	775,862	1,694,726	2,378,771
Nontaxable	519,750	444,316	1,474,874	1,295,718
Federal funds sold	27,147	32,751	58,167	102,678
TOTAL	6,268,939	6,255,095	18,034,297	18,136,770
INTEREST EXPENSE:				
Deposits	963,054	1,464,055	2,998,202	4,548,184
Securities sold under repurchase agreements, federal funds purchased and advances	15,121	17,176	45,721	47,864
Long term debt	177,926	184,465	546,751	572,107
TOTAL	1,156,101	1,665,696	3,590,674	5,168,155
NET INTEREST INCOME	5,112,838	4,589,399	14,443,623	12,968,615
PROVISION FOR LOAN LOSSES	250,000	429,250	550,000	1,123,250
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	4,862,838	4,160,149	13,893,623	11,845,365
OTHER OPERATING INCOME:				
Service charges on deposits	1,342,592	1,207,055	3,885,873	3,440,772
Gains on securities, net	10,393	712	98,025	712
Credit life insurance	33,475	62,050	134,462	207,870
Other charges and fees	603,213	557,463	1,613,562	1,339,765
TOTAL OTHER INCOME	1,989,673	1,827,280	5,731,922	4,989,119
OTHER EXPENSES:				
Salaries and employee benefits	2,175,214	2,077,537	6,373,336	5,995,105
Occupancy expense	976,038	960,874	2,847,574	2,730,133
Other	1,352,516	1,274,688	4,033,186	3,863,426
TOTAL OTHER EXPENSES	4,503,768	4,313,099	13,254,096	12,588,664
INCOME BEFORE INCOME TAXES	2,348,743	1,674,330	6,371,449	4,245,820
PROVISION FOR INCOME TAXES	614,176	432,657	1,703,189	1,098,771
NET INCOME	$1,734,567	$1,241,673	$4,668,260	$3,147,049
BASIC EARNINGS PER COMMON SHARE	$0.55	$0.39	$1.47	$0.99
DILUTED EARNINGS PER COMMON SHARE	$0.52	$0.38	$1.41	$0.97

See notes to unaudited consolidated financial statements.

MIDSOUTH BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2003 (UNAUDITED)

	COMMON STOCK SHARES	COMMON STOCK AMOUNT	SURPLUS	ESOP OBLIGATION	UNREALIZED GAINS (LOSSES) ON SECURITIES AFS, NET	TREASURY STOCK	RETAINED EARNINGS
BALANCE, JANUARY 1, 2003	2,901,142	$290,114	$12,997,762	($108,975)	$1,191,500	$ -	$12,748,15
Dividends on common stock, $.10 per share							(481,17
Purchase of treasury stock						(91,257)	
Stock dividend	289,737	28,974	5,577,427				(5,616,52
Net income							4,668,26
ESOP obligation, repayments				22,213			
Net change in unrealized gain/loss on securities available-for-sale, net of income taxes					(238,983)		
BALANCE, SEPTEMBER 30, 2003	3,190,879	$319,088	$18,575,189	($86,762)	$952,517	($91,257)	$11,318,71

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, 2003 AND 2002

	September 30, 2003	September 30,2002
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$4,668,260	$3,147,049
Adjustments to reconcile net income to net cash provided by operating activities:		

Depreciation and amortization	1,128,049	989,748
Provision for loan losses	550,000	1,123,250
Provision for deferred taxes	(84,153)	(21,661)
Amortization of premiums on securities, net	877,778	342,597
Gain on sale of securities, net	(98,025)	(712)
(Gain)/loss on sale of premises and equipment	(14,768)	40,175
(Gain)/loss on sale of OREO	(6,152)	25,571
Change in accrued interest receivable	(173,967)	(256,089)
Change in accrued interest payable	(302,484)	(432,382)
Other, net	242,289	(7,102)
NET CASH PROVIDED BY OPERATING ACTIVITIES	6,786,827	4,950,444
CASH FLOWS FROM INVESTING ACTIVITIES:		
Net (decrease) increase in interest-bearing deposits in banks	(2,073)	100,538
Proceeds from sales of securities available-for-sale	6,464,685	585,250
Proceeds from maturities and calls of securities available-for-sale	35,179,930	26,052,802
Purchases of securities available-for-sale	(69,089,114)	(36,261,485)
Loan originations, net of repayments	(20,297,649)	(16,055,612)
Purchases of premises and equipment	(800,218)	(1,577,717)
Proceeds from sales of premises and equipment	39,610	800
Proceeds from sales of other real estate owned	43,800	225,013
Net cash received in connection with acquisition	-	5,882,448
NET CASH USED IN INVESTING ACTIVITIES	(48,461,029)	(21,047,963)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net increase (decrease) in deposits	30,609,250	(130,092)
Net increase in securities sold under repurchase agreements and federal funds purchased	3,353,597	3,061,473
Repayments of notes payable	(568,030)	(635,000)
Purchase of treasury stock	(91,257)	-
Payment of cash for fractional shares	(10,122)	-
Payment of dividends	(579,838)	(435,171)
NET CASH PROVIDED BY FINANCING ACTIVITIES	32,713,600	1,861,210
NET DECREASE IN CASH & CASH EQUIVALENTS	(8,960,602)	(14,236,309)
CASH & CASH EQUIVALENTS AT BEGINNING OF PERIOD	27,466,035	35,847,278
CASH & CASH EQUIVALENTS AT END OF PERIOD	$18,505,433	$21,610,969

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, 2003 and the results of their operations and their cash flows for the periods presented. These consolidated financial statements should be read in conjunction with the annual consolidated financial statements and the notes thereto included in MidSouth's 2002 annual report and Form 10KSB.

The results of operations for the nine month period ended September 30, 2003 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, 2003	2002
Balance at beginning of period	$2,891,380	$2,705,058
Provision for loan losses	550,000	1,123,250
Recoveries	189,861	111,064
Loans charged off	(599,199)	(928,978)
Balance at end of period	$3,032,042	$3,010,394

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, 2003 and 2002.

	Nine Months Ended September 30, 2003	2002
Net income	$4,668,260	$3,147,049
Other comprehensive income		
Unrealized gains (losses) on		

securities available-for-sale, net:		
Unrealized holding gains (losses) arising during the period	(303,679)	934,701
Less reclassification adjustment for (gains) losses included in net income	(64,696)	(463)
Total other comprehensive loss	(238,983)	934,238
Total comprehensive income	$4,429,277	$4,081,287

4. STOCK DIVIDEND

On August 29, 2003, MidSouth paid a 10% stock dividend to stockholders of record on July 31, 2003. All earnings per share information has been adjusted to give retroactive effect to this stock dividend.

5. STOCK BASED COMPENSATION

MidSouth applies the Accounting Practices Board (APB) Opinion No. 25 and related interpretations in accounting for its stock options. Accordingly, no compensation cost has been recognized. MidSouth has adopted the disclosure-only option under SFAS No. 123. Had compensation costs for MidSouth's stock options been determined based on the fair value at the grant date, consistent with the method under SFAS No. 123, MidSouth's net income and earnings per share would have been as indicated below:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2002	2003	2002
Net earnings available to common stockholders				
As reported	$1,734,567	$1,241,673	$4,668,260	$3,147,049
Deduct total stock based compensation determined under fair value method	(12,000)	(5,000)	(42,000)	(17,000)
Pro forma	$1,722,567	$1,236,673	$4,626,260	$3,130,049
Basic earnings per share:				
As reported	$0.55	$0.39	$1.47	$0.99
Pro forma	$0.54	$0.39	$1.46	$0.99

Diluted earnings per share:				
As reported	$0.52	$0.38	$1.41	$0.97
Pro forma	$0.52	$0.38	$1.40	$0.97

Part 1. 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 2002 annual consolidated financial statements, the notes thereto and the related Management's Discussion and Analysis.

MidSouth earned net income of $1,734,567, a 40% increase over the $1,241,673 for the third quarter of 2002 and a 7% increase over the second quarter 2003 earnings of $1,624,141. Basic earnings per share were $.55 for the quarter ended September 30, 2003, a significant increase from the $.39 per share reported for the third quarter of 2002, and up four cents ($.04) from the $.51 per share reported for the second quarter of 2003. Diluted earnings per share were $.52 for the third quarter of 2003 compared to $.38 per share for the third quarter of 2002 and $.49 for the second quarter of 2003. On August 29, 2003, MidSouth paid a 10% stock dividend on its common stock to holders of record on July 31, 2003. Earnings per common share data have been adjusted accordingly.

Earnings for the nine months ended September 30, 2003 were $4,668,260, a $1,521,211 or a 48% increase over the $3,147,049 for the nine months ended September 30, 2002. Basic earnings per share were $1.47 for the first nine months of 2003 compared to $.99 for the first nine months of 2002. Diluted earnings per share were $1.41 and $.97, respectively.

Earnings improved in quarterly and year-to-date comparison primarily due to an increase in net interest income, attributed primarily to a significant decline in interest expense combined with a slight increase in the volume of earning assets. A substantial decrease in the provision for loan losses and an increase in non-interest income also contributed to the improvement in earnings. In quarterly comparison, the increase in non-interest income had an impact to earnings comparable to the decrease in the provision for loan losses. In year-to-date comparison, the increase in non-interest income had a greater impact on earnings than the decrease in the provision for loan losses.

Net interest income increased $523,439 or 11% in quarterly comparison and $1,475,008 or 11% in year-to-date comparison. Non-interest income, excluding net gains on sales of securities recorded in 2003, increased $152,712 or 8% in quarterly comparison and $645,490 or 13% in year-to-date comparison. Non-interest income increased primarily due to increases in service charges on deposit accounts, income from third party mortgage loan originations and third party investment advisory services, and VISA debit card and ATM processing fees. The provision for loan losses decreased $179,250 for the third quarter and $573,250 for the nine months ended September 30, 2003 from the amounts in the comparable periods of 2002.

The increases in net interest and non-interest income for the three and nine months ended September 30, 2003 combined with the decrease in the provision for loan losses were partially offset by increases of $190,669 and $665,432, respectively, in non-interest expenses, primarily salaries and employee benefits, occupancy expense and marketing expense.

Total consolidated assets increased $37.2 million or 10%, from $382.7 million at December 31, 2002 to $419.9 million at September 30, 2003. Deposits grew $30.6 million or 9%, from $343.5 million at December 31, 2002

to $374.1 million at September 30, 2003. The increase in deposits resulted primarily from deposits associated with a public funds contract. The funds were deposited on July 1, 2003 and averaged $26.9 million for the third quarter of 2003.

Loans, net of Allowance for Loan Losses ("ALL"), increased $19.7 million or 9%, from $224.1 million at December 31, 2002 to $243.8 million at September 30, 2003. Nonperforming assets, including loans past due ninety days and over, as a percentage of total assets decreased from .60% at September 30, 2002, to .46% at December 31, 2002 and to .34% at September 30, 2003. The ALL represented 213% of nonperforming assets at September 30, 2003 compared to 165% at December 31, 2002 and 132% at September 30, 2002. Loans past due ninety days and over decreased significantly from $1,275,233 at September 30, 2002 to $818,727 at December 31, 2002 and to $489,379 at September 30, 2003.

MidSouth's leverage ratio was 8.51% at September 30, 2003 compared to 8.24% at September 30, 2002. Return on average equity for the third quarter of 2003 was 21.90% compared to 18.92% for the third quarter of 2002.

Earnings Analysis

Net Interest Income

Average earning assets increased 14%, or $48.6 million from $345.3 million for the three months ended September 30, 2002 to $393.9 million for the three months ended September 30, 2003. The mix of average earning assets shifted in quarterly comparison, as loans represented 62% of average earning assets in the third quarter of 2003 compared to 67% in the third quarter of 2002. The shift resulted primarily from investing the majority of funds received from a public funds contract in the third quarter of 2003 into investment securities instead of loans. Approximately $30 million in contracted funds were deposited on July 1, 2003 and will be under contract for a period of two years. Average loans increased $14.0 million, from $230.9 million in the third quarter of 2002 to $244.9 million in the third quarter of 2003. The average yield on loans decreased 22 basis points in quarterly comparison, from 8.59% to 8.37% at September 30, 2003. Loan yields declined primarily due to a 50 basis point decrease in New York prime in November of 2002, combined with rate the adjustments on other credits with scheduled repricing dates.

Approximately 43% of MidSouth's loan portfolio earns a variable rate of interest, with 29% adjusting with changes in the prime rate and another 14% adjusting on a scheduled repricing date. Approximately 57% of the loan portfolio earns a fixed rate of interest, the majority of which matures within three years. The mix of variable and fixed rate loans provides some protection to changes in market rates of interest. However, the average yield on loans will continue to drop as fixed rate loans mature and reprice unless market rates begin to rise. The impact of the decline in yield over the twelve months ended September 30, 2003 was offset by the $14.0 million average volume increase in the loan portfolio, resulting in a $165,334 increase in interest income on loans in quarterly comparison.

Average investments increased $31.2 million, from $105.2 million at September 30, 2002 to $136.4 million at September 30, 2003 and represented 38% of average earning assets. The increase in volume resulted primarily from the investment of $26.9 million in average deposits

added in the third quarter of 2003 from the public funds contract. The average taxable-equivalent yield on investments decreased 170 basis points, from 5.32% in the third quarter of 2002 to 3.62% in the third quarter of 2003, primarily due to the low rate environment and high prepayment speeds on mortgage-backed securities. Additionally, federal funds sold volume increased $3.3 million and the yield declined 56 basis points, from 1.42% to .86%. Decreased yields offset the volume increase in investments and resulted in a decrease in interest income on securities and federal funds sold of $151,490 in quarterly comparison.

A 94 basis point decrease in the average rate paid on interest-bearing deposits, partially offset by an average volume increase of $34.0 million, contributed to a $501,001 decrease in interest expense for the quarter ended September 30, 2003 compared to the quarter ended September 30, 2002. The average rate paid on interest-bearing deposits decreased from 2.25% at September 30, 2002 to 1.31% at September 30, 2003.

The percentage of average non-interest-bearing deposits to average total deposits declined only 1%, from 24% to 23% in quarterly comparison, despite the addition of $26.9 million in average interest-bearing deposits in the third quarter of 2003 from the public fund contract. A decline in the average volume of certificates of deposits offset the impact of the interest-bearing public fund deposits, thereby resulting in little change to the mix of non-interest bearing and interest-bearing deposits. The impact of these changes in the yields and volume of interest-bearing liabilities significantly contributed to the $523,439 quarterly increase in net interest income.

The impact of the changes in volume and yield of average earning assets and interest-bearing liabilities resulted in a decrease in the net taxable-equivalent yield on average earning assets of 17 basis points, from 5.49% for the quarter ended September 30, 2002 to 5.32% for the quarter ended September 30, 2003. However, the taxable-equivalent net interest spread reflected a 3 basis point increase, from 4.96% at September 30, 2002 to 4.99% at September 30, 2003.

Year-to-date comparison for the nine-month periods ended September 30, 2002 and 2003 reflected a 69 basis point decline in the yield on average earning assets, from 7.48% to 6.79%, respectively. The average rate paid on interest-bearing liabilities also declined by 97 basis points, from 2.68% at September 30, 2002 to 1.71% at September 30, 2003. The mix of average earning assets shifted only slightly in year-to-date comparison and the deposit mix remained constant. The net taxable-equivalent yield on average earning assets for the nine months ended September 30, 2003 increased 7 basis points, from 5.41% at September 30, 2002 to 5.48% at September 30, 2003. The taxable-equivalent net interest spread increased 28 basis points, from 4.80% at September 30, 2002 to 5.08% at September 30, 2003.

Non-interest Income

MidSouth's primary source of non-interest income, service charges on deposit accounts, increased $135,537 or 11% for the three months ended and $445,101 or 13% for the nine months ended September 30, 2003 as compared to the same period in 2002. The increase resulted primarily from an

increase in insufficient funds ("NSF") fees due to an increase in the number of checking accounts from 28,417 at September 30, 2002 to 30,718 at September 30, 2003 and an increase in the number of accounts that had an NSF occurrence. The average number of NSF's per account per month remained relatively constant at an average of 2.38 per month in 2002 and an average of 2.35 per month in 2003. The NSF per item processing fee did not increase and is on the lower end of fees charged by competitors in MidSouth's markets.

Other non-interest income increased $45,750 in quarterly comparison and $273,797 in year-to-date comparison, primarily due to increases in lease income from a third-party investment advisory service, third-party mortgage processing fees and VISA debit card and ATM processing fees. Third-party mortgage processing fees increased primarily due to continued refinancing activity. The improvement in ATM processing fees resulted from the elimination of a third party processor and establishing a direct connection to a regional switch. Bringing the processing in-house enabled MidSouth to reduce the processing cost per transaction and to retain a larger share of the interchange revenue. Beginning August 1, 2003, income from VISA debit card and ATM processing will be affected by a reduction in interchange revenue due to a lawsuit settlement between VISA and Walmart. However, the cost savings of processing in-house is expected to exceed the reduction in interchange revenue in the current year.

Non-interest Expense

Non-interest expense increased $190,669 or 4% and $665,432 or 5% for the three months and nine months ended September 30, 2003 compared to the three and nine months ended September 30, 2002, respectively. Increases were recorded primarily in the categories of salaries and employee benefits, occupancy and marketing expenses.

Salaries and benefits costs increased $97,677 in quarterly comparison and $378,231 in year-to-date comparison primarily due to an increase in the number of full-time equivalent ("FTE") employees by 10, from 208 in September 2002 to 218 in September 2003. New hires over the past twelve months included a senior level credit administrator, an information services analyst, and a call center manager. In addition, group health insurance costs increased $32,490 in quarterly comparison and $61,364 in year-to date comparison.

Occupancy expenses increased $15,164 in quarterly comparison and $117,441 in year-to-date comparison primarily due to increases in leasehold depreciation expense, ad valorem tax expense and utilities costs. Leasehold depreciation expense increased due to $86,814 in leasehold improvements made at MidSouth's main office and Pinhook office over the past twelve months. The accrual for ad valorem taxes increased due to anticipated increases in property values and bank capital.

Marketing expenses increased $45,524 and $160,838 for the three and nine months ended September 30, 2003 compared to the three and nine months ended September 30, 2002, respectively. The increase resulted primarily from bank sponsorships for trade shows and a radio advertising campaign.

Balance Sheet Analysis

MidSouth ended the third quarter of 2003 with consolidated assets of $419.9 million, an increase of $37.2 million from the $382.7 million reported for December 31, 2002. Deposits increased $30.6 million, from $343.5 million at December 31, 2002 to $374.1 million at September 30, 2003. The increase resulted primarily from interest-bearing deposits received on July 1, 2003 through a two-year public funds contract. Balances deposited as a result of the contract averaged $26.9 million for the third quarter of 2003. Non-interest bearing deposits declined $5.5 million or 6%, from $94.4 million at December 31, 2002 to $88.9 million at September 30, 2003. The decline resulted primarily from fluctuations in commercial deposit balances.

Net loans increased $19.7 million from $224.1 million at December 31, 2002 to $243.8 million at September 30, 2003. The majority of the $19.6 million growth in net loans resulted primarily from the addition of $10.7 million in commercial real estate loans and $8.1 million in commercial and agricultural loans.

Securities available-for-sale increased $26.3 million in the nine months ended September 30, 2003, as purchases of $69.1 million in securities available-for-sale were partially offset by maturities, calls, and paydowns totaling $35.2 million and sales of $6.5 million. Continued refinancing activity in mortgages resulted in increased paydowns on mortgage-backed securities. Unrealized gains in the securities available-for-sale portfolio, net of unrealized losses and tax effect, were $952,517 at September 30, 2003, compared to a net unrealized gain of $1,191,500 at December 31, 2002. The changes in these amounts result from interest rate fluctuations and do not represent permanent adjustments of value. Moreover, classification of securities as available-for-sale does not necessarily indicate that the securities will be sold prior to maturity.

Capital

MidSouth's leverage ratio was 8.51% at September 30, 2003 compared to 8.45% at December 31, 2002. Tier 1 capital to risk-weighted assets was 12.92% and total capital to risk-weighted assets was 14.00% at the end of the third quarter of 2003. At year-end 2002, Tier 1 capital to risk-weighted assets was 12.57% and total capital to risk-weighted assets was 13.71%. During the first quarter of 2003, MidSouth repurchased 2,800 shares of its common stock at a total cost of $46,362. An additional 2,500 shares were repurchased during the second quarter of 2003 at a total cost of $44,895. On August 29, 2003, MidSouth paid a 10% stock dividend on its common stock to holders of record on July 31, 2003. All earnings per share information have been adjusted to give retroactive effect to this stock dividend.

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Nonperforming Assets

The table below summarizes MidSouth's nonperforming assets.

	September 30, 2003	September 30, 2002	% Change	December 31, 2002
Nonaccrual loans	$704,098	$726,069	-3%	$710,546
Loans past due 90 days and over	489,379	1,275,233	-62%	818,727
Total nonperforming loans	1,193,477	2,001,302	-40%	1,529,273
Other real estate owned	233,099	283,552	-18%	174,800
Other foreclosed assets	-	-		45,062
Total nonperforming assets	$1,426,576	$2,284,854	-38%	$1,749,135
Nonperforming assets to total assets	0.34%	0.60%	-43%	0.46%
Nonperforming assets to total loans + OREO + other foreclosed assets	0.58%	0.97%	-41%	0.77%
ALL to nonperforming assets	213%	132%	61%	165%
ALL to nonperforming loans	254%	150%	69%	189%
ALL to total loans	1.23%	1.28%	-4%	1.27%
Year-to-date charge-offs	$599,199	$928,978	-35%	$1,364,135
Year-to-date recoveries	189,861	111,064	71%	152,207
Year-to-date net charge-offs	$409,338	817,914	-50%	$1,211,928
Net charge-offs to total loans	0.17%	0.35%	-51%	0.53%

Nonperforming assets, including loans past due 90 days and over, decreased 38% over the past twelve months, from $2,284,854 at September 30, 2002 to $1,749,135 at

December 31, 2002 and to $1,426,576 at September 30, 2003. The decrease resulted primarily from a reduction in loans past due 90 days and over. The volume of nonaccruals and other real estate and assets owned reflected little change. Specific reserves have been established in the ALL to cover probable losses on nonperforming loans.
The ALL is analyzed quarterly and additional reserves, if needed, are allocated at that time. Management believes the $3,032,042 in the allowance as of September 30, 2003 is sufficient to cover probable losses 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 doubts as to the ability of the borrower to comply with loan repayment terms.

Part I. Item 3. 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 this 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.

Part II. Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

Exihibit 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/A (Reg. No. 33-58499) filed on June 1, 1995.
4.1	MidSouth agrees to furnish to the Commission on request a copy of the instruments defining the rights of the holder of its long-term debt, which debt does not exceed 10% of the total consolidated assets of MidSouth.
10.1	MidSouth National Bank Lease Agreement with Southwest Bank Building Limited Partnership is included as Exhibit 10.7 to the MidSouth's annual report on Form 10-K for the Year Ended December 31, 1992, and is incorporated herein by reference.
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 MidSouth's annual report on Form 10-KSB for the year ended December 31, 1994, and is incorporated herein by reference.
10.2.1	Seventh Amendment to Lease between S & A Properties II, Inc., successor in interest to Southwest Bank Building Limited Partnership in Commendam, and MidSouth Bank, N.A. effective July 1, 2002 is included as Exhibit 10.2.1 to MidSouth's Annual Report on Form 10-KSB for the year ended December 31, 2002 and is incorporated herein by reference.
10.3	Amended and Restated Deferred Compensation Plan and Trust is included as Exhibit 10.3 to the MidSouth's

	annual report on Form 10-K for the year ended December 31, 1992 and is incorporated herein by reference.
10.3.1	Amended and Restated Deferred Compensation Plan and Trust effective October 9, 2002 is included as Exhibit 10.3.1 to MidSouth's Annual Report on Form 10-KSB for the year ended December 31, 2002 and is incorporated herein by reference.
10.5	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.
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.
11	Computation of earnings per share
32.1	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.2	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
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

(b) Reports Filed on Form 8-K

A press release regarding MidSouth's earnings for the quarter ended September 30, 2003 was attached as Exhibit 99.1 to the Form 8-K filed on October 26, 2003.

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 12, 2003

____
C. R. Cloutier,
President & CEO

____
Karen L. Hail,
Executive Vice President
& CFO

____
Teri S. Stelly,
Senior Vice President
& Controller