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MIDSOUTH BANCORP INC
Form 10QSB
August 13, 2003

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... June 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 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 July 31, 2003

Common stock, \$.10 par value 3,191,256

Transitional Small Business Disclosure Format:

Yes No

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PART 1 - FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited) Page

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December 31, 2002 3

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MIDSOUTH BANCORP, INC. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF CONDITION

| | June 30, 2003 (unaudited) | December 31, 2002* |
|---|---------------------------------|-----------------------|
| ASSETS | | |
| Cash and due from banks | \$20,539,097 | \$18,066,035 |
| Federal funds sold | 2,600,000 | 9,400,000 |
| Total cash and cash equivalents | 23,139,097 | 27,466,035 |
| Interest bearing deposits in banks | 78,436 | 1,694 |
| Securities available-for-sale, at fair value (cost of \$96,462,963 in June 2003 and \$87,755,456 in December 2002) | 98,601,923 | 89,575,706 |
| Securities held-to-maturity (estimated market value of \$25,953,992 in June 2003 and \$25,660,511 in December 2002) | 23,397,517 | 23,398,282 |
| Loans, net of allowance for loan losses of \$2,951,452 in June 2003 and \$2,891,380 in December 2002 | 238,875,718 | 224,160,846 |
| Bank premises and equipment, net | 12,121,788 | 12,321,510 |
| Other real estate owned, net | 174,800 | 174,800 |
| Accrued interest receivable | 2,710,588 | 2,502,684 |
| Goodwill | 431,987 | 431,987 |
| Other assets | 2,708,592 | 2,653,449 |
| | | |

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| | | |
|---|--------------------|--------------------|
| Total assets | \$402,240,446 | \$382,686,993 |
| | ===== | ===== |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Deposits: | | |
| Non-interest bearing | \$91,601,772 | \$94,452,378 |
| Interest bearing | 266,597,842 | 249,022,468 |
| | <u>358,199,614</u> | <u>343,474,846</u> |
| Securities sold under repurchase agreements and federal funds purchased | 5,066,344 | 2,978,860 |
| Accrued interest payable | 612,013 | 705,106 |
| Notes payable | 421,000 | 568,030 |
| Junior subordinated debenture | 7,000,000 | 7,000,000 |
| Other liabilities | 1,041,854 | 841,592 |
| | <u>372,340,825</u> | <u>355,568,434</u> |
| Commitments and contingencies | - | - |
| Stockholders' Equity: | | |
| Common stock, \$.10 par value- 5,000,000 shares authorized, 3,191,256 and 2,901,142 issued and outstanding on June 30, 2003 and December 31, 2002, respectively | 319,126 | 290,114 |
| Surplus | 18,582,456 | 12,997,762 |
| Unearned ESOP shares | (90,739) | (108,975) |
| Unrealized gains on securities available-for-sale, net of deferred taxes of \$736,766 in June 2003 and \$628,750 in December 2002 | 1,402,194 | 1,191,500 |
| Treasury stock - 5,300 shares, at cost | (91,257) | - |
| Retained earnings | 9,777,841 | 12,748,158 |
| | <u>29,899,621</u> | <u>27,118,559</u> |
| Total liabilities and stockholders' equity | \$402,240,446 | \$382,686,993 |
| | ===== | ===== |

* 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
June 30,

Six Months Ended
June 30,

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See notes to unaudited consolidated financial statements.

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

| | COMMON STOCK SHARES | STOCK AMOUNT | SURPLUS | ESOP OBLIGATION | UNREALIZED GAINS (LOSSES) ON SECURITIES AFS, NET | TREASURY STOCK |
|---|------------------------|-----------------|--------------|--------------------|---|-------------------|
| | ----- | ----- | ----- | ----- | ----- | ----- |
| BALANCE, JANUARY 1, 2003 | 2,901,142 | \$290,114 | \$12,997,762 | (\$108,975) | \$1,191,500 | \$ - |
| Dividends on common stock, \$.10 per share | | | | | | |
| Purchase of treasury stock | | | | | | (91,257) |
| Stock dividend | 290,114 | 29,012 | 5,584,694 | | | |
| Net income | | | | | | |
| ESOP obligation, repayments | | | | 18,236 | | |
| Net change in unrealized gain/loss on securities available-for -sale, net of income taxes | | | | | 210,694 | |
| BALANCE, JUNE 30, 2003 | 3,191,256 | \$319,126 | \$18,582,456 | (\$90,739) | \$1,402,194 | (\$91,257) |
| | ===== | ===== | ===== | ===== | ===== | ===== |

See notes to unaudited consolidated financial statements.

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

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FOR THE SIX MONTHS ENDED JUNE 30, 2003 AND 2002

| | June 30, 2003 | Jun |
|--|---------------------|-------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net income | \$2,933,693 | \$1 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 751,667 | |
| Provision for loan losses | 300,000 | |
| Provision for deferred taxes | (82,359) | |
| Amortization of premiums on securities, net | 543,817 | |
| Gain on sale of securities, net | (87,632) | |
| (Gain)/loss on sale of premises and equipment | (14,834) | |
| (Gain)/loss on sale of other assets repossessed/OREO | (6,152) | |
| Change in accrued interest receivable | (207,904) | |
| Change in accrued interest payable | (93,093) | |
| Other, net | 231,365 | |
| NET CASH PROVIDED BY OPERATING ACTIVITIES | 4,268,568 | 3 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Net increase in interest-bearing deposits in banks | (76,742) | |
| Proceeds from sales of securities available-for-sale | 5,427,085 | |
| Proceeds from maturities and calls of securities available-for-sale | 20,618,435 | 18 |
| Purchases of securities available-for-sale | (35,208,449) | (24) |
| Loan originations, net of repayments | (15,034,283) | (10) |
| Purchases of premises and equipment | (543,881) | (1) |
| Proceeds from sales of premises and equipment | 39,610 | |
| Proceeds from sales of other real estate owned | 43,800 | |
| Net cash received in connection with acquisition | - | 6 |
| NET CASH USED IN INVESTING ACTIVITIES | (24,734,425) | (11) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Net increase (decrease) in deposits | 14,724,768 | |
| Net increase in securities sold under repurchase agreements and federal funds purchased | 2,087,484 | 3 |
| Repayments of notes payable | (147,030) | |
| Purchase of treasury stock | (91,257) | |
| Payment of dividends | (435,046) | |
| NET CASH PROVIDED BY FINANCING ACTIVITIES | 16,138,919 | 1 |
| NET DECREASE IN CASH & CASH EQUIVALENTS | (4,326,938) | (7) |
| CASH & CASH EQUIVALENTS AT BEGINNING OF PERIOD | 27,466,035 | 35 |
| CASH & CASH EQUIVALENTS AT END OF PERIOD | \$23,139,097 | \$28 |

See notes to unaudited consolidated financial statements.

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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 June 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 six month period ended June 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:

| | Six Months Ended June 30, | |
|--------------------------------|------------------------------|-----------------------------|
| | 2003 | 2002 |
| Balance at beginning of period | \$2,891,380 | \$2,705,058 |
| Provision for loan losses | 300,000 | 694,000 |
| Recoveries | 108,516 | 61,488 |
| Loans charged off | (348,444) | (604,702) |
| Balance at end of period | <u>\$2,951,452</u> ===== | <u>\$2,855,844</u> ===== |

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 six months ended June 30, 2003 and 2002.

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| | Six Months Ended June 30, | |
|--|------------------------------|-------------|
| | 2003 | 2002 |
| Net income | \$2,933,693 | \$1,905,376 |
| Other comprehensive income | | |
| Unrealized gains (losses) on securities available-for-sale, net: | | |
| Unrealized holding gains arising during the period | 268,531 | 589,538 |
| Less reclassification adjustment for (gains) losses included in net income | 57,837 | - |
| Total other comprehensive loss | 210,694 | 589,538 |
| Total comprehensive income | \$3,144,387 | \$2,494,914 |

4. STOCK DIVIDEND

On May 27, 2003, MidSouth declared 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.

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

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 June 30, | | Six Months Ended June 30, | |
|--|--------------------------------|-------------|------------------------------|-------------|
| | 2003 | 2002 | 2003 | 2002 |
| Net earnings available to common stockholders (in thousands): | | | | |
| As reported | \$1,624,141 | \$1,087,245 | \$2,933,693 | \$1,905,376 |
| Deduct total stock based compensation determined under fair value method | (12,000) | (5,000) | (30,000) | (12,000) |

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| | | | | |
|-----------------------------|-------------|-------------|-------------|-------------|
| Pro forma | \$1,612,141 | \$1,082,245 | \$2,903,693 | \$1,893,376 |
| Basic earnings per share: | ===== | ===== | ===== | ===== |
| As reported | \$0.51 | \$0.34 | \$0.92 | \$0.60 |
| Pro forma | \$0.51 | \$0.34 | \$0.91 | \$0.60 |
| Diluted earnings per share: | | | | |
| As reported | \$0.49 | \$0.34 | \$0.89 | \$0.59 |
| Pro forma | \$0.49 | \$0.33 | \$0.88 | \$0.58 |

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

| EARNINGS DATA | Three Months Ended | | Six Months Ended | |
|---------------------------|--------------------|-------------|------------------|--------------|
| | 2003 | 2002 | 2003 | 2002 |
| Total interest income | \$5,912,446 | \$6,071,740 | \$11,765,358 | \$11,881,675 |
| Total interest expense | 1,168,864 | 1,697,011 | 2,434,573 | 3,502,459 |
| Net interest income | 4,743,582 | 4,374,729 | 9,330,785 | 8,379,216 |
| Provision for loan losses | 100,000 | 336,000 | 300,000 | 694,000 |
| Non-interest income | 2,029,150 | 1,659,230 | 3,742,249 | 3,161,839 |
| Non-interest expense | 4,438,454 | 4,197,565 | 8,750,328 | 8,275,565 |
| Provision for income tax | 610,137 | 413,149 | 1,089,013 | 666,114 |
| Net income | 1,624,141 | 1,087,245 | 2,933,693 | 1,905,376 |

PER COMMON SHARE DATA