

December 5, 2003

## MIDSOUTH BANCORP INC. MSL/AMEX

### *Continuing Coverage: "Out-Biggin' the Smalls and Out-Smallin' the Bigs"*

#### Investment Recommendation: Market Perform

PRICE: \$31.11 S&P 500: 1061.50 DJIA: 9873.42 RUSSELL 2000: 545.19

- MidSouth's primary focus is on increasing earnings.
- Company's management is committed to continuous success.
- MidSouth's sustainable growth concept leads to future solid performance.
- Bank's deposit base and funding sources are strong enough to cover the loan expansion.
- MidSouth differentiates itself by having the resources of a large bank and the personalized customer service of a community bank.
- Our 12-month target price is \$35.63.

Valuation	2002A	2003E	2004E
EPS	\$1.36	\$1.93	\$2.10
P/E	20.7	16.1x	14.8x
CFPS*	\$2.34	\$2.79	\$2.69
P/CFPS	13.3x	11.2x	11.6x

#### Market Capitalization\*\*

Equity Market Cap. (MM):	\$98.83
Enterprise Value (MM)***:	\$146.43
Shares Outstanding (MM):	3.18
Estimated Float (MM):	2.1
6-Mo. Avg. Daily Volume	3,530

#### Stock Data\*\*

52-Week Range:	\$13.18-\$32.79
12-Month Stock Performance^	87.06%
Dividend Yield^:	0.77%
Book Value/Share^:	\$9.74
Beta:	0.019

\*CFPS is calculated using operating cash flows excluding working capital changes.

\*\* All amounts are as of the date of the report as reported by Bloomberg or Yahoo Finance unless otherwise noted.

\*\*\* Enterprise value is based on the equity market cap. at the date of this report adjusted for long-term debt, cash and short-term investments reported on the most recent quarterly report dated June 30, 2003.

^12-month stock performance is calculated using an ending price as of the date of the report.

^^As of the last quarterly report dated June 30, 2003.

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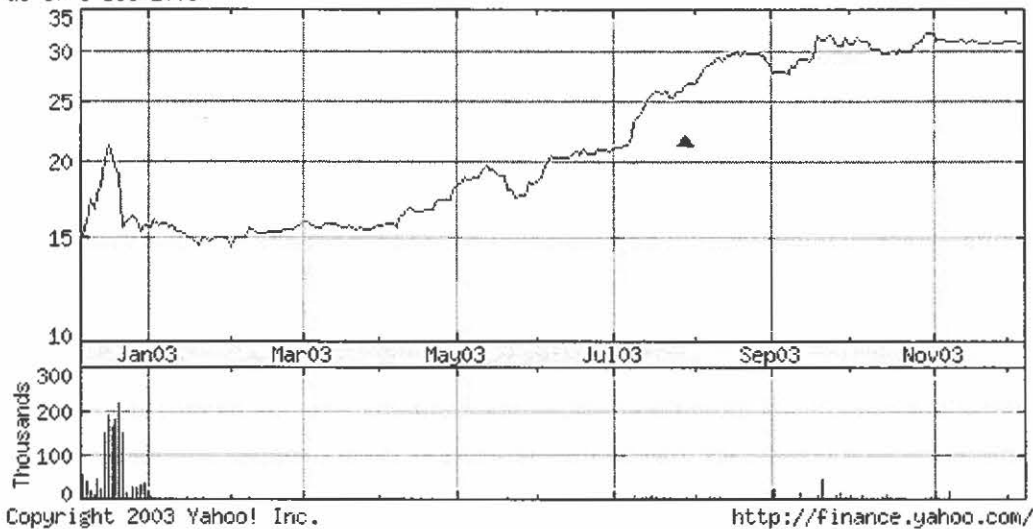
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## STOCK PRICE PERFORMANCE

MIDSOUTH BANCORP INC  
as of 5-Dec-2003

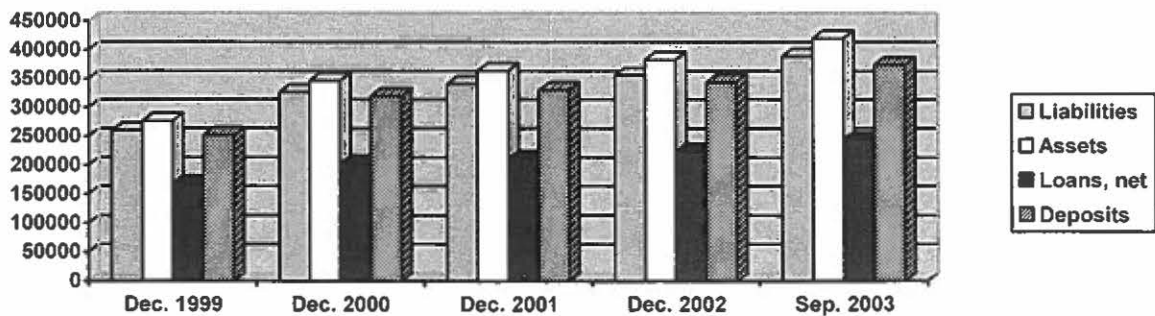
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## COMPANY DESCRIPTION

MidSouth Bancorp Inc. (AMEX:MSL) is the bank holding company for MidSouth Bank (the "Bank"). The Bank was founded in 1984 and is established in Lafayette, Louisiana. In less than 20 years of operations the Bank has grown to have the 10<sup>th</sup> largest banking franchise in Louisiana. The Bank has 19 operating locations throughout south central and southwestern Louisiana. MidSouth Bancorp. Inc. ("MidSouth" or the "Company") had total assets of \$402.2 million and total deposits of \$358.2 million at the end of June 2003.

Figure 1: Growth in Assets and Liabilities



Source: MidSouth annual and quarterly reports

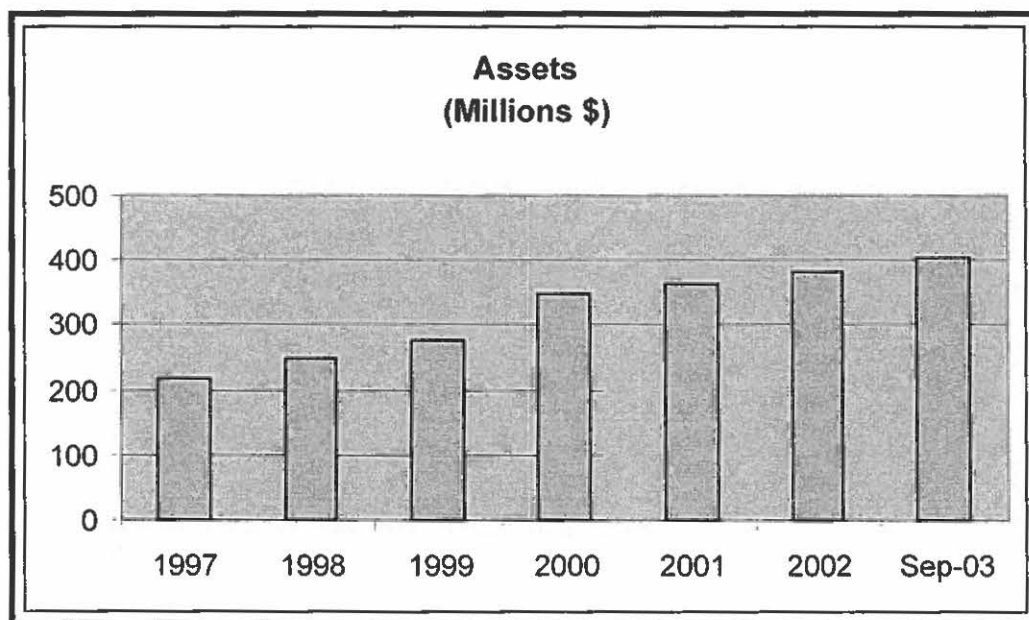


The graph above shows the continuous expansion of MidSouth's activity during the last four years. The focus of MidSouth's strategy is to grow by expanding its commercial loan portfolio. Recent opening of loan production offices in southern Louisiana reflect this aggressive strategy. Nevertheless, MidSouth is growing while keeping its commitment to a conservative and well-diversified asset mix.

MidSouth has a stellar stock performance since it went public in 1993. The stock price reached \$31.11 price per share by December 5, 2003 after continuous growth pattern from the IPO opening share price of \$2.89<sup>1</sup>.

The strength of the Company lies in strong branch structure and its experienced and dedicated management team. In addition, MidSouth's service quality is recognized by the high customer satisfaction rating, which consistently reaches over 90%.

Figure 2: Gross Total Assets



Sources: 2002 Annual Report, 3<sup>rd</sup> Quarter of 2003 10-Q

<sup>1</sup> The \$2.89 opening price is adjusted for the stock splits and stock dividends offered by the Company.



MidSouth currently has 19 locations in southern Louisiana, a call center, a network of 103 own ATMs across Louisiana, and an internet banking service, *NetBanking*. The Bank was founded in 1984, on Pinhook Road in Lafayette, Louisiana. While many companies were going bankrupt during the severe downturn in oilfield businesses of the mid-1980's, MidSouth had the resources to purchase the failing Breaux Bridge Bank in 1987. Two years later, MidSouth also bought Commerce and Energy Bank, a failing bank in Lafayette, Louisiana. The Bank continued its expansion in the 1990s and in 1995 it opened locations in Opelousas, Louisiana and in Super-One food stores. It then acquired Sugarland Bank in New Iberia, Louisiana which brought 2 new locations. The bank opened a branch in Morgan City, Louisiana in 1996 and in 1997 opened branches in Lake Charles and Sulphur, Louisiana.

MidSouth branches are located throughout Louisiana in the following cities: New Iberia, Breaux Bridge, Cecilia, Houma, Jeanerette, Jennings, Lake Charles, Morgan City, Opelousas, Sulphur, and Thibodeaux. The most recent office opening, the opening of a loan production office, took place in Houma in September 2003.

The Bank provides a wide range of banking services to individual, commercial, professional, and industrial customers in its markets. MidSouth's main services include checking accounts, investment accounts, credit card services, and loan products. Business services include equipment leasing, cash management, and commercial services, which include small business checking, analysis checking, business *NOW* checking, and commercial money market. The most notable shareholders of MidSouth are insiders. Insiders own about 45.2% of shares outstanding and 5.6% is owned by an aggressive active investor, Jeffrey Gendell.

Figure 3: List of Shareholders

Holder Name	Held	Date Reported	% Outstanding
<b>Significant Insiders:</b>			
Hargroder MD J B	263,504	Oct/30/03	8.3%
Cloutier C R	182,680	Nov/03/03	5.7%
Kidd III Milton	114,835	Nov/03/03	3.6%
Hillard Clayton	110,229	Feb/10/03	3.5%
Simmons William	104,339	Nov/03/03	3.3%
<b>Institutional:</b>			
Gendell Jeffrey	177,650	Jun/30/03	5.6%
Fidelity Management	6,152	Jun/30/03	0.2%
Barclays Global	2,356	Jun/30/03	0.1%

Source: <http://finance.yahoo.com> November 4, 2003



## MANAGEMENT BACKGROUND

### **C. R. Cloutier, (56) *President, Chief Executive Officer and Director***

Mr. Cloutier is the CEO and director of MidSouth and of the Bank since 1984. In 2003, he was elected chairman of the Independent Community Bankers of America (ICBA), the primary voice for community banks in the United States. Mr. Cloutier is also a director on the board of the New Orleans branch of the Federal Reserve Bank of Atlanta.

### **Karen L. Hail, (50) *Senior Executive Vice President and Chief Operations Officer***

Ms. Hail is the senior executive vice president and COO of the Bank since 1988. She is also the chief financial officer, secretary, treasurer, and founding executive officer of MidSouth Bank.

### **Donald R. Landry, (46) *Executive Vice President and Senior Loan Officer***

Mr. Landry is executive vice president and senior loan officer of the Bank. He joined the Company in 1989, and was named executive vice president in 2002.

### **Dwight Utz, (49) *Senior Vice President of Retail Banking***

Mr. Utz is the senior vice president of Retail Banking since 2001. Prior to his position with MidSouth, he was corporate vice president for PNC Bank Corporation in Pittsburgh, Pennsylvania.

## Executive Compensation

The executive compensation awarded by MidSouth in 2002 totaled \$700,507, up about 12% from 2001. The table below shows the breakdown of the executive compensation awarded to MidSouth's officers in 2002.

**Figure 4: Executive Compensation, 2002**

Name	Position	Total Compensation
C. R. Cloutier	President, CEO, Director	\$274,773
Karen L. Hail	Senior Executive VP, COO	\$180,494
Donald R. Landry	Executive VP, Senior Loan Officer	\$139,693
A. Dwight Utz	Senior VP of Retail Banking	\$105,547
<b>Total</b>		<b>\$700,507</b>

Source: MidSouth Bancorp Inc. Proxy Statement, May 27, 2003



The total value of options granted by MidSouth was \$624,009, as of the end of December 2002. MidSouth granted options for a total number of 106,500 shares, out of which, options for 32,132 shares were unexercisable by the end of December 2002. The following table shows a breakdown of the number of options and option value by executive officers.

Figure 5: Option Holdings

Name	Number of Securities Underlying Unexercised Options at December 31, 2002		Underlying Options Granted In 2002	Value of Unexercised In-the-Money Options At December 31, 2002
	Exercisable	Unexercisable		
C.R. Cloutier	35,062	14,938	12,500	\$287,397
Karen L. Hail	21,375	7,125	6,000	\$187,842
Donald Landry	16,931	6,069	5,000	\$142,570
A. Dwight Utz	1,000	4,000	-	\$6,200
<b>Total</b>	<b>74,368</b>	<b>32,132</b>	<b>23,500</b>	<b>\$624,009</b>

Source: MidSouth Bancorp Inc. Proxy Statement, May 27, 2003

### Key Team Results

MidSouth's management team has had a good performance. In December 2002, basic earnings per share were \$1.39, up 42% from 2001, and diluted earnings per share were \$1.36, up 49% from 2001. In January 2003, MidSouth paid a special dividend and the Company increased the cash dividends by 32% in August 2003.

MidSouth's efficiency ratios are also showing strong performance. The Bank's ROE and ROI are higher than those of competitors and the industry average.

Figure 6: Management Efficiency Ratios

	MidSouth (MSL)	Hibernia (HIB)	IberiaBank (IBKC)	Industry Average
Return on Assets (TTM) - %	1.53	1.45	1.25	1.65
Return on Assets - 5 year average - %	1.00	1.28	0.95	1.65
Return on Investment (TTM) - %	16.80	14.93	8.09	10.60
Return on Investment - 5 year average - %	12.88	13.78	8.55	11.24
Return on Equity (TTM) - %	21.36	14.93	13.49	17.15
Return on Equity - 5 year average - %	17.03	14.09	10.31	17.36

Source: <http://yahoo.multexinvestor.com>, November 4, 2003





## INDUSTRY ANALYSIS

The operating conditions in the banking industry are changing as the economy recovers. During the second quarter of 2003, earnings and profitability grew at record levels for FDIC insured institutions. Industry earnings were up 12% from the second quarter of 2002, with 57% of institutions reporting higher earnings than a year earlier. Low interest rates played an important role in this trend because they stimulated the consumer loan growth and allowed banks to realize large gains on sales of securities and other assets.

The banking industry remains highly fragmented and very competitive in the United States. At the end of June 2003, the 9 largest banks held 42% of the industry's assets and the 81 largest banks held 72% of total industry assets. Although banking has become a global industry, regional factors are still key drivers for the performance of the regional banks. The competition in banking has different features for different products. In regional banking, small local players are facing larger bank's attempts to expand deposits and loan portfolios. In Louisiana, MidSouth's main competitors are large national/regional banks: Regions Bank, Hibernia Bank, and Whitney Bank as well as some community banks: Iberia Bank, Teche Bank & Trust Co., and First American Bank.

The consolidation activity was slow in the recent past because of the decline in profitability and the downturn of the stock market. Nevertheless, consolidation is expected to accelerate especially among the regional banks.

### Industry Profitability

The key profitability drivers in banking are as listed.

**Interest rates:** Currently, short-term interest rates are at a 45-year low of 1%. Economic experts do not expect the Fed to change interest rates until mid-2004. Industry profitability was negatively affected by these low interest rates. As interest rates continued to decrease during this year, industry profitability declined at a faster rate because the banks were not able to pass the lower interest rates to its depositors. However, the impact of the decreasing interest rate was mitigated by the strong demand in consumer loans. Despite the low short-term interest rates,



most of the banks locked into asset-sensitive balance sheets in an attempt to obtain a notable profitability improvement once the short-term rates begin to rise.

**GDP and capital markets performance:** The strong GDP and the growth in the capital markets are expected to boost industry wide profitability.

**Asset quality:** Asset quality is improving. Past-due loans represented 0.86% of commercial and industrial loans at the end of June 2003 versus 1.13% in the previous year. The level of nonaccrual loans was 2.69% for commercial and industrial loans at the end of June 2003 versus 2.87% in the previous year.

### **Regional Business Environment**

The Dallas FDIC region continues to suffer ill effects from the national recession, including weak employment and moderate industrial expansion. The greatest employment declines in the second quarter of 2003 were in services, manufacturing, financial services, insurance, and real estate. Employment in the tourism industry continued its recovery after 9/11. In addition, employment is expected to grow in oil and gas because the sector may benefit from stable energy prices.

### **Local Business Environment**

The southwestern Louisiana economy is very dependent on the oil, gas, seafood and certain agricultural industries, primarily sugar cane. These industries depend very much on macroeconomic conditions and have a direct impact on the level and performance of the Banks' loan portfolios. Past economic downturns have caused a decrease in loan originations and an increase in nonperforming assets. The metropolitan Lafayette area, which is the fourth largest city in Louisiana, has experienced sustained growth. Lafayette is the home of a large university, the center of several hospitals, and various small-to-medium sized businesses. Lafayette has provided local banks with increased lending opportunities.





## Competition

MidSouth works to carve out its small segment amongst other community banks. MidSouth differentiates itself from competition by having the resources of a large bank and the personalized customer service of a community bank.

Figure 7: MidSouth and its Competitors

	MidSouth Bancorp. Inc. (Sep. 2003)	Whitney Bank	Hibernia National Bank	IberiaBank	Industry Average
Market Cap. (Dec. 5, 2003)	98.93	1.60B	3.55B	376.67M	170.33M
Revenue growth	-0.57%	-9.89%	-8.2%	8.33%	0.0%
Revenue	18.03M	254.28M	685.23M	71.40M	50.20M
Net income	4.67M	74.72M	186.84M	17.27M	8.98M
EPS	1.41	1.85	1.19	2.54	1.43
Total Assets	420M	7.31B	17.57B	2.08B	
Total Loans, net	244M	4.61B	12.01B	1.38B	

Source: <http://finance.yahoo.com>, <http://banker.analytics.thomsonib.com>, Nov. 10 03/

Among MidSouth's competitors in Louisiana, IberiaBank seems to be the one that aggressively goes after the same markets and the same client groups. IberiaBank holds a market share of 15.11% (versus 8.15% for MidSouth) in Louisiana. IberiaBank is a state-chartered commercial bank, which operates 39 offices in its market areas located in south central Louisiana, northern Louisiana, and the greater New Orleans area. IberiaBank is competing with MidSouth primarily on the commercial loan, consumer loan, and deposit markets.

Another important competitor of MidSouth is Hibernia National Bank. Hibernia holds an 11.78% market share in Louisiana. Unlike MidSouth and IberiaBank, Hibernia does business across several Southern states. Hibernia operates 261 locations in 34 Louisiana parishes and a minor number of branches in Texas and southern Mississippi. Hibernia is competing with MidSouth primarily for commercial customers, retail customers, and for loans to small businesses.



## **RISK ANALYSIS**

### ***Liquidity Risk***

MidSouth has a market capitalization of \$98.43 million and 3.18 million common shares outstanding. The float is estimated at approximately 60% of the shares outstanding. The daily average trading volume is roughly 5,000 shares, and it has peaked at 12,000 shares. At current price and average trading volume, an investor with a stake of \$1 million may have to wait for at least 10 days to liquidate his/her holding. MidSouth has low liquidity and there is only one analyst, following the Company other than Burkenroad.

### ***Credit Risk***

MidSouth is aggressive in its expansion process, but at the same time is very aware of its credit risks. The Bank follows a conservative loan strategy. At the end of 2002, non-performing loans dropped to \$0.9 million from \$1.64 million, and represented below 0.30% of total assets. The loan portfolio seems to be reasonably diverse and the allowance for loan losses covers 310.76% of non-performing assets. The high percentage does not indicate bad future expectations for MidSouth but is due to a conservative reserve policy. The possibility of regulations to limit the allowance for loan losses to 100% of non-performing assets will affect the Company's income but not its credit risks.

### ***Economic Risk***

Although overall economy is recovering slowly, we believe that MidSouth's target area is located in locations with a high expected growth, locations such as Houma and Thibodeaux, Louisiana. MidSouth's main customers are the oil, gas and petro-chemical industry. However, MidSouth's activity is well diversified across other industries including retail, government, education and healthcare. The portfolio prospects seem to be positive.

### ***Capital Risk***

Stockholder's equity totaled \$29.9 million as of the second quarter 2003, and represented 8.0% of the Company's total liabilities. MidSouth's most current tier 1 capital ratio is 8.82%, which is in good standing compared to the requirements for a well-capitalized bank of 6%.

**Interest Rate Risk**

The federal interest rate is at a historical low of 1%. Within the next year, we expect to see a tendency towards an increasing rate. MidSouth's repricing/maturity gap is positive, and therefore the Bank is asset sensitive which means that the profitability will increase as the interest rate starts to grow. MidSouth's main business is with short/medium term commercial loans which have a short average time to maturity. As current loans expire, new loans, which reflect the higher interest rate, will replace current loans. The refinancing and locking-in trend for mortgages does not affect MidSouth because the bank sells off its customer mortgages to third parties.

**PEER GROUP ANALYSIS**

MidSouth's peer group is comprised of comparably sized community banks in the south central and eastern states of the United States. These peers are characterized by service-oriented retail and commercial lending.

**Figure 8: MidSouth Versus Peers**

Peers Name	Ticker Symbol	Price	52 week low	52 week high	Market Cap	Beta	Dividend Yield %	June 2003 Total Assets (MM)
MidSouth Bancorp Inc.	MSL	31.23	12.69	32.79	99.65	0.019	0.77	402.24
Teche Holdings Company	TSH	35.50	25.25	38.00	81.97M	0.151	1.93	517.69
Britton & Koontz	BKBK	16.83	13.53	18.83	35.56M	-0.078	3.80	343.18
Capital Bank Corp.	CBKN	15.90	12.40	16.93	102.97M	-0.142	1.26	908.68
Guaranty Bancshares Inc	GNTY	20.04	14.01	20.04	58.56M	0.045	1.73	530.39
Iberia	IBKC	54.12	36.83	53.75	360.39M	0.052	1.75	2,009.30

Source: <http://banker.analytics.thomsonib.com>, <http://finance.yahoo.com> Nov 10 03

**Teche Federal Savings Bank (TSH)**

Teche Federal Savings Bank had total assets of \$517.69 million at the end of June 2003. Headquartered in Franklin, Louisiana, Teche has 15 branches. For the six months ended June 30, 2003 interest income fell 12% to \$22.4 million compared to six months ended June 30, 2002. Net income rose 3% to \$4.8 million. Of the company's total loan portfolio, 71.6% is comprised of one- to four-family residential loans.

**Britton & Koontz (BKBK)**

Britton & Koontz has total assets of \$343.18 million at the end of June 2003. Headquartered in Natchez, Mississippi, Britton & Koontz has branches in Mississippi and Louisiana. For the six months ended June 30, 2003, interest income fell 1% to \$9.9 million compared to six months ended June 30, 2002. Net income rose 59% to \$1.5 million. Of the company's total loan portfolio, 36.9% is comprised of one- to four-family residential loans; loans related to real estate totaled 75.55% of the total loan portfolio.

**Capital Bank Corporation (CBKN)**

Capital Bank Corporation has total assets of \$908.68 million at the end of June 2003. Capital Bank currently has 21 branch office locations across the state of North Carolina and has its headquarters in Raleigh, North Carolina. For the six months ended June 30, 2002, interest income rose 16% to \$20.3M as compared to the six months ended June 30, 2002. Net income fell 30% to \$1.6 million. Of the company's total loan portfolio, 71% is comprised of commercial loans.

**Guaranty Bancshares Inc. (GNTY)**

Guaranty Bancshares Inc has total assets of \$530.30 million at the end of June 2003. Guaranty Bancshares is headquartered in Mount Pleasant, Texas and has 11 branches in Texas. For the six months ended June 30, 2003, total interest income fell 2% to \$14 million as compared to the six months ended June 30, 2002. Net income fell 12% to \$1.8 million. Of the company's total loan portfolio, 37.83% is comprised of one to four-family residential loans and 22.41% commercial loans.

**IberiaBank (IBKC)**

IberiaBank has total assets of \$2,009.39 million at the end of June 30, 2003. Headquartered in Lafayette, Iberia operates 39 offices in its market areas located in south central Louisiana, north Louisiana and the greater New Orleans area. For the six months ended June 30, 2003, interest income rose 7% to \$47.3M compared to six months ended June 30, 2002. Net income rose 24% to \$11.2 million. Of the company's total loan portfolio residential mortgage loans represented 25.8%, commercial loans totaled 38.9% and consumer loans represented 35.3%.



## FINANCIAL PERFORMANCE PROJECTIONS

### Operating Activity

For the six months ended June 30, 2003, MidSouth had an annualized return on average assets of 1.53% versus an industry average of 1.39%. In the six months ended June 30, 2002, MidSouth had a 1.07% return on assets. This increase is seen as a positive change because MidSouth is not taking on any excessive risk. MidSouth had an annualized return on average equity of 20.49%, outperforming an industry average of 15.26% in the first six months of 2003. We believe that the Bank's leverage will not restrict its ability to borrow. MidSouth has a gross yield on average earning assets of 6.65%, which is higher than the industry average of 5.49% in the first six months of 2003. MidSouth has a net interest margin of 5.27% versus an industry average of 3.85% for the first six months of 2003. In the first six months of 2002, the Bank had a net interest margin of 5.10%. The increase from 2002 to 2003 shows successful management of assets and liabilities. MidSouth's nonperforming loans made up 0.35% of total loans in the first six months of 2003. This number shows that MidSouth's reserve for loan losses adequately covers nonperforming loans. In the first six months of 2003, MidSouth's long term debt as a percentage of debt and equity was 18.97%. This low average indicates that the Bank can easily access further borrowing.

We expect MidSouth to expand its operations based on strengthening its position within its existing markets, and on entering into new markets. Therefore we predict a growth in the loan portfolio from \$247 million to \$285 million by December 2004. This forecast represents an increase of 15% within the next 5 quarters. The concept of loan production offices should provide MidSouth with a low cost structure to generate loans. We also expect MidSouth's deposit portfolio to grow from \$374 million to \$398 million, or an increase of 14% within the next 5 quarters. Such an increase will change the loan to deposit ratio to 72% by 2004.



### **Investing and Finance Activities**

We expect the bank to grow its branches and to establish new loan production offices, which are financed mostly through long/medium term leases or rented. We predict that the loan portfolio will increase stronger than the deposit portfolio. As a source of financing we see some capacity within the securities available for sale as well as in the additional debt capacity. We expect the Bank to maintain the 6 cents dividend per quarter payout policy within the next 6 quarters.

### **INVESTMENT THESIS**

With a 12-month target price of \$35.63, we are recommending a **Market Perform** rating for MidSouth. We believe in MidSouth's growth potential and we are encouraged by MidSouth's return on equity. Management's strong involvement paired with the economic development within MidSouth's current and potential future markets build a bright future for this small to mid-sized Louisiana bank.





- **MidSouth's primary focus is on increasing earnings.**

The insiders, who own 45.2% of the company focus on a solid earnings growth. Management believes that the return on equity is the only real measurement for success. Other commonly used evaluation methods, such as the management performance ratios, do not capture the service for shareholders as well; thus real shareholder return is the number one priority for MidSouth.

- **MidSouth management is committed to continuous success.**

MidSouth's management displays a passion for its continuing excellence and overall performance. The drive to succeed and grow comes from its entrepreneurial spirit. The strong performance is correlated with the high qualifications and expertise of the management team

- **MidSouth's sustainable growth concept leads to future solid performance.**

Along with the historical ability to grow, MidSouth demonstrates potential for a similar growth trend in the future. MidSouth's growth potential is based on in depth research, demographic analysis, and a low-cost growth concept.

- **MidSouth's deposit base and funding sources are strong enough to cover the loan expansion.**

Deposit costs decreased due to a decline in interest rates paid on interest bearing balances and a continued strong base on non-interest bearing deposits. MidSouth has been able to cover its loans with deposits. This trend will continue as the estimated deposits development allows for an increase in the bank's loaning activities.

- **MidSouth differentiates itself by having the resources of a large bank and the personalized customer service of a community bank.**

The Bank is able to provide solid large bank service and products, but at the same time it maintains a personal relation even with its smallest customers. Customers benefit from dealing with a large bank like MidSouth because of the expertise that the bank provides and from the personalized face to face attention commonly given by small community banks.



## Valuation

For valuation purposes, we used a relative forward price-to-earnings ratio. We choose this ratio because earnings are the main driver of MidSouth's stock price. The current industry P/E ratio average is 16.82. Currently, MidSouth is trading at 17.25 times earnings. To value the price of MidSouth's future stock, we used a forward P/E ratio of 17. A P/E ratio of 17.25 is slightly high, and will converge towards the industry average the next few years. We believe that the P/E ratio will decline by the end of 2004 until it eventually reaches the industry average. MidSouth has an overall risk, including business, financial, and liquidity risk, comparable to the industry. We believe MidSouth has a slightly higher business risk as compared to the industry based on the earnings variability analysis. We also believe that MidSouth's financial risk is lower than the industry average, because MidSouth's leverage is only 7.4%. We expect the forward P/E to decline by the end of 2004.

## INVESTMENT SUMMARY

### Investment Summary

Our **Market Perform** rating is based on both fundamental and intrinsic factors. Currently, MidSouth has a high P/E compared to its peers. MidSouth has a low stock liquidity as compared to the rest of the banking industry. Our recommendation, is based on our forecasted 12-month target EPS of \$2.10, and a future P/E multiplier of 17. Our target price for December 2004 is \$35.63. This would give MidSouth a yearly return for 2004 of 17.62%. MidSouth's high success in growth is due to its superior research along with strong commitment to excellence which supports our forecasted growth in earnings.



**MIDSOUTH BANCORP, INC (MSL)**

**Annual and Quarterly Earnings**

In thousands

In thousands	Period ended	2003 E								2004 E				
		2000 A	2001 A	2002 A	31-Mar A	30-Jun A	30-Sep A	31-Dec E	2003 E	31-Mar E	30-Jun E	30-Sep E	31-Dec E	2004 E
Interest income:														
Loans, including fees	\$	19,441	\$ 20,539	\$ 19,146	\$ 4,734	\$ 4,905	\$ 5,168	\$ 5,216	\$ 20,023	\$ 5,372	\$ 5,531	\$ 7,078	\$ 7,859	\$ 25,840
Securities:														
Taxable		3,446	3,808	3,090	641	500	555	555	2,249	543	531	531	531	2,135
Nontaxable		1,231	1,512	1,751	468	487	520	520	1,995	509	497	497	497	2,001
Federal funds sold		331	565	139	11	20	27	7	66	7	7	7	7	30
Total interest income		24,449	26,424	24,126	5,853	5,912	6,269	6,298	24,332	6,430	6,567	8,114	8,894	30,005
Interest expense:														
Deposits		9,181	9,531	5,880	1,073	962	963	1,010	4,008	1,021	1,033	2,550	3,208	7,812
Securities sold under repurchase agreements,														
federal funds purchased and advances		259	74	62	13	17	15	15	61	15	15	15	15	60
Long-term debt		347	804	767	179	189	178	178	725	178	178	178	178	711
Total interest expense		9,787	10,409	6,709	1,266	1,169	1,156	1,202	4,793	1,214	1,226	2,743	3,401	8,584
Net interest income		14,662	16,015	17,417	4,587	4,744	5,113	5,096	19,539	5,216	5,341	5,371	5,493	21,421
Provision for loan losses		897	2,176	1,398	200	100	250	101	651	104	107	111	114	436
Net interest income after provision for loan losses		13,765	13,839	16,018	4,387	4,644	4,863	4,994	18,888	5,112	5,234	5,261	5,379	20,985
Noninterest income:														
Service charges on deposit accounts		3,235	3,534	4,707	1,208	1,336	1,343	1,411	5,296	1,426	1,430	1,433	1,436	5,725
Gains on sale of securities, net		16	189	156	(5)	93	10	-	98	-	-	-	-	-
Credit life insurance		272	246	271	51	50	33	50	185	50	51	51	51	203
Other charges and fees		1,060	1,464	1,787	459	551	603	563	2,177	569	575	583	591	2,318
Total noninterest income		4,583	5,433	6,921	1,713	2,029	1,990	2,024	7,756	2,046	2,055	2,067	2,079	8,246
Noninterest expenses:														
Salaries and employee benefits		6,830	7,300	8,103	2,078	2,120	2,175	2,331	8,705	2,410	2,430	2,449	2,469	9,758
Occupancy expense		3,261	3,424	3,709	906	965	976	1,003	3,851	1,035	1,040	1,045	1,050	4,171
Other		4,410	4,739	5,270	1,328	1,353	1,353	1,378	5,411	1,404	1,431	1,458	1,485	5,777
Total noninterest expense		14,502	15,463	17,082	4,312	4,438	4,504	4,713	17,967	4,850	4,901	4,952	5,004	19,707
Income before income taxes		3,846	3,809	5,857	1,788	2,234	2,349	2,305	8,677	2,308	2,388	2,375	2,454	9,525
Provision for income taxes		951	866	1,428	479	610	614	629	2,332	630	652	648	670	2,600
Net income	\$	2,895	\$ 2,943	\$ 4,429	\$ 1,310	\$ 1,624	\$ 1,735	\$ 1,676	\$ 6,344	\$ 1,678	\$ 1,736	\$ 1,727	\$ 1,784	\$ 6,925
Preferred dividends and other		246	53	-	-	-	-	-	-	-	-	-	-	-
Net income available to common stockholders	\$	2,649	\$ 2,890	\$ 4,429	\$ 1,310	\$ 1,624	\$ 1,735	\$ 1,676	\$ 6,344	\$ 1,678	\$ 1,736	\$ 1,727	\$ 1,784	\$ 6,925
Earnings per share - basic	\$	1.07	\$ 0.98	\$ 1.53	\$ 0.41	\$ 0.51	\$ 0.55	\$ 0.53	\$ 2.00	\$ 0.53	\$ 0.55	\$ 0.55	\$ 0.56	\$ 2.19
Earnings per share - diluted	\$	0.90	\$ 0.91	\$ 1.50	\$ 0.40	\$ 0.49	\$ 0.52	\$ 0.51	\$ 1.93	\$ 0.51	\$ 0.53	\$ 0.52	\$ 0.54	\$ 2.10
Weighted average shares - basic		2,736	2,947	3,171	3,171	3,179	3,174	3,166	3,173	3,166	3,166	3,166	3,166	3,166
Weighted average shares - diluted		3,215	3,244	3,242	3,242	3,299	3,326	3,301	3,292	3,303	3,304	3,305	3,304	3,304



**MIDSOUTH BANCORP, INC (MSL)**  
Annual and Quarterly Earnings

Annual and Quarterly Earnings				2003 E				2004 E						
	Period ended	2000 A	2001 A	2002 A	31-Mar A	30-Jun A	30-Sep A	31-Dec E	2003 E	31-Mar E	30-Jun E	30-Sep E	31-Dec E	2004 E
SELECTED COMMON-SIZE AMOUNTS														
Interest income:														
Loans, including fees		79.52%	77.73%	79.36%	80.88%	82.96%	82.43%	82.82%	82.29%	83.54%	84.23%	87.24%	88.36%	86.12%
Securities:														
Taxable		14.09%	14.41%	12.81%	10.94%	8.45%	8.29%	8.80%	9.24%	8.44%	8.08%	6.54%	5.97%	7.11%
Nontaxable		5.04%	5.72%	7.26%	7.99%	8.24%	8.29%	8.25%	8.20%	7.91%	7.57%	6.13%	5.59%	6.67%
Federal funds sold		1.36%	2.14%	0.58%	0.18%	0.35%	0.43%	0.12%	0.27%	0.12%	0.11%	0.09%	0.08%	0.10%
Total interest income		100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Interest expense:														
Deposits		37.55%	36.07%	24.37%	18.33%	16.27%	15.36%	16.03%	16.47%	15.88%	15.73%	31.43%	36.07%	26.04%
Securities sold under repurchase agreements, federal funds purchased and advances		1.06%	0.28%	0.26%	0.23%	0.29%	0.24%	0.24%	0.25%	0.24%	0.23%	0.19%	0.17%	0.20%
Long-term debt		1.42%	3.04%	3.18%	3.06%	3.20%	2.84%	2.82%	2.98%	2.77%	2.71%	2.19%	2.00%	2.37%
Total interest expense		40.03%	39.39%	27.81%	21.63%	19.77%	18.44%	19.09%	19.70%	18.88%	18.67%	33.80%	38.24%	28.61%
Net interest income		59.97%	60.61%	72.19%	78.37%	80.23%	81.56%	80.91%	80.30%	81.12%	81.33%	66.20%	61.76%	71.39%
Provision for loan losses		3.67%	8.24%	5.80%	3.42%	1.69%	3.99%	1.61%	2.68%	1.62%	1.64%	1.38%	1.28%	1.45%
Net interest income after provision for loan losses		56.30%	52.37%	66.39%	74.96%	78.54%	77.57%	79.30%	77.62%	79.50%	79.70%	64.83%	60.48%	69.94%
Total noninterest income		18.75%	20.56%	28.69%	29.27%	34.32%	31.74%	32.13%	31.87%	31.81%	31.30%	25.47%	23.37%	27.48%
Salaries and employee benefits		27.94%	27.63%	33.59%	35.50%	35.86%	34.70%	37.02%	35.77%	37.48%	37.00%	30.18%	27.76%	32.52%
Occupancy expense		13.34%	12.96%	15.37%	15.49%	16.32%	15.57%	15.93%	15.83%	16.10%	15.84%	12.88%	11.81%	13.90%
Other		18.04%	17.93%	21.84%	22.69%	22.88%	21.57%	21.88%	22.24%	21.84%	21.78%	17.96%	16.70%	19.25%
Income before income taxes		15.73%	14.42%	24.28%	30.56%	37.79%	37.47%	36.60%	35.66%	35.89%	36.37%	29.27%	27.59%	31.74%
Net income		11.84%	11.14%	18.36%	22.37%	27.47%	27.67%	26.61%	26.07%	26.09%	26.44%	21.28%	20.06%	23.08%
YEAR-TO-YEAR CHANGE														
Interest income:														
Loans, including fees		19.39%	5.65%	-6.78%	3.36%	2.68%	3.31%	8.99%	4.58%	13.47%	12.77%	36.98%	50.65%	29.05%
Securities:														
Taxable		5.12%	10.51%	-18.85%	-15.22%	-41.04%	-33.01%	-22.05%	-27.21%	-15.30%	6.22%	2.10%	-4.31%	-5.10%
Nontaxable		11.38%	22.82%	15.80%	10.76%	13.59%	16.98%	14.19%	13.92%	8.69%	2.08%	-4.31%	-4.31%	0.30%
Federal funds sold		-18.54%	70.46%	-75.39%	-79.51%	12.28%	-17.11%	-79.50%	-52.80%	-29.69%	-63.49%	-72.54%	0.00%	-54.56%
Total interest income		16.02%	8.08%	-8.70%	0.74%	-2.62%	0.22%	5.16%	0.86%	9.86%	11.07%	29.43%	41.22%	23.31%
Interest expense:														
Deposits		24.55%	3.81%	-38.30%	-33.44%	-34.64%	-34.22%	-24.20%	-31.84%	-4.83%	7.35%	164.77%	217.78%	94.92%
Securities sold under repurchase agreements, federal funds purchased and advances		2.18%	-71.59%	-15.51%	310.12%	-37.18%	-11.96%	4.96%	-2.29%	13.10%	-12.24%	0.00%	0.00%	-0.59%
Long-term debt		31.71%	131.99%	-4.67%	-5.66%	-4.08%	-3.54%	-8.74%	-5.53%	-0.89%	-6.14%	-0.07%	0.00%	-1.84%
Total interest expense		24.07%	6.35%	-35.54%	-29.89%	-31.12%	-30.59%	-21.97%	-28.56%	-4.08%	4.87%	137.24%	182.84%	79.08%
Net interest income		11.21%	9.23%	8.75%	14.55%	8.43%	11.41%	14.56%	12.19%	13.71%	12.60%	5.05%	7.80%	9.63%
Provision for loan losses		-1.09%	142.60%	-35.75%	-44.13%	-70.24%	-41.78%	-63.17%	-53.42%	-47.85%	7.41%	-55.76%	12.44%	-33.02%
Net interest income after provision for loan losses		12.12%	0.54%	15.75%	20.31%	14.98%	16.89%	19.69%	17.92%	16.52%	12.71%	8.18%	7.70%	11.10%
Total noninterest income		15.14%	18.54%	27.40%	14.01%	22.29%	8.89%	4.73%	12.05%	19.41%	1.29%	3.87%	2.72%	6.33%
Salaries and employee benefits		13.12%	6.88%	11.00%	7.35%	6.98%	4.70%	10.59%	7.42%	16.01%	14.58%	12.59%	5.89%	12.10%
Occupancy expense		14.40%	4.99%	8.34%	7.09%	4.58%	1.58%	2.51%	3.83%	14.25%	7.79%	7.10%	4.67%	8.32%
Other		14.50%	7.44%	11.21%	2.44%	4.67%	6.11%	-2.03%	2.68%	5.74%	5.74%	7.77%	7.77%	6.77%
Total noninterest expense		13.82%	6.63%	10.48%	5.74%	5.74%	4.42%	4.88%	5.18%	12.48%	10.41%	9.95%	6.18%	9.68%
Income before income taxes		9.34%	-0.96%	53.77%	66.97%	48.91%	40.28%	43.04%	48.13%	29.03%	6.90%	1.13%	6.45%	9.78%
Net income		9.24%	1.66%	50.49%	60.08%	49.38%	39.70%	30.72%	43.24%	28.10%	6.91%	-0.45%	6.45%	9.15%



## MIDSOUTH BANCORP, INC (MSL)

## Annual and Quarterly Balance Sheets

In thousands

In thousands	Period ended	2003 E						2004 E						
		31-Dec-00 A	31-Dec-01 A	31-Dec-02 A	31-Mar A	30-Jun A	30-Sep A	31-Dec E	31-Dec-03 E	31-Mar E	30-Jun E	30-Sep E	31-Dec E	31-Dec-04 E
<b>Assets</b>														
Cash and due from banks	\$	15,699	\$ 18,547	\$ 18,066	\$ 18,372	\$ 20,539	\$ 17,105	\$ 16,763	\$ 16,763	\$ 18,109	\$ 19,336	\$ 18,132	\$ 17,836	\$ 17,836
Federal funds sold		34,100	17,300	9,400	9,000	2,600	1,400	1,400	1,400	1,400	1,400	1,400	1,400	1,400
Total cash and cash equivalents		49,799	35,847	27,466	27,372	23,139	18,505	18,163	18,163	19,509	20,736	19,532	19,236	19,236
Interest-bearing deposits in banks		69	109	2	165	78	4	4	4	4	4	4	4	4
Securities available-for-sale at fair value		53,970	75,780	89,576	88,764	98,602	115,881	115,881	115,881	112,881	109,881	109,881	109,881	109,881
Securities held-to-maturity		23,611	23,585	23,398	23,398	23,398	23,397	23,397	23,397	23,397	23,397	23,397	23,397	23,397
Loans, net of allowance for loan losses		202,309	211,685	224,161	233,674	238,876	243,835	250,008	250,008	257,445	265,104	272,991	281,113	281,113
Accrued interest receivable		2,365	2,198	2,503	2,331	2,711	2,877	2,702	2,702	2,782	2,865	3,666	4,071	4,071
Premises and equipment, net		11,740	11,951	12,322	12,175	12,122	12,018	11,916	11,916	11,796	11,678	11,560	11,444	11,444
Other real estate owned, net		446	359	175	212	175	233	175	175	175	175	175	175	175
Goodwill, net		493	432	432	432	432	432	432	432	432	432	432	432	432
Other assets		1,573	1,833	2,653	2,431	2,709	2,898	2,898	2,898	2,898	2,898	2,898	2,898	2,898
Total assets	\$	346,373	\$ 363,780	\$ 382,687	\$ 390,955	\$ 402,240	\$ 419,880	\$ 425,576	\$ 425,576	\$ 431,320	\$ 437,170	\$ 444,536	\$ 452,650	\$ 452,650
<b>Liabilities and stockholders' equity</b>														
<b>Liabilities:</b>														
<b>Deposits:</b>														
Noninterest-bearing	\$	75,152	\$ 91,146	\$ 94,452	\$ 90,830	\$ 91,602	\$ 88,923	\$ 89,812	\$ 89,812	\$ 90,710	\$ 91,617	\$ 92,533	\$ 93,458	\$ 93,458
Interest-bearing		244,396	239,432	249,022	258,438	266,598	285,162	288,441	288,441	291,758	295,113	299,983	305,532	305,532
Total deposits		319,547	330,577	343,475	349,268	358,200	374,084	378,253	378,253	382,468	386,730	392,516	398,991	398,991
Securities sold under repurchase agreements		998	663	2,979	4,380	5,066	6,332	6,332	6,332	6,332	6,332	6,332	6,332	6,332
FHLB advances														
Junior Subordinated Debt			7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000
Accrued interest payable		1,007	1,057	705	493	612	403	407	407	412	417	424	431	431
Long-term notes payable		4,851	1,431	568	486	421	-	-	-	-	-	-	-	-
Other liabilities		308	424	842	1,159	1,042	1,073	1,073	1,073	1,073	1,073	1,073	1,073	1,073
Total liabilities		326,511	341,152	355,568	362,786	372,341	388,893	393,066	393,066	397,286	401,553	407,345	413,828	413,828
<b>Stockholders' equity:</b>														
Convertible preferred stock, \$14.25 par value		1,861												
Common stock, \$.10 par value		252	290	290	290	319	319	319	319	319	319	319	319	319
Additional paid-in-capital		11,148	12,973	12,998	12,998	18,582	18,575	18,575	18,575	18,575	18,575	18,575	18,575	18,575
Unearned ESOP shares		(185)	(150)	(109)	(98)	(91)	(87)	(82)	(82)	(77)	(71)	(66)	(61)	(61)
Unrealized gains (losses) on securities available-for-sale, net of deferred taxes		85	470	1,192	1,068	1,402	953	953	953	953	953	953	953	953
Treasury stock						(91)	(91)	(91)	(91)	(91)	(91)	(91)	(91)	(91)
Retained earnings		6,702	9,044	12,748	13,913	9,778	11,319	12,836	12,836	14,355	15,934	17,502	19,128	19,128
Total stockholders' equity		19,862	22,628	27,119	28,170	29,900	30,987	32,510	32,510	34,034	35,618	37,191	38,822	38,822
Total liabilities and stockholders' equity	\$	346,373	\$ 363,780	\$ 382,687	\$ 390,955	\$ 402,240	\$ 419,880	\$ 425,576	\$ 425,576	\$ 431,320	\$ 437,170	\$ 444,536	\$ 452,650	\$ 452,650



## MIDSOUTH BANCORP, INC (MSL)

## Annual and Quarterly Balance Sheets

Annual and Quarterly Balance Sheets				2003 E					2004 E					
	Period ended	31-Dec-00 A	31-Dec-01 A	31-Dec-02 A	31-Mar A	30-Jun A	30-Sep A	31-Dec E	31-Dec-03 E	31-Mar E	30-Jun E	30-Sep E	31-Dec E	31-Dec-04 E
SELECTED COMMON-SIZE AMOUNTS (as a % of total interest income)														
Total cash and cash equivalents		203.68%	135.66%	113.85%	467.67%	391.36%	295.19%	288.39%	74.65%	303.40%	315.77%	240.72%	216.28%	64.11%
Interest-bearing deposits in banks		0.28%	0.41%	0.01%	2.82%	1.33%	0.06%	0.06%	0.02%	0.06%	0.06%	0.05%	0.04%	0.01%
Securities available-for-sale at fair value		220.74%	286.79%	371.29%	1516.58%	1667.70%	1848.50%	1839.92%	476.24%	363.86%	356.29%	288.36%	263.07%	77.98%
Securities held-to-maturity		96.57%	89.26%	96.98%	399.78%	395.73%	373.22%	371.49%	96.16%	363.86%	356.29%	288.36%	263.07%	77.98%
Loans, net of allowance for loan losses		827.47%	801.11%	929.13%	3992.44%	4040.22%	3889.57%	3969.54%	1027.47%	4003.69%	4037.00%	3364.47%	3160.71%	936.89%
Accrued interest receivable		9.67%	8.32%	10.37%	39.82%	45.85%	42.70%	42.90%	11.10%	43.27%	43.63%	45.19%	45.77%	13.57%
Premises and equipment, net		48.02%	45.23%	51.07%	208.02%	205.02%	191.71%	189.20%	48.97%	183.45%	177.83%	142.47%	128.67%	38.14%
Other real estate owned, net		1.82%	1.36%	0.72%	3.63%	2.96%	3.72%	2.78%	0.72%	2.72%	2.66%	2.15%	1.97%	0.58%
Noninterest-bearing deposits		307.38%	344.94%	391.50%	1551.88%	1549.30%	1418.46%	1426.00%	369.10%	1410.68%	1395.14%	1140.42%	1050.81%	311.48%
Interest-bearing deposits		999.61%	906.11%	1032.18%	4415.54%	4509.10%	4548.80%	4579.77%	1185.42%	4537.31%	4493.97%	3697.13%	3435.27%	1018.27%
Securities sold under repurchase agreements		4.08%	2.51%	12.35%	74.83%	85.69%	101.01%	100.54%	26.02%	98.48%	96.43%	78.04%	71.20%	21.10%
Accrued interest payable		4.12%	4.00%	2.92%	8.43%	10.35%	6.42%	6.47%	1.67%	6.41%	6.35%	5.22%	4.85%	1.44%

## SELECTED COMMON-SIZE AMOUNTS (as a % of total assets)

Total cash and cash equivalents	14.38%	9.85%	7.18%	7.00%	5.75%	4.41%	4.27%	4.27%	4.52%	4.74%	4.39%	4.25%	4.25%
Interest-bearing deposits in banks	0.02%	0.03%	0.00%	0.04%	0.02%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Securities available-for-sale at fair value	15.58%	20.83%	23.41%	22.70%	24.51%	27.60%	27.23%	27.23%	5.42%	5.35%	5.26%	5.17%	5.17%
Securities held-to-maturity	6.82%	6.48%	6.11%	5.98%	5.82%	5.57%	5.50%	5.50%	5.42%	5.35%	5.26%	5.17%	5.17%
Loans, net of allowance for loan losses	58.41%	58.19%	58.58%	59.77%	59.39%	58.07%	58.75%	58.75%	59.69%	60.64%	61.41%	62.10%	62.10%
Accrued interest receivable	0.68%	0.60%	0.65%	0.60%	0.67%	0.64%	0.63%	0.63%	0.65%	0.66%	0.82%	0.90%	0.90%
Premises and equipment, net	3.39%	3.29%	3.22%	3.11%	3.01%	2.86%	2.80%	2.80%	2.73%	2.67%	2.60%	2.53%	2.53%
Other real estate owned, net	0.13%	0.10%	0.05%	0.05%	0.04%	0.06%	0.04%	0.04%	0.04%	0.04%	0.04%	0.04%	0.04%
Goodwill, net	0.14%	0.12%	0.11%	0.11%	0.11%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%
Other assets	0.45%	0.50%	0.69%	0.62%	0.67%	0.69%	0.68%	0.68%	0.67%	0.66%	0.65%	0.64%	0.64%
Noninterest-bearing deposits	21.70%	25.06%	24.68%	23.23%	22.77%	21.18%	21.10%	21.10%	21.03%	20.96%	20.82%	20.65%	20.65%
Interest-bearing deposits	70.56%	65.82%	65.07%	66.10%	66.28%	67.91%	67.78%	67.78%	67.64%	67.51%	67.48%	67.50%	67.50%
Securities sold under repurchase agreements	0.29%	0.18%	0.78%	1.12%	1.26%	1.51%	1.49%	1.49%	1.47%	1.42%	1.40%	1.40%	1.40%
Accrued interest payable	0.29%	0.29%	0.18%	0.13%	0.15%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%	0.10%
Long-term notes payable	1.34%	0.39%	0.15%	0.12%	0.10%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Other liabilities	0.09%	0.12%	0.22%	0.30%	0.26%	0.26%	0.25%	0.25%	0.25%	0.25%	0.24%	0.24%	0.24%
Total liabilities	94.27%	93.78%	92.91%	92.79%	92.57%	92.62%	92.36%	92.36%	92.11%	91.85%	91.63%	91.42%	91.42%
Convertible preferred stock, \$14.25 par value	0.54%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Total common stockholders' equity	5.20%	6.22%	7.09%	7.21%	7.43%	7.38%	7.64%	7.64%	7.89%	8.15%	8.37%	8.58%	8.58%

## QUARTER-TO-QUARTER CHANGE

Total cash and cash equivalents	-0.34%	-15.46%	-20.03%	-1.85%					7.41%	6.29%	-5.81%	-1.51%
Interest-bearing deposits in banks	9660.09%	-52.56%	-95.20%	0.00%					0.00%	0.00%	0.00%	0.00%
Securities available-for-sale at fair value	-0.91%	11.08%	17.52%	0.00%					0.00%	0.00%	0.00%	0.00%
Securities held-to-maturity	0.00%	0.00%	0.00%	0.00%					0.00%	0.00%	0.00%	0.00%
Loans, net of allowance for loan losses	4.24%	2.23%	2.08%	2.53%					2.98%	2.97%	2.98%	2.98%
Accrued interest receivable	-6.87%	16.29%	-1.25%	0.95%					2.98%	2.97%	27.97%	11.02%
Noninterest-bearing deposits	-3.83%	0.85%	-2.92%	1.00%					1.00%	1.00%	1.00%	1.00%
Interest-bearing deposits	3.78%	3.16%	6.96%	1.15%					1.15%	1.15%	1.65%	1.85%
Total deposits	1.69%	2.56%	4.43%	1.11%					1.11%	1.11%	1.50%	1.65%

## YEAR-TO-YEAR CHANGE

Total cash and cash equivalents	243.73%	-28.02%	-23.38%	4.98%	-19.12%	-14.37%	-33.87%	-33.87%	-28.73%	-10.38%	5.54%	5.90%	5.90%
Interest-bearing deposits in banks	-80.71%	59.00%	-98.45%	-41.05%	-54.58%	-56.54%	122.37%	122.37%	-97.72%	-95.20%	0.00%	0.00%	0.00%
Securities available-for-sale at fair value	-3.09%	40.41%	18.20%	12.15%	19.63%	34.00%	29.37%	29.37%	0.00%	0.00%	0.00%	0.00%	0.00%
Securities held-to-maturity	10.91%	-0.11%	-0.79%	-0.79%	-0.79%	-0.79%	-0.01%	-0.01%	0.00%	0.00%	0.00%	0.00%	0.00%
Loans, net of allowance for loan losses	20.06%	4.63%	5.89%	8.91%	5.13%	5.06%	11.53%	11.53%	10.17%	10.98%	11.96%	12.44%	12.44%
Premises and equipment, net	3.27%	1.80%	3.10%	-0.37%	-2.49%	-3.96%	-3.29%	-3.29%	-3.11%	-3.66%	-3.81%	-3.96%	-3.96%
Other real estate owned, net	-21.74%	-19.44%	-51.35%	95.35%	60.73%	-17.79%	0.00%	0.00%	-17.72%	0.00%	-25.01%	0.00%	0.00%
Total deposits	26.96%	3.45%	3.90%	7.50%	4.80%	9.18%	10.13%	10.13%	9.51%	7.96%	4.93%	5.48%	5.48%
Securities sold under repurchase agreements	64.46%	-33.53%	349.25%	40.22%	37.00%	70.02%	112.58%	112.58%	44.58%	24.99%	0.00%	0.00%	0.00%
Long-term notes payable	34.46%	-69.23%	-60.31%	-55.78%	-52.05%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total stockholders' equity	17.35%	13.92%	19.85%	22.26%	20.31%	17.69%	19.88%	19.88%	20.82%	19.12%	20.02%	19.41%	19.41%





**MIDSOUTH BANCORP, INC (MSL)**  
**Annual and Quarterly Statements of Cash Flows**  
 In thousands

In thousands	Period ended	2003 E							2004 E																	
		2000 A	2001 A	2002 A	31-Mar A	30-Jun A	30-Sep A	31-Dec E	2003 E	31-Mar E	30-Jun E	30-Sep E	31-Dec E	2004 E												
Cash Flows From Operating Activities:																										
Net income	\$	2,895	\$	2,943	\$	4,429	\$	1,310	\$	1,624	\$	1,735	\$	1,676	6,344	\$	1,678	\$	1,736	\$	1,727	\$	1,784	\$	6,925	
Adjustments:																										
Depreciation and amortization		1,371		1,310		1,366		371		380		376		380	1,508		380		380		380		380		1,521	
Provision for loan losses		897		2,176		1,398		200		100		250		101	651		104		107		111		114		436	
Provision for and losses on other real estate owned		104		93		8						(6)			(6)											
Deferred income taxes		(17)		(70)		14		(81)		(2)		(2)			(84)											
Amortization of premiums on securities, net		80		205		517		231		313		334			878											
Loss (gain) on sale of securities and other assets		(16)		(189)		(156)		5		(114)		(4)			(113)											
Change in accrued interest receivable		(446)		168		(305)		159		(367)		34		(25)	(199)		(80)		(83)		(801)		(404)		(1,369)	
Change in accrued interest payable		292		50		(352)		(212)		119		(209)		5	(298)		5		5		7		8		24	
Other, net		(206)		62		(222)		643		(412)		11		5	247		5		5		5		5		20	
Net cash provided by operating activities		4,955		6,747		6,697		2,627		1,642		2,518		2,142	8,929		2,092		2,151		1,428		1,887		7,558	
Cash Flows From Investing Activities:																										
Net decrease (increase) in interest bearing deposits in banks		287		(41)		108		(164)		87		75			(2)											
Net purchases of available for sale securities		3,224		(21,246)		(13,062)		458		(9,621)		(18,282)			(27,444)		3,000		3,000						6,000	
Net purchases of held-to-maturity securities		(2,326)		25		185																				
Loan originations, net of repayments		(34,882)		(11,676)		(8,460)		(9,740)		(5,294)		(5,263)		(6,274)	(26,572)		(7,542)		(7,766)		(7,997)		(8,235)		(31,541)	
Purchases of premises and equipment, net		(1,682)		(1,506)		(1,745)		(196)		(308)		(296)		(278)	(1,078)		(261)		(262)		(263)		(264)		(1,049)	
Proceeds from sales of other real estate owned		197		117		417				44		39.61		58.30	142											
Net cash received from acquisition						5,882																				
Other, net				9		2																				
Net Cash (Used in) Provided By Investing Activities		(35,181)		(34,317)		(16,674)		(9,641)		(15,093)		(23,727)		(6,494)	(54,955)		(4,803)		(5,028)		(8,260)		(8,500)		(26,591)	
Cash Flows From Financing Activities:																										
Net (decrease) increase in deposits		67,857		11,030		723		5,793		8,932		15,884		4,169	34,778		4,215		4,262		5,786		6,475		20,738	
Net increase (decrease) in repurchase agreements		391		(335)		2,316		1,355		733		1,266			3,354											
Proceeds from (repayments of) FHLB advances, net		(3,000)		(176)																						
Issuance of notes payable				20		700																				
Proceeds from junior subordinated debentures, net		1,525		6,774																						
Repayments of notes payable		(333)		(3,064)		(1,563)		(82)		(65)		(421)			(568)											
Proceeds from issuance of common stock				34																						
Purchase of treasury stock										(91)					(91)											
Payment of cash for fractional shares												(10)			(10)											
Payment of dividends on common and preferred stock		(638)		(614)		(580)		(145)		(290)		(145)		(158)	(738)		(158)		(158)		(158)		(158)		(633)	
Redemption of preferred stock		(264)		(50)																						
Net cash (used in) provided by financing activities		65,537		13,619		1,595		6,920		9,218		16,575		4,010	36,724		4,057		4,104		5,627		6,317		20,105	
Net (decrease) increase in cash and cash equivalents		35,311		(13,951)		(8,381)		(94)		(4,233)		(4,634)		(342)	(9,303)		1,346		1,227		(1,205)		(296)		1,072	
Cash and cash equivalents - beginning		14,488		49,799		35,847		27,466		27,372		27,466		18,505	27,466		18,163		19,509		20,736		19,532		18,163	
Cash and cash equivalents -ending		49,799		35,847		27,466		27,372		23,139		18,505		18,163	18,163		19,509		20,736		19,532		19,236		19,236	
Operating cash flow per share																										
excluding working capital changes	\$	1.65	\$	1.99	\$	2.34	\$	0.63	\$	0.70	\$	0.81	\$	0.65	\$	2.79	\$	0.65	\$	0.67	\$	0.67	\$	0.69	\$	2.69
Operating cash flow per share																										
including working capital changes	\$	1.54	\$	2.08	\$	2.07	\$	0.81	\$	0.50	\$	0.76	\$	0.65	\$	2.71	\$	0.63	\$	0.65	\$	0.43	\$	0.57	\$	2.29



**MIDSOUTH BANCORP, INC (MSL)**

**Ratios**

	2000 A	2001 A	2002 A	2003 E				2003 E	2004 E				
				31-Mar A	30-Jun A	30-Sep A	31-Dec E		31-Mar E	30-Jun E	30-Sep E	31-Dec E	2004 E
Performance Measurements													
Gross interest as a % of interest-bearing assets	8.72%	8.23%	7.15%	1.67%	1.65%	1.68%	1.62%	6.60%	1.64%	1.65%	2.01%	2.16%	7.44%
Net interest as a % of interest bearing assets	5.23%	4.99%	5.16%	1.31%	1.32%	1.37%	1.31%	5.30%	1.33%	1.34%	1.33%	1.33%	5.31%
Loan interest rate	10.49%	9.91%	8.59%	2.07%	2.08%	2.14%	2.11%	8.40%	2.12%	2.12%	2.63%	2.84%	9.74%
Securities interest rate	6.05%	5.47%	4.56%	0.98%	0.84%	0.82%	0.77%	3.40%	0.76%	0.76%	0.77%	0.77%	3.07%
Federal funds interest rate	1.89%	5.11%	1.37%	0.12%	0.35%	1.36%	0.53%	1.43%	0.53%	0.53%	0.53%	0.53%	2.13%
Interest expense on deposits as a % of deposits	3.76%	4.03%	2.33%	0.42%	0.37%	0.35%	0.35%	1.49%	0.35%	0.35%	0.86%	1.06%	2.64%
Other interest expense as a % of related debt	10.73%	9.30%	7.51%	1.72%	1.70%	1.50%	1.45%	6.33%	1.45%	1.45%	1.45%	1.45%	5.79%
Efficiency Ratio	75.4%	72.1%	70.2%	68.4%	65.5%	63.4%	66.2%	65.8%	66.8%	66.3%	66.6%	66.1%	66.4%
Provision for loan losses ratio	0.48%	1.05%	0.64%	0.09%	0.04%	0.10%	0.04%	0.27%	0.04%	0.04%	0.04%	0.04%	0.16%
Loans to Deposits ratio	63.3%	64.0%	65.3%	66.9%	66.7%	65.2%	66.1%	66.1%	67.3%	68.6%	69.5%	70.5%	70.5%
Earning assets to interest-bearing liabilities	126.10%	136.37%	138.84%	137.11%	136.15%	134.84%	135.45%	135.45%	135.43%	135.47%	135.90%	136.09%	136.09%
Non-interest expense to deposits	4.65%	4.45%	4.57%	1.11%	1.12%	1.10%	1.11%	4.44%	1.13%	1.13%	1.12%	1.12%	4.50%
Non-interest revenue to deposits	2.1%	2.3%	2.7%	0.7%	0.8%	0.7%	0.7%	2.9%	0.7%	0.7%	0.7%	0.7%	2.8%
Equity to Assets Ratio	5.9%	6.0%	6.7%	7.1%	7.3%	7.4%	7.5%	7.4%	7.8%	8.0%	8.3%	8.5%	8.1%
Financial Risk (Leverage) Ratios													
Total debt/equity ratio	16.44	15.08	13.11	12.88	12.45	12.55	12.09	12.09	11.67	11.27	10.95	10.66	10.66
Total LT debt/equity ratio	0.23	0.06	0.02	0.02	0.01	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total debt ratio	0.94	0.94	0.93	0.93	0.93	0.93	0.92	0.92	0.92	0.92	0.92	0.91	0.91
Profitability/Valuation Measures													
Gross profit margin	59.97%	60.61%	72.19%	78.37%	80.23%	81.56%	80.91%	80.30%	81.12%	81.33%	66.20%	61.76%	71.39%
Earnings per share (diluted)	\$ 0.90	\$ 0.91	\$ 1.50	\$ 0.40	\$ 0.49	\$ 0.52	\$ 0.51	\$ 1.93	\$ 0.51	\$ 0.53	\$ 0.52	\$ 0.54	\$ 2.10
Book value per share	\$ 7.26	\$ 7.68	\$ 8.55	\$ 8.88	\$ 9.40	\$ 9.79	\$ 10.27	\$ 10.27	\$ 10.75	\$ 11.25	\$ 11.75	\$ 12.26	\$ 12.26
Return on assets	0.93%	0.83%	1.19%	0.34%	0.41%	0.42%	0.40%	1.57%	0.39%	0.40%	0.39%	0.40%	1.58%
Return on equity	15.74%	13.85%	17.81%	4.74%	5.59%	5.70%	5.28%	21.28%	5.04%	4.99%	4.74%	4.69%	19.42%
Dividend payout ratio	22.05%	20.86%	13.10%	11.08%	17.85%	8.35%	9.45%	11.64%	9.44%	9.12%	9.17%	8.87%	9.14%
Dividend as a share of stockholders equity	3.21%	2.71%	2.14%	0.51%	0.97%	0.47%	0.49%	2.27%	0.47%	0.44%	0.43%	0.41%	1.63%
Income tax rate	36.37%	37.70%	34.78%	36.26%	34.92%	33.58%	35.25%	34.91%	35.02%	34.48%	34.53%	34.24%	34.56%

## BURKENROAD REPORTS RATING SYSTEM

**Market Outperform.** This rating indicates that we believe forces are in place that would enable this company's stock to produce returns in excess of the stock market averages over the next 12 months.

**Market Perform.** This rating indicates that we believe the investment returns from this company's stock will be in line with those produced by the stock market averages over the next 12 months.

**Market Underperform.** This rating indicates that while this investment may have positive attributes, we believe an investment in this company will produce subpar returns over the next 12 months.

## BURKENROAD REPORTS METHODOLOGY

CFPS is calculated using operating cash flows excluding working capital changes. For companies covered in the spring, we used estimates available from public available data sources.

All amounts are as of the date of the report as reported by Bloomberg or Yahoo Finance unless otherwise noted. Betas are collected from Bloomberg.

Enterprise value is based on the equity market cap. as of Dec 31, 2003 adjusted for long-term debt, cash and short-term investments reported on the most recent quarterly report dated September 30, 2003.

12-month stock performance is calculated using an ending price as of Dec 31, 2003.

## COMPANIES

Allied Holdings Inc. (AHI)  
Britton & Koontz (BKBK)  
Callon Petroleum Co. (CPE)  
Carbo Ceramics Inc. (CRR)  
Cleco Corp. (CNL)  
Conrad Industries Inc. (CNRD)  
Craftmade International Inc. (CRFT)  
EastGroup Properties Inc. (EGP)  
Energy Partners Ltd. (EPL)  
EnergySouth Inc. (ENSI)  
Golden Enterprises Inc. (GLDC)  
Goodrich Petroleum Corp. (GDP)  
Gulf Island Fabrication Inc. (GIFI)  
Hibbett Sporting Goods Inc. (HIBB)  
HydriL Co. (HYDL)  
IBERIABANK Corp. (IBKC)  
Input/Output Inc. (IO)  
Kirby Corp. (KEX)  
Lamar Advertising Co. (LAMR)  
Marine Products Corp. (MPX)  
McMoRan Exploration Co. (MMR)  
MidSouth Bancorp Inc. (MSL)

Newpark Resources Inc. (NR)  
Offshore Logistics Inc. (OLG)  
OMNI Energy Services Corp. (OMNI)  
Parkway Properties Inc. (PKY)  
PetroQuest Energy Inc. (PQUE)  
Powell Industries Inc. (POWL)  
Riviana Foods Inc. (RVFD)  
Rollins Inc. (ROL)  
RPC Inc. (RES)  
Russell Corp. (RML)  
Sanderson Farms Inc. (SAFM)  
SCP Pool Corp. (POOL)  
SEACOR SMIT Inc. (CKH)  
Shaw Group Inc. (SGR)  
Sizeler Property Investors Inc. (SIZ)  
Stewart Enterprises Inc. (STEI)  
Superior Energy Services Inc. (SPN)  
Team Inc. (TMI)  
Teche Holdings Co. (TSH)  
Torch Offshore Inc. (TORC)  
Trico Marine Services Inc. (TMAR)  
Tuesday Morning Corp. (TUES)

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